

# Section

# 4

# Activity and financial impact

Transforming  
Health and Social  
Care in Bury

Our plan  
2017-2021



**Building  
new  
relationships**



**Staying  
well  
for longer**



**Reducing  
failure  
demand**



**Tackling  
wider  
determinants**





## Section 4

# Closing the financial gap

Our plan is ambitious and transformational.

It seeks to radically transform, rather than cut or incrementally improve, services and seeks to ensure that our local investment is focussed in the most appropriate areas of the system.

It will improve health outcomes for local people, and ensure the future sustainability of our most important services.

However, to achieve this it will also need to be financially viable and affordable.

If we choose to 'do nothing' then by 2020/21 there will be a system wide financial gap of £75.6million driven primarily by demographic changes, demand growth and inflation.

As a system, we have worked collaboratively to develop this Locality Plan so that it closes the entirety of this financial gap, whilst improving services and outcomes for local people.

*“Our plan must be financially viable and affordable”*

## Financial Priorities

Our key financial priorities are:



Meet statutory and regulatory **financial targets**



Support the delivery of **clinical and service priorities** to meet the health and care needs of the Bury population



Implement system wide **transformation** and efficiencies to achieve **financial sustainability**



## Financial Challenges

The Bury locality faces the same pressures and challenges as much of the rest of Greater Manchester and England, i.e. demographic growth, an ageing population, increasing demand, cost and funding pressures, system reform demands, performance and quality targets, capacity and workforce constraints, etc.

*“Doing nothing is NOT an option”*

In addition, there are significant local challenges, which are summarised in the diagram below:

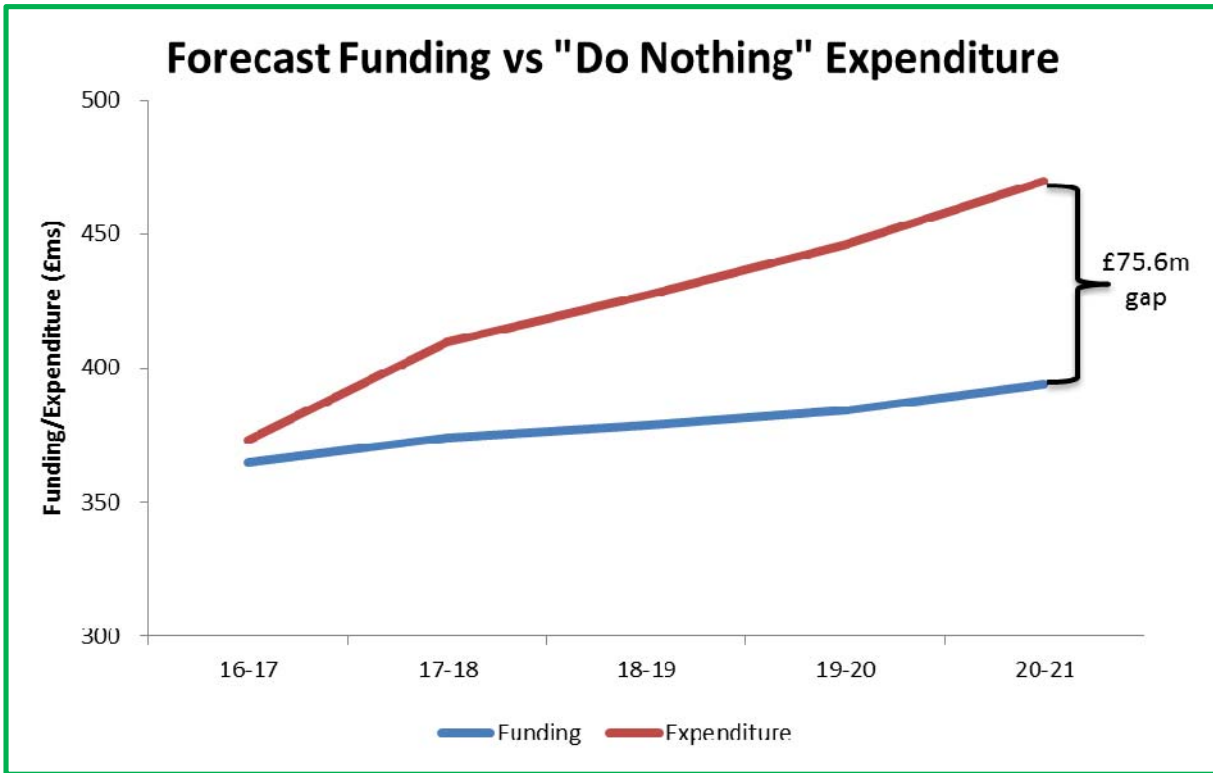


Against this backdrop, and as articulated earlier in this Locality Plan, it is estimated that the financial gap between Income and Expenditure within Bury will have grown to £75.6m<sup>1</sup> by 2020/21 (excluding planned efficiency improvements and service transformation). At 19% of total forecast funding this is amongst the largest proportionate gaps in Greater Manchester.

This is clearly unsustainable.

Doing nothing is not an option.

