

Kirklees Health and Adult Social Care Scrutiny Panel

24th September 2020

Update on the financial position of Greater Huddersfield CCG, North Kirklees CCG, Mid Yorkshire Hospital NHS Trust, Calderdale & Huddersfield NHS Foundation Trust, South West Yorkshire Partnership NHS Foundation Trust, Locala and Kirklees Adult Social Care.

1. Purpose

To provide the Kirklees Health and Social Care Panel with an update on the financial position of South West Yorkshire Partnership NHS Foundation Trust (SWYPFT), Greater Huddersfield and North Kirklees CCGs, Mid Yorkshire Hospitals NHS Trust (MYHT), Calderdale and Huddersfield NHS Foundation Trust (CHFT), Locala and Kirklees Adult Social Care..

2. System Financial Position

The 2019/20 planned and actual surplus / (deficit) are shown below along with the planned year end position and revenue budget for 2020/21.

	2019/20 plan surplus / (deficit) £m	2019/20 outturn surplus / (deficit) £m	2020/21 plan surplus / (deficit) £m	2020/21 Rev Budget £m
South West Yorkshire Partnership NHS FT	(0.2)	1.0	0.0	224.5
Greater Huddersfield CCG	0.0	1.0	0.0	361.7
North Kirklees CCG	(8.0)	(4.9)	0.0	302.4
Mid Yorkshire Hospitals NHS	(26.3)	(28.9)	0.0	535.0
Calderdale & Hudd NHS FT	(37.99)	(38.27)	0.0	435.3
Locala	0.6	1.7	1.2	73.5
Kirklees Adult Social Care	0.0	0.0	0.0	100.3

Notes NHS 19/20 outturn figures are before any national support
NHS 20/21 plan figures are based on new Covid national financial framework which includes break even for each organisation
() indicates a deficit

Each year all organisations face cost pressures increasing at a faster rate than the growth in their income. In order to deliver their planned year end positions organisations have to deliver ambitious savings programmes. Organisations are increasingly looking to do this in partnership with each other, taking a whole system view. The level of savings required and achieved for each organisation in 2019/20 is set out below:

	2019/20 plan £m	2019/20 outturn £m
South West Yorkshire Partnership		
NHS FT	10.6	10.7
Greater Huddersfield CCG	5.3	4.9
North Kirklees CCG	5.9	4.4
Mid Yorkshire Hospitals	19.0	18.7
Calderdale & Huddersfield NHS FT	11.0	11.0
Locala	1.6	2.6
Kirklees Adult Social Care	2.1	1.9

3. Individual Organisations : 2019/20 financial position and plan for 2020/21 including impact of Covid 19

3.1 North Kirklees CCG

North Kirklees CCG was set a target in year deficit for 19/20 by NHS England of £8.0m. If we achieved that target figure then NHS England would provide one off funding of an additional £8.0m (commissioner support fund) in year to support the CCG in getting to an in year balanced position. That would not improve the recurrent underlying position going forwards but it would prevent any further increase to the cumulative deficit (which is calculated by adding up all the previous years deficits and which at the end of 19/20 stands at £13.7m) which must one day be paid back.

In 19/20 North Kirklees CCG actually achieved a £4.9m in year deficit which was therefore £3.1m better than plan. This better than plan position was largely achieved through non recurrent measures and the underlying position remains at circa £7m annual in year deficit.

North Kirklees is part of a recovery plan process and, before Covid 19, the CCG was required to reduce its in year deficit to £5m in 20/21, £2.2m in 21/22 and then back to break even from then onwards.

As part of the NHS response to Covid 19 the financial regime for CCGs has been changed for 20/21. The CCG no longer receives an allocation based on its population but an allocation based on its current operating costs plus extra allocations as reasonably required to tackle Covid 19. This new allocation methodology means that North Kirklees CCG is required to break even in 20/21.

In the first 6 months of this year the CCG has been able to re-claim actual reasonable costs incurred for responding to the Covid 19 pandemic. For the last 6 months of this financial year this process of retrospective claims will be replaced by a prospective budget allocated at a West Yorkshire ICS level.

