



## West Yorkshire and Harrogate Health and Care Partnership

### Financial challenges

#### A breakdown of financial challenges across the Partnership and plans intended to address these

#### 1. Purpose

- 1.1. The purpose of this paper is to outline the financial challenges of the NHS organisations in the West Yorkshire and Harrogate (WY&H) Health and Care Partnership.
- 1.2. It is worth remembering at the outset that the Partnership is not a statutory organisation so it does not, in itself, have a financial position. The Partnership does work collaboratively to help organisations seek solutions where financial challenges exist. The statutory financial duties relating to organisations within WY&H remain unchanged, so any analysis on financial pressure is an aggregation of individual organisations positions.
- 1.3. Local places will have their own arrangements where individual organisations financial plans and financial performance can be reviewed. That information is produced and published by each organisation; and maybe summarised locally to provide a CCG wide or perhaps place position. It is not the intention in this paper to provide that information and replicate local arrangements, more to provide an overview of the financial context within which WY&H is working.

#### 2. Background

- 2.1. In June 2017 the chief financial officers of each organisation in WY&H refreshed their financial plans.
- 2.2. The headlines from this were:
  - 2.2.1. The overall financial plans for WY&H (across NHS commissioners and providers and local authority social care and public health budgets) combined to give a net surplus for 2017/18 of £8m.
  - 2.2.2. The financial gap by 2020/21, before any solutions were identified, was reported as £1.2bn. It must be stressed that this figure was before any solutions were identified and ignored the fact that, over many years now, NHS organisations and local authorities have delivered service efficiencies and/or achieved financial targets required by whatever regulatory regime they are subject to.
  - 2.2.3. However, this figure did serve to remind the Partnership of the scale of the challenge in delivering its objectives across WY&H with such a significant financial challenge as a context.

#### 3. Current Plans

- 3.1. In addition to the complexity of trying to aggregate NHS provider and commissioner financial plans with parts of local authorities' financial plans, the NHS itself has an increasingly complex financial architecture. Often figures that are quoted are not comparable because they do or do not include particular funding flows. For example, a significant amount of funding is available to NHS bodies as Provider or Commissioner

Sustainability Funds (PSF/CSF) but these funds are subject to a complex set of 'rules' about what needs to be achieved to receive them and, if they are achieved, the extent they can then be spent. The point here is that care needs to be taken in quoting numbers for aggregated financial positions for WY&H.

- 3.2. However, it is important to have an understanding of how the financial position of each organisation is being managed by that organisation, how each place in WY&H is working together to manage the resources at its disposal and the role and views of the current regulators of NHS organisations, NHS England and NHS Improvement. In that context, this year the Partnership is developing a greater understanding of the challenges faced by each organisation and how it can support the development of sustainable solutions.
- 3.3. With the caveat in paragraph 3.1 in mind, the JHOSC will wish to note the extent of the current financial challenges in the NHS in WY&H. In summary, the NHS plans for this financial year aggregate to a £115m deficit excluding PSF/CSF. As planned PSF/CSF is £95m there is a planned aggregate deficit of £20m. This assumes the delivery of £270m of efficiencies.
- 3.4. With the exception of one organisation, Calderdale and Huddersfield NHS Foundation Trust, all NHS organisations have agreed their control totals with their regulator, NHS Improvement or NHS England. Annex 1 details each organisation's planned full year position as at the end of the first quarter.
- 3.5. At the end of quarter 1, no NHS organisation was forecasting a variance from plan for the year.
- 3.6. NHS Improvement recently published the financial performance of the NHS by integrated care system for quarter one. For the first 3 months WY&H was reported to have a £169,000 adverse variance. This is less than a 0.5% variance and is not, in itself, a cause for concern. Each organisation does report risks to achieving their agreed plan; equally their regulators would expect those risks to be managed.

