



**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 30 JUNE 2022**

**SUBJECT: REVENUE BUDGET OUTTURN FOR 2021/2022**

**BY: INTERIM CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

1.1 To inform the Moray Integration Joint Board (MIJB) of the financial outturn for 2021/22 for the core budgets and the impact this outturn will have on the 2022/23 budget.

**2. RECOMMENDATIONS**

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

- i) consider and note the unaudited revenue outturn position for the financial year 2021/22;**
- ii) consider and note the impact of the 2021/22 outturn on the 2022/23 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 £2,512,662 as at 31 March 2022. The MIJB's unaudited financial position for the financial year ending 31 March 2022 is shown at **APPENDIX 1**. This is summarised in the table below.

	Annual Budget £	Actual Expenditure £	Variance to date £
MIJB Core Service	130,314,800	132,827,462	(2,512,662)
MIJB Strategic Funds & other resources	27,470,558	7,937,272	19,533,286
Set Aside Budget	13,044,000	13,044,000	0
<b>Total MIJB Expenditure</b>	<b>170,829,358</b>	<b>153,808,734</b>	<b>17,020,624</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 2021/22**

##### **Community Nursing**

- 4.1 The Community Nursing budget is underspent by £557,756 to the year-end. This is due to underspends across the Community Health Visiting service and District Nursing related to Vacancies, unplanned leave, including maternity leave and retirements which have contributed to the current underspend across the service. A Recruitment and Retention Plan is in place, to date a number of posts have been appointed to. Challenges remain on the recruitment and retention of qualified and experienced Health Visitors and School Nurses at a local, regional and national level.
- 4.2 To help mitigate or minimise risk to service delivery, 1 trainee Health Visitor and 2 School Nurses will qualify in 2022, 2 trainee Health Visitors and 2 School Nurses will qualify in 2023. In addition, through vacancies, 2 Health Visitor Trainees will be recruited to start in September 2022 (qualify in 2024). With a clear and planned increase in the number of qualified, skilled and experienced practitioners, this will alleviate a number of key service pressures, stabilise the workforce, ensure modernisation and sustainability of the service, that it is responsive to local need and risk, and help maintain positive staff health and wellbeing
- 4.3 The outturn for Community Nursing is underspent by £186,285 more than previously forecast. This was primarily due to additional funding received in Month 12 and reduced expenditure among District nursing and Health Visiting service which has increased the underspend.

##### **Learning Disabilities**

- 4.4 The Learning Disability (LD) service is overspent by £1,426,891 at the year-end. 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.
- 4.5 The overspend is essentially due to the purchase of care for people with complex needs which results in an overspend of £1,466,614, less income received than expected £47,305, client transport £11,317 and other minor overspends totalling £4,212. This is offset by an underspends in clinical Speech and Language services and psychology services of £102,556.
- 4.6 Adults with learning disabilities are some of the most vulnerable people in our community and need a high level of support to live full and active lives. Overspending in this area is not specific to Moray – local authorities across the country face similar difficulties in funding LD services at the required level. The LD team are aware that without appropriate structure and routine, many of our service users will exhibit challenging behaviours which are costly to manage and are not desirable from the perspective of people's life experience and human rights.

- 4.7 The outturn for the LD service is overspent by £224,835 more than previously forecast. This is due to a provider not invoicing through the year and therefore spend with this provider was not factored into the forecast.

### **Mental Health**

- 4.8 Mental Health services are overspent by £274,911 at the year end. This overspend is primarily due to consultant psychiatrist vacancies being covered by high cost agency medical locums. There is also less income received than expected. However, some of the overall overspend is being offset by underspends in Psychology and Community Mental Health Nursing due to vacancies. Successful recruitment to the adult consultant psychiatrist vacancy which has been vacant since October 2019 will see locum costs greatly reduced in 2022/23.

- 4.9 The outturn for Mental Health is overspent by £236,078 less than the previous forecast. This was due in part to the purchase of care, since forecasting is difficult as it relies on meeting clients' needs and reducing overspend on staffing costs relating to medical pay.

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

- 4.10 This budget is underspent by £976,898 at the end of the year. This relates to underspend in staffing across all the services in this budget totalling £1,110,980 and other minor underspends totalling £12,494, which is being reduced by an overspend of £146,576 in day care services due to transport costs and less income received than expected due to the closure during Covid 19.

- 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 £64,876 less than previously forecast. This is due to the backdated cost of implementing the living wage.

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

- 4.13 This budget is overspent by £1,521,854 at the end of the year. This primarily relates to overspends for domiciliary care in the area teams £1,131,084, which includes the Hanover very sheltered housing complexes, permanent care £382,345 due to the increase in the number of clients receiving nursing care rather than residential care and other minor variances of £8,425. 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 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.

- 4.15 The outturn for this budget is £46,099 more overspent than the previous forecast. The nature of this service makes forecasting hard to predict due to its volatile nature.

### **Intermediate Care and Occupational Therapy (OT)**

- 4.16 This budget is overspent by £304,582 at the end of the year, this predominately relates to OT equipment. Costs have increased on all equipment, due to manufacturing and supply to Moray. There have been more complex equipment requests and spend on Augmentative and Alternative Communication (ACC) equipment for which there is no budget. Increase of labour and material costs have impacting on the minor adaptations.
- 4.17 The outturn for this budget is £149,962 more than previously forecast, due to a backlog of requests and delay with providers nearer the end of the financial year.

### **Care Services provided by External Contractors**

- 4.18 This budget is underspent by £269,008, this primarily relates to underspends in Learning Disability contracts of £305,332 and other minor underspends totalling £8,439 and this is being reduced by the overspends on blue badge £23,545, Commissioning Team £11,501, Older Peoples contracts £5,487 and Carefirst Team £4,230.
- 4.19 The outturn for this budget is £123,190 more underspent than previously forecast due to the underspend on the Learning Disability contracts being more than expected.

### **Primary Care Prescribing**

- 4.20 The primary care prescribing budget is reporting an over spend of £894,154 for the twelve months to 31 March 2022. The budget to March includes an uplift of £706,000 (non-recurring) for efficiencies not achieved and £115,000 recurring from within Moray IJB. Medicines management practices continue to be applied on an ongoing basis to mitigate the impact of external factors as far as possible and to improve efficiency of prescribing both from clinical and financial perspectives.
- 4.21 The outturn is £23,681 better than previously forecast for this budget but this is mainly attributable to the funding allocations made at end of the year. The continuation of effective local medicines management practices has limited the negative impact of external factors on this budget.

## **5. STRATEGIC FUNDS**

- 5.1 Strategic Funds is additional Scottish Government funding for the MIJB, they include:
- Additional funding received from NHS Grampian and Moray Council during the year which may not been fully utilised during 2021/22, some of which may be needed to be funded in future years; and
  - Provisions for earmarked reserves, 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 £19,533,286 which has resulted in an overall underspend of £17,020,624.
- 5.3 During the 2021/22 financial year, Scottish Government made the full allocation of funding aligned to the Primary Care Improvement Fund, Covid-19 allocation and the additional winter funding, to help support current system

pressures. The Scottish Government made a commitment to ensuring full sums would be invested and spent on the priorities identified in support of this. Allocations made during the year, that remain unspent, are considered as earmarked funding and to be used for these specific purposes in future years. This has contributed to the overall increase in MIJB reserves.

- 5.4 After consideration of funding received, earmarked reserves and application of slippage on Strategic Funds, the MIJB financial position resulted in an underspend of £17,020,624 constituting the MIJB balance to carry forward to 2022/23. The reserves are detailed below in paragraph 9.

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

- 6.1 At the meeting of the Board on 28 March 2019, the Financial Regulations were approved (para 11 of the minute refers). All changes to staffing arrangements with financial implications and effects on establishment are to be advised to the Board.
- 6.2 The staffing arrangements are noted in **APPENDIX 3** as dealt with under delegated powers for the period 1 Jan to 31 March 2022.

## **7. IMPACT ON 2022/23 BUDGET**

- 7.1 The actual out-turn for the 2021/22 Core Services budget year is an overspend of £2,512,662. Due to the ongoing impact of Covid 19 it is difficult to ascertain with certainty the 2021/22 variances to budget and the likely impact moving in to the next financial year. However, the variances against the budget have been reviewed and classified as one-off or likely to be recurring. Impact in 2022/23 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><u>OVERSPEND</u></b>			
Staff	7.2	(1,440,301)	(19,629)
Purchasing of Care	7.3	(3,994,620)	(5,141)
Income	7.4	(619,949)	0
Supplies & Services	7.5	(115,110)	(77)
Property costs	7.6	(62,885)	0
Client transport	7.7	(11,317)	0
Aids & Adaptations	7.8	(276,250)	0
Other	7.9	(1,032,082)	0
<b>Sub-total</b>		<b>(7,592,514)</b>	<b>(24,847)</b>
<b><u>UNDERSPEND</u></b>			
Staff	7.2	2,492,783	14,020
Purchasing of Care	7.3	904,548	5,616
Income	7.4	444,039	0
Supplies & Services	7.5	197,697	444,871
Property costs	7.6	49,325	48,368

Client transport	7.7	123,514	0
Aids & Adaptations	7.8	0	181,936
Other	7.9	92,033	105,949
<b>Sub-total</b>		<b>4,303,939</b>	<b>800,759</b>
<b>TOTAL</b>		<b>(3,288,574)</b>	<b>775,912</b>
<b>Net Underspend</b>			<b>(2,512,662)</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. 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 the cessation due to closure of services. 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 and the number of packages of care. This also reflects the shift in the balance of care to enable people to remain in their own homes for longer and the new models of care being introduced with Hanover.
- 7.4 The under recovery of income budgets is apparent across a number of service headings. It is very difficult to predict the level of income accurately as client income is subject to the contributions policy which is based on a client's financial assessment. Income recovery on all care at home services continues to reduce as well as income from permanent care placements from deferred income. The income will continue to reduce due to the legislation in relation to the Carers Act and free personal care for under 65's as well as the impact of Covid. The Independent Review of Adult Social Care will likely impact in the longer term.
- 7.5 The Supplies and services overspend includes purchases of medical supplies, medical equipment and maintenance cost of equipment which is expected to be recurring. The non-recurring underspend includes transport costs which have been reduced during the last year due to restrictions on all travel
- 7.6 The net small recurring overspend in property costs primarily relates to energy costs and cleaning for services that were in operation throughout the Covid lockdown. The non-recurring underspend is due to lower energy costs incurred this year and with the rising cost of energy bills it is not expected to continue.
- 7.7 Client transport costs are underspent in numerous service headings, which are due to the ongoing impact of Covid 19

- 7.8 Aids and Adaptations overspend relates to Occupational therapy aids, servicing, stair lifts and day care services. Which is being reduced by a non-recurring underspend in the improvement grants, due to Covid.
- 7.9 Other category relates to minor variances across the services but also includes recurring overspends relating to Drugs, Primary Care Prescribing and Primary Care services which are expected to continue as prescribing costs remain in excess of the budget.
- 7.10 The financial results for 2021/22 show that underlying financial pressures on both the NHS and Council budgets remain, with the MIJB assuming responsibility for the budgets of the delegated functions and are expected to prioritise services within the budgets directed to it by Moray Council and NHS Grampian.
- 7.11 Through in-year reporting of the savings plan progress it was evident that the majority were delivering according to plan, and there was only 1 area that was not achieved which related to increased income from charges where Moray Council did not agree the increase in taper relief, making this saving unachievable. Scottish Government additional funding was made available that covered the underachievement of savings totalling £110,000. The MIJB has committed to continue to identify further efficiencies that will be reported throughout the year, recognising the remaining pressure on the budget and the required disinvestment to allow the programmes of transformation to develop.
- 7.12 Whilst the 2022/23 revenue budget position as reported to the Board on 31 March 2022 (para of the minute refers) presented a balanced budget position, through the use of reserves, and a small savings plan, there is still the recurring overspend to be addressed. 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 2022/23 through the financial reporting processes.