The CCG is currently forecasting that it will achieve a break even position in 2020/21 under the new temporary NHS financial regime.

The CCG is assuming that in 21/22 and onwards we will return to a financial regime when North Kirklees CCG will be required to achieve a continued reduction in its deficit position against a

population based funding allocation. The CCG has an underlying deficit of circa £7m when it entered 20/21 and at this stage there is no reason to expect any significant change when we return to the previous financial regime in 21/22. The CCG is therefore putting in place plans to enable it to operate within its anticipated future financial allocation.

3.2 Greater Huddersfield CCG

Greater Huddersfield CCG was set a target financial position of break even against its allocation for 19/20. The CCG ended the year with a £1m in year surplus. This additional surplus will be available for the CCG to draw down in future years.

As part of the NHS response to Covid 19 the financial regime for CCGs has been changed for 20/21. The CCG no longer receives an allocation based on its population but an allocation based on its current operating costs plus extra allocations as reasonably required to tackle Covid 19. Greater Huddersfield is required to achieve break even in 20/21.

In the first 6 months of this year the CCG has been able to re-claim actual reasonable costs incurred for responding to the Covid 19 pandemic. For the last 6 months of this financial year this process of retrospective claims will be replaced by a prospective budget allocated at a West Yorkshire ICS level.

The CCG is currently forecasting that it will achieve a break even position in 2020/21 under the new temporary NHS financial regime.

The CCG has previously made a commitment to increase investment in out of hospital services to transform service provision and enable patients to stay out of hospital for longer. Despite the Covid 19 pandemic the CCG has started to commit resource to make this happen. The stable financial position of Greater Huddersfield CCG should enable that program of investment and service transformation to continue.

3.3 Mid Yorkshire Hospitals NHS Trust

MYHT posted a deficit pre PSF of £ (28.9) m that was £ (2.6) m behind plan. However as a result of the position within the rest of the ICS was able to receive £ 29.0 m PSF\MRET and posted a post PSF surplus of £ 0.1m.

In year the Trust delivered a CIP of £ 18.7 m that was below plan by £ 0.3 m.

Contract Income was behind plan by £ 0.5 m due to lower levels of activity although the Trust benefited from the Aligned Incentive Contracts agreed with Wakefield and North Kirklees CCG's.

Expenditure was kept in line with plan despite pressures arising in the year that included underfunding of the Medical Pay award of £ 0.4 m and additional costs associated with delivering activity.

The 2020/21 plan figures are based on the new financial regime operated nationally during COVID.

At present the Trust has been allocated a funding target for the first six months of the year based upon the average spend in November to January in the previous financial year adjusted for

inflation. Income has been allocated on a bloc methodology and topped up to an assumed breakeven position. Additionally the Trust has been reimbursed for COVID expenditure to enable MYHT to report a balanced position in the first half of the year.

The position for the remainder of the year is still unclear at present however the Trust is planning to report a balanced position based on the allocations that will be made to the ICS to cover additional COVID and Reset expenditure.

The Trust could face incentives\penalties if it does not achieve the mandated levels of activity for Elective and Outpatient work.

3.4 Calderdale & Huddersfield NHS Foundation Trust

The year end position for 19/20 is a surplus of £0.05m (with the inclusion of national support funds), a £9.76m favourable variance from plan. This includes indicative additional incentive Financial Recovery Funding (FRF) of £10.04m awarded for achieving agreed financial targets. The underlying position was in line with the planned £38m deficit. Cost Improvement Programmes achieved efficiencies of £11m in 19/20 as planned. Agency staffing expenditure for the year was £7.10m, £4.46m below the planned level and significantly below the NHSI ceiling, a reduction on previous years supported by staff recruitment and in-house staff bank provision.

Initial plans for 2020/21 saw the Trust's acceptance of a Financial Improvement Trajectory (FIT) for 2020/21, set by NHS Improvement at a £27.48m deficit (excluding national support funding). Acceptance of this trajectory would have enabled the Trust to access conditional Financial Recovery Funding (FRF) totalling £27.48m and therefore an overall breakeven position.

