

Financial Position and Turnaround Plan

Briefing to Partnership Board

22 July 2010

Mark Easton, CEO

Sections

- **Looking backwards – How we got here**
- Looking forwards – Turnaround Plan
- Summary and next steps

Key Financial Facts

- NHS Harrow has achieved its statutory financial duties in each year from 2006/07 onwards however it only achieved this in 2009/10 with a £6.5m loan which has to be paid back
- There has been a significant swing in the PCT's underlying position from £7m surplus in 07/08 to £9m deficit at end of 09/10
- The deficit has been driven principally by a large increase in acute spend: c£50m (45%) over the last 3 financial years-total funding for the PCT has increased by c20% in same period
- Similar levels of acute activity growth evident also in NWL but Harrow had less financial headroom than some other PCTs to manage the position
- Initial savings requirement in 10/11 was £31.5m however NWL sector support of £7.9m and rephasing of repayment of 09/10 sector support has reduced the in-year savings requirement for the PCT to £18.3m (6% of budget)
- Underlying Position at end of 10/11 is still a deficit of £1.8m
- Sector support in 10/11 is dependent on achieving savings plan
- The need for further savings will continue into 2011/12 and onwards because of likely reduction in the growth of allocations and debt repayment

Summary of Financial Performance



Year	Outturn Position	Normalised Position (i.e. taking out in-year adjustments)	Notes
07/08	£172k Surplus	£7m Surplus	Repayment of £8.5m legacy debt relating to 2005/06 deficit
08/09	£1.4m Surplus	£1.4m Surplus	Acute Spend c£7m over budget
09/10	£126k surplus	£9m deficit	Acute Spend c£13m over budget. The PCT received NWL sector support of £6.5m during 2009/10
10/11 Plan	Break-even	£1.8m deficit	The Outturn position in 2010/11 is dependent upon achievement of savings of £18.3m and new NWL sector support of £7.9m
11/12 Indicative	Break-even	£13.2m surplus	Savings of £25m to repay up to £13.2m of support from 09/10 and 10/11 plus further 3% efficiency

Annual Increases in Funding v Cost Increases in Acute

Year	Total Funding Increase for PCT		Acute Spend Increase	
	£	%	£	%
2007/08	£20.8m	8%	£11m	10%
2008/09	£15m	5.5%	£19m	15%
2009/10	£15.5m	5.2%	£17.6m	12%
2010/11 Plan	£16m	5.0%	£2.3m	1.5%*

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Savings Plan – Key Principles

- Savings are overwhelmingly focussed on achieving *greater efficiency, reducing unnecessary acute care, and ensuring the PCT pays what it is responsible for* rather than reducing services.
- The savings plan still has significant risk of delivery:
 - 38% of plan £7.8m red-rated
 - 29% of plan £6m amber-rated
 - 33% of plan £6.9m green-rated

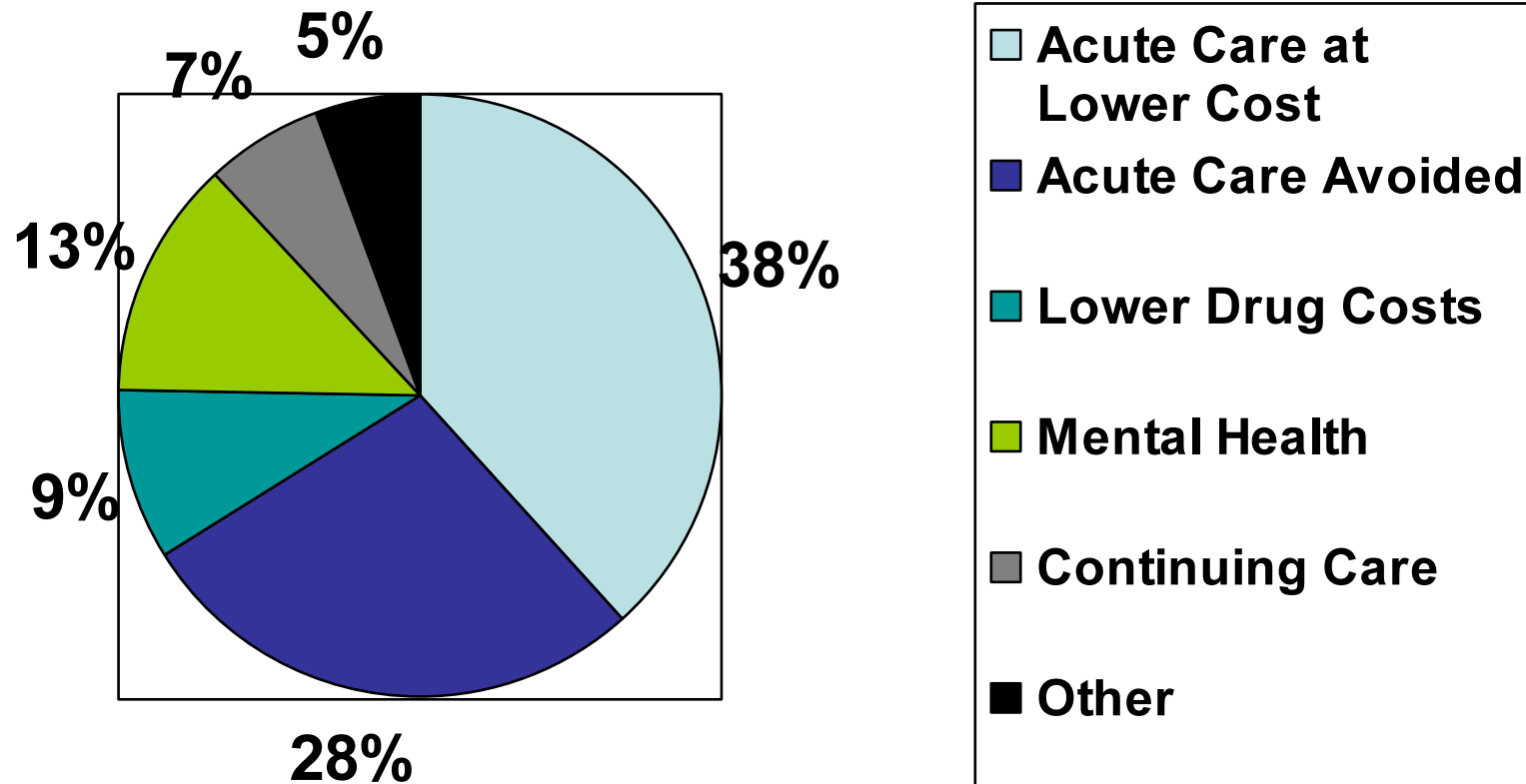
Savings Plan – Key Principles

1	Consistent, safe, good value care	<ul style="list-style-type: none"> • Ensure consistent standards of care by reducing variation in clinical practice and minimise waste in prescribing • Redesign mental health services
2	Shift from Acute to more appropriate care setting	<ul style="list-style-type: none"> • Develop / enhance primary and community care services e.g. UCC, CAU, rapid response and intermediate care • Proactive management of people with long term conditions avoiding unnecessary hospital or residential care • Repatriate people receiving high cost care out of area
3	Use NHS services appropriately	<ul style="list-style-type: none"> • Consistent approaches to referrals through the RMS, meaning fewer unnecessary outpatient appointments, less unnecessary elective surgery and fewer hospital follow-up appointments • Reduce duplication in access points
4	Stop over-spending	<ul style="list-style-type: none"> • Tighter controls on hospital spending and higher cost services • Tighter control of prescribing costs • Ensure the PCT pays what it is responsible for
5	Reduce running and management costs	<ul style="list-style-type: none"> • Cut waste and unnecessary cost in the PCT and providers • Greater efficiency and productivity • Reduce management costs by 15% in 2010/11

How we ensure the robustness of the plan

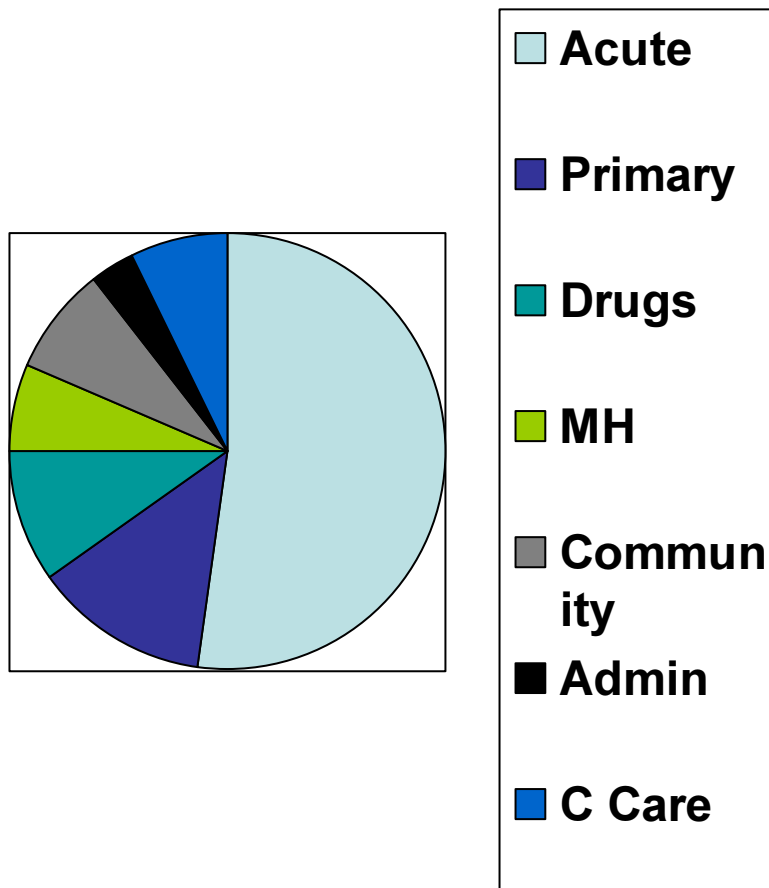
- **Clear accountability and governance**
 - Savings Plans managed through 6 Programme Boards chaired by PCT Director
 - Weekly Programme Board meetings to monitor progress
 - Workshops / meetings with stakeholders for specific schemes
 - Delivery Committee established as formal committee of the Board
 - Monthly reporting to the Delivery Committee and Board
 - Fortnightly briefing to the Board
 - Turnaround Support and Programme Management in place
- **External review** of NHS Harrow's Financial Strategy undertaken
- **External expertise** deployed to establish the Turnaround Programme
- Opportunities for service redesign and efficiencies validated through **benchmarking** against best practice
- Partnership and **engagement of stakeholders** essential to delivery
- **Impact Assessment** carried out on each project to ensure no unintended consequences

Breakdown of Savings Plan



Analysis of NHS Harrow Spend 2010 /

£340m



- Acute 53% (-1%)
- Primary 13% (+1%)
- Drugs 9% (-1%)
- Mental Health 6% (-1%)
- Continuing Care 7%
- Community 8% (+1%)
- Admin 3%

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Summary and Next Steps



- Linked to unplanned cost increases in Acute spend over last 3 years NOT funding cuts
- 10/11 Plan for Acute spend is net of £9.4m of Demand Management Savings
- Increases in Acute spend evident across NWL sector and London
- However Cost reduction strategy is to move care from expensive acute settings to more appropriate and economic care settings
- Need to improve productivity and efficiency of non-acute services
- Need to reduce further PCT management costs and overheads
- Engagement of stakeholders and GPs critical to success- GP commissioning will inherit these problems from the PCT.