



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 24 SEPTEMBER 2020

SUBJECT: REVENUE BUDGET MONITORING QUARTER 1 FOR 2020/21

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 30 June 2020 for the MIJB budget.

2. RECOMMENDATIONS

2.1 It is recommended that the MIJB:

- i) Note the financial position of the Board as at 30 June 2020 is showing an overspend of £149,205.
- ii) Note the progress against the recovery and transformation plan, and the enhancements required to address the emerging pressures as a result of Covid-19, and;
- iii) Approve for issue, the Direction arising from the updated budget position shown in Appendix 3.

3. BACKGROUND

- 3.1 The financial position for the MIJB services at 30 June 2020 is shown at **APPENDIX 1**. The figures reflect the position in that the MIJB core services are currently over spent by £141,120. This is summarised in the table below.

| | Annual Budget £ | Budget to date £ | Expenditure to date £ | Variance to date £ |
|------------------------|--------------------|------------------------|-----------------------------|-----------------------|
| MIJB Core Service | 121,960,887 | 31,069,813 | 31,210,933 | (141,120) |
| MIJB Strategic Funds | 3,305,397 | 226,922 | 235,007 | (8,085) |
| Set Aside Budget | 12,252,000 | - | - | - |
| Total MIJB Expenditure | 137,518,284 | 31,296,735 | 31,445,940 | (149,205) |

- 3.2 A list of services that are included in each budget heading are shown in **APPENDIX 2** for information.

4. KEY MATTERS/SIGNIFICANT VARIANCES FOR 2020/21

4.1 Community Hospitals & Services

4.1.1 There are continuing overspends within community hospitals and services for the four localities: Elgin, Buckie, Forres and Keith/Speyside totalling £45,437 to 30 June.

4.1.2 Overspends continue to be realised for the services. The main overspend relates to community hospitals in Buckie £57,620 and Keith £36,264. The overspend in Buckie and Keith are mainly longstanding and relate to staffing. Managers continue to seek to actively manage this. This is offset in part by underspends in Aberlour £10,369, Dufftown £19,038 administrative £8,665 and other services £10,375.

4.2 Community Nursing

4.2.1 Community nursing service is underspend by £68,116. This is primarily due to underspend across the Community Health Visiting service related to vacancies within the service.

4.3 Learning Disabilities

4.3.1 The Learning Disability service is overspent by £111,775. The overspend is primarily due to overspends on the purchase of care for people with complex needs of £210,000 which includes young people transitioning from children's services and people being supported to leave hospital and less client income received as expected of £5,000. This is being offset by underspends on day care of £60,000 due to the restrictions in place from the Covid-19 pandemic; staffing of £40,042 mainly relating to physiotherapy, occupational therapy, speech and language and psychology services and other minor underspends totalling £3,183.

4.3.2 The whole system transformational change programme in learning disabilities can help assure that every opportunity for progressing people's potential for independence is taken, and every support plan is scrutinised prior to authorisation. The system can then have confidence that the money spent is required and appropriate to meet a person's outcomes, but it is not possible to remove the need for ongoing support. Whilst every element of expenditure is scrutinised prior to authorisation at service manager level, it has not been possible to reduce expenditure in line with the budget, as the nature of learning disabilities means that people will require on-going, lifelong support. The current level of scrutiny will remain in place, with only critical or substantial needs being met.

4.4 Care Services Provided In-House

- 4.4.1 This budget is underspent by £281,248. This primarily relates to staffing costs totalling £241,352 (this includes underspends in Care at Home service £175,502; Community Support workers £74,618; Barlink £16,032 and Woodview £3,785 which is reduced by a minor overspend in Waulkmill of £24,237 and other minor overspends of £4,348). There are associated underspends in staff transport of £21,588 and client transport of £52,274, which is being further reduced due to less income received than expected £31,015 and other minor variances totalling £2,951.
- 4.4.2 In-House provided care is being closely monitored in relation to the ongoing changes within the service to ensure budget can be aligned accordingly.

4.5 Older People and Physical Sensory Disability (Assessment & Care)

- 4.5.1 This budget is overspent by £296,746. This includes an overspend for domiciliary care in the area teams £370,000 and permanent care £105,877. This is being reduced by underspends in day care £100,000, transport £25,000, respite £44,000 and other minor variances of £10,131. 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.
- 4.5.2 Monitoring the level of spend within domiciliary care with external providers will continue in the context of the wider budget and shifting patterns of expenditure and the progress being made in relation to increased investment into new housing models.

4.6 Care Services Provided by External Contractors

- 4.6.1 This budget is overspent by £61,176. This primarily relates to prior year savings not yet achieved of £47,635, due to the Board approving an extension for exiting grant funded services, increase in OLM licences and care cubed £19,930 which is being reduced by other minor underspends totalling £6,389.

4.7 Other Community Services

- 4.7.1 This budget is underspent by £111,085. This relates to underspends in Allied Health Professionals (AHP's) £46,344 (which includes Speech and Language Therapy where ongoing difficulties are being experienced in recruitment), Dental services £26,104 where underspends exist in Community Dental services arising from staffing, Public Health £13,744 where timing of expenditure within services varies during the year and Specialist Nursing services £33,492 (where there is an ongoing vacancy in the Oaks service). These underspends are offset in part by an overspend in Pharmacy £8,599 which is related to staff costs that are expected to continue.

4.8 Primary Care Prescribing

- 4.8.1 The primary care prescribing budget is reporting a break even position to June 2020. This position is based only on one month's actuals for April and includes the continuing impact on price and volume from the impact of Covid-19. This is a high risk area.
- 4.8.2 The March position included an adjustment for the national estimate of +20% for volumes in March with no price adjustment as a result of increased prescribing in the month relating to the Covid 19 impact. The additional estimated expenditure arising from this was offset by additional allocation received from Scottish Government which was then recovered in M1 of 20/21 as the impact was assumed to be due to timing of prescriptions as a result of reaction to the pandemic. The actual volume increase in items for March was +15.52% but the actual monthly reduction in April volume was -6.87% now augmented with a -10.38% reduction in May volumes. Coupled with these major volume variations there was a spike in price for March to £11.64/item. Prior to this, the February 2020 price was £11.06/item and largely consistent prior to this. The price then reduced to £11.33/item in April, falling further in May to £11.09 but this has not offset the price increase in March. It is anticipated that a material impact on the tariff reductions will be seen from April.
- 4.8.3 The material disruptive impact to the prescribing pattern both in relation to price and volume arising from Covid is not yet fully quantifiable over the medium to longer term in 2020/21 and no revised nationally estimated adjustment is yet available for this. Work is ongoing locally at Grampian Primary Care Prescribing Group to investigate this and nationally, the prescribing advisors network are working with Primary Care (Family Health Services executives) to analyse the situation to determine expected future volume and price movements to enable forecasts to be revised.
- 4.8.4 There are many factors contributing to the pressure on this budget. Contingency planning and changes to prescribed medication being one of them. For example Warfarin was changed to Non-Vitamin K antagonist oral anticoagulants (NOAC), to avoid regular visits to surgery. The financial consequence of this is increased costs averaging an additional £20k per month. It is unlikely at this stage that this will revert to previous prescribing practice. There are other examples of drug switches that were made to prevent physical attendance, but resulted in additional costs.
- 4.8.5 In general, medicines management practice has not been fully operational. Examples would be the stepping down of the Moray Medicines Group where representatives from general practice, pharmacy and the wider prescribing community would have ordinarily met to discuss efficient prescribing. Technician presence in care homes has also not been possible due to Covid related restrictions.
- 4.8.6 In summary, the pandemic conditions are placing considerable pressure on prescribing in Moray. There has been staff pressures within both community pharmacy and practices, set against an increase in workload. Patient behaviours are also a major factor in relation to stock-piling. In contrast, the pharmacotherapy workforce has recently been increased to ensure input within a supported structure to allow the Pharmacotherapy team to facilitate

and implement possible recovery solutions. Following Pharmacotherapy cluster formations and induction training, staff have been tasked with priorities. The team need to refine processes and review service delivery. With variable prescription processing ability, staff have also devised a short program to improve the confidence of practice admin teams regarding requests. The prescribing position is a major risk area and remains under close review.

4.9 Hosted Services

- 4.9.1 Hosted services is overspent by £52,656, primarily due to the GMED out of hours service £85,413 which is offset by cumulative underspends £32,757 in other hosted services.

5. STRATEGIC FUNDS

- 5.1 Strategic Funds is additional Scottish Government funding for the MIJB, they include:
- Integrated Care Fund (ICF);
 - Delayed Discharge (DD) Funds;
 - Additional funding received via NHS Grampian (this may not be fully utilised in the year resulting in a contribution to overall IJB 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 and Action 15 in 2020/21, identified budget pressures, new burdens and savings that were expected at the start of the year.
- 5.2 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. The 2019/20 outturn position resulted in the MIJB having a deficit of £2,072,880 and a financial recovery and transformation plan was put in place.

