



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

### **AUDIT & PERFORMANCE COMMITTEE**

**28<sup>th</sup> November 2022**

### **2022/23 FINANCIAL POSITION – MONTH 6**

**Report by the Head of Finance & Corporate Services**  
(Report No. G/22/166) (Revised Version)

#### **PURPOSE OF REPORT**

The purpose of this report is to advise the Audit & Performance Committee of the 2022/23 projected year end out-turn based on financial performance for the 6 months to 30 September 2022.

#### **1. RECOMMENDATIONS**

It is recommended that the Audit & Performance Committee:

- i. Note that the overall projected out-turn is a £0.4m overspend with a requirement for use of General Reserves to deliver financial balance;
- ii. Notes forecast £4.8m Covid-19 costs which are funded in full by the IJB Covid-19 Reserve;
- iii. Note the update regarding the IJB reserves position for 2022/23;
- iv. Note the extent of the financial risks that may still impact on the financial out-turn in 2022/23.

#### **2. OVERVIEW**

- 2.1 The 2022/23 Financial Plan, approved by the Integration Joint Board (IJB) in March 2022 (Report G/22/56) forecast a core £1m overspend across Health & Social Care. The main driver of this forecast overspend was Prescribing (£0.8m). The use of General Reserves was approved to deliver break even.
- 2.2 The latest financial position for 2022/23 based on the 6 months to 30<sup>th</sup> September 2022 forecasts an overspend of £0.4m. Table 1 below sets out forecast movement from plan.

Table 1 - Summary Month Forecast

|                              | Financial Plan<br>Over/(Under) £m |                |              | Projection September<br>(Month 6) Over/(Under) £m |                |              | Variance     |
|------------------------------|-----------------------------------|----------------|--------------|---|----------------|--------------|--------------|
|                              | Health                            | Social<br>Care | Total        | Health  | Social<br>Care | Total        |              |
| Core Position                | 0.8                               | 0.2            | 1.0          | (0.6)   | (0.3)          | (0.9)        | (1.9)        |
| Savings                      | 0.7                               | 1.3            | 2.0          | 0.7   | 1.3            | 2.0          | -            |
| COVID-19<br>Expenditure      | 2.1                               | 2.3            | 4.4          | 2.3   | 2.5            | 4.8          | 0.4          |
| <b>Sub-Total</b>             | <b>3.6</b>                        | <b>3.8</b>     | <b>7.4</b>   | <b>2.4</b>  | <b>3.5</b>     | <b>5.9</b>   | <b>(1.5)</b> |
| COVID-19<br>Reserves         | (2.8)                             | (2.9)          | (5.7)        | (2.3)   | (2.5)          | (4.8)        | 0.9          |
| General<br>Reserves          | (0.8)                             | (0.2)          | (1.0)        | (0.1)   | (0.3)          | (0.4)        | 0.6          |
| PKC Contribution             | -                                 | (0.7)          | (0.7)        | -   | (0.7)          | (0.7)        | -            |
| <b>Sub-Total<br/>Funding</b> | <b>(3.6)</b>                      | <b>(3.8)</b>   | <b>(7.4)</b> | <b>(2.4)</b>                                      | <b>(3.2)</b>   | <b>(5.9)</b> | <b>1.5</b>   |
| <b>Total Position</b>        | <b>0</b>                          | <b>0</b>       | <b>0</b>     | <b>0</b>  | <b>0</b>       | <b>0</b>     |              |

- 2.3 Overall, there has been a positive movement in the Core Position with an under spend of £0.9m forecast compared to the £1m overspend anticipated. Section 3 below sets out the key drivers of this £1.9m movement.
- 2.4 The forecast £2.0m slippage on delivery of approved savings is consistent with the approved plan which assumed that £1.3m of this slippage could be offset by Covid-19 Earmarked Reserves, with the remaining £0.7m offset by non-recurring PKC Funding. However, a change in the treatment by the Scottish Government means this is no longer allowable and slippage now must be absorbed against the Core Position. The positive swing in the core position ensures this change in treatment can be absorbed. Section 4 below sets out further detail of the key areas of slippage.
- 2.5 Following a full review in line with most recent Scottish Government guidance, Covid costs forecast for the year have reduced from £5.7m at Month 4 to £4.8m. Section 5 sets out further details.
- 2.6 In order to deliver a break even position at Month 6, it is now necessary to utilise General Reserves of £0.4m (£0.1m in Health and £0.3m in Social Care) in comparison to planned utilisation of reserves of £1m. This is reflected within the above table. Further details on the reserves position is provided at Section 6.

### 3. MOVEMENT IN CORE POSITION

3.1 As noted within Section 2, the Core Position shows a £1.9m positive movement in comparison to the 2022/23 Financial Plan. Table 2 below sets out the areas driving this net improvement.

Table 2 – Core Position Key Movements

|                                | Financial Plan (£m) |                          | Month 6 Projected Financial Position (£m) |                          | Variance to Plan (£m) |
|--------------------------------|---------------------|--------------------------|---|--------------------------|-----------------------|
|                                | Health Over/(Under) | Social Care Over/(Under) | Health Over/(under)                       | Social Care Over/(Under) | Total Over/(Under)    |
| Older People                   | 0                   | 0                        | 0.6                                       | (0.9)                    | (0.3)                 |
| Adult Services                 | 0                   | 0                        | (0.5)                                     | 0.3                      | (0.2)                 |
| Slippage on Investment         | 0                   | 0                        | (1.1)                                     | (1.0)                    | (2.0)                 |
| Other Pay/Price Pressures      | 0                   | 0.2                      | 0   | 1.3                      | 1.1                   |
| Hosted Services                | 0                   | 0                        | (0.1)                                     | 0                        | (0.1)                 |
| General Medical Services       | 0                   | 0                        | 0.4                                       | 0                        | 0.4                   |
| Prescribing                    | 0.8                 | 0                        | 0   | 0                        | (0.8)                 |
| <b>TOTAL CORE OVER/(UNDER)</b> | <b>0.8</b>          | <b>0.2</b>               | <b>(0.6)</b>                              | <b>(0.3)</b>             | <b>(1.9)</b>          |

#### 3.2 Older People

There is a core projected under spend within Older People Services across both Health & Social Care of £0.3m.

There is a £0.6m projected overspend within Health Older People Services. This is driven by overspends within Inpatient services in Medicine for the Elderly of £0.1m relating to the use of supplementary staffing and increased bed base currently in Tay and Stroke Wards to support capacity and flow. In addition, there is a projected £0.5m overspend projected on Psychiatry of Old Age services due to the level of agency and bank staffing in inpatient wards and additional of locum consultants due to difficulty in recruitment. This overspend is over and above £1.4m additional costs being charge to the Covid reserve for increased rehabilitation bed capacity to support capacity and flow and additional staffing for POA wards to support increased acuity.

This is offset by an £0.9m under spend within Social Care Older People services. Residential Placements is reporting a projected (£0.6m) under spend with demand significantly below budgeted levels. Day Care and External Transport Services is projecting an under spend of (£0.2m) mainly due to vacancies within New Rannoch Day Care Centre which have remained unfilled as demand struggles to return to pre-Covid levels. Although Care at Home is reporting an overspend position of £0.2m, there remains a significant level of unmet need with providers being unable to pick up hours due to ongoing recruitment issues across the sector. To mitigate this and to meet this need, the use of agency staff has been approved to 31<sup>st</sup> March 2023, the cost of which is projected at £1.2m and this is offsetting a significant core under spend in the Care at Home position at Month 6. Finally, the Joint Equipment & Loans Service and Community Alarm Service are reporting an under spend of £0.1m driven by slippage in recruitment.

### **3.3 Adult Services**

There is a projected under spend projected at Month 6 within Adult Services of £0.2m across Health & Social Care.

Of this, there is a £0.6m under spend projected on Health General Adult Psychiatry and Community Mental Health Services driven by vacancies within core services and slippage in recruitment to new service provision outlined in the Community Mental Health Strategy. This is offset by a projected £0.3m deficit in funding from Scottish Government for Mental Health in Primary Care. In addition, there is slippage reported at Month 6 on Health Complex Care Packages of £0.2m due to a delay in the commencement of planned care packages and a reduction in the number of client packages supported.

Within Social Care, there is a £0.3m projected overspend driven by increased demand and complexity of care packages within Mental Health and Learning Disabilities.

### **3.4 Slippage on Investment**

Overall slippage on the approved IJB investment of £2.0m is now forecast. Of this, £1.8m relates to Older People and £0.2m to Primary Care. The slippage on Older People investment relates to Hospital at Home (£0.5m), Urgent Care (£0.2m), Living Well Care at Home Team (£0.5m) and Phase 3 of the Older People Strategic Plan (£0.6m). Slippage is mainly due to delays in recruitment.

Further there has been significant challenge in recruitment to the Primary Care Resilience Team, a new team prioritized for investment by the IJB to support GP Practice sustainability. This is driving an under spend of £0.2m.

### **3.5 Other Pay/Price Pressures**

The 2022-23 Financial Plan included a projected overspend of £0.2m which was driven by one off costs and was proposed to be funded by General Reserves. However, an over spend of £1.3m is now forecast. This movement from plan results from additional forecast costs arising from the Local Authority 2022/23 pay settlement (£0.8m) and provision for a potential in year increase to the national care home contract (£0.5m). With regard to Local Authority pay, 3% uplift in pay for local authority employed staff was provided for in the approved 2022/23 budget however the pay award has now been agreed at a higher level. The Scottish Government have confirmed funding to Local Authorities (recurring and non-recurring) towards this increased cost and there is an expectation that a fair share will be passed to HSCP's for Social Work and Social Care staff. PKC have agreed in principle to the transfer of funding to PKHSCP and we await notification of the fair share of funding. Until confirmed, this additional funding cannot be included in the forecast.

### **3.6 General Medical Services**

There is a projected overspend on General Medical Services in comparison to the financial plan of £0.4m. This is driven by the cost of 2C practices in Dundee and Angus, a share of which continues to be allocated to PKHSCP based on a 'custom and practice' agreement that pre-dates the inception of IJB's. Discussions are ongoing with Chief Officers in Dundee and Angus to consider how they might use their reserves locally to absorb this local cost.

### **3.7 Prescribing**

The 2022-23 Financial Plan outlined a recurring shortfall of £0.8m within Health Services. This related entirely to a brought forward deficit in Prescribing. As at Month 6 there is no overspend projected against Prescribing meaning the overall movement from financial plan is benefit of £0.8m. This is due to actual price and volume growth within prescribing services being lower than planned.

## **4. SAVINGS**

- 4.1 Of £2.5m approved savings for 2022/23, £0.5m has now been delivered. Table 3 below sets out the detail of savings slippage anticipated in 2022/23.

Table 3

| Description                           | Approved Savings still to be delivered<br>£m | Amount Projected to be delivered in 2022/23<br>£m | Shortfall<br>£m |
|---------------------------------------|--|---|-----------------|
| Transformation of Complex Care        | 1.0  | 0.5   | 0.5             |
| Prepaid Card Scheme                   | 0.1  | 0   | 0.1             |
| Contributions Policy                  | 0.7  | 0   | 0.7             |
| <b>Sub-Total Social Care</b>          | <b>1.8</b>                                   | <b>0.5</b>  | <b>1.2</b>      |
| Redesign of Rehabilitation Beds       | 0.7  | 0   | 0.7             |
| <b>Sub-Total Health</b>               | <b>0.7</b>                                   | <b>0</b>  | <b>0.7</b>      |
| <b>Total Health &amp; Social Care</b> | <b>2.5</b>                                   | <b>0.5</b>  | <b>2.0</b>      |

- 4.2 The above slippage was fully anticipated as part of the 2022/23 Financial Plan and results from the impact of Covid on management capacity.
- 4.3 The delay in delivery of complex care savings is reflective of a rephasing in future years due to delays in implementation of the programme due to Covid.
- 4.4 The implementation of a pre-paid card system to introduce an online, real-time payment system, was delayed by the pandemic. Whilst this project has been delayed, there are now other opportunities to deliver upon this saving in 2023/24.
- 4.5 Perth & Kinross Council initiated a review of their non-residential services contributions policy in 2020/21. The pandemic impacted on PKC's ability to consult effectively with stakeholders around the proposed changes. In parallel, the Scottish Government, as part of early proposals related to the establishment of the National Care Service, has indicated that non-residential charges will cease from 1st April 2023. All HSCP's have been asked to submit detailed financial information forecasting the income that will be lost at that point. The PKHSCP return includes the increased income no longer achievable from the implementation of the review. It is likely that should this 'lost' income not be remedied as part of the SG review, then PKHSCP will require to identify other savings to address the budget deficit that will arise.
- 4.6 The savings anticipated from the review of rehabilitation beds were originally expected to be delivered in 2020/21. The pandemic has delayed the review. The current level of pressure on inpatient beds indicates the risk now attached to realisation of this saving in the medium term.

## **5. COVID-19 RESPONSE AND REMOBILISATION**

- 5.1 A total of £4.8m Covid costs are forecast to be incurred in 2022/23 and these are assumed to be funded from the Covid Reserve. This is an increase from the £4.4m forecast at the start of the year but is a reduction from the £5.7m costs forecast at Month 4.
- 5.2 The forecast has been updated to include the recent extension of the Scottish Government Social Care Support Fund to 31<sup>st</sup> March 2023 and the increase in claims from providers. At the same time however, every effort has been made to ensure that forecast costs are minimised and, where appropriate, costs are met from the Winter Resilience Reserve. This is in line with Scottish Government guidance which encourages HSCP's to minimise the use of Covid reserves and identify all other sources of funding in order to maximize the pass back of Covid reserves to Scottish Government- see Section 5 below.

Given that there will be no specific non-recurring funds to support Covid costs in 2023/24 and beyond, a clear exit strategy must be determined for all current costs. The development of the 2023/24 Financial Plan will consider the need to provide ongoing recurring budget for the following Covid costs which are expected to continue in the longer term:-

- Increased Rehabilitation Beds across Perth & Kinross to support system wide capacity and flow (£1.0m)
  - Increased staffing requirement within POA Wards to respond to increased acuity of admissions (£0.5m)
  - Mental Health and Wellbeing Nurses within Primary Care (£0.1m)
  - Enhanced Care Home Team (£0.2m)
- 5.3 Any other remaining costs are expected to be minimal and will require to be absorbed within normal budgetary expenditure.
- 5.4 Appendix 1 provides a breakdown of forecast 2022/23 Covid Costs in line with the Month 6 Scottish Government Forecast submission.

## **6. RESERVES**

- 6.1 Table 4 shows the breakdown of in year commitments against earmarked and unearmarked 2022/23 reserves balances.

Table 4

|  | 2022/23<br>Budget (£m) | Forecast<br>Expenditure<br>(£m) | Planned SG pull<br>back | Closing Budget<br>31st March<br>2023 |
|--|------------------------|---------------------------------|-------------------------|--------------------------------------|
| <b><u>Earmarked Reserves</u></b>             |                        |                                 |                         |                                      |
| SG Restricted Reserves                       | 26.4                   | 10.8                            | 13.6                    | 2.0                                  |
| Shifting the Balance (NHST)                  | 1.4                    | 1.4                             | -                       | -                                    |
|  | <b>27.8</b>            | <b>12.2</b>                     | <b>13.6</b>             | <b>2.0</b>                           |
| <b><u>Unearmarked Reserves</u></b>           |                        |                                 |                         |                                      |
| Unearmarked General<br>Reserve – Social Care | 3.7                    | 0.3                             | -                       | 3.4                                  |
| Unearmarked General<br>Reserve - Health      | 1.8                    | 0.1                             | -                       | 1.7                                  |
|  | <b>5.5</b>             | <b>0.4</b>                      | -                       | <b>5.1</b>                           |
| <b>TOTAL HSCP RESERVES</b>                   | <b>33.3</b>            | <b>12.6</b>                     | <b>13.6</b>             | <b>7.1</b>                           |

- 6.2 Taking account of planned expenditure and SG pull back of reserves, a balance of £2.0m earmarked reserves is anticipated as remaining at the year end. Over and above this, £5.1m unearmarked reserves are anticipated to be carried forward after offsetting the forecast year end overspend outlined in this report. This equates to 2.2% of total budget.
- 6.3 The IJB Reserves policy sets out the need for a minimum of 2% unearmarked reserves to meet unplanned costs. The 2023/24 Draft Budget includes a number of non-recurring costs that if approved by the IJB, will reduce the £5.1m balance by up to £1m. The 2023/24 Budget Update to the IJB in December will outline the significant budget gap facing the IJB over the next 3 years, the level of risk and the need to maintain a level of unearmarked reserves to respond to huge uncertainty. There will be limited scope to use unearmarked reserves to formally support financial balance. Further, any scope to support costs across the wider system e.g. unscheduled care, is extremely limited and will be at cost of meeting the IJB's own obligations to deliver financial sustainability as set out in the Integration Scheme.
- 6.4 The Scottish Government has formally indicated their intention to pull back specific earmarked reserves in 2022-23 to fund either mainstream recurring HSCP policy commitments or to fund wider pressures across NHS Boards. At present this equates to a proposed £13.6m which can be broken down as follows:-



- Covid-19 Earmarked Reserve - £10.6m
- Primary Care Investment Fund - £2.6m
- Alcohol & Drug Partnership Reserve - £0.4m

- 6.5 A letter has been received in relation to the Scottish Government 2022/23 policy commitment to fund increased capacity in HSCP Multidisciplinary Teams. The impact of this further claw back is currently being established. Further, HSCP's have been advised to pause recruitment against committed SG additional funding for Mental Health in Primary Care.
- 6.6 Following last week's budget announcement the Scottish Government has indicated potential further funding adjustments may be necessary to support the additional costs of the NHS pay uplift above 3%.
- 6.7 The SG pull back of ADP and Primary Care reserves impacts on existing plans for utilization of reserves across these programmes.
- 6.8 A detailed summary of the P&K HSCP Reserves at Month 6 is included at Appendix 2.

## 7. KEY FINANCIAL RISKS

- 7.1 There are a number of significant financial risks which must be considered alongside this expenditure forecast as set out below:

| Risk   | Potential extent of Financial Exposure | Comments   |
|--|--|--|
| Tayside IJB's require to absorb the £4.4m forecast overspend on Inpatient Mental Health Services managed by NHS Tayside. | £1.5m                                  | Discussions ongoing with the Chief Officers, Chief Financial Officers and NHS Tayside Director of Finance.   |
| Further Scottish Government withdrawal of committed recurring funding.   | £0.8m                                  | Failure to receive funding for Mental Health Action 15 additional posts and Additional Band 2-4 posts, would present a further in year and recurring pressure.   |
| Agenda for Change Pay Awards 2022-23 above 3%  | £1.5m                                  | It is assumed that further NHS pay uplift beyond 2% will be fully funded in 2022-23 by SG, however that should not be the case then there will be a significant detrimental impact on the year end forecast. |
| Potential Legal Claims   | £0.4m                                  | Being managed and supported by PKC Legal Service.  |

## 8. CONCLUSION

- 8.1 The overall projected out-turn is a £0.4m overspend requiring use of reserves to break even. Whilst this is better than plan, it is deterioration from the £0.5m under spend forecast at Month 4. However, a key driver of this is the inclusion in the forecast of the increased costs associated with the Local Authority Pay Settlement. The agreement reached with PKC that PKHSCP will receive a far share of additional SG funding will improve future forecasts.
- 8.2 However, there are significant financial risks that remain. In particular the financial challenge facing Scottish Government and the cost of the outcome of pay negotiations may significantly impact on the financial position of the IJB in future months.

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### Appendices

Appendix 1 – Covid-19 Costs

Appendix 2 - IJB Reserves