



PERTH & KINROSS INTEGRATION JOINT BOARD

06 NOVEMBER 2019

2019/20 FINANCIAL POSITION

Report by the Chief Financial Officer (Report No. G/19/173)

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 6 months to 30th September 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 £4.4m for the IJB;
- (ii) Notes that £1.1m of the £1.3m Financial Recovery Plan Actions approved by the IJB have been approved by Perth & Kinross Council, but are still under discussion with NHS Tayside. Application of these actions would reduce the forecast to £3.3m;
- (iii) Notes the risks which may impact on the financial position in future months;
- (iv) 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 30 September 2019, Perth & Kinross IJB is forecasting an overspend of £4.4m. This is largely driven by the £4.1m 2019/20 formal budget deficit. Whilst there are areas of unanticipated demand across core services, these are being significantly offset by over recovery of income, vacancies, slippage in investment plans, and an improved position on GP Prescribing. Full implementation of £1.1m 2019/20 Financial Recovery

Plan actions approved by PKC would reduce the overspend to £3.3m. Feedback is awaited from NHS Tayside and therefore the forecast has not been formally adjusted at this stage. PKHSCP continue to identify all possible further actions to reduce costs in year. However the 3 Year Financial Planning process now underway provides the mechanism to set out, consult and engage on longer term service changes that will be required to deliver future financial balance.

KEY ISSUES

A break down of the £4.4m 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	0.5	Driven primarily by nursing costs across Inpatient Services, demand for Care Home Placements including interim care, increased complex care packages and a shortfall in savings against trajectory. Offset by increased social care income, slippage in investments, vacancies and other one off benefits.
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)	(0.1)	Delays in recruitment
Total Forecast Overspend	4.4	

Movement from last report: the Finance Report to the IJB in September 2019 forecast an overspend of £4.8m. This updated position represents an improvement of £0.4m.

Financial Recovery Plan: the Financial Recovery Plan approved by the IJB at its September 2019 meeting, identified up to £1.3m of proposed recovery actions. PKC have confirmed approval to £1.1m of proposed actions. However NHS Tayside have yet to confirm the outcome of their review. Therefore the year end forecast has not yet been adjusted. If implemented, these could reduce the forecast overspend to £3.3m.

Financial Risk Sharing Arrangements:- based on 2018/19 risk sharing arrangements, Perth & Kinross Council's share of forecast overspend after implementation of £1.1m Financial Recovery Plan actions would be £2.1m and NHS Tayside £1.2m. Discussions on 2019/20 risk sharing arrangements are ongoing between Perth & Kinross Council and NHS Tayside.

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 Plan 2020-23: A robust 3 Year plan is being developed across all services. A first draft is due to be completed by early November for early discussion with NHS Tayside and Perth & Kinross Council Executive Management Teams.

3. SERVICE FINANCIAL PERFORMANCE

3.1 Core Health & Social Care Services

The key issues impacting on the forecast position for Core Health & Social Care Services are summarised in the Table 2 below.

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	0.7		0.7
Care Home Placements/Internal Care Home Provision		0.9	0.9
Step Up/Interim beds		0.2	0.2
Savings plans behind trajectory	0.2	0.5	0.7
Learning Disability/Mental Health Complex Care Packages	0.4	0.2	0.6
Income from charging		(0.3)	(0.3)
Underspend on ring fenced investments	(0.5)	(0.5)	(1.0)
Other	(0.6)	(0.7)	(1.3)
Total Forecast Overspend	0.2	0.3	0.5

The £0.5m forecast overspend compares to £0.7m forecast in the last IJB report. Key variances are explained below:-

Nursing Staffing across Inpatient Services: overall a net overspend of £0.7m is forecast across core health bed based services.

Medicine for the Elderly (Tay and Stroke wards) are forecasting a £0.2m 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 £0.4m 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 (£0.2m) within POA Community Mental Health Teams, driven by vacancies.

The Financial Recovery Plan outlines plans to mitigate the increased requirement for nursing staff within POA wards. This is not yet built into the year end forecast.

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: overall an overspend of £0.9m is forecast for care home provision. External Older People Residential and Nursing Care Homes are forecasting a £0.7m 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. Overall the forecast is £0.1m more 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 - Overall the Care at Home forecast is projecting a breakeven position, this is £0.1m better than last forecast. The financial recovery plan anticipates a further improvement in the Care at Home position.

Delivery of approved savings: A shortfall on savings delivery of £0.6m is now forecast. This is a deterioration of £0.1m from last month. This shortfall is due to slippage in implementation within 4 areas:

- The transformation of Fairer/Better Futures for People with Learning Disabilities and Autism
- IT Efficiencies/Productivity
- 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 £0.6m 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 broadly in line with 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 £0.9m The main areas of slippage relate to:

- the delay in implementation of Enhanced Community Support and the Respiratory Service (£0.3m).
- the less than budgeted expenditure in year for Free Personal Care for under 65's (£0.4m).

Slippage on investments has reduced by £0.3m from the last report. This movement is mainly due to a forecast expenditure increase in Free Personal Care for under 65's.

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 an improvement of £0.4m from 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 £2.1m, a deterioration of £0.5m from the gap identified in the approved 2019/20 Financial Plan. Perth & Kinross IJB's share of this variance 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 PKHS CP Medicine for Elderly beds at agency nursing rates.

5. SUMMARY

The forecast overspend of £4.4m is largely driven by the £4.1m 2019/20 formal budget deficit. Whilst there are areas of unanticipated demand across core services, these are being significantly offset by over recovery of income, vacancies, slippage in investment plans, and an improved position on GP Prescribing. Full implementation of the £1.1m 2019/20 Financial Recovery Plan actions approved by PKC would reduce the overspend to £3.3m. PKHSCP continue to identify all possible further actions to reduce costs in year. However the 3 Year Financial Planning process now underway provides the mechanism to set out, consult and engage on longer term service changes that will be required to deliver future financial balance.