The Chartered Institute of Public Finance & Accountancy

CIPFA London Division

Financial Planning in Uncertain Times

18th July 2019

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Welcome & introductions

Nick Carroll
Chair
CIPFA London Division

Agenda

9.30	**Introduction**
9.35	A Treasury view on the outlook for public spending; how should public services respond? **Laura Lutkoski**, Deputy Director at HM Treasury with responsibility for Efficiency and the Cabinet Office
10.00	The long-term financial sustainability of local government – **Guy Clifton**, Local Government Markets Director, Grant Thornton
10.25	**Coffee break**
10.45	Local authority planning in the current uncertain times – a chief executive's view. **John Hooton**, Chief Executive at London Borough of Barnet
11.10	Financial planning for demand led services – a director's view. **Anne Canning**, Director of Children, Adults and Community Health at London Borough of Hackney
11.35	How the health service is facing up to the financial challenges it faces – **Liz Sanford**, Head of Business and Finance at NHS Improvement
12.00	**Panel Debate**
12.30	**Buffet Lunch**

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Laura Lutkoski, HM Treasury

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Guy Clifton, Grant Thornton

The long term financial sustainability of local government

CIPFA London Summer Seminar

Guy Clifton
@guy_clifton

18 July 2019

The situation for local government

£50bn
funding gap over the next six years
County Councils Network and PWC 2019

91%
of councils overspent on their children's social care in 2017-18

49%
real terms reduction in government funding 2010/11 - 2017/18
National Audit Office 2018

1 council has already declared effective bankruptcy

655,630
new children's social care referrals in 2017-18
National Audit Office 2018

11 authorities on track to fully exhaust reserves within four years
Chartered institute of Public Finance & Accountancy 2018

1 in 20
councils fear they will be unable to fulfil statutory duties this year
LGiU 2019

1 in 10
councils expect to face legal challenges this year due to service cuts
LGiU 2019

21%
fall in spending on local services 2009/10 and 2017/18
Institute for Fiscal Studies 2019

49%
of councils saw a fall in recycling rates between 2011/12 and 2016/17
BBC analysis of DEFRA data 2018

600+
library closures since 2009
Chartered institute of Public Finance & Accountancy 2009-2018

£9.1bn
worth of public space sold off in five years
Bureau of Investigative Journalism 2019

Half
of youth centres closed since 2011
APPG on Knife Crime 2019

Source: Final Report of Local Government Taskforce (LGiU, July 2019)

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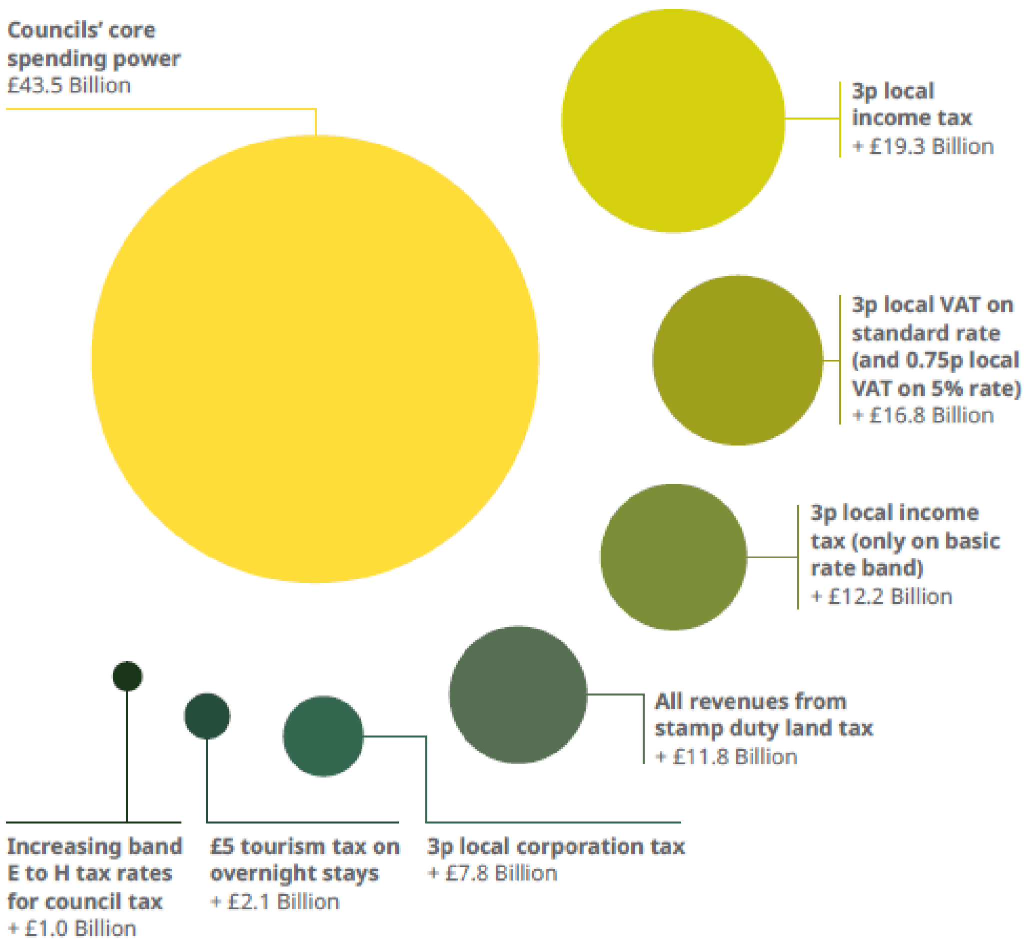
How much could different taxes raise?



Source: IFS "Taking Control"

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We all live in a VUCA world…

Volatility

In a volatile environment traditional models of cause and effect are much less predictable.

Uncertainty

Change leads to uncertainty and uncertainty leads to anxiety. Change is less predictable and learning needs to be fast and continuous.

Complexity

Increased complexity comes from many directions, operational complexity, information overload and social complexity.

Ambiguity

Many of the habits and behaviours that have served us so well in the past seem to be less and less valid leading to a new need for deep inquiry.

VUCA organisational response

1. Anticipate the issues that shape events
2. Understand the consequences of issues and actions
3. Appreciate the interdependence of variables
4. Prepare for alternative realities and challenges
5. Interpret and address relevant opportunities

“

What is the approach to VUCA being taken by local government?

”

Organisation 1

There is so much uncertainty it is impossible to plan for 2020/21, let along for years beyond this.

Our MTFP is not robust – we are waiting to see how events play out.

Organisation 2

Confident in our assumptions in year 1 of MTFP which nonetheless need to be monitored.

Less confident on further years – some key decisions still to be made.

Organisation 3

Long term corporate strategy, confident in our MTFP which is aligned to operational strategies.

Regularly monitored and updated.

But has our planning really covered the worst case scenarios?

“Evidence-based decision-making is a necessary condition for achieving VfM in public spending. And government needs to develop the capability, leadership and culture to support sustained improvement in the quality of information available.”

NAO, Challenges in using data across government – 21 June 2019

Decision making with data and insights

We believe that better decisions can be made when using data and actionable insights. To this end we have invested and developed a number of platforms to support local government:

Place Analytics

- Economy
- Society
- Environment

Supply Chain Insights

- Buyer
- Supplier
- Category

CFO Insights

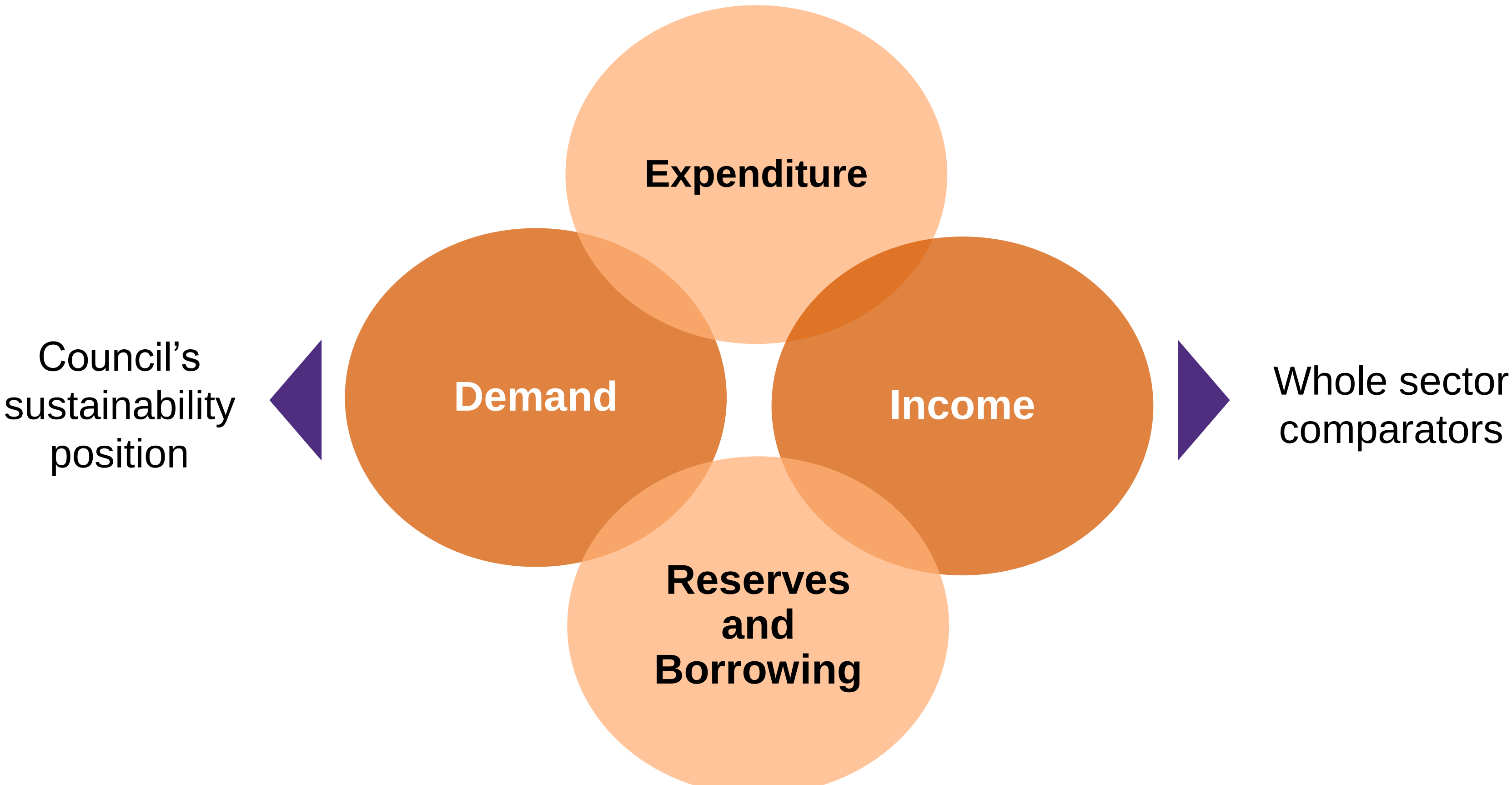
- Spend and budget
- Characteristics
- Outcomes

ASC INSIGHTS

- Demand
- Services provided
- Costs and market
- Outcomes
- Socio-economic context

What is Financial Foresight?

A **future** focused model building from CFO Insights. Supported by the strategy accelerator to define and refine the financial strategy.



Four questions at the heart of financial foresight

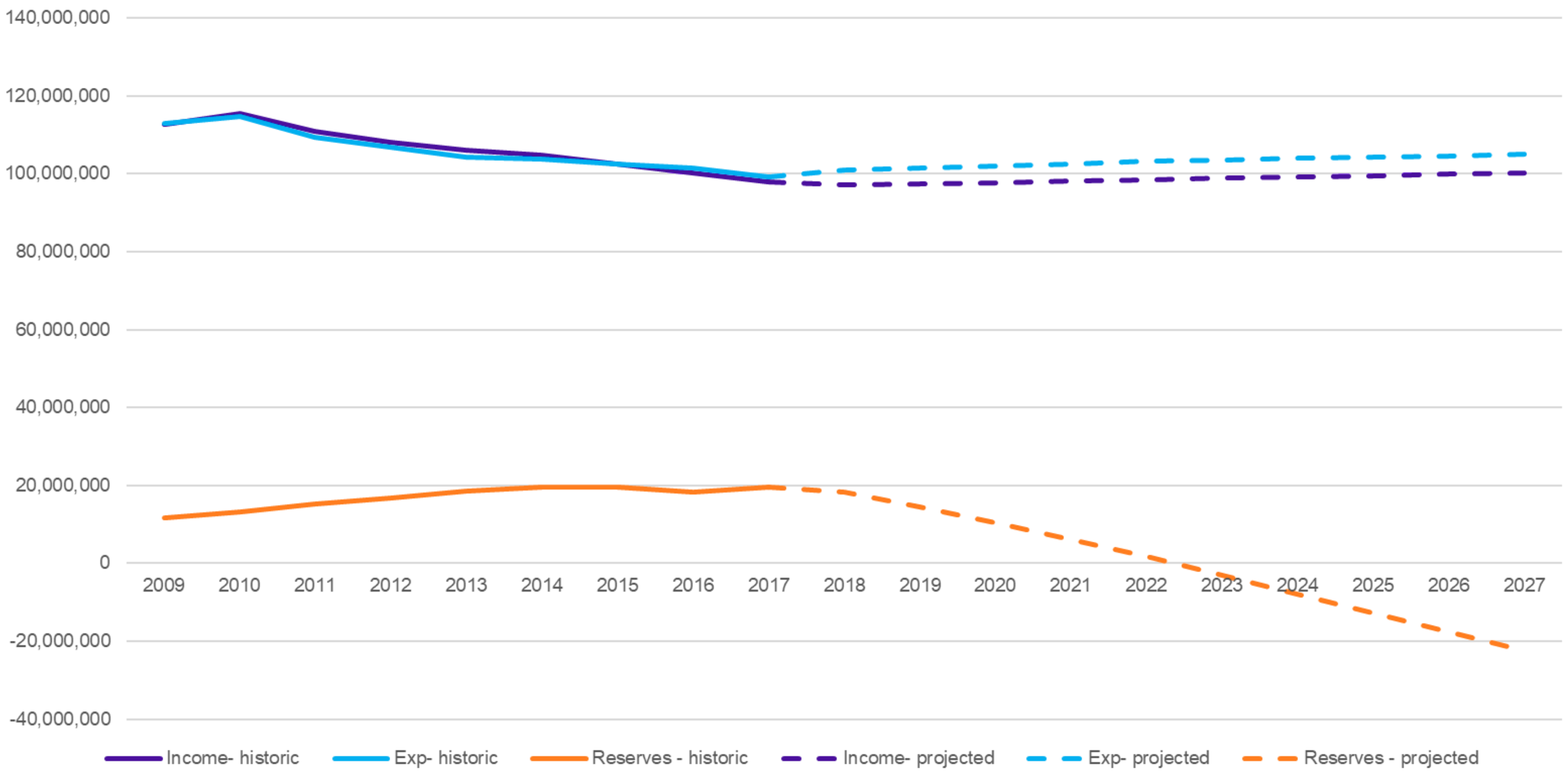
Can we develop forecasts and projections for all Councils, to show **patterns of likely financial failure into the future?**

Can we identify the **demand drivers that are key in creating financial pressures and overspends** in the system?

Are there **common and unifying factors in those authorities more likely to fail** in the near term?

Can we identify **key financial ratios that provide indicators of risk** in terms of the financial outlook for individual Councils?

Impact on reserves of income and expenditure imbalance



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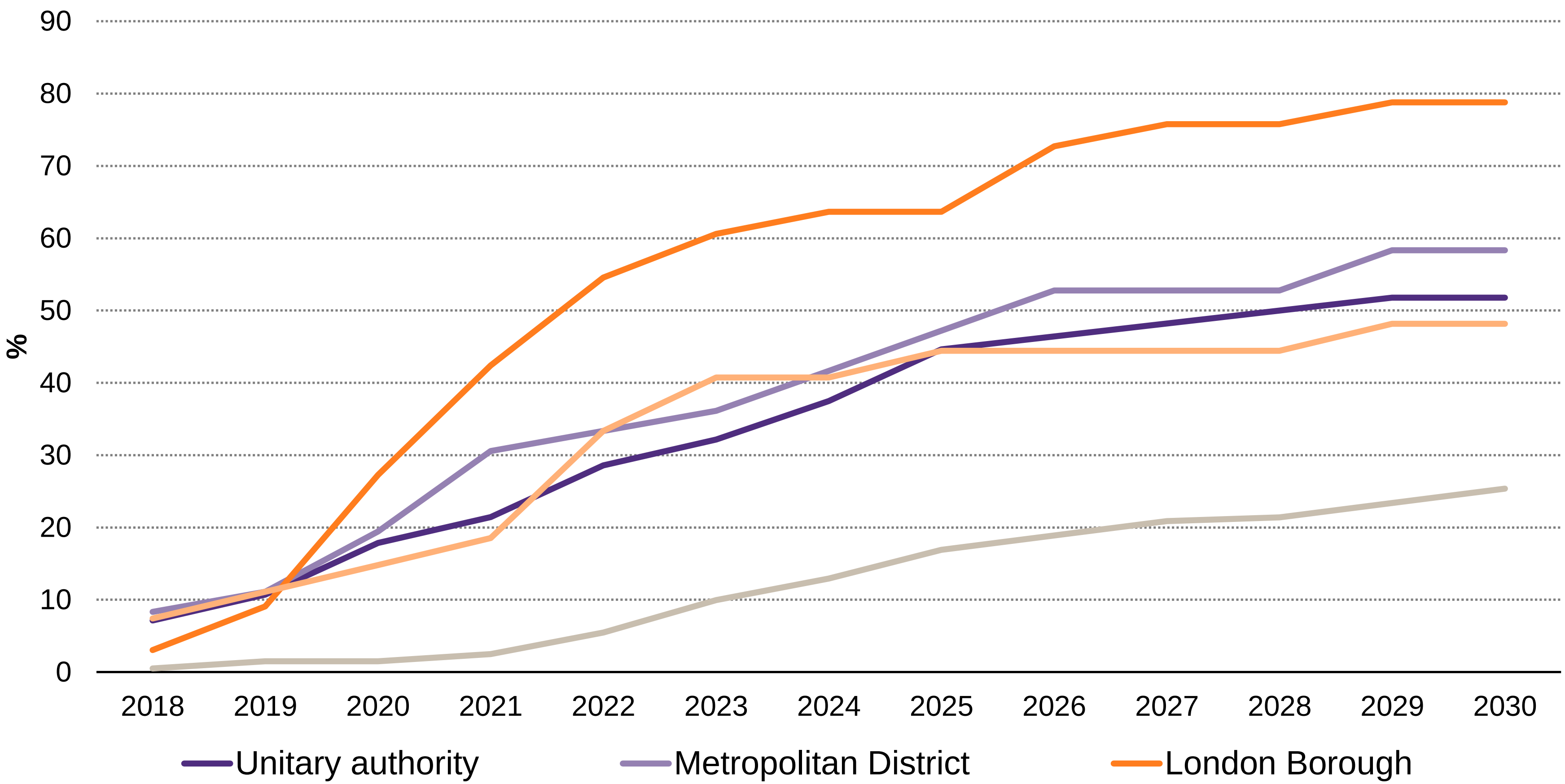
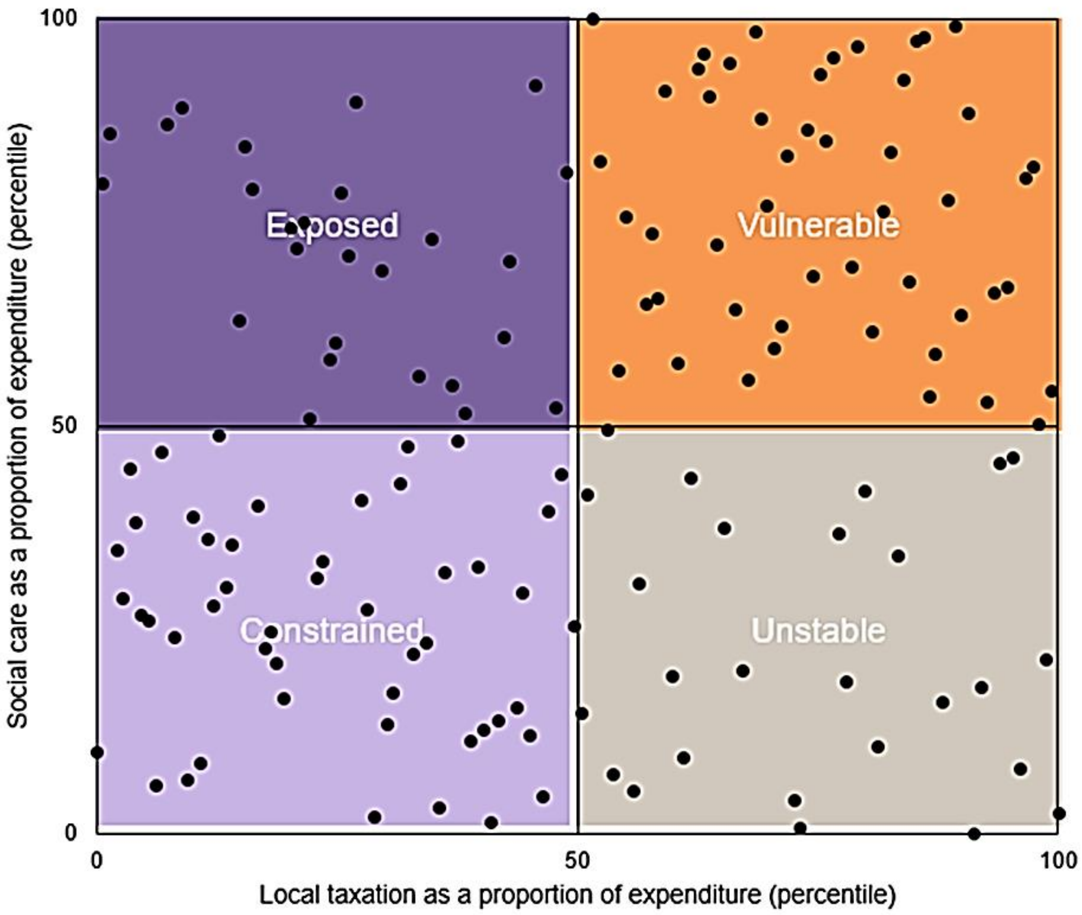
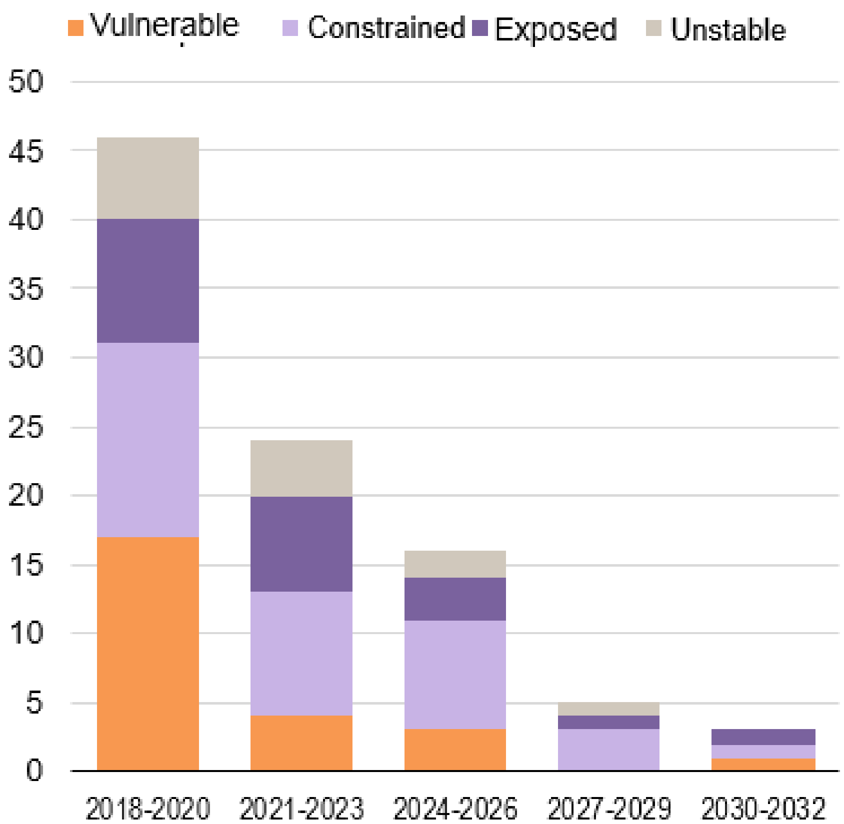
Reserve levels at risk

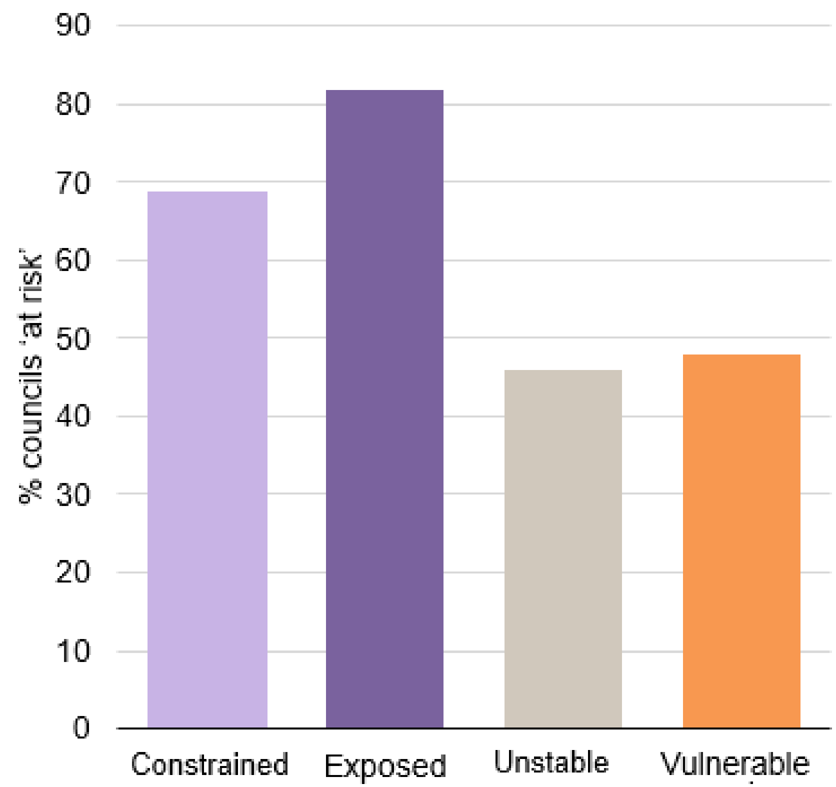


Authority segment



…providing an indication of risk





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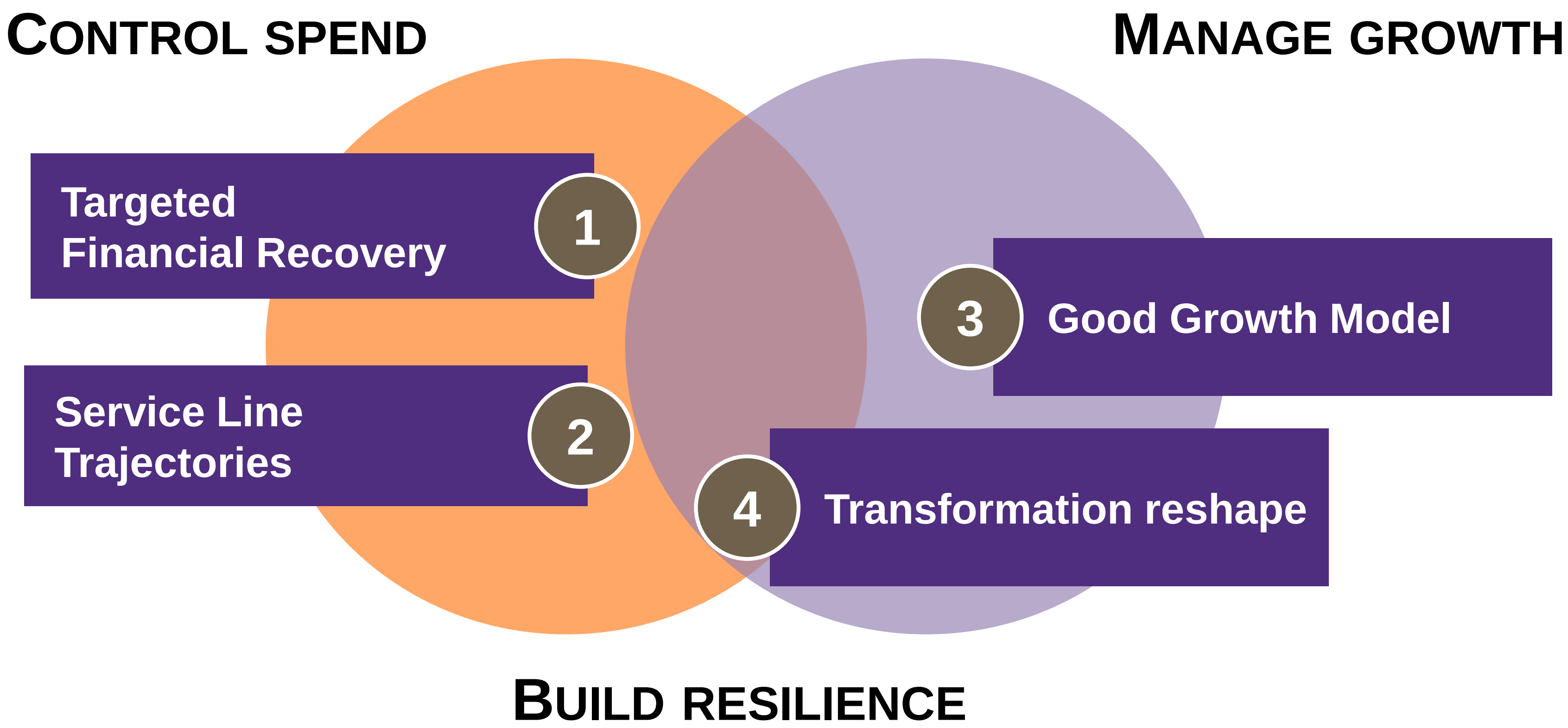
From resilience to sustainability – remedies



Tailored forecast

Council A will run out of reserves in 2025/26 if nothing changes

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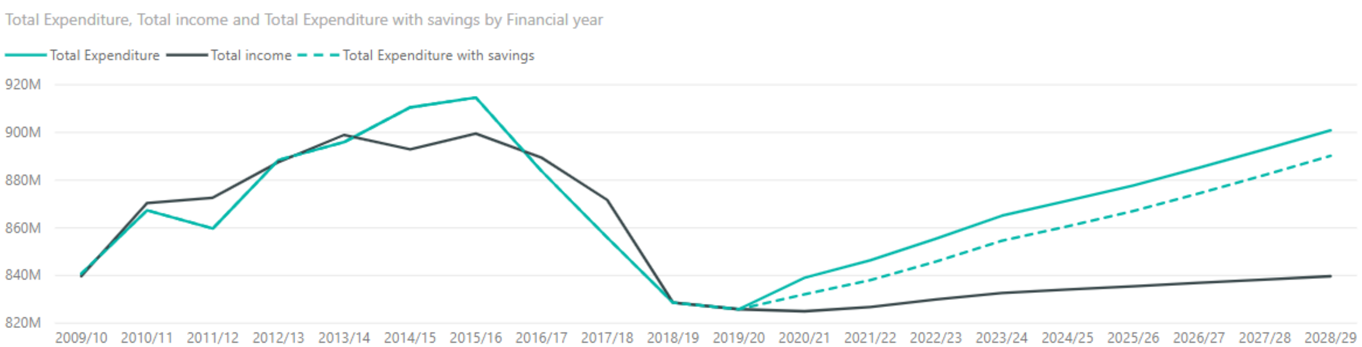
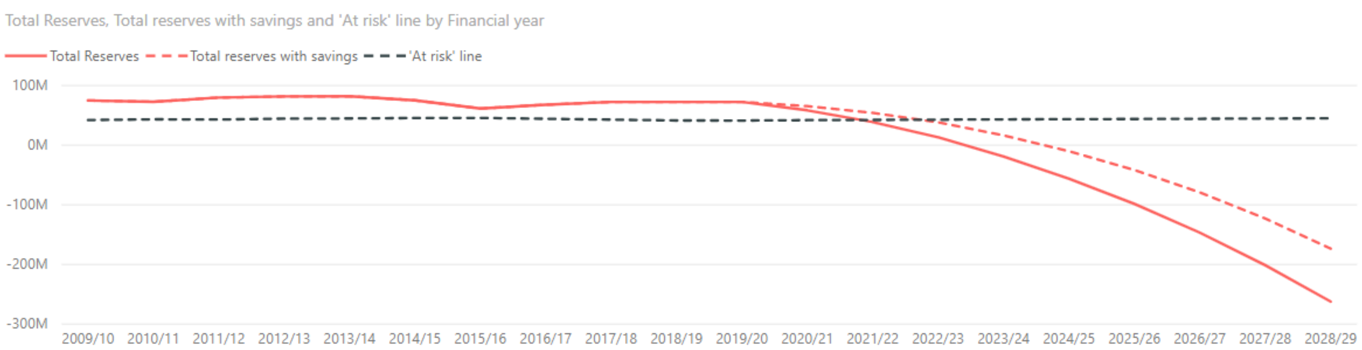
Impact of savings proposals

Council B has pushed back the year of depletion by two years with its latest tranche of savings proposals





Baseline Year 'at risk'

2020/21

Savings Year 'at risk'

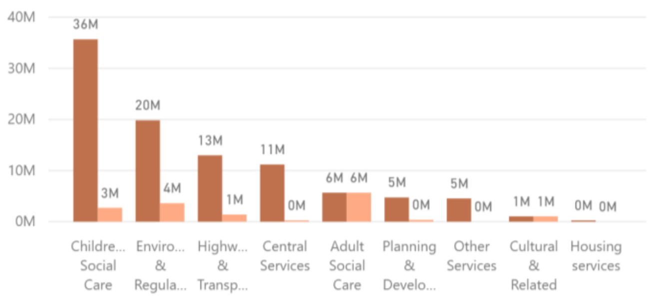
2022/23

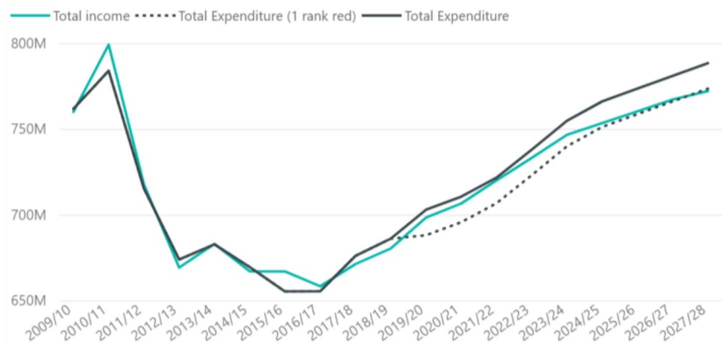
Savings opportunity

Council C could save £14m by reducing unit costs to the level of their next lowest comparator

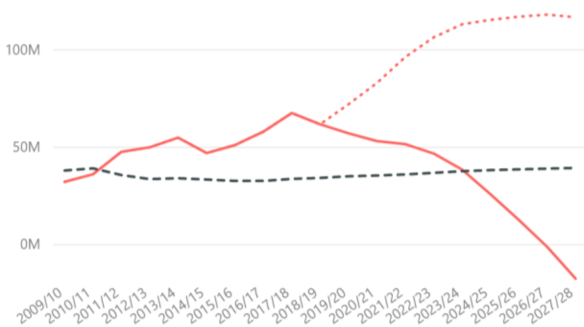
Service line	NN rank	2018 value	2018 unit cost	Opportunity	1 rank opportunity	1 rank change % of service line
Adult Social Care	10	144,795,000	280.82	5,673,980	5,673,980	3.9%
Environmental & Regulatory	2	37,567,000	57.66	19,828,273	3,611,978	9.6%
Children's Social Care	2	103,531,000	761.70	35,673,403	2,717,349	2.6%
Highways & Transport	6	30,055,000	6,261.99	12,988,301	1,400,706	4.7%
Cultural & Related	10	6,662,000	10.23	1,045,015	1,045,015	15.7%
Planning & Development	8	1,324,000	2.03	4,740,011	350,585	26.5%
Central Services	7	8,864,000	13.60	11,189,362	102,859	1.2%
Housing services	7	0	0.00	65,246	0	-
Total	**52**		**7,388.03**	**91,203,593**	**14,902,473**	

Opportunity and 1 rank opportunity by Service line





Total Reserves and 1 rank opportunity



1 rank year 'at risk'
N/A

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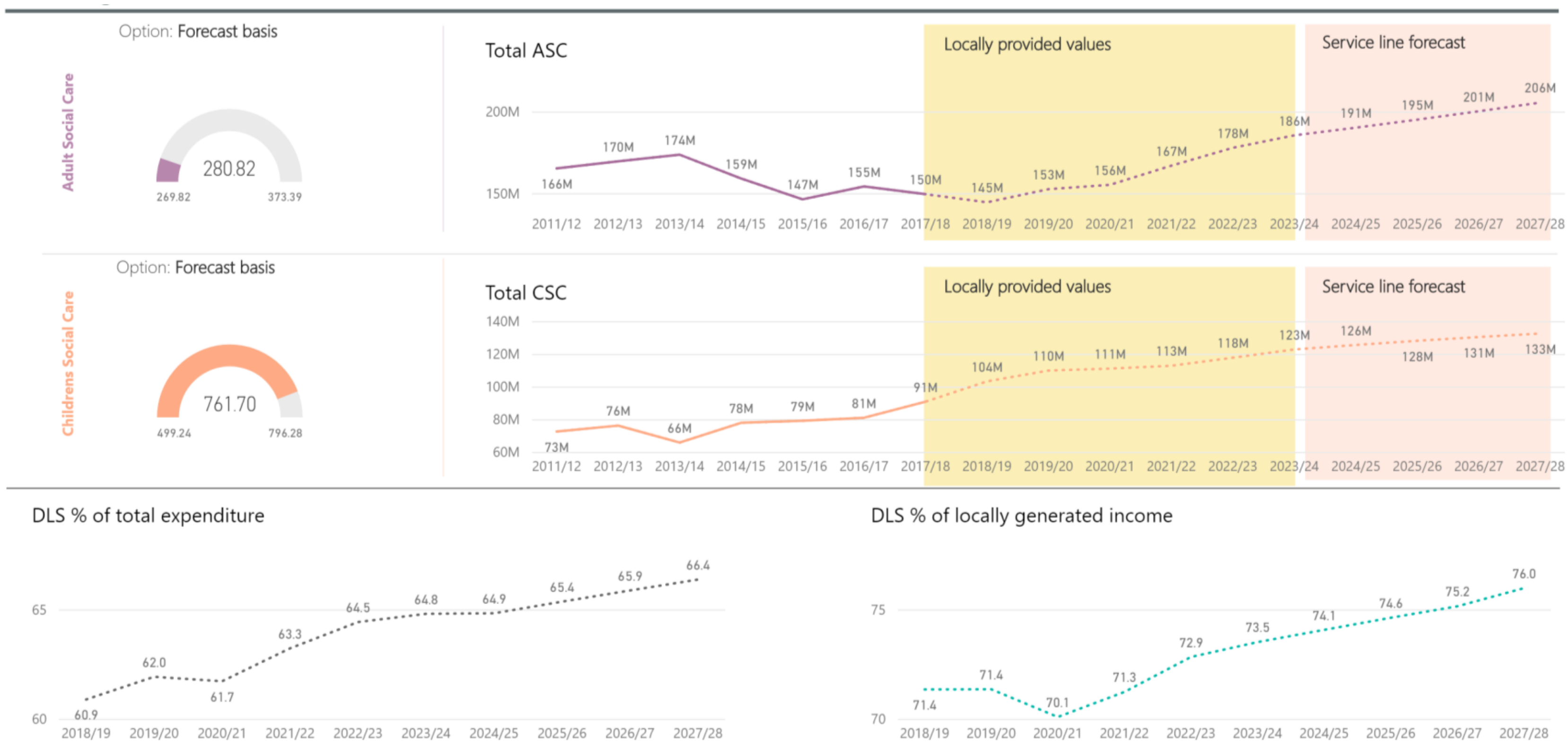
Social care forecast