## **8. IMPACT OF COVID – 19 AND ADDITIONAL FUNDING**

- 8.1 To date there has been continued commitment from Scottish Government to provide additional funding to support health and social care as a result of the pandemic. This includes the use of Covid 19 specific reserves to support the remobilisation of services.
- 8.2 HSCM continue to provide quarterly returns to Scottish Government on the Local Mobilisation Plan (LMP) via NHS Grampian. Reported expenditure at the end of 2021/21 was £5.197 million. The costs are summarised below:

<b>Description</b>	<b>Spend to 31 March 2022 £000's</b>
Staffing	160
Provider Sustainability Payments	3,176
Remobilisation	1,178
Cleaning, materials & PPE	90

Elgin Community Hub (Oaks)	556
Prescribing	154
Unachievable Savings	110
Other	(244)
Additional Capacity in Community	17
<b>Total</b>	<b>5,197</b>

8.3 Scottish Government has recognised the ongoing impacts resulting from Covid and the pressures facing the health and social care system heading into the winter period. On the 5<sup>th</sup> October, measures were outlined by Scottish Government relating to new investment for Scotland of more than £300 Million as a direct response to the intense winter planning and system pressures work that is taking place. These preparations are predicated based on four key principles:

- Maximising capacity
- Ensuring Staff wellbeing
- Ensuring System Flow
- Improving Outcomes

Subsequently, on the 4<sup>th</sup> November Scottish Government provided further detail on key components of the additional funding. Specifically, this covered

- £40 million for interim care arrangements
- £62 million for enhancing care at home capacity
- Up to £48 million for social care staff hourly rate of pay increases; and
- £20 million for enhancing multi-disciplinary teams

This funding is for the remainder of the current financial year with additional commitments of funding still to be confirmed for future years. Details of the proposed investment were reported to the Board on 27 January 2022 (para 15 of the minute refers) and a further update is subject to a separate report on this Board's agenda.

## **9. UPDATED BUDGET POSITION**

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

9.2 The MIJB, for the 2021/22 has concluded the financial year in an underspend position due to additional funding being made available for Covid related expenditure, unachieved savings and additional investment by the Scottish Government for winter funding. The additional funding is advance payment and has been carried forward mainly in Earmarked reserves, with a small amount in General Fund Reserves. These additional funding contributions are also shown in the table below:

	£'s
<b>Approved Funding 26.3.21</b>	<b>123,425,128</b>
Set Aside funding 26.3.20	12,252,000
<b>Balance of IJB reserves c/fwd to 21/22</b>	<b>4,788,128</b>
Amended directions from NHSG 3.6.21	80,661
Budget Adjustments qtr 1	1,678,730
Budget Adjustments qtr 2	2,780,546
Budget Adjustments qtr 3	2,459,436
Revised Funding to Quarter 3	<b>152,464,629</b>
<b>Budget adjustments M10-M12</b>	
Living Wage shortfall	562,000
Mental Health funding	51,000
Adult social care uplift	450,000
Care at home investment	1,137,000
Interim beds	734,000
Living Wage shortfall	67,828
Removal stat mitigation	33,220
Set Aside amendment	424,000
Moray core budget amendment	19,094
Covid 19 Allocation	11,566,362
Primary Care Improvement Fund	1,586,063
Action 15	259,434
Psychological Facility	257,199
Alcohol & Drug Partnership Funding	214,333
Interface Delayed Discharge	205,157
Out Of Hours Winter Fund	201,857
Hosted Recharges	137,903
Immunisation Funding	108,175
PT Tranche	66,390
Dementia PDS	60,013
School Nurses	46,000
Health Support Care Worker	45,176
District Nurses	36,000
Management Pay Award	35,075
Prescribing	27,927
GP Premises	25,720
Mental Health Primary Care	22,251
Dental Priority Groups	15,392
Other	(29,840)
<b>Revised 2021/22 Financial Year Funding</b>	<b>170,829,358</b>

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

## 10. RESERVES

- 10.1 Members will recall the MIJB Reserves Policy, most recently approved on 27 January 2022 (para 14 of the minute refers). The next review date should be no later than March 2023. The closing financial position on Reserves for 2021/22 is £17,020,624. Of this reserve, £1,257,139 is a usable general reserve and has been utilised in supporting a balanced budget for 2022/23. The remaining £15,763,576 is an earmarked reserve and 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>
Action 15	Earmarked	72,101
Primary Care Improvement Plan	Earmarked	2,258,771
Covid-19	Earmarked	9,016,054
GP Premises	Earmarked	231,780
Moray care home infection control	Earmarked	223,163
Community Living Change Fund	Earmarked	319,463
National Drugs MAT	Earmarked	102,880
National Drugs Mission Moray	Earmarked	206,813
OOH Winter Pressure funding	Earmarked	201,857
Moray Cervical screening	Earmarked	109,794
Moray hospital at home	Earmarked	198,533
Moray interface discharge	Earmarked	205,157
Moray School nurse	Earmarked	46,000
Moray Psychological	Earmarked	492,259
MHO Funding	Earmarked	51,000
Care at Home Investment funding	Earmarked	656,154
Interim Care Funding	Earmarked	695,128
Moray Workforce well being	Earmarked	53,671
Moray Winter Fund HCSW	Earmarked	255,999
Moray Winter Fund MDT	Earmarked	367,000
Flexibility & Surplus (utilised for 22/23 budget)	General	1,257,139
<b>TOTAL</b>		<b>17,020,716</b>

## 11. SUMMARY OF IMPLICATIONS

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Commissioning Plan 2016 – 2019**

This report is consistent with the objectives of the Strategic Plan and includes 2021/22 budget information for services included in MIJB in 2021/22.

**(b) Policy and Legal**

In accordance with the MIJB Integration Scheme and in the event that the recovery plan is unsuccessful at the year-end, uncommitted reserves held by the MIJB have been used to address the budget overspend.

Following the application of remaining uncommitted reserves, the funding partners were asked to meet the remaining over spend proportionately with their share of the baseline payment.

**(c) Financial implications**

The unaudited financial outturn for 2021/22 for the MIJB core budgets is £2,512,662 overspend. The financial details are set out in sections 3-9 of this report and in **APPENDIX 1**.

The estimated recurring overspend of £3,288,574 as detailed in para 7 will impact on the 2022/23 budget.

The movements in the 2021/22 budget as detailed in paragraph 8 have been incorporated in the figures reported.

**(d) Risk Implications and Mitigations**

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

Due to the ongoing impact and recovery from the current pandemic, additional funding has been received and carried forward to help support the additional costs related to it. Considerations are being given to alternative measures that can be established to support the recurring overspends. There is a need for constant scrutiny around this rapidly changing situation and reporting to the Board will inform throughout 2022/23

**(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**.

**(j) Consultations**

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

**12. CONCLUSION**

**12.1 This report identifies MIJB's unaudited final out-turn position on the Core Budget of an overspend of £2,512,662 at 31 March 2022 and identifies major areas of variance between budget and actual for 2021/22.**

**12.2 The impact of the provisional outturn on the 2022/23 budget, of a recurring overspend of £3,288,574 is detailed in paragraph 7.**

**12.3 NHS Grampian and Moray Council have both carried forward reserves into 2022/23 which total £17,020,624.**

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

Background Papers: Papers held by respective Accountancy teams

Ref: