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**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 28 MARCH 2019**

**SUBJECT: REVENUE BUDGET MONITORING QUARTER 3 FOR 2018/2019**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

- 1.1 To update the Moray Integration Joint Board (MIJB) on the current Revenue Budget reporting position as at 31 December 2018 and provide an updated forecast position for the financial year.

**2. RECOMMENDATION**

- 2.1 It is recommended that the MIJB consider and note the:

- i) financial position of the Board as at 31 December 2018 is showing an overspend of £2,758,138;
- ii) provisional forecast position for 2018/19 of an overspend of £3,138,189 on core services;
- iii) progress on savings previously approved; and
- iv) revisions to staffing arrangements dealt with under delegated powers and in accordance with financial regulations for the period 1 October to 31 December 2018 as shown in Appendix 3.

**3. BACKGROUND**

- 3.1. The financial position for the MIJB services at 31 December 2018 is shown at **APPENDIX 1**. The figures reflect the position in that the MIJB core services are currently over spent by £2,758,138. This is summarised in the table below.

	Annual Budget £	Budget to Date £	Expenditure to Date £	Variance to date £
MIJB Core Service	112,636,014	83,561,427	86,319,565	(2,758,138)
MIJB Strategic Funds	3,532,405	1,541,024	865,181	675,843
Total MIJB Expenditure	<b>116,168,419</b>	<b>85,102,451</b>	<b>87,184,746</b>	<b>(2,082,294)</b>

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

- 3.2. The provisional forecast outturn to 31 March 2019 for the MIJB services is included in **APPENDIX 1**. The figures reflect the overall position in that the MIJB core services are forecast to be over spent by £3,138,189 by the end of the financial year. This is summarised in the table below.

	Annual Budget £	Provisional Outturn to 31 Mar 2019 £	Anticipated Variance to 31 Mar 2019 £	Variance against base budget %
MIJB Core Service	112,636,014	115,774,203	(3,138,189)	(3)
MIJB Strategic Funds	3,532,405	1,893,203	1,639,202	46
Total MIJB Expenditure	<b>116,168,419</b>	<b>117,667,406</b>	<b>(1,498,987)</b>	<b>(1)</b>

## **4. KEY MATTERS RELEVANT TO RECOMMENDATION**

### **4.1. Community Hospitals & Services**

- 4.1.1 There are overspends within community hospitals and services for the four localities Elgin, Buckie, Forres, Keith/Speyside totalling £78,597 to 31 December.
- 4.1.2 Overspends continue to be realised for these services. The main overspends relate to community hospitals in Buckie (£139,000), Keith (£91,000) and community medical staff (£18,000) which are being reduced in part by under spends in Community Admin including impact of service changes in Forres area (£15,000) along with Forres Leancoil (£96,000) Dufftown (£58,000) and Aberlour (£1,000) community hospital underspends. Within community hospitals the task of maintaining staffing cover alongside cumulative prior efficiency targets, continues to present a challenge, however progress is underway through implementation of protocols, implementation of the workforce and professional judgement tools and addressing staff utilisation with the aim of reducing bank costs. Non-financial objectives, including meeting waiting times, patient safety and delayed discharge targets (which are on the increase) still require to be maintained.
- 4.1.3 This budget is forecasted to be £31,833 over spent by the end of the financial year, this is an improved position primarily due to the monitoring of the use of bank staff and rotation of Community hospital staffing, improved vacancy control and utilisation of skill mix (not replacing like for like) and the interim closure of Leancoil hospital which has resulted in the relocation of nursing staff back to Speyside.

## 4.2. Learning Disabilities

- 4.2.1 The Learning Disability service is currently over spent by £232,086. The overspend is primarily due to the purchase of care for people with complex needs (£159,000), including high cost care packages, start up (one off) costs for Individual service fund (ISF) packages. Other overspends include (£177,000) for day services and other minor underspend variances of £4,000, This is being further reduced by an underspend relating to staff vacancies within Clinical Nursing and other services including Allied Health Professionals (£49,000), Other Psychology staff (£40,000) and Medical staffing (£10,000).
- 4.2.2 This budget is forecasted to be £299,857 over spent by the end of the financial year. Based on the current activity the day care is forecast to be overspent by £255,000, with an underspend within the Residential and Nursing element of £256,000. Domiciliary Care continues to be a pressure as there are complex and high cost care packages and this will result in a forecast overspend of £433,000. The underspends from staffing vacancies are expected to continue to the end of the year, with a forecast underspend of £133,000. Moray Council has a provision of £200,000 for clients transitioning from children's services to adult services, business cases for the individual clients have been made and funding of £178,000 has been released following approval.
- 4.2.3 However, even with this money transferred, the learning disabilities budget will show an overspend. As noted in the previous reports to the MIJB, the level of scrutiny for any resource to be spent remains exceptionally high, with every expenditure authorised at service manager level, through the weekly resource allocation meeting. The service is very clear that only critical and substantial needs will be met, and this understanding is evident from the authorisation process. To reiterate, the Board can have confidence that the money spent is required to be spent, and appropriate, but it is not possible to remove the need people have for on-going support.

## 4.3. Mental Health

- 4.3.1 Mental Health services are overspent by £461,355. For clinical nursing and other services this includes medical staff including locum staff costs £379,000, Allied Health Professionals, £28,000, other staff including Psychology £27,000 and other overspends, £77,000 relating mainly to unmet prior efficiency offset in part by underspend on nursing £118,000. The external purchasing budget is overspent by £54,000 due to new clients with high cost care packages and client income recovery is below target of £14,000. The overspends on these budgets continue to be monitored by senior managers. All staffing vacancies are being scrutinised and an administrative review has been undertaken by the service.
- 4.3.2 This budget is forecasted to be £619,738 over spent by the end of the financial year. This is a worsening position because in the second half of 2018/19 there have been care packages commissioned under Community Treatment Orders which are high cost and are compulsory under the Mental Health Act.

#### 4.4. Care Services Provided in-house

- 4.4.1 Care services provided in-house are underspent by £566,482. There are numerous variances within this budget heading, the most significant are primarily due to the Care at Home service, which are underspent by £322,000 partly due to the implementation of the change management plan and recruitment. There is an underspend of £202,000 for Woodview due to start-up of new clients whom have moved in part way through the year. Waulkmill adult services has an underspend of £37,000 due to staffing and other minor underspends totalling £56,000 which is being reduced by £50,000 relating to a prior year savings target that has not yet been achieved.
- 4.4.2 This budget is forecast to be £750,475 under spent by the end of the financial year. The Care at Home services are forecast to underspend by £504,000 primarily due to staffing relating to recruitment issues. Woodview is forecast to underspend by £229,000 due to staffing budget for a full year and the clients moving in part of the way through the year, again issues around recruitment are being experienced. This underspend is not expected to continue into 2019/20 where the full year effect of all the tenancies will be in place. Waulkmill Adult services is forecast to be underspent by £54,000 and other minor underspends totalling £13,000 which is being reduced by the prior year savings against Day Care of £50,000 which is not expected to be achieved this financial year.

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

- 4.5.1 This budget is over spent by £1,433,688. This primarily relates to expenditure relating to Hanover for the new sheltered housing complexes at Forres and Elgin. 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 piloted by Hanover.
- 4.5.2 This budget is forecast to be £2,023,781 over spent by the end of the financial year. The forecast overspend is primarily in domiciliary care and relates to the Hanover complexes, along with an increase in high cost care packages and is forecast to overspend by £2,084,000. There is also significant growth within the Shared Lives services and this is forecast to overspend by £86,000. Client income is forecast to under recover by £22,000 and client transport for domiciliary care and shared lives is forecast to overspend by £79,000. This is being reduced by the forecast underspend in the Residential and Nursing budget of £250,000 which is a reduction in client numbers and a high level of deferred income being received in the year.
- 4.5.3 A review of the service is underway using user intelligence to generate efficiencies by offering the opportunity to work more efficiently geographically with external providers. The Care at Home strategy is also being reviewed, looking for efficiencies through the focus on internal and external work being split in to the tiers and there is a commissioning process also underway for external home care which would look to streamlining provision of care at home across Moray and efficiency gains as a result. The new provision would also be more person centred.

