



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 30 MARCH 2023

SUBJECT: REVENUE BUDGET 2023/24 AND MEDIUM TERM FINANCIAL FRAMEWORK 2023/24 – 2027/28.

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

1.1. To agree the Moray Integration Joint Board's (MIJB) revenue budget for 2023/24 and consider the updated Medium Term Financial Framework 2023/24 to 2027/28.

2. RECOMMENDATION

2.1. It is recommended that the MIJB:

- i) note the funding allocations proposed by NHS Grampian and Moray Council, detailed at 4.6;**
- ii) note the anticipated budget pressures detailed in detailed in 4.10;**
- iii) approve the 2023/24 proposed savings plan at 4.14;**
- 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 in November 2021;**
- v) consider and approve the updated Medium Term Financial Framework as set out in 4.18 and APPENDIX 2 and agree that a full review be carried out and presented to the MIJB before 30 September 2023.**
- vi) formally approve the Revenue Budget for 2023/24 as detailed at APPENDIX 1 following consideration of the risks highlighted in 4.23; and**
- vii) approve Directions for issue as set out at APPENDIX 3 to NHS Grampian and Moray Council.**

3. BACKGROUND

- 3.1. On 15 December 2022 following the announcement of the Scottish Government's indicative budget for 2023-24 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 15 December, the Cabinet Secretary set out that 2023/24 was the most challenging budget circumstances since devolution, primarily due to over a decade of austerity eroding financial settlements from Westminster, compounded by the impact of Brexit and the mini-budget.
- 3.2. The letter outlined that NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over the 2022/23 agreed recurring budgets.
- 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 £100 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 £10.90 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 £15 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 2022/23 recurring budgets for social care services and therefore, Local Authority social care budgets for allocation to Integration Authorities should be £115 million greater than 2022/23 recurring budgets.

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 as 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 1 March 2023, a special meeting of Moray Council agreed its 2023/24 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 made reference 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 £100 million and £15 million relating to free nursing and personal care, which equates to £2.254 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 9 December 2021. It provides for a minimum baseline funding uplift of 2.0% to all Health Boards. The 2.0% uplift is based on an assessment of the Public Sector Pay Policy published by the Scottish Government. It should be noted that this policy does not apply in the NHS which is subject to Agenda for Change (AfC). Negotiations on the AfC pay deal has been agreed and Health Boards have revisited the funding in line with the outcome of the negotiations. The 2.0% uplift provides MIJB with an increased funding allocation on the recurring budget of £1.390 million. Formal agreement of the 2023/24 NHS Grampian financial plan will be sought at its Board on 6 April 2023.

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
£10.90 – uplift for Adult Social Care Staff *	Council (full year effect)	1,960	100.0
Free Personal & Nursing Care *	Council	294	15.0
Total via Council		2,254	115.0
Additional Health Care Support Workers	NHS Grampian (recurring)	740	30.0
Multi-Disciplinary working	NHS Grampian (recurring)	560	40.0
Total via Health Board		1,300	70.0

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

MIJB FUNDING 2023/24

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 2023/24)	84,135
NHS Grampian 2.0% uplift on Core services	1,390
NHS Grampian – Set Aside Services	13,466
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	58,101
Moray Council – Improvement Grants*	940
Moray Council – SG additional funding (share of £115M)	2,254
Moray Council – MHO funding	69
PARTNER MIJB FUNDING 2023/24	162,139

* Improvement Grants includes £0.440 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 2023/24 budget for Moray's share of all hosted services is £4.675 million as detailed below.

	£'000
Hosted by Aberdeen City IJB	
Intermediate Care	867
Sexual Health Services	443
Hosted by Aberdeenshire IJB	
Marie Curie Nursing	140
Heart Failure Service	55
Continence Service	122
Diabetes MCN including Retinal Screening	194
Chronic Oedema Service	46
HMP Grampian	472
Police Forensic Examiners	300
Hosted by Moray IJB	
GMED Out of Hours	1,924
Primary Care Contracts	113
TOTAL MORAY HOSTED SERVICES	4,675

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. The table below details the areas included as part of the large hospital services.

	£'000
General Medicine	6,785
Geriatric Medicine	1,058
Rehabilitation Medicine	86
Respiratory Medicine	217
Palliative Care	28
A & E Inpatient	60
A & E Outpatient	4,453
Learning Disabilities	46
Psychiatry of Old Age	97
General Psychiatry	636
TOTAL SET ASIDE BUDGET	13,466

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 £10.90 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 in addition to the requirement to transfer the share of the additional investment as determined by Scottish Government. There is also an expectation as we continue 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	1,657
Contractual Inflation & Scottish Living Wage	2,746
Prescribing & Community Pharmacy	1,924
Children in Transition	979
Learning Disability clients	440
Recurring Deficit	2,473
Hosted services	142
TOTAL BUDGET PRESSURES	10,361

- 4.11 In March 2023 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 23/24 includes funding to support retention and to begin to embed improved pay and conditions for care workers, requiring local government to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services. This will cost in the region of £1.96 million and is included within the budget pressures for the forthcoming year in the table above.
- 4.12 Budget pressure for the National Care Home Contract is not yet quantified as Scottish Government and COSLA are still in negotiations around the increase for 2023/24. Funding is expected to be provided by Scottish Government at this point in time and so neither expected cost or funding has been included within this budget.

SAVINGS PLAN

- 4.13 The budget setting for 2023/24 includes a savings plan totalling £4.141 million. It is fair to say that despite continuous meetings of the Chief Officer, Chief Financial Officer and the two Heads of Service, it has been extremely challenging to identify additional savings to support the 2023/24 budget setting process. The savings being presented today were agreed at the Senior Managers Team meeting and although it will be difficult to deliver these savings, it is anticipated they should be achievable, however the focus and commitment has to be around identifying further in-year savings and savings for future years that should 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.
- 4.14 The table below summarises the progress made by the Health and Social Care Moray management team in identifying opportunities for efficiency. Close monitoring of progress will be considered and will be reported on a quarterly basis during 2023/24.

	2023/24
	£ 000's
Projected Efficiencies	
External Commissioning	500
Vacancy target	1,400
Reduction in the prescribing costs	400
Reduction in overspending budgets	600
Reduction in management costs	300
Reduction in overtime and review of staff rotas	800
Staff transport	136
Postages	5
Total Projected Efficiencies	4,141

BUDGET OVERVIEW

- 4.15 The MIJB Revenue Budget for 2023/24 is £167.648 million which includes £13.466 million Set Aside. The detail is provided in **APPENDIX 1** and summarised below:

	£'000
BUDGET	
Recurring Budget	137,299
Inflationary and Demand Led Pressures	5,696
Recurring Deficit	2,473
SLW & FPNC	2,192
Additional investment	6,522
Set Aside	13,466
TOTAL BUDGET	167,648
FUNDED BY	
NHS Grampian Recurring (inc Set Aside)	97,601
Moray Council (inc Improvement Grants)	59,041
Scottish Government Additional Funding (£100m)	2,254
NHS Grampian 2% uplift	1,390
MDT additional funding	1,300
Scottish Government Additional Funding (including Ring-Fenced)	553
Savings identified	4,141
TOTAL FUNDING	166,280
BUDGET DEFICIT	(1,368)
Funded from slippage on ear marked reserves	1,368

- 4.16 Earmarked reserves carried forward into 2022/23 were £17.020 million, the larger reserves relating to Covid-19, PCIF and Moray Action 15 will be exhausted in 2022/23 due to the Scottish Government clawing back the outstanding balances on these reserves. As part of the quarter 3 revenue budget monitoring, (also on this agenda) leaves an estimated carried forward balance of £4.6 million on ear marked reserves to be carried forward into 2023/24.

FINANCIAL OUTLOOK

- 4.17 Health and Social Care in Scotland continues to experience increasing demands for services in times of challenging financial settlements. An additional factor that will impact on future year's budgets will be the effects of the National Care Service. The National Care Service (Scotland) Bill was introduced by the Scottish Government in June 2022 with the intention of reforming how social care, social work and community health services are delivered in Scotland, with target implementation date of 2026. As it becomes clearer on how the recommendations are to be taken forward, an assessment of the associated financial challenge will become part of future reporting.

