



## **PERTH & KINROSS INTEGRATION JOINT BOARD**

**30 March 2022**

### **3 YEAR BUDGET 2022: 2025**

**Report by Head of Finance and Corporate Services  
(Report No. G/22/56)**

#### **PURPOSE POF REPORT**

The purpose of this report is to seek approval from Perth & Kinross Integration Joint Board (PKIJB) to the 2022/23 Revenue Budget and the indicative revenue budgets for 2023/24 and 2024/25.

#### **1. RECOMMENDATIONS**

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

- 1.1 Approves the Revenue Budget for 2022/23;
- 1.2 Notes the indicative budgets for 2023/24 and 2024/25;
- 1.3 Approves the use of unearmarked reserves for 2022/23;
- 1.4 Request that the Interim Chief Officer issues the necessary Directions to NHS Tayside (NHST) and Perth & Kinross Council (PKC).
- 1.5 Endorse the principles set out to support the Inpatient Mental Health Financial Position from 2022/23.

#### **2. BACKGROUND**

- 2.1 In March 2021, the IJB approved a 1 Year Budget for 2021/22. This recognised the limited capacity of Heads of Service to develop long term proposals that considered the implications of Covid 19, and the opportunities to reshape services and lock in benefits achieved. The IJB agreed that these needed to be properly considered in the context of the objectives of the Strategic Commissioning Plan, as part of a wider strategic planning process. Perth & Kinross Health and Social Care Partnership (PKHSCP) committed to bring forward strategic plans to support the development of a fully refreshed 3 year budget 2022:2025.

2.2 This work has now been undertaken and significant elements of this 3 year budget have been developed from financial frameworks underpinning each of the following:-

- Community Mental Health and Wellbeing Strategy - December IJB (Report G/21/146)
- Autism / Learning Disability Strategic Delivery Plan – February IJB (Report G/22/8)
- Older People Strategic Delivery Plan – March IJB (Report G/22/54)

2.3 The financial frameworks take account of additional funding from the Scottish Government for Health and Social Care - see below. For 2022/23, each of the strategic financial frameworks are in balance. However, for Learning Disabilities /Autism and Older People, Years 2 and 3 are not yet in balance. Further work will be required to determine the potential shift in resources achievable, as part of both Large Hospital Set Aside discussions and as part of the development of the Tayside wide financial framework for Mental Health.

2.4 Work has also been undertaken to quantify unavoidable pay and price pressures, essential investment, and savings opportunities across all other aspects of the budget not within the scope of refreshed strategic delivery plans.

2.5 For Prescribing, a financial plan incorporating price and volume growth has been developed for 2022/23. This sets out a shortfall of £0.786m, mainly driven by the carry forward deficit. A refreshed Strategic Delivery Plan for Prescribing will be developed during 2022/23 and will consider the refreshed aims and objectives of the Quality Safety and Efficiency in Prescribing (QSEP) programme.

2.6 A strategic delivery plan is being developed for Primary Care. Therefore, the 2022/23 budget assumes the costs to implement the GMS contract for next year will be coverable by confirmed SG additional funding. However, the indicative budget for 2023/24 sets out the shortfall that will arise from full implementation of the GMS contract, as reported in regular submissions to the Scottish Government. The Primary Care Strategic Delivery Plan will consider this gap, along with the positive impact of other investment being made through the Older People and Community Mental Health Strategic Delivery Plans, as there may be cross over in commitments and objectives, resulting in a reduction of the shortfall projected.

It is hoped that as part of the development of the Strategic Delivery Plan for Primary Care, there may be an opportunity to resolve the historic sharing of Tayside wide costs in relation to 2c practices and therefore release a significant financial benefit to be reinvested.

2.7 For Alcohol and Drug Services, additional investment proposed is in line with the agreed Alcohol and Drug Partnership investment plans and the available additional Scottish Government funding for nationally agreed priorities.

- 2.8 For Carers, additional recurring investment of £0.496m is included in the proposed 2022/23 Budget. This reflects in full the final allocation of funding from the Scottish Government to PKIJB for implementation of the Carers Act. The prioritization of this investment has been overseen by the PKHSCP Carers Strategy Group.
- 2.9 The proposed budget for Corporate Support and Management Capacity contains investment approved by the IJB in February 2022 (Report G/22/13), ensuring a sustainable level of support moving forward.
- 2.10 For Prison Health Care Services, hosted by PKHSCP, the 2022/23 budget recognises costs for the new Bella Female Custody Unit within Dundee. The Scottish Government has confirmed funding to cover 83% of the costs with the balance, in respect of medicines, be met by NHS Tayside Public Health, Tayside IJBs and Fife IJB.
- 2.11 For other Tayside Hosted Services, no formal investment /disinvestment proposals have been received at this stage.
- 2.12 Unavoidable Pay and Price Pressures include pay uplifts for NHS Tayside and Perth & Kinross Council employees. The planning assumptions for pay uplift pressures and potential offsetting income in Years 2 and 3 create a shortfall in the Health budget of £0.119m in 2023/24 and £0.126m in 2024/25.
- 2.13 Further Pay and Price pressures relate to Scottish Government commitments towards the Living Wage, Free Personal Care, the National Care Home Contract and the Carers Act. The pressures reflect the Scottish Governments commitment to increase the Free Personal Care allowance by 10% and to further extend adult social care pay to commissioned services.
- 2.14 During 2022/23 it is anticipated that a number of costs associated with Covid response and remobilisation will continue. This includes PPE, provider sustainability payments and some staff costs. A full forecast has been submitted to the Scottish Government at the end of Quarter 3. Forecast additional costs, that cannot be appropriately aligned to other SG funding allocations for 2022/23, are to be met through additional non-recurring Covid Funding. This funding has been allocated by the Scottish Government in 2021/22 to be carried forward for use in 2022/23 and future years. Estimated total costs for 2022/23 are £2.634m, however this is subject to significant change. These costs are not included in the proposed budget for 2022/23 and will continue to be monitored and funded separately.
- 2.15 The proposed budget takes account of additional recurring investment made by the Scottish Government into health and social care within the 2022/23 Budget Settlement. The implications for the PKIJB Budget have been significant and are summarised below. Appendix 3 provides further details.
- A 2% uplift for Health Budgets;
  - A share of £124m Care at Home Capacity funding;
  - A share of £20.5m, for the fifth and final year of additional Carers Act funding;

- A share of £15m Free Personal Care Funding to implement the Scottish Government's decision to uplift Free Personal Care by 10% in 2022/23;
- A share of £174.5m for Living Wage and Adult Social Care Pay Uplifts already implemented;
- A share of £200m Social Care funding, partially ring-fenced to implement further pay uplift for adult social care workers in commissioned services;
- A share of £40m for Multi Disciplinary Teams working;
- A share of £30m for Band 3 & 4 Health and Care Support Staff;
- A share of £22m for additional Adult Care Social Work Capacity.

2.16 In preparing the 2022/23:2024/25 Revenue Budget, the IJB has undertaken engagement with members. IJB Budget Review Group meetings and Budget Development sessions were held for members on 17<sup>th</sup> November 2021, 19<sup>th</sup> January 2022, 22<sup>nd</sup> February 2022, and 16<sup>th</sup> March 2022. This level of engagement has allowed robust discussion, consideration, and understanding of the development of the budget and in particular the financial implications of the strategic plans that underpin it. An interim update on the development of the budget was provided to the IJB on 1<sup>st</sup> December 2021 (Report G/21/150).

2.17 The budgets proposed for 2022:2025 continue to present health and social care services separately. Whilst this is contrary to the way in which strategic delivery plans have been developed and services provided, this is in line with the financial risk sharing arrangements that remain in place and the way in which budgets are discussed as part of partner body budget processes.

### **3. 2022/23 HEALTH AND SOCIAL CARE BUDGET**

#### **3.1 2022/23 Social Care Budget**

3.1.1 The proposed 2022/23 Financial Plan for Social Care is set out at Appendix 1. This represents a balanced recurring position. The in year shortfall of £0.972m is made up of the £0.708m shortfall in income arising from the delay in review of contributions policy. Perth & Kinross Council has approved non-recurring funding for 2022/23 to offset this slippage. The remaining £0.264m non-recurring shortfall relates to one off costs which are proposed to be met by use of IJB un-ear-marked reserves.

#### **3.2 Perth & Kinross Council Requisition 2022/23**

Based on the 2022/23 Financial Plan attached in Appendix 1, the following budget has been requisitioned from by Perth & Kinross Council through their budget process. The £17.347m recurring uplift to the budget relates to the pass through of Scottish Government Funding, allocated for adult social care through local authorities.