#### 4.6. Intermediate Care & Occupational Therapy

- 4.6.1 Intermediate Care and Occupational therapy service is currently over spent by £153,013. This is primarily due to the Aids and Adaptations including Community Alarm and telecare equipment budget overspent of £115,000. The other overspend relates to the landlord costs attributable to Jubilee Cottages, The Bungalow and Woodview, £27,000. There is an overspend on the Hanover Varis Court Augmented Care Units (ACU) of £15,000, which is being reduced by client income of £5,000 above budget. Weekly monitoring of high end equipment expenditure is in place due to the existing pressure on the budget. Service users are being supported to live more independently at home and therefore require equipment and adaptations to support this. This is in line with the demographic growth along with the complexities of conditions that service users require to be supported with at home. Also work undertaken this financial year to reduce the waiting time for those requiring Occupational Therapy services has impacted on the budget. As a result of this the waiting list has been reduced from 420 to 111 service users, approx. 73% and is in line with the eligibility criteria for critical and substantial. This also impacts on the budget in relation to provision of equipment and adaptations to meet the needs of these service users to remain at home.
- 4.6.2 This budget is forecasted to be £124,608 over spent by the end of the financial year. The forecast overspend is primarily due to the commitment spend against aids, adaptation, community alarm and telecare equipment £90,000. There will also be an overspend due to landlord expenditure on Jubilee Cottages, The Bungalow and Woodview £33,000. Hanover Varis Court ACU is forecast to overspend by £9,000, and client income to be £7,000 above the budget. With the weekly budget monitoring on high end equipment costs it is anticipated that the budget will be brought under control. The process by which equipment is procured through the Joint Equipment store has always historically made it difficult to forecast year end spend. This is because it is not a set order every quarter but a fluid procurement process that changes depending in the volume of service users being assessed and then requiring equipment or adaptations. This changes month to month and therefore not a static spend each quarter. The Board will be asked to consider the ongoing spend for maintaining the Jubilee Cottages at the end of the pilot project, in June 2019. This was the forecasted cost identified from the offset of the project. Work is also underway with housing to look at potential revenue income from the cottages but the exploratory work will form part of the evaluation and any associated income costs possible in 2019/20.

#### 4.7. Care Services provided by External Contractors

- 4.7.1 This budget is overspent by £208,663. This is primarily due to savings targets of £53,000 relating to prior year savings for Older People contracts and £23,000 for 2018/19 savings target that have not yet been achieved. A further overspend relates to the historical Moray Training budget of £151,000, which is being reduced by client income that is above budget by £18,000. The Moray Training function, in line with the legislation will be transferred back to Moray Council by the end of the financial year. The service managers and Commissioning team are currently working with the providers in order to put these savings in place, but this development will happen over an extended period of time as this progresses through the commissioning cycle

4.7.2 This budget is forecasted to be £227,500 over spent by the end of the financial year. Savings targets that will not be achieved relating to prior year of £53,000 and current year of £23,000. Following the decision at MIJB on 31 Jan 2019 (paragraphs 11 and 12 of the draft Minute refer), the £53,000 prior year saving will not be achieved until at least 2022/23. Moray Training budget is forecast to overspend by £214,000. This is reduced by client income expected to be £34,000 above budget and respite contract underspend £25,000.

#### 4.8. Other Community Services

4.8.1 This combined budget is underspent by £9,824. This is due to underspend to date in public health, £52,000 and dental services of £7,000 which is being reduced by overspends in part arising from efficiency applied within allied health professionals £21,000 including a reduction in income and staff costs , pharmacy service £28,000 arising from staff costs,

4.8.2 This budget is forecasted to be £32,918 over spent by the end of the financial year. This is mainly due to the planned delivery of public health services in the later part of the year eliminating the underspend and overspends in allied health professionals, £12,000 and pharmacy service £38,000, which is being offset in part by an underspend of £16,000 in dental services and £1,000 in Specialist Nurses.

#### 4.9. Admin & Management

4.9.1 Admin and Management is currently under spent by £105,209 this is primarily due to NHS Grampian admin and management underspends in Medical and Management pays of £169,000, Moray Council admin and management is underspent by £1,000 and business support services are underspent due to staff vacancies and equipment purchasing being lower than expected, £48,000, which is being reduced by the Sure Start services overspend of £113,000 where funding ended but the service continues.

4.9.2 This budget is forecasted to be £523,196 under spent by the end of the financial year. This is primarily due to the vacancy factor target which is expected to be exceeded by £404,000 and under spend of £72,000 due to NHS Grampian Admin and Management and business support £45,000, as detailed above.

#### 4.10. Primary Care Prescribing

4.10.1 The primary care prescribing budget is reporting an over spend of £781,468 to date. The budget to December includes the full year roll forward budget and a further £100,000 saving approved for 2018/19. This follows the Health & Social Care Prescribing Budget Supporting Information and Data paper which was presented to NHS Grampian, Grampian Medicines Management group on 10 January 2018 and to MIJB on 29 March 2018 (paragraph 10 of the Minute refers), in which an uplift to budget was recommended (£1,200,000). The current overspend reflects this and the movement in prices and volume since April which have been relatively consistent. During this period senior management have undertaken a number of cost management activities to reduce the overspend and achieve additional saving however the underlying cost pressure carried forward from prior years remains.

