



**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 30 MAY 2024**

**SUBJECT: REVENUE BUDGET OUTTURN FOR 2023/2024**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

1.1 To inform the Moray Integration Joint Board (MIJB) of the unaudited financial outturn for 2023/24 for the core budgets and the impact this outturn will have on the 2024/25 budget.

**2. RECOMMENDATIONS**

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

- i) consider and note the unaudited revenue outturn position for the financial year 2023/24,**
- ii) consider and note the impact of the 2023/24 outturn on the 2024/25 revenue budget; and**
- iii) 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 £10,023,949 as at 31 March 2024. The MIJB's unaudited financial position for the financial year ending 31 March 2024 is shown at **APPENDIX 1**. This is summarised in the table below.

	Annual Budget £	Actual Expenditure £	Variance to date £
MIJB Core Service	169,844,600	179,868,549	(10,023,949)
MIJB Strategic Funds & other resources	13,898,336	6,897,942	7,000,394
Set Aside Budget	14,665,000	14,665,000	0
<b>Total MIJB Expenditure</b>	<b>198,407,936</b>	<b>201,431,491</b>	<b>(3,023,555)</b>

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 Hospital budget is overspent by £337,024 to the year-end. This predominantly relates to non pay variances totalling £175,492, which mainly includes increased energy and medical supplies costs alongside increased administration and ancillary domestic services costs. The Community Hospitals were overspent overall by £69,357 with overspend in Buckie and Keith. The medical staffing position was overspent by £78,890 after community hospital contract changes and £13,285 costs relating to change in a GP contract provision.
- 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 £24,904 more than previously forecast due to the costs mentioned above continuing to increase.

##### **Learning Disabilities**

- 4.4 The Learning Disability (LD) service is overspent by £2,617,513 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 £2,727,867, client transport of £13,589. This is offset by more income received than expected of £109,728 (partly due to deferred payments); an underspend in clinical Speech and Language services, physiotherapy and psychology services of £10,544 and other minor underspends totalling £3,671.
- 4.5 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. The biggest overspends was for domiciliary care and day services this enables people to stay living at home or in a homely setting for as long as possible.
- 4.6 The outturn for the LD service is overspent by £330,474 less than previously forecast due purchase of care and support being less than forecasted. and forecasting is difficult to do on this volatile budget as client needs can change and therefore costs can fluctuate.

##### **Mental Health**

- 4.7 Mental Health services are overspent by £459,363 at the year end. This overspend includes senior medical pays £731,858 attributable to medical locum cover and purchase of care for people £50,101 along with other combined variances of £16,483 offset in part by additional income from NES Scotland £203,086 and other NHS Scotland income £135,993 which relates to doctors in training placed in Moray.
- 4.8 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 resources for under 65's in Moray, which means out of area placements are required, using facilities in Highland.

- 4.9 The outturn for Mental Health is overspent by £20,923 more than the previous forecast reflecting continuance of additional costs within the budget.

#### **Care Services Provided In-House**

- 4.10 This budget is underspent by £1,567,455 at the end of the year. This relates to underspend in staffing across all the services in this budget totalling £2,146,703 which is being reduced by overspends of £366,317 in day care services due mostly to transport costs and other overspends across the services comes to £212,931 for energy costs, software licences, uniforms for staff and transport costs.
- 4.11 Unfilled vacancies have been the main reason for the underspend throughout the year and the issue of recruitment has been an ongoing problem.
- 4.12 The outturn for this budget is £302,137 better than previously forecast which is due to the ongoing vacancies and recruitment challenges.

#### **Older People and Physical Sensory Disability (Assessment and Care)**

- 4.13 This budget is overspent by £2,834,016 at the end of the year. This primarily relates to overspends for domiciliary care in the area teams £1,715,375, which includes the Hanover very sheltered housing complexes, permanent care at £1,039,794 due to the increase in the number of clients receiving nursing care rather than residential care and other overspends of £78,847 which includes £69,158 on agency staff to provide care and support at Loxa Court. 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.
- 4.14 Due to the 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.
- 4.15 The outturn for this budget is £607,676 more overspent than the previous forecast due to less income than expected and more spend on care than expected.

#### **Intermediate Care and Occupational Therapy**

- 4.16 This budget is overspent by £240,628, this primarily relates to spend on aids, minor adaptations and stairlifts of £201,990. Other overspends are for Jubilee Cottages and Hanover Loxa Court at £45,725, this is reduced by minor underspends of £7,087.
- 4.17 The outturn for this budget is £18,211 less than previously forecast due to the difficulties in forecasting for this volatile budget.

### **Other Community Services**

- 4.18 This budget is overspent by £273,042 at the end of the year. This includes cost pressure within Physiotherapy £189,957, Dietetics £131,389 relating to staff costs and Continence Service £129,692 relating to cost of supplies, offset by underspend in Speech and language therapy £165,701 caused by recruitment challenges and other combined underspends of £12,295.
- 4.19 The outturn for this budget is £24,922 more overspent than the previous forecast due to the continuing impact of cost pressures.

### **Admin and Management**

- 4.20 This budget is overspent by £231,122 at the year end. This is due to not fully achieving the vacancy target by £188,206 and additional costs within Moray Management & Administration amounting to £42,916 for costs for medical staffing pay supporting Primary Care services in Moray.
- 4.21 The outturn for this budget is £80,574 less overspent than previously forecast due to achieving more of the vacancy target in final quarter.

### **Primary Care Prescribing**

- 4.22 The primary care prescribing budget is reporting an over spend of £2,688,390 for the twelve months to 31 March 2024. The overall continuing high price has been attributed in part to the impact of short supply causing an increase in costs being sustained. This is spread across a range of products. The actual volume of items to January has been lowering compared to prior year and is estimated to continue at this level to March 2024. The estimated position has been adjusted to include an overall 4.00% volume increase for the year to March 2024. This overall volume increase is less than previously anticipated.
- 4.23 This has a positive impact on estimated outcome and outturn is £1,061,610 better than previously forecast for this budget. This takes into account volume increase continuing at reduced level and price remaining stable in the final months of the year.

### **Hosted Services**

- 4.24 This budget is overspent by £576,494 at the end of the financial year. This is due to increased costs relating to the Moray share a number of hosted services including Intermediate Care £125,600, Sexual Health Services £189,561, Retinal Screening £186,017 and Heart Failure £110,831 offset by combined other variances of £35,515.
- 4.25 The outturn is £145,864 more overspent than previously forecast. This is due to increased costs being incurred for Moray services delivered in final quarter.

### **Out of Area Placements**

- 4.26 This budget is overspent by £1,057,271 at the year end. This is due to the continuing number of high cost individual specialised placements.
- 4.27 The outturn for this budget is £60,598 less overspent than previously forecast, due to the current pattern of expenditure and placements.

## **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, identified budget pressures, new burdens, and savings 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 £7,000,394 which has resulted in an overall overspend of £3,023,555.
- 5.3 During the 2023/24 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, which 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 overspend of £3,023,555, which the partners had to make additional funding available to break even. The reserves are detailed below in paragraph 9.

## **6. CHANGES TO STAFFING ARRANGEMENTS**

- 6.1 At the meeting of the Board on 30 November 2023, the Financial Regulations were approved (para 12 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 2024.

## **7. IMPACT ON 2024/25 BUDGET AND RISK**

- 7.1 The actual out-turn for the 2023/24 Core Services budget year is an overspend of £10,023,949. 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 2024/25 variances to budget and the likely impact moving into 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 2024/25 will be monitored continuously and reported regularly to the MIJB. The overall position is summarised below:

<b>Area</b>	<b>Para Ref</b>	<b>Recurring</b>	<b>Non-Recurring</b>
		£	£
<b>OVERSPEND</b>			
Staff	7.2	(1,277,993)	(1,506,583)
Purchasing of Care	7.3	(6,385,905)	(1,070,478)
Income	7.4	(305,320)	(54,000)
Supplies & Services	7.5	(527,967)	0
Property costs	7.6	(354,926)	0
Client transport	7.7	(355,651)	0
Aids & Adaptations	7.8	(211,640)	0
Prescribing & hosted	7.9	(3,052,129)	0
Other	7.10	(144,647)	0
<b>Sub-total</b>		<b>(12,616,178)</b>	<b>(2,631,061)</b>
<b>UNDERSPEND</b>			
Staff	7.2	2,991,854	91,639
Purchasing of Care	7.3	236,997	299,144
Income	7.4	732,370	191,750
Supplies & Services	7.5	293,595	100,000
Property costs	7.6	29,753	0
Client transport	7.7	149,656	0
Other	7.10	106,532	0
<b>Sub-total</b>		<b>4,540,757</b>	<b>682,533</b>
<b>TOTAL</b>		<b>(8,075,421)</b>	<b>(1,948,528)</b>
<b>Net Overspend</b>			<b>(10,023,949)</b>

- 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. NHS Grampian also put in a vacancy factor saving in 2023/24. 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 to ceased contract. There is a direct correlation with the underspend in internal care at home service. 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 exceedingly 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. 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. During 2023/24 additional income was received from permanent care placements for deferred income and income recoveries from the review of Direct Payments/ SDS contingency funds for clients.

- 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 relates to Forres Varis community team which is not expected to continue.
- 7.6 The recurring overspend in property costs primarily relates to the rising cost of energy and non pay costs for domestics. The non recurring underspend relates to rents and rates for a closed office and repairs and maintenance for a block contract.
- 7.7 Client transport costs are recurrently 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. There is also an overspend in the improvement grants, due to the timing of works.
- 7.9 Prescribing costs relate to the increased volumes and price factors which are expected to be sustained alongside increased cost for Moray shares of hosted services and others which again are mainly expected to recur.
- 7.10 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. This also includes bad debt for permanent care which has significantly decreased in 2023/24.
- 7.11 The financial results for 2023/24 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.
- 7.12 Through in-year reporting of the savings plan progress it was evident that the saving of £4,141,000 for 2023/24 would be partly achieved, £2,739,000 was saved at the end of the financial year. The MIJB has committed to continue to identify further efficiencies that will be reported throughout the year, recognising the significant pressure on the budget and the required transformation and disinvestment to allow the programmes of transformation to develop.
- 7.13 Whilst the 2023/24 revenue budget position as reported to the Board on 30 March 2023 (para 7 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 was as forecasted all year except for prescribing, which had a significant improvement in the last quarter.