Table 1: 2021/22 Budget Requisition: Perth & Kinross Council

	<b>Social Care</b>
	£m
Recurring Budget 2021/22	59.833
Scottish Government Funding	17.347
Recurring Requisition 2022/23	77.180
Non Recurring Requisition 2022/23	1.346
<b>Total Requisition 2022/23</b>	<b>78.526</b>

The non-recurring resources requested relate to the shortfall in income arising from Perth & Kinross Councils decision to delay the review of the Contributions Policy (£0.708m). Along with the pass through of Scottish Government 2022/23 Interim Care funding (£0.638m).

This requisition is in line with the budget approved by Perth and Kinross Council at their Budget meeting on the 23<sup>rd</sup> February 2022.

### 3.3 2022/23 Health Budget

- 3.3.1 The proposed 2022/23 Financial Plan for Health is set out at Appendix 2. For 2022/23, a recurring shortfall of £0.786m is set out. This relates entirely to Prescribing. It is proposed this is offset by use of un-earmarked reserves in 2022/23 whilst the Strategic Delivery Plan for prescribing is developed.

### 3.4 NHS Tayside Requisition 2022/23

- 3.4.1 Based on the 2022/23 Financial Plan attached in Appendix 2, the following budget will be requisitioned from NHS Tayside:-

Table 2: 2021/22 Budget Requisition: NHS Tayside

	<b>Health</b>
	£m
Recurring Budget 2021/22	143.001
Scottish Government Funding	2.004
Scottish Government Pay/Non Pay Uplift	2.096
Recurring Requisition 2022/23	147.101
Non-Recurring Requisition 2022/23	0
<b>Total Requisition 2022/23</b>	<b>147.101</b>

- 3.4.2 The increase to the recurring budget is made up of a £2.004m pass through of Scottish Government funding for Multi Disciplinary Teams and Band 3 & 4 Health and Care Support Staff. In additional NHS Tayside are expected to pass through the PKHSCP proportionate share of the 2% uplift to baseline, as set out in the Scottish Government Budget Settlement.

PKIJB is awaiting formal confirmation of the pass through of funding from NHS Tayside.

#### 4. INDICATIVE BUDGET 2023/24 AND 2024/25

- 4.1 The Draft budgets for Years 2 and 3 have been prepared on the same basis as Year 1. However, due to the uncertainty over funding for future years, together with the unknown impact of significant investment made in year 1, the budgets are regarded as indicative at this stage.
- 4.2 For pay and price related pressures, uplifts have been assumed to be similar to that of 2022/23 and investment pressures have been informed by the strategic delivery plans. Assumptions around future income have been the most challenging to quantify and carry the greatest financial risk. In Social Care, Scottish Government funding has been assumed to meet all pay related costs; however no additionality funding has been included. Within Health, Scottish Government pay and non pay uplift has been assumed at 2%, consistent with that confirmed for 2022/23.
- 4.3 The Draft 3 Year Recurring Financial Plan for Social Care is set out below:

Table 3: Social Care 2022/23:2024/25 Recurring Financial Plan

Area	2022/23	2023/24	2024/25	Total 3 Year
	Recurring Shortfall / (Surplus)			
	£m	£m	£m	£m
Older People Services	-	0.5075	0.507	1.014
Mental Health Services	-	-	-	-
Learning Disabilities & Autism Support	-	0.681	0.561	1.242
Alcohol & Drug Partnership	-	-	-	-
Corporate Support	-	-	-	-
Unavoidable Pay/Price Pressure	-	-	-	-
Asylum Support	-	-	-	-
<b>Totals</b>	-	<b>1.188</b>	<b>1.068</b>	<b>2.256</b>

- 4.3.1 The level of Scottish Government recurring funding in 2022/23 has ensured the significant investment required, as part of approved strategic delivery plans and in relation to significant unavoidable pay price pressures and management capacity, is affordable on a recurring basis. However, in 2023/24 and 2024/25. the projected growth in demand in learning disabilities and older people is driving a gap. This will require to be considered with partners and against any additional Scottish Government funding, that may be available in future years, for demand growth.

#### 4.4 The Draft 3 year Recurring Financial Plan for Health is set out below:-

Table 4: Health 2022/23:2024/25 Recurring Financial Plan

Area	2022/23	2023/24	2024/25	Total 3 Year
	Recurring Shortfall / (Surplus)			
	£m	£m	£m	£m
Older People Services	-	0.175	0.228	0.403
Mental Health Services	-	-	0.041	0.041
Learning Disabilities & Autism Support	-	0.052	0.052	0.104
Alcohol & Drug Partnership	-	-	-	-
Corporate Support	-	-	-	-
Unavoidable Pay/Price Pressure	-	0.119	0.126	0.245
Primary Care	-	3.230	-	3.230
Prescribing	0.786	-	-	0.786
<b>Totals</b>	<b>0.786</b>	<b>3.576</b>	<b>0.447</b>	<b>4.809</b>

4.4.1 Whilst a recurring gap is presented for 2022/23, this relates to prescribing and work is underway to develop future year plans to address sustainability.

4.4.2 For 2023/24 and 2024/25, over and above gaps on pay/prices and the demand pressures set out in the Older People and Learning Disabilities Strategic Delivery Plans, the biggest challenge relates to Primary Care. Regular submissions to the Scottish Government have formally advised that full implementation of the GMS contract is not affordable within available resources, and costs are expected to be £3.230m in excess of budget. Therefore, this has been included as a gap in 2023/24 pending development of the Primary Care Strategic Delivery plan, which will consider options for ensuring sustainable Primary care Services.

#### 4.5. Recurring Savings

4.5.1 Table 5 below sets out the recurring savings included within the 2022/23:2024/25 budgets:-

Table 5

Area	Description	Saving 2022/23 £m	Saving 2023/24 £m	Saving 2024/25 £m
Older People Services	Care Home Placements	0.500	-	-
Learning Disabilities & Autism	Transformation of Complex Care	0.439	0.405	0.405
Corporate Support	Prepaid Cards	0.040	-	-
Prescribing	Tayside wide efficiencies	0.031	-	-
Income/other offsets		0.270	-	-
	<b>Totals</b>	<b>1.280</b>	<b>0.405</b>	<b>0.405</b>

Delivery of savings will be carefully monitored and reported to the IJB throughout the year.

## **5. INPATIENT MENTAL HEALTH**

- 5.1 From 6<sup>th</sup> June 2020, at the direction of the Scottish Government, Inpatient Mental Health Services moved from being a fully delegated hosted service to a “large hospital set aside” type arrangement. Operational management responsibility sits with a Director of NHS Tayside rather than an IJB Chief Officer, whilst strategic planning responsibility remains with the 3 IJB’s.

In keeping with this fundamental change in governance arrangements, and following a due diligence exercise undertaken by the NHS Tayside Director of Finance, the responsibility for managing the in year financial position transferred to NHS Tayside. This is consistent with the current treatment of the other large hospital set aside budgets in Tayside where the IJB’s retain responsibility for the strategic planning of the service.

The 3 Tayside CFO’s have been working with the NHS Tayside Director of Finance to look at appropriate ways in which the 3 IJB’s can provide non-recurring support whilst a longer term financial framework is being developed. A number of principles have been developed to support these discussions as follows:-

- In line with Scottish Government guidance, all Covid related costs incurred should be supported by SG Non-Recurring Covid funding;
- Non-recurring funding to embed community based essential service developments aimed at delivering sustainable services and shifting the balance of care will be funded in the short –term by the 3 Tayside IJB’s through accessing £3m shifting the balance of care reserves funding held by the IJB’s ahead of agreed disinvestment from bed based services or identification of alternative recurring funding routes;
- In line with the governance arrangements now in place, NHS Tayside will continue to be responsible for any net operational overspend;
- It is incumbent on all parties to work together at pace to develop a Strategic Delivery Plan for Mental Health Services across Tayside that is financially sustainable.

The IJB is asked to endorse these principles.

## **6. RISKS**

- 6.1 The following are considered to be key areas of risk, where future shifts in demand or cost may materially impact on forecast levels of expenditure:-

- Care Home Placements
- Complex Care Packages
- Medical /Nursing Supplementary Staff Costs
- Approved new medicines for Primary Care
- 2c Practice Costs across Tayside

Regular reports on risk will be provided to the IJB as part of regular financial reporting throughout the year.



## 7. IJB RESERVES

- 7.1 A full update on 2022/23 reserves will be provided to the next meeting of the Integration Joint Board. This timescale takes account of the appropriate treatment of significant additional non-recurring funding being allocated by the Scottish Government to all Integration Authorities in 2021/22 for Covid 19 related costs. National discussions in this regard are at a critical stage.
- 7.2 IJB Un-Earmarked Reserves in 2022/23 are forecast as follows alongside the proposed utilisation as set above:-

Table 6

2022/23	Health	Social Care
	£m	£m
Forecast Unearmarked Balance	1.260	3.394
Proposed Utilisation 2022/23 Budget:		
Get into Care	-	(0.157)
Business Improvement Service Manager backfill	-	(0.077)
Prescribing Non-Recurring Support	(0.786)	-
Net Balance 2022/23 (1.7%)	0.474	3.160

The IJB are asked to approve the use of un-earmarked reserves as outlined above. The balance of un-earmarked reserves remaining equates to 1.7%. The IJB Reserves strategy sets out target unearmarked reserves of 2%.

## 8. CONCLUSION

- 8.1 Recognising the importance of medium term financial planning, PKHSCP, in March 2021, committed to an accelerated strategic review. This would consider how the positive service changes made in response to Covid could support sustainable service delivery in line with strategic plan objectives moving forward. This essential work has now been undertaken across key care programmes and underpins the development of the 3 Year Budget 2022/23:2024/25.
- 9.2 Uncertainties remain across the planning landscape and plans will be under constant review. However, our ability to present a 3 year budget underpinned by approved strategic plans, gives PKHSCP the best chance of delivering sustainable services that are fit for the future. Whilst a balanced budget cannot yet be set out for 2023/24 and 2024/25, the scale of the challenge is clear, and work continues with all partners to identify the ways in which financial balance can be delivered in the medium term.
- 9.3 The IJB is asked to approve this budget for 2022/23 and note the indicative financial budgets for 2023/24 and 2024/25.

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**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied were relied on to any material extent in preparing this report.

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
HSCP Strategic Commissioning Plan	<b>Yes</b>
Transformation Programme	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>Yes</b>
Risk	<b>Yes</b>
Other assessments (enter here from para 3.3)	
<b>Consultation</b>	
External	<b>Yes</b>
Internal	<b>Yes</b>
<b>Legal &amp; Governance</b>	
Legal	<b>None</b>
Clinical/Care/Professional Governance	<b>None</b>
Corporate Governance	<b>None</b>
<b>Directions</b>	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>None</b>

### 1. Strategic Implications

#### 1.1 Strategic Commissioning Plan

The development of the 3 Year Budget 2022: 2025 has been underpinned by detailed financial frameworks included in IJB Strategic Plans for Older People, Learning Disabilities/Autism and Community Mental Health & Wellbeing.

### 2. Resource Implications

#### 2.1 Financial

The report sets out the overall financial implications of proposed investment, disinvestment and income over the 3 year period.

#### 2.2 Workforce

The workforce implications of proposed investment are significant and where applicable have been set out in the underpinning Strategic Delivery Plans. The 3 Year Workforce Plan currently being developed for approval by the IJB in June will set out in detail the full workforce implications of the 3 Year Budget.

### **3. Assessments**

#### **3.1 Equability Impact Assessments**

The necessary equality impact assessments underpinning proposed strategic investment and disinvestment has been undertaken as part of strategy development.

#### **3.2 Risk**

The IJB's Strategic Risk Register identifies availability of sufficient financial resources as a significant risk to the delivery of the IJB's strategic objectives.

The Budget proposed for 2022/23 includes significant additional recurring investment across almost all services. It is expected that a reassessment of the strategic risk in relation to financial resources will be positively impacted. Following consideration by the IJB of the budget proposals, the risk will be fully reassessed.

### **4. Consultation – Patient/Service User first priority**

#### **4.1 External**

The Strategic Delivery Plans that underpin the Budget 2022: 2025 have been considered in full by the Patient Service User representatives on relevant strategy groups and by the IJB Strategic Planning Group.

A full update on the development of the Budget 2022:2025 was provided to the IJB Board in December 2021.

#### **4.2 Internal**

The PKHSCP Executive Management Team have provided oversight of the development of the budget proposals.

The proposed budget has been considered as part of both NHS Tayside and Perth & Kinross Council budget process for 2022/23. A number of IJB Budget Review Group Meetings have been held to which all IJB Members are invited.

### **5. Directions**

Directions require to be issued to NHS Tayside and Perth & Kinross Council in respect of the 2022/23 Budget.

### **6. Appendices**

- Appendix 1 Social Care 2022/23 Budget Summary
- Appendix 2 Health 2022/23 Budget Summary
- Appendix 3 Scottish Government Funding 2022/23