4.10.2 This budget is forecasted to be £1,037,556 over spent by the end of the financial year reflecting continuance of prescribing volumes and spend in line with current levels. It should be noted that the recommended uplift of £1,200,000 that was identified in the Prescribing Budget paper that was presented to this Board on 29 March 2018 was never actioned due to existing budget constraints. The forecast position for the current year should be considered in this context.

#### 4.11. Primary Care Moray

4.11.1 The Primary Care Moray service is currently over spent by £31,945 mainly due to continuing overspends in Enhanced Services.

4.11.2 This budget is forecast to be under spent by £86,207 by the end of the financial year as final quarter global revised sum payments are confirmed to contractors which offsets the continuing overspends in Enhanced Services.

#### 4.12. Hosted Services

4.12.1 This budget is currently overspent by £173,659. This is mainly due to Grampian Medical Emergency Department (GMED) £142,000, Police Forensic Medical Examiner service £58,000, Marie Curie Nurses £16,000, Continence service £11,000 and other services totalling £6,000 where there are continuing overspends which are being reduced by underspends in other hosted services, including the Prison service of £59,000.

4.12.2 This budget is forecasted to be over spent by £222,538 by the end of the financial year. Work is currently being led by the Chief Officers of the 3 Grampian IJB's in relation to the performance of hosted services. Included within this are options surrounding the GMED service.

#### 4.13. Improvement Grants

4.13.1 This budget is currently underspent by £104,738 this is due to the Improvement grants and the timing of works as the budget is fully committed for 2018/19.

4.13.2 This budget is forecasted to be under spent by £103,666 by the end of the financial year. The Adaptation Governance Board is currently reviewing the processes and related deficiencies in completion of adaptations in a timely manner. The current length of time to complete major adaptations is approx. 9 months and this is due to the complexities of the pathway that span across departments outwith Health and Social Care Moray. Due to this, it is not possible to commit the budget to the required number of adaptation requests within the financial year. In improving the pathway and reducing the timescale for completion, more requests will be committed to, resulting in a fully committed budget

#### 4.14. STRATEGIC FUNDS

4.14.1 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 2018/19, 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.

4.14.2 When the budget for 2018/19 was set by this Board on 29 March 2018 (para 8 of the Minute refers) there was a shortfall to be addressed of £4,596,000. On 28 June 2018 a revised Revenue Budget 2018/19 paper was presented to this Board (paragraph 6 of the minute refers). The 2017/18 out-turn position had resulted in remaining reserves of £846,726 being utilised as part of the 2018/19 budget and further efficiencies had been identified reducing the budget shortfall to £3,293,000. The current forecast position gives an overspend of £1,498,987 to the end of the financial year.

4.14.3 On the basis of the current position and the revised forecast position to the financial year end, the MIJB remain in a deficit position, with the projected deficit being £1,498,987. Based on proportionate funding levels of the partners, Moray Council's share would be 37% of the deficit: £554,625 and NHS Grampian's share would be 63%, £944,362. In February 2019, the MIJB Chair wrote to the Chief Executives of the partner bodies outlining the forecast financial position and made a request for support.

4.14.4 Given the remaining estimated shortfall, services have considered options for bringing the budget into line and a recovery plan was reported to this Board on 29 November 2018 (para 18 of the minute refers), which detailed management action being taken to reduce the current overspend and a plan to address the overspend on core services going forward.

#### 4.15. CHANGES TO STAFFING ARRANGEMENTS

4.15.1 At the meeting of the Board on 25 January 2018, the Financial Regulations were approved (para 6 of the minute refers). An update of these regulations is subject to a separate report on this agenda. All changes to staffing arrangements with financial implications and effects on establishment are to be advised to the Board.

4.15.2 Changes to staffing arrangements dealt with under delegated powers through appropriate Council and NHS Grampian procedures for the period 1 October to 31 December 2018, are detailed in **APPENDIX 3**.

