

Bundle Finance Committee 24 July 2020

4.3

Contracts Value for Money Framework

Presenters: Shaun Ayres and Simon Shelton

2 5 SBAR SLA VFM Approach July 2020.docx

2 5 Appendix 1 SLA VFM Financial Procedure.docx

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	24 July 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Service Level Agreements - Value for Money Framework and Standard Operating Procedure for 2020/21
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICERS:	Shaun Ayres, Assistant Director of Value Based Contracting and Simon Shelton, Senior Contracting Business Partner

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

This briefing paper serves to highlight the approach to be adopted with regard to Value for Money (VfM) Reviews of Hywel Dda University Health Board's (HDdUHB) Service Level Agreements (SLAs)

The paper highlights the need for VfM Reviews of the Health Board's (HB) SLAs, and is intended will serve as a Financial Procedure to facilitate VfM Reviews.

Cefndir / Background

The HB has a SLA portfolio of 487 contracts currently recorded within its Contracts Register. The contracts consist of:

Contract Type	Contract Count:
LTA Expenditure	19
Continuing Healthcare, Funded Nursing Care, Care Homes	354
Primary Care Contracts (non-General Medical Service)	41
Miscellaneous: Community, Third Sector, Charitable Entity Contracts etc.	73

The 2019 Contracting Internal Audit Report sought to establish that:

- A consistent approach is taken by the HB in establishing contracts;
- Budgets and forecasts are prepared, based on contracts and expected income;
- There is effective management control of contract performance; and

- There are appropriate reporting arrangements in place to ensure contract management issues and performance are reported to the HB.

The Audit Report identified that only limited assurance could be provided to the Board, and highlighted the following potential risks:

- Contracts are put in place that do not meet the needs of the HB or service users; and
- Services are not delivered within budget, to the required level and/ or quality.

The audit further identified that 66 of the contracts recorded have no contract documentation and 44 have no recorded value (£) of the SLA in question.

Recognising that VfM is one of the key considerations in any decision involving the use of public funds, and in accordance with the actions highlighted within the Contracting Internal Audit, the Healthcare Contracts Team and HDdUHB colleagues are progressing the collation of SLA information and documentation. The Healthcare Contracts Team is seeking to undertake VfM reviews across the whole SLA contract portfolio, in accordance with the process set out in the Financial Procedure attached at Appendix 1.

It is noteworthy that a key component of value, or added value, within NHS contracting in recent times is contracting for outcomes ('outcomes-based contracting'). The 'value' in value-based healthcare contracting is derived from measuring health outcomes against the cost of delivering these outcomes. The VfM framework is essential to the implementation of such a contracting mechanism, in terms of enabling a thorough understanding and assessment of HB contracts.

Asesiad / Assessment

In the presentation received by Finance Committee at its meeting held in June 2019, SLAs were highlighted and identified as an area for review, following an evaluation of Long Term Agreements (LTAs).

- Whilst the systems and processes put in place around the LTAs can provide assurance to both the Finance Committee and Board, the requisite assurance cannot currently be provided for SLAs.
- Based on the Contracting Internal Audit Report, the VfM Framework will provide the necessary rigour and process to ensure that assurance around SLAs can be provided. In turn, the VfM framework will deliver a consistent approach to contracting and decision-making across HDdUHB.

Argymhelliad / Recommendation

The Committee is asked to approve the Financial Procedure to facilitate VfM reviews.