MEDIUM TERM FINANCIAL FRAMEWORK

- 4.18 The current Medium Term Financial Framework covers the period 2022/23 – 2026/27 and is due for review. A commitment was made to ensure a revised framework would be before the MIJB on 31 March 2023.
- 4.19 The Audit Scotland annual audit report, presented to the Board on 25 November 2021 as part of the report for those charged with governance made a recommendation that the MIJB's medium-term financial plan should be reviewed due to the impact of Covid-19 and EU withdrawal alongside the suite of supporting documents that support the Strategic Plan. Today, a broad overview is being presented at **APPENDIX 2**, however, it will be imperative to carry out a further review to ensure alignment with the recently reviewed Strategic Plan and for the delegation of Childrens Services and Criminal Justice.
- 4.20 In October 2018, the Scottish Government published it's medium term financial framework for health and social care <https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2018/10/scottish-government-medium-term-health-social-care-financial-framework/documents/00541276-pdf/00541276-pdf/govscot%3Adocument/00541276.pdf?forceDownload=true>. This framework outlined the future shape of demand and expenditure for health and social care services and included cost and demand projections from work undertaken by the Institute of Fiscal Studies which outlines that UK expenditure on healthcare would require to increase by an average of 3.3% per annum over the next 15 years to maintain NHS levels at 2018 levels. The report also set out that spending on social care services would require to increase by 3.9% per annum to meet the needs of an increasingly elderly population and an increasing number of younger adults living with disabilities. The Scottish Government updated its medium term financial framework in May 2022, <https://www.gov.scot/binaries/content/documents/govscot/publications/corporate-report/2022/05/scotlands-fiscal-outlook-scottish-governments-medium->

term-financial-strategy-2/documents/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy/govscot%3Adocument/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy.pdf

- 4.21 The Medium Term Health and Social Care Financial Framework was updated in March 2022, due to the recognition that there have been significant developments since the original Framework was published in October 2018, most notably the ongoing impact and future implications of the Covid-19 pandemic.
- 4.22 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, it is therefore considered necessary to review the medium term financial framework on an annual basis. The updated Medium Term Financial Framework is included at **APPENDIX 2**.

FINANCIAL RISKS

- 4.23 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 2023/24 financial settlement is based on 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 provided by Moray Council or NHS Grampian to meet pay inflation. 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.

5. SUMMARY OF IMPLICATIONS

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan 2019 – 2029, ‘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 2023/24 revenue budget (excluding Set Aside) as detailed in **APPENDIX 1** is **£154.182 million**.

The funding allocated to the MIJB by Moray Council and NHS Grampian and through the Partner bodies from Scottish Government totals **£148.673 million** (excluding Set Aside). In addition, the savings plan for the forthcoming year totals **£4.141 million**

The notional Set Aside budget for Moray’s share of the Large Hospital Services is currently **£13.466 million**. The Set Aside budget is provided by NHS Grampian.

A balanced budget is presented displaying use of slippage in ear marked reserves of **£1.368 million**.

(d) **Risk Implications and Mitigation**

The revenue budget for 2023/24 is subject to the following risks:

- GP Prescribing – represents around 13% 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 2023/24 has not yet been agreed and whilst funding from Scottish Government is usually

made available for this uplift, there is no agreement in place to confirm that the increase will be fully funded at this point in time.

- 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.

(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 appropriately.

(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 4.15 above and in **APPENDIX 3**.

(j) Consultations

Consultations have taken place with the Senior Management Team and System Leadership Group of Health and Social Care Moray, the finance teams of both Moray Council and NHS Grampian, Tracey Sutherland, Committee Services Officer and the Legal Services Manager (Moray Council).

6. CONCLUSION

- 6.1. Legislation requires the MIJB to set its Revenue Budget for the forthcoming year by 31 March each year. The budget presented displays a balanced position. The Section 95 Officer as Chief Financial Officer to the Board recommends the budget as presented at Appendix 1**
- 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: