



PERTH & KINROSS INTEGRATION JOINT BOARD

9 DECEMBER 2020

2021/22 BUDGET

**Report by the Chief Financial Officer
(Report No. G/20/152)**

PURPOSE OF REPORT

The purpose of this report is to update the Perth & Kinross Integration Joint Board (IJB) on the development of the 2021/22 Budget.

1. RECOMMENDATIONS

- 1.1 It is recommended that the IJB:-
- (i) Agree to the development of a 1 year budget for 2021/22 based on provisional budget agreed in March 2020.
 - (ii) Note the update of pressures, savings and income.
 - (iii) Note the work being done to identify non-recurring pressures and opportunities and to develop a balanced 2021/22 In Year Financial Plan.
 - (iv) In relation to Covid 19, note the national discussions around additional funding for 2021/22 to meet ongoing additional costs.

2. BACKGROUND

- 2.1 The IJB approved a provisional budget for 2021/22 and 2022/23 at the March 2020 meeting as part of its 3 Year Financial Recovery Plan.
- 2.2 In normal circumstances PKHS CP would bring forward a refresh of the 2021/22 and 2022/23 provisional budgets and propose a further budget for 2023/24. However due to the ongoing emergency response to the Covid 19 pandemic, it is proposed that a budget for 2021/22 only be brought forward. This recognises the limited capacity of Heads of Service and their teams consider and develop longer term proposals. It also recognises that it is too early to understand and consider the implications of Covid 19 in the longer term and the opportunities that may be available to reshape services to lock in many of the accelerated benefits that our response to Covid 19 has achieved.

These need to be properly considered in the context of the objectives of the Strategic Commissioning Plan as part of a wider strategic planning process.

3 PROGRESS TO DATE

3.1 Appendices 1 and 2 set out the provisional and revised 2021/22 budget for Health Services and Social Care Services, based on the review undertaken.

3.2 Review of Pressures

A full review of pressures has been undertaken linking with service managers and considering best intelligence including updated demographic information.

3.3 The key movements are as follows:-

- A £523k increased provision for National Care Home Contract Rates in anticipation of a higher than average percentage increase.
- Addition of £250k pressure in relation to the ongoing implementation of the Carers Act, with offsetting Scottish Government income also assumed.
- A £170k pressure added as an Essential Service Development to address the lack of Strategic Planning Capacity within the IJB. This has been identified as a key risk to delivery of IJB's aims and objectives in both the Joint Inspection and by External Audit. This investment will address this critical gap through the appointment of a Head of Strategic Planning and Performance and a supporting Planning Lead.
- A £58k pressure added as an Essential Service Development to support and co-ordinate volunteers and volunteer services in all localities.
- A reduction in demand pressures of £467k as a result of updated actual costs, trend analysis and forecasting information.
- A reduction of £121k in provision for Living Wage costs based on confirmed national uplift being announced.

3.4 Review of Savings

A summary of the savings approved as part of the provisional budget for 2021/22 is attached at Appendix 3. A full review has been undertaken to consider ongoing deliverability whilst recognising that the In Year Financial Plan may need to recognise a level of in year slippage. All savings are considered to be deliverable on an ongoing basis aside from Care Home Placements.

3.5 The Care Home Placement saving was part of the overall Older People and Unscheduled Care Invest to Save Proposal which sought to deliver a shift in the balance of care through investment in the LiNCs Service. Whilst now implemented, the development of this service has been delayed and therefore the intended impact of the new locality teams to keep people at home for longer and reduce stay in Care Homes has been delayed. It is proposed

therefore that the anticipated 2021/22 savings be formally rephased to 2022/23.

3.6 Review of Income

- 3.7 The 2021/22 Provisional Budget was not updated to reflect the unanticipated late increase in Scottish Government Social Care Allocation received for 2020/21. This has now been undertaken and this increases anticipated income from £1.786m to £2.960m. Whilst it is hoped that an early indication may be provided by Scottish Government around funding, it is not likely to be formalised until the Scottish Budget is announced in late January 2021.

3.8 Uplift from Partners

- 3.9 Perth & Kinross Council did not provide for any uplift to PKIJB for 2021/22 as part of their provisional budget. There is no change anticipated to this position.
- 3.10 In line with previous years it has been assumed that NHS Tayside will pass on to all 3 IJB's their full share of uplift received from Scottish Government. The 3% uplift assumed in the provisional budget is still considered to be prudent.

3.11 Movement from Provisional Recurring Budget 2021/22

- 3.12 The provisional budget for 2021/22 approved by the IJB set out a net recurring deficit of £694k for Health Services. The revised budget set out at Appendix 2 presents a reduced net recurring deficit of £562k.
- 3.13 For Social Care, an adjustment has been required to the presentation of the 2021/22 provisional budget to remove the £600k pay pressure for which PKC anticipate that PKIJB can generate a net budget surplus that can be transferred to cover these increased staff costs. The adjusted provisional budget sets out a net available budget to transfer of £379k, a shortfall of £221k. The revised budget sets out a net available budget to transfer of £479k, a shortfall of only £121k.
- 3.14 The 2021/22 Recurring Budget set out is still draft and will be updated to reflect any further material movements in pay, price and uplift assumptions once further information becomes available.

4 Working with NHS Tayside and Perth & Kinross Council

- 4.1 The Chief Officer and Chief Financial Officer are working collaboratively with Perth & Kinross Council to support respective budget setting processes. This work commenced in November 2020.
- 4.2 The 3 Chief Financial Officers in Tayside will work closely with the NHS Tayside Senior Finance Team to support the retrospective budget setting processes from the earliest possible stage.

5 Development of 2021/22 in Year Financial Plan

- 5.1 To offset the gap in the recurring financial plan for 2021/21, an in year parallel plan is being developed. This will also take account of in year slippage anticipated on savings delivery. The budget that will come forward to the IJB for approval in March 2021 will consolidate the recurring plan as outlined along with the in year pressures and opportunities.

6. Costs of Covid 19 in 2021/22

- 6.1 The 2021/22 revised budget at this stage makes no assessment of direct additional costs of Covid in 2021/22. Discussions are underway nationally between the Scottish Government and NHS Directors of Finance / Chief Financial Officers around the quantum of likely costs of Covid in 2021/22 and initial forecasts have been requested using a formula based approach.
- 6.2 The impact of Covid on costs remains a financial risk however the Scottish Government have indicated a strong commitment to additional 2021/22 funding.

7. Accelerated Development of 3 Year Plan 2022/23: 2024/25

- 7.1 Following consideration of the 2021/22 Budget in March, PKHSCP anticipate taking forward an accelerated strategic review of services to consider how many of the positive service changes made in response to Covid can support sustainable service delivery in line with strategic plan objectives moving forward. This essential work will support the effective development of a 3 Year plan for 2022/23: 2024/25.

8. Conclusion

- 8.1 PKHSCP recognise fully the importance of medium term financial planning in delivering sustainable services. The 3 year Financial Recovery Plan approved by the IJB in March 2020 established a best practice approach to longer term financial planning. This stepped change has been positively endorsed by External Audit.
- 8.2 Unfortunately, the Covid 19 Pandemic not only severely curtails the capacity of Heads of Service to engage effectively in long term planning but also requires us to much more fundamentally consider the shape of future service that lock in the service Improvements that have been made as part of Covid Response for the longer term.
- 8.3 As an extraordinary but pragmatic response, a one year 2021/22 budget will be brought forward to the IJB for approval in March 2021. This paper summarises the work to update the provisional budget for 2021/22 approved by the IJB in March 2020. It also outlines the further work being undertaken to set out the non-recurring pressures and opportunities that will impact in 2021/22 and these will be included in the Budget to be brought forward.

- 8.4 In relation to ongoing impact of Covid 19 into 2021/22, discussions are taking place between NHS Directors of Finance and Chief Financial Officers to understand the magnitude of further additional costs that will be incurred next year as a direct result of Covid. At this stage the Financial Plan makes the assumption that additional costs in PKHSCP will be fully offset by additional funding.

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Chief Financial Officer

Appendices

Appendix 1 2021/22 Draft Social Care Services Budget

Appendix 2 2021/22 Draft Health Services Budget

Appendix 3 2021/22 Approved Savings