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| KIRKLEES HEALTH & WELLBEING BOARD |
| MEETING DATE: 25th July 2019 |
| TITLE OF PAPER: Financial Position of the Kirklees Health and Adult Social Care Economy |
| <p>1. Purpose of paper</p> <p>To provide the Kirklees Health and Wellbeing Board with an update on the financial position of Greater Huddersfield and North Kirklees CCGs, Mid Yorkshire Hospitals NHS Trust (MYHT), Calderdale and Huddersfield NHS Foundation Trust (CHFT), South West Yorkshire Partnership NHS Foundation Trust, Locala and Kirklees Adult Social Care.</p> <p>To provide details of the actions which each organisation is taking individually and jointly to address their financial position.</p> |
| <p>2. Background</p> <p>The Kirklees Health and Wellbeing Plan highlights the need to operate as a health and social care system, rather than just as separate organisations. This is reinforced through the West Yorkshire and Harrogate commitment to taking a place based approach based on Health and Wellbeing Board areas.</p> <p>The Health and Wellbeing Plan also recognises that the Kirklees health and care economy is financially challenged.</p> <p>The appendix sets out the scale of the financial challenge faced by the main health and care organisations in Kirklees, and some of the steps being taken to address this.</p> <p>This report was presented to the Health and Adult Social Care Scrutiny Panel on the 18th June 2019</p> |
| <p>3. Financial Implications</p> <p>As described in the Appendix.</p> |
| <p>4. Sign off</p> <p>Ian Currell Chief Financial Officer, Greater Huddersfield CCG & North Kirklees CCG</p> |
| <p>5. Recommendations</p> <p>That the Board considers the information provided and determines if any further information or action is required.</p> |
| <p>6. Contact Officer</p> <p>Ian Currell Chief Financial Officer, Greater Huddersfield CCG & North Kirklees CCG</p> |

APPENDIX

Kirklees Health and Adult Social Care Scrutiny Panel

18th June 2019

Update on the financial position and recovery actions of Greater Huddersfield CCG, North Kirklees CCG, Mid Yorkshire Hospital NHS Trust, Calderdale & Huddersfield NHS Foundation Trust, South West Yorkshire Partnership NHS Foundation Trust, Locala and Kirklees Adult Social Care.

1. Purpose

To provide the Kirklees Health and Social Care Panel with an update on the financial position of South West Yorkshire Partnership NHS Foundation Trust (SWYPFT), Greater Huddersfield and North Kirklees CCGs, Mid Yorkshire Hospitals NHS Trust (MYHT), Calderdale and Huddersfield NHS Foundation Trust (CHFT), Locala and Kirklees Adult Social Care. To provide details of the actions which each organisation is taking individually and jointly to address their financial position.

2. System Financial Position

The 2018/19 planned and actual surplus / (deficit) are shown below along with the planned year end position and revenue budget for 2019/20.

| | 2018/19 plan surplus / (deficit) £m | 2018/19 outturn surplus / (deficit) £m | 2019/20 plan surplus / (deficit) £m | 2019/20 Rev Budget £m |
|---|---|--|---|--------------------------------|
| South West Yorkshire Partnership NHS FT | 0.6 | 3.1 | 1.5 | 223.8 |
| Greater Huddersfield CCG | 1.0 | 2.1 | 0.0 | 360.0 |
| North Kirklees CCG | -11.0 | -11.0 | -8.0 | 300.3 |
| Mid Yorkshire Hospitals NHS | -5.4 | -18.3 | 0.0 | 553.4 |
| Calderdale & Huddersfield NHS FT | -43.1 | -43.0 | -9.7 | 417.4 |
| Locala | 0.0 | 0.3 | 0.6 | 74.5 |
| Kirklees Adult Social Care | 0.0 | 0.0 | 0.0 | 96.0 |

A negative value indicates a deficit

Notes

CHFT 2018/19 outturn excludes £26.5m fixed impairments which are technical accounting transactions with no bearing on cash.

