

Leeds Health & Wellbeing Board

Report authors:

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Report of: Chief Officer Resources (ASC) & Chief Financial Officer (S&E CCG)

Report to: Leeds Health & Wellbeing Board

Date: 2nd October 2013

Subject: Outline of Financial Challenges facing Health and Social Care in Leeds

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 type="checkbox"/> Yes	<input checked="" 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. This report provides a brief update on the funding outlook for Health and Social Care Services in Leeds and outlines the significant financial challenges for all partners over the next 2 years and beyond.
2. The Comprehensive Spending Review (CSR) 2013 announced spending totals for local government together with a £3.8bn transfer to Adult Social Care from the NHS. Since the CSR was announced there have been further clarifications received in relation to the local government spending plans, further details in relation to the £3.8bn and also, most recently, a consultation on the NHS Funding Allocations Review. Whilst the original announcements signalled significant financial challenges, the further announcements are likely to considerably exacerbate the position for all Health & Social Care Partners in the City.
3. Although the City has ambitious transformation plans to support the delivery of better outcomes for people within the reducing resource envelope available, the combination of the above funding announcements will require additional savings to be generated through both the transformation programme and through other means at a further and faster rate than originally anticipated.

Recommendations

The Health and Wellbeing Board is asked to:

- Note the significant financial challenges outlined within this report as a result of recent funding announcements impacting upon Health Partners in the city;
- Approve the initial actions to develop the necessary proposals to deliver a plan to address these challenges;
- Agree to:
 - Receive the plan for sign off by January 2014 prior to submission for ministerial approval;
 - Receive further updates and details at the meeting of the Board on 20 November.

1 Purpose of this report

- 1.1 This report provides a brief update on the funding outlook for Health and Social Care Services in Leeds and outlines the significant financial challenges for all partners over the next 2 years and beyond.
- 1.2 The report also outlines the initial actions to be taken, through the current partnership forums that will not only provide draft spending plans for the £3.8bn pooled fund, but also draft spending plans across the Health and Social Care partnership to address the combined funding gaps outlined below.

2 Background information

- 2.1 The Comprehensive Spending Review (CSR) 2013 announced spending totals for local government together with a £3.8bn transfer to Adult Social Care from the NHS. Since the CSR was announced there have been further clarifications received in relation to the local government spending plans, further details in relation to the £3.8bn and also, most recently, a consultation on the NHS Funding Allocations Review. Whilst the original announcements signalled significant financial challenges, the further announcements are likely to considerably exacerbate the position for all Health & Social Care Partners in the City.
- 2.2 Although the City has ambitious transformation plans to support the delivery of better outcomes for people within the reducing resource envelope available, the combination of the above funding announcements will require additional savings to be generated through both the transformation programme and through other means at a further and faster rate than originally anticipated.

3 Main issues

- 3.1 Since the announcements made as part of the CSR 2013 there have been a number of key announcements/clarifications around the future funding allocations for both the Council and the Clinical Commissioning Groups. These announcements will have a significant impact on our current plans and ambitions. These include:
 - A 10% real terms reduction in local government funding in 15/16 (£2.1bn) - now understood to be 15% (£3.1bn)
 - Initial details of the £3.8bn health funding announced for Adult Social Care in 15/16,
 - A Review of NHS Allocations Formula – potential loss of c.£84m to Leeds CCG's
- 3.2 Following the clarification around the local government settlement it is now estimated that the Council's budget will reduce by £103m by 2016/17 by virtue of

reductions in the cash value of government grants. When including demand, demographic and other pressures this means that the Council will need to make reductions in spending of around £140m, around a quarter of its current net budget over the same 3 year period. As Social Care (Adults and Children's) currently account for around 65% of the Council's net budget, it is inevitable that significant reductions will need to be made to both Social Care Budgets.

3.3 Anticipated pressures on the Leeds CCG budgets include:

- Significantly Reduced and Differential Growth to NHS England and CCGs – Specialist services likely to benefit from any growth monies
- Lower Level of tariff (Provider) efficiencies
- Cost Pressures relating to Technical innovation, Policy Directives and NICE guidance ensuring national “must dos” and meeting NHS Mandate
- CSR: Transfer of further resource & services to pooled budget
- Financial Gap, leading to required QIPP 2% in 2014/15, 5% in 2015/16
- Further Risk re Fundamental Review of NHS Allocations Policy Recently Announced, potential loss to Leeds CCGs of £84m (Further 8.8% risk)

3.4 Whilst further clarification is awaited, it seems increasingly certain that the 'additional' £3.8bn announced to transfer from the NHS to Adult Social Care, as part of the Integration Transformation Fund (Pooled Budget), is almost entirely constituted of existing funding within the base budgets and current planning assumptions of either the CCG's and the Council as outlined below:

- £0.9bn already part of CSR10 & 13/14 base budget
- £2bn already part of CCG 13/14 base budget
- £0.9bn existing funding streams re-badged – Reablement, Carers, LA Capital, DFG

3.5 In addition, the allocation of the £3.8bn is likely to be subject to a revised allocation formula, which may result in Leeds receiving less than the current 1.3% to 1.4% of any national allocation.

3.6 A consultation has also recently been announced to review the NHS Allocations formula. The proposals being consulted upon would reduce the CCG allocations in Leeds by £84m if adopted in their current form. It is proposed to change the basis of funding allocations from one largely driven by deprivation to one driven largely by population age. This is based upon the belief that health needs are driven by age, and with the removal of the Public Health funding element from NHS allocations (which will remain largely allocated according to deprivation), the deprivation element of the NHS formula should be significantly reduced. However, even if accepting this belief, the relative size of the funding streams and the lead

in time for public health impacts on health needs would mean that the system would not reach that new equilibrium for a number of decades. Adoption of the revised formula for the allocation of the £3.8bn pooled fund, could also reduce the anticipated fund for Leeds (see 3.5 above).

