

REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD 9th DECEMBER 2020

ABERDEENSHIRE IJB FINANCIAL OUTLOOK & OUTLINE PLAN 2021/22

1 Recommendation

It is recommended that the Integration Joint Board (IJB):

- **Acknowledge** that, based on information currently available and consistent with prior year estimates, Aberdeenshire IJB is not able to provide assurance on its ability to deliver a balanced financial position for the 2021/22 without further development and agreement on savings and budget realignment proposals;
- **Discuss** the requirement to deliver £8.7 million of savings (circa 2.6%) in 2021/22 to close the financial gap (assuming Covid costs are fully funded) based on existing assumptions and inherent risks; and
- **Consider** that the financial gap will increase if an additional projected £3.2 million of Covid costs provisionally identified for next year are not funded by additional funding from the Scottish Government.

2 Directions

- 2.1 No direction requires to be issued to Aberdeenshire Council or NHS Grampian as a result of this report.

3 Risk

- 3.1 IJB Risk 1 Sufficiency and affordability of resource.
- 3.2 This report is key to managing this risk as it highlights the financial outlook for the 2021/22 financial year and options which will enable the IJB to set a balanced budget.

4 Background

- 4.1 The purpose of this report is to provide the IJB with an overview of the draft Financial Outlook for 2021/22.
- 4.2 This paper sets out a very initial assessment of the financial position based on the current forecast outturn, anticipated growth and assumptions around additional resources. The paper also draws out a number of financial issues for next year relating to Covid-19.
- 4.3 Any member wishing additional information on the detail of this paper should contact the Chief Finance Officer.

5 Financial Outlook 2021/22

- 5.1 The initial financial outlook presented in this paper is a high level update building on the output from the Quarter 2 forecast, recognising current commitments and forecast uplifts in costs. This “top down” approach has had little input from the individual service areas at this stage; this will be addressed for the next update due to be presented at the February meeting of the IJB.
- 5.2 Although the Quarter 2 review shared with the IJB at the December meeting is currently showing a small forecast underspend of circa £1.3 million for 2020/21 within Core expenditure (i.e. excluding Covid), this is principally due to reduced costs in the first half of the 2020/21 financial year reflecting the impact of Covid on some services. Much of this financial benefit is not expected to repeat in 2021/22.
- 5.3 Table 1 below provides a summary of the financial outlook from next year. The figures as shown exclude any potential impact from Covid, discussed later in this paper.

Table 1 – Projected 2021/22 Financial Outlook Summary

	£m
Baseline Carry Forward Pressures	3.5
Inflationary Pressures	8.2
New Funding	(3.0)
Shortfall Before Savings	8.7

Baseline Carry Forward Pressures - £3.5m

- 5.4 The baseline carry forward pressures comprise of two elements – planned savings from 2020/21 which were not achieved during the year but are expected to be covered on a non-recurring basis by Scottish Government Covid funding, and non-recurring savings which were achieved in 2020/21 but are not expected to repeat in 2021/22.
- 5.5 When the IJB budget was set for 2020/21, a savings target of £5.5 million was agreed in order to achieve a balanced budget. A wide range of schemes were developed to achieve the target but due to Covid only some of these schemes are being progressed in 2020/21. It is estimated that circa £3.0 million will be achieved in 2020/21 with the balance of £2.5 million requiring to be covered by Scottish Government Covid funding. This balance of £2.5 million will require to be achieved in 2021/22.

- 5.6 Some of the savings achieved in 2020/21 have been achieved on a non-recurring basis due to the temporary pausing of some services as a response to Covid in the first half of 2020/21. It is estimated that circa £1.0 million of savings are non-recurring. These savings will need to be replaced with alternative savings as we move into 2021/22.

Additional Costs, Growth, Uplifts and Commitments

- 5.7 An initial assessment of 2021/22 uplifts for growth in expenditure and known service commitments across all areas has been undertaken. This is based on the latest available information but will change over the coming months as new information is received. Table 2 sets out the elements of the additional costs in the new financial year.

