



PERTH & KINROSS INTEGRATION JOINT BOARD

23 SEPTEMBER 2020

2020/21 FINANCIAL POSITION

Report by the Chief Financial Officer (Report No. G/20/109)

PURPOSE OF REPORT

The purpose of this report is to advise Perth & Kinross Integration Joint Board (IJB) of:-

- I. The 2020/21 projected year end out-turn on the underlying operational position based on financial performance for the four months to 31 July 2020;
- II. The impact of the Covid-19 Pandemic on the year end financial forecast;
- III. The risks to delivery of the IJB's Financial Plan 2020/21.

1. RECOMMENDATIONS

It is recommended that the IJB:-

- (i) Note the £0.746m projected year-end overspend in relation to the underlying operational position.
- (ii) Note the £4.006m projected year end overspend in relation to Covid 19 costs after taking account of confirmed additional SG funding.
- (iii) Notes the update regarding the IJB reserves position.

2. BACKGROUND

- 2.1 Perth & Kinross IJB approved the Board's 3 Year Financial Recovery Plan 2020/21 to 2022/23 at its meeting on the 31st March 2020 (Report no. G/20/47). The budget was based on 'Business as Usual' and it was noted that COVID19 Contingency measures expected to be required would incur significant additional unplanned expenditure over and above the proposed budget. At this stage full funding was anticipated to meet costs via COVID19 Mobilisation Plans being submitted to the Scottish Government in line with national requirements.
- 2.2 The 'Business as Usual' 2020/21 Financial Plan set out a £1.8m shortfall between the budget requisition and budget allocated by NHS Tayside for devolved health services. For Social Care services a balanced position was presented.

- 2.3 The Budget Update provided to the IJB at its meeting on the 29th May 2020 (Report No G/20/57) noted that of the £1.8m gap in PKIJB's 2020/21 Financial Plan £0.6m related to PKIJB's share of the underlying deficit in Inpatient Mental Health Services. The transfer of operational management responsibility for IPMH in June 2020, at the request of the Scottish Government, has lead to operational budget responsibility being transferred to the NHS Tayside for 2020/21 and the in year management of the financial deficit being removed from the 3 Tayside IJB's to be managed in year by NHS Tayside. The review of the Integration Scheme during 2020/21 will determine the exact nature of the budgetary arrangements for Inpatient Mental Health on a long term basis.
- 2.4 It was anticipated that the £1.2m formal net budget deficit could be offset in part through benefits anticipated on Tayside Hosted Services and through demand management of Health Services. An early indicative year end forecast of £0.6m was set out with all opportunities to identify non-recurring opportunities to deliver overall financial balance in 2020/21 to be identified.

3. OPERATIONAL POSITION OVERVIEW

- 3.1 An overspend of £0.746m is forecast on the underlying operational position, based on the 4 months to 31st July 2020. Table 1 below provides a high level summary across each devolved service.

TABLE 1

Service	Projected Over / (Under)spend
	£m
Hospital & Community Health	(0.697)
Hosted Services	0.128
Prescribing	0.540
General Medical/Family Health Services	0.029
Sub-Total Core Health Position	0.000
Financial Plan Deficit	1.004
Sub-Total Health	1.004
Social Care	(0.258)
Total Health & Social Care	0.746

- 3.2 Hospital & Community Health is projecting an under spend of £0.697m which significantly offsets the Financial Plan deficit. However unplanned overspends in respect of Prescribing and services hosted within Dundee and Angus IJB's, which are out with our control, are the main reason that the IJB is forecasting a net £0.746m deficit for the year.
- 3.3 The £1.2m underlying opening budget deficit for health services has been reduced through a small number of recurring opportunities to £1.004m.

4. SERVICE BY SERVICE PROJECTED POSITION

4.1 HOSPITAL AND COMMUNITY HEALTH CARE

4.1.1 **Older People Services:** The projected position for Older People Services is an overall underspend of £0.279m. Within this position are a number of over and underspends. The main variances are within-

- Medicine for the Elderly (projected overspend of £0.198m) due to excess supplementary staffing costs resulting from vacancies.
- Community Hospitals (projected underspend of £0.220m) mainly due to staff vacancies.
- Intermediate care teams (projected underspend of £0.154m) mainly resulting from vacancies within teams.
- Psychiatry of Old Age (POA) Services are projecting to be broadly breakeven, however overspend is projected at £0.491m for inpatient services due to staffing and costs being above budgeted level, with this being entirely offset by the projected underspend in community POA services.

4.1.2 **Adult Services:** The projected position for Adult Services is an overall underspend of £0.212m. This is driven by vacancies within General Adult Psychiatry, Substance Misuse Service and Learning Disability Teams.