As described for other NHS organisations, the Trust's own financial plan for 2020/21 has been replaced by an NHSI derived plan which assumes a breakeven position will be achieved for the first half of the financial year. In support of this, in the year to month 4 the Trust had claimed an average of £2.4m retrospective top up funding per month to cover net additional Covid costs.

3.5 Locala

Locala planned for a surplus of £600k, 1% of income, in 2019/20, as part of our financial strategy to achieve a 2% surplus year on year. This is to support delivering financial sustainability and support capital investment. This was overachieved, with a final position of £1.7m (pre audit). An efficiency target of £1.6m was overachieved in year with non recurrent savings and cost avoidance, although recurrently underachieved by £0.26m, creating a pressure in 20/21.

Additional support was put into clinical quality and professional support, with development in our services and colleagues leading to our successful CQC review, where we achieved a Good rating in all domains. Through our social value investment, as part of the requirement on us as a Community interest Company, we supported local voluntary groups and charities with £100k of grants and donations.

Initial plans for 2020/21 were for a 2% surplus (£1.2m), in line with our strategy and consistent with NHS levels, to support investment. This gave Locala a 3% efficiency requirement (£1.8m) to

achieve this, given the efficiency requirements in our contracts. Efficiency plans have largely not progressed through Covid, and work is underway to recommence schemes or find alternatives in the remainder of the year. The concerns over the rest of the year are the potential impact of Covid, providing the full range of services, and staffing to deliver them, against the potential impact of winter and further covid pressures.

3.6 Kirklees Adult Social care

Prior to the Covid-19 pandemic, Adult Social Care was facing a number of significant challenges:

- Changes in the levels of those needing support (rising over a number of years)
- Increasing levels of complexity in the needs of those receiving support
- Increasing pressure on social care costs, arising from inflation and, more notably the National Living Wage which affects around 75% of the social care workforce.
- The care provider market was becoming more and more fragile.
- Social care is often being prioritised in the local authority budget-setting process at the expense of other service areas, some of which have seen significant funding reductions. As a proportion of the total Council budget, Adult Social Care represented 33.5% in 19/20 compared to 28.4% of the total in 14/15. Over the same time, the total Council budget has reduced by 11.5%
- Reductions in overall funding for local government. By 2020, local authorities will have faced a reduction to core funding from the Government of nearly £16 billion over the preceding decade. The levels of funding have fallen by 7.2% per year in real terms from 2010-11 to 2015-16, and then 7.3% per year from 2015-16 to 2019-20.
- Sustainability of Adult Social Care within current budget levels. This has partially been alleviated by short term funding released at a national level - an improved Better Care Fund, an Adult Social Care Support Grant, additional funding for social care packages to ease NHS winter pressures and a Social Care Support Grant in 2019/20 to support adult and children's social care services.
- Government have also granted Councils with Social Care responsibilities local discretion to uplift Council tax in 2020/21 up to a maximum of a further 2% (Adult Social Care precept). For Kirklees Council this equates to £3.6m. Note that it is assumed in the updated budget plans that the ASC precept will be in place for one year only. For context, the level of volume growth and cost inflation budgeted for in 20-21 alone is £10.6m.
- A lot of the funding listed above is time limited or one-off, bringing uncertainty around the level of funding post-2020. As such, long term budgeting is problematic with almost 20% of the social care budget based on non-recurrent funding.

All told, the financial challenges around Adult Social Care continue to be significant. As in previous years, the budget for 2020-21 attempts to address these, with the ongoing pressures

around volume growth and high levels of cost inflation being balanced against uncertainties around the funding available.

Adult Social Care (Kirklees) – 2019-20 Outturn position

Inclusive of *in-year* additional funding, the outturn position for Adults Social Care was a break-even position.

- There was a planned saving on independent sector home care of £0.5m, and this was achieved, in part due to strengths-based approaches (new approaches that promote independence and focus on individual's strengths) having an impact. However, there was a further £1.25m home care underspend; mainly due to current capacity challenges in the Independent Sector Home Care market. This resulted in some re-direct of anticipated Home Care spend to other activities; notably self-directed support (direct payments), which saw an overspend of £1m.
- Home care capacity measures were implemented part-year to support providers. This is factored into the £1.25m home care underspend figure above. The level of weekly hours provision of home care (and therefore cost) was higher at year end than it was in October (when the measures were put in place).
- Another variance seen was on Independent Sector Residential and Nursing Placements (£0.7m underspend), with strength-based approaches having an impact here also.
- The other main cost area of note in Adults relates to employees. A Programme has been undertaken to further develop understanding around demand and growth predictions, levels of productivity and the workforce shape required to best deliver pathways. It will enable an intelligence led approach to vacancy management. In addition, there has been a risk assessment of the sustainability of social work staff savings. The outcome of the above has been reflected accordingly in future budget plans.

For the outturn for 2019-20, the Adult Social Care reported against savings targets totalling £2.1m. Against this, savings of £1.9m were achieved, with a £0.2m under-achievement.

Moving forward, the key pressures remain. In line with other departments across the Council, Adults Social Care has factored in no further significant savings into its budget for 2020-21, with a focus on managing the current/previous pressures.

2020-21 picture and the impact of Covid-19

The advent of Covid-19 has drastically impacted on Adult Social Care. Adult social care providers have seen significant operational and financial pressures, including additional vacancies arising in care homes, additional costs of providing services in the context of Covid-19, impacts on cash flow, and uncertainty within the market. Such challenges have been well documented locally, regionally and nationally. One of the main changes in-year is the difficulty faced by the care home market, with rising costs, uncertainty, and a heightened level of voids (empty beds). At the same time, there has been an increased demand for community-based support, notably on Home Care, with the latter seeing some individuals who would otherwise have moved into residential care. The dynamic is markedly different than the previous year.

The Council is currently engaging with Care Providers on the response to the current issues being seen and is undertaking provider support measures in response to Covid-19. Officers have also been working closely with local partners to establish a programme of practical support to providers, particularly care home providers.

Key elements of support provided include:

- 5% premium paid to care home providers in addition to the business as usual % uplifts that were applied for the new financial year.
- Partial payment for additional vacancies arising in care homes, and support for costs beyond the care home beds purchased by the Council.
- Movement to 2 weeks in arrears / 2 weeks in advance for payments to care homes.
- Payments have also been made to care homes to cover the 3 days after death of a resident.
- A programme has also been undertaken with the 2 CCG's to support hospital avoidance and early hospital discharge.
- Arrangements have also been made to support Domiciliary care/Extra Care/Supported Living providers. This has involved payment on planned rather than actuals. Alongside this there has also been specific, targeted support for providers.

The Adult Social Care picture is being closely monitored, with an ongoing focus on ensuring the continuation of support to vulnerable residents. Options around provider support and the means of tackling the issues brought by Covid are being continually reviewed and reported on. A further focus and area for consideration as we move forward is on how the issues being seen will shape the budget need for future years.

3.7 South West Yorkshire Partnership NHS FT

The Trust was pleased to generate a small surplus in 2019/20 which was a consequence of increases in income, non-recurrent measures, improved efficiency and tight cost control. Prior to the application of provider sustainability funding (PSF) the net surplus of £1.0m compares to a deficit of £1.6m in the previous year.

It is worth noting that the level of vacancies in a number of geographies and professions contributed to the financial performance and the Trust remains committed to further improving recruitment and retention of staff. It is particularly pleasing to report a much reduced use of out of area bed placements compared to 2018/19 with total spend decreasing from £3.9m to £1.9m year on year.

The pressure on our inpatient wards remains intense with safer staffing requirements (including cost) increasing. £10.7m of financial improvement was delivered during the year, however only £5.6m of this was recurrent in nature. The cash position is healthy at £36m and 99% of all suppliers were paid within 30 days.

A draft plan for 2020/21 was in the process of being completed when the Covid-19 pandemic resulted in a suspension of planning and contracting activity. As such temporary financial arrangements are in place across the NHS until the end of September which basically enable all Trusts to break even. SWYPFT is therefore in a position it has broken even year-to-date and is reclaiming actual costs incurred in the response to Covid-19. These have averaged £0.5m per month and have covered such items as additional staffing, digital solutions to care and enabling staff to work from home and infection prevention.

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