



PERTH & KINROSS INTEGRATION JOINT BOARD

20 MARCH 2024

2024-27 BUDGET

Report by Chief Finance Officer
(Report No. G/24/45)

PURPOSE OF REPORT

The purpose of this report is to present the Perth and Kinross Integration Joint Board's proposed 2024/25 Budget and 2025/26 and 2026/27 Provisional Budgets.

1. RECOMMENDATIONS

It is recommended that the Integration Joint Board:

- i. Approves the proposed 2024/25 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. Approves the allocation of earmarked reserves towards the 2024/25 expenditure pressures.
- v. Approves the use of general reserves to bring 2024/25 into financial balance.
- vi. Notes the 2025/26 and 2026/27 Provisional Budgets and the additional work required to bring these years into balance.
- vii. Issues directions as set out in Section 10 and Appendix 4 of this report.

2. BACKGROUND

- 2.1 The funding for the Integration Joint Board (IJB) is delegated from Perth & Kinross Council and NHS Tayside for delegated functions as set out in the Integration Scheme and the IJB Strategic Commissioning Plan 2020-2025.
- 2.2 As a section 106 body under the Local Government (Scotland) Act 1973, the IJB is required to set a balanced budget for the coming financial year. This is increasingly challenging with the IJB being faced with unprecedented financial pressures due to increased costs, a growing ageing population and increasing demand and complexities. The Council and NHS Board are similarly facing significant financial challenges and the funding allocations received from partners do not fully meet the IJB's pressures. Therefore, whilst the IJB is committed to supporting the Strategic Plan through prioritisation and ensuring

best use of available resources, reductions in services and further use of General Reserves have had to be considered to balance the budget for 2024/25.

- 2.3 The proposed 2024/25 Budget has been developed and considered with IJB members through the dedicated Budget Review Group throughout January & February and at Budget Development Sessions on 12 December 2023 and 23 February 2024.
- 2.4 Recognising the significant gap within the Provisional Budgets for 2025/26 and 2026/27, the Budget Review Group will continue to meet throughout 2024/25. It will consider the additional funding solutions and reductions in expenditure required and how this can be achieved with minimal impact on the strategic plan and to the population's health and care needs.

3. FINANCIAL STRATEGY

- 3.1 The IJB is asked to consider savings proposals which are brought forward in line with a financial strategy. The strategy is comprised of three core measures which together aim to deliver financial balance whilst delivering safe and sustainable services. These are:
- Efficiency
 - Transformation of Services
 - Prioritise and Reduce
- 3.2 The Budget is reliant on the success of an ambitious and evidence-based Transformation Programme, known as the "Big 6". This has been established to continually refine and modernise our models of delivery in areas of growing need/demand, financial pressure and which require transformational change to ensure sustainability going forward. The programme includes:
- Older People
 - Care at Home and Reablement
 - Review of Rehabilitation Beds
 - Enhancing Capacity in Dementia Services
 - Learning Disabilities and Autism
 - Transformation of Complex Care
 - Primary Care in Mental Health
 - Prescribing
- 3.3 Scrutinising levels of efficiency and making best use of resources has been the focus of this budget, but despite this and the ambitious transformation agenda, a gap remains and the IJB is asked to consider proposals that reduce services. Actions will be taken to mitigate the impact and to continue supporting the strategic plan and vision for the IJB as far as possible.
- 3.4 The approach and delivery of financial balance needs to be underpinned by collaborative working, strategic planning, robust financial management, a reserves policy and workforce planning. Each element will be reviewed

throughout the year to monitor delivery and ensure resources are being used in the most effective way.

4. BUDGET

4.1 Scottish Government

4.1.1 The Scottish Government's budget for 2024/25 was published on 21 December 2023. This confirmed an additional £230m to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts. Also, £11.5m for an inflationary uplift on Free Personal and Nursing Care rates. This funding is additional and not substitutional to each Council's 2023/24 recurring budgets for services delegated to IJBs. The detail of the funding allocation for Perth & Kinross IJB is provided in Appendix 1.

4.2 Perth & Kinross Council

4.2.1 The Perth & Kinross Council 2024/25 Revenue Budget is in line with the Scottish Government direction above, therefore the budget is equal to the 2023/24 recurring budget plus the additional funding of £6.765m for adult social care pay uplift in commissioned services and £0.766m inflationary uplift for Free Personal Care.

4.2.2 The IJB's 2023/24 budget was also uplifted by £1.000m 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.

4.2.3 On 28 February 2024, Perth & Kinross Council allocated £0.800m from the Council Transformation Reserve to support the transformation of Care at Home and Reablement. This investment will be used to mitigate future years' cost pressures and will be drawn down from the Council reserve as required throughout 2024/25.

4.2.4 The detail of the budget requisition to Perth & Kinross Council for 2024/25 is provided in Appendix 1. This is in line with the 2024/25 Revenue Budget approved by the Council for the IJB on 28 February 2024.

4.3 NHS Tayside

4.3.1 The Scottish Government budget proposal for 2024/25 sets out that NHS Scotland Health Boards will receive a 0% general funding uplift. However, at this stage, it can be assumed that additional funding will be allocated to support pay uplifts for NHS employees. This proposed budget is considerably lower than the IJB's planning assumption for 2024/25 and equates to an additional c£1m+ pressure on the IJB's financial plan.

4.3.2 The NHS Tayside budget for 2024/25 will be set in April 2024 and the current assumption is for NHS Tayside to provide a budget equal to the 2023/24 budget and pass on any pay uplift to the IJB. The detail of the indicative budget requisition to NHS Tayside for 2024/25 is provided in Appendix 1. The

figure at present only includes pay 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.

5. PRESSURES

- 5.1 In preparing the 2024/25 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.
- 5.2 The 2024/25 pressures total £17.245m. This is made up of £6.433m within Health Services and £10.812m within Social Care. The table below provides the summarised allocation of pressures.

Table 1

	Health £m	Social Care £m	Total £m
Pay	1.058	0.674	1.732
Cost	-	7.101	7.101
Increased Need	0.076	3.037	3.113
Prescribing	4.559	-	4.559
Undelivered Saving	0.740	-	0.740
Total Recurring Pressures	6.433	10.812	17.245

- 5.3 The 2024/25 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.
- 5.4 Further detail on assumptions and risks is provided in Section 8 below.

6. SAVINGS / REALLOCATION OF BUDGETS

- 6.1 To set a balanced budget for 2024/25, the IJB has considered funding solutions in line with the financial strategy set out in paragraph 3.1. These have been reviewed alongside Strategic Delivery Plans to ensure the budget remains sufficient to allow plans to be financially supported.
- 6.2 The proposed savings will impact up to 35 WTE across various services. A range of options will be used to minimise the impact on employees including the non-filling of vacancies, the use of natural attrition and redeployment of staff where appropriate. Some proposals are still in the review stage, the outcome of which is not yet known. This may change the number of WTE impacted. The outcome of these reviews, as they relate to the strategic plan, will be reported back to the IJB for consideration as part of the 2025/26 budget.

- 6.3 As the employing organisations, Perth & Kinross Council and NHS Tayside are aware of the proposals. The workforce management and organisational change policies of the employing organisation will apply.
- 6.4 Appendix 2 provides further detail on proposed savings and reallocation of uncommitted budgets.
- 6.5 A summary of recurring funding and savings proposals is as follows:

Table 2

	2024/25 £m
NHS Uplift Pay	1.058
Adult Social Care Living Wage Uplift	6.765
Free Personal Care uplift	0.776
Savings & Reallocation of Uncommitted Budget	5.518
Total Funding / Savings	14.117

7. RESERVES AND NON-RECURRING FUNDING

- 7.1 The IJB holds earmarked and un-earmarked (general) reserves. The projected balance of reserves at 1 April 2024 is provided in detail in Appendix 3.
- 7.2 Reserves can be earmarked to reflect Scottish Government priorities and to be retained for specific purposes, or reserves can be earmarked to meet known or anticipated pressures. As part of the financial strategy, earmarked reserves have been reviewed and where they are not yet committed or required for Scottish Government priorities, they are proposed to be allocated against 2024/25 expenditure pressures.
- 7.3 The Perth & Kinross Alcohol & Drug Partnership (ADP) have approved a one-off allocation of £0.312m. This is being provided from the Alcohol & Drug Partnership funding and is to part fund the prescribing of the opiate substitute Buprenorphine in 2024/25.
- 7.4 The IJB is asked to note the ADP approval of one-off funding. It is also asked to approve the below allocation of £0.883m of earmarked reserves towards the 2024/25 expenditure pressures contained within this budget paper.

Table 3

Earmarked Reserve	Amount to be allocated 2024/25 £m
Primary Care Transformation Fund	0.316
Primary Care Fund	0.255
Alcohol & Drug Partnership	0.312
Total Earmarked Reserves	0.883

- 7.5 The IJB is asked to approve £1.445m of general reserves to meet the expenditure pressures and to deliver a balanced budget in 2024/25.
Table 4

	2024/25 £m
Total Pressures	17.245
Recurring Funding and Savings	(14.117)
Perth & Kinross Council Transformation Funding	(0.800)
Application of Earmarked Reserves	(0.883)
Use of General Reserves	(1.445)
Balance	-

- 7.6 The IJB Reserves Policy aims to maintain general reserves equivalent to 2% of net budget (c£5m for 2024/25). The projected balance of IJB General Reserves is below this level, at 1.0% (£2.555m).

Table 5

2024/25 Budget Proposal	£m
Projected General Reserve 1 April 2024	4.000
2024/25 Budget – Use of General Reserves	(1.445)
Balance of Reserve Remaining	2.555
Balance as % of Net Expenditure	1.0%

- 7.7 A General Reserve below the 2% target level represents a significant risk to the IJB. As noted in section 3, reserves are a key component to the IJB's financial strategy. They are required to manage unanticipated pressures in year and are important for the long-term financial sustainability of the IJB. Although a General Reserve of 1% is considered low, the lack of funding available and the high level of expenditure pressures means that reserves are required to deliver a balanced budget in 2024/25.

8. ASSUMPTIONS AND FURTHER RISK

- 8.1 The 2024/25 to 2026/27 Budget is based on several assumptions including demand levels, costs, transformation, pay and funding. Further details on the assumptions are provided in Appendix 2. The material risks related to these are:

- **NHS Pay Uplift Funding** – as noted in paragraph 4.3, the budget from NHS Tayside assumes funding from Scottish Government will meet the 2024/25 pay uplift cost and that this budget will be passed through in full to the IJB. This is in line with the assumption the Scottish Government have advised Boards to make. There is a risk this funding is not provided and this would result in c£0.500m pressure for every 1% of unfunded pay uplift.
- **Local Government Pay Settlement** – the 2024/25 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 28 February 2024. An unfunded uplift above 3% would result in a significant financial pressure for the IJB.

- **Prescribing** – An increase on volume and price above the predicted level could result in significant additional financial pressure for the IJB. The prescribing savings plan is ambitious and sets targets for both national and local cost reducing initiatives. Delay in realising these reductions could lead to increased costs in year.
- **In Patient Mental Health** – Agreement has not yet been reached with NHS Tayside and the 3 Tayside IJBs for any future overspend within In Patient Mental Health Services, beyond the position agreed for 2023/24. Discussions are ongoing and progress is being made, but at this time the issue has not yet been resolved. Updates on the financial framework and any potential financial risk will be regularly reported to the IJB. An updated position is planned for the June 2024 IJB meeting and the Audit & Performance Committee throughout the financial year.

9. PROVISIONAL BUDGET 2025/26:2026/27

- 9.1 The 2025/26 and 2026/27 Provisional Budgets have been prepared on the same basis as the proposed 2024/25 Budget. However, several uncertainties remain over funding, demand, and impact of transformation. This will be closely monitored throughout 2024/25 to further refine the budget for approval in March 2025.
- 9.2 A balanced budget is presented for 2024/25 but the provisional budget identifies a considerable gap in 2025/26 and 2026/27. This is a result of identified pressures across all care groups, including GP prescribing. 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 6

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Pressures	17.245	7.534	7.564	32.343
Funding	(8.599)	(5.112)	(5.153)	(18.864)
Savings/Reallocation	(5.518)	(2.450)	(0.785)	(8.753)
Non Recurring Funding	(3.128)	-	-	(3.128)
Prior year recurring gap	-	3.128	-	3.128
Gap	-	3.100	1.626	4.726

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.

Direction Required to Perth & Kinross Council, NHS Tayside, or Both	Direction to:
No Direction Required	
Perth & Kinross Council	
NHS Tayside	
Perth & Kinross Council and NHS Tayside	X

10.2 The IJB is asked to issue the directions within Appendix 4 to Perth & Kinross Council and NHS Tayside, for the 2024/25 Budget.

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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

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

1. Strategic Implications

1.1 Strategic Commissioning Plan

The development of the 3 Year Budget 2024:2027 has been underpinned by detailed financial frameworks included in IJB Strategic Plans for Older People, Learning Disabilities/Autism and Community Mental Health & Wellbeing. Increased unanticipated need has meant that some assumptions have had to be revised. The IJB will therefore be required to reassess previous investment and disinvestment decisions as part of the 2024/25 Budget process.

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 highlighted where appropriate within Appendix 2.

3. Assessments

3.1 Equality Impact Assessments

The necessary equality impact assessments underpinning proposed pressures and savings have been completed and can be accessed in Appendix 5. Proposals have been considered to understand impacts and to take steps to mitigate where possible.

Some proposals remain at “review” stage, with further engagement with stakeholders required. Those that are not yet sufficiently developed to fully inform an Equality Impact Assessment will be brought back to the IJB as they progress.

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 2024/25 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 2024:2027 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 2024:2027 was provided to IJB members at a development session in February 2024.

Some proposals for years 2 and 3 remain in “review” stage and stakeholders will be consulted and engaged to develop the proposals as they progress.

4.2 Internal

The Perth & Kinross HSCP Executive Management Team has 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 2024/25.

Budget Review Group sessions have been held for all voting members of the IJB. 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 2024/25 Budget.

2. APPENDICES

Appendix 1 IJB Budget 2024/25

Appendix 2 Executive Summaries

Appendix 3 Summary of Reserves

Appendix 4 Directions

Appendix 5 Cumulative Impact Assessment