

Agenda Item 8

Finance Report



Falkirk Integration Joint Board

4 September 2020

Finance Report

For Noting

1. Executive Summary

- 1.1 This report provides a summary of the financial position for the three month period ended 30 June 2020, including consideration of the potential forecast outturn for the year.
- 1.2 An overspend of £0.225m was incurred during the first quarter of 2020/21, largely due to ongoing demand led pressures within primary care (relating to the cost of drugs prescribed by GPs) and social care (in terms of care at home services).
- 1.3 It is difficult at this stage in the financial year to provide a robust estimate of the forecast outturn, however early indications suggest an overspend of £3.137m may be incurred at 31st March 2021 (excluding additional costs associated with Covid-19 which are monitored separately). The forecast outturn reflects current expenditure trends and incorporates an element of underachieved savings.

2. Recommendations

The Integration Joint Board is asked to:

- 2.1 note the year to date overspend of £0.225m reported as at 30 June 2020
- 2.2 note the projected year end overspend of £3.137m and the requirement to generate additional savings order to deliver a breakeven position by 31 March 2021
- 2.3 note discussions on longer term risk sharing arrangements as part of the wider review of the Integration Scheme.

3. 2020/21 Annual Budget

- 3.1 The overall budget for financial year 2020/21 currently amounts to £242.816m, comprised of £214.153m in respect of the integrated budget and £28.663m in respect of set aside.
- 3.2 This represents an increase of £10.398m compared to the initial opening budget of £232.418m which reflects a number of additional in year funding allocations and reserve movements as outlined in the table overleaf:

| Budget reconciliation | £m |
|--|----------------|
| Opening budget | 232.42 |
| <i>Additional in year funding allocations:</i> | |
| Covid-19 | 3.243 |
| General Medical Services | 0.826 |
| NES funded posts | 0.173 |
| Action 15 | 0.689 |
| Set aside recruitment | 0.230 |
| Psych therapy - improving access | 0.133 |
| Oral health | 0.067 |
| Effective prevention bundle | 0.174 |
| Dental bundle | 0.057 |
| Drug costs (shingles vaccine) | 0.101 |
| | 5.693 |
| <i>Transfers from reserves</i> | |
| Release of partnership funds | 4.424 |
| Primary Care Improvement Fund | 0.281 |
| | 4.705 |
| Closing budget | 242.816 |

- 3.3 The payment to both Falkirk Council and NHS Forth Valley has been updated to reflect the above changes. This will also require revised Directions to be prepared to formally confirm the amended funding levels available to both partners to deliver the specific services delegated to them by the IJB (Falkirk Council £92.279m and NHS Forth Valley £150.087m). To date, the IJB has tended to issue one single Direction to each Partner incorporating all relevant delegated functions. However, this approach conflicts with the recent Statutory Guidance on Directions issued in January 2020.
- 3.4 A number of changes are required to our local processes for issuing and implementing Directions in order to comply with the statutory guidance and improve overall transparency, governance and accountability. This is considered as a separate agenda item.
- 3.5 Note that further budget increases are expected in the latter half of the financial year, linked to a number outstanding funding allocations which are currently subject to national negotiation and/or Scottish Government approval (including agreed contract uplifts for independent Family Health Service contractors and the ongoing impact of Covid-19).

4. Year to Date (YTD) Performance

4.1 YTD Financial Results

An overspend of £0.225m is reported for the 3 month period ended 30 June, as summarised in the table below. Note that this position excludes Covid-19 related costs which are being tracked and monitored separately (see section 5).

| Service area | Apr - Jun Budget £m | Apr - Jun Actual £m | Underspend/ (Overspend) £m |
|-------------------------------|------------------------|------------------------|----------------------------------|
| Large Hospital Services | 7.162 | 7.278 | (0.117) |
| Primary Healthcare Services | 20.075 | 20.397 | (0.322) |
| Social Care Services | 26.557 | 26.722 | (0.165) |
| Community Healthcare Services | 9.609 | 9.231 | 0.378 |
| IJB Running Costs | 0.107 | 0.107 | 0.000 |
| Total | 63.510 | 63.735 | (0.225) |
| Set Aside | 7.162 | 7.278 | (0.117) |
| Integrated Budget | 56.348 | 56.457 | (0.109) |
| Total | 63.510 | 63.735 | (0.225) |

4.2 Key issues in terms of year to date performance are considered below:

- Large hospital services** (set aside) – an overspend of £0.117m is reported for the 3 month period ended 30 June. Whilst, this represents an improvement compared to the same period in the previous year, it is recognised that this is temporary. Financial pressures continue to be experienced within A&E and various inpatient specialties (including general medicine, geriatrics and mental health) due to the ongoing use of locums and agency staff to cover vacancies. This is currently being partially offset by reductions in non-pay costs (e.g. surgical sundries, lab supplies and drugs) linked to reduced activity levels as a result of Covid-19. However, these costs are expected to return to previous levels as suspended services are gradually reintroduced in the coming months.
- Primary Healthcare Services** – an overspend of £0.322m is reported for the 3 month period ended 30 June, solely due to the costs of Primary Care prescribing. It is recognised that an element of the adverse year to date position may be a timing issue related to the impact of Covid-19. This reflects the fact that all GPs and Community Pharmacists were open during the April and May public holidays as part of pandemic contingency arrangements to reduce pressure on the out of hours service. As a result, more drugs may have been prescribed and dispensed than usual in the early stages of the financial year. This

is currently being investigated (but will be difficult to quantify). Note that due to the time taken to process prescription data nationally, only actual costs for the month of April are available at this stage.

- **Community Healthcare Services** – an underspend of £0.378m is reported for the 3 month period ended 30 June. This reflects historic underspends within Health Promotion, Substance Misuse, Integrated Learning Disabilities and Integrated Mental Health Services linked to the successful delivery of prior year recurring savings schemes. Note that the favourable year to date position masks continued pay budget pressures within Falkirk Community Hospital and the impact of high cost care packages within the complex care service.
- **Social Care Services** – an overspend of £0.165m is reported for the 3 month period ended 30 June. This is largely due to rising demand for care at home services (affecting both in-house and externally commissioned services) and continues the increasing trend reported in prior years. This is partially offset by non-recurring underspends within respite care and the assessment and planning team (due a number of vacancies which have not been filled as yet).

4.3 A detailed review is currently underway to assess the historic budget issues referred to above (including review of long term vacancies) in a bid to realign and rebase budgets where appropriate.

4.4 **YTD Savings Delivery**

In addition to the specific issues highlighted above, an element of the year to date overspend relates to delays in achieving planned savings targets. As previously reported, the vast majority of work to progress the 2020/21 savings plan was temporarily suspended to enable frontline staff to focus on immediate Covid-19 priorities.

4.5 Whilst the impact of unachieved savings due to Covid-19 has been included in our mobilisation plan financial submissions to the Scottish Government, no funding commitment has been confirmed as yet. Work is therefore now underway to reassess the savings plan to enable existing savings schemes to recommence as soon as possible and to identify additional and/or alternative initiatives to mitigate the risk of unachieved savings in year.

4.6 As a result of this work, a number of the original planned schemes have now recommenced, including reviews of existing social care packages in respect of younger adults and implementation of the Prescribing Improvement Initiative in conjunction with GP practices.

4.7 In addition, a range of new and redesigned savings schemes arising from potential opportunities to reshape services in response to Covid-19 are currently being considered and/or implemented. This includes the review of in-house residential care (including initial proposals for Torwoodhall), review of day services and shifting the balance of traditional bed based care towards more care in the community and at home (initial scoping work to

review the bed base is underway. Buchan Associates have been commissioned to provide the detailed modelling and statistical support).

- 4.8 In addition, further prescribing savings initiatives are currently being developed in response to the recommendations published in the recent Health and Sports Committee [report](#) on the supply and demand for medicines, including strategies to reduce waste.
- 4.9 It is estimated that for every £25 spent on medicines within primary care, £1 is attributed to waste. This equates to approximately £1.165m of waste/inappropriate medicines use in the Falkirk area. A specific project on waste is currently being developed. This will involve the establishment of a medicines waste short life working group, clarification of the definition and categories of medicines waste (distinguishing between avoidable and unavoidable waste to ensure actions are focussed on tackling avoidable issues) and development of key messages for members of the public.
- 4.10 A summary of the current status of the savings plan is presented at appendix 1.

5. Covid-19

5.1 Additional Costs

For financial planning purposes, it is currently assumed that all additional costs associated with the Covid-19 pandemic will be fully funded by the Scottish Government. A total of £880.000m is available nationally to support the overall health and social care pandemic response. We continue to work closely with the Scottish Government to refine our local cost estimates and associated funding requirements.

- 5.2 To date, additional funding totalling £3.243m has been confirmed linked to various commitments recently announced by the Cabinet Secretary as summarised in the table below:

| Additional covid-19 funding as at 30 June 2020 | £m |
|---|--------------|
| Initial funding for immediate social care pressures | 1.444 |
| Scottish Living Wage uplift for social care providers | 0.258 |
| GP practices* | 0.551 |
| Strathcarron Hospice | 0.990 |
| Total | 3.243 |

* Anticipated, still to be formally confirmed

- 5.3 In terms of the actual costs incurred to date, a total of £3.869m is reported for the 3 month period ended 30 June. A summary of the key expenditure trends within each service area is outlined below, common themes include temporary staff costs and financial support for independent contractors and providers.

Social Care - £1.448m incurred to date comprised of:

- £0.258m to meet the 3.3% uplift to adult Social Care contractors from 1 April in respect of the living wage commitment.
- £0.077m relating to temporary staffing costs (use of agency staff and overtime to meet increased demand and cover for staff absence due to sickness, shielding or self-isolation).
- £0.167m relating to the provision of Personal Protective Equipment (PPE) to external social care providers and carers.
- £0.195m to offset the loss of income due to the temporary pause on charging for day services and non-personal support.
- £0.068m to purchase additional equipment to support discharge and care of patients at home (e.g. beds, hoists etc via the Joint Loan Equipment Service).
- £0.683m to create additional contingency capacity and provide financial sustainability support to Care Homes and Care at Home providers.

Primary Healthcare - £0.939m incurred to date comprised of:

- £0.551m to enable GP Practices to open during the April and May public holidays and to offset any other additional Covid related costs incurred.
- £0.275m to enable Community Pharmacists to open during the April and May public holidays and to offset any other additional Covid related costs incurred.
- £0.131m (estimate) in respect of the impact on GP prescribing costs largely due to early reordering of repeat prescriptions in the first quarter of the financial year in response to lockdown and shielding arrangements.

Community Healthcare - £1.482m

- £0.492m relating to temporary staffing costs (use of bank staff and overtime to cover staff absence due to sickness, shielding and self-isolation) and creation of additional capacity to respond to increased demand (e.g. use of student nurses).
- £0.990m to support Strathcarron Hospice.

5.4 Note that the next Covid-19 mobilisation plan financial return is due to be submitted to the Scottish Government on 14 August. The key uncertainty in terms of the projected costs for the remainder of year relates to the potential financial impact of reimbursement claims from external social care providers.

5.5 It is recognised that all social care providers are likely to incur additional Covid related costs in terms of increased staffing (including enhanced sick pay arrangements), infection control and PPE. In line with the national principles for the financial sustainability of social care providers during the pandemic, as agreed by COSLA and the Scottish Government, providers may seek reimbursement of these costs via the IJB (backdated to 23 March). This arrangement is in place until end September. Very few claims have been submitted to date and therefore it is difficult to provide a robust estimate of the potential financial impact at this stage.

5.6 Governance Issues

The IJB deemed Covid-19 as an emergency under the terms of its scheme of delegation and agreed, with effect from 20 March 2020, to:

- suspend all IJB Board and Committee meetings.
- delegate authority to the Chief Officer and/or Chief Finance Officer to deal with urgent business, which would normally have been determined by the IJB, during the period of the pandemic.

5.7 All IJB Board and Committee meetings have now resumed on a virtual basis, however the delegated authority arrangements remain in place. A summary of all decisions taken by the Chief Officer under the agreed delegation of powers is presented in appendix 2.

6. 2020/21 Forecast Outturn

6.1 A year end overspend of £3.137m is currently forecast at this stage, as summarised in the table below.

6.2 The key assumptions underpinning this position are outlined below:

- It is assumed that all additional costs associated with Covid-19 will be fully funded by the Scottish Government (as reported in section 5, further clarity is required in relation to unachieved savings).

| Service area | 2020/21 Budget £m | 202/21 Forecast £m | Underspend/ (Overspend) £m |
|-------------------------------|-------------------------|--------------------------|----------------------------------|
| Large Hospital Services | 28.663 | 30.354 | (1.691) |
| Primary Healthcare Services | 80.427 | 82.041 | (1.614) |
| Social Care Services | 92.279 | 92.938 | (0.659) |
| Community Healthcare Services | 40.997 | 40.170 | 0.827 |
| IJB Running Costs | 0.450 | 0.450 | 0.000 |
| Total | 242.816 | 245.953 | (3.137) |
| Set Aside | 28.663 | 30.354 | (1.691) |
| Integrated Budget | 214.153 | 215.599 | (1.446) |
| Total | 242.816 | 245.953 | (3.137) |

- The set aside forecast overspend (£1.691m) reflects an anticipated delay in the recruitment of key vacancies and assumes ongoing use of temporary high cost agency staff for the remainder of the financial year. Financial risk in this area is managed directly by NHS Forth Valley.
- The forecast overspend against the integrated budget (£1.446m) mirrors the trends reported in the first quarter of the financial year and includes an assessment of likely savings achievement. Primary Care prescribing represents the largest pressure area, however it is recognised that the forecast is based on only one month of actual prescribing data (April) and therefore should be interpreted with caution. The projected underspend against the community healthcare budget assumes no further increases in the staffing establishment of inpatient wards within Falkirk Community Hospital and no change in terms of the number of out of area/high cost complex care packages commissioned between now and 31 March 2021. The position in terms of social care reflects observed trends in respect of the care at home service.

6.3 Discussions on risk sharing arrangements are expected to commence in September as part of the wider review of the Integration Scheme. For illustrative purposes (assuming a risk sharing agreement is reached on the same basis as the previous financial year), an additional payment of £0.659m would be required from Falkirk Council and £0.787m from NHS Forth Valley to achieve a breakeven position based on the current forecast outturn.

6.4 As previously highlighted to the IJB it is important that a longer term risk sharing agreement is reached as part of the formal review of the Integration Scheme. This is a key outstanding external audit recommendation arising from the audit of the 2018/19 accounts.

7. Conclusion

7.1 An overspend of £0.225m is reported for the first 3 months of the financial year. This reflects ongoing demand led pressures within primary care prescribing and care at home services combined with delays in delivering planned savings.

7.2 Work is underway to reassess the original 2020/21 savings plan in light of the impact of Covid-19, including identification of alternative proposals, to ensure efficiency targets are achieved in year. Further updates will be provided to the IJB as appropriate.

7.3 A potential year end overspend of £3.137m is forecast at this stage based on an in depth review of the quarter 1 financial results and an assessment of risk in terms of savings delivery. 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 soon as possible.

Resource Implications

Resource implications are considered in the main 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 emerging risks at this stage in the financial year relate to the projected year end overspend and uncertainty regarding Covid funding allocations.

Consultation

This report has been drafted through engagement and information sharing with colleagues in Falkirk Council and NHS Forth Valley. Consultation in respect of proposed new savings schemes is likely to be required.

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.

8. Report Author

Jillian Thomson, Chief Finance Officer

9. List of Background Papers

N/A

10. Appendices

Appendix 1 – 2020/21 savings plan

Appendix 2 – Chief Officer delegated powers decision log

Appendix 1

Current status of 2020/21 savings plans

| Plan £m | 2020/21 savings | Risk of deliverability | | |
|--------------|---|------------------------|--------------|--------------|
| | | Red £m | Amber £m | Green £m |
| | <u>Adult Social Work</u> | | | |
| 0.950 | Review & assessment | 0.238 | 0.475 | 0.237 |
| 0.650 | Locality planning | 0.125 | 0.525 | |
| 0.300 | Specialist services | 0.150 | 0.150 | |
| 0.300 | Income generation/inflationary uplift | | 0.050 | 0.250 |
| 2.200 | | 0.513 | 1.200 | 0.487 |
| | | | | |
| | <u>Primary Care Prescribing</u> | | | |
| 0.742 | Part 7 drug tariff adjustments | | | 0.742 |
| 0.080 | Full year effect of DOAC switch | | | 0.080 |
| 0.011 | Recovery of specials unauthorised price differentials | | | 0.011 |
| 0.367 | Prescribing Improvement Initiative | 0.318 | | 0.049 |
| 1.165 | Medicines Waste Project | 1.165 | | |
| 2.364 | | 1.483 | 0.000 | 0.881 |
| | | | | |
| 4.564 | Total | 2.966 | 0.000 | 1.762 |

4.977 Original savings target 2020/21

4.564 Total savings identified to date

0.413 Balance still to be identified

Appendix 2

| Chief Officer Delegation of Powers to Determine Urgent Issues during the period of Coronavirus | | | | | | | | |
|--|------------------|----------------|------------------|---|--|---|------------|-----------|
| from 20 March 2020 to 5 June 2020 (extended to 4 Sept 2020) | | | | | | | | |
| Date of Request | Date of Decision | Decision Taken | Approved By | Link to IJB Report Recommendations if Appropriate | Organisation | Purpose of Funding | Funding | |
| | 28-Mar-20 | Approved | Patricia Cassidy | Partnership Funding Report | NHS Forth Valley | Dementia Activity Coordinator | £45,472 | 31-Mar-21 |
| | | | | | Royal Volunteer Service | Supporting your Recovery | £86,808 | 31-Mar-21 |
| | | | | | Outside the Box | Permission to Dream | £39,777 | 31-Mar-21 |
| | | | | | Strathcarron Hospice | Living Right to the End | £22,933 | 31-Mar-21 |
| | | | | | FDAMH | additional worker for sleep improving sessions (social prescribing project) | £23,230 | 31-Mar-21 |
| | | | | | CVS | amend scope of Living Well Steering Group to include monitoring and assessment of the impact of other community development based activities | | 31-Mar-21 |
| | | | | | Falkirk Council | extension Policy and Development Officer | £50,000 | 31-Mar-21 |
| | 28-Mar-20 | Approved | Patricia Cassidy | Budget Report 2020-21 | Following the Public Pound | | | |
| | | | | | Alzheimers Scotland | Core Funding, Day Care, Post Diagnostic Support and Community Connections | £59,503 | |
| | | | | | FV Sensory Centre | Contribution towards total service operating costs | £61,939 | |
| | | | | | FDAMH | Core Funding, Drop-in service, Family Support, Crisis Support, Social Prescribing, Social Spark | £211,950 | |
| | | | | | Independent Living Association | Contribution towards SDS information service for people with a disability | £40,968 | |
| | | | | | Falkirk and Clackmannanshire Carers Centre | Core Funding, Carer Training, Engagement, Short Breaks, Support Planning | £146,155 | |
| | | | | | Citizens Advice Bureaux (Falkirk, Grangemouth & Bo'ness, Denny & Dunipace) | Contribution towards income maximisation | £29,738 | |
| 02-Apr-20 | | | | | FV Rape Crisis | crisis service | £20,600 | |
| | | | | | Stenhousemuir FC | | | |
| | | | | | Safebase | | | |
| | 08-Apr-20 | | Scottish Gov | | Falkirk HSCP / IJB | Covid-19 Guidance on changes to social care assessments | | |
| 14-Apr-20 | 15-Apr-20 | | Patricia Cassidy | | Royal Voluntary Service | Fuel Fund - delivering food / prescriptions to community via CVS | £10,000 | |
| 01-May-20 | 01-May-20 | Approved | Patricia Cassidy | Included in Covid-19 Local Mobilisaton Plan | Scottish Care | 1.5 day support until end June 2020 | £3,040 | 30-Jun-20 |
| 19-Jun-20 | 19-Jun-20 | Approved | Patricia Cassidy | Included in Covid-19 Local Mobilisaton Plan | Scottish Care | 1.5 day support extended from 1st July to 30th Sept 2020 | £4,551 | 30-Sep-20 |
| | 26-Jun-20 | Approved | Patricia Cassidy | | HSCP | Campbell Dick (CD) re Kinnaid / HSCP Debrief. There is a bit of work required on the Kinnaid report, however CD is due to finish up on Tuesday. Estimated requirement for a further 10 days work (TBC estimated at £1900) will be charged to covid-19 as part of mobilisation plan. | £1,900 | 31-Jul-20 |
| | 13-Jul-20 | Approved | Patricia Cassidy | | Falkirk HSCP / IJB | Deregiser Ercall Road as a care home and be re-registered as a supported accommodation care at home facility. | Saving TBC | 31-Mar-21 |