Amcanion: (rhaid cwblhau)
Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	4.4 Regularly review contracts with key delivery partners. 5.5.9 Commissioning regular reviews of key contracts, suppliers and partners to ensure they continue to deliver value for money.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Risk 856 - Risk to delivery of the Financial Plan for 2020/21
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	Governance, Leadership and Accountability
Amcanion Strategol y BIP: UHB Strategic Objectives:	4. Improve the productivity and quality of our services using the principles of prudent health care and the opportunities to innovate and work with partners.
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Not Applicable

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	2019 Contracting Internal Audit Report HDdUHB Contracts Register
Rhestr Termau: Glossary of Terms:	Included within the main body of the report
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Cyllid: Parties / Committees consulted prior to Finance Committee:	N/A

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	N/A until VfM reviews have been completed
Ansawdd / Gofal Claf: Quality / Patient Care:	N/A until VfM reviews have been completed
Gweithlu: Workforce:	N/A
Risg: Risk:	N/A
Cyfreithiol: Legal:	N/A

Enw Da: Reputational:	N/A
Gyfrinachedd: Privacy:	N/A
Cydraddoldeb: Equality:	Equality not altered (EQIA not required until VfM reviews are completed)



Financial Procedure Value for Money – Service Level Agreements

Procedure Number:	0xx	Supersedes:		Classification	Financial	
Version No:	Date of EqIA:	Approved by:		Date Approved:	Date made active:	Review Date:
1		Finance Committee				

Brief Summary of Document:	This document is designed to provide a clear process to be followed in relation to Value for Money (VfM) Reviews concerning Health Board Service Level Agreements (SLAs).
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Scope	Hywel Dda University Health Board-wide
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To be read in conjunction with:	Standing Orders. Standing Financial Instructions. Healthcare Contracting Framework, Opportunities Framework.
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Owning group	Healthcare Contracting Team (Finance)
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HYWEL DDA UNIVERSITY HEALTH BOARD

Reviews and updates		
Version no:	Summary of Amendments:	Date Approved:
1	New Procedure	

Glossary of terms

Term	Definition
VfM	Value for Money
SLA	Service Level Agreements

Keywords	Financial procedures
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HYWEL DDA UNIVERSITY HEALTH BOARD

1. INTRODUCTION

'Value for Money' (VfM) is one of the key considerations in any decision involving the use of public funds.

The concept of VfM has been central to health policy and the delivery of healthcare for some time. The concept of VfM in itself is relatively straightforward: it represents the ratio of a measure of the valued health system outputs to the associated expenditure, and is widely considered to be the correct approach within the NHS. The main reason for an interest in VfM relates to accountability - to reassure the Health Board (HB), and indeed taxpayers, that NHS money is being spent wisely, and to reassure patients that their 'claims' on the health system are being treated fairly and consistently.

2. AIM

This Operating Procedure/ Framework is intended primarily for use by the HB to aid analysis and decision-making concerning the numerous Service Level Agreements (SLAs) held by the organisation with (including but not limited to): other Welsh Health Boards, Community Providers, Voluntary Sector Providers, other Tertiary providers. It may also be a useful resource when considering future investments and business proposals.

3. OBJECTIVES

To ensure financial probity and ensure VfM is embedded into the HB's management of its SLAs.

4. CONSIDERATIONS PRIOR TO THE VFM REVIEW

The two fundamental economic concepts underlying VfM are allocative efficiency and technical efficiency:

- **Allocative Efficiency** – finding different ways of achieving desired outcomes by transforming services to achieve those outcomes at marginal cost;
- **Technical efficiency** – Indicates the extent to which the HB is securing minimum cost for maximum quality in delivering its agreed outputs. The prime focus for technical efficiency lies in operational performance assessment and the extent to which resources are not being delivered effectively and/ or are under-utilised.

Technical efficiency will form the main focus when assessing VfM elements of SLAs. However, any assessment should also incorporate allocative efficiency where possible, particularly in the analysis of new investment by the HB.

In the majority of cases VfM is primarily determined by how economical the purchase of inputs/services is, how efficiently those inputs are converted into outputs, and how effectively those outputs achieve desired outcomes.

The following diagrams provide an illustration of both the framework process applicable to SLA proposals and SLA conceptions, and the drivers of VfM. It is important to gather and understand information according to the process prior to undertaking the VfM review process

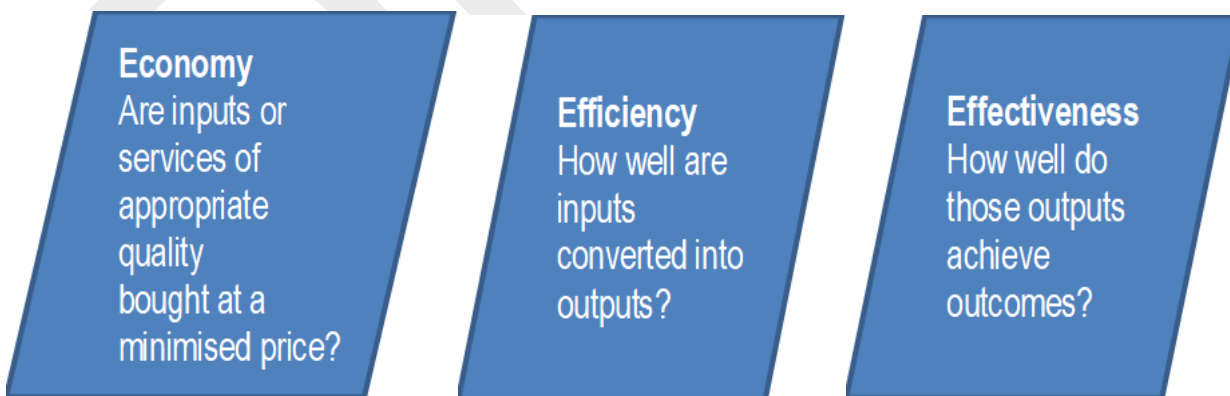
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Figure 1: Logic Map of a Proposal with Example:



Stage of Logic Map	Example
Context refers to the problems the proposal/ SLA aims to address	Hospital at Home SLA
Inputs refers to the resources required to deliver the SLA. It typically includes areas such as staff, consultants, consumables, estates, etc	Direct staffing costs, any drugs and devices costs, associated consumables, etc.
Outputs refers to the tangible deliverables of the SLA – for example, activity/ patients seen, number of scans/ tests.	50 people per-month are seen and treated through the Hospital at Home pathway.
Outcomes refers to the short- and medium-term outputs of the SLA which may affect value.	Unnecessary admissions are prevented, early supported discharge is facilitated. Saving £x in avoided admissions.
Impacts refers to the longer term impact of the SLA on the well-being of the public/ patients. It is the wider public value attributable to the SLA.	Health and Well Being is improved across the population in particular with regard to frail and elderly groups. Reduction in social and health inequalities.

Figure 2: Drivers of Value for Money:



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5. UNDERSTANDING and EMBARKING UPON THE VFM ASSESSMENT

The next stage is to assess the SLA (or proposal) against a Vfm assessment.

