

ABERDEENSHIRE INTEGRATION JOINT BOARD – 29TH MARCH 2023

REVENUE BUDGET 2023/24

1. Recommendation

It is recommended that the Integration Joint Board (IJB):-

1.1 Acknowledge that the revenue budget facilitates the delivery of the Integration Joint Board's priorities;

1.2 Note the financial allocations proposed to be made from Aberdeenshire Council and NHS Grampian for 2023/24;

1.3 Agree the proposed revenue budget for 2023/24 outlined in Appendix 1, including the proposed savings and planned use of reserves per Section 5.5;

1.4 Instruct the Chief Officer to negotiate uplifts for those Social Care providers not covered by the National Care Homes Contract;

1.5 Note the financial risks set out in Appendix 2;

1.6 Direct Aberdeenshire Council and NHS Grampian to deliver all delegated functions in terms of the legislation and the Integration Scheme as currently delivered by them in terms of the budget outlined in this report, as set out in the Direction at Appendix 3 and

1.7 Instruct the Chief Officer as per section 5.2 to present an updated IJB Reserves Strategy and Medium Term Financial Strategy to the IJB for comment and approval in June 2023.

2. Risk

IJB Risk 1 Sufficiency and affordability of resource.

3. Background

3.1 The Public Bodies (Joint Working) (Scotland) Act 2014 required all local authorities and health boards to integrate adult community health and social care services. Within Aberdeenshire this is provided through an Integration Joint Board, formed of representatives from Aberdeenshire Council and NHS Grampian.

3.2 Aberdeenshire Council and NHS Grampian are partners contributing resources, including financial resources to the Aberdeenshire IJB. The contributions for 2023/24 from Aberdeenshire Council and from NHS Grampian have now been confirmed. Levels of contribution to the IJB for this paper have therefore been based on the financial allocations advised by Aberdeenshire Council and NHS Grampian.

3.3 During the preparation of the budget, officers from both partners have worked closely with Health & Social Care officers to advise and develop the IJB element of each partner's budget.

- 3.4 The IJB is forecasting an overspend in the current financial year (2022/23) of approximately £1.99 million. There are also still some underlying financial pressures in areas like Community Mental Health Services, GP Prescribing and Adult & Older People care management.
- 3.5 For the third financial year in succession, the IJB is forecasting to hold a General Reserve as we enter the new financial year.
- 3.6 The level of resources initially required by the IJB to deal with new pressures is estimated to be £7.8 million greater than the funding contributions advised for 2023/24 from the Partners. This report outlines the plans to cover this £7.8 million difference in order that the IJB can set a revenue budget for 2023/24 which matches projected expenditure levels with resources available.

4. Funding Context

- 4.1 In terms of the respective contributions from NHS Grampian and Aberdeenshire Council:-

- NHS Grampian received an increase of 2.0% on their budget from the Scottish Government. The IJB's share of this will be allocated in line with the methodology used in the current financial year. This equates to a total contribution of £207.19 million including additional funding of £3.41 million.

- Included within the Local Government financial settlement was additional funding to be passed across to the relevant IJBs. This funding has to be additional to each Council's 2022/23 recurring budget for social care services.

- Aberdeenshire Council has now confirmed its budget for 2023/24. The budget outlines a contribution of £150.91 million for the IJB.

- 4.2 It is important to reiterate that each partner's financial settlement for 2023/24 has been challenging when compared to the increasing demands on services resulting from the demographic pressures of a growing and ageing population. Both Aberdeenshire Council and NHS Grampian will require to make new savings in 2023/24 in order to operate within their resources.

- 4.3 The projected level of new resources available to the IJB from Aberdeenshire Council and NHS Grampian is shown in the table below:

Item	£m	Note
NHS Base Uplift (2.0%)	3.4	1
Aberdeenshire Council	12.9	2
Total	16.3	

1. Share on base uplift provided to NHS Grampian by Scottish Government.
2. Based on Aberdeenshire contribution of £150.911 million as per Aberdeenshire Council budget.

- 4.4 Health Boards will also continue to incur costs for dealing with Vaccinations during 2023/24.

