

HEALTH AND OVERVIEW SCRUTINY COMMITTEE

29TH March 2006

NHS SERVICE AND FINANCIAL POSITION 2006/07

1.0 Introduction.

- 1.1 Members of the OSC received a briefing on the service and financial position for local NHS organisations at their meeting on 18th January 2006.
- 1.2 The Committee agreed to set up a small task group to work with NHS to get a better understanding of the financial position and of future service provision. The task group met on 9th February 2006. A report from the task group was received at the OSC meeting on 3rd March 2006. At this point it was expected that further work would be undertaken through the task group to bring back proposals for a public session at the end of March.
- 1.3 Given the changing context for planning, it was subsequently agreed that the NHS organisations would present their proposals direct to the OSC at a specially arranged meeting on 29th March 2006.

2.0 The Financial Position

- 2.1 The three Gloucestershire Primary Care Trusts, as purchasers of care, will have an overall allocation of some £680m for 2006/07. This is to meet the needs of over 650,000 residents. By 2007/08, the financial allocation by head of population in Gloucestershire will be 88% of the England average. This is because residents overall enjoy above average health. Demand for healthcare locally does not, however, reflect this. So, despite continuing improvements in services, it is proving increasingly difficult to meet current demand and expectations within our current funds.

We have set out for the OSC previously in the January Briefing and to the Finance Task Group the background to our financial pressures. These include additional costs of new drugs, improving waiting times, increased demand for services and meeting the costs of new contracts and pay awards plus increased contributions for NI and pensions.

- 2.2 The PCTs have a purchasing gap of £23m in 2006/07 (about 3.5% of available funding). This excludes a further £6m of discretionary spend and is after PCTs find internal cash releasing efficiency savings of 2.5% (£5m)
- 2.3 In addition to the purchaser position, the three NHS Trusts locally also have financial pressures. Each of the Trusts has to find their own cash releasing efficiency savings of 2.5% (£10m) and there are other funding pressures including changes to the national tariff for Gloucestershire Hospitals Foundation NHS Trust and operating pressures for Gloucestershire Partnership Trust and the new Great Western Ambulance Trust.
- 2.4 Set out at Annex 1 is the summary of the latest position. The two main changes to the position which have occurred since the briefings in January

and February are to do with the NHS Operating Framework and the handling of the Payment By Results Tariff for 2006/07.

- 2.5 Under the NHS Operating Framework issued at the end of January 2006, the Strategic Health Authority will receive a total spending limit within which priorities must be achieved. To achieve the spend limit, a pool is to be created by top slicing PCT additional resources. The pool is to be used to provide non-recurrent support to the seven Turnaround organisations within the Avon, Gloucestershire & Wiltshire area to help manage in year. Cotswold & Vale PCT will receive £6.8m from this pool. The 3 PCTs in will contribute a net £6.5m overall.
- 2.6 The Department of Health (DH) has also been looking at PCT purchasing power in relation to Payment By Results. In 2005/06 PCTs received additional support to manage the transition of implementing Payment By Results. The Department has reviewed this position for 2006/07 and has concluded that it cannot continue this additional transitional support. The impact for the Gloucestershire PCTs is over £8m.

3. Our Approach to Securing Financial Balance

Building on Past Development

- 3.1 The Health Community has made good progress over the last few years - improving health, delivering high quality services and implementing new national service frameworks and targets. The majority of patients receive their treatment and care in local communities. There is a strong network of community based services, such as those provided from GP surgeries and in people's own homes. We have been building up these services over recent years and now provide more services in the community than ever before. Increasingly, we are working together with social care staff to provide more integrated services.

Moving Forward

- 3.2 There is a consensus amongst the three Primary Care Trusts as commissioners and the NHS Trusts as providers on the strategic direction for health services in Gloucestershire.

Promoting health and well being for the whole community, whilst ensuring a clear and strong focus on tackling health inequalities, will be fundamental to achieving our longer term vision.

Where it is clinically appropriate and cost effective, we expect to see services provided locally. We have many examples of the broader range of services provided in primary care in recent times as well as examples of hospital activities now provided locally which used to be provided in more specialist centres outside Gloucestershire. We expect to see a reduction in the number of in-patient beds in the county for both general hospital and mental health services as more care is provided in the community and the length of stay in hospital falls.

We believe that now is the time to restructure our services and take difficult decisions that will benefit patients in the longer term. Failure to act now will allow the financial difficulties to build.

There is we believe, a need to ensure that the range of community services (including community hospitals) available for our population are in keeping with that which is needed into the future and our proposals raise issues for community hospitals in all three PCT areas.

For ambulance services, we are keen to try to ensure that the level of front line services is not reduced but our proposals do include a review in the provision of patient transport services and also the redeployment of Ambulance Staff and vehicles within Gloucestershire to reflect demand.

In mental health services, there is a ongoing programme to enable those with more complex needs to be supported by specialist community teams closer to home. This will reduce the number of in-patient beds needed and raises the need in the current context to rationalise the provision of in-patient services. Gloucestershire Partnership Trust are putting forward proposals to do this alongside the need also to adjust the balance of specialist mental health services.

For District General Hospital Services, we expect to see a reduction in the range of in patient services provided on both the Cheltenham and Gloucester sites and Gloucestershire Hospitals NHS Foundation Trust will be putting forward proposals on this. It is envisaged that out-patient services would continue to be provided in a number of locations across Gloucestershire.

We are also proposing changes to rehabilitation services which, over time and taken together with the other proposals, will impact on the future of Delancey Hospital. For both clinical reasons and financial ones we do not believe it will be possible to see duplication of so many services in both Gloucester and Cheltenham in the short and medium term.

Some of our proposals will reduce access to services – sometimes geographically and on other occasions in terms of who may access services. We believe it is right to try to ensure that services are available for those with the greatest need and we hope that the public will accept that on occasions there is a need to travel to access good quality services. For a number of years now surgery in ENT and Ophthalmology has only been provided in Gloucester or Cheltenham and the services have sustained their quality and developed further.

We are endeavouring to take a medium term view which has patient care at its heart. We do not believe that a reduction in beds equates to a decline in service and we have to try to ensure that wherever possible we can provide services outside district general hospitals. Our aim is to see the transfer of resources from acute services into community based ones.

Approach to Savings Proposals

3.3

Each NHS organisation has considered how services need to change and develop to meet future patient requirements and remain affordable. We have looked at what more can be done to get the best from our staff resource through more effective skill mix in teams. We have looked at maximising the efficiency of support services and minimising management costs. We have also looked at areas of duplication in managing specialist 24 hour cover and at site costs.

In relation to the PCTs purchasing gap of £23m, we have set provisional savings targets proportionate to the current spend profile as follows:

	Baseline Expenditure £'000	Target Savings @ 3.8%
Community Services	45,820	-1,714
Ambulance Services	15,088	-564
Acute Services	294,595	-11,020
Mental Health Services	78,491	-2,936
Specialist Commissioning	3,992	-149
Primary Care	63,887	-2,390
Prescribing	80,000	-2,993
Corporate Spend	15,919	-595
Programme Budgets	18,137	-678
Total	615,929	-23,040

Each organisation is responsible for its own proposals but these need to be seen in the wider strategic context for change overall.

The Savings Proposals

3.4 The range of savings proposals are set out in Annex 2. The range includes proposals:

- which Trusts need to get on and do now
- where decisions on new spend need to be taken now
- which need to be implemented during 2006/07
- which need more detailed plans to be developed for implementation after this year

Chief Executives will need to present these proposals in their Trust Business Plans for formal Board approval in April to enable budget setting to be signed off for 2006/07

Detailed action plans will then need to be agreed with staff and their representatives where internal efficiencies need to be made.

Where in year service change is proposed, more detailed plans will need to be brought back to Boards following discussion with key stakeholders setting out the implementation arrangements and assessment of impact

Where medium term change is proposed, outline plans will need to be developed to enable more active involvement and consultation

4.0 NHS Accountabilities

4.1 NHS organisations operate under national corporate governance frameworks. Boards are accountable through their Strategic Health Authority to the Secretary of State. Chief Executives hold Accountable Officer status. Chief Executives are accountable to the NHS Chief Executive (Accounting Officer to Parliament for the NHS in England) for ensuring the proper stewardship of public money and assets. It is the responsibility of the Chief Executive to ensure that appropriate advice is given to Boards. A key requirement of the memorandum which accompanies all Chief Executive appointments is the requirement not to exceed resource allocation limits.

4.2 The NHS Operating Framework issued by the Department of Health in January 2006 sets out the agenda for the NHS for 2006/07. It reconfirms the strategic vision for service transformation and system reform. It sets out the requirements for achieving financial health against a context of key service priorities and the extension of Choice. It makes clear that *“excellence in financial management is a prerequisite for high quality, sustainable services”*. The former NHS Chief Executive wrote in the foreword:

“2006/07 is a critical year. The NHS must deliver improved services for patients: it must press forward with reform to deliver substantial and lasting improvements for the future; and it must return to robust financial health”

Trusts are expected, as a minimum, to achieve in year financial balance and to recover overspends from 2005/06. The Operating Framework was accompanied by details on the change in the national tariff for pricing under the Payment By Results regime. This included significant issues for emergency care prices and for the phasing of transitional relief for PCTs. The tariff was subsequently withdrawn and finally re-issued on 17th March 2006.

The Strategic Health Authority has the key local role in managing the implementation of the framework. The Strategic Health Authority has confirmed its local approach which will be to create a PCT “reserve pool.”

5.0 Next Steps

The Trusts need to discuss with the OSC how to take forward the savings proposals in ways that enable Chief Executives to meet their Accountable Officer requirements along with their Boards and for the OSC to meet its Scrutiny responsibilities.