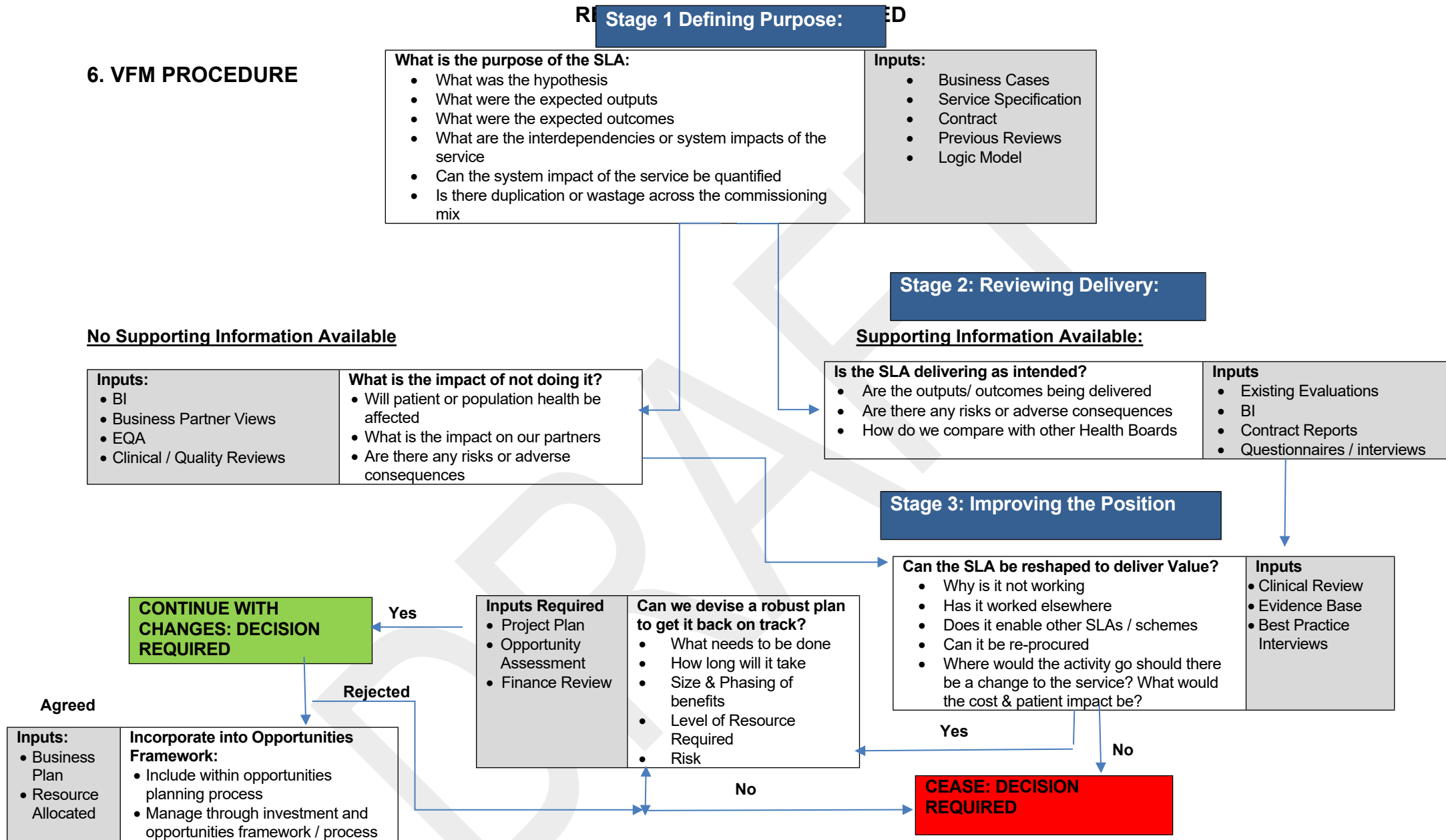
In undertaking any Vfm analysis, it is essential to fully understand the purpose and delivery of the SLA under scrutiny.

A further fundamental decision is whether to seek out a full and comprehensive measure of the cost effectiveness of the entire SLA (ie. take time to collate full information, even when it is not initially or readily available), or to rely on partial indicators of some aspects of Vfm. In the latter case, incompleteness can take two forms: omission of some aspects of the SLA from resources/ inputs to valued outcomes (for example, no healthcare outcome data). Conversely, there can be an omission of some of the functions of the service such as Inpatient Activities (multiple points of entry).

The following approach (overleaf) sets out the process and approach for assessing SLAs and VFM. Whilst the approach is designed with regard to SLAs, it can be adapted to assess new proposals or investment(s), including business plan opportunities.

The approach is intended to be undertaken for all SLAs. This will ensure a consistent approach across the HB in respect of outcomes, quality and cost effectiveness. Moreover, it will aid the decision-making process when looking at short, medium and long-term commissioning arrangements.

