

# **Agenda Item 6**

## **Finance Report**



## **Falkirk Integration Joint Board**

**3 September 2021**

**Finance Report**

**For Decision**

### **1. Executive Summary**

- 1.1 This report provides a summary of the financial position for the four-month period ended 31 July 2021, including consideration of the potential forecast outturn for the year.
- 1.2 A net overspend of £0.972m is reported at 31 July 2021, primarily due to pressure within set aside and primary care services.
- 1.3 Early indications suggest an overspend of £3.926m may be incurred at 31<sup>st</sup> March 2022 (excluding additional costs associated with Covid-19 which continue to be monitored separately).

### **2. Recommendations**

The Integration Joint Board is asked to:

- 2.1 note the year to date overspend of £0.972m reported as at 31 July 2021
- 2.2 note the projected year end overspend of £3.926m and the requirement to develop a recovery plan in respect of Primary Care prescribing in order to deliver a breakeven position by 31 March 2022.
- 2.3 agree to ring fence the projected underspend against Falkirk Community Hospital (currently estimated at £0.828m) for reinvestment to test new models of community care and support, including AHP led community services.
- 2.4 approve the breakdown of the payments to Falkirk Council and NHS Forth Valley as per the Directions summary provided at appendix 1.

### **3. 2020/21 Annual Budget**

- 3.1 The overall budget for financial year 2021/22 currently amounts to £246.801m, comprised of £216.568m in respect of the integrated budget and £30.233m in respect of set aside.
- 3.2 This represents an increase of £3.863m compared to the £242.938m budget reported to the IJB in June which reflects a number of additional in year funding allocations, budget transfers and reserve movements as outlined in table 1.

| <b>TABLE 1: Budget reconciliation</b>                 | <b>£m</b>      |
|---|----------------|
| Budget reported at 4 June 21 IJB meeting              | 242.938        |
| <i><u>Additional in year funding allocations:</u></i> |                |
| Pay awards  | 1.249          |
| Primary Medical Services                              | 0.789          |
| Outcomes framework                                    | 0.203          |
| Navigational flow/Urgent Care Centre                  | 0.060          |
| ADP   | 0.389          |
| Cossette report implementation                        | 0.055          |
| Old Age Psychiatry posts                              | 0.115          |
| Miscellaneous   | 0.014          |
|   | 2.874          |
| <i><u>Budget virement</u></i>                         |                |
| ADP (Falkirk Council to IJB)                          | 0.165          |
| Social Care Financial Assessment Team                 | 0.118          |
| GP transfer to Hospital at Home                       | (0.133)        |
|   | 0.283          |
| <i><u>Transfers from/(to) reserves</u></i>            |                |
| Primary Care Improvement Plan                         | 0.396          |
| Drugs Death Task Force                                | 0.077          |
| Partnership funding adjustments                       | 0.233          |
|   | 0.706          |
| <b>Budget reported at 3 Sept 21 IJB meeting</b>       | <b>246.801</b> |

- 3.3 The payment to both Falkirk Council and NHS Forth Valley has been updated to reflect the above changes. See appendix 1.
- 3.4 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, the Mental Health Recovery and Renewal Fund and the ongoing impact of Covid-19).

## 4. Year to Date (YTD) Performance

### 4.1 YTD Financial Results

An overspend of £0.972m is reported for the 4 month period ended 31 July, as summarised in table 2 below. Note that this position excludes the ongoing impact of Covid-19 which continues to be tracked and monitored separately (see section 5).

| <b>TABLE 2:<br/>YTD financial performance</b> | <b>Apr - Jul<br/>Budget<br/>£m</b> | <b>Apr - Jul<br/>Actual<br/>£m</b> | <b>Underspend/<br/>(Overspend)<br/>£m</b> |
|---|------------------------------------|------------------------------------|---|
| Large Hospital Services                       | 10.013                             | 10.860                             | (0.847)                                   |
| Primary Healthcare Services                   | 25.966                             | 26.528                             | (0.562)                                   |
| Social Care Services                          | 31.619                             | 31.619                             | 0.000                                     |
| Community Healthcare Services                 | 13.651                             | 13.214                             | 0.437                                     |
| <b>Total</b>                                  | <b>81.249</b>                      | <b>82.221</b>                      | <b>(0.972)</b>                            |
| Set Aside                                     | 10.013                             | 10.860                             | (0.847)                                   |
| Integrated Budget                             | 71.236                             | 71.361                             | (0.125)                                   |
| <b>Total</b>                                  | <b>81.249</b>                      | <b>82.221</b>                      | <b>(0.972)</b>                            |

