

Health and Wellbeing Scrutiny Committee

Fair Funding in the NHS Task Group

January 2017

1. Recommendations

The Task Group ask the Health and Wellbeing Scrutiny Committee, Cabinet and the NHS in Devon to endorse the report and recommendation below.

Recommendation: Make representation to Central Government to review the way in which the NHS is funded

The Task Group request the opportunity to present this report in person with the Cabinet Member to the Secretary of State for Health. In order to request that the criteria upon which the funding formula is amended to better reflect the needs of the population in Devon taking into account rurality, age of the population and a complete picture of the local health and social care cost.

2. Introduction

- 2.1. The Health and Wellbeing scrutiny committee have established this Task Group to review the mechanics of the funding settlement that is given to CCGs in Devon each year by central Government to:
 - Clearly establish the principles upon which the local NHS is funded by central Government.
 - Come to a view on whether the principles that underpin the funding formula disproportionately disadvantage Devon and if Devon is comparably underfunded as a result.
 - Make representations to Central Government as appropriate to challenge the allocation of funds.
- 2.2. This Task Group has been a joint collaboration with Corporate Services Scrutiny to take account of the financial expertise held in the committee. The Task Group has met three times across November and December and spoken to seven witnesses. During this time Members have examined a weight of documents and information (see bibliography) to understand the funding arrangements. The short duration of the Task Group has led to a focussed deep dive into a complex subject area.
- 2.3. The National backdrop for this work is a growing concern from members of the public, as well as National bodies about the pressures that the NHS and Adult Social Care is encountering:

‘The Government will need to address the additional NHS funding settlement in future financial statements. IF additional NHS funding is not forthcoming, politicians will need to be open with the public about how access to services and quality of care will be affected.’ Nuffield Trust¹

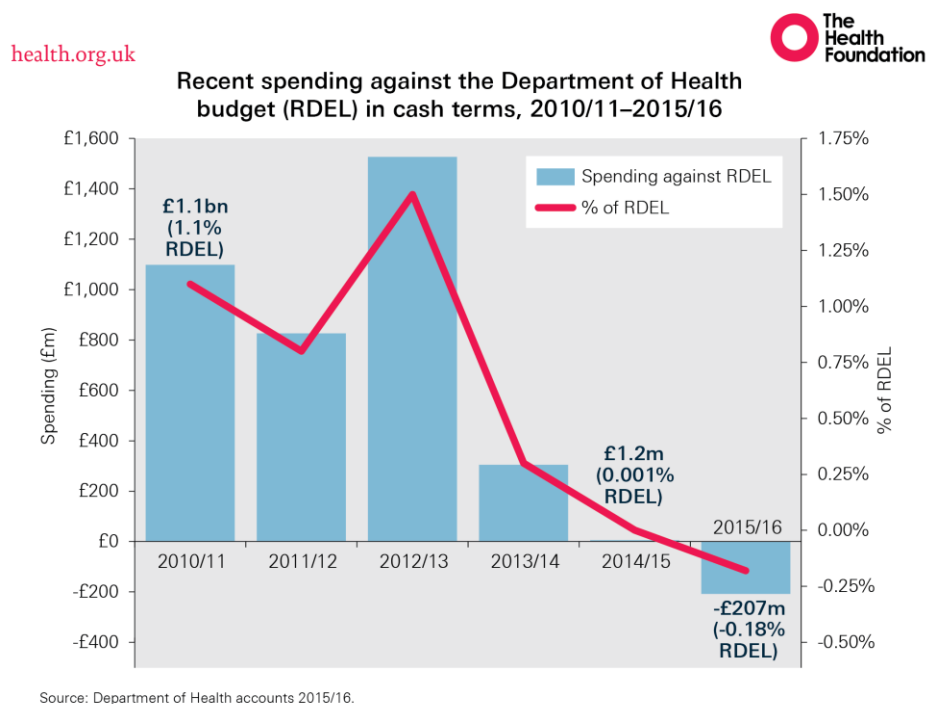
‘Winter usually brings a dip in NHS performance, but key targets are being missed all year round. This reflects the impossible task of continuing to meet rising

¹ Nuffield trust, The health foundation, The kings fund: ‘The Autumn statement: joint statement on health and social care’ Nov 2016

demand for services and maintain standards of care within current funding constraints.²

Rob Murray, Director of Policy Kings Fund.

The graph below, produced by the Health Foundation demonstrates the relationship between the budget that the NHS is given and the under/overspend across years. As can be clearly seen in 2010/11 – 2012/13 there was a fair sized underspend. In 2014/15 this was all but eliminated, and in 2015/16 there was a £204 million overspend. This over spend is projected to significantly increase.

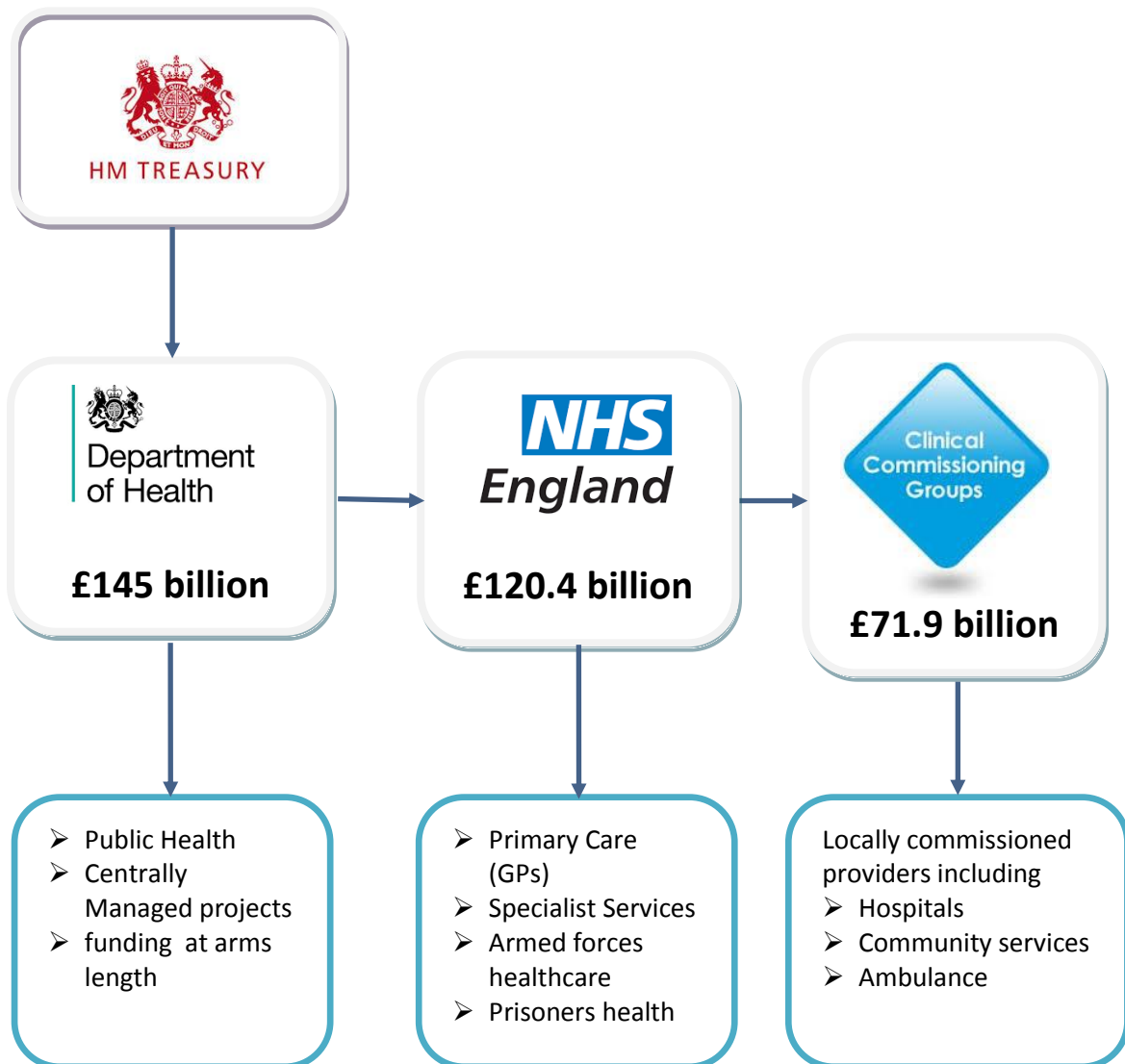


- 2.4. The House of Lords has established a committee to look at the long-term sustainability of the NHS. They are taking evidence currently and plan to report back in March 2017.
- 2.5. Against this backdrop Devon County Council has unanimously voted to request the suspension of the STP process (Appendix 1). There is significant concern in communities across Devon that changes to the way health services are provided is motivated by a funding reduction. This is evident through the public representation, letters and phone calls that are received by Health Scrutiny on an increasingly regular basis. The issue of whether the health service and by implication adult social care has enough money to provide adequate care has been the most significant issue that Devon Health Scrutiny has looked at since its inception.
- 2.6. This report is presented in three parts. The first part reflects the work the Task Group has done to understand the current funding formula and allocations. This is written as far as possible in plain English as understood by lay people. The second part of the work is presenting the evidence that the Task Group has gathered on the current situation in Devon. The last and most important part gives evidence for the lines of enquiry that the Task Group believe need to be taken into account in any future funding settlement.

² Kings Fund: <https://www.kingsfund.org.uk/press/press-releases/demand-nhs-services-soars-record-levels> 8th September 2016

3. How is health funded?

- 3.1. The first task of the Group was to understand how different parts of the health service receive their funding and which conditions are taken into account when funding settlements are reached. The diagram below has been synthesised from information from the Kings Fund as well as the Department of Health budget papers for 2015/16. This represents how funding is distributed to parts of the NHS.



³ Figures from DoH budget 2015/16 and Kings Fund report

- 3.2. To explain the diagram above, HM treasury gives the health budget to the Department of Health (DoH). The DoH then pay local authorities directly for their public health function. There are several other strands of work that are directly paid for by the DoH. The remainder of the budget £120.4 billion is paid to NHS England who commission GPs, health for the Armed Forces and Prisoners. £71.9 billion is paid across the 211 CCGs to commission local services from providers. The constituent parts of the health service as represented in the diagram receive their money through different and separate mechanisms. This further adds to the complexity of understanding the flow of money.

³ <https://www.gov.uk/Government/publications/budget-2016-documents/budget-2016>

Funding settlements for health

3.3. The way in which NHS England determines the funding to individual CCGs is via a formula based on a weighted capitation formula used to set target shares of the national health budget for CCGs. The weighted capitation formula assesses the relative need per head for health care services across the country adjusted for differences in unavoidable costs. 65 years ago at the inception of the NHS 1,700 hospitals and almost 430,000 beds were transferred from local Government to the new service, along with another 1,300 or so hospitals and almost 120,000 beds from voluntary hospitals.⁴ The questions over how funding should be distributed and what the principles behind this were developed over time. The following table summarises a much longer analysis from the Kings fund on the development of funding formula:

Period	Title	Principles
1960/70s	Crossman formula	Aimed to introduce equity by balancing regional health authority population with age and gender distribution. Giving more money to areas with greatest need. Introduced 'weighted capitation' a figure per head of population.
1975	Resource Allocation Working Party (RAWP)	In addition to the Crossman formula, that the formula be set and updated by independent technical experts. More explicitly its objective was to allocate NHS funds to local areas so that '...there would eventually be equal opportunity of access to health care for people at equal risk'
2003	Labour Government additions	The NHS should work to prevent sickness, not just treat it. Money was made available to support areas with more unmet and unexpressed need.
		Some areas have been receiving significantly more money than assessed as needing, and some areas were significantly underfunded. It was acknowledged that changing this immediately would cause significant problems so the ' Pace of Change Policy ' was introduced. How quickly money is reduced from some areas and increased to others is essentially a political decision.

3.4. These principles are still largely in place today, although the sophistication of the analysis and data collection far exceeds what was previously possible. The statistics that sit behind the funding formula are based on ONS data and updated regularly.

*'...actual health resource allocation is a constant interplay between the advice of technical experts developing formulas and the judgements of politicians.'*⁵

⁴ Kings Fund: *Improving the allocation of health resources in England How to decide who gets what* April 2013 https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/improving-the-allocation-of-health-resources-in-england-kingsfund-apr13.pdf

⁵ Kings Fund: *Improving the allocation of health resources in England How to decide who gets what* April 2013 https://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/improving-the-allocation-of-health-resources-in-england-kingsfund-apr13.pdf

- 3.5. The formulae is monitored, applied and adjusted by the Advisory Committee on Resource Allocation (ACRA) which is an independent, expert committee responsible for the for allocations to NHS England.

The formula underpinning all funding decisions is:

$$C = f(N,S)$$

This means that the cost of patient care (C) is calculated by understanding needs (N) and Supply Variables (S).

- 3.6. In 2015 the NHS analytical service undertook a major project to refresh and update most of the weighted capitation formulae used to set target shares for CCG core allocations. The formulae amended the general and acute, maternity, prescribing and Emergency Ambulance cost adjustment. This process updated the weighting placed upon remoteness.

Better Care Fund

- 3.7. The Care Act 2014 amended the NHS Act 2006 to provide the legislative basis for the Better Care Fund. It allows for the mandate to NHS England to include specific requirements relating to the establishment and use of an integration fund. Introduced in 2014, the Better Care Fund (previously known as Integration and Transformation Fund) is a pooled budget of monies from Health and Social Care The purpose of the fund is to drive towards integration and a seamless service user / patient experience being at the forefront of developments around health and social care. Better Care Fund Plans had to be approved by September 2014. There were 6 national conditions which had to be met;
- plans must be jointly agreed;
 - protection for social care services (not spending)
 - 7 day working across health and social care
 - better data sharing (based on NHS number)
 - joint approach to assessments and lead accountable professional
 - agreement on impact of changes in acute section
- 3.8. **An important point is that the fund was not 'new money' for health or social care, but a recycling of existing resources meant to secure maximum impact.** The fund requires Local Authorities and CCGs in the same H&WB area to agree a pooled budget to support transformational change to improve care, outcomes and experience for service users and carers. Robust governance and risk sharing arrangements are required to be agreed by all partners. In addition, all pooled budgets had to be arranged via a S75 arrangement, which in Devon was drawn up by a legal advisor jointly appointed by the three parties to the agreement.
- 3.9. The Better Care Fund activities in terms of the work toward the National Conditions, includes 'outcomes' measures. A key measure of the effectiveness is the number of delayed discharges, i.e. people occupying hospital beds, when they should be in another setting such as home or a care home. Locally, these 'Outcome' measures include agreement on a local action plan to reduce delayed transfers of care. This has been developed with providers and commissioners from both health and social care, including mental health, the plan owned and monitored by the multi-agency A&E Delivery Boards.

Table 3.3 – Better Care Fund Allocations 2015-16

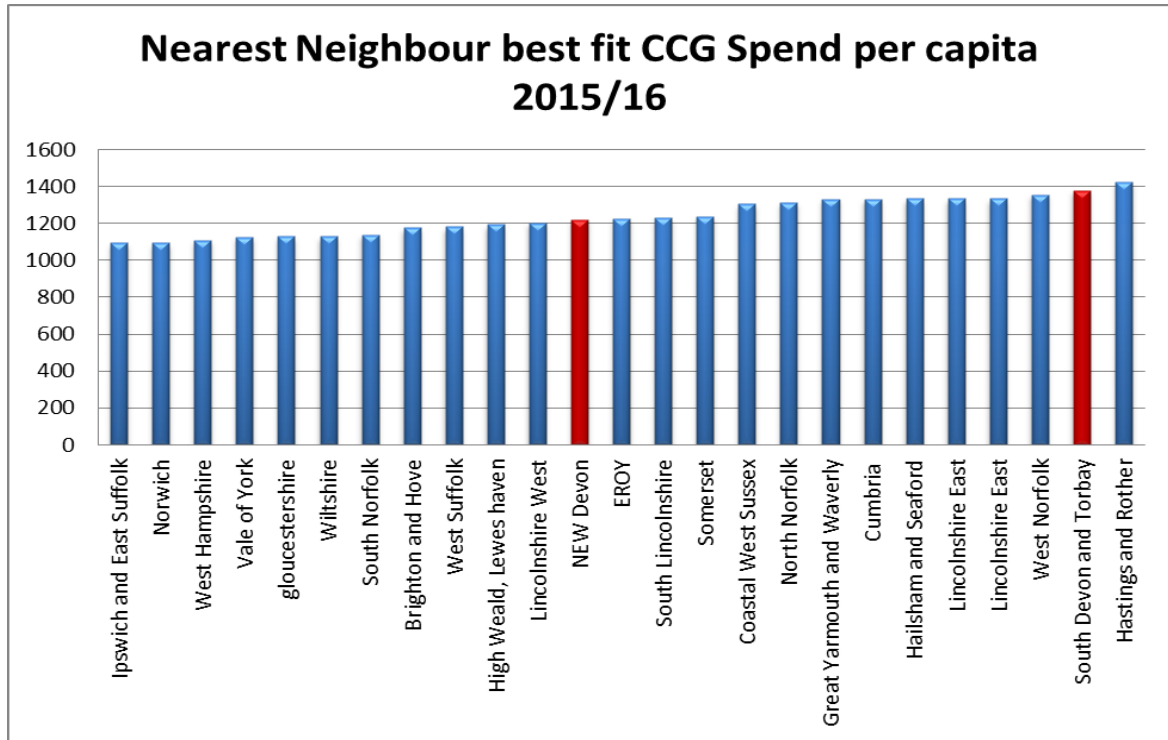
Comparator Group	BCF Funding (per head 65+)	Difference From CCN Allocation
County Council Network (CCN)	£389	£0
Inner London	£1,020	+£632
Outer London	£602	+£213
Metropolitan Boroughs	£570	+£181
Unitaries (Excl CCN Members)	£515	+£127
England	£478	+£90

- 3.34 The average BCF allocation per 65+ resident for CCN is £389. The table shows that the average CCN member authority allocation is funded at £90 below the England average and considerably below other authority type averages.
- 3.10. According to NHS England, for 2016/2017 the funding for Devon (as a Local Authority area and total funding from DFG and CCG's) is £56,487,000.
- 3.11. The BCF schemes that are focused on reduction of non-elective admissions are developed, implemented and monitored via the A&E Delivery Boards. This is in addition to further investment in Rapid Response in 2015/16 and close monitoring of outcomes which would inform future intentions. Other outcomes measures include monitoring the support for people with dementia (including assessing the length of stay for people with dementia admitted to hospital rather than diagnosis rates), the permanent admissions to residential and nursing care homes (the rate in Devon being significantly below the South West average) and the effectiveness of re-ablement services.
- 3.12. The impact of the decisions and policies underpinning the STP will affect Social Care. Supporting more people staying at home instead of hospital identifies the need for more NHS services in the community but there will also be a greater need for Social Care services too.

4. What does this mean in Devon?

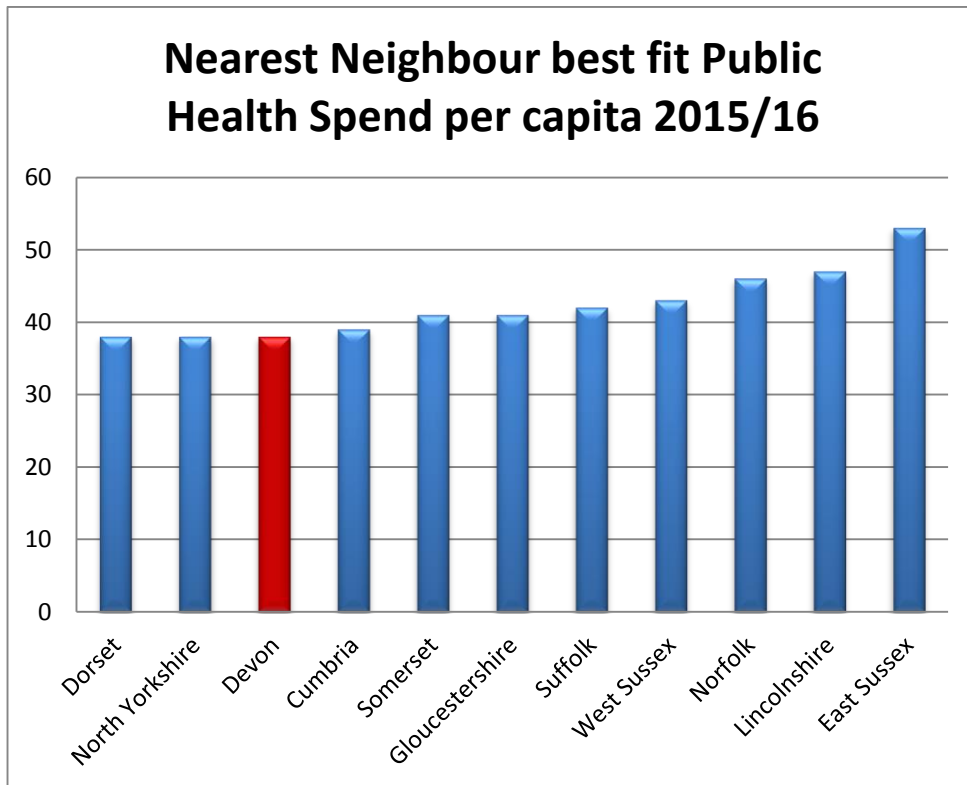
- 4.1 In the perfect storm described above of increasing demand for services, decreasing budgets, Devon is a large, rural County with two CCGs one of which is the largest of all of the 211 CCGs and is in financial difficulties. Devon as a whole spends a significant amount on Social Care and has one of the smallest Public Health Grants in the Country. It also has the longest road network of any County in the UK which has consequences for the move to home based care.
- 4.2 NEW Devon CCG is already over its target capitation figure. This means that it already receives in excess of the amount that it is assessed as needing. This takes into account additional weighting for rurality and an older population. The pace of change policy aims to redress this over time, reducing the comparative spend year-on-year notwithstanding the minimum growth settlement. This is significantly problematic as NEW Devon CCG currently has a budget deficit of £108 million, and without change this is predicted to grow to £243 million in 2016/17 and up to £557 million by 2020/21⁶.
- 4.3 The Task Group had the ambition of comparing spend per head across health, social care and public health in Devon and then across other authorities that have similar characteristics. This is difficult because the geographic boundaries are different for different agencies. This means that in the Devon County Council area it is possible to find spend per head on Adult Social Care and Public Health as these are both within the Council budget. However spend on NHS services is divided between North East West (NEW) Devon CCG and South Devon and Torbay CCG. This situation is found across the Country with some areas having several CCGs covering the local authority boundary and crossing into neighbouring authorities.
- 4.4 To explore comparative cost and spend within geographic areas, health and social care either need to be looked at separately or considered with weighted analysis. This investigation has not broken down per head spend and normalised between health and social care. Instead CCGs are presented with an acknowledgment that they may or may not be co-terminus with the local authority.
- 4.5 The chart below shows Devon County Council's ten nearest neighbour authorities plotted against their best fit CCGs. This means that in some cases three CCGs represent an area, and in others such as Cumbria the CCG and the local authority are co-terminus. The two CCGs in Devon are highlighted in red on the chart. NEW Devon CCG is slightly below average when compared to nearest neighbours but South Devon and Torbay is one CCG away from having the highest spend per head. Even within the twenty five similar clinical commissioning groups there is a significant variation. The point is explored later in this paper but the County Council's Network has undertaken research to demonstrate that Counties receive significantly lower funding settlements than their unitary or City Counterparts.

⁶ Presentation by STP at Devon Health and Wellbeing scrutiny committee 8th November 2016



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4.6 The Task Group have also compared the nearest neighbour areas on spend for public health. Once again Devon is in red and it receives one of the lowest funding settlements in the country. In 2015/16 the average settlement per person for Public Health was £63, in Devon this was £39.



⁷ Chart produced with data from Concentra <https://www.concentra.co.uk/blog/updated-ccg-budget-allocations-2013-2014-and-2015-2016>

Devon County Council Social Care funding

- 4.7 Social care budgets do not have a hypothecated amount set centrally, it is local leaders who determine the breakdown in spend across Council Services from the £7.4 million grant that is received by the County Council.
- 4.8 Individuals contribute to their care costs if they are assessed to be able to do so. On average across Devon this translates to 17% of spend being made up of client contributions. This charging formula is regulated nationally.
- 4.9 It is difficult to compare Government funding 'like for like' over several years because of the changes in funding structures. Taking this into account the long term changes indicates a reduction in core Government funding (including the local element of business rates) from £284m per annum (2010/11) to £152m p.a. in this Financial Year (2016/17) – a reduction of 47% (-£132m p.a.). The reduction is set to continue, with core Government funding reducing to £102m (forecast 2019/20) – a reduction since 2010/11 of 64% (-£182m p.a.)
- 4.10 This is a cash reduction. The effect in real terms is greater than this and, in addition, the Council has to deal with prices that are increasing far faster than general inflation, and even more importantly, with ever-growing need for services that it is legally obliged to meet. Clearly this gap, which in real terms, will significantly increase will mean that the Council has had to both increase Council tax and identify ways of making further very significant savings.
- 4.11 Except for 2013/14, when the Council accepted the Council Tax Freeze Grant, the Council has raised Council tax by the maximum permitted. The total increase in Council tax over the period was £49m. However, the reduction in core Government funding has far exceeded this and has meant the Council has faced a shortfall of £42.7m over the period.
- 4.12 The cash reduction understates the effect on the Council, because children and adult social care are demand-led. In Devon these two areas now equate to nearly two thirds (64%) of the Total Net Budget Requirement – when fixed costs such as capital financing are stripped out, the figure is 70%.
- 4.13 Meanwhile there has been no relaxation in Statutory Duties Councils have to meet. With an increase in demand (growing, aging population and increase in disabilities); upward pressure on cost is unavoidable and have been rising sharply – even if prices paid for care stayed the same.

Devon County Council Adult Social Care is supporting 925 more older people than this time 12 months ago.

- 4.14 In Devon we are assessing more people compared to other counties and providing more community based services for people than our statistical neighbours, there has also been a large increase in personal care 6.7% in 12 months.
- 4.15 As well as budgets being squeezed there is also ample evidence that the impact of the lack of funding is already affecting other organisations and by extension people who are supported across Devon in related sectors. See box below:

Impact: Hospiscare

Hospiscare, is a local charity that provides specialist palliative care services in Exeter, Mid and East Devon. There are 3 other hospices in Devon, Rowcroft (south Devon), St Lukes (Plymouth) and North Devon Hospice.

- Hospiscare provides 12 patient in-bedded unit, extensive community nursing services, three day centres, supportive care services and specialist palliative care.
- Hospiscare receives 17% of its funding from the CCG this works out at £3 per person. **For every £1 given by NHS, £3 is generated by Hospiscare.**
- There has been no increase in funding since 2010/11. Hospiscare estimates that it has lost approx. £147,000 total in funding since 2010/11 because of the freeze on its funding.
- 40% of referrals to the in-patient unit are from the Royal Devon and Exeter Hospital. (The major acute hospital in the area.)
- There are 3 other hospices in Devon; all are dependent upon legacy and community funding. Recently Rowcroft in Torquay have had to reduce their service down to 12 beds because of funding difficulties.
- Hospices in Devon spent £23.6 million on palliative care last year. Their combined grant/contract income was £6.4 million. **Hospices in Devon have therefore contributed £17.2 million to the Devon health economy last year.**

5. Lines of Enquiry

Place based budgeting

The budgets for CCGs, Public Health and Adult Social Care should be considered on a place basis, not in isolation.

5.1 Place based care is largely taken to mean combining primary, CCG-commissioned, and specialised care in one strand. However the Task Group assert that Public Health and Social Care need to be considered as part of this package. There is growing consensus that health and social care are providing increasingly interrelated activities. As the Task Group IS preparing this report Simon Stevens has been quoted in all major newspapers as saying:

'Unarguable' case that care for elderly needs more money says NHS chief⁸

He goes on to make the case that the interrelated activities have a significant impact on hospital discharge and therefore need to be adequately supported.

5.2 As demonstrated in the previous section, Devon receives comparable amounts of

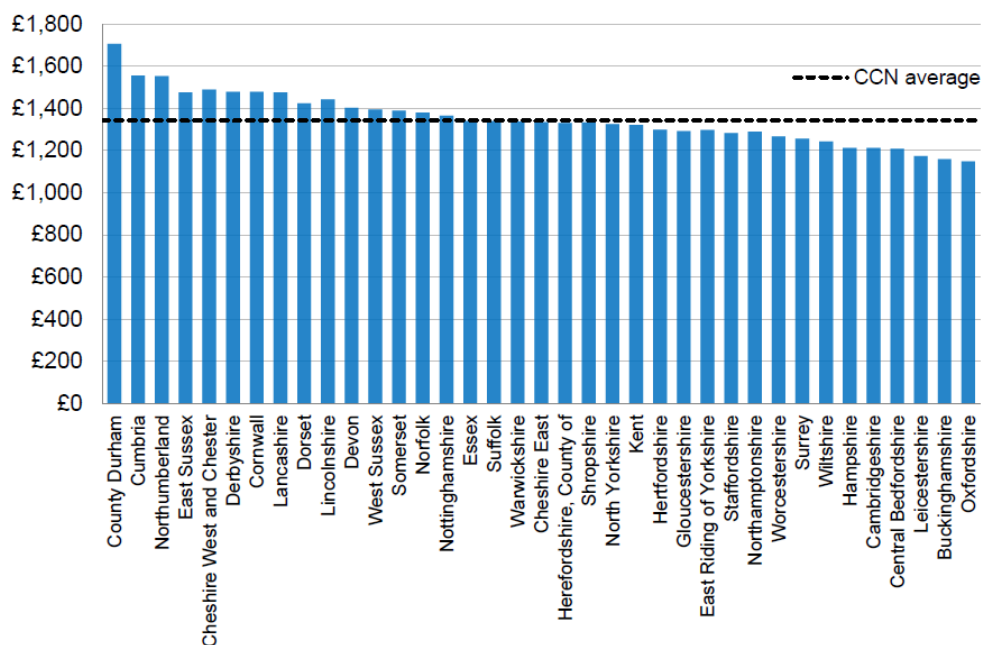
⁸ Telegraph <http://www.telegraph.co.uk/news/2016/12/13/unarguable-case-care-elderly-needs-money-says-nhs-chief/>

funding to its nearest neighbour authorities for the CCG but significantly lower amounts for public health. Adult Social Care has seen a reduction in funding, as all local authorities have. It is however useful to look beyond our nearest neighbours. The County Council Network (CCN) has produced a report making the case that Devon and other County Councils consistently receive smaller portions of funding than other local authorities:

‘Counties face the perfect storm of the highest levels of demographic growth, the fastest growth in service demand for health and social care, while these health economies receive significantly less funding than other areas.’⁹

5.3 The graph below is taken from this report and shows the comparative combined funding for members of the CCN:

Figure 5.1 – CCN Members’ Older People’s Adult Social Care and Health Funding 2015/16 (£/Head)



5.4 The theme throughout this report has been that to adequately support the STP and change programmes throughout the NHS and Adult Social Care, funding needs to be considered as a whole and not piecemeal through different mechanisms.

Age Profile

The funding formula should be weighted to take into account the significantly increased need for over 85s.

5.5 The funding formula does take into account an older population and applies weighting accordingly for acute, mental health and primary care. However it is the assertion of this Task Group that the funding formula should go further and make allowances for the significant increase in costs due to an elderly population as presented below.

5.6 The UK has an ageing and growing population, there is evidence to show that older

⁹ County Council’s Network: *Health & Social Care in Counties Funding, Demand & Cost Pressures*
<http://www.countycouncilsnetwork.org.uk/news/2016/jan/health-amp-social-care-counties-funding-demand-amp-cost-pressures/>

people are the heaviest users of health and social care services as there is an increase in the number of elderly living with acute and chronic health conditions.

- By 2033 almost 25% of the population will be over 65
- Older people currently account for more than 40% of the NHS budget
- Around 45% of health and community services expenditure is on people over 65.
- The mean age of patients in hospitals is 68,

5.7 In Devon this situation is exacerbated:

- The mean age of patients in Devon hospitals is 72.
- The mean age of patients in Community Hospitals in Devon is 82.
- The mean age of patients in Devon in both Community Hospital and acute hospitals is 74.6 years older than the national average.¹⁰

5.8 The Task Group assert that whilst the funding formula does take into account an older population, it does not differentiate between the very oldest. This is very important as the over 85s have a different health complexion to the 75-84 year olds. This is demonstrated by the following extract from a recent report by Age UK:

Conditions by age –differences over 65

- ❖ Most people aged 75 and over have one or more health conditions, but 50 per cent of them do not consider themselves to be living with a 'life limiting' long-term condition, meaning that even if they have one or more health conditions they do not feel it has a significant impact on their lives.
- ❖ 1 in 10 of people age 65 and over are 'frail', rising to one in four of those aged 85 and over.
- ❖ Most long-term conditions are more prevalent among older age groups; for example, the prevalence of diabetes rises steadily among men and women until their early eighties, peaking at 22 per cent for men and 17 per cent for women.
- ❖ The rate of falls also increases with age; women are more likely to fall than men and in 2014, among those aged 85 to 89 nearly a quarter of men and a third of women had a fall in the last five years. Many falls are preventable and where osteoporosis can be identified and treated better it is estimated that a quarter of all hip fractures might be avoided.
- ❖ The prevalence of dementia is very low (0.3 per cent) for both men and women aged 60-64 and only four per cent for 75 to 79 year olds, but then rises sharply to more than one in four among women aged 95 to 99, and to one in five for men of the same age.

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5.9 Devon has a significantly older population when compared with the rest of the Country. The infographic below prepared by Public Health Devon correlates the % over 85 with the size of the figure and gives a figure when the rest of England will have reached the same proportion of the population aged over 85. The University City of Exeter is slightly older than the rest of England, which will reflect the

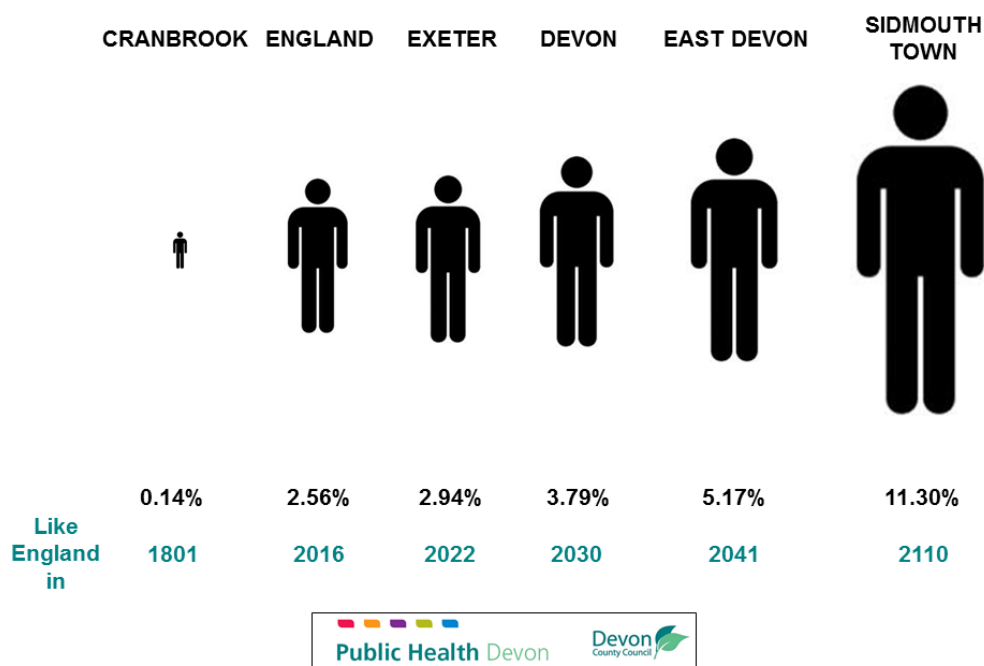
¹⁰ Figures taken from the 2015 Devon County Council Public Health Acuity Audit

¹¹ Age UK: 'Briefing: The Health and Care of Older People in England 2015'

<http://www.cpa.org.uk/cpa/docs/AgeUK-Briefing-TheHealthandCareofOlderPeopleinEngland-2015.pdf>

proportions in 2022, but in parts of Devon it will take until 2041 or even 2110 before the rest of England shares the same age profile.

Proportion aged 85 and over, 2016



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5.10 The consequences of providing this level of extra healthcare are taken into account in the funding formula, but only to some degree.

Rurality

The funding formula should consider the impact of rurality upon providing services beyond small hospitals.

5.11 On the 21st October 2015 ACRA considered a report entitled: 'Unavoidable smallness due to remoteness – identifying remote hospitals'. To be classified as a hospital that falls into the category of 'unavoidable smallness due to remoteness' three conditions must be met:

- Smallness condition- Lower Super Output Area population must be fewer than 200,000
- Remoteness condition – the LSOA population must be more than 60 minutes from the nearest provider.
- The site must provide 24/7 A&E facilities.

5.12 In this report North Devon Hospital is highlighted as one of the most remote hospitals in the Country. Or rather the 91.1% of the population that is served by North Devon would have to travel 60 minutes or more to another major hospital. The only hospital that serves a more remote population, under these criteria, is St Mary's and this is on the Isle of Wight.

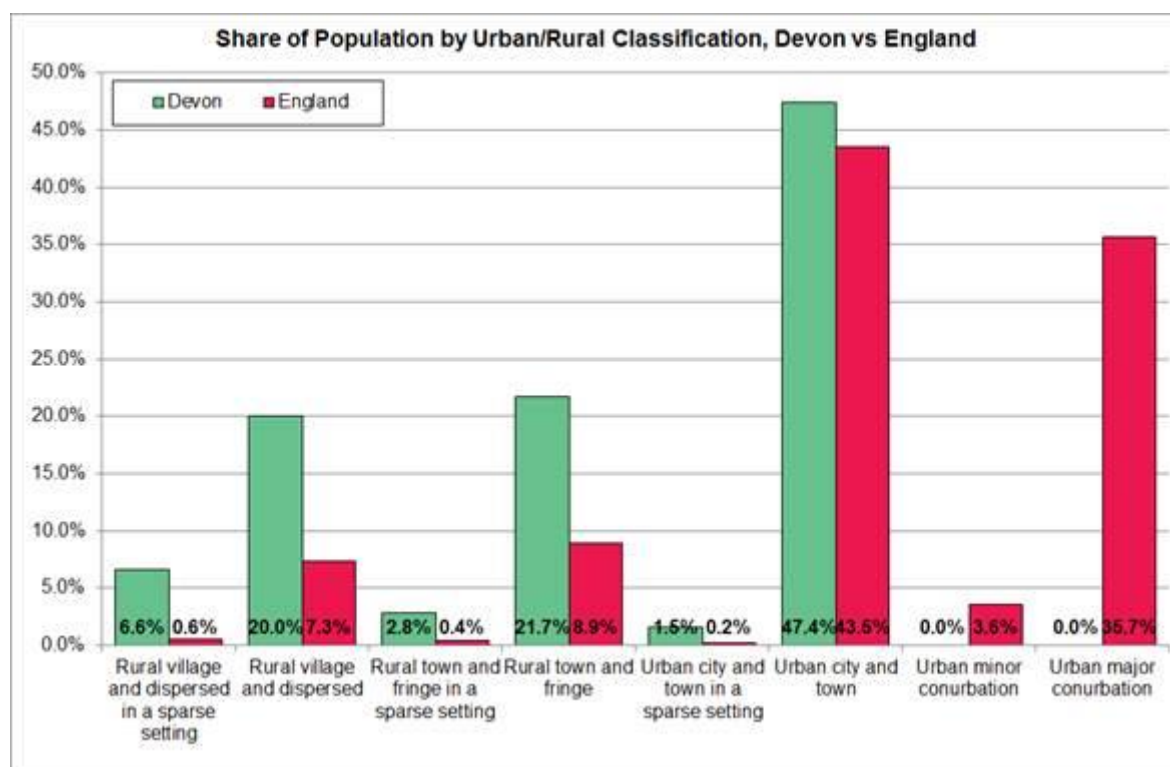
5.13 For some time Devon has recognised the hidden levels of deprivation, this is

¹² Graphic produced by Public Health Devon

exacerbated by rurality:

*'Patterns of deprivation marked by isolated pockets and hidden need within communities and higher levels of rural deprivation, with groups experiencing health inequalities likely to be geographically dispersed. This creates additional challenges when addressing health inequalities and targeting services to those most in need'*¹³

5.14 51.1% of the Devon population live in areas classified as rural (towns of 10,000 population or less, villages, hamlets and isolated dwellings), which ranks 7th out of 151 upper tier/unitary authorities nationally and is above the South West (31.1%), Local Authority Comparator Group (36.3%) and England (17.1%) rates.



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5.15 A key indicator of health is quality of housing. The hidden nature of some levels of deprivation is demonstrated by the map below:

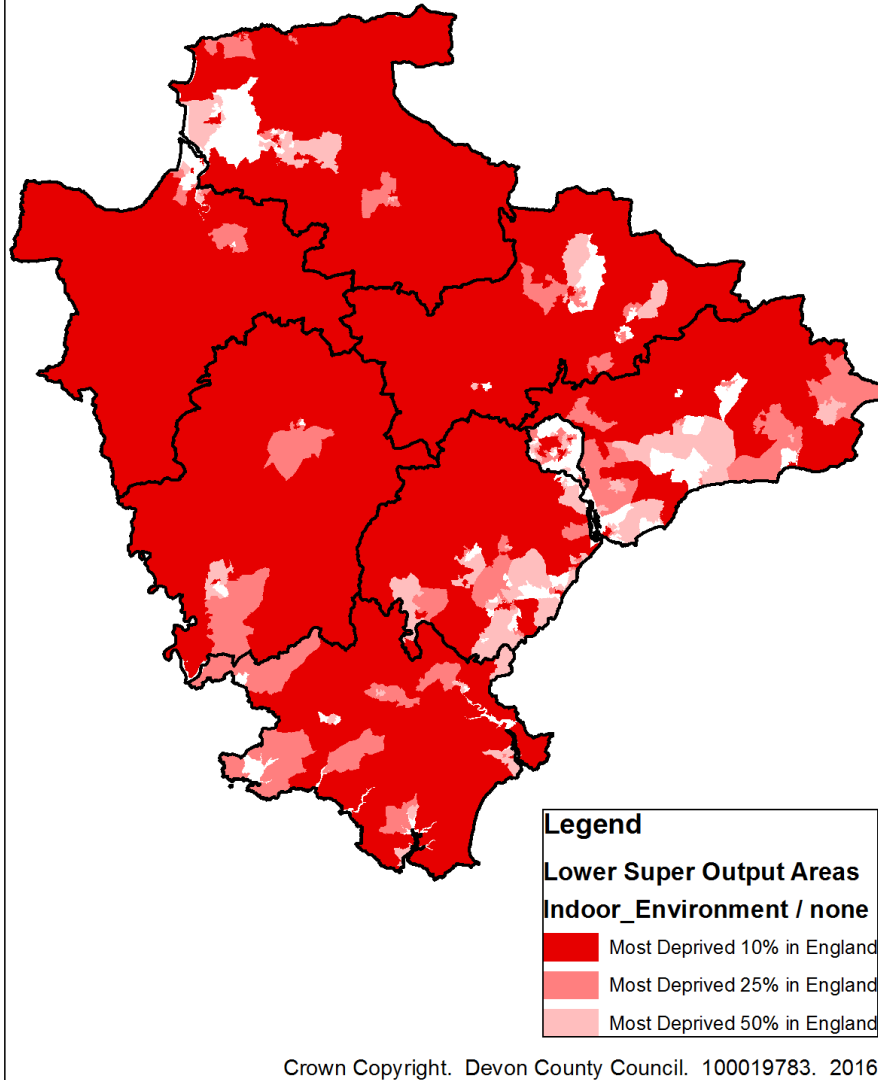
*'A disparity between the quality of indoor and outdoor environments in Devon. According to the Indices of Deprivation 2015 over half the Devon population (54.55%) live in areas in the most deprived 20% in England for the quality of the indoor environment (decent homes standard and central heating), with no areas in the most deprived 20% in England for the quality of the outdoor environment (air quality and road traffic accidents affecting pedestrians and cyclists). Housing has a direct impact on health with poor housing leading to an increased risk of cardiovascular and respiratory disease, as well as anxiety and depression'*¹⁵

¹³ JSNA <http://www.devonhealthandwellbeing.org.uk/jsna/overview/>

¹⁴ Produced by Public Health Devon 2016

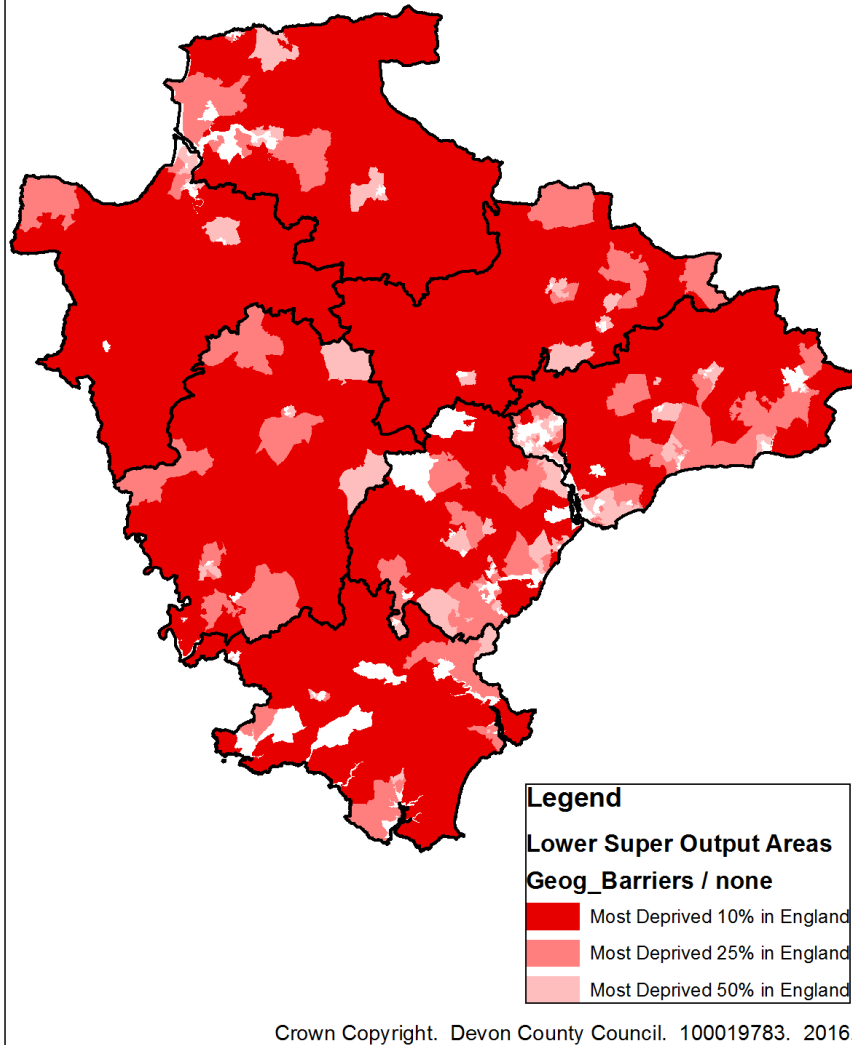
¹⁵ Public Health Devon <http://www.devonhealthandwellbeing.org.uk/jsna/overview/>

Indices of Deprivation 2015 Indoor Environment Intensity Map



- 5.16 Taking into account the ease of access to service which is also a key determinant of wellbeing, the map below also demonstrates the comparative deprivation when compared to the rest of the country. This measures the additional travel time, the road distance to GP, post office, primary school and convenience stores. Large parts of Devon are in the 10% most deprived in the Country. This must present an additional cost to providing services. Especially ones that are based in the community.

Indices of Deprivation 2015 Geographic Barriers Intensity Map



Market forces factor

There are areas of the Country where it will always be hard to recruit. The Market Forces factor should consider unavoidable agency staff costs.

- 5.17 Consideration is given in the funding formula to the local impact of running a service. This is called 'market forces factor'. For example adding London weighting would then increase the settlement to take this into account. This is particularly in respect of wages needing to be higher in a particular location because of living costs.
- 5.18 In Devon house prices are high but wages are low. This in large part reflects the demographic of an older, retired population. With the market forces factor the area is not subject to higher weighting. However, recruitment in a rural environment can be disproportionately difficult, especially when considered alongside high house prices. This might mean that there is a greater reliance on agency staff than in other

areas.

- 5.19 The reliance on agency staff across the NHS is a growing issue: *'Year-on-year the NHS is spending more on agency staff.'*¹⁶
- 5.20 The agency spend for Devon in 2015/16 was £41,507,000 which is 5.4% of the total pay spend. This has reduced to 3.9% this year as providers work hard to limit agency staff. However in a rural location with a limit on affordable housing a reliance on agency staff seems inevitable.

The population of Devon increases due to tourism.

- 5.21 With its coastline, moorland and seaside towns Devon is a popular tourist destination, seeing an estimated population increase of up to 21% during July and August¹⁷. Despite this, and the resulting impact on A&E and Walk-In service admissions, the current health funding formula makes no allowances for this summer population increase.

6. Conclusion

The County Council in Devon has given a very strong mandate to challenge the way in which health care services are delivered in the future. This goes beyond party politics and is fundamentally about the ideology of helping people get well and supporting them if they can't.

Nationally there is move to integrate Health and Social Care provision and the resources to support this move must have strategic oversight. The local complexion of health service presents as separate services working in an integrated way for the benefit of local people. The Task Group asserts that Central Government funding must keep pace with the principles outlined in the Sustainability and Transformation Plan, namely to properly fund significant change. This report puts the case on the basis of rurality, an ageing demographic, significantly above the national average and other local variations that are not considered in the formula.

This Task Group report review has taken place during the closing two months of 2016; the report is measured given the brevity of the investigation. The review has been short to enable the conclusions of the Group to be considered as soon as possible including by the current House of Lords Committee on long term sustainability of the NHS and the Task Group will send this report to them.

The purpose of the report has been to highlight the areas of disparity and acts as a call to action for significant players in the political system.

¹⁶ Royal College of Nursing: 'Frontline First Runaway agency spending' Feb 2015
https://www2.rcn.org.uk/_data/assets/pdf_file/0005/608684/FF-report-Agency-spending_final_2.pdf

¹⁷ Devon and Cornwall Police <http://www.devonandcornwall-pcc.gov.uk/fair-funding/why-the-funding-formula-is-unfair/>

7. Sources of evidence

Witnesses

The Task Group heard testimony from a number of sources and would like to express sincere thanks to the following for their involvement and the information that they have shared as well as to express a desire of continuation of joint work towards the fulfilment of the recommendations in this document.

Organisation	Person	Role
NEW Devon CCG	Jenny McNeil	Associate
	Andy Robinson	Finance Director
Devon County Council	John Holme	Assistant County Treasurer, Finance
	Jennie Stephens	Chief Officer for Adult Care & Health
	Keri Storey	Head of Adult Care Operations & Health
	Tracey Polak	Assistant Director/ Consultant Public Health
Hospiscare	Glynis Atherton	Chief Executive

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- NHS England, Analytical Services (Finance) : *'Technical Guide to Allocation Formulae and Pace of Change For 2016-17 to 2020-21 revenue allocations to Clinical Commissioning Groups and commissioning areas'* April 2016
- NHS England: *'Equality Analysis For 2016-17 to 2020-21 revenue allocations to Clinical Commissioning Groups and commissioning areas'* April 2016
- NHS England: *'Primary medical care – new workload formula for allocations to CCG areas'* April 2016
- NHS England Analytical Services (Finance): *'Specialised services formula Final model agreed by ACRA for information'* April 2016
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- Advisory Committee on Resource Allocation: *'Costs of unavoidable smallness due to remoteness'* 7th March 2016
- County Councils Network: *'Social Care and Health: Funding and Cost Pressure Analysis'*, January 2016
<http://www.countycouncilsnetwork.org.uk/news/2016/jan/health-amp-social-care-counties-funding-demand-amp-cost-pressures/>
- Advisory Committee on Resource Allocation: *Refreshing the current CCG formula (Revised')* 18 November 2015

- Age UK: 'Briefing: The Health and Care of Older People in England 2015'
<http://www.cpa.org.uk/cpa/docs/AgeUK-Briefing-TheHealthandCareofOlderPeopleinEngland-2015.pdf>
- Advisory Committee on Resource Allocation Unavoidable smallness due to remoteness - identifying remote hospitals 21 October 2015
- Advisory Committee on Resource Allocation '*Unavoidable smallness due to remoteness - identifying remote hospitals*' September 2015
- Royal College of Nursing: '*Frontline First* Runaway agency spending' Feb 2015
https://www2.rcn.org.uk/_data/assets/pdf_file/0005/608684/FF-report-Agency-spending_final_2.pdf
- Kings Fund: 'Improving allocation to health resources in England:
<https://www.kingsfund.org.uk/publications/improving-allocation-health-resources-england-April-2013>
- CIPFA Stats nearest neighbour comparator model
<http://www.cipfastats.net/resources/nearestneighbours/profile.asp?view=results&dataset=england>

8. Task Group Membership

The Task Group review was chaired by Councillor Brian Greenslade and membership of the Spotlight Review was as follows:

Councillors Richard Westlake; Councillor Claire Wright; Councillor Kevin Ball; Councillor Richard Hosking; Councillor Robin Julian; Councillor Mike Edmunds

9. Contact

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Appendix 1: Notice of motion Devon County Council

Cuts to Devon Health Services and the Success Regime (Minutes 55 and 56 of 6 October 2016)

Meeting of Council, Thursday, 8th December, 2016 2.15 pm (Item 73.)

To receive and consider the recommendations of the Cabinet relating to Councillors Biederman and Greenslades Notice of Motions.

The text of the original Notices of Motion, the Cabinet's recommendations and any reasons therefor may be seen in full at Minute 104(e) of the Cabinet held on 9 November 2016 (Page 10 of 9 November 2016, Green Pages).

Minutes:

Pursuant to County Council Minutes 55 and 56 relating to the two Notices of Motion set out below as originally submitted and then formally moved and seconded by Councillors Biederman and Greenslade that:

Proposed Cuts to Devon Health Services and Impacts on Patients (Councillor Biederman)

'This Council is deeply concerned about the impact the proposed cuts to Devon health services will have on patients – especially the loss of whole departments including maternity services at North Devon District Hospital - and massive reduction in acute and community hospital beds across Devon, as set out in the sustainable transformation plan.

This Council also recognises that Governments have deliberately not provided the NHS with the adequate level of funding and now calls on local MPs to lobby Government ministers to urgently and significantly increase the level of funding to the NHS, in order to protect our precious health services for current and future generations'.

NHS Success Regime (Councillor Greenslade)

'County Council believes that the NHS Success Regime project for Devon is now seriously flawed and accordingly calls on the Secretary of State for Health and NHS England to cancel it forthwith. County Council further calls on Government and NHS England to firstly address the issue of fair funding for our area and to ensure the general election promise of an extra £8 billion of funding for the NHS is taken into account when assessing the claimed deficit for Devon NHS services.

Until funding issues are addressed it is not possible to decide whether or not there is a local NHS budget deficit to be addressed. Unnecessary cuts to local NHS budgets must be avoided!

Devon MP's be asked to support this approach to protecting Devon NHS services"

and having had regard to the advice of the Health & Wellbeing Scrutiny Committee and the subsequent views of the Cabinet set out in Minutes 29 and 104(e) of 8 and 9 November 2016, respectively, to accept the Notice of Motions in the name of Councillors Biederman and Greenslade as amended [highlighted below] for consideration by the County Council at its next meeting and to the further representations received (Minute 63 above refers).

Proposed Cuts to Devon Health Services and Impacts on Patients (Councillor Biederman)

'This Council is deeply concerned about the impact the proposed cuts to Devon health services will have on patients – especially the loss of whole departments including maternity services at North Devon District Hospital - and massive reduction in acute and community hospital beds across Devon, as set out in the sustainable transformation plan.

This Council also recognises that Governments have [deliberately] not provided the NHS with a fair [the adequate] level of funding and now calls on local MPs to lobby Government ministers to urgently and significantly increase the level of funding to the NHS, in order to protect our precious health services for current and future generations'.

NHS Success Regime (Councillor Greenslade)

'County Council believes that the NHS Success Regime project for Devon is now [seriously] flawed and accordingly asks [calls on] the Secretary of State for Health and NHS England to put the process on hold, until issues relating to the 'independence' of the Success Regime are investigated and for fair funding to be considered [cancel it forthwith]. County Council further calls on Government and NHS England to firstly address the issue of fair funding for our area and to ensure the general election promise of an extra £8 billion of funding for the NHS is taken into account when assessing the claimed deficit for Devon NHS services. Until funding issues are addressed it is not possible to decide whether or not there is a local NHS budget deficit to be addressed. Unnecessary cuts to local NHS budgets must be avoided! Devon MP's be asked to support this approach to protecting Devon NHS services"

Members then formally moved and duly seconded the amendment(s) shown below and thereafter subsequently debated and determined.

Councillor Hart then MOVED and Councillor Clatworthy SECONDED that the Cabinet's advice be accepted and in accordance with the views of the Health & Wellbeing Scrutiny Committee the Notices of Motion as set out hereunder be accepted:

*Proposed Cuts to Devon Health Services and Impacts on Patients
(Councillor Biederman)*

‘This Council is deeply concerned about the impact the proposed cuts to Devon health services will have on patients – especially the loss of whole departments including maternity services at North Devon District Hospital - and massive reduction in acute and community hospital beds across Devon, as set out in the sustainable transformation plan.

This Council also recognises that Governments have not provided the NHS with a fair level of funding and now calls on local MPs to lobby Government ministers to urgently and significantly increase the level of funding to the NHS, in order to protect our precious health services for current and future generations’.

NHS Success Regime (Councillor Greenslade)

‘County Council believes that the NHS Success Regime project for Devon is now flawed and accordingly asks the Secretary of State for Health and NHS England to put the process on hold, until issues relating to the ‘independence’ of the Success Regime are investigated and for fair funding to be considered]. County Council further calls on Government and NHS England to firstly address the issue of fair funding for our area and to ensure the general election promise of an extra £8 billion of funding for the NHS is taken into account when assessing the claimed deficit for Devon NHS services. Until funding issues are addressed it is not possible to decide whether or not there is a local NHS budget deficit to be addressed. Unnecessary cuts to local NHS budgets must be avoided! Devon MP’s be asked to support this approach to protecting Devon NHS services’.

Councillor Boyd MOVED and Councillor Chugg SECONDED that in accordance with Standing Order 14(11) ‘The Question be Now Put’.

The Motion was put to the vote and declared CARRIED and immediately thereafter the mover of the amendment (Councillor Hart) and the movers of the original Notices of Motion (Councillors Biederman and Greenslade) exercised their right of reply to the debate.

Councillor Hart then MOVED and Councillor Hughes SECONDED that in accordance with Standing Order 32) the vote on the amendment in his name shall be by roll call.

The Motion was put to the vote and declared CARRIED.

The amendment in the name of Councillor Hart was then put to the vote and there being:

for the amendment, Councillors Ball, Barker, Berry, Biederman, Bowden, Boyd, Brazil, Channon, Chugg, Clarance, Clatworthy, Colthorpe, Connett, Croad, Davis, Dempster, Dewhirst, Dezart, Diviani, Eastman, Edgell,

Edmunds, Foggin, Gilbert, Greenslade, Gribble, Hannan, Hannon, Hart, Hill, Hook, B Hughes, S Hughes, Julian, Knight, Leadbetter, McInnes, Mathews, Moulding, Owen, Parsons, Prowse, Radford, Randall Johnson, Rowe, Sanders, Sellis, Squires, Vint, Way, Westlake, Wragg, Wright, Yabsley and Younger-Ross (Total: 55);

against, or in abstention of, the amendment, none (Total: 0),

the amendment was declared CARRIED and subsequently thereafter also CARRIED as the substantive motion.

Appendix 2: District Council's resolutions

East Devon: 26 October 2016

*40 Motion: Loss of community beds

"That this Council register its extreme concern at the impending loss of 71 Community beds in this part of Devon.

The motion was discussed at length. Point raised included:

☐☐The Clinical Commissioning Group's (CCG) consultation was considered to be biased and inaccurate and did not take into account the increase in elderly people within the District or the projected population figures;

☐☐The CCG was not 'rural proofing' by proposing the loss of beds in the communities where a large number of frail elderly people lived and many people did not have access to transport;

☐☐Other areas had struggled to make the 'Care in the Community' package work;

☐☐Dementia and mental health provision, as well as the viability of other services, has been ignored in the consultation;

☐☐The 'success regime' should be abolished;

☐☐Concern that patients would suffer from the lack of care provision if the proposals were agreed;

☐☐Residents wished to be cared for at home and to be as independent as possible, however only if it was safe for them to do so;

☐☐There was a lack of personal care workers and community nurses for 'Care in the Community' and 'Hospital at Home';

☐☐Inpatient beds in community hospitals were required, otherwise, due to a lack of nursing/residential homes or packages of care for in the patient's own home, the RD&E could not discharge patients – this would lead to an increase in 'bed-blocking' at the RD&E;

☐☐There was a need to consider whether Community Hospitals could provide other services as well as medical services. Reference was made to Budleigh Salterton Hospital which, after several years of waiting, was hoped would become a 'Well Being Hub' the following year;

☐☐Concerns were raised about social isolation and who would be looking after family members who became full-time carers;

☐☐There was a lack of carers reported throughout the country – this needed to be addressed before any proposals were agreed;

☐☐The method of consultation disadvantaged those that did not have access to the internet;

☐☐Concerns were raised about the management of funds by the CCG – it was suggested that the CCG be asked to provide a full set of audited accounts;

☐☐The amendment proposed was not required as MPs were aware of and were taking forward the concerns of the District.

RESOLVED: that this Council register its extreme concern at the impending loss of 71 Community beds in this part of Devon. It is a well-known fact, particularly in coastal and rural Devon, that there is an above average population of elderly people. Older people take longer to recuperate from illness, hospital admission and operations. Community services are already overstretched and there is an acute lack of appropriate carers to care for people in their own homes. Our District General Hospitals increasingly find it difficult to keep up with demand due to the fact that they cannot discharge people when they are ready because of the lack of community services. All the Government advice has been to encourage the care of people close to their homes. We thank Devon MPs, including Sir Hugo Swire and Neil Parish, who secured a debate at Westminster on the 18 of October,

to air their concerns about proposed changes to community bed provision in East Devon, and that this Council write to them urging them to continue speaking on behalf of all residents in East Devon, so that an ill thought out decision which has come about only for financial reasons, is urgently re-considered by the Devon CCG.

North Devon – 23 November 2016

(a) Notice of Motion from Councillor Greenslade

Councillor Greenslade presented his notice of motion to Council.

It was moved by Councillor Greenslade and seconded by Councillor Brailey that “North Devon Council believes that the NHS Success Regime/STP project for Devon is now seriously flawed and accordingly calls on the Secretary of State for Health and NHS England to cancel it forthwith. Further we call on the Secretary of State for Health and NHS England to firstly address the issue of fair NHS funding for our area and to ensure that promises made at the last general election of an extra £8 billion of NHS funding is delivered and taken into account when assessing the claimed deficit for Devon NHS services. Until the issue of fair funding for Devon NHS services is addressed it is not possible to evaluate what the future configuration of services would be.”

RESOLVED that North Devon Council believes that the NHS Success Regime/STP project for Devon is now seriously flawed and accordingly calls on the Secretary of State for Health and NHS England to cancel it forthwith. Further we call on the Secretary of State for Health and NHS England to firstly address the issue of fair NHS funding for our area and to ensure that promises made at the last general election of an extra £8 billion of NHS funding is delivered and taken into account when assessing the claimed deficit for Devon NHS services. Until the issue of fair funding for Devon NHS services is addressed it is not possible to evaluate what the future configuration of services would be.