

Leeds Health & Wellbeing Board

Report author: Ann Hill
Tel: 0113 2478555

Report of: Interim Director of Adult Social Care, Leeds City Council and Chief Operating Officer, Leeds South & East Clinical Commissioning Group

Report to: Leeds Health and Wellbeing Board

Date: 25th March 2015

Subject: Understanding the Financial Position and Challenge across Health and Social Care in Leeds

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? If relevant, Access to Information Procedure Rule number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Appendix number:		

Summary of main issues

1. The health and social care system in Leeds is facing significant 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, as well as facing these challenges we are seeking 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 in 2014, 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 outlines the current financial context fir health and social care in Leeds and provides further details on the key pieces of work currently being undertaken to improve services and try to address the financial challenge.

Recommendations

The Health and Wellbeing Board is asked to:

- Note the contents of this report and in particular:
 - The scale of the financial challenge facing the Leeds' health and social care economy
 - The approach being taken by partners individually and collectively across the health and social care system to address this financial challenge
- Agree to receive a further paper in the autumn when many issues will be clearer

1 Purpose of this report

- 1.1 This report provides the Health and Wellbeing Board with an overview of the financial context and challenges 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.

2.6 Partners across Leeds have developed a joint vision and strategy through the 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 priority work streams designed to transform the way that health and care are delivered in Leeds are as follows:

Elective Care - Programme focusing on transforming all elective care specialties across health and social care. The immediate focus will be on areas of high spend and on pathways where there are presently poor or unproven clinical outcomes. Transformation 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 optimising management of patients with long term conditions, frail elderly, end-of-life, dementia and multiple comorbidities. Includes the 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. It 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. The 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 will focus our commissioning efforts to improve outcomes over the next few years for 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.

3 Main issues

Financial Context

3.1 It has been widely reported that nationally there is significant pressure on funding for health and social care services, in large part due to demographic changes in the population. The challenge facing the NHS is forecast to be £30bn by 2021 and

recently NHS England responded to this and set out an ambitious programme of reform for the NHS in the recent Five Year Forward View. Within this, under NHS England's most demanding productivity assumption (2-3% a year), they recognise that the NHS will still need an addition £8bn extra funding over and above inflation by 2020/21. One initiative from central government has been the establishment of the Better Care Fund, which nationally is a £3.8bn pooled budget between health and social care. In Leeds this amounts to around £55 million. The budget is pooled using existing resources and has been included in both local government and health spending totals. It is therefore not additional funding but a reallocation of existing resources.

- 3.2 The Autumn Statement on 3 December 2014 announced additional funding for front-line services and transformation amounting to £1.98bn. £1.5 billion of the extra funding will be used to support frontline services, and £480 million will be used to support transformation in primary care, mental health and local health economies. In recognition of the pressures on primary care, primary care funding should be increased by at least as much as local CCG-commissioned community and hospital allocations. However the allocation of this additional funding has been mainly targeted at Specialised Commissioning and Clinical Commissioning Groups (CCGs) that are deemed to be below target on the national funding formula for CCGs as explained below.
- 3.3 The CCGs have received growth of 1.94%, which is the minimum growth rate for CCGs across the country as Leeds is adjudged to be 'above target' in calculations of target funding for NHS CCG allocations. Of this, 0.54% was previously provided in 2014/15 as winter resilience funding. The CCG running cost allocation has also been reduced by 10% (in real cash terms) which result in a per capita increase net of these of 0.74%. The funding implications of the Better care Fund result in a -0.3% real terms reduction for the Leeds CCGs moving in to 2015/16.
- 3.4 To begin tackling relative underinvestment in mental health services, every CCG will be expected to use its extra funding to increase funding for local mental health services in real terms next year by at least the level of the CCG's overall funding growth. In addition a further £110 million of dedicated purchasing power is being injected nationally to improve services for people with severe mental health problems, with anxiety and depression, and with eating disorders particularly children and adolescents.
- 3.5 There is currently uncertainty within financial planning across the NHS because proposed changes to the way that the tariff system works have not passed the consultation phase. NHS providers now have a choice to make between remaining on the existing 14/15 tariff but not having access to CQUIN (Quality) payments (so effectively a -2.5% reduction in funding) or accepting the Alternative Funding Proposal which would see upwards of £500m of additional funds being distributed to providers with consequences for commissioners. The implications

of the Alternative Tariff Proposal would have circa £2m impact on the three CCGs if providers choose this approach. NHS Trusts have to decide by the 4th March on which option they wish to choose.

- 3.6 To date, Leeds City Council has responded to the challenging reductions to its funding since 2010 which has been in the region of £129m over the past 4 years. Savings of around £250m have been achieved. The Council now anticipates that there will be a further reduction in funding from Government of around £74m over the two years 2015/16 and 2016/17. The Council's government funding for 2015/16 will reduce by a further £49m. This reduction in funding is in addition to the need to meet the cost of inflation and continuing spending demands across a range of services.
- 3.7 Within Adult Social Care the financial impact of demand and demographic pressures projected to be ongoing in 2015/16 is £14.3m. This takes account of the significant demand pressures experienced during both 2013/14 and 2014/15 over and above the budget provision available. Children's Services face pressures of £11.7m, which includes inflationary pressures, demand changes and grant funding reductions. The proportion of the Council's budget spent on social care continues to rise, reflecting the Council's continued prioritisation of these services.
- 3.8 It is difficult to predict changes in demand as a result of the new duties on the Council included in the Care Act. In December's proposals the Council included £4.2m for the projected spend in 2015/16 resulting from the new Care Act duties.
- 3.9 The Better Care Fund, which for 2015/16 will be a pooled budget of £55m to reconfigure the health and social care system across Leeds and maximise the value of the "Leeds £". The approved BCF plans include a number of invest to save initiatives largely directed to addressing pressures within the acute sector but also social care, through investment in out of hospital health and social care services. Recognising that the funding make-up of the BCF is existing committed spend; the Council and Health partners have created an investment fund of £10.8m to fund 'invest to save' initiatives to help deliver the stated outcomes of the BCF.

The health and social care financial challenge

- 3.10 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 Ernst & Young and the Commissioning Support Unit (CSU), a refined calculation of the whole health system financial challenge has been made. This calculation, undertaken in June 2014, 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.

- 3.11 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)

- 3.12 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.
- 3.13 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.
- 3.14 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. The information will be refreshed by the Directors of Finance early in the new financial year to take account of the latest planning and allocations. , however the overall size of the challenge will remain broadly unchanged.

Measures being put in place to address the challenge

- 3.15 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.
- 3.16 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. 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.
- Leeds health and social care organisations submitted their 5 joint year plan in 2014, which identified various mechanisms to close this gap. Local organisations will have their own efficiency programmes and these were estimated to contribute £380 million of this challenge. Transformation work streams are expected to deliver significant further savings. In the 5 year plan this was in the region of £31 million towards the gap, however this area is being reviewed with the expectation the schemes and savings are at a much greater scale. This review is being led by the Transformation Director,;
 - Schemes associated with recurrent investment in the Better Care Fund are expected to contribute around £11million savings which will be used to either invest further or contribute 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.
 - 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.
- The plan will be refreshed early in 2015/16.

Other measures being taken

- 3.17 All Finance Directors have nominated senior finance resources in each of the key pathway redesign forums reporting to the Transformation Board. A key current role for this finance sub-group is to sense check the financial projections across the Transformation Programme and challenge the assumption that only £31m of anticipated savings are cashable and realistic. The aim is to work with the transformation workstreams to identify an increased level of savings to help to close the 5-year funding gap. 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.
- 3.18 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. They 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.
- 3.19 Two significant developments are likely within the next two years. Discussions have commenced with NHS England around co-commissioning of primary care services and it is likely in the future that specialised services will also be much more closely aligned and potentially co-commissioned also,
- 3.20 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.

- 3.21 Although we aim to improve the health of the whole population there are key populations 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 those who do not access services readily and those who are living in the most deprived wards of the city.
- 3.22 The impact of specialised commissioning changes will need management to ensure that Leeds 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.
- 3.23 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.
- 3.24 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.
- 3.25 NHS Leeds South and East key strategic aim is to focus on reducing health inequalities. Moving in to 15/16 the CCG will again focus on this and equally build on the successful primary care scheme implemented during the year, which has focused on managing patients with long term conditions through increased primary care capacity at scale focusing on GP practices and care homes. . 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.
- 3.26 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.

- 3.27 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.
- 3.28 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 spending on Children's Services and Adult Social Care has increased from 48.5% in 2010/11 to 57.1% in 2014/15.
- 3.29 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.
- 3.30 The ongoing severity of the funding reductions 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.
- 3.31 The 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 Health and Wellbeing Board Governance

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. 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 This report is for information so there are no direct implications for equality and diversity. Each of the programmes of work which are addressing the financial challenges for health and social care will ensure that they appropriately consider the equality, diversity, cohesion and integration factors of their work.

4.3 Resources and value for money

4.3.1 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.

4.3.2 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, this represents a critical risk to both the Council and the health and social care system in the city.

4.4 Legal Implications, Access to Information and Call In

4.4.1 This report is for information and so there are no direct legal implications.

4.5 Risk Management

4.5.1 There are no direct risk management implications of this report as it is provided for information. However, 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 destabilising 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.

4.5.2 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 some very difficult decisions.

6 Recommendations

The Health and Wellbeing Board is asked to:

- Note the contents of this report and in particular:
 - The scale of the financial challenge facing the Leeds' health and social care economy
 - The approach being taken by partners individually and collectively across the health and social care system to address this financial challenge
- Agree to receive a further paper in the autumn when many issues will be clearer