



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 25 JUNE 2020

SUBJECT: REVENUE BUDGET OUTTURN FOR 2019/20

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

1.1 To inform the Moray Integration Joint Board (MIJB) of the financial outturn for 2019/20 for the core budgets and the impact this outturn will have on the 2020/21 budget.

2. RECOMMENDATIONS

2.1 It is recommended that the MIJB:

- i) consider and note the unaudited revenue outturn position for the financial year 2019/20,**
- ii) consider and note the impact of the 2019/20 outturn on the 2020/21 revenue budget, and**
- iii) approve for issue, the Directions shown in appendices 4 and 5 to NHS Grampian and Moray Council respectively.**

3. BACKGROUND

3.1 The overall position for the MIJB is that core services were overspent by £3,036,050 as at 31 March 2020. The MIJB's unaudited financial position for the financial year ending 31 March 2020 is shown at **APPENDIX 1**. This is summarised in the table below.

	Annual Budget £	Actual Expenditure £	Variance to date £
MIJB Core Service	120,546,239	123,582,289	(3,036,050)
MIJB Strategic Funds	2,017,860	1,054,689	963,171
Set Aside Budget	12,252,000	12,252,000	0
Total MIJB Expenditure	134,816,099	136,888,978	(2,072,879)

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

4. KEY MATTERS/SIGNIFICANT VARIANCES FOR 2019/20

Community Hospitals & Services

- 4.1 The Community Hospitals and services budget is overspent by £373,798 to the year-end. This includes a minor £9,323 overspend on medical costs and community administration alongside £364,475 overspend for Community Hospitals. The main overspend relates to community hospitals in Buckie £214,434, Aberlour £93,635, Keith £92,218 and £702 in Forres, offset by underspend in Dufftown £36,514. Community hospitals generally continue to be challenged with staffing to the required level to run safely the bed complement. In Speyside, this includes the community hospitals in Dufftown and Aberlour where attempts to stabilise the trained staff complement have been a constant issue and the staff have been working across sites as a means of ensuring some resilience. Long term sickness has also been a factor.
- 4.2 The outturn for Community Hospitals and services budget is overspent by £37,368 less than previously forecast. This was primarily due to a reduction in the level of overspend for community administration and medical costs.

Learning Disabilities

- 4.3 The Learning Disability (LD) service is overspent by £418,675 to the year-end. The overspend is primarily due to overspend on day care £456,000 the purchase of care for people with complex needs of £276,000, which includes young people transitioning from children's services, people being supported to leave hospital and for additional adaptation to a property of £12,000 to enable the service user to remain in their own home. The increasing use of day service provision is to ensure that all service users with a level of need have structured day time activity. 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. Such behaviour has a big impact on carers, both family and the LD team experience indicates that the management of such behaviour is almost inevitably more expensive than a proactive approach. The provision of structure and routine through the delivery of day services is a proactive way of managing this. This is being offset by underspend on staffing of £130,905 that have existed throughout this financial year, mainly relating to physiotherapy, nursing and psychology services. As well as an underspend of £113,000 on residential and nursing care and non-recurring deferred income received of £82,000.

- 4.4 The outturn for the LD service is overspent by £31,998 less than previously forecast. This is only a slight difference as this service is difficult to forecast as it relies upon meeting client needs. This is primarily due to, as noted above, the cost of supporting people with complex needs. The later life transitions of people moving from the care of their families into living more independently need to be met from existing resources, and it is often at this point that the overall cost of their support increases significantly. The whole system transformational change programme in learning disabilities can help ensure that every opportunity for progressing people's potential for independence is taken, and every support plan is scrutinised prior to authorisation. The Board can then be confident that expenditure is 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.

Mental Health

- 4.5 Mental Health services are overspent by £196,341 at the year end. This includes an underspend of £27,127 on assessment and care offset by overspends in clinical, nursing and other services of £223,468. This overspend includes Mental Health Act activity (£7,472) senior medical staff costs including the impact of locum usage (£159,843), Allied Health Professionals (£23,189), other staff (£14,681), cumulative other variances (£4,577), supplies and equipment (£84,868) including an efficiency target yet to be achieved of £75,000. These are offset in part by more income being received than expected (£28,880) relating to NHS Education for Scotland and by an underspend in nursing (£42,282).
- 4.6 The outturn for Mental Health is £90,304 more than the previously forecast. This was due in part to a high cost care package commencing at the end of the financial year and partly due to budget alignment in the year.