MYHT / CHFT / SWYPFT figures include national support funding.

North Kirklees CCG figures prior to national support funding.

Each year all organisations face cost pressures increasing at a faster rate than the growth in their income. In order to deliver their planned year end positions organisations have to deliver ambitious savings programmes. Organisations are increasingly looking to do this in partnership with each other, taking a whole system view. This has been facilitated in 2018/19 with the first year of Aligned Incentive Contracts between Greater Huddersfield CCG and CHFT and between North Kirklees CCG and MYHT. This contract type attempts to break the previous simple link between activity and funding and replace it with a contract that rewards joint working and transformation. There is much to do to improve this contract type further but we have started to see some of the benefits of this contract in 2018/19 and all organisations are committed to continue with it in 2019/20.

The level of savings required for each organisation in 2019/20 and the savings position for 2018/19 is set out below:

| | 2018/19 plan £m | 2018/19 outturn £m | 2019/20 Plan £m |
|---|--------------------|--------------------------|--------------------|
| South West Yorkshire Partnership NHS FT | 9.7 | 10.6 | 10.7 |
| Greater Huddersfield CCG | 9.7 | 7.4 | 5.3 |
| North Kirklees CCG | 8.4 | 7.4 | 5.9 |
| Mid Yorkshire Hospitals | 24.0 | 16.0 | 19.0 |
| Calderdale & Huddersfield NHS FT | 18.0 | 18.0 | 11.0 |
| Locala | 1.5 | 1.9 | 1.6 |
| Kirklees Adult Social Care | 3.3 | 3.7 | 4.2 |

3. Individual Organisations : 2018/19 financial position and plan for 2019/20

3.1 North Kirklees CCG

The CCG agreed with NHS England a planned deficit for 2018/19 of £11m, which represented a £2.9m improvement on the previous financial year. If that planned deficit was achieved then the CCG would qualify for non-recurrent Commissioner Support Funding of £11m which would return the CCG to an in year break even position. The CCG did achieve the planned deficit position in 2018/19 and it did therefore qualify for the Commissioner Support Funding. The deficit position reported in 2017/18 triggered a capacity and capability review process. The CCG regularly reported against the agreed action plan to its Governing Body and to NHS England. NHS England have confirmed that they are assured on progress made and that separate reporting to NHS England is therefore no longer required.

For 2019/20 the CCG is required to improve its in year position to an £8m deficit. Once again if the CCG is successful in achieving its plan then it will qualify for non-recurrent Commissioner Support Funding of £8m which will return the CCG to an in year break even position. The plan requires delivery of a £5.9m savings target which is 2% of the total allocation.

The plan meets the requirements of the Mental Health investment standard, ring fences national funding for the development of primary care and sets aside additional funding for the wider enhancement of out of hospital care.

3.2 Greater Huddersfield CCG

The CCG had a planned in year surplus of £1.0m in 2018/19. As well as having an in year target CCGs are also required to maintain a cumulative surplus (each year added cumulatively together) equivalent to 1% of their allocation. Although the CCG had returned to an in year surplus they had still not reached the target of a 1% cumulative surplus. Financial performance in 2018/19 was strong enough that it enabled the CCG to over achieve against its in year plan and deliver a £2.1m surplus. This over achievement meant the CCG had now achieved the cumulative 1% surplus. This would allow the CCG to return to delivering a break even every year rather than a surplus – therefore allowing more resource to be freed up for investment.

Now that the cumulative 1% surplus has been achieved the CCG can plan for an in year break even position in 2019/20. The plan requires the CCG to deliver a £5.3m savings target which is 1.5% of the total allocation. As for North Kirklees CCG the plan meets the requirements of the Mental Health investment standard, ring fences national funding for the development of primary care and sets aside additional funding for the wider enhancement of out of hospital care.

