



## **PERTH & KINROSS INTEGRATION JOINT BOARD**

### **AUDIT & PERFORMANCE COMMITTEE**

**13 DECEMBER 2021**

### **2021/22 FINANCIAL POSITION**

**Report by the Head of Finance & Corporate Services**  
(Report No. G/21/171)

#### **PURPOSE OF REPORT**

The purpose of this report is to advise the Audit & Performance Committee of the 2021/22 projected year end out-turn based on financial performance for the 7 months to 31 October 2021.

#### **1. RECOMMENDATIONS**

It is recommended that the Audit & Performance Committee:

- i. Notes that the overall projected out-turn after the application of reserves is break-even;
- ii. Notes £8.687m Covid-19 Response & Remobilisation costs expected to be met by met by the IJB Covid-19 Reserve and additional Scottish Government funding;
- iii. Notes the update regarding the IJB reserves position for 2021/22;
- iv. Notes the financial risks that may have a future impact on the financial forecast against which mitigating actions continue to be identified.

#### **2. BACKGROUND**

- 2.1 The 2021/22 Budget set by the Integration Joint Board (IJB) in March 2021 (Report G/21/25) supported break-even across Health and Social Care after application of reserves.
- 2.2 The first financial update for 2021/22 was received by the Audit & Performance Committee in September 2021. This was based on the 4 months to 31<sup>st</sup> July 2021 and projected an under spend of £0.236m after application of reserves.

### 3. GENERAL OVERVIEW

- 3.1 Based on actual expenditure to 31<sup>st</sup> October 2021, break-even is forecast for 2021/22 after use of reserves. This is in line with the 2021/22 Financial Plan position although a minor deterioration for the position reported to the IJB in September.

Table 1

	Month 7 Projection Over / (Under) £m
Health Services	0
Social Care Services	0
<b>Projected Position</b>	<b>0</b>

- 3.2 The Financial Plan assumed use of £3.483m of reserves to deliver break-even. However only £1.532m of reserves is required to deliver the forecast above.
- 3.3 Covid Remobilisation costs of £8.687m are forecast for 2021/22 (Month 4 £8.821m). Of this, £4.547m will be met by the IJB Covid-19 Reserve. This forecast assumes that the balance will be covered in full by additional Scottish Government funding. As at November 2021, the Scottish Government have confirmed a further £3.638m will be allocated. At this stage there remains confidence that the balance of £0.502m will also be met in full.
- 3.4 Slippage in savings of £1.777m is included within the core operational forecast above. However, the Local Remobilisation Plan (LMP) Finance Submission to the Scottish Government includes this slippage over and above the £8.687m forecast costs. Whilst NHS Boards and HSCPs have been asked to make no assumption at this stage of funding to offset slippage in savings, they have asked that such slippage be included in LMP forecasts since discussion is still ongoing around potential Scottish Government funding.
- 3.5 A number of financial risks have been identified that may impact on the Financial Forecast moving forward. These will continue to be monitored and all efforts taken to deliver break-even at the year end.
- 3.6 Over very recent weeks the Scottish Government has announced significant additional funding for 2021/22 for Winter Resilience and Capacity. Plans are being developed for use of this funding and at this stage the forecast position assumes that it can be spent in full. Further information on the additional budget and forecast spend will be provided in future reports.

### 4. SOCIAL CARE

- 4.1 A break-even position is now forecast for Social Care Services. Table 2 below sets out the forecast position compared to plan.

Table 2

<b>Social Care</b>	<b>Approved Financial Plan</b>	<b>Month 7 Projection</b>	<b>Month 4 Projection</b>
	£m	£m	£m
Recurring Deficit/ (Surplus)	0.456	(0.486)	(0.450)
2021/22 Core Position	0.000	(0.050)	(0.716)
Slippage in Savings Delivery	1.019	0.804	0.804
Delay in Contributions Review	0.708	0.708	0.708
Transformation Support	0.393	0.135	0.256
PKC Non Recurring Funding	(0.838)	(0.838)	( 0.838)
<b>Sub-Total Shortfall / (Surplus)</b>	<b>1.738</b>	<b>0.273</b>	<b>(0.236)</b>
PKIJB Reserve-2020/21	(1.738)	(0.273)	0.000
<b>Variance Shortfall / (Surplus)</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.236)</b>

- 4.2 As reported previously, the positive movement in the recurring deficit from plan is driven by additional Scottish Government Living Wage funding (£0.9m). Living Wage costs had already been fully anticipated in the budget prior to the funding being announced at the end of March 2021. The application of this recurring surplus is being considered as part of the development of the 2022/23 Financial Plan.
- 4.3 Appendix 1 provides a breakdown of the forecast on the core position.
- 4.4 For Older Peoples Services, an under spend of £0.319m is forecast (£0.618m at Month 4). This is largely driven by an under spend of £0.804m in Care Home placements where demand is significantly lower than plan (£0.983m at Month 4) In addition, an under spend of £0.333m is forecast on Day Care and Transport due to usage levels (£0.252m at Month 4). In addition a £0.106m under spend has emerged since the last report in relation to Internal Care Homes due to a change in income levels from a movement in the resident profile. These under spends are being offset by a £0.772m overspend forecast on Care at Home (£0.631m at Month 4) where demand continues to be higher than plan. A forecast overspend has also emerged in the Community Alarm Service with additional staffing required to respond to increased demand (£0.134m). In addition, unanticipated equipment costs of moving from analogue to digital have been incurred for which funding discussions are ongoing with Perth and Kinross Council (£0.088m).
- 4.5 For Adult Services, an overspend of £0.244m is forecast (£0.266m at Month 4). Placements and supported community living are reporting an overspend of £0.331m (£0.355m at Month 4). This reflects an increase in service users.

This is being offset by a £0.079m under spend on Day Care, Transport and the Respite Bureau due to usage levels.

- 4.6 Within Management & Commissioned Services, the £0.906m additional Scottish Government Living Wage Funding referred to above is the most significant contribution to the overall underspend being forecast.
- 4.7 The Social Care forecast includes slippage on savings which is considered in the Savings Section below.

## 5. HEALTH

- 5.1 Breakeven continues to be forecast overall for health services after applying agreed reserves. Table 3 below sets out the forecast position compared to plan. The position before application of reserves is broadly in line with plan.

Table 3

<b>Health</b>	<b>Approved Financial Plan</b>	<b>Month 7 Projection</b>	<b>Month 4 Projection</b>
	£m	£m	£m
Recurring Deficit	1.127	1.333	1.348
Projected 2021/22 Under spend	(0.866)	(1.163)	(0.628)
Slippage in Savings Delivery	1.376	1.022	1.007
Transformation Support	0.112	0.067	0.067
<b>Sub-Total Shortfall / (Surplus)</b>	<b>1.749</b>	<b>1.259</b>	<b>1.794</b>
PKIJB Reserve- 2020/21	(0.345)	(0.961)	(0.961)
PKIJB Reserve- NHST Bridging	(1.404)	(0.298)	(0.833)
<b>Sub-Total Offset Funding</b>	<b>(1.749)</b>	<b>(1.259)</b>	<b>(1.794)</b>
<b>Variance Shortfall / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 5.2 Appendix 1 provides a breakdown of the forecast on the core position.
- 5.3 Older Peoples Services are forecasting an under spend of £0.038m (Month 4 overspend £0.168m) For Inpatient Wards, a £0.031m forecast overspend is a significant improvement from the last report (£0.233m at Month 4) with additional staff costs now forecast to be largely offset by maternity leave, vacancies and retirees. For Allied Health Professionals, a £0.220m overspend is driven by Occupational Therapy and Physiotherapy staff above budgeted levels (£0.200m at Month 4), with an urgent review of this underway. For Community Nursing, a £0.361m overspend (£0.178m at Month 4) is driven by a regrading of Band 6 staff. This pay pressure was not anticipated and

opportunities for additional funding are being pursued. These areas of overspend are being offset by slippage in investment of Intermediate Care Bed Funding (£0.330m).

- 5.4 Within Adult Services the £0.436m forecast underspend (£0.224m at Month 4) is driven by vacancies within the Community Mental Health and Learning Disability Teams (£0.186m), along with slippage in the commencement of planned care packages (£0.250m). For both areas, the level of under spend have increased since the last report.
- 5.5 Within Management/Commissioned/Other Services the forecast £0.282m under spend (£0.442m at Month 4) is driven by slippage in recruitment both to the Primary Care Resilience Team (£0.194m) and to backfill for staff who have transferred to support the Covid Vaccination Programme (£0.102m).
- 5.6 PKHSCP Hosted Services are reporting a £0.234m underspend overall. This is driven by vacancies within Prison Healthcare, Podiatry and Dental Services along with lower than budgeted supplies costs in Podiatry and Public Dental Services. Hosted Services in Dundee and Angus IJBs are forecasting an overall overspend (£0.138m). We are working with Dundee and Angus to better understand and inform the IJB on the financial position going forward.
- 5.7 For Prescribing, the forecast £0.375m underspend is positive and is an improvement on the last report (£0.272m). We await further analysis to establish actual price and item growth compared to plan.
- 5.8 For General Medical Services an overspend of £0.269m is forecast (£0.139m at Month 4). An under spend of £0.183m is forecast against the core budget however this is more than offset by an overspend in 2C practices across Dundee and Angus. Perth & Kinross continue to be allocated a share of these overspends and the share is forecast to be £0.452m for 2021/22. This is continuing to increase month on month and the latest movement is due to agency costs.
- 5.9 The available PKIJB 2020/21 health under spend reserve is higher than plan. This reserve increased following confirmation of the 2020/21 final out-turn and is now utilised in full. To break-even, £0.298m of the NHS Tayside £1.404m bridging finance reserve is also required.

## **6. SAVINGS**

- 6.1 Approved savings remaining for Health & Social Care total £2.081m. Of this £0.260m is projected to be delivered. Table 4 below sets out the detail of savings slippage anticipated in 2021/22. The significant slippage in savings was anticipated as part of the 2021/22 Financial Plan and results from the impact of Covid on management capacity.

Table 4

<b>Description</b>	<b>Approved Savings still to be delivered £m</b>	<b>Amount Projected to be delivered in 2021/22 £m</b>	<b>Shortfall £m</b>
Review of Care Home Placements	0.232	0.232	0.000
Review of Care at Home	0.200	0	0.200
Complex Care Transformation	0.529	0	0.529
Integration of H&SC Teams	0.035	0	0.035
Prepaid Card Scheme	0.040	0	0.040
<b>Sub-Total Social Care</b>	<b>1.036</b>	<b>0.232</b>	<b>0.804</b>
Redesign of Rehabilitation Beds	0.740	0	0.740
Integration of H&SC Teams	0.305	0.023	0.282
<b>Sub-Total Health</b>	<b>1.045</b>	<b>0.023</b>	<b>1.022</b>
<b>Total Health &amp; Social Care</b>	<b>2.081</b>	<b>0.255</b>	<b>1.826</b>

- 6.2 The Review of Contributions Policy saving remains unachieved and is in addition to the above. This saving of £0.708m is being funded by Perth & Kinross Council non-recurring in 2021/22. Discussions are ongoing within PKC in this respect.
- 6.3 Capacity to deliver the remaining savings in year remains significantly impacted due to Covid-19. Whilst use of reserves and non-recurring support will bridge savings slippage in 2021/22, there is a significant risk that savings cannot be delivered by 1<sup>st</sup> April 2022 due to ongoing capacity issues. A review of service management capacity is underway to increase capacity.

## **7. COVID-19 RESPONSE AND REMOBILISATION**

- 7.1 The Quarter 1 estimate of Covid related costs submitted to the Scottish Government forecast costs Health and Social Care of £8.821m.
- 7.2 A further Quarter 2 estimate has been submitted and costs are now forecast at £8.687m. Across a number of areas forecast costs have come down, particularly in relation to vaccination costs, enhanced care home support and general staff resilience. However this has been offset by the inclusion of additional staff costs as agreed with the Scottish Government to protect capacity and flow over winter. In addition Dental Equipment and Ventilation costs have now been included which are recognised by the Scottish Government as a key priority for the remobilisation of dental services.

- 7.3 As shown in Appendix 3, the IJB Covid-19 reserve is £4.547m. The latest projection of £8.687m will require additional Scottish Government funding of £4.140m. As at November 2021, the Scottish Government have confirmed a further £3.638m will be allocated. At this stage there remains confidence that the balance of £0.502m will be met in full. As with 2020/21, robust financial governance will be applied. All proposed expenditure will be signed off by EMT/Gold Command to ensure it is essential and to agree that it is directly related to Covid Response and Remobilisation.
- 7.4 Appendix 2 provides a detailed breakdown of both Social Care and Health forecast 2021/22 Covid Costs in line with the Quarter 2 Scottish Government Forecast submission. In addition, slippage in savings of £1.826m (as at Month 6) is included in the Scottish Government Forecast Submission. Whilst NHS Boards and HSCPs have been asked to make no assumption at this stage of funding to offset slippage in savings, they have asked that such slippage be included in LMP forecasts since discussion is still ongoing around potential Scottish Government funding.

## 8. RESERVES

- 8.1 As at 1<sup>st</sup> April 2021, Perth & Kinross IJB had £13.900m of reserves. Appendix 3 sets out the detail of these reserves and the forecast utilisation during 2021/22.
- 8.2 The 2021/22 Budget approved by the IJB in March 2021, allowed a breakeven position for both Health and Social care after the use of general reserves. The budget identified how much of these reserves would be required to secure breakeven. The amount required is now projected to change, as summarised in Table 5 below.

Table 5

	<b>Total Reserve £m</b>	<b>Amount Required in Approved Financial Plan £m</b>	<b>Amount forecast as now required £m</b>	<b>Forecast Balance of Reserve Remaining £m</b>
PKIJB Reserve- Health Under spend 2020/21	0.961	0.345	0.961	0
PKIJB Reserve -NHST Bridging Funding	1.400	1.400	0.298	1.102
Social Care IJB 2020/21 Under spend	2.926	1.738	0.273	2.653
<b>Total</b>	<b>5.287</b>	<b>3.483</b>	<b>1.532</b>	<b>3.755</b>

8.3 Over and above this, the majority of reserves are at this stage expected to be utilised by the year end with some exceptions as set out in Appendix 3. However, there is a risk that Covid Response and Remobilisation will continue to impact on the capacity of Service Leads to deliver transformation in the planned timescales and slippage in spend in a number of areas may result. This is being kept under monthly review by the Executive Management Team. The recent announcement of additional Scottish Government Funding for 2021/22 for Winter and Resilience may also result in an increase in reserves if there are difficulties in recruitment and assuming IJBs are allowed to carry forward unspent funds in their reserves for application in future years.

## 9. KEY FINANCIAL RISKS

9.1 Several risks that have been considered in finalising this expenditure forecast. These risks may increase or decrease over the year, affecting the financial position. A summary of potential and emerging risk is provided below:

<b>Risk</b>	<b>Potential extent of Financial Exposure</b>	<b>Comments</b>
Additional Scottish Government Covid Funding is not available for costs exceeding reserves held.	£0.5m	Quarter 2 Scottish Government Covid Forecast less 2021/22 Covid Reserves and further SG allocation confirmation.
Workforce shortages lead to unprecedented bank/agency staffing costs to maintain safe services.	£0.5m	25% increase in of current 2021/22 forecast spend on supplementary staffing.
District Nursing Regrading backdated pay extension.	£0.1m	Potential additional backdated pay costs if further backdated.
Pay Awards for Medical Dental and Band 8/9 in excess of Financial Planning assumption.	£0.1m	Risk of an increased pay settlement not being funded.
Social Care Pay Award settle at 3%	£0.4m	The IJB has pay budget allowance for 1.5%. Non-IJB budgets do not have a pay budget allowance.
A return of funding is requested by NHS Tayside to support In-Patient Mental Health 2021/22 forecast overspend.	£0.8m	A review of the costs of Inpatient Mental Health Services is being progressed by the NHS Tayside Director of Finance.
Out of area client referral	£0.2m	Risk of specialist out of area referral costs need to be met by the HSCP.

Potential legal claims	£0.4m	Being managed and supported by PKC Legal Service
Female Custody Unit in Dundee	£0.2m	Health Service requirement to support Scottish Prison Service Unit. No recurring Scottish Government funding identified as yet.

## 10. CONCLUSION

10.1 The overall projected out-turn after the application of reserves is break-even.

10.2 A number of potential risks have been identified and require to be monitored closely and mitigating action taken as necessary to ensure that break-even can be delivered.

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### Appendices

Appendix 1 - Summary Financial Position

Appendix 2 – Covid-19 Response & Remobilisation Costs

Appendix 3 - IJB Reserves