



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 28 MARCH 2024

SUBJECT: REVENUE BUDGET MONITORING QUARTER 3 FOR 2023/24

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

1.1 To update the Moray Integration Joint Board (MIJB) of the current Revenue Budget reporting position as at 31 December 2023 for the MIJB budget.

2. RECOMMENDATIONS

2.1 It is recommended that the Board:

- i) note the financial position of the Board as at 31 December 2023 is showing an overall overspend of £7,110,508 on core services;**
- ii) note the updated provisional forecast position for 2023/24 of an overspend of £11,210,917 on total budget for core services;**
- iii) note the progress against the approved savings plan in paragraph 6;**
- iv) note the budget pressures and emerging budget pressures as detailed in paragraph 7;**
- v) note the revisions to staffing arrangements dealt with under delegated powers and in accordance with financial regulations within Moray Council (MC) and NHS Grampian (NHSG) for the period 1 October to 31 December 2023 as shown in APPENDIX 3; and**
- vi) approve for issue, the Directions arising from the updated budget position shown in Appendix 4.**

3. **BACKGROUND**

3.1 The financial position for the MIJB services at 31 December 2023 is shown at **Appendix 1**. The figures reflect the position in that the MIJB core services are currently over spent by £7,110,508. This is summarised in the table below.

	Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £
MIJB Core Service	167,896,497	125,561,421	132,862,729	(7,110,508)
MIJB Strategic Funds	15,511,545	5,355,047	4,861,771	577,815
Set Aside Budget	13,917,000	-	-	-
Total MIJB Expenditure	197,325,042	130,916,467	137,724,500	(6,617,232)

3.2 The updated provisional forecast outturn to 31 March 2024 is included in **Appendix 1**. The figures reflect the overall position in that the MIJB core services are forecast to be overspent by £11,210,917 by the end of the financial year. This is summarised in the table below:

	Annual Budget £	Forecast expenditure to 31 Mar 24 £	Variance to 31 Mar 24 £
MIJB Core Service	167,896,497	179,107,414	(11,210,917)
MIJB Strategic Funds	15,511,545	7,324,184	8,187,361
Set Aside Budget	13,917,000	13,917,000	0
Total MIJB Expenditure	197,325,042	200,348,598	(3,023,556)

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

4. **KEY MATTERS/SIGNIFICANT VARIANCES FOR 2023/24**

Community Hospitals & Services

4.1 The Community Hospitals & Services is overspent by £87,024 to date, this predominantly relates to cost pressure within community hospital and community admin in the Buckie area including property costs.

4.2 This budget is forecast to be £392,800 overspent by the end of the financial year. This is mainly due to forecast expenditure relating to winter vaccinations programme including flu campaign costs in excess of final confirmed allocation alongside additional costs for community hospitals including medical and energy costs.

Learning Disability

4.3 The Learning Disability (LD) service is overspent by £1,604,879. The overspend is predominantly due to care purchased at £1,693,016 this is being reduced by more income received than expected of £83,627 and other minor underspends totalling £4,511.

4.4 The overspend primarily relates to domiciliary care to support individuals in their own home, day care which allows clients to do meaningful activities, social opportunities and a chance to learning new skills and housing support

to help people to live as independently as possible in the community. The LD service has found this year that Children who are transitioning into adult services, are transitioning with higher than usual levels of complex and challenging need. In addition, the staffing challenges in care provision has led to instability in care packages. For the people LD support, who need consistency, structure and routine, the instability leads to behavioural challenges and an escalation in need, requiring increases in care hours or a reliance on specialist services that come at greater cost. Moray has a growing and ageing population that means year on year, more individuals are received into the service than those who leave, and those who are ageing will require the same or increased levels of care than in their younger years.

- 4.5 There is currently work taking place to monitor and support external care providers to enable them to deliver high quality care packages. It is hoped this will achieve the stability required to maintain care packages at their current levels. The team also regularly look to 'smart' solutions that would enable greater independence and less reliance on care provision, or that would enable economies of scale in care provision. Each new or changing package of support is considered within a resource management group ensuring careful consideration of all factors and options available and examination of costs including both expenditure and income.
- 4.6 This budget is forecast to be £2,934,736 overspent by the end of the financial year, due to the issues above remaining to the end of the financial year.

Mental Health

- 4.7 The Mental Health service is overspent by £125,905. This includes Clinical Nursing and other services which are overspent by £199,567. The overspend is primarily due to staffing and non-pay overspends for Clinical nursing and other services of £422,289, mainly in medical services. This is partly offset by continuing underspends across other staffing including Psychology and Allied Health Professionals (AHP's), additional staffing income £222,722 from NHS Scotland and assessment and care £73,622 mainly due to a ceased mental health contract that is currently under review.
- 4.8 The staffing overspends continues to relate to consultant vacancies to December and junior medical staff within the department being covered by locums. This remains a continuing financial risk to MIJB, which has been reported previously, due to high costs of locums compared to NHS substantive medical staff.
- 4.9 This budget is forecast to be £438,440 overspent by the end of the financial year due to the issues mentioned above being expected to continue to the end of the financial year and there are two mental health clients transitioning from a hospital setting to a community setting, forecast to be in place until the end of the financial year (as detailed in emerging budget pressures paragraph 7.8 below).

Care Services Provided In-House

- 4.10 This budget is underspent by £1,068,500 due to vacancies in the service which are still encountering issues with recruitment and retention.

- 4.11 This budget is forecast to be £1,265,318 due the above issues remaining and also the reduction in use of overtime.

Older People and Physical Sensory Disability (Assessment & Care)

- 4.12 This budget is overspent by £1,899,883 to 31 December 2023. This primarily relates to overspends for care purchased in the area teams of £1,083,117 and permanent care £948,599. This is being reduced by income received more than budgeted £116,070 and other minor underspends totalling £15,763
- 4.13 This budget is forecast to be £2,226,340 overspent by the end of the financial year due to the issues with care purchased continuing to the end of the financial year. The population is ageing and more complex care is now required and projected to continue and most elderly prefer to live in their own home.

Intermediate Care & Occupational Therapy

- 4.14 This budget is overspent by £167,987 to date. This is due to purchase of equipment £183,044, other minor overspends totalling £16,633 which is being reduce by more income received than budgeted £31,690. To enable people to stay independently in their own home they require specialist equipment and adaptations these include ramps, grab rails, stair lifts, bath lifts, walk-in showers and community alarms.
- 4.15 This budget is forecast to be £258,839 overspent by the end of the financial year due to the reasons above continuing.

Other Community Services

- 4.16 This budget is £228,434 overspent to date. This includes the impact of overspends within Allied Health Professionals for Dietetics and Physiotherapy alongside Pharmacy and Specialist Nurses. This remains primarily due to staff costs, loss of income, increase costs of medical supplies and other non-pay expenditure.
- 4.17 This budget is forecast to be £248,121 overspent by the end of the financial year. This is primarily due to these cost pressures continuing to be incurred as services redesign.

Admin & Management

- 4.18 This budget is overspent by £35,475 as at 31 December 2023, this primarily is due to overspend in Management services relating to salary costs
- 4.19 This budget is forecast to be overspent by £311,696 by the end of the financial year. This is due to the above factors remaining for the whole financial year and the vacancy target is not expected to be fully achieved by the end of the financial year.

Primary Care Prescribing

- 4.20 The primary care prescribing budget is overspent by £2,708,198 to 31 December 2023. This estimated position is based on five month's actuals and an accrued for September to December due to difficulties implementing a new national prescribing processing system whereby information for NHS Boards has been delayed. The budget to month 9 includes allocation from MIJB core uplift to mitigate position. For 2022/23 the overall prescribing volume of items

in total was 4.44% higher than in 1921/22. The prescribing volumes overall are now greater than pre Covid levels and are expected to continue to grow with the increase to December estimated at 5.5%. Work continues at a local level and through Grampian wide Primary Care Prescribing Group to pursue efficiency.

- 4.21 This budget is forecast to be £3,750,00 overspent by the end of the financial year taking into account the volume increase continuing and impact of price changes relating to short supply being maintained.

Primary Care Service

- 4.22 This budget is overspent by £218,557 to 31 December 2023, and includes exceptional costs not anticipated for supporting Primary Care services delivered in Moray. This includes continuing support for Aberlour GP practice through a period of challenge which is continuing and locum costs being incurred during this support.

- 4.23 This budget is forecast to be £291,410 overspent by the end of this financial year, as the need for support costs are anticipated to continue

Hosted Services

- 4.24 This budget is overspent by £273,273 due to continuing cost pressures within recharged hosted services including Intermediate Care, Marie Curie services, Continence services, HMP Grampian and Police Forensic Services.

- 4.25 This budget is forecast to be £430,630 overspent by the end of the financial year due to cost pressures above anticipated to continue, as well as additional winter costs expected particularly in GMED service.

Out of Area Placements

- 4.26 This budget is overspent by £896,146. This relates primarily to Mental Health, Learning Disability and Acquired Brain Injury (ABI) Placements for specific individuals agreed on a case by case basis. This budget has not been uplifted. There are now additional patients with complex needs for which there is no budget. This coupled with increased unit costs are producing a continuing overspend.

- 4.27 This budget is forecast to be £1,117,869 overspend by the end of the financial year due to the above expected to continue for the rest 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 & others in 2023/24, 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 earmarked reserves totalling £4,682,794. However, there are not enough reserves to cover the overspend in total with the current level of spend forecast till 31 March 2024.

5.3 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.

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

6.1 The Revenue Budget 2023/24 was presented to the MIJB 30 March 2023 (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 2023/24 financial year. The table details progress during the first quarter against the original recovery plan.

Efficiencies	Para Ref	Full Year Target	Expected progress at 31 Dec 2023	Actual Progress against target at 31 Dec 2023
		£'000	£'000	£'000
External Commissioning	6.3	500	375	544
Vacancy target	6.5	1,400	1,050	1,461
Reduction in prescribing costs	6.6	400	300	0
Reduction in overspending budgets	6.7	600	450	0
Reduction in management costs	6.8	300	225	33
Reduction in overtime	6.9	800	600	0
Staff transport	6.4	136	102	77
Postages	6.4	5	4	5
Additional savings achieved	6.3	0	0	123
Total Projected Efficiencies		4,141	3,106	2,243

6.3 Savings have been achieved in quarter 1 for the full year effect.

6.4 Savings of £45,000 have been taken during quarter 2, the balance of £96,000 savings are partially achieved with £37,214 underspend on travel and Subsistence achieved to December within Core services.

6.5 Savings of £400,000 for the full year have been achieved in quarter 1, with savings of £249,000 relating to the period to 30 June 2023, savings of £442,000 in quarter 2 and £370,000 savings achieved in quarter 3. This has exceeded the vacancy target and is expected to over achieve by the end of the financial year.

- 6.6 Reduction in the prescribing costs has not been achieved and with the increasing cost pressure on prescribing there is a high chance the overspend will still increase.
- 6.7 Reduction in overspending budgets has not been achieved and with the current level of overspend on the core budgets is not looking likely to be achieved.
- 6.8 Reduction in management costs of £33,000 has been achieved in quarter 2, this budget is currently under review but is not expected to be fully achieved.
- 6.9 Reduction in overtime has not been achieved in quarter 2, with the current level of vacancies and recruitment issues facing the MIJB, it is unlikely this will be achieved.

7. BUDGET PRESSURES

- 7.1 Budget pressures recognised when the budget was approved on 30 March 2023 are released when the pressure crystallises to the extent that it can be accurately quantified. Provisions to meet budget pressures totalling £927,830 was released in quarter 1, £2,670,042 was released in quarter 2 and £2,390,493 was released in quarter 3.
- 7.2 Provisions still held centrally at the end of quarter 3 total £5,367,281 and are detailed in the table below.

Description	Para Ref	£'000
Pay & inflation	7.3	104
Contractual inflation & Scottish Living Wage	7.3	906
Prescribing & Community Pharmacy	7.4	1,605
Children in Transition	7.3	398
Learning Disability Clients	7.3	(119)
Recurring Deficit	7.5	2,473
TOTAL BUDGET PRESSURES		5,367

- 7.3 These budget pressures have partially been drawn down as they have materialised in the budgets. At this stage these are all intended to be fully required in this financial year.
- 7.4 The budget for prescribing has not yet been drawn down but will be done in quarter 4. At this early stage in the financial year it is not looking like this will be sufficient to cover all the overspend and pressures in this financial year.
- 7.5 The budget pressure for recurring deficit is used against the bottom line in the budget and is not allocated out during the financial year.
- 7.6 Emerging budget pressures have materialised since the budget was set and these are detailed in the table below:

Description	Para Ref	£'000
National Care Home Contract	7.7	823
Mental Health out of area clients	7.8	317
Out of Hours nursing service	7.9	100
Pay award	7.10	547
Total emerging budget pressures		1,787

- 7.7 National care home contract was included in the budget but was also the assumption that funding would be provided for this nationally agreed uplift. The uplift agreed by the care homes with Scottish Government and COSLA was 6.9% however, this was to be funded from existing resources and no additional funding was received and is showing in the core services budgets.
- 7.8 Emerging budget pressure has arisen for mental health clients that were in a hospital setting, where this is no longer the best place for them and as such the responsibility for these clients are to be under the care of the health and social care partnership. This additional cost is now showing under mental health services and is part of the reason for the increase in overspend as detailed in para 4.9.
- 7.9 Out of Hours nursing service is the budget pressure that was reported to Clinical and Care Governance committee on 31 August 2023 (para 10 of minute refers). This budget pressure relates to the cessation of the Marie Curie contract and this is phase 1 of the service to replace that contract. This budget pressure is now showing as an additional cost in the core budget under hosted services.
- 7.10 The cost of the pay award that was agreed in December 2023, was £1,619,000 more than estimated at the start of the financial year, which was £586,000. Some funding from Scottish Government was received totalling £1,072,000 which has left a budget pressure of £547,000.

8. CHANGES TO STAFFING ARRANGEMENTS

- 8.1 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.
- 8.2 Changes to staffing arrangements as dealt with under delegated powers through appropriate Council and NHS Grampian procedures for the period 1 October to 31 December 2023, are detailed in **Appendix 3**.

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 In addition, the MIJB, concluded the financial year 2022/23 in an underspend position following the application of reserves. The audited reserves totalling £4,682,793 were carried forward into 2023/24, all of which are ear-marked with no general reserves.

9.3

	£'s
Approved Funding 30.3.23	148,673,460
Set aside funding	13,466,000
Balance of IJB reserves c/fwd to 23/24	4,682,793
Amendment to Moray Council core	(84,698)
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	188,509,349
Adjustments in Qtr 3	6,520,716
Revised funding at start of Qtr 4	195,030,065
Budget adjustment M7 - M9	
Pay awards NHS	370,659
Prescribing Tariff increase	334,668
Primary Care GP vision	128,688
Moray OOH	25,921
Hosted Recharges	(56)
IFRS16 amendments	(203,435)
MAMHS Moray	63,564
DPDS Allocation	60,541
Misc	(619)
MDT reduction in funding	(22,208)
Moray Council pay award	1,072,000
Childrens Service budget amendment	465,254
Revised Funding to Quarter 4	197,325,042

9.4 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. **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 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 12.8 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 3-8 of this report and in **Appendix 1**. For the period to 31 December 2023, a total overspend is reported to the Board of £6,617,233.

The updated provisional forecast to end March 2024 has been included in section 3 and **Appendix 1**, which gives the provisional year end position of £3,023,555 overspend. There is also the assumption that not all the savings will be achieved by the end of the financial year. The potential impact to the partners has been communicated and a recovery plan to mitigate this overspend in the next financial year forms part of the Budget setting report to this Committee.

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

The movement in the 2023/24 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 earmarked reserves brought forward in 2023/24. 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.

The claw back of reserves during 2022/23 vastly reduced the amount of reserves carried forward into 2023/24 as well as additional pressures arising from the cost of living crisis, increasing energy bills, emerging budget pressures and inflation puts a risk on the budget.

The updated provisional forecast is an overspend position, this has been communicated to both partners, this also sees the use of all earmarked reserves to reduce the overspend for 2023/24 as both partners are also under severe financial pressures.

(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 4**.
- (j) 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.

11. CONCLUSION

- 11.1 The MIJB Budget to 31 December 2023 has an over spend of £7,110,509 and the updated provisional forecast position of £11,323,636 on core services. This is reduced by underspends in Strategic funds to give a total overspend position of £3,023,555, Managers will continue to monitor the financial position closely.**
- 11.2 The financial position to 31 December 2023 reflects the updated budget position and revised Directions have been prepared accordingly, as detailed in Appendix 4.**

Author of Report: D O'Shea Interim Chief Financial Officer (MC)
Background Papers: Papers held by respective Accountancy teams
Ref: