

Report of Directors of Public Health & Adult Social Services

Report to Executive Board

Date: 19th November 2014

Subject: The Health and Social Care Financial Challenge in Leeds

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The health and social care system in Leeds is facing unprecedented financial challenges. These challenges are reflected across health and social care systems across the country as a result of the ongoing austerity measures, together with significant increases in demand for services, brought about by both an ageing population and the increased longevity of people living with one or more long term condition. These challenges were clearly set out from a national perspective in the *NHS Five Year Forward View* published by the Chief Executive of the NHS, Simon Stevens on 23rd October 2014. In Leeds, we are facing these challenges whilst also trying to balance this with the ambitions to improve outcomes and quality and make Leeds the best city for Health and Wellbeing.
2. To provide a context within which to address the above challenges the health and social care system in Leeds has developed the concept of the 'Leeds £'. This represents a significant change in mind set, which moves away from individual health and social care organisations focussing on the most effective way to spend their own individual budgets, towards a focus on how these budgets can be best utilised collectively across the whole city to best meet the needs of the people of Leeds.
3. As a result of work commissioned earlier this year, the financial challenge facing the Leeds £ was initially assessed as being in excess of £600m over the next 5 years. This work, undertaken by the NHS Commissioning Support Unit in conjunction with Ernst & Young, also estimated that the challenge in 2015/16 amounted to £64.1m.

4. The ambitious plans to develop and deliver a high quality and sustainable health and social care economy in Leeds, together with the development of a joint infrastructure of robust working arrangements and governance, were one of a number of reasons why Leeds were awarded 'Pioneer' status for Integrated Health and Social Care by the Department of Health. All health and social care Partners across Leeds have developed a joint vision and strategy through the Joint Health and Wellbeing Board. This agreed vision and strategy, together with the development of the necessary infrastructure to support its' delivery, has led to better coordination of decision making, focussed on the delivery of the vision, where partners are able to ensure that a holistic system wide approach to the impact of those decisions can be taken.
5. This report provides further details of the key pieces of work currently being undertaken to both improve patient/service user pathways and to attempt to address the financial challenge.

Recommendations

6. Executive Board are asked to note the contents of this report and in particular:
 - 6.1. The scale of the financial challenge facing the Leeds' health and social care economy;
 - 6.2. The approach taken by partners across the health and social care system to address this financial challenge;
 - 6.3. That a whole systems approach is being taken recognising that no one partner can either address the challenge or be left to face their challenge alone;
 - 6.4. That further measures (still to be determined and currently being discussed by partners) will need to be taken to fully address the financial challenge over the next 5 years.
 - 6.5. That the Chief Officer Resources and Strategy for Adult Social Care is the Council's responsible officer to implement the recommendation at 6.4 in collaboration with the Directors of Finance of all Health Partner Organisations

1 Purpose of this report

- 1.1 This report has been written to provide the Executive Board with an overview of the current state of the Leeds health and social care £, the financial challenge facing the Leeds health and social care economy and the measures that are currently being put in place to transform the system for the benefit of citizens in a way that is financially sustainable.

2 Background information

- 2.1 Leeds has an ambition to be internationally renowned for its excellent health and social care economy and a vision to be the best city in the UK for health and

wellbeing. The city faces many significant health and social care challenges commensurate with its size, diversity, urban density and history. As a community we have set three key challenges in terms of sustainability, to:

- Design services in line with the Joint Health and Wellbeing Strategy to meet the needs of people, not organisations;
- Bring the overall cost of health and social care in Leeds within affordability limits - transformation is required to reduce current costs;
- Change the shape of health provision so that care is provided in the most appropriate setting.

