



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

**29 MARCH 2023**

**2023-26 BUDGET**

**Report by Interim Chief Finance Officer  
(Report No. G/23/37)**

### **PURPOSE OF REPORT**

The purpose of this report is to present the Perth and Kinross Integration Joint Board's proposed 2023/24 Budget and 2024/25 and 2025/26 Provisional Budgets.

## **1. RECOMMENDATIONS**

It is recommended that the Integration Joint Board:

- (i) Approves the proposed 2023/24 Budget as set out in Appendix 1.
- (ii) Approves the expenditure pressures set out in Appendix 2.
- (iii) Approves the savings and funding proposals set out in Appendix 2.
- (iv) Notes the 2024/25 and 2025/26 Provisional Budgets and the additional work required to bring these years into balance.
- (v) Approves the deferral of the implementation of the Review of Contributions Policy.
- (vi) Approves the non-recurring expenditure set out in Section 6, to be funded from general reserves.
- (vii) Issues directions as set out in Section 10 and Appendix 4 of this report.

## **2. BACKGROUND**

2.1 The Integration Joint Board (IJB) Strategic Commissioning Plan 2020 – 2025 sets out the vision for the Health and Social Care Partnership for Perth and Kinross. The Strategic Delivery Plans, approved throughout 2021 and 2022, set out the actions being taken to deliver and connects these actions to the financial plan. The approved plans are:

- Older People – IJB March 2022 (Report G/22/54) [link](#)
- Autism / Learning Disability – IJB February 2022 (Report G/22/8) [link](#)

- Community Mental Health and Wellbeing – IJB December 2021 (Report G/21/146) [link](#)

- 2.2 The IJB is faced with significant financial challenges due to inflation, a growing ageing population, increasing demand and complexities, and funding uncertainty. The IJB is committed to supporting the Strategic Plan and Delivery Plans by prioritising and ensuring best use of available resources. Although several assumptions have been made and risks remain, this budget ensures that the Strategic Plan intentions are retained.
- 2.3 The proposed 2023/24 Budget has been developed and considered with IJB members at Budget Development Sessions. Four sessions have been held, commencing in November 2022 through to March 2023.

### **3. BUDGET**

#### **3.1 Scottish Government**

- 3.1.1 The Scottish Government's budget for 2023/24 was published on 15 December 2022. This confirmed £100m of funding to support adult social care pay uplift in commissioned services and £15m for an inflationary uplift on Free Personal Care rates. This funding is additional and not substitutional to each Council's 2022/23 recurring budgets for services delegated to IJBs. The detail of the funding allocation for Perth & Kinross IJB is provided in Appendix 1.

#### **3.2 Perth & Kinross Council**

- 3.2.1 The Perth & Kinross Council 2023/24 Revenue Budget is in line with the Scottish Government direction above, therefore the budget is equal to the 2022/23 recurring budget plus the additional funding for adult social care pay uplift in commissioned services and inflationary uplift for Free Personal Care.
- 3.2.2 The IJBs 2022/23 budget was also uplifted in year to reflect the Local Government Pay Settlement. Perth & Kinross Council passed through the relevant share for Council employees within the services delegated to the IJB and this funding was provided on a recurring basis.
- 3.2.3 The detail of the budget requisition to Perth & Kinross Council for 2023/24 is provided in Appendix 1. This is in line with the 2023/24 Revenue Budget approved by the Council for the IJB on 1 March 2023.

#### **3.3 NHS Tayside**

- 3.3.1 The Scottish Government budget proposal for 2023/24 sets out that NHS Scotland Health Boards will receive a funding uplift of 2%. The proposal adds that NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% above the 2022/23 recurring budget and make appropriate provision for 2022/23 pay.

- 3.3.2 The Scottish Government budget proposal noted that it has not set out a public sector pay policy alongside the 2023/24 budget. The Government will make a further announcement on the 2023/24 pay, covering Agenda for Change, at an appropriate point in the new year. The IJB assumption is the impact of any pay uplift above 2% will be fully funded by the Scottish Government, as per previous years.
- 3.3.3 The NHS Tayside budget for 2023/24 will be set in April 2023 and the current intention is for NHS Tayside to pass on the 2% uplift to IJBs. The detail of the indicative budget requisition to NHS Tayside for 2023/24 is provided in Appendix 1. The figure at present only includes uplift related to recurring budgets that have been baselined and added to core budget. The Scottish Government is working through allocations and uplifts for budgets that have not yet been baselined. The IJB is assuming any uplift provided for these budgets will also be passed through to the IJB.

## 4. PRESSURES

- 4.1 In preparing the 2023/24 Budget the IJB has considered pressures relating to pay, cost, demand, and investment to support strategic plans. The detailed recurring expenditure pressures are set out in Appendix 2.
- 4.2 The 2023/24 pressures total £13.182m. This is made up of £6.106m within Health Services and £7.076m within Social Care. The table below provides the summarised allocation of pressures.

Table 1

	Health £m	Social Care £m	Total £m
Pay	1.246	1.008	2.254
Cost	-	4.013	4.013
Demand / Investment	1.320	1.147	2.467
<b>Sub- Total Recurring Pressures</b>	<b>2.566</b>	<b>6.168</b>	<b>8.734</b>
Prescribing	2.800	-	2.800
Other Non-Recurring Expenditure	0.740	0.908	1.648
<b>Total Pressures</b>	<b>6.106</b>	<b>7.076</b>	<b>13.182</b>

- 4.3 Further detail on Prescribing and Other Non-Recurring Expenditure is provided in Section 6 below.
- 4.4 The 2023/24 Budget is based upon information currently available, both in terms of costs and anticipated demand pressures. However, there is significant risk that assumptions may require to be revised as part of the ongoing monitoring throughout the financial year.
- 4.5 Further detail on assumptions and risks is provided in Section 8 below.

## 5. SAVINGS / REALLOCATION OF BUDGETS

- 5.1 To set a balanced budget for 2023/24, the IJB has considered funding solutions including Scottish Government funding, reductions in service, reinvestment of uncommitted budgets and other savings proposals. These have been reviewed alongside Strategic Delivery Plans to ensure the budget remains sufficient and allows the plans to be financially supported.
- 5.2 Appendix 2 provides further detail on proposed savings and reallocation of uncommitted budgets.
- 5.3 A summary of recurring funding and savings proposals is as follows:

Table 2

	2023/24 £m
NHS Uplift 2% (Recurring Baseline Budgets) *	1.295
NHS Uplift 2% Prescribing	0.548
Adult Social Care Pay Uplift	2.930
Free Personal Care uplift	1.002
Savings & Reallocation of Uncommitted Budget	3.565
<b>Total Funding</b>	<b>9.340</b>

\* This figure excludes the expected uplift for General Medical or Family Health Services as this has not yet been confirmed. The uplift is anticipated to be c£1m.

## 6. OTHER EXPENDITURE

### 6.1 Prescribing (£2.230m)

- 6.1.1 The Prescribing Financial Plan for 2023/24 identifies a net pressure of £2.230m. The main issue being considerable and unprecedented price pressures. These are driven by inflation, rising interest rates, weak exchange rates in sterling and short supply issues. At this stage it is unknown whether the increased prices will be sustained.
- 6.1.2 The Prescribing Financial Plan also includes a brought forward budget deficit, intended to be met by a refreshed Quality, Safety and Efficiency in Prescribing (QSEP) programme. However, this improvement work has been delayed due to the impact of Covid-19 and the departure of the QSEP postholders. This, along with pressures in primary care due to workforce shortages and increased demand, means that capacity for pro-active prescribing quality work has been limited. The programme is now expected to recommence and the IJB will be updated on progress throughout 2023/24.
- 6.1.3 The Scottish Government is leading a financial Improvement group and prescribing data has been identified as a key area of improvement. The aim is to bring together various prescribing data sources and create a single data comparison tool. This should allow areas to analyse prescribing activity and

compare against their peers with a focus on financial opportunity. This will also consider off patent drugs, low value prescribing and short supply.

- 6.1.4 Due to the level of uncertainty on price, supply and demand, the IJB is asked to approve non-recurring resources for 2023/24. This will allow time to assess for any long term nature of the issues, before developing a recurring prescribing financial plan for 2024/25.
- 6.1.5 A report analysing the cost pressures and exploring further mitigations will be brought to the IJB in September 2023.

## 6.2 Non-Recurring Expenditure

- 6.2.1 The 2023/24 Budget includes the following non-recurring expenditure proposals:
- **Delay in delivery of approved savings (£0.904m)** - Delays in progressing approved savings mainly due to the impact of Covid-19 on capacity, but also due to system pressures over the last few months. It is still the intention to deliver these savings in future years.
  - **Review of Contributions Policy (£0.708m)** – A review of the Contributions Policy was approved by Perth & Kinross Council in February 2016. The implementation of the review has been delayed due to Covid-19 and then deferred due to the Scottish Government commitment to remove charges for non-residential social care. The national timescale for implementation is not yet known. The loss of income due to the delay has been funded by the Council until the end of 2022/23. A full Equalities and Fairness Impact Assessment has also been carried out and the negative financial impact on service users with learning disabilities was identified. The IJB is recommended to support the cost to defer the implementation by a further year.

## 6.3 Non-Recurring Funding

- 6.3.1 The IJB is asked to approve £3.842m of general reserves to meet the above expenditure pressures in 2023/24.

Table 3

	2023/24 £m
Total Pressures	13.182
Recurring Funding and Savings	(9.340)
Use of General Reserves	(3.842)
<b>Balance</b>	<b>-</b>

## 7. RESERVES

- 7.1 The IJB holds earmarked and un-earmarked (general) reserves. The projected balance of reserves at 1 April 2023 is provided in detail in Appendix 3.

- 7.2 Most IJB ear-marked reserves are linked to Scottish Government ring-fenced allocations and the IJB is required to retain unspent funds for specific purposes in future years.
- 7.3 The IJB's Reserves Policy aims to maintain general reserves equivalent to 2% of net budget (c£4.7m for 2023/24). The projected balance of IJB General Reserves is marginally below this level, at 1.8% (£4.3m).

Table 4

<b>2023/24 Budget Proposal</b>	<b>£m</b>
Projected General Reserve 1 April 2023	8.178
2023/24 Budget – Use of General Reserves	(3.842)
Balance of Reserve Remaining	4.336
Balance as % of Net Expenditure	1.8%

## 8. ASSUMPTIONS AND FURTHER RISK

- 8.1 The 2023/24: 2025/26 Budget is based on several assumptions including demand levels, costs, pay and funding. Further details on the assumptions are provided in Appendix 2. The material risks related to these are:
- **Local Government Pay Settlement** – the 2023/24 pay settlement for Local Authority employed staff has not yet been finalised. The IJB Budget plans for an unfunded 3% pay uplift, this is in line with the assumption made in the Perth & Kinross Council Budget approved 1 March 2023. An unfunded uplift above 3% would result in a significant financial pressure for the IJB.
  - **Prescribing** – An increase on volume and price above the level noted in Section 6 would result in significant additional financial pressure for the IJB.
  - **National Care Home Contract** – The Care Home Contract rate is negotiated nationally each year. The uplift for 2023/24 has not yet been finalised and negotiations are still underway. The Scottish Government funding for 2023/24 supports Living Wage elements of the uplift with any additional pay or non-pay uplift to be met by the IJB.
  - **In Patient Mental Health** – Agreement has not yet been reached with NHS Tayside and the 3 Tayside IJBs for any overspend within In Patient Mental Health Services. Discussions are underway and progress is being made, but at this time the issue has not yet been resolved. It is anticipated that any overspend in 2023/24 will not impact the IJB.

## 9. PROVISIONAL BUDGET 2024/25:2025/26

- 9.1 The 2024/25 and 2025/26 Provisional Budgets have been prepared on the same basis as the proposed 2023/24 Budget. However, several uncertainties remain over funding, demand, and impact from investment. This will be closely monitored throughout 2023/24 to further refine the budget for approval in March 2024.

- 9.2 A balanced budget is presented for 2023/24 but the provisional budget identifies a gap in 2024/25 and 2025/26. This is a result of identified pressures across all care groups and primarily Learning Disability Services. The IJB will need to consider additional funding solutions and reductions in overall expenditure to ensure the budget can be balanced in future years.

The table below summarises the recurring budget position over the 3 years:

Table 5

	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Pressures	13.182	7.299	6.947	27.428
Funding	(5.775)	(5.242)	(5.268)	(16.285)
Savings/Reallocation	(3.565)	(1.080)	(0.210)	(4.855)
Use of General Reserves	(3.842)	-	-	(3.842)
<b>Gap</b>	<b>-</b>	<b>0.977</b>	<b>1.469</b>	<b>2.446</b>

## 10. DIRECTIONS

- 10.1 The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in sections 26 to 28 of the Public Bodies (Joint Working)(Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Perth & Kinross Council and NHS Tayside.
- 10.2 The IJB is asked to issue the directions within Appendix 4 to Perth & Kinross Council and NHS Tayside, for the 2023/24 Budget.

### Author(s)

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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 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 2023: 2026 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 identified pressures and proposed funding over the 3 year period.

#### 2.2 Workforce

The workforce implications of proposed savings have been considered and are included within the impact assessment within Appendix 2.



### **3. Assessments**

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

The necessary equality impact assessments underpinning proposed pressures and savings have been completed and are contained within Appendix 2.

#### **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 2023/24 is balanced but makes several assumptions and carries risk mainly related to unknown inflation costs and uncertainty on funding. These risks will be monitored, assessed and reported on throughout the financial year.

### **4. Consultation**

#### **4.1 External**

The Strategic Delivery Plans that underpin the Budget 2023:2026 have been considered by the representatives on relevant strategy groups and by the IJB Strategic Planning Group.

An update on the development of the Budget 2023:2026 was provided to IJB members in January 2023.

#### **4.2 Internal**

The Perth & Kinross HSCP 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 2023/24. IJB Budget Development Sessions have been held to which all IJB Members were invited.

### **5. Directions**

Directions are required to be issued to NHS Tayside and Perth & Kinross Council in respect of the 2023/24 Budget.

### **2. Appendices**

Appendix 1 IJB Budget 2023/24  
Appendix 2 Executive Summaries  
Appendix 3 Summary of Reserves  
Appendix 4 Directions