

Leeds Health & Wellbeing Board

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Report to: The Leeds Health and Wellbeing Board

Date: 20th January 2016

Subject: Future Financial Challenge facing the Leeds Health and Social Care Partnership

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

Summary of main issues

In the summer of 2014 the scale of the 5-year future financial challenge facing the city's health and social care partnership was estimated at £650m. An updated assessment has been carried out on the basis of each partners agreed 2015/16 financial plan. This illustrative scenario shows a range of values between £627m and £931m dependent on differing assumptions.

From this work it is clear that the challenge facing the city is not diminishing and is being driven both by a high level of cost pressures and the need to develop significant solutions. A different approach to citywide financial planning is required, using a 'city first, organisation second' mind-set to flexibly use resources available. In addition, we need to be able to describe the outcomes and service models that we aspire to achieve and implement changes to the governance arrangements that apply to cross city working, making them more agile and transparent.

Recommendations

The Health and Wellbeing Board is asked to:

- Note the value of the future financial challenge facing the 7 statutory partners in the city and the basis of the calculation
- Endorse the various actions being put in train by the Accountable Officers

1 Purpose of this report

The purpose of this report is to inform the Board of the work done to re-fresh the analysis of the future financial challenge facing the city and action being taken to remedy this position.

2 Background information

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:

- To design services in line with the Joint Health and Wellbeing Strategy to meet the needs of people, not organisations;
- To bring the overall cost of health and social care in Leeds within the available financial resources;
- To change the shape of health provision so that care is provided in the most appropriate setting.

For the past few 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.

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.

In the summer of 2014, Ernst and Young in association with the West and South Yorkshire and Bassetlaw Commissioning Support Unit were commissioned to do a piece of work that estimated the size of the financial challenge facing the Leeds Health Economy (LHE) over the 5 years 2014/15 to 2018/19. For these purposes the LHE was defined as being the whole of the 6 NHS statutory bodies in Leeds, the City Council's Adult Social Care directorate, the Leeds share of Yorkshire Ambulance Service and NHS England Specialised commissioning. The net recurrent challenge identified amounted to c£639m, with the 2015/16 value being £147m. There was general acceptance across the city about the scale of the 5-year challenge facing the system but no ownership of specific numbers quoted for each organisation.

Early in the summer of 2015 the cross city Directors of Finance group commissioned a review of the agreed 2015/16 financial plans of the 7 statutory bodies in the city to identify the final value of pressures included in these plans relative to the £147m previously identified. A standard format has been developed which separately identifies the gross pressures facing each organisation and the gross solutions deployed. The changes are analysed to show the impact of demand from patient/service users, inflation, local cost

pressures, local savings schemes and funding. Each Director of Finance has confirmed that the numbers used in this updated analysis do give a 'true and fair' view of their 2015/16 financial plan.

The review identified equivalent net pressures across the system of £295.1m, an increase of £148m over the EY/CSU number. The main issues driving the difference are the use of a changed organisational 'footprint', the existence of a planned net deficit for NHS Providers, a technical change in the reporting of CCG required surpluses and a balance that relates to 'other' local cost pressures not due to volume demand, inflation or lost income. Table 1 below provides the breakdown.

Table 1

	£m
EY/CSU view of 15/16 challenge	(147.1)
Change in footprint - YAS, NHSE, LCC all other services	(54.2)
NHS providers net closing deficit	(37.9)
Changed reporting of CCG 'required' surpluses	(20.7)
Different view on cost pressures	(35.2)
Total net pressures	(295.1)

The information from the review was used to develop an illustrative scenario for the future.

3. Future Financial Challenge

3.1 Illustrative scenario

We have used the information from the 2015/16 financial plans to generate possible scenarios for the future. Appendix 1 provides a graphical representation of one such scenario. The assumptions that underpin this scenario are as follows:

- The 2015/16 value of cost pressures identified by NHS providers and the City Council is constant for the next 5 years. Total challenge of £931m.
- CCG growth funding for 2015/16 (allocation increases and benefits from tariff deflation) is also constant for the next 5 years
- CCGs will use some of their growth funding to support a level of pressures identified by NHS Providers and the City Council; this will be in proportion to their current collective spend on those partners (64%). Total challenge reduces to £850m.
- CCGs will use the balance of their growth funding to support pressures identified by other provider organisations (GPs, NHS Trusts outside of Leeds, Independent Sector providers etc)

Appendix 1 also shows a variant to this scenario, the assumption that 'other' local cost pressures could be eliminated. This reduces the 5-year total challenge to £627m.

Irrespective of the size of the future 5 year challenge the other aspect that we need to consider is the balance between solutions that are planned and delivered by individual organisations and those that are planned and delivered collectively across the system. Appendix 2 shows the impact of a possible local: collective split of an illustrative £850m total challenge.

3.2 What is happening next?

- For 16/17 we need to ensure that the system can keep functioning whilst planning for the necessary longer term large scale change takes place, in the first six to nine months of 2016. We need to understand the pressures facing each partner, the level of solutions that they have identified and where any gaps are. We need to flexibly use the funds available across the city to bridge those gaps as well as investing in change that will deliver future benefits. Status: Outline process agreed by Accountable Officers. Extended meeting of citywide Directors of Finance group scheduled for 5th January 2016.
- Identify which of the existing services in the city offer least value to the Leeds £ that could be de-commissioned and would release sufficient funds in provider organisations to contribute to any residual gap in 16/17 or provide funds for future years. Status: Agreed in principle by Accountable Officers, CCG Directors of Commissioning to be invited to 5th January meeting of the Directors of Finance Group.
- Describe the service model, roadmap and outcomes that we aspire to achieve over the next (say) 4 years, within realistic assumptions about resources. This would be used to support communication and engagement with citizens and staff and enable us to model the financial impact of changes to service models and the contribution this will make to the overall financial challenge. Status: Process approved by Accountable Officers. 2 day facilitated Rapid Development Exercise agreed to take place 26th and 27th January 2016.
- Implement the recommended changes to the governance arrangements that apply to cross-city working. Implementation will significantly streamline current arrangements and clarify how and where decisions are made and how accountability for delivery is discharged. Status: The external review is now complete and implementation is under consideration by the System Executives

4. Health and Wellbeing Board Governance

4.1 Consultation and Engagement

The review of the 2015/16 financial plans and generation of an illustrative scenario for the future has been overseen by the cross city Directors of Finance Group. This includes the Directors of Finance/Chief Financial Officers from each of the 3 NHS Trusts in the city, the 3 Clinical Commissioning Groups and from the City Council's Corporate, Adult Social Care and Children's services directorates. The outcome of this work has been considered by both the Transformation Board and the Health and Social Care Partnership Executive Board.

4.2 Equality and Diversity / Cohesion and Integration

Future changes in service provision arising from this work will be subject to equality impact assessment.

4.3 Resources and value for money

This report sets out the financial outlook for the City Council and the 6 NHS statutory bodies.

4.4 Legal Implications, Access to Information and Call In

This report is for information only.

4.5 Risk Management

Failure to address financial sustainability in the city could have a significant adverse impact on health and social care provision.

5. Conclusions

Clearly the scenario set out above and shown graphically in Appendices 1 and 2, is just one possible scenario. However, in the context of continued reductions in funding for non-protected government departments, the protection on health services now being limited to NHS England rather than the Department of Health, the impact of initiatives such as the Living Wage as well as the continued impact of general demand for services and introduction of new technology, the Directors of Finance do not consider this scenario to be overly pessimistic.

It demonstrates that the challenge facing the city is if anything growing and being driven both by a high level of cost pressures and to date the absence of any solutions to make significant financial benefits. We need to make changes to the governance arrangements covering citywide working to make them more transparent and agile; clearly describe the outcomes and service models that we aspire to and develop plans for their delivery; and determine the level of efficiencies that each individual partner organisation will need to make to ensure the financial sustainability of the health and social care system.

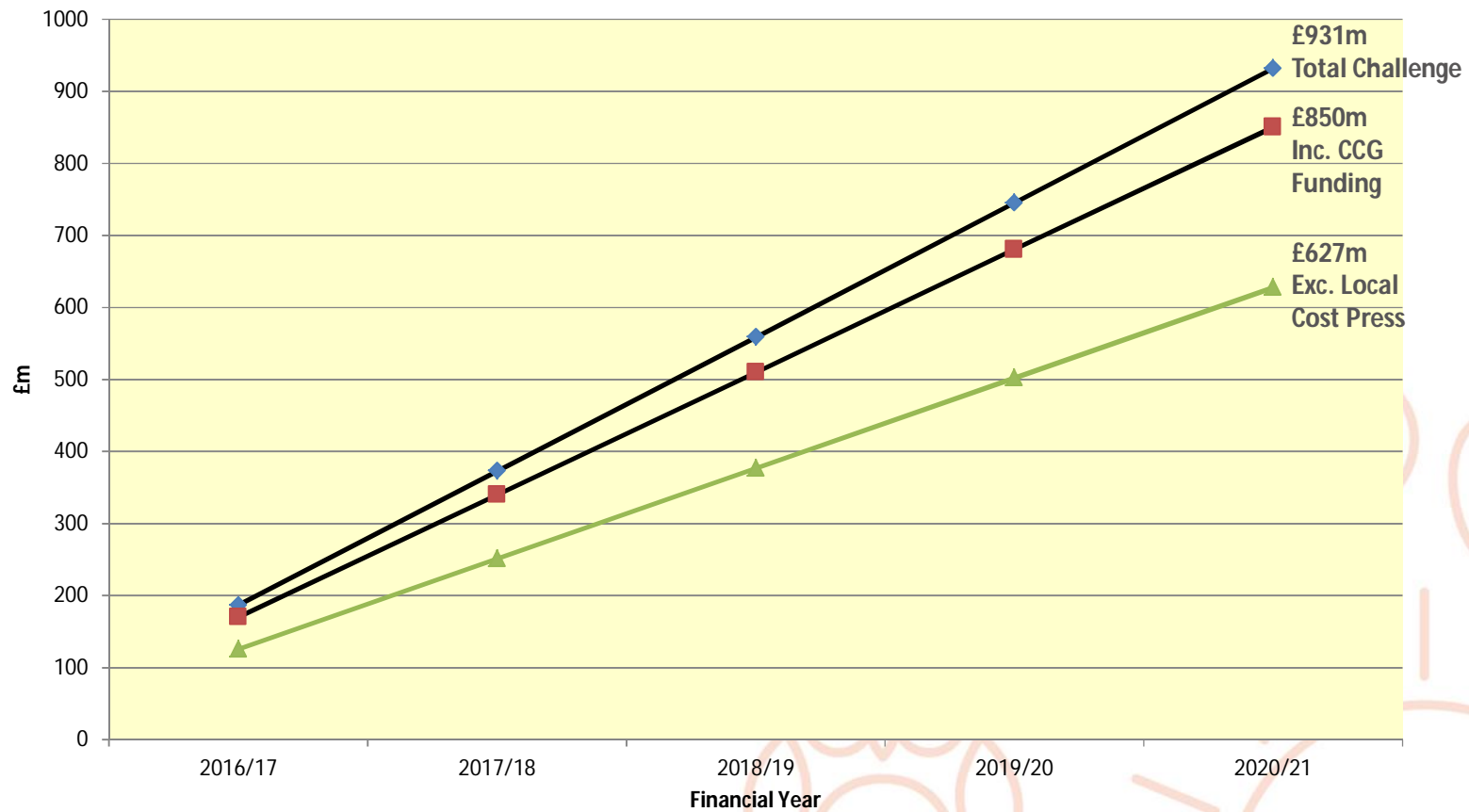
6. Recommendations

The Health and Wellbeing Board is asked to:

- Note the value of the future financial challenge facing the 7 statutory partners in the city and the basis of the calculation
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Appendix 1

Cumulative Pressures in Leeds Health & Social Care Economy



Appendix 2

What proportion of the challenge should be met by solutions planned and delivered by individual partners, and what should be planned and delivered collectively?

**Cumulative Pressures in Leeds Health & Social Care
Economy**

