



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 29 JUNE 2023

SUBJECT: REVENUE BUDGET OUTTURN FOR 2022/2023

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To inform the Moray Integration Joint Board (MIJB) of the financial outturn for 2022/23 for the core budgets and the impact this outturn will have on the 2023/24 budget.

2. RECOMMENDATIONS

2.1 It is recommended that the MIJB:

- i) consider and note the unaudited revenue outturn position for the financial year 2022/23,
- ii) consider and note the impact of the 2022/23 outturn on the 2023/24 revenue budget,
- iii) approve the repayment to NHS Grampian of £1,178,000 of the unused ear marked Covid reserve, as detailed in para 8.3, and
- iv) approve for issue, the Directions shown in APPENDIX 4 to NHS Grampian and Moray Council.

3. BACKGROUND

- 3.1 The overall position for the MIJB is that core services were overspent by £5,280,372 as at 31 March 2023. The MIJB's unaudited financial position for the financial year ending 31 March 2023 is shown at **APPENDIX 1**. This is summarised in the table below.

	Annual Budget £	Actual Expenditure £	Variance to date £
MIJB Core Service	140,725,184	146,005,556	(5,280,372)
MIJB Strategic Funds & other resources	18,821,686	8,858,520	9,963,165
Set Aside Budget	13,917,000	13,917,000	0
Total MIJB Expenditure	173,463,870	168,781,076	4,682,793

A list of services that are included in each budget heading are shown in **APPENDIX 2** for information.

4. KEY MATTERS/SIGNIFICANT VARIANCES FOR 2022/23

Community Hospitals and Services

- 4.1 The Community Nursing budget is overspent by £246,701 to the year-end. This predominantly relates to non pay variances totalling £202,874, which mainly includes increased energy and medical supplies costs alongside increased administration and ancillary domestic services costs. The Community Hospitals were overspent by £120,626 mainly in Buckie. These overspends were offset by underspends in medical costs of £76,799.
- 4.2 Efforts are ongoing to mitigate or minimise risk to service delivery, including the deployment of available staffing in the most effective manner
- 4.3 The outturn for Community Hospitals & Services is overspent by £21,205 more than previously forecast due to the costs mentioned above continuing to increase.

Community Nursing

- 4.4 The Community Nursing budget is underspent by £462,425 to the year end. This is due to underspends in District Nursing £255,144, Health Visitors £206,120 and Maryhill where services are combined £1,161. For District Nursing the overall current underspend relates mainly to the Varis Court Augmented Care Units (ACU's) budget which is underspent by £277,746. The Varis budget underspend remains due to staffing vacancies £155,307 and non-pay £122,439 as a result of the organisational change process and contract with care provider yet to be concluded. In relation to Health Visitors underspends remain due to challenges on the recruitment and retention of qualified and experienced Health Visitors and School Nurses at a local, regional and national level. Underspends have been augmented by additional funding received from the Scottish Government in January amounting to £95,000 which could not be utilised
- 4.5 Mitigation efforts continue to include the development of trainee positions to increase the number of qualified, skilled and experienced practitioners.
- 4.6 The outturn for Community Nursing is underspent by £37,675 more than previously forecast as challenges with recruitment continue.

Learning Disabilities

- 4.7 The Learning Disability (LD) service is overspent by £3,477,103 at the year-end. The overspend is essentially due to the purchase of care for people with complex needs which resulted in an overspend of £3,547,840, client transport of £21,803 and less income received than expected £16,475. This is offset by an underspend in clinical Speech and Language services, physiotherapy and psychology services of £97,220 and other minor underspends totalling £11,795.
- 4.8 This budget has been under pressure for a number of years due to demographic pressures, transitions from Children's services and people living longer and getting frailer whilst staying at home. In this past financial year we

seemed to see an increase in those cases requiring exceptionally high amounts of care due to their level of need and behaviours. Due to their particular needs, paired with the fact that there is a national care shortage there has been an increase in costs. In addition, our housing projects have seen more movement from people living with parents into their own homes which has also created an increase in newer large care packages. The housing projects are in line with agreed local and national strategies but it does generate the requirement for more domiciliary care provision

- 4.9 Adults with learning disabilities are some of the most vulnerable people in our community and need a high level of support to live full and active lives. Overspending in this area is not specific to Moray – local authorities across the country face similar difficulties in funding LD services at the required level. The LD team are aware that without appropriate structure and routine, many of our service users will exhibit challenging behaviours which are costly to manage and are not desirable from the perspective of people's life experience and human rights.
- 4.10 The outturn for the LD service is overspent by £502,062 more than previously forecast due to the reasons mentioned above and forecasting is difficult to do on this volatile budget as client needs can change and therefore costs can fluctuate.

Mental Health

- 4.11 Mental Health services are overspent by £219,627 at the year end. This overspend is primarily due to the purchase of care for people which results in an overspend of £205,554 and other minor overspends of £14,073.
- 4.12 Over the last couple of years the Mental Health budget has seen an increase in referral numbers of young people with complex needs including elements of autistic and ADHD symptoms in addition to, or causing mental health challenges. The impact of Covid both in terms of isolation and on community resources are being realised and the Mental Health Social Work team have had some high cost packages transfer from both children and families Social Work and Learning Disability services. There are no local residential/ accommodated mental health resource for under 65's in Moray, which means out of area placements are required, using facilities in Highland.
- 4.13 The outturn for Mental Health is overspent by £107,364 less than the previous forecast. This was mainly due to the receipt of income from NHS Education for Scotland which was not confirmed until March.

Care Services Provided In-House

- 4.14 This budget is underspent by £2,707,438 at the end of the year. This relates to underspend in staffing across all the services in this budget totalling £3,142,578 which is being reduced by overspends of £117,818 in day care services due to transport costs, less income received than expected £167,063, £35,056 for energy costs across all the services, £26,855 for cleaning costs across all the services, £41,032 for staff uniforms for care at home, £23,585 for Assessor costs and other minor overspends of £23,731.
- 4.15 Unfilled vacancies have been the main reason for the underspend throughout the year and the issue of recruitment has been an ongoing problem.

- 4.16 The outturn for this budget is £219,145 more than previously forecast. This is due to the regrading of social care assistants that was backdated and due to vacancies resulted in a larger underspend.

Older People and Physical Sensory Disability (Assessment and Care)

- 4.17 This budget is overspent by £2,973,958 at the end of the year. This primarily relates to overspends for domiciliary care in the area teams £2,086,975, which includes the Hanover very sheltered housing complexes, permanent care £880,253 due to the increase in the number of clients receiving nursing care rather than residential care and other minor overspends of £6,730. The variances within this overall budget heading reflect the shift in the balance of care to enable people to remain in their homes for longer.
- 4.18 Due to increase in need and complexity – increase in double up care at home packages. Limited resource availability through our internal provider and limited availability with Allied partnership provider means a reliance on external providers to continue to support the demand/need. The overspend on this budget is related to the underspend in Care Services provided in-house budget above.
- 4.19 The outturn for this budget is £9,687 more overspent than the previous forecast.

Care Services provided by External Contractors

- 4.20 This budget is underspent by £798,560, this primarily relates to underspends in Learning Disability contracts of £613,336, underspend in Mental Health contracts of £195,704 less minor overspends of £10,480.
- 4.21 The outturn for this budget is £84,997 less than previously forecast due to the underspend on the Learning Disability contracts being less than expected. The mental health underspend will be utilised in 23/24 but the learning disability underspend is a true saving from changing the contract from a block purchase to a spot purchase and therefore will be taken as a saving in 23/24.

Admin and Management

- 4.22 This budget is underspent by £361,019 at the year end. This is due to exceeding our vacancy target.
- 4.23 The outturn for this budget is £271,796 less than previously forecast due to an one off audit fee for the KPMG report on Commissioning and vacancy target being less than forecasted.

Primary Care Prescribing

- 4.24 The primary care prescribing budget is reporting an over spend of £1,960,529 for the twelve months to 31 March 2023. Actual data indicates that the average item price has increased significantly since June 22. The overall continuing price increase has been attributed in part to the continuing impact of short supply causing an increase in prices and general inflationary cost increase. This is spread across a range of products. In addition actual volume of items increases to January have been higher year to date than 21/22 following period of increased volumes in 21/22. The estimated position has been adjusted to include an overall 4.01% volume increase to March.
- 4.25 The outturn is £210,529 worse than previously forecast for this budget at the end of the financial year taking into account the volume increase continuing

and further impact of recent price increases impacting on spend in the final months of the year.

Out of Area Placements

4.26 This budget is overspent by £562,157 at the year end. This is due to continuing high cost individual placements.

4.27 The outturn for this budget is £1,575 less than previously forecast.

5. STRATEGIC FUNDS

5.1 Strategic Funds is additional Scottish Government funding for the MIJB, they include:

- Additional funding received via NHS Grampian and Moray Council (this may not be fully utilised in the year resulting in a contribution to overall MIJB financial position at year-end, which then needs to be earmarked as a commitment for the future year); and
- Provisions for earmarked reserves has been made to fund unutilised allocation for Primary Care Improvement Funds, Action 15 additional investment funding & Covid in 2022/23, identified budget pressures, new burdens, savings and general reserve that were expected at the start of the year.

5.2 At the end of the financial year there was slippage on Strategic Funds of £9,963,165 which has resulted in an overall underspend of £4,682,793.

5.3 During the 2022/23 financial year, Scottish Government continued to commit to the additional winter funding, to help support continuing system pressures. However, the Scottish Government did not make the full allocation of funding aligned to the Primary Care Improvement Plan (PCIP), Moray Alcohol & Drug Partnership (MADP) and Multi-disciplinary teams. Allocations made during the year, that remain unspent are considered as earmarked funding and to be used for these specific purposes in future years. This has contributed to the MIJB reserves.

5.4 After consideration of funding received, earmarked reserves and application of slippage on Strategic Funds, the MIJB financial position resulted in an underspend of £4,682,793 constituting the MIJB balance to carry forward to 2023/24. The reserves are detailed below in paragraph 10.

6. CHANGES TO STAFFING ARRANGEMENTS

6.1 At the meeting of the Board on 28 March 2019, the Financial Regulations were approved (para 11 of the minute refers). All changes to staffing arrangements with financial implications and effects on establishment are to be advised to the Board.

6.2 The staffing arrangements are noted in **APPENDIX 3** as dealt with under delegated powers for the period 1 Jan to 31 March 2023.

7. IMPACT ON 2023/24 BUDGET AND RISK

7.1 The actual out-turn for the 2022/23 Core Services budget year is an overspend of £5,280,372. Due to the cessation of Covid 19 expenditure, the Scottish Government clawed back the balance on the ear marked reserve.

The Scottish Government also reduced payments for PCIP, MADP and for the Multi Disciplinary team funding, thus reducing any balance on reserves for these areas it is difficult to ascertain with certainty the 2022/23 variances to budget and the likely impact moving in to the next financial year. However, the variances against the budget have been reviewed and classified as one-off or likely to be recurring. Impact in 2023/24 will be monitored continuously and reported regularly to the MIJB. The overall position is summarised below:

Area	Para Ref	Recurring	Non-Recurring
		£	£
OVERSPEND			
Staff	7.2	(390,783)	0
Purchasing of Care	7.3	(6,867,632)	(800,000)
Income	7.4	(865,773)	(24,076)
Supplies & Services	7.5	(436,005)	0
Property costs	7.6	(279,735)	0
Client transport	7.7	(146,852)	0
Aids & Adaptations	7.8	(146,852)	0
Prescribing		(1,960,529)	0
Other	7.9	(362,257)	(86,267)
Sub-total		(11,453,415)	(910,343)
UNDERSPEND			
Staff	7.2	4,576,548	308,283
Purchasing of Care	7.3	319,257	823,421
Income	7.4	403,624	104,466
Supplies & Services	7.5	122,143	109,371
Property costs	7.6	17,017	19,377
Client transport	7.7	8,665	122,551
Aids & Adaptations	7.8	0	51,479
Other	7.9	97,184	0
Sub-total		5,544,438	1,538,948
TOTAL		(5,908,977)	628,605
Net Overspend			(5,280,372)

- 7.2 Staff turnover can incur both under and overspends. Underspends can be attributed to the process of recruitment, which adds a natural delay, with posts being filled by new staff at lower points on the pay scale and in some circumstances the nature of the positions have been challenging to recruit to. The Council has recognised this turnover and had set as part of the budget process a vacancy factor saving, which has been met for numerous years. Overspends can be due to the use of bank staff/locum to provide required cover for vacancies/sickness and from the historic incremental drift and efficiency targets imposed.
- 7.3 The purchasing of care overspend relates to the purchase of domiciliary care by the area teams and the underspend relates ceased contract. The demographics show that Moray has an ageing population and the spend on external domiciliary care is increasing in relation to both increasing hours of commissioned care, the number of packages of care and complexity. This

also reflects the shift in the balance of care to enable people to remain in their own homes for longer.

- 7.4 The under recovery of income budgets is apparent across a number of service headings. It is very difficult to predict the level of income accurately as client income is subject to the contributions policy which is based on a client's financial assessment. Income recovery on all care at home services continues to reduce as well as income from permanent care placements from deferred income. The income will continue to reduce due to the legislation in relation to the Carers Act and free personal care for under 65's as well as the impact of Covid. The Independent Review of Adult Social Care will likely impact in the longer term. In addition there has been a reduction in contract income as contract have been revised due to recruitment difficulties.
- 7.5 The Supplies and services overspend includes purchases of medical supplies, medical equipment, uniforms, system licenses and maintenance cost of equipment which is expected to be recurring. The non-recurring underspend includes transport costs which have been reduced during the last year due to restrictions on all travel
- 7.6 The recurring overspend in property costs primarily relates to energy costs and cleaning for services. The non recurring underspend relates to rents and rates for a closed office.
- 7.7 Client transport costs are recurringly overspent for internal day services transport. The non recurring underspend is due to an external day services closure.
- 7.8 Aids and Adaptations overspend relates to Occupational therapy aids, servicing and stair lifts. Which is being reduced by a non recurring underspend in the improvement grants, due to timing of works.
- 7.9 Other category relates to minor variances across the services but also includes recurring overspends relating to admin costs, recurring underspends included staff transport and printing for which are already identified as a saving in 2023/24.
- 7.10 The financial results for 2022/23 show that underlying financial pressures on both the NHS and Council budgets remain, with the MIJB assuming responsibility for the budgets of the delegated functions and are expected to prioritise services within the budgets directed to it by Moray Council and NHS Grampian.
- 7.11 Through in-year reporting of the savings plan progress it was evident that the small saving for 2022/23 was achieved. The MIJB has committed to continue to identify further efficiencies that will be reported throughout the year, recognising the remaining pressure on the budget and the required disinvestment to allow the programmes of transformation to develop.
- 7.12 Whilst the 2023/24 revenue budget position as reported to the Board on 30 March 2023 (para of the minute refers) presented a balanced budget position, through the use of reserves, and a challenging savings plan, there is still the recurring overspend to be addressed. The recurring outturn position exceeded that previously forecast due to the volatility of the budget areas,

with the main areas relating to Learning Disability, Older People & PSD and Prescribing.

- 7.13 This additional recurring cost reduces the level of reserves going into 2023/24 that were expected when the 2023/24 budget was set. The additional cost will fully utilise the reserves in 2023/24 and any emerging budget pressure will have to be funded from additional savings or from recommissioning other activities. The Senior Management Team are actively addressing the situation to implement alternative measures to limit the financial pressure. Updates on the recovery and transformation process and further savings will be provided to the Board for approval during 2023/24 through the financial reporting processes.