6. PROGRESS AGAINST THE RECOVERY & TRANSFORMATION PLAN

- 6.1 The Revenue Budget 2020/21 was presented to the MIJB 26 March 2020 (para 11 of the minute refers). The paper presented a balanced budget through the identification of efficiencies through Recovery and Transformation.
- 6.2 The progress against the Recovery and Transformation Plan is reported in the table below and will continue to be reported to the Board during the 2020/21 financial year. The table details progress during the first quarter against the original recovery plan.

| Efficiencies | Para Ref | Full Year Target | Expected progress at 30 June 2020 | Actual Progress against target at 30 June 2020 |
|---|----------|------------------|-----------------------------------|--|
| | | £'000 | £'000 | £'000 |
| Accountancy driven | | 223 | 56 | 72 |
| External Commissioning | 6.3 | 249 | 62 | 9 |
| Increased income from charging | 6.4 | 261 | 65 | 21 |
| In-house provided care | 6.5 | 157 | 39 | 25 |
| Transformational change | 6.5 | 341 | 85 | 129 |
| Prescribing – medicines management | 6.6 | 206 | 52 | 0 |
| Prescribing – National reduction in drug tariff | 6.6 | 500 | 125 | 0 |
| Other | | 7 | 2 | 0 |
| Total Projected Efficiencies | | 1,944 | 486 | 256 |

- 6.3 Commissioning activity was stood down in March 2020 and staff were redeployed to support the Covid-19 response. In recent weeks, commissioning staff have been re-established. Progress is slow but opportunities to refocus activity are being developed with a view to achieving in year.
- 6.4 Savings from increases in charging are being met in part currently where these formed part of the charging policy that was approved by Moray Council at its meeting of the Policy and Resources Committee on 14 January 2020 (para 9 of the minute refers). Some other elements to this area of recovery are subject to policy change which require approval from Moray Council. Covid – 19 has created a delay due to reduced, scheduled meetings which will mean these savings are not delivered in full in the current financial year.
- 6.5 Redesign and transformation of specific internal services formed part of the recovery and transformation plan. The response to the pandemic has taken precedence over review and redesign, however, opportunities for alternative ways of delivering services are being realised due to the current situation.
- 6.6 Prescribing was set to deliver significant savings during 2020/21 in the main as a result of a national reduction in the drug tariff. The Covid-19 pandemic has placed significant pressure on this budget creating uncertainty around this element of efficiency. Paragraph 4.8.1 describes in more detail the current risks. In addition, timing of results for prescribing means that figures are not available until two months after the event. A prudent approach is to assume these savings will not be met in year.

7 EMERGENT RECOVERY & TRANSFORMATION PLAN

- 7.1 The Covid–19 pandemic has created the need to reconsider the Recovery and Transformation plan for the 2020/21 financial year. Early Senior

Management Team (SMT) discussions and wider consultation has highlighted a high risk of significant shortfall in delivery. This has previously been reported to the Chief Executives of the Partner organisations and also to Scottish Government through the regular reporting on mobilisation plans. SMT are approaching this shortfall with a continuous focus considering alternative savings both in the short-term to support the current financial year and in the longer term as part of redesign through recovery and transformation.

- 7.2 Key to recovery is Operation Home First which is being driven across the 3 Grampian health and social care partnerships together with acute services. The Moray approach is being co-ordinated through a defined governance framework which is supported by management, clinicians and practitioners. The pandemic response has enabled developing plans to support Strategic Plan delivery to be accelerated, primarily through reducing delayed discharges and increasing the use of technology. The Home First approach is key to redesign and the opportunities to support this financially
- 7.3 Ordinarily, results for the first quarter of any financial year are approached with caution, with 2020/21 being no different and Covid-19 is placing additional uncertainty on the budget at this early stage in the year. In considering an updated Recovery and Transformation Plan, a look ahead to the financial results at the end of Month 4 has been made to inform measured assumptions. The table below outlines how the anticipated budget shortfall that will be addressed in year.

| | £000's | £000's |
|---|--------|--------------|
| Forecast Overspend based on Q1 | (607) | |
| Additional Month 4 Burden | (286) | |
| Total Forecast Overspend | | (893) |
| | | |
| Reconfiguration of Services | 81 | |
| Contract Prioritisation | 298 | |
| Home First – reduced call on Inpatient Beds | 124 | |
| Slippage on Strategic Funds | 390 | |
| Revised Efficiencies | | 893 |

- 7.4 At this stage, information and forecasts contained within this report assumes the direct costs of Covid-19 will be provided for in full by Scottish Government. There is no assumption that underachievement of savings will be funded.

8. **IMPACT OF COVID – 19**

- 8.1 To date there has been commitment from Scottish Government to provide additional funding to support Social Care as a result of the pandemic up to £100m. At the time of writing, £50m has been released and the Moray share of this is £0.860m which has been passed through to MIJB via NHS Grampian. Correspondence from Scottish Government on the release of the funding to date, outlines the requirement to support social care providers. The latest information is that financial support for social care providers will continue to the end of September, however, there will be a tapering of this support and a review of the established principles will follow.

