



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 28 MARCH 2024

SUBJECT: REVENUE BUDGET 2024/25

BY: INTERIM CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

1.1 To outline the budget allocations to the Moray Integration Joint Board (MIJB) and to consider the revenue budget for 2024/25, the estimated funding gap and the charges.

2. RECOMMENDATION

2.1 It is recommended that the Board:

- i) note the funding allocations proposed by NHS Grampian and Moray Council, detailed at 4.6;**
- ii) note the anticipated budget pressures detailed in 4.10;**
- iii) note and endorse the 2024/25 proposed savings plan at 4.16 and to progress to full integrated impact assessments and to commence staff and user consultation;**
- iv) formally approve the uplift to social care providers as set out in 4.5 as part of the continued policy commitment made by Scottish Government since November 2021;**
- v) note the increase in charges agreed by Moray Council for 2024/25 as detailed in Appendix 2 and that the review of the contributions policy will be brought back to the next meeting;**
- vi) accept that the Revenue Budget for 2024/25 as detailed at Appendix 1 will be used as a working document to allow services to continue to be delivered and a robust recovery plan to be developed for the next meeting of the Board on 30 May 2024, following consideration of the risks highlighted in 4.33;**
- vii) approve Directions for issue as set out at Appendix 3 to NHS Grampian and Moray Council; and**

viii) note the Medium Term Financial plan will be updated for the meeting in May 2024 to reflect the recent amendments from both partner organisations and the details from this report.

3. BACKGROUND

- 3.1 On 19 December 2023 following the announcement of the Scottish Government's indicative budget for 2024-25 by the Cabinet Secretary for Finance, the Director of Health Finance and Governance wrote to Health Board Chief Executives providing details of the funding settlement for Health Boards. In Parliament on 19 December, the Cabinet Secretary set out that 2024/25 delivered a worst-case scenario for Scotland's finances, with financial pressures across health and social care being, by far, the most challenging since devolution.
- 3.2 The letter outlined that NHS payments uplift to Integration Authorities for delegated health functions would only cover pay awards following the outcome of the pay negotiations in the new financial year.
- 3.3 In addition and separate to Health Board funding uplifts, the health and social care portfolio, will transfer to Local Government additional funding of £230 million to support retention by beginning to embed improved pay and conditions for care workers, with Scottish Government considering that this funding requires local government to deliver a £12.00 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy. In addition to this, further additional funding of £11.5 million will support the uprating of Free Personal and Nursing Care rates.
- 3.4 Scottish Government stipulated that the funding allocation to Integration Authorities should be additional and not substitutional to each Council's 2023/24 recurring budgets for social care services and therefore, Local Authority social care budgets for allocation to Integration Authorities should be £241.5 million greater than 2023/24.
- 3.5 As reported in the quarter 3 Budget monitoring report in a separate paper to this meeting of the Board, the forecast position for 2023/24 is a deficit of £3.024 million. This is then a liability for both partner organisations that will need to provide additional resources to balance the MIJB as at 31 March 2024, in the ratio as per the Scheme of Delegation. The current ratio will have to be revised for 2024/25 due to the full delegation of Children and Justice Services.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

MIJB BUDGET

- 4.1 The MIJB is required to consider its budget in the context of economic uncertainty in relation to the ongoing increase in the cost of living and high interest rates. It is fair to say that the impact of these circumstances remains a challenge and cannot yet be fully assessed.
- 4.2 Following the announcement of the Scottish Budget, NHS Grampian and Moray Council have notified the MIJB Chief Officer and Chief Financial Officer of the funding allocation for the forthcoming financial year.

