

Meeting:			
Meeting Date	05 June 2023	Action	Receive
Item No.	10	Confidential	No
Title	System Finance Group Update		
Presented By	Sam Evans – Executive Director of Finance Bury Council and NHS Greater Manchester Integrated Care (Bury)		
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Clinical Lead			

Executive Summary

The financial position of public services in Bury and across Greater Manchester is very challenging in 2023/24. Even before the Covid-19 pandemic the NHS was facing a significant funding shortfall because of increasing demand for services and years of funding settlements that were both below the long-term average. In the decade following the global financial crisis in 2008, the health service faced the most prolonged spending squeeze in its history.

Within Greater Manchester this was apparent in planning for 2020/21 with a number of CCGs likely to post deficit plans for the that year, until the funding formulary changed due to the Covid-19 pandemic. Therefore the 2023/24 financial position across the NHS and local government, both nationally and specifically for Greater Manchester is one that was merely delayed by the changes to funding mechanisms implemented during the Covid-19 pandemic.

In 2022/23 NHS GM was able to deliver it’s financial duty of breaking even but this was achieved through significant use of non recurrent measures and therefore this has increased the savings requirement going in 2023/24.

The NHS Greater Manchester Integrated Care (NHS GM) submission to NHS England in March was a deficit plan of £240m, which was followed up with a deficit plan of £159m. Both of these were rejected by NHS England and a £45m deficit plan was submitted in late April 2023, with the aim of retaining non recurrent funding and additional NHS England support, together totalling £45m to deliver a break even plan. Within this position there is assumed savings delivery of £400m and also a System Risk of £130m, with no identified mitigations.

The delivery of this plan will be incredibly challenging and to this end the CFO of NHS England plans to visit NHS GM organisations in June to understand these plans in greater detail and receive greater assurance on delivery in some areas. In response to this position NHS GM is reviewing the outputs of the PWC diagnostic for savings opportunities, is implementing a Project Management Office to oversee delivery of the savings target and the mitigation of the System Risk.

Recommendations

The Locality Board is asked to:

- Consider the information within this paper, the level of savings required for NHS GM to deliver a break even position in 2023/24 and the risks to delivery
- Note that a Bury locality position will be brought to the next meeting, encompassing NHS partners and the council.

OUTCOME REQUIRED				
OUTCOME REQUIRED <i>(Please Indicate)</i>	Approval <input type="checkbox"/>	Assurance <input type="checkbox"/>	Discussion <input checked="" type="checkbox"/>	Information <input checked="" type="checkbox"/>
APPROVAL ONLY; (please indicate) whether this is required from the pooled (S75) budget or non-pooled budget	Pooled Budget <input type="checkbox"/>	Non-Pooled Budget <input type="checkbox"/>		

Links to Strategic Objectives	
SO1 - To support the Borough through a robust emergency response to the Covid-19 pandemic.	<input type="checkbox"/>
SO2 - To deliver our role in the Bury 2030 local industrial strategy priorities and recovery.	<input type="checkbox"/>
SO3 - To deliver improved outcomes through a programme of transformation to establish the capabilities required to deliver the 2030 vision.	<input type="checkbox"/>
SO4 - To secure financial sustainability through the delivery of the agreed budget strategy.	<input checked="" type="checkbox"/>
Does this report seek to address any of the risks included on the NHS GM Assurance Framework?	<input type="checkbox"/>

Implications						
Are there any quality, safeguarding or patient experience implications?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Has any engagement (clinical, stakeholder or public/patient) been undertaken in relation to this report?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Have any departments/organisations who will be affected been consulted?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Are there any conflicts of interest arising from the proposal or decision being requested?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Are there any financial Implications?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Is an Equality, Privacy or Quality Impact Assessment required?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
If yes, has an Equality, Privacy or Quality Impact Assessment been completed?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
If yes, please give details below:						
If no, please detail below the reason for not completing an Equality, Privacy or Quality Impact Assessment:						
Are there any associated risks including Conflicts of Interest?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
Are the risks on the NHS GM risk register?	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>

Governance and Reporting		
Meeting	Date	Outcome
N/A		

System Finance Group Update

1. Introduction

- 1.1. The financial position of public services in Bury and across Greater Manchester is very challenging in 2023/24. This is due to the lasting impacts of the Covid-19 pandemic both directly and indirectly on the physical and mental health of the population, the increase in waiting lists and demand for services across health and social as a result of this, and the impact of the cost of living crisis both on statutory partners and the physical and mental health of the population.
- 1.2. Allocations and settlements from the Department of Health and central government had significantly lower growth in 2023/24 than in previous years, as there is a desire to return funding flows to align with pre-pandemic trajectories. This paper will focus upon the NHS position in Greater Manchester to set the scene for an in depth look at the Bury locality position in the July Locality Board meeting.

2. Background

- 2.1. Even before the Covid-19 pandemic the NHS was facing a significant funding shortfall because of increasing demand for services and years of funding settlements that were both below the long-term average and for the NHS excluded important areas of spending like long-term capital investment (including spending on buildings and equipment) and the education and training of clinical staff.
- 2.2. In the decade following the global financial crisis in 2008, the health service faced the most prolonged spending squeeze in its history: between 2009/10 and 2018/19 health spending increased by an average of just 1.5% per year in real terms, compared to a long-term average increase of 3.6 per cent per year. These pressures were not unique to the UK, whose public spending on health care as a share of GDP is above the EU average, though lower than several comparable nations, including Germany, France, Denmark and the Netherlands¹.
- 2.3. In response to rising financial pressures in the NHS, in 2018 the government announced a five-year settlement for some areas of health spending, covering the period from 2019/20 to 2023/24. Under this deal, NHS England's budget would rise by an average of 3.4 per cent each year in real terms. This however was not enough to resolve the building deficits in NHS organisations as a result of the decade of low growth in year on year funding
- 2.4. Within Greater Manchester this was apparent in planning for 2020/21 with a number of CCGs likely to post deficit plans for the that year, until the funding formulary changed due to the Covid-19 pandemic.
- 2.5. Council budgets have not been protected in the same way as NHS organisations and consequently have had to make significant cuts since 2010 and In an October 2020 report, the Health and Social Care Committee said an additional £7bn per year was required by 2023/24 to resolve the size of the social care funding gap, which it described as a "starting point". The Health Foundation has suggested that an additional £14.4 billion a year would be required by 2030/31 to meet future demand, improve access to care, and pay more for care².
- 2.6. Therefore the 2023/24 financial position across the NHS and local government, both nationally but specifically for Greater Manchester is one that was merely delayed by the changes to funding mechanisms implemented during the Covid-19 pandemic.

¹ Kings Fund - NHS funding: our position. May 2022

² House of Commons Library – Adult Social Care Funding (England). January 2023

3. NHS Greater Manchester Integrated Care establishment

- 3.1 NHS Greater Manchester Integrated Care (NHS GM) came into being at 1st July 2022 as the successor organisation to CCGs, as part of the reorganisation of NHS bodies, governance and reporting. NHS GM is responsible for all NHS activities in Greater Manchester and is the largest Integrated Care System (ICS) in the country.
- 3.2 NHS GM is the reporting body for all NHS organisations in Greater Manchester, Acute Trusts, Mental Health Trusts, Community Services, General Practice and other primary care services, and it is NHS GM who are held to account by NHS England for performance be that financial, waiting lists, A&E, Mental Health Investment Standard and so on.
- 3.3 In 2022/23 NHS GM was able to deliver it's financial duty of breaking even but this was achieved through significant use of non recurrent measures and therefore this has increased the savings requirement going in 2023/24.

4 NHS Greater Manchester Integrated Care 2023/24 financial position

- 4.1 The initial NHS GM submission to NHS England in March was a deficit plan of £240m, which had been arrived at after a number of internal check and challenge sessions to drive down individual organisation deficits within the overall NHS GM position.
- 4.2 This position was not acceptable to NHS England and a revised position was submitted on 18th April with a deficit of £159m. Unfortunately this was again deemed to be unacceptable and therefore on 21st April a further submission was made with a deficit of £45m, which was to be supported to deliver a break even position through retention of surge funding £19m and NHS England support £26m.
- 4.3 This plan was deemed to be acceptable by NHS England but no guarantees were give on the retention of the £19m and £26m. Within this position there is assumed savings delivery of £400m and also a System Risk of £115m, with no identified mitigations.
- 4.4 This System Risk position has since increased to £130m due to a shortfall on inflation funding to be received and other risk mitigations.
- 4.5 The delivery of this plan will be incredibly challenging and to this end the CFO of NHS England plans to visit NHS GM organisations in June to understand these plans in greater detail and receive greater assurance on delivery in some areas. It should also be noted that alongside the concerns associated with financial delivery there are also concerns with regard to performance against other metrics.
- 4.6 With regard to delivery of the 2023/24 financial positions the NHS GM board has issued the following statement:

“Achievement of this plan is predicated on a number of assumptions and management of risk, and specifically requires the delivery of £123m system savings, which is in addition to the challenging efficiency targets already built into all organisational plans. For planning purposes, the £123m system target currently sits within the NHS GM plan, but all NHS organisations recognise that there is a collective responsibility of all organisations in the system to manage and mitigate this risk. To deliver savings at this level, all organisations and all parts of the system will be impacted”.

5 NHS Greater Manchester Integrated Care actions to deliver 2023/24 savings

- 5.1 Delivery of this level of savings needs to focus on cost reduction, rather than an expectation of new income, though every opportunity to mitigate will be explored. Current examples include:

- Output from the PWC diagnostic and productivity opportunities identified both for the system and at an organisational level.
- Review of enduring costs resultant from COVID, examples include additional G&A and Critical Care beds as well as specific COVID services such as testing and Medicine Delivery Unit.
- Wider efficiencies and productivity measures, above CIP plans, which could include reviewing more sustainable commissioning of services including decommissioning.

5.2 As a result of the findings from the Carnall Farrah review, governance within NHS GM is expected to be revised. The current proposal to oversee not just the delivery of the System Risk savings, but also the wider underlying financial pressures and risks, is to develop a system wide Project Management Office (PMO) that will report into the NHS GM ICB Board via a Board Committee. The PMO will also ensure that GM has sufficient narrative to adequately articulate why the system has seen material increases in its workforce, but a corresponding reduction in activity when compared to pre-COVID levels. The PMO will facilitate the process and agree with system partners the impact on money, workforce, activity and performance metrics, and agree the changes on the impacted organisations.

6 Actions Required

6.1 The Locality Board is asked to:

- Consider the information within this paper, the level of savings required for NHS GM to deliver a break even position in 2023/24 and the risks to delivery
- Note that a Bury locality position will be brought to the next meeting, encompassing NHS partners and the council.

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May 2023