

Local Care Board – 11 December 2019

Paper Title:	System Financial Position as at end September 2019 - Month 7	Item no:	8 – LCB19-021
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Background/ Context:	This paper provides the Local Care Board with an update on the financial position of the Isle of Wight Health and Care system and risks as at October 2019 (month 7).		
Strategic Alignment:	<p>The system has an overall in-year savings target of £23.4m, (CCG £10.6m, Trust £10.5m and Local Authority £2.4m).</p> <p>The CCG and Trust have a combined deficit control total of £26.2m before receipt of non-recurrent support of £22.2m from NHSE/I, which is dependent upon achievement of financial plans each quarter.</p> <p>The CCG is on plan, the Trust are off plan by £0.3m at Month 7. The system was on plan for Q1 and Q2 thereby achieving £7.8m of the £22.2m available non-recurrent support. There is however a risk to the Q3 non recurrent support if the position is not recovered by the end of Q3.</p> <p>The challenge to deliver against plans increases in the latter quarters.</p>		
Analysis of Risk:	<p>The risk to the system includes;</p> <ol style="list-style-type: none"> 1. The pace of developing and delivering savings schemes to achieve savings targets. 2. Lack of potential clinical workforce to deliver the community models required out of hospital to enable the required acute bed reduction. 3. Interdependencies between savings schemes within each system partner and any unintended impact across the system. 4. Impact on the finances for unplanned additional costs (above plan) of delivering constitutional targets such as referral to treatment (RTT), Cancer and A&E. 5. Increased costs within the Emergency Department around safety and quality due to lack of flow. 6. Achieving non-recurrent support in Q3 & Q4. 		
Recommendation(s) to the Board:	<p>The Local Care Board is asked to:</p> <ul style="list-style-type: none"> • Review contents of summary report, note that overall financial performance is slightly off plan for month 7 and the £9.3m forecast risk to the year-end position and mitigations identified. 		
Decision Required by Board	<input type="checkbox"/> Approval <input checked="" type="checkbox"/> Received for discussion <input type="checkbox"/> To Note for Information only		

System Summary Financial Position – October 2019 (Month 7)

2019/20 Performance Month 7	YTD Plan (£m)	YTD Actual (£m)	YTD Variance (£m)	2019/20 Plan (£m)	2019/20 Forecast (£m)	Forecast Variance (£m)
Isle of Wight CCG - Control total	(2.7)	(2.7)	(0.0)	(4.7)	(4.7)	0.0
CCG Non- recurrent support	1.6	1.6	0.0	4.7	4.7	0.0
Isle of Wight NHS Trust - Control total	(14.5)	(14.9)	(0.3)	(21.5)	(21.5)	0.0
Trust Non- recurrent support	7.9	7.9	0.0	17.5	17.5	0.0
Total Health System	(7.8)	(8.1)	(0.3)	(4.0)	(4.0)	0.0
Local Authority - Expenditure	N/A	N/A		64.4	64.4	0.0
Total System	(7.8)	(8.1)	(0.3)			

At the end of Q2, the system had achieved it's year to date plan, and had received Q2 non-recurrent support of £4.7m (Trust £3.5m, CCG £1.2m). Combined with the Q1 support of £3.1m, the system has received £7.8m of the £22.2m available. The challenge to deliver against plans increases in the latter quarters due to the phasing of QIPP, although the system's ambition and commitment is to deliver the plan, there is an increasing risk to delivery.

As at the end of October the system is slightly behind plan. A number of risks have been identified and shared with NHSE/I that amount to £9.3m after mitigations, some of which are crystalizing in the year to date position. These are outlined in the table later in this document and were discussed at the LCB finance seminar which was held on 13 November 2019.

The system control total for Health is a deficit of £4m. This is after assuming £22.2m of non-recurrent support, reliant on each organisation delivering the plan. In agreeing to the control total, Health were required to take a further £2.7m risk into plans, resulting in an increased level of savings.

The Local Authority year end forecast is on budget at this stage. There are emerging pressures in Children's £1.3m (care packages) and in Adults c £0.83m (mainly care packages) which the Local Authority will initially look to manage across the wider council budgets.

System Savings Target

2019/20 Savings Plans	YTD Plan (£m)	YTD Actual (£m)	YTD Variance (£m)	2019/20 Plan (£m)	2019/20 Forecast (£m)	Forecast Variance (£m)
Isle of Wight CCG	3.0	3.3	0.3	10.6	8.8	(1.8)
Isle of Wight NHS Trust	3.4	3.5	0.1	10.5	10.5	0.0
Total Health System	6.4	6.8	0.4	21.0	19.3	(1.8)
Local Authority	2.0	1.5	(0.5)	2.4	1.9	(0.5)
Total System	8.4	8.3	(0.1)	23.4	21.2	(2.3)

The overall system savings target is £23.4m. The system is behind plan at Month 7, however, some of this is being mitigated by underspends on other budgets.

The Trust is slightly ahead of plan. Some Trust workforce savings have been delivered on a non-recurrent basis.

Overall the CCG at Month 7 is £0.3m better than plan, this is mainly due to non-recurrent savings. The CCG

has an ambitious prescribing target of £3.3m which is currently behind plan. There has also been a significant increase in drug costs managed at a national level (Category M drugs) which is having an impact across all CCGs in Hampshire and the Isle of Wight. Conversations are taking place with NHSE/I regarding how this cost pressure is managed and whether any National funding might be available to support this, but this is not guaranteed.

The Local Authority is behind plan due to increased costs within packages of care.

In order to ensure receipt of non-recurrent support from NHSE/I, Health savings have been phased into the latter part of year which is a recognised approach to secure such funds.

Health Non-Recurrent Support from NHSE/I

The system has signed up to a deficit control total of £26.2m. In signing up to this control total, we are eligible for non-recurrent financial support from NHSE/I of £22.2m as outlined below.

The table below shows the 2019/20 deficit control totals and non-recurrent support available:

	Deficit Control Total £m	NR Support Q1 £m	NR Support Q2 £m	NR Support Q3 £m	NR Support Q4 £m	Total NR Support £m	Deficit Control Total after Support £m
IW CCG	(4.680)	0.470	1.170	1.402	1.638	4,680	0
IW Trust	(21.501)	2.625	3.500	5.251	6.126	17.502	(3.999)
Totals	(26.181)	3.095	4.670	6.653	7.764	22.182	(3.999)

Non-recurrent support increases in each quarter in recognition of the challenge faced as the year progresses.

System Financial Risk

At the end of October a risk of £9.3m was identified against delivery of the £26.2m deficit plan. This would put at risk £14.4m of external support funding for Q3 and Q4. Due to phasing of savings the plan becomes more challenging as the year progresses.

Further potential cost pressures that have not been included within the £9.3m:

- Costs to deliver 52 week RTT recovery - £0.5m
- Potential high cost CHC packages £0.35m
- Locum doctors working time directive claim £0.75m

A finance focused seminar for the Local Care Board was held on 13 November 2019 to seek actions to address the in-year challenge. In addition the Trust held an Executive Finance Away Day on 20 November 2019. The table below details the current risk and potential mitigations which have been RAG rated. This will still leave the Health system with a potential unmitigated risk of £6.6m if all further actions are delivered. The Trust has two further check and challenge sessions on the 4 and 12 December involving Non Executive colleagues. A further update on the outcome will be presented to the January LCB.

Risk / Issue	CCG £m	Trust £m	Local Authority £m	Total £m
National Category M drug costs	0.60			0.60
GP Practice Closures	0.25			0.25
Increase in mainland acute activity	0.50			0.50
Stretch to meet control total	1.35	1.35		2.70
Potential slippage on QIPP/CIP	0.40	1.15		1.55
ED/MAU		2.50		2.50
Shackleton Ward mainland placements		0.30		0.30
Cost over plan to delivery activity		0.70		0.70
Cost of financial recovery & transformation		0.80		0.80
Overseas recruitment programme		1.40		1.40
Children's social care			1.30	1.30
Adult social care			0.83	0.83
Mitigations	(0.90)	(1.10)	(2.13)	(4.13)
Total	2.20	7.10	0.00	9.30

Phasing of risks / issues		
Actual Q1 & Q2 £m	Risk & Issues Q3 £m	Risk & Issues Q4 £m
0.10	0.25	0.25
		0.25
	0.25	0.25
		2.70
0.20	1.70	(0.35)
1.40	0.70	0.40
0.10	0.10	0.10
0.10	0.20	0.40
0.40	0.10	0.30
0.10	0.60	0.70
0.60	0.30	0.40
0.40	0.20	0.23
(3.40)	(1.20)	0.47
0.00	3.20	6.10

Further Mitigations	RAG	CCG £m	Trust £m	Total £m
ED/MAU (Q3/4)	R		0.20	0.20
Shackleton placements and staff (Q3/4)	A		0.10	0.10
Corporate Recruitment freeze	G	0.20	0.20	0.40
Unfunded activity	R		0.30	0.30
Post Q1 investments	A	0.10	0.40	0.50
Review smaller contracts	A	0.10		0.10
CIP slippage recovery	A		0.50	0.50
Transformation costs	A		0.10	0.10
Centrally held funds / balance sheet- potential 2020/21 impact	A	0.50		0.50
Total		0.90	1.80	2.70

Financial Plans

The CCG and Trust have submitted Long Term Financial and Activity Plans to 2023/24 as part of the Hampshire and Isle of Wight STP Long Term Plan submission. The submitted plans reflect the requirements and key assumptions that have been signed up to within the Island Health and Care Sustainability Plan and are fully aligned between the Trust and CCG.

NHSE/I have published on 4 October financial trajectories for all NHS organisations, for the Isle of Wight, these are outlined below, and the system will receive non-recurrent financial support equal to the value of the deficit trajectory:

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
IOW CCG	4.7	4.1	3.5	2.8	2.4
IOW Trust	21.5	19.7	18.8	16.7	15.3
Deficit Total	26.2	23.9	22.3	19.5	17.7

Sustainability Plan Deficit Total	26.2	19.4	11.9	n/a	n/a
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The trajectories allow for a smooth improvement in each financial year, reaching a position in 2023/24 that largely and coincidentally reflects the level of structural deficit within the system.

National Planning guidance is expected later in December together with the National Planning timetable.

Investments

The LCB agreed funding of Compton Ward on a non-recurrent basis of £429k and approved the outline draft business case for Onwards Care and Independence of £582k in year from the system reserves for 2019/20 (being a combination of monies set aside by the CCG for investment in OCI and unspent Vanguard monies from prior years). There has been some slippage to these schemes in terms of delays in recruitment.

The Finance Sub-group are working with the PMO to review the KPIs that are already available to enable monitoring and challenge of delivery of savings, how these align to the sustainability plan, where there is slippage, and further work required. A bed plan has been requested to understand how bed reductions (25 required in total for 2019/20 and a further 25 beds in 2020/21) and hence the associated cost reduction will occur, what the impact will be and how any residual risk is going to be addressed.

The system has been very recently successful in bidding for a further £1.2m worth of Winter funding. This is in addition to the £766k already received by the LA and is also in addition to the funding required to deliver the system agreed Winter plan. The system A&E Delivery Board is the body responsible for the allocation and accountability of both benefits and spending and will report to the LCB on progress and outcomes.

Key KPIs will determine system success and the LCB is asked to endorse the A&E Delivery Board in redistributing funding where slippage occurs or if the expected benefits are not realised. The A&E Delivery Board is producing a list of other schemes to replace those that slip.

Capital - £48m Capital Investment

Project support has been identified across finance, estates, IT and acute transformation within the Trust. An estates masterplan stock take has commenced including an assessment of current IT opportunities. The original bid which was submitted in 2018 is being refreshed. Key links are in place with partner organisations. The existing programme governance arrangements are being reviewed and a project plan covering key milestones prior to production of the Strategic Outline Case (SOC) is to be developed. The SOC will need to be submitted after approval through organisational and system governance routes by 31 March 2020.

LCB Finance Sub Group

The Finance Sub Group meet monthly with agreed terms of reference broadly covering the items within this report.