



Leicester City  
Primary Care Trust



**Value for Money**

**Annual Report 2007/08**

# Leicester City

## Primary Care Trust

Leicester City PCT was formed in October 2006 following the merger of Eastern Leicester and Leicester City West PCTs.

It employs approximately 1,250 staff and serves a population of 342,000.

It is responsible for improving the health and well-being of the people of Leicester, for commissioning the healthcare services required by local people and for directly providing high quality, responsive and efficient community services where this gives best value.

On 1 January 2008, the directorate of operations became an arm's length organisation within the PCT, and it is now known as Leicester City Community Health Service (LCCHS). Under this arrangement, LCCHS will operate independently but will remain accountable to the PCT.

During the course of the next ten years, the PCT will ensure local people have services which are:

- Delivering a positive experience for all our patients, where everyone is treated with courtesy and respect and personal dignity is a priority. A service which offers real choices where patients and their carers have influence and are involved in decisions about their care.
- Accessible, convenient and flexible, available promptly and equally to everyone where proper consultation means real influence on how services are delivered.
- Safe, high quality and effectively delivered in modern, clean hospitals and surgeries where clinical quality delivers excellent outcomes.
- Well run and efficient delivering best value for taxpayers' money where transparency allows proper scrutiny.
- Supporting a steady improvement in health and reduction in inequalities between the most and least deprived.

# Director's Summary

On behalf of Leicester City PCT, I am pleased to present our first Value For Money Annual Report. This report highlights key achievements during 2007/08 as well as detailing some of the new and exciting projects to be undertaken in 2008/09.

Our vision is "To be among the healthiest cities in England." We can help to achieve this by driving out procurement related savings, efficiencies and other benefits to patients. The additional resources released can then be used to address health inequalities and improve health services in the City of Leicester.

I hope you find the report useful and would welcome any feedback or comments you have.

Sue Bishop

Director of Finance  
& Delivery

Leicester City PCT



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# Value for Money Explained

Value for Money (VfM) is the term used to assess whether or not an organisation has obtained the maximum benefit from the goods and services it acquires and/or provides, within the resources available to it.

All public service organisations have a duty of care to taxpayers for appropriate use of public funds.

Organisations should proactively look to ensure that the maximum return is achieved on taxpayers' investment.

VfM is generally identified by the '3 E's': Economy, Efficiency and Effectiveness. They can be defined as:



**E**conomy - acquiring resources of appropriate quality and quantity at the lowest cost – the measure of inputs

**E**fficiency - Maximising the useful output from the resources used, or minimising the level of work in producing a given level of input – the measure of the relationship between inputs and outputs

**E**ffectiveness - ensuring that the output from any given activity is achieving the desired result – the measure of output and outcomes

# Value for Money Explained

VfM is of growing importance within the NHS, and the public sector at large. This has been demonstrated through various nationally-led initiatives, such as:

- Assessment of VfM within the Auditors' Local Evaluation (ALE) as part of the overall Healthcare Commission ratings assessment
- Department of Health (DH) Cost Improvement Programmes, which require NHS organisations to make 3% cash releasing efficiency gains in 2008/09
- Increasing numbers of national and local targets and priorities
- The introduction of Payment by Results and Programme Budgeting, which have emerged as part of the wider VfM drive within the public sector in recent years

VfM has become a greater priority in the NHS for a number of reasons. They include:

- The Department of Health (DH) placing a duty of VfM on all NHS Trusts to ensure all services are continuously improving in terms of economy, efficiency and effectiveness
- Growing media scrutiny, especially since the introduction of the Freedom of Information Act, which is designed to encourage more accountability and greater transparency in the way we operate, including how we spend money
- As we move towards World Class Commissioning (WCC), one of our core tasks is to invest locally to achieve the greatest health gains and reductions in health inequalities, at best value for current and future service users. That is why VfM sits at the heart of WCC's 'make sound financial investments' competency
- The comparatively large levels of year-on-year growth have come to an end, following the outcomes of the 2007 Comprehensive Spending Review; growth over forthcoming financial years will be relatively modest

## VALUE FOR MONEY

"... it is becoming clear that the careful measurement of productivity growth plays a central role in deciding how much of taxpayers' money to spend on health-care and in holding the NHS to account for its spending. The pursuit of better measurement of value for money therefore has a central role in informing public debate."

*Value for Money in the English NHS (December 2006)*

**The Health Foundation**

# Where We Were

2006/07



*1 October 2006 merger of*

*Leicester City West PCT  
& Eastern Leicester PCT*



*Financial Shortfall £26m  
(before Turnaround)*

*£11m prior year debt  
& £15m recurrent shortfall*



*Turnaround Plan (Dec 2006)*

*£18.8m of savings to be  
achieved  
£0.136m surplus delivered  
BUT not in recurrent financial  
balance*

## LEICESTER CITY PCT TURNAROUND PLAN (DECEMBER 2006):

“The sustainable achievement of these objectives requires the re-establishment and maintenance of financial balance. Until this is secured, our ability to discharge our core responsibilities is put at direct risk.”

# Where We Are Now

2007/08



## Financial Recovery Plan (FRP)

Gross Target £24.1m PLUS Allowance for non-achievement £5.8m



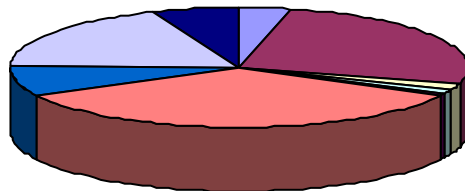
## Financial Surplus

Planned Surplus £2.2m Current Forecast £2.2m

109% of Financial Recovery Savings Achieved

Return to Recurrent Financial Balance

### Delivered FRP Schemes 2007/08



- Continuing Care
- Schedule Schemes
- Specialised Services
- Out of Hours
- VSA savings
- Unscheduled Schemes
- Medicines Management
- PCT Infrastructure & IM&T
- Costs of Delivery

## The Turnaround Plan

The Turnaround Plan - an 18 month programme to ensure that we are able to meet the health needs of the people of Leicester within the available resources - helped us to deliver long-term savings by changing the way we work. 2007/08 continued the Turnaround Plan initiatives to deliver the required Financial Recovery Savings and ensure the PCT returned to recurrent financial balance.

Some of the 2007/08 FRP schemes were a continuation of schemes started or worked up in 2006/07 which were then rolled out as best practice. Full details of all the schemes can be found in the PCT's Turnaround document on the PCT's website ([www.leicestercitypct.nhs.uk](http://www.leicestercitypct.nhs.uk))

### LEICESTER CITY LATEST, FEBRUARY 2008:

"Leicester City Primary Care Trust's (LCPCT) 18-month programme to deliver financial balance has been a resounding success and is well ahead of schedule.

Just over one year after the launch of *The Turnaround Plan*, LCPCT has delivered a surplus. This surplus is allowing the trust to bring forward some of the investments that were originally due to start in April 2008 and, at its meeting on 31 January, the trust board gave the go ahead for the series of accelerated investment schemes."

# Where We Are Now

## re:source procurement hub

The *re:source* procurement hub was formed on 1st April 2006 as an agency of Sherwood Forest Hospitals NHS Trust- its shareholders are all NHS organisations in the NHS East Midlands region.

In 2007/08 the hub delivered savings of £0.472m for Leicester City PCT. As the hub becomes more established and strives for continuous improvement in procurement pathways for its shareholders, the PCT can expect to benefit from greater savings in this and future financial years.

### RE-SOURCE PROCUREMENT HUB

*re:source* negotiates regional and local contracts through collaborative procurement. Purchasing managers interface with suppliers and lead the negotiation of supply contracts.

## re:source Case Study – Low Secure Services

Low secure units deliver intensive, comprehensive, multidisciplinary treatment and care by qualified staff for patients who demonstrate disturbed behaviour in the context of a serious mental disorder and who require the provision of security.

In May 2007, *re:source* advertised for expressions of interest from organisations to provide low secure services for adults with mental health and learning difficulties.

74 providers expressed interest in the contract. Of those, 35 went on to complete a pre-qualification questionnaire. 17 of those successfully passed this stage and had their units assessed as part of the Fitness for Purpose process.

13 of the final 17 providers achieved approved provider status. The contracts started on 1 January 2008 and will run until 31 December 2010. One of the successful providers was Leicestershire Partnership Trust (LPT).

Some of the outcomes of this process have been the achievement of a standard price schedule, early payment discounts, agreed key performance indicators and a saving for East Midlands NHS organisations of £1.2m; £0.134m of which is directly attributable to the City PCT.

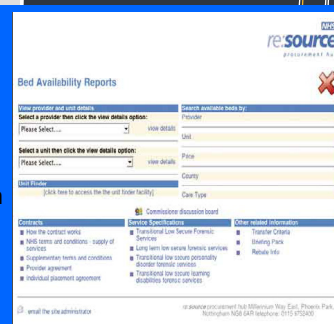
### Unique Web-Tool

A wealth of information about the low secure services market has been gathered throughout the project. *re:source* was keen to use this information to support local decision-making.

Working in partnership with the Nottinghamshire Health Informatics Services, the hub has developed a groundbreaking web-tool that provides useful data to commissioners, referrers, clinicians, case managers and finance leads at the touch of a button.

It means for the first time ever, commissioners can access 'live' up-to-date bed availability data from the approved providers.

The tool also allows commissioners to conduct key searches by criteria including location, care type and price; allowing them to compare providers on a like-for-like basis.



# Where We Are Now

## New Team

In April 2007, the PCT created a Financial Planning team. A key feature of the strongest performing NHS organisations is effective forward planning. Recognising the need to embed a culture of medium-term thinking within the organisation, the Director of Finance created the new team.

Clare Hopewell was appointed as the Head of Financial Planning and Corporate Performance. Mohamed Chatra was recruited as the Corporate Performance Accountant. The team's initial focus was supporting delivery of the Financial Recovery Plan.

Since then, Financial Planning has made great strides in laying the foundations for robust development of the PCT's medium and long-term plans, which proactively address the VfM concepts of economy, efficiency and effectiveness.



### FINANCIAL PLANNING: THE WAY FORWARD

"The classic model of the health service finance function is out of date. Departments need to evolve beyond the short-term break-even culture and become more involved in long-term business strategy"

- Alan Edwards,  
Partner,  
Government  
Advisory,  
KPMG

## VfM Strategy

In June 2007 the PCT approved a VfM Strategy. The purpose of this was to recognise the growing levels of accountability, transparency and appropriate use of resources expected of the organisation.

The VfM Strategy outlines a number of strategic objectives. They are:

- Target resources towards meeting the needs of local people
- Ensure equity of outcomes across all areas of the service in order that services not exclude any sectors of the community
- Integrate VfM principles within existing corporate, business and financial management, planning and review processes
- Adopt recognised best practice where appropriate
- Promote a culture of continuous improvement
- Undertake benchmarking of services requiring review

# Where We Are Now

## (VfM Strategy continued)

- ◆ Undertake structured reviews of services and functions
- Act on review findings to improve performance and respond to opportunities associated with Practice Based Commissioning
- Ensure that all staff are trained to recognise their obligation to seek VfM for the PCT as part of their routine activities and to raise the profile of VfM across the organisation
- Engage with the population, users, carers, partner organisations and other key stakeholders so that they are consulted and play an active role in securing VfM in the services delivered
- Where services are being significantly changed, satisfy the Service Redesign Review Committee that VfM is being achieved
- Demonstrate actively to internal and external stakeholders that the achievement of VfM is sought in all activities taken

## VfM Action Plan

To put the VfM Strategy into practice, a detailed Action Plan was developed.

The plan consists of 58 action points which are categorised under:

- Performance management of improved rate of return in 2007/08
- Ascertain current position
- Benchmark current position
- Finding other productivity opportunities
- Confirm new target resource and productivity levels
- Move expenditure of PCT to more appropriate settings
- Capital resources
- Other VfM assurances

### VALUE FOR MONEY STRATEGY, JUNE 2007:

“Although VfM has always been a key consideration in the decision-making and review process in Leicester City PCT, the approach to securing value for money needs to be more systematic and methodical to provide robust assurance to the Board, and also to satisfy the evidential requirements of Fitness for Purpose and the Audit Commission’s Auditors’ Local Evaluation.”

# Where We Are Now



## VfM Action Plan – Achievements

Financial planning has made solid headway in improving the standing of VfM within the PCT in its first full year of operation.

Those achievements include:

- Regular reporting of the PCT Financial Recovery Plan
- Conducting financial benchmarking which has been recognised at DH level as an example of good practice
- Development of a Self-Assessment Tool which can aid managers in improving VfM within services and service developments
- Promotion of VfM within the organisation through presentations to senior managers and budget holders at workshops and conferences
- Creation of a horizon scanning register
- Joint working with Leicester City Council to identify new income streams
- Development of an investments/savings prioritisation model
- Getting recognition of VfM in other PCT strategies and processes (e.g. Operational Plan, Business Case Development Policy)
- Quarterly VfM reporting to the F&P Committee

### VFM ACTION PLAN

The 2007/08 VfM Action Plan was comprised of 58 action points. Of these:

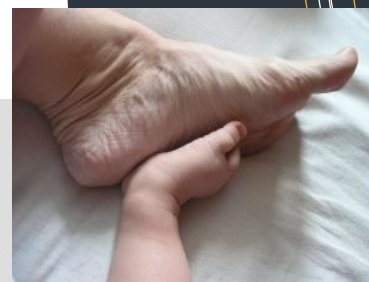
49 were met  
9 were not met

Areas of weakness in meeting the Action Plan were:

- Assurance processes for Cost Improvement Programmes
- Development of a mechanism to monitor quality standards and financial information
- Budget allocation through effective service reviews and contract negotiations

These are being addressed as part of the 2008/09 VfM Action Plan

# Where We Are Now



## Benchmarking

In October 2007, Financial Planning conducted a Programme Budgeting (PB) benchmarking exercise. The DH is keen for PCTs to use PB benchmarking as a means by which to allocate resources, and this was the first time the PCT had conducted such an exercise. PB is a retrospective appraisal of resource allocation, broken down into meaningful programmes, with a view to tracking future resource allocation in those same programmes.

The PCT's 2006/07 PB return was compared to a peer group of 15 similar PCTs - see graph and key findings. The idea was to see whether our patterns of expenditure are similar to those parts of the country that face similar health issues.

Other Categories are Cancers & Tumours (2), Disorders of the Blood (3), Mental Health Disorders (5), Problems of Vision (8), Problems of Hearing (9), Problems of Respiratory System (11), Dental Problems (12), Problems of Gastro Intestinal System (13), Problems of the Skin (14), Problems of Musculo Skeletal System (15), Problems due to Trauma & Injuries (16), Adverse effects & poisoning (20), Social Care Needs (22), Other (23).

The outcomes of this process were reported in papers submitted to the F&P Committee in November 2007 and March 2008. The results prompted healthy discussion about what we spend our money on, and stemming from this debate, service reviews will examine expenditure on specific areas in the 2008/09 financial year (see *Where We Are Heading – p. 18*).

PB is still a relatively new concept, so the processes involved in gathering and analysing data are still being refined. In response, the DH has introduced the *Unify2* data collection system which it hopes will make the data capture process more accurate and boost the PB process. This will help ensure more robust investment/disinvestment decision making.

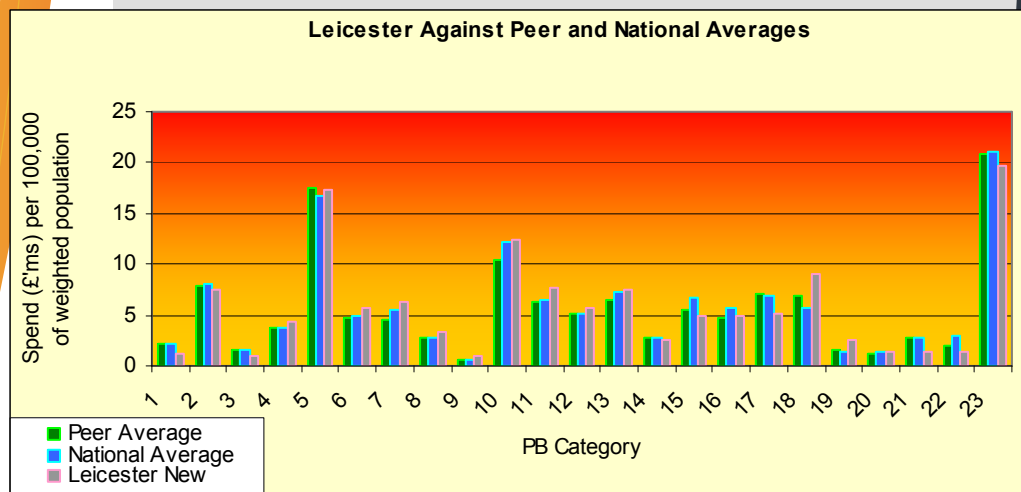
## PROGRAMME BUDGETING - KEY FINDINGS

Categories where we were spending appreciably over peer averages are:

- Endocrine, Nutritional & Metabolic (4)
- Problems of Learning Disability (6)
- Neurological (7)
- Problems of Circulation (10)
- Maternity & Reproductive Health (18)
- Conditions of Neonates (19)

Categories where we were spending appreciably under peer averages are:

- Infectious Diseases (1)
- Problems of Genito Urinary System (17)
- Healthy Individuals (21)



# Where We Are Now

## VfM Self-Assessment Tool

VfM is not the easiest of concepts to translate at a practical level. To this end, Financial Planning devised a VfM Self-Assessment Tool.

The idea behind the Tool is to assist managers within the PCT to gauge the level of VfM being achieved by teams, services or contracts, or VfM likely to be achieved by service development proposals.

The Tool not only helps the PCT to demonstrate a proactive approach to VfM, it also assists managers to identify areas of weakness, and provides help on how to improve in areas where VfM is weak.

The results of recent self-assessments conducted using the Tool are shown adjacent.

The plan is for the Tool to become fully adopted within the PCT so that all business cases are subject to VfM self-assessments, and the intention is for all services to undertake the same process on an annual basis. This will further help to embed VfM within the culture of the organisation and it will provide solid evidence for ALE in addressing several KLOE sub-components.

*Self-Assessment Tool extract showing the Economy component: with example scoring:*

### VFM SELF ASSESSMENT SCORES

All VfM Self-Assessments are given a percentage score out of 100. The higher the score, the greater is the achievement of VfM within that service or Directorate.

Self-assessments were completed by Equality and Human Rights, Finance, HIS, Information and Performance, LD Services, Primary Care and Quality Assurance.

Scores ranged from 48% - 78%.

#### Economy - careful use of resources to save expense, time or effort

No.	VfM Statement	Self Assessment Statement	Rating	Evidence
A1	The cost of my service compares well with others	I have data that compares the cost of my service against others and can demonstrate improvements made	3	Examples- reference costs, benchmarking data
A2	My service ensures good value for money in procurement	I use single tender actions occasionally	2	Provide brief details of tender or similar action undertaken
A3	My budget is well managed and I achieve all financial targets	I have consistent financial, activity and manpower budgets that are regularly reviewed and achieved	4	Provide brief details to support, such as recent years' outturns against plan
A4	My service has appropriate staffing levels and the right skill mix	I frequently make use of agency or bank staff to fill gaps	1	Provide brief details to support examples such as a recent staffing review

# Where We Are Now

## Auditors Local Evaluation (ALE)

ALE is an annual assessment of NHS organisations' use of financial resources. The assessment is comprised of five key lines of enquiry (KLOE), one of which relates to VfM.

For 2006/07, the PCT scored two (out of a possible four). Of the four key components of the VfM KLOE, 5.4 - managing and improving value for money, is the one most relevant to the VfM Strategy (5.1-5.3 relate more closely to the Strategy and Market Management, Communications and Quality Assurance Directorates respectively). Key recommendations stemming from KLOE 5.4 related to:

- Establishing benchmarking and value for money reviews
- Review of provider reference costs
- Updating of the procurement policy

All of these were addressed as part of the VfM Action Plan.

The 2007/08 ALE assessment concluded at the end of March and the PCT earned an overall score of three. However, the scores are still subject to moderation so scores could be revised during this process over the summer months.

## Provider Reference Costs Analysis

In response to the 2006/07 ALE recommendations and VfM Action Plan, Financial Planning obtained reference costs information from its main secondary providers. They are:

- University Hospitals of Leicester (UHL)
- Leicestershire Partnership Trust (LPT)
- East Midlands Ambulance Service (EMAS)

The outcomes of initial analysis conducted on the reference costs information revealed that LPT reference costs were below national averages whereas UHL and EMAS reference costs were above national averages.

Financial Planning will look to complement this analysis of provider utilisation with more detailed examination of this data

### ALE 2007/08 (2006/07)

Scores for the ALE VfM element's four KLOE's were:

Strategic and Operational Objectives 3 (2)

Meeting Patients' Needs and Community Engagement 3 (1)

Monitoring and Reviewing Performance, Including Data Quality 3 (1)

Managing and Improving Value for Money 2 (2)

NOTE: 2007/08 scores are provisional.

# Where We Are Heading



The PCT needs to strategically shift its focus from relying on growth monies to that of driving down unit costs to ensure resources are available for new investments. To achieve this aim a number of areas are being concentrated on in 2008/09.

## Efficiency and Productivity

Where operational budgets were overspent at the end of 2007/08, the expectation was that individual budget holders eliminated this over-performance without financial support.

All service providers will be expected to deliver at least 3% cash releasing efficiency equating to £12m for 2008/09. This assumption is applied by reducing inflationary uplifts given to providers (PBR tariff 5.3%—3.0%) for those baseline services that continue to be commissioned next year in the same way. The PCT will not performance manage the delivery of this efficiency by providers but will request formal assurance that this level of saving has been made through specific contract clauses.

A drive to improve productivity will focus on four main areas in 2008/09:

- Long-term conditions
- Medicines management
- IM&T enabling strategies
- Review of patient services where the cost incurred during 2008/09 is rebased to an actual usage charge

External productivity benchmarks, such as the NHS Institute for Innovation and Improvement 'Our Health, Our Care, Our Say' indicators will also be used to improve performance.

“It will be for individual NHS bodies to decide the best measures for their (productivity savings), but an initial assessment of the more significant areas of opportunity (include):

- reducing variations in productivity across the NHS by spreading new technologies and best practice across the NHS. Reducing such unnecessary variation could potentially generate net-cash-releasing savings of £1.5 billion per year by 2010-11.”

**COMPREHENSIVE  
SPENDING  
REVIEW  
2007,  
THE TREASURY**

# Where We Are Heading

## *re:source* 2008/09 Projects

The *re:source procurement hub* on behalf of the East Midlands Health Community are working on various workstreams which are expected to generate significant savings in 2008/09.

There are six categories within the *re:source procurement hub*:

- ◆ Clinical
- ◆ Estates and Facilities
- ◆ HR
- ◆ Office/IT
- ◆ Pharmacy
- ◆ Purchased Healthcare

As part of the Purchased Healthcare category, there are four main projects currently under review:

***Rehabilitation (Psychiatric & Learning Disabilities)*** - *re:source* needs to stimulate the market to promote clinical innovation and competition in this developing market.

***Psychiatric Intensive Care unit (PICU)*** - there is an opportunity to discuss the supply of PICU services with other approved providers of secure services to expand the market and therefore increase capacity.

***Continuing Care*** - there is scope to develop a standard pricing policy that can be applied to all care homes, to agree a 'pilot' project for supported living incorporating Registered Social Landlords and agree regional prices for new homes/ major providers.

***Regional Assessment Team*** - this project will initially be a scoping exercise to review all areas of spend across the PCTs, either regional or individually, that are not being captured by any of the other projects currently being undertaken (e.g. high cost placements).



# Where We Are Heading

## Upcoming Workstreams

Other work planned for the 2008/09 financial year aimed at improving the PCT's VfM position includes:

- Playing an active part in performance monitoring for the PCT's Operational Plan investments
- Service reviews of:
  - Maternity Services
  - Sexual Health
  - Learning Disabilities
- Adapting to the 2008/09 ALE process which is intended, by the Audit Commission, to become a VfM assessment of NHS organisations. The proposed changes will see the current five KLOEs replaced with three new VfM-based categories
- A review of PCT back office functions
- A review of Primary Care productivity in response to a National Audit Office report which claimed that GP productivity had decreased since the introduction of new contracts
- Actively seeking out examples of Best Practice from other public sector organisations and looking to see how we can implement success stories from them into the PCT
- Assessing the financial impact of implications from the Next Stage Review
- Detailed productivity work on the four work areas referred to on page 16



Outcomes from this work will be fed into the operational plan and become part of the annual planning process.

## In Closing...

*“The PCT continues to make good progress to ensure that the maximum return is achieved on taxpayers’ investment in health services in Leicester.*

*Work completed in 2007/08 has formed a good platform for the PCT to leap forward as it strives to ensure VFM in everything that it does.”*

Sue Bishop  
Director of Finance & Delivery



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