Council D Forecast



Insights from deploying Foresight

- Average year at risk 2023/24
- Not always the usual suspects who are in financial jeopardy
- Wide range of local contexts where Foresight can be used
- Wide range of strategies deployed, eg:
  - Invest to save over the medium term
  - Immediate cash reduction
  - Hybrid: some rapid financial grip, and some capacity to invest in growth – 'trying to thrive whilst struggling to survive'
- Some management teams have poor financial literacy – surprised at financial trajectory: finance either not successfully getting across narrative, or management team failing to understand
- Some examples of collegiate behaviours – shared challenge and risk, mature conversations. Elsewhere more siloed and defensive.
- DLS key issue, in particular children's. No apparent correlation between unit costs and most recent OFSTED judgement.

Financial Foresight helps you:

Build a robust baseline financial forecast with intelligent and relevant comparator benchmarks

Test and appraise the impact of different financial levers and external factors

Accelerate the financial planning process through access to Grant Thornton's public services analytics lab

Understand the wider performance and socio-economic context for financial decisions

Engage wider stakeholders through a facilitated Financial Strategy Accelerator workshop

Develop a robust medium to long term financial strategy and prescribe remedies for intervention

Thank you

for your kind attention

Any questions?

Presenter contact details

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Break

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John Hooton, Barnet LBC

CIPFA London Division

John Hooton
Chief Executive
London Borough of Barnet

About Barnet

Barnet 2024

394,400 residents
Largest population in London

37.3 average age
Older than the London average (35.8)

23.9% under 16
Higher than the London average (22.6%)

Higher percentage of
over 85 year olds
compared to the rest of London on average

38.7% BME* population
Below London average (42.5%)
*Black and minority ethnic

£50k average income
Higher than outer London average (£44k)

71.4% employed
Below London average (74.2%)

4.6% Unemployed
Below London average (5.1%)

23,000 businesses
3rd highest in London

£544,597 average house price
15 times median income

157,000 houses,
with a target to build
31,340 over the next 10 years

Housing tenure
61% owned, **13%** rented from local authority/ housing association
26% private rented sector

Over 180 languages
spoken by primary school children

85.2 Female life expectancy
82 Male life expectancy
Above London averages of 84.2 and 80.4

70.5 crimes per **1,000** people
Below London average (92.9 per 1,000)

Fewest number of police officers per resident
compared to the rest of London.

Progress 8 scores*
ranked 2nd highest in the country
*based on pupils' attainment across eight subjects

94.7%
of pupils in
good or **outstanding**
schools

14 libraries

5 leisure centres

8,675 hectares
4th largest in London by size

DONATE **1,064 charities**

28% of the borough is **greenbelt** with over **200 parks** and **greenspaces**

Over **750km** of **roads** to maintain

Local government - its never dull…..

Ofsted
raising standards
improving lives

Ofsted
GRADED
GOOD

argenti
for an independent life

Capita contract
delivers £31 million
savings

Barnet 2024

Recent progress made…

Waste collection challenges

Balanced budget 18/19

Brent Cross development

New Colindale office

FAMILY FRIENDLY BARNET

Children's Services improvements

Contract review

Other key achievements

Built **400+** new homes, including **100** affordable and social houses and flats

Increased the number of foster carers to **119**

Recruited 250 volunteer Hate Crime Reporting Champions, working in partnership with the police

Rated as the most-improved borough in the *Good Food for London* report 2018

Introduced Council Tax relief for care leavers **up to the age of 25**

Signed up 20,000+ residents for the free Fit & Active Barnet Card

Education:

Our secondary schools ranked second in England for the new Progress 8 scores, and fifth for Attainment 8

94% of schools were rated 'good' or 'outstanding'

100% of children whose parents/carers applied on time received an offer of a Reception or Year 7 place

Supported **7,000+ adults** through social care services

Resurfaced and improved **47 roads** and **23 pavements**

Launched our first **Public Spaces Protection Order,** controlling street drinking in Burnt Oak

Removed 1,853 fly tips, and issued **1,200+ fixed penalty notices**

Served more than **200 planning** enforcement notices against unlawful developments

Invested **£4.2m into the £6.5m Youth Zone**

Context – The Challenge

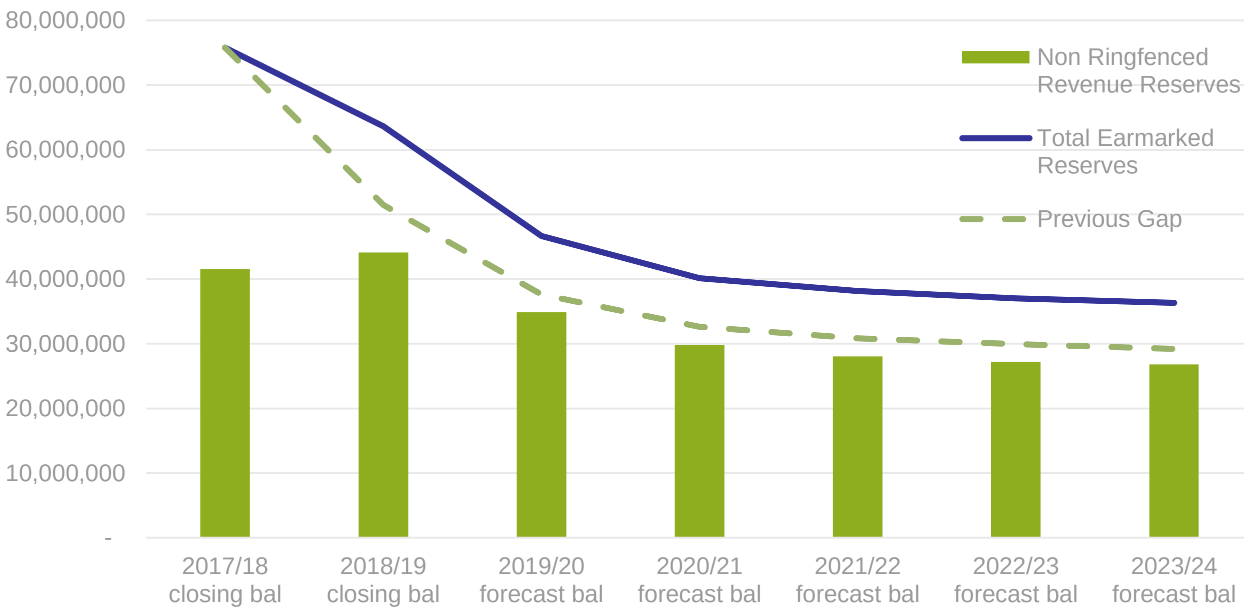
- The council's financial position remains stark with challenging savings requirements:
  - £19.965m in 2019/20
  - £20m in 2020/21 with £6m still unidentified

- In the midst of significant uncertainty:
  - **Spending review and fair funding**
  - Future of growth funding (New Homes Bonus)
  - Future of social care funding (precept, grants, BCF)

Lower spend across all areas – where to find savings?

Barnet	Unit Cost (£)	Unit Cost Score
TOTAL EDUCATION SERVICES £/aged 0-18	2,618.80	Low
TOTAL HIGHWAYS AND TRANSPORT SERVICES £/head	47.39	Very High
TOTAL CHILDREN SOCIAL CARE £/aged 0-17	725.37	Low
TOTAL ADULT SOCIAL CARE £/aged 18+	349.62	Average
TOTAL CULTURAL AND RELATED SERVICES £/head	34.24	Average
TOTAL PLANNING AND DEVELOPMENT SERVICES £/head	10.16	Low
TOTAL HOUSING SERVICES (GFRA only) £/head	19.26	Very Low
TOTAL ENVIRONMENTAL AND REGULATORY SERVICES £/head	48.32	Low
TOTAL PUBLIC HEALTH £/head	45.32	Very Low
TOTAL SERVICE EXPENDITURE £/head	**1,363.36**	**Low**

Use of reserves….



Barnet 2024

And maximised the benefits of growth

- **Over 10,000 homes built since Local Plan was published of which a third through council regeneration projects.**
- **8,500 new homes in the past 5 years alone (2014-19)**

8500
homes built

Funding from development over the past 5 years (2014-19):
- £38m in increased Council Tax income (before adjustments)
- £48m in New Homes Bonus income
- £52m S106 income for specific mitigation or contributions
- £20m Mayoral CIL contribution towards Crossrail.
- £48m Community Infrastructure Levy (CIL) contribution towards infrastructure in Barnet (see details below)

£168m
one-off income

Infrastructure being funded by CIL (2015-20) includes:
- £10m investment in UNITAS and Silkstream Valley Park.
- £35m investment in new and upgraded Leisure Centres.
- £5m investment in the delivery of new childcare places.
- £1m investment in the new Tarling Road community centre

£38m
recurring income

Barnet 2024

Thoughts on uncertainty

- **Key asks of government**
  - Certainty on social care funding (Adults and Children's)
  - Certainty on spending review/post 2020
  - Growth funding (e.g. NHB, business rates)

- **We have to plan now for post 2020 budget:**
  - Council tax increases
  - Charging e.g. green waste
  - Cutting back universal services and prevention
  - Short term versus long term

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Anne Canning, Hackney LBC

CIPFA – London Division
July 2019

Anne Canning– Group Director, Children, Adults and Community Health Services

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Hackney

Introduction - my journey

- 2015 - Group Director of Children, Adults and Community Health, Hackney
- 2010 - 2015 Service Head - Learning and Achievement, Tower Hamlets
- 2000-2010 Headteacher, Camden School for Girls
- 1987 - 2000 Deputy Head / Director of Sixth form La SWAP consortium

In Hackney

- Over the period 2010/11 to 2019/20 core Government funding has shrunk from £310m to around £170m, a 45% reduction.
- Per head of the population we have seen the biggest funding cut of any London borough at £512.
- Increase in demand for services, particularly in Children’s Services, Adults and on homelessness services.
- Pressure on schools from increased costs with minimal funding increases.
- Although improved, still high relative deprivation.

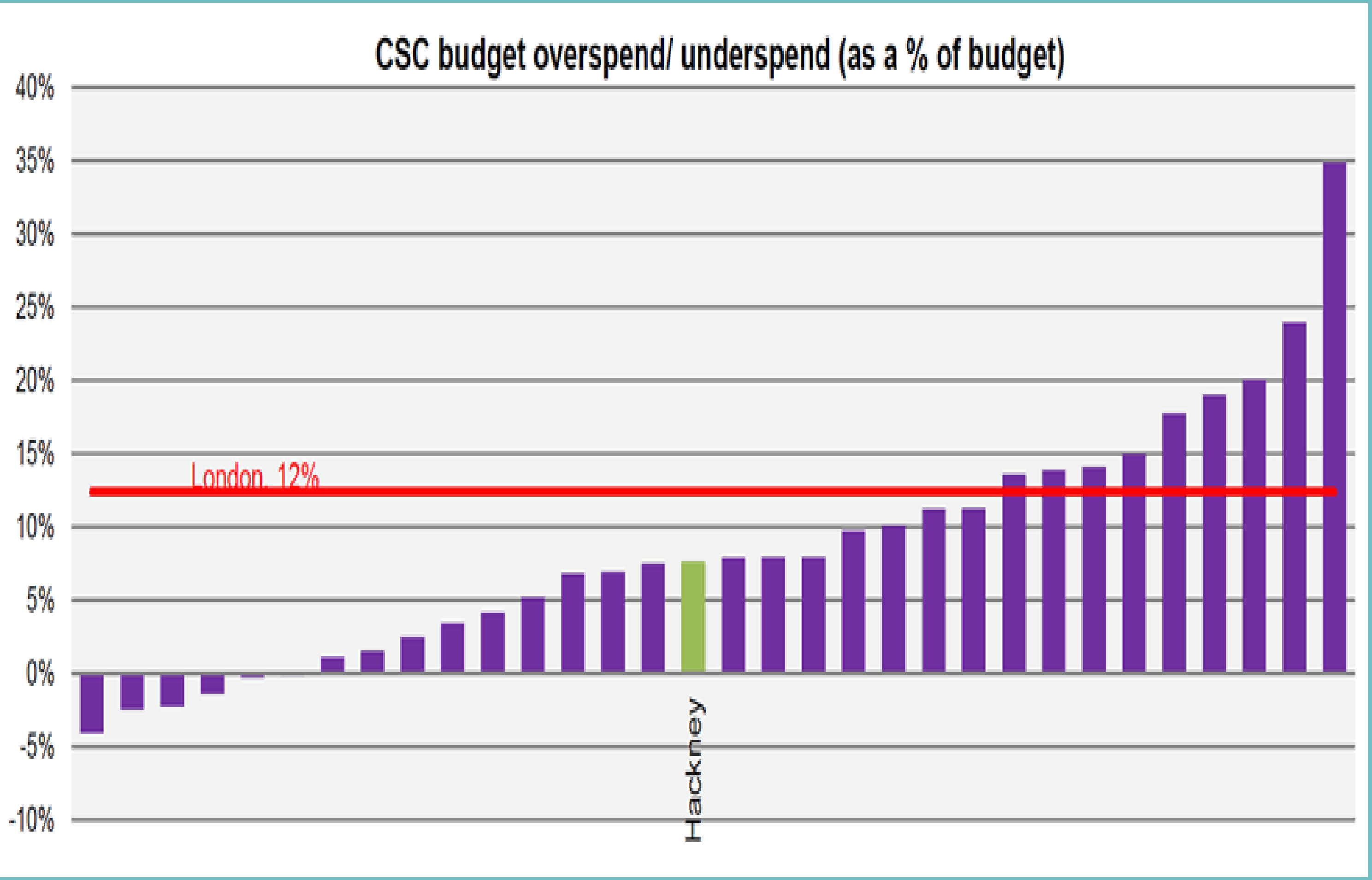
Hackney response

- Management de-layering (around £9m)
- Back office efficiencies (around £40m)
- Increased income (e.g. commercial property)
- Better asset utilisation
- Contract renegotiation
- Bringing services back in house (e.g. Audit & ICT)
- Service remodelling (e.g 1CYPS, Enforcement)
- Digitalisation of services (e.g. Customer Services, Revs & Bens).
- Up until 2016 Council Tax freeze

Children’s pressures

- Rising numbers of LAC (303 in May 2016 compared with 346 in May 2019 - an increase of 14%)
- Change in profile of LAC, increased number of complex cases in more costly provision – over double the numbers in residential than there was three years ago
- Increased pressure on families (benefit changes, housing crisis) increasing caseloads
- Unaccompanied asylum seekers
- Support for NRPF families
- Cessation of Troubled Families Programme and impact on early intervention work

Children’s spend in Hackney 2017/18



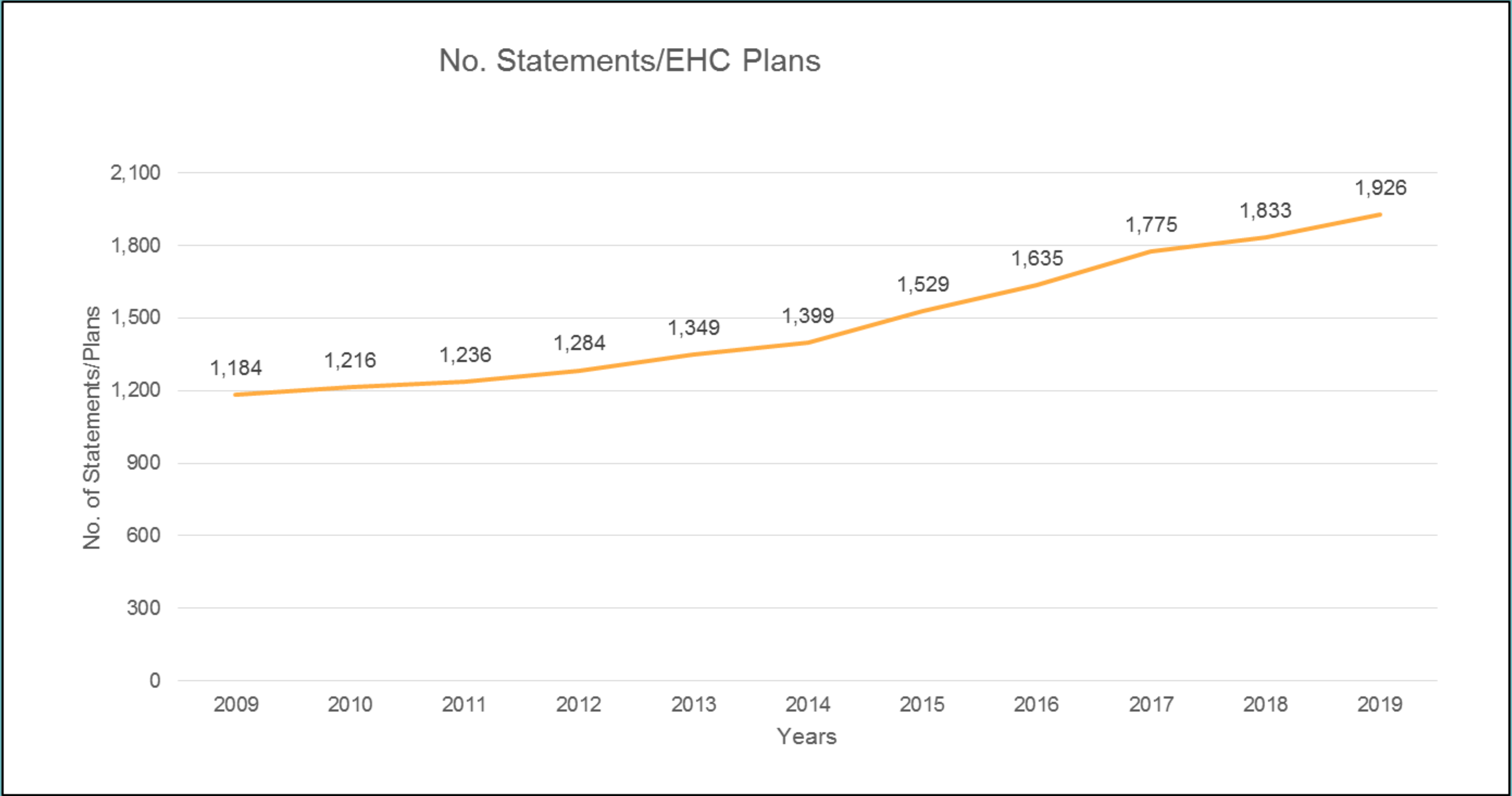
Response in Hackney

- Innovation through FLIP, Pause, contextual safeguarding, dedicated NRPF team, edge of care, jointly commissioned residential care facility
- Some growth in budgets and flexibility around use of one-off reserves to address increased demand in the system
- Fundamental review of early help – what is working? What isn't?
- Largely cost avoidance, spend increasing (approx £1.7m increase in spend in last three years) but evidence it could be more.
- Continue to lobby around CSC pressures and the cessation of the TF program (latter will have a big impact on early intervention work)

High Needs Pressures

- The scale of the increase in plan numbers in London - up 48% between 2010 and 2018 and up 38% between 2013 and 2018 matches our experience and seems likely to continue.
- The significant increases in pupil population and the level of SEND need and complexity is not reflected by increased funding and neither were the new responsibilities for 0-5 and 19-25 year old SEND provision.
- Funding for provision to existing pupils is almost impossible to claw back to fund new plans making it very difficult to impossible to move from current per pupil funding levels to lower levels.
- The Children & Families Act – the *presumption to assess* has clearly created additional pressure but this is not acknowledged by government.
- Restrictions on local authorities managing pressures between DSG funding blocks locally, alongside the protection of the Schools Block means SEND escalating costs are no longer seen as a system problem for all parties to solve, but now more of an LA problem.

Increase in EHCPs in Hackney



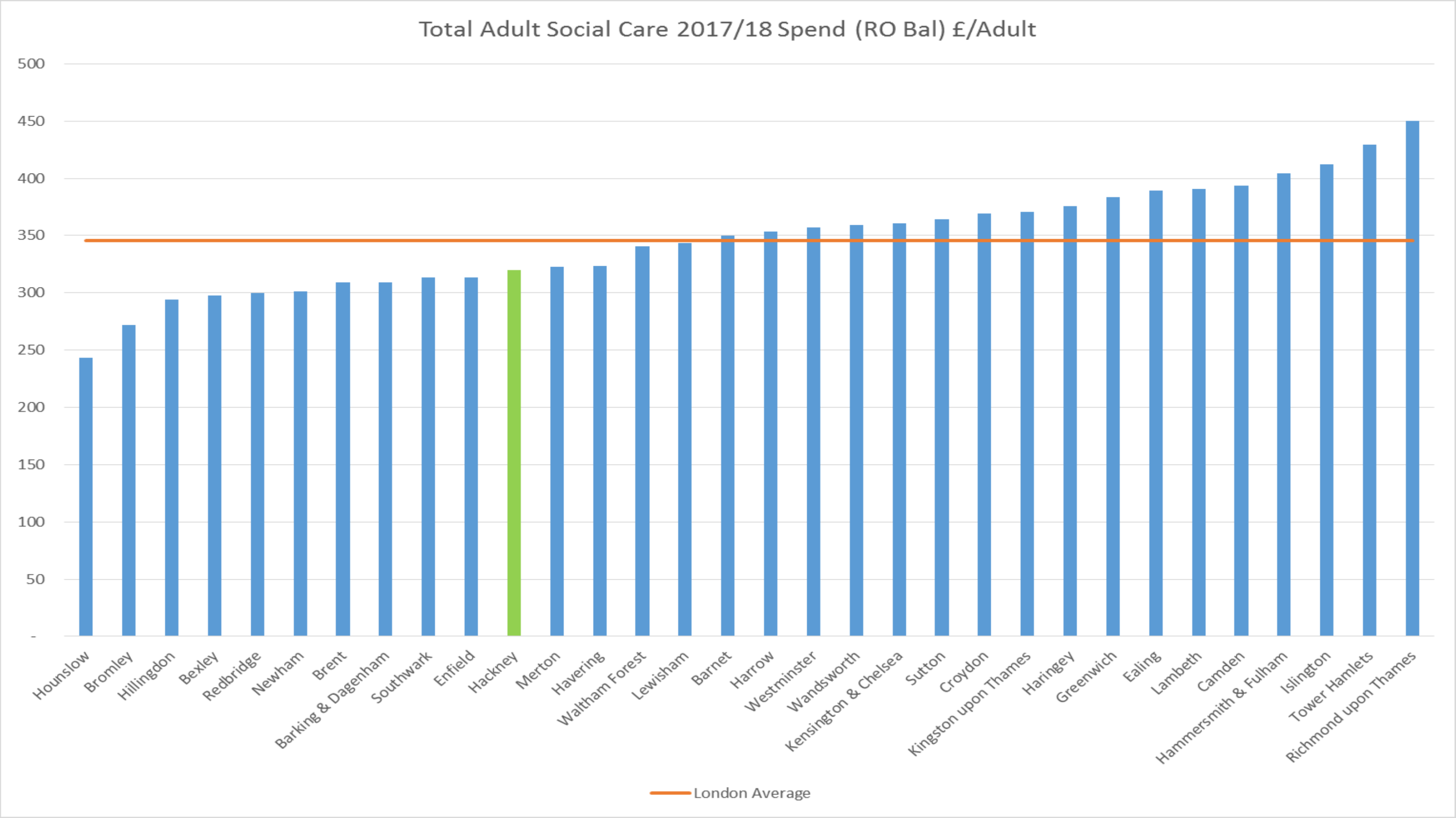
What can we do?

- Continue to lobby government over funding levels (treasurers’ support welcomed)
- Respond to government consultation – greater flexibility on DSG, but schools under pressure too
- Invest in-borough provision (use of capital grant, sufficiency planning)
- Gain schools buy-in as a systems problem (through relationships and Schools Forum)
- Look at early intervention – although presumption to assess complicates this (recent LGO experience)
- But, pressure set to continue ….. Time bomb for Adults Services??

Adults Services Pressures

- Aging population
- DTOC targets shifting the cost to Adult Social Care and expectations around integration agenda
- Pressure around working age adults – younger adults with more complex needs (learning disabilities and mental health services)
- Market fragility and provider failure
- Health contributions – joint funding
- How much of the SEND pressure will land in ASC?
- Brexit impact – the illusive Green Paper
- Sticking plaster of one-off funding measures makes it difficult to plan ahead (in 2019/20 we are relying on 16.1m of one-off funding)

ASC 2018/19 Spend Comparison



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Hackney

What are we doing?

- Multi-disciplinary teams to facilitate step down to less costly packages of care
- Strengths-based approach through the ‘3 conversations’ model (early days but some positive early indicators)
- Improving transition planning from Children’s to Adults (e.g. SEND) and involving Adults Services early on in care planning for a young person
- Work with health around joint funding – can benefit both parties and the public purse in long run through prevention of escalation to CHC
- Aim to commission the right services for the right clients (reduce spot purchases) and improve contracting and contract monitoring processes
- Work closely with providers, understand their cost base and pressures and pay a fair price for a good service

Financial planning

Growth

- Demand model built with Adults Services using ONS date and inflation forecasts (LLW etc) linked to the case management system
- Similar model to be built for Children's Services (note, same case management system being used)
- Further work required on cases transitioning from SEN
- Model allows scenario planning around numbers, profile of care type and can reflect impact of cost avoidance measures
- The above will allow focussed stress testing of assumptions built into the medium term financial plan

Savings

- Being clear about services where there is potential to reduce spend - often highly political areas
- Ensuring due diligence is completed on savings figures, timescales and service impacts is essential

Strong emphasis throughout on close working of service and finance colleagues.

LONDON BOROUGH OF HACKNEY

Hackney

Parting thoughts

- Financial pressures remain significant and uncertainty over the Fair Funding Review and the contents of the illusive Green Paper makes it extremely difficult to plan ahead.

- Changing political context and demands of local community compounds the pressure and can slow down our ability to respond to the financial challenge.

- Be alert to reasons why savings are not delivered - speculative, unlawful, barrier to delivery, action of partners, optimistic timing, management plans

- And we mustn't forget all of this can place immense strain on staff in management roles and on the front line.

Hackney

Any Questions?

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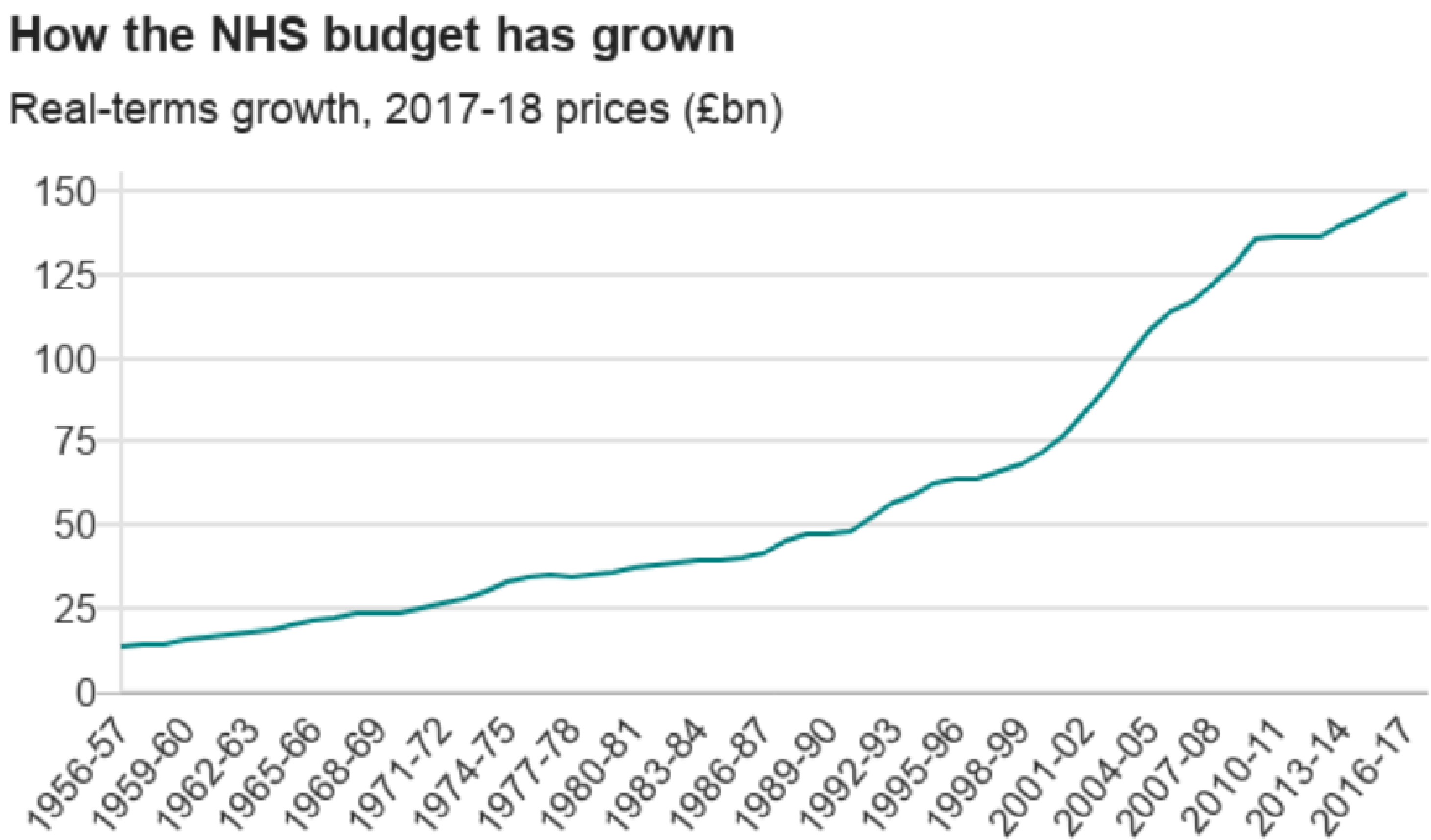
Liz Sanford, NHS Improvement

Managing financial challenges in the NHS

Liz Sanford

where we are


How the NHS budget has grown
Real-terms growth, 2017-18 prices (£bn)
150
125
100
75
50
25
0
1956-57
1959-60
1962-63
1965-66
1968-69
1971-72
1974-75
1977-78
1980-81
1983-84
1986-87
1989-90
1992-93
1995-96
1998-99
2001-02
2004-05
2007-08
2010-11
2013-14
2016-17

provider performance in 2018/19

- Demand at highest levels ever:
  - 1.2m emergency admissions in Q4, 7% more than 2017/18 equivalent
  - elective care: 13.9m patients seen within 18 weeks compared to 13.6m in 2017/18.
  - 7.3% more patients received treatment for cancer

provider performance in 2018/19

- improvements to patient flow: 35,131 fewer delayed days (12%) in Q4 compared to equivalent period in 2017/18
- reduction in number of long-stay patients in acute hospitals: 10% reduction in number of patients in a hospital bed or 21 days or more, releasing the equivalent of 2,012 beds.
- government investment of £240m in adult social care helped to reduced delayed discharges

financial performance

Suplus / (Deficit)	Month 12 Outturn			
	Plan £m	Actual £m	Under/(over) spend £m	Under/(over) spend %
Commissioner Sector				
Clinical Commissioning Groups	48.2	(155.0)	(203.2)	(0.2%)
Direct Commissioning	120.0	315.4	195.4	0.8%
NHSE Running & central programme costs	96.8	713.2	616.4	14.3%
Other including technical & ringfenced adjustments	0.0	42.6	42.6	
Commissioner Sector Total - non-ringfenced RDEL	**265.0**	**916.2**	**651.2**	**0.6%**
Provider Sector				
NHS Providers	(1,048.0)	(867.2)	180.8	0.2%
Technical adjustments incl. uncommitted PSF	654.0	296.0	(358.0)	(0.4%)
Provider Sector Total - including PSF	**(394.0)**	**(571.2)**	**(177.2)**	**(0.2%)**
Total combined position	**(129.0)**	**345.0**	**474.0**	
Total combined position - exc. exceptional technical adj*	**(129.0)**	**89.0**	**218.0**	

*accounting treatment of Carillion PFI part-donated assets

provider financial performance

Financial year	Reported deficit £millions
2013/14	(116)
2014/15	(843)
2015/16	(2,447)
2016/17	(791)
2017/18	(966)
2018/19	(571)

I&E overview

12 months ended 31 March 2019	Year End Month 12 2018/19			
	Plan	Actual	Variance to plan	
	£m	£m	£m	%
Income from patient care activities	73,977	75,738	1,761	2.4 %
Other income	9,505	10,803	1,298	13.7 %
Employee expenses	(53,014)	(54,968)	(1,954)	(3.7%)
Non pay costs	(31,516)	(32,440)	(924)	(2.9%)
Control total basis surplus / (deficit) including PSF	**(1,048)**	**(867)**	**181**	**17.3 %**
Technical adjustments incl. uncommitted PSF	673	59	(614)	
Less GIRFT funded from PSF	(19)	(19)	0	
Reported Deficit before exceptional technical adjs.	**(394)**	**(827)**	**(433)**	**(109.9%)**
Exceptional technical adjustment (accounting treatment of Carillion part-donated assets)	0	256	256	
Reported adjusted financial surplus / (deficit) including all PSF	**(394)**	**(571)**	**(177)**	**(44.9%)**

workforce spend

12 months ended 2018/19

12 months ended 31 March 2019	Year End Month 12 2018/19			
	Plan	Actual	Variance	
	£m	£m	£m	%
Medical staff	13,270	13,896	(626)	(4.7%)
Nursing staff	20,912	21,516	(604)	(2.9%)
Other staff	18,832	19,556	(724)	(3.8%)
Total employee expenses	**53,014**	**54,968**	**(1,954)**	**(3.7%)**
Of which				
- Bank	2,779	3,445	(666)	(24.0%)
- Agency ceiling performance	2,200	2,401	(201)	(9.1%)

workforce vacancies

12 months ending 31st March 2019		2017/18 Q4	2018/19 Q1	2018/19 Q2	2018/19 Q3	2018/19 Q4
Nursing	Vacancy Rate	10.2%	12.0%	12.1%	11.1%	11.1%
	WTE Vacancies	35,794	42,589	42,679	39,686	39,520
Medical	Vacancy Rate	7.8%	9.6%	7.7%	7.1%	7.2%
	WTE Vacancies	9,635	12,025	9,743	8,989	9,183
Other staff	Vacancy Rate	7.7%	8.0%	7.7%	7.5%	6.8%
	WTE Vacancies	53,325	55,665	53,416	52,311	47,645
Total Workforce	**Vacancy Rate**	**8.4%**	**9.4%**	**8.9%**	**8.5%**	**8.1%**
Total Workforce	**WTE Vacancies**	**98,755**	**110,278**	**105,838**	**100,986**	**96,348**

savings delivered

Efficiency Summary - Year to date 12 months ended 31 March 2019	Month 12 Outturn			
	Plan £m	Actual £m	Variance £m	Variance %
Recurrent	3,126	2,222	(904)	(28.9%)
Non Recurrent	451	1,010	559	123.9%
Total efficiency savings	**3,577**	**3,232**	**(345)**	**(9.6%)**
Efficiencies as a % of Spend	4.1%	3.6%		

- Savings achieved through cost improvement programmes (CIPs) of £3.2 billion or 3.6%, almost identical to the level achieved in 2017/18 (£3.2 billion or 3.7%).
- Under achievement of recurrent CIPs (29%) being partially compensated by an over-recovery of non-recurrent CIPs (124%).

drivers of position

Key factors cited by providers as contributing to overspends include:

- difficulties in achieving planned efficiency savings;
- operational cost pressures relating to temporary staffing;
- substantive workforce pressures including the extent to which the Agenda for Change pay awards are fully funded;
- unplanned investments required to maintain or improve service quality; and
- unplanned emergency activity displacing elective income.
- contracting difficulties

the new funding settlement

- Gap between tariff and cost means that deficits have become the norm
- The funding settlement announced in June 2018 promised NHS England's revenue funding would grow by an average of 3.4% in real terms a year over the next 5 years delivering a real terms increase of £20.5bn by 23/24
- However, the extra spending will need to deal with current pressures and unavoidable demographic change and other costs, as well as new priorities
- Every trust will achieve financial balance by 2023/24

delivering the NHS Plan

- To meet growing patient demand, hospital activity will need to rise by at least 2.7% a year by 23/24
- Improvements only possible if critical staff shortages are addressed and providers can increase productivity through essential investment in buildings, technology and equipment

Health Foundation and NHS Confederation – June 2018

planning

- manage demand
- increase productivity
- right-sized workforce
- delivery of high-quality care

the planning process

- demand and capacity planning

leading to

- deliverable activity plan

supported by

- a workforce plan that has the right people in place to deliver the planned activity

translating into

- a financial plan that has the right level of investment to deliver what is required, but meets CT requirements…

know your numbers

- unrealistic workforce plans
- unrealistic activity plans
- unaffordable activity plans
- financial plans developed in isolation

problems

- developed in isolation from commissioners
- contractual/transactional relationships
- limited understanding or agreement on demand management schemes
- central directives

long term plan – 5 financial tests

- LTP plans must demonstrate how organisations will return to, or maintain, financial balance
- providers to deliver cash-releasing productivity growth of at least 1.1%
- reduce growth in demand through better integration and prevention
- reduce variation in performance across the health system (GIRFT/Rightcare)
- better use of capital investment and existing assets

system working

- agree activity assumptions at early stage in planning process
- move towards block contract arrangements – blended approach for non-elective activity
- working together to agree cost-out demand management schemes

capital performance

	Plan	Actual	Variance
NHS England	£255m	£221m	£34m
Providers	£4,644m	£3,933m	£711m

Provider CDEL exceeded by £378m in year.

- Ever-rising levels of backlog maintenance
- Insufficient investment in new facilities

UK has fifth lowest rate of capital expenditure as a % of total health expenditure out of 34 OECD countries with comparable data
OECD average for capital expenditure is 8.9% of revenue spend. NHS – 4.5% in 2018/19

capital planning

- key risk for Boards
- over-subscribed CDEL
- funding aimed at strategic schemes
- control totals set for systems
- prioritised capital plans developed

CIPFA The Chartered Institute of Public Finance & Accountancy

Panel Debate