



AUDIT & PERFORMANCE SYSTEMS COMMITTEE

Date of Meeting	20 August 2019
Report Title	Finance Update as at end June 2019
Report Number	HSCP.19.041
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author Details	Gillian Parkin (Finance Manager) Barbara Ncube (Finance Lead – ACH&SCP)
Consultation Checklist Completed	Yes
Directions Required	No
Appendices	a) Finance Update as at end June 2019 b) Summary of risks and mitigating action c) Sources of Transformational Funding d) Progress in implementation of savings - June 2019 e) Virements

1. Purpose of the Report

- a) To summarise the current year revenue budget performance for the services within the remit of the Integration Joint Board as at Period 3 (end of June 2019);
- b) To advise on any areas of risk and management action relating to the revenue budget performance of the Integration Joint Board (IJB) services.
- c) To note the budget virements so that budgets are more closely aligned to anticipated income and expenditure (see Appendix E).



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2. Recommendations

2.1. It is recommended that the Audit & Performance Systems Committee:

- a) Notes this report in relation to the IJB budget and the information on areas of risk and management action that are contained herein.
- b) Notes the budget virements indicated in Appendix E.

3. Summary of the financial information reported

3.1 At the end June an adverse position of £607,000 is forecast on mainstream budgets for the financial year 2019-20. The Leadership Team have been reviewing their budgets to bring this budget back into balance and have identified the following activities which will be used to manage this position:

Savings in the Senior Leadership Team Structure	£175,000
Additional funding expected for GMED	£199,000
Vacancy management savings for managerial, project management and administrative posts	£100,000
Undertake a review and reduce spend on courses, conferences, travel and equipment.	£133,000
	£607,000

3.2 As well as these savings, the Leadership Team will be looking at other areas within their budgets where it maybe possible to saving money. This was part of the objective setting process where all budget holders were asked to identify in year efficiencies of one percent.

3.3 At the end of the financial year the IJB had £5.6 million held in its reserves. The majority of this funding is committed to the previously agreed integration and change projects. A breakdown is shown below of the reserves position at the start of the financial year and a forecast of what the reserves will look like at the end of the financial year.



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	01/04/19	30/06/19
	£'000	£'000
Risk fund	2,500	2,500
Primary Care Improvement Fund*	120	0
Primary Care Reserve	1,580	984
Action 15 mental health funding*	161	0
Integration and Change Funding	551	0
Alcohol and Drugs Partnership*	666	333
	5,578	3,517

*Estimates for illustrative purposes

3.4 As can be seen from the table above the IJB still have its risk fund available should there be any further adverse movements to protect the partners from having to provide additional funding to the IJB. However, the use of this risk fund is seen as a last resort. The reduction in reserves forms part of the IJB's Medium Term Financial Framework where these funds are being invested in services to either manage demand and (or) improve services.

3.5 Information has been received with regard to the Alcohol and Drugs Partnership Funding and Action 15 mental health funding. The Scottish Government have indicated that they will continue to fund these initiatives at the previously agreed levels, however, they will only provide funding to the IJBs once the reserves carried forward have been spent. In order to provide clarity on what is due to Aberdeen for each of these funds a table has been prepared below:

	Allocate d in 18/19 £'000	Receive d in 18/19 £'000	Spent t in 18/19 £'000	Held in Reserve s £'000	Allocate d in 19/20 £'000	Availabl e in 19/20 £'000
Action 15	431	431	270	161	668	829
ADP	666	666	0	666	666	1,332
PCIP	1,793	1,298	1,178	120	2,156	2,771

The Scottish Government will only provide the whole of the amount available for 2019/20 if it is forecast to be spent. Information is still to be received on the



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Primary Care Improvement Fund, however, it is likely this will have similar requirements.

- 3.6 The position highlighted above closely aligns with the Medium-Term Financial Strategy, where it was intended the level of reserves would be reduced in 2019/20 to fund the transformation programme. An analysis of the major variances on the mainstream budget is detailed below:

Community Health Services (Year to date variance - £184,728 underspend)

Major Movements:

£45,381	Across non-pay budgets
£30,213	Under recovery on income
(£260,322)	Staff Costs

Within this expenditure category there is an underspend on staff costs mainly relating to inability to recruit within dental services and ongoing management vacancies. This is currently being offset with an under recovery of income within the public dental service due to the partnership employing less dentists and also a reduction in staff car lease income as there is a reduced number of staff who have leased cars.

