



PERTH & KINROSS INTEGRATION JOINT BOARD

23 March 2018

2018/19 BUDGET

Report by Chief Financial Officer

PURPOSE OF THE REPORT

This report seeks approval from the Integration Joint Board to the 2018/19 Financial Plan including the budget proposals from both Perth & Kinross Council and NHS Tayside and the 2018/19 Transformation and Efficiency Programme.

1. RECOMMENDATIONS

It is recommended that the Integration Joint Board:-

- 1.1 Approve the proposed recurring budget offer from Perth & Kinross Council (PKC) for 2018/19. Request that the Chief Officer write to PKC on this basis and thereafter issue a formal Direction. Note that whilst the budget proposal from PKC is considered manageable in 2018/19, it is essential that a fair settlement is agreed for 2019/20.
- 1.2 Request that the Chief Officer seek early discussions with PKC in respect of the 2019/20 budget to safeguard essential services in future years.
- 1.3 Request that the Chief Officer seek a formal proposal from PKC in relation to their proposed transfer of £538k budget for Citizens Advice Bureau, Independent Advocacy and Credit Union.
- 1.4 Approve the recurring budget offer from NHS Tayside (NHST) for 2018/19. Ask the Chief Officer to write to NHST on this basis and thereafter issue a formal Direction.
- 1.5 Ask the Chief Officer to conclude discussions with NHS Tayside about the NRAC prescribing, medical locum bridging and complex care package funding.
- 1.6 Approve the 2018/19 Perth & Kinross IJB Financial Plan and the associated 2018/19 Transformation and Efficiency Programme.

- 1.7 Note the £1.2m gap in the 2018/19 Financial Plan along with the further work being undertaken to deliver a balanced budget.
- 1.8 Request the Chief Officer to develop proposals for the June 2018 IJB Meeting for a collaborative budget process with NHS Tayside and Perth & Kinross Council for 2019/20.

2. EXECUTIVE SUMMARY

- 2.1 A detailed analysis of cost pressures indicated that if nothing else changes £12.5m would be required to meet current and anticipated demands for devolved services in 2018/19.
- 2.2 The £1.5m recurring budget deduction proposed within the 2018/19 Perth & Kinross Council Budget Proposition will further increase this financial challenge. Savings of £6.15m (13%) will require to be delivered in relation to Social Care. Transformation and efficiency plans of £4.62m have now been identified. The recurring residual gap of £1.53m will be covered in-year by the transfer by Perth & Kinross Council of the non-recurring reserve arising from the 2017/18 Social Care Under-Spend.
- 2.3 The 2018/19 settlement from Perth & Kinross Council is therefore manageable however it is essential that a fair settlement is agreed for 2019/20 and beyond to safeguard essential services. The indicative budget for Social Care services within the Perth & Kinross Council Budget approved in February 2018 proposes a further £1.3m budget reduction for 2019/20. Discussions are planned in April with Perth & Kinross Council and it is proposed that this is part of a collaborative process involving NHS Tayside.
- 2.4 The £2m budget increase proposed within the 2018/19 NHS Tayside Budget Proposition responds to the pay uplift pressure anticipated and is a fair share of the overall uplift received by NHS Tayside. Savings of £6.12m will require to be delivered. Transformation, efficiency and cost reduction plans of £3.37m have been identified. The residual gap of £2.75m has been offset in part by agreement of non-recurring funding from NHS Tayside to meet the costs of Inpatient Mental Health Contingency arrangements. The 2018/19 Financial Plan sets out the remaining gap of £2.3m against the services devolved and managed by the Partnership which, taking account of hosted services, represents a gap of £1.2m for Perth & Kinross IJB.
- 2.5 Discussions are continuing with NHS Tayside in respect of bridging finance for Inpatient Mental Health Medical Locum costs and to agree a fair share for Perth & Kinross IJB of £1.2m NRAC Allocation ear-marked to increase the budget for GP Prescribing across NHS Tayside. In addition further recurring savings are anticipated for Prison Healthcare and wider opportunities are being considered within Inpatient Health. Finally, the NHS Tayside Prescribing Management Group have identified a number of further opportunities to reduce costs not yet reflected in the 2018/19 Plan.

- 2.6 Therefore whilst the 2018/19 Financial Plan currently presents a gap of £1.2m, a further update will be provided to the IJB in June and every effort will be made to achieve a balanced position for the year ahead. A full financial risk assessment will also be provided at that stage.
- 2.7 The 2018/19 Financial Plan does not take account of a £400k cost pressure forecast in relation to the agreed health contribution to a number of complex care packages. This budget has not been devolved to the IJB's in NHS Tayside.
- 2.8 An IJB Budget Scrutiny Group (BRG) has been established and has undertaken robust scrutiny and review of both pressures and savings across Social Care and Hospital and Community Health/Other Hosted Services. The BRG has recommended approval of all but one of the savings proposals. The BRG did not make a recommendation on the Residential Care Review since this would be coming forward as part of a further paper to the IJB Meeting on 23rd March 2018.
- 2.9 A review of the Budget Review Group scrutiny and review process is underway.

3. BACKGROUND AND CONTEXT

- 3.1 At its meeting on 22nd March 2017, the Integration Joint Board accepted the budget proposition from Perth & Kinross Council for social care services in 2017/18 and adopted the associated savings proposals. During 2017/18 savings have been delivered in line with plan. An overall under-spend is forecast composed of significant accelerated savings (£1.07m) and slippage in use of non-recurring transformation funds. (£0.795m). A key underlying in-year pressure emerged for care home placements. (£272k) The 2018/19 Financial Plan must address this shortfall.
- 3.2 In parallel, the IJB accepted the 2017/18 proposed NHS Tayside budget for core hospital and community services and other hosted services with the associated proposals for savings. A year-end under spend is forecast (£352k) resulting from non-recurring slippage on transformation funds. Whilst significant recurring savings have been delivered, a further balance of £588k remains that must be addressed within the 2018/19 Financial Plan.
- 3.3 At its meeting in March 2017, the IJB noted the £2.1m savings target in respect of GP Prescribing inherent in the budget proposition from NHS Tayside for 2017/18. The IJB asked the Chief Officer to work with NHS colleagues to develop a three-year plan to achieve a sustainable position. The forecast over-spend for 2017/18 is £1.6m, broadly in line with the plan agreed with NHST. This underlying overspend is addressed as part of the 2018/19 Financial Plan.

- 3.4 For Inpatient Mental Health Services, the IJB could not sign off the budget as sufficient for 2017/18. This was because the budget was insufficient to cover the underlying patterns of expenditure on supplementary medical and nursing staff and undelivered savings from previous years. After agreement with NHST on £1.4m bridging finance to cover premium staffing and contingency costs, an over-spend of £558k was forecast. The actual forecast over-spend for 2017/18 is £811k with higher than anticipated nursing costs. The underlying overspends on nursing staff (£588k), medical locums (£890k) as well as a balance of carried forward undelivered savings (£759k) must be addressed within the 2018/19 Financial Plan.
- 3.5 In March 2017, the IJB were advised of a £325k cost pressure as the assessed health contribution for 3 complex care patients ready for discharge from Strathmartine Hospital. The budget for complex care packages was not devolved to the Tayside IJB's, costs historically covered from a centrally held NHST budget. In 2017, NHST agreed this cost would be met centrally. Over the year, further packages have been approved against which, the health contribution is agreed at £400k. At the point of writing, these packages cannot be progressed as the health funding has not been identified. This needs to be addressed by NHS Tayside to meet the needs of assessed patients but also to reduce cost pressures associated with delays to discharge currently fully met by NHS Tayside.

4. COST AND DEMAND PRESSURES

A detailed analysis of costs and demand pressures has been undertaken. Assuming nothing else changes, an additional £12.5m would be required to meet current and anticipated demands in 2018/19. This is set out at Appendix 1.

- 4.1 The main cost pressures and demands are summarised as follows:-

- **Undelivered savings carried forward from 2017/18 (£3.3m)**

In 2016/17 at inception of the IJB significant savings target were applied by NHST across health budgets. For Hospital and Community Health Services and Other Hosted Services, targets have largely been delivered and only a small balance remains. However significant undelivered savings remain for GP Prescribing (£1.97m) and Inpatient Mental Health (£759k). This will require to be addressed as part of the 2018/19 Financial Plan.

- **Pay / Price Pressures (£5.3m)**

Across health and social care budgets, provision has been made for a £1.8m increase in pay costs anticipated from 2018/19 pay awards to PKC and NHST Tayside staff providing services commissioned by the IJB. The actual increase in pay costs will depend on the outcome of pay review body discussions. The current provision is based on 3% for

employees earning up to £36,500; 2% for employees earning up to £80,000; £1,650 for employees earning over £80,000.

Further provision of £1.093m is required for the full year effect of an increase to the Living Wage in 2017/18 and a further 2.5% increase for 2018/19.

National agreement has been reached on Care Home contract rates for 2018/19. The resultant £835k increase in cost must be addressed within the 2018/19 Financial Plan.

Full commencement of the Carers Act from April 2018 will bring a significant increase in costs. A provision of £535k has been made to cover a number of additional services and step up in existing services to Carers.

Over and above the GP Prescribing overspend forecast for 2017/18, an additional cost pressure of £786k is anticipated arising from the full year effect of price increases in 2017/18 and the anticipated impact of the national margin sharing agreement in 2018/19.

- **Cost / Demand Pressures (£2.9m)**

Social Care: £462k has been provided to meet the expected increase in demand for nursing home placements in 2018/19. A further £413k has been provided for Learning Disability placements based on the clients anticipated to transition from Education and Children's Services. A further £140k pressure is expected from the anticipated increase in costs for existing packages of care as needs escalate.

Inpatient Mental Health: In 2017/18 medical locum costs (£890k) and nursing costs (£588k), have created significant cost pressures. If nothing else changes, these are expected to continue into 2018/19. These costs must be addressed within the 2018/19 Financial Plan. In addition, costs directly relating to the current contingency arrangements (£448k) are also included although income is assumed from NHS Tayside to meet these costs.

- **Essential Service Developments (£1m)**

Reducing delayed discharges is a key priority that is essential to shifting resources from bed based models of care into community services. The Financial Plan has prioritised investment in the Discharge Hub and Frailty Unit at PRI; in medical staffing in Psychiatry of Old Age and Medicine for the Elderly; and in the Intermediate Care Team and Internal Care at Home Team (HART).

5. FUNDING FROM PARTNER ORGANISATIONS

5.1 PERTH & KINROSS COUNCIL

For 2018/19 Perth & Kinross Council received a 0.4% cash uplift from the Scottish Government.

Table 1 summarises the proposed recurring budget offer from Perth & Kinross Council for 2018/19.

TABLE 1		
<i>Perth & Kinross Council Budget Offer</i>	<i>2018/19</i>	
	£m	£m
2017/18 Recurring Budget		49.1
Less: Budget reduction	(3.3)	
Add: Share of £66m SG Social Care Allocation	1.8	
Net Budget reduction		(1.5)
Less: Budget Transferred to PKC Housing & Community Safety		(0.5)
2018/19 Recurring Budget Offer		47.1

Despite a small uplift, a net reduction to the social care budget of £1.5m was approved by PKC at its full council meeting on 22nd February 2018. In 2018/19, this results in a net savings target for Perth & Kinross IJB of £6.2m against the PKC allocation. In 2018/19, non-recurring resources will provide temporary cover for services in transformation.

This is an extremely challenging level of savings. In his budget speech, the Council Leader committed to early discussions on the 2019/20 budget between PKC Officers, the IJB Chief Officer and the Chief Finance Officer. The level of savings anticipated for 2019/20 (£1.3m) will require a fundamental reassessment of the IJB's Strategic Plan, bringing into alignment, expectations of the public with the resources available. Redesign always holds the potential to moderate the impact of budget reductions, however P&K IJB faces significant risk to the sustainability of core services to frail and vulnerable people. The past three years have seen significant efficiency and transformation programmes across social care services. Combined with the anticipated 2018/19 savings required, strong political and clinical support will be required to reset public expectations of health and care services. Formal discussions with PKC and NHST are planned to start immediately to ensure a fair settlement for 2019/20.

Table 2 outlines a proposal contained within the PKC budget offer to PKIJB for 2018/19 to reverse three recurring budgets devolved to the IJB at inception.

TABLE 2	£m
Citizens Advice Bureau	0.259
Independent Advocacy	0.252
Credit Union	0.027
Total	0.538

5.2 NHS TAYSIDE

For 2018/19, NHS Tayside received a 1.5% uplift on its base budget. In addition, it received £2.9m further NRAC funding, part of the Scottish Governments commitment to move all NHS Boards to at least within 0.8% of the NRAC parity target.

Table 3 below sets out the anticipated recurring budget offer from NHS Tayside for 2018/19. At this stage no formal budget offer has been received and further work will be required on receipt of a formal offer to ensure reconciliation of the overall budget.

TABLE 3	2018/19	
<i>NHS Tayside Budget Offer</i>	£m	£m
2017/18 Recurring Budget		140.9
Add: Proportionate share of uplift funding	1.8	
Add: Additional Uplift not yet allocated	0.2	
Total Uplift Funding		2.0
Add: Share of Prescribing NRAC Funding		tbc
2018/19 Recurring Budget Offer		142.9

NHS Tayside proposes to pass on a fair share of 2018/19 uplift funding to all three IJB's.

In addition, £300k has been set aside from additional 2018/19 NRAC funding to address the gap between budget and expenditure on GP Prescribing. This will be added to a further £900k from 2017/18 NRAC funding that was agreed to be invested in GP Prescribing during 2017/18, out with the formal planning process.

A number of options have been set out by NHST in relation to the split of this £1.2m additional recurring funding across the 3 IJB's. The potential additional funding to PKIJB will be in the range of £200k to £400k. This is not currently assumed within the 2018/19 Financial Plan.

Overall the recurring budget offer from NHS Tayside can be considered fair and reasonable in the context of its own overall base funding position.

A number of funds have not yet been allocated to NHS Boards including Primary Care, Mental Health and Alcohol and Drugs Partnership Funding. A further update will be provided to the IJB at its next meeting on the assessment of fairness in allocation of these funds to the 3 Tayside IJB's.

NHS Tayside has not devolved a budget to the three IJB's for complex care packages. Historically the health contribution to these packages has been picked up from centrally held reserves. Additional costs have been identified of approx. £400k for 2018/19. The 2018/19 Financial Plan does not include these costs and discussions are urgently being held with NHST Senior Finance Colleagues to ensure provision has been made at NHST central level.

The summary 2018/19 Financial Plan at appendix 3 sets out the net requirement for £12.3m of savings in 2018/19.

6. MEETING THE FINANCIAL CHALLENGE

- 6.1 Significant work has been undertaken to identify transformation and efficiency plans to meet this. Appendix 2 sets out in detail the plans identified which can be summarised as follows:-

TABLE 4	
<i>2018/19 TRANSFORMATION & EFFICIENCY PROGRAMME</i>	<i>£m</i>
Core Health & Social Care	5.228
Other Hosted Services	0.259
Inpatient Mental Health	0.897
GP Prescribing	1.611
Total	7.995

- 6.2 An IJB Budget Review Group (BRG) has been set up to review and scrutinise all savings proposals across core health and social and other hosted services to ensure that they are robust, deliverable and supportive of strategic intention. The BRG, made up of the Chair, Vice Chair, Chairman of the Audit & Performance Committee and one further Local Authority member and NHST Member met 5 times between December 2017 and March 2018.

The BRG is able to recommend approval of all savings proposals across Core Health & Social Care and other hosted services with the exception of Residential Care.

The BRG did not feel it appropriate to pre-empt the further discussion on the review of Residential Care planned for the IJB Meeting on 23rd March 2018 and therefore has not made a recommendation

- 6.3 Detailed proposals for In-patient Mental Health have only come forward in early March, therefore no formal review process has yet been undertaken by the BRG.

- 6.4 The NHST Prescribing Management Group has undertaken an over-arching review and scrutiny role of all savings proposals included in the Financial Plan of each IJB in respect of GP Prescribing. In addition, the Clinical Director has undertaken a review of savings proposals and has provided assurance that they are broadly deliverable.
- 6.5 The IJB is asked to approve the 2018/19 Transformation and Efficiency Programme that is essential to delivering financial balance in 2018/19.
- 6.6 A review of the effectiveness of the Budget Review Group Process is underway with a view to significantly streamlining the approach for 2019/20.

7. IJB FINANCIAL PLAN 2018/19

- 7.1 A summary of the 2018/19 Financial Plan for Perth & Kinross IJB is set out at Appendix 3. An overall recurring shortfall of £4.29m is forecast for PKHSCP driven by the £1.5m gap in Social Care and the £1.9m gap in Inpatient Mental Health. A gap of £627k is forecast against GP Prescribing.
- 7.2 As part of the 2018/19 Budget Offer from PKC, £1.8m of the 2017/18 Social Care under-spend will be transferred to IJB Reserves. Of this £1.5m will be used to balance the in-year financial position. This has now been assumed as part of the 2018/19 Financial Plan.
- 7.3 For Inpatient Mental Health, the Chief Officer is in discussion with NHS Tayside around the provision of £1.34m bridging finance to meet the contingency costs associated with the agreed new service model and medical locum costs. (no short term solution given national recruitment issues). At this stage only the £448k funding for contingency costs is agreed and included in the Financial Plan.
- 7.4 A gap of £2.3m remains in the PKHSCP 2018/19 Financial Position. After sharing of the financial gap forecast on IP Mental Health and Prison Healthcare across the 3 Tayside IJB's based on the risk sharing arrangements for Tayside Hosted Services and noting that the services hosted within Dundee IJB and Angus IJB are expected to break-even in 2018/19, the net overall gap in the 2018/19 Financial Plan for Perth & Kinross IJB is £1.22m. The following further actions are considered to be critical in delivering break-even in 2018/19.
- Agreement and implementation of workforce and efficiency plan for Prison Healthcare which addresses the £147k recurring shortfall within Other Hosted Services.
 - Agreement by NHS Tayside on the fair distribution of £1.2m recurring NRAC Allocation earmarked for GP Prescribing.
 - A rapid option review of Inpatient TSMS beds.
 - Consideration of other opportunities for efficiency within the Inpatient Mental Health Service.

- Consideration by the NHST Prescribing Management Group of further actions and potentially 'difficult decisions' that may require to be taken at NHST Board level to drive down prescribing costs in 2018/19.

A full update will be provided to the IJB in June on progress on each of the above key actions.

7.5 The IJB are asked to approve the IJB 2018/19 Financial Plan.

8. 3 YEAR FINANCIAL PLAN 2018/19: 2020/21

8.1 As part of the financial planning process, a 3 Year Financial Plan has been developed that includes a detailed analysis of cost and demand pressures over the medium term. In parallel and recognising the potential scale of savings that may be required in future years, further savings plans have been developed for 2019/20 and 2020/21. The 3 Year Plan will be brought forward to the meeting of the IJB in June 2018 for consideration and for approval of further longer-term transformation plans that will be essential in delivering financial sustainability in future years.

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