

## Deficit Reduction Plan

### 1. Methodology

In establishing a financial plan for the Shropshire Health Economy, the community has committed to ensuring that each of the predominant health bodies operating within the system, are through the actions taken, able to record by the year 2020/21 a balanced financial position. In making this commitment the system also recognises the need to respond appropriately to the challenges also being experienced by local authority colleagues, and will do so in ultimately finalising its plans for the years 2016/17 – 2020/21.

The scale of financial challenge is significant. Collectively the two clinical commissioning groups responsible for commissioning healthcare for the populations of Telford and Wrekin and Shropshire enter the 2016/17 financial year with a sizeable financial deficit amounting to circa £19.9 million. Provider organisations within the community similarly take into the planning period a structural financial position that will require important decisions to be made to ensure that the provision of services can be sustainable into the future. The size of structural deficit within providers is calculated as amounting to £21.5 million.

Over the period 2016/17 to 2020/21 the collective level of resource available to commission healthcare is planned to increase by £119 million, such that by the year 2020/21 the level of resource available amounts to £884 million. Contained within this, exists a dedicated sum amounting to £33 million available to support the health economy in delivering its transformation plans. Despite receiving this level of increase the combination of demographic growth and inflationary pressures across commissioning spending results in a shortfall that will need to be recovered through new more efficient ways of working. The level of shortfall is estimated to amount to £16.7 million.

Collectively the three provider organisations identified within the Shropshire system and transformation footprint, The Shrewsbury and Telford Hospital NHS Trust, Robert Jones and Agnes Hunt Foundation Trust and Shropshire Community Trust estimate increased pay and non-pay costs will introduce a further £65.8 million cost pressure over the years 2016/17 to 2020/21.

Accordingly allowing for the need to address opening structural financial problems and spending growth in response to inflation and demography, sets a recurrent financial challenge for the health system amounting to £123.5 million.

	Commissioners	Providers	Total
	£millions	£millions	£millions
Structural deficit	19.5	21.5	41.0
Inflation / Demographic cost pressures	16.7	65.8	82.5
	36.2	87.3	123.5

In responding to this scale of financial challenge provider organisations have committed to delivering internal efficiencies within their respective organisations. For The Shrewsbury and Telford Hospital NHS Trust and Robert Jones and Agnes Hunt Foundation Trust this is assumed to be equivalent 2 per cent per annum, the average level of efficiency saving to be delivered by Shropshire Community NHS Trust amounts to 3.6 per cent per annum. Delivering this level of savings generates cost reduction amounting to £53.7 million. In addition to these internal efficiencies, the Carter Review highlights further cost reductions , particularly in respect of Agency premiums of medical and nursing staff, improved workforce management and benefits from greater consolidation of back office functions. These are estimated to introduce additional cost savings amounting to £8.8 million.

Beyond activities associated with internal efficiencies, the local health system has identified a series of important transformational activities to reduce the scale of financial gap and restore financial balance. These transformational activities are summarised in the table below.

	£millions
Repatriation of Income	12.0
Rebasing of Orthopaedic spending – as per right place benchmarking	4.5
Community service reconfiguration	6.0
Reconfiguration of hospital services	22.0
Rationalisation of Acute services	3.0
Consolidation of provider organisations	1.0
Utilisation of Transformation funds	10.5
Other – transferred to Health bodies outside of STP	9.0
<b>Total Transformation savings</b>	<b>68.0</b>

- Repatriation of Income – The two local commissioners are presently commissioning activity from NHS provider bodies operating outside of the local health economy. A detailed review is being undertaken to determine the opportunity to re-establish such spending locally. It is estimated that doing so would generate a financial benefit to the health system of £12.0 million.
- Rebasing orthopaedic spending – The right place benchmarking programme has identified that Shropshire County CCG is an outlier in respect of spending in relation to orthopaedic services. Commissioning at levels consistent with benchmarked CCG’s reduces spending by £4.5 million.
- Community service reconfiguration – providers and commissioners within the health and social care system are presently working to develop new integrated pathways of care structured around definable neighbourhoods. It is envisaged that these new models of care will lead to cost reduction of circa £6 million per annum.
- Rationalisation of Acute services – Secondary and Tertiary care services are presently provided within the health system through three hospital facilities located in Shrewsbury, Telford and Oswestry. A programme of work has commenced to determine the level of savings possible through a rationalisation of the services provided on these three sites. It is estimated that this can be expected to generate savings amounting to £3 – 5 million per year.

- Consolidation of provider organisations – Three provider organisations and two clinical commissioning groups presently exist within the Shrewsbury and Telford health system. In taking forward the transformation programme it is intended to review opportunity to consolidate these various organisations.
- Reconfiguration of hospital services – In response to significant operational service challenges The Shrewsbury and Telford Hospital NHS Trust has developed a case for reconfiguring the delivery of its hospital services between the existing Shrewsbury and Telford hospital sites. The intention being to establish a Hot and Warm secondary care clinical model. In order to take forward this change requires availability of £300 million capital resource. Consolidation of clinical services is expected to generate cost savings amounting to £22 million as a consequence of reduced levels of service duplication, revised working practices and improved efficiency in the utilisation of the facilities.
- Utilisation of Transformation Funds – The financial plan for the health system has been set to enable the provider organisations and commissioners to deliver a financial surplus consistent with Business Rules. The level of Transformation Funds required amounts to £6.5 million.

The financial position for the health economy can then be summarised as follows:

	Commissioners	Providers	Total
	£millions	£millions	£millions
Structural deficit	19.5	21.5	41.0
Inflation / Demography cost pressures	16.7	65.8	82.5
<b>Local Health system deficit</b>	<b>36.2</b>	<b>87.3</b>	<b>123.5</b>
Provider Trust efficiency programme		(53.7)	(53.7)
Carter Review savings		(8.8)	(8.8)
<b>Transformation savings required</b>	<b>36.2</b>	<b>24.8</b>	<b>61.0</b>
Transformation savings	(40.9)	(27.1)	(68.0)
<b>Health economy surplus</b>	<b>4.7</b>	<b>2.3</b>	<b>7.0</b>

## 2. Use of Transformation funds

By 2020/21 the Local health Economy will receive recurrent Transformation Funds amounting to £33 million. Over the years 2016/17 – 2020/21 these Transformation Funds will be released progressively and the Local Health System Plan intends to use these funds on a non-recurrent basis to underpin the transformation changes.

The recurrent use of the funds however is still to be determined. This financial plan presently assumes that £6.5 million of this sum is used to enable the Local Health Economy to achieve a surplus position. The residual £26.5 million is then intended to be used to take forward:

- Extended GP access
- Recommendations contained within the Mental Health Taskforce, Cancer Taskforce strategy, National Maternity Review
- Increasing Child and Adolescent Mental Health service capacity,
- Delivery of seven day urgent and emergency care in hospitals,
- Investment in Prevention programmes, particularly childhood obesity and diabetes care,

- Implementing paperless technology.
- Supporting Local Authority Adult and Children service cost pressures.