



## **AUDIT & PERFORMANCE COMMITTEE**

**30 NOVEMBER 2020**

### **2020/21 FINANCIAL POSITION**

**Report by the Chief Financial Officer (Report No. G/20/134)**

#### **PURPOSE OF REPORT**

The purpose of this report is to advise the Audit & Performance Committee of:-

- I. The 2020/21 projected year end out-turn on the underlying operational position, based on financial performance for the six months to 30 September 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 Audit & Performance Committee:-

- (i) Note the £1.207m projected year-end underspend in relation to the underlying operational position.
- (ii) Note the £1.947m projected year end overspend in relation to Covid 19 costs after taking account of confirmed additional Scottish Government funding.
- (iii) Notes the update regarding the IJB reserves position.

#### **2. BACKGROUND**

- 2.1 The IJB received a finance update at its meeting on 23<sup>rd</sup> September 2020 (Report No. G/20/109) presenting the position as at month 4 (end July) and this report provides an update on that position.

#### **3. OPERATIONAL POSITION OVERVIEW**

- 3.1 An underspend of £1.207m is forecast on the underlying operational position, based on the 6 months to 30<sup>th</sup> September 2020. This is a movement of £1.953m from the position last reported to the IJB in September and the key movements are provided in the narrative below.

Table 1 below provides a high level summary across each devolved service, and a comparator to the last report.

**TABLE 1**

<b>Service</b>	<b>Month 4</b> Report	<b>Month 6</b> Report
	Projected Over / (Under) £m	Projected Over / (Under) £m
Hospital & Community Health	(0.697)	(1.333)
Hosted Services	0.128	(0.226)
Prescribing	0.540	0.359
General Medical/Family Health Services	0.029	0.018
Sub-Total Core Health Position	0.000	(1.182)
<b>Financial Plan Deficit</b>	<b>1.004</b>	<b>1.016</b>
Sub-Total Health	1.004	(0.166)
Social Care	(0.258)	(1.041)
<b>Total Health &amp; Social Care</b>	<b>0.746</b>	<b>(1.207)</b>

- 3.2 Health is projecting an in year under spend of £1.182m which more than offsets the recurring Financial Plan deficit leading to a net forecast underspend for the year of £0.166m.
- 3.3 Social Care is projecting an operational underspend of £1.041m.
- 3.4 Both Health and Social Care Operational Forecasts exclude slippage on savings which are reported as Covid Related costs in Section 7.

#### **4. SERVICE BY SERVICE PROJECTED POSITION**

The breakdown of the projected position is provided by service in Appendix 1.

##### **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 £0.819m. This is a movement and further underspend of £0.540m from the last report. The main variances and movements are within-

- Investment monies are projecting an overall underspend of £0.437m. These monies were provided as part of the 2019/20 and 2020/21 Financial Plan, for intermediate care beds and the respiratory community model, however progress has been delayed. In the last finance update this underspend was reported as an offset against Covid-19 costs. This is now reported against core budget and the movement is the main driver for the forecasting change from Month 4 to Month 6 for Hospital and Community Health.

- Medicine for the Elderly projected overspend of £0.064m a reduction of £0.134m from the last report. The overspend is due to excess supplementary staffing costs resulting from vacancies.
- Community Hospitals (projected underspend of £0.192m) mainly due to staff vacancies.
- Intermediate care teams (projected underspend of £0.259m) mainly resulting from vacancies within teams.
- Psychiatry of Old Age (POA) Services are projecting a £0.089m overspend overall. However, within this an overspend is projected of £0.400m for inpatient services due to staffing and costs being above budgeted level, with this being partially offset by the projected underspend in community POA services driven by vacancies.
- Community Nursing are projecting an underspend of £0.090m as a result of vacancies earlier in the year, most of these posts are now filled.

4.1.2 **Adult Services:** The projected position for Adult Services is an overall underspend of £0.228m. 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 £0.286m underspend (an increased underspend of £0.080m from the last report), with the main variances being within Medical Training and staff vacancies.

4.1.4 **Prescribing:** An overspend of £0.349m is forecast. This is based on actual expenditure for 4 months to 31<sup>st</sup> July 2020 and is highly impacted by Covid. The forecast reflects the combined effect of activity and pricing to date, accrual and forecasting assumptions for the remainder of the year plus progress restrictions on savings initiatives. The Perth & Kinross actual activity volumes are lower than plan (by 6.1%) and lower than previous year (by 3.4%). Prices are higher than anticipated (by 6.3%). Forecasting remains particularly challenging and unachievable savings are forecast within the position. The 2020/21 Financial Plan included QSEP initiatives which have seen limited progress during the first half of the year due to Covid-19 response prioritisation and therefore any new benefits that might be identified during the second half of the year have not been assumed or built into current projections.

The forecast also includes additional Covid-19 expenditure of £0.132m during the first half of the financial year, of which Scottish Government income is expected but has not yet been received. These costs will be removed from future forecasts to be reported separately against Covid cost actuals.

4.1.6 **General Medical/Family Health Services:** An underspend of £0.281m is forecast as a result of both historical underspend and a recurring rates underspend. However this is entirely offset by significant in year 2c practice costs across Dundee and Angus, of which Perth & Kinross are attributed a £0.299m share of the overspend.

4.1.7 **Financial Plan Deficit:** The £1.2m underlying opening budget deficit for health services has been reduced through a small number of recurring opportunities to £1.016m.

4.1.8 **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. Excluding Covid costs, these are projecting an overall underspend of £0.162m 2020/21. This is a movement from the break even position reported at month 4, and is mainly due to slippage in staffing costs due to vacancies in year and a reduction in supplies spend.

4.2.2 Services hosted within Angus and Dundee IJB's are projecting an overall £0.951m overspend of which £0.319m is the P&K IJB share. However, of this share, £0.378m is related to projected Covid-19 costs. This forecast position has been adjusted to move the £0.378m into the Covid-19 position. The costs are detailed in the Covid-19 section below.

## 4.3 SOCIAL CARE

4.3.1 **Older People Services:** The projected position for Older People Services is an underspend of £0.521m. This is an increase of £0.292m from the last report. The main variances and movements are within –

- Care at Home projecting an underspend of £0.476m. This underspend has increased by £0.092m from last reported, and 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 progressed to address unmet need and costs have been assumed for this in arriving at this forecast.
- Local Authority Homes are projecting an overspend of £0.206m. The homes are fully staffed, supplies costs are above budgeted level and income is forecast to be below the budgeted level.
- External Residential and Nursing Placements are forecasting an underspend of £0.101m. This is mainly driven by an underspend within the Physical Disability budget. The last report projected the placement underspend as an offset for Covid-19 costs, however due to recent increased demands this is now being reported within the core position.
- Further underspends are projected within Day Services, Equipment and Short Break services totalling £0.476m. Of these £0.317m were assessed as relevant to offset Covid-19 costs and have been deducted from the projected position.

4.3.2 **Adult Services:** The projected position for Adult Services is an underspend of £0.548m, this has increased significantly since the last report ( additional £0.368m) and is mainly due to confirmed 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 £0.028m overspend, the main overspend remains within the bad debt provision (£0.130m). This is being offset by underspends now projected within Locality and Early Intervention and Prevention teams (£0.065m), mainly due to vacancies.

## 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 30 September 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. These 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 September, estimated gross projected expenditure of £7.066m was reported to the IJB. A further detailed forecast has now been undertaken based on the 6 months to 30<sup>th</sup> September 2020. The updated gross cost projection is £7.953m 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	0.625
Additional Staffing	0.620
Loss of Income	0.480
Angus/Dundee Hosted Services *	0.378
Mental Health	0.230
Care at Home Increased Packages	0.206
Personal Protective Equipment(PPE)	0.142
Prescribing	0.132
Additional Hospital Bed Capacity	0.157
Management Capacity	0.124
Support to Care Homes	0.117
Delayed Discharge Co-ordination	0.096
Care Home Placements	0.084
Other Community Care Provision	0.057
IT /Equipment	0.054
Communications	0.038
Prison Health *	0.010
<b>Total Projected Costs</b>	<b>7.953</b>

\*PKIJB Share of hosted service cost

- 7.3 The Provider Sustainability Payment forecast takes account of the 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 4.3 above, projected social care service under spends of £0.388m 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.
- 7.5 On 30<sup>th</sup> September 2020, the SG announced additional funding for HSCP's based on their Quarter 1 submissions of forecast costs. The allocation is based on full funding of Quarter 1 costs. For Quarters 2 – 4, the allocation funds 50% of forecast social care costs and 70% of forecast health costs. A further £2.504m has been allocated to PKHSCP over and above the £2.060m previously confirmed. In addition, £0.306m income for the PKIJB share of Angus and Dundee hosted services has been assumed.

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*	1.617	5.588	7.205
Less Service Offset	0	(0.388)	(0.388)
Less SG Income Received	(1.040)	(3.830)	(4.870)
<b>Sub-Total Covid-19 Cost</b>	<b>0.577</b>	<b>1.370</b>	<b>1.947</b>

\*Excludes FHS & Prescribing

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, the projected exposure would be £1.947m. However, the overall additional allocation of budget from the SG remains subject to ongoing review and adjustment, with a formal review again in November 2020. It would appear there is a strong commitment to fund all HSCP actual costs of Covid.

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 underspend of £1.207m is a movement of £1.953m from the position last reported.

8.2 After taking account of SG Income confirmed to date a net overspend on Covid costs of £1.947m is forecast. However, this is likely to be covered by additional Scottish Government Funding following further formal review in November.

Jane M Smith  
Chief Financial Officer

## **Appendices**

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