



Report of: Leeds Health and Care Partnership Executive Group (PEG)

Report to: Leeds Health and Wellbeing Board

Date: 28 September 2017

Subject: Leeds Health and Care Quarterly Financial Reporting

Are specific geographical areas affected? If relevant, name(s) of area(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues:

This report provides the Health and Wellbeing Board with an overview of the financial positions of the health & care organisations in Leeds, brought together to provide a single citywide quarterly financial report (Appendix 1). It also provides a briefing on the work being carried out across the West Yorkshire and Harrogate Sustainability and Transformation Partnership (WY&H STP) on developing plans for financially sustainable service delivery models.

Key headlines at quarter 1:

- NHS partners are predicting that they will meet the financial targets set by national regulators. However this is heavily dependent on the identification and delivery of local savings, planned for the latter part of the year.
- Within the City Council, the prediction is that actual expenditure will exceed budget by £2.9m, with this adverse variance relating to the Children’s and Families directorate.
- There is significant financial risk associated with the plans of all partners. Savings from the programmes in the Leeds Plan are currently not expected to materially contribute to mitigating the risks in the individual plans of each partner.
- Further citywide action is required to mitigate the risks in single organisation plans.

Recommendations:

The Health and Wellbeing Board is asked to:

- Review the Leeds health & care quarterly financial report.
- Note the work being carried out across West Yorkshire and Harrogate seeking to develop plans for financially sustainable service models

1 Purpose of this report

- 1.1 This report provides the Health and Wellbeing Board with a brief overview of the financial positions of the health and care organisations in Leeds, brought together to provide a single citywide quarterly financial report (Appendix 1). It also provides a briefing on the work being carried out across the WY&H STP on identifying financially sustainable service delivery models.
- 1.2 This financial 'health check' aims to clarify where the current and expected financial pressures are in the local health and care system. This provides the Health and Wellbeing Board with an opportunity to direct action which will support an appropriate and effective response.
- 1.3 This paper supports the Board's role in having strategic oversight of and both the financial sustainability of the Leeds health and care system and of the executive function carried out by the Leeds Health and Care Partnership Executive Group.

2 Background information

- 2.1 In September 2016, the Leeds Health and Wellbeing Board considered a paper entitled 'Towards Better Joint Health and Care Working – A Governance Update'. The Health and Wellbeing Board endorsed a number of proposals within this paper, which included that:
 - The Board has a principal role in the oversight of the financial sustainability of the Leeds system
 - The Board oversee the Leeds Health and Care Partnership Executive Group (PEG) which exists as a meeting of the executive functions for the partnership in relation to the direct health and care system and therefore task it with implementing the Leeds STP
 - The Board receive a quarterly report from the PEG, providing a financial health check for Leeds health and care provision.
- 2.2 The financial information contained within this report has been contributed by Directors of Finance from Leeds City Council, Leeds Community Healthcare Trust, Leeds Teaching Hospital Trust, Leeds and York Partnership Trust and the Leeds Clinical Commissioning Groups.

3 Main issues

- 3.1 At quarter 1 the collective health and care system in Leeds is predicting an end of year adverse variance of £2.9m. This relates solely to the Children's and Families directorate and is being driven by higher than expected demand than was assumed in the budget.
- 3.2 The plans of all partners include significant risks, some of which are currently unmitigated. This particularly relates to the identification and delivery of local savings schemes that are planned to provide significant benefits in the latter part of the year.

