



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

### **AUDIT & PERFORMANCE COMMITTEE**

**18 SEPTEMBER 2023**

### **2023/24 FINANCIAL POSITION**

**Report by the Interim Chief Finance Officer  
(Report No. G/23/113)**

#### **PURPOSE OF REPORT**

This report provides the Audit and Performance Committee with an update on the projected financial position based on the period 1 April 2023 to 31 July 2023 (Month 4).

#### **1. RECOMMENDATIONS**

It is recommended that the Audit & Performance Committee;

- (i) Notes the overall projected outturn for 2023/24 based on financial performance to 31 July 2023;
- (ii) Notes the Chief Officer and Executive Management Team are working on actions to mitigate cost pressures in the current year;
- (iii) Notes the financial risks as detailed in section 6.

#### **2. SUMMARY POSITION**

- 2.1 The 2023/24 Budget was approved by the IJB in March 2023 (Report G/23/37). The budget was based on several assumptions including demand levels, costs, pay and funding. The recurring budget was deemed as insufficient to meet the expected costs in 2023/24 and the IJB approved £3.842m of reserves to deliver a break-even position across Health and Social Care.
- 2.2 The Audit & Performance Committee will receive regular reporting on the financial position throughout the year, this report provides the first financial update for 2023/24.

2.3 The projected 2023/24 financial position, after the approved use of reserves, is an overspend of £2.465m. As detailed in section 3 below, the main cause of spend above plan is:

- the provision of additional capacity within Older People Services;
- share of overspend against 2C practices in Angus and Dundee;
- share of overspend within Out of Hours led by Angus IJB.

This forecast is based on older people additional capacity ending before October 2023. The Executive Management Team are working on the Perth & Kinross HSCP's Winter Plan and will bring this forward for approval to the IJB on 27 October 2023.

	Approved Budget 2023/24 Over / (Under) £m	Forecast Position Month 4 Over / (Under) £m
Prescribing	2.230	2.500
Undelivered Savings	0.904	1.320
Review of Contributions Policy	0.708	0.708
Older People Services	-	1.747
Adult Services	-	(0.681)
2C Practices (Dundee & Angus)	-	0.643
Out of Hours (share)	-	0.570
Other Areas	-	(0.500)
<b>Sub-Total</b>	<b>3.842</b>	<b>6.307</b>
Approved Use of Reserves	(3.842)	(3.842)
<b>Forecast Position</b>	<b>-</b>	<b>2.465</b>

2.4 As per the Integration Scheme, in the event financial recovery actions are unsuccessful then the IJB uncommitted reserves must firstly be used to address any overspend. Should reserves be required to offset the £2.465m projected overspend, the general reserves balance will fall below the IJB's reserve policy level.

2.5 Approval to extend the additional capacity currently within older people services would reduce the reserve balance further. This will impact on ability to assist with balancing budgets in future years.

### 3. MAIN VARIANCES

3.1 The projected outturn for Health services, after approved use of reserves, is an overspend of £1.406m. The projected outturn for Social Care services, after approved use of reserves, is an overspend of £1.059m.

## **Older People**

- 3.2 The forecast overspend on older people services is £1.747m.
- 3.3 Due to increased system pressures at the start of the financial year, capacity within care at home has been increased. This is above planned level and is driving an overspend against budget of £1.624m. Recruitment challenges have led to higher rates of pay and agency staff being required to deliver this additional capacity. This financial projection assumes delivery will return to planned levels by October 2023. If additional capacity continues at current levels until March 2024, it will increase the forecast position by c£1.0m.
- 3.4 Medicine for the Elderly inpatient services are forecasting a £1.092m overspend. This is due to supplementary staffing costs and the use of bank and agency to cover vacancies within the core bed model. In addition, due to increased pressure in the first 4 months of the financial year, the bed base in Tay and Stroke wards has been temporarily increased to support capacity and flow. The overspend has been partially offset by Covid-19 funding, carried forward from 2022/23 (£0.642m). The Scottish Government have authorised this to be allocated against costs incurred due to system pressures. The projected outturn on Medicine for the Elderly assumes inpatient beds will return to planned levels by October 2023. If the additional beds remain open until March 2024, it will result in an increased spend of c£0.6m.
- 3.5 The Community Hospitals within the South Locality have a projected overspend of £0.291m on staff costs due to significant use of agency and supplementary staffing to cover vacancies and sickness.
- 3.6 Underspends across several other older people services are partially offsetting the overall position. Although recruitment is improving, there have been unfilled vacancies to date leading to forecast underspend within Day Care (£0.166m) and Hospital at Home (£0.273m).

