

Kirklees Health and Adult Social Care Scrutiny Panel

19th June 2018

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, Locala and Kirklees Adult Social Care.

1. Purpose

To provide the Kirklees Health and Adult Social Care Panel with an update on the financial position of Greater Huddersfield and North Kirklees CCGs, Mid Yorkshire Hospitals 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.

This report provides an update to the position reported to the Panel at its meeting on the 16 January 2018.

Health System

2. System Financial Position

The 2017/18 year-end financial positions; plan and out-turn are shown below along with the planned year end position for 2018/19.

	2017/18 plan £m	2017/18 outturn £m	2018/19 Plan £m	2018/19 Rev Budget £m
Greater Huddersfield CCG	-1.2	-1.2	1.0	335.0
North Kirklees CCG	-2.1	-15.4	-11.0	277.1
Mid Yorkshire Hospitals	-2.3	-18.4	-5.4	511.4
Calderdale & Huddersfield NHS FT	-15.9	-28.4	-43.1	400.0
Locala	0.4	0.3	0.0	69.1

A negative value indicates a deficit

Notes

- 1 CHFT 2017/18 outturn excludes £19.2m fixed asset impairments which are technical accounting transactions with no bearing on cash
- 2 MYHT figures include STF 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 increasingly ambitious savings programmes. Organisations are increasingly looking to do this in partnership with each other, taking a whole system view. This is particularly apparent in 2018/19 with the agreement of an Aligned Incentive Contract (see later in report) between Greater Huddersfield CCG and CHFT and between North Kirklees CCG and MYHT.

The level of savings required for each organisation in 2018/19 and the savings position for 2017/18 is set out below:

	2017/18 plan £m	2017/18 outturn £m	2018/19 Plan £m
Greater Huddersfield CCG	13.6	9.5	9.7
North Kirklees CCG	15.0	6.5	8.4
Mid Yorkshire Hospitals	24.7	17.3	24.0
Calderdale & Huddersfield NHS			
FT	20.0	17.9	18.0
Locala			1.5

3. Individual Organisations : 2017/18 financial position and plan for 2018/19

3.1 North Kirklees CCG

The CCG began 2017/18 with a planned year end position of a deficit of £2.1m. This position relied on an ambitions efficiency programme of £15m. Whilst significant savings were delivered, it became apparent during the course of the year that the full level required to deliver the plan was unlikely to be realised. As a result a revised plan was agreed with NHS England which set the year end position as a deficit of £15.4m. The outturn for 2017/18 saw this being met. As a result of technical adjustments which NHS England applied to all CCGs, this reduced to £13.9m giving a cumulative deficit carried forward of £16.9m.

A financial plan has been agreed with NHS England for 2018/19 which gives a deficit of £11.0m. The CCG also qualifies for Commissioner Support Funding which funds the 2018/19 'in year' deficit preventing the cumulative deficit from increasing. To deliver the 2018/19 plan requires savings to be made of £8.4m (3% of allocation). Following the deterioration in the financial position the CCG commissioned an independent capacity and capability review. This highlighted areas of good practice and also outlined opportunities

to strengthen systems and processes further. The CCG has been asked to submit a recovery plan to NHS England showing when it would return to a 1% cumulative surplus. This is to be submitted by 30 June.

3.2 Greater Huddersfield CCG

The CCG had a planned year end deficit of £1.2m in 2017/18 which was delivered at the year end, an improvement on the previous year which saw an 'in year' deficit of £5.4m. When technical adjustments required by NHS England are taken into account, the final year end position was an 'in year' surplus of £0.7m. This gives a cumulative surplus carried forward into 2018/19 of £1.4m. The achievement of the 2017/18 plan was only achieved after delivering an efficiency programme of £9.5m

A financial plan has been agreed with NHS England for 2018/19 which gives a surplus of £1m. To deliver the 2018/19 plan requires savings to be made of £7.7m (2.3% of allocation). The CCG has been asked to submit a recovery plan to NHS England showing when it would return to a 1% cumulative surplus. This is to be submitted by 30 June and sees the CCG meeting the NHS England requirement of 1% cumulative surplus in 2019/20.

3.3 Mid Yorkshire Hospitals NHS Trust

The Trust reported a deficit of £25.8m in 2017/18 and £18.4m including national Sustainability and Transformation Funding (STF) income. The planned deficit for 2018/19 is a deficit of £19.7m (£5.4m deficit including STF Funding) which represents a worsening of the deficit position of £3.9m excluding STF. This deficit target means the Trust must deliver £24m of savings in the new financial year. This represents a target of 4.8% as a % of Turnover (Excl. STF Funding) and a 5.2% target as a % of expenditure excluding the PFI.

The month 1 income and expenditure position, is ahead of plan by £0.1m with STF achievement being on line with plan. At this stage the Trust expects to fully deliver the £24m efficiency savings target but there are some significant risks to delivery that will need to be managed in-year. This will mean the Trust has delivered in excess of £40m of savings over the last 2 years, which despite the level of overall deficit, is still a significant achievement.

Other risks to the 2018/19 financial plan include additional costs of dealing with winter activity pressures for which no additional funding is available this year (the Trust received £2.9m funding in 2017/18 from NHS Improvement) and the impact of pay awards for staff which have not yet been finalised and/or funding confirmed.

3.4 Calderdale & Huddersfield NHS Foundation Trust

The Trust's financial target, control total deficit of £15.9m, was particularly challenging for 2017/18. The Trust highlighted a risk of £8m to achievement of the control total to the regulators NHS Improvement (NHSI) at the planning stage. During the course of the year the Trust agreed with NHSI a revised year end forecast of an £8m variance to the control total which was achieved.

This successful delivery is against the backdrop of the financial risk highlighted to NHSI at the 2017/18 planning stage based upon the financial impact of Electronic Patient Record implementation in year and the scale of the savings challenge being planned at £20m (5.4%) against which £17m was identified as achievable. In actual fact, £17.9m of savings was delivered in year and the financial position was held at the committed level in spite of unforeseen and unprecedented winter pressures. The Trust's reported year end position is a deficit of £28.4m which reflects the position against control total described above combined with receipt of £5.6m Sustainability and Transformation funding (STF) out of a total planned £10.1m. £4.5m of this 'bonus' funding was not receivable based on financial and A&E performance.

In 2018/19, the Trust is planning for a £43.1m deficit. The worsening in the financial position across financial years comes as a result of a number of non-recurrent recovery actions and savings schemes in 2017/18 driving a further challenge into 2018/19. The plan assumes delivery of £18.0m new savings schemes in 2018/19, when combined with the full year effect of 2017/18 savings this represents 5.6% of operating costs. The planned deficit is a £20.5m adverse variance to the control total set by NHSI and will therefore mean that the Trust is not eligible for £14.2m Provider Sustainability Funding which replaces STF in 2018/19. Discussions with NHSI on the Trust's financial position are ongoing.

3.5 Locala

Locala Group financial position (pre Audit draft) at 31 March 2018 shows a £256k financial surplus for the year, against a plan of £370k. Exceptional expenditure in-year led to the shortfall against the target financial surplus. The financial plan for 2018/19 will deliver a small surplus of £20k assuming achievement of a £1.53m transformational savings target (2.2% of turnover).

Locala is developing a robust 3-year financial model where innovation is allowed to thrive. As a Community Interest Company, any surplus will be re-invested in projects or services that will have a positive impact and visible benefit in communities. A procurement plan is being refined that helps achieve financial and social objectives, embedding social value into the process to ensure maximum social impact.

4. Individual Organisations : Actions to Recover the Financial Position

4.1 North Kirklees CCG

During 2017/18 the CCG established robust programme management arrangements for the identification and delivery of savings. Whilst the ambitious savings target was not met in full that year, strong foundations were set for 2018/19. These arrangements were reviewed favourably by an independent review at the request of NHS England and are further strengthened by the integration of a number of support functions with Greater Huddersfield CCG.

The 2018/19 efficiency target is £8.4m of which £6.9m has been identified and cover six programme areas: admissions avoidance, planned care, medicines management, continuing healthcare and running costs. In addition the CCG is working closely with MYHT and Wakefield CCG to identify system efficiencies as part of the Aligned Incentive Contract. The Aligned Incentive Contract encourages a more collaborative approach to addressing the system's financial problems and gives significantly more financial stability.

4.2 Greater Huddersfield CCG

The plan for 2018/19 is challenging and it relies on the CCG being able to make significant levels of savings of £7.7m which represents 2.3% of its allocation. Like North Kirklees CCG, Greater Huddersfield had a favourable external review in 2017/18 of their savings processes.

The CCG has developed a significant number of schemes to deliver savings throughout the year, and has entered into a system recovery programme to assist delivery of these savings with Calderdale CCG and Calderdale and Huddersfield NHS Foundation Trust. This will be assisted by the Aligned Incentive Contract with CHFT.

There is still much to do and the CCG must ensure successful implementation in order to deliver the savings target in full. The impact of each scheme will be closely monitored and reported through governance arrangements throughout the year.

4.3 Mid Yorkshire Hospitals NHS Trust

The Trust continually reviews opportunities to improve the income and expenditure position. A proportion of the 2018/19 savings schemes are non-recurring and therefore alternative recurring schemes need to be identified for the following year. The Trust also can expect an additional efficiency requirement in future years as well as the requirement to get back into financial balance. The Trust uses a variety of data sources including the Model Hospital programme, national benchmarking datasets, service line reporting and

patient level costing. All cost reduction schemes have a quality impact assessment to avoid any unintended impacts on patient safety and quality. The Trust has agreed a different type of contract with its two main commissioners in 2018/19 which will see the Trust move away from the traditional 'payment by results' contract. This new contract is designed to help the local system to work together to deliver care in the most efficient way and focus on cost reduction not income growth for the Trust.

4.4 Calderdale & Huddersfield NHS Foundation Trust

See previous section.

