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**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 30 MARCH 2023**

**SUBJECT: REVENUE BUDGET MONITORING QUARTER 3 FOR 2022/23**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

- 1.1 To update the Moray Integration Joint Board (MIJB) on the current Revenue Budget reporting position as at 31 December 2022 and provide a provisional forecast position for the year-end for the MIJB budget.

**2. RECOMMENDATIONS**

**2.1 It is recommended that the MIJB:**

- i) note the financial position of the Board as at 31 December 2022 is showing an overall overspend of £1,297,158.
- ii) note the provisional forecast position for 2022/23 of an underspend of £4,616,187 on total budget;
- iii) note the progress against the approved savings plan in paragraph 6, and update on Covid-19 and additional funding in paragraph 8;
- iv) approve the repayment to NHS Grampian of £6,239,000 of the unused ear marked Covid reserve, as detailed in paragraph 8.3
- v) note the revisions to staffing arrangements dealt with under delegated powers and in accordance with financial regulations within the Council (MC) and NHS Grampian (NHSG) for the period 1 October to 31 December 2022 as shown in APPENDIX 4; and
- vi) approve for issue, the Directions arising from the updated budget position shown in APPENDIX 5.

### 3. **BACKGROUND**

- 3.1 The financial position for the MIJB services at 31 December 2022 is shown at **APPENDIX 1**. The figures reflect the position in that the MIJB core services are currently over spent by £2,047,606. This is summarised in the table below.

	Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £
MIJB Core Service	138,221,139	103,312,093	105,359,699	(2,047,606)
MIJB Strategic Funds	24,765,124	4,878,091	4,127,643	750,448
Set Aside Budget	12,620,000	-	-	-
Total MIJB Expenditure	<b>175,606,263</b>	<b>108,190,184</b>	<b>109,487,342</b>	<b>(1,297,158)</b>

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

- 3.3 The updated provisional forecast outturn to 31 March 2023 for the MIJB services is included in **APPENDIX 1**. The figures reflect the overall position in that the MIJB core services are forecast to be over spent by £4,222,395 by the end of the financial year. This is summarised in the table below.

	Annual Budget £	Provisional Outturn to 31 Mar 2023 £	Anticipated Variance to 31 Mar 2023 £	Variance against base budget %
MIJB Core Service	138,221,139	142,443,534	(4,222,395)	(3)
MIJB Strategic Funds	24,644,737	15,806,155	8,838,582	36
Set Aside Budget	12,620,000	12,620,000	-	-
Total MIJB Expenditure	<b>175,485,876</b>	<b>170,869,689</b>	<b>4,616,187</b>	<b>3</b>

### 4. **KEY MATTERS/SIGNIFICANT VARIANCES FOR 2022/23**

#### Community Hospitals & Services

- 4.1 Community hospitals and services are overspent by £155,571. This is due to a number of variances, including non-pay costs for Medical Supplies £30,751; energy costs £78,873 and pay costs for hospital services £108,428 (mainly in Buckie). These are offset by underspends in medical costs of £59,012 and other minor variances totalling £3,469.
- 4.2 This budget is forecasted to be £225,496 overspent by the end of the financial year as these cost pressures are anticipated to continue.

#### Community Nursing

- 4.3 Community nursing service is underspent by £243,058. This is due to underspends in District nursing £191,212 and Health Visitors £54,762 slightly offset in Elgin, where the team is combined with a £2,916 overspend.
- 4.4 For District Nursing the overall current underspend £191,212 relates mainly to the Varis Court Augmented Care Units (ACU's) budget, which is underspent by £215,048. The Varis budget underspend remains due to staffing vacancies of £122,478 and non-pay costs of £92,570 as a result of the organisational change process and contract with the provider yet to be concluded. The capacity in the Varis budget as a result of the organisational change will contribute to the costs for the provision of care at the four ACU's. The overspend of £23,836 in the remaining District Nursing budgets is mitigated by Scottish Government additional funding anticipated, now received to improve the overall District Nursing position.
- 4.5 For Health Visitors, vacancies, planned leave including maternity leave and retirements continue to contribute to the current reduced underspend of £54,762 across the service. Challenges remain on the recruitment and retention of qualified and experienced Health Visitors and School Nurses at a local, regional and national level. Efforts are ongoing to mitigate or minimise risk in the delivery of the Service including development of trainee positions to increase the number of qualified, skilled and experienced practitioners,
- 4.6 The overall community nursing budget are forecast to be £424,749 under spent by the end of the financial year as per the underspend detailed above.

