



PERTH & KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

26 SEPTEMBER 2022

2022/23 FINANCIAL POSITION

**Report by the Head of Finance & Corporate Services
(Report No. G/22/140)**

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 4 months to 31 July 2022.

1. RECOMMENDATIONS

It is recommended that the Audit & Performance Committee:

- i. Notes the overall projected out-turn is a £0.5m under spend and there is no requirement to use reserves to deliver financial balance;
- ii. Notes forecast £5.7m Covid-19 costs which are funded in full by the IJB Covid-19 Reserve;
- iii. Notes a number of financial risks that may still impact on the financial forecast.

2. OVERVIEW

- 2.1 The 2022/23 Financial Plan, approved by the IJB in March 2022, forecast a £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 forecasts a £1.5m reduction from planned expenditure has been driven by the following key variances:

Table 1

	(Reduction)/Increase in Planned Expenditure £m
Prescribing	(1.1)
Older People Investment	(1.9)
Hosted Services	(0.1)
General Medical Services	0.4
Unachieved Savings	1.2
Total	(1.5)

- 2.3 In August 2022, IJB members were provided with a forecast financial position of £1.2m underspend, based on the 3 months to June 2022. This report provides a further update on that position and is based on the 4 months to July 2022.

3. KEY VARIANCES

- 3.1 Prescribing is forecasting a £1.1m reduction in planned expenditure, moving from an overspend to a breakeven forecast. This is driven by higher than expected level of nationally negotiated rebates and lower prices than plan.
- 3.2 Significant investment was approved as part of the Older People Strategic Delivery Plan. Slippage of £1.9m is projected against this investment. This includes: Hospital at Home, Expansion of LiNCS, Living Well Teams (Care at Home), Community Alarms, Intermediate Care Beds and Phase 3 of the Older People Strategic Deliver Plan (OPSDP). The majority of slippage is due to timing and progress in recruitment.
- 3.3 Although Older People Services are not projecting a change in planned expenditure overall, there are key variances within that position:-
- Care at Home which is forecast to be £0.2m underspent. This is due to recruitment difficulties and resulting in a level of unmet need.
 - A £0.3m underspend against Older People Care Home Placements due to the number of current placements being below the level anticipated. The forecast includes a £0.5m provision for National Care Home Contract rate increase risk.
 - A £0.3m projected underspend against Older People Day Care and Transport. This is due to a high level of vacancies and client numbers not yet returning to pre-pandemic levels.

These reductions have been partially offset by projected overspends within Inpatient Services. Medicine for the Elderly is forecasting a £0.4m overspend and Psychiatry of Old Age is forecasting £0.3m of overspend. This excludes

forecast Covid-19 costs for Inpatient Services totalling £2.4m. The overall level of spend across Inpatient Services, in part due to Covid-19, is now emerging as a substantial financial risk for future years. These additional costs being incurred to bolster service provision will be integral components of early discussions and review of the Older Peoples Strategic Delivery Plan refresh and the accompanying Financial Framework.

- 3.4 General Medical Services – Overall a £0.4m unplanned overspend is forecast, driven by significant 2C practice costs within Dundee & Angus HSCPs for which PKHSCP have been historically allocated a share. At present, there are no 2C practices in Perth & Kinross.
- 3.5 Savings – Unachieved savings of £1.2m are partially offsetting the unanticipated reduction in expenditure. The Scottish Government has recently changed its policy in relation to the use of Covid-19 reserves to offset savings slippage. This is further explained in the Savings section below.

4. FINANCIAL PLAN AND FORECAST POSITION

- 4.1 The breakdown of forecast core expenditure, forecast unachieved savings, and forecast Covid-19 costs has been provided in the table below and compared to the 2022/23 Financial Plan.

Table 2

	Financial Plan Over/(Under) £m			Projection July (Month 4) Over/(Under) £m			(Reduction)/ Increase from Plan £m
	Health	Social Care	Total	Health	Social Care	Total	Total
Core Position	0.8	0.2	1.0	(0.9)	(0.8)	(1.7)	(2.7)
Savings	0.7	1.3	2.0	0.7	1.2	1.9	(0.1)
Covid-19 Expenditure	2.1	2.3	4.4	3.6	2.1	5.7	1.3
Sub-Total Pressure	3.6	3.8	7.4	3.4	2.4	5.8	(1.5)
Covid-19 Reserves	(2.8)	(2.9)	(5.7)	(3.6)	(2.1)	(5.7)	0
General Reserves	(0.8)	(0.2)	(1.0)	0	0	0	(1.0)
PKC Contribution	-	(0.7)	(0.7)	-	(0.7)	(0.7)	0
Sub-Total Funding	(3.6)	(3.8)	(7.4)	(3.6)	(2.7)	(6.3)	(1.0)
Total Position	0	0	0	(0.2)	(0.3)	(0.5)	(0.5)

5. FINANCIAL RISKS

- 5.1 The use of Buprenorphine as a Methadone substitute was required by Scottish Government as part of Covid-19 response and now on an ongoing basis. However, they have now confirmed that no additional recurring funding will be provided to HSCP's to sustain this change in practice. Instead, the Scottish Government have permitted the use of Alcohol & Drug Partnership (ADP) reserves in 2022/23 to cover the additional expenditure on a non- recurring basis. The forecast above assumes that £0.143m of ADP non-recurring

reserves will be transferred to offset this pressure in 2022/23. The ADP have not yet formally endorsed this transfer, which will have an impact on in year spending plans.

- 5.2 Without additional Scottish Government funding, any further increase agreed in year to National Care Home Contract Rates will result in a pressure on the financial position, both in 2022/23 and ongoing.
- 5.3 Pay uplift for both NHS and Local Authority staff remains under negotiation and any settlement above the levels provided for in the 2022/23 Financial Plan will require to be managed in year and on a recurring basis moving forward if additional funding is not made available by Scottish Government.
- 5.4 Recent approval by the Scottish Medicines Consortium (SMC) to add Dapagliflozin to the NHS Tayside Formulary presents an additional unplanned cost pressure to the HSCP prescribing budget. Although projected to be minimal in 2022/23, this is expected to increase to a significant level over the next 5 years. This recent approval is indicative of a financial risk emerging due to the ability of SMC to approve new medicines, with no parallel uplift to NHS Board or IJB prescribing budgets. This is a national issue being raised by NHS Directors of Finance and Chief Financial Officers.

6. SAVINGS

- 6.1 The 2022/23 Financial Plan recognised there would be continued slippage in delivering approved savings. The Scottish Government advised in February that Covid-19 reserves could be utilised to offset unachieved savings in 2022/23. However, a further letter in June 2022 reversed that decision. The following anticipated slippage in savings is therefore now impacting on the financial position:

Table 3

Approved Saving	Balance Remaining undelivered £m
Review of Rehabilitation Beds	0.740
Review of Contributions Policy	0.708
Transformation of Complex Care	0.439
Prepaid Cards	0.080
Total	1.967

- 6.2 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.

- 6.3 Perth & Kinross Council initiated a review of their non-residential services contributions policy in 2020/21. The pandemic impacted on PKCs 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 HSCPs 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.
- 6.4 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.
- 6.5 The implementation of a pre-paid card system to introduce an online, real-time payment system, was delayed by the pandemic. The project has now commenced, and savings are expected to be delivered in full by 2023/24.
- 6.6 The 2022/23 Financial Plan included £0.5m savings to be delivered through early intervention reducing length of stay in care homes. This is expected to be delivered in full in 2022/23.

7. COVID-19 EXPENDITURE

- 7.1 The opening balance of the PKIJB Covid-19 reserve was £15.4m. The table below provides a summary of costs to be met by Covid-19 reserves in 2022/23, with a forecast remaining balance of £9.7m. National discussions are ongoing to determine the use of unspent Covid-19 reserves in 2022/23 and how these may be used across Scotland to support costs elsewhere.

Table 4

	2022/23 Forecast £m
Health	3.6
Social Care	2.1
Total Forecast Expenditure	5.7
Opening Covid-19 Reserve Balance	15.4
Remaining Covid-19 Balance	9.7

- 7.2 Appendix 2 attached provides detailed breakdown of costs forecast and included within the 2022/23 Month 4 Scottish Government Covid-19 return.
- 7.3 Covid-19 – Inpatient Mental Health and Unscheduled Care
There is agreement across Scotland between NHS Board's, the Scottish Government and Chief Financial Officer's that HSCP Covid-19 reserves can legitimately be used to offset Covid-19 costs for all delegated services,

including large hospital set aside services. Joint work is underway with NHS Tayside and the three HSCPs to quantify forecast 2022/23 Covid-19 costs for Inpatient Mental Health and Unscheduled Care.

- 7.4 Scotland wide- discussions are also taking place involving NHS Board's and the Government with Chief Financial Officers around how the 2022/23 forecast balance of unspent Covid Reserves can be used to further benefit the wider health and social care system.

8. RESERVES

- 8.1 A reserves forecast will be undertaken at Month 6. Scottish Government is issuing guidance requiring IJB reserves to be used in place of expected additional funding. The implications of this are being worked through and will be included in the next Financial Update Report. This represents a financial risk to IJB's across Scotland where in year funding commitments have been made against reserve balances. At this point, based on Scottish Government direction to date, this will have an impact on Primary Care Reserves, Alcohol and Drugs Reserves and Covid Reserves however there is a significant risk that further direction from the Scottish Government will mean a much wider impact on IJB Reserves.

9. CONCLUSION

- 9.1 The overall projected out-turn is a £0.5m underspend. This is forecast to be achieved without any requirement for planned use of unearmarked reserves, primarily due to slippage in investment and a reduction in the Prescribing forecast.
- 9.2 Potential risks have been identified and require to be monitored closely, with mitigating action taken where possible. This includes a significant risk associated with the Scottish Governments direction around the use of IJB reserves to meet recurring spending commitments.

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Appendices

Appendix 1 – Summary Financial Forecast

Appendix 2 – Forecast Covid-19 Expenditure