3.3 Mid Yorkshire Hospitals NHS Trust

The Trust reported a deficit of £18.3m deficit after including £13m Provider Sustainability Funding (PSF) income. This position was £12.9m short of the target agreed with NHSI, with the main issues relating to two significant CIP schemes totalling £8m which the Trust was unable to transact. It should be noted however that the Trust managed to save £16m in year, which represents around 3% of its annual turnover which is above the national average.

For 2019/20 the Trust has been set a break even control total target after the receipt of £20.8m funding through the Provider Sustainability Fund & Financial Recovery Funding. To achieve this plan, the Trust needs to save £19.0m (around 3.6% of turnover) in 2019/20.

At month one, the Trust is ahead of the planned I & E position by £0.2m. At this stage the Trust is still forecasting to deliver the plan, although there is a risk on CIP delivery of around £4m that the Trust is making plans to mitigate.

3.4 Calderdale & Huddersfield NHS Foundation Trust

In 2018/19, the Trust planned for a £43.1m deficit. The planned deficit was a £20.5m higher than the control total set by NHS Improvement (NHSI) and therefore meant that the Trust was not eligible for £14.2m of central Provider Sustainability Funding. The plan assumed delivery of £18.0m new savings schemes in 2018/19, when combined with the full year effect of 2017/18 savings this represented 5.6% of operating costs.

The Trust has successfully achieved the planned deficit in 2018/19 with a final year end position of £43.0m deficit as agreed with the regulators NHSI. The planned £18m savings schemes were delivered in full.

In 2019/20 the Trust is planning for a £9.7m deficit. This comes about following the acceptance of the control total of £38.0m which enables access to central funding of £28.3m (received through a combination of Marginal Rate Emergency Tariff reimbursement, Provider Sustainability Funding and Financial Recovery Funding). Securing this central funding is reliant upon achievement of the control total.

Delivery of this expectation will be stretching from a financial perspective and require implementing transformational change, a focus on budgetary accountability and taking full advantage of efficiency opportunities to deliver CIP of £11.0m (3%). This plan will support the direction and financial position of the overall Integrated Care System and set the baseline for the Trust's plans for reconfiguration.

3.5 Locala

Locala Group financial position (pre Audit draft) at 31 March 2019 shows a £305k financial surplus for the year, against a plan of £20k. Additional income was received in year relating to the Agenda for Change pay awards, and savings plans were exceeded (although largely by non-recurrent measures). The benefits were reduced by additional costs in IT services, medical indemnity costs and costs of reorganisation of corporate support functions.

The financial plan for 2019/20 is for a surplus of £590k, in line with our 3 year plan to move towards delivering an annual 2% surplus. The plan has a savings requirement of £1.6m (2.2% of turnover). Locala are revitalising their savings and transformation programme, and looking to adopt the change methodology used by Mid Yorkshire Hospitals NHS Trust.

As a Community Interest Company, we are looking at investing retained surplus in projects or services that will have a positive impact and visible benefit in the local communities that we serve, and support health and wellbeing. Discussions have been had with the council about a joint programme to target funds into the community.

3.6 Kirklees Adult Social care

Adult Social Care faces a number of significant challenges:

- Volume growth – increases in the number of those needing support. The number of adults aged 85 or over is rising faster than the population as a whole (25% between 2007 and 2017)
- Increasing levels of complexity in the needs of those receiving support
- The sector is seeing increasing pressure on social care costs, arising from inflation and, more notably, the introduction of the National Living Wage which affects around 75% of the social care workforce.
- Increasing pressure on care providers, with the market becoming more and more fragile. The ADASS Budget survey for 2018 had 74% of Directors of Adult Social Services reporting that care providers in their area are currently facing financial difficulties.
- Reductions in overall funding for local government

There has been significant debate around the state of Adult Social Care, and its sustainability at current budget levels. This has partially been alleviated by short term funding released at a national level. A series of announcements by the Government (in November 2015, December

2016, March 2017, February 2018 and October 2018) provided for ring-fenced funding for adult social care. This has included:

- Following the 2015 Spending Review, the arrangements were changed for council tax, allowing authorities with adult social care responsibilities to add a precept (on top of the standard referendum limit).
- An improved Better Care Fund –to include additional social care funds of around £4.4 billion between 2017/18 and 2019/20.
- An Adult Social Care Support Grant which provided £240 million to local authorities in 2017/18 and £150 million in 2018/19.
- An additional £240 million in 2018/19 and £240 million in 2019/20 for social care packages to ease NHS winter pressures.
- A Social Care Support Grant of £410 million in 2019/20 to support adult and children’s social care services

In total, local authorities will have access to around £10 billion dedicated adult social care funding over the period 2017/18 to 2019/20. The share for Kirklees is shown below.

| Funding stream | Kirklees (17-18) | Kirklees (18-19) | Kirklees (19-20) |
|----------------------------|------------------|------------------|------------------|
| | £m’s | £m’s | £m’s |
| Precept | 4.7 (3%) | 5.0 (3%) | n/a |
| iBCF | 9.1 | 12.4 | 15.4 |
| ASC Grant | 1.9 | 1.2 | n/a |
| Winter Pressures | n/a | 1.9 | 1.9 |
| Social Care Grant (Adults) | n/a | n/a | 1.9 |
| Total | 15.7 | 20.5 | 19.2 |

All of these are very much time limited or one-off adjustments, with some only announced on an annual basis, and/or on a reducing balance. There is uncertainty around the level of funding post-2020. As such, long term budgeting is problematic with almost 20% of the social care budget based on non-recurrent funding.

Inclusive of *in-year* additional funding, the outturn position for Adults Social Care was a break-even position.

With regard to Demand Led Client Provision, Independent Sector Homecare was underspent by £3.1m owing to a lack of capacity in the market to meet assessed user needs. In turn, this caused a significant alternate spend on residential placements and short term packages contributing to a pressure in this area of £3m. In addition, the In-House Residential (Older People) budget saw an over-spend of £0.4m.

When looking across client groups, the largest pressures were seen on Older People, and on Mental Health (with the latter showing signs of significant growth)

For the year, the Service had savings targets totalling £3.3m. Against this, savings of £3.7m were achieved, with a £447k over-achievement.

Moving forward, the key pressures remain. In line with other departments across the Council, Adults Social Care has factored in further significant savings into its budget. There is a £4.2m savings target for 2019-20.

In conjunction with the need to achieve the targeted savings, the Council faces the previously mentioned growth/cost pressures. The most pressing are concerns around volume growth, and high levels of cost inflation (notably from the impact of National Living Wage on the sector). For 2019-20 the level of volume growth is expected to be in the region of £4.9m, and growing further in subsequent years. The level of cost inflation is in the region of £4.7m. These (and the need to make the savings) highlight a budget gap that equated to 14% of the net baseline budget, a gap which had to be closed to set the balanced budget. Achieving such a balanced budget is becoming harder and harder each year.

3.7 South West Yorkshire Partnership NHS FT

The Trust recorded a pre provider sustainability fund (PSF) deficit of £1.6m in 2018/19. Receipt of £4.7m of PSF meant a £3.1m surplus was ultimately delivered. The pre PSF plan deficit was £2m so this was bettered by £0.4m. £10.6m of cost improvement was generated in the year, with £1.5m of this through an asset revaluation exercise lowering capital charges. The main adverse variances relate to the use of out of area bed placements and staffing pressures in inpatient wards. The latter was offset to some extent by the level of net vacancies across the organisation given a challenging labour market.

The plan for 2019/20 is to deliver a pre PSF deficit of £0.2m, which if achieved will enable access to £1.7m of PSF, therefore resulting in a £1.5m surplus. £10.7m cost improvements are required to deliver this target, of which £1.4m is currently unidentified and £2.5m considered risky.

The Trust is developing a three year financial sustainability plan.

4. Individual Organisations : Actions to Recover / Maintain the Financial Position

4.1 North Kirklees CCG

The savings requirement for 2019/20 is £5.9m which is 2% of the allocation received. This is a challenging target but is lower than the £7.4m achieved in 2018/19. The CCG has currently identified savings of £4.3m leaving £1.6m unidentified at this stage.

The CCG works closely with Wakefield CCG and MYHT to achieve system wide savings across the acute footprint. A level of savings is already built into the agreed Aligned Incentive Contract and the CCG will be working with the Trust and Wakefield CCG to ensure these savings are delivered.

The NHS Plan set out a number of national priority areas to increase NHS efficiency which will be delivered locally. This included a 20% reduction in CCG running costs and further controls on clinically ineffective interventions. The CCG will continue to maintain its focus on ensuring that medicines are prescribed in a cost effective as well clinically effective manner and that available spend in continuing care is directed to maximise patient care.

The CCG is focussed on making a step change in the level of out of hospital care that will improve services to our population whilst reducing demand for relatively expensive acute hospital care.

4.2 Greater Huddersfield CCG

The savings requirement for 2019/20 is £5.3m which is 1.5% of the allocation received. This is a challenging target but is lower than the £7.4m achieved in 2018/19 and is lower than that required by many CCGs. The CCG has identified potential areas against the full savings target.

The CCG works closely with Calderdale CCG and CHFT to achieve system wide savings across the acute footprint. A level of savings is already built into the agreed Aligned Incentive Contract and the CCG will be working with the Trust and Calderdale CCG to ensure these savings are delivered.

The NHS Plan set out a number of national priority areas to increase NHS efficiency which will be delivered locally. This included a 20% reduction in CCG running costs and further controls on clinically ineffective interventions. The CCG will continue to maintain its focus on ensuring that medicines are prescribed in a cost effective as well clinically effective manner and that available spend in continuing care is directed to maximise patient care.

The CCG is focussed on making a step change in the level of out of hospital care that will improve services to our population whilst reducing demand for relatively expensive acute hospital care.

4.3 Mid Yorkshire Hospitals NHS Trust

The Trust continues to explore new opportunities to improve productivity and remove waste in order to meet the ongoing efficiency challenge. Most recently the Trust focused in on the top 10 specialties that made the least financial contribution and has developed a series of actions to improve their contribution over the next 4 years.

The Trust contracts with its two main commissioners on an Aligned Incentive Contract basis which changes the emphasis of providing services in the most cost effective way, and not on increasing charges which doesn't help the overall system position.

The Trust also uses a variety of other data sources to inform efficiency opportunities including the Model Hospital, Functional, Corporate & Estates Benchmarking.

Other opportunities have been developed by looking at specific projects on reducing agency staff spend and on how we procure clinical supplies and medicines.

There is also a particular focus on finding recurrent savings rather than non-recurring opportunities which just add to the challenges in future years.

4.4 Calderdale & Huddersfield NHS Foundation Trust

The Trust has a strong track record of Cost Improvement Programme (CIP) delivery supported by embedded governance processes. This includes the Quality Impact Assessment (QIA) process. The purpose of the QIA is to provide assurance that all risks to quality and performance have been considered at the planning stage of any service change.

The focus of efficiency planning for 2019/20 is ongoing transformation of patient pathways, cross divisional working and maximising digital benefits. The savings requirement planned is £11m (3%) to deliver the planned deficit. Opportunities are informed by Model Hospital, Carter, GIRFT

and NHS benchmarking. An Aligned Incentive Contract (AIC) has been agreed with the Trust's main commissioners, Greater Huddersfield CCG and Calderdale CCG. The AIC is a key enabler of the transformational schemes in particular and this work is supported through the System Recovery Group. The direction of these schemes is very much in line with the ethos of the Trust's longer term reconfiguration plans and the shift of care closer to home.

Alongside this the Trust's more commercial areas are set stretching targets for increasing their financial contribution through efficiency. This forms the CIP for Huddersfield Pharmacy Specials, The Health Informatics Service and the wholly owned subsidiary company, Calderdale and Huddersfield Solutions.

4.5 Locala

In 2018/19 the Transformation Target needed to deliver savings of £1.53m. Whilst overall savings delivered in year exceeded the requirements, delivery on recurrent schemes was lower than planned, with over delivery on non-recurrent schemes and cost avoidance measures delivering the savings in year. The required savings target for 2019/20 is £1.6m, with initial plans to deliver this from recurrent schemes which will contribute towards the savings anticipated for 2020/21. 25% of this is considered risky, and actions are being taken to identify non recurrent measures, and avoid spend to mitigate the risk.

In line with NHS and social services organisations, Locala is operating in a financially challenged arena. As demand for community health services increases, innovative changes to the way services are provided are being developed in order to operate within the constraints of the funding received. The emphasis remains on the provision of high quality, safe services to improve the health of the local population. To do this, colleagues will be supported in such a way that they feel confident to identify, and to be able to implement, changes that result in better care and outcomes for patients. Solutions including technology and different ways of working are being scoped, to manage the changes in patient numbers and complexity that we are seeing in the population.

4.6 Kirklees Adult Social Care

The Council is taking a number of joined up approaches as a means of tackling the pressures, and to ensure the wider system remains viable.

- Transformational programmes – a series of key programmes are being implemented, with a strong Project Management focus, and dedicated change work-streams. Where possible, short-term funding is being utilised to generate longer term impact (addressing core ways of working). Note however, that where some of this funding is time limited, there will be further pressure as it starts to drop out.
- Greater focus on strength based practices.
- Greater use of (assistive) technology.
- Working closely with providers to engender more collaborative thinking and planning, utilising Council expertise and experience to provide assistance and advice to strengthen the market.
- Alternative ways of delivery (working with the community, and voluntary sector).

- Continued close collaboration with partners in the Health Sector. Joined-up work across the sector should continue to bring opportunities for efficiencies and also more effective outcomes. Through 2018-19 there have been significant examples of integrated working and commissioning.

Local Government finances remain challenging with increased uncertainty about the longer term funding approach and the impact of increased reliance on business rates and council tax receipts and the withdrawal of central government funding. In addition, increased cost and volume pressure, and a social care provider market that is struggling is creating a challenging position for social care systems. In order to manage this, there is an increasing reliance on making savings, and utilisation of one-off funding. This makes longer term planning difficult. It is also difficult to find the right balance between using funding to alleviate short term need and using it to effect longer term pro-active change and whole system transformation at a local level.

The delay in the publication of the Adult Social Care Green Paper (which has had 5 indicated publication dates) further creates uncertainty and is not helpful. As things stand, the national commentary which states that the Adult Social care system is highly vulnerable and urgently needs a more sustainable model also applies to Kirklees.

4.7 South West Yorkshire Partnership NHS FT

The Trust is currently finalising a financial sustainability plan to ensure it can improve upon its financial position. There are a number of key strands to this plan including intense focus on bed management processes with the aim of reducing and ultimately eliminating the use of out of area bed placements. In addition there is work taking place with partners across West Yorkshire to identify if there are improvements that can be made to services and associated finances by working more collaboratively. Other areas of focus include reducing the need for and cost of agency staffing and improving productivity.

5. Summary

Although the Kirklees health and care system continues to face significant financial challenges improvements can be seen in the financial position of a number of organisations. Many though are still dependent on national support funding and they will therefore still be required to demonstrate year on year improvement going forwards.

Closer working between health and social care and between acute and community is a feature of many of the plans to improve care and cost efficiency across the organisations.

18th June 2019

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