



PERTH & KINROSS INTEGRATION JOINT BOARD

14 DECEMBER 2022

2023/24: 2025/26 BUDGET UPDATE

Report by Head of Finance & Corporate Services
(Report No. G/22/201)

PURPOSE OF REPORT

The purpose of this report is to update the Perth & Kinross Integration Joint Board (IJB) on the development of the 2023:26 Budget.

1. RECOMMENDATIONS

It is recommended that the IJB:-

- 1.1 Note the progress made in the development of a 3 Year Budget for 2023:26 for Perth & Kinross IJB.
- 1.2 Ask the Chief Officer to ensure all opportunities for additional redesign and efficiency are identified across all services.
- 1.3 Ask the Chief Officer to develop a range of contraction that may be required to support delivery of financial balance over the next 3 years.

2. BACKGROUND

- 2.1 In March 2022 the IJB approved the budget for 2022/23 and indicative budgets for 2023/24 and 2024/25. Table 1 below sets out the net recurring budget requisition. Following significant additional investment from the Scottish Government, 2022/23 recurring financial balance was achieved for all areas apart from prescribing.

Table 1 Indicative Additional Budget Requisition 2022: 2025

	22/23 £m	23/24 £m	24/25 £m	Total £m
Older People Strategic Delivery Plan		0.7	0.7	1.4
Learning Disabilities Strategic Delivery Plan		0.7	0.6	1.3
Community Mental Health Strategy			0.1	0.1
Prescribing	0.8			0.8
Primary Care Improvement Plan		3.2		3.2
Pay/Prices		0.1	0.1	0.2
Total	0.8	4.7	1.5	7.0

2.2 The indicative budgets approved for 2023/24 and 2024/25 supported delivery of the following 3 year IJB Strategic Plans:

- Community Mental Health & Wellbeing Strategy 2022: 2025
- Learning Disabilities/Autism Strategic Delivery Plan 2022: 2025
- Older Peoples Strategic Delivery Plan 2022: 2025

2.3 For pay and prices, the underpinning assumption for 2023/24 and 2024/25 was that significant pressures for both years would be offset by additional Scottish Government (SG) income consistent with 2022/23.

2.4 It was recognised that further work would be required to consider how future need driving the requirement for additional investment in Older Peoples Services and Learning Disabilities services in 2023/24 and 2024/25 could be offset by identification of additional efficiency savings and through shifting the balance of care resources working with partners.

2.5 For Primary Care, the indicative 2023/24 Budget included the estimated cost of full implementation of the GMS Contract for which additional funding would be required from SG.

3. DEVELOPMENT OF DRAFT 2023/24: 2025/26 FINANCIAL PLAN

3.1 A full review has been undertaken of pay and price pressures, essential investment, efficiency savings and the level of income now likely from Scottish Government. This remains subject to change.

3.2 The Draft Plan is set out at Table 2 below. The plan has required consideration of the recurring implications of Covid 19 response since no separate Covid funding will be available from 2023/24 from Scottish Government and all unused PKIJB Covid Reserves are expected to be passed back to Scottish Government during 2022/23. See Reserves Section below.

3.3 At this stage the Draft Plan excludes additional investment required to deliver the Primary Care Strategic Delivery Plan 2023: 2026 whilst a financial framework is developed. The Draft Plan also excludes investment or disinvestment in relation to Inpatient Mental Health Services whilst strategic direction and an associated strategic financial framework are developed.

Table 2 Draft 3 Year Financial Plan 2023: 2025

	23/24 £m	24/25 £m	25/26 £m	Total £m
Pay/Price Pressures	6.4	5.4	5.3	17.1
Essential Service Developments	4.4	2.6	1.0	8.0
Savings	(4.3)	(0.6)	(0.2)	(5.1)
Income	(4.0)	(2.9)	(2.8)	(9.7)
Net Gap	2.5	4.5	3.3	10.3
PKC Requisition	2.4	4.0	3.6	10.0
NHST Requisition	0.1	0.5	(0.3)	0.3

3.4 Overall, a gap in resources of £10.3m is anticipated over the 3 year planning period. This is almost entirely driven by anticipated pressures across Adult Social Care Services.

