



PERTH & KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

7 MARCH 2022

2021/22 FINANCIAL POSITION

Report by the Head of Finance & Corporate Services
(Report No. G/22/32)

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 10 months to 31 January 2022.

1. RECOMMENDATIONS

It is recommended that the Audit & Performance Committee:

- i. Notes that the overall projected out-turn is a £0.767m under spend with no requirement for use of reserves to deliver financial balance;
- ii. Notes forecast £9.447m Covid-19 costs which are to be funded in full 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 still impact on the financial forecast.

2. BACKGROUND & OVERVIEW

- 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 £3.483m reserves.
- 2.2 The last financial update for 2021/22 was received by the Audit & Performance Committee in December 2021. This was based on the 7 months to 31st October 2021 and projected a break-even position, after application of £1.532m reserves.
- 2.3 Based on actual expenditure to 31 January 2022, a £0.767m under spend is forecast for 2021/22. This is a significant improvement from the last report, with no requirement now forecast for use of reserves to deliver in-year financial balance, across both health services and social care services.

Table 1

	2021/22 Plan	Month 10	Month 7
	Over/(Under)	Over/(Under)	Over/(Under)
	£m	£m	£m
Health Core Position	0.373	(0.299)	0.237
Social Care Core Position	0.719	(0.468)	(0.531)
Savings Slippage	2.395	0	1.826
Total	3.487	(0.767)	1.532
Use of Reserves	(3.487)	0	(1.532)
Forecast	0	(0.767)	0

- 2.4 The most significant contributing factor to the improvement from Month 7 is Scottish Government confirmation, in January 2022, that slippage in savings will be covered by Covid Funding. This has led to a £1.826m improvement in the core forecast position across health and social care. Over and above this, the Health forecast has improved by £0.536m since Month 7 mainly due to an improvement in the forecast position on Prescribing.
- 2.5 Covid-19 Remobilisation costs are forecast at £9.447m for 2021/22 (Month 7 £8.687m). This now includes £1.826m of savings slippage. Of this, £4.547m will be met by the IJB Covid-19 Reserve. In February 2022, the Scottish Government allocated the full balance of funding to PKHSCP.
- 2.6 Financial risks have been identified that may still impact on the financial forecast moving forward. The most significant financial risk relates to the potential requirement for all 3 IJB's to support NHS Tayside with the £3.1m overspend forecast for Inpatient Mental Health. NHS Tayside is responsible for the operational management of Inpatient Mental Health Services and the forecast overspend for this service is included in their year end forecast.
- 2.7 The Scottish Government has announced significant additional funding for 2021/22 for Winter Resilience and Capacity. Further information is provided in Section 8 below.

3. SOCIAL CARE

- 3.1 An underspend position is now forecast for Social Care Services. Table 2 below sets out the forecast position compared to plan.

Table 2

	Approved	Month 10	Month 7
	Financial Plan	Projection	Projection
	Over/(Under)	Over/(Under)	Over/(Under)
	£m	£m	£m
Social Care			

2021/22 Core Position	0.263	(0.034)	(0.045)
Recurring Deficit/ (Surplus)	0.456	(0.434)	(0.486)
Slippage in Savings Delivery	1.019	0	0.804
Sub-Total Shortfall / (Surplus)	1.738	(0.468)	0.273
PKIJB Reserve-2020/21	(1.738)	(0)	(0.273)
Variance Shortfall / (Surplus)	0	(0.468)	0

- 3.2 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 addressed as part of the development of the 2022/23 Financial Plan.
- 3.3 Appendix 1 provides a breakdown of the £0.034m underspend forecast on the core position. This remains better than the £0.263m overspend anticipated at the start of the year.
- 3.4 For Older Peoples Services, an underspend of £0.163m is forecast (£0.319m at Month 7). This is largely driven by an underspend of £0.835m in Care Home placements where demand is significantly lower than plan (£0.804m at Month 7). In addition, an underspend of £0.362m is forecast on Day Care, Respite and Transport due to usage levels (£0.333m at Month 7). These underspends are being offset by a £0.875m overspend forecast on Care at Home (£0.772m at Month 7) where demand continues to be higher than plan. A forecast overspend is also within the Community Alarm Service with additional staffing required to respond to increased demand (£0.202m). In addition, unanticipated equipment costs of moving from analogue to digital have been incurred (£0.088m). A recommendation to fund a 6 year capital programme, supporting the cost of analogue to digital equipment, has been included in the Perth & Kinross Council 2022/23 Capital budget, to be considered at Council on 23 February 2022.
- 3.5 For Adult Services, an overspend of £0.074m is forecast (£0.244m at Month 7). Placements and Supported Community Living are reporting an overspend of £0.213m (£0.331m at Month 7). The movement from the last report reflects updated cost information and staff slippage due to recruitment. This overspend is being offset by a £0.150m underspend on Day Care, Transport, and the Respite Bureau due to usage levels.
- 3.6 Confirmation in January 2022 of Scottish Government Covid funding for savings slippage, along with a better than expected core position, and the benefit of unanticipated Scottish Government Living Wage funding means that use of reserves is no longer required to deliver break-even.

4. HEALTH

- 4.1 An overall underspend of £0.299m is now forecast for health services. Table 3 below sets out the forecast position compared to plan.

Table 3

Health	Approved Financial Plan (Under)/Over	Month 10 Projection	Month 7 Projection
	£m	£m	£m
2021/22 Core Position	(0.754)	(1.597)	(1.096)
Recurring Deficit	1.127	1.298	1.333
Slippage in Savings Delivery	1.376	0	1.022
Sub-Total Shortfall / (Surplus)	1.749	(0.299)	1.259
PKIJB Reserve- 2020/21	(0.345)	(0)	(0.961)
PKIJB Reserve- NHST Bridging	(1.404)	(0)	(0.298)
Sub-Total Offset Funding	(1.749)	(0)	(1.259)
Variance Shortfall / (Surplus)	0	(0.299)	0

- 4.2 Appendix 1 provides a breakdown of the £1.597m under spend forecast on the core position. This is significantly better than the £0.754m under spend anticipated at the start of the year and relates mainly to the improved prescribing position.
- 4.3 Older Peoples Services are forecasting an under spend of £0.157m (Month 7 £0.038m). For Inpatient Wards, a £0.180m underspend is forecast, an improvement from the last report (£0.031m overspend at Month 7). Additional staff costs have reduced and are being further offset by vacancies and retirements. For Allied Health Professionals, a £0.145m overspend is driven by Occupational Therapy and Physiotherapy staff above budgeted levels (£0.220m at Month 7). A review has been undertaken and recurring pressures have been identified and included in the budget planning for the next financial year. For Community Nursing, a £0.388m overspend (£0.361m at Month 7) 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).
- 4.4 Within Adult Services the £0.565m forecast underspend (£0.436m at Month 7) is driven by vacancies within the Community Mental Health and Learning Disability Teams (£0.287m), along with slippage in the commencement of planned care packages (£0.278m). For both areas, the level of underspend has increased since the last report.

- 4.5 Within Management/Commissioned/Other Services the forecast £0.213m underspend (£0.282m at Month 7) is driven mainly by slippage in recruitment to the Primary Care Resilience Team (£0.194m).
- 4.6 PKHSCP Hosted Services are reporting a £0.353m underspend overall (£0.372m at Month 7). 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 (£0.324m). Within Angus hosted services, there are overspends within Forensic Services due to the use of supplementary staffing to ensure safe delivery of the service. Within Dundee hosted services, there are material underspends across Psychological Therapies and Sexual Health both because of workforce issues and vacancies within the services.
- 4.7 For Prescribing, the forecast £0.470m underspend is positive and is an improvement on the last report (£0.375m). Higher than planned rebates and income are the main drivers of the underspend.
- 4.8 For General Medical Services an overspend of £0.064m is forecast (£0.269m at Month 7). An underspend of £0.308m is forecast against the core budget, mainly driven by reduced Enhanced Services expenditure, related to lower activity. 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 £0.372m for 2021/22 (£0.452m at Month 7).
- 4.9 Due to the higher than anticipated core underspend and the additional Scottish Government Covid-19 funding for savings slippage (as per para 2.4 above), use of reserves is no longer required to break-even.

5. SAVINGS

- 5.1 Of £2.081m approved savings for 2021/22, £0.255m is projected to be delivered. Table 4 below sets out the detail of savings slippage anticipated in 2021/22. This slippage was fully anticipated as part of the 2021/22 Financial Plan and results from the impact of Covid on management capacity. The Scottish Government confirmed in January 2022 that savings slippage will be treated as a Covid cost and funded in full.

Table 4

Description	Approved Savings still to be delivered £m	Amount Projected to be delivered in 2021/22 £m	Shortfall £m
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
Sub-Total Social Care	1.036	0.232	0.804
Redesign of Rehabilitation Beds	0.740	0	0.740
Integration of H&SC Teams	0.305	0.023	0.282
Sub-Total Health	1.045	0.023	1.022
Total Health & Social Care	2.081	0.255	1.826

5.2 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-recurringly in 2021/22.

6. COVID-19 RESPONSE AND REMOBILISATION

6.1 The Quarter 2 estimate of Covid related costs submitted to the Scottish Government forecast costs across Health and Social Care of £8.687m.

6.2 A further Quarter 3 estimate has now been submitted and costs are forecast at £7.621m. Forecast costs have reduced across several areas, particularly in relation to Community Hospital contingency costs. There are also areas of expenditure no longer included within the forecast, as they are now being funded through Winter Resilience and Capacity monies (see Section 8 below).

6.3 Appendix 2 provides a detailed breakdown of both Social Care and Health forecast 2021/22 Covid Costs in line with the Quarter 3 Scottish Government Forecast submission. In addition to the £7.621m above, a further £1.826m for unachieved savings is included in the submission. The PKHSCP has now received funding from the Scottish Government that offsets the £9.447m in full.

7. RESERVES

7.1 As at 1 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.

7.2 The 2021/22 Budget approved by the IJB in March 2021, set out a break-even position for both Health and Social care after the use of £5.287m general reserves. The amount required is now projected to change, as summarised in Table 5 below.

Table 5

	Total Reserve £m	Amount Required in Approved Financial Plan £m	Amount forecast as now required £m	Forecast Balance of Reserve Remaining £m
PKIJB Reserve- Health Under	0.961	0.345	0	0.961

spend 2020/21				
PKIJB Reserve -NHST Bridging Funding	1.400	1.400	0	1.400
Social Care IJB 2020/21 Under spend	2.926	1.738	0	2.926
Total	5.287	3.483	0	5.287

7.3 Due to reserves no longer being required to deliver break-even, the unearmarked general reserve balance for PKIJB is forecast to be £5.287m, plus £0.767m in year forecast under spend. This totals £6.054m and equates to 2.8% of budget. The PKIJB Reserves Policy sets out a 2% target.

8. Additional Scottish Government Funding

8.1 The Scottish Government has announced additional funding for Winter Resilience and Capacity. The funding allocated to PKHSCP in 2021/22 is £4.037m as follows:-

Table 6

Funding	Funding Allocated to PKIJB £m
Expanding Care at Home Capacity	1.969
Interim Care	1.271
Multi-Disciplinary Teams	0.635
Health & Care Support Staff	0.162
Total	4.037

Plans have been developed and the funding is expected to be spent in full over 2021/22 and 2022/23.

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 remainder of the year, affecting the financial position. A summary of further potential and emerging risk is provided below:

Risk	Potential extent of Financial Exposure	Comments
A transfer of budget is required by NHS Tayside to support In-Patient	£1.1m	Discussions ongoing with the NHS Tayside Director of Finance.

10.
CON
CLU
SION

Risk	Potential extent of Financial Exposure	Comments
Mental Health 2021/22 forecast overspend.		
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

- 10.1 The overall projected out-turn is a £0.767m underspend. This is forecast to be achieved without any requirement for planned use of £3.487m reserves, primarily due to a change in funding position of Scottish Government in respect of saving slippage. In line with the Integration Scheme this underspend would be carried forward to 2022/23 as a general unearmarked reserve.
- 10.2 Potential risks have been identified and require to be monitored closely and mitigating action taken wherever possible.

Author(s)

Name	Designation	Contact Details
Jane M Smith	Head of Finance & Corporate Services	jane.smith@nhs.scot

Appendices

- Appendix 1 - Summary Financial Position
Appendix 2 – Covid-19 Costs
Appendix 3 - IJB Reserves