## **Adult Services**

- 3.7 The forecast on adult services is a £0.681m underspend.
- 3.8 The underspend on staffing is £0.570m. This is due to vacancies in the early months of the financial year and across several services. Recruitment is progressing and many of the posts are expected to be filled in the coming weeks and months.
- 3.9 The forecast underspend on packages of care and support is £0.431m, mainly due to delays in commencement of planned care packages.
- 3.10 Underspend positions are being partially offset by drug costs, specifically related to the increasing use of Buprenorphine. Buprenorphine is an alternative to methadone and was initially funded by the Scottish Government. This funding has ceased and costs are expected to be managed within existing IJB budgets. The additional expenditure and overspend is projected to be £0.263m in 2023/24.

## **Other Community Services and Management**

- 3.11 The forecast financial position across other community services and management is a £0.238m underspend.
- 3.12 Locality and Early Intervention and Prevention teams are projecting a £0.158m underspend on staff costs due to staff turnover and vacancies in the first 4 months of the year. Recruitment is ongoing and the positions are expected to be filled in the coming weeks.
- 3.13 The remainder of underspend is mainly due to delays in recruitment and slippage on investment in Primary Care Resilience.

## **Prescribing**

- 3.14 The forecast financial position for prescribing is a £2.500m overspend. The IJB's 2023/24 Budget planned for a £2.230m overspend and approved the use of general reserves to meet that pressure.
- 3.15 Due to system changes there are longer than normal delays in prescribing data. Only one month of actual costs are available for this financial year and these early projections are highly likely to change.
- 3.16 Actual data on cost and volume is expected to be available imminently and will be presented and discussed at the IJB's prescribing development session in October 2023.

## **General Medical Services**

- 3.17 The Perth and Kinross IJB continues to be attributed a share of costs associated with the provision of general medical practices in Dundee and Angus, where NHS Tayside is directly managing the practice (2C practices). At present, the financial position includes a share of the projected overspend, £0.641m for 2023/24. An anticipated 55% increase from last year.
- 3.18 As noted in previous reports, there is ongoing discussion with Dundee and Angus IJBs regarding financial risk sharing agreements for Primary Care Services, including 2C Practices. The expectation is that any future agreement will reduce Perth & Kinross IJB's exposure to financial risk.

## **Savings**

- 3.19 The table below summarises progress on delivery of approved savings. The 2023/24 IJB Budget anticipated delays in specific savings and these have been detailed below and funded non-recurringly from IJB reserves.

Description	Saving Plan	Non-Recurring Reserve Approved	Projected Delivery 2023/24	Projected Shortfall 2023/24
Transformation of Complex Care	0.765	(0.164)	(0.185)	0.416
Review of Contributions Policy	0.708	(0.708)	-	-
Redesign of Rehabilitation Beds	0.740	(0.740)	-	-
Care Home Placements	0.500	-	(0.500)	-
Prepaid Card Scheme	0.080	-	(0.080)	-
Integrated Management	0.075	-	(0.075)	-
Procurement & Commissioning Efficiencies	0.154	-	(0.154)	-
Deletion of Vacant Posts	0.325	-	(0.325)	-
<b>Total</b>	<b>3.347</b>	<b>(1.612)</b>	<b>(1.319)</b>	<b>0.416</b>

- 3.20 Any shortfall in delivery of savings or delay in progress will impact the future financial plan and the IJBs ability to deliver on Strategic Plan objectives. The above table highlights that only 40% of the saving plan is being delivered on a recurring basis. Delivery of savings had been impacted by the need to focus resources in responding to Covid-19. The Transformation Board has recommended to support major savings initiatives and progress updates will be provided through the regular financial reporting to Audit & Performance Committee.
- 3.21 The projected shortfall in savings delivery is reflected in the overall financial position provided in this update report.