#### 4.16. PROGRESS IN IMPLEMENTING APPROVED SAVINGS

4.16.1 The indicative unbalanced revenue budget for 2018/19 was accepted as a working document at the meeting of this Board on 29 March 2018 (para 8 of the Minute refers). As part of the budget setting process, savings were identified of £1,060,000, and these were implemented during quarter 1. In the budget report approved at the meeting of this Board on 28 June 2018 (para 6 of the Minute refers) further savings were identified of £456,000, and these have been implemented in quarter 2. Progress against implementing all the approved savings is detailed in the table below





#### 4.16.2

Service Area	Description of Saving	£'000	RAG	Comments
Community Hospitals	Process Change and Management	100,000		Saving posted and achieved in part as the service is expected to overspend by £31,833
Community Nursing	Re-alignment of Responsibilities	125,000		Saving posted and achieved
Mental Health	Purchasing Budget Efficiency	52,000		Saving posted and achieved in part as the service is expected to overspend by £27,000
Health Improvement	Re-alignment of Post	46,000		Saving posted and achieved
Care Provided In-House	Re-provision of Respite Services	86,000		Saving posted, and service now closed
External Commissioning	De-commissioning of Accommodated Respite, Service Review & commissioning cycle	816,000		The De-commissioning of Accommodated respite has been achieved and exceeded by £69,000. £23,000 saving although posted will not be achieved in 2018/19
Community Services - Dental	Relocation of Staff and Activity	110,000		Saving posted and achieved
Administration & Management	Increase Vacancy Target	50,000		Vacancy target budget increased £50k and achieved
Prescribing	Medicines Management	100,000		Saving posted and achieved in part as the service is expected to overspend £1,037,556 including impact from prior year spend
Public Health	Uncommitted Budget	31,000		Saving posted and achieved
<b>Total Approved Savings</b>		<b>1,516,000</b>		
Additional Efficiencies Identified	Savings above the target	163,186		Efficiency savings identified during the year and additional to those previously approved by the MIJB

Savings will continue to be monitored for the remainder of the financial year and reported back to this Board with the next budget monitoring report.



#### 4.17. UPDATED BUDGET POSITION

4.17.1 During the financial year, budget adjustments will 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.

	£'s
<b>Approved Funding 29.3.18</b>	<b>112,268,000</b>
Balance of IJB reserves c/fwd. to 18/19	846,726
Adjustments in Qtr. 1	2,370,879
Revised funding at start of Qtr. 2	<b>115,485,605</b>
Adjustments in Qtr. 2	(120,094)
Revised funding at start of Qtr. 3	<b>115,365,511</b>
<b>Budget adjustments M7-M9</b>	
Primary Care allocations for immunisations	513,355
Energy costs uplift	31,623
Additional pay allocation from NHSG	30,590
Plasma M7-M9	13,210
Public Health additional funding	32,666
Forres running costs M7-M9	59,613
Mental Health Action 15 additional funding for 18/19	55,000
Moray Alliance additional funding	23,068
other adjustments net	10,000
Qtr 2 funding adjustment	(112,000)
Transitions costs from MC	122,783
Carers Act additional allocation	23,000
<b>Revised Funding to Quarter 4</b>	<b>116,168,419</b>

## **5. SUMMARY OF IMPLICATIONS**

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

This report is consistent with the objectives of the Strategic Plan and includes 2018/19 budget information for services included in IJB in 2018/19.

### **(b) Policy and Legal**

There are no policy or legal implications in this report.

### **(c) Financial implications**

The financial details are set out in sections 3-4 of this report and in **APPENDIX 1**. For the period to 31 December 2018, an overspend is reported to the Board of £2,758,138.

The staffing changes detailed in **APPENDIX 3** have already been incorporated in the figures reported.

The movement in the 2018/19 budget as detailed in paragraph 4.17 have already been incorporated in the figures reported.

### **(d) Risk Implications and Mitigation**

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 current overspend is not unexpected but gives cause for concern going forward. The reserves of £846,726 have been utilised to reduce the budget shortfall for the 2018/19 budget. Further savings and a recovery plan has been approved and will require constant attention during the remainder of the current financial year and beyond.

### **(e) Staffing Implications**

There are no direct implications in this report but **APPENDIX 3** summarises staffing decisions that have been implemented through delegated authority.

### **(f) Property**

There are no direct implications in this report.

### **(g) Equalities/Socio Economic Impact**

An Equality Impact Assessment is not needed because there has been no change to policy as a result of this report.

## **(h) Consultations**

The Chief Officer, the Senior Management Team, Service Managers and the Finance Officers from NHS Grampian and Moray Council have been consulted and their comments have been incorporated in this report.

## **6. CONCLUSION**

- 6.1. The MIJB Budget to 31 December 2018 has an over spend of £2,758,138 and the revised forecast position of £3,138,189 overspend. Senior managers will continue to monitor the financial position closely and to implement recovery plans.**
- 6.2. The finance position to 31 December 2018 includes the changes to staffing under delegated authority, as detailed in APPENDIX 3.**
- 6.3. The financial position to 31 December 2018 reflects the updated budget position.**

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Background Papers: Papers held by respective Accountancy teams  
Ref: DOS/LJC/