



Perth & Kinross Integration Joint Board

Audit & Performance Committee

11 December 2023

2023/24 FINANCIAL POSITION

Report by the Interim Chief Finance Officer
(Report No. G/23/173)

1. 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 October 2023 (Month 7).

2. RECOMMENDATIONS

It is recommended that the Audit & Performance Committee;

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

3. SUMMARY POSITION

- 3.1 The 2023/24 Budget was approved by the Integration Joint Board (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.
- 3.2 On 27 October 2023, the IJB considered the HSCP Winter Plan (Report G/23/144). Additional expenditure of £1.1m was approved to support whole system resilience over the winter period, through surge beds and an extension of the Early Discharge Project. These costs have been included within the detail in the table below and will be funded from reserves.

- 3.3 The Audit & Performance Committee receives regular reporting on the financial position throughout the year, this report provides the second financial update for 2023/24.
- 3.4 The projected 2023/24 financial position, after the approved use of reserves, is an overspend of £2.125m. Further detailed in section 3 below, the main cause of spend above plan is:
- the provision of additional capacity within Older People Services;
 - increased projected 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	Forecast Position	Forecast Position
	2023/24	Month 4	Month 7
	Over / Under £m	Over / Under £m	Over / Under £m
Prescribing	2.230	2.500	3.132
Undelivered Savings	0.904	1.320	0.904
Review of Contributions Policy	0.708	0.708	0.708
Older People Services	-	1.747	3.025
Adult Services	-	(0.681)	(0.720)
2C Practices (Dundee & Angus)	-	0.643	0.401
Out of Hours (share)	-	0.570	0.431
Other Areas	-	(0.500)	(0.809)
Sub-Total	3.842	6.307	7.072
Approved Use of Reserves	(3.842)	(3.842)	(4.947)
Forecast Position	-	2.465	2.125

- 3.5 The forecast costs will continue to be reviewed as the year progresses and financial recovery actions are being taken where possible to contain or minimise the projected overspend. The current year pressures will also inform the ongoing budget preparation work for the coming financial year 2024/25.
- 3.6 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 £2.125m projected overspend, the general reserves balance will fall below the IJB's reserve policy level.

4. MAIN VARIANCES

- 4.1 The overall projected outturn, after approved use of reserves, is an overspend of £2.125m.

	Forecast Position Month 7 Over / (Under) £m
Health Services	0.842
Social Care Services	1.283
Total	2.125

Older People

- 4.2 The forecast overspend, prior to use of reserves, on older people services is £3.025m.
- 4.3 Capacity within care at home has been increased in response to whole system pressures. This includes the extension and expansion of the Early Discharge Project to support the HSCP Winter Plan. Recruitment challenges have led to higher rates of pay and agency staff being required. The overall capacity is above planned level and is driving an overspend against budget of £2.599m.
- 4.4 Medicine for the Elderly inpatient services are forecasting a £1.110m 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 6 months of the financial year, the bed base in Tay and Stroke wards have been temporarily increased to support capacity and flow. The HSCP Winter Plan has approved the extension of the additional beds in Tay Ward to 31 March 2024. 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.
- 4.5 The Community Hospitals have a projected overspend of £0.665m. This is mainly driven by staff costs in St. Margarets (£0.211m) and Crieff Hospital (£0.325m) due to significant use of agency and supplementary staffing to cover vacancies and sickness.
- 4.6 Older People Residential and Nursing Placements are forecasting a £0.858m overspend. The recent increase in placements is understood to be due to increasing confidence post covid, an improvement in the Psychiatry of Old Age discharge process and resulting increase in Nursing EMI placements, and a reduction in the number of people waiting an assessment. An increase in placements is in contrast with the Older People Strategic Plan assumptions. The IJB will therefore be required to reassess previous investment and disinvestment decisions as part of the 2024/25 budget setting process.

4.7 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 Community Nursing (£0.260m) and Day Care (£0.209m).

4.8 The position is also benefitting from Hospital at Home funding very recently confirmed by Scottish Government. A request for £0.248m of funding has been approved to support Hospital at Home throughout winter and until March 2024.

Adult Services

4.9 The forecast on adult services is a £0.720m underspend.

4.10 The underspend on staffing is £0.448m. 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.

4.11 The forecast underspend on packages of care and support is £0.303m, mainly due to delays in commencement of planned care packages.

Other Community Services and Management

4.12 The forecast financial position across other community services and management is a £0.293m underspend.

4.13 Locality and Early Intervention and Prevention teams are projecting a £0.165m underspend on staff costs due to staff turnover and vacancies in the first 6 months of the year. Recruitment is ongoing and the positions are expected to be filled in the coming weeks.

4.14 The remainder of underspend is mainly due to delays in recruitment and slippage within support services and investment in Primary Care Resilience.

Prescribing

4.15 The forecast financial position for prescribing is a £3.132m overspend. The IJB's 2023/24 budget planned for a £2.230m overspend and approved the use of general reserves to meet that pressure.

4.16 National Services Scotland (NSS) have 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 has resulted in longer than normal delays in receiving prescribing cost and volume data. There are only 3 months of 2023/24 data available and concern remains around the robustness of this data. Normally at this stage in the financial year there would be 5 months of robust and verified data to inform projections. The forecast position therefore remains uncertain and highly likely to change.

4.17 Buprenorphine 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 is projected to be £0.217m

and is being met non-recurringly by ADP funding in 2023/24. This cost will require to be met by prescribing budgets from 2024/25.

General Medical Services

4.18 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.

4.19 At present, the forecast financial position includes a share of the projected 2C overspend, at £0.401m for 2023/24. In recognition of the ongoing review of risk share, an interim reduction to the Perth & Kinross IJB has been applied (this has reduced from £0.643m at the last report). This reduction reflects the expectation that any future agreement will reduce Perth & Kinross IJB's exposure to financial risk.

4.20 At present, the £0.401m share of 2C costs is being fully offset by one-off underspends within other areas of the General Medical Services budgets. However, as noted in section 6 below, there is a risk around funding allocation levels and if realised this will reverse this offset and put GMS into an overspend overall.

Savings

4.21 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)	(0.601)	-
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	(1.612)	(1.735)	-

4.22 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 52% 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 re-commenced to support major savings initiatives and progress updates will be provided through the regular financial reporting to Audit & Performance Committee.

Lead Partner Arrangements (Hosted Services)

- 4.23 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.
- 4.24 Detail of the services and the projected financial position is provided in Appendix 2. The overall Perth & Kinross IJB share is a £0.316m overspend.
- 4.25 For Perth & Kinross lead services an overall underspend of £0.817m is forecast. Staffing underspend continues to be the main contributing factor. Prison Healthcare, Dental and Podiatry continue to have vacancies due to staff turnover and recruitment challenges. The Prison Healthcare staffing underspend is being partially offset by increased costs for management of the new pharmacy contract, costs related to the roll out of Buvidal and the continued use of agency and bank staff to cover GP provision.
- 4.26 The main area of overspend relates to the Out of Hours service with Angus IJB as the lead partner (£1.288m projected overspend, of which £0.432m is the Perth & Kinross share). The Out of Hours service has seen an increase in demand, during and since Covid-19, resulting in 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 is forecasting an overspend position this year; however, following the implementation of new governance and efficiency measures, the position in the current year has reduced from a forecast of a c£1.8m to a c£1.3m forecast overspend. This is partly a result of actions being taken forward as part of a financial recovery plan, originally requested in December 2022, currently near finalisation.

5. INPATIENT MENTAL HEALTH

- 5.1 Operational responsibility for Inpatient Mental Health, Learning Disability and Drug & Alcohol Services rests with NHS Tayside. This is not delegated to the IJBs and this is clarified in the Integration Schemes which were reviewed and updated in June 2022. The strategic planning for these inpatient services continues to be delegated to the three Tayside Integration Joint Boards. The Chief Officer of the Perth & Kinross IJB has a "Lead Partner" role to lead and coordinate strategic planning across Tayside. The Chief Officer has ensured that all three Integration Joint Boards and NHS Tayside Board have approved a Whole System Mental Health & Learning Disability Change Programme in June 2023 and receive regular progress updates. This sets out the timescales for the development and implementation of new models of care including the redesign of inpatient general adult psychiatry services and

whole system redesign of learning disability services along with a range of improvement actions.

- 5.2 The development of a financial recovery plan for Inpatient Mental Health Services is underway to address a projected budget overspend in 2023/24 of £5.7m. The responsibility for the development of this financial recovery plan rests with the NHS Tayside Executive Lead for Mental Health Services. In addition, a strategic finance and resource framework is required to support the whole system change programme. This has been delayed due to a range of factors including capacity and interdependencies. Both are to be reported to the three Integration Joint Boards and NHS Tayside. The three Chief Officers for the IJBs and Director of Finance for NHS Tayside have agreed to work collaboratively on a financial framework which will deliver on a new model of care across the continuum of need. A recovery plan for inpatient mental health services financial pressures anticipated in 2023/24 is being prepared by NHST and will be considered by the Executive Leadership Group in December 2023 and reported to the IJBs or a relevant committee of the IJBs thereafter. An assessment of the impact of this will be considered further by officers prior to reporting to the IJB. The IJB forecast position does not include any financial implication for In-Patient Mental Health services.

6. RESERVES

- 6.1 The IJB holds both earmarked and unearmarked (general) reserves. In April 2023 the earmarked reserve balance was £7.3m. Of this, £6.7m is fully committed for future years.
- 6.2 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.
- 6.3 The unearmarked (general) reserve balance in April 2023 was £9.5m. As per the IJB 2023/24 budget and subsequent HSCP Winter Plan, the IJB has approved £5.0m of general reserves to meet non-recurring expenditure. Based on the financial projection in this report, an additional £2.1m of general reserve would be required to balance. This would reduce the IJBs general reserve balance to £2.4m and 1% 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.
- 6.4 Further detail is provided in Appendix 3.

7. RISKS

7.1 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. There remains a risk that the cost of the final pay settlement is above available funding which could impact on both the current and future financial years.
- **Prescribing** – Further increases in costs are resulting in significant additional financial pressure for the IJB. Once additional data becomes available, there is potential to approach the National Primary Care Technical Group to review and understand the variations in volume and cost.
- **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 funding remains 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.
- **General Medical Services Funding Allocation** - In October 2023, NHS Tayside received the 2023/24 budgetary allocation to fund GMS (c£78m). Unfortunately, there are some uncertainties regarding this allocation which poses potential risk to all Tayside IJBs. Separately, a national assessment of the allocations indicates that Health Boards will have a series of commitments that have not received an appropriate inflationary funding uplift. This increases financial pressures on GMS budgets. Updates are currently being prepared for Primary Care management forums describing the financial planning position. An update on this risk will be included in the next finance report to the IJB Audit & Performance Committee.

8. 2024/25 : 2026/27 BUDGET UPDATE

8.1 In March 2023 the IJB approved the budget for 2023/24 and noted the provisional budgets for 2024/25 and 2025/26. The 2023/24 (year 1) budget required the use of reserves to balance and years 2 and 3 identified recurring gaps.

8.2 Work is now underway to fully review all known and emerging pressures, update funding assumptions and develop additional savings. The budget will be developed and considered with IJB members at Budget Development Sessions, held monthly, commencing 15th December 2023 until the budget is considered for final approval on 20th March 2024.

9. CONCLUSION

- 9.1 The overall projected outturn for 2023/24 is an overspend of £2.125m. The Chief Officer and Executive Management Team continue to work on financial recovery actions to mitigate cost pressures in this financial year.

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

Author(s)

Name	Designation	Contact Details
Donna Mitchell	Interim Chief Finance Officer	dmitchell@pkc.gov.uk

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.