3.7 The table below illustrates the funding gap across the Health and Social Care Commissioners in Leeds, based upon the position that can be currently reasonably predicted (excluding the potential impact of the NHS Allocations Review):

	2014/15			2015/16		
	LCC	NHS/CCG	TOTAL	LCC	NHS/CCG	TOTAL
	£m	£m	£m	£m	£m	£m
Base Budget	373.4	953.5	1326.9	373.4	972.5	1345.9
Demand/Demography	8.0	22.5	30.5	13.8	23.2	37.0
Other Pressures	13.7	13.2	26.9	17.4	13.5	30.9
Spending Requirement	395.1	989.2	1384.3	404.6	1009.2	1413.8
Resources Available	366.8	972.5	1339.3	357.3	960.4	1317.7

LCC = ASC/Children's /Public Health

The above funding gaps of £45m+ in 14/15 and £96m+ in 15/16 are:

- Before impact of Care Act Requirements/Dilnot & £3.8bn transfer on ASC Budget
- Excludes Pressures from Specialist Commissioning
- Excludes Provider CIPs– likely to be circa 5% of income (FT model)
- Before Impact of NHS Allocation Review - £84m risk

3.8 The larger than expected funding gap clearly brings into focus the requirement for the plans and ambitions of the Leeds Health and Social Care Transformation Programme to not only deliver better outcomes for people, but also to deliver significant savings against current anticipated spending levels, and at scale and at pace.

3.9 Although the initial belief was that the £3.8bn Integration Transformation Fund was additional funding to support the Integration of Services locally, it is now becoming clear, not only that the funding is not additional to the Leeds Health and Social Care Economy, but that there are significant new burdens/key conditions attached to the funding, including:

- Carers assessments
- Impact of national eligibility
- Protection for social care services
- 7 day working in Health & Social Care
- Plans and targets for reducing A&E attendances and emergency admissions
- Better data sharing – based on NHS no.
- Joint approach to assessment & care planning
- Agreement on consequential impact of changes in acute sector

3.10 Each of these new burdens are significant, and in total are likely to require resources far in excess of the £3.8bn provided, notwithstanding that the £3.8bn is already supporting local spending commitments across the existing Health and Social Care community.

3.11 In addition, £1bn of the above funding is only payable should the local Health and Social Care economy deliver against a range of yet to be agreed local and national performance indicators and will only be paid (in arrears) when the performance indicator milestones have been met.

3.12 Local Councils and CCG's are required to agree plans for the spending of the £3.8bn (circa £50m for Leeds) by January 2014 incorporating all of the above factors, although the details of exact requirements and targets may not be known in detail until November/December 2013. The agreed plans (LA & CCG's) will be subject to 'sign-off' by the local Health & Well Being Board in January and also subject to a 'non-bureaucratic and proportionate' Ministerial Assurance process by March 2014.

3.13 Clearly the task of putting together such a detailed plan to not only address the requirements of the Pooled Fund arrangements, but also to deliver a credible plan to resolve the £96m+ funding gap in 15/16 is an incredibly challenging one by January 2014. Initial discussions at the Integrated Commissioning Executive (ICE) suggested that there will be a need to establish a number of key groups to develop the necessary proposals – initially at a headline level and then, following agreement, to work up the details of the proposals. There was agreement that such groups will need representation from CCG's, Clinical Leads, Providers and DOF's together with any other key stakeholders affected, meeting alongside the existing Transformation and ICE Boards.

4 Health and Wellbeing Board Governance

4.1 Consultation and Engagement

4.1.1 This report outlines the impact of a number of government proposals and policy decisions, each of which are, or will be, subject to a variety of consultation mechanisms. In particular, proposals in relation to aspects of the Care Bill and the NHS Allocations Review are currently within periods of formal consultation.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Although it is not possible to predict the full impact of the funding position outlined within this report, it is likely to reduce our ability to reduce health inequalities within the city. It has recently been reported by the Office of National Statistics (ONS) that people living in affluent areas within the South can expect to live a healthy life as much as 15 years longer than those in the North. The impact of the proposed NHS Allocations Review is likely to exacerbate this challenge for northern cities such as Leeds.

4.3 Resources and value for money

4.3.1 The resource implications are detailed in the main issues section of this report.

4.4 Legal Implications, Access to Information and Call In

4.4.1 This report is for information only.

4.5 Risk Management

4.5.1 The risks associated with the reductions in resources outlined above will need to be assessed and managed as part of the initial actions outlined in 3.13 above at both a partnership level and individual organisation level. There is a clear risk that the funding gap will not be closed through the better use of resources and efficiencies arising from current transformation plans and that further efficiencies and/or reductions in current service levels will be required.

5 Conclusions

5.1 The Comprehensive Spending Review (CSR) 2013 announced spending totals for local government together with a £3.8bn transfer to Adult Social Care from the NHS. Since the CSR was announced there have been further clarifications received in relation to the local government spending plans, further details in relation to the £3.8bn and also, most recently, a consultation on the NHS Funding Allocations Review. Whilst the original announcements signalled significant financial challenges, the further announcements are likely to considerably exacerbate the position for all Health & Social Care Partners in the City.

5.2 Although the City has ambitious transformation plans to support the delivery of better outcomes for people within the reducing resource envelope available, the combination of the above funding announcements will require additional savings to be generated through both the transformation programme and through other means at a further and faster rate than originally anticipated.

6 Recommendations

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