6. VFM PROCEDURE



RESTRICTED UNTIL APPROVED

7. PROCEDURES – DOCUMENT THE OUTCOME OF THE REVIEW

The approach above is to be utilised, information collated and summarily documented by completing the following assessments for evidential purposes and to ultimately inform the final decision:

Contract Review Diagnostic to Inform Contract Outcomes/ Decision Making:

i. Contract Outcomes

Do the contracted outcomes contribute to the achievement of requirements and national standards and/ or one or more of the Following Objectives for Hywel Dda University Health Board (HDdUHB)?

1. We will provide care closer to home;
2. We will focus on quality, safety and improving outcomes;
3. We will ensure we have a flexible, skilled and motivated workforce;
4. We will promote health and wellbeing and invest in prevention;
5. We will eliminate waste, duplication and ensure Value for Money.

Yes No TBC Insufficient evidence currently available (circle one)

ii. Quality & Key Performance Indicators (KPIs)

Overall, have the Quality and KPIs and thresholds, as incorporated in the contract, been met? Effectively, is the "what was contracted" being delivered?

Yes No TBC Insufficient evidence currently available (circle one)

iii. VFM/ Prevention Effectiveness

Is there compelling evidence to demonstrate that the expenditure represents value for money, that the service's output is efficient in relation to its contract value and or/ is effective in establishing patient and prevention health outcomes?

Yes No TBC Insufficient evidence currently available (circle one)

iv. Quality Assurance

Is there overall evidence of satisfactory quality assurance plus quality outcomes and no outstanding, material quality issues or concerns?

Yes No TBC Insufficient evidence currently available (circle one)

v. Integration / Duplication Elimination Opportunities

Are there opportunities to integrate/ consolidate pathways and contractual provision to eliminate potential duplication? I.e. Does the service duplicate provision elsewhere eg. Wellbeing services in acute and community provision?

Yes No TBC Insufficient evidence currently available (circle one)

Develop an Action Plan and Document the Financial Impact:

The additional questions are required where the HB does not wish to continue the current arrangement.

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vi. Action Plan

As a result of the overall review, has an action plan been formulated?

Yes (detailed plans) **Yes (outlined plans)** **No** **(circle one)**

vii. Additional System Savings

Does the action plan quantify any additional system savings relating to this particular contract, over and above those already identified within current savings schemes/ opportunities framework?

Action plan to specify any projected overall increased system cost savings/ increased value resulting from:

1. Contract re-negotiation or de-commissioning - net of any re-provision cost;
2. Providers delivering contracted elements that are not currently delivered;
3. Impact of increased provision (if deemed cost effective and wish/ able to increase)

Yes (detailed plans) **Yes (outlined plans)** **No** **(circle one)**

viii. Projected Savings Value

What is the annual projected value of additional savings specified in the action plan, relating to this particular contract?

ix. Month from when Additional Savings are delivered

Month when the additional savings deliver from (what is the Part Year Effect)?

x. Existing Savings Value

Please enter the value of any existing savings schemes within the Opportunities Framework already assigned to this contract for 2020-21 and beyond, prior to this review.

8. PROCEDURES – MAKE & DOCUMENT FINAL DECISION

Finally, the above information is collated and utilised to inform the most appropriate commissioning intention concerning the SLA going forward. The four decisions being:

1. **Terminate** on expiry or on a specific date thereafter and discontinue/ re-commission current services;
2. Exercising the option as permitted within terms of the current contract to **extend** for a further period - **continuing existing terms** - requires a new contract or variation;
3. Exercising the option as permitted within terms of the current contract to **extend** for a further period – **varying/ renegotiate existing terms** - potentially requiring a tender waiver, dependent upon nature of change;
4. **Extend** contract for a further period **outside the permitted duration** of the current contract - potentially requiring a tender waiver, dependent upon value of the contract.

The decision is to be brought back to the Senior Finance Team in the first instance, prior to being submitted to Finance Committee to approve (or otherwise) the decision put forward.

(All stages are documented by the Healthcare Contracting Team within the Contracts Register)