

ABERDEENSHIRE INTEGRATION JOINT BOARD – 20th MARCH 2024

REVENUE BUDGET 2024/25

1 Recommendations

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 Consider and comment on the financial outturn for 2023/24 as at 31 January 2024 and approve the budget adjustments detailed in Section 4.6 and **Appendix 12** of this report;
- 1.3 Note the financial allocations proposed to be made from Aberdeenshire Council and NHS Grampian for 2024/25 and the estimated additional funding to be passported through Aberdeenshire Council from Scottish Government for Social Care Pay Uplift in Commissioning Services;
- 1.4 Agree the proposed revenue budget for 2024/25 outlined in **Appendix 1**;
- 1.5 Agree the proposed savings shown within **Appendix 2a**;
- 1.6 Agree the proposals on Effective Use of Resources outlined in **Appendix 2b**;
- 1.7 Agree that the HSCP will continue to achieve in year savings by a process of strategic assessment and responsible stewardship to ensure delivery of a balanced budget;
- 1.8 Instruct the Chief Officer to negotiate uplifts for those Social Care providers not covered by the National Care Homes Contract;
- 1.9 Note the financial risks as set out in **Appendix 3**;
- 1.10 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 per **Appendix 4**;
- 1.11 Agree the Medium-Term Financial Strategy (MTFS) as detailed in **Appendix 5**; and
- 1.12 Agree the recommendations for the HSCP Charging Policy and Unit Costs for 2024/25 as detailed in **Appendix 11**.

2 Directions

- 2.1 This report requires a direction to be issued to Aberdeenshire Council and NHS Grampian and the details of this direction are contained in **Appendix 4**.

3 Risk

IJB Risk Register ID 1990 Sufficiency and affordability of resource (1)
IJB Risk Register ID 1589 Risk of failure to deliver standards of care expected by the people of Aberdeenshire (8)

4 Background

- 4.1 The Public Bodies (Joint Working) (Scotland) Act 2014 requires 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 (IJB), formed of representatives from Aberdeenshire Council and NHS Grampian.
- 4.2 Aberdeenshire Council and NHS Grampian are partners contributing resources, including financial resources to the Aberdeenshire IJB. The contributions for 2024/25 from Aberdeenshire Council and from NHS Grampian have now been confirmed. Also expected is a share of £230m of funding from Scottish Government to support Adult Social Care Pay Uplift in Commissioning Services, this funding will be received by Aberdeenshire Council and will be passported directly through to the Health and Social Care Partnership, the final amount has yet to be 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, together with the estimated allocation of the share of the Scottish Government Funding for the Adult Social Care Pay Uplift in Commissioning Services.
- 4.3 During the preparation of the budget, officers from both partners have worked closely with HSCP officers to advise and develop the IJB element of each partner's budget.
- 4.4 For the first time in four financial years the IJB is forecasting that a General Reserve will not be held as we enter the new financial year.
- 4.5 The level of resource initially required by the IJB to deal with new pressures is estimated to be approximately £20 million greater than the funding contributions advised for 2024/25 from the Partners. This report outlines the plans to cover this £20 million difference in order that the IJB can set a revenue budget for 2024/25 which matches projected expenditure levels with resources available.

4.6 Revenue Budget 2023/24 Update

The IJB is forecasting an overspend in the current financial year (2023/24) as at 31 January 2024 of £8.4 million. There exist a number of underlying financial pressures in areas as follows:

- GP Prescribing
- Adult & Older People care management
- Other Direct Patient Care

The forecast for the year has been prepared based on the January 2024 actuals and is shown in the table below and in **Appendix 12**:

Summary: Forecast for the Financial Year as at 31 January 2024

	Revised Budget 2023/24 £m	Forecast 2023/24 £m	Forecast Variance 2023/24 £m	Forecast Variance %
Health & Social Care	387.3	411.0	23.0	5.86%
Set aside budget	34.5	34.5	0	0%
Sub-total	421.8	445.6	23.0	5.64%
Use of Reserves			(14.6)	
2023/24 Position			8.4	1.99%

5 Summary

Funding Context

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

- NHS Grampian did not receive an increase on their budget from the Scottish Government. The IJB's funding will be allocated in line with the methodology used in the current financial year. This equates to a total contribution of £214.919 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 2023/24 recurring budget for social care services.
- Aberdeenshire Council has now confirmed its budget for 2024/25. The budget outlines a contribution of £154.434 million for the IJB.
- Also assumed within the budget reflected in

5.2 It is important to reiterate that each partner's financial settlement for 2024/25 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 additional savings in 2024/25 in order to operate within their resources.

Revenue Budget 2024/25

- 5.3 In 2024/25 the Integration Joint Board will invest approximately £416 million in Aberdeenshire through the revenue budget managed and delivered through the Health and Social Care Partnership. A revised Medium Term Finance Strategy (MTFS) was approved in July 2023. (see **Appendix 5**).
- 5.4 Several 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.
- 5.5 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 3**.
- 5.6 A summary of changes to the revenue budget from 2023/24 to 2024/25 is shown in the table below:

	£m	£m
2024/25 Budget Pressures		
- GP Prescribing	9.9	
- Real Living Wage	9.2	
- Adult and Older Social Care Packages	6.2	
- Pay Uplifts	4.6	
- Transitions of Care	0.8	
- 2c Practices	0.5	
- Health Visiting	0.4	
- Paediatric Speech and Language Therapy	0.2	
		31.8
New Funding – Real Living Wage and NHS Pay Award		(11.8)
Shortfall before savings/mitigations		20.0
Savings – Appendix 2a and 2b	(8.4)	
Pension Contribution Reduction	(2.1)	
Transformational – Digital, Technological & Organisational	(1.0)	
GP Prescribing Efficiencies	(0.8)	
Fees and Charges Increase	(0.2)	
		(12.5)
Funding Gap		7.5
Additional Savings		(7.5)
Net Budget Position		0

- 5.7 The table shows that the impact of new pressures of £31.8 million exceed new funding being made available to the IJB by £20 million. The IJB have identified

savings and mitigations of £12.5 million to reduce the funding gap, but the IJB will require to achieve additional savings of £7.5 million in 2024/25 to achieve financial balance.

- 5.8 Given the gap between new resources and new pressures faced by the IJB for 2024/25, it is essential not only that financial pressures which arise during the financial year are managed, but also that financial savings are delivered.
- 5.9 A summary of the proposed revenue budget is shown in the following table:

Proposed Revenue Budget 2024/25

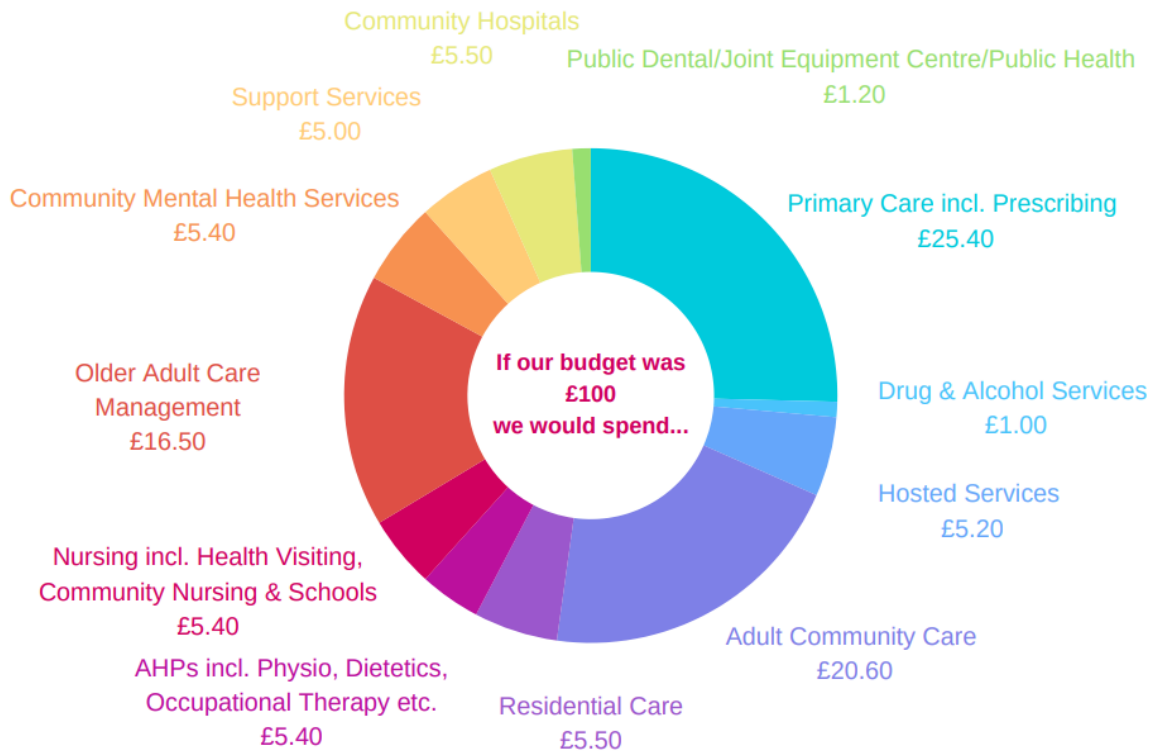
	Proposed Revenue Budget 2024/25 £m
Health and Social Care	381.1
Set Aside	34.5
Total Expenditure	415.6
Financed by:-	
NHS Grampian	217.4
Aberdeenshire Council	154.4
Estimated Allocation of the share of the £230m Adult Social Care Pay Uplift in Commissioning Services	9.3
Passported through Aberdeenshire Council	
Set Aside	34.5
Total IJB Resources	415.6
Net Budget	0

