



## **Perth & Kinross Integration Joint Board**

### **Audit & Performance Committee**

**26 June 2023**

### **2022/23 FINANCIAL POSITION**

**Report by the Interim Chief Finance Officer**  
(Report No. G/23/89)

#### **1. PURPOSE OF REPORT**

- 1.1 This report provides the Audit and Performance Committee with an update on the financial position at the end of the financial year 2022/23. It also provides an update on the level of reserves to be carried forward to 2023/24.

#### **2. RECOMMENDATIONS**

- 2.1 It is recommended that the Audit & Performance Committee:-
- (i) Notes the overall outturn for 2022/23 based on financial performance to 31 March 2023;
  - (ii) Notes the final Covid-19 expenditure and the update on Covid-19 reserves;
  - (iii) Notes the expenditure against earmarked reserves and the level of reserves to be carried forward to 2023/24.

#### **3. SUMMARY POSITION**

- 3.1 As detailed in Appendix 1 to this report, the year-end financial position for the IJB in 2022/23 is an underspend of £4.008m. A movement of £1.285m from the position last reported in March 2023 (Report G/23/19).
- 3.2 In 2022/23, the Scottish Government invested additional recurring funding into health and social care. This included c£6m funding for care at home capacity, adult care social work capacity, multi-disciplinary teams working and additional health care support staff. However, at the time of the investment, operational and management capacity continued to be impacted by Covid-19 related activity. Health and Social Care services continued to have unprecedented levels of demand with more complex needs and increased frailty due to Covid-19. This increased demand came at the time workforce were exhausted from the pandemic response and maintaining resilience across services remained priority.

In addition, health and social care is facing recruitment challenges which has meant a higher level of staffing underspend than normal. The Strategic Delivery Plans (SDP), supported by this funding, are being implemented and recruitment is underway to ensure capacity is optimised..

- 3.3 In addition to the core position there has been considerable expenditure against earmarked reserves. A total of £3m has been spent against Winter Resilience and a further £3.6m against Covid-19 reserves (excluding provider sustainability). Of this, £3.3m has been staffing expenditure which has provided resilience across services, whilst the SDPs are being implemented.

#### **4. MAIN VARIANCES**

- 4.1 The final outturn for Health services is an underspend of £0.219m. A movement of £0.596m from the overspend position last reported.
- 4.2 The final outturn for Social Care services is an underspend of £3.789m, an increase of £0.689m from the underspend position last reported.
- 4.3 The main variances are summarised below.

##### **Older People**

- 4.4 After the application of Covid-19 funding, the final underspend on older people services is £2.892m. This is an increase of £0.352m from the last report and is mainly due to additional underspend in staff budgets.
- 4.5 Staffing underspend is the main contributing factor at £2.4m. Unfilled vacancies due to staff turnover and recruitment challenges were present within most older people services. The main variances were within Care at Home (£0.571m), Day Care (£0.234m), Psychiatry of Old Age Community Teams (£0.214m), Community Nursing (£0.498m), Allied Health Professionals (£0.205m) and slippage on recent Urgent Care investment (£0.484m).
- 4.6 The Psychiatry of Old Age and Medicine for the Elderly inpatient services also experienced recruitment challenges. However, this resulted in the use of bank and agency staffing to cover vacancies, leading to a final overspend of £0.931m in year.
- 4.7 Similarly, St. Margaret's Community Hospital has an overspend of £0.233m on staff costs due to significant use of agency and supplementary staffing to cover vacancies.
- 4.8 The final outturn in care home placements is £0.925m underspend. This is due to the number of people choosing residential and nursing placements continuing to be below budgeted level.

## **Adult Services**

- 4.9 After the application of Covid-19 funding, the final underspend on adult services is £1.256m. A reduction of £0.299m from the underspend last reported.
- 4.10 The underspend on staffing is £0.719m. This is due to vacancies from recruitment challenges and timing of investment into the Transformation of Complex Care, as part of the Autism and Learning Disability Strategic Delivery Plan. Similarly, staffing underspend in General Adult Psychiatry community services, as part of the Community Mental Health Strategic Delivery Plan.
- 4.11 The outturn underspend in complex care is £0.431m, this has increased from the last report and is mainly due to delays in commencement of planned care packages.

## **Other Community Services and Management**

- 4.12 After the application of Covid-19 funding, the final financial position across other community services and management is a £2.118m underspend, an increase of £0.470m from the last report. The movement is due to additional staffing underspends and benefit from the announcement to reverse the uplift in Employer National Insurance Contributions.
- 4.13 Locality and Early Intervention and Prevention teams have a final £0.499m underspend. This is due to unfilled vacancies throughout the year, resulting from staff turnover and recruitment challenges.
- 4.14 The remainder of underspend is mainly staffing related and is due to timing of investment and delays in recruitment. The key areas of variance are within Corporate Support and Management (£0.262m), Primary Care Resilience (£0.256m) and Medical Trainees (£0.176m).
- 4.15 This position also includes uncommitted funding for the next phase of the Older People Strategic Delivery Plan. This funding has now been committed as part of the 2023/24 Budget.

