

# **Agenda Item 6**

## **Finance Report**



# Falkirk Integration Joint Board

19 June 2020

Finance Report

For noting

## 1. Executive Summary

- 1.1 This report confirms the 2019/20 financial outturn and provides a high level summary of current 2020/21 financial position, including new and emerging risks, progress to deliver efficiency savings and consideration of the future use of reserves.
- 1.2 In line with previous years, a risk sharing agreement was reached for 2019/20 in respect of the integrated budget. This resulted in both Falkirk Council and NHS Forth Valley making an additional payment to the IJB in order to deliver an overall breakeven position on the specific services delegated to them. NHS Forth Valley continued to manage financial risk in relation to the set aside budget.
- 1.3 An interim budget remains in place for 2020/21 pending further work to identify additional efficiency savings in order to deliver a balanced position. This work has been delayed due to the impact of COVID 19 but has now resumed as part of next phase pandemic recovery planning.
- 1.4 Several new and emerging risks are identified at this early stage in the financial year including pressures arising from implementation of the living wage, GP prescribing issues, Falkirk Community Hospital pay costs and the ongoing impact of COVID 19, particularly in terms of savings delivery.
- 1.5 It is critical that savings are delivered in full. Work is underway to reassess the 2020/21 savings plan and identify additional and/or alternative initiatives in order to mitigate risk of non achievement.

## 2. Recommendation

The Integration Joint Board is asked to:

- 2.1 Note the 2019/20 outturn and risk sharing agreement;
- 2.2 Note the interim 2020/21 budget position and forthcoming detailed financial review based on the first quarter results;
- 2.3 Note the work to reassess the existing savings plan, including identification of alternative proposals, to ensure efficiency targets are achieved in year;

- 2.4 Approve the recommendation to conduct a review of community bed based care services to accelerate delivery plan actions and associated savings;
- 2.5 Approve the recommendation to conduct an in-depth review of reserves and present a proposed investment strategy at the next meeting.

### 3. 2019-20 Financial Outturn

- 3.1 An overspend of £4.273m was reported for the 12 month period ending 31 March 2020, comprised of £2.619m in respect of the integrated budget and £1.654m in terms of set aside.
- 3.2 The £2.619m overspend against the integrated budget reflected a number of ongoing financial pressures relating to:
  - Care at Home – due to increased demand for care at home packages resulting in a 13% rise in costs compared to the same period in the previous year (primarily in relation to external providers). Ongoing pressures were also reported in relation to housing aids and adaptations and residential services.
  - Primary Care Prescribing – reflecting higher than expected volume growth in the number of items prescribed and increased uptake of expensive new drugs and devices (including direct acting oral anticoagulants and a new blood glucose monitoring system now available on prescription). Ongoing price concessions due to short supply issues also contributed to the overspend position.
  - Community Hospitals – relating to increased use of temporary staffing to cover sickness absence and maternity leave. In addition, a number of patients required specialist nursing input resulting in increased staffing ratios over and above the budgeted establishment.
  - COVID 19 – largely due to increased GP Prescribing costs as a result of early reordering of repeat prescriptions during March in advance of lockdown arrangements, together with the costs of local care home contingency block booking measures and provision of personal protective equipment (PPE).

### 3.3 Risk Sharing

A letter was received from NHS Director of Finance on 28 April 2020 confirming NHS Forth Valley Board position (Appendix 1). The letter confirmed the NHS Board's support to extend the 2018/19 risk share position into 2019/20 on a non-recurring basis. This concludes agreement on risk sharing in respect of the integrated budget whereby Falkirk Council and NHS Forth Valley made an additional payment to the IJB (£0.759m and £1.706m respectively) in order to deliver an overall breakeven position on the specific services delegated to them. In addition, further funding of £0.154m was issued by the Scottish Government in respect of covid-19 related costs incurred during March 2020.

- 3.4 As previously highlighted to the Board it is critical that a longer term risk sharing agreement is reached as part of the formal review of the integration scheme.
- 3.5 The £1.654m overspend in respect of set aside reflected ongoing reliance on temporary nursing staff to cover absence and patients requiring special clinical observation, together with pressures relating to drug costs and medical staffing specifically within old age psychiatry services. The overspend was managed directly by NHS Forth Valley.

## 4. 2020/21 Budget position

- 4.1 An indicative budget of £232.418m was approved by the IJB on an interim basis on 20 March 2020, as summarised in the table below. This represents a £6.127m uplift on the recurring base compared to the previous year.

Table 1

<b>2020-21 Budget</b>	<b>£m</b>
Set aside	28.317
Integrated budget	204.101
	<b>232.418</b>

Table 2

<b>Breakdown</b>	<b>£m</b>
Large Hospital Services	28.317
Community Healthcare Services	37.462
Social Care Services	90.795
Primary Healthcare Services	75.844
	<b>232.418</b>

- 4.2 The budget was approved on an interim basis in recognition that further work was required to identify £1.897m of additional efficiency savings in order to achieve a balanced position. This reflected an initial funding gap of £4.977m (excluding set aside), offset by £3.080m of planned savings, resulting in a residual savings requirement of £1.897m for 2020/21.
- 4.3 The vast majority of work to progress the savings plan, including identification of further initiatives to address the residual shortfall, was temporarily suspended in response to the COVID 19 pandemic. As a result, a number of the original planned savings schemes are unlikely to be fully delivered in year.

- 4.4 The scale of the financial challenge across the public sector due to COVID 19 is vast and we are working closely with the Scottish Government to refine cost estimates and associated funding requirements (including the financial impact of potential unachieved savings). In the meantime, the overall savings programme is currently being reassessed in a bid to enable existing savings schemes to recommence as soon as possible and to identify new initiatives arising from potential opportunities to redesign services in response to COVID 19.

## 5. Covid-19 Mobilisation Plan Financial Returns

- 5.1 Financial returns are regularly submitted to the Scottish Government to collate the additional costs of covid-19 in order to inform funding allocations. A total of £620.000m is available nationally to fund the Health and Social Care pandemic response. Total projected costs for 2020/21 included in the last return submitted on 18 May 2020 amounted to £13.376m for Falkirk IJB (at that point, this included £3.241m of potential unachieved savings).
- 5.2 The bulk of the total £13.376m cost estimate relates to contingency arrangements designed to provide increased health and social care capacity due to COVID 19 related demand and staff sickness absence. This includes surge capacity at Falkirk Community Hospital, local care home block booking arrangements, additional care at home hours, use of Thornton Gardens as a step down/intermediate care facility and various temporary staffing costs. Note that the vast majority of these arrangements have not been required to date and therefore the associated costs have not been incurred.
- 5.3 Other key costs relate to financial viability of social care contractors, primarily relating to external care homes and care at home providers. Sustainability measures in line with the “*national principles for sustainability payments to social care providers during COVID 19*” issued by COSLA have been applied locally. As a result, care homes will receive a sustainability payment based on 80% of the National Care Home Contract (NCHC) rate where they can demonstrate a reduction in average occupancy rates as a direct result of COVID 19. In terms of care at home providers, monthly fees are continuing to be paid based on an average of 2019/20 payment levels.
- 5.4 Furthermore, it is recognised that all social care providers are likely to incur extraordinary costs in terms of increased staffing, sickness cover, infection control and personal protective equipment (PPE). Providers have been asked to complete a claim form in order to capture these costs and seek reimbursement from the IJB (one claim has been submitted to date). Reimbursement of additional costs is over and above the sustainability payments referred to above.
- 5.5 Work is ongoing to demonstrate additionality and confirm actual costs. The next return is due to be submitted to the Scottish Government on 22 June 2020, it is expected that the revised cost estimate will reduce significantly.

## 6. Current Financial Position

6.1 It is too early at this stage in the financial year to provide a robust forecast outturn for 2020/21. An in-depth review of the overall position will be undertaken in July following receipt of the first quarter financial results. In the meantime, initial indications suggest there are a number of new and emerging potential risk areas including:

- Scottish living wage – potential exposure of £0.276m compared to the anticipated funding allocation to implement the recent living wage commitment in respect of contracted social care providers.
- GP prescribing costs – an overspend of £0.103m is reported for the first month of the financial year. This is an estimated position based on a 2.5% increase in the number of items prescribed compared to the same period in the previous year. This is relatively high compared to the equivalent item count estimates provided by Community Pharmacists and will be updated as soon as the April prescribing costs are processed. In the meantime, potential risk is estimated at £1.236m based on simple extrapolation of the month 1 position.
- Falkirk Community Hospital – an overspend of £0.055m is reported at 30 April 2020. This reflects ongoing pressures within pay budgets due to winter ward legacy costs, historic funding issues in respect of rehab support workers and ward 3 staffing levels which remain higher than the budgeted establishment. Assuming the current run rate continues to the end of the year, potential financial risk is in the region of £0.660m.
- COVID 19 – initial funding of £1.444m has been provided by the Scottish Government to offset immediate covid-19 related pressures within social care services. Approximately 75% of the allocation has been spent to date as outlined below:-

Table 3

Areas funded to date	£m
Care home contingency block booking measures and additional care at home hours	£0.513m
Personal protective equipment (PPE) supplies	£0.283m
Use of agency staff within internal residential services	£0.031m
Additional JLES equipment	£0.043m
Loss of income	£0.212m
<b>Total</b>	<b>£1.082m</b>

Initial allocations in respect of primary and community healthcare services have not been confirmed as yet (expected July). Key costs incurred to date include establishment of COVID 19 community assessment centres and triage hubs, use of temporary staff to cover increased demand and sickness absence and payments to GP Practices and Community Pharmacists in respect of public holiday



opening hours and to reimburse them for direct COVID 19 related costs. Work is ongoing to refine the COVID 19 costs estimates as we move into next phase recovery planning (updated financial returns are due to be submitted to the Scottish Government on 22 June 2020).

- 6.2 As highlighted in section 3 above, the vast majority of work to implement the 2020/21 savings plan was temporarily suspended to allow staff to focus on urgent COVID 19 priorities. As a result of this delay, £2.785m of savings are currently considered high risk in terms of achievement this year. A overview of the savings position is presented below:

Table 4

Plan £m	2020/21 savings plan	Risk of deliverability		
		R £m	A £m	G £m
0.742	Primary Care Prescribing - drug tariff adjustments			0.742
0.138	Primary Care Prescribing - technical switches*	0.138		
0.950	Adult social work - review & assessment	0.475	0.475	
0.650	Adult social work - locality planning	0.125	0.525	
0.300	Adult social work - specialist services	0.150	0.150	
0.300	Adult social work - income generation		0.050	0.250
1.897	<i>Balance still to be identified</i>	1.897		
<b>4.977</b>	<b>Total</b>	<b>2.785</b>	<b>1.200</b>	<b>0.992</b>
* This is effectively an invest to save proposal (gross recurring saving estimated at £0.406m TBC).				

- 6.3 Clearly this level of risk is a significant concern and whilst the impact of potential unachieved savings has been included in our COVID 19 mobilisation plan financial submissions to the Scottish Government, it is not clear if this will be funded at this stage. It is therefore imperative that alternative savings schemes are developed as a matter of urgency.
- 6.4 To this end, work is underway in conjunction with service managers to reassess the existing savings plan and consider potential new opportunities linked to service redesign and new ways of working post COVID 19.
- 6.5 Key areas for consideration and further development include:
- Assessment of the full year effect of savings initiatives implemented part way through the previous financial year. Based on outcome focussed reviews conducted during 2019/20 (annual saving £0.615m, part year effect realised in 2019/20 £0.401m, full year effect 2020/21 £0.214m).
  - Identification of potential non-recurring savings arising from the temporary suspension of services including reduced staff travel, supplies, and premises costs.

- Development and implementation of a GP Practice “Prescribing Improvement Initiative”, subject to IJB approval (targeted savings to be confirmed, potentially £3.000m over 2 years).
- Agreement and completion of outstanding prescribing technical switches and associated reviews in conjunction with relevant clinical specialist teams (estimated annual saving £0.311m, 2020/21 part year effect estimated at £0.150m).
- Conclusion of all planned reviews of existing care packages in respect of younger adults. 44 reviews initially identified for 2020/21 will resume as soon as possible (estimated annual saving £0.500m, 2020/21 part year effect estimated at £0.250m)
- Consideration of service redesign as part of plans to gradually reintroduce suspended services. This will reflect new ways of working in response to ongoing social distancing requirements, including a move away from building based services, rationalisation of day services, increased use of technology enabled care and cessation of non-essential and/or non-value added services.

6.6 The current situation also provides a unique opportunity to accelerate a number of key delivery plan actions to shift the balance of traditional bed based services towards more care in the community and at home. It is recommended that an urgent review to support redesign of all community bed based care is undertaken in light of the current vacant bed numbers and available capacity across the system. This would enable a range of future longer term savings initiatives relating to Falkirk community hospital and internal residential facilities to be brought forward at pace to 2020/21. This will require planning and project management resource together with dedicated modelling/statistical support.

6.7 Work to quantify and monitor savings achievement is ongoing, regular updates will be provided to the IJB.

## 7. Reserves

7.1 A total of £6.586m is currently held in reserves. This is comprised of £6.270m relating to earmarked reserves held for specific purposes and a small sum of £0.316m held as a general/contingency reserve.

7.2 Approximately £2.223m of earmarked funds are committed for 2020/21 at this stage relating to ongoing partnership fund projects and implementation of the Primary Care Improvement Plan, leaving a residual balance of £4.364m.



- 7.3 It is recognised that several earmarked reserve balances have been held for some time now and in other cases a number of projects are nearing completion. It is therefore recommended that a detailed assessment of the overall reserves position is undertaken. This will enable a tailored investment programme to be developed to support acceleration of our delivery plan combined with the transformational service redesign required in response to covid-19. Proposals will be brought back to the next IJB meeting for approval.

## **8. Conclusions**

- 8.1 The ongoing operational and financial impact of covid-19 represents a material risk for 2020/21. National estimates of the additional costs expected to be incurred as a result of the pandemic across the Health and Social Care sector in Scotland are currently significantly higher than the available funding. We continue to work closely with the Scottish Government to refine our local cost estimates in response to the developing situation.
- 8.2 At this stage it is assumed that any additional costs incurred as a direct result of covid-19 will be fully funded. However the position regarding funding in respect of potential unachieved savings has not yet been formally confirmed (in the meantime we continue to include an estimate of the impact on savings in our mobilisation plan financial returns to the Scottish Government).
- 8.3 Regardless of the impact of COVID 19, the original budget shortfall of £1.897m requires to be addressed in order to achieve a breakeven position. In addition the number of potential new and emerging risks at this early stage in the financial year reinforces the requirement for additional and/or alternative savings to be identified as a matter of urgency.

### **Resource Implications**

Resource implications are considered in the body of the report.

### **Impact on IJB Outcomes and Priorities**

The report presents the total integrated budget available to deliver the IJB's strategic priorities and delivery plan outcomes. It is vital that priorities and outcomes are delivered on sustainable financial basis.

### **Legal & Risk Implications**

There are no legal implications arising from the report recommendations. Key risks are highlighted in the body of the report.

### **Consultation**

This report has been drafted through engagement and information sharing with colleagues in Falkirk Council and NHS Forth Valley. Requirement for consultation in terms of proposed new savings may be necessary.

### **Equalities Assessment**

There are no equality implications as a direct result of the report recommendations. However there may be a requirement for an equalities assessment to be performed in relation to any new proposed savings schemes.

## **9. Report Author**

Jillian Thomson

**Chief Finance Officer**

## **10. List of Background Papers**

- 10.1 The papers that may be referred to within the report or previous papers on the same or related subjects

## **11. Appendices**

<b>Appendix 1:</b>	Letter from NHS Forth Valley Director of Finance
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**NHS Forth Valley**Carseview House  
Castle Business Park  
Stirling  
FK9 4SW

Telephone: 01786 463031



Jillian Thomson  
Chief Finance Officer  
Falkirk Integration Joint Board  
Municipal Buildings  
West Bridge Street  
Falkirk  
FK1 5RS

Date 28 April 2020  
Our Ref JMC/SU  
Enquiries to Scott Urquhart  
Extension 245  
Direct Line 01786 457245  
Email [scott.urquhart@nhs.net](mailto:scott.urquhart@nhs.net)

Dear Jillian

**Falkirk IJB Risk Share 2019/20**

Further to discussions earlier in the year regarding financial risk share and IJB reserve contributions I am writing to set out the NHS Board's position in concluding arrangements for 2019/20.

Given the immediate year end reporting timescales and the current focus on Covid-19 response I confirm the NHS Board's support to extend the previous year's position on risk share into 2019/20, on a non recurring basis.

For clarity Forth Valley NHS Board will meet the 2019/20 overspend on Set Aside services, and will make an additional financial contribution equivalent to the overspend on operational and universal services for health services in scope.

In terms of additional 2019/20 costs in relation to Covid-19 which have been incorporated into the Health and Social Care Mobilisation Plan cost template, there is ongoing discussion with Scottish Government based on their recent letter confirming funding support options, and the working assumption is that these will be funded.

Yours sincerely,

**Scott Urquhart**  
**Director of Finance**

Cc Cathie Cowan  
Fiona Collie  
Michele McClung  
Patricia Cassidy

Chair: Janie McCusker  
Chief Executive: Cathie Cowan

*Forth Valley NHS Board is the common name for Forth Valley Health Board  
Registered Office: Carseview House, Castle Business Park, Stirling, FK9 4SW*



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