



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 28 NOVEMBER 2019

SUBJECT: REVENUE BUDGET MONITORING QUARTER 2 FOR 2019/2020

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 30 September 2019 and provide a provisional forecast position for the year end.

2. RECOMMENDATION

2.1 It is recommended that the MIJB:

- i) note the financial position of the Board as at 30 September 2019 is showing an overspend of £1,453,329 on core services;
- ii) note the provisional forecast position for 2019/20 of an overspend of £2,791,556 on core services;
- iii) note the progress against the recovery plan;
- iv) note the revisions to staffing arrangements dealt with under delegated powers and in accordance with financial regulations within the Council (MC) and NHS Grampian (NHSG) for the period 1 July to 30 September 2019 as shown in APPENDIX 3; and
- v) approve for issue, the Directions arising from the updated budget position shown in APPENDIX 4.

3. BACKGROUND

- 3.1. The financial position for the MIJB services at 30 September 2019 is shown at **APPENDIX 1**. The figures reflect the position in that the MIJB core services are currently over spent by £1,453,329. This is summarised in the table below.

	Annual Budget £	Budget to Date £	Expenditure to Date £	Variance to date £
MIJB Core Service	117,706,861	58,519,977	59,973,306	(1,453,329)
MIJB Strategic Funds	3,501,219	425,774	420,587	5187
Set Aside Budget	11,765,000	-	-	-
Total MIJB Expenditure	132,973,080	58,945,751	60,393,893	(1,448,142)

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

- 3.2. The first provisional forecast outturn to 31 March 2020 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 £2,791,555 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	117,706,861	120,498,416	(2,791,555)	(2)
MIJB Strategic Funds	3,501,219	2,289,453	1,211,766	35
Set Aside Budget	11,765,000	11,765,000	-	-
Total MIJB Expenditure	132,973,080	134,552,869	(1,579,789)	(1)

4. KEY MATTERS /SIGNIFICANT VARIANCES FOR 2019/20

Community Hospitals & Services

- 4.1 There are overspends within community hospitals and services for the four localities Elgin, Buckie, Forres, Keith/Speyside totalling £200,000 to 30 September.
- 4.2 Over spends continue to be realised for these services. The main overspends relates to community hospitals in Buckie £124,000, Keith & Speyside hospitals combined £59,000 and community medicine £21,000 reduced in part by under spends in community admin £4,000. Community hospitals generally have been challenged with staffing to the required level to run safely the bed complement. In Speyside, this includes the community hospitals in Dufftown and Aberlour. 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.
- 4.3 This budget is forecasted to be £389,000 over spent by the end of the financial year, this is only slightly improved recognising the task of maintaining staffing and non-financial objectives including waiting times and delayed discharge objectives. The current forecast is based on the existing situation

but due to the work required over the next few months a significantly different picture may present at the end of this financial year.

Learning Disabilities

- 4.4 The Learning Disability service is currently over spent by £145,000. The overspend is primarily due to the purchase of care for people with complex needs £82,000, including high cost care packages, start up (one off) costs for Individual Service Fund (ISF) packages. The overspend also includes £120,000 for day services and other minor overspend variances of £8,000. This is being further reduced by underspends relating to staffing vacancies including Allied Health Professionals £22,000, Other Psychology staff £27,000, Nursing £10,000 and Medical staffing £6,000.
- 4.5 This budget is forecasted to be £539,000 over spent by the end of the financial year after including assumptions that the staffing underspend will continue. Based on current activity the day care is forecast to be overspent by £335,000, which is being reduced by an underspend within the Residential and Nursing element of £94,000. 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 £338,000. Housing Support and Respite are forecast to overspend by £90,000. Children transitioning to adult services have created a higher than normal (but not unexpected) financial pressure for the year in excess of £700,000. For clients transitioning from children's services to adult services, business case for the individual clients have been made and funding will be released up to this value once approved. 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 Learning Disability (LD) team are aware that without appropriate structure and routine, many 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 paid 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.
- 4.6 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

Mental Health

- 4.7 Mental Health services are overspent by £83,000. This includes overspends relating to medical staff including locum staff costs £70,000 , Allied Health Professionals £14,000 , Administration £10,000, other staff including Psychology £14,000, less income than expected £6,000 and other overspends of £48,000 relating mainly to unmet prior efficiency which is partly offset by underspends on nursing £52,000, purchase of care £26,000. There are ongoing vacancies in Psychology and reducing medical sessional time will assist to improve the budget position in the next 6 months. Senior managers will continue to closely monitor this budget.

- 4.8 This budget is forecasted to be overspent by £125,000 by the end of the financial year. This includes the continuing underspend in the purchase of care and reducing overspend within clinical and nursing services through improved staffing position. It is anticipated that the integrated management of both mental health and substance misuse services from November 2019, will enable some financial efficiencies before the year end to return the budget variance to normal.

Addictions

- 4.9 The Addictions service is currently £8,000 under spent to date. The Moray Alcohol and Drugs Partnership (MADP) is under spent by £6,000 which is being reduced by an over spend in the substance misuse service of £3,000.
- 4.10 This budget is forecasted to be £46,000 under spent by the end of the financial year. This is made up of an under spend in the MADP service of £51,000 and an over spend of £5,000 in the substance misuse service. This is due to new contracts with external providers that will not be incurring full year costs.

Care Services Provided in-house

- 4.11 Care services provided in-house are underspent by £271,000. 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 £259,000. Supported Living services which include Waulkmill, Woodside and Barlink are underspent by £42,000. Day Services for all client groups is overspent £26,000 which is primarily due to client transport. Other minor overspends £7,000.
- 4.12 This budget is forecasted to be £549,000 under spent by the end of the financial year. The Care at Home services for all client groups are forecast to underspend by £500,000 primarily due to staffing. The Supported Living Services are forecast to underspend by £80,000. Day Services will overspend by £39,000 primarily due to client transport. Other services to underspend by £8,000.

Older People and Physical Sensory Disability (Assessment & Care)

- 4.13 This budget is over spent by £736,000. There is an overspend relating to domiciliary care of £927,000 which includes the Hanover complexes for the new sheltered housing at Forres and Elgin. This is being offset by an underspend in permanent care of £191,000. The overspend also includes client income under recovery of £114,000. 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. This is also representative of the true cost of care.
- 4.14 This budget is forecasted to be £1,476,000 over spent by the end of the financial year. The forecast overspend is expected to continue as detailed above, with domiciliary care overspend of £1,813,000 which is offset in part by continuing underspends in residential care of £345,000

Intermediate Care & Occupational Therapy

- 4.15 Intermediate Care and Occupational therapy service is currently over spent by £27,000. This is primarily due to the Aids and Adaptions including Community Alarm and telecare equipment budget overspent by £27,000. The other overspend relates to the landlord costs attributable to Jubilee cottages, The

Bungalow and Woodview of £10,000. Underspends are in the Hospital Discharge Team and Varis Court £10,000. 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.

- 4.16 This budget is forecasted to be £281,000 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 £263,000. There will also be an over spend due to landlord expenditure on Jubilee Cottages and The Bungalow of £20,000. The process by which equipment is procured through the Joint Equipment store has 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 on 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.

Care Services provided by External Contractors

- 4.17 This budget is overspent by £111,000. This is primarily due to prior year savings target of £28,000 and current year saving of £23,000 not being achieved. There are overspends relating to additional waking night care provision of £28,000; OLM licences £5,000; void expenditure £14,000 and client income is under recovering by £12,000.
- 4.18 This budget is forecasted to be £146,000 over spent by the end of the financial year. Prior year savings of £46,000 and current year savings of £23,000 will not be achieved. Expenditure is expected to continue to the end of the year of £77,000 relating to overspends for additional waking nights; voids and client specific income will not be achieved.

Other Community Services

- 4.19 This combined budget is underspent by £128,000. This is due to underspends in community dental services salaries £69,000, Allied Health Professionals £47,000 including an underspend in Physiotherapy and Speech and Language Therapy which is being partially offset by an overspend in Occupational Therapy Specialist nurses £23,000 including underspends at the Oaks and in Geriatrician Support. In addition, Public Health is underspent by £24,000 to date. Pharmacy services are overspent by £35,000 including salaries and equipment costs.
- 4.20 This budget is forecasted to be £232,000 under spent by the end of the financial year. This broadly anticipates continuance of current expenditure patterns except in public health where spending is expected to increase during the latter part of the year as planned programmes are delivered.

Admin and Management

- 4.21 Admin and Management is currently underspent by £95,000. This includes £23,000 relating to underspends in salaries relating to provision of senior management, senior nursing and medical staffing. Within Business Support an underspend to date of £73,000 includes Step Down beds relating to

contract compliance and Winter Pressures where expenditure is lower than budget to date.

- 4.22 This budget is forecasted to be £549,000 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 £402,000 and under spend of £147,000 due to NHS Grampian Admin and Management as detailed above.

Primary Care Prescribing

- 4.23 The primary care prescribing budget is reporting an over spend of £586,000 to date. The budget to September includes the full year roll forward budget and a further £100,000 savings which were approved for 2018/19. This follows the Health and 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 (para 10 of the Minute refers), in which an uplift to budget was recommended (£1,200,000) but was not implemented by the MIJB.. The current overspend reflects the movement in prices and volume since April. Senior Management have undertaken a number of cost management activities to reduce the overspend and achieve additional savings. However, there remains a significant cost pressure due to the national price increases for a small number of frequently prescribed items and increasing volume of items supplied at 2.0% over 2018/19 levels.

- 4.24 This budget is forecasted to be £1,097,000 over spent by the end of the financial year reflecting continuance of prescribing volumes and spend in line with current levels.

Primary Care Moray

- 4.25 The Primary Care Moray service is currently under spent by £115,000 due to profile of Primary Care expenditure including Premises and a continuing underspend in Board Administered Funds, which is offset in part by an overspend in Enhanced Services.
- 4.26 This budget is forecast to be under spent by £191,000 by the end of the financial year as the impact of overspends in Enhanced Services are offset by continuing profile of expenditure and a reducing underspend in Board Administered Funds.

Hosted Services

- 4.27 This budget is currently overspent by £111,000. This is mainly due to the Grampian Medical Emergency Department (GMED) Out of Hours service £124,000 and Police Forensic Medical Examiner service £20,000, which is being offset by underspends in other hosted services, including the Prison service, Sexual Health and Retinal screening £33,000.
- 4.28 This budget is forecasted to be over spent by £226,000 by the end of the financial year. Service managers are continuing to review the GMED service and are developing options to deliver this service in the future and reduce the overspend. These options will need to be agreed with all 3 IJB's in Grampian.

Out of Area Placements

- 4.29 This budget is currently overspent by £84,000, due to the number of specific individual placements required being greater than anticipated.

- 4.30 This budget is forecast to be overspent by £101,000 by the end of the financial year as this pattern of placement is expected to continue as plans are developed for alternative future care arrangements.

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 have 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 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 2018/19 outturn position resulted in the MIJB having a deficit of £1,193,000 and a financial recovery plan was put in place. , where the Recovery Plan will continue to be monitored and reported through 2019/20.
- 5.3 On the basis of the current position and the provisional forecast position to the financial year end, the MIJB remain in a deficit position, with the projected deficit to the end of the year being £1,579,790. In line with the Integration Scheme, any MIJB deficit is required to be met by the funding partners in their proportionate share of the budget based on agreed funding levels between the partners, Moray Council's share would be 37% of the deficit: £585,000 and NHS Grampian's share would be 63%, £995,000. Given the remaining estimated shortfall, services are required to consider options for bringing the budget into line and to achieve the recovery plan.

6. PROGRESS AGAINST THE RECOVERY PLAN

- 6.1 The financial recovery plan was submitted to the IJB on 29 November 2018, (para 18 of the minute refers) it was acknowledged that service redesign takes time to implement whilst ensuring the wellbeing of the population, as such the high level plan was for recovery over the years 2019/20 to 2021/22.
- 6.2 The progress against the recovery plan will be reported during the 2019/20 financial year. The following table details progress during the second quarter. An update will be provided as part of quarter 3 reporting.

Theme	Para Ref	Full Year Target	Forecast Progress against target at 31 March 2020 Exceeded / (Shortfall)
		£'000	£'000
Mental Health		300	190
Care Services Provided In-House		500	125
Community Hospitals	6.3	100	(459)
Care Services Provided by External Contractors		350	137
Prescribing	6.4	200	(278)
Accountancy Driven		120	70
Slippage	6.5	1,500	(783)
Total Recovery Plan		3,070	(998)

- 6.3 Community Hospitals have not met the target for quarter 2. The recovery plan option appraisal in relation to future models of care is still being developed and the current challenges in relation to in-patient services are impacting on the position.
- 6.4 Prescribing has not met the target for quarter 2. This may improve as the actual position is reported and local medicines management practices continue to be applied. The impact of national price changes and volume increases are greater than expected and has negated effort in relation to medicines management to date.
- 6.5 Slippage is an area of high risk as outlined in the recovery plan. The position above reflects the position after consideration of additional savings realised in year that are reflected within the services.

7. ADDRESSING THE 2019/20 OVERSPEND

- 7.1 The overspend being forecast to the end of the year on core services is £2.8m and after the consideration of Strategic Funds this is reduced to £1.6M. This is significant and in-line with the Integration Scheme needs to be addressed through corrective action in the current year. The scale of efficiency needed in-year is significant and clearly, there is limited time available to introduce additional savings measures. Action is required promptly to enable spending to be reduced and ensuring every effort is made to minimise the forecast overspend and subsequent impact on NHS Grampian and Moray Council whilst keeping services safe.
- 7.2 The Senior Management Team (SMT) has responded to this difficult task by identifying actions that would impact on the MIJB but have low or no impact on front line services. The SMT has taken account of the following principles:
- **Safety** – proposals should not compromise on safety
 - **Impact** – aim to minimise the impact on services
 - **Strategy** – limit actions that would conflict with the MIJB's strategic direction

Correspondence has been circulated to all officers with budget responsibility for immediate action in addressing the MIJB financial position 2019/20.

8. CHANGES TO STAFFING ARRANGEMENTS

- 8.1 At the meeting of the Board on 25 January 2018, the Financial Regulations were approved (para 6 of the minute refers) and updated at the meeting on 28 March 2019 (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.
- 8.2 Changes to staffing arrangements dealt with under delegated powers through appropriate Council and NHS Grampian procedures for the period 1 July to 30 September 2019, are detailed in **APPENDIX 3**.

9. UPDATED BUDGET POSITION

- 9.1 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.
- 9.2 In addition, the MIJB, for the first time in 2018/19 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 shown in the table below:

	£'s
Approved Funding 29.3.19	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 to Qtr 1	2,074,935
Revised funding at start of Qtr. 2	131,316,255
Budget adjustments M4-M6	
Removal of Moray Training from MIJB	34,261
Additional pay allocation from MC	215,088
Additional pay allocation from NHSG	852,789
Prescribing tariff reduction	(335,099)
Prescribing global sum	(46,158)
Moray Alliance	43,414
Primary Care Improvement Fund	347,177
Winter Pressures funding	298,030
Mental Health Act	128,297
Public Dental Service	(7,000)
GP Out of Hours	85,942
Other	40,084
Revised Funding to Quarter 3	132,973,080

- 9.3 In accordance with the updated budget position, revised directions have been included at **APPENDIX 4** for approval by the Board to be issued to NHS Grampian.

10. **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 Moray 2026 and includes 2019/20 budget information for services included in IJB in 2019/20.

(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 3-9 of this report and in **APPENDIX 1**. For the period to 30 September 2019, an overspend is reported to the Board of £1,448,141.

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

The movement in the 2019/20 budget as detailed in paragraph 9.2 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. This will increase the reliance on additional monies provided by Scottish Government for specific purposes being utilised to balance these budgets

The current overspend is not unexpected and is in a similar situation as 2018/19 at this juncture, but gives cause for concern going forward. There are no general reserves for 2019/20 but there are earmarked reserves of £256,863 which is anticipated to be utilised in full. Further savings and recovery plans will be required to be identified in order for the MIJB to make every effort to break even for 2019/20 and cover the budget pressures from 2020/21 onwards.

(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

There are no equality implications in this report as there has been no change to policy.

(h) Consultations

The Chief Officer, the System 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

11. CONCLUSION

- 11.1 The MIJB Budget to 30 September 2019 has an over spend of £1,448,141 and the first provisional forecast position of £1,579,790 overspend. Senior managers will continue to monitor the financial position closely and to continue to develop recovery plans and to comply with the measures put in place, as detailed in paragraph 7.**
- 11.2 The finance position to 30 September 2019 includes the changes to staffing under delegated authority, as detailed in APPENDIX 3.**
- 11.3 The financial position to 30 September 2019 reflects the updated budget position and a revised Direction has been prepared accordingly, as detailed in APPENDIX 4.**

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