3.5 Pay/price pressures are currently forecast at £17.1m. This includes:-

- Impact of the 2022/23 Local Authority Pay Award and further increases in Year 2 and 3.
- Increase to NHS pay
- Increase in the National Care Home Contract
- Increase to Free Personal Care Allowance

3.6 Essential service investment of £8.0m has been assessed as required to meet anticipated need and capacity over the 3 year period. This reflects the additional investment approved by the IJB as part of the strategic delivery plans for Older People, LD/Autism and Community MH and Wellbeing and a further £2.1m essential service investment.

3.7 Savings of £5.1m have been identified. The Chief Officer continues to lead work across integrated programmes to identify further efficiency savings. Further, every opportunity will be taken to support the National Sustainability and Value Work streams being established to drive savings across the Nursing and Medical Workforce and Procurement with further future work streams planned to consider GP Prescribing, Corporate Services and Commissioning.

3.8 In addition to savings set out at Appendix 3, additional income of £0.7m is now expected to be delivered from the refresh and full implementation by Perth & Kinross Council of the Review of the Contributions Policy. This is a previously approved saving. However, this is now not expected to be complete until 30 September 2023 and PKC have requested that 2023/24 slippage be managed through IJB reserves. PKC have funded £1.4m slippage over 2 years (2021/22 and 2022/23) from PKC reserves. See reserves section below.

4 SCOTTISH GOVERNMENT INCOME

- 4.1 Appendix 1 sets out the £9.7m pay/price costs that have routinely been funded by SG over the last 7 years and which are assumed will be funded over the planning period. This level of funding remains significantly less than the £17.1m estimated pay/price cost and the gap between likely funding and forecast costs is the main driver of PKHSCP's anticipated £10.3m recurring deficit over the 3 year period.
- 4.2 Over and above funding for pay/prices, number of 2022/23 allocations from SG are not yet included in the HSCP's recurring 2022/23 baseline and any decision by SG to reverse this additional funding will further increase the anticipated gap. This includes MDT Funding and Mental Health Recovery & Renewal Funding. The Scottish Government, whilst providing a level of assurance that all committed recurring funding will be received has also highlighted their need to reprioritise and recycle previously committed HSCP investment.

5. IJB RESERVES

- 5.1 The reserves strategy approved by the IJB sets out the need to retain 2% (£4m) unearmarked reserves. This recognises the importance for the long-term financial stability of both the Integration Joint Board and of the statutory partners that sufficient usable funds are held in reserve to manage unanticipated pressures from year to year. At this stage unearmarked reserves of £5.02 are expected to be carried forward to 2023/24. The Month 6 Forecast is set out in Table 3 below.

Table 3 Forecast Reserves carried forward to 2023/24

	2022/23 Budget £m	Forecast PKHSCP Expenditure £m	Planned SG Pass back £m	Closing Budget 31 Mar 2023 £m
<u>Earmarked Reserves</u>				
Scottish Government Restricted Reserves	26.4	10.7	13.7	2.0
Shifting the Balance (NHST)	1.4	1.4	-	-
	27.8	12.1	13.7	2.0
<u>Unearmarked Reserves</u>				
Unearmarked General Reserve – Social Care	3.7	0.3		3.4
Unearmarked General Reserve – Health	1.7	0.1		1.6
	5.4	0.4		5.0
TOTAL HSCP RESERVES	33.2	12.5	13.7	7.0

- 5.2 As part of the development of the Draft 2023/24 Budget, there has been

consideration of the appropriate use of IJB Unearmarked reserves to manage non-recurring pressures across both health and social care budgets. At this stage these amount to approximately £0.8m as follows:-

- £0.5m to bridge slippage in the delivery of previously approved savings from the transformation of complex care which have been rephrased;
- £0.3m to bridge the implementation of the PKC Review of Contributions Policy expected to be implemented by 30 September;

5.3 If these are approved by the IJB, a balance of £4.2m of unearmarked reserves would remain to address future year unanticipated pressures in line with the IJB Reserves policy.

5.4 The SG Restricted Reserves reported above include Covid Reserves not anticipated to be required by PKHSCP in 2022/23 and expected to be passed back to the SG to meet wider system costs. A letter setting out the legal basis for this claw back is still awaited from the SG and approval for this pass back will be sought from the IJB once received.

6. INPATIENT MENTAL HEALTH SERVICES - BUDGETARY IMPLICATIONS 2023: 2026

6.1 During 2022/23, discussions have been ongoing with NHS Tayside Director of Finance, Director of Nursing, Chief Officers and Chief Financial Officers around the development of a financial framework to support Mental Health Services in Tayside including Inpatient Services. This will be developed alongside the wider development of a sustainable strategic plan for Mental Health Services. The Perth & Kinross IJB Chief Officer is leading on the establishment of governance arrangements to take this forward.

7. WORKING WITH NHS TAYSIDE AND PERTH & KINROSS COUNCIL

7.1 The Chief Officer and Head of Finance & Corporate Services are working collaboratively with Perth & Kinross Council to support respective budget setting processes. This work commenced in early August 2022 and the Draft IJB 3 Year Plan and its implications for PKC has been shared confidentially with PKC officers and elected members.

7.2 It is anticipated that the NHS Tayside Deputy Director of Finance will meet with the 3 Chief Financial Officers at the end of November to share planning assumptions in the first instance.

7.3 It is very clear that both partners face very significant financial challenges over the next 3 years and are unlikely to be in a position to prioritise investment in community health and social care services.

8. LEVEL OF UNCERTAINTY/RISK

- 8.1 Appendix 2 set out the key assumptions that underpin the Draft 3 Year Financial Plan. This aims to provide the IJB with an articulation of the level of risk and uncertainty that exists at this point in the financial planning cycle.

9. OPTIONS FOR CONTRACTION OF THE PKIJB STRATEGIC COMMISSIONING PLAN

- 9.1 Given the forecast £10.3m gap in resource over the next 3 years and the parallel level of uncertainty and risk, it is strongly advised that the IJB now consider the difficult decisions necessary to ensure recurring financial balance can be delivered over the planning period. The PKHSCP Executive Management Team is reviewing all programmes of care to determine prioritised options to be brought forward for consideration including:-

- Reduce/remove further proposed strategic investment
- Pause IJB approved strategic investment
- Reduce/ Remove existing services

- 9.2 IJB Budget Sessions to consider retraction options for Older Peoples Services, Learning Disabilities/Autism Services and Community Mental Health Services have been scheduled in December and these will be supported by Heads of Service including detailed summaries for IJB Members that set out the following for each proposal: -

- Impact on Outcomes;
- Impact on Equalities;
- Financial implications;
- Workforce implications.

- 9.3 There will be a need for joint working with partners to ensure that the potential consequences of IJB contraction options are understood including the potential wider system flow and cost implications.

10. CONCLUSION

- 10.1 There is significant and unprecedented uncertainty across the financial planning landscape. Prudent assumptions have been made and a gap of £10.3m has been identified over the next 3 years. This gap however may grow further.
- 10.2 It is therefore necessary to consider the difficult decisions that may be necessary to ensure that the IJB can live within resources likely to be available.
- 10.3 Options for contraction of the Strategic Plan will now be brought forward for consideration by IJB Members supported by robust articulation of impact on outcomes and equalities.

- 10.4 In parallel, the Executive Management Team will continue to review all potential further options for delivery of increased efficiency savings across each care programme and support services.
- 10.5 The Draft Scottish Government Budget settlement is expected to be announced on 15 December 2022 and may remain subject to significant change up to 31 March 2023. A briefing on the implications of the Draft Settlement for PKIJB's Draft 3 year Financial Plan will be provided to IJB Members before the Christmas and New Year break.

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Appendices

Appendix 1 - Draft Pay/Price Pressures/Service Investment/Savings

Appendix 2 - Key Assumptions