Care Services Provided In-House

- 4.7 This budget is underspent by £445,366 at the end of the year. There are numerous variances within this budget heading, the most significant are primarily due to the Care at Home services for all client groups which are underspent by £547,979. Supported Living services which include Waulkmill and Woodview are underspent by £105,566. This is being reduced by overspends in Day Services for all client groups of £185,531 which is primarily due to client transport and an over spend of £20,235 for the Barlink service and other minor overspends totalling £2,413.
- 4.8 The outturn for this budget is £89,579 less than previously forecast. This is primarily due to day services and is likely to continue due to a previous saving which has not yet been achieved. The staffing underspend in Care at Home and community support workers is not expected to continue at the current level in 2020/21 as we continue through the pandemic and recovery with a clear focus on the Home First approach.

Older People and Physical Sensory Disability (Assessment & Care)

- 4.9 This budget is overspent by £1,846,895 at the end of the year. The year-end position includes an over spend for domiciliary care in the area teams, which includes the Hanover complexes for the new sheltered housing at Forres and Elgin (£1,390,000), less income received than budgeted (£244,000), respite (£234,000), day care services (£186,000), client transport (£82,000) and other minor variances totalling £14,844. This is reduced by an underspend in permanent care (£303,949). 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 and for the new models of care being embedded with Hanover. This is also representative of the true cost of care and the growth in demand.
- 4.10 The outturn for this budget is £188,895 more than the previous forecast. This was primarily due to the cost of care within the community, including the new models of care provided by Hanover. Monitoring the level of spend within domiciliary care with external providers will continue and this should be in context with the underspend in internal services.

Intermediate Care & Occupational Therapy (OT)

- 4.11 This budget is overspent by £180,873 at the end of the year, this primarily relates to overspends on aids & adaptations (£183,327), and telecare equipment (£22,815) to facilitate people remaining in their own home. Other overspends relate to the landlord costs attributable to Jubilee cottages (£14,821) and The Bungalow (£15,340), which is being reduced by underspends in the Hospital Discharge Team and Varis/Loxa Court £55,430.
- 4.12 The outturn for this budget is £103,485 less than previously forecast. The improved position is due to a reduction in stock at the end of the year of £65,673 and a bigger underspend than expected for Varis/Loxa Court of £54,696. Which is reduced by an increase in purchase of aids, equipment servicing, community alarms and telecare £16,884.

Other Community Services

- 4.13 The other Community services budget is underspent by £147,668 to the year-end. This is due to underspends in community dental services of £122,292 mainly related to staffing, Allied Health Professionals £46,713 including an underspend in Podiatry and Speech and Language Therapy which is being partially offset by an overspend in Occupational Therapy. Specialist nurses are underspent by £28,570 including underspends at The Oaks and Continence Services. In addition, Public Health is underspent by £31,098. These underspends are offset by an overspend in Pharmacy services of £81,005 including both salaries and equipment costs.
- 4.14 The outturn for other Community services budget is overspent by £61,335 more than previously forecast. This was primarily due to a reduction in the underspend associated with Allied Health Professionals.

Administration & Management

- 4.15 There is an overall underspend of £362,171 at the end of the year. This primarily relates to the vacancy target being overachieved by £309,517 and the business support unit administration service (£108,757) mainly related to Step Down beds where the contract with service provider was put on hold. An overspend exists in the Admin & Management service (£56,104) mainly relating to the impact of Sure Start as services have continued to be delivered where funding has been withdrawn and this offset in part by an underspend in management salaries.
- 4.16 The outturn for this budget is £11,293 worse than previously forecast. This was primarily due to the vacancy target outturn in comparison to an earlier forecast.

Primary Care Prescribing

- 4.17 The primary care prescribing budget is reporting an actual over spend of £668,007 for the twelve months to March 2020. The budget to March includes now includes uplift of £556,000 identified from within Moray IJB 19/20 funding resources and now allocated to prescribing. This addresses in part the recommendation made to Grampian Medicines Management group on 10 January 2018 and to MIJB on 29 March 2018, in which an uplift to budget was recommended (£1,200,000). This was not implemented due to availability of funding at that time. This out turn includes a volume increase of 2.1% which reflects the national prescribing pattern after a period of two years where volume increase has been negligible. On top of this overall 2.1% increase a further adjustment has been made to include the Impact of Covid 19 in March where volume increase in Month was estimated at 20%. Additional funding allocation was received from the Scottish Government to offset this impact in March although this is planned to be recovered in 20/21 as offsetting decrease in volume is expected in April. Other national factors include, variance in prices arising from shortage in supply and the timing and impact of generic medicines introduction following national negotiations also impact on the position. Locally, 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 perspective.
- 4.18 The outturn is £689,993 better than previous forecast for this budget was an overspend of £1,358,000 but this is mainly attributable to the funding allocation £556,000 made. The continuation of effective local medicines management practices has limited the negative impact of external factors on this budget.

Primary Care Services

- 4.19 Primary Care services are underspent by £201,826 overall. The main cost pressures still to establish Enhanced Services. Enhanced Services contracts are used by Scottish Government as a key mechanism to enable a shift in the balance of care from the specialist sector through targeted activity and improved local access across a range of intermediate treatment and diagnostic services. The overspend in Enhanced Services is offset by under spend in Board Administered funds (BAF) which includes the impact of reduced Seniority payments, professional payments and other entitlements due and in Premises expenditure.
- 4.20 The outturn for this budget was consistent with previous forecast.

Hosted Services

- 4.21 For Moray recharges hosted services, the position overall is an over spend of £380,594. There are a range of services within the overall recharge which includes overspends on Intermediate Care, HMP Grampian, Police forensic and GMED, which is reduced by underspends in Diabetes & Retinal screening, Sexual Health and Heart Failure services. Within the total the main overspend relates to GMED service (£305,381). Work continues across Grampian to ensure performance is monitored and reported to assist improved management of hosted services.

Out of Area Placements

- 4.22 This budget was overspent by £137,670 at the year end, this is due to the number of specific individual placements required and activity not being uniform throughout the year as service relates to individual need.

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 from NHS Grampian during the year which may not been fully utilised during 2019/20, 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 £963,171 which has reduced the overall overspend to £2,072,879.

- 5.3 During the 2018/19 financial year, Scottish Government allocated funding in respect of the Primary Care Improvement Fund, to be used by integration authorities to commission primary care services and support the Government's Mental Health Strategy. The Scottish Government made a commitment to ensuring full sums would be invested and spent on the priorities identified in support of this and to assist planning, a guarantee was made that any in-year slippage would be made available in full in subsequent years; and that any allocations made during the year should be considered as earmarked recurring funding and used for these specific purposes in future years. The result of which has meant the MIJB is required to retain a general reserve for the purposes of earmarking these funds. At the end of the 2018/19 financial year this was at a level of £256,863. The overall impact on the MIJB reserves shows a reduction of £70,171, that being £256,863 at 1 April 2019 to £186,692 as at 31 March 2020.
- 5.4 After consideration of earmarked reserves and application of slippage on Strategic Funds, the MIJB financial position resulted in an overspend of £2,072,879 which, in accordance with the Integration Scheme has to be met by additional funding from NHS Grampian and Moray Council proportionate to the original investment, regardless of which arm of the budget the overspend occurred. This has been agreed with the Deputy Director of Finance, NHS Grampian and Chief Financial Officer, Moray Council as 63%: 37% respectively which translates to £1,305,914 NHS Grampian and £766,965 Moray Council.

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 2020.

7. IMPACT ON 2020/21 BUDGET

- 7.1 The actual out-turn for the 2019/20 Core Services budget year is an overspend of £3,036,050. The variances against the budget have been reviewed and classified as one-off or likely to be recurring. The overall position is summarised below:

Area	Para Ref	Recurring	Non-Recurring
		£	£
<u>OVERSPEND</u>			
Staff	7.2	(2,982,831)	0
Purchasing of Care	7.3	(373,000)	(175,484)
Income	7.4	(116,469)	(15,000)
Supplies & Services	7.5	(203,365)	(12,000)
Property costs	7.6	(223,000)	0
Client transport	7.7	(172,000)	0
Aids & Adaptations	7.8	(39,000)	(30,883)
Other	7.9	(845,788)	0
Sub-total		(4,955,453)	(233,367)
<u>UNDERSPEND</u>			
Staff	7.2	846,686	535,363
Purchasing of Care	7.3	0	314,000
Income	7.4	78,660	0
Supplies & Services	7.5	58,713	3,000
Property costs	7.6	71,347	66,000
Client transport	7.7	0	0
Aids & Adaptations	7.8	0	0
Other	7.9	48,524	130,479
Sub-total		1,103,929	1,048,842
TOTAL		(3,851,525)	815,475
Net Overspend			(3,036,050)

- 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 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 care in a residential setting. 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 recent legislation in relation to the Carers Act and free personal care for under 65's.
- 7.5 Supplies and services overspend relates mainly to purchases of medical supplies, medical equipment and maintenance cost of equipment. The underspends relate to administration and transport costs.
- 7.6 The underspend in property costs include savings on energy and accommodation budgets following the relocation from Spynie premises and the closure of Leancoil. This is being reduced by a recurring overspend related to the on-going costs of maintaining Jubilee Cottages and the day care services facilities.
- 7.7 Client transport costs are overspent in numerous service headings, which are due to increased hire, and costs for individual clients. There is growth in client transport due to the corresponding increase in the Shared Lives service.
- 7.8 Aids and Adaptations overspend relates to all areas of aids, servicing, stair lifts and major adaptations due to an increase in demand and to help support people to remain in their own homes.
- 7.9 Other category relates to minor variances across the services but also includes the recurring overspend relating to Primary Care Prescribing which is expected to continue as well as the Hosted service, which includes GMED overspend.
- 7.10 The financial results for 2019/20 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 recovery plan progress it was evident that whilst elements of it were delivering according to plan, other areas, in particular Community Hospitals and Prescribing were falling significantly short and additional pressures were being experienced in other areas of the budget. This was acknowledged in the preparation of the revenue budget 2020/21, resulting in a revised recovery and transformation plan.

7.12 Whilst the 2020/21 revenue budget position as reported to the Board on 26 March 2020 (para 11 of the minute refers) presented a balanced budget position, it has been highlighted that due to the current pandemic, there are risks to the delivery of the recovery and transformation plan inherent in the budget setting. The estimated underachievement of savings has already been reported to Scottish Government through the mobilisation planning process and the Senior Management Team are actively addressing the emerging situation to implement alternative measures to limit the financial pressure. Updates on the recovery and transformation process will be provided to the Board during 2020/21 through financial reporting processes and additional development session as appropriate.

8. UPDATED BUDGET POSITION

8.1 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.

8.2 The MIJB, for the second year running has concluded the financial year 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:

	£'s
Approved Funding 28.3.19	128,938,000
Amended directions from NHSG 10.7.19	46,457
Balance of IJB reserves c/fwd to 19/20	256,863
Revised funding at start of Quarter 2	2,074,935
Revised Funding to Quarter 1	131,316,255
Revised funding at start of Quarter 3	1,656,825
Revised Funding to Quarter 2	132,973,080
Revised Funding to Quarter 3	134,029,717
Budget adjustments M10-M12	
Prescribing	295,509
Moray Alliance	134,117
Primary Care	132,077
Hosted Recharges	28,899
Mental Health Action 15	28,000
COVID 19	16,951
Misc	2,640
GP Premises Improvement Funds	(51,573)
Moray CAMHS	(101,001)
Revised funding for set aside	487,000
NHS Earmarked Reserves Creditor Balance 19/20	455

Balance of IJB reserves c/fwd	(186,692)
Revised 2019/20 Financial Year Funding	134,816,099
NHS Grampian 63% Share of Overspend	1,305,914
Moray Council 37% Share of Overspend	766,965
Total Funding 2019/20	136,888,978

- 8.3 In accordance with the updated budget position, revised Directions have been included at **Appendix 4 and 5** for approval by the Board to be issued to NHS Grampian and Moray Council.

9. **SUMMARY OF IMPLICATIONS**

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

This report is consistent with the objectives of the Strategic Plan and includes 2019/20 budget information for services included in MIJB in 2019/20.

(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 2019/20 for the MIJB core budgets is £3,036,050 overspend. The financial details are set out in sections 3-7 of this report and in **APPENDIX 1**.

The estimated recurring overspend of £3,851,525 as detailed in para 7 will impact on the 2020/21 budget.

The movements in the 2019/20 budget as detailed in paragraph 8 have been incorporated in the figures reported. The additional payments made by the NHS Grampian and Moray Council to address the remaining overspend of £2,072,879 are £1,305,914 and £766,965 respectively.

(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.

The year-end overspend position has worsened since the previous forecast, which continues to give cause for concern going forward. The general reserve was depleted in 2018/19. A recovery and transformation plan formed part of the balanced revenue budget for 2020/21. Due to the impact of the current pandemic, it is now anticipated that this will not be delivered in full. Considerations are being given to alternative measures that can be established to support the identified gap. There is a need for constant scrutiny around this rapidly changing situation and reporting to the Board will inform throughout 2020/21

(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) 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.

10. CONCLUSION

10.1 This report identifies Moray IJB's unaudited final out-turn position on the Core Budget of an overspend of £3,036,050 at 31 March 2020 and identifies major areas of variance between budget and actual for 2019/20.

10.2 The impact of the provisional outturn on the 2020/21 budget, of a recurring overspend of £3,851,525 is detailed in paragraph 7.

10.3 NHS Grampian and Moray Council have made additional payments to the MIJB in accordance with the Integration Scheme to address the residual overspend of £2,072,879.

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

Background Papers: Papers held by respective Accountancy teams