- 7.14 This additional recurring cost reduces the level of reserves going into 2024/25. There are minimal reserves of £2,023,898 for ear marked reserves and no general reserve. With no general reserves the additional cost 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 2024/25 through the financial reporting processes.

## **8. UPDATED BUDGET POSITION**

- 8.1 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.
- 8.2 The MIJB, for the 2023/24 has concluded the financial year in an overspend position. The additional funding contributions during the year are also show in the table below:

	<b>£'s</b>
<b>Approved Funding 30.3.23</b>	<b>148,673,460</b>
<b>Set aside funding</b>	<b>13,466,000</b>
Balance of IJB reserves c/fwd to 23/24	4,682,793
Amendment to Moray Council core	<b>(84,698)</b>
Amendment to NHS Grampian core	405,876
Childrens Service	19,202,132
Amendment to Set Aside	451,460
Revised funding at start of Quarter 1	186,796,563
Adjustments in Qtr 1	1,712,786
Revised funding at start of Quarter 2	<b>188,509,349</b>
Adjustments in Qtr 2	6,520,716
Revised funding at start of Qtr 3	<b>195,030,065</b>
Adjustments in Qtr 3	2,294,977
Revised funding at start of Qtr 4	<b>197,325,042</b>
<b>Budget adjustments M10-M12</b>	
Increase in Set Aside	748,000
NCARE allocation 23.24	748,159
Action 15 adj	633,870
Moray PCIF alloc	529,495
Dental Public Health Funding (Childsmile)	204,968
MADP 23-24 tranche 2	153,980
Allocation letter	138,000
District Nurse Fund	61,000
Prison HEPC	57,528



Open University	40,000
Moray Child Weight	15,000
Pay award (Exe & Snr man)	13,298
Virtual Bed Recruit	6,078
SARC funding	4,605
Hosted services recharge	5,444
Prescribing adj global sum	(77,260)
IFRS16 Adj	(4,989)
IJB impr grant	(91,747)
Moray TMC ADP Payment	(183,517)
Ear marked reserves c/fwd	(2,023,898)
Self directed support transformation	6,000
Children & Justice services adj	98,880
<b>Revised 2023/24 Financial Year Funding</b>	<b>198,407,936</b>

- 8.3 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.

## 9. **RESERVES**

- 9.1 The MIJB Reserves Policy, was most recently approved on 25 January 2024 (para 16 of the minute refers). The next review date should be no later than March 2025. The closing financial position on Reserves for 2023/24 is £2,023,898. 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:

<b>Reserve Detail</b>	<b>Type</b>	<b>£'s</b>
Primary Care Improvement Plan	Earmarked	33,264
GP Premises	Earmarked	228,447
Community Living Change Fund	Earmarked	319,463
National Drugs MAT	Earmarked	267,878
OOH Winter Pressure funding	Earmarked	171,841
Moray Cervical screening	Earmarked	35,504
Moray hospital at home	Earmarked	4,584
Moray Psychological	Earmarked	314,741
MHO Funding	Earmarked	138,000
Adult protection funding for CA	Earmarked	18,000
Adult disability payment	Earmarked	45,000
National Trauma training services	Earmarked	100,000
Moray ADP	Earmarked	22,089

Moray School Nurse	Earmarked	27,789
Moray Winter Fund HCSW & MDT	Earmarked	225,995
LD Annual Health Checks	Earmarked	69,188
Community Planning partnership	Earmarked	2,115
<b>TOTAL</b>		<b>2,023,898</b>

## 10. **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’**

This report is consistent with the objectives of the Strategic Plan and includes budget information for services included in the MIJB Revenue Budget 2023/24.

**(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 2023/24 for the MIJB core budgets is £10,023,949 overspend. The financial details are set out in sections 3-9 of this report and in **APPENDIX 1**.

The estimated recurring overspend of £8,075,421 as detailed in para 7 will impact on the 2024/25 budget.

The movements in the 2023/24 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 financial challenges, the financial circumstances of the partners and Scottish Government, the amount of reserves have reduced. There is significant pressure on the budget for 2024/25 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 2024/25. There is a big risk for 2024/25 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 2024/25.

**(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 as there has been no change to policy.

**(i) Directions**

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

**(i) Consultations**

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

**11. CONCLUSION**

**11.1 This report identifies MIJB's unaudited final out-turn position on the Core Budget of an overspend of £10,023,949 at 31 March 2024 and identifies major areas of variance between budget and actual for 2023/24.**

**11.2 The impact of the provisional outturn on the 2024/25 budget, of a recurring overspend of £8,075,421 is detailed in paragraph 7.**

**11.3 NHS Grampian and Moray Council have both carried forward ear marked reserves into 2024/25 which total £2,023,898.**

Author of Report: D O'Shea Chief Finance Officer & B Sivewright Finance Manager (NHSG)

Background Papers: Papers held by respective Accountancy teams.

Ref: