



PERTH & KINROSS INTEGRATION JOINT BOARD

AUDIT AND PERFORMANCE COMMITTEE

17 FEBRUARY 2020

2019/20 FINANCIAL POSITION

**Report by the Chief Financial Officer
(Report No. G/20/22)**

PURPOSE OF REPORT

This report is to update Perth & Kinross Integration Joint Board (IJB) Audit and Performance Committee on the year end financial forecast based on actual expenditure for the 9 months to 31 December 2019 and to identify risks which may still impact on the financial out-turn.

1. RECOMMENDATION(S)

It is recommended that the Audit and Performance Committee:

- (i) Notes the 2019/20 forecast year-end overspend of £3.3m for the IJB;
- (ii) Notes that this is a reduction of £0.5m from Month 7 and is in line with the anticipated position following implementation of agreed financial recovery actions;
- (iii) Notes the risks which may still impact on the 2019/20 financial out-turn;
- (iv) Notes the update on the development of the 3 Year Financial Recovery plan and expected timescales for budget offers from NHS Tayside (NHST) and Perth and Kinross Council (PKC) and implications for the IJB Budget Setting Timescales.

2. OVERVIEW

OVERALL

Based on actual expenditure to 31 December 2019, Perth & Kinross IJB is forecasting an overspend of £3.3m. A breakdown of the £3.3m 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	(0.1)	See Table 2 below
Prescribing	(0.8)	Higher than anticipated national rebates.
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)	0.1	PKIJB share of Increased pay uplift and superannuation costs.
Other Hosted Services (PKIJB share)	(0.1)	Delays in recruitment
Total Forecast Overspend	3.3	

Movement from last report: The Finance Report to the IJB in December 2019 forecast an overspend of £3.8m. This updated position represents an improvement of £0.5m.

Financial Recovery Plan: Following approval of the 2019/20 Financial Recovery plan by the IJB, NHS Tayside and Perth & Kinross Council in November 2019 agreed actions are now being implemented and have been largely achieved. Some slippage has occurred in relation to Inpatient Services and Perth and Kinross Health and Social Care Partnership (PKHSCP) are taking all possible steps to ensure spend is brought back in line with budget by 1 April 2020. A significant improvement in the year end forecast on Prescribing has however brought the forecast in line with the overall recovery plan target.

Financial Risk Sharing Arrangements: Based on roll forward of 2018/19 risk sharing arrangements to 2019/20, Perth & Kinross Council's share of the forecast overspend would be £2.1m and NHS Tayside £1.2m.

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 significantly reduced carry forward of earmarked reserves is anticipated of £0.7m

3 Year Financial Recovery Plan 2020-23: A Draft 3 Year Financial Recovery Plan has been developed and the Chief Officer and Chief Financial Officer have engaged fully in the budget setting processes for Perth & Kinross Council and NHS Tayside to support determination of appropriate budget settlement. All non-recurring opportunities have also been considered within the plan. Budget setting timescales for both PKC and NHST have been impacted due to the decision by UK Government and Scottish Government budget timescales. It is now anticipated that the IJB will be asked to set its budget at its April meeting.

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	0.8		0.8
Care Home Placements/Internal Care Home Provision		0.9	0.9
Care at Home /Step Up		(0.2)	(0.2)
Savings plans behind trajectory	0.2		0.2
Learning Disability/Mental Health Complex Care	0.4		0.4
Pay Uplift/Superannuation Costs	0.3		0.3
Income from charging		(0.3)	(0.3)
Underspend on ring fenced investments	(0.8)	(0.3)	(1.1)
Other	(0.7)	(0.4)	(1.1)
Total Forecast Overspend	0.2	(0.3)	(0.1)

The net £0.1m forecast underspend on core services is an improvement on the break-even position forecast in the last IJB report. However, the approved financial recovery actions were anticipated to improve the forecast for core services to £0.2m underspent. Slippage in the introduction of an alternative staffing model in Psychiatry of Old Age Inpatient beds is the key driver of 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 £0.8m is forecast across core health bed based services. This is a deterioration of £0.2m from the last report to the IJB.