- 3.3 The programmes within the Leeds Plan are at different stages of development both in terms of their governance and the identification of any financial benefits for the system and any investment upon which it relies. Savings from these programmes are not expected to materially contribute to mitigating the risks in the local plans of partner organisations.
- 3.4 All organisations in the WY&H STP have recently refreshed their financial plans for the next 4 financial years, 2017/18 to 2020/21. On paper this appears to show that at an aggregate level across the STP, the solutions being developed in each of the 6 places, Bradford and Airedale, Calderdale, Harrogate, Kirklees, Leeds and Wakefield, are sufficient to meet the financial challenge facing them. However each organisation has identified significant risks either associated with delivery of their own plans or where these plans do not align with those of their health and care partners.
- 3.5 It is important that we have credible financial plans that system leaders across WY&H both understand and have confidence in. They need to be underpinned by realistic and overt assumptions about what is driving the financial challenge in health and care, for example, changes in demography, demand for particular services, any staff pay increases and so on. They also need to be realistic in terms of the solutions being planned. For instance, assumed levels of efficiency savings that can be made by provider organisations need to be set in the context of benchmark data from similar organisations elsewhere. Equally, any commissioner proposals to change access to services needs to be supported by evidence from other places.
- 3.6 The STP leadership team have secured some external support from the York Health Economics Consortium (YHEC) to support each of the 6 places in developing plans to deliver financially sustainable health and care services. The team from YHEC are working with system leaders in each of the places through a series of local engagement events and small task and finish groups. The intention is that the outcome of this work will be presented to the broad group of system leaders at an event on 3rd October.

4 Health and Wellbeing Board governance

4.1 Consultation, engagement and hearing citizen voice

- 4.1.1 Development of the Leeds health & care quarterly financial report is overseen by the Directors of Finance from Leeds City Council, Leeds Community Healthcare Trust, Leeds Teaching Hospital Trust, Leeds and York Partnership Trust and the Leeds Clinical Commissioning Groups.
- 4.1.2 Individual organisation engage with citizens through their own internal process and spending priorities are aligned to the Leeds Health & Wellbeing Strategy 2016-2021, which was developed through significant engagement activity.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 Through the Leeds health & care quarterly financial report we are better able to understand a citywide position and identify challenges and opportunities across the health and care system to contribute to the delivery of the vision that 'Leeds will be a healthy and caring city for all ages, where people who are the poorest

improve their health the fastest', which underpins the Leeds Health and Wellbeing Strategy 2016- 2021.

4.3 Resources and value for money

4.3.1 Whilst the Health and Wellbeing Board has oversight of the financial stability of the Leeds system, the PEG has committed to 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. Bringing together financial updates from health and care organisations in a single place has multiple benefits; we are better able to understand a citywide position, identify challenges and opportunities across the health and care system and ensure that people of Leeds are getting good value for the collective Leeds £.

4.4 Legal Implications, access to information and call In

4.4.1 There is no access to information and call-in implications arising from this report.

4.5 Risk management

4.5.1 The Leeds health & care quarterly financial report outlines the extent of the financial challenge facing the Leeds health and care system. These risks are actively monitored and mitigated against, through regular partnership meetings including the Citywide Director of Finance group and reporting to the PEG and other partnership groups as needed. Furthermore, each individual organisation has financial risk management processes and reporting mechanisms in place.

5 Conclusions

5.1 Whilst in 2016/17 all health and care partners in the city met the required financial targets this was due to non-recurrent benefits rather than sustainable changes to operational delivery. For the 4 years 2017/18 to 2020/21, whilst on paper Leeds in common with many of the other places in the STP, comes close to delivering a breakeven position, these plans are not sufficiently robust to be considered credible either to national leaders or to staff and service users. Action is being taken across the WY&H STP to remedy this situation and Leeds is playing its full part in this work.

6 Recommendations

The Health and Wellbeing Board is asked to:

- Review the Leeds health & care quarterly financial report.
- Note the work being carried out across West Yorkshire and Harrogate seeking to develop plans for financially sustainable service models

7 Background documents

7.1 None



How does this help reduce health inequalities in Leeds?

An efficient health and care system in financial balance enables us to use resources more effectively and target these in areas of greatest need.

How does this help create a high quality health and care system?

Driving up quality depends on having the resources to meet the health and care needs of the people of Leeds. Spending every penny wisely on evidence based interventions and ensuring we have an appropriate workforce and can manage our workforce effectively promotes system-wide sustainability.

How does this help to have a financially sustainable health and care system?

It maintains visibility of the financial position of the statutory partners in the city

Future challenges or opportunities

Future updates will be brought to the Health and Wellbeing Board as requested and should be factored into the work plan of the Board.

