



PERTH & KINROSS INTEGRATION JOINT BOARD

31 MARCH 2020

BUDGET 2020/21, 2021/22 & 2022/23

Report by Chief Financial Officer (Report No. G/20/47)

PURPOSE OF REPORT

This report recommends the setting of the budget for 2020/21 and setting the provisional budget for 2021/22 and 2022/23 as set out in the Integration Joint Board 3 Year Financial Recovery Plan.

1. RECOMMENDATIONS

It is recommended that the Integration Joint Board:-

- 1.1 Approve the Revenue Budget for 2020/21 and the indicative Revenue Budget for 2021/22 and 2022/23 as set out in the 3 Year Financial Recovery Plan.
- 1.2 Note the further work being undertaken to determine the further redesign required to achieve recurring financial balance over the 3 year period.
- 1.3 Ask the Chief Officer to issue the necessary Directions to NHS Tayside and Perth & Kinross Council.
- 1.4 Note that the proposed budget represents 'Business as usual'. However the COVID19 Contingency measures now required across PKHSCP Services will incur significant additional unplanned expenditure over and above the proposed budget and a funding is being sought via COVID19 Mobilisation Plans being submitted to the Scottish Government in line with national requirements.

2. BACKGROUND

- 2.1 On 17 December 2019, the Integration Joint Board (IJB) was provided with an update on the development of a 3 Year Financial Recovery Plan. This formed the basis of early engagement with both partners to agree the recurring and in-year solutions, necessary to deliver future financial balance.

- 2.2 The update set out the significant and unavoidable cost and demand pressures and essential service developments facing the IJB over the next 3 years, over and above the existing £4.1m structural deficit.
- 2.3 The update also set out the particular demographic growth challenge facing Perth & Kinross. The over 75 population has grown by 47% over the last 10 years, significantly higher than the Scottish average. Further growth of 33% is anticipated over the next 10 years, directly impacting on demand for health and social care services. In parallel, demand for Learning Disability/Autism and Mental Health Services also continues to grow with further significant provision required both for transitions from Education and Children's Services and from the wider adult client group.
- 2.4 The paper also set out the transformative approach being taken by PKIJB to deliver sustainable future services. For older people, a £2.5m re-investment plan is being implemented which aims to significantly improve flow, capacity and shift the balance of care. Phase 1 investment has already led to a significant improvement in delayed discharge performance compared to the rest of Scotland. Phase 2 is aimed at significantly enhanced community services to keep people at home for longer, with significant future savings from reduced reliance on bed-based services now included in the 3 Year Financial Recovery Plan.

3. 3 YEAR FINANCIAL RECOVERY PLAN

- 3.1 Over the last 3 months further work has been undertaken to finalise the pressures and essential service developments now included in the 3 Year Financial Recovery Plan. Appendix 1 sets these out in detail.
- 3.2 Appendix 2 sets the transformation and efficiency savings plans identified for 2020/21, 2021/22 and 2022/23. Appendix 2 of this report provides further details of this programme of transformation, building on successful delivery of a significant savings programme over the last 3 years.
- 3.3 The IJB Budget Review Group has provided a key scrutiny and review role and is able to recommend that all pressures and savings proposed be approved by the IJB.
- 3.4 An overall gap between pressures and savings of £9.5m for 2020/21 has formed the basis for budget discussions with both Perth & Kinross Council and NHS Tayside, as representing the required increase in budget to deliver the PKIJB Strategic Commissioning Plan. This is summarised in Table 1 below and includes the £4.1m structural deficit identified in 2019/20. Note that whilst the 3 Year Financial Recovery Plan has been developed on an integrated basis across health and social care services, it has been necessary to present the position in relation to each of the devolved budgets, due to the financial risk sharing arrangements that remain in place.

Table 1: 2020/21 Budget Requisition

	Health	Social Care	Total
	£m	£m	£m
Recurring Budget 2019/20	141.6	52.4	194.0
Financial Recovery Plan			
Structural Deficit Appendix 1	1.8	2.3	4.1
Pressures Appendix 1	4.4	5.0	9.4
Savings Appendix 2	(2.3)	(1.7)	(4.0)
Net Gap	3.9	5.6	9.5
Resource Transfer Uplift	0.5	(0.5)	
Requisition 2020/21	146.0	57.5	203.5

4. 2020/21 BUDGET SETTLEMENT FROM PERTH & KINROSS COUNCIL

- 4.1 For 2020/21, Perth & Kinross Council received a 0.5% cash increase on its core budget. The real terms reduction after taking into account the impact of inflation and growth on service need is estimated between 1.5% and 2%.
- 4.2 The total funding package included ring-fenced allocations for a number of areas including Early Learning and Childcare and Teachers' Pay and Pensions. For Health & Social Care the Scottish Government have provided an additional £100m of earmarked funding. This includes £4m for school counselling. The net £96m allocation includes £42.8m towards the cost of the living wage, continued implementation of the Carer's Act 2016 and the uplift to the Free Personal Care Allowance. Cost pressures for these are included in the 3 Year Financial Recovery Plan.
- 4.3 The Draft PKIJB 3 Year Financial Recovery has supported positive discussions with PKC as part of their budget setting process. Table 2 below summarises the proposed recurring budget offer from Perth & Kinross Council for 2020/21 to Perth & Kinross IJB. Overall Perth & Kinross Council's share of Scottish Government funding for Adult Social Care is £3.0m and this is being passed on in full to Perth & Kinross IJB.

