

REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD

5 JULY 2023

REVENUE BUDGET UPDATE

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;**
- 1.3 Approve the use of general reserve to balance the overspend position as detailed in this report in section 7.5;**
- 1.4 Note the update regarding the 2023-24 IJB Revenue Budget detailed in Section 9 and the approval of an update to IJB regarding Scottish Government earmarked funding for 2023-24 to a future meeting of the IJB per section 9.4.**

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 draft final financial monitoring update for the 2022/23 financial year. It covers the twelve month period up to the end of March 2023.**

5. Financial Implications from 2021/22

- 5.1 In the last financial year the IJB recorded an underspend against revenue budget of £24.296 million.**

5.2 The IJB revenue budget for the 2022/23 financial year was agreed in March 2022 by the IJB. A balanced budget was set which matched the total resources available to the IJB with planned expenditure.

5.3 The IJB held the following reserves as at 1st April 2022.

2021/22 Outturn	£m
General Fund	7.908
Earmarked – Covid 19	16.205
Earmarked – Primary Care Improvement Fund	5.753
Earmarked – Winter Funding	3.786
Earmarked - Risk Fund	3.050
Earmarked - Transformational Funding	2.727
Earmarked - Action 15 Mental Health	2.589
Earmarked – ADP	1.267
Earmarked – Community Living Change Fund	0.815
Earmarked – Stonehaven Dental	0.400
Earmarked - Other	0.362
Total Reserves	44.862

6. Outturn Financial Position 2022/23

6.1 This report sets out the final financial monitoring position of the activities for which the IJB is responsible for the financial year 2022/23. The report covers the financial position to the end of March 2023 for the revenue budget. The detailed position by service area for the financial year is shown in **Appendix 1** and reports that the Health & Social Care Partnership recorded an overspend against the revenue budget of £6.4million relative to the total resources available.

6.2 An overspend was anticipated per financial monitoring reported to the IJB in March 2023, however the level of overspend increased during the final quarter of 2022/23 due to a number of contributing factors as detailed in **section 6.5**.

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

Summary: Outturn 2022/23 Financial Position

	Revised Year to Date Budget 2022/23 £000s	Actual to 31st March 2023 £000s	Variance to 31st March 2023 £000s	Variance %
Health & Social Care	368.470	375.333	6.863	1.86
Funds	(13.875)	(14.337)	(0.462)	(3.33)
Set Aside Budget	34.515	34.515	0	0
2022/23 Position	389.110	395.511	6.401	1.65

6.4 From the summary table it can be seen that:

- There is an overspend of £6.401 million at the end of the year, equating to 1.65% of the IJB budget.
- Health budgets ended the year with an overspend of £4.8 million.
- Social care budgets ended the year with an overspend of £2.1 million.
- Funds ended the year with an underspend of £0.5 million.

6.5 The overspend is due to a number of contributing factors which have continued and been reported to the IJB throughout the financial year 2022/23.

6.6 The detailed final financial position is set out in **Appendix 1** with supporting notes in **Appendix 2**. The main areas of variance were:

(a) The areas which recorded the largest overspends for the year are shown below:

GP Prescribing	£3.1m	Significant item price increases, attributed to the impact of short supply causing a spike in prices. An overall 4.% volume increase during the period was higher than expected following a period of increased volumes in 21/22.
Older People – Care Management	£3.0m	Covid sustainability payments have now come to an end, so an increase in expenditure over the previous year was expected but all packages continue to be reviewed, especially those of high value. An increase in care at home provision post Covid, both in terms of referral numbers and complexity of cases, has been identified.
Adult Services – Community Care	£2.6m	Significant rise in costs this year due to complexity of needs, double up care and an increase in service users.
Other Direct Patient Care	£2.0m	Impact of 2C salaried medical practices generated an overspend during the period.
Community Mental Health	£1.7m	Due to requirement to use locum medical staffing due to vacancies.
Older People – Residential Care	£1.1m	Reliance on overtime, relief and agency staff due to vacancies.

(b) The areas which recorded the largest underspends for the year are shown below:

Headquarters	£2.9m	Due to difficulties and timing of recruitment relating to additional funding received in year.
Primary Care	£1.7m	This underspend primarily reflects the benefit of a rates refund in respect of prior years.
Adult Services – Mental Health	£0.9m	Payments to Third Sector are underspent as redesign of services for this client group is undertaken.
Out of Area	£0.8m	Ceasing of payments relating to a specialist facility due to transfer to a community placement.

6.7 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.

7. Reserves

7.1 The following table details the movement in the reserves position from 1 April 2022 to 31 March 2023.

7.2 The overall position is shown in the table below:-

	01/04/22	Movement	31/03/23
	£m	£m	£m
General Fund Reserve	7.908	(4.610)	3.298
Earmarked Reserves:-			
Covid-19	16.205	(14.731)	1.474
Primary Care Improvement Fund	5.753	(4.568)	1.185
Winter Pressure Funding	3.786	(3.786)	0
Risk Fund	3.050	0	3.050
Transformational Funding	2.727	(1.105)	1.622
Action 15 – Mental Health	2.589	(1.210)	1.379
Alcohol & Drug Partnership	1.267	0.131	1.398
Community Living Change Fund	0.815	(0.203)	0.612
Stonehaven Dental Practice Funding	0.400	0	0.400
Service Capacity & Redesign	0	2.000	2.000
Psychological Therapies	0	0.122	0.122
Other	0.362	0.026	0.388
Total Reserves	44.862	(27.934)	(16.928)

7.3 £2m of the 2021/22 underspend was utilised in the creation of a Service Capacity and Redesign reserve as approved by the IJB in August 2022 to support the review of our Strategic Priorities and to also support achievement of savings and efficiencies to meet the challenges faced by potentially reduced funding, coupled with increased costs. The plans for this reserve will be presented in detail to the Partnerships SMT and progress reviewed by IJB.

7.4 The review of the reserves strategy is being reported to the IJB in a separate paper at this IJB for approval.

7.5 The table in section 7.2 includes the adjustment of £6.401 million to be funded from the general fund reserve relating to the overspend as at 31 March 2023. The reserves balance is therefore subject to the approval of the use of the general fund reserve as per **recommendation 1.3**.



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 does not have a requirement for any additional year end funding contributions from partners in 2022/23.

9. Revenue Budget 2023/24

9.1 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 general reserve of £3.05m**

The total of these measures means 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.

Scrutiny and control of the budget for 2023/24 is paramount to be able to achieve the approved balanced budget position.

Monthly budget monitoring will be undertaken, with quarter 1 monitoring being presented to the IJB in August 2023. The forecast outturn position for the financial year 2023/24 will be updated with the focus on the high value/high risk budget lines, based on recurring pressures identified from previous financial years.

In conjunction with budget holders and finance colleagues we will monitor the progress and impact of the efficiency savings to ensure their achievement and when we identify issues identify mitigations at an early stage.

This work will follow on from the updated Medium Term Financial Strategy which is being presented to IJB today, in conjunction with an updated Reserves

Strategy, as we look to 2024/25 and the challenges of setting a balanced budget with reducing reserves and pressures our funding. It is highly likely that additional savings and efficiencies will require to be identified to achieve a balanced position through the budget setting process for 2024/25.

9.2 Covid Funding

The Scottish Government's Director of Health Finance and Governance in a letter dated 12th September stated that there have been a number of significant changes to Public Health policies in relation to Covid over the summer, resulting in the profile of Covid spend reducing significantly compared to when funding was provided to IJBs for Covid purposes in February 2022.

In response to this, the Scottish Government will reclaim surplus Covid reserves to be redistributed across the sector to meet current Covid priorities. The detail of this will follow at an IJB level and the process and timetable will follow through further communications. In order for the sector to have sufficient levels of Covid funding, compliance with current policies is required.

This is an in year adjustment to reserves and is not an approach that will impact on future years. Future Covid related costs will need to be considered as part of the overall budget envelope that is agreed through the usual Scottish Government budget process in 2023/24 and beyond.

Further to this the Interim Deputy Director – NHS, Integration and Social Care Finance confirmed the following -

- We plan to use the Q2 return numbers to inform the full year spend projection,
- Adjustment through the November allocation letter in early December.
- No adjustments should be made for Unscheduled care and PPE. PPE will not be charged for in 2022/23 and will still be met by NSS.
- Due to the wider financial challenge this year, IJBs must continue to bear down on Covid costs. IJBs should utilise other funding streams and reserve balances such as interim care, care at home and other residual reserve balances to meet pressures on additional capacity.

Quarter 2 information was forwarded to the Scottish Government in October 2022. The Scottish Government have confirmed that a final reconciliation will be undertaken as at 31 March 2023 to ensure that there is no detrimental impact on IJBs.

The majority of Covid funding will not continue beyond 2022/23. We continue to work with our partners across the NHS Grampian area to set realistic forecasts regarding those delegated and non-delegated vaccination costs in line with funding available. Work is also ongoing to fully realise the potential budget impact for 2023/24 and beyond based on National Guidelines for vaccination provision.



9.3 Scottish Government Ear Marked Funding Updates

We await confirmation of earmarked funding allocations for financial year 2023/24 and the treatment of reserves held as at 31st March 2023. The likelihood is that as per 2022/23 the request will be to use any reserves prior to use of in year allocation.

- 9.4** An update will be provided to the IJB on the financial implications once these have been confirmed by the Scottish Government and brought to a future meeting of the IJB.

10. Medium Term Financial Strategy

- 10.1** The Medium Term Financial Strategy for 2022-27 was approved by the IJB in August 2022 and an update on the strategy is being reported in a separate paper to the IJB today which is 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.

Chris Smith

Chief Finance and Business Officer

Aberdeenshire Health and Social Care Partnership

Report prepared by Chris Smith (Chief Finance and Business Officer) 20th June 2023

Appendix 1 – Detailed position by service area for the financial year.

Appendix 2 – Supporting Notes.

Appendix 3 – Proposed budget adjustments.