5. Revenue Budget 2023/24

- 5.1 In 2023/24 the Integration Joint Board will invest around £393 million in Aberdeenshire through the revenue budget managed and delivered through the Health and Social Care Partnership.
- 5.2 In 2017 the IJB developed a Medium Term Financial Strategy (MTFS) which covered five financial years. The MTFS was refreshed in February 2020 and was due to be presented to the IJB in March 2020. This was postponed due to the Covid 19 pandemic. A revised MTFS was presented to the IJB in Q2 of financial year 2022/23 and an updated version will be presented to the IJB for comment and approval in June 2023 in conjunction with an updated Reserves Strategy.
- 5.3 A number of risks have been identified during the preparation of the revenue budget. These risks have been considered by the Management Team. The potential implications and possible mitigations associated with the risks have also been discussed before figures have been included in the proposed revenue budget.
- 5.4 The acceptance of a degree of risk is part of budget setting in order to achieve a balanced position that does not include unnecessary reductions to essential services. The main risks relating to the proposed budget are outlined at **Appendix 2**.
- 5.5 A summary of changes to the revenue budget from 2022/23 to 2023/24 is shown in the table below:

	£m	£m
2023/24 Budget Pressures		
- Workforce Uplift and Social Care	13.7	
- Pay Uplifts	4.6	
- GP Prescribing	3.6	
- Community Locums	1.8	
- Energy	0.4	
		24.1
New Funding		(16.3)
Shortfall before savings/efficiencies/use of reserves		7.8
Savings	(0.5)	
Vacancy Management	(1.2)	
Efficiency Options	(3.0)	
Use of Reserves	(3.1)	
		(7.8)
Net Budget Position		0

- 5.6 The table shows that the impact of new pressures of £24.1 million exceed new funding being made available to the IJB by £7.8 million.

5.7 This means that the IJB will need to achieve savings of £7.8 million in 2023/24 to achieve financial balance. The proposed Savings and Efficiencies Programme is outlined in Section 6 of this report.

5.8 A summary of the proposed revenue budget is shown in the following table:

Proposed Revenue Budget 2023/24

	Revised Budget 2022/23 £000s	Forecast 2022/23 £000s	Proposed Revenue Budget 2023/24 £000s
Health and Social Care	358,563	361,850	359,626
Funds	(3,222)	(4,510)	1,533
Set Aside	32,349	32,349	32,349
Total Expenditure	387,690	389,689	393,508
Financed by:-			
NHS Grampian	208,491	208,491	207,195
Aberdeenshire Council	146,850	146,850	150,911
Set Aside	32,349	32,349	32,349
General Reserve			3,100
Total IJB Resources	387,690	387,690	393,508
Net Budget	0	1,999	0

5.9 It should be noted that the 2023/24 budget above does not include non-recurring earmarked funding allocated to NHS Grampian during the year by the Scottish Government for a range of services delegated to the IJB. These amounts are included in the columns for 2022/23. It is expected that earmarked funding will be allocated in 2023/24 for specific services delegated to the IJB. The funding will be added to the budget as and when confirmation is received from the Scottish Government.

5.10 Given the gap between new resources and new pressures faced by the IJB for 2023/24, it is essential not only that financial pressures which arise during the financial year are managed, but also that financial savings required are delivered. Delivery of effective and lasting transformation of health and social care services is central to the vision of the IJB. The IJB's Strategic Plan outlines its ambitions over the medium term and the reshaping of services which will support delivery. The IJB will receive regular financial monitoring information to highlight the progress towards achieving the savings required to deliver a balanced financial position in 2023/24.

- 5.11 Social care providers who are covered by the National Care Home Contract (NCHC) will receive an uplift in line with the nationally agreed contract renegotiation process. Negotiations for 2023/24 are currently being undertaken by COSLA with social care providers. Providers are requesting an uplift which is higher than is being offered or has been built into IJB budgets across Scotland, including our own. The conclusion of these negotiations represents a major risk to the IJB's financial position in 2023/24.
- 5.12 Social work and social care services deliver care and support to some of the most vulnerable people in our communities and therefore resources need to be adequate to meet both the statutory functions and take cognisance of Aberdeenshire's role in the wider health and social care system. Over several years social work and social care has responded to increasing demand and complexity by transforming the way services work, including the introduction of virtual community wards and homecare responder service, these have limited the impact of demographic changes, albeit we have and will continue to see a significant increase in people requiring care and support.

6. Options to Close the Financial Gap

- 6.1 Delivery of savings in a health and social care environment can be challenging. Many services are demand led (e.g. GP Prescribing) or subject to minimum levels of provision determined by statute (e.g. areas of social care). This means that the IJB has limited influence over some significant areas of its budget and therefore savings have to be delivered from those areas where the IJB can exercise greater levels of financial control.
- 6.2 Reducing a service to meet the budget available may sometimes seem like the correct course of action but can in reality mean that a patient or client requires more expensive support elsewhere within the health or social care system. Managers must always be aware of potential cross system impacts from a particular course of action.
- 6.3 The IJB's financial position provides an excellent opportunity to transform services in order to make them fit for the 2020s. This will involve making sure our services reflect changing demographics, changes in technology and changes in our workforce. Service transformation will be the priority, with an increased focus on prevention, self-care, and treatment in the community with a shift away from hospital and residential based care.
- 6.4 The savings and efficiencies plan will be centred on building on our experiences from 2020 through to 2022 when many services have been significantly redesigned to meet the challenges of dealing with Covid 19. Some changes will be recurring in nature, recognising the fact that some services have not returned to operating as they were pre Covid (e.g. staff travel costs have been reduced through the use of technology).

- 6.5 It should be noted that it is proposed to use £3.1 million of the IJB's projected General Reserve balance at the end of the 2022/23 financial year to support the financial position in 2023/24. This represents less than 0.8% of the IJB's overall budget. The transfer from Reserves will only be used if absolutely required. If additional savings can be delivered in 2023/24 to support the financial position, then the transfer from Reserves will not be actioned.
- 6.6 Aberdeenshire Council referenced in their approved revenue budget on 9 March 2023 that there are risks associated with the Health and Social Care Partnerships budget for 2023/24 due to inflationary pressures and changes to demand and demographics. Funding of £3.991 million has therefore been allocated within the Councils Reserves to be available if these risks materialise resulting in additional funding being requested from the Council.

7 Equalities, Staffing and Financial Implications

- 7.1 An equalities impact assessment is not required. All of the projects and initiatives which are referenced in this budget report have their own equalities impact assessment where required.
- 7.2 The financial implications have been discussed with the IJB and are set out in this report. It is recognised that the decisions taken to reach this position are likely to have impacts and these will be considered and reported appropriately.
- 7.3 The Monitoring Officer has been consulted on this report and any comments are included within the report.

Pam Milliken
Chief Officer, Aberdeenshire Health & Social Care Partnership
20th March 2023

List of Appendices:

Appendix 1 – Proposed Revenue Budget for 2023/24

Appendix 2 – Financial Risks

Appendix 3 - Directions

Aberdeenshire Integrated Joint Board		Dec '22 Revised Budget 22-23 £'000	Dec '22 Revised Forecast £'000	Appendix 1 Proposed Budget 23-24 £'000
Health & Social Care				
Directed to NHS Grampian				
1)	Core Services			
a)	Alcohol & Drugs Partnership	1,824	1,830	1,831
b)	Allied Health Professionals	10,687	10,173	8,776
c)	Joint Equipment Service	688	868	688
d)	Community Hospitals	18,666	18,449	19,359
e)	Inverurie HUB project	1,325	1,349	205
f)	Shire Community Mental Health	1,005	631	980
g)	Dental	3,068	2,793	2,809
h)	District Nursing	5,930	5,652	5,684
i)	Health Centres Management	(605)	157	(629)
j)	Health Visiting	5,523	5,465	5,599
k)	Other Direct Patient Care	5,379	6,604	3,001
l)	Public Health	855	592	734
m)	Specialist Nursing	418	398	431
n)	Support Services	3,810	3,904	3,950
	Total Core Services	58,573	58,865	53,419
1	Primary Care	44,636	42,439	43,686
2	Prescribing	46,731	49,065	49,989
3	Community Mental Health	10,216	11,696	10,913
4	Aberdeenshire Share of Hosted Services	17,311	17,085	18,047
5	Out Of Area	3,572	2,721	2,847
Directed to Aberdeenshire Council				
6	IJB Costs	95	95	95
7	Headquarters	9,281	6,080	8,850
8	Business Services	4,481	4,481	4,216
9	Out of Hours Service	239	299	247
10	Criminal Justice Service - Grant Funded Services	38	38	697
11	Criminal Justice Service - Prison Social Work	1	0	15
12	Adult Services - Community Care	50,864	53,764	52,621
13	Adult Services - Day Care	6,040	5,340	6,264
14	Adult Services - Residential Care	1,967	1,967	2,225
15	Adult Services - Employment Development	555	455	592
16	Adult Services - Mental Health	6,916	6,166	7,020
17	Adult Services - Substance Misuse	1,825	1,795	1,927
18	Physical Disabilities - Community Occupational Therapy Service	4,454	4,454	4,589
19	Physical Disabilities - Joint Equipment Service	(575)	(275)	(539)
20	Specialist Services & Strategy	2,596	2,176	2,326
21	Adult Support Network	311	311	662
22	Older People - Care Management	57,682	60,682	61,544
23	Integrated Care Fund /Participatory Budgeting	0	(4)	0
24	Older People - Day Care	788	687	817
25	Older People - Home Care	15,855	15,948	16,333
26	Older People - Residential Care	9,543	10,452	10,159
27	Older People - Very Sheltered Housing	4,566	5,068	4,766
		358,563	361,851	364,326
Funds				
28	Integrated Care Fund - Directed to both Partners	800	724	800
29	Delayed Discharge - Directed to both Partners	64	16	64
30	Other	7	0	7
31	Primary Care Improvement Fund - Directed to NHS Grampian	(4,016)	(4,016)	216
32	Nurse Funding - Directed to both Partners	493	105	447
		(3,222)	(4,510)	1,533
33	Set Aside	32,349	32,349	32,349
		387,690	389,689	398,208
Savings and Efficiencies to be applied				(4,700)
				393,508
Funded by:				
	NHS Grampian Baseline	208,491	208,491	203,785
	NHS Grampian 2% Uplift			3,410
	Aberdeenshire Council Baseline	146,851	146,851	137,997
	Aberdeenshire Council Additional Funding			12,914
	General Reserve			3,053
	Set Aside Services	32,349	32,349	32,349
		387,690	387,690	393,508
Funding Gap		0	1,999	0

ABERDEENSHIRE INTEGRATED JOINT BOARD

APPENDIX 2

1. Financial Risks

1.1 Budget assumptions carry a degree of financial risk which means that a budget variation may arise if information or circumstances supporting that assumption change. The acceptance of risk is a necessary part of the budget process.

1.2 A number of financial risks have been identified when developing the proposed revenue budget. These are highlighted below:-

(1) Financial Settlement

A one-year settlement for 2023/24 only has been received for this budget process. The merits of a multi-year Settlement continue to be expressed to enhance the alignment with delivering against the strategic priorities.

(2) Prescribing Costs

Prescribing costs are a large and volatile area of the IJB budget with demographic changes a material contributing factor. Whilst the decisions to prescribe are made locally, the costs of drugs and agreements to introduce new drugs are made on a national basis. Provision in the budget has been made based on analysis undertaken by NHS Grampian with a range of options provided from Best Case to Best Guess and Worst Case scenario. Aberdeenshire IJB have proposed the inclusion of the Best Case scenario with the associated pressure of this option. There is a risk associated with this option and the IJB will closely monitor this budget through regular reporting to the IJB throughout financial year 2023/24 and appropriate action taken to mitigate the pressure in year through continued close working with NHS Grampian.

(3) Demographic Changes

The demographic profile of Aberdeenshire continues to show a general rise in population with a specific increase in the age profile of the population. The associated challenges of providing care for a rising population where people live with multiple conditions are well known. These challenges manifest themselves in a financial sense when we experience issues such as rising numbers for social care packages and rising demand for aids and adaptations. The increasing level of complexity of need for some of our clients means that high-cost care packages may arise during the year which we have not budgeted for. The same applies to patients who need out of area care and where a clinical decision has been made that this is in their best interests.

(4) **Public Perception of Health & Social Care Services**

The Aberdeenshire Health & Social Care Partnership's Strategic Plan recognises that the changes we need to make will make demands on individuals, the communities of Aberdeenshire and organisations that provide health and social care and support. In order to release efficiencies whilst at the same time delivering our strategic priorities, we must focus on service redesign and re-commissioning.

Recent experience of service redesign and re-commissioning has highlighted a number of potential risks:

- Public perception that services are being lost and cost cutting is the sole driver.
- High expectations of health and social care services in spite of the current and ongoing pressures faced.
- Negative media coverage affecting the Partnership's reputation.
- Reluctance of society to change behaviour and focus on personal abilities and informal support networks, including making informed choices about how local services are used.

We can mitigate these risks by focusing on effective engagement, communication, education, and co-production with the public.

(5) **Primary Care**

There continue to be a number of continuing challenges around sustainability of some of our GP Practices with inability to recruit General Practitioners a common issue. This has necessitated the Partnership providing support and investment to maintain GP services in some parts of Aberdeenshire. We will continue to use the Primary Care Improvement Fund and other funding streams to support General Practices and wider Primary Care teams across Aberdeenshire.

(6) **Social Care Market**

The external care market remains fragile, with providers seeking higher than inflationary increases to provide stability. Some arrangements such as the National Care Homes Contract are negotiated nationally and may be higher than forecast. Should national negotiations break down it is likely that local agreements would have to be negotiated which could lead to higher costs than have been provided for. We can mitigate these risks by working with our third and independent sector providers and community partners at a local level to train, support, and up skill local providers in conducting their business with the Partnership. We can also mitigate these risks through moving away from short term projects to ensure there is longer term stability.

(7) **Earmarked Funding/Reserves**

A proportion of funding for the Partnership is received via earmarked funding for specific purposes allocated by the Scottish Government. Typically, this funding is not allocated until after the start of the financial year. We are assuming that the level of earmarked funding in 2023/24 will be broadly similar to the level received in 2022/23. If this is not the case, further prioritisation decisions will need to be made.

A further risk regarding earmarked funding is the risk of clawback of unspent funding to the Scottish Government, as occurred during financial year 2022/23, from reserves carried forward to financial year 2023/24.

Regarding the IJB General Reserve there will be a reduction in the level of General Reserve based on the forecast overspend for financial year 2022/23 of £1.99 million and the level of support required to balance the budget by a further £3.1 million of General Reserve in 2023/24.

With the above use of the General Reserve and a number of non-earmarked reserves including the Risk Fund the balance on the General Reserve is forecast to be at the level of £6.5 million for 2023/24. This equates to approximately 1.7% of the proposed Revenue Budget for 2023/24 of £393 million.

(8) **Longer term health debt of population**

The wider economic and societal impact of the Covid pandemic will continue to pose challenges to the Partnership in terms of service pressures and how services are delivered.

(9) **General Inflation pressures**

Inflation remains at a high level and the budget has been prepared on the basis of known contractual inflation rates. Should general inflation increase and be reflected in an increased cost of goods and services, this will cause additional pressure on the revenue budget and the services the IJB can afford to provide.

1.3 All of these risks and others within the budget will be regularly monitored and managed in order to identify any issues and address these at an early stage through the use of mitigations and budget management controls and reported to the IJB throughout the financial year.

ABERDEENSHIRE INTEGRATED JOINT BOARD

APPENDIX 3

DIRECTIONS

Reference Number	2023-03-29
Date direction approved by IJB	29 th March 2023
Date from which direction takes effect	1 st April 2023
Direction to	NHS Grampian and Aberdeenshire Council
Does this supersede, revise, or revoke a previous direction?	No
Functions covered by direction	a) All delegated services operationally managed by the Integration Joint Board. b) Large hospital services (“set aside”) managed by NHS Grampian for which the Integration Joint Board has strategic planning responsibility.
Full text of direction	1. A revenue budget of £178.084 million allocated to NHS Grampian for the provision of all delegated services operationally managed by the Integration Joint Board. 2. A revenue budget of £183.075 million allocated to Aberdeenshire Council for the provision of all delegated services operationally managed by the Integration Joint Board. 3. A set aside budget of £32.349 million allocated to NHS Grampian for the provision of large hospital services where the Integration Joint Board has strategic planning responsibility.
Budget allocated by IJB to carry out direction	See section 7 above.
Performance Monitoring Arrangements	Performance monitored through regular reporting of financial position to the Integration Joint Board and performance review meetings with the Chief Executives of NHS Grampian and Aberdeenshire Council.
Date direction will be reviewed	March 2024.