- 2.2 For the past two years, the health and social care community in Leeds has been working collectively towards creating an integrated system of care that seeks to wrap care and support around the needs of the individual, their family and carers and helps to deliver on our wider vision.
- 2.3 To facilitate work to address these challenges we have developed the concept of the 'Leeds Pound (£)'. This describes how to make the best use of collective resources across the health and social care system, taking shared responsibility for the financial challenge and to create a sustainable high quality health and social care system fit for both the current and the next generation. This will be achieved by having a clear vision for how the health and social care system needs to operate and how it will be experienced by patients in the future. It will be underpinned by a comprehensive and integrated five year commissioning and services plan.
- 2.4 Leeds has a unique collection of assets which it can draw upon to face the challenges and achieve its ambition. These include three Universities, the largest teaching hospital in Europe, a thriving and engaged voluntary, community and independent sector, the geographical colocation of national bodies such as NHS England, The Health and Social Care Information Centre, The NHS Leadership Academy and excellent system leadership across health and social care.
- 2.5 As a Pioneer, Leeds strives to be the Best City for Health and Wellbeing in the UK. Our vision is that Leeds will be a healthy and caring city for all ages, where people who are the poorest, improve their health the fastest. As part of becoming the Best City, commissioners and providers have a shared ambition to create a sustainable, high quality health and social care system as reflected in the following joint statement.

A 'best city' approach to health and care services - organisations working as one

As leaders of organisations across the city, we have come together to set an ambition to create a sustainable, high quality health and social care system.

We want to ensure that services in Leeds can continue to provide high quality support that meets or exceeds the expectations of children, young people and adults across the city; the patients and carers of today and tomorrow.

We know that we will only meet the needs of individuals and our population if health and social care workers and their organisations work together in partnership.

We understand that the needs of patients and citizens are changing; the way in which people want to receive care is changing, and that people expect more flexible approaches that fit in with their lives and families.

Front line staff, leaders and managers across organisations are coming together in many ways. We are working closely with the voluntary, faith and charitable organisations, universities and investors to act as one; as if we were a virtual 'single

organisation' to improve the health and wellbeing of the people who live or use services in Leeds.

To do this we have agreed to work together in four ways:

1. Work with patients, carers, young people and families to enable them to take more control of their own health and care needs.
2. Provide high quality services in the right place, backed by excellent research, innovation and technology - including more support at home and in the community, and using hospitals for specialised care.
3. Remove barriers to make team working across organisations and professional groups the norm so that people receive seamless integrated support.
4. Use the Leeds £, our money and other resources, wisely for the good of the people we serve in a way in which also balances the books for the city.

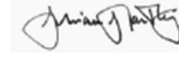
This will be how we improve health and care services for people in Leeds and we are committed to working together to make Leeds the Best City in the UK for Health and Wellbeing.



Tom Riordan
Chief Executive
Leeds City Council




Chris Butler
Chief Executive
Leeds and York Partnership
NHS Foundation Trust



Julian Hartley
Chief Executive
Leeds Teaching Hospitals
NHS Trust



Bryan Machin
Interim Chief Executive
Leeds Community Healthcare
NHS Trust



Andy Harris
Clinical Chief Officer
Leeds South and East
Clinical Commissioning Group



