

## **REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD**

**31 JANUARY 2024**

### **REVENUE BUDGET 2023-24 UPDATE AS AT 30 NOVEMBER 2023**

#### **1. Recommendation**

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

- 1.1 Consider and comment on the financial position set out in the report and Appendices 1 and 2;**
- 1.2 Approve the budget adjustments detailed in Appendix 3;**

#### **2. Directions**

- 2.1** No direction requires to be issued to Aberdeenshire Council or NHS Grampian as a result of this report.

#### **3. Risk**

- 3.1** IJB Risk 1 Sufficiency and affordability of resource.
- 3.2** This report is key to managing this risk as it highlights areas of movement when compared to the agreed budget.

#### **4. Background**

- 4.1** This report provides the fourth financial monitoring update for the 2023/24 financial year. It covers the eight month period up to the end of November 2023.

#### **5. Financial Implications from 2022/23**

- 5.1** In the last financial year the IJB recorded an over budget position against revenue budget of £6.4 million per the audited accounts for the financial year 2022/23.
- 5.2** The IJB revenue budget for the 2023/24 financial year was agreed in March 2023 by the IJB. A balanced budget was set which matched the total resources available to the IJB with planned expenditure.

## 6. Financial Position 2023/24

### 6.1 Update

The IJB Revenue Budget for 2023/24 was approved by the IJB on 29 March 2023. The budget approved was for £393.5m and contained assumptions made on pressures impacting on 2023/24, both in terms of inflation and demographics.

The impact of these assumptions were that the funding received by the IJB was not sufficient to meet expected costs and therefore as part of the approved balanced budget the following adjustments were approved –

- efficiency savings of £3.5m
- vacancy management factor of £1.2m
- use of reserves of £3.05m

The total of these measures meant that £7.75m was required to be identified to balance the budget for 2023/24. As identified in the budget report there are risks associated with this strategy and the one off use of reserves to balance the budget.

**6.2** This report sets out the fourth financial monitoring position of the activities for which the IJB is responsible for the financial year 2023/24. The report covers the financial position to the end of November 2023 for the revenue budget. The detailed position by service area for the financial year is shown in **Appendix 1**.

**6.3** A summary position is shown in the table below with additional detail provided in **Appendix 1**. This shows actual net expenditure to the end of November 2023 against budget for the same period.

#### Summary: 2023/24 Financial Position as at end of November 2023

|                         | Revised<br>Year to<br>Date<br>Budget<br>2023/24<br>£000s | Actual to<br>30 <sup>th</sup><br>November<br>2023<br>£000s | Variance to<br>30 <sup>th</sup><br>November<br>2023<br>£000s | Variance<br>% |
|-------------------------|--|--|--|---------------|
| Health & Social Care    | 255,538  | 272,082  | 16,544   | 6.5%          |
| Funds                   | 2,269  | 2,722  | 453  | 19.9%         |
| Set Aside Budget        | 23,010   | 23,010   | 0  | 0%            |
| <b>2023/24 Position</b> | <b>280,817</b>   | <b>297,814</b>   | <b>16,997</b>  | <b>6.0%</b>   |

**6.4** From the summary table it highlights that:

- There is an over budget position of £16.997 million at the end of November 2023, equating to 6.0% of the IJB budget. (September 2023 - overbudget £10.022m and 4.8%)

- Health budgets at the end of November 2023 are over budget by £4.4 million
- Social care budgets at the end of November 2023 are over budget by £12.2 million
- Funds at the end of November 2023 are over budget by £0.453 million

**6.5** The detailed financial position as at end of November 2023 is set out in **Appendix 1** with supporting notes in **Appendix 2**.

(a) The areas which recorded the largest over budget positions as at end of November 2023 are shown below:

- GP Prescribing
- Other Direct Patient Care
- Adult Services Community and Residential Care
- Older People Care Management and Residential Care

(b) The areas which recorded the largest underspends as at end of November 2023 are shown below:

- AHP
- Adult Services Day care

**6.6** The budget virements proposed for approval at **Appendix 3** also include reconciliations to the revised budget. The revised budget is, therefore, subject to the approval of the virements.

**6.7 Forecast position for 2023/24 Financial Year**

The forecast for the year has been prepared based on the November results and is shown in the table below:

**Summary: Forecast for the Financial Year as at 30 November 2023**

|                         | <b>Revised Budget 2023/24 £000's</b> | <b>Forecast 2023/24 £000's</b> | <b>Forecast Variance 2023/24 £000s</b> | <b>Forecast Variance %</b> |
|-------------------------|--------------------------------------|--------------------------------|--|----------------------------|
| Health & Social Care    | 380,866                              | 396,314                        | 15,268                                 | 4.0%                       |
| Funds                   | (3,576)                              | (3,030)                        | 47                                     | (1.3%)                     |
| Set aside budget        | 34,515                               | 34,515                         | 0                                      | 0%                         |
| <b>Sub-total</b>        | <b>411,805</b>                       | <b>427,619</b>                 | <b>15,315</b>                          | <b>3.7%</b>                |
| <b>Use of Reserves</b>  | -                                    | -                              | (3,050)                                | -                          |
| <b>2023/24 Position</b> |                                      |                                | <b>12,265</b>                          | <b>3.0%</b>                |

From the **Appendix 1** it can be seen that:

- An **over budget of £12.3m** (September £12.5m over) **3.0%** (September 3.0%) of the IJB budget.

The forecast position per November 2023 relates to a number of material adverse movements as follows -

|                                 | <b>AHSCP Budgets<br/>£</b> |
|---------------------------------|----------------------------|
| GP Prescribing                  | 4,016,000                  |
| Adult Services - Community Care | 5,178,000                  |
| Other Direct Patient Care       | 2,783,000                  |
| Older People - Residential Care | 2,795,000                  |

Explanations have been provided for these main areas of over budget positions. Per meetings with partners the **Health** main pressures have been identified as relating to GP Prescribing and Other Direct Patient Care.

Regarding **Social Care** side the main areas of forecast pressure relate to Adult Services Community Care and Older People Residential Care.

Further detail is provided as follows –

- **GP Prescribing - Forecast £4.0m over budget** (September £4.5m over) Both volume and cost increases are impacting on budget. Volume is 4.6% greater than in April 2022 and cost per item has increased by 8.6%. We continue to work with pharmacy colleagues to review the fitness for purpose of the budget.
- **Other Direct Patient Care – Forecast £2.8m over budget** (September £3.0m over) Overspends against 2c salaried medical practices total £2.4m with some smaller mitigating underspends on other budget lines. Locum costs are the primary drivers behind this.
- **Adult Services Community Care - Forecast £5.2m over budget** (September £5.0m over) 2022/23 was only partly funded by supplier sustainability, therefore increase is in part due to reopening of services, higher cost packages and demand. The budget in 2023/24 was increased by 2.7% - this was due to the living wage increase of 2.3% and an additional £750,000 of additional budget to mitigate pressures. A number of providers have requested additional uplifts. Each request is dealt with on an individual basis by the management oversight group. Additionally, a number of high cost packages have recently been added.
- **Older People Residential Care - Forecast £2.8m over budget** (September £2.8m over) This relates to an additional pressure relating to the provision of in house care provision particularly the additional costs associated with a Care Home.

- 6.8** The above analysis assumes the achievement of £4.7m of efficiency savings in 2023/24. The inability to achieve these savings in full will have an adverse impact on the out of balance position come 31<sup>st</sup> March 2024.

The recovery plan communication to budget holders from the Chief Officer emphasises the requirement to ensure achievement of agreed savings which will continue to be monitored and reported to IJB.

The use of reserves held by the IJB to bridge the out of balance position would reduce the reserves balance to zero, impacting on potential use of reserve funding on efficiency driven transformation projects and also any further ability to assist with balancing future years budgets (See Section 7.4 for potential use of reserves in 2023/24).

## **6.9 GP Prescribing**

The following update was provided following a Grampian wide meeting of the Medicines Management Unit, Medicines Directorate, clinical and management representatives from the three HSCPs.

**-Information for Prescribers** – financial update position was provided with reminders for prescribers.

**-Public information** - as suite of posters from previous campaigns have been passed to the NHSG Realistic Medicines Waste Group who were already in discussion re public campaign and information. Medicines Management Unit will link with this regarding messaging.

**-Cost efficiency options table** – has been updated with actual costs and a draft has been sent to pharmacy leads in the first instance.

For some of the switches/actions there will be a need to consider the resources time/capacity/acceptability and support to achieve these.

Medicines Management team are exploring options for addition pharmacy technician/pharmacist input opportunities.

**-NHS Grampian position/comparison other Health Boards** - there is increased items/demand across the whole system NHS Scotland. This situation is being reviewed to identify any variation specific to Grampian that needs to be considered, whilst also reviewing demographics and impacts on prescribing.

This information will be shared when completed with the members in attendance.

Intention that this information will be able to be drilled to HSCP/cluster level to allow cluster clinical leads to take forward discussions at cluster/practice level.

Aberdeenshire Cluster Meeting week commencing 27 November 2023 where ask of leads to lead work at cluster level and look at supporting QI work.

**-Reporting** - monthly reporting on actual financial position, along with any savings realised or other factors impacting on expenditure (e.g shortages) will be provided to HSCP lead officers, finance and pharmacy leads.

**-Escalation** of issues with other Boards/Finance and Scottish Government. Ongoing collation of information to highlight national issues regarding concern with increasing items/demands and impacts on prescribing budgets. Engagement continues with Medical and Clinical Directors and LMC in order to have a combined strategic approach.

### **6.10 Integration Scheme**

Per the IJB Integration Scheme In the event that an overspend is evident following the application of reserves, the following arrangements will apply for addressing that overspend:-

- either: a) A single Party may make an additional one off payment to the IJB, or b) The Parties may jointly make additional one off payments to the IJB in order to meet the overspend.
- The split of one off payments between Parties in this circumstance will be based on each Party's proportionate share of the baseline payment to the IJB, regardless of in which arm of the operational budget the overspend has occurred in.
- The recovery plan may include provision for the Parties to recover any such additional one off payments from their baseline payment to the IJB in the next financial year.
- The arrangement to be adopted will be agreed by the Parties.

**6.11** For further context in terms of the main over budget positions detailed in section 6.7, movement in the forecasts of 5%,10% and 20% would equate to movements of £0.8m, £1.55m and £3.1m respectively if extrapolated from the November position.

### **6.12 Next Steps 2023/24 and 2024/25 Budget Setting**

The following next steps are planned in relation to both financial year 2023/24 and beyond –

- Meetings are continuing to be held with SMT, IJB CFO and Finance Managers from NHSG and Aberdeenshire Council to review in detail the current financial position and the impact on 2024/25 and beyond.
- Budget Development session with IJB on 24 November 2023, which was a continuation of work undertaken to date with SMT and IJB to focus on production of a balanced budget for financial year 2024/25.
- Forecast update for December will be prepared and reported in line with partners budget monitoring.

## 7. Reserves

7.1 The IJB held the following reserves as at 31 March 2023 per the audited accounts for the financial year 2022/23.

|                                    | £m            |
|------------------------------------|---------------|
| <b>General Fund Reserve</b>        | <b>3.298</b>  |
| <b>Earmarked Reserves:-</b>        |               |
| Covid-19                           | 1.474         |
| Primary Care Improvement Fund      | 1.185         |
| Risk Fund                          | 3.050         |
| Transformational Funding           | 1.622         |
| Action 15 – Mental Health          | 1.379         |
| Alcohol & Drug Partnership         | 1.398         |
| Community Living Change Fund       | 0.612         |
| Stonehaven Dental Practice Funding | 0.400         |
| Service Capacity & Redesign        | 2.000         |
| Psychological Therapies            | 0.122         |
| Other                              | 0.388         |
| <b>Total Reserves</b>              | <b>16.928</b> |

7.2 The table in section 7.1 includes the adjustment of £6.401 million to be funded from the general fund reserve relating to the overspend as at 31 March 2023.

7.3 The use of the reserves balance was approved by the IJB in July 2023.

### 7.4 Reserves Forecast 2023-24

|                             | 31/03/24     |
|-----------------------------|--------------|
|                             | £m           |
| <b>General Fund Reserve</b> | <b>3.298</b> |
| <b>Earmarked Reserves:-</b> |              |
| Covid-19*                   | 1.474        |
| Transformational Funding    | 1.622        |
| Service Capacity & Redesign | 2.000        |
| <b>Total Reserves</b>       | <b>8.394</b> |

\*ability to utilise this balance on wider system pressures in 2023/24 per Scottish Government

The forecast reserves position at the end of 2023/24 per the above table is **£8.4m**. Per Section 6.8 the use of this reserve balance held by the IJB to bridge the out of balance position would reduce the reserves balance to zero, impacting on potential use of reserve funding on efficiency driven transformation projects and ability to fund service capacity and redesign and also any further ability to assist with balancing future years budgets

Approval would be sought from IJB as in previous years as to the use of the reserves in line with the Reserves Strategy and the Integration Scheme.



## **8. Discussions With Partners**

- 8.1** The financial position in this report has been discussed with partners so that they are also aware of the current spending position and areas of pressure and capacity to enable them to plan and accommodate any implications within their financial statements.
- 8.2** The IJB may have a requirement for any additional year end funding contributions from partners in 2023/24.

## **9. Scottish Government Ear Marked Funding Updates**

- 9.1** Confirmation of earmarked funding allocations for financial year 2023/24 and the treatment of reserves held as at 31<sup>st</sup> March 2023 has been received from the Scottish Government.

The allocations are in line with expectations and as per 2022/23 the request is to utilise reserve balances prior to use of in year allocation.

In relation to the Covid-19 reserve balance of £1.474m the Scottish Government have notified the IJB that there is the ability to utilise this balance on wider system pressures in 2023/24.(Per table in Section 7.4).

A briefing note on Earmarked Funds was circulated to the IJB following the August 2023 IJB.

## **10. Medium Term Financial Strategy**

- 10.1** The Medium Term Financial Strategy for 2024-29 was approved by the IJB in July 2023 forming the basis of the budget setting process for 2024/25 and beyond.

## **11. Monitoring**

- 11.1** The Chief Officer, along with the Chief Finance Officer and the Legal Monitoring Officers within Business Services of the Council have been consulted in the preparation of this report and their comments have been incorporated within the report.

## **12. Equalities, Staffing and Financial Implications**

- 12.1** An equality impact assessment is not required because the recommended actions are not considered to have a differential impact on people with protected characteristics.
- 12.2** Any staffing and financial implications arising directly as a result of this report are narrated in the report.

**Pam Milliken**

**Chief Officer, Aberdeenshire Health and Social Care Partnership**

Report prepared by Chris Smith (Chief Finance and Business Officer) 16<sup>th</sup> January 2024