#### **4. Working as an Integrated Care System**

- 4.1. One of the advantages of WY&H becoming an Integrated Care System is that it gives the Partnership access to transformation funding and greater say how national monies allocated to WY&H are spent.
- 4.2. In a financial context of low or nil annual financial increases, the receipt and utilisation of transformation funding is vital to help deliver the improvements in care that will also improve financial sustainability. To date WY&H has received close to £100m in revenue and capital funding as a result of working as a Partnership. The most recent element of this is £8.75m in transformation funding as a direct result of becoming an ICS. That funding is being used to develop local care partnerships across primary care, to provide improved winter resilience, to support carers, to harness the power of local communities in delivering improvements in care and to give our improvement programmes the strength to deliver.
- 4.3. Working together in an ICS will, we believe, help deliver improvements at scale and deliver them more efficiently. But, importantly, we can also support local places to deliver local improvements.
- 4.4. Looking forward to next year we can expect to see some significant differences in the NHS financial framework. We believe that many of the NHS organisations within the

Partnership will be well placed to embrace those changes; for example, new contracting arrangements have been embraced widely which aim to share financial risk across commissioners and providers. This is often referred to as an Aligned Incentive Contract and this is a direction of travel that is actively being considered as an option in new NHS financial arrangements.

- 4.5. As an ICS we have already committed in our Memorandum of Understanding to collectively manage our NHS resources. Importantly, all NHS body partners:
- i. Are ready to work together, manage risk together and support each other when required
  - ii. Aim to live within our means
  - iii. Develop a WY&H system response to the financial challenges we face
  - iv. Develop payment and risk share models that support a system response rather than work against it.

WY&H is fortunate that, in respect of managing finances, organisations have a strong culture of working together that has survived many NHS reorganisations. This provides a good foundation for working individually and collaboratively to deliver the changes required to deliver financial sustainability.

- 4.6. A practical manifestation of that in 2019/20 is likely to be the operation of a shared control total across the Partnership. At the moment there is effectively a national shared control total. If WY&H is given its share of the national financial resources we will collectively aim to manage within that resource, with the advantage that we can manage that locally and collectively rather than being part of a top down national system.

## 5. Conclusion

- 5.1. There can be absolutely no doubt that NHS organisations within the Partnership have faced and will continue to face significant financial challenges. As do our partners in other sectors. Some do have deficit positions but most have agreed recovery trajectories with their regulator. As an ICS our constituent partners will increasingly work together to deliver the sustainable financial solutions upon which the continued delivery of high quality care is built.

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## Full year Financial Plans of NHS Organisations as at Quarter 1

Organisation	2018/19 Plan excl PSF/CSF £m	PSF/CSF £m	2018/19 Plan incl. PSF/CSF £m
NHS Airedale, Wharfedale and Craven CCG	0.0	0.0	0.0
NHS Bradford Districts CCG	0.0	0.0	0.0
NHS Bradford City CCG	0.0	0.0	0.0
Airedale NHS Foundation Trust	0.4	4.8	5.2
Bradford District Care NHS Foundation Trust	0.3	10.3	1.1
Bradford Teaching Hospitals NHS Foundation Trust	(7.5)	0.0	2.8
NHS Calderdale CCG	0	0.0	0.0
NHS Greater Huddersfield CCG	1.0	11.0	1.0
NHS North Kirklees CCG	(11.0)	2.0	0.0
NHS Wakefield CCG	(2.0)	0.0	0.0
Calderdale and Huddersfield NHS Foundation Trust	(43.0)	0.0	(43.0)
Mid Yorkshire Hospitals NHS Trust	(19.7)	14.3	(5.4)
South West Yorkshire Partnership NHS Foundation Trust	(2.6)	1.5	(1.2)
NHS Leeds CCG	0.0	0.0	0.0
Leeds and York Partnership NHS Foundation Trust	1.1	1.4	2.5
Leeds Community Healthcare NHS Trust	1.2	1.3	2.5
The Leeds Teaching Hospitals NHS Trust	(24.8)	32.4	7.6
NHS Harrogate and Rural Districts CCG	(10.0)	10.0	0.0
Harrogate and District NHS Foundation Trust	0.0	4.0	4.0
Yorkshire Ambulance Service NHS Trust	2.1	2.1	4.2
<b>Total</b>	<b>(114.6)</b>	<b>95.9</b>	<b>(18.7)</b>