



## **RISK, AUDIT AND PERFORMANCE COMMITTEE**

|   |  |
|---|--|
| <b>Date of Meeting</b>                  | 25 February 2020   |
| <b>Report Title</b>                     | Finance Update as at end December 2019   |
| <b>Report Number</b>                    | HSCP.19.102  |
| <b>Lead Officer</b>                     | Alex Stephen, Chief Finance Officer  |
| <b>Report Author Details</b>            | Scott Thomson (Management Accountant)<br>James Boulton (Finance Lead – ACH&SCP)  |
| <b>Consultation Checklist Completed</b> | Yes  |
| <b>Directions Required</b>              | No   |
| <b>Appendices</b>                       | a) Finance Update as at end December 2019<br>b) Summary of risks and mitigating action<br>c) Progress in implementation of savings - December 2019<br>d) 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 9 (end of December 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 approve 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 Risk, Audit & Performance 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) Approve the budget virements indicated in Appendix E.

### **3. Summary of the financial information reported**

- 3.1 At the end December an adverse position of £2,488,000 (£929,000 in August 2019) is forecast on mainstream budgets for the financial year 2019-20. The majority of the overspend is due to the additional cost of locums in order to provide safe staffing levels and increases in prescribing spend. The forecast overspend on the prescribing budget has moved significantly since August 2019.
- 3.2 The Leadership Team will be looking at areas within their budget 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. The majority of the budget pressures being experienced this financial year are of a recurring nature and these will need to considered during the budget setting process for 2020-21.
- 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.

|   | <b>01/04/19</b> | <b>31/12/19</b> |
|---|-----------------|-----------------|
|   | <b>£'000</b>    | <b>£'000</b>    |
| Risk fund                                       | 2,500           | 2,500           |
| Primary Care Improvement Fund*                  | 120             | 0               |
| Primary Care Reserve (previous unspent funding) | 1,580           | 0               |
| Action 15 mental health funding*                | 161             | 0               |
| Integration and Change Funding                  | 551             | 0               |
| Alcohol and Drugs Partnership*                  | 666             | 550             |
|   | <b>5,578</b>    | <b>3,050</b>    |

\*Estimates for illustrative purposes



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- 3.4 As can be seen from the table above the IJB still has its risk fund to protect the partners from having to provide additional funding to the IJB. However, the overspend currently being forecast will use this up in its entirety and there is no funding available in reserves to cover any movement in the forecast position between January and March 2020.
- 3.5 The other earmarked funds such as the Alcohol and Drugs Partnership (ADP) can only be used for the purpose they were provided and not to cover any overspends on mainstream services.
- 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. However, the movement on mainstream services means that our risk fund will require to be used. An analysis of the variances on the mainstream budget is detailed below:

### **Community Health Services (Forecasted Position - £190,171 underspend)**

#### **Major Variances:**

|            |                          |
|------------|--------------------------|
| (£560,241) | Across non-pay budgets   |
| £88,532    | Under recovery on income |
| £281,539   | Staff Costs              |

Staffing costs forecast to be overspent as targets not being met by vacancies. Income forecast for under recovery will be down to income from Dental patients reducing. Non-Pay underspend will primarily relate to Primary Care redesign.

### **3.7 Hosted Services (Forecasted Position £1,257,877 overspend)**

The main areas of overspend are as follows:

**Intermediate Care:** Main reason for overspend 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:** Legacy of under funding issue with this budget, although additional funding has been provided by NHS Grampian.



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**Grampian Medical Emergency Department (GMED):** 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.

**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 (Forecasted Position - £64,000 overspend)**

**Major Movements:**

|            |                       |
|------------|-----------------------|
| £208,000   | Staff costs           |
| (£100,000) | Commissioned Services |

As a result of recent changes in the resource allocation panel, and a decline in packages receiving uplifts, a favourable movement on commissioned spend is anticipated £100,000. There is an overspend on staffing due to agency staff being used to provide care due to the complexity of clients being care for by our in-house services.

### **3.9 Mental Health & Addictions (Forecasted Position - £679,000 overspend).**

**Major Movements:**

|          |                                      |
|----------|--------------------------------------|
| £287,000 | Needs led mental health nursing care |
| £242,000 | Under recovery client contributions  |

The overspend on commissioned services is mainly due to increased expenditure on needs led mental health nursing care coupled with under recovery on client contributions.

### **3.10 Older People & Physical and Sensory Disabilities (Forecasted Position £580,000 overspend)**

**Major Movements:**

|          |  |
|----------|--|
| £580,000 | Under recovery of client contributions |
|----------|--|



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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.

### **3.11 Directorate (Forecasted Position £684,000 underspend)**

(£824,000)

Commissioned services underspend

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

### **3.12 Primary Care Prescribing (Forecasted Position – £1,142,000 overspend)**

This position is based upon seven months actuals to October and an accrued position for November and December. The budget to December includes the reduction for expected drug tariff savings of £1.818m and the historical contribution to global sum of £270,000. This reduction was anticipated in the prior month's accrued position, so will have a neutral impact on the IJB's.