8. IMPACT OF COVID – 19

- 8.1 To date there has been continued commitment from Scottish Government to provide additional funding to support health and social care as a result of the pandemic. This includes the use of Covid 19 specific reserves to support the remobilisation of services. The support for Covid ended on 30 April 2023 and the balance of reserves has been clawed back by the Scottish Government via a negative allocation to NHS Grampian.
- 8.2 HSCM continued to provide monthly returns to Scottish Government on the Local Mobilisation Plan (LMP) via NHS Grampian. Reported expenditure at the end of 2022/23 was £1.599 million. The costs are summarised below:

Description	Spend to 31 March 2023 £000's
Staffing	628
Provider Sustainability Payments	664
Remobilisation	119
Cleaning, materials & PPE	7
Elgin Community Hub (Oaks)	181
Total	1,599

- 8.3 As previously reported the Scottish Government has reclaimed £6,239,000 of the Covid reserve by a negative allocation to NHS Grampian in March 2023. Following completion of the month 13 return the balance of £1,178,000 has also been clawed back from NHS Grampian by a negative allocation by the Scottish Government. Now NHS Grampian are requesting the value to be transferred over to them and request the Board to agree to this transfer. There should be no more Covid spend going through either partner except for the supplier relief payments and that ended on 30 April 2023.

9. UPDATED BUDGET POSITION

- 9.1 During the financial year, budget adjustments arise relating in the main to the allocation of non-recurring funding that is received via NHS Grampian. In order to establish clarity of these budget allocations a summary reconciliation has been provided below.

- 9.2 The MIJB, for the 2022/23 has concluded the financial year in an underspend position due to Ear marked reserves brought forward from 2021/22 , which relates to the additional funding being made available for Covid related expenditure, unachieved savings and additional investment by the Scottish Government for winter funding in 2021/22. The additional funding contributions during the year are also show in the table below:

	£'s
Approved Funding 31.3.22	142,673,000
Set Aside Funding	12,620,000
Balance of IJB reserves c/fwd to 22/23	17,020,716
Amendment to Moray Council core	(280,982)
Amendment to NHS Grampian core	185,405
Budget adjustments Quarter 1	1,074,737
Budget adjustments Quarter 2	454,399
Budget adjustments Quarter 3	1,858,988
Revised Funding to Quarter 4	175,606,263
Budget adjustments M10-M12	
Increase in Set Aside	1,297,000
AFC Pay Award	1,701,050
PCIF Tranche 2	1,243,167
Action 15	481,417
Medical Pay Award	469,991
ADP	384,355
Immunisation Funding	108,175
School Nurse Funding	58,227
Primary Care	50,878
Dementia Post Diagnostic	45,406
Realistic Medicine	40,000
Mental Health LD Annual Health Checks	34,594
Mental Health Primary Care	30,005
Primary Care OOH Second Tranche	25,809
Open University	25,000
PH Outcome Framework	25,000
Mental Health LDIS	23,000
Moray Deputy CO Funding	13,000
GMED Ducs Project	7,743
Misc	(31,165)
Moray Capacity	(45,393)
Prescribing - Global Sum	(78,244)
Psych Therapies Adjustment	(88,000)
Lease – IFRS (budget and actual removed)	(242,973)
Use of reserves in year	(7,508,387)
National Trauma training services	50,000
MHO Funding	51,000
MDT Tranche 1 adjustment	(313,048)
Revised 2022/23 Financial Year Funding	173,463,870

- 9.3 In accordance with the updated budget position, revised Directions have been included at **APPENDIX 4** for approval by the Board to be issued to NHS Grampian and Moray Council.

10. **RESERVES**

- 10.1 Members will recall the MIJB Reserves Policy, most recently approved on 26 January 2023 (para 14 of the minute refers). The next review date should be no later than March 2024. The closing financial position on Reserves for 2022/23 is £4,682,793. This reserve is wholly for earmarked reserves, there is no usable general reserve to carry forward. The earmarked reserve will be called upon during the year in line with their specific purpose. The earmarked reserves detail is provided in the table below:

Reserve Detail	Type	£'s
Primary Care Improvement Plan & Action 15	Earmarked	937,036
GP Premises	Earmarked	228,447
Community Living Change Fund	Earmarked	319,463
National Drugs MAT	Earmarked	61,065
National Drugs Mission Moray	Earmarked	185,413
OOH Winter Pressure funding	Earmarked	182,422
Moray Cervical screening	Earmarked	35,681
Moray hospital at home	Earmarked	49,870
Moray interface discharge	Earmarked	138,625
Moray Psychological	Earmarked	279,232
MHO Funding	Earmarked	69,000
Care at Home Investment funding	Earmarked	720,339
Interim Care Funding	Earmarked	215,801
Moray Workforce well being	Earmarked	26,376
Adult disability payment	Earmarked	45,000
National Trauma training services	Earmarked	50,000
Social Work Capacity in Adult services	Earmarked	145,591
Additional investment in H&SC	Earmarked	590,678
Moray Winter Fund HCSW & MDT	Earmarked	323,160
LD Annual Health Checks	Earmarked	34,594
Realistic Medicine	Earmarked	40,000
Community Planning partnership	Earmarked	5,000
TOTAL		4,682,793

11. **SUMMARY OF IMPLICATIONS**

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan “Partners in Care 2022 – 2032”**

This report is consistent with the objectives of the Strategic Plan and includes budget information for services included in the MIJB Revenue Budget 2022/23.

(b) **Policy and Legal**

It is the responsibility of the organisation receiving the direction to work with the Chief Officer and Chief Financial Officer to deliver services within the resources identified. The Moray Integration Scheme (para 12.7 of the 2023 Integration Scheme) makes provision for dealing with in year variations to budget and forecast overspend by reference to agreed corrective action and recovery plans. It also makes provision for dealing with year-end actual overspend where such action and plans have been unsuccessful in balancing the relevant budget by reference to use of MIJB reserves and additional payments from NHS Grampian and Moray Council.

(c) **Financial implications**

The unaudited financial outturn for 2022/23 for the MIJB core budgets is £5,280,372 overspend. The financial details are set out in sections 3-9 of this report and in **APPENDIX 1**.

The estimated recurring overspend of £5,908,977 as detailed in para 7 will impact on the 2023/24 budget.

The movements in the 2022/23 budget as detailed in paragraph 8 have been incorporated in the figures reported.

(d) **Risk Implications and Mitigations**

The most significant risk arising from this report is the control and management of expenditure to provide the Health and Social Care services required for the Moray Area, within budget.

Due to the ongoing impact and recovery from the Covid pandemic, the financial circumstances of the partners and Scottish Government, the amount of reserves have drastically reduced. There is significant pressure on the budget for 2023/24 along with increasing demands on the services and cost of living pressures. Considerations are being given to alternative measures that can be established to support the recurring overspends and to achieve the savings target set for 2023/24. There is a big risk for 2023/24 onwards to achieve a financial balance. There is a need for constant scrutiny around this rapidly changing situation and reporting to the Board will inform throughout 2023/24

(e) **Staffing Implications**

There are no direct implications in this report.

(f) **Property**

There are no direct implications in this report.

(g) Equalities/Socio Economic Impact

An Equality Impact Assessment is not required because there are no changes to policy resulting from this report.

(h) Climate Change and Biodiversity Impacts

There are no direct climate change and biodiversity implications.

(i) Directions

Directions are detailed in para 9 above and in **Appendix 4**.

(i) Consultations

The Chief Officer, the Senior Management Team, Service Managers and the Finance Officers from Health and Social Care Moray have been consulted and their comments have been incorporated in this report as appropriate.

12. CONCLUSION

12.1 This report identifies MIJB's unaudited final out-turn position on the Core Budget of an overspend of £5,280,372 at 31 March 2023 and identifies major areas of variance between budget and actual for 2022/23.

12.2 The impact of the provisional outturn on the 2023/24 budget, of a recurring overspend of £5,908,977 is detailed in paragraph 7.

12.3 NHS Grampian and Moray Council have both carried forward ear marked reserves into 2023/24 which total £4,682,793.

Author of Report: D O'Shea Principal Accountant (MC) & B Sivewright Finance Manager (NHSG)

Background Papers: Papers held by respective Accountancy teams

Ref: