



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 27 JUNE 2019

SUBJECT: REVENUE BUDGET OUTTURN FOR 2018/19

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1 To inform the Moray Integration Joint Board (MIJB) of the financial outturn for 2018/19 for the core budgets and the impact this outturn will have on the 2019/20 budget.

2. RECOMMENDATIONS

2.1 It is recommended that the MIJB:

- i) consider and note the unaudited revenue outturn position for the financial year 2018/19,
- ii) consider and note the impact of the 2018/19 outturn on the 2019/20 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 £2,564,784 as at 31 March 2019. The MIJB's unaudited financial position for financial year ending 31 March 2019 is shown at **APPENDIX 1**. This is summarised in the table below.

	Annual Budget £	Actual Expenditure £	Variance to date £
MIJB Core Service	114,492,166	117,056,950	(2,564,784)
MIJB Strategic Funds	2,583,516	1,211,408	1,372,108
Total MIJB Expenditure	117,075,682	118,268,358	(1,192,676)

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

4. KEY MATTERS/SIGNIFICANT VARIANCES FOR 2018/19

4.1 Learning Disabilities

4.1.1 The Learning Disability service is overspent by £491,668 to the year-end. The overspend is primarily due to overspends on the purchase of care for people with complex needs of £570,524, which includes young people transitioning from children's services, people being supported to leave hospital and for a major adaptation to a property of £45,257 to enable the service user to remain in their own home. This is being offset by underspends on staffing (£135,708) that have existed throughout this financial year, mainly relating to physiotherapy, speech and language and psychology services.

4.1.2 The outturn for Learning Disability service is overspent by £191,811 more than previously forecast. This was primarily due to, as noted above, the cost of supporting people with complex needs. Whilst a proportion of the costs of people transitioning into the adult services from integrated children's services are funded through additional in-year funding from Moray Council, 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 system can then have confidence that the money spent is required and appropriate to meet a person's outcomes, but it is not possible to remove the need for ongoing support. Whilst every element of expenditure is scrutinised prior to authorisation at service manager level, it has not been possible to reduce expenditure in line with the budget, as the nature of learning disabilities means that people will require on-going, lifelong support. The current level of scrutiny will remain in place, with only critical or substantial needs being met.

4.2 Mental Health

4.2.1 Mental Health services are overspent by £433,392 at the year end. This includes overspends on senior medical staff costs including locums (£440,246), Allied Health Professionals (£32,951), other staff (£20,449), supplies and equipment (£20,332), an efficiency target yet to be achieved (£75,000) and less income received than expected (£27,032) which is being offset by an underspend in nursing (£170,835). Services have continued to be delivered where funding has been reduced or withdrawn.

4.2.2 The outturn for Mental Health is an improved position on the previous forecast figure by £186,346. This was primarily due to £50,000 forecast spend which did not occur as care was instead delivered by the older people permanent care budget and reduced locum medical expenditure. There will be a reduction in some medical sessions as a result of redesign and efficiency during 2019/20.

4.3 Care Services Provided In-House

- 4.3.1 This budget is underspent by £769,503 at the end of the year. This primarily relates to staffing costs (£842,283) in Care at Home service (£189,999), Community Support workers (£222,023), challenging behaviour unit (£273,578) and other services brought in house during the year (£158,683) and other minor variances totalling £50,438. This is being reduced by overspends in Day Care £48,815 and less income received than expected £74,403.
- 4.3.2 The outturn for this budget has improved by £19,028 since the previous forecast. The underspend in the challenging behaviour unit is not expected to continue into 2019/20 as the units are at full capacity for both service users and staff. The overspend in Day services 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 2019/20.

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

- 4.4.1 This budget is overspent by £1,706,034 at the end of the year. The year-end position includes an over spend for domiciliary care in the area teams (£1,836,513), less income received than anticipated (£88,880) and client transport (£74,159). This is reduced by an underspend in permanent care (£297,369). The variances within this overall budget heading reflect the shift in the balance of care to enable people to remain in their homes for longer.
- 4.4.2 The outturn for this budget is £317,747 better than the previous forecast. This was primarily due to the cost of care within the community. 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. The service manager is also looking at the process for authorisation in order to be able to monitor this more closely. Contract monitoring in relation to very sheltered complexes will continue and variations to these contracts should show a financial change in 2019/20.

4.5 Intermediate Care & Occupational Therapy (OT)

- 4.5.1 This budget is overspent by £289,252 at the end of the year, this primarily relates to overspends on aids & adaptations (£246,742), and telecare equipment (£32,608) to facilitate people remaining in their own home.
- 4.5.2 The outturn for this budget is £164,644 worse than previously forecast. The purchasing of aids, equipment servicing, community alarms and telecare have greatly increased in the last quarter. This was primarily due to the waiting list initiative being addressed which has seen a reduction of 69% in 2018/19. This puts additional pressure on the equipment and adaptation budget, including increased costs of complex equipment. Weekly budget monitoring sessions

have been established with the OT Team Manager and Service Manager to scrutinise the level of spend which will continue in 2019/20.

4.6 Administration & Management

- 4.6.1 There is an overall underspend of £387,222 at the end of the year. This primarily relates to the vacancy target being overachieved by £365,759 and the business support unit administration service (£48,705). An overspend exists in the Admin & Management service (£23,150) mainly relating to the impact of Sure Start as services have continued to be delivered where funding has been withdrawn and this is being reduced by a minor underspend in management salaries .
- 4.6.2 The outturn for this budget is £135,974 worse than previously forecast. This was primarily due to the correction of salaries coded between admin & management and dental, where the position has improved.

4.7 Primary Care Prescribing

- 4.7.1 The primary care prescribing budget is reporting an actual over spend of £993,996 for the twelve months to March 2019. This includes a low volume increase of less than 1% on items. This out turn reflects the more material impact of volatile external factors affecting prices. These national factors include, variance in prices arising from shortage in supply and the timing and impact of generic medicines introduction following national negotiations. Locally, medicines management practices are 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.
- 4.7.2 The previous forecast for this budget was an overspend of £1,037,556. The continuation of effective local medicines management practices has limited the negative impact of external factors on this budget.

4.8 Primary Care Services

- 4.8.1 Primary Care services are underspent by £260,628 which is a greater underspend than forecast. The main cost pressures in 18/19 relate to established 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 Premises out-turn includes a reduced overspend mainly relating to downward revision of estimated rental review increases still outstanding which impacted mainly in Moray. The main overspends in enhanced services continue to be offset in part by under spend in Board Administered funds (BAF) which includes the impact of reduced Seniority payments, professional payments and other entitlements due.
- 4.8.2 The outturn for this budget is £174,421 better than previously forecasted. This was primarily due to the revision of estimates for premises and NHS Board administered funds.

4.9 Hosted Services

4.9.1 For Moray recharges hosted services, the position overall is an over spend of £196,751. There are a range of services within the overall recharge which includes overspends on Sexual health, Marie Curie, Police forensic and GMED, which is reduced by underspends in Intermediate care, Diabetes & Retinal screening and HMP Grampian. Work is underway across Grampian to ensure performance is monitored and reported to assist improved management of hosted services.

4.10 Improvement Grants

4.10.1 This budget was underspent by £128,570 at the year end, this is due to the Improvement grants and the timing of works.

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 2018/19 which has not been fully utilised during the year. Provision has been made to fund unutilised allocation for Primary Care Improvement Funds and Action 15 in 2019/20.
- Provisions for earmarked reserves and identified budget pressures that were expected at the start of 2018/19.
- Also included within the Strategic Funds line is the general reserve that was utilised to create a balanced budget position when the budget paper was presented to the MIJB on 28 June 2018 (para 6 of the minute refers).

5.2 At the end of the financial year there was non-recurring slippage on Strategic Funds of £1,372,108 which has reduced the overall overspend to £1,192,676. As at 1 April 2018, the MIJB held reserves of £846,726 which were utilised to support the 2018/19 budget in accordance with the Integration Scheme.

5.3 During the 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 a level of £256,863. The overall impact on the MIJB reserves shows a reduction of £589,863, that being £846,726 at 1 April 2018 to 256,863 as at 31 March 2019.

- 5.4 After consideration of earmarked reserves and application of slippage on Strategic Funds, the MIJB financial position resulted in an overspend of £1,192,676 which, in accordance with the Integration Scheme has to be met by additional funding from the 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 Head of Financial Services, Moray Council as 63%: 37% respectively which translates to £751,386 NHS Grampian and £441,290 Moray Council.
- 5.5 In November 2018 the MIJB was presented with a report relating to a financial recovery plan (para 18 of the minute refers) that had been agreed by the Director of Finance, NHS Grampian and Head of Financial Services, Moray Council. At this point in time the MIJB had a forecast overspend to the end of the financial year of £1,437,779. The financial recovery plan highlighted the action being taken to address the forecast overspend and the high degree of risk inherent in the Plan. Measures taken as outlined and restricted spending where possible achieved a more favourable final out-turn than previously forecast resulting in a reduced over spend of £1,192,677. The Recovery Plan will continue to be monitored and reported through 2019/20.

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 draft 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 2019.

7. **IMPACT ON 2019/20 BUDGET**

- 7.1 The actual out-turn for the 2018/19 Core Services budget year is an overspend of £2,564,784. 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	(512,000)	(51,000)
Purchasing of Care	7.3	(2,440,000)	0
Income	7.4	(220,000)	(93,000)
Supplies & Services	7.5	(73,000)	(28,000)
Property costs	7.6	(25,000)	(6,000)
Client transport	7.7	(99,000)	0
Aids & Adaptations	7.8	(279,000)	(46,000)
Other	7.9	(1,299,000)	(35,000)
Sub-total		(4,947,000)	(259,000)
<u>UNDERSPEND</u>			
Staff	7.2	658,000	941,000
Purchasing of Care	7.3	7,000	419,000
Income	7.4	58,000	21,000
Supplies & Services	7.5	96,000	41,000
Property costs	7.6	135,000	13,000
Client transport	7.7	0	3,000
Aids & Adaptations	7.8	0	145,000
Other	7.9	63,000	41,000
Sub-total		1,017,000	1,624,000
TOTAL		(3,930,000)	1,365,000
Net Overspend			(2,565,000)

- 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 has seen growth of 14% in the number of care

packages in 2018/19 and 35% increase in commissioned hours of care, this also reflects the shift in the balance of care to enable people to remain in their own homes for longer.

- 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 the Carers Act and free personal care for under 65's legislation comes into place.
- 7.5 Supplies and services overspend relates mainly to purchases of medical supplies, medical equipment and maintenance cost of equipment. The underspends relate to hospital prescribing of drugs which are not anticipated to recur following realignment of budgets.
- 7.6 The underspend in property costs include non-recurring 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 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 increase in demand and to help maintain people in their own homes. The underspend primarily relates to Improvement grants, due to the timings of works as the budget was fully committed for 2018/19.
- 7.9 Other category relates to numerous 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 2018/19 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 Budget managers, together with finance staff continue to pursue further efficiencies and longer term redesign in order to balance the budget. Service reviews are already underway ahead of the 2020/21 budget setting process and are being considered alongside the development of the Strategic Plan 2019-22 and the medium term financial strategy. The Recovery Plan which was presented to this Board in November 2018 (para 18 of the minute refers) will continue to be monitored and reported to the MIJB through the year.

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 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 show in the table below:

	£'s
Approved Funding 29.3.18	112,268,000
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	115,485,605
Adjustments in Qtr. 2	-120,094
Revised funding at start of Qtr. 3	115,365,511
Adjustments in Qtr. 3	802,908
Revised funding at start of Qtr. 4	116,168,419
Budget adjustments M10-M12	
Transition Costs	56,000
Moray Council Pay Award	759,000
Moray Training	34,121
Prescribing	8,241
Primary Care – Immunisations	24,869
LD & MH	158,471
Hosted Services	58,472
Public Health	6,100
Forres Running Costs	28,332
Moray Alliance	17,520
Other Minor Adjustments	13,000
Earmarked Reserve	-256,863
Revised 2018/19 Financial Year Funding	117,075,682
NHS Grampian 63% Share of Overspend	751,386
Moray Council 37% Share of Overspend	441,290
Total Funding 2018/19	118,268,358

- 8.3 In accordance with the updated budget position, revised Directions have been included at **Appendices 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 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 MIJB in 2018/19.

(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 2018/19 for the MIJB core budgets is £2,564,784 overspend. The financial details are set out in sections 3-7 of this report and in **APPENDIX 1**.

The estimated recurring overspend of £3,930,000 as detailed in para 7 will impact on the 2019/20 budget.

The movements in the 2018/19 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 £1,192,676 are £751,386 and £441,290 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 is an improved position than had previously been forecast, but gives cause for concern going forward. The general reserves have been depleted in 2018/19. Additional savings continue to be sought and a recovery plan is in place in order to support the 2019/20 budget and beyond. Progress reports will be presented to this Board throughout the year in order to address the serious financial implications the MIJB is facing.

(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 £2,564,784 at 31 March 2019 and identifies major areas of variance between budget and actual for 2018/19.**
- 10.2 The impact of the provisional outturn on the 2019/20 budget, of a recurring overspend of £3,930,000 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 £1,192,676.**

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Background Papers: Papers held by respective Accountancy teams

Ref: