

## Kirklees Health and Adult Social Care Scrutiny Panel

16<sup>th</sup> January 2018

### Update on the financial position and recovery actions of Greater Huddersfield CCG, North Kirklees CCG, Mid Yorkshire Hospital Trust and Calderdale & Huddersfield NHS Foundation Trust.

#### **1.0 Purpose**

To provide the Kirklees Health and Adult Social Care Panel with an update on the financial position of Greater Huddersfield CCG, North Kirklees CCG, Mid Yorkshire Hospitals Trust and Calderdale & Huddersfield NHS Foundation Trust. To provide details of the actions which each organisation is taking individually and jointly to address their financial position.

#### **2.0 Financial Position**

##### **2.1 Overview**

The 2016/17 outturn financial position, 2017/18 plan, 2017/18 forecast against plan and 2018/19 plan are set out below.

	<b>16/17 outturn</b>	<b>17/18 plan</b>	<b>17/18 forecast</b>	<b>18/19 plan</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Greater Huddersfield CCG</b>	<b>-5.4</b>	<b>-1.2</b>	<b>-3.3</b>	<b>+1.8</b>
<b>North Kirklees CCG</b>	<b>-8.9</b>	<b>-2.1</b>	<b>-15.5</b>	<b>b/e</b>
<b>Mid Yorkshire Hospitals</b>	<b>-7.8</b>	<b>-2.3</b>	<b>-2.3</b>	<b>+3.0</b>
<b>Calderdale &amp; Huddersfield NHS FT</b>	<b>-16.1</b>	<b>-15.9</b>	<b>-15.9</b>	<b>-13.5</b>

Notes to table

+ve = surplus; -ve = deficit

b/e = break even

CCG positions are in year surplus / deficit positions before national risk reserve

Trust positions are including STF. Forecasts are as reported to NHS Improvement at Month 8.

Each year the additional cost pressures faced by each organisation outstrip the growth in their allocation. In order to deliver the financial positions set out above each organisation therefore has to deliver a significant savings target. Increasingly each organisation is having to look outside to work in partnership with the rest of the health and social care system in order to deliver this scale of efficiency. The level of required savings and progress made for 17/18 by each organisation is set out below.

	17/18 Savings Plan	17/18 Savings Forecast
	£m	£m
Greater Huddersfield CCG	13.6	8.0
North Kirklees CCG	15.0	9.9
Mid Yorkshire Hospitals	24.7	15.8
Calderdale & Huddersfield NHS FT	20.0	18.2

## 2.2 Greater Huddersfield CCG

Greater Huddersfield CCG placed itself in financial recovery in early 2016-17 when it became apparent through the planning round that the CCG would not be able to meet NHS England business rules to hold a 1% uncommitted headroom reserve and deliver a 1% surplus.

The CCG planned for an in-year £2.9m deficit with a savings target of £6.5m, however although the savings target was delivered, the CCG returned an in-year deficit of £5.4m.

In 2017-18 the CCG has planned to reduce its in-year deficit to £1.2m which is a significant challenge in view of its plan to deliver a net savings target of £13.6m.

The CCG is currently forecasting a risk to its planned savings of £5.6m (£3.1m no scheme identified and £2.5m net underperformance) which is contributing significantly to the CCG's net risk of missing its in-year target by £2.1m for 2017-18. The savings plan and performance is set out below.

Greater Huddersfield CCG Qipp Requirement	2017-18 Plan	2017-18 FOT	2017-18 Var	2018-19 Plan
	£m	£m	£m	£m
Acute	6.47	3.32	(3.16)	7.00
Acute - Ind Sect	0.78	0.78	0.00	0.00
Prescribing	1.58	2.25	0.67	1.00
Continuing Healthcare	1.18	1.42	0.25	1.00
Mental Health	0.40	0.17	(0.23)	0.50
Total - Schemes	10.40	7.94	(2.47)	9.50
Gap	3.15	0.00	(3.15)	0.00
Total	13.55	7.94	(5.62)	9.50

The CCG submitted a two year plan for 2017/18 and 2018/19. The second year of that plan showed an in year surplus of £1.8m. The CCG is currently in discussions with NHS England to update the second year with latest information including the 2017/18 out-turn position. Based on the original plan submitted the savings requirement for 2018/19 would be a net £9.5m.

## 2.3 North Kirklees CCG

The CCG reported an in year deficit of £8.9m in 2016/17. The savings target in 2016/17 was £13.2m and actual delivery was £10.9m.

The CCG planned deficit for 2017/18 is £2.1m. The plan was based on an ambitious savings target of £15m (6.2% of recurrent allocation) and an assumption of unmitigated risk of £2.7m. The month 8

forecast in year deficit is £15.5m, and the savings forecast is £9.9m. The main areas contributing to the forecast deficit are trading forecasts with Acute Trusts and forecast under delivery of the savings target.

The CCG submitted a two year plan for 2017/18 and 2018/19. The second year of that plan showed an in year break-even. The CCG is currently in discussions with NHS England to update the second year with latest information including the 2017/18 out-turn position. The current planned break even position for 18-19 is unlikely to be realistic given the forecast outturn for 17-18. At this stage a revised plan figure for 2018/19 has not been agreed with NHS England.

#### **2.4 Mid Yorkshire Hospitals NHS Trust**

The Trust reported a deficit of £19.7m in 2016/17 and £7.8m including national Sustainability and Transformation Funding (STF) income. The planned deficit for 2017/18 is a deficit of £15.8m (£2.3m deficit including STF Funding) which represented an improvement of £3.9m excluding STF. This deficit target has meant the Trust must deliver £24.7m of savings in this financial year. This represents a target of 5.2% as a % of Turnover (Excl. STF Funding) and a 5.4% target as a % of expenditure excluding the PFI.

The month 8 income and expenditure position, excluding STF, is behind plan by £4.5m and £8.3m behind the NHSI plan including STF. The Trust expects to deliver £15.8m of efficiency savings in the year which represents a shortfall in delivery of £8.9m. This will mean the Trust has delivered in excess of £30m of savings over the last 2 years, although this represents a shortfall in overall delivery, it is still a significant achievement.

The Trust has suffered reductions in income of £2m in 2017/18 as a result of new national rules for not delivering its financial plan last year, in addition the decommissioning of the under 19 service by Wakefield Council and other CCG income reductions have led to further financial pressures in the Trust. This combined income/contribution loss has increased the financial pressure by £6.0m and is a significant contributor to the financial challenge

#### **2.5 Calderdale & Huddersfield NHS Foundation Trust**

The Trust's financial target, control total deficit, was particularly challenging for 2017/18 in the context of a high Cost Improvement Programme (CIP) savings target of £20m (5.3% of turnover) and the exceptional impact of the implementation of the Electronic Patient Record (EPR) in year.

The reported forecast continues to assume that the Trust will achieve its £15.9m deficit Control Total, a position which is inclusive of securing STF of £9.3m. However, the current position is that the Trust has been unable to identify sufficient recovery plans to achieve our target deficit of £15.9m due to a combination of slower than expected recovery of clinical activity levels and therefore income following EPR implementation, growing cost pressures and a forecast CIP delivery gap that currently stands at £1.8m. The current position leaves the Trust with the requirement to deliver recovery plans of the magnitude of £11m in the latter part of the financial year. As such, the Trust is in discussion with regulator NHS Improvement about the likelihood that the forecast will move away

from the control total deficit at the end of Quarter 3 which will consequently drive the loss of STF income.

Within the forecast position £18.2m of CIP efficiency schemes are anticipated to be delivered. The number of schemes covers clinical and non-clinical areas ranging from operational productivity through improved patient flow; changes to clinical pathways; and workforce efficiencies through to procurement savings and commercial income opportunities. Each efficiency scheme is taken through a quality impact assessment prior to implementation to ensure that patient safety and the quality of patient experience is not compromised.

### **3.0 Actions to Recover the Financial Position**

#### **3.1 Individual Organisation Action Plan**

##### **Calderdale & Huddersfield NHS Foundation Trust**

The Trust has in place a number of recovery actions in addition to the planned CIP schemes. These include an enhanced programme of budgetary grip and control, a review of technical accounting opportunities and supplier negotiations. A number of the recovery actions are non-recurrent and will therefore drive a further challenge into 2018/19.

##### **Mid Yorkshire Hospitals NHS Trust**

Like other acute providers, the Trust is currently facing significant operational pressures and any recovery actions must be set within the context of maintaining patient safety and safe staffing levels. The Board and Executive Team are clear that the route to operational and financial sustainability will be through working differently both within the Trust itself and with external partners.

Tight expenditure controls exist throughout the organisation including vacancy control panels, non-pay escalation controls and the establishment of enhanced agency controls. The newly established programme management Office (PMO) is supporting the Trust to roll out a transformational programme based on the Virginia Mason Production System. This is part of a significant cultural change programme that is required to embed the changes required to deliver long term sustainability. The Trust completed its Acute Hospital Reconfiguration programme during this financial year. This has supported the Trust to deliver improvements in performance and will provide a platform to look at further changes associated with transformation of services across all hospital sites.

##### **Greater Huddersfield CCG**

The CCG has a well-lead Recovery Programme which has a Programme Management Office which actively records and pursues all available opportunities which are highlighted through benchmarking, NHS England's 'Menu of Opportunities', system working and the CCG's own generated initiatives. Progress is monitored through the CCG's Finance Committee. An external review of the CCGs efficiency program was recently undertaken which gave positive assurance on the processes undertaken.

The CCG is also aligning itself with North Kirklees CCG and introducing structures which will support the efficient delivery of QIPP schemes which are common to both CCG's

The CCG with partners in CHFT and Calderdale CCG have established a system recovery plan. This is detailed further later in this report.

### **North Kirklees CCG**

A Financial Turnaround Director was appointed by the CCG in 2016/17.

A robust approach to financial recovery has been adopted with processes that help identify where we can make the biggest impact on health and efficiency outcomes. The savings program is split into four main areas which are admissions avoidance, planned care, medicines management and mental health / continuing health care / learning disabilities. The CCG continues to focus on delivery of in year savings and system recovery schemes.

The CCG has recently introduced an additional in year recovery control process for discretionary spend. A weekly process is in place to review discretionary spend (spend which is not contractually committed). The Senior Management Team agree discretionary spend based on review and recommendations from the Chief Finance Officer and the Chief Quality and Nursing Officer.

### **3.2 Calderdale & Huddersfield NHS Foundation Trust Acute Footprint System Recovery Plan**

There is a clear recognition in the Calderdale & Greater Huddersfield system that our current care models are un-affordable.

The system has been working throughout 2017/18 to close its financial gap. The actions were focused on 4 key areas:

- Shifting Planned Care Services into Community:
- Reducing demand:
- Reducing non-elective admissions:
- Integrating community based offers

Since October 2017 Greater Huddersfield and Calderdale CCGs and the Acute Trust have been working together to develop a joint recovery plan to address the financial gap and improve outcomes.

Work has been undertaken over several months to describe an additional programme which will seek to deliver an additional £16m of recurrent savings. However the full year financial impact of these schemes will be in 2018/19 and beyond, and will therefore not mitigate the 17/18 financial system risk. These programmes take the form of:

- Transformation schemes in both elective and emergency care
- Transactional schemes that reduce spend
- Procurement efficiencies
- Ensuring efficient choice and access
- Corporate and back office efficiencies

In developing the plan, we have identified the actions needed in order to develop an environment which is conducive to successful delivery. This will be undertaken through 9 key activities:

1. Alignment of Trust and Commissioner savings and Better Care Fund activities;
2. Alignment with opportunities arising from contractual arrangements;
3. Maximising the benefits of working on a West Yorkshire footprint;
4. Organisational Development;
5. Integrated workforce planning;
6. Integrated Estate Planning;
7. Continued mobilisation of EPR and other IT initiatives including Electronic Referral;
8. Integrated approach to Communications;
9. Assessment of strengths and weakness of our current working practices.

To address the above areas, we have agreed new ways of working including the strengthening of our:

**Leadership and behaviours** – by strengthening the role of the current Executive Partnership Board; who will hold the system to account for delivery, through clear, jointly owned leadership roles for each programme that include; clinical lead, executive sponsor, project lead and project manager.

**Structures** – by reducing the number of forums where transformation is overseen and governed, to be replaced by a single System Recovery Board who measure progress through a single set of system indicators.

**Processes** - We will have a joint approach to capacity and priorities, with a single approach to Quality and Equality impact assessments and communications in order to reduce duplication and increase pace.

### **3.3 Mid Yorkshire Hospitals NHS Trust Acute Footprint System Recovery Plan**

The Mid Yorkshire health economy faces considerable challenges relating to quality, access and finance. We recognise that there are significant co-dependencies between North Kirklees and Wakefield CCGs and Mid Yorkshire Hospitals Trust and that no single organisation can deliver the level of improvement required on its own. Together, we have developed a shared approach to system leadership based on a set of values and principles that enable our teams to collaborate on solutions and place the interests of the system ahead of those of individual organisations.

Our recovery will not be delivered in one year. We recognise that we need to go further and faster, and to this end, we have embarked upon a further collaborative review of all spend to turn around our finances and performance.

The objectives of the recovery plan are to:

- Address the financial position across the three organisations
- Improve the quality of care
- Improve performance across key standards
- Meet the requirements of the NHS Constitution, in particular with regard to access and choice.

The plan addresses these challenges through a co-ordinated programme of activities across planned care and urgent care, to create a positive impact at all points along the clinical pathway.

#### **4.0 Summary**

The Kirklees health system, in common with much of the NHS, is facing significant financial challenges. The system will not achieve financial balance in 2017/18 and, given the scale of the financial challenge, is unlikely to do so in aggregate in 2018/19.

Each organisation has put in place robust processes to deliver efficiency savings within their own organisation and is a part of wider system working with partners to deliver efficiency at scale. Effective system working is vital as the Kirklees population use services from two distinct Acute hospital footprints.

Individual organisational and system financial recovery plans are being developed and have or will be taken through the relevant governance structures of each organisation.

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3<sup>rd</sup> January 2018