## **Prescribing**

- 4.16 The year-end financial position for prescribing is a £1.102m overspend. This is an increase of £0.307m from the last report. The movement includes a recent spike in pricing, consistent with the national position. The prescribing position normally benefits from a share of the discount factor built into drug costs. However, to ensure the sustainability of the pharmacy contract, the extraordinary measure was taken by Scottish Government to remove this benefit from Boards in 2022/23. This has resulted in an increased overspend. The final position reflects the recent price increases incurred nationally and is based on actual prescribing information for April 2022 to January 2023.
- 4.17 The 2022/23 IJB financial plan projected a £0.786m overspend and planned for the use of general reserves to meet that pressure. Although the final out-

turn on prescribing is higher than plan, the overall underspend position of the IJB offsets this and reserves are not required.

### 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). The financial position includes a share of the overspend, £0.4m for 2022/23.
- 4.19 As noted in previous reports, further discussion regarding the lead partner and financial risk share arrangements for Primary Care (including 2C practices) is required.

### Savings

- 4.20 The table below summarises the approved savings for 2022/23 and the progress in delivery.

Description	Approved Saving £m	Actual Delivery 2022/23 £m
<b>Transformation of Complex Care</b>	1.0	0.6
<b>Review of Contributions Policy</b>	0.7	0
<b>Redesign of Rehabilitation Beds</b>	0.7	0
<b>Care Home Placements</b>	0.5	0.5
<b>Prepaid Card Scheme</b>	0.1	0
<b>Total</b>	3.0	1.1

- 4.21 The delay in delivery was anticipated as part of the 2022/23 Financial Plan and results from the impact of Covid-19 on management capacity.
- 4.22 The delay in delivery of complex care transformation is reflective of a rephasing and delays in the programme due to Covid-19.
- 4.23 The review of contributions policy saving remains unachieved and has been funded by Perth & Kinross Council non-recurringly in 2022/23.
- 4.24 The savings anticipated from the review of rehabilitation beds were originally expected to be delivered in 2020/21. However, the review has been delayed due to the Covid-19 pandemic. It is still the intention to deliver this saving in future years and the 2023/24 Budget includes non-recurring funding to allow further time to progress this.
- 4.25 The implementation of pre-paid cards to introduce an online payment system was delayed by the pandemic. Whilst this project has been delayed, there are now other opportunities to deliver this saving in 2023/24.

## Lead Partner Arrangements (Hosted Services)

- 4.26 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.
- 4.27 Detail of the services and the projected financial position is provided in Appendix 2. The overall Perth & Kinross IJB share is a £0.414m underspend.
- 4.28 For Perth & Kinross lead services, staffing underspend continues to be the main contributing factor. Prison Healthcare and Podiatry have had considerable vacancies throughout the year due to staff turnover and recruitment challenges.

## 5. INPATIENT MENTAL HEALTH

- 5.1 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.
- 5.2 Discussions have continued throughout 2022/23 between the 3 IJB Chief Officers, Chief Finance Officers and NHS Tayside around residual financial risk sharing 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". Further discussions are taking place with respect to the longer-term financial arrangements.

## 6. COVID-19

- 6.1 As detailed in the last finance report, the Scottish Government reclaimed surplus Covid-19 reserves. The amount reclaimed was based on forecast expenditure of £5.831m. The actual expenditure for 2022/23 was £5.189m. Therefore, £0.642m will be carried forward in an earmarked Covid-19 reserve to be returned to Scottish Government in 2023/24. Detail on the expenditure is provided in the table below.

	Health £m	Social Care £m	Total £m
<b>Additional Bed Capacity</b>	2.4	-	2.4
<b>Additional Community Capacity</b>	-	0.2	0.2
<b>Other Additional Staff Costs</b>	0.3	-	0.3
<b>Provider Sustainability</b>	-	1.6	1.6
<b>Prescribing</b>	0.2	-	0.2
<b>Primary Care</b>	0.5	-	0.5
<b>Total</b>	<b>3.4</b>	<b>1.8</b>	<b>5.2</b>

6.2 No additional Covid-19 funding will be available from 2023/24 onwards, therefore any ongoing impact was factored into the 2023/24 Budget and will be monitored closely throughout the year.

## 7. RESERVES

7.1 The IJB holds both earmarked and unearmarked (general) reserves. In April 2022 the earmarked reserve balance was £27.7m. The final expenditure in 2022/23 on earmarked reserves was £20.4m. Therefore, the balance at 31 March 2023 is £7.3m. This balance is fully committed for future years.

7.2 The unearmarked (general) reserve balance in April 2022 was £5.5m. This reserve has increased by the final underspend of £4.0m. Therefore, the balance at 31 March 2023 is £9.5m. As per the 2023/24 Budget, the IJB has approved £3.8m of general reserves to meet non-recurring expenditure. Therefore, the general reserve balance is expected to be £5.7m. This balance is c2% of the IJBs net expenditure budget. This is in line with the IJB's reserve policy to maintain an adequate reserve to support unanticipated expenditure pressures.

7.3 Further detail is provided in Appendix 3.

## 8. FUTURE RISKS

8.1 The Perth & Kinross IJB 2023/24 Budget ([report](#)) detailed the current financial risks and this remains unchanged. The financial risks will be monitored closely and reported throughout 2023/24.

## 9. CONCLUSION

9.1 The overall outturn for 2022/23 is an underspend of £4.008m. As per the Integration Scheme this underspend will be retained by the IJB.

9.2 Staffing underspend has been the main contributing factor to the overall position. This has been due to timing of significant investment, the impact of Covid-19 on capacity, recruitment challenges and staff turnover throughout the year.

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### Appendices

Appendix 1 – Summary Financial Position

Appendix 2 – Summary Lead Partner Financial Position

Appendix 3 – IJB Reserves