4.5 Locala

The cost saving for 2017/18 was built into Locala's budgets and not separately identified or tracked. For 2018/19 a Transformation Target has been set with schemes generating savings of £1.53m.

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. Locala will create a culture of continuous improvement, in which senior leaders will develop the organisation and support colleagues to embed a strong culture of quality improvement.

5. 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 2018/19 despite significant efficiency programmes.

Each organisation has put in place robust processes to deliver savings within their own organisation and is part of wider system working with partners to deliver efficiency savings as scale. Effective system working is vital as the Kirklees population use services from two distinct acute hospital footprints. The movement to Aligned Incentive Contracts with both acute providers reflects this movement to more collaborative working.

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Kirklees Adult Social Care

1.0 Financial Position

1.1 Overview

The 2017/18 revised budget, 2017/18 outturn variance, and 2018/19 budget are set out below (both for the Council as a whole, and for Adults Social Care).

	17/18 Revised Budget (net)	17/18 Outturn variance	18/19 Budget
	£'m	£'m	£'m
Kirklees Council - Adult Social Care	101.6	3.9	105.7
Kirklees Council - Total net spend	286.4	1.5	291.2

1.2 Kirklees Council (LA)

Corporate picture

The Council continues to face significant financial challenges and must ensure it can achieve a sustainable balanced budget over the medium term and beyond.

The approved budget for 2017-18 and the following 2 years, to 2020 included the delivery of General Fund revenue savings totalling £83m. This included a planned savings requirement of £54m in 2017-18. This level of savings was split approximately 50/50 between those allied to Transformation Programmes, and those linked to Service Level Change.

In total, £55.5m net savings have been achieved in 2017-18 against the £54m target, equivalent to 103%

Adult Social Care

Adult Social Care faces a number of significant challenges:

- Volume growth – increases in the number of those needing support
- Increasing levels of complexity in the needs of those receiving support
- A fragile provider market (and inflationary demands)
- Legislative changes (eg DOL's)

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 release at a national level, but the nature of this being short term does not allow for confidence in longer term planning. For example, 2017-18 saw additional Improved Better Care Fund monies of £8.3m (Spring Budget), but future levels of this funding reduce year on year (reflecting the time limited nature of this funding source).

Inclusive of this *in-year* additional funding, the outturn position for Adults Social Care was an under-spend of £3.9m. Some variances within this were due to unplanned delay on change/saving programmes. Supporting People (overspent), and Community Plus (underspent) were two aspects of this, both of which were in-year only, and are expected to be closer to budget in the following year.

With regard to Demand Led Client Provision, Independent Sector Homecare was underspent, but this was partially offset by overspends on Independent Sector Residential Nursing, and Direct Payments.

When looking across client groups, Mental Health, and Physical Disability were underspent, but Older People, and Learning Disability were overspent (with the latter significantly so, in line with recent pressures and expected future trends).

For the year, the Service had savings targets totalling £6.6m, split between Transformational, and Service Led. Against this, savings of £6.1m were achieved, with a £500k shortfall (some of which was due to time delay and/or slippage).

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 2018-19 and 2019-20 budget. There is a £4m savings target for 2018-19, and a further £3.6m target for 2019-20.

	2017/18 budgeted savings	2017/18 outturn (achieved savings)	2018/19 budgeted savings
	£m	£m	£m
Kirklees Council - Adult Social Care	6.6	6.1	4.0

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 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 £3.6m, and growing further in subsequent years. This (and the need to make the savings) highlights a budget gap, which is becoming harder to close.

2.0 Actions to alleviate the Financial Position

The Council is taking a number of joined up approaches to the growing pressures. This can be summarised in four different ways:

- Proactive/predictive forward planning approach – systems are being built, and processes tightened, to allow us to strengthen our horizon scanning, working with as accurate a picture as possible from the data available.
- Transformational programmes – a series of key programmes are being implemented, with a strong Project Management focus, and dedicated change workstreams. These focus on core elements of the Adults Social Care portfolio and journey (Care Offer, All Age Disability, Front Door, Commissioning, Sufficiency). The intention of these is to fulfil the savings targets, whilst also fundamentally addressing core ways of working.
- Utilisation of additional (one-off funding) – 2017-18 saw some additional funding through the Spring budget IBCF, and as we move into 2018-19 there are amounts available to us that will be used to instigate further change and transformation, and also to help alleviate the pressures on the budget. This includes monies around the IBCF, a newly announced Adult Social Care Grant for 18-19, and some internally targeted change funding. Senior management are currently determining the best means to utilise this to effect change around the approach to Adult Social Care. Note however, that where some of this funding is time limited, there will be further pressure as it starts to drop out. Longer term it remains to be seen how the uncertainty around funding at a national level is addressed (through the Green Paper etc).
- Working closely with partners in the Health Sector, and with the Voluntary Sector. More collaborative work should bring opportunities for efficiencies and also more effective outcomes. A key example of this is the BCF pooled budget, but other opportunities for shared working are being explored.

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