3.7 Hosted Services (Year to date variance £176,698 overspend)

The main areas of overspend are as follows:

Intermediate Care: £207,969 relates to medical locum costs as a result of the requirement to provide consultant cover at night within Intermediate Care. Agency nurse usage continues due to sickness/absence levels, this is currently being reviewed by members of the Leadership Team.

Police Forensic Service: £18,867 overspend as there has been a legacy under funding issue with this budget, although additional funding has been provided by NHS Grampian.

Grampian Medical Emergency Department (GMED): £35,930 relates mainly to pay costs and the move to provide a safer more reliable service which has been a greater uptake of shifts across the service. Non-pay overspend due to repair costs not covered by insurance, increased costs on software and hardware support costs, increased usage of medical surgical supplies and an increase in drug costs.



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Hosted services are led by one IJB, however, the costs are split according to the projected usage of the service across the three IJBs. Decisions required to bring this budget back into balance may need to be discussed with the three IJBs, due to the impact on service delivery.

3.8 Learning Disabilities (Year to date variance - £70,578 overspend)

Major Movements:

£17,970	Staff Vacancy Factor
£11,000	Agency Staff Costs

The variance is mainly due to the staff vacancy factor not met £18,000; overspend on agency staff £11,000 and under recovery on client contributions. The budget for commissioned services and income was realigned in 2019-20, and the current spend should be to be brought back to budget by year end.

3.9 Mental Health & Addictions (Year to date variance - £174,433 overspend).

Major Movements:

£96,659	Needs led day care
£45,447	Mental Health Staffing
£39,423	Client contributions
£22,000	Needs led homecare

The overspend on commissioned services is mainly due to increased expenditure on residential needs led day care and needs led home care coupled with under recovery on client contributions. Spend is expected to be brought back to budget on social care side by year end, however the community mental health services are forecast to be overspent due to locum expenditure.

3.10 Older People & Physical and Sensory Disabilities (Year to date variance - £500,324 underspend)

Major Movements:

£589,846	Client contributions
(£288,850)	Underspend on needs led commissioned services



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£198,033

Direct payments

£107,473

Staffing Costs

The overspend reflects under recovery on client contributions. This could partly be influenced by delays in the assessment process and clients are only being charged a minimum contribution. This has been partially offset by an underspend in commissioned services. The spend will continue to be monitored closely and should be brought back to budget by year end. Direct payments are increasing and there is an overspend on staffing due to the vacancy factor not being achieved for the first three months.

3.11 Directorate (£344,790 underspend)

(£152,423)

Staffing Costs

(£142,250)

Commissioned services

Mainly due to vacancies and an underspend on commissioned services. The will fund mainstreamed spend on delay discharges and the carers strategy.

3.12 Primary Care Prescribing (Year to date variance – £85,636 overspend)

Actual information is received two months in arrears from ISD, this position is only based on 1 months actual plus an accrual for May and June. In 2018/19 the March 2019 average price was £11.02 per item. In April the actual average price per item fell further to £10.87 as a result of implementation of the nationally agreed 2019/20 contract with Community Pharmacy Scotland and associated reduction in tariff prices. This average price of £10.87 per item has been used to estimate May and June.

The 2019/20 national agreement also includes NHS Grampian share £20 million Scotland wide transfer from Prescribing to Global Sum payments for contractors which has still to be advised. This will result in a transfer of budget back to Scottish Government to facilitate national payment to contractors. This element of the tariff reduction and transfer to Global Sum is expected to have a neutral impact on financial position for IJB's and has been anticipated in the position to June.

The actual volume of items in 2018/19 compared to 2017/18 was a decrease of 0.09%. Actual items in April were higher than anticipated and the estimated position to June includes an increase of 1.72% over quarter 1 in 18/19 which is higher than expected to date. Given this information is only based on one



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month and that this budget can move significantly between months, it has not been forecast to overspend at the end of the financial at this point. This will be closely monitored and adjusted based on information from NHS Grampian.

3.13 Primary Care Services (Year to date variance - £3,494 overspend)

The Primary Care services position does not yet include allocations for agreed contract percentage uplift from the Scottish Government for 2019/20 to be advised. These revisions will have a further impact on the overall position once implemented.

The main cost pressures from 2018/19 continue relating to established Enhanced Services which includes diabetic care, contraception services, substance misuse and extended hours.

The overspends continue to be offset in part by a underspends in Board Administered Funds (BAF). This includes the impact of seniority payments, professional payments and other practice entitlements including maternity payments and sickness cover due within BAF.

This position will continue to be monitored closely over the next few months.

3.14 Out of Area Treatments (Year to date variance - £86,748 underspend)

Forecast includes assumptions on lengths of stay etc and on this update is showing potential underspend for year of £122,000. This is largely due to a large credit note which was received in this financial year, relating to previous year's spend.

4 Implications for IJB

4.1 Every organisation has to manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by budget holders and corporately by the Board and Audit & Performance Systems Committee. This report is part of that framework and has been produced to provide an overview of the current financial operating position.

Key underlying assumptions and risks concerning the forecast outturn figures are set out within Appendix B. Appendix D monitors the savings agreed by the IJB.



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- 4.2 Equalities – none identified.
- 4.3 Fairer Scotland Duty – none identified.
- 4.4 Financial – contained throughout the report.
- 4.5 Workforce – none identified.
- 4.6 Legal – none identified.
- 4.7 Other.

5 Links to ACHSCP Strategic Plan

A balanced budget and the medium financial strategy are a key component of delivery of the strategic plan and the ambitions included in this document.

5.2 Management of Risk

5.3 Identified risks(s)

See directly below.

5.4 Link to risks on strategic or operational risk register: Strategic Risk #2

There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.

5.5 How might the content of this report impact or mitigate these risks:

Good quality financial monitoring will help budget holders manage their budgets. By having timely and reliable budget monitoring any issues are identified quickly, allowing mitigating actions to be implemented where possible.

Should there be a number of staffing vacancies then this may impact on the level of care provided to clients. This issue is monitored closely by all managers and any concerns re clinical and care governance reported to the executive and if necessary the clinical and care governance committee.

Appendix A: Finance Update as at end June 2019

	Full Year	Period	Period	Period	Variance	Year end
Accounting Period 3	Revised Budget	Budget	Actual	Variance	Percent	Forecast Month 3
	£'000	£'000	£'000	£'000	%	£'000
Community Health Services	37,480	8,796	8,611	(185)	-2.1	(443)
Aberdeen City share of Hosted Services (health)	21,745	5,661	5,838	177	3.1	903
Learning Disabilities	34,855	8,722	8,793	71	0.8	(66)
Mental Health and Addictions	20,350	5,147	5,321	174	3.4	336
Older People & Physical and Sensory Disabilities	74,404	18,601	19,101	500	2.7	0
Directorate	1,246	312	(33)	(345)	-110.7	0
Criminal Justice	92	23	60	37	161.7	0
Housing	1,860	465	285	(180)	-38.8	0
Primary Care Prescribing	40,189	10,172	10,257	86	0.8	0
Primary Care	38,547	9,733	9,736	3	0	0
Out of Area Treatments	1,700	481	394	(87)	-18.0	(123)
Set Aside Budget	46,416	11,604	11,604	0	0.0	0
	318,883	79,716	79,967	252	0.3	607
Funds:						
Integration and Change	2,318	580	396	(184)	-31.7	0
Primary Care Improvement Fund	755	189	189	0	0.0	0
Action 15 Mental Health	507	127	127	0	0.0	0
Alcohol Drugs Partnership	666	167	0	(167)	-100.0	0
	4,246	1,062	711	(350)	-131.7	0
Approved Transfers from Reserves	(964)					
To be approved transfer from reserves	(182)					

321,983	80,777	80,678	(99)	-0.1	607
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Appendix B: Summary of risks and mitigating action

	Risks	Mitigating Actions
Community Health Services	Balanced financial position is dependent on vacancy levels.	<ul style="list-style-type: none"> • Monitor levels of staffing in post compared to full budget establishment. • A vacancy management process has been created which will highlight recurring staffing issues to senior staff.
Hosted Services	<p>There is the potential of increased activity in the activity-led Forensic Service.</p> <p>There is the risk of high levels of use of expensive locums for intermediate care, which can put pressure on hosted service budgets.</p>	<ul style="list-style-type: none"> • Work is being undertaken at a senior level to consider future service provision and how the costs of this can be minimised. • Substantive posts have recently been advertised which might reduce some of this additional spend.

	Risks	Mitigating Actions
Learning Disabilities	<p>There is a risk of fluctuations in the learning disabilities budget as a result of:</p> <ul style="list-style-type: none"> • expensive support packages may be implemented. • Any increase in provider rates for specialist services. • Any change in vacancy levels (as the current underspend is dependent on these). 	<ul style="list-style-type: none"> • Review packages to consider whether they are still meeting the needs of the clients. • All learning disability packages are going for peer review at the fortnightly resource allocation panel.
Mental Health and Addictions	<p>Increase in activity in needs led service.</p> <p>Potential complex needs packages being discharged from hospital.</p> <p>Increase in consultant vacancies resulting in inability to recruit which would increase the locum usage.</p> <p>Average consultant costs £12,000 per month average locum £30,000 per month.</p>	<ul style="list-style-type: none"> • Work has been undertaken to review levels through using Carefirst. • Review potential delayed discharge complex needs and develop tailored services. • A review of locum spend has highlighted issues with process and been addressed, which has resulted in a much improved projected outturn.

	Risks	Mitigating Actions
Older people services incl. physical disability	<p>There is a risk that staffing levels change which would have an impact on the balanced financial position.</p> <p>There is the risk of an increase in activity in needs led service, which would also impact the financial position.</p>	<ul style="list-style-type: none"> • Monitor levels of staffing in post compared to full budget establishment. • A vacancy management process has been created which will highlight recurring staffing issues to senior staff. • Review packages to consider whether they are still meeting the needs of the clients.
Prescribing	<p>There is a risk of increased prescribing costs as this budget is impacted by volume and price factors, such as the increase in drug prices due to short supply. As both of which are forecast on basis of available data and evidence at start of each year by the Grampian Medicines Management Group</p>	<ul style="list-style-type: none"> • Monitoring of price and volume variances from forecast. • Review of prescribing patterns across General Practices and follow up on outliers. • Implementation of support tools – Scriptswitch, Scottish Therapeutic Utility. • Poly pharmacy and repeat prescription reviews to reduce wastage and monitor patient outcomes.
Out of Area Treatments	<p>There is a risk of an increase in number of Aberdeen City patients requiring complex care from providers located outwith the Grampian Area, which would impact this budget.</p>	<ul style="list-style-type: none"> • Review process for approving this spend.

Appendix C: Sources of Transformational Funding

	2019/20 £m	2018/19 c/fwd £m	Total £m
Integrated Care Fund	3.75	3.13	6.88
Delayed Discharge Fund	1.13		1.13
Mental Health Access		0.18	0.18
Mental Health Fund		0.29	0.29
Primary Care Pharmacy	0.30	0.39	0.69
Social Care Transformation Funding	13.36		13.36
Primary Care Improvement Fund	0.76	0.12	0.88
Action 15 Mental Health Strategy	0.51	0.16	0.67
Transforming Urgent Care		0.54	0.54
6EA Unscheduled Care		0.10	0.10
ADP	0.66	0.67	0.87
Veterans Funding	0.18		0.18
	20.65	5.58	29.94
Adjust for social care and Health budget transfer	(17.14)		(17.14)
Funding available for IJB commitment	3.51	5.58	9.09
Take off c/forward reserve			(5.58)
REPORTED FULL YEAR BUDGET			3.51

Appendix D: Progress in implementation of savings – June 2019

Area	Agreed Target £'000	Status	Action	Responsible Officer
Review processes and ensure these are streamlined and efficient	(450)		<p>Financial Processes – Review of the financial assessment process is being undertaken to determine ways in which this can be sped up, to reduce delays for clients and maximise income available to the IJB.</p> <p>Pre-paid cards – Small working group nearing completion of procurement pack. Aberdeen City Council IT Team have reviewed technical specification of identified preferred provider to ensure fit with current systems prior to moving forward with direct award under Surrey Framework. Initial screening completed and currently exploring Data Protection Impact of introduction of card. Data Protection Impact Assessment has been drafted and officers are liaising with Information Governance in Aberdeen City Council to finalise.</p> <p>Communications for staff and service users has been drafted based on similar work in other Local Authority areas, final wording awaiting elements to be taken from procurement pack. Project estimated to go live in October 2020.</p>	Alison MacLeod & Gail Woodcock

Appendix D: Progress in implementation of savings – June 2019

Area	Agreed Target £'000	Status	Action	Responsible Officer
Income Generation	(553)		The increase in charges was agreed at Full Council and the invoices have been issued to clients. This budget will be monitored closely over the next few months to determine whether these increases have resulted in additional income expected.	Alison MacLeod
Managing Demand and Inflation	(1,063)		Work progresses to manage demand and the reduction in the bed base in the city is helping to achieve this target. Work continues with suppliers to manage the level of inflationary uplifts required.	A Stephen
Medicines Management	(631)		Community Pharmacy operationalising (Grampian Primary Care Prescribing Group) GPCPG report recommendations. Work commenced on tracking and reporting on impact of GPCPG recommendations. Development of an Oral Nutrition Supplements Business Case, which is projected to deliver savings and constrain future demand	Lorraine McKenna

Appendix D: Progress in implementation of savings – June 2019

Area	Agreed Target £'000	Status	Action	Responsible Officer
Service Redesign	(1,934)		Service redesign work is taking place and budgets have been reduced to help achieve this saving. The major element of this relates to the closure of a ward at Woodend and whilst the budget has reduced, pressures are being experienced in the use of locums and agency staff. The Leadership Team are working with staff at Woodend to review the use of locums and agency nursing.	A Stephen

Appendix D: Budget Reconciliation

	£	£
ACC per full council:		£89,312,872
NHS per letter from Director of Finance:		
Budget NHS per letter		<u>£219,111,067</u>
		£308,423,940
Additional allocations received during quarter 1 (as per Appendix E)		
Superannuation	523,955	
Orthopaedic Project	14,514	
Health Visitor Regrade	375,000	
Incremental Drift	425,000	
Locality Savings	(159,000)	
M Westland Post	(60,000)	
Staff Turnover	(561,000)	
Prescribing Reduction	(631,000)	
Out of Area	183,000	
Acute Care @ Home	675,000	
Evaluation Framework	90,000	
Primary Care	378,260	
Energy Uplift 1920	38,822	
Budget Uplift 1920	3,486,000	
Childsmile	160,000	
Oral Health	66,000	
Hub CO	273,466	
HPV	10,047	
Set a Side Budgets	5,072,000	
Auto Enrol	8,563	
1920 Pay Award	(385,597)	
Core Uplift Adj	(695,000)	
Alcohol	54,718	
Des Antic Allocation	610,082	
Waiting Times	1,093	
Hosted Services Recharge	1,061,075	
PCIP	502,697	
Action 15	378,431	
Men B, Child Flu & Rota Virus	17,965	
Carry Forward	159,400	
Total		£12,073,491
Adjustment Re Circ 02/19 -Carers Act		19,000
Adjustment Re Circ 02/19 -Fpc < 65 Years		1,342,000
School Mental Health Counselling		125,000
		£1,486,000
Reported at Month 3		£321,983,431

Appendix E: Virements

Health 1-3

Superannuation	523,955
Orthopaedic Project	14,514
Health Visitor Regrade	375,000
Incremental Drift	425,000
Locality Savings	(159,000)
M Westland Post	(60,000)
Staff Turnover	(561,000)
Prescribing Reduction	(631,000)
Out of Area	183,000
Acute Care @ Home	675,000
Evaluation Framework	90,000
Primary Care	378,260
Energy Uplift 1920	38,822
Budget Uplift 1920	3,486,000
Childsmile	160,000
Oral Health	66,000
Hub CO	273,466
HPV	10,047
Set a Side Budgets	5,072,000
Auto Enrol	8,563
1920 Pay Award	(385,597)
Core Uplift Adj	(695,000)
Alcohol	54,718
Des Antic Allocation	610,082
Waiting Times	1,093
Hosted Services Recharge	1,061,075
PCIP	502,697
Action 15	378,431
Men B, Child Flu & Rota Virus	17,965
Carry Forward	159,400
Total Virements	£12,073,491

Social Care 1-3

Adjustment Re Circ 02/19 -Carers Act	19,000
Adjustment Re Circ 02/19 -Fpc < 65 Years	1,342,000
School Mental Health Counselling	125,000
Mainstreamed transformation spend	799,001
Older People funding routed through health	183,300
Transformation	(982,301)
Budget realignment – Directorate	(692,000)
Budget realignment - LD	(184,000)
Budget realignment – Mental Health	472,000
Budget realignment - OPPD	404,000

Total Virements **£1,486,000**