<sup>1</sup> Expressed as an annual underlying deficit, before applying discount factors

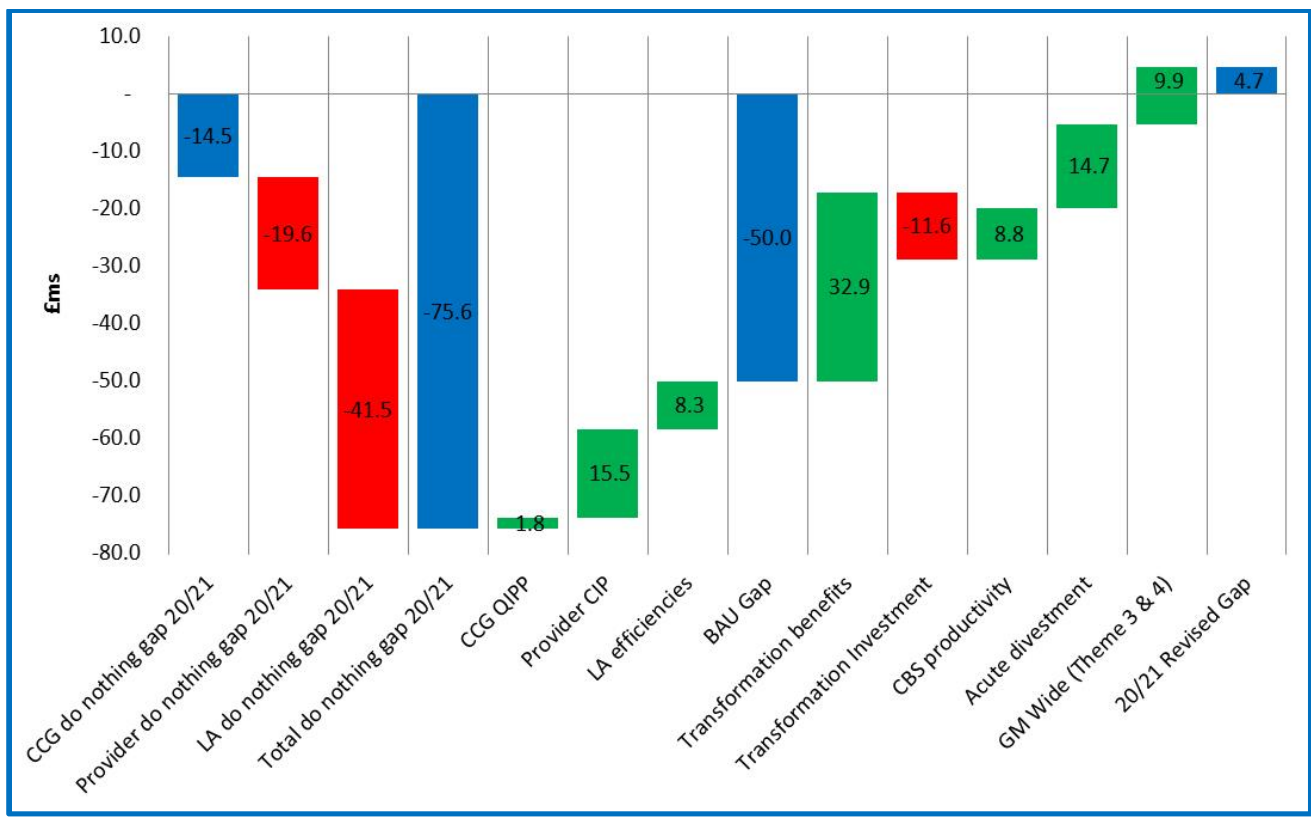


The plans articulated within this plan, which have been jointly developed by Health and Social Care partners from across Bury, address the 2020/21 recurrent financial gap, and the way in which this is achieved can be summarised as follows.

- £25.6m from “business as usual” Cost Improvement (CIP) and planned efficiency programmes;
- £44.8m net benefits from the system transformation propositions included within this Plan, including:
  - £21.3m net benefits achieved by saving variable/semi-variable costs as a result of deflecting activity from in-hospital services to new out-of-hospital provision, by reducing avoidable demand for more targeted and specialist community services, increasing the levels of wellness and wellbeing across the local population, and enabling local people to play a more active role in their own health and care
  - £8.8m additional productivity gain in community based services as a result of system wide transformation which improves effectiveness and efficiency, and reduces failure demand.
  - £14.7m additional acute sector divestment relating to release of overheads by 2020/21, as a result of “at scale” transformation.
  - £9.9m share of benefits from Greater Manchester wide transformation schemes relating to “standardising acute and specialist care” and “standardising clinical support back office services”



Delivering these schemes, and the associated savings, will leave an underlying system surplus of £4.7m by 2020/21 and a system that is financially sustainable, clinically safe, and operationally functional. The following diagram summarises how the gap will be closed:



### Investing to Save

Implementation of many of the transformation propositions set out within this Locality Plan, is dependent on initial investment in new ways of working.

There is confidence that this is achievable as, in spite of the challenges we already face, we continue to have a local health and care system which is consistently one of best in Greater Manchester, the Northwest and, on occasions, the North of England.

To enable the proposed transformation to take place, the Bury Health and Social Care Economy has sought investment from the Greater Manchester Health and Social Care Partnership (GMHSCP) via the Greater Manchester Health and Social Care Transformation Fund.

The total 'ask' of GMHSCP is £27.7million which is expected to deliver a return on investment of £1.50 for every £1 invested by 2020/21, increasing to £2.10 for every £1 invested over a 5 years period (2021/22).

This return on investment (ROI) is potentially lower than might be expected, but is intrinsically tied to the historic funding and investment challenges outlined earlier.





There is an understandable perception that this could lead to the Bury funding request being looked upon less favourably by GMHSCP but this, in turn, would only perpetuate the cycle of under-funding that Bury residents have experienced over the last decade and may accelerate the financial challenges faced by the Bury Health and Social Care Economy.

*“Underfunding recognised nationally for over a decade”*

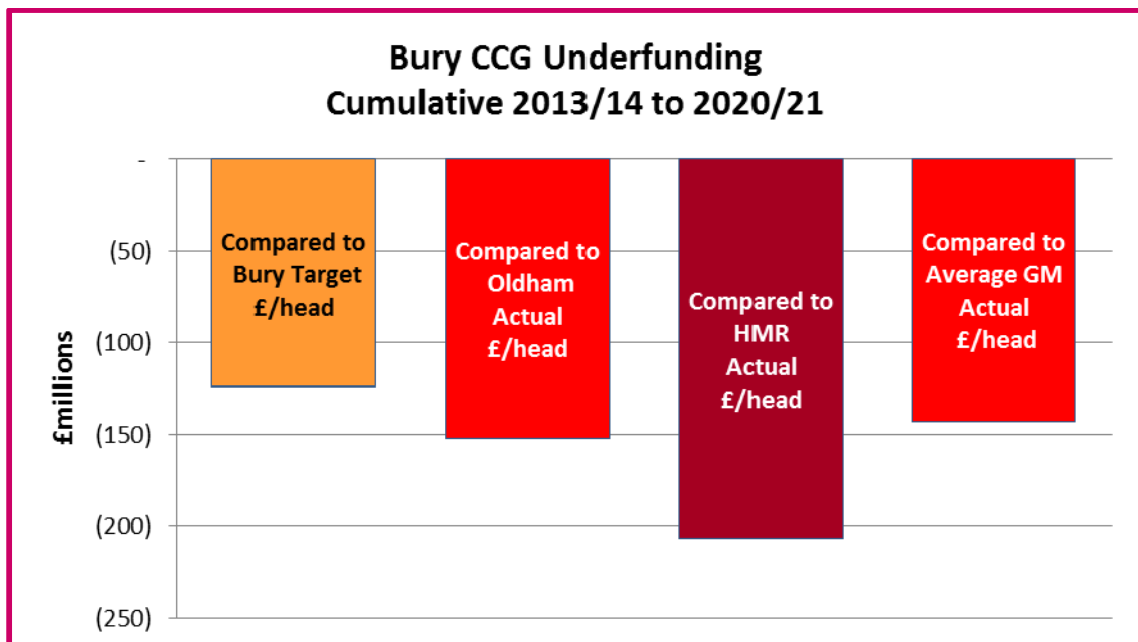
Local system leaders will continue to raise awareness of the scale and nature of the underlying causes of our challenges and to recognise that a lower Return on Investment is, in this local case, largely symptomatic of a greater need for investment to enable the required transformation.

## Local Financial Challenge: Under-Funding

Underfunding of the NHS commissioner and the Local Authority in Bury has been recognised by regulators and national bodies for well over a decade.

In total, it is estimated that the Bury Locality will have received approximately £300million less than expected when compared to Greater Manchester neighbours between 2013/14 and 2020/21 – the equivalent of approximately £1,500 for every local person.

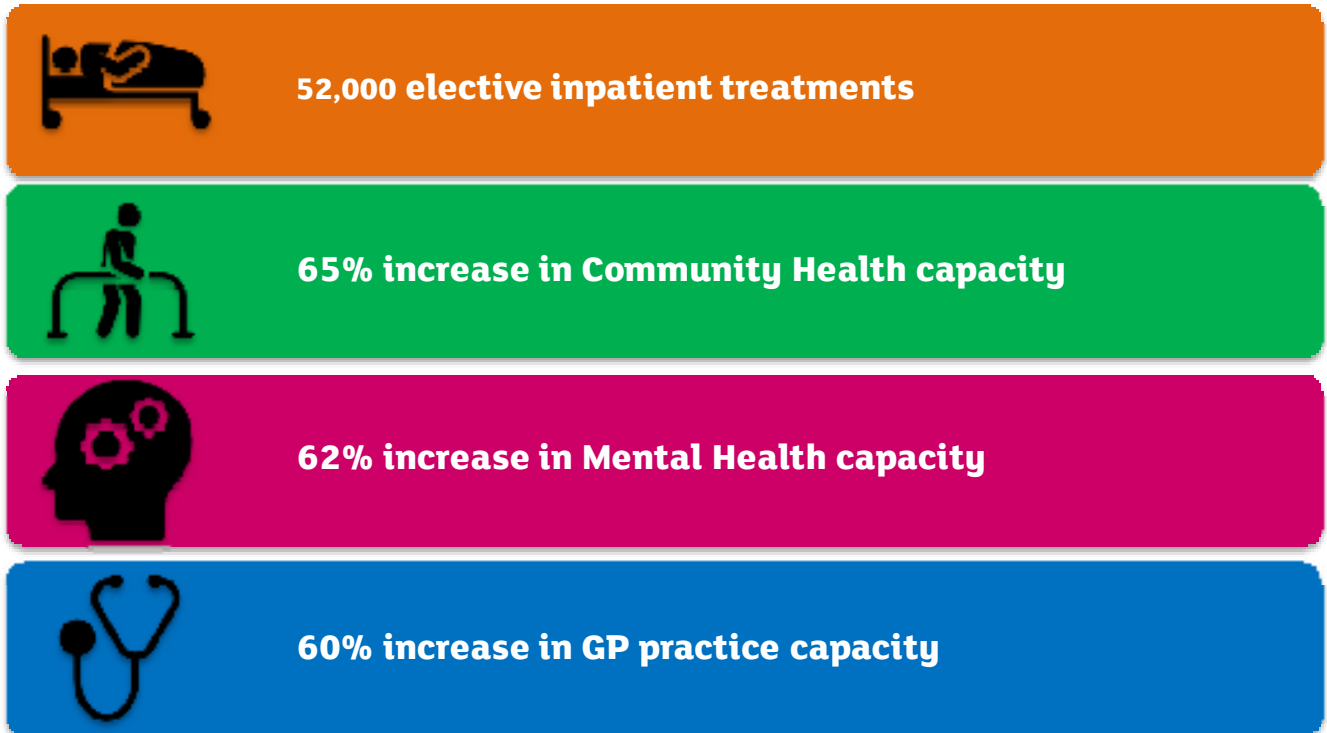
The following graph shows the level of Bury NHS Clinical Commissioning Group underfunding compared to the NHS England target funding, neighbouring areas of Rochdale and Oldham, and Greater Manchester per capita funding:



The graph shows that for the 8 year period set out, Bury CCG will have received £124m less than the NHSE allocation formula estimates.



To demonstrate the materiality of that disadvantage, the following diagram set out examples of additional services that could have been provided for Bury residents if Bury was funded according to the NHSE formula:



The disadvantage is starker when comparing Bury CCG to our neighbours in Rochdale and Oldham, and also the GM Average.

These funding inequalities are difficult to explain and justify to local people, especially when the planned CCG 'Distance from Target' is not projected to close over the next 4 years, and the inequalities with neighbouring areas are set to **grow** over the next four years.

The challenge felt by Bury CCG is compounded by parallel difficulties experienced by Bury Council who have also experienced disproportionately low funding levels through the Local Government Settlement Funding Assessment for many years.

*“Funding inequalities are hard to explain and justify to local people”*



As set out in the diagram below, Bury Council are under-funded by approximately £18m per year compared to GM neighbours.

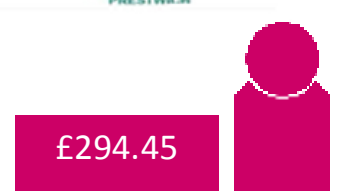
### GREATER MANCHESTER



### ENGLAND



### BURY COUNCIL



This has led to cuts in Council and Social Care budgets of approximately 46% between 2011/12 and 2016/17, with pressures to save a further 33% by 2020/21.

## Local Financial Challenge: Efficiency and effectiveness

As a result of historic underfunding, significant inroads have already been made in efficiency improvements and many of the 'easy wins' have already been taken. For example:

- Rates for non-elective admissions are consistently the lowest in GM
- Prescribing spend per capita is consistently the lowest in GM

These efficiencies have been delivered with demonstrably good quality outcomes and with Bury having a positive reputation and good ratings in relation to primary care, mental health, and in care and residential homes.

The approach taken to date has attempted to maximise the opportunities to achieve savings through greater levels of effectiveness and efficiency, rather than reductions in services.





An example where this is made stark is provided via the Right Care (Commissioning for Value) benchmarking data which suggests the following potential savings opportunities across Bury and neighbouring areas:

	<b>Elective £m</b>	<b>Non Elective £m</b>	<b>Prescribing £m</b>	<b>Other £m</b>	<b>Total £m</b>
<b>Bury CCG</b>	2,488	892	2,133	335	<b>5,848</b>
<b>Oldham CCG</b>	2,101	2,667	6,550	163	<b>11,481</b>
<b>HMR CCG</b>	5,435	2,268	6,110	323	<b>14,136</b>
<b>North Manchester CCG</b>	2,286	4,559	4,928	0	<b>11,773</b>

The data clearly shows that, across core areas of spend and activity, Bury has fewer opportunities to tackle inefficiency than neighbouring areas.

*“We have fewer opportunities to tackle inefficiency than our neighbours”*

## **Local Financial Challenge: A Financially Challenged Acute Provider**

The Bury financial challenge has been further exacerbated as a result of the well-documented financial and quality issues faced by Pennine Acute Hospital Trust (PAHT).

PAHT has an underlying £72.3m financial deficit, which, after factoring in inflation, growth, cost improvement programmes and commissioners’ planned deflection schemes, is expected to rise to £86.5m by 2020/21.

PAHT, supported by Salford Royal NHS FT (SRFT), have developed proposals that address this and, within 5 years, they aim to deliver services that:

- Are rated by the CQC as good (or better),
- Are financially breaking even
- Have safety levels in the top quartile of NHS Trusts.

A joint investment plan has been developed to deliver these proposals. SRFT and PAHT continue to develop the proposition and associated investment plan and to engage with Bury and other North East Sector CCGs, GM Health and Social Care Partnership, NHS England and NHS Improvement.

In the short term, an additional £3.1m stabilisation and improvement funds has been invested locally into Pennine Acute for 2017/18 and this support is likely to need to continue over the next 4 years.



## Our Financial Plans – The “do nothing” scenario

Detailed system-wide financial modelling has been undertaken at a local level in order to assess the financial challenge facing the locality over the next 5 years. This shows that:

- The income received to provide Health and Social Care in Bury is projected to be £394million per year by 2020/21
- Without reform, there would be a need to spend £450million each year by 2020/21 to meet the health and care requirements of local people;
- This creates a gap of £56million per year between income and expenditure by 2020/21;
- Without transformational change, local NHS providers face a “Bury-only” financial pressure building up to £19.6million per year by 2020/21;
- As a result the total financial challenge facing the Health and Social Care system in Bury by 2020/21 is forecast to be £75.6million per year (or 19% of total Health and Social Care system income).

*“We’re facing a financial challenge of £75.6 m per year by 2020”*

## Our Financial Plans: The “business as usual” scenario

Within our plans, we have assumed a level of annual efficiencies, cost improvement and Quality, Innovation, Productivity and Prevention (QIPP) schemes as would be expected in any “business as usual” period.

The planning assumptions are that the following **recurrent** impacts will be achieved:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
<b>CCG QIPP</b>		1.9	1.3	1.3	1.8
<b>Provider CIPs</b>	2.6	8.0	10.3	12.7	15.5
<b>Bury MBC efficiencies</b>		8.3	8.3	8.3	8.3
<b>TOTAL</b>	2.6	18.2	19.9	22.3	25.6

### CCG QIPP:

Bury CCG’s QIPP assumptions exclude any efficiencies expected as a result of the planned transformational proposals.

Although the CCG performs well in relation to prescribing compared with the rest of Greater Manchester, we believe there is scope for further improvement to move towards being amongst the best performers in the country.



Running cost savings should be achievable through improved utilisation of estates and benefits from integration with Bury Council.

In addition, the CCG has prioritised three Right Care programmes, identified clinical leads and is engaging with provider colleagues with a view to redesigning pathways and identifying savings. Right Care<sup>2</sup> identifies opportunities in these three programme areas as:

Programme of Care	Non-elective opportunity £m	Elective opportunity £m	Primary prescribing opportunity £m	TOTAL £m
Cancers & Tumours	0.4	0.9	0.3	1.6
Circulation	0	0.4	0.1	0.5
Musculo-skeletal	0.5	0.3	0	0.8
<b>TOTAL</b>	<b>0.9</b>	<b>1.6</b>	<b>0.4</b>	<b>2.9</b>

Provider Cost Improvement Programme (CIP):

All NHS providers are expected to plan for approximately 2% efficiency savings per annum up to 2020/21. That has been the starting point for assessing the potential CIP impact within this Locality Plan.

Key areas of opportunity have been identified as:

- agency premium costs (e.g. Pennine Acute spent £40m in 2016/17 on agency staff and is aiming to look at a combination of workforce redesign, substantive recruitment and implementation of NHS professionals to make significant recurrent savings);
- rationalisation of back office functions and procurement costs (e.g. Pennine Acute anticipates material savings through economies of scale of group structures working alongside Salford Royal FT);
- reduction in transactional processing costs through use of shared services;
- increasing productivity with, for example, improved theatre uptake and utilisation;
- crystallising benefits from investments in IT and other new technologies;
- clinical services transformation across North East Sector sites.

<sup>2</sup> Right Care data presents *indicative* figures based on benchmarking the CCG with a demographically similar group of peer CCGs in order to highlight “variation”. It is clear that there are potentially double counts in some of the figures, and initial investigation has highlighted that some of the variation is warranted.



Bury Council efficiencies:

Bury Council Social Care services have a strong track record in delivering efficiency improvements and investing to save in areas such as:

- creation of an arms-length management organisation (Persona Care and Support Ltd) for the delivery of £10m of social care services;
- development of step up / step down care facilities;
- investment in fostering and adoption services.

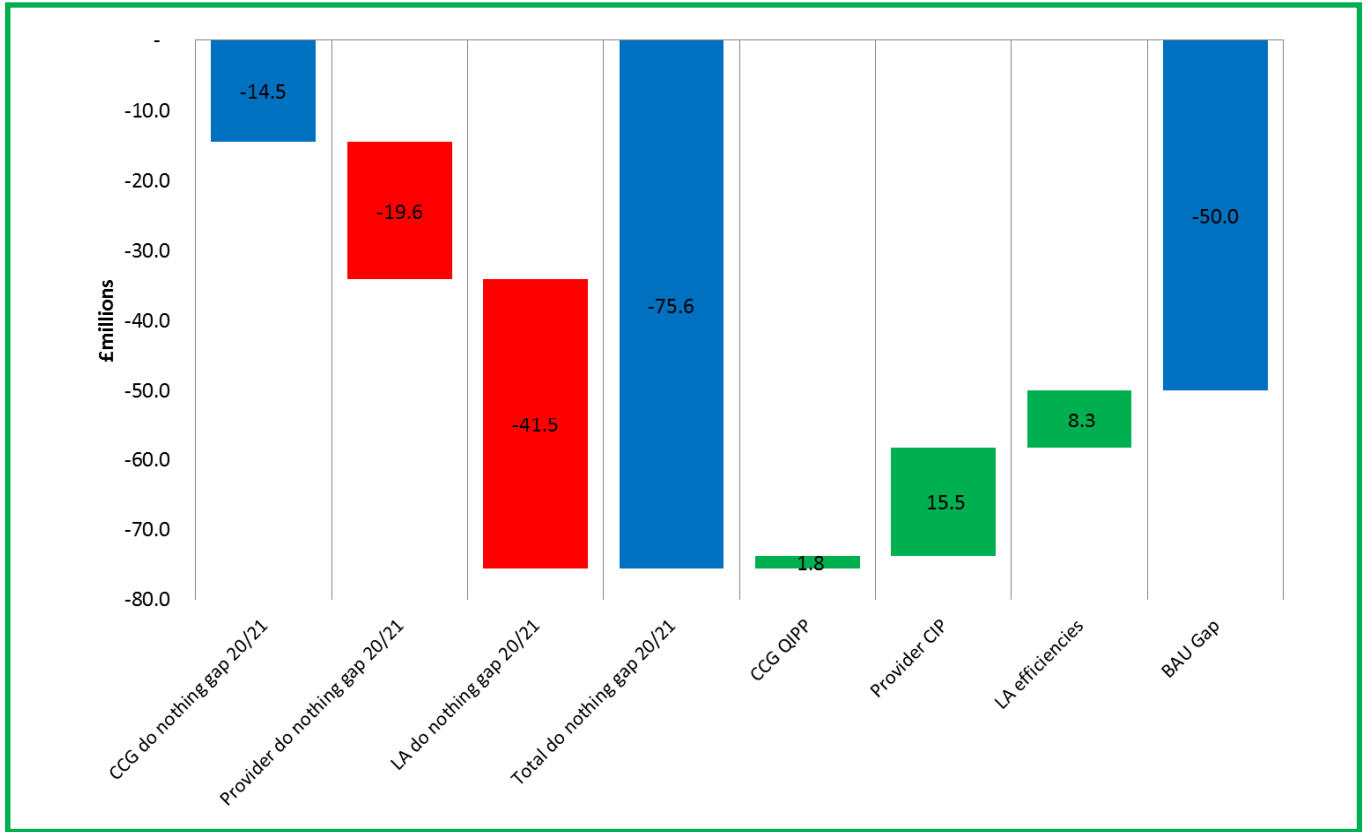
Over the next 4 years, Bury Council has savings programmes in train to target:

- back office functions, including exploiting opportunities from integration with Bury CCG;
- potential senior management cost reduction through the development of the OCO and LCO;
- efficiencies through Children and Young People's Integrated Commissioning;
- efficiencies from moving to a Neighbourhood Working structure;
- review of Strategic Development functions.





Taking account of the various plans and targets described above, the “do nothing” gap of £75.6m is expected to close to a gap of £50m through “business as usual” transformation:



## Our Financial Plans:

### The “do something” scenario – Whole System Transformational Change

This Locality Plan sets out a set of agreed whole system transformation changes proposals that go significantly beyond “business as usual”.

These have also been developed in collaboration with colleagues from neighbouring areas such as Oldham and Rochdale, with whom we share a number of service providers, to ensure that our propositions fit strategically with those being made in other areas.

We have been supported in the development of our transformation propositions and our financial impact modelling by specialist consultants with extensive expertise in Health and Social Care transformation.

*“Our proposals go significantly beyond a ‘business as usual’ approach”*



Mobilising whole system transformational change, as set out within this Locality Plan, will require significant initial investment in order to generate savings in future years.

To enable this to take place at scale and pace, we have requested £27.7million from the Greater Manchester Transformation Fund.

A major thrust of the transformation propositions is to reduce unnecessary in-hospital activity and to provide alternative services in community, primary care and other settings closer to people's homes.

It is estimated that, overall, the transformation propositions will result in the following reductions in hospital activity by 2020/21:

*“Whole system change requires significant investment”*

Point of Delivery	Reduction to 16/17 Baseline Activity	Avoidance of Growth in Activity Year 1-4	Total Reduction in Activity by 2020/21
Accident and Emergency	14.2%	2.8%	17.0%
Elective inpatient	10.2%	2.8%	13.0%
Non-elective inpatient	18.7%	2.8%	21.5%
Outpatient (first attendance)	17.2%	2.8%	20.0%
Outpatient (follow up)	22.2%	2.8%	25.0%

These plans assume that activity reductions will be delivered in advance of associated cost reductions being made, and that only variable costs will initially be realisable, with overheads generally not being cut until 2020/21 (at which point, there will be a step change in financial benefits of around £14.7m).

However, each scheme will be looked at on its own merits and, if cost savings can be achieved at greater pace, providers and commissioners are committed to doing so in the interests of the whole economy.

The timeline for realisation of full cost release is challenging but is in line with the Pennine Acute Clinical Services Strategy.

North East Sector collaboration will also help to achieve significant step change by aligning, where appropriate, commissioning intentions and strategies across Bury, Rochdale and Oldham localities with the potential to drive through radical reform in the provider sector at greater scale and pace than could be achieved unilaterally.

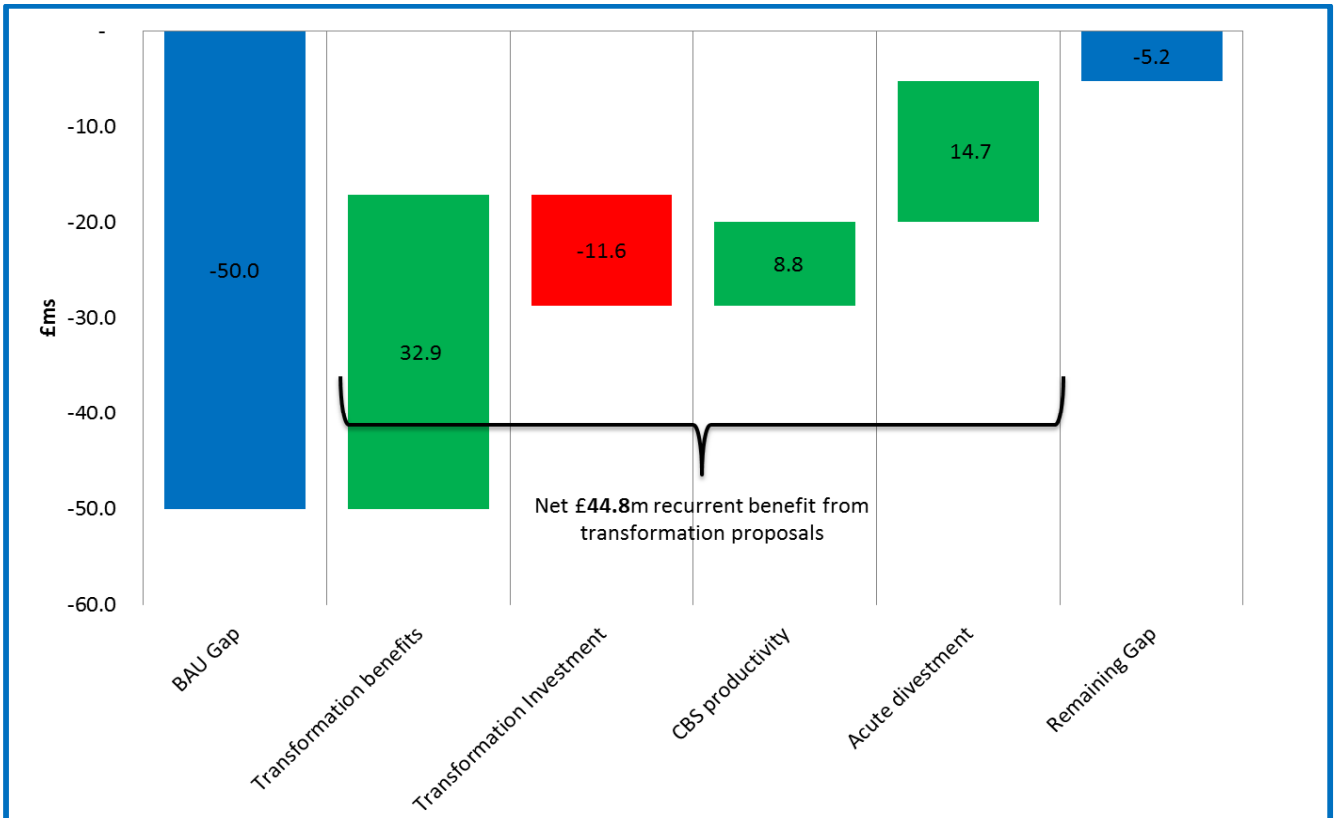




The following table summarises the expected benefits of each Bury transformation theme:

Themes	TF Investment Required £m	Recurrent Savings by 20/21 £m	Payback Year	ROI at Year 4 2020-21	ROI at Year 5 2021-22
<b>Enabling Local People</b>	2.0	4.4	3	2.2	2.9
<b>Wellness</b>	2.7	3.2	3	1.3	2.0
<b>Home First</b>	5.6	13.4	3	1.5	2.0
<b>Integrated Neighbourhood Approach</b>	5.6	13.9	3	2.1	3.1
<b>Integrating C&amp;YP Systems</b>	0.6	3.1	2	2.3	3.2
<b>Transforming Mental Health</b>	2.3	4.5	3	1.8	2.0
<b>Transforming Emergency and Urgent Care</b>	2.1	1.4	5	0.8	1.1
<b>Productivity savings</b>		0.9	3	-	-
<b>Enablers</b>	6.8	-	n/a		
<b>Total Transformation</b>	<b>27.7</b>	<b>44.8</b>		<b>1.5</b>	<b>2.1</b>

These transformation propositions further reduce the 2020/21 gap to £5.2million.





## Our Financial Plans: Greater Manchester Wide Transformation

GMHSCP is leading on a series of Greater Manchester Wide transformation initiatives including:

- Theme 3 (standardisation of acute services) – target savings £140m
- Theme 4 (back office functions) – target savings £100m

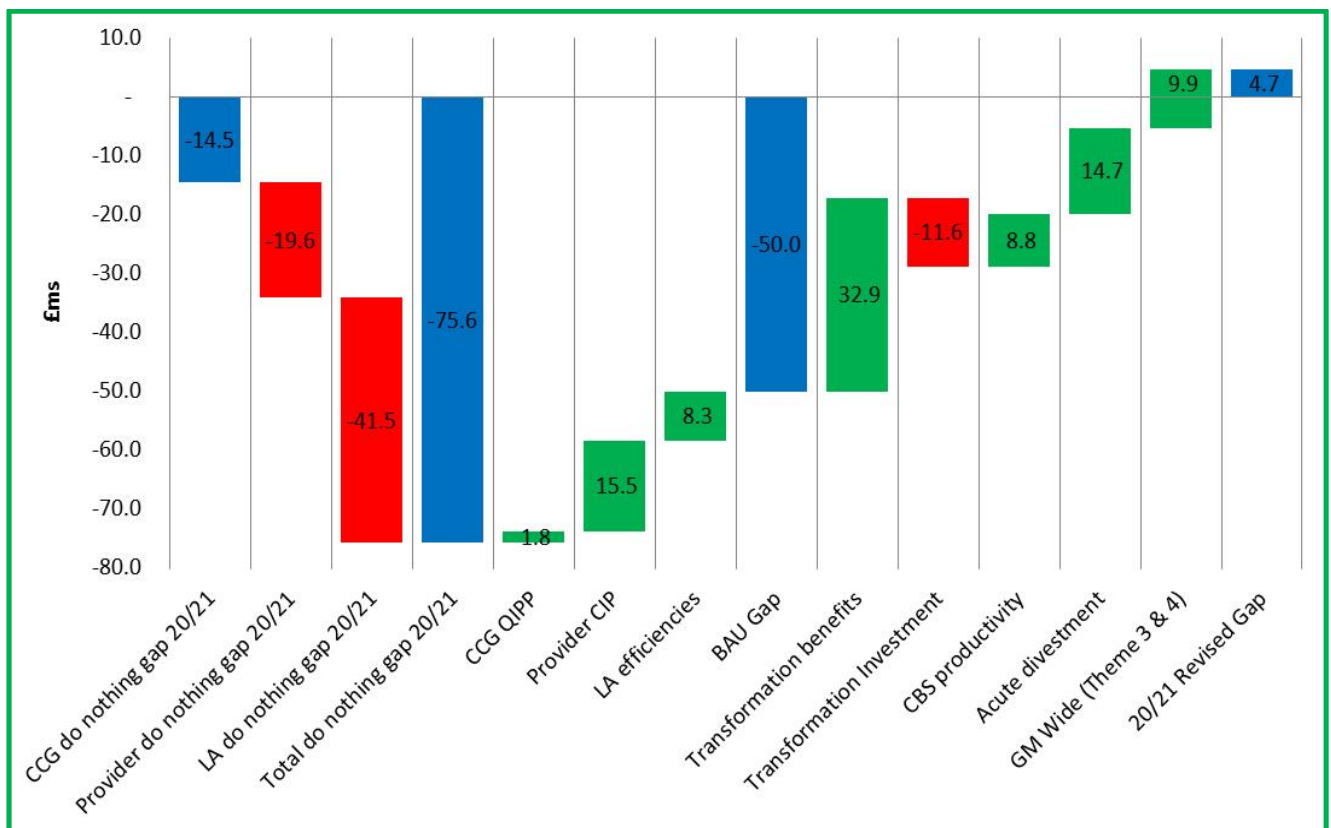
If these initiatives deliver their target savings, the Bury Locality could benefit by approximately £17m<sup>3</sup>. However, it is recognised that some of the projected savings might be duplicated in this Locality Plan and the ‘business as usual’ CIP plans articulated in this chapter.

As such, we have applied a reduced share of £9.9m.

## Our Financial Plans: Total impact – Closing the gap

Through a combination of “business as usual” proposals, “do something” whole system transformation change, and the local application of the impact of GM wide transformation scheme, our Locality Plan closes the projected 2020/21 project financial gap of £75.6million and creates a system that is operating with a £4.7million surplus by 2020/21:

*“Our plan will close the projected financial gap”*



Realising this ambition is challenging, but achievable.

<sup>3</sup> Based on a weighted “fair share” of the overall GM target