



**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 29 NOVEMBER 2018**

**SUBJECT: FINANCIAL RECOVERY PLAN**

**BY: CHIEF FINANCIAL OFFICER**

## **1. REASON FOR REPORT**

- 1.1. To provide the Moray Integration Joint Board (MIJB) with details of the immediate mitigating actions proposed to achieve financial balance in 2018/19 and the plans to address the over-riding overspend in future years.

## **2. RECOMMENDATIONS**

**2.1. It is recommended that the MIJB consider and note the:**

- i) management action being taken to reduce the forecast overspend in the current financial year; and**
- ii) financial recovery plan agreed with the Director of Finance, NHS Grampian and the Head of Financial Services, Moray Council, designed to address the overspend on core budget in the current financial year and beyond.**

## **3. BACKGROUND**

### **3.1 INTEGRATION SCHEME – FINANCIAL CONTEXT**

- 3.1.1. In the event of an overspend being forecast, the Chief Officer and Chief Financial Officer should in the first instance agree corrective action. Should the corrective action not resolve the overspending then the Chief Officer and Chief Financial Officer and the Director of Finance NHS Grampian and Section 95 Officer of Moray Council must agree a recovery plan to balance the overspend.
- 3.1.2. The MIJB Integration Scheme sets out that in the event of an MIJB overspend, NHS Grampian and Moray Council are required to jointly make additional one-off payments to meet this overspend with the split of payments being based on each party's proportionate share of the baseline payment, regardless of which arm of the budget the overspend has occurred in. This

calculation has been prepared by the MIJB Chief Financial Officer and agreed with the Directors of Finance (NHS Grampian) and the Section 95 Officer (Moray Council). The split based on baseline funding levels has been agreed at 63% share to NHS Grampian and 37% Moray Council.

- 3.1.3 On 29 March 2018, an indicative budget was presented to the MIJB that was unbalanced displaying a budget shortfall of £4.596m (para 8 of the minute refers). At this point, £1.060m savings had been identified. The MIJB accepted this indicative position and tasked the Chief Officer, Chief Financial Officer and Senior Managers with identifying further savings, continuing to pursue alternative methods of service delivery in driving the pace of change, whilst ensuring safe levels of care for the people of Moray. An improved position was subsequently presented to the Board for approval on 28 June 2018 (para 6 of the minute refers) where the budget shortfall had been reduced to £3.293m based on further efficiencies that had been identified and the utilisation of all remaining reserves.

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

##### **4.1 CURRENT FINANCIAL POSITION AND FORECAST**

- 4.1.1 The MIJB has funding as at 30 September 2018 for the 2018/19 financial year of £115m to commission the health and social care services aligned to the functions that have been delegated by the Partners, Moray Council and NHS Grampian. The financial position as at 30 September 2018 shows an overspend on core services of £1.932m. The initial financial forecast to the end 2018/19 suggests an overspend on core services of £3.024m and after application of strategic funds this reduces the in-year forecast overspend to £1.438m which displays a significantly improved position from the highlighted shortfall presented in March 18 of £4.596m. If the forecast remains consistent then the additional payments required by the Partners at the end of this financial year would be £0.906m NHS Grampian and £0.532m Moray Council.
- 4.1.2 The MIJB has been well sighted on the financial challenges facing them and that any remaining reserves would require to be utilised in 2018/19 to support the budget position. Holding reserves is an essential part of financial planning, with the intention, in part being to cushion the impact of unexpected events. The MIJB has in place a Reserves Policy that it should seek to apply fully in future years, however there is a national view that due to the pressures on IJB budgets, any level of reserves will be difficult to sustain. The MIJB are also aware that whilst service redesign in order to shift the balance of care is at the core of their priorities, the reality remains that re-design of this magnitude will take time. When considered against the level of savings required in the short-term being in the region of £3m, there remains a high residual risk that financial balance may not be achieved.
- 4.1.3 Given the budget shortfall evident at the start of the financial year and continuing pressures being experienced through increasing demand for services, the Senior Management Team has implemented the following to date:
- £1.5m savings applied to the 2018/19 budget;
  - full utilisation of remaining reserves - £0.847m;

- implemented further efficiencies ( £0.080m; as at 30 September);
- restricted the application of Strategic Funds where it is viable to do so.

Additional interventions have been implemented by way of corrective action that is in line with the Integration Scheme. Communication has been made across service managers and operational teams with budget responsibility which is being closely monitored for effectiveness. These actions have been summarised below:

- increased scrutiny of vacancy management and approval process;
- escalation of expenditure authorisation and heightened scrutiny through reporting; and
- early identification of emerging pressures for senior management team decision

The Senior Management Team's view currently is that the implementation of the above has enabled the improved financial position that is presented at the half way point in the year. Close monitoring and high level scrutiny will continue in order to address the remaining forecast overspend in the current financial year of £1.438m and reduce the pressure on the Partner organisations.

## 4.2 FINANCIAL RECOVERY PLAN

4.2.1 Planning for financial recovery for 2018/19 and beyond continues. It is generally accepted that service re-design takes time to implement whilst ensuring the wellbeing of the population, however, emerging themes and proposals are being considered through MIJB development sessions and the Strategic Planning and Commissioning Group and will be brought back for formal decision making as appropriate.

4.2.2 The table below displays the position for the current year and outlines how the MIJB will continue to address the remaining forecast overspend of £1.438m. There is a significant risk that should be noted in achieving a fully balanced position given the actions and progress taken to date.

	2018/19
	£ 000's
Forecast Overspend on Core Services @ 30.9.18	3,024
Forecast overspend following consideration of Strategic Funds and Management Action to date @ 30.9.18	1,438
<b>Identified themes to address remaining current year overspend</b>	
Further restrictions on Discretionary Spend	
Vacancy management	
Optimising slippage in strategic funds	

4.2.3 The MIJB is required to address the overspend on core services which is forecast to be £3m in the 2018/19 financial year. The high level plan being progressed shows the recovery over the years 2019/20 to 2021/22, prior to

consideration of growth which is estimated between 3.5 – 4%. Further explanations are provided below in paras 4.2.4 – 4.2.9.

	2019/20	2020/21	2021/22
	£ 000's	£ 000's	£ 000's
Forecast Overspend 18/19 on Core services to be addressed	-3,000)	-777	2,073
Non - recurring use of reserves	(847)		
<b>Over-riding Overspend to be addressed in Future Years</b>	<b>(3,847)</b>	<b>-777</b>	<b>2,073</b>
Mental Health Strategy – Phase 4	300	300	
In-House Provided Care	500	200	200
Community Hospital Redesign	100	100	100
Externally Commissioned Services	350	400	300
GP Prescribing – Medicines Management	200	250	250
Moray Alliance		500	750
Slippage on Strategic Funds	1,500	1,000	1,000
Accountancy driven efficiencies	120	100	100
<b>Total Projected Savings</b>	<b>3,070</b>	<b>2,850</b>	<b>2,700</b>
Residual Overspend (prior to growth consideration)	-777	2,073	4,773

4.2.4 Additional investment through the Primary Care Improvement Fund has been provided to support Action 15 of the Mental Health Strategy 2017-27 and increase the workforce to give access to dedicated mental health professionals to all A & E's, all GP practices, every police station custody suite and to prisoners. Over the next 5 years, the investment across Scotland will rise to £35m in the final year for 800 additional mental health workers. For Moray, the allocation will rise to £0.551m in 2021/22. The Mental Health Strategy is now in phase 4 and will introduce new ways of working for Community Mental Health Teams, shorter involvement in cases and more efficient use of the tiered system. There is a real and current focus on redesign and tests of change are already underway and subject to regular evaluation. The main focus areas of redesign have been:

- aligning services with primary care through the introduction of integrated teams, both in practices and communities;
- Community Psychiatric Nurse in practices, Mental Health Hubs and Out Patient
- Action 15 Crises response and Distress Brief Interventions
- Ward 4 in-patient and Muirton Ward redesign

4.2.5 In-House Provided Care has achieved significant savings over the past two years and the MIJB has made positive changes for service users through the re-provisioning of respite services. Packages of care have successfully been brought in-house throughout the year. The service manager has identified further savings that can be achieved primarily by re-aligning existing services over a two year period. Proposals will be subject to full consultation and engagement and be presented to the MIJB for decision making as appropriate.

- 4.2.6 In the next financial year, a full options appraisal of Community Hospitals will be carried out to further explore the benefits and potential of Multi-Disciplinary Team (MDT) working. The purpose of this review will be to determine with key stakeholders the role of Community Hospitals in the future provision of services, this will consider the model of care delivered in the context of the whole system across Moray and how progress can be made to a sustainable and effective health and care system in the future. Community Hospitals sit with historical budgets; those budgets do not necessarily match the requirements for the future in the wake of demographic changes and the need for an emphasis on rehabilitation and reablement. Whilst the financial position has improved with a reduction in the overspend there remain key questions relating to the future locality models and achieving an optimal model of delivery.
- 4.2.7 The budget for our externally commissioned services has been reduced due to savings identified by the service and approved by the Board. These amount to £0.140m in 2017/18 and £1.422m for the current financial year. As work progresses through the commissioning cycle there are efficiencies that can be realised due to the ability to progress more efficient models of service delivery where the service user needs are the focus in respect of choice and control. Efficiencies can only be realised through externally commissioned services by ensuring that planning for the needs of patients/ service users are embedded within process as new and transformational ways of delivering services are pursued.
- 4.2.8 GP Prescribing remains a volatile budget area and limiting in control. It continues to be an area of overspend reflecting the movement in prices and volume. Senior management have undertaken a number of cost management activities to reduce the overspend and achieve a savings target that has been applied. Results are being achieved through medicines management processes and are considered effective in addressing the overlying overspend.
- 4.2.9 Currently being developed is a 3-5 year sustainability and transformation programme which will support the delivery of the Strategic Plan 2019 – 22 and the single system approach that was outlined by the Chief Officer at the meeting of the MIJB on 28 June 2018 (para 6 of the minute refers). The intention is that through cross-system planning, opportunities for reshaping services across Moray as part of a whole system are optimised and enhanced, resulting in better service provision for the population whilst working within a challenging financial environment. This is being progressed through the Moray Alliance which includes representation from Dr Gray's Hospital, Glasgow School of Art, General Practice and Primary Care and through established links with the Third Sector and The Digital Health Institute. Innovation and improvement will be fundamental to the culture of the Alliance and the ethos will not be bound by historic links and patterns of patient flow but will have the freedom to develop wider relationships. Support has been provided by NHS Grampian to assist in this ambitious development.
- 4.2.10 The MIJB is committed to achieving a balanced budget position whilst ensuring statutory duties are adhered to and remaining consistent with the policy objectives as depicted by The Public Bodies (Joint Working) (Scotland) Act 2014. Regular updates will be provided in relation to the emerging financial position for the current financial year and as the MIJB take decisions

in relation to future opportunities for re-design and efficiency, the financial implications will be further communicated.

## **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**

Financial planning and recovery is key to the successful delivery of health and social care services in Moray and in accordance with the Strategic Plan.

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

In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, MIJB is subject to the audit and accounts regulations and legislation of a body under Section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes by the Office for National Statistics (ONS). Financial planning is a key element to this process. The Integration Scheme for the MIJB sets out the requirement for the agreement of a recovery plan to be agreed and established when a financial overspend is considered likely.

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

Considered throughout the body of this report.

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

The key risk to the MIJB is to deliver fully on the Strategic Plan in the context of the prevailing financial position. The financial climate remains extremely challenging for the MIJB and its funding partners. There is a potential risk around strategic funds and the ability to utilise slippage to support budget position. Financial recovery planning is an important element to the process of providing clarity around the wider risks pertinent to the financial situation of the Board and the mitigating actions being taken.

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

None arising directly from this report. Any staffing implications arising through further consideration of the detail contained within this report will be subject to separate and appropriate engagement prior to being presented to the Board for formal decision making.

### **(f) Property**

None arising directly from this reports.

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

None arising directly from this report

**(h) Consultations**

Consultations have taken place with the Senior Management Team , the Head of Financial Services and Legal Services Manager (Litigation and Licencing) (both Moray Council) and the Deputy Director of Finance, NHS Grampian. Any comments received have been considered in writing this report.

**6 CONCLUSION**

- 6.1 The MIJB Integration Scheme sets out the requirement for the Chief Officer and Chief Financial Officer of the Board to agree a recovery plan with the Director of Finance, NHS Grampian and the Section 95 Officer, Moray Council to address the overspending budget. This report content has been discussed and agreed according to the Scheme.**
- 6.2 The MIJB is committed to achieving a balanced budget position whilst ensuring statutory duties are complied with and remain consistent with the policy objectives as depicted by The Public Bodies (Joint Working) (Scotland) Act 2014. Regular updates will be provided in relation to the emerging financial position for the current financial year and as the MIJB take decisions in relation to future opportunities for re-design and efficiency, the financial implications will be further considered and communicated to the Director of Finance NHS Grampian and the Head of Finance, Moray Council.**

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Background Papers: with author  
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