### **Lead Partner Arrangements (Hosted Services)**

- 3.22 Lead Partner arrangements (formerly referred to as Hosted Services) exist across the 3 Tayside IJBs. Each IJB provides lead arrangements for some services on behalf of the other IJBs. The financial outturn of these services is then shared across the 3 IJBs at the end of the financial year.
- 3.23 Detail of the services and the projected financial position is provided in Appendix 2. The overall Perth & Kinross IJB share is a £0.484m overspend.
- 3.24 For Perth & Kinross lead services, staffing underspend continues to be the main contributing factor. Prison Healthcare and Podiatry continue to have considerable vacancies due to staff turnover and recruitment challenges. The Prison Healthcare staffing underspend is being offset by increased costs for management of the new pharmacy contract and costs related to the roll out of Buvival.
- 3.25 The main area of overspend relates to the Out of Hours service led by Angus IJB (£1.7m overspend, of which £0.570m is the Perth & Kinross share). The Out of Hours overspend is a result of changes to the patient pathway and a considerable increase in patient contacts, compared to pre the Covid-19

levels. The service is working to reduce costs and will continue to develop a financial recovery plan setting out how the shortfall can be addressed.

#### **4. INPATIENT MENTAL HEALTH**

- 4.1 Inpatient Mental Health services are a delegated function to Tayside IJB's, having previously been Hosted by Perth & Kinross IJB. In early 2020/21, the operational management of these services was returned to NHS Tayside. However, under health and social care integration legislation the strategic planning of these services remains delegated to the 3 Tayside Integration Joint Boards.
- 4.2 Discussions are continuing between the 3 IJB Chief Officers, Chief Finance Officers and NHS Tayside around residual financial risk sharing and to the longer-term financial arrangements for these services. For the financial year 2022/23, the parties agreed that each IJB would make a financial contribution to support the services financial position. The contribution from Perth & Kinross was £0.750m which was provided from the IJBs earmarked reserve "Health – NHS Tayside".

#### **5. RESERVES**

- 5.1 The IJB holds both earmarked and unearmarked (general) reserves. In April 2023 the earmarked reserve balance was £6.7m. This balance is fully committed for future years.
- 5.2 A balance of £0.6m Covid-19 funding was carried forward from 2022/23 into this financial year. The Scottish Government has authorised Perth & Kinross IJB to apply this funding against incurred system pressure costs in 2023/24. As noted in section 3, this has been applied to older people services.
- 5.3 The unearmarked (general) reserve balance in April 2023 was £9.5m. As per the 2023/24 Budget, the IJB has approved £3.8m of general reserves to meet non-recurring expenditure. Based on the financial projection in this report, an additional £2.5m of general reserve would be required to balance. This would reduce the IJBs general reserve balance to £3.2m and 1.3% of the IJBs net expenditure budget. This is below the IJB's 2% reserve policy to maintain an adequate reserve to support unanticipated expenditure pressures.
- 5.4 Further detail is provided in Appendix 3.

#### **6. RISKS**

- 6.1 Both the 2023/24 Budget and this latest forecast position are based on several assumptions including demand levels, costs, pay and funding. The risks related to these assumptions are summarised below:
- **Local Government Pay Settlement** - The IJB Budget planned 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.

- **Winter Pressures** – As noted in this report, the financial projection is based on older people services returning to planned levels. Continuation of additional capacity will be a risk to the financial position.
- **Prescribing** - An increase on volume and price above the financial plan level would result in significant additional financial pressure for the IJB.
- **Inpatient Mental Health** - As noted in section 4, the financial risk share and longer term planning has not yet been agreed or finalised. Any risk share would detrimentally impact this reported IJB financial position.
- **Scottish Government Funding Allocation** – Mental Health Action 15 and Multi-Disciplinary Team funding remain outstanding. Delivery plans would be at risk if funding is not received at previously advised levels. The Scottish Government have acknowledged the delay and advised they will be allocated as soon as possible.

## 7. CONCLUSION

- 7.1 The overall projected outturn for 2023/24 is an overspend of £2.465m. The Chief Officer and Executive Management Team are working on actions to mitigate cost pressures in this financial year.

## 8. DIRECTIONS

- 8.1 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	X
	Perth & Kinross Council	
	NHS Tayside	
	Perth & Kinross Council and NHS Tayside	

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### Appendices

- Appendix 1 – Summary Financial Position  
 Appendix 2 – Summary Lead Partner Financial Position  
 Appendix 3 – IJB Reserves

**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.