



Budget Scrutiny 2015 Briefing Note January 2015



- 1.1 Plymouth Hospitals NHS Trust provides a wide range of secondary care services to a local population of 450,000 across Plymouth, South and West Devon, and North and East Cornwall and specialised and tertiary services to a wider peninsula population of almost 2,000,000 people.
- 1.2 Along with other parts of the NHS the Trust has faced financial challenges over a number of years and has a planned deficit of £13m in 2014-15.
- 1.3 The local NHS context is also extremely challenging with the Trust's main commissioner, the North, East and West Devon Clinical Commissioning Group (NEW Devon CCG) facing a financial deficit in 2014-15 of around £15m.
- 1.4 Despite the financial challenges the Trust has achieved much to be proud of, providing a full range of specialised services to the local population, has a national reputation for research, is a Ministry of Defence Hospital Unit and has one of the one of the lowest mortality ratings in the country.
- 1.5 The Trust has significant funding issues that make the achievement of financial sustainability even more challenging: -

Market Forces Factor (MFF) - hospitals are funded based on the work they undertake. There is a national price for that work. However the national price is adjusted based on the region and this adjustment aims to represent the cost of delivering services in that region. This is called the market forces factor or MFF. The Trust's MFF is one of the lowest in the country so the Trust receives less money for delivering the same services than many hospitals further afield such as Bristol, Birmingham or London. Most costs are not subject to regional variation i.e. all staff are paid under nationally agreed contracts (Agenda for Change and consultant contract). The Trust receives £15m less than if we were located in Bristol.

More locally the CCG are reviewing funding allocations within the NEW Devon CCG to move towards capitation based funding, early indications are this will provide benefits to the western locality.

- 1.6 Based on current funding allocations the future outlook for the Trust is extremely challenging and the income for NHS Trusts will continue to reduce over the next two years whilst costs of healthcare (pay, drugs etc.) will continue to rise. To meet these challenges providers of NHS Healthcare will be required to deliver efficiency savings of around 4% per annum. This equates to around £15m per annum for Plymouth Hospitals NHS Trust and this together with the Trust's recurring opening deficit means that savings of around £50m will be required to return to financial balance over the two years 2015-16 and 2016-17.
- 1.7 Given the scale of the Trust's financial challenges the Trust has a financial recovery plan which sets out that the Trust is planning a staged recovery and is likely to have a further deficit in 2015-16 and aiming to return to a breakeven position at some time after this. The extent of the deficit in 2015-16 and the time when the Trust will achieve financial balance is not yet known as the Trust works with the Trust Development Authority and Commissioners on what can be achieved and how soon.
- 1.8 In approaching this significant savings challenge the Trust is committed to maintaining safe and high quality services.
- 1.9 The scale of the financial challenge the Trust faces is the key rationale behind the clinical leadership model in place. All of the Trust's services are led by clinical staff. The Trust management team is working with each of these leaders to ensure that the services provided are clinically, financially and operationally viable. This is being taken forward through an ongoing series of reviews with each of the service lines to

review in detail their finances – the work they do, the income they earn and the costs they incur – this in turn will lead to a series of recommendations for each service which will need to include the actions needed to achieve clinical, operational and financial viability.

- 1.10 The Hospital Board will not achieve savings by just cutting services and our aim is to grow the range and type of services on the Peninsula but only where these can be provided in a sustainable manner. The recovery of the Trust's financial position will require a relentless focus on productivity, transformation and cost control and this work is overseen by a Board which is chaired by the Chief Executive and attended by all executive directors.
- 1.11 The Trust is committed to working with the Council to deliver its own corporate objectives as well as securing sustainable health and social care services for the residents of the city and beyond. In the context set out above it will therefore be extremely important that the Council and the Trust continue to work together and in close partnership so that the actions taken to secure sustainable services into the medium term are complimentary and do not have unintended consequences for other organisations and agencies.
- 1.12 In this regard the interface between public health, hospital care, primary, community and social care needs careful consideration to ensure that services for our community are integrated and the Trust is committed to continue to work across organisational boundaries to achieve this and the Better Care Fund provides a vehicle for this work.
- 1.13 More specifically discharge from hospital remains a key concern with Plymouth residents accounting for c.75% of bed days lost due to discharge delays at PHNT. This will include a combination of health and social care delays and will include time lost as part of the patient assessment process. Having said this it is important to acknowledge the work that is ongoing in this area and a commitment from partners in Plymouth to coordinate c.10 complex discharges each working day this winter.
- 1.14 More widely the Trust will continue to collaborate with partners in the region and will take a lead in responding to the changing health and wellbeing needs of patients. The Trust would want to be recognised within the city for innovation in new services and models of care and aims to be at the heart of an entrepreneurial healthcare hub for the city, providing high value employment, wealth and opportunity to our communities.