



AUDIT & PERFORMANCE COMMITTEE

19 February 2019

2018/19 FINANCIAL POSITION

Report by Chief Financial Officer (G/19/26)

PURPOSE OF REPORT

This report provides an update to the Perth & Kinross Integration Joint Board (IJB) Audit and Performance Committee on the year-end financial forecast for 2018/19 based on the 9 months to 31 December 2018.

1. RECOMMENDATION(S)

It is recommended that the Audit and Performance Committee:-

- (i) Notes the overall projected overspend of £1.954m for Perth & Kinross IJB for 2018/19; an improvement of £2.081m from the last report.
- (ii) Note that a separate paper on the 2018/19 Financial Recovery Plan agreed by NHST and PKC is being brought forward to the IJB for homologation. This Plan includes £1.238m of recovery plan actions which are assumed to be delivered within this revised year end forecast.
- (iii) Notes progress with 2018/19 savings delivery.
- (iv) Notes the update regarding IJB reserves.

2. FINANCIAL POSITION AND YEAR END FORECAST

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).
- c. Summary (Section 5).

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 £1.954m.

3. NHS DIRECTED SERVICES – YEAR END FORECAST POSITION

3.1 Local Hospital and Community Health Services

An underspend of £0.599m is forecast, an improvement of £0.615m from the last report. The majority of services are currently projecting underspends or near breakeven. This reflects good progress made in delivery of savings and cost containment. The improvement in the year-end forecast this month reflects slippage in recruitment to key posts integral to the development of Older Peoples Services. Utilisation of reserves has now been built in to the year-end forecast in line with agreed financial recovery plan actions, improving the position by £0.110m.

All possible efforts are being made to identify further cost containment opportunities to support overall financial balance across Health and Social Care.

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, the projected overspend is £1.725m, an increase of £0.137m from the last report. This is largely driven by an increase in overspend within Learning Disabilities and the reasons for this are being established

The overspend 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.

An overspend of £0.099m is now forecast for Prison Healthcare reflecting the increased prisoner population and the impact of this on staffing and medicines cost.

The combined effect of the above, despite some off-setting under spends, is one of an overspend of £0.580m for the PKIJB share of these costs.

3.3 Services Hosted Elsewhere on Behalf of Perth & Kinross IJB

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 £0.454m. 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 overspend of £0.151m for the PKIJB share of these costs. This is an improvement of £0.059m from the last report. The PKIJB 2018/19 Financial Plan did not predict any level of overspend on other hosted services in Tayside and further work is required to establish the implications for the 2019/20 Financial Plan.

3.4 Family Health Service (FHS) Prescribing

Considerable work continues at both Tayside and local level regarding Prescribing. An over spend of £1.237m is being projected based on actual information to September 2018. This is an improvement of £0.258m from the last report. This projection is £0.799m higher than 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.

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 both locally and regionally.

3.5 General Medical Services and Family Health Services

Overall these services are forecast to breakeven. However within this projection PKHSCP has been attributed a share (£0.188m) of the budgetary pressures being incurred relating to 2C GP Practices in Dundee and Angus. This pressure is being partially offset by other underspends in the PKHSCP GMS budget.

Budgets associated with other Family Health Services (FHS) are projected to underspend by £0.032m at the year end.

3.6 Large Hospital Services

This is a budget that is devolved to the IJB for strategic planning purposes but is operationally managed by the Acute Sector 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.

The Draft 3 Year Financial Plan has been developed in conjunction with the Acute Division to consider the large hospital budget. Therefore improved financial reporting will be required from 2019/20 onwards.

3.7 Overall Position Regarding NHS Directed Resources

The overall reported projected 2018/19 position for Health Services is an over spend of £1.339m. This is a significant improvement on the £2.026m forecast last reported to the IJB. This forecast must be considered in the context of the £0.920m gap in relation to NHS Directed Services as contained in the 2018/19 Financial Plan approved by the IJB in June 2018, and as set out below.

Comparison to 2018/19 Financial Plan Health Services

PKHSCP Health Services	Month 9 Total IJB	2018/19 Approved Financial Plan
	Forecast Over/(under) spend	Forecast Over/(under) spend
	£000	£000
Hospital & Community Health Services	(599)	46
Prescribing/Family Health Services	1,207	438
PKHSCP Hosted Services	580	427
Other IJB Hosted Services	151	0
Sub Total NHS Tayside Directed Services	1,339	920

All possible actions continue to be identified that will address the forecast overspend.

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

4.1 Adult Social Care Services

The IJB is currently projecting a £0.615m year-end overspend for Adult Social Care Services based on spend levels to 31 December 2018. The 2018/19 Financial Plan assumed breakeven could be delivered.

Within Older People's and Physical Disability Services a net overspend of £0.654m is largely attributable to demographic growth issues. Within care at home services an overspend of £0.122m is mainly due to additional demand and interim placements (£0.811m), off set by an underspend in internal care at home teams due to delays in recruitment (£0.227m), recovery of unused Direct Payments (£0.052m) and slippage on the implementation of a revised Intermediate Care Service model (£0.261m). The agreed financial recovery plan aims to reduce the overall overspend within Older People Services by £0.150m through a review of care at home services. The month 9 forecast assumes this will be delivered in full over the last 3 months of the financial year.

A net overspend of £0.200m on the Joint Equipment Loan Store and OT services relates principally to staff costs (£0.080m) and the provision of Adaptations and Equipment (£0.120m). The overspend on Adaptations and Equipment relates to the increasing frailty and individuals' service demand needs.

Within Care Home Placements, an overspend of £0.679m is forecast this month - a deterioration of £0.325m from the last report. The overspend 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. The movement from the last report is due to a high demand in recent weeks for Older People care home placements, together with an increase above trend in the number of Physical Disability placements.

Within Carers services an underspend of £0.144m is being forecast, mainly attributable to part year implementation of approved spend plans.

A number of underspends (£0.203m) across other Older Peoples services resulting from staff vacancies, uncommitted budgets and additional non-recurring income.

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). This is resulting in a forecast overspend against budget of £1.927m and this is due to individuals' 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, no longer exists.

There remain a number of one-off under spends including recovery of prior years surpluses from providers based on occupancy levels and contract payments (£0.761m). There is also non-recurring slippage in the Invergowrie project due to delays in progressing the building works (£0.381m).

The agreed financial recovery plan aims to with reduce the overall overspend within Learning Disabilities and Mental Health Services by £0.350m through demand management. The month 9 forecast assumes this will be delivered in full over the last 3 months of the financial year.

A number of underspends (£0.341m) across Management, Commissioned Services and Mental Health and Learning Disabilities services mainly due to uncommitted monies, staff vacancies, and additional income.

There are also a number of approved 2018/19 savings which have not yet been fully realised. These total £0.497m and progress in delivering these is set out at Appendix 3.

Utilisation of reserves has now been built in to the year-end forecast in line with agreed financial recovery plan actions, improving the position by £0.628m.

4.2 Overall Position Regarding Perth & Kinross Council Directed Resources

The overall projected 2018/19 position is an over spend of £0.615m. This will continue to be affected by risks and refinement. All actions continue to be taken to reduce the forecast overspend.

5. SUMMARY IJB POSITION

Overall the current forecast is a potential year end overspend of £1.954m. This is an improvement of £2.081m from the last report to the IJB. The forecast position assumes actions set out in the 2018/19 Financial Recovery Plan will be delivered in full.

The forecast financial position is subject to multiple risks and refinement, particularly in relation to Prescribing projections.

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 approved savings in 2018/19. 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** This issue was described in the last finance report to the IJB (G/18/188). An updated position is set out in Appendix 4.

8. SUMMARY

- 8.1 The overall projected position is a £1.954m overspend. This is a significant improvement from the last report and is largely driven by £1.238m of financial recovery actions. However, underlying improvements in forecasts have also been recorded in both Prescribing and Older Peoples Services.

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APPENDICES

1. Projected Financial Position For 2018/19
2. Devolved Services
3. Approved 2018/19 Savings
4. IJB Reserves