Priorities of the Leeds Health and Wellbeing Strategy 2016-21 (please tick all that apply to this report)	
A Child Friendly City and the best start in life	X
An Age Friendly City where people age well	X
Strong, engaged and well-connected communities	X
Housing and the environment enable all people of Leeds to be healthy	X
A strong economy with quality, local jobs	X
Get more people, more physically active, more often	X
Maximise the benefits of information and technology	X
A stronger focus on prevention	X
Support self-care, with more people managing their own conditions	X
Promote mental and physical health equally	X
A valued, well trained and supported workforce	X
The best care, in the right place, at the right time	X

**Leeds Health and Care Partnership Executive Group
Forecast end of year financial position as at 30th June 2017**

Appendix 1

1. Section 1 - City Summary

Sign convention – negative numbers = ADVERSE variances

End of year forecast	Total Income/Funding			Pay Costs			Other Costs			Total Costs			Net surplus/(deficit)		
	Plan	Forecast	Var	Plan	Forecast	Var	Plan	Forecast	Var	Plan	Forecast	Var	Plan	Forecast	Var
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Leeds City Council	611.6	617.3	5.7	142.8	141.5	1.3	468.8	478.7	- 9.9	611.6	620.2	- 8.6	-	- 2.9	- 2.9
Leeds Community Healthcare Trust	143.3	143.1	- 0.2	101.6	103.7	- 2.1	38.7	36.4	2.3	140.3	140.1	0.2	3.0	3.0	-
Leeds Teaching Hospitals NHS Trust	1,208.8	1,208.8	-	684.3	684.3	-	515.4	515.4	-	1,199.7	1,199.7	-	9.1	9.1	-
Leeds & York Partnership Foundation Trust	150.5	150.5	-	109.6	109.6	-	37.3	37.3	-	146.9	146.9	-	3.7	3.7	-
Leeds North CCG	289.6	289.6	-	2.8	2.8	-	286.8	286.8	-	289.6	289.6	-	-	-	-
Leeds South and East CCG	421.3	421.3	-	2.8	2.8	-	418.5	418.5	-	421.3	421.3	-	-	-	-
Leeds West CCG	474.5	474.5	-	3.7	3.7	-	470.8	470.8	-	474.5	474.5	-	-	-	-

The 3 NHS Trusts are assuming that they will achieve their control totals. Risks relate to the identification and delivery of local savings plans with a significant proportion of these being planned towards the latter part of the year; the management and risk share in respect of mental health out of area referrals; and potential stranded costs relating to competitive tendering. The CCGs are assuming that business rules will be met, with the main risk again being related to the identification and delivery of local savings plans. For the City Council, the forecast adverse variance relates solely to the Children's and Families directorate.

Savings from the programmes in the Leeds Plan are not expected to materially contribute to mitigating the risks in the individual plans of each partner.

2. Section 2 – local variances, risks and mitigation

a. Leeds City Council

The numbers quoted above relate solely to the Adults and Health directorate (which now includes Public Health) and the Children's and Families directorate.

Adults and Health are forecasting a balanced position in 2017/18 at the first quarter. The budget for the directorate has been adjusted for the additional monies allocated by the Chancellor in the Spring budget although at this stage detailed plans have not been determined or approved. Outside of this additional funding, the main variations for the directorate are staffing (projected saving of £1.3m) which is offset by projected shortfalls in income, including client contributions to community support services. A small underspend is projected for Public Health

The budget for Children's and Families contains a number of significant financial risks and at the first quarter an adverse variance of £2.9m is forecast. Although the 2017/18 budget provided for an additional £3.3m for budgets for looked after children, the directorate is projecting a £3.3m overspend in these budgets being driven by higher demand than anticipated in the budget. The forecast does take account of a number of directorate actions to review external placements and independent foster care packages. The budget for transport is currently forecast to underspend by £0.2m. A shortfall in income in children's centres of £0.5m is forecast and is expected to be offset by additional Education Support Grant being higher than budgeted.

b. Leeds Community Healthcare Trust

The Trust is forecasting that it will achieve its control total of £3.0m surplus. At quarter 1 savings of £0.5m more than has currently been identified are required to achieve this position; action will be taken to deliver this in the second part of the year if the forecast position has not improved. Significant financial risk arises from competitive tendering of services, for example there are unbudgeted redundancy costs that may arise from the decommissioning of services as part of the CIC bed tender. Material financial risk also arises from potential non-delivery of CQUINs and continuing to deliver safe services in periods of increased demand.

c. Leeds Teaching Hospitals Trust

At the end of June, the Trust reported an adjusted deficit of £11.3m, which was £3.6m better than plan. Income is now £6.1m behind plan (principally due to lower than planned activity), offset by a favourable expenditure variance of £9.8m (including technical adjustments). The favourable expenditure position is driven mainly by non-pay which is £10m better than plan. Of that, £4.5m relates to drugs, blood and devices that are contracted for on a 'pass through' basis, this being a major contributor to the adverse variance on income but neutral to the Trust overall. At this point in the year, the Trust continues to forecast that it will achieve the £9.1m planned surplus, with a revised financial framework due to be introduced in late July to manage the current gap.

d. Leeds and York Partnership Trust

The financial position as reported at quarter 1 is within plan tolerances. However, the static run-rate is impacted by the level of unidentified CIP and out of area pressures are flagging the challenge and stretch for later months. The Trust is forecasting to achieve its control total dependent on a number of assumptions, including minimising out of area pressures/agreeing a risk share arrangement with Leeds CCGs and accelerating the CIP pipeline schemes.

e. Leeds CCGs

The CCGs have submitted balanced plans to NHS England for 2017/18, with a citywide QIPP target of 3% (£34.9m) to achieve this position. At this early stage in the year with limited data available the forecast is for a breakeven position. Risks remain regarding system resilience and demand. A key risk is that the QIPP targets remain un-mitigated. For 2017/18 a risk reserve is held to cover this; however the CCGs financial position moving forward is untenable without the realisation of this QIPP requirement.

3. Section 3 – Stock-take on savings from Leeds Plan programmes

The programmes within the Leeds Plan are at different stages of development both in terms of their governance and the identification of any financial benefits for the system and any investment upon which it relies. What follows is a brief stocktake for each.

- The Optimising Secondary Care programme has a steering group meeting on 7th September. At its meeting on 13th June, the SRO asked that each project work up the financial impacts of their work including benefits and any required investments and this work is in progress. .
- The Urgent Care/Rapid Response programme had its first steering group meeting on 6th June and the next is scheduled for 21st August. To date the people involved in this programme have mainly been focussed on the 2017/18 'winter plan'.
- The Prevention programme is continuing to manage the implementation of changes mainly driven by the reduction in funding of the Public health grant. They have set up a new steering group and it meets for the first time on 21st August.
- The Self-management and Proactive Care programme has established a steering group with its second meeting taking place on 16th August. Their priority areas are diabetes; respiratory; frailty; and new models of care, starting with the roll-out of the new musculoskeletal model.
- The Estates programme steering group continues to meet every 6-8 weeks. Their priority is on working up business cases for the 3 priority localities (Burmantofts, Harehills and Crossgates) with a view to being able to demonstrate how practical benefits can be delivered through cross city working. They are planning to have completed this work to come back to PEG in October. They are also supporting the CCGs in their accommodation review and the potential for the co-location of health and social care commissioning staff.
- The Procurement programme steering group also continues to meet every 6-8 weeks. They continue to progress the £3.1m of identified opportunities through the stages of the procurement process. The first project has come to fruition with the letting of a joint contract for taxis between LTHT and LCC. Based on previous levels of activity the new contract will give LTHT a small cost pressure with a saving of c£30k for LCC. Whilst in absolute terms this saving is small, the more significant benefit for LCC is that the contract will give them much greater visibility and control over this c£4.9m area of expenditure and therefore the opportunity to deliver further financial benefits through changes in volumes.
- Following its appearance at the July PEG meeting, the Digital programme is working up proposals to formalise partnership governance and decision making; identify sustainable funding for the joint Strategy, Architecture and Commissioning function; and to establish a city programme budget with clear ownership of benefits realisation and process to manage revenue consequences.