



PERTH & KINROSS INTEGRATION JOINT BOARD

30 November 2018

2018/19 FINANCIAL POSITION

Report by Jane M Smith, Chief Financial Officer (Report No. G/18/188)

PURPOSE OF REPORT

This report provides an update to the Perth & Kinross Integration Joint Board (IJB) on the year-end financial forecast for 2018/19 based on the 6 months to 30 September 2018.

1. RECOMMENDATIONS

It is recommended that the Integration Joint Board:-

- (i) Notes the overall projected overspend of £4.035m for Perth & Kinross IJB for 2018/19 including:
 - a. The forecast overspend of £2.009m on adult social care, an increase of £0.596m from the last report.
 - b. The forecast overspend of £1.495m on GP prescribing, an increase of £0.669m from the last report.
 - c. The forecast overspend of £0.755m on Tayside hosted services.
- (ii) Notes progress with 2018/19 savings delivery;
- (iii) Notes the update regarding IJB reserves;
- (iv) Notes that a Financial Recovery Plan has been prepared in line with the integration scheme and is being discussed with the Chief Executives of Perth & Kinross Council and NHS Tayside. It will come forward to the IJB for approval at the earliest opportunity before being passed to NHST and PKC for formal consideration.

2. SUMMARY IJB FINANCIAL POSITION AND YEAR END FORECAST

The IJB's detailed projected financial position for 2018/19 is set out in Appendix 1. This shows that the overall projected financial position for Perth & Kinross IJB for year 2018/19 is an over spend of £4.035m.

To fulfil the requirements of the IJB's Integration Scheme, a financial recovery plan is required to be agreed by the IJB and presented to both parent bodies. In line with this requirement a recovery plan has been

prepared and has been submitted to the Chief Executives of Perth & Kinross Council and NHS Tayside for initial consideration. Thereafter a 2018/19 proposed financial recovery plan will be issued for consideration and agreement by the IJB before being presented formally to Perth & Kinross Council and NHS Tayside for consideration.

Any balance of overspend not addressed by the recovery plan would require to be offset in line with the Perth & Kinross IJB Integration Scheme risk sharing arrangements. For 2016/17 and 2017/18, should the IJB ultimately overspend then that overspend would be attributed back to the Partner organisation in which the overspend arose. The Integration Scheme indicated that this may change to a proportionate split for 2018/19 and future years following agreement by both parent bodies. Formal agreement is now being pursued with PKC and NHST for 2018/19 and for future years.

The report sets out the year end forecast for Perth & Kinross IJB. The main sections of the report are structured in the following way:-

- a. NHS Tayside Directed Services (Section 3).
- b. Perth & Kinross Council Directed Services (Section 4)

Information contained within this report reflects estimates for the whole of 2018/19 and consequently some further reviews of projections and underlying budgets remain ongoing, which may lead to future adjustments in information.

2. NHS DIRECTED SERVICES – YEAR END FORECAST POSITION

3.1 Local Hospital and Community Health Services

For 2018/19 the majority of services are currently projecting under spends or near breakeven. This reflects good progress made in both 2017/18 and early 2018/19 with delivery of savings and cost containment. All possible efforts are being made to identify further cost containment opportunities to support overall financial balance.

3.2 Services Hosted in Perth & Kinross on Behalf of Tayside IJBs

Due to pressures that remain within these services, particularly Inpatient Mental Health, progress with cost containment and delivery of savings proposals has been limited since the inception of the IJB. On that basis there remains a projected overspend of £1.588m.

Within Inpatient Mental Health, this is driven by medical locum costs, supplementary nursing costs, and a historic brought forward balance of undelivered savings. Plans to remodel the service are slowly being progressed, however are yet to impact on current levels of overspending. Updates will be shared through future IJB reports and will also be shared with other Tayside IJBs.

The combined effect of the above, despite some off-setting under spends, is one of an over spend of £0.545m for the PKIJB share of these costs.

3.3 Services Hosted Elsewhere on Behalf of Perth & Kinross IJB

As the Board will be aware a number of devolved services are managed by other IJBs on behalf of Perth & Kinross IJB. The projected year-end position for these services is an overspend of £0.628m. The details are set out in Appendix 2.

The main contributors to this over-spending position are undelivered savings targets as well as pressures within Palliative Care, Brain Injury and Psychotherapy (overseen by Dundee IJB). and Out of Hours (overseen by Angus IJB).

The effect of the net forecast overspend on these services is one of an over spend of £0.210m for the PKIJB share of these costs.

3.4 Family Health Service (FHS) Prescribing

Considerable work continues at both at Tayside and local level regarding Prescribing. Due to the stage in the financial year, projections regarding Prescribing budgets are high level with an over spend of £1.495m projected compared to the anticipated gap of £0.438m set out in the PKIJB 2018/19 Financial Plan.

The key driver of the deterioration from plan relates to a £20million national level increase to the community pharmacy global sum to reflect tariff reductions. As a result SGHSCD has top-sliced £1.8million from NHS Tayside's funding allocation, which therefore negates the benefit assumed within all 3 IJB's prescribing financial plan from tariff price reduction on specific drugs, including Pregablin. The impact of this for PKHSCP is deterioration against plan of £0.503m.

Growth in items prescribed in the 4 months to 31st July 2018 is higher than anticipated meaning expenditure across practices is £0.387m above plan although the impact of work with practices through the PKHSCP GP Engagement Programme is expected to offset this in future months.

A £0.142k budget transfer which has now been actioned in Month 7 has contributed to the variance from plan.

As noted in previous reports, this projection in particular will be subject to further review, is subject to ongoing risks regarding price and tariff changes and is dependent on continued progress with prescribing initiatives locally and regionally.

3.5 General Medical Services and Family Health Services

Final 2018/19 budget allocations for General Medical Services (GMS) have only just been received from the Scottish Government. In advance of these being reflected in reporting, early projections suggest budgetary pressures

this year relating to 2C practice costs being incurred in Angus and Dundee for which PKHSCP are currently attributed a share (£0.180m).

Budgets associated with other Family Health Services (FHS) are projected to marginally under spend at the year end.

3.6 Large Hospital Services

The Board will recall this is a budget that is devolved to the IJB for Strategic Planning purposes but is operationally managed by the Acute Division of NHS Tayside.

As at 2018/19 this budget is initially quantified at £11.793m to reflect the direct costs associated with these services. The projected year end financial position is presented as break even in advance of further development of associated financial reporting.

As noted previously the Scottish Government are very keen that the Large Hospital Services issue is further developed. While this presents opportunities to the IJB in terms of developing the overall strategic direction regarding Large Hospital Services, there are also risks associated with the provision of Acute Sector capacity. The development of this issue has not progressed significantly so far in 2018/19.

3.7 Overall Position Regarding NHS Directed Resources

The overall reported projected 2018/19 position based on early information suggests an over spend of £2.026m. This will be affected by multiple risks, subject to much further refinement – particularly regarding prescribing - and is likely to continue to vary over the coming months. The projected overspend reflects a series of offsetting variances including continued overspends re Prescribing and services hosted elsewhere being partially offset by local under spends.

All possible actions are being identified that will address the forecast overspend and a programme of financial recovery meetings with NHST Director colleagues are planned for November.

3. PERTH & KINROSS COUNCIL DIRECTED SERVICES – YEAR END FORECAST POSITION

4.1 Adult Social Care Services

The IJB is currently projecting a £2.009m year-end overspend re Adult Social Care Services based on spend levels to 30 September 2018.

Within Older People's Services a net overspend of £1.070m is largely attributable to demographic growth issues. Within care at home services an overspend of £0.567m is mainly due to additional demand and interim placements (£0.990m), off set by an underspend in internal care at home teams due to delays in recruitment (£0.162m) and slippage on the implementation of a revised Intermediate Care Service model (£0.261m).

A net overspend of £0.270m on the Joint Equipment Loan Store and OT relates principally to staff costs (£0.096m) and the provision of Adaptations and Equipment (£0.181m). The overspend on Adaptations and Equipment relates to the increasing frailty and service demand needs.

Within Care Home Placements, an overspend of £0.354m is forecast this month, a deterioration of £0.251m from the last report. This is due to the number of people in care home placements as we strive to progress the implementation of the “Shifting the Balance of Care” project.

Within Mental Health & Learning Disabilities there has been a continued and sustained increase in the costs of individual care packages (both in residential settings and in the community). Resulting in a forecast overspend against budget of £1.590m. This is due to their deteriorating conditions and increased frailty/care needs, plus a number of cases where provision of care provided by family carers has broken down, or needs further supported as clients’ needs increase. There has also been an unanticipated increase in the number of new clients entering the service as their needs have increased, and who were either in receipt of very low levels of care, or not receiving any services at all previously. Removal of previously approved savings from a review of care packages (£0.560m) has also contributed to the overspend. The ability to recycle budget resources freed up as individuals move into other types care or cease their package of care is has not been possible in the current financial year.

There remain a number of one-off under spends including recovery of prior years surpluses from providers based on occupancy levels and contract payments (£0.682m). There is also non-recurring slippage in the Invergowrie project due to delays in progressing the building works (£0.244m).

There are also a number of approved 2018/19 savings which have not yet been fully realised. These total £0.494m and progress is set out at Appendix 3.

4.2 Overall Position Regarding Perth & Kinross Council Directed Resources

The overall projected 2018/19 position based on early information suggests an over spend of £2.009m. This will continue to be affected by multiple risks, subject to much refinement and is likely to continue to vary over the coming months.

All possible actions are being identified that will address the forecast overspend and a programme of financial recovery meetings with PKC Director colleagues are planned for November.

6. PROGRESS WITH 2018/19 SAVINGS DELIVERY

6.1 Delivering financial balance across local Hospital and Community Health and Social Care Services is reliant on delivery of a very significant transformation and efficiency programme. Appendix 3 sets out the progress in delivery of

savings. Good progress has been made and the forecast shortfall in delivery is fully reflected in the financial forecast set out above.

7. IJB RESERVES

- 7.1** In April 2017 (Audit Committee Report 22/17) the IJB described and agreed its 'Reserves Policy'. This set out that the IJB may hold both 'ear-marked' reserves and general reserves. Ear-marked reserves will generally be for specific projects or ear-marked due to specific constraints or factors re funding, while general reserves are intended to assist the IJB manage its overall resources over the longer term. The IJB agreed it would set itself a target of having a general reserves equivalent to 2% (c£3.8m).

As at March 2018, the IJB's Annual Accounts showed that Perth & Kinross IJB had no ear marked or general reserves.

Earmarked reserves will most likely be for specific projects and may be triggered by specific factors regarding funding. At the end of 2018/19 it is possible the IJB may have ring fenced reserves regarding Scottish Government funding to support the new GMS Contract (Primary Care Improvement Fund), Mental Health Funding (Action 15 funding) and Alcohol and Drug Partnership Funding. These reserves need to be retained separately from general reserves.

8. SUMMARY

The main financial reporting issues in this report are set out in sections 3, 4 and 5. The overall projected financial position for 2018/19, based on very early information with many ongoing risks, is an over spend of £4.035m. This level of overspend is a very significant cause for concern and the underlying pressures will require to be addressed as part of development of the 3 Year Financial Plan and wider discussions with Perth & Kinross Council and NHS Tayside. In line with the requirements of the Integration Scheme a Financial Recovery Plan has been prepared and after discussion with the NHST and PKC Chief Executives, will come forward to the IJB for approval before being presented formally to the parent bodies. In the meantime all efforts continue to be made to minimise costs whilst maintaining service delivery at current levels.

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.