- 5.10 It should be noted that the 2024/25 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 2023/24. It is expected that earmarked funding will be allocated in 2024/25 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.

Pressures

- 5.11 In setting its budget for 2024/25 the IJB recognises significant pressures and that the discrepancy between its funding and actual costs are driven by several factors.
- 5.12 The first relates to demographics with the Aberdeenshire pensionable age population increasing and projected to move from 49,800 in 2018 to 73,750 by 2030, an increase of approximately 28%. This growth in population of older people, and particularly very old people (over 85 years), has increased demand on services to support people to age well and end their life with dignity in their place of choice. This has resulted in an increase in both residential care for older people and an increase in support at home with associated costs. In 2023/24 this represented a budget pressure which will continue into 2024/25.
- 5.13 A second major driver is an increase in the complexity of needs and associated increased costs of care packages in learning disability services which is a reflection of a number of factors including an increase in life expectancy; changing cultural expectations in young people to achieve independent living; increase in people with profound and multiple needs as well as a learning disability requiring double up care with specialist knowledge; increase in adults also requiring mental health-based treatment resources and high cost packages to maintain them safely. In 2023/24 this represented a budget pressure which will continue into 2024/25.
- 5.14 Our most significant budget pressure is primary care prescribing. In Aberdeenshire the prescribing budget was increased in 2023/24 by £3.6m as part of the IJB budget setting. Despite this there has been a further pressure of £4.0m in year. The NHS Grampian Primary Care Prescribing Group which models annual prescribing costs has identified an increase of £5.8m (medium estimate). In total these two annual increases will be £13.4m which is a shift from a budget of £47m in 2023/24 to a predicted spend for 2024/25 of £60.4m.
- 5.15 The increase in the cost of prescribing in Aberdeenshire and Grampian mirror elsewhere in Scotland and the cause is multi-factorial including medication shortages, frailty of the Scottish Drug tariff, new medications, changes in patterns of use (i.e. using more expensive medications as first line) and increases in waiting times leading to increased prescribing.
- 5.16 At the same time as this demand pressure, the IJB's budget has remained the same with the only increases relating to nationally negotiated pay and social care hourly rates. As outlined in **Appendices 6 and 7**, the HSCP continues to focus on a variety of measures and initiatives alongside system partners with the aim of mitigating the above pressures where possible.
- 5.17 Delivery of savings in a health and social care environment can be challenging. Many services are demand led or subject to minimum levels of provision determined by statute. Primary care and prescribing expenditure are determined through national contracts and tariffs and as shown below this

relates to 25% of the IJB's budget. For social care, the IJB has the duty under the Social Work (Scotland) Act 1968 to assess a person's social care support needs to decide if a person is eligible for services and under the Community Care and Health (Scotland) Act 2002 to provide free personal care for those aged 65 or over, which was extended to those under 65, by the Scottish Government in 2018. These duties are reflected in 43% of our budget.



6 Risks

- 6.1 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. A number of financial risks have been identified when developing the proposed revenue budget. These are explained in further detail in **Appendix 3**.
- 6.2 Aberdeenshire Council referenced in their approved revenue budget in 2023/24 that there are risks associated with the HSCP's budget due to inflationary pressures and changes to demand and demographics. Funding of £3.991 million was allocated in the Council's Reserves in the approved 2023/24 budget to be available if these risks materialise resulting in additional funding being requested from the Council. Per the IJB Integration scheme this would be to cover the Council's contribution to the 2023/24 overbudget position. These risks

have transpired, and the full funding will be requested from the Council. This request means there is no residual reserve that could be allocated in 2024/25 to the Partnership from the Council to cover the Council's contribution to any overbudget position that could transpire in 2024/25.

NHSG will require to contribute funding in 2023/24 to cover the NHS share of the overbudget position per the IJB Integration scheme.

- 6.3 The Public Bodies (Joint Working) (Scotland) Act 2014 makes provision in relation to the carrying out of social care functions of local authorities and a wide range of Health Board functions. The statutory functions delegated to the IJB, which the IJB is legally obligated to provide, are contained in the Integration Scheme. In exercising its functions, the IJB must consider Aberdeenshire Council's and NHS Grampian's requirements to meet their respective statutory obligations. This includes duties under the Social Work (Scotland) Act 1968 and the Mental Health (Care and Treatment) (Scotland) Act 2003 to provide services to meet eligible needs, to provide residential services and personal care, to promote social welfare, wellbeing, and social development. The IJB spending is already focussed on these statutory duties meaning that the savings required need to be achieved by reviewing and changing how these responsibilities are delivered through a process of prioritising, risk and decision-making processes to ensure delivery of a balanced budget.
- 6.4 The HSCP must also ensure preparedness for implementation of national policy and legislation in particular the Health and Care (Staffing) (Scotland) Act 2019 ensuring safe and appropriate staffing with implementation from 1st April 2024 and full compliance by March 2025.

7 Options to Close the Financial Gap

- 7.1 Throughout 2023/24 budget holders have reviewed and identified areas of savings which can be implemented in 2024/25 to deliver a balanced budget, whilst ensuring due consideration to the risks and impacts. The savings and efficiencies identified by the HSCP are as detailed in **Appendices 2a and 2b** totalling £8.4m.
- 7.2 These include savings for which Integrated Impact Assessments have been completed to ensure due regard for all potential impacts of each proposal. Where further information is still required to understand and support appropriate mitigations, this is detailed as part of the action plans within the IIAs.
- 7.3 Operational savings related to the effective use of resources have been identified by the HSCP and a list of these are provided in **Appendix 2b**. These will be delivered in year by the HSCP ensuring the most effective use of resources through its day-to-day operational management processes and practices.
- 7.4 For the savings set out in **Appendix 2a** totalling £2.05m, subject to their approval by the IJB, the HSCP will commence implementation. As part of this,

service-specific engagement will be undertaken as detailed in the action plans of each IIA.

- 7.5 In total the IJB has identified savings equating to £8.4m however this leaves a gap of £7.5m (1.8% of the IJB's budget). As set out in **paragraph 5.16** much of the IJB's expenditure is demand led or subject to minimum levels of provision determined by statute, consequently significant savings can only be achieved through a redesign of how the HSCP responds to these requirements.
- 7.6 An immediate action for the delivery of a balanced budget will be to work with an IJB review group to develop an implementation plan and route map for bridging the £7.5m gap including timelines for monitoring across the financial year.
- 7.7 During 2024/25, close budget management will be maintained by the HSCP Senior Management Team and budget holders to control costs and achieve the required savings and address the gap through vacancy management and delivering care within reduced budgets. Where additional efficiencies are targeted reflecting the differential risks and needs of our population meaning that some service areas may be more impacted.
- 7.8 The HSCP's Budget Oversight Group will have responsibility for monitoring and management of progress towards savings. The IJB will receive regular financial performance monitoring updates to demonstrate progress towards achieving the savings required and management of risks to deliver a balanced financial position in 2024/25. Oversight will be through IJB meetings with quarterly detailed reviews on progress undertaken through a review group.
- 7.9 Key to addressing the £7.5m gap will be a focus on reducing primary care prescribing costs working collaboratively across Grampian with the other IJBs, NHS Grampian Pharmacy team, primary care teams, GP Clusters, Local Medical Committee, other prescribers and our community.
- 7.10 Delivery of effective and lasting transformation of health and social care services is central to the vision of the IJB and continues to be key to the sustainable delivery of services in future years. This will inform the IJB's new Strategic Plan to be developed for 2025. This will involve making sure our services reflect changing demographics, changes in digital technology and changes in our workforce. This work will aim to ensure a clear policy direction and evidence base for prioritisation and decision-making based on the most effective use of resources. Subject to IJB approval the proposed areas of work will include:
- Review of external spend including grants and commissioned services, supported by appropriate service review and market engagement.
 - Strategic assessment of community hospitals across Aberdeenshire to support and ensure the most effective, equitable and sustainable model moving forward.

- Strategic assessment for older people’s residential services to inform a commissioning strategy and policy direction which enables future proof, sustainable, efficient, and effective residential care.
- Strategic assessment of adult residential models of care to inform a commissioning strategy and policy direction which enables future proof, sustainable, efficient, and effective residential care.

7.11 HSCP officers will continue to engage actively in both NHS Grampian’s Sustainability and Value Programme and Aberdeenshire Council’s Transformational Programme to maximise opportunities for transformation and ensuring effective use of resources through a collaborative approach.

7.12 In addition to the actions already described, a continued consideration will take place across all services to identify where reductions can be made. This will be informed by further engagement with stakeholders and be linked to the refresh of the IJB’s strategic priorities, as part of the development of the IJB’s next strategic plan.

8 Engagement Process

8.1 HSCP officers have worked with the IJB in the last year through regular development sessions to consider all areas of budget. The HSCP has also taken the proactive approach of engaging with the public and employees on the budget to seek their views.

8.2 A survey was published featuring 6 statements relating to policy priorities, asking respondents to assign a level of support for each and provide their reasons. The engagement exercise ran from 29 January 2024 to 26 February 2024 and 345 members of the public completed the survey in addition to 163 staff. Staff were also invited to make suggestions about areas for making additional savings.

8.3 There was agreement with the 6 policy statements:

1. It is a priority for the HSCP to consolidate where it delivers services, and where appropriate, utilise buildings most suitable for modern care;
2. The HSCP should prioritise those with the greatest need;
3. The HSCP should support services to make changes now to take account of the potential future increase in demand;
4. The HSCP should recover the full cost of providing chargeable services;
5. Where appropriate, digital technology should play a role in how the HSCP delivers services in the future;
6. The HSCP should deliver residential services based on best value and focus on those with greatest need.

8.4 The Engage Aberdeenshire summary report with detailed responses and themed comments has been shared with IJB members to inform their decisions about budget allocations (**Appendices 8 and 9**).

- 8.5 The HSCP will take on board learning from the survey including feedback on format and approach. This initial phase will form part of an ongoing programme of engagement, supported by service-specific engagement processes and also feeding into and informing the HSCP's engagement process commencing from late summer 2024 to support development of the HSCP's new Strategic Plan from 2025 onwards.

9 Equalities, Staffing and Financial Implications

- 9.1 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.
- 9.2 Integrated Impact Assessments have been carried out as part of the development of the 2024/25 Revenue Budget proposals. A summary of the outcome of the Integrated Assessments is attached at **Appendix 10**. A final summary and the full version of each Impact Assessment, and detailed breakdown of impact to protected characteristics will be made available on Aberdeenshire Council's website following the budget day announcements.
- 9.3 Given that each separate decision made when setting the budget may impact on the lives of people with protected characteristics, the importance of the cumulative impact on the decisions being taken is recognised, including the cumulative impact of service changes and unintended consequences on communities where multiple organisations might have reduced services. The HSCP is committed to place-based working, an approach where partners work together with communities, to consider a 'place' in its entirety, including its assets and interconnections: coordinating activity with a view to reducing inequality and improving the health and wellbeing of its people.
- 9.4 The HSCP will remain cognisant of the potential risks and unintended impacts to other parts of the system from its decision-making processes. As per the approach to date, the HSCP senior management team will maintain close dialogue with partners as risks are identified and required mitigations associated with delivery of this budget.
- 9.5 Financial and staffing impacts will be monitored on an individual savings basis and scrutiny will be provided through the agreed governance structure.

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Report prepared by Chris Smith, Chief Finance and Business Officer
27 February 2024

APPENDICES

Appendix 1 – Proposed Revenue Budget 2024/25

Appendix 2a – Aberdeenshire HSCP Savings Proposals 2024/25

Appendix 2b – Aberdeenshire HSCP Effective Use of Resources 2024/25

Appendix 3 – Aberdeenshire IJB Budget Risks

Appendix 4 – Direction to Aberdeenshire Council and NHS Grampian

Appendix 5 – Aberdeenshire HSCP Medium Term Finance Strategy 2024-2029

Appendix 6 - Context for Adult Social Care Pressures

Appendix 7 - Context for Prescribing Pressures

Appendix 8 – Summary of Budget Engagement Responses – Public

Appendix 9 – Summary of Budget Engagement Responses – Staff

Appendix 10 – Summary of Integrated Impact Assessments for the Aberdeenshire Integration Joint Board (IJB) Revenue Budget 2024/25

Appendix 11a to h – Charging Policy

Appendices 12a and b – Revenue Budget 2023/24 Update