Table 2 – Additional cost from Projected Uplifts and Commitments for 2021/22

	£m
2021/22 Inflationary Pressures	
- Pay Uplifts	3.6
- GP Prescribing	1.5
- Other Non Pay	0.3
- Provider Uplift (Social Care)	2.8
Total	8.2

- 5.8 The total cost gap for 2021/22, including the cost pressures noted above and before any additional offsetting resources are considered, equates to £11.7 million.
- 5.9 The next Agenda for Change (AfC) pay deal for NHS staff is due to start from the new financial year. There is no update at this stage on the cost implications of this, and we have made an assumption that this will be set overall at 3% next year. We have also assumed a similar uplift of 3% for Council employed staff in 2021/22.
- 5.10 There are several areas of potential additional costs requiring further refinement. Further, the full financial quantification of the recurrency of Covid, and the financial assessment of key service redesign programmes outlined in the Strategic Delivery Plan will require further development and will be a feature of updates to future meetings of the IJB.
- 5.11 We have assumed an uplift at this stage of 3.5% on the GP Prescribing budget, reflecting the significant overspend currently being experienced in 2020/21. The Grampian Medicines Management Group are currently preparing the forward look report on GP Prescribing costs for 2021/22 and this will form the basis of our final assumptions.
- 5.12 In terms of social care uplifts we have assumed 3.5% for the National Care Homes contract and 2.2% for the Scottish Living Wage. The increase in the

Scottish Living Wage has now been confirmed but the uplift for the National Care Homes contract is still being negotiated at a national level.

Available Resources

- 5.13 The Scottish Government's budget for next year will be delivered on 28th January 2021 and will be a one year budget covering 2021/22 only. In order to produce a draft financial outlook at this early stage assumptions have necessarily been made around potential uplift figures for contributions from NHS Grampian and Aberdeenshire Council. Neither body has any indication of funding levels yet for the 2021/22 financial year. There is therefore a high degree of risk relating to these figures currently being presented.
- 5.14 Total additional resources assumed at this stage are shown in Table 3 below:

Item	£m	Note
NHS Base Uplift (2.0%)	3.0	1
Aberdeenshire Council	TBC	2
Total	3.0	

Notes:

1. Initial estimate based on NHS Grampian passing on a proportionate share of whatever base uplift is confirmed by Scottish Government. Assumed as 2.0% for planning purposes.
2. Aberdeenshire Council budget setting process is ongoing. Contribution still to be confirmed pending further consultation with the Council Officers and progress with the Council budget setting process.

Impact of Covid in 2021/22

- 5.15 As part of the Quarter 2 Review an assessment of the in-year costs of Covid for 2020/21 was made. These are currently estimated at £11.7 million for 2020/21 comprising £7.9 million of additional costs and £3.8 million of unachieved savings. Understanding the recurrent impact of Covid into the new financial year (and potentially beyond) is complex and difficult to establish accurately at this early stage.
- 5.16 Despite these challenges, a high level assessment of additional financial implications is summarised in Table 4 below. The figure of £3.24 million as shown requires more analysis to refine these numbers.

Table 4 – Summary of cost pressures from Covid, 2021/22

Covid Related Item	Projected Costs 2021/22 (£000)
PPE	595
Additional Staff Costs	344
Social Care Sustainability Payments	1,155
Payments to FHS Contractors	357
Care Home Capacity for Delayed Discharge	415
Out of Area Placements	139
Other Items (Equipment, Clinical Lead input, IT, Care Home Governance)	235
Total	3,240

- 5.17 Further information is provided below on the costs within Table 4:
- **PPE** – the requirement for enhanced PPE is very likely to continue for our staff and social care providers. Most PPE is provided free of charge through national procurement routes but there is a proportion of it which is sourced locally.
 - **Additional Staff Costs** - assumed that 25% of additional staff costs incurred in 2020/21 will continue into 2021/22.
 - **Social Care Sustainability Payments** – assumed that some level of additional Covid costs will be reimbursed to social care providers in 2021/22 to reflect loss of income, PPE and additional staff costs.
 - **Payments to FHS Contractors** – assumed that an increased level of input from GP Practices will be required which will require additional funding.
 - **Care Home Capacity for Delayed Discharge** – assumed that in order to maintain the number of delayed discharges at their current low level that additional Care Home capacity will continue.
 - **Out of Area Placements** – assume that there will be a small number of placements that will not be able to be accommodated in Grampian due to continuing Covid restrictions.
- 5.18 The timing of these estimates remains unclear in some cases, and these costs may be incurred in the current year, or delayed beyond next year. For example, the level of Social Care Sustainability Payments will depend on policy decisions made by the Scottish Government.
- 5.19 By adding the potential financial impact of Covid measures, the overall gap increases by £3.2 million next year from £8.7 million to £11.9 million. **At this stage, we would assume that any Covid related costs will attract additional funding, however the Scottish Government have been unable to provide us with any assurance on resource availability next year. This is a key financial risk for all IJBs.**

Other Issues for consideration not currently in the Financial Outlook

- 5.20 The outlook has not recognised additional costs associated with demographic growth. 2018 estimates from National Records of Scotland (NRS) data

suggest population growth in Aberdeenshire from 263,116 in 2020 to 263,765 in 2021, an increase of 0.25%. Higher increases are projected for the 65 and over age group. The cost estimates presented in this paper are based on an assumption that service demand in future years will be from static population levels. At this time it is not possible to accurately predict the impact on this growth from both Covid and associated restrictions in terms of additional demand and potential for increased frailty.

- 5.21 In addition, the financial outlook has been constructed based on a series of assumptions around growth and uplift and based on no intervention to control expenditure. For a number of these areas of anticipated cost increase, the IJB will have an opportunity to make decisions on whether to support investment. For example, whilst the IJB will have little option but to acknowledge the additional cost of pay awards in 2021/22, decisions may be taken within the services to achieve cost reductions in other areas.
- 5.22 The availability and impact of any Covid vaccine emerging next year is not yet fully known. We anticipate this to be a very significant cost next year if this becomes available but that costs of the vaccine and the vaccination programme will be fully funded by the Scottish Government.

6 Proposed Budget Savings and Realignment

- 6.1 Based on the projections in this paper, the IJB will be required to make new savings of £8.7 million in 2021/22, over and above the levels achieved in 2020/21. This is equivalent to circa 2.6% of budget and compares with the £5.5 million savings target which was set for the 2020/21 financial year.
- 6.2 It is proposed that the following steps are taken to developing the savings programme for 2021/22:-
- a) Progressing planned schemes from 2020/21 which were paused due to Covid. These include reducing the use of high cost medical locum staff, supporting schemes for more efficient GP Prescribing and completing the procurement exercises for Complex Care and Supported Living Services.
 - b) Reviewing budget areas where underspends have occurred due to the impact of Covid in 2020/21 and adjusting budgets downwards where underspends are forecast to continue into 2021/22, acknowledging that some of these adjustments will be on a temporary basis pending the review and reinstatement of services. However, it must be noted that some of these areas have had historic overspends. Where services are reinstated, the assumption will be that this is within agreed funding resource and funding for any additional costs must be identified from other budget areas. Examples are Community Hospitals, Residential Care and some Hosted Services.
 - c) Reviewing budget areas where we have long standing underspends (e.g. due to recruitment challenges) and adjusting budgets to reflect levels of staff in post or actual trends in expenditure.

- d) Taking forward service redesign proposals for day services, respite services and our internal Care Homes to reflect how these services will operate in a Living with Covid environment.
 - e) Refreshing our asset management strategy to reflect digital working and a reduced buildings footprint. This will mean reviewing the use of our buildings in light of relevant infection control and functional suitability standards, such as adequate bed spacing and provision of en-suite facilities. Many property related budgets still sit with our Partner organisations so any reduction in our property occupation will provide financial benefits for them.
 - f) Reviewing our transport arrangements to reflect changed ways of service provision, including agreements with the PTU.
 - g) Continuation of all existing savings schemes with a focus on minimizing the costs of supplementary staffing, reducing administration costs and maximizing the resources made available to support front line health and social care services in Aberdeenshire.
- 6.3 There is a risk that all of these measures will not close the financial gap facing the IJB next year. In this case steps will need to be taken to identify further short term savings to avoid the IJB overspending against budget.

7 Next Steps

- 7.1 The development of the Financial Outlook is ongoing, and steps need to be undertaken before the next version of the plan is presented to the IJB in February.
- 7.2 The Chief Finance Officer will meet with Partnership Managers and Finance colleagues in NHS Grampian and Aberdeenshire Council over the coming weeks to discuss plans to deliver a balanced position at a local level. In parallel, a number of other actions require to be progressed, including:
- Incorporation of IJB directions into the next iteration of the outlook where this is understood;
 - Review and update of material changes to the baseline recurring pressures based on the latest information, particularly in relation to Covid related cost pressures;
 - Assessment of the continued requirement for previously agreed investment;
 - Recovery actions to be developed and implementation plans produced in order to close the financial gap; and
 - A review of assumptions embedded within the growth estimates, reflecting any subsequent agreements to reduce and control spend in any specific areas.
- 7.3 Whilst every effort has been made to ensure all likely additional costs and national, regional and local priorities for investment have been incorporated into the financial outlook at this time, there remain a number

of inherent uncertainties and associated risks. The financial planning process is an ongoing and iterative cycle, and it is not possible to fully identify all financial risks facing individual service areas, or the wider IJB, at this stage.

8 Monitoring

- 8.1 The Chief Officer, along with the Chief Finance Officer and the Legal Monitoring Officers within Business Services of the Council have been consulted in the preparation of this report and their comments have been incorporated within the report.

9 Equalities, Staffing and Financial Implications

- 9.1 An equality impact assessment is not required because the recommended actions are not considered to have a differential impact on people with protected characteristics.
- 9.2 Any staffing and financial implications arising directly as a result of this report are narrated in the report.

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Report prepared by Alan Sharp (Chief Finance Officer)
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