



PERTH & KINROSS INTEGRATION JOINT BOARD

31 MARCH 2021

BUDGET 2021/22

Report by Head of Finance and Corporate Services (Report No. G/21/25)

PURPOSE OF REPORT

The purpose of this report is to present the 2021/22 Revenue Budget to the Perth and Kinross Integration Joint Board for approval.

1. RECOMMENDATIONS

- 1.1 It is recommended that the Integration Joint Board (IJB):-
- 1.2 Approve the Revenue Budget for 2021/22;
- 1.3 Note the ongoing discussions to identify further solutions to deliver financial balance in relation to health budgets;
- 1.4 Note the work being undertaken to determine in more detail the Covid-19 costs for 2021/22 in line with the 2021/22 Perth and Kinross Health and Social Care Partnership (PKHSCP) Remobilisation Plan, submitted via NHS Tayside to the Scottish Government;
- 1.5 Request that the Chief Officer issues the necessary Directions to NHS Tayside (NHST) and Perth & Kinross Council (PKC).

2. BACKGROUND

- 2.1 On 9th December 2020, the Integration Joint Board agreed to the development of a 1 Year Budget for 2021/22, based on the provisional budget agreed in March 2020. This recognised the ongoing emergency response to the Covid-19 pandemic, the limited capacity of officers and the difficulty in developing long term plans which effectively consider the long term opportunities and challenges brought about by the pandemic.
- 2.2 An update was provided on the refresh of pressures including the significant pay, price and demand pressures, as well as a small number of essential service developments.

- 2.3 Further work has been undertaken in January and February 2021 to refresh pressures, savings and income following the Scottish Government Draft Budget Settlement, announced on 28th January 2021.
- 2.4 The key outcomes of the finalised Scottish Government Budget Settlement for IJBs are set out at Appendix 1. In summary the implications for the PKHSCP 2021/22 Budget are:-
- A 1.5% uplift for Health Budgets compared to 3% assumed in the Provisional Budget;
 - A share of £72.6m Social Care Funding compared to the share of £90m anticipated in the Provisional Budget;
 - Within the £72.6m Social Care Funding, ring fenced funding for the implementation of the Carers Act to address historic costs of implementation for which a correction to previous funding levels is being made;
 - An increased cost pressure resulting from the Scottish Government's decision to uplift Free Personal Care by 7.5% compared to the 1.6% uplift assumed in the Provisional Budget;
 - An increased cost pressure resulting from the Scottish Government's decision to further extend living wage uplift beyond that assumed in the Provisional Budget.
- 2.5 The anticipated increase in pay costs for Health and Social Care Staff has been reduced from 3% to 1.5% in line with Scottish Public Sector Pay Policy.
- 2.6 In preparing the 2021/22 Revenue Budget, the IJB has undertaken significant engagement with members. Budget development sessions were held for members on 24th November 2020 and 9th March 2021, both as a group and individually. These development sessions were in addition to the Budget Review Group meetings that were held on 17th November 2020 and 26th February 2021. This level of engagement has allowed robust discussion, consideration, and full understanding of the further development of the budget, provisionally approved in March 2020.

3. PROPOSED SOCIAL CARE BUDGET

- 3.1 The proposed 2021/22 Recurring Financial Plan for Social Care is set out below:-

Table 1: Social Care 2021/22 Recurring Financial Plan

	December 2020	Proposed
	£m	£m
Expenditure pressures B/F	0	0
Pay/Price Pressures	2.692	2.266
Demand Pressures	1.780	1.780
Essential Service Developments	0.143	0.143
Sub total	4.615	4.189
Savings	(0.955)	(0.955)
Income		
Social Care Allocation (See below)	(2.960)	(2.503)
Resource Transfer uplift (See below)	(0.549)	(0.275)
Sub total	(3.509)	(2.778)
Recurring Gap	0.151	0.456

3.2 Recurring Cost Pressures

- 3.2.1 Pay/Price Pressures relate to pay uplifts for Perth & Kinross Council employees, Scottish Government commitments towards the Living Wage, Free Personal Care, the National Care Home Contract and the Carers Act. The change from December reflects the Scottish Governments additional commitment to increase the Free Personal Care allowance by 7.5% and to further extend living wage uplift. This has been more than offset by the reduction in uplift assumed in the National Care Home Contract from 5.5% to 3% and a reduction in the provision for pay to 1.5% in line with Scottish Public Sector Pay Policy recommendations.
- 3.2.2 Demand pressures largely reflect the impact of demographic growth on demand for social care services including Care Home Placements and Care at Home as well as care packages for people with complex Mental Health and Learning Disability needs.
- 3.2.3 Essential Service Developments includes support to discharge from hospital aimed at shifting the balance of care and investment in strategic leadership capacity.
- 3.2.4 The impact of Covid-19 and the associated expenditure pressures are not included in the recurring position and have been considered as part of the non-recurring pressures and opportunities below. It is too early to predict the level of expenditure which may be required to support Covid-19 on a long-term recurring basis.

3.3 Recurring Savings

- 3.3.1 As part of a 3 Year Plan to deliver financial balance across health and social care services, significant transformation and efficiency plans were identified and included in the 2021/22 Provisional Budget. These have been reviewed and all are considered to be deliverable notwithstanding slippage anticipated in 2021/22 due to ongoing Covid-19 Response and Remobilisation, which is included in the non-recurring pressures section below. The savings proposals include £0.708m income that had been anticipated in 2021/22 from Perth & Kinross Council's review of the Contributions Policy for Adult Social Work and Social Care.

3.4 Recurring Income

- 3.4.1 The Scottish Government Budget Settlement announced on 28th January 2021 included £72.6m for Social Care. Perth and Kinross IJB's (PKIJB) share of this funding is £2.503m which is being passed across in full by PKC. This is less than the £2.960m anticipated.
- 3.4.2 An element of expenditure incurred within Social Care is funded from budget that is part of the Health baseline budget, this transaction is known as Resource Transfer. As this funding transfers each year from Health to Social Care it attracts an annual uplift in line with the uplift being provided to NHS Boards. Scottish Government uplift on Health Budgets of 1.5% is significantly less than the 3% uplift anticipated within the PKHSCP 2021/22 Provisional Budget. For Social Care, this has resulted in a £0.274m reduction in the level of uplift being passed over from NHS Tayside for this Resource Transfer.

- 3.4.3 In overall terms, it is the less than the anticipated level of Scottish Government Social Care Allocation and the parallel reduction in the uplift received by and from the NHS that has directly impacted on the increase in the PKHSCP recurring deficit to £0.456m.

3.5 Non-Recurring Pressures and Offsets

- 3.5.1 A full review has been undertaken of the pressures and offsets and, in particular, an estimate of Covid-19 costs and further slippage in savings delivery. This is set out in Table 2 below. A balanced in-year position can be delivered based on the resources being made available by Perth & Kinross Council, use of IJB Reserves. This also assumes additional Scottish Government Funding for Covid-19.

Table 2: 2021/22 Social Care in Year Financial Plan

	£m
Recurring Gap (see above)	0.456
Covid -19 Costs	3.231
Slippage in savings delivery	1.019
Delay in Review of Contributions Policy	0.708
Transformation Support	0.393
Sub total	5.807
IJB Covid 19 Reserve	(2.960)
SG Covid Funding 2021/22	(0.271)
IJB General Reserve (2020/21 Under spend)	(1.738)
PKC Non-recurring funding (see below)	(0.838)
	(5.807)
Shortfall/(Surplus)	0

3.6 Non-Recurring Pressures

- 3.6.1 The Covid-19 costs that we have forecasted, to support ongoing response and remobilisation during 2021/22, include provider sustainability payments to independent sector care providers, additional staffing, loss of income, service management capacity and PPE.
- 3.6.2 Unachieved savings include slippage in both 2020/21 and anticipated in 2021/22 given our inability to progress as planned the Complex Care Transformation Programme and the Redesign of Older Peoples Services, including Care at Home and Care Home Placements.
- 3.6.3 The Covid-19 Pandemic has impacted significantly on progress in reviewing the Adult Social Work and Social Care Contributions Policy. The review has therefore been paused for 2021/22. The additional income anticipated as part of the IJB 2021/22 Provisional Budget is to be offset by Perth & Kinross Council through the allocation of non-recurring funding (see below).

- 3.6.3 Transformation support includes essential funding to support the transformation of Complex Care. It also includes the establishment of a project team to develop the Integrated Resources Framework (IRF), aimed at considering inequalities in the consumption of resources across localities to support future investment and disinvestment decisions. In addition, investment is proposed in a test of change of new arrangements for Chairing Adult Support and Protection Case Conferences.

3.7 Non-Recurring Offsets

- 3.7.1 In 2020/21 the Scottish Government allocation to PKIJB for Covid-19 Social Care Costs is £3.960m higher than forecast. This will be carried forward as an earmarked IJB Reserve and used to support 2021/22 Covid costs in line with Scottish Government guidance.
- 3.7.2 The forecast £2.163m underspend on core Social Care services in 2020/21 will be carried forward in an IJB reserve in order to offset future year non-recurring pressures. For 2021/22, £1.738m of this will be required to deliver break-even in 2021/22, with the balance held to meet unforeseen costs.
- 3.7.3 The Perth & Kinross Council 2021/22 Budget includes £0.708m of non-recurring support to recognise the delay in progressing the Review of Contributions Policy. The provision of non-recurring support at this stage assumes that the revised Contributions Policy will be in place by 1st April 2022.
- 3.7.4 In addition a further £0.131m has been allocated to support the transformation of Complex Care.

3.8 Budget Requisition: Perth & Kinross Council

- 3.8.1 Based on the 2021/22 Financial Plan above, the following budget has been requisitioned from Perth & Kinross Council through their budget process.

Table 3: 2021/22 Budget Requisition: Perth & Kinross Council

	Social Care
	£m
Recurring Budget 2020/21	57.330
Pressures	4.189
Savings	(0.955)
Resource Transfer Uplift	(0.275)
Recurring Requisition 2021/22	60.289
Non Recurring Requisition 2021/22	0.838
Total Requisition 2021/22	61.127
Partner Budget	60.671
Recurring Shortfall	0.456

As a result of the close working and engagement with PKC through their budget process, the requisition is line with the budget approved by Perth and Kinross Council at their Budget meeting on the 10th March 2021.

4. PROPOSED HEALTH BUDGET

- 4.1 The proposed 2021/22 Recurring Financial Plan for delegated Health Services is set out below:-

Table 4: Health 2021/22 Recurring Financial Plan

2021/22 Recurring Financial Plan	December 2020	January 2021
	£m	£m
Expenditure pressures B/F	1.268	1.268
Pay/Price Pressures	1.294	0.781
Demand Pressures	0.581	0.513
Essential Service Developments	0.133	0.133
Sub total	3.276	2.695
Savings	(0.748)	(0.648)
Income		
Uplift from NHST (See Below)	(1.881)	(0.920)
Sub total	(1.881)	(0.920)
Recurring Gap	0.647	1.127

4.2 Cost Pressures

- 4.2.1 Pay/Price Pressures relate to an assumed 1.5% pay uplift for NHS Tayside employees. This is a reduction in the 3% pay uplift assumed in the previous plan. The Scottish Government has indicated that any further pay increase agreed as part of Agenda for Change pay negotiations for 2021/22 will be separately funded. Pay/price pressures also include an Agenda for Change increment pressure which remains unchanged.
- 4.2.2 Demand pressures include an expected increase in Occupational Therapy equipment demand and an increase in the level of healthcare input anticipated to be required to complex adult packages. In addition, growth anticipated on GP Prescribing is included, which has been adjusted to reflect most recent intelligence provided by NHS Tayside.
- 4.2.3 Essential Service Developments include the full year cost of the Primary Care Resilience Team approved by the IJB for investment in 2020/21, along with investment in strategic leadership capacity.
- 4.2.4 The impact of Covid-19 and the associated expenditure pressures are not included in the recurring position and have been considered as part of the non-recurring pressures and opportunities below. It is too early to predict the level of expenditure which may be required to support Covid-19 on a long-term recurring basis.

4.3 Savings

- 4.3.1 As part of a 3 Year Plan to deliver financial balance across health and social care services, significant transformation and efficiency plans were identified and included in the 2021/22 Provisional Budget. These have been reviewed and all but prescribing savings are considered to be deliverable; notwithstanding slippage anticipated in 2021/22 due to ongoing Covid Response and Remobilisation included in the non-recurring pressures section below.

- 4.3.2 Previous anticipated savings in relation to the Quality, Safety and Efficiency in Prescribing Programme (QSEP) have required to be reversed due to the approach Tayside-wide to calculating anticipated 2021/22 growth. Further work will be done during 2021/22 to re-establish a separate savings target in relation to QSEP, which takes account of the considered longer term impact of Covid-19 on Prescribing patterns.

4.4 Income

- 4.4.1 The Scottish Government Budget Settlement, announced on 28th January 2021 included a 1.5% uplift for NHS Boards compared to the 3% uplift assumed in the 2021/22 Provisional Budget. Whilst the Scottish Government have committed to pass out additional funding for any additional pay costs resulting from Agenda for Change pay negotiations of 2021/22, this will not compensate for the significant reduction in overall uplift being applied to non-pay budgets and particularly in respect of GP Prescribing. Overall the impact is a £0.961m reduction in recurring uplift to be transferred by NHST. Whilst this is offset in part by a £0.513m reduction in the forecast pay pressure, the net £0.448m impact will increase the underlying deficit to £1.127m, moving PKHSCP away from delivery of recurring financial balance over the 3 year period.

4.5 Non Recurring Pressures and Offsets

- 4.5.1 A full review has been undertaken of the pressures and offsets and in particular an estimate of Covid-19 costs and further slippage in savings delivery. This is set out in Table 5 below. A balanced in-year position cannot be set out at this stage based on the resources being made available by NHS Tayside and the Scottish Government. Further measures will require to be identified to deliver break-even.

Table 5: 2021/22 Health in Year Financial Plan

2021/22 In Year Plan	
	£m
Recurring Gap (see above)	1.127
Covid -19 Costs	3.554
Slippage in savings delivery	1.376
Transformation Support	0.112
Sub total	6.169
IJB Covid 19 Reserve	(1.000)
SG Additional Covid Funding 2021/22	(2.554)
IJB General Reserve (2020/21 Under spend)	(0.345)
Projected Under spend 2021/22	(0.866)
	(4.765)
Shortfall/(Surplus)	1.404
Further solutions to be identified to deliver break-even	(1.404)
	0

4.6 Non-Recurring Pressures

- 4.6.1 The Covid-19 costs that we have forecast to support ongoing response and remobilisation during 2021/22 include additional staffing, additional payments to GPs, additional prescribing costs, service management capacity and PPE. This is a high level estimate that is being considered alongside the Draft 2021/22 PKHSCP Remobilisation Plan and will be subject to significant change and refinement, as well as any changes in Scottish Government guidance.
- 4.6.2 Unachieved savings include slippage in both 2020/21 and anticipated in 2021/22 in relation to Redesign of Rehabilitation Beds and the Integration of Health and Social Care Teams.
- 4.6.4 Transformation support includes essential funding to support the transformation of Primary Care; the establishment of a project team to develop the Integrated Resource Framework (IRF) aimed at considering inequalities in the consumption of resources across localities to support future investment and disinvestment decision.

4.7 Non-Recurring Offsets

- 4.7.1 In 2020/21 the Scottish Government allocation to PKIJB for Covid-19 Costs is £3.960m higher than forecast. This will be carried forward as an earmarked IJB Reserve and used to support 2021/22 Covid costs in line with Scottish Government guidance. The allocation between health and social care of the £3.960m takes account of the original Scottish Government allocation intention and where appropriate, a proportionate share based on 2020/21 forecast costs.
- 4.7.2 Based on Scottish Government guidance to date, it is expected that all Covid-19 costs will be met by additional Scottish Government funding except for slippage in savings delivery. Therefore further funding of £2.554m has been assumed.
- 4.7.3 The forecast £0.345m underspend on core Health Services in 2020/21 will be carried forward in an IJB reserve in order to offset future year non-recurring pressures.
- 4.7.4 The factors which are impacting on expenditure in 2020/21 are expected to continue at least into the first quarter of 2021/22. Given the significant gap in the 2021/22 In-Year Financial Plan, it is proposed to include an assumption around a forecast level of under spend in 2021/22 based on continued impact of Covid-19, at least for the first quarter. This is estimated to be a £0.866m underspend.
- 4.7.5 Discussion is underway nationally around the ability of NHS Boards/HSCP's to manage that slippage in savings delivery in 2021/22 locally. Positive discussions are also taking place with NHS Tayside around potential bridging finance with details currently being worked through.

4.8 Budget Requisition: NHS Tayside

- 4.8.1 Based on the 2021/22 Financial Plan above, the following budget as set out in table 6 below would be required to break-even:-

Table 6: 2021/22 Budget Requisition: NHS Tayside

	Health
	£m
Recurring Budget 2020/21	139.199
Pressures	2.695
Savings	(0.648)
Resource Transfer Uplift	0.275
Recurring Requisition 2021/22	141.521
Non-Recurring Requisition 2021/22	0.277
Total Requisition 2021/22	141.798
Partner Recurring Budget	140.394
Recurring Shortfall	1.127

- 4.8.2 It has been confirmed that NHS Tayside will pass over PKHSCP's proportionate share of the 1.5% uplift to baseline, as set out in the Scottish Government Draft Budget Settlement. This will increase the recurring budget to £140.394m, a shortfall of £1.127m from that required to deliver break-even on a recurring basis. At this stage the requisition set out above is line with the recurring resources being made available. This is pending ongoing discussions around the opportunities that may be available to support a balanced in year 2021/22 position.

5. LONGER TERM PLANNING

- 5.1 The 2021/22 estimation of pressures is based on 'business as usual' service conditions. Careful monitoring will be required during 2021/22 to understand any sustained impact of Covid -19 on demand for services. It is simply too early to predict whether we will see a surge in demand for services, if and when there is a return to 'normal'.
- 5.2 However, we must hope and anticipate that operational demands of response to Covid -19 will reduce in the months ahead. We intend to review our Strategic Commissioning Plan and as part of that our Service Redesign and Transformation Programme on the basis of our experience over the last 12 months and through a 'Covid lens' which is likely to have a significant bearing on the Medium Term Financial Plan.

6. CONCLUSION

- 6.1 PKHSCP is committed to medium term financial planning; however the Covid-19 pandemic has required an extraordinary but pragmatic response and therefore a 1 Year Budget has been prepared. It is hoped that there will be full return to 3 Year Financial Planning during 2021/22.

- 6.2 For Social Care Services, an underlying recurring deficit has emerged largely due to the level of resources being made available to Social Care through the Scottish Government 2021/22 Budget Settlement. In addition there is forecast to be significant additional costs of Covid-19 Response and Remobilisation and slippage in savings delivery. However, a balanced in year financial plan can be set out, due to utilisation of reserves and non-recurring funding from PKC through their settlement offer.
- 6.3 For Health Services, the trajectory for reducing the underlying recurring deficit, approved by the IJB as part of its 3 year Financial Recovery Plan, has been set back significantly due to the lower than predicted level of uplift for health budgets for 2021/22. The underlying deficit will remain broadly in line with 2020/21. This deficit and other non-recurring support costs can be covered through anticipated reserves and a further projected underspend in 2021/22. However, whilst Covid-19 Costs are assumed to be fully funded through reserves or additional Scottish Government funding, at this stage PKHSCP do not have sufficient non-recurring resources to offset significant anticipated further slippage in savings delivery. Discussions continue at NHS Tayside and Scottish Government level around potential additional funding.

APPENDICES

1. 2021/22 Scottish Government Budget Settlement: Implications for IJB's.

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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