- 4.3 On 28 February 2024, a meeting of Moray Council agreed its [2024/25 budget](#) for the forthcoming financial year. The Local Government settlement is for one year only, but the budget was set in the context of longer term planning. The paper presented referred to the Moray share of the additional funding that is required to be passed through from the Council to the MIJB. This is the Moray share of the reported investment in health and social care of £230 million and £11.5 million relating to free nursing and personal care, which equates to £4.413 million for Moray.
- 4.4 The NHS Grampian budget setting process is based on the principle that funding allocations to the 3 Grampian IJB's will be uplifted in line with the increase in baseline funding agreed through the Scottish Government budget settlement, with the total to each IJB being made on the National Resource Allocation Committee (NRAC) share. The draft Scottish Government budget was announced on 19 December 2023. It provides for a no baseline funding uplift for 2024/25. Given the rate of inflation in the UK is currently 4.2% (Office of National Statistics at January 2024), this contributes to the challenging financial settlement. However, Scottish Government confirmed that Boards should assume that pay awards which have yet to be agreed for the 2024/25 financial year will be fully funded by additional Scottish Government resources. Formal agreement of the 2024/25 NHS Grampian financial plan will be sought at its Board on 11 April 2024.
- 4.5 The table below summarises the additional funding provided to Integration Authorities by Scottish Government that is passported through both Moray Council and NHS Grampian.

	Route	Moray Share	Scotland Wide Allocation
		£'000	£m
£12.00 – uplift for Adult Social Care Staff *	Council (full year effect)	4,198	230.0
Free Personal & Nursing Care *	Council	215	11.5
Total via Council		4,413	241.5

*this is yet to be distributed and as such is not included in the Moray Council contribution

MIJB FUNDING 2024/25

- 4.6 The MIJB has a responsibility under the Public Bodies (Joint Working) (Scotland) Act 2014 to set its revenue budget by 31 March each year. The funding of the MIJB revenue budget in support of the delivery of the Strategic Plan is delegated from NHS Grampian and Moray Council. The allocated funding is summarised below:

	£'000
NHS Grampian (recurring 2024/25)	89,662
NHS Grampian – Set Aside Services	13,917
NHS Grampian – SG Multi-Disciplinary Team Funding	740
NHS Grampian – SG MDT Health Care Support Workers	560
NHS Grampian – Immunisation funding	108

NHS Grampian – School nurses	180
NHS Grampian – District nurses	196
Moray Council - Core	61,339
Moray Council – reduction in pension contribution	(660)
Moray Council Childrens & Justice Services - Core	19,663
Moray Council Childrens & Justice Services reduction in pension contribution	(227)
Moray Council Childrens & Justice Services reduction in funding	(703)
Moray Council Childrens & Justice Services pay award	300
Moray Council – Improvement Grants*	1,207
Moray Council – SG additional funding (share of £241.5M)	4,413
PARTNER MIJB FUNDING 2024/25	190,695

* Improvement Grants includes £0.707 million which requires to be ring-fenced as it relates to council house tenants.

HOSTED SERVICES

- 4.7 Within the scope of services delegated to the MIJB are hosted services. Budgets for hosted services are primarily based on NRAC. Hosted services are operated and managed on a Grampian-wide basis. Hosting arrangements mean that one IJB within the Grampian Health Board area would host the service on behalf of all 3 IJB's. Strategic planning for the use of the hosted services is undertaken by the IJB's for their respective populations.
- 4.8 The 2024/25 budget for Moray's share of all hosted services is £5.269 million as detailed below.

	£'000
Hosted by Aberdeen City IJB	
Intermediate Care	926
Sexual Health Services	529
Hosted by Aberdeenshire IJB	
Marie Curie Nursing	199
Heart Failure Service	66
Continence Service	145
Diabetes MCN including Retinal Screening	221
Chronic Oedema Service	49
HMP Grampian	572
Police Forensic Examiners	349
Hosted by Moray IJB	
GMED Out of Hours	2,101
Primary Care Contracts	113
TOTAL MORAY HOSTED SERVICES	5,269

LARGE HOSPITAL SERVICES (SET ASIDE)

- 4.9 Budgets for Large Hospital Services continue to be managed on a day to day basis by the NHS Grampian Acute Sector and Mental Health Service, however the MIJB has an allocated set aside budget, designed to represent the consumption of these services by the Moray population. The MIJB has a

responsibility in the joint strategic planning of these services in partnership with the Acute Sector.

BUDGET PRESSURES

- 4.10 Budget pressures are a major consideration for the MIJB and are an intrinsic part of the budget setting process. The additional funding highlighted in the Scottish Government budget for health and social care is welcomed and will be required to support expected budget pressures arising for adult social care uplift of £12.00 for externally commissioned services and free personal and nursing care. In previous years, both Moray Council and NHS Grampian would have supported some elements of inflation through their budget setting process, taking cognisance of the budget setting protocol agreed by the MIJB on 14 December 2017 (para 15 of the minute refers). Given the difficult budget settlement for Local Authorities and the financial pressures facing NHS Grampian, there has been no additional funding aligned to MIJB for adult social care in addition to the requirement to transfer the share of the additional investment as determined by Scottish Government. There is also an expectation as the MIJB continues to re-mobilise and transform, there will be budget pressures arising in relation to what is described as the recurring deficit. It is important that any investment in building capacity is viewed in the context of historical cost pressures. The identified cost pressures below are based on estimates and remains an ongoing consideration in the financial planning. The table below outlines the anticipated budget pressure the MIJB needs to address in the forthcoming financial year:

	£'000
BUDGET PRESSURES	
Pay Inflation	966
Contractual Inflation & Scottish Living Wage	2,474
Prescribing & Community Pharmacy	3,002
Children in Transition	855
Learning Disability & Mental Health complex clients	1,518
Recurring Deficit	8,891
Hosted services	9
National Care Home Contract (NCHC) uplift	826
Free Personal & Nursing Care (FPNC) uplift	215
Funding pressures carried forward	2,243
TOTAL BUDGET PRESSURES	20,999

- 4.11 In March 2024 following agreement at COSLA Leaders, the Scottish Government wrote to Integration Authorities providing details of the pay uplift that would apply to staff providing direct care within Adult Social Care in commissioned services. The Scottish Government settlement for 24/25 includes funding to support retention and to begin to embed improved pay and conditions for care workers, requiring local government to deliver a £12.00 minimum pay settlement for adult social care workers in commissioned services. This will cost in the region of £4.198 million and is included within the budget pressures for the forthcoming year in the table above.

- 4.12 Budget pressure for the NCHC is not yet quantified as Scottish Government and COSLA are still in negotiations around the increase for 2024/25. This will be partly funded from the additional funding mentioned above for the £12.00 per hour.
- 4.13 Budget pressure for FPNC is also to be funded from the Scottish Government as part of the £11.5 million additional funding agreed as part of the settlement for 2024/25.
- 4.14 Budget pressure for NHS Pay award, estimated at £0.869 million is excluded in the pay award figure above since there will be additional funding from the Scottish Government to fund this once the increase is agreed.
- 4.15 With funding being provided by Scottish Government for some elements listed above, the net budget pressure is £16.586 million.

SAVINGS PLAN

- 4.15 The budget setting for 2024/25 includes an indicative saving plan totalling £9 million. Regular meetings of the Chief Officer, Chief Financial Officer and the two Heads of Service, along with service managers have been the focus, albeit being extremely challenging, to identify additional savings to support the 2024/25 budget setting process. The indicative savings being presented today at were agreed at the Senior Managers Team meeting and formed the main focus of the recent MIJB Finance event on 7 March 2024. Given that each separate decision made when setting the budget may impact on the lives of people with protected characteristics, the importance of the cumulative impact on the decisions being taken is recognised, including the cumulative impact of service changes and unintended consequences on communities where multiple organisations might have reduced savings. Some of these savings identified will be extremely challenging and to ensure a decision can be made Integrated Impact Assessments are being carried out as part of the savings proposals and will be brought to the next MIJB meeting to allow for decisions to be made. There is still a budget gap of £3.763 million to be identified and the focus and commitment must be around identifying further in-year savings and savings for future years that will be brought back before the MIJB for approval to ensure future years budgeting is robust. MIJB is acutely aware of the challenges it faces surrounding both its people and financial resources which remains a focus within its decision making. Financial and staffing impacts will be monitored on an individual savings basis and scrutiny will be provided through the agreed governance structure.
- 4.16 The table below summarises the progress made by the Health and Social Care Moray management team in identifying opportunities for efficiency/savings. All services involved in the following efficiency reviews and actions will need to provide comprehensive Integrated Impact Assessment prior to the MIJB’s approval. Close monitoring of progress will be considered and will be reported on a quarterly basis during 2024/25.

	Para Ref	2024/25
		£ 000’s
Projected Efficiencies/Savings		
Provider Services	4.17	984

Localities & prevention	4.18	1,755
Allied Health Professionals (AHP)	4.19	232
Mental Health & Learning Disabilities	4.20	2,271
Hosted Services	4.21	721
Commissioning, transport, equipment & supplies and infrastructure	4.22	538
Additional considerations	4.23	2,029
NHS vacancy target	4.24	1,000
Total Projected Efficiencies		9,530

- 4.17 Provider services comprises of full reviews of Older Person's day services, Internal Care at Home service and a review of social and therapeutic project.
- 4.18 Localities and prevention comprise of service redesign for the Vaccination programme, full reviews into the respite provision, risk assessed internal and external care facility, as well as ceasing all project management outsourcing and utilising lower bands for weekend working. In addition, a full contracts review will be held within each of the four localities.
- 4.19 AHP efficiencies involves a relocation of equipment expenditure to the appropriate service (out with MIJB) and the cessation of weekend working within Dr Gray's hospital for Occupational Therapy and Physiotherapy, where there is no identified budget for these services.
- 4.20 Mental Health and Learning Disabilities comprises of review of current staffing models, which will reduce the use of locums which is a considerable cost to the MIJB, as well as staffing reconfiguration within teams for some posts.
- 4.21 Hosted services involve a relocation of the Out of Hours service as well as full service redesign and a systems realignment of expenditure across the 3 partnerships.
- 4.22 Commissioning, Transport, Equipment & Supplies and Infrastructure includes a review of the Council transport policy as well as scoping of lease/pool cars versus staff expenses; centralisation of equipment to reduce wastage and enhanced monitoring of equipment purchase and replacement. For infrastructure includes the cessation of leased accommodation, repurposing of buildings and co-location.
- 4.23 Additional considerations include risks, partnership actions, Childrens and Justice Services and Primary Care Prescribing. These efficiencies include prescribing scrutiny and review, and along with working collaboratively across Grampian with the other IJB's, NHS Grampian Pharmacy team, primary care teams, GP clusters, Local Medical Committee, other prescribers, and the community. Maximising use of digital support, a full review into unrecovered debts and charging policy/contributions policy; Ward 4: additional savings over and above the Council savings taken as part of the Council budget for 2024/25; Review of Community Hospitals and reviewing existing care packages to ensure they are the right size.

- 4.24 Inclusion of a vacancy target for NHS employees, in line with the target for Council employees. This is based on natural turn over and savings will be taken from vacant posts that have not yet been filled.

BUDGET OVERVIEW

- 4.25 The MIJB Revenue Budget for 2024/25 is £203.988 million which includes £13.917 million Set Aside. The detail is provided in **Appendix 1** and summarised below:

	£'000
BUDGET	
Recurring Budget	167,288
Inflationary and Demand Led Pressures	7,236
Recurring Deficit	8,891
SLW & FPNC	4,413
2023/24 commitments to be funded	2,243
Set Aside	13,917
TOTAL BUDGET	203,988
FUNDED BY	
NHS Grampian Recurring (inc Set Aside)	103,579
Moray Council (inc Improvement Grants)	81,506
Scottish Government Additional Funding (£241.5m)	4,413
Childrens & Justice services pay award funding	300
MDT additional funding *	1,300
Scottish Government Additional Funding (including Ring-Fenced) *	484
One year reduction for pension contributions	(887)
Savings identified	9,530
TOTAL FUNDING	200,225
BUDGET DEFICIT	(3,763)

- 4.26 Earmarked reserves carried forward into 2023/24 were £4.6 million, this included reserves relating to PCIF and Moray Action 15 which will be exhausted in 2023/24. As part of the quarter 3 revenue budget monitoring, (also on this agenda) makes the assumption that all reserves will be exhausted in 2023/24.

CHARGING FOR SERVICES

- 4.27 Integration Authorities do not currently have statutory powers to set charges for the services aligned to delegated functions. Moray Council, therefore, has the legal responsibility to set social care charges on behalf of the MIJB. The review of charges is undertaken annually as an integral part of the budget process.

- 4.28 Not all charges are within the control of Moray Council, some charges levied by the Council are set by statute, some are limited by statute and some have the method of calculation prescribed by statute.
- 4.29 In prior years Moray Councils methodology for proposing charges has been in line with the Consumer Price Index (CPI). Moray Council on [12 December 2023](#) (para 7 of minute refers) agreed the default increase for charges for services for the period 2024/25 to 2026/27 is the CPI including owner occupiers' housing costs (CPIH) plus 1% as measured for October of the year before the increase takes effect. Moray Council has set the charges for 2024/25 on [24 January 2024 \(para 8 of minute refers\)](#), with an increase based on the default increase of 5.7%. Where appropriate the charges have been increased as detailed in **Appendix 2**.
- 4.30 It is necessary for the MIJB to consider its approach to income maximisation within the context of its existing policies and the broader context of social care, which is within the contributions policy. As part of the savings identified above, a look at the contributions policy is now required and will be brought back to the next MIJB meeting in May 2024.

MEDIUM TERM FINANCIAL FRAMEWORK

- 4.31 The current Medium Term Financial Framework covers the period 2023/24 – 2027/28 that was presented to the IJB on 30 March 2023 (para 7 of minute refers).
- 4.32 The review of the MIJB Medium Term Financial Framework takes account of information currently available, however it is recognised that assumptions and applied methodology will be subject of ongoing review and refinement as additional information becomes available (notably the updated Scottish Government Medium Term Health and Social Care Financial Framework) and information relating to the National Care Service / Independent Review of Adult Social Care. Given the current uncertainty, the updates from both partners it is therefore considered necessary to review the medium term financial framework and will be presented to the IJB in May 2024.

FINANCIAL RISKS

- 4.33 The budget assumptions made within this report carry a degree of financial risk, meaning that variations that may arise will impact on financial performance. Acceptance of risk is a necessary part of the budget setting process. The main risks are summarised:
- Financial Settlement – the 2024/25 financial settlement is for one year only and the increased level of funding is required to meet policy commitments as determined by Scottish Government. There is no inflationary increase for adult social care provided by Moray Council, but for NHS Grampian there is the agreement that the pay inflation will be fully funded. Whilst a provision has been made for Local Authority and NHS Grampian pay increases, the NHS Public Sector Pay Policy or Local Authority pay award negotiations has not yet been agreed and there is a risk that this will exceed the provision. Whilst the benefits of longer-term financial planning are well documented in assisting the delivery of strategic priorities, at this stage, financial planning is subject

to continuous change and there is a need to adapt to the changing landscape.

- The budget pressures identified in paragraph 4.5 are based on continued discussion and assessment and through monitoring, this process is reasonably accurate. However, there remains the risk in the event that inflationary increases and demand driven pressures may exceed the anticipated cost.
- Prescribing costs are a large and volatile part of the MIJB budget with demographic changes a material contributing factor. Whilst the decisions to prescribe are made locally, the costs of drugs and agreements to introduce new drugs are made on a national basis. Provision in the budget has been made based on analysis undertaken by NHS Grampian with a range of options provided from Best Case to Best Prediction and Worst Case scenario. MIJB are proposing the inclusion of the Best Prediction scenario with the associated pressure of this option. There is a risk associated with this option and the IJB will closely monitor this budget through regular reporting to the IJB throughout financial year 2024/25 and appropriate action taken to mitigate the pressure in year through continued close working with NHS Grampian, this is being reviewed not only across Grampian but nationally.
- Demographic changes, the demographic profile of Moray continues to show a general rise in population with a specific increase in the age profile of the population. The associated challenges of providing care for a rising population where people live with multiple conditions are well known. These challenges manifest themselves in a financial sense when we experience issues such as rising numbers for social care packages and rising demand for aids, adaptations, and equipment. The increasing level of complexity of need for some of our clients means that high-cost care packages may arise during the year for which we have not budgeted. The same applies to patients who need out of area care and where a clinical decision has been made that this is in their best interests.
- In Primary Care there continues to be a number of continuing challenges around sustainability of some of our GP Practices with inability to recruit General Practitioners a common issue. This has necessitated the Partnership providing support and investment to maintain GP services in some parts of Moray. We will continue to use the Primary Care Improvement Fund and other funding streams to support General Practices and wider Primary Care teams across Moray.
- The MIJB must also ensure preparedness for the implementation of national policy and legislation in particular the Health and Care (Staffing) (Scotland) Act 2019 ensuring safe and appropriate staffing with implementation from 1 April 2024 and full compliance by March 2025.

5. SUMMARY OF IMPLICATIONS

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan 2022-2032, 'Partners in Care'**

The approval of a balanced budget for the MIJB is key to the delivery of health and social care services in Moray in accordance with the Strategic Plan.

(b) **Policy and Legal**

In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, MIJB is subject to the audit and accounts regulations and legislation of a body under Section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes by the Office for National Statistics.

(c) **Financial implications**

The 2024/25 revenue budget (excluding Set Aside) as detailed in **Appendix 1** is **£190.071 million**.

The funding allocated to the MIJB by Moray Council and NHS Grampian and through the Partner bodies from Scottish Government totals **£176.778 million** (excluding Set Aside). In addition, the indicative savings plan for the forthcoming year totals **£9.530 million**, with a savings gap still to be found of **£3.763 million**.

The notional Set Aside budget for Moray's share of the Large Hospital Services is currently **£13.917 million**. The Set Aside budget is provided by NHS Grampian.

A balanced budget is not yet presented and the budget detailed is a working budget with a requirement to identify how the budget gap will be met.

(d) **Risk Implications and Mitigation**

The revenue budget for 2024/25 is subject to the following risks:

- GP Prescribing – represents around 10% of the MIJB core budget. It is well documented that the Prescribing budget can be extremely volatile in nature with volume and price increases potentially leading to substantial adverse variances.
- Growth and demand in the system, together with service users with complex care needs are attracting additional financial challenge. These issues require to be managed within the overall resource of the MIJB.
- The need to transform at pace and drive forward opportunities arising through changes to working practice experienced through the pandemic. The risk being the ability to capture and embed in a timely manner.

- National Care Home Contract for 2024/25 has not yet been agreed and whilst this will be partly funded from Scottish Government funding for the £12.00 per hour, this will not fully fund the increase once agreed.
- The implications of the cost of living crisis and current levels of inflation, which are still forecast to rise may mean the provision for inflation may not cover all the calls upon it. Price inflation may impact on areas where no provision has been made for inflationary increases and this will add pressure to budgets. Budget managers will need to control their expenditure to absorb such pressure if possible and may have to reduce service levels or identify further savings.
- This report highlights the anticipated budget pressures at paragraph 4.10. It will be necessary to note that budget pressures may exceed allocation. This will be closely monitored and reported accordingly to the MIJB as part of the budget monitoring reports.
- With the level of savings required to balance the budget there is a risk that the budget may not be developed in time for implementation in 2024/25.

(e) Staffing Implications

There are no direct implications in this report.

(f) Property

None arising directly from this report.

(g) Equalities/Socio Economic Impact

None arising directly from this report as there is no change to policy. Any subsequent changes to policy arising from proposals made within this paper will be considered and Impact assessed as appropriate.

(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 4.25 above and in **Appendix 3**.

(j) Consultations

The Chief Officer, Health and Social Care Moray Senior Management Team, Operational Management Team, the finance teams of both Moray Council and NHS Grampian, and Caroline O'Connor, Committee Services Officer.

6. CONCLUSION

6.1 Legislation requires the MIJB to set a balanced budget and a recovery plan to reduce the budget shortfall of £3.763 million requires to be developed. The Chief Financial Officer to the Board recommends using

the indicative budget attached in APPENDIX 1 as a working document and that an update of progress in reducing the funding gap are shared with the Board at the next meeting in May 2024.

- 6.2 Close monitoring of the continuing effects of the increasing demands on services will be required in order to ensure the MIJB can remain within the funding allocation provided by NHS Grampian and Moray Council.**

Author of Report: Deborah O'Shea, Interim Chief Financial Officer

Background Papers: with author

Ref: