

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

**23 AUGUST 2023**

### **REVENUE BUDGET 2023-24 QUARTER 1 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;**

#### **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 first financial monitoring update for the 2023/24 financial year. It covers the three month period up to the end of June 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 unaudited 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 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.

**6.2** This report sets out the first 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 June 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 June 2023 against budget for the same period.

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

	Revised Year to Date Budget 2023/24 £000s	Actual to 30 <sup>th</sup> June 2023 £000s	Variance to 30 <sup>th</sup> June 2023 £000s	Variance %
Health & Social Care	96,088	98,130	2,042	2.1%
Funds	(141)	153	363	-
Set Aside Budget	7,571	7,571	0	0
<b>2023/24 Position</b>	<b>103,518</b>	<b>105,854</b>	<b>2,335</b>	<b>2.3%</b>

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

- There is an over budget position of £2.335 million at the end of June 2023, equating to 2.3% of the IJB budget.

- Health budgets at the end of June 2023 are over budget by £1.679 million.
- Social care budgets at the end of June 2023 are over budget by £0.363 million
- Funds at the end of June 2023 are over budget by £0.293 million

**6.5** The detailed financial position as at end of June 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 June 2023 are shown below:

- GP Prescribing
- Adult Services Community Care
- Older People Residential Care

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

- Headquarters
- Older People Homecare

**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 June results and is shown in the table below:

**Summary: Forecast for the Financial Year as at 30 June 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	370,610	390,343	19,733	5.3%
Funds	(2,385)	(2,621)	(236)	(9.9%)
Set aside budget	34,515	34,515	0	0
<b>2023/24 Position</b>	<b>402.740</b>	<b>422,237</b>	<b>19,498</b>	<b>4.8%</b>

From the summary table it can be seen that:

- An **over budget of £19.5 million (£11.8m with savings achieved and use of reserves)** is being forecast equating to **4.8% (2.9%)** of the IJB budget.

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

	<b>Health Budgets £</b>	<b>Social Care Budgets £</b>
GP Prescribing	4,056,000	
Other Direct Patient Care	2,212,000	
Adult Services - Community Care		6,500,000
Older People - Residential Care		2,750,000

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 £4.1m over budget.** 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 are working with our pharmacy colleagues to confirm what was factored into the budget setting paper in relation to the movement in 2023/24 to date but we can safely say that both are accelerating away from the initial prediction.
- **Other Direct Patient Care – Forecast £2.2m over budget.** Overspends against 2c salaried medical practices total £2.75m with some smaller mitigating underspends on other budget lines. Locum costs are the primary drivers behind this.
- **Adult Services Community Care - Forecast £6.5m over budget.** (2022/23 over budget position was £2m). 2022/23 was only partly funded by supplier sustainability, therefore increase will have been in part due to reopening of services, higher cost packages and demand.

The budget in 23/24 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. Additionally, a number of high cost packages have recently been added.

- **Older People Residential Care - Forecast £2.8m over budget** (2022/23 over budget position was £1.125m). This relates to an additional pressure relating to the provision of in house care provision.

- 6.8** These forecasts, in line with all other budget lines, will continue to be reviewed with partners, budget holders and finance colleagues to identify continuing trends and mitigations applied where applicable.
- 6.9** The following is the summary position based on the first review of the actual position and forecast for 2023/24 and the impact on the budget as set in March 2023, with potential mitigations.

<b>As at 30 June 2023</b>	<b>Total</b>
<b>Overall Out of Balance position for 2023/24</b>	<b>19,498,000</b>
Employment Saving	(500,000)
Vacancy Man	(1,200,000)
Efficiency	(3,000,000)
<b>Revised Out of Balance position for 2023/24 with savings applied</b>	<b>14,798,000</b>
Planned use of Reserves	(3,050,000)
<b>Revised Out of Balance position for 2023/24 with savings and use of reserves</b>	<b>11,748,000</b>
Use of IJB Reserve Balance from 2023/24	(3,798,000)
<b>Out of Balance with savings and use of reserves</b>	<b>7,950,000</b>

The above highlights that with the savings and use of reserves as agreed to balance budget by IJB –

- the forecast overspend as at end of June-23 for 2023/24 is **£11.4m**
  - applying the forecast IJB reserve balance of £3.8m this reduces overall pressure to **£7.6m**. The use of the reserve 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.
  - the above does not take into account at this stage any additional savings or mitigations to reduce in year spend and the out of balance forecast position.
  - there is also a Reserve held by Aberdeenshire Council of approximately £4.0m which if use of this is agreed could reduce the overall gap for 2023/24 to **£3.6m**.
- 6.10** This forecast is the first undertaken for quarter 1 and requires ongoing review. On this basis reviews of July and August positions will be undertaken and reported to SMT.

For further context in terms of the main over budget positions detailed in section 6.6, 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 June position.

## 6.11 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 –

- Quarter 1 23/24 financial position was reported to IJB SMT for review with subsequent presentation to the IJB Collaboration and Leadership Forum in mid-August – focussing on current position and the requirement to achieve savings as per approved budget and the ongoing review of the areas of material overspend and mitigations that can be applied to reduce predicted overspend position.
- Meetings have been arranged with SMT, IJB CFO and Finance Managers from NHSG and Aberdeenshire Council to review in detail the Q1 position and the impact on 2024/25 and beyond with follow up sessions planned which will also include the IJB CO as part of Q2 23/24 update.
- Budget Development session with IJB on 25 August 2023, which is a continuation of work undertaken to date with SMT and IJB.
- Forecast updates will be provided based on July and August positions ahead of the Q2 update with focus on the main areas as identified in **section 6.6 and Appendices 1 and 2** of this report with work ongoing to identify trends and areas of potential mitigation.

## 7. Reserves

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

	<b>£m</b>
<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**

	<b>01/04/23</b>	<b>23/24</b>	<b>31/03/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Fund Reserve</b>	<b>3.298</b>	<b>0</b>	<b>3.298</b>
<b>Earmarked Reserves:-</b>			
Covid-19	1.474	(1.474)	0
Primary Care Improvement Fund	1.185	(1.185)	0
Risk Fund	3.050	(3.050)	0
Transformational Funding	1.622	(1.622)	0
Action 15 – Mental Health	1.379	(1.379)	0
Alcohol & Drug Partnership	1.398	(1.398)	0
Community Living Change Fund	0.612	(0.612)	0
Stonehaven Dental Practice Funding	0.400	(0.400)	0
Service Capacity & Redesign	2.000	(1.500)	0.500
Psychological Therapies	0.122	(0.122)	0
Other	0.388	(0.388)	0
<b>Total Reserves</b>	<b>16.928</b>	<b>(13.630)</b>	<b>3.798</b>

The forecast reserves position at the end of 2023/24 is predicted to be £3.798m. 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** We await confirmation of earmarked funding allocations for financial year 2023/24 and the treatment of reserves held as at 31<sup>st</sup> March 2023. The likelihood is that as per 2022/23 the request will be to utilise reserve balances prior to use of in year allocation.

**9.2** 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 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) 9<sup>th</sup> August 2023

## **List of Appendices –**

**Appendix 1** – Summary Position

**Appendix 2** – Supporting Notes

**Appendix 3** – Proposed budget adjustments