Nigel Gray
Chief Officer
Leeds North Clinical
Commissioning Group



Phil Corrigan
Chief Officer
Leeds West Clinical
Commissioning Group

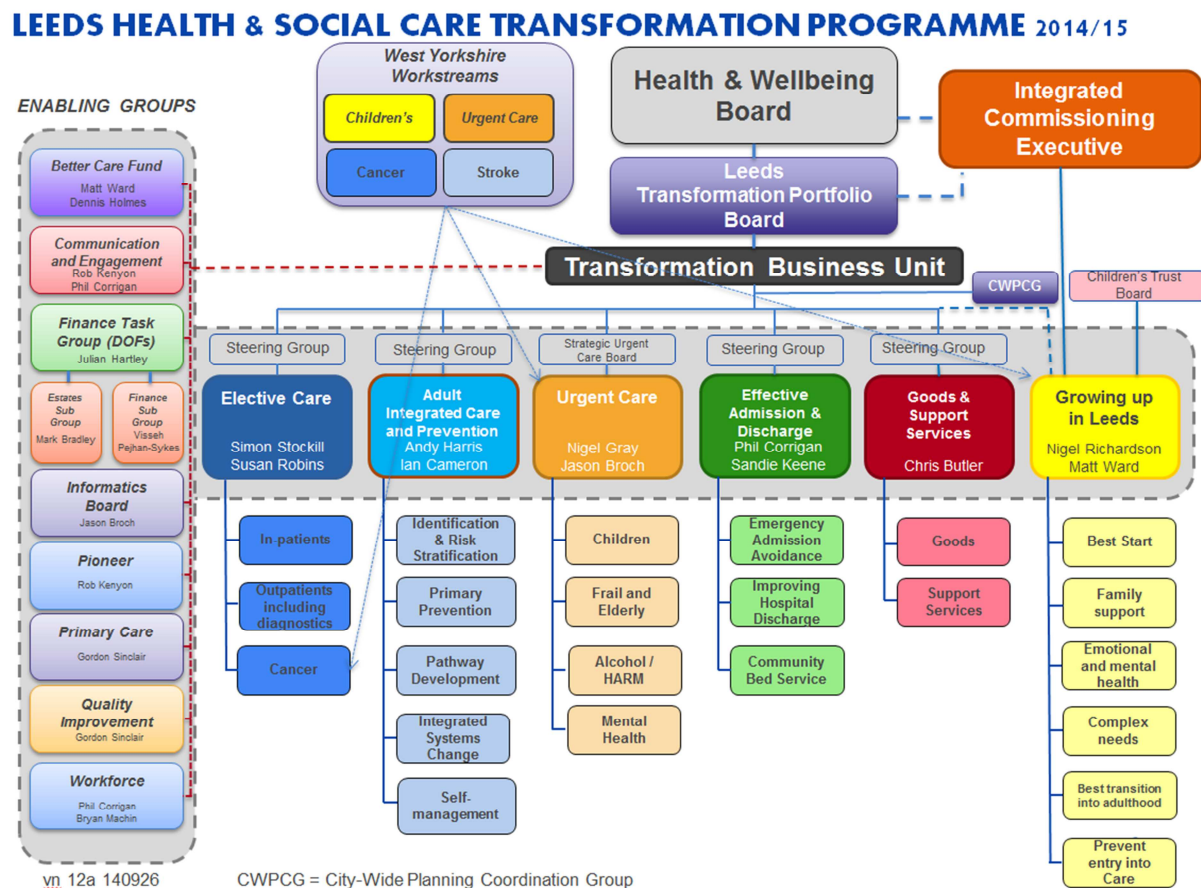
...working closely with national NHS organisations, patients, their families, carers and the voluntary sector in Leeds.

Agreement for a high-quality health and social care system

2.6 Partners across Leeds have developed a joint vision and strategy through the Joint Health and Wellbeing Board. This agreed vision and strategy, together with the development of the necessary infrastructure to support its' delivery, has led to better coordination of decision making, focussed on the delivery of the vision, where partners are able to ensure that a holistic system wide approach to the impact of those decisions can be taken. The health and social care system is

incredibly complex system with many interdependencies. The arrangements put in place attempt to reduce the risk of the inevitable unintended consequences of decisions made by, and changes to, one part of the system upon other related parts of the system, that may be the responsibility of different organisations.

- 2.7 The arrangements in place are shown in the following diagram which shows the different city-wide groups that make up the Transformation structure in Leeds, together with a brief description of the priority work streams designed to transform the way that health and care are delivered in Leeds.



Elective Care - Programme focusing on transforming elective care across health and social care. Transformation will be across all elective care specialties, but immediate focus would be on areas of high spend (absolute and compared with other economies) and on pathways where there are presently poor or unproven clinical outcomes. Transformation of elective care may focus on; joint decision making with patients, provision of services in a community setting and reducing dependence on hospital outpatients.

Adult Integrated Care and Prevention - Prevention and optimisation of management of patients with long term conditions, frail elderly, end-of-life, dementia and multiple comorbidities. Includes optimisation of identification and application of evidence based frameworks for management of conditions.

Urgent Care - Programme focusing on urgent care arrangements. Links with optimising of LTC programme, but also targets urgent care for those not in those

groups. Will include use of Accident and Emergency, ambulances and Out Of Hours provision of primary care.

Effective Admission and Discharge - Integrated management of patients to reduce dependence on secondary care beds. Programme will focus on; preventing admission from A&E, early supported discharge, appropriate discharge and prevention of re-admissions.

Growing up in Leeds (Children's) – This programme is being developed from the on-going children's programme of work. We have identified specific groups of children and young people where we will focus our commissioning efforts to improve outcomes over the next few years. These are children in the Care system and Care Leavers, children with complex need and disability (including SEN needs) and children and young people with emotional and mental health needs.

Non Clinical Support Systems i.e. Good and Support Services, Informatics, Workforce etc - Programme considering the provision of services not directly related to care, plus non-pay spend that supports care. The focus will be on generating savings from estates, and from procurement of goods and services across the economy. It would also focus on provision of support services such as finance, IT including better use of NHS numbers, and quality including safeguarding and workforce issues including satisfaction, qualification and training (with NHS England and the Leeds Education Trust Board (LETB) and vocational training within provider settings) across the economy.

3 Main issues

The challenge

- 3.1 It is estimated that all health and social care provider organisations in Leeds spend around £2.5bn a year on services. The NHS and LCC have funding challenges ahead with projected demand outstripping income and funding. Through an economic modelling approach, supported by EY and the Commissioning Support Unit (CSU), a refined calculation of the whole health system financial challenge has been made. This calculation, undertaken in June of this year, showed the estimated shortfall in the system as approximately £64.1 million in 15/16, expected to rise to £633 million over 5 years. These projections were based upon demands continuing at current trajectories and before any actions are taken to mitigate this position through productivity gains or reconfiguration of existing services.
- 3.2 The following table shows where it is estimated the main financial pressures were being faced across the health and social care economy:

Organisation	5 year forecasted shortfall (£'m)
LTHT	(277.3)
LYPFT	(36.4)
LCH	(31.6)
YAS	(6.1)
Leeds North CCG	(24.4)
Leeds South and East CCG	(36.9)
Leeds West CCG	(30.6)
Leeds City Council	(114.9)
NHS England	(74.7)
Total challenge	(633.0)

- 3.3 The *NHS Five Year Forward View* published on 23rd October 2014, is estimating a £30bn gross funding pressure for the NHS by 2020/21. Based upon a local extrapolation of this figure for Leeds and adding in the Council's funding position, the figures quoted above for Leeds are remarkably similar to this national position.

Approach taken to calculate the challenge

- 3.4 The refined understanding is as a result of increasingly comprehensive modelling including both LCC and specialised commissioning latest figures.
- 3.5 This position was derived through the engagement of an external economic modeller who engaged individually with each organisation. The external support also referenced national trends and assumptions to our local financial assessments to ensure consistency with the rest of the NHS and social care.

Whilst the referencing of trends from a national perspective for Social Care provides a degree of consistency, it does not entirely reflect the local position in its make up, and in particular the local democratic discretion in how funding is allocated within the Council, much of which is yet to be decided over the 5 year time horizon. Nevertheless, the indicative position is in line with the working projections for social care services within the Council.

- 3.6 The final position has been sense checked by the Leeds health and social care Transformation Directors of Finance group (DoFs) sub-group. Cross referencing of assumptions between organisations with adjustments to the model were made accordingly to reduce duplications and address any obvious gaps between organisations.

Measures being put in place to address the challenge

- 3.7 The system recognises that we cannot afford to keep doing what we are doing, in the way that we are doing it. By bringing together the transformational programmes we can deliver a model of care that is able meet our vision and improve quality for patients in terms of experience and clinical outcomes. There is a focus on delivering through quality improvement, reducing variation and innovation as we know this will deliver better value for money.
- 3.8 Each organisation's suite of cost reduction plans will inevitably include elements that may potentially impact adversely on other parts of the Leeds health and social care economy. Mitigation of any negative impact is being managed through the various cross-partner forums that have been established.
- 3.9 The extent to which these impacts can be quantified will be dependent on the nature of those schemes and they will need to be added to the outcomes of the system redesign economic modelling work being overseen by the Transformation Programme Management Office (PMO) and the DoFs forum.
- 3.10 Leeds health and social care organisations submitted their 5 joint year plan earlier this year. The plan outlines a number of areas as follows:
- The meeting of £380 million of this challenge is attributed to internal efficiencies to be achieved by provider organisations in the City, as part of their Cost Improvement Programmes (CIP's). Schemes to the value of £127million have been identified to date;
 - Transformation work streams are expected to deliver further saving in the region of £31 million towards the gap;
 - Schemes associated with recurrent investment in the Better Care Fund are expected to contribute around £11million savings towards closing the gap;
 - Within the provider services assumptions above it is anticipated that the Council, through Children's Services, Adult's Services and Public Health will also significantly contribute to the reduction of the overall gap in response to the ongoing reductions in central government funding. The exact amount of

this contribution is yet to be agreed by Members of Executive Board as part of the Council's annual budget setting process.

- In addition, the Council has established a £25m Capital Reserve for Health & Social Care Invest to Save schemes, which it is anticipated will support reductions in system running costs within this 5 year period, particularly as a result of investment in technology.
- The total declared financial gap for the city includes an assumption that NHS England will have a gap of over £74 million in relation to the activity it commissions with Leeds Teaching Hospitals on behalf of all patients in England and Wales and not just for Leeds residents.
- Excluding NHSE's gap, taking account of the savings assumed through Transformation and BCF and also assuming that Provider efficiencies are fully achieved without impact on the rest of the system, the gap would be reduced to £101 million.

Other measures being taken

- 3.11 All Finance Directors are in the process of nominating and including senior finance resource in each of the key pathway redesign forums reporting to the Transformation Board. The city wide initiatives will all therefore include resources to help quantify their impact. Consideration is being given to how this model can be extended to cover BCF and Primary Care Integration schemes. This also needs to cover individual provider cost-efficiency programmes for completeness.
- 3.12 Some of the work programmed over the next two years will deliver improvements to the system that are transactional and will create an infrastructure to make future changes, reduce duplication in back-office systems and processes, minimise cost, improve patient/service user pathways and ensure we have a future proofed Leeds health and social care workforce. In turn these will help to minimise the financial impact on frontline services.
- 3.13 These include:
- Using technology enablers to improve patient care and efficiency;
 - Driving efficiencies in health and social care estates utilisation and in non-pay costs;
 - Maximising our workforce including redeployment of the workforce to best meet the needs of patients;
 - Using open book accounting;
 - Exploring contractual mechanisms and pay systems, aligning incentives and considering how money can follow risk.
- 3.14 Without these first steps, Leeds will not be able to prepare the system, and the users of the system, for the transformational changes that are needed. The most

significant transformational impact will be seen from year three onwards as a result of the pathway redesign from the Transformation Programme.

- 3.15 Two significant changes expected within the next two years are related, and concern the expanded commissioning role for CCGs in primary care and specialist services. Discussions have commenced with NHS England and we are working closely with our partners across West Yorkshire and with other major cities to influence these developments as far as possible. There is an opportunity to have a greater role in the development of primary care, because of the role primary care – as a strong provider – has to play in supporting more patients to live independently at home for longer. We also welcome the opportunity to commission appropriate specialist services in order to explore the clinical and productivity benefits associated with greater oversight at a local level. Without this work, aspirations for reducing unnecessary admissions and shortening length of stay allowing a reduction in the bed base in Leeds Teaching Hospitals Trust (LTHT) will not be possible.
- 3.16 We need to work in a way that ensures that the financial, legal and contractual frameworks are designed and implemented to commission integrated care. Additionally, providers will be incentivised to collaborate to design and deliver the holistic care models. This will include a commitment to the sustainability of the provider organisations who engage in developing integrated models of care where shifts of activity could have a destabilising effect.
- 3.17 Other key areas for development and improvement are mental health – working both with Leeds and York Partnership NHS Foundation Trust (LYPFT) for adult mental health and Leeds Community Health Trust (LCHT) for Child & Adolescent Mental Health Service (CAMHS) to ensure that we improve pathways and support prevention and recovery and also working with LTHT to improve maternity services.
- 3.18 Although we aim to improve the health of the whole population there are key population that will be the focus for work over the coming months and years. These are:
- Those with long term conditions – including those with dementia
 - Those who use A&E for urgent and non-urgent care support
 - Older people – particularly those who are frail
 - Carers
 - People with mental health issues
 - Children
 - Vulnerable groups – including process of work to target the most vulnerable and those who do not access services readily. This includes those who are living in the most deprived wards of the City.

- 3.19 The impact of specialised commissioning changes will need management to ensure that we work with NHS England to improve services. CCG colleagues are working alongside NHS England to ensure that commissioning decisions support patient care, particularly for areas of specialist commissioning and primary care.
- 3.20 To improve the primary care structure the development of general practice services is needed. They will require investment and innovation to improve access and quality of care for patients particularly as we move more services from a hospital setting to community environments.
- 3.21 Thus we need to align incentives to allow this change. The work in Year of Care is examining how this can happen within the contracting framework. Work to address how we can support those who have mental health issues and learning disability will also require support from primary care.
- 3.22 Leeds West CCG is embarking on a number of 18 month pilots in Primary Care to test models for improving access to GP services and reducing unnecessary emergency activity in Secondary Care. These pilots will be evaluated at regular intervals during and at the end of the pilot period to assess the potential impact on the overall Leeds gap.
- 3.23 NHS Leeds South and East faces a challenging time delivering improved patient outcomes, focusing on reducing health inequalities within our Clinical Commissioning Group. The CCG is developing a local approach to delivering this whilst equally playing an integral part in the city wide Transformation Programme and Leeds Institute for Quality.
- 3.24 NHS Leeds North CCG is working closely with member GP practices to deliver key areas of their primary care framework. Practices are working together in localities to improve access, quality, efficiency and effectiveness of services for their local population. To complement this, the CCG is strengthening links with voluntary and community sector organisations to help deliver locally tailored services to match the needs of each locality.
- 3.25 In response to the significant reduction in resources available to the Council from Government funding as part of the Government's austerity programme, the Council has developed a Civic Enterprise approach where in the future the Council will be smaller in size, but bigger in influence. The Council's approach to managing funding reductions has been successful to date to the extent that challenging savings and reductions have been delivered whilst continuing to prioritise care for vulnerable adults and children. The proportion of the Council's spend on Children's Services and Adult Social Care has increased from 48.5% in 2010/11 to 57.1% in 2014/15.
- 3.26 In terms of social care this has been reflected in the ongoing reduction in the direct provision of services, a focus on working in partnership with Health partners, a focus on ensuring and assuring quality through improved commissioning arrangements and the use of restorative practice to help people as far as possible to help themselves.

- 3.27 The ongoing severity of the funding reductions, a further £46m reduction in Government Grant in 2015/16 and a further £23m reduction expected in 2016/17, will require a continuation of the current approach, together with the development of other potentially more difficult savings options. Whilst the implementation of the Better Care Fund and the associated identification of the £25m Capital Fund by the Council will contribute to the solution, they by no means represent a solution on their own.
- 3.28 The much vaunted Care Act and Children's and Families Act will also place additional duties and pressures upon social care. Although many of the proposals contained within them are to be welcomed the additional costs associated with their introduction remain uncertain, and particularly in future years whether the funding 'identified' will be sufficient to meet these additional costs.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Strategic planning across all organisations entails a significant amount of consultation and engagement, much of it statutory.
- 4.1.2 Each of the programmes of work which are addressing the challenges we face will ensure that they undertake appropriate consultation and engagement as part of their work in accordance to their own organisational obligations.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 Each of the programmes of work which are addressing the challenges we face will ensure that they appropriately consider the equality, diversity, cohesion and integration factors of their work.

4.3 Council policies and City Priorities

- 4.3.1 As referenced earlier in the report, significant progress has been made to bring partners together and under the Joint Health and Wellbeing Strategy for the City, to ensure that all partner plans are linked and coordinated to the cities priorities.
- 4.3.2 The Council has representation on all of the main decision making bodies such as the Joint Health and Wellbeing Board and Transformation boards and groups. This ensures that the Council's policies and priorities are represented in all partnership working.

4.4 Resources and value for money

- 4.4.1 Clearly as this report articulates, the health and social care economy in Leeds is facing a significant financial challenge. Whilst demand pressures facing the NHS in Leeds, particularly in the acute sector, are at an all-time high, funding for the NHS has been and continues to be protected in real terms from the Government's austerity programme. The publication of the *NHS Five Year Forward View*, by Simon Stevens, sets out the challenge nationally and clearly states the need for a funding settlement significantly in excess of inflation over the life of the next parliament, whilst also assuming significant further efficiencies.

- 4.4.2 The Council's position, particularly in relation to Social Care, whilst reflecting the ongoing and unprecedented demand pressures, is somewhat different in relation to funding levels. The Comprehensive Spending Review 2010 set out the Government's plans to eliminate the structural deficit by the end of the current parliament. This presented a significant financial challenge to the Council which was without precedent in recent times. In this period to the end of 2014/15 funding from Central Government for core services has reduced by £129m. With the further funding reductions expected over the next 2 years of around £70m, this represents a critical risk to both the Council and the health and social care system in the city.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 This report is for information only.

4.6 Risk Management

- 4.6.1 Two key overarching risks present themselves, given the scale and proximity of the challenge and the size and complexity of Leeds:
- Potential unintended – and negative – consequences of any proposals as a result of the complex nature of the health and social care system and its interdependencies. Each of the partners have their own internal pressures and governance processes they need to follow.
 - Ability to release expenditure from existing commitments without de-stabilising the system in the short term within the limited pump priming resource will be extremely challenging as well as the risk that the proposals do not deliver the savings required over the longer-term.
- 4.6.2 The effective management of these process risks can only be achieved through the full commitment of all system leaders within the city to focus their full energies on the delivery of the programmes plans and to work together to identify what further measures can be taken to support the agreed future vision. The governance arrangements in place will also help to reduce the likelihood of any risk developing into an issue.

5 Conclusions

- 5.1 Leeds is facing unprecedented challenges. Previously it would not have been in a good position to deal with them but over the last two years in particular, a number of governance and cross partnership forums have been established and refined. Partners are now having more frequent and more open dialogue and working together to make decisions in a collective and holistic way. In terms of the financial challenge that the health and social care economy faces, specific measures are being put in place which will go some way to address the challenge. However, calculations indicate that these measures are not enough and that as a system we need to go further and faster and make very difficult decisions.

6 Recommendations

Executive Board are asked to note the contents of this report and in particular:

- 6.1 The scale of the financial challenge facing the Leeds' health and social care economy;
- 6.2 The approach taken by partners across the health and social care system to address this financial challenge;
- 6.3 That a whole systems approach is being taken recognising that no one partner can either address the challenge or be left to face their challenge alone;
- 6.4 That further measures (still to be determined and currently being discussed by partners) will need to be taken to fully address the financial challenge over the next 5 years.
- 6.5 That the Chief Officer Resources and Strategy for Adult Social Care is the Council's responsible officer to implement the recommendation at 6.4 in collaboration with the Directors of Finance of all Health Partner Organisations

7 Background documents¹

- 7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.