



Perth & Kinross Integration Joint Board

Friday 22 June 2018

2018/19 Finance Update

Report by Jane Smith, Chief Finance Officer (G/18/95)

PURPOSE OF REPORT

This report sets out an update on the development of the 2018/19 Financial Plan and sets out the key financial risks to delivery of financial balance for the year ahead.

1. RECOMMENDATIONS

It is recommended that the IJB:

- 1.1 Note that a gap of £920k remains in the 2018/19 Financial Plan driven by Inpatient Mental Health and GP Prescribing.
- 1.2 Note the key financial risks that may further impact on the ability of the IJB to deliver financial balance in 2018/19.
- 1.3 Note the non-recurring budget to be allocated by NHS Tayside in 2018/19 to meet specific IJB funding commitments which have slipped from 2017/18.
- 1.4 Note the confirmation of the £1.685m Scottish Government earmarked recurring funding to meet Primary Care and Mental Health priorities in Perth and Kinross.

2. 2018/19 FINANCIAL PLAN

- 2.1 At its meeting on 23rd March 2018, the IJB approved the 2018/19 Financial Plan. This has been updated to take account of further ongoing work to identify recurring an in year solution and is attached at Appendix 1.
- 2.2 A shortfall of £920k is reported driven predominantly by a £438k shortfall on GP Prescribing and a £427k gap on Inpatient Mental Health Services. This is an improvement of £300k from the initial plan presented to the IJB in March 2018.
- 2.3 For GP Prescribing our work with colleagues across NHS Tayside has identified a number of further cost improvement opportunities. However this has been offset by more prudent assumptions on expected national price changes. We still await a formal decision by NHS Tayside on the fair allocation of £1.2m additional NRAC Funding and

any share of this will help close the current gap. We have included a £0.2m share of the additional £1.2m Tayside NRAC Funding and this drives the overall improvement in the gap from £627k to £438k.

- 2.4 For Inpatient Mental Health a number of further opportunities to transform services and deliver cost improvement have been identified. However at this stage it is not possible to formally assess the financial benefit that may accrue. Progress to strengthen leadership arrangements is being made and this will be essential in driving forward progress. Overall the IJB's share of the gap has reduced from £497k to £438k.
- 2.5 The Financial Plan highlighted a significant pressure in relation to the health contribution to complex care packages that sits outside the financial plan since the budget for complex care has not been devolved to the IJB by NHS Tayside. Further work has been done to quantify this pressure, now estimated to be £440k. This is subject to discussions with the NHS Tayside Director of Finance as part of a pan Tayside consideration of the complex care budget.

3. 2018/19 FINANCIAL RISKS

- 3.1 The Chief Financial Officer has worked with budget holders to identify key risks to delivery of financial balance in 2018/19. Appendix 2 sets out a summary of these risks along with a risk rating and potential scope of financial impact where it has been possible to quantify at this stage.
- 3.2 The first Financial Monitoring Report will come to the IJB in September 2018. However it is already clear that over and above the formal gaps in the 2018/19 Financial Plan a number of high risk potential pressures have emerged that may have a significant impact on the in –year financial position.
- 3.3 The most significant risk is in relation to Social Work Complex Care packages. A detailed review has been undertaken of expected costs and this is now significantly higher than expected across Learning Disabilities and Mental Health. The Chief Finance Officer will support the Head of Social Work and Social Care to present the findings of the detailed review. In line with the Integration Scheme we hope there will be an opportunity to discuss with Perth & Kinross Council the provision of additional resources in-year to meet this unforeseen cost in line with the Integration Scheme.
- 3.4 The further significant financial risk is the reduction in demand for 84 Care Home Placements through investment in Carer's Support. A review has now been undertaken of the level of impact that the increased investment will have on demand and this is now lower than originally anticipated.
- 3.5 The GP Prescribing Financial Plan relies on a number of price reductions which are being negotiated nationally and are notoriously difficult to predict. Whilst we believe that prudent assumptions have been made this is still regarded as high risk. Further, in Perth & Kinross levels of growth in prescribing have been lower than across Tayside during 2017/18. Whilst a product assumption has been made around growth levels in 2018/19, again growth predictions are recognised nationally as complex due to the large number of factors than can impact including short supply medicines.

- 3.6 The Inpatient Mental Health Financial Plan assumes that NHS Tayside will allocate £448k of non-recurring resources to meet the cost impact of current contingency arrangements whilst the service moves to formal organisational change. The deterioration in the financial position of NHS Tayside makes it highly likely that this funding may not be allocated. In addition a further risk has emerged in relation to non-recurring funding required to support the agreed transformation of services.

4. NON-RECURRING PARTNERSHIP FUNDS

- 4.1 NHS Tayside have agreed to distribute non-recurring funding in 2018/19 to each of the three IJB's in relation to locally agreed projects for which spending plans have slipped. Appendix 3 sets out the funds to be distributed for 2018/19. Future management of slippage will be made through the IJB's own reserves mechanism. Spend against these funds will be reported to the IJB as part of routine monthly financial monitoring reports.

5. 2019/20 BUDGET NEGOTIATIONS

- 5.1 The Chief Officer, Chief Finance Officer and Chair of the IJB met with the Chief Executive of Perth and Kinross Council and the Strategic Director of Finance of NHS Tayside in early May to commence discussions on a joint approach to agreement of the IJB budget for 2019/20. This will be one of a series of meetings over 2018/19 aimed at ensuring a collective understanding of the financial challenges facing both parent bodies and the IJB itself and for discussion around the IJB's devolved budget for 2019/20 and future years.

6. 2018/19 SCOTTISH GOVERNMENT FUNDING FOR PRIMARY CARE AND MENTAL HEALTH

- 6.1 In May 2018, the Scottish Government confirmed earmarked recurring funding for a number of priorities. The funding will be allocated at Integration Authority level; however discussions at NHS Board level will be essential in agreeing spending plan priorities. The Perth and Kinross IJB share of this funding is as follows:

	£000
Mental Health Strategy (Action 15)	300
Primary Care Improvement Fund	1,249
Out of Hours	136
	1,685

At this stage spending plans have not been agreed and these will be developed over July and August 2018 for approval by the IJB in September 2018.

7. CONCLUSION

- 7.1 Over and above the £920k gap in the 2018/19 Financial Plan a number of significant risks have been identified which are likely to have a material impact on the delivery of a break even position.

Appendix 1 2018/19 Financial Plan

Appendix 2 Financial Risk Register

Appendix 3 2018/19 Non-Recurring Partnership Funds

Summary Perth and Kinross Financial Plan 2018/19 (Revised as at 30 th May 2018)							
	Hospital and Community Health £000	Other Hosted Services £000	Inpatient Mental Health £000	GP Prescribing £000	Sub-Total Health £000	Social Care £000	Total £000
Total Expenditure Pressures	1,325	562	3,255	2,828	7,970	4,615	12,585
Increase/(-)Decrease to Budget from Parent Body	671	156	434	588	1,849	(1,537)	312
Savings Requirement	654	406	2,821	2,240	6,121	6,152	12,273
Savings/Other Income Identified	608	381	1,097	1,802	3,888	4,620	8,508
Recurring Shortfall / (-) Surplus	46	25	1,724	438	2,233	1,532	3,765
Other Funding:							
Non Recurring Reserves	-	-	-	-	-	1,532	1,532
NHST Bridging Finance	-	-	448	-	448	0	448
Sub-Total Other Funding	-	-	448	-	448	1,532	1,980
PKHSCP Financial Plan 2018/19 Shortfall /(-)Surplus	46	25	1,276	438	1,785	0	1,785
Perth & Kinross IJB 2018/19 Financial Plan Shortfall / (-)Surplus	46	8	427	438	920	0	920

IJB FINANCIAL UPDATE – KEY RISK FACTORS

	Risk Owner	Risk Rating	Potential Impact	Mitigating Action
Older People and Unscheduled Care				
Community Hospitals Fire & Safety Review Implications	ED	High	£50k	All options are being considered to ensure safety concerns are fully addressed in a way that provides best value.
Shifting the Balance of Care (Reduction of Placements) savings not deliverable	DF	High	£775k	Full review of investment plans being undertaken to ensure focus on most effective early intervention and prevention strategies.
Primary Care				
Implications of Prison Healthcare Inspection	ED	High	TBC	Formal outcome of inspection is expected in June 2018
Prison Healthcare Smoke Free Prison Implementation has unfunded cost implications (PKIJB share)	ED	High	TBC	Ongoing work with Public Health with budget being transferred between other elements of the smoking cessation framework outcome bundle. Additional funding for staffing to support on a temporary basis is being provided by Public Health.
GP Prescribing Gap in 2018/19 Financial Plan is not closed	HD	High	£438k	A number of other opportunities to improve efficiency and drive

	Risk Owner	Risk Rating	Potential Impact	Mitigating Action
				down cost are being pursued locally and at NHST Level.
Prescribing National Price Changes do not come to fruition	HD	High	£295k	This is out with our control and nationally lead. However our overall exposure is lower than in previous years.
Prescribing Level of Volume Growth is higher than anticipated	HD	High	£280k	This is being closely monitored. The growth for 2017/18 was negative at -0.19% for P&K. Significant programs of work and use of a 1% growth projection should ensure that growth is delivered to expectation
Wellbeing				
Inpatient Mental Health Gap in Financial Plan (PKIJB Share) cannot be met by additional efficiency/income/cost reduction measures.	RP	High	£427k	A number of other opportunities to improve efficiency and drive down cost are being pursued.
Unanticipated pressure on social care complex care packages for LD and MH	DF	High	£1,100k	Fully briefing prepared and discussion planned with PKC EOT in June 2018
Budget not devolved from NHST to cover known Health commitments to new/increased complex care packages (MH and LD)	ED	High	£440k	Discussion to take place with NHST Strategic Director of Finance in June 2018
Income to meet Inpatient Mental Health Contingency Costs not available from NHST (PKIJB share)	RP	High	£150k	Discussion to take place with NHST Strategic Director of Finance
Capital and other non-recurring funding necessary to implement Inpatient Mental Health Transformation Programme not available from NHST (PKIJB share)	RP	High	TBC	Urgent meeting requested with Programme Director and NHST Strategic Director of Finance.

	Risk Owner	Risk Rating	Potential Impact	Mitigating Action
Requirement to meet share of costs for new Mental Health Improvement Team (PKIJB share)	RP	High	£60k	A full costing is being pulled together for sharing with CO's/CFO's.
General				
Mobile Working etc Savings Target Social Care not deliverable.	DF	High	£86k	Meeting to review options in June 2018.
Total			£4,101k	

Perth and Kinross IJB Non-Recurring Partnership Funds 2018/19

Partnership Fund	Funding Available £000
Perth and Kinross Integration Fund	711
Primary Care Transformation Funding	209
Alcohol and Drug Partnership Funding	137
Mental Health Innovation Funding	183
Trauma and Orthopaedics Improvement	78
Total	1,318