Table 2 Perth & Kinross Council Budget Offer 2020/21

	IJB Recurring Budget Requisition from PKC	PKC Recurring Budget Offer	Difference
	£m	£m	£m
Recurring Budget 2019/20	52.4	52.4	0
SG Funding (£96m)	3.0	3.0	0
Additional PKC Budget	2.6	2.6	0
Total Budget Required	58.0	58.0	0
Resource Transfer uplift from NHST	(0.5)	(0.5)	0
Total Budget Requisition	57.5	57.5	0

- 4.4 Over and above the £3m pass through of Scottish Government Funding, £2.6m of additional recurring budget is included in the Perth & Kinross Council Budget Offer for 2020/21. Overall the £5.6m budget increase represents a 10.7% uplift to the budget. This is an extremely positive settlement and fully addresses the underlying structural deficit within Social Care, enabling a recurring financial balance for Social Care services to be set out for 2020/21. This materially supports the future financial sustainability of Perth & Kinross IJB and delivery of its Strategic Commissioning Plan priorities.

5. 2020/21 BUDGET SETTLEMENT FROM NHS TAYSIDE

- 5.1 The Draft PKIJB 3 Year Financial Recovery Plan has supported a programme of meetings with the NHS Tayside Director of Finance over several months.
- 5.2 2020/21 NHS Tayside received a 3% uplift on its base budget. Table 3 below summarises the indicative recurring budget offer from NHS Tayside for 2020/21 to Perth & Kinross IJB.

Table 3 NHS Tayside Anticipated Funding Position 2020/21

	IJB Recurring Budget Requisition from NHST	NHST Indicative Recurring Budget Offer	Difference
	£m	£m	£m
Recurring Budget 2019/20	141.6	141.6	
Share of National Uplift	2.1	2.1	
Non recurring Bridging Funding	1.8	TBC	
Total Budget Requisition	145.5	TBC	
Resource Transfer uplift for social care	0.5	0.5	
Total Budget Required	146.0	TBC	TBC

- 5.3 While NHS Tayside have not yet arrived at the point of making a formal offer, the Director of Finance has confirmed that NHST will pass the £2.1m fair share of national uplift funding, in line with planning assumptions.
- 5.4 As part of formal budget setting discussions with the Director of Finance, over and above its share of national uplift, additional non-recurring bridging funds of £1.8m have been requested from NHST, with a commitment to pay this back by Year 3 based on the planned surpluses in each of these years, as summarised below. At this stage formal confirmation of the availability of non-recurring bridging finance has not been received from NHST.

Table 4 NHST 3 Year Financial Recovery Bridging Request

Bridging required Year 1	£1.8m
Pay back in Year 2	£0.4m
Pay back in Year 3	£1.4m
Net shortfall in budget after 3 years	Nil

- 5.5 The ability to deliver financial balance over the 3 Year period reflects PKIJB strategic intention to shift the balance of care across Older Peoples Services, and through an invest-to-save strategy deliver significant savings in Years 2 and 3 of the plan. In particular, £0.5m of savings are anticipated in Year 3 from a transfer from large hospital set aside budget, based on joint working with NHS Tayside Acute Division to reduce the long term need for acute medical beds. In addition, a £0.5m cost reduction (PKIJB share of £1.5m overall cost reduction) is anticipated in Year 3 through the delivery via the Tayside Mental Health Alliance of safe, sustainable and affordable Mental Health Services, across pathways of care that fully remove the need for reliance on medical locums.

6. IMPLICATIONS FOR 2020/21 BUDGET

- 6.1 The 2020/21 IJB Financial Recovery Plan has been adjusted to reflect the implications of the 2020/21 budget offer from both partner bodies.

Table 5 Summary 2020/21 Budget

	PKC	NHST	Total
	£m	£m	£m
Budget Required	57.5	146.0	203.5
Budget Proposed	(57.5)	(144.2)	(201.7)
Further budget under discussion	0	(1.8)	(1.8)
Difference	0	0	0

- 6.2 Ongoing discussions with the NHST Director of Finance have not yet confirmed whether the NHST budget offer, when received, will include £1.8m of bridging finance required to deliver break-even in 2020/21.
- 6.3 The NHS Tayside Draft Financial Plan for 2020/21 includes £3m of recurring budget not yet allocated for 'Shifting the Balance of Care'. Further clarity has been requested around the process for prioritisation of this recurring funding. At this stage the 3 year Financial Recovery Plan makes no assumptions in this respect however Perth & Kinross IJB would expect to receive approximately £1m proportionate share.

7. IMPLICATIONS OF COVID 19 CONTINGENCY ARRANGEMENTS

- 7.1 The contingency plans required to respond to the COVID19 outbreak will have significant cost implications for NHS Boards, Local Authorities and Integration Joint Boards. These will be over and above the 'Business as Usual' position set out in the 2020/21 Budget. Each IJB has been required to provide an early estimate of projected costs for submission to the Scottish Government as part of a governance process that will ultimately support the release of additional SG Funding.
- 7.2 PKHSCP have submitted draft costs which are currently estimated at approximately £5m across health and social care services. This is based on a number of assumptions which are under constant review both locally and as part of national discussions with the Scottish Government.

- 7.3 The Cabinet Secretary issued a letter on 24 March 2020 in relation to COVID19 and the health and social care cost implications. This confirms that estimated IJB's additional health and social care costs are expected to be included within mobilisation plans being submitted to the Scottish Government via NHS Boards and reasonable funding requirements will be supported.

8. PROVISIONAL BUDGETS FOR 2021/22 & 2022/23

- 8.1 The development of the PKIJB 3 Year Financial Recovery Plan provides the basis to set indicative budget for 2021/22 and 2022/23. The same level of rigour and scrutiny has been applied across the 3 year planning period and the investment/ pressures and disinvestment/savings have been robustly scrutinised through the IJB BRG process.
- 8.2 For PKC, the budget assumed to be available for 2021/22 and 2022/23 for Health & Social Care is roll forward of the 2020/21 budget plus and additional £1.8m of Scottish Government Social Care Allocation each year. In addition, the transfer of uplift from NHS Tayside in respect of Resource Transfer Budgets is assumed in both years.
- 8.3 For NHST, the budget available for 2021/22 and 2022/23 for Health & Social Care assumes that PKIJB will continue to receive a fair share of SG national uplift. This is expected to be 3% resulting in a £2.1m budget increase in 2021/22 a £2.2m budget increase in 2022/23.
- 8.4 The 3 Year Financial Plan has been prepared based on the information currently available both in terms of budget to be made available and anticipated pressures. The analysis reflects the judgement of PKHSCP Officers and has been reviewed by the Executive Management Team and the IJB BRG. The assumptions will require to be revised in due course as part of ongoing monitoring and based on most recent information.
- 8.5 Appendix 1 and Appendix 2 provide full details of the pressures/investment proposed and the savings disinvestment plans over the 3 Year period.
- 8.6 For Social Care Services, a balanced position is presented for 2021/22 based on the funding assumptions, pressures and savings identified. However, a gap of £1.5m is presented in Year 3. Further work is underway through PKHSCP Executive Management Team to identify the transformation and service redesign across the full health and social care pathways of care that will ensure that this gap can be closed.
- 8.7 For Health Services, based on funding assumptions, pressures and savings identified, a surplus is anticipated in 2021/22 and 2022/23. This allows recurring financial balance to be delivered over the 3 Year Period and non-recurring pay back to NHST of 2020/21 bridging finance.
- 8.8 The IJB are asked to approve the provisional budgets for 2021/22 and 2022/23. Approval at this stage will ensure implementation of transformation proposals can begin now to maximise savings delivery over the 3 Year planning period.

9. CONCLUSION

- 9.1 PKHSCP is committed to medium term financial planning and as such has prepared a Budget for 2020/21 and indicative Budget for 2021/22 and 2022/23 in line with its 3 Year Financial Recovery Plan.
- 9.2 For 2020/21, the detailed determination of both pressures/investment and savings/disinvestment has supported a detailed budget requisition, used to support robust budget discussions with both Perth & Kinross Council and NHS Tayside as part of their budget processes, to secure the additional funding required to deliver services in line with strategic objectives.
- 9.3 The budget offer received from PKC is fully in line with the budget requested. This is an extremely positive settlement which enables recurring financial balance for Social Care services to be set out for 2020/21 and fully supports the future financial sustainability of Perth & Kinross IJB and delivery of its Strategic Commissioning Plan priorities.
- 9.4 Discussions with the NHS Tayside Director of Finance are ongoing regarding the gap in the 2020/21 Financial Plan with a formal request having been made for non-recurring bridging finance, which will be paid back by the end of Year 3. . In addition further information has been requested from NHS Tayside on the process for fair allocations of £3m recurring budget set aside for 'Shifting the Balance of Care'.
- 9.5 Overall a gap remains in relation to Social Care Services in Years 2 and 3 and work is now underway with the Executive Management Team to determine at the earliest possible stage the further plans that will require to be brought forward.
- 9.6 The 2020/21 Budget Proposed is based on 'Business as Usual. The COVID19 Contingency Arrangements being put in place have significant cost implications over and above this. Initial estimates have been submitted to the SG and these will be kept under ongoing review locally and with the Scottish Government as part of exceptional financial governance arrangements that will support release of additional funding.

APPENDICES

1. 3 Year Executive Summary: Pressures
2. 3 Year Executive Summary: Savings
3. 3 Year Financial Recovery Plan/3 Year Budget

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.