Within Tay Ward increased use of supplementary staffing across beds in Medicine for the Elderly (Tay and Stroke wards) to cover increased vacancy levels across funded and unfunded beds has increased the forecast overspend to £0.2m, an increase of £0.1m. PKHSCP have been working with NHST Operational Division Colleagues to determine the appropriate level of beds for 2020/21 to support capacity and flow across the wider system whilst Enhanced Community Support and the Respiratory Service along with wider improvements across the PRI bed base are implemented. A joint business case to NHS Tayside for short term funding is being prepared. This will allow more cost effective staffing solutions to be implemented.

Psychiatry of Old Age (POA) Wards continue to forecast a £0.5m overspend. This forecast overspend was expected to reduce as a result of agreed financial recovery plan actions to redesign the staffing model however this has been delayed. Additional Service Management resources have been identified to ensure that agreed actions are implemented as a matter of urgency. The overspend on POA Inpatient Services is not a recognised pressure within the Financial Plan. The overspend on POA Beds continues to be offset by a significant underspend (£0.3m) within POA Community Mental Health Teams, driven by vacancies. This level of underspend is in line with the previous report to the IJB.

Community Hospitals are forecasting a £0.4m overspend due to incremental drift, supplementary staffing costs driven by sickness, vacancies and over-establishment within the previous Aberfeldy Community Hospital. This is £0.1m higher than the last report to the IJB driven by supplementary staffing to cover an increased level of vacancies.

Care Home Placements/ Internal Care Home Provision: an overspend of £0.9m is forecast for care home provision. External Older People Residential and Nursing Care Homes are forecasting a £0.7m overspend, 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 more than previously reported due to the change in the financial profile of the clients.

Care at Home/Step Up Beds – Overall an underspend of £0.2m is forecast. For Care at Home provision (internal HART service and external provision) an underspend of £0.3m, an increase of £0.1m from the last forecast and in line with financial recovery actions to review Care at Home. This is offset by a £0.1m forecast overspend on Step Up beds in care homes for which there is no budget. This is £0.1m less than previously reported with the agreed financial recovery plan to redesign the use of step up beds beginning to impact on expenditure.

Delivery of approved savings: A shortfall on savings delivery of £0.2m is forecast of which £0.1m relates to 2018/19 and £0.1m to 2019/20. This is in line in with the last report. Overall across Health and Social Care Core Services recurring savings of £2.5m will be delivered (97%) against a total target for 2019/20 of £2.6m. Appendix 1 sets out the savings achieved against plan for core services.

Learning Disability & Mental Health Complex Care Packages: Overall an overspend of £0.4m is forecast across health and social care. This is due to new service users and current user's costs increasing and an increase in the cost of external transport.

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

Slippage on ring fenced investments: Slippage in use of ringfenced investment is forecast at £1.1m, a net increase of £0.3m from the last report.

The main areas of slippage relate to the delay in implementation of Enhanced Community Support and the Respiratory Service (£0.4m), less than budgeted expenditure in year for Free Personal Care for under 65's (£0.4m), and the release of ring fenced budget from the over delivery of core health savings within the Financial Plan (£0.4m) which was previously categorised as other. This is offset by an overspend on £0.1m in relation to implementation of the Carers Act.

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 including Intermediate Care and Community Mental health and Learning Disabilities.

3.2 Prescribing

A structural budget deficit for GP Prescribing of £0.8m was set for 2019/20, with budget available not able to cover anticipated growth in items and expected price growth across GP practice prescribing.

No provision was made within the 2019/20 Financial Plan to take account of the impact of nationally negotiated rebates and margin sharing agreement due to high levels of uncertainty around national outcomes. Budgets for these areas are not set at practice level and are included within General Pharmaceutical Other (GPS Other).

A Year end underspend of £0.9m is now forecast across GP Prescribing and GPS Other. This includes a forecast underspend of £0.2m on GP Prescribing based on actual GP Practice data to 31 October 2019 with price and item growth are lower than planned. This is in line with the last report to the IJB.

Within GPS Other, an underspend of £0.7m is now projected. This is a £0.4m improvement from the last report to the IJB and is driven by higher than budgeted benefits from Rebates, Discounts and Margin Sharing based on up to date information from the Scottish Government offset in part by higher than anticipated flu vaccine costs.

The unpredictability of benefits from rebates, discounts and margin sharing provide a challenge when setting future year budgets. Work is underway across Tayside to consider what assumptions can be made around future sustained benefits.

3.3 General Medical Services and Family Health Services

A forecast overspend of £0.1m is reported, being Perth & Kinross IJB's share of the net overspend on 2C GP Practices across Dundee and Angus. This is in line with last month. There is no provision in the PKIJB Draft 3 Year Financial Plan for this ongoing pressure and this will require to be managed in 2020/1 as an in year pressure.

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 2019/20 Financial Plan set out a £1.7m structural overspend within IP Mental Health Services driven by the sustained overspend on medical locum costs in the face of significant ongoing vacancy levels.

The service is forecasting an overspend of £2.0m, a deterioration of £0.3m from plan. This is driven most significantly by £0.3m unanticipated superannuation costs and pay awards for medical staffing. This pressure is consistent with all other health services. An unplanned £0.1m overspend on Psychiatry Liaison Staff is being offset by underspends in Inpatient Substance Misuse beds within Murray Royal Hospital (£0.1m) and the Crisis and Home Treatment Team (£0.05m). The forecast overspend on Medical Staffing is £1.5m, which is £0.2m better than plan. Approved recurring and non-recurring savings are being delivered in line with the Financial Plan.

Perth & Kinross IJB's share of the £0.3m overspend above budget set is £0.1m.

The Mental Health Alliance has established a number of key workstreams including workforce review. This work, supported by all 3 IJB's and NHS Tayside, will be critical in moving the service towards safe, sustainable and affordable workforce models across pathways of care in Tayside.

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. RESERVES

Appendix 2 provides a breakdown of the earmarked reserves anticipated to be carried forward to 2020/21 to meet specific spending commitments, largely in

relation to Scottish Government funds to support specific service improvement.

Based on expenditure to 31 December 2019, ring fenced reserves of £0.7m are expected to be carried forward to 2020/21, a significant reduction from the £2.5m carried forward to 2019/20.

It is anticipated that there will be no unearmarked general reserves carried forward to 2020/21.

6. UPDATE ON 3 YEAR FINANCIAL RECOVERY PLAN AND BUDGET SETTING

PKHSCP have finalised a 3 Draft Year Financial Recovery Plan that sets out the budget requested from NHS Tayside and Perth & Kinross Council for Year 1 and indicatively for Year 2 and 3 in order to deliver a balanced budget year on year. This is based on detailed projections of pay, price and demand pressures and reflects transformation plans aimed at delivering the objectives of the Strategic Commissioning Plan including a fundamental shift in the balance of care. This has supported discussions with NHS Tayside and Perth & Kinross Council as part of their respective budget setting processes.

In parallel, the IJB Budget Review Group has met regularly to ensure robust review the pressures and savings identified across the 3 Years.

The budget to be made available to the IJB will be decided by PKC at its Council Budget Setting Meeting on 4 March 2020. For NHS Tayside final dates for budget setting are currently being clarified however it is anticipated to be prior to 31 March 2020. Timescales for both NHS Tayside and Perth & Kinross Council have been significantly affected by the delay in the UK Budget now set for 11 March 2020 and the subsequent implications for the Scottish Government Budget now set for 6 February 2020.

Given these revised timescales and associated uncertainties, it is proposed that the 3 Year IJB Budget be considered for approval at the IJB meeting at the end of April 2020.

7. SUMMARY

The forecast overspend of £3.3m brings the position in line with the Financial Recovery Plan Target although the improved forecast on GP Prescribing is offsetting slippage in addressing the overspend on Inpatient POA beds. Urgent actions have been taken by PKHSCP to ensure that this slippage is addressed. In parallel PKHSCP continues to identify all possible further actions to reduce costs in year.

The Draft 3 Year Financial Recovery Plan process has provided 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. The Chief Officer and Chief Finance Officer continue to actively support the budget setting processes of both Perth & Kinross Council and NHS Tayside. The proposed budget offers to the IJB are anticipated in March

2020 and the IJB Budget will be brought forward thereon at the next meeting of the IJB in April 2020.

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