



## INTEGRATION JOINT BOARD

<b>Date of Meeting</b>	19 November 2024
<b>Report Title</b>	Quarter 2 (2024/25) Financial Monitoring Update – period ended 30 September 2024
<b>Report Number</b>	HSCP.24.104
<b>Lead Officer</b>	Alex Stephen, Interim Chief Finance Officer Fiona Mitchelhill, Chief Officer
<b>Report Author Details</b>	Name: Fraser Bell Job Title: Chief Operating Officer Email Address: frbell@aberdeencity.gov.uk
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Exempt</b>	No
<b>Appendices</b>	A. Recovery Plan B. Integrated Impact Assessment
<b>Terms of Reference</b>	1c - <i>“The IJB shall consider...any other matter that the Chief Officer determines appropriate to report to the IJB.”</i>



## **INTEGRATION JOINT BOARD**

### **1. Purpose of the Report**

- a) To summarise the revenue budget performance to 30 September 2024 for the services within the remit of the Integration Joint Board (IJB), to advise on any areas of risk and management mitigating action.

### **2. Recommendations**

#### **2.1. It is recommended that the Integration Joint Board:**

- a) Notes this report in relation to the IJB budget and the information on areas of risk and approve the Recovery Plan attached as Appendix A to this report to address the projected overspend position;
- b) Approves use of IJB uncommitted reserves, up to the value of £5.5m to account for the different 2024/25 financial scenarios, as described in the report, noting that if this were to happen than the IJB would have no uncommitted reserves to protect itself and two partners from financial crisis going forward; and
- c) Instructs the Chief Officer to meet with the NHS Grampian Director of Finance and Aberdeen City Council Chief Officer – Finance to seek to quantify and address the 2025/26 implications and budget setting process, including quantification of the financial risk that should be included in the NHS and Council budget modelling.

### **3. Strategic Plan Context**

- 3.1. Refreshing the IJB's Medium Term Financial Framework on an annual basis, together with regular reporting on financial performance to the IJB and the Audit, Risk and Performance Committee, are key priorities identified in the IJB's Strategic Plan. This helps to ensure that regular consideration is given to the affordability of the Strategic Plan.



## INTEGRATION JOINT BOARD

### 4. Summary of Key Information

#### Quarter 2 Financial Performance

- 4.1. During the budget setting process for the financial year 2024/25, a savings target of £9.609m was highlighted and agreed. These savings targets are broadly on target to be delivered. A savings target of £0.25m against digital transformation will not be realised. This is because the business case was submitted to the Integration Joint Board later than anticipated (business case approved for two projects by the IJB in September 2024) following negotiations with the provider.
- 4.2. Following an overspend in 2023/24 that was higher than anticipated, further savings were required beyond the £9.609m previously identified. The total savings planned for 2024/25 was £17.3m. New savings to meet this increased gap were identified. In total it is anticipated that savings of £15.2m, from £17.3m, will be achieved. This creates a £2.1m shortfall.
- 4.3. Furthermore, the IJB has experienced and is projecting significant in-year budget pressures totalling an estimated £8.6m. These are attributable to a variety of matters, some of which were highlighted as risks in the Q1 Monitoring report to the Risk, Audit and Performance Committee in September 2024. These include:
- a) The full year impact of inflationary pressures;
  - b) Reduction of in-year Scottish Government funding allocations to Aberdeen City IJB below assumed levels;
  - c) Implementation of health and care staffing legislation;
  - d) National Care Home Contract Rate (NCHCR) (Nursing Care) 2.5% increase above budget assumptions (NCHCR for residential care still to be determined);
  - e) National focus on reducing the rate of delayed discharges from hospitals without additional funding;



## INTEGRATION JOINT BOARD

- f) Significant and sustained demand for social care services where need is 'high' or 'urgent';
- g) Unplanned Out of Area Placement;
- h) Care packages for children transitioning to adults higher than anticipated;
- i) Loss of income from Aberdeenshire HSCP at Step Down Facility;
- j) Premises costs beyond budget; and
- k) Increased costs for equipment to meet increased demand for people living at home.

**4.4.** Accounting for the circumstances set out above, the financial position of the IJB as at 30 September 2024 projects a £10.7m overspend at the end of the financial year as follows:

	Full Year						
Period 6	Revised	Period	Period	Period	Variance		Full Year
	Budget	Budget	Actual	Variance	Percent	Forecast	Variance
	£'000	£'000	£'000	£'000	%	£'000	£'000
<b>Mainstream:</b>							
Community Health Services	44,227	22,307	23,929	1,622	7.3%	47,778	3,551
Aberdeen City share of Hosted Services (health)	30,034	15,046	14,727	(319)	(2.1)%	29,454	(580)
Learning Disabilities	39,230	19,618	24,638	5,020	25.6%	46,886	7,656
Mental Health and Addictions	25,937	12,984	14,612	1,628	12.5%	28,381	2,444
Older People & Physical and Sensory Disabilities	101,121	50,560	56,196	5,636	11.1%	105,954	4,833
Directorate	3,931	1,966	1,157	(809)	(41.1)%	2,390	(1,541)
Criminal Justice	235	118	(1,002)	(1,120)	(949.2)%	270	35
Housing	1,771	885	885	0	-	1,771	-
Primary Care Prescribing	51,148	25,402	23,625	(1,777)	(7.0)%	47,649	(3,499)
Primary Care	46,589	23,156	22,808	(348)	(1.5)%	45,615	(974)
Out of Area Treatments	2,750	1,374	1,418	44	3.2%	2,707	(43)
Set Aside Budget	55,550	27,775	27,775	0	-	55,550	-
City Vaccinations	2,573	1,291	1,260	(31)	(2.4)%	2,574	1
Transforming Health and Wellbeing	3,604	1,801	1,580	(221)	(12.3)%	3,142	(462)
Uplift Funding	697	314	0	(314)	(100.0)%	0	(697)
	<b>409,397</b>	<b>204,597</b>	<b>213,608</b>	<b>9,011</b>	<b>4.4%</b>	<b>420,121</b>	<b>10,724</b>
<b>Funds:</b>							
Integration and Change	678	307	168	(139)	(45.3)%	660	(18)
Winter Funding	0	0	0	0	-	0	-
Primary Care Improvement Fund	7,202	3,390	3,247	(143)	(4.2)%	7,156	(46)
Action 15 Mental Health	1,392	697	700	3	0.4%	1,385	(7)
Alcohol Drugs Partnership	2,000	1,001	771	(230)	(23.0)%	2,000	-
	<b>11,272</b>	<b>5,395</b>	<b>4,886</b>	<b>(509)</b>	<b>(9.4)%</b>	<b>11,201</b>	<b>(71)</b>
	<b>420,669</b>	<b>209,992</b>	<b>218,494</b>	<b>8,502</b>	<b>4.0%</b>	<b>431,322</b>	<b>10,653</b>



## INTEGRATION JOINT BOARD

### Recovery Plan

- 4.5.** The Aberdeen City IJB Integration Scheme states that the chief finance officers of the IJB, Aberdeen City Council and NHS Grampian must agree a recovery plan to balance any projected overspend in budget. In the event that the Recovery Plan is unsuccessful and an overspend is evident at the year-end, uncommitted reserves held by the IJB, in line with the reserves policy, would first be used to address any overspend. In the event that an overspend is evident following the application of reserves, the following arrangements would apply for addressing that overspend:
- a) the Council or NHS Grampian may make an additional one-off payment to the IJB; or
  - b) the Council and NHS Grampian may jointly make additional one-off payments to the IJB in order to meet the overspend. The split of one off payments between the parties in this circumstance would be based on each party's proportionate share of the baseline payment to the IJB, regardless of which arm of the operational budget the overspend has occurred in.
- 4.6.** Having due regard to the Integration Scheme, a Recovery Plan has been developed (Appendix A) with target savings. The target set is a total saving of £7.25m. As set out in Appendix A, these include the reduction of spend on health and social care services through reducing spend on new care packages and on recruitment of staff. Such measures could have a significant impact through:
- a) Increased unmet need in the city;
  - b) Increased waiting list for assessment of care needs;
  - c) Reduction of service provision across health and care services;
  - d) Increased rate of delayed discharges from hospital settings;
  - e) Increase in complaints and potential regulatory intervention; and
  - f) Impact on the delivery of the IJB Strategic Plan and associated Delivery Plan.



## INTEGRATION JOINT BOARD

- 4.7. If the measures identified in Appendix A are fully achieved it would still leave a projected overspend of approximately £3.45m. In accordance with the Integration Scheme available reserves would have to fund that remaining overspend. The IJB Balance Sheet as at 31 March 2024 shows total Usable Reserves of £9.8m, comprising the uncommitted Risk Fund of £2.5m and £7.3m of earmarked reserves. Of the £7.3m of earmarked reserves only the £4.3m in the Integration and Change reserve provides access to funding that is uncommitted, a sum of £3m remains following the decision of the IJB in September 2024 to invest £1.3m in Digital improvements.
- 4.8. In summary, the total value of Uncommitted Reserves as at 30 September 2024 is £5.5m.
- 4.9. Where the Recovery Plan succeeds it would require the following reserves to be used:
- Risk Fund (uncommitted) £2.50m
  - Integration & Change Reserves (uncommitted) £0.95m
  - **Total use of Reserves to balance budget £3.45m**
- 4.10. This leaves very limited reserves to fall back on in the event of further financial challenges. That said, the recovery plan is not without risk and it must be acknowledged that at this late stage in the year the range of savings that are planned are ambitious and the Senior Leadership Team, working with partners, will require to take appropriate steps to ensure these are implemented and maintained. The deliverability of the value of savings described is also ambitious and, amongst other things, will be affected by the operating environment that applies to the remainder of the year, particularly in relation to the turnover of staff and care packages and other external factors.
- 4.11. Where there is an adverse deviation from the Recovery Plan, and/or if further financial implications arise in 2024/25 then the IJB only has access to an additional £2.05m in uncommitted reserves (Integration & Change Reserve). This provides no room for inaction.
- 4.12. Officers do intend to review whether there is any additional flexibility around the digital improvements work that has been approved from the Innovation and Change Reserve. This will determine whether it is possible to provide



## INTEGRATION JOINT BOARD

year end options for maximising the value of reserves to help support this very challenging financial position the IJB faces. This will be confirmed as part of the Quarter 3 financial performance report.

### National Context

**4.13.** In the summer of 2024, the Accounts Commission published their 2024 [report](#) on IJBs' Finance and Performance. The report noted that overall funding to IJBs in 2022/23 decreased by 9% in real terms or by 1% in real terms once Covid-19 funding is excluded. The total reserves held by IJBs almost halved in 2022/23, largely due to the use and return of Covid-related reserves. The projected funding gap for 2023/24 almost tripled in comparison to the previous year with over a third anticipated to bridge the gap through non-recurring savings, such as reserves. An initial analysis of 2024/25 budget setting revealed that the projected gap for IJBs increased again to £456m. The report underlined the importance of IJBs having clear and frank conversations not only at the board level, but with partners, providers, and the wider public, about decisions that will be required to achieve future savings and the likely implication these decisions will have on the services individuals currently receive.

### **5. Budget Setting Process 2025/26**

**5.1.** Following the approval of the IJB Budget Protocol at the meeting of the IJB on 24 September 2024, the ACHSCP is currently consulting with the public on budget savings options. These include the potential for further significant reductions in service provision. Actions that are required in the Recovery Plan (Appendix A) may complement or replicate those in the budget consultation which means that further savings proposals may be required in order to address the budget gap for 2025/26. The anticipated financial gap will require to be kept under review having due regard to the projected outturn of 2024/25.

**5.2.** As described in 4.7 above, even where the Recovery Plan is successful there is now expected to be a substantial drawdown from Reserves. This has significant impact on budget setting for transformation in 2025/26 and the Chief Officer will engage with the NHS Grampian Director of Finance and



## INTEGRATION JOINT BOARD

Aberdeen City Council Chief Officer – Finance to seek to quantify and address the 2025/26 implications.

### 6. Virements

- 6.1. Further information on the virement process is contained within Appendix A of the IJB Financial Regulations.
- 6.2. There are no virements that require authorisation in the second quarter.

### 7. Implications for IJB

- 7.1. Every organisation must manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by budget holders and corporately by the Board and the Risk Audit & Performance Committee. This report is part of that framework and has been produced to provide an overview of the financial operating position as at 30 September 2024.
- 7.2. **Equalities, Fairer Scotland and Health Inequality** – an Integrated Impact assessment (IIA) has been completed having regard to the potential implications of further restrictions on recruitment (Appendix B). This impact assessment will be kept under review as the proposal is implemented. A test of proportionality and relevance has been completed for the proposal to scope a threshold for care at National Care Home Contract rate, an option being considered as part of the 25/26 budget setting process. This will be updated and/or progressed to a full IIA pending the outcomes of the ongoing budget consultations. All other actions within the recovery plan relate to existing policies and practice and therefore do not amount to service change requiring an IIA.
- 7.3. **Financial** – the financial implications are contained throughout the report, however it is currently forecast that the IJB will have insufficient funds in the annual budget to pay for the current level of services. The Recovery Plan aims to address a proportion of the overspending however using a large part, if not all, of the IJB uncommitted reserves to balance the budget is now





## INTEGRATION JOINT BOARD

expected during 2024/25. This will have a financial impact on budget setting for 2025/26. The Chief Officer will engage with the NHS Grampian Director of Finance and Aberdeen City Council Chief Officer – Finance to address this.

### 7.4. Workforce

A pause on recruitment and associated backfill, but for exceptional circumstances, will have an impact on staff and associated services. Due regard will be given to ensuring compliance with safe staffing legislation that came into effect earlier in 2024. Careful consideration will also be given to managing a reduction in staffing levels in the context of changes to the Agenda for Change. It is anticipated that there will be a need to reduce service levels to accompany a reduction in staffing levels.

### 7.5. Legal

The Aberdeen City Integration Scheme states that the Chief Finance Officer of the IJB shall prepare financial reports for the IJB and shall do so at least on a quarterly basis. This report is compliant with that requirement. The Chief Officer is expected to deliver the agreed outcomes within the total delegated resources of the IJB. The Chief Officer is also operationally responsible for the delivery and management of delegated services as described in the Scheme. Where there is a forecast overspend, it is expected that the Chief Officer, in conjunction with the Chief Finance Officer, will agree corrective action with the IJB. Failing which, the Chief Officer, the Chief finance Officer of the IJB, the Director of Finance of NHS Grampian and the Chief Officer – Finance of the Council must agree a recovery plan to balance the overspending budget.

The IJB remains responsible for the strategic planning of delegated services. The proposals in the Recovery Plan are likely to have an impact on the delivery of services and the arrangements set out in the IJB's Strategic Plan.

Section 149 of the Equality Act 2010 requires public authorities, in the exercise of their public functions, to have due regard to 1) eliminating unlawful discrimination (both direct and indirect), harassment and



## INTEGRATION JOINT BOARD

victimisation, 2) advancing equality of opportunity between different groups and 3) fostering good relations between different groups. The IJB also has a legal obligation to balance its budget. The Recovery Plan prepared by the Chief Officer, Chief Finance Officer, NHSG and the Council is considered to be a reasonably necessary and proportionate means of achieving that aim.

- 7.6. Unpaid Carers** – the in-year recovery plan may have an impact on unpaid carers. This is because there may be an increase in the time it takes for the an individual's need to be assessed and subsequently met due to, for example, a reduction in spend on care and pause on recruitment.
- 7.7. Information Governance** – there are no direct information governance implications arising from the recommendations of this report.
- 7.8. Environmental Impacts** – there are no direct environmental implications arising from the recommendations of this report.
- 7.9. Sustainability** – there are no other implications arising from this report.

## 8. Management of Risk

The IJB's Risk Appetite Statement identifies a low to medium appetite to financial risk. It sets out that the Board must make maximum use of resources available and acknowledge challenges regarding financial certainty. The Board identifies that it has no or low risk in relation to breaches of regulatory and statutory compliance. The Recovery Plan set out in Appendix A seeks to balance the IJB's risk appetite regarding financial and regulatory risks.

### 8.1. Identified risks

In year pressures impacting the IJB's 24/25 budget are outlined in the report above. There is a risk that these issues could be further exacerbated through, e.g., a higher than budgeted for settlement on the National Care Home Contract Rate for residential care and/or lack of full funding to address the Council staff pay deal.



## **INTEGRATION JOINT BOARD**

There is also a link to Strategic Risk 2 in the IJB's Strategic Risk Register: *a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.*

The Recovery Plan attached as Appendix A seeks to mitigate the impact of the in-year pressures and the materialisation of any further risks that are realised.



## INTEGRATION JOINT BOARD

### APPENDIX A



## INTEGRATION JOINT BOARD

Plan	Target Saving
<p>Reduce Costs of Social Care:</p> <ul style="list-style-type: none"> <li>• Focus capacity on reviewing existing care packages to ensure eligibility criteria is applied at high and urgent levels and reducing care packages as much as is safe to do so with a Technology Enabled Care (TEC) first approach being taken.</li> <li>• Explore option to accelerate option to implement a threshold for care at National Care Home Contract rate. Currently in consultation for 25-26.</li> <li>• Explore additional investment into Care at Home contract to maximise Service User choice and ability to access an option 3. This may mitigate self-directed support option 1, 2 &amp; 4 costs, where people historically couldn't access an option 3. Further information on self-directed support is available <a href="#">here</a>.</li> </ul>	£3.00m
Pause Recruitment (and associated backfill (overtime/agency/bank) but for Exceptional Circumstances).	£2.75m
Renew focus on continuing increase in social care income (800 cases).	£0.75m
<p>Further Reductions to Staff Costs</p> <ul style="list-style-type: none"> <li>• Use of overtime in exceptional circumstances to be pre-authorised.</li> <li>• Review all fixed term contracts.</li> <li>• Explore option to allow staff to apply for reduction of working hours.</li> <li>• Allow ACC staff to purchase extra week of annual leave (not available for NHSG staff).</li> <li>• Promote VSER for ACC employees within ACHSCP (not available for NHSG staff).</li> </ul>	£0.25m
Stop all non-essential spend of stock.	£0.25m
Stop all non-essential spend on equipment (use up equipment already in stock/increase recycling).	£0.25m
<b>Potential Additional In-Year Savings</b>	<b>£7.25m</b>
Use of Reserves as set out in paragraph 4.9.	£3.45m
<b>Total value of Recovery Plan</b>	<b>£10.7m</b>