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

- Large hospital services** (set aside) – an overspend of £0.847m is reported for the 4 month period ended 31 July. Significant operational and financial pressure continues to be experienced within A&E and various inpatient specialties (including general medicine, rehab and mental health). This reflects ongoing demand and case mix complexity/length of stay, together with additional nursing costs in order to maintain safe staffing levels in light of increased staff absences due to Covid. (Note that further work is required to remove all Covid related additional staff costs from the set aside position). This is exacerbated by similar short staffing challenges in social care which is impacting on an element of the planned discharge profile from the hospital.
- Primary Healthcare Services** – an overspend of £0.562m is reported for the 4 month period ended 31 July, solely due to pressures within Primary Care prescribing. Note that due to the time taken to process prescription data nationally, only actual costs for April and May are available at this stage. Therefore estimates have been provided for June and July based on the most recent average cost per item and forecast volumes. Volume growth in the number of items prescribed is broadly in line with expectations at this stage, however it's recognised that the average cost per item remains higher than original planning assumptions. This reflects ongoing demand and short supply issues, together with delays in achieving efficiency savings (particularly in relation to the shortfall associated with prior year nationally agreed tariff reductions).
- Community Healthcare Services** – an underspend of £0.437m is reported for the 4 month period ended 30 June. Approximately half of the YTD underspend relates to Falkirk Community Hospital (FCH) due to the temporary closure of wards 1 to 4 due to fire risk issues. In the meantime, FCH ward staff have been temporarily redeployed to vacancies in other service areas and a master planning exercise is currently underway to inform the long term future of the site. The FCH financial position is expected to improve further next month once the redeployment transfers are fully reflected in the ledger.

Due to the ongoing demand pressures for care in the community it is proposed that the FCH underspend is utilised for investment to test new models of care and support in the community, including the extension of AHP led support in care settings. With agreement from the IJB, officers will present a proposal to the next meeting.

Note that the favourable YTD position masks significant pressures within complex care (due to out of area placements, one of which is expected to be repatriated in autumn) and palliative care (in terms of Marie Curie where current activity is higher than planned levels).

- **Social Care Services** – breakeven is reported for the 4 month period ended 31 July. However significant financial and operational service pressures are being reported in relation to home care. This reflects ongoing demand combined with short staffing issues due to self-isolation requirements and a high level of vacancies across both internal and external services. The number of people currently waiting for packages of care is unprecedented and a number of external Providers are operating under business continuity measures. These pressures are offset by lower residential care costs, vacancies within the assessment and care planning team and non-recurring savings within respite, day care services and the carers strategy. Note that additional funding (£0.096m) has recently been approved to increase capacity within the Carers Centre in order to support more preventative and continuous emotional support for carers and to review progress in achieving the outcomes recorded via Adult Carer Support Plans. The additional funding will also provide enhanced digital resource to increase reach and improve access to support for carers.

#### 4.3 **YTD Savings Delivery**

A recurring savings target of £6.091m requires to be delivered in order to achieve financial balance in 2021-22 (comprised of £4.656m relating to the integrated budget and £1.435m relating to set aside). Total savings totalling £5.090m have been identified in relation to the integrated budget with further work required to quantify efficiency plans within Set Aside service areas.

4.4 To date savings of £0.504m have been achieved as summarised in table 3.

4.5 The status of the savings plan is currently being reviewed in order to determine any potential Covid impact on delivery (including the need for additional Covid funding to offset).

| <b>TABLE 3:<br/>2021/22 Savings Delivery</b>                                 | <b>£m<br/>Target/<br/>Plan</b> | <b>£m<br/>Achieved<br/>to date</b> | <b>£m<br/>Remaining<br/>Balance</b> | <b>RAG<br/>Status</b> |
|--|--------------------------------|------------------------------------|-------------------------------------|-----------------------|
| <b><u>Adult Social Care</u></b>  |                                |                                    |                                     |                       |
| Ongoing social work review & assessment                                      | 0.306                          | 0.097                              | 0.209                               | Green                 |
| Residential Care Services (community bed base capacity modelling)            | 2.325                          | 0.116                              | 2.209                               | Amber                 |
| Review of day services   | 0.150                          | 0.000                              | 0.150                               | Amber                 |
| Review of charging arrangements  | 0.028                          | 0.009                              | 0.019                               | Green                 |
| Review of home care contractual arrangements & rates                         | 0.600                          | 0.000                              | 0.600                               | Red                   |
|  | <b>3.409</b>                   | <b>0.222</b>                       | <b>3.187</b>                        |                       |
| <b><u>Community Healthcare</u></b>   |                                |                                    |                                     |                       |
| Falkirk & Boness Community Hospitals (community bed base capacity modelling) | 0.500                          | 0.237                              | 0.263                               | Green                 |
| Locality planning  | 0.010                          | 0.003                              | 0.007                               | Green                 |
| Community Residential Resources  | 0.055                          | 0.014                              | 0.041                               | Green                 |
|  | <b>0.565</b>                   | <b>0.254</b>                       | <b>0.311</b>                        |                       |
| <b><u>Primary Care Prescribing</u></b>                                       |                                |                                    |                                     |                       |
| FYE of prior year tariff reductions  | 0.235                          | 0.000                              | 0.235                               | Red                   |
| FYE Prescribing Improvement Initiative - phase 1                             | 0.210                          | 0.072                              | 0.138                               | Green                 |
| Prescribing Improvement Initiative - phase 2                                 | 0.089                          | 0.000                              | 0.089                               | Green                 |
| Medicines Waste Project  | 0.583                          | 0.000                              | 0.583                               | Red                   |
|  | <b>1.116</b>                   | <b>0.072</b>                       | <b>1.044</b>                        |                       |
| <b><u>Set Aside (large hospital services)</u></b>                            |                                |                                    |                                     |                       |
| To be confirmed  | TBC                            | TBC                                | TBC                                 | Red                   |
| <b>Total</b>   | <b>5.090</b>                   | <b>0.548</b>                       | <b>4.542</b>                        |                       |

## 5. Covid-19

### 5.1 Additional Costs

Quarterly financial returns continue to be submitted to the Scottish Government to capture the additional costs associated with the pandemic. Total costs for 2021/22 are estimated at £7.928m reflecting ongoing expenditure in relation to PPE, financial sustainability support for external Social Care Providers and independent Primary Care Contractors, infection prevention and control expenses and increased costs to cover staff absence due to Covid sickness and self-isolation requirements.

5.2 The Scottish Government are arranging a series of joint meetings with IJBs and NHS Boards to discuss the first quarter returns and outcome of national benchmarking. This will inform funding allocations for 2021/22. Note that

the long term impact of the pandemic, in terms of recurring funding requirements, will be considered as part of revised remobilisation and recovery plans which are currently being prepared for submission to Scottish Government at end September.

## 6. 2020/21 Forecast Outturn

- 6.1 A year end overspend of £3.926m is currently forecast at this stage, as summarised in the table 4 below.

| <b>TABLE 4:<br/>Forecast Outturn</b> | <b>Budget<br/>£m</b> | <b>Forecast<br/>£m</b> | <b>Underspend/<br/>(Overspend)<br/>£m</b> |
|--------------------------------------|----------------------|------------------------|---|
| Large Hospital Services              | 30.233               | 32.635                 | (2.402)                                   |
| Primary Healthcare Services          | 79.814               | 81.613                 | (1.799)                                   |
| Social Care Services                 | 94.856               | 94.856                 | 0.000                                     |
| Community Healthcare Services        | 41.898               | 41.623                 | 0.275                                     |
| <b>Total</b>                         | <b>246.801</b>       | <b>250.727</b>         | <b>(3.926)</b>                            |
| Set Aside                            | 30.233               | 32.635                 | (2.402)                                   |
| Integrated Budget                    | 216.568              | 218.092                | (1.524)                                   |
| <b>Total</b>                         | <b>246.801</b>       | <b>250.727</b>         | <b>(3.926)</b>                            |

- 6.2 The key assumptions underpinning this position are outlined below:

- It is assumed that all additional costs associated with Covid-19 (and where relevant any unachieved savings) will be fully funded by the Scottish Government. Note that Covid reserves will be utilised in the first instance before any additional funding is sought from the Scottish Government. The available Covid reserve balance amounts to £6.397m.
- The set aside forecast overspend (£2.402m) reflects the significant system pressures currently being experienced across the acute site. Further work is required to ensure all Covid related costs are identified and removed from the position going forward. Financial risk in this area has been managed directly by NHS Forth Valley.
- The forecast net overspend against the integrated budget (£1.524m) mirrors the trends reported in previous years in terms of Primary Care prescribing (although it is recognised that the prescribing forecast is based on only two months of actual prescribing data and therefore should be interpreted with caution). Note that this projection assumes breakeven for FCH on the basis that any underspend in this area will be transferred to reserves and ring fenced for investment in new models of care and support in the community. A paper will be brought to the November IJB meeting with proposals to fully utilise the underspend (currently estimated at £0.828m).

- A recovery plan in respect of Primary Care Prescribing is required to address the £1.799m forecast overspend. This will be discussed at the NHS Forth Valley Medicines Resource Group in the first instance with further updates brought to the IJB as appropriate.
- Whilst breakeven is currently forecast in relation to social care services, this is being reviewed in light of the potential financial risk associated with the significant operational pressures currently being experienced across a number of key service areas (particularly home care).

6.3 Separate discussions on risk sharing arrangements may be required with Partners, depending on progress to complete the review of the Integration Scheme.

## 7. Conclusion

7.1 An overspend of £0.972m is reported for the first 4 months of the financial year. This reflects ongoing pressures within primary care prescribing and significant operational challenges within set aside and social care (largely due to staff absence associated with Covid self-isolation requirements and high levels of vacancies).

7.2 A potential year end overspend of £3.926m is forecast at this stage. The position will be closely monitored during the remainder of the year and a formal recovery plan developed in relation to Primary Care Prescribing.

### Resource Implications

Resource implications are considered in the main body of the report.

### Directions

A summary of the Directions confirming the payment to both Partners for 2021-22 are attached at appendix 1.

### 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. Financial sustainability remains high risk as per the IJB's strategic risk register. The projected year end overspend is a key concern, particularly given the complexity and limited ability to influence the prescribing position combined with unprecedented operational service pressures in set aside areas and social care.

### Consultation

This report has been drafted through engagement and information sharing with colleagues in Falkirk Council and NHS Forth Valley.



### 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:** Directions summary

## Appendix 1

| FALKIRK INTEGRATION JOINT BOARD        |  |            |             |                  |   |
|--|--|------------|-------------|------------------|---|
| Directions summary 2021-22             |  |            |             |                  |   |
| FALKIRK IJB DIRECTIONS SUMMARY 2020-21 |  |            |             |                  |   |
| Ref no                                 | Description  | Function   | Budget      | Direction to     | IJB Approved                            |
| 21-22 SA 01a                           | Accident and Emergency Services  | Set aside  | £7,633,138  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 02a                           | Inpatient Hospital Services General Medicine                           | Set aside  | £3,930,976  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 03a                           | Inpatient Hospital Services Geriatric Medicine                         | Set aside  | £5,042,188  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 04a                           | Inpatient Hospital Services Rehabilitation Medicine                    | Set aside  | £1,714,039  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 05a                           | Inpatient Hospital Services Respiratory Medicine                       | Set aside  | £1,389,941  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 06a                           | Inpatient Hospital Services Psychiatry of Learning Disability          | Set aside  | £1,546,695  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 07a                           | Palliative Care (Hospital Based)                                       | Set aside  | £1,163,539  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 SA 08a                           | Mental Health Inpatient Services                                       | Set aside  | £7,812,008  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 01a                         | District Nursing Services  | Integrated | £5,124,179  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 02                          | Community Nursing Services   | Integrated | £434,044    | NHS Forth Valley | 04 June 2021                            |
| 21-22 I OP 03a                         | Community Addiction Services   | Integrated | £3,738,380  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 04a                         | Community Based AHP Services   | Integrated | £7,366,032  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 05a                         | Public Dental Service  | Integrated | £1,191,630  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 06a                         | Services provided outwith a hospital in relation to geriatric medicine | Integrated | £1,194,730  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 07a                         | Palliative Care (delivered in Community)                               | Integrated | £90,019     | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 08a                         | Community Learning Disability Services                                 | Integrated | £1,143,710  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 09a                         | Community Mental Health Services                                       | Integrated | £7,796,794  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 10a                         | Continence Services  | Integrated | £214,607    | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 11a                         | Services Provided by health professionals to promote public health     | Integrated | £1,381,210  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 12a                         | Community Hospitals (recurrent budget)                                 | Integrated | £6,637,870  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 13a                         | Resource Transfer  | Integrated | £0          | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 14a                         | Joint Partnership Agreements   | Integrated | £1,918,736  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 15a                         | Partnership Funds (ICF/ Delayed Discharge / Bridging)                  | Integrated | £3,665,078  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I OP 16a                         | Integration Fund Pass Through Funding                                  | Integrated | £0          | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I UN 01a                         | Primary Medical Services (GMS)   | Integrated | £26,208,775 | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I UN 02                          | General Dental Services (GDS)  | Integrated | £9,993,812  | NHS Forth Valley | 04 June 2021                            |
| 21-22 I UN 03                          | General Ophthalmic Services (GOS)                                      | Integrated | £3,118,743  | NHS Forth Valley | 04 June 2021                            |
| 21-22 I UN 04a                         | General Pharmaceutical Services (GPS)                                  | Integrated | £38,186,714 | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I UN 05a                         | GP Out of Hours Services   | Integrated | £2,305,709  | NHS Forth Valley | Pending (supersedes previous Direction) |
| 21-22 I ASC 01a                        | Care at Home   | Integrated | £39,519,142 | Falkirk Council  | Pending (supersedes previous Direction) |
| 21-22 I ASC 02                         | MECS/Telecare/Telehealth   | Integrated | £986,950    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 03                         | Housing Aids & Adaptations/Equipment/Improvement grants                | Integrated | £1,929,310  | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 04                         | Garden Aid   | Integrated | £489,000    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 05                         | Residential Care   | Integrated | £33,167,270 | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 06                         | Sheltered Accommodation/Housing with Care                              | Integrated | £1,414,390  | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 07                         | Community Mental Health  | Integrated | £676,440    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 08                         | Respite Care   | Integrated | £1,850,990  | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 09                         | Carers   | Integrated | £1,743,580  | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 10                         | Assessment & Care Planning   | Integrated | £5,568,010  | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 11a                        | Day Care Services  | Integrated | £4,445,660  | Falkirk Council  | Pending (supersedes previous Direction) |
| 21-22 I ASC 12                         | Community Learning Disability  | Integrated | £507,960    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 13a                        | Adult Support & Protection   | Integrated | £445,910    | Falkirk Council  | Pending (supersedes previous Direction) |
| 21-22 I ASC 14                         | Sensory Team & Resource Centre   | Integrated | £533,680    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 15                         | Voluntary Organisations  | Integrated | £801,750    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 16a                        | Advocacy   | Integrated | £151,000    | Falkirk Council  | Pending (supersedes previous Direction) |
| 21-22 I ASC 17                         | Joint Loan Equipment Store   | Integrated | £429,360    | Falkirk Council  | 04 June 2021                            |
| 21-22 I ASC 18                         | Management & Support Costs   | Integrated | £196,480    | Falkirk Council  | 04 June 2021                            |

**£246,800,179**

### Total Budget

Set Aside Budget £30,232,523 12%

Integrated Budget £216,567,656 88%

**£246,800,179**

### Directions

NHS Forth Valley £151,943,297 62%

Falkirk Council £94,856,882 38%

**£246,800,179**

### Funding Contribution

NHS Forth Valley £174,124,942

Falkirk Council £72,675,237

**£246,800,179**