



PERTH & KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

24 June 2024

2023/24 FINANCIAL POSITION

**Report by the Chief Finance Officer
(Report No. G/24/91)**

PURPOSE OF REPORT

This report provides the Audit and Performance Committee with an update on the financial position at the end of the financial year 2023/24. It also provides an update on the level of reserves to be carried forward to 2024/25.

1. RECOMMENDATIONS

It is recommended that the Audit & Performance Committee:

- (i) Notes the overall outturn for 2023/24 based on financial performance to 31 March 2024;
- (ii) Notes the expenditure against earmarked reserves and the level of reserves to be carried forward to 2024/25;

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 On 27 October 2023, the IJB considered the HSCP Winter Plan (Report G/23/144). Additional expenditure of £1.1m, to be funded by general reserves, was approved to support whole system resilience over the winter period, through surge beds and an extension of the Early Discharge Project. The actual costs incurred in this financial year have been included within the detailed table below.

- 2.3 The Audit & Performance Committee receives regular reporting on the financial position throughout the year, this report provides the fourth financial update for 2023/24.
- 2.4 As detailed within Appendix 1 to this report, the year end financial position for the IJB in 2023/24 is an overspend of £4.814m. This is an improvement of £0.629m in comparison to the position last reported in March 2024 (Report G/24/26).
- 2.5 The main causes of spend above plan was driven by the following:
- the provision of additional capacity within Older People Services mainly in Care at Home, Inpatient Community Hospitals and Inpatient Wards at PRI;
 - increased expenditure within GP Prescribing;
 - share of overspend against 2C practices in Angus and Dundee;
 - share of overspend within Out of Hours with Angus IJB as the lead partner.

	Approved Budget 2023/24	Forecast Position Month 9	Final Position Month 12
	Over / (Under) £m	Over / (Under) £m	Over / (Under) £m
Prescribing	2.230	3.040	2.847
Undelivered Savings	0.904	0.740	0.740
Review of Contributions Policy	0.708	0.708	0.708
Older People Services	-	2.541	2.910
Adult Services	-	(1.090)	(1.604)
2C Practices (Dundee & Angus)	-	0.401	0.401
Out of Hours (share)	-	0.499	0.575
Other Areas	-	(1.396)	(1.763)
Sub-Total	3.842	5.443	4.814
Approved Use of Reserves	(3.842)	(4.783)	(4.814)
Final Position	-	0.660	-

- 2.6 The table above indicates an overall underspend reported on Other Areas. This is mainly driven by Lead Partner Arrangements hosted by Perth & Kinross, covering Prison Services, Dental Services and Podiatry. Ongoing challenges in recruiting to vacancies and retention of staff within the Prison and Podiatry services has led to an overall underspend of (£1.040m) in 2023-24, and is described in more detail at Section 3.27 of this report.

2.7 As per the Integration Scheme, in the event financial recovery actions are unsuccessful, the IJB uncommitted reserves must firstly be used to address any overspend. General reserves totalling £4.814m have been used to address the overspend reported in 2023-24, as outlined in the table at Section 2.5.

3. MAIN VARIANCES

3.1 As detailed at Section 2.4 (above), the overall final outturn, before the application of general reserves was an overspend of £4.814m.

	Final Position Month 12 Over / (Under) £m
Health Services	2.774
Social Care Services	2.040
Funded by General Reserves	(4.814)
Total	-

Older People

3.2 The actual overspend, prior to use of reserves, on older people services is £2.910m. This has increased by £0.369m from the position reported at Month 9. This is a result of continued demand experienced within Direct Payments providing Care at Home; an increase in costs associated with interim care placements due to delays in the commencement of alternative care arrangements; and additional supplementary staffing costs within Psychiatry of Old Age in relation to varying levels of patient acuity.

3.3 Capacity within Care at Home had been increased in response to whole system pressures in 2023/24. This included the extension and expansion of the Early Discharge Project to support the HSCP Winter Plan to 31 March 2024. Recruitment challenges across Perth & Kinross in 2023/24 led to higher rates of pay and agency staff being required. The overall capacity is above planned level and coupled with the increased demand in Direct Payments providing Care at Home, is mainly driving the overspend against budget of £2.682m.

3.4 Older People Residential and Nursing Placements is reporting an overspend of £0.643m at Month 12. This is a reduction of £0.084m from the position reported at Month 9. The decrease in overspend relates to changes in the balance of free personal care and full cost clients, rather than a reduction in client numbers, with client numbers and demand remaining high. The increase in placements throughout 2023/24 is understood to be driven by increasing confidence post covid, an improvement in the Psychiatry of Old Age discharge process resulting increase in Nursing EMI placements, and a reduction in the number of people waiting an assessment. It should be noted that an increase in placements is in contrast with the Older People Strategic Plan assumptions. Although this has been partially addressed through the 2024/25 IJB budget setting process, this will require close monitoring in the new financial year.

- 3.5 Medicine for the Elderly inpatient services reported an overspend of £1.317m at Month 12. This was due to supplementary staffing costs and the use of bank and agency to cover vacancies within the core bed model. In addition, due to pressure experienced throughout the financial year, the bed base in Tay and Stroke wards had been temporarily increased to support capacity and flow. Whilst the HSCP Winter Plan approved the extension of the additional beds in Tay Ward to 31 March 2024, Tay Ward returned to its substantive bed base of 14 at the end of February 2024. Stroke Ward was expected to revert to its substantive bed base of 18 at December 2023, however, the ward is still experiencing high demand and is operating with 4 additional beds. The total overspend was partially offset by Covid-19 funding, carried forward from 2022/23 (£0.642m) and other non-recurring funding of (£0.245m). The Scottish Government had authorised remaining Covid funding held within earmarked reserves to be allocated against costs incurred due to system pressures.
- 3.6 Community Hospitals across P&K reported an overspend of £0.787m. This is an increase of £0.089m from the position reported at Month 9. This is mainly due to increased costs for supplementary staffing and the one off purchase of specialist supplies. The overspend in year was mainly driven by staff costs in St. Margarets (£0.233m) and Crieff Hospital (£0.336m) due to significant use of agency and supplementary staffing to cover high levels of vacancies and sickness. Financial recovery measures and other initiatives to explore alternatives to supplementary staffing will continue into the new financial year.
- 3.7 The Psychiatry of Old Age (POA) service reported an underspend of £0.160m at Month 9, which is a decrease of (£0.085m) from the position last reported. This movement is mainly due to high level of patient acuity leading to increased supplementary staffing use as well as a new consultant starting earlier than previously anticipated. The underspend reported is mainly due to income associated with Angus patients being admitted to Perth & Kinross POA wards, due to the non-operational ward in Angus. This arrangement continued until 31 March 2024.
- 3.8 There was a considerable underspend reported within the Urgent Care and Hospital at Home Services of £0.400m mainly due to continued difficulty in recruiting to vacant posts. The position also benefitted from one-off Scottish Government funding for Hospital at Home. A request for £0.248m of funding was approved to support Hospital at Home throughout winter and until March 2024, however this was dependant on reaching a certain level of occupied beds. Due to staff shortages, those initial targets were not met by 31 March 2024 and the total income received from Scottish Government was £0.200m.
- 3.9 Underspends across several other older people services have partially offset the overall position. Community Nursing is reporting an underspend on staff costs of £0.306m. This was driven by a number of vacancies throughout the year. Day Care also reported a significant underspend of £0.222m, with slippage in the early part of this financial year and continued vacancies largely responsible for this position. Underspends in Public Transport and Respite

due to uptake being lower than budgeted equates for a further £0.183m underspend.

Adult Services

- 3.10 The final position reported on adult services is a £1.604m underspend. This is an increase of £0.514m from the underspend reported at Month 9. This movement is mainly driven by further delays in client packages commencing within supported living projects and block contracts, further slippage reported within the General Adult Psychiatry staffing budgets following unanticipated staffing movements as well as lower than anticipated transition costs for an out of area placement.
- 3.11 The final underspend on staffing is £0.737m. This was driven by vacancies in the early months of the financial year across several services. Although there was progress throughout the year with a number of vacancies being filled, further slippage was experienced across the services with a number of vacancies remaining unfilled at the end of the financial year.
- 3.12 The final underspend on packages of care and other support is £0.867m. This underspend is mainly due to delays experienced in the commencement of planned care packages and lower than anticipated costs from providers. The transformation of complex care programme continues to redesign the way services are provided for people with complex needs. This transformation has been further supported in year using one-off Community Living Change Funding.

Other Community Services and Management

- 3.13 The final financial position across other community services and management is a £0.773m underspend.
- 3.14 Locality and Early Intervention and Prevention teams reported an underspend of £0.317m on staff costs due to staff turnover, delays in recruitment experienced and vacancies in the financial year. This is an increase of £0.046m from the position last reported. This reflects further vacancies and fluctuations in staffing in the final few months of the financial year.
- 3.15 The remainder of the underspend mainly relates to slippage on the Primary Care Resilience Team following significant delays in recruitment and slippage within other support services.

Prescribing

- 3.16 The final overspend reported on GP Prescribing is £2.847m. The IJB's 2023/24 budget planned for a £2.230m overspend and approved the use of general reserves to meet that pressure. This overspend is a decrease of £0.193m from the position reported at Month 9, which was mainly driven by a price reduction in apixaban from September 2023 now being reflected within the position.

- 3.17 National Services Scotland (NSS) had been working towards delivering a new prescribing management system. As highlighted in previous reports, there have been considerable technical issues in the go live phase of the project. This had resulted in longer than normal delays in receiving prescribing cost and volume data throughout 2023/24. This position has now stabilised and information flows have now caught up to the usual level of 2 months in arrears. However, issues remain in the information, which most notably led to unanticipated additional costs following the discovery of an underpayment to pharmacy contractors, relating to catheters and appliances, dating back to May 2023.
- 3.18 Buvidal is an alternative to methadone and was initially funded by the Scottish Government. This funding ceased and costs are expected to be managed within existing prescribing budgets. The additional expenditure associated with this was £0.278m and has been met non-recurringly by ADP funding in 2023/24. This cost has been included in the 2024/25 budget and will be offset non-recurringly by ADP funding.

General Medical Services

- 3.19 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). As noted in previous reports, all 3 Partnerships have now agreed to review financial risk-sharing within Primary Care.

This is currently being progressed through 3 routes:

- Developing an improved understanding of the Scottish Government budgetary allocations for Tayside.
- Developing an improved understanding of the current commitments against the resources – e.g. in terms of GP contractual commitments.
- Developing options for revising the financial risk-sharing arrangements considering both points above.

- 3.20 Progress has been made on the above outlined routes with intensive work undertaken in relation to:
- furthering understanding of allocations and current commitments,
 - working with support teams,
 - moving towards a more localised ownership and visibility of GMS.

Reports continue to be developed and will come forward to Primary Care management group meetings in due course. In relation to revised risk sharing, progress is being made with this leading towards a more localised ownership and visibility.

- 3.21 The final position for GMS in 2023/24 included a share of £0.401m of the 2C overspend. In recognition of the ongoing review of risk share, an interim reduction to the Perth & Kinross IJB has been applied. This reduction reflects the expectation that any future agreement will reduce Perth & Kinross IJB's exposure to financial risk.

Savings

- 3.22 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	Savings Delivered 2023/24	Shortfall 2023/24
Transformation of Complex Care	0.765	-	(0.765)	-
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)	-
Total	3.347	(1.448)	(1.899)	-

- 3.23 Any further shortfall in delivery of savings or delay in progress in the upcoming financial year will impact the future financial plan and the IJBs ability to deliver on Strategic Plan objectives. The above table highlights that in 2023/24, 57% 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.
- 3.24 Progress on the savings funded non-recurringly in 2023/24 and further savings agreed as part of the 2024/25 IJB Budget set on 20th March 2024 (Report G/24/45), will be reported regularly to this committee throughout the upcoming financial year.

Lead Partner Arrangements (Hosted Services)

- 3.25 Lead Partner arrangements (formerly referred to as Hosted Services) exist across the 3 Tayside IJBs. Each IJB provides lead arrangements for specific 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.
- 3.26 Detail of the services and the final financial position for 2023/24 is provided in Appendix 2. The overall Perth & Kinross IJB share is a £0.110m overspend, which is a small reduction (£0.036m) in the overspend reported at Month 9.
- 3.27 For Perth & Kinross lead services, an overall underspend of £1.040m is reported. Staffing underspend continued to be the main contributing factor to this position. Prison Healthcare, Dental and Podiatry continue to carry a number of vacancies due to staff turnover and recruitment challenges. The

Prison Healthcare staffing underspend was partially offset by increased costs for management of the new pharmacy contract, costs related to the roll out of Bupropion and the continued use of agency and bank staff to cover the vacant GP provision.

- 3.28 The main area of overspend relates to the Out of Hours service with Angus IJB as the lead partner. The Out of Hours service has seen changes in demand, during and since Covid-19, resulting in significant increased costs. Whilst the number of clinician-patient contacts is similar post Covid-19 to pre Covid-19, the consultation times are longer due to more complex cases. The associated increased costs were supported by Scottish Government Covid-19 funding until March 2023. The service has reported an in year overspend of £1.714m (P&K's share is £0.574m) and a recurring pressure of c£1.4m. The initial financial recovery plan has been shared with Angus' Executive Management Team and a further update is due early within the new financial year.

4. INPATIENT MENTAL HEALTH

- 4.1 Inpatient Mental Health and Learning Disability Services are delegated to the 3 Tayside IJBs, having previously been hosted by Perth & Kinross. In early 2020, 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 IJB's as per the revised integration scheme approved in June 2022.
- 4.2 Currently, there is no recurring budget delegated to the IJB's for Inpatient Mental Health and Learning Disability Services and the service reported a final overspend of c£5.1m across Tayside in 2023/24. However, given the IJB's have strategic planning responsibility for the services, there is a requirement to show a delegated budget and spend position within the IJB annual accounts.
- 4.3 Agreement had been reached by the 3 IJB Chief Officers, Chief Finance Officers, Chief Executives of the 3 local authorities, Chief Executive of NHS Tayside and the NHST Tayside Director of Finance for a funding solution in 2023/24. This was considered by the P&K IJB in February 2024. The IJB subsequently gave approval to release funding held within earmarked reserves of £0.650m, originally provided by NHS Tayside, to contribute to the overall service shortfall. The impact of this has been reflected within Section 5 and Appendix 3 to this report.
- 4.4 The funding outlined above supports the financial stabilisation of the service in 2023/24 as work progresses to develop a deliverable financial recovery plan and future financial framework over 2024/25 and beyond, reflecting a shift in the balance of care from inpatient services to community based provision.
- 4.5 It was previously reported to this committee that a potential additional funding commitment of up to £0.125m may also be required in 2023/24 should Inpatient Mental Health Services be unable to reduce spend over the

remainder of the financial year. However, the overall overspend of £5.1m was lower than the overspend of c£5.6m reported at Month 9, meaning a further contribution of only £0.020m was required from P&K. This has been funded from general reserves. The total contribution from P&K towards the Inpatient Mental Health and Learning Disability Services overspend in 2023/24 was, therefore, £0.670m.

5. RESERVES

- 5.1 The IJB holds both earmarked and unearmarked (general) reserves. In April 2023 the earmarked reserve balance was £7.3m. This 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 3.5, this has been applied to older people services.
- 5.3 As mentioned in Section 4, the IJB approved the release of funding held within earmarked reserves of £0.650m, originally provided by NHS Tayside, to contribute to the overall Inpatient Mental Health service shortfall. In addition, an additional contribution of £0.020m towards the Inpatient Mental Health service overspend of c£5.1m has been made, funded from general reserves. This has been reflected within Appendix 3.
- 5.4 The unearmarked (general) reserve balance in April 2023 was £9.5m. The IJB had approved the use of reserves for specific purposes (amount required £4.8m). This reduces the IJBs general reserve balance to £4.7m and 1.9% 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.
- 5.5 The last report to this committee advised that there was the considerable likelihood that reserves would be required to support transformation and to balance the IJB Budget in 2024/25. Approval for this was sought from the IJB on 20 March 2024, with £1.448m of general reserves approved to balance the 2024/25 budget. If required, this will reduce the general reserve balance available to c£3.3m. This has been reflected within Appendix 3.

6. FUTURE RISKS

- 6.1 The Perth & Kinross IJB 2024/25 Budget Report (Report G/24/45) detailed the current financial risks facing the organisation and these risks remain unchanged.
- 6.2 In addition, national reforms included in the Agenda for Change Pay Deal for 2023-24 committed to a reduction in the working week from 37.5 hours to 37 hours, protected learning time for staff and a review of Band 5 nursing roles, could lead to a future cost pressures in 2024/25 and beyond. Although the Scottish Government have committed funding of £200m to Health Boards

nationally to fund this, it is estimated this is significantly short of the amount required. Additionally, this funding has only been earmarked as non-recurring. Discussions are continuing with Chief Finance Officers and the Scottish Government and updates will be reported regularly to this committee throughout 2024/25.

7. 2024/25 : 2026/27 BUDGET UPDATE

- 7.1 On 20 March 2024 the IJB approved the budget for 2024/25 and noted the provisional budgets for 2025/26 and 2025/27. The 2024/25 (year 1) budget required the use of £1.448m of general reserves to balance, with years 2 and 3 identified further recurring gaps.
- 7.2 Considerable work is underway to develop plans for delivering upon the savings and efficiencies identified within the budget. Transformation work is underway with a view to strategically identifying and delivering on opportunities to transform the services we deliver in Perth & Kinross. Additional sessions have also been arranged with the IJB Budget Review Group, with the first of these sessions taking place on 7 May 2024. These sessions provide the opportunity for the IJB Budget Review Group to provide challenge, feedback, and scrutiny on progress to date and the ability and foresight to plan ahead for the 2025/26 budget and beyond.

8. CONCLUSION

- 8.1 The overall projected outturn for 2023/24, before the application of general reserves is an overspend of £4.814m. The Chief Officer and Executive Management Team will continue into 2024/25 to work on actions to mitigate cost pressures across the service where possible.

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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.