



PERTH & KINROSS INTEGRATION JOINT BOARD

17 December 2019

2019/20 FINANCIAL POSITION

Report by the Chief Financial Officer (Report No. G/19/202)

PURPOSE OF REPORT

This report is to update Perth & Kinross Integration Joint Board (IJB) on the year end financial forecast based on actual expenditure for the 7 months to 31st October 2019 and to identify risks which may impact on the financial forecast in future months.

1. RECOMMENDATION(S)

It is recommended that the IJB:-

- (i) Notes the 2019/20 forecast year-end overspend of £3.8m for the IJB;
- (ii) Notes that this is a reduction of £0.6m from Month 6, after implementation of the Financial Recovery Plan.
- (iii) Notes that the forecast overspend is £0.3m less than the 2019/20 formal budget deficit.
- (iv) Notes the risks which may impact on the financial position in future months;
- (v) Notes the work underway to develop a 3 Year Financial Plan across all services. This includes longer term service change to address financial sustainability.

2. OVERVIEW

OVERALL

Based on actual expenditure to 31st October 2019, Perth & Kinross IJB is forecasting an overspend of £3.8m.

KEY ISSUES

A break down of the £3.8m year end forecast is provided in Table 1 below:-

TABLE 1 YEAR END FORECAST

	Forecast Over/(Under Spend)	
	£m	
2019/20 Budget Deficit	4.1	2019/20 Financial Plan Budget deficit approved by the IJB
Core Health & Social Care Services	0.0	See Table 2 below
Prescribing	(0.4)	Item and price growth lower than plan.
General Medical Services/Family Health Services	0.1	Cost of 2C practices across Tayside spread across all 3 HSCP's.
Inpatient Mental Health (PKIJB share)	0.2	Increased pay costs.
Other Hosted Services (PKIJB share)	(0.2)	Delays in recruitment
Total Forecast Overspend	3.8	

Movement from last report: the Finance Report to the IJB in November 2019 forecast an overspend of £4.4m. This updated position represents an improvement of £0.6m.

Financial Recovery Plan: Following approval of the 2019/20 Financial Recovery plan by the IJB in September 2019, £1.1m of financial recovery actions were agreed by NHS Tayside and Perth & Kinross Council in November 2019 and are now being implemented. This was anticipated to reduce the forecast overspend to £3.3m, however this was based on implementation from 1st October 2019. The agreed financial recovery plans are now being implemented, however some slippage has occurred and PKHSCP are taking all possible steps to ensure the planned reduction in expenditure can be achieved without impact on service delivery.

Financial Risk Sharing Arrangements:- based on 2018/19 risk sharing arrangements, Perth & Kinross Council's share of the October forecast overspend would be £2.2m and NHS Tayside £1.6m.

Reserves: PKIJB carried forward £2.5m of earmarked reserves from 2018/19 to meet specific spending commitments in 2019/20. It carried forward no under marked reserves. For 2019/20 a further carry forward of earmarked reserves is anticipated in relation to the Primary Care Improvement Fund, Mental Health Action 15 and Alcohol and Drugs Funding. Updates will be provided in future months.

3 Year Financial Recovery Plan 2020-23: In order to ensure early and collaborative discussions take place with NHS Tayside and Perth & Kinross Council around the actions required to deliver financial balance in 2020/21 and in the longer term, it is now proposed that a 3 Year Financial Recovery Plan be developed in partnership with both NHS Tayside and Perth & Kinross Council. An update on the work undertaken to date is provided separately to the IJB.

3. SERVICE FINANCIAL PERFORMANCE

3.1 Core Health & Social Care Services

Overall, core health and social care services are now forecasting break-even against their 2019/20 budget. The key issues impacting on the forecast position are summarised in the Table 2 below. A number of unanticipated pressures across bed based services and complex care are being offset by significant non-recurring benefits.

TABLE 2 FORECAST CORE HEALTH & SOCIAL CARE SERVICES

	Forecast Over/(Under Spend)		
	£m	£m	£m
	Health	Social Care	Total
Nursing overspend across POA/MFE/Community Hospital Inpatient Beds	0.6		0.6
Care Home Placements/Internal Care Home Provision		0.8	0.8
Step Up/Interim beds		0.2	0.2
Savings plans behind trajectory	0.2		0.2
Learning Disability/Mental Health Complex Care Packages	0.4	0.1	0.5
Income from charging		(0.3)	(0.3)
Underspend on ring fenced investments	(0.4)	(0.4)	(0.8)
Other	(0.6)	(0.6)	(1.2)
Total Forecast Overspend	0.2	(0.2)	0.0

The overall break-even forecast is a £0.5m improvement on the £0.5m forecast overspend in the last IJB report. However the approved financial recovery actions were anticipated to improve the forecast for core services by £1.1m. Redesign of the use of step up beds and in the introduction of an alternative staffing model in Psychiatry of Old Age Inpatient beds are the key drivers of this slippage and actions are being taken to accelerate implementation.

The key variances across core health and social care services are explained below:-

Nursing Staffing across Inpatient Services: overall a net overspend of £0.6m is forecast across core health bed based services. Medicine for the Elderly (Tay and Stroke wards) are forecasting a £0.1m overspend. This is due to increased bed numbers above budget and supplementary staffing costs to cover vacancies. Psychiatry of Old Age (POA) Wards are forecasting a £0.5m overspend. Costs from increased staffing and supplementary staffing are being incurred, due to vacancies and an increase in acuity and dependency levels.

This is being offset by an underspend (£0.3m) within POA Community Mental Health Teams, driven by vacancies. Community Hospitals are forecasting a £0.3m overspend due to incremental drift, supplementary staffing costs driven by sickness, vacancies and over-establishment within the previous Aberfeldy Community

Hospital. Overall the Inpatient Services forecast overspend is £0.1m less than previously reported.

Care Home Placements/ Internal care Home Provision: an overspend of £0.8m is forecast for care home provision. External Older People Residential and Nursing Care Homes are forecasting a £0.6m over spend, due to higher than anticipated demand. Internal care Homes are forecasting a £0.2m overspend due to higher than anticipated costs (staffing and supplies) and lower than anticipated income due to a change in the financial profile of residents. The forecast is £0.1m less than previously reported.

Step Up/Interim Beds: An overspend of £0.2m is forecast from the use of step up beds in care homes, for which where there is no budget.

Care at Home - The Care at Home forecast is projecting an underspend of £0.2m, this is £0.2m better than last forecast.

Delivery of approved savings: A shortfall on savings delivery of £0.2m is now forecast. This is an improvement of £0.4m from last month. This shortfall is due to slippage in implementation within 2 areas:

- Integration of Workforce
- Unmet savings in 2018/19 from OT Integration have carried forward and remain undelivered.

Learning Disability & Mental Health Complex Care Packages: Overall an overspend of £0.5m is forecast. This is due to new service users and current user's costs increasing and an increase in the cost of external transport. This is an improvement of £0.1m from last month.

Income from charging: A £0.3m surplus is anticipated from an over-recovery of income. This is broadly in line with last month.

Slippage on ring fenced investments: Slippage in use of ringfenced investment is forecast at £0.8m The main areas of slippage relate to:

- the delay in implementation of Enhanced Community Support and the Respiratory Service (£0.4m).
- the less than budgeted expenditure in year for Free Personal Care for under 65's (£0.4m).

Slippage on investments has reduced by £0.1m from the last report.

Other: In year opportunities, identified in the first quarter of 2019/20, are benefiting the financial position. These opportunities were identified as part of initial financial recovery management. In addition there is a level of unplanned vacancies across a number of services.

3.2 Prescribing

The 2019/20 Financial Plan assumed item growth of 1.7% and price growth of 3%. Actual item and price growth for the first quarter is lower than plan resulting in an underspend of £0.3m. This is in line with the last report to the IJB.

3.3 General Medical Services and Family Health Services

A forecast overspend of £0.1m is reported being Perth & Kinross IJB's share of 2C GP Practices across Tayside (including one –off Bridge of Earn dispersal costs).

3.4 Other Hosted Services

Overall an underspend of £0.1m is forecast for Perth & Kinross IJB's share of other Hosted Services across Tayside, including those hosted by Perth & Kinross IJB.

3.5 Inpatient Mental Health Services

The service is forecasting an overspend of £2.0m, a deterioration of £0.5m from the gap identified in the approved 2019/20 Financial Plan. Perth & Kinross IJB's share of this variance from plan is £0.2m. The movement broadly arises from unanticipated superannuation costs and pay awards for Medical Staffing.

4. AREAS OF FURTHER FINANCIAL RISK

The degree of certainty around risks increases as the year progresses. However there are a number of key factors that remain uncertain:-

- Prescribing Price fluctuations: an increase in price growth by 0.5% would lead to an increase in costs of £0.2m
- Inpatient Mental Health Medical Locum Costs to respond to service: an additional 1 WTE Medical Locum would cost up to £0.3m.
- Learning Disability Complex Care Packages: Continued uncertainty around client numbers and package costs. The average cost of a Learning Disability complex care package in the year to date is £0.05m however the highest individual package is over £0.3m.
- Capacity Issues across PRI and protection of elective capacity, leading to opening further PKHSCP Medicine for Elderly beds at agency nursing rates.

5. SUMMARY

The forecast overspend of £3.8m is an improvement on the £4.1m 2019/20 formal budget deficit. Full implementation of the £1.1m 2019/20 Financial Recovery Plan actions now approved by PKC and NHST was expected to reduce the overspend to £3.3m, however there has been slippage in implementation of the in- year service redesign required. Implementation is being accelerated and in parallel PKHSCP continues to identify all possible further actions to reduce costs in year. The 3 Year Financial Recovery Plan

process now proposed (Development of 3 year Financial Recovery Plan Paper to IJB) will provide an effective mechanism to set out, consult and engage on the short and longer term service changes that will be required to deliver financial balance over the next 3 years.

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