- 8.2 In relation to certainty over funding, there has been no official announcement in respect of the total funding that will be made available to health and social care partnerships across Scotland to cover the additional costs being incurred as a result of Covid-19. Regular submissions are being made by Health and Social Care Moray (HSCM) as requested by Scottish Government on cash flow and projected costs resulting from the pandemic. The latest local mobilisation plan information was submitted to Scottish Government on 14 August 2020 as part of the wider health board submission. The HSCM plan estimates that costs, including those of the Covid-19 hub in Elgin and the sustainability payments to providers to be £5.5m. Plans to address the underachievement of savings are outlined in paragraph 7.3.
- 8.3 Currently, it is difficult to say what the full impact of Covid-19 will be on the MIJB budget. This budget monitoring report for the first quarter of 2020/21 has written forward the income and expenditure, resulting in no adverse financial impact as at 30 June 2020. The expectation is that, ahead of the quarter 2 report, a clearer picture will be evident and will reflect the impact. The one element where it is considered necessary to report is on the indirect costs of Covid-19 in relation to its impact on the MIJB savings plan. This is reported above in paragraph 6.2 and 7.3.

9. CHANGES TO STAFFING ARRANGEMENTS

- 9.1 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.
- 9.2 There are no staffing arrangements as dealt with under delegated powers for the period 1 Apr to 30 June 2020.

10. UPDATED BUDGET POSITION

- 10.1 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.
- 10.2 In addition, the MIJB, concluded the financial year 2019/20 in an overspend position following the application of reserves. In line with the Integration Scheme, the funding Partners were called upon to meet this overspend in an agreed proportion. Communication has remained paramount throughout the year so the effects of the MIJB overspend could be built into the financial planning of NHS Grampian and Moray Council. These additional contributions are also show in the table below:

10.3

| | £'s |
|--|--------------------|
| Approved Funding 26.3.20 | 123,818,000 |
| Set Aside Funding 26.3.20 | 11,765,000 |
| Amended directions from NHSG 3.6.20 | 412,064 |
| Balance of IJB reserves c/fwd. to 19/20 | 186,692 |
| Amendment to Set Aside funding | 487,000 |
| | |
| Budget adjustments M01-M03 | |
| 1 st Tranche Covid allocation | 860,000 |
| Uplift (medical pay & other) | 21,000 |
| Primary Care Directed Enhanced Services | 259,927 |
| Public Health Earmarked Funds | 67,317 |
| Hosted Amendments | 66,800 |
| Energy Uplift | 21,077 |
| Immunisation | 108,175 |
| Other Adjustments Net | (58,468) |
| Scottish Living Wage | 100,186 |
| Improvement Grants HRA | (400) |
| Winter Pressure Funding | (295,000) |
| Prescribing | (301,086) |
| | |
| Revised Funding to Quarter 2 | 137,518,284 |

- 10.4 In accordance with the updated budget position, revised Directions have been included at **APPENDIX 3 and 4** for approval by the Board to be issued to NHS Grampian and Moray Council.

11. **SUMMARY OF IMPLICATIONS**

(a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan 2019 – 2029, 'Moray Partners in Care'**

This report is consistent with the objectives of the Strategic Plan and includes budget information for services included in the MIJB Revenue Budget 2020/21.

(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 30 June 2020, an overspend is reported to the Board of £149,205.

The staffing changes detailed in paragraph 8 have already been incorporated in the figures reported.

The movement in the 2020/21 budget as detailed in paragraph 9 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. In particular, in relation to the Prescribing budget. A separate report to this Board is being made on the pressures facing Prescribing.

The year-end overspend position for 2019/20 continues to give cause for concern going forward. The general reserves were depleted in 2018/19. Additional savings continue to be sought and a recovery and transformation plan is in place in order to support the 2020/21 budget and beyond, which will be 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 impact of Covid related expenditure is still a potential risk, although the Scottish Government have made funding available, there is still a risk that the spend, currently estimated at £5.5m will exceed the additional funding being made available. The impact is being closely monitored.

Prescribing is currently breakeven due to no information being available to analyse the situation to determine expected future volume and price movements to enable forecasts to be revised. Prescribing was overspent by £0.668m at the end of 2019/20.

(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) 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.

12. CONCLUSION

- 12.1 The MIJB Budget to 30 June 2020 has an over spend of £141,120 on core services. Senior Managers will continue to monitor the financial position closely and continue to report on the Recovery and Transformation Plan.**
- 12.2 The financial position to 30 June 2020 reflects the updated budget position and revised Directions have been prepared accordingly, as detailed in APPENDIX 3.**

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

Background Papers: Papers held by respective Accountancy teams

Ref: