



## **PERTH & KINROSS INTEGRATION JOINT BOARD**

**17 December 2019**

### **DEVELOPMENT OF 3 YEAR FINANCIAL RECOVERY PLAN**

**Report by Chief Financial Officer (Report No. G/19/203)**

#### **PURPOSE OF REPORT**

This report provides an update to the Integration Joint Board (IJB) on the development of a 3-Year Financial Recovery Plan 2020/21 to 2022/23.

#### **1. RECOMMENDATIONS**

It is recommended that the Integration Joint Board:-

- 1.1 Note the intention to work with NHS Tayside and Perth & Kinross Council to develop a 3 Year Financial Recovery Plan and request that the Chief Officer take forward discussions thereon with both partners.
- 1.2 Note the significant and unavoidable cost and demand pressures and essential service developments facing the IJB over the next 3 years, over and above the existing £4.1m structural deficit.
- 1.3 Note the work being done by PKHSCP to redesign services and identify savings over the 3-year period to offset the significant pressures.
- 1.4 Note the scrutiny and review that has been undertaken to date by the IJB Budget Review Group.
- 1.5 Agree that a further update be brought forward to the next IJB meeting.

#### **2. BACKGROUND**

- 2.1 A robust 2019/20 Financial Plan was developed and approved by the IJB which included radical 'invest to save' plans for Older Peoples Services. Despite a significant forward looking transformation and efficiency programme the plan presented an underlying recurring deficit across all IJB devolved services of £4.1m.

- 2.2 All efforts have been made by PKHSCP to identify opportunities to offset the recurring deficit. An in -year Financial Recovery Plan was approved by the IJB in September 2019 which was subsequently approved by both parent bodies in November 2019. This was expected to reduce forecast overspend further to £3.3m.
- 2.3 NHS Tayside and Perth & Kinross Council have subsequently requested further plans to come forward urgently which will allow in-year break even to be achieved without impacting on service delivery. All efforts will be continued to be made however this will be extremely challenging on an in-year basis.
- 2.4 It is therefore proposed that in parallel to consideration of in year measures, the collaborative approach between PKHSCP, NHS Tayside and PKC to develop an in year financial recovery plans now be refocused on the collective development of a 3 Year Financial Recovery Plan 2020/21: 2022/23 which will ensure up early and formal agreement by both partners to both the recurring and in year solutions necessary to deliver future financial balance with full cognisance of consequences for current service delivery and impact on strategic plan objectives.
- 2.5 This paper provides an update on the progress made so far and the next steps proposed.

### **3. DEVELOPMENT OF 3-YEAR FINANCIAL RECOVERY PLAN COST AND DEMAND PRESSURES**

- 3.1 A detailed analysis of cost pressures has been undertaken across services. This builds on work done last year to develop indicative plans for 2020/21 and 2022/22. Pressures of £25m have been identified with £13m pressures anticipated in Year 1. Table 1 below provides a summary of the 2020/21 pressures compared to indicative plans. Appendices 1 and 2 set out estimated pressures over the 3-year period across health and social care.
- 3.2 Whilst the 3 Year Financial Recovery Plan has been developed on an integrated basis across core health and social care services, it has been necessary to present the pressures in relation to each of the devolved budgets due to the financial risk sharing arrangements that remain in place.

**Table 1 Summary of Cost and Demand Pressures 2020/21**

	Social Care	Health	Total
	£m	£m	£m
B/F Budget Shortfall 19/20	2.4	1.7	4.1
Pay/Price Pressures	2.4	2.4	4.8
Demand Pressures	2.3	0.5	2.8
Essential Service Developments	0.2	0.7	0.9
Total	7.3	5.3	12.6

3.3 2019/20 Structural Deficit - a very robust Financial Plan was developed and approved by the IJB for 2019/20 which, despite a significant forward looking transformation and efficiency programme and including radical 'invest to save' plans for Older Peoples Services, presented an underlying recurring deficit across all IJB devolved services of £4.1m.

3.4 Unavoidable Pay/Price Pressures: In addition to pay uplifts for NHST and PKC employed staff estimated at £2.8m for 2020/21; further significant pressures arise from Scottish Government led uplifts/commitments as follows:

- Living Wage (£0.6m)
- National Care Home Contract Uplift (£1.0m)
- Free Personal Care (£0.1m)
- Carers Act (£0.3m)

The increase in expenditure arising from these commitments is unavoidable, placing a significant pressure on the social care budget.

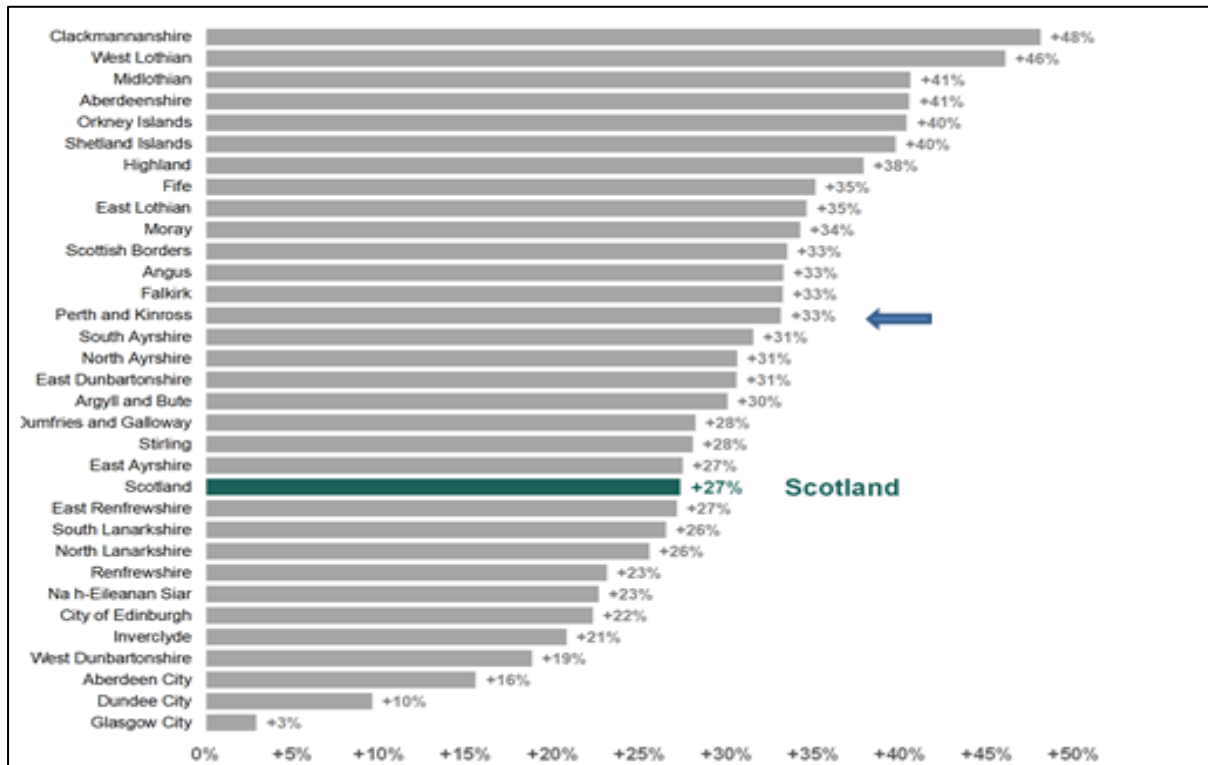
3.5 Demand Pressures: Over the last 10 years +75 residents have increased by 42% in Perth & Kinross. This is set out below in a comparison to other HSCP's and the Scottish Average

**Table 2 Growth in population over 75's 1998-2018 Source ISD Scotland**

	75+ 1998	75+ 2018	growth
<b>East Dunbartonshire</b>	6,387	11,412	79%
<b>West Lothian</b>	7,069	12,406	75%
<b>Orkney Islands</b>	1,463	2,345	60%
<b>Highland</b>	14,365	22,604	57%
<b>Moray</b>	5,940	9,184	55%
<b>Aberdeenshire</b>	13,622	20,993	54%
<b>East Renfrewshire</b>	5,837	8,987	54%
<b>South Lanarkshire</b>	18,089	26,891	49%
<b>Midlothian</b>	4,810	7,089	47%
<b>Perth and Kinross</b>	11,100	16,262	47%
<b>Dumfries and Galloway</b>	11,885	17,038	43%
<b>Shetland Islands</b>	1,390	1,966	41%
<b>North Lanarkshire</b>	17,541	24,574	40%
<b>Falkirk</b>	9,253	12,957	40%
<b>Stirling</b>	5,850	8,143	39%
<b>North Ayrshire</b>	9,332	12,981	39%
<b>Angus</b>	8,774	12,173	39%
<b>Clackmannanshire</b>	3,023	4,162	38%
<b>East Lothian</b>	6,889	9,437	37%
<b>Renfrewshire</b>	10,885	14,842	36%
<b>South Ayrshire</b>	9,540	12,752	34%
<b>Scottish Borders</b>	9,232	12,240	33%
<b>Fife</b>	24,901	32,754	32%
<b>Scotland</b>	347,095	454,736	31%
<b>Argyll and Bute</b>	7,549	9,636	28%
<b>East Ayrshire</b>	8,204	10,382	27%
<b>Na h-Eileanan Siar</b>	2,501	3,160	26%
<b>Inverclyde</b>	6,086	7,395	22%
<b>Aberdeen City</b>	14,193	16,235	14%
<b>City of Edinburgh</b>	32,345	35,991	11%
<b>West Dunbartonshire</b>	6,379	7,055	11%
<b>Dundee City</b>	11,248	12,228	9%
<b>Glasgow City</b>	41,413	38,462	-7%

The Over 75 population is expected to increase by a further 33% over the next 10 years. This anticipated growth is again higher than the Scottish average as set out at Table 2 below.

**Table 3 Anticipated Growth in population over 2016-2026 Source: ISD Scotland**



3.6 This growth will have a material and direct impact on the demand for older people's services in 2020/21 as follows:-

- Care at Home (£0.2m)
- OT Equipment (£0.1m)
- Care Home Placements (£0.9m)

Demand for Learning Disability/Autism and Mental Health Services also continues to grow. Further significant provision will be required both for transitions from Education and Children's Services and from the wider adult client group:-

- Learning Disability and Mental Health Care Packages (£1.5m)
- Prescribing of medicines by Community Mental Health Teams to support Mental Health (£0.1m)

Estimated demand pressures have been calculated on a gross basis. The transformational approach to shifting the balance of care and radically redesigning service models to both improve outcomes and drive financial sustainability across core services is outlined below.

#### 4. ESSENTIAL SERVICE DEVELOPMENTS: IMPROVING PERFORMANCE THROUGH NEW SERVICE MODELS

- 4.1 Since inception, PKHSCP have taken a transformative approach to investment in Older Peoples Services with savings delivered through transformation, efficiency and integration reinvested in enhancing services. Appendix 3 sets out the £2.5m PKHSCP actual and planned re- investment in Older Peoples Services to improve flow, capacity and shift the balance of care.
- 4.2 Phase 1 committed re-investment of £0.85m over 2017/18 and 2018/19 in service change to improve flow from hospital to community settings. This has led to significant improvement in delayed discharge performance. Table 4 below sets out the 19,900 bed days lost to delayed discharge at a cost of £4.3m to the wider hospital system based on a national average cost per bed day of £215.
- 4.3 In addition to specific investments in service redesign, significant investments has been made each year to fully meet demands for Care Home Placements and Care at Home to maximise flow from hospital and significantly reduce delayed discharges.

**Table 4 Bed Days lost to Delayed Discharge April 2015- March 2016**  
**Source: ISD Scotland**

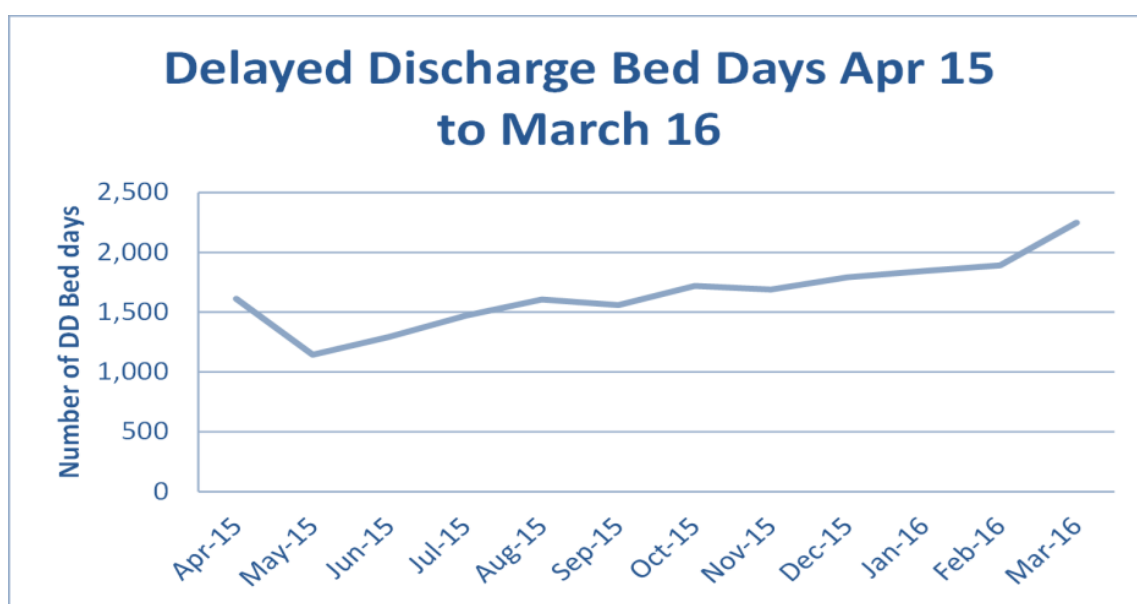
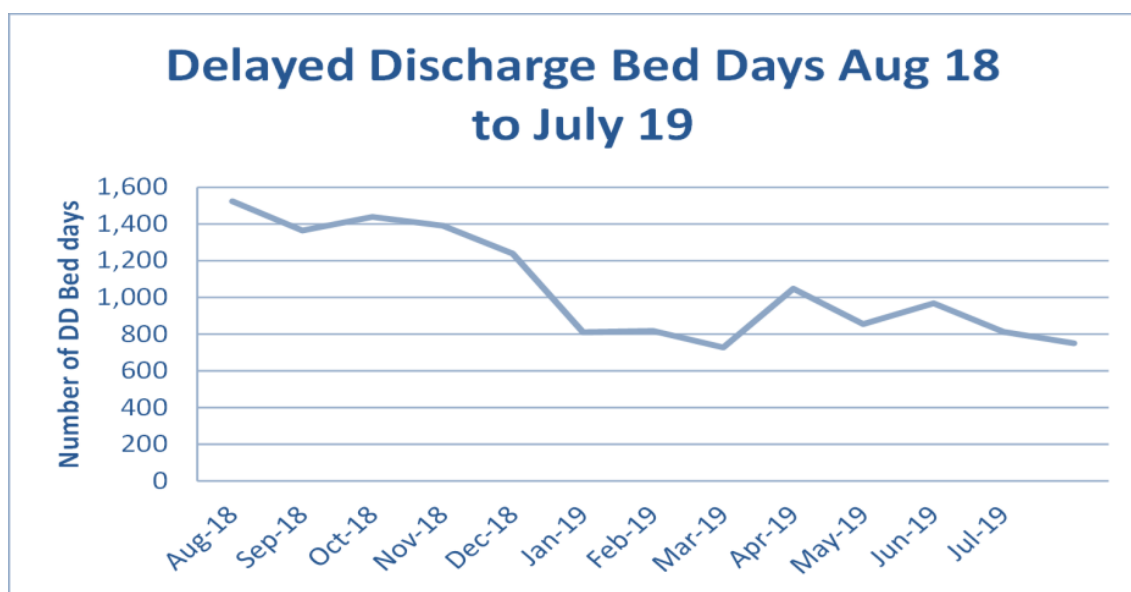


Table 5 below covers the period from August 2018 to July 2019. During this period 12,200 bed days were lost to delayed discharge at a cost of £2.6m.

**Table 5 Bed Days lost to Delayed Discharge August 2018- July 2019**  
**Source: ISD Scotland**

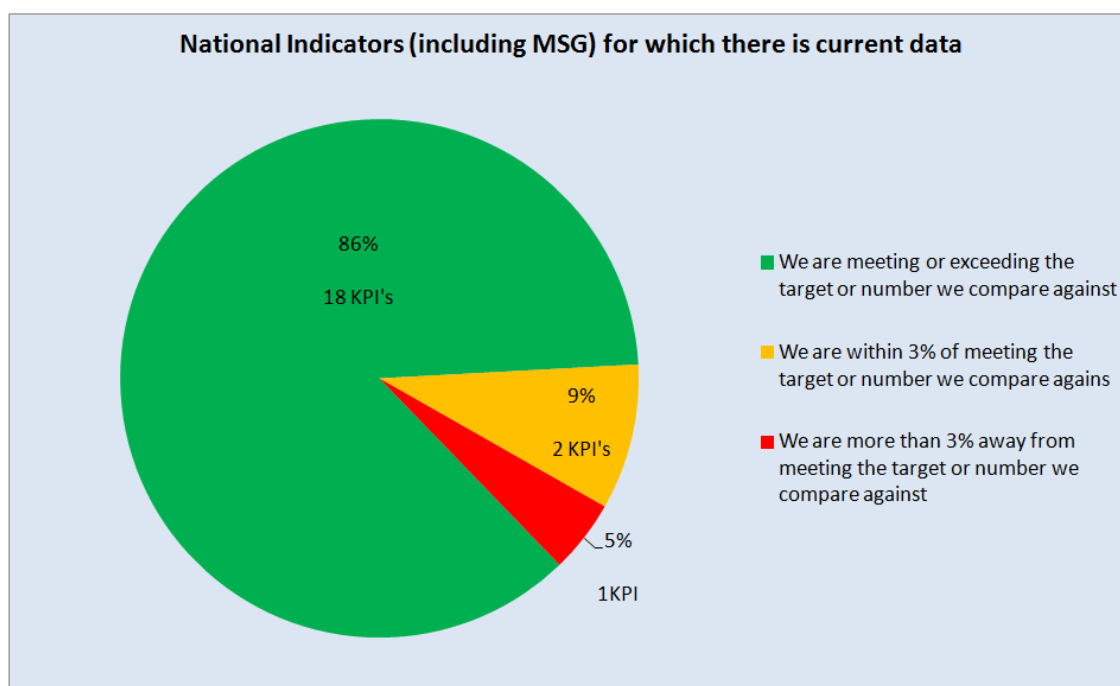


The improvement establishes PKHSCP as one of the best performing partnerships in Scotland in relation to Delayed Discharge. The reduction of 7,700 beds days between the two periods equates to a cost reduction to the wider NHS Tayside system of £1.7m.

- 4.4 Phase 2 investment of £1.58m will significantly enhance community services to keep people at home for longer and is expected to deliver savings of £2.82m (See Section 5 below). The second tranche of this key investment is £0.7m in 2020/21 and this is included as an essential service development in 2020/21. In addition, it is proposed that a further £0.1m is invested in extending the national recognised PKHSCP CAPA Programme (Care about Physical Activity) from Care Homes to clients in their own homes.
- 4.5 PKHSCP's pro-active investment strategy has supported strong performance against national performance indicators designed to measure success in delivering integration.

Table 6 below sets out that for 2018/19 PKHSCP for 18 out of 21 Performance Indicators performance was above the Scottish Average.

**Table 6 2018/19 Performance against National Indicators Source 2018/19 Annual Performance Report**



This £2.5m investment by PKHSCP and the delivery of strong service performance comes however with an opportunity cost since alternatively the savings delivered to reinvest in these essential service developments could have been used to offset legacy deficits in Prescribing, Inpatient Mental Health and Complex Care.

- 4.6 As part of the collaborative development of the 3 Year Financial Recovery Plan discussions now need to take place with NHS Tayside to ensure strong support to our Invest to Save Older Peoples Strategy, ensure collective recognition of the £1.7m wider system savings delivered to date and agree the appropriate shift of resources from the Large Hospital Set Aside Budget. In parallel, discussions are required around the anticipated impact of PKHSCP investment in Enhanced Community Services in 2019/20 and 2020/22, the anticipated impact on the Large Hospital Set Aside bed base and the appropriate transfer of resources to PKHSCP.

## **5 MEETING THE FINANCIAL CHALLENGE: SAVINGS**

- 5.1 Significant work has been undertaken to identify transformation and efficiency plans to respond to the level of pressures whilst in parallel delivering the core Strategic aims of the IJB.
- 5.2 The development of savings and transformation proposals has been led by PKHSCP's Executive Management Team (EMT). Our further programme of transformation builds on successful delivery of a significant programme of savings across core budgets over the last 4 Years.

- 5.3 For Older People and Unscheduled Care, the savings proposals are part of a 3 year invest to save strategy which through upfront investment in community based teams will deliver a fundamental shift in the balance of care with a reprofiling of beds and a delivery of significant savings in Years 2 and 3. This includes full consideration of the future requirement for all bed based services.
- 5.4 For Mental Health and Wellbeing, the savings proposals focus on a radical redesign of our Learning Disability Community Care Service Models. In addition, a review of care pathways and community investment will lead to a shift from bed-based models within Learning Disabilities and General Adult Psychiatry.
- 5.5 We have undertaken a review of all other partnership wide budgets and identified a number of further opportunities for efficiency from corporate management and commissioned services.

## **6. COLLABORATIVE WORKING WITH NHS TAYSIDE AND PERTH & KINROSS COUNCIL**

- 6.1 The indicative level of resources being made available by NHS Tayside and Perth & Kinross for 2020/21: 2023 currently falls short of that required to meet the difference between expected pressures and the level of transformation and efficiency which is currently predicted to be achievable.
- 6.2 It is therefore essential that intensive discussion now takes place as part of a formal financial recovery plan development process with both NHS Tayside and Perth & Kinross Council focused on agreement of the short, medium and long-term measures necessary to deliver a balanced budget over the 3-year period.
- 6.3 The Chief Officer will work with the Chief Executives of NHS Tayside and Perth & Kinross Council to agree a programme of meetings over December to March to take forward the development of a 3 Year Financial Recovery Plan.

## **7. ROLE OF IJB BUDGET REVIEW GROUP**

- 7.1 The IJB Budget Review Group (BRG) has met 5 times between April 2019 and December 2019 with the clear aim of ensuring intense scrutiny, review and challenge of all pressures and savings proposals. Most importantly, the IJB BRG have sought sufficient information to be assured that savings proposals protect the safety of service users, maintain patient flow through unscheduled care and remain consistent with the IJB's core strategic aims.
- 7.2 At this stage the BRG is part way through the review of pressures and it is anticipated that their review will continue to run as long as necessary to consider all proposals that arise from discussions with NHS Tayside and Perth & Kinross Council to develop a 3 Year Financial Recovery Plan.



## 8. CONCLUSION

Whilst PKHSCP are taking forward an ambitious programme of savings and service redesign, the scale of pressures identified for 2020/21 over and above the existing structural deficit will make deliver of break-even extremely challenging and difficult decisions lie ahead to ensure future financial sustainability. The Chief Officer will work with NHS Tayside and Perth & Kinross Council to agree a collaborative approach to the development of a 3-Year Financial Recovery Plan 2020/21: 2022/23 which will ensure early and formal agreement by both partners to both the recurring and in year solutions necessary to deliver future financial balance with full cognisance of consequences for current service delivery and impact on strategic plan objectives.

**Appendix 1** – Social Care Executive Summary – Pressures & Impact Analysis

**Appendix 2** – Health Executive Summary – Pressures & Impact Analysis

**Appendix 3** – Strategic Investment Older Peoples Services

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