4.1.3 **Other Areas:** For all other areas within the Core Hospital and Community Health position the projected position is a £0.206m underspend, with the main variances being within Medical Training and staff vacancies.

4.1.4 **Investment Monies:** An overall underspend of £0.410m is projected against investment monies. These monies were provided as part of the 2019/20 and 2020/21 Financial Plan, for intermediate care beds and the respiratory community model. Progress has been delayed as a result of Covid-19 and this underspend has been offset against Covid-19 costs and has been deducted from the projected position.

4.1.5 **Prescribing:** An overspend of £0.540m is forecast. This is based on actual expenditure for 2 months to 31st May 2020 and is highly impacted by Covid. Prices are higher than anticipated although volume growth is lower than expected. Forecasting will be particularly challenging in the months ahead. There is likely to be a level of unacheivable savings within the position and we are working with NHS Tayside finance to understand more fully the forecast position compared to financial plan assumptions.

4.1.6 **General Medical/Family Health Services:** A small overspend of £0.029m is forecast. Significant in year 2c practice costs across Dundee and Angus are being offset. Further information is required from NHS Tayside Finance around the nature of these offsets.

4.1.7 **Large Hospital Set-Aside:** This is a budget that is devolved to the Partnership for Strategic Planning purposes but is operationally managed by the Acute Sector of NHS Tayside. As at 2019/20 this budget re-set at

£16.280m. No variance is projected against this budget as this is reported within the NHS Tayside Operating Division Financial Position.

4.2 HOSTED SERVICES

- 4.2.1 Perth and Kinross IJB (PKIJB) directed hosted services include Podiatry, Community Dental Services and Prison Healthcare. These are projecting a broadly breakeven position for 2020/21.
- 4.2.2 Services hosted within Angus and Dundee IJB's are projecting an overall £0.672m overspend of which £0.226m is the P&K IJB share. This forecast overspend is directly out of line with out-turn in previous years and the expectation in the May 2020 high level forecast that PKIJB were likely to benefit from an underspend of circa £0.300m in 2020/21. Main variances within Dundee IJB hosted services are Palliative Care (projecting overspend of £0.453m), Brain Injury (projecting overspend of £0.210m), and a large underspend of £0.425m projected in Psychology Services. Within Angus IJB hosted service, the main variance is within the Out of Hours Service (projecting an overspend of £0.420m).
- 4.2.3 The breakdown of the projected position is provided by service in Appendix 2. We will work with CFO's in Angus and Dundee IJB's to understand the financial recovery actions to be taken to deliver financial balance in 2020/21.

4.3 SOCIAL CARE

- 4.3.1 **Older People Services:** The projected position for Older People Services is an underspend of £0.229m, with main variances being within –
- Care at Home projecting an underspend of £0.384m. This underspend is due to the level of hours delivered being less than the level budgeted for. The HSCP recognises this as a priority to ensure improved response and options are being considered to address unmet need and costs have been assumed for this in arriving at this forecast.
 - Local Authority Homes are projecting an overspend of £0.160m, the homes are fully staffed, supplies costs are above budgeted level and income is forecast to be below the budgeted level.
 - A number of services projecting further underspends totalling £0.519m were assessed as relevant to offset Covid-19 costs and have been deducted from the projected position. These underspends are within Day Services, Residential and Nursing Placements, Equipment and Short Break services.
- 4.3.2 **Adult Services:** The projected position for Adult Services is an underspend of £0.180m mainly due to delays in packages commencing. A further £0.071m underspend was projected against respite services and has been assessed as a relevant offset to Covid-19 costs, this has been deducted from the projected position.

4.3.3 **Other Areas:** For all other areas within Social Care the projected position is a £0.151m overspend, with the main variance being within the bad debt provision.

4.4 Appendix 1 provides a further detailed breakdown of the forecast position.

4.5 **Fair Work and Living Wage:** In April 2020, COSLA and the Scottish Government wrote to IJBs confirming their commitment to apply a national uplift of 3.3% to adult social care contracts for the living wage commitment. In June, they wrote to confirm a 0.8% allocation of the cost, on the basis that areas would have financially planned on a 2.5% uplift, due to 75% of the costs being in relation to staff costs.

4.5.1 PKIJB had financially planned on the 2.5% basis, therefore the allocated additional 0.8% funding (£0.185m) was sufficient to allow an uplift of 3.3% to be made in 2020/21. The IJB should note this commitment and funding was provided for one year only.

5. SAVINGS

5.1 The 2020/21 savings plan for Health & Social Care totalled £3.993m. Of this £2.668m is projected to be delivered.

5.2 Capacity to deliver the remaining £1.325m of savings in year has been significantly impacted due to COVID-19. The balance of £1.325m has been included within the Covid-19 cost as unachievable savings.

5.3 Detail of the savings plan projection is provided in Appendix 3.

6. RESERVES

6.1 As at March 2020, the IJB's Annual Accounts showed that Perth & Kinross IJB had £1.159m of earmarked reserves. These reserves are retained separately from general reserves. Appendix 4 sets out the anticipated year-end position as at 31 July 2020. At this stage, all earmarked reserves are expected to be fully utilised.

7. COVID 19 FINANCIAL POSITION OVERVIEW

7.1 The financial impact of PKHSCP's response to the Covid-19 pandemic is routinely reported to Scottish Government through the return of its Local Mobilisation Plan (LMP) templates. These returns detail costs incurred to date and the forecast for the year, and include costs incurred as a direct consequence of Covid-19; any offsetting benefits (e.g. reduced costs from the step-down of services), and the impact on deliverability of the IJB's savings plan for 2020/21.

7.2 In May the IJB early estimated gross projected expenditure of £7.1m was reported to the IJB (Report No G/20/57). This was revised upwards in the July Chief Officer update to £9.4m. A detailed forecast has been undertaken based on the 4 months to 31st July 2020 and in particular to reflect latest

Scottish Government guidance. The updated gross cost projection is £7.066m and the breakdown of costs is set out in Table 2 below.

TABLE 2

Action/Cost	Projected Cost £m
Provider Sustainability Payments	3.078
Unachieved Savings	1.325
Additional FHS Payments – GP Practices	0.607
Loss of Income	0.480
Additional Staffing	0.444
Mental Health	0.210
Personal Protective Equipment(PPE)	0.143
Prescribing	0.132
Additional Hospital Bed Capacity	0.125
Care at Home Increased Packages	0.114
Support to Care Homes	0.101
Management Capacity	0.083
Care Home Placements	0.079
Other Community Care Provision	0.057
Delayed Discharge Co-ordination	0.036
Prison Health Buvidal	0.032
IT provision	0.020
Total Projected Costs	7.066

- 7.3 The Provider Sustainability Payment forecast has been adjusted to take account of agreement reached between the Scottish Government and COSLA to tapering arrangements which will lead to a reduction in the level of payments in future months. This remains an area of high financial risk and subject to future change.
- 7.4 Scottish Government Local Mobilisation Plan Guidance requires where services have incurred reduced costs as a direct result of Covid, these must be used to 'offset' additional costs. As advised in section 4.1 and 4.3 above, projected service under spends of £1.000m are considered to be a direct result of Covid and have therefore been offset to arrive at the net Scottish Government funding requirement. This includes reduced under spends in relation to respite, day care and Occupational Therapy/Equipment as well as slippage in planned investment.
- 7.5 To date the Scottish Government has provided £75m nationally on a NRAC basis to HSCP's towards additional social care costs. PKHSCP has received a £2.060m share of this funding.
- 7.6 The net forecast position in relation to Covid is summarised in Table 3 below

TABLE 3

	Health	Social Care	Total
Gross Covid-19 Cost	1.761	5.305	7.066
Less Service Offset	(0.410)	(0.590)	(1.000)
Less SG Income Received	0	(2.060)	(2.060)
Sub-Total Covid-19 Cost	1.352	2.655	4.006

- 7.7 The significant risk to the IJB is that all Covid-19 costs are not funded in full. Should no further funding be provided, above the £2.060m received, the projected exposure would be £4.006m.
- 7.8 The current forecast assumes that PKHSCP winter plans, which have been submitted for consideration to the NHS Tayside Unscheduled Care Board, are fully funded, including the significant costs of the Flu Vaccination Programme. The PKHSCP Winter Plan, including estimated costs, is due to be finalised shortly. If this is not fully funded, this will increase the forecast overspend further.
- 7.9 PKHSCP are working closely with both PKC and NHST to ensure shared information to support ongoing financial management and identification of potential mitigating actions required to deliver break even, should full funding not be received from the SG.
- 7.10 The current forecast costs remain subject to significant change. More refined estimates will be possible as activity becomes clearer and actual costs are incurred, however it is clear that further localised outbreaks, wider surges and additional Scottish Government guidance and commitments will all have an impact on costs over the remaining months of the financial year.

8. CONCLUSION

- 8.1 The projected core operational overspend of £0.746m is driven significantly by unanticipated higher costs in Prescribing and services hosted in Dundee IJB and Angus IJB.
- 8.2 After taking account of SG Income confirmed to date and offsets within the core operational position net Covid costs of £4.006m are forecast. This does not include winter planning costs which are currently assumed to be fully funded.

Jane M Smith
Chief Financial Officer

Appendices

- Appendix 1 – Summary Financial Position
- Appendix 2 - Hosted Services
- Appendix 3 - Savings Delivery
- Appendix 4 – IJB Reserves