

REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD

11 OCTOBER 2023

REVENUE BUDGET 2023-24 UPDATE AS AT 31 AUGUST 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 second financial monitoring update for the 2023/24 financial year. It covers the five month period up to the end of August 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.

This report sets out the second 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 August 2023 for the revenue budget. The detailed position by service area for the financial year is shown in **Appendix 1**.

6.2 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 August 2023 against budget for the same period.

Summary: 2023/24 Financial Position as at end of August 2023

	Revised Year to Date Budget 2023/24 £000s	Actual to 31 st August 2023 £000s	Variance to 31 st August 2023 £000s	Variance %
Health & Social Care	160,685	167,772	7,087	4.41%
Funds	4	748	744	186%
Set Aside Budget	3,155	3,155	0	0%
2023/24 Position	163,844	171,875	7,831	4.8%

6.3 From the summary table it highlights that:

- There is an over budget position of £7.831 million at the end of August 2023, equating to 4.8% of the IJB budget. (June 2023 - overbudget £2.335m and 2.3%)

- Health budgets at the end of August 2023 are over budget by £2.962 million (June over budget £1.679m)
- Social care budgets at the end of August 2023 are over budget by £4.125 million (June over budget by £0.36m)
- Funds at the end of August 2023 are over budget by £0.74 million (June over budget by £0.3m)

6.4 The detailed financial position as at end of August 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 August 2023 are shown below:

- GP Prescribing
- Other Direct Patient Care
- Adult Services Community Care
- Physical Disabilities – Joint Equipment Service
- Older People Care Management and Residential Care

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

- Headquarters
- Adult Services Day care

6.5 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.

6.6 Forecast position for 2023/24 Financial Year

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

Summary: Forecast for the Financial Year as at 31 August 2023

	Revised Budget 2023/24 £000's	Forecast 2023/24 £000's	Forecast Variance 2023/24 £000s	Forecast Variance %
Health & Social Care	375,430	390,387	14,957	3.98%
Funds	2,291	2,380	89	3.88%
Set aside budget	34,515	34,515	0	0%
2023/24 Position	412,236	427,282	15,046	3.64%

From the summary table it can be seen that:

- An **over budget of £11.9m** with savings achieved and use of reserves of £3.050m is forecast equating to **2.9%** of the IJB budget.

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

	AHSCP Budgets £
GP Prescribing	4,028,000
Adult Services - Community Care	5,478,000
Other Direct Patient Care	2,979,000
Older People - Residential Care	2,880,000

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** (June £4.1m 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 £2.9m over budget** (June £2.2m over) Overspends against 2c salaried medical practices total £2.339m with some smaller mitigating underspends on other budget lines. Locum costs are the primary drivers behind this.
- **Adult Services Community Care - Forecast £5.5m over budget** (June £6.5m 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 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 £2.9m over budget** (June £2.8m over) This relates to an additional pressure relating to

the provision of in house care provision particularly the additional costs associated with Huntly Care Home.

- 6.7** 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.
- 6.8** 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.

As at 31 August 2023	Total
Overall Out of Balance position for 2023/24	19,748,000
Employment Saving	(500,000)
Vacancy Man	(1,200,000)
Efficiency	(3,000,000)
Revised Out of Balance position for 2023/24 with savings applied	15,048,000
Planned use of Reserves	(3,050,000)
Revised Out of Balance position for 2023/24 with savings applied and use of reserves per approved budget	11,998,000

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 August-23 for 2023/24 is **£11.9m**
- the above does not take into account at this stage mitigations to reduce in year spend and the out of balance forecast position that have been put in place by the IJB SMT through communication to all budget holders. The impact of this will be realised in the monitoring from Sep-23 onwards.
- 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 31st March 2024. The actual saved to date is £1.7m.
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 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.

6.10 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 August 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 are being undertaken 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 27 September 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 Q2 will be presented to the IJB in November 2023.

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.

	£m
General Fund Reserve	3.298
Earmarked Reserves:-	
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
Total Reserves	16.928

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
General Fund Reserve	3.298
Earmarked Reserves:-	
Covid-19*	1.474
Transformational Funding	1.622
Service Capacity & Redesign	2.000
Total Reserves	8.394

*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 **£8.394m**. 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 31st 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) 20th September 2023