#### Learning Disability

- 4.7 The Learning Disability (LD) service is overspent by £1,396,102. The overspend is predominantly due to care purchased £1,505,762 and other minor overspends totalling £11,547. This is being reduced by income received more than expected £5,437 and an underspend in clinical speech and language services, physiotherapy and psychology services of £115,770.
- 4.8 The LD Service manager and indeed all of the LD service are aware of the overspend. The overspend on care is because of various factors; there has been an increase in families unable to maintain their caring role and consequently there has been an increase in crisis intervention. There is little available accommodation and few resources to provide support for people and this results in costly standalone packages. There has also been an increase in complex and challenging behaviour following the lockdown period and this has meant an increase in the number of 2:1 staffing requirements to minimise risk. There has also been an increase in people needing day activities following the prolonged lock-down period.
- 4.9 This budget is forecast to be £2,975,041 overspent by the end of the financial year. This is due to the issues above remaining to the end of the financial year and a recently decided case of ordinary residence where Scottish Government have deemed Moray to be the place of ordinary residence and the costs will be backdated for the last five years.

#### Mental Health

- 4.10 The Mental Health service is currently overspent by £227,033. Clinical Nursing and other services are overspent by £66,522. The overspend is primarily due to staffing in medical services, which is partly offset by underspends across Nursing Psychology and Allied Health Professionals (AHP's).
- 4.11 The service has been unable to recruit into the older adult psychiatry post that has resulted in long-term use of a locum psychiatrist. Alternative models have been explored without success to date. In order to offset some of the overspend there has been a deliberate decision not to recruit into other non-medical posts, however this is no longer sustainable. There will be one final attempt to recruit a substantive consultant before looking to reconfigure the older adult service budget. This remains a financial risk to MIJB, which has previously been reported, due to high costs of locums compared to NHS substantive medical staff.
- 4.12 Care packages are currently overspent by £147,893 primarily due to the purchase of Nursing and Domiciliary care packages and other minor overspends totalling £12,618. There is a high cost care package due to end in April, due to a client moving into their own tenancy and this should improve the budget position for 2023/24. All Self Directed Support (SDS) packages are currently being reviewed to ensure the critical and substantial criteria is still met and reviewing indicative budgets.
- 4.13 This budget is forecast to be £326,991 overspent by the end of the financial year due to the issues mentioned above being forecast to be in place until the end of the financial year.

#### Care Services Provided In-house

- 4.14 This budget is underspent by £1,881,882 this relates to underspend in staffing across all the services in this budget totalling £2,117,082 which is being reduced by an overspend of £235,200 across all the services. The main overspends relate to Internal day services of £136,366 primarily due to transport costs and less income received than expected; an overspend on staff uniforms for care at home of £19,473; £47,340 for Woodview relating to purchase of new phones and staff transport costs ; £9,969 for eco toilet at Greenfingers and other minor overspends totalling £22,052.
- 4.15 Shortages of staff and difficulties recruiting in the social care sector are having a big impact. There are long-standing problems with the recruitment and retention of social care staff. This situation has been made much worse by the pandemic and is a Scotland wide issue.
- 4.16 This budget is forecast to be £2,488,293 underspent by the end of the financial year, due to the ongoing issue of recruitment, which is expected to continue for the rest of the financial year.

#### Older People and Physical Sensory Disability

- 4.17 This budget is overspent by £1,839,615. This primarily relates to overspends for domiciliary care and respite care in the area teams totalling £1,277,939; permanent care £532,898 and less income received than expected of £28,778.

- 4.18 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. There is also a correlation with the care services provided in-house, since where internal staffing is not available, the use of external providers to pick up the care is required.
- 4.19 This budget is forecast to be £2,964,271 overspent by the end of the financial year due to the issues mentioned above being expected to continue.

#### Intermediate Care & Occupational Therapy

- 4.20 This budget is overspent by £174,497 due to purchase of Occupational Therapy (OT) equipment of £178,260 and property costs for Jubilee Cottages of £11,172. This is being reduced by minor underspends of £14,935 across the service. The overspend on OT equipment reflects the balance to enable people to remain in their homes. This budget is volatile and is difficult to forecast as it is demand led and recently there have been price increases due to the rise in inflation.
- 4.21 This budget is forecast to be £225,485 overspent by the end of the financial year due to the issues mentioned above being forecast to be in place until the end of the financial year.

#### Care Services Provided by External Contractors

- 4.22 This budget is underspent by £701,513. This relates primarily to ceased contracts in Mental Health and Learning Disabilities. The Mental Health contract has been retendered with costs significantly lower than the original contract. The Learning Disabilities contract has been commissioned as a spot contract rather than a block contract and this has resulted in a net saving.
- 4.23 This budget is forecast to be £883,557 underspent by the end of the financial year, due to the above being continued to the year-end.

#### Other Community Services

- 4.24 This budget is underspent by £156,193 which includes underspend in Allied Health Professionals (AHP's) £106,065, Dental £160,075 and Public Health services £ 81,800 which is offset in part by overspend in Pharmacy of £159,298 and Specialist Nurses £32,449. Within this overall underspend, Public Health has had reduced activity in Health Improvement due to staff availability. For AHP's the underspend includes Dietetics and Podiatry where recruitment remains challenging and Speech & Language services where recruitment is a particular challenge on a Grampian wide basis. Dental services currently has a reduced underspend as vacancies have been filled.
- 4.25 This budget is forecast to be £96,282 underspent by the end of the financial year as underspends are addressed and includes planned purchase of essential equipment within Podiatry and Dental services in the final quarter.

#### Admin and Management

- 4.26 This budget is underspent by £179,077. This is predominantly due to underspends in NHS Grampian within management and business support through staff secondment and vacant posts, alongside continuing underspends in equipment, transport and administration costs. Coupled with this additional income has been received for secondment to other Health Board areas
- 4.27 This budget is forecast to be £632,815 underspent by the end of the financial year due to the issues mentioned above being forecast to be in place until the end of the financial year as well as the vacancy target factor being exceeded by £407,660.

#### Primary Care Prescribing

- 4.28 The primary care prescribing budget is overspent by £1,207,067 to December 2022. Actual data indicates that the average item price has increased significantly since June. The continuing price increase has been attributed to the impact of short supply causing an increase in prices. This is spread across a range of products and mitigation measures. In addition actual volume of items increases to November 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 3.75% volume increase to December.
- 4.29 This budget is forecast to be £1,750,000 overspent by 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 quarter of the year.

#### Primary Care Moray

- 4.30 This budget is underspend by £58,772 to December. The main overspend on enhanced services remains broadly consistent. From July, Enhanced Services resumed with a period of protection for those with lower recorded activity. This is offset where premises expenditure has reduced including spend on reduced business rates & water charges. In addition, expenditure has reduced on seniority payments and locum payments.
- 4.31 This budget is forecast to be £204,000 underspent by the end of the financial year due to the revision of expenditure for contract payments to be paid in the final quarter of the financial year.

#### Out of Area Placements

- 4.32 This budget is overspent by £344,072 reflecting the pattern of specialist individual placements for patients with specific Mental Health, Learning Disability or Acquired Brain Injury currently required where services are commissioned from organisations out with Grampian.
- 4.33 This budget is forecast to be £563,732 overspent by the end of the financial year due to the most recent placements being forecast to be in place until the end of the financial year.

### **5. STRATEGIC FUNDS**

- 5.1 Strategic Funds is additional 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).
- 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 Within the strategic funds are general reserves totalling £1,257,139 which are not allocated to services but will be used towards funding the overspend and earmarked reserves totalling £15,763,577. By the end of the financial year, the strategic funds will reduce as the commitments and provisions materialise and the core budgets will increase correspondingly. The Provisional forecast for year-end is a balance of £4,720,752 on earmarked reserves.

5.3 The Scottish Government for Moray Alcohol & Drug Partnership (MADP) and Primary Care Improvement Plan (PCIP) have reduced funding received in 2022/23 by the amount uncommitted in the carried forward ear marked reserves, which will clear the balance on these reserves for the end of the financial year.

5.4 The Scottish Government has also only given a 75% allocation of 2022/23 funding, as the first tranche of additional monies relating to Multi-disciplinary Teams with the other 25% only being allocated if the spend has actually been incurred. We have not yet spent our full allocation due to delays in recruitment and will not be receiving the final 25% funding, which equates to £182,000.

## 6. **PROGRESS AGAINST THE APPROVED SAVINGS PLAN**

6.1 The Revenue Budget 2022/23 was presented to the MIJB 31 March 2022 (para 12 of the minute refers). The paper presented a balanced budget through the identification of efficiencies through savings and the use of general reserves.

6.2 The progress against the savings plan is reported in the table below and will continue to be reported to the Board during the 2022/23 financial year. The table details progress during the third quarter against the original recovery plan.

Efficiencies	Para Ref	Full Year Target	Expected progress at 31 Dec 2022	Actual Progress against target at 31 Dec 2022
		£'000	£'000	£'000
External Commissioning	6.3	110	83	110
<b>Total Projected Efficiencies</b>		<b>110</b>	<b>83</b>	<b>110</b>

- 6.3 It should be noted that the savings budgeted from external commissioning have been met in full, therefore all savings have been realised for 2022/23.

## **7 IN-YEAR EFFICIENCIES / BUDGETARY CONTROL**

- 7.1 Through budget monitoring processes and further investigate work, we are utilising Covid reserves to ensure core expenditure is protected as much as possible. This requires finance and operational areas to work together in effective identification that provides an audit trail.
- 7.2 The Health and Social Care Moray (HSCM) senior management team are meeting regularly to review spend, identify additional savings and to track progress on transformational redesign so that corrective action and appropriate disinvestment can be supported. The risks associated with less long term planning remain, and will need to be addressed as part of remobilisation.

## **8. IMPACT OF COVID – 19**

- 8.1 The Scottish Government continues to support health and social care as a result of the pandemic, from the use of Covid 19 specific reserves to support the remobilisation of services. Through their guidance, the commitment is expected to end by 31 March 2023, with expenditure being gradually reduced during the year and with the support for provider sustainability being reduced on certain elements from 1 July 2022 and the cessation of support by 30 September 2022.
- 8.2 Health and Social Care Moray (HSCM) continue to provide returns to Scottish Government on the Local Mobilisation Plan (LMP) via NHS Grampian, which are now on a monthly basis. The plan for 2022/23 estimates that additional in-year spend relating to Covid 19 will be £2,422,102 to the end of the current financial year. Reported expenditure at the end of quarter 3 was £1,292,000. The costs are summarised below:

<b>Description</b>	<b>Spend to 31 Dec 2022 £000's</b>
Payment to third parties	139
Staffing	464
Provider Sustainability Payments	584
Remobilisation	98
Cleaning, materials & PPE	7
<b>Total</b>	<b>1,292</b>

- 8.3 A letter was received from the Scottish Government on the 12 September 2022 with an update on the Covid reserves. Due to a number of significant changes to Public Health policies in relation to Covid over the summer, the profile of Covid spend reduced significantly compared to when funding was provided to IJB's for Covid purposes. In response to this, the Scottish Government have announced their intention to reclaim surplus Covid reserves to be redistributed across the sector to meet current Covid priorities. In the letter from the Scottish Government, dated 16 January 2023 (attached at



**APPENDIX 3).** The amount to be reclaimed is based on the month 8 return. Moray IJB has £9,016,000 in the Covid ear marked portion of the reserves and with estimated spend of £2,777,000 leaves a balance of £6,239,000 requested to be clawed back by NHS Grampian, since the Scottish Government did a negative allocation to the board to be reclaim this amount. Now NHS Grampian are requesting the value to be transferred over to them and request the Board to agree to this transfer. There will be a final reconciliation exercise between the month 8 position and final outturn in April 2023, which will result in a further claw back or a commitment to make good any deficit, resulting in no Covid reserve at the end of this financial year.

## 9. **CHANGES TO STAFFING ARRANGEMENTS**

- 9.1 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.
- 9.2 Changes to staffing arrangements as dealt with under delegated powers through appropriate Moray Council and NHS Grampian procedures for the period 1 October to 31 December 2022, are detailed in **APPENDIX 4**.

## 10. **UPDATED BUDGET POSITION**

- 10.1 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.
- 10.2 In addition, the MIJB, concluded the financial year 2021/22 in an underspend position following the application of reserves. The audited reserves totalling £17,020,716 were carried forward into 2022/23, of which £15,763,577 are earmarked and £1,257,139 are a general reserve.

10.3

	£'s
<b>Approved Funding 31.3.22</b>	<b>142,673,000</b>
<b>Set Aside Funding</b>	<b>12,620,000</b>
<b>Balance of IJB reserves c/fwd to 22/23</b>	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
Revised Funding to Quarter 3	<b>173,747,275</b>
<b>Budget adjustments M07-M09</b>	
Primary Care	886,472
MDT Tranche 1	(182,000)
Childsmile & Oral Health	142,800
District Nurse Funding	76,329
Salaried Dentists	71,000

Mental Health ACT	66,742
Primary Care OOH 22-23	60,220
Mental Health Capacity Building	59,522
Mental Health Innovation Funding	34,780
Childsmile Expansion	16,000
Pharmacy Meds Pilot	10,225
Misc	6,026
Hosted Services	1,755
Prescribing Tariff Reduction	(252,883)
Pay award funding from SG	862,000
<b>Revised Funding to Quarter 4</b>	<b>175,606,263</b>

- 10.4 In accordance with the updated budget position, revised Directions have been included at **APPENDIX 5** for approval by the Board to be issued to NHS Grampian and Moray Council.

## 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 12.8 of the 2015 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 financial details are set out in sections 3-10 of this report and in **APPENDIX 1**. For the period to 31 December 2022, an overspend is reported to the Board of £1,297,158 with the revised estimated forecast being an underspend of £4,616,187 for 2022/23

The staffing changes detailed in paragraph 9 have already been incorporated in the figures reported.

The movement in the 2022/23 budget as detailed in paragraph 10 have already 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.

There are general and earmarked reserves brought forward in 2022/23. The general reserves can be used to support any overspend on services generally across the MIJB. The earmarked reserves can only be used for specified purposes and are under review by the Scottish Government currently and elements are now expected to be recovered or used to offset current year expenditure on specific activities with reduced allocations to be received in year.

The claw back of unused portions of the ear marked reserves for Covid, PCIF and MADP reserves, reduces the amount of reserves available as well as additional pressures arising from the cost of living crisis, increasing energy bills and inflation puts a risk on the budget.

Additional savings continue to be sought and service redesign are under regular review. Progress reports will be presented to this Board throughout the year in order to address the financial implications the MIJB is facing.

**(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**

There are no direct equality/socio economic implications, as there has been no change to policy.

**(h) Climate Change and Biodiversity Impacts**

There are no direct climate change and biodiversity implications, as there has been no change to policy

**(i) Directions**

Directions are detailed in para 10 above and in Appendix 5.

**(h) Consultations**

The Chief Officer, the Health and Social Care Moray Senior Leadership Group and the Finance Officers from Health and Social Care Moray have been consulted and their comments have been incorporated in this report where appropriate.

## **12. CONCLUSION**

- 12.1** The MIJB Budget to 31 December 2022 has an overspend of £2,047,606 and the revised provisional forecast position of £4,222,394 on core services. This is reduced by underspends in Strategic funds to give a total overspend position of £1,297,158 to 31 December 2022 and provisional underspend forecast position of £4,616,187. Senior Managers will continue to monitor the financial position closely and continue to report accordingly on progress.
- 12.2** The Scottish Government has clawed back the balance of the Covid reserve by a negative allocation to the Health Boards, based on the month 8 return, of £6,239,000. The Scottish Government has also reduced 2022/23 funding for the amount held in ear marked reserves for MADP and PCIP as well as reducing the funding available for the Multi-disciplinary teams additional funding by 25% in 2022/23.
- 12.3** The financial position to 31 December 2022 reflects the updated budget position and revised Directions have been prepared accordingly, as detailed in APPENDIX 5.

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

Background Papers: Papers held by respective Accountancy teams

Ref: