Agenda Item No 2

Warwickshire Shadow Health and Wellbeing Board

20 March 2012

Fair Share Budgets in Warwickshire

1. In November 2011 it was agreed that the Shadow Health and Wellbeing Board would consider the allocation of health funding across Warwickshire. The matter has been a particular concern of the Chair of the North Warwickshire (emerging) Clinical Commissioning Group (NWCCG), Dr Heather Gorringe who on 23rd December 2011 sent the email attached at Appendix A to the Chair of the Board.

2. The matter was considered at the January 2012 meeting of the Shadow Health and Wellbeing Board but time constraints limited the opportunity for debate. For this reason the topic has been rescheduled for the 20th March. Again, the board is requested to express its views for further consideration by the Arden Cluster.

	Name	**Contact Information**
Report Author	Paul Williams	paulwilliamscl@warwickshire.gov.uk

Appendix A

Bryan Stoten
Chair, Shadow Warwickshire H&WB
By e-mail

23 December 2011

Dear Bryan

Fair Share Budgets in Warwickshire

Thank you for the e-mail of 20 December, I am delighted that the Health & Wellbeing Board are taking an interest in this issue which we believe is central to ensuring that the population of Northern Warwickshire receive appropriate health care provision.

From the beginning of my period as Chair of the North Warwickshire (emerging) Clinical Commissioning Group (NWCCG), in February 2011, I have been concerned that the resource allocation within NHS Warwickshire does not adequately support the provision of appropriate care for this deprived population.

Population Profile

Table 1 shows the clear differential in healthy life expectancy between different parts of the County; the residents of Warwick can expect almost 4.5 years longer of healthy life than those of Nuneaton & Bedworth and can expect to live two years longer.

Table 1	All Cause Death per 100 000	Life Expectancy Years	Healthy Life Expectancy
Nuneaton and Bedworth	724.6	76.2	67.7
North Warwickshire	639.6	77.7	69.2
Warwick	517.8	78.2	72.1
Rugby	579.2	77.4	71.3

Table 1 - PH Data from West Midlands Health Observatory England (DH)

Table 2 (below) compares the same populations using some key lifestyle indicators and shows that Northern Warwickshire residents consistently exhibit poorer results than those of Warwick and Rugby.

The poorer health outcomes for the residents of Northern Warwickshire are widely recognised, for example, the current Joint Strategic Needs Assessment (April 2009) recognises that life expectancy for men and women in Nuneaton & Bedworth is in the bottom quartile and yet the mortality rate amenable to healthcare is in the top quartile (p. 29). This suggests that the provision of additional, targeted resources within the Northern Warwickshire population could have a realistic chance of extending lives.

Table 2	Deprivation Index[1]	Adults Overweight	Alcohol Deaths Per 100 000
Nuneaton and Bedworth	117	29%	30.3
North Warwickshire	177	27.3	24.7
Warwick	264	21.9	14.3
Rugby		24.9	

Table 2 - PH Data from Health Profiles Information (DH)

Fair Share position

At the end of March 2011 NHS Warwickshire (NHSW) produced a paper (Appendix 1) which showed the respective positions of each of the CCGs within the County and the impact of changes to the Fair Share formula between 2010-11 and 2011-12. The paper showed that 2010-11 expenditure across Northern Warwickshire[2] was £21.9m[3] less than the 2011-12 Fair Shares (FS) toolkit (when applied to the 2010-11 allocation received by NHSW) indicated as appropriate (Table 3).

Whilst the NHSW paper focuses on the reduction in the gap (which arises solely from the technical changes to the FS toolkit between 2010-11 and 2011-12) of £5.3m[4] the revised position still represents a substantial deficit of funding to the local population – amounting to 10.5% of 2010/11 Forecast expenditure.

	Resource allocated using 2011/12 fair shares toolkit				
	North	N&B	Rugby	South	Total
	£000's	£000's	£000's	£000's	£000's
Forecast expenditure	160,313	48,566	115,604	309,708	634,192
Resource	179,230	51,517	112,259	291,185	634,192
Surplus / (Deficit)	18,917	2,951	(3,345)	(18,523)	0

Table 3 From NHSW paper '2011-12 Fair Share toolkit impact assessment, March 2011

[1] The deprivation Index is based on seven distinct parameters based on: Income deprivation, Employment deprivation, Health Deprivation, and Disability, Education Skills and Training Deprivation, Barriers to Housing and Services, Living Environment Deprivation, and Crime. The lower the ranking number, the greater the global index of deprivation.

[2] Representing the combined populations of North Warwick and Nuneaton & Bedworth CCGs.

[3] £18,917k + £2,951k = £21, 868k

[4] From £27.2m

It is important that we acknowledge that the 'Forecast expenditure' figures are not precise but also represent estimates, made by NHSW, of the NHS resources consumed within each of the CCG populations. For example, the Community and Mental Health provider 'block budgets' have been apportioned using assumptions which reflected the 'best estimates' at the time.

In September 2011, in response to a DH request (Gateway Reference: 16440), the chairs of the Warwickshire CCGs met together with NHSW Finance to discuss and agree the appropriate allocation method for NHSW to report 2010-11 expenditure by each practice to the DH, for the purpose of enabling an assessment of shadow indicative CCG allocations to be made. This meeting agreed that Mental Health expenditure should be reported based on the Mental Health element of the FS toolkit and that 'Community Health Services' and 'Other Contractual' expenditure would be based on the acute element of the FS toolkit.

I understand that the result of this change to the method of apportioning expenditure has resulted in a reduction of the gap to around £16m – although it should be recognised that no actual transfer of resource has occurred, this is purely a change of accounting. The original NHSW paper was based on the 'best estimate' of resource consumption and so the £21.9m gap remains the current best estimate of the shortfall in resources provided to our local population.

As far as I am aware there has been no attempt to repeat the analysis undertaken in March based on the forecast 2011-12 expenditure. It is the view of the NWCCG board that the planned expenditure across Northern Warwickshire for 2011-12 is likely to have led to an increase in the gap, compared with the 2011-12 FS toolkit. We anticipate this result as NHSW chose to use historic expenditure as the basis for planning CCG expenditure for this year.

My understanding is that in 2006 the DH first introduced the concept of a move to a fair share budget and that it has been the responsibility of PCTs to manage towards this outcome in each subsequent year. I am not aware of any plan, or movement, having been put in place by NHSW which has resulted in the position described above. I should also mention that, up until 2006, my understanding is that North Warwickshire PCT had been in a position of achieving recurrent balance – although the allocation remained below that of other parts of Warwickshire.

I recognise that to address the shortfall in funding for the population of Northern Warwickshire will probably require the decommissioning of certain services elsewhere in the County. Table 3 indicates that the majority (£18.5m) of the 'excess' resources are consumed within the area of South Warwickshire – with a smaller amount (£3.3m) associated with Rugby. I recognise that the development and implementation of appropriate plans to redistribute these levels of resource will not be achieved immediately; whilst it is very disappointing that more effort has not been made over recent years to address this gap, I believe that we now need to focus on delivering a solution during the next two – three years.

Discussions with Arden Cluster

I have corresponded and met with Stephen Jones, CEO Arden Cluster, and Gill Entwistle, Director of Finance & Deputy CEO, numerous times since April with the intention of agreeing how we can start to shift the balance of NHSW resources more towards the population of Northern Warwickshire in line with the demonstrated need. I would be happy to share copies of the letters which I have sent if this would be of interest or value to you.

I have received only one formal letter from the Cluster in response to this issue (Appendix 2, August 2011). In this letter Stephen states that he is *"committed to addressing the fair shares imbalance"* and suggests four specific proposals regarding how this can be achieved.

(1) A shift of community service resources, within the existing contract, to increase the level of community provision available to Northern Warwickshire patients. Additional investment of additional community service resources to, for example, expand our Community Emergency Response Teams, provide extended 24/7 response and increase the availability of 'night sitter' services would all help to avoid emergency admissions, reducing the adverse impact on our local acute provider and helping to deliver patient care closer to home.

    This is a welcome proposal which I have subsequently discussed further with both Stephen and Gill (for example, on the 10th and 17th November respectively). During these meetings I was advised that the Cluster, as the statutory organisation, would lead discussions with the local CCG chairs to develop a clear implementation proposal – and that this would be tabled for a meeting scheduled for the 6 December. Unfortunately no such discussion has occurred and I have recently e-mailed Stephen and Gill to ask that it is now tabled for our next meeting on the 3 January.

(2) In 2010, North Warwickshire CCG agreed to support NHSW with the closure of the local Bramcote Community Hospital, provided that all the resources freed as a result would be re-invested for the benefit of the local population, which was agreed.

    At present, although the contract negotiations with each of the providers is in progress, the CCGs have no agreed basis for the development of CCG or practice level plans. This means that currently we have no transparent way to ensure that the c. £2m of recurrent revenue expenditure associated with the closure is fully re-invested to benefit our local population.

(3) Whilst Stephen provides the Cluster's commitment to apply any *"growth gain above average to the NHSW allocation for 2012-13"* towards the Northern Warwickshire population, he also makes it clear that any such growth is likely to be very limited.

    It is perhaps worth observing that whilst the gap to target allocation for NHSW is 1.5% (£12m) the gap for Northern Warwickshire is almost twice this value (10.5% of 2010/11 expenditure). Our conclusion is that our local population shoulders the entire deficit for the County whilst simultaneously 'subsidising' more affluent & healthy populations by an additional c. £10m.

(4) The letter references the opportunity to prioritise funds for investment in Northern Warwickshire and references a *"process to set the financial envelopes for 2012-13 and agree shifts in resources with the other [CCGs]"*. Although financial envelopes have been established at provider level I am not aware of any specific funding or process which has been established to achieve the proposed shift in resources which will address the anticipated shortfall against the Fair Share toolkit levels of funding.

In addition, as part of the current review of maternity and paediatric services in Northern Warwickshire, the Arden cluster has agreed in principle that additional resources may need to be found to support the continued provision of a safe, quality service and that this would contribute towards closing the FS gap.

Summary

As mentioned, I welcome the interest that the Warwickshire H&WB, and also the local LMC, are now taking in this issue. I hope that you will be able to support the population of Northern Warwickshire to receive the appropriate levels of funding and resource to meet their health needs. It is clear to me that this is a fundamental requirement if we, as the North Warwickshire CCG, are to make a success of the commissioning reforms and to appropriately care for the health needs of our population.

If you require any further information at this stage please contact me and I will be delighted to help.

Best wishes

Yours sincerely,

Dr Heather Gorringe
Chair, North Warwickshire Clinical Commissioning Group

cc: CCG Chairs: Dr Adrian Canale-Parola, Dr Dave Spraggett, Dr Inayat Ullah
Arden Cluster: Stephen Jones & Gill Entwhistle

Appendices

Appendix 1 – NHS Warwickshire assessment of Fair Shares position, March 2011
Appendix 2 - Letter from Arden Cluster, August 2011

Appendix 1 – NHS Warwickshire assessment of Fair Shares position, March 2011

Predicted financial impact of the 2011/12 fair shares toolkit on consortia budgets

1. Purpose

To inform the emerging Warwickshire GP consortia of the impact on fair-shares funding allocations arising from the implementation of the 2011/12 toolkit as compared to that derived using the 2010/11 version.

2. The 2011/12 Toolkit – Changes from last year

The 2011/12 fair-shares toolkit was circulated to Primary Care Trusts in March. Changes from the 2010/11 version are :

- Practice populations updated to April 2010 attribution data set.
- Updated acute formula
- Mental health and prescribing methodology replaced with version that mirrors PCT allocation method.
- The facility to 'turn off' national prescribing formula has been removed from the model. Prescribing allocations for both 2010/11 and 20-11/12 are therefore presented using the toolkit , as opposed to local methodology.

3. Comparison of toolkit allocations

The 2010/11 forecast out-turn expenditure for the consortia's commissioning portfolio is £634,192K (See Appendix A). For illustrative purposes, this value has been apportioned to consortia using the current and previous version of the fair shares toolkits.

Table 1

	Increase / (Decrease) between 10/11 & 11/12 toolkit				
	North	N&B	Rugby	South	Total
	£000's	£000's	£000's	£000's	£000's
2010/11 toolkit	183,156	52,873	108,434	289,729	**634,192**
2011/12 toolkit	179,230	51,517	112,259	291,185	**634,192**
Gain / (loss)	(3,926)	(1,356)	3,825	1,456	**0**

Table 1 shows whether more funding , a positive number, or less funding (a negative number) is apportioned to Consortia by the 2011/12 toolkit compared to the 2010/11 version.

For example the Rugby Consortia receives £3.8m more funding with the 2011/12 toolkit, though Table 4 illustrates that in absolute terms, Rugby still has a £3.3m shortfall against historical expenditure .

4. Analysis of changes associated with specific formula components

This table shows how individual components of the fair shares formula have been affected by the formula changes.

Table 2

	Increase / (Decrease) between 10/11 & 11/12 toolkit				
	North	N&B	Rugby	South	Total
	£000's	£000's	£000's	£000's	£000's
Acute	4,465	1,142	6,694	12,112	**24,413**
Maternity	1,703	484	1,222	2,961	**6,370**
Mental Health	(353)	(125)	423	229	**174**
Prescribing	(1,649)	(503)	(244)	(1,695)	**(4,091)**
Inequalities	(8,092)	(2,354)	(4,270)	(12,151)	**(26,867)**
Totals	**(3,926)**	**(1,356)**	**3,825**	**1,456**	**0**

There are two significant changes. A reduction in inequalities weighting and an increase in acute funding. The Toolkit guidance outlines the changes in methodology associated with each change.

5. What would 2010/11 out-turn look like under fair shares?

The following tables compare 2010/11 forecast out-turn expenditure against 'fair shares' funding allocations, firstly utilising the 2010/11 toolkit and secondly using the 2011/12 toolkit. Consortia forecast expenditure is based on work undertaken earlier this year to obtain 'snap shot' view of likely position.

Table 3

	Resource allocated using 2010/11 fair shares toolkit				
	North	N&B	Rugby	South	Total
	£000's	£000's	£000's	£000's	£000's
Forecast expenditure	160,313	48,566	115,604	309,708	634,192
Resource	183,156	52,873	108,434	289,729	634,192
Surplus / (Deficit)	**22,843**	**4,307**	**(7,170)**	**(19,979)**	**0**

	Resource allocated using 2011/12 fair shares toolkit				
	North	N&B	Rugby	South	Total
	£000's	£000's	£000's	£000's	£000's
Forecast expenditure	160,313	48,566	115,604	309,708	634,192
Resource	179,230	51,517	112,259	291,185	634,192

Surplus / (Deficit)	**18,917**	**2,951**	**(3,345)**	**(18,523)**	**0**
Change	**(3,926)**	**(1,356)**	**3,825**	**1,456**	**0**

This table shows the revised gain / loss for each consortia, for example The North Consortia gains £18.6m with the 2011/12 toolkit compared to a gain of £22.8m from the 2001/11 version.

6. Summary

Fair shares formula changes have reduced the funding gain in the North of the County by £4m, Rugby are the main beneficiary of the changes but are still left with a £3.3m shortfall against forecast expenditure.

7. Next Steps

To agree develop consortia based [historical] budgets for each service line and to establish mechanisms to report actual expenditure against these on a periodic basis during 2011/12.

To consider the question of pace of change (which guidance indicates remains to be locally determined) by which any agreed move from historical to fair shares budgets would be based upon.

Toolkit & Associated Guidance
www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_125562

APPENDIX 1A

NHS Warwickshire
GPCC Fairshares Calculation
Illustration of budget being Allocated

From the Month 10 Board Report

		£'000	£'000
Acute Budget			408,860
LESS	Specialised services	57,458	
			(57,458)
Acute			351,402
Non Acute			199,887
Primary Care per Board report			195,824
Less	Pharmacy	17,274	
	nGMS	35,769	
	LES/DES	36,647	
	Dental	23,787	
	Ophthalmology	4,320	
			(117,797)
Add	Out of Hours	4,876	
			4,876
			82,903
Total Budget to be allocated to GPCC's			634,192

Appendix 2 – Letter from Arden Cluster, August 2011

22 August 2011

Heather Gorringe
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Dear Heather

North Warwickshire CCC

Thank you for your email of 18th August following our meeting on the 15th. I would like to re-iterate that I am committed to addressing the fair shares imbalance. We have discussed at our recent meeting how this might be achieved in the context of a number of other factors, a key one being that of managing the Arden system as a whole. I am also committed to supporting the consortium authorisation by working together to deliver the evidence necessary to secure that authorisation.

At our meeting I suggested a number of deliverable ways forward in progressing the shift of resources to the north, which will also avoid destablisation of the local economy;

(1) NW CCC agreeing with the other Warwickshire CCCs a quantifiable/evidenced shift in resource focus of the community contract, thereby maintaining income and stability for the local provider and securing additional resources for the north.

(2) Clearly identifying the Bramcote savings within the financial envelope process as north resources to offset the north QIPP target.

(3) Applying the growth gain above average to the NHSW allocation for 2012-13 (received as the national pace of change policy impact) as additional north resources for investment in north priorities, such as the top 5 JSNA priorities as you put forward at the meeting, to supplement the current focus of public health spend in the north. However, you should be aware that despite NHSW being 1.5% (£12m) below target, the pace of change policy has not always moved NHSW towards it's target and in 2011-12 in fact it moved further away, by 0.1%.

(4) Supporting work for local service development priorities, which you identified as the diabetes pathway, the COPD pathway and heart failure nurse resources. Resources for this have not been specifically identified and this would form a further element of the process to set the financial envelopes for 2012-13 and agree shifts in resources with the other CCCs.

With regard to your earlier letter and your assertions around historical PCT positions, it is not correct to assume that the overspend in the county at the time of PCT merger was related to South Warwickshire, in fact the overspend was entirely in Rugby at that time. Many parts of the system from a financial perspective have shifted over the intervening 5+ years and the picture is complex.

I am interested in what the tools we have available to us currently are telling us about the fairness of the expenditure picture, how that might change over the next 2 years as part of the Department of Health's new allocations formula and most importantly the new pace of change policy. Since we last met we have learned that the DH will be sharing its intentions in this regard, towards the end of the year.

In the meantime we will continue to work with you to ensure we make movements towards improving the fair shares position for the north and in maintaining a stable local health economy.

Yours sincerely

Stephen Jones
Chief Executive
Arden PCT Cluster