The increased average cost per unit of £11.11 has been used in the accrual estimate for November and December. The actual volume is continuing to show an increase over the first 8 months of 2018-19, including an Information Services Division (ISD) estimate for the items received for November 2019. As such, an expected volume increase of 2.19% over 2018/19 has been included in the accrued position.

### **3.13 Primary Care Services (Forecasted Position - £229,213 underspend)**

The GP contract uplift for 2019.20 is now been applied to the primary care actuals and budget to date and overall have been uplifted. This has resulted in a minor improved overall position in relation to Global Sum payments element which is continuing.

In November there was an improvement in position related to the prior mismatch between funding allocation for increased employers' superannuation contributions from 2019/20 received from Scottish Government being queried and actual costs being incurred which included an adverse £250,000 impact to October. Advice has now been received



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that this allocation was wrongly calculated and is to be redistributed eliminating this adverse impact. This is now reflected in the position to December but the actual allocation is still awaited.

### **3.14 Out of Area Treatments (Forecasted Position - £184,000 overspend)**

Forecast includes assumptions on lengths of stay etc and on this update, is showing potential overspend for year of £184,000. Changes relate to increased lengths of stay from previous estimates for two placements and the addition of enhanced nursing services for a patient.

## **4 Implications for IJB**

4.1 Every organisation must 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 Risk, 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.

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.



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### **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.

| <b>Approvals</b>  |   |
|---|---|
|  | Sandra Macleod<br>(Chief Officer)       |
|  | Alex Stephen<br>(Chief Finance Officer) |



## Appendix A: Finance Update as at end December 2019

| Period 9   | Full Year               |                        |                        |                          |                       |                   |
|--|-------------------------|------------------------|------------------------|--------------------------|-----------------------|-------------------|
|  | Revised Budget<br>£'000 | Period Budget<br>£'000 | Period Actual<br>£'000 | Period Variance<br>£'000 | Variance Percent<br>% | Forecast<br>£'000 |
| Community Health Services                        | 37,122                  | 26,548                 | 26,439                 | (109)                    | -0.4                  | 36,932            |
| Aberdeen City share of Hosted Services (health)  | 22,826                  | 17,087                 | 18,049                 | 962                      | 5.6                   | 24,084            |
| Learning Disabilities                            | 35,792                  | 26,316                 | 26,683                 | 367                      | 1.4                   | 35,856            |
| Mental Health and Addictions                     | 20,579                  | 15,189                 | 16,038                 | 849                      | 5.6                   | 21,258            |
| Older People & Physical and Sensory Disabilities | 75,574                  | 55,189                 | 57,421                 | 2,232                    | 4.0                   | 76,154            |
| Directorate                                      | 1,659                   | 1,241                  | 174                    | (1,067)                  | -86.0                 | 975               |
| Criminal Justice                                 | 92                      | 73                     | 10                     | (63)                     | -86.3                 | 99                |
| Housing  | 1,860                   | 1,395                  | 1,133                  | (262)                    | -18.8                 | 1,860             |
| Primary Care Prescribing                         | 39,313                  | 29,295                 | 30,126                 | 831                      | 2.8                   | 40,455            |
| Primary Care                                     | 41,058                  | 30,810                 | 30,655                 | (155)                    | -0.5                  | 40,829            |
| Out of Area Treatments                           | 1,700                   | 1,274                  | 1,418                  | 144                      | 11.3                  | 1,884             |
| Set Aside Budget                                 | 46,416                  | 34,812                 | 34,812                 | 0                        | 0.0                   | 46,416            |
| Public Health                                    | 1,368                   | 1,010                  | 965                    | (45)                     | -4.5                  | 1,240             |
|  | <b>325,359</b>          | <b>240,239</b>         | <b>243,923</b>         | <b>3,684</b>             | <b>1.5</b>            | <b>328,042</b>    |
| Integration and Change                           | 2,131                   | 1,599                  | 1,663                  | 64                       | 4.0                   | 1,936             |
| Primary Care Improvement Fund*                   | 1,576                   | 1,182                  | 1,182                  | 0                        | 0.0                   | 1,576             |
| Action 15 Mental Health*                         | 473                     | 355                    | 355                    | 0                        | 0.0                   | 473               |
| Alcohol Drugs Partnership*                       | 666                     | 500                    | 500                    | 0                        | 0.0                   | 666               |
|  | <b>4,846</b>            | <b>3,636</b>           | <b>3,700</b>           | <b>64</b>                | <b>4.0</b>            | <b>4,651</b>      |
|  | <b>330,205</b>          | <b>243,875</b>         | <b>247,623</b>         | <b>3,748</b>             | <b>1.5</b>            | <b>332,693</b>    |



## Appendix B: Summary of risks and mitigating action

|                                  | Risks   | Mitigating Actions   |
|----------------------------------|---|--|
| <b>Community Health Services</b> | Balanced financial position is dependent on vacancy levels.   | <ul style="list-style-type: none"> <li>• Monitor levels of staffing in post compared to full budget establishment.</li> <li>• A vacancy management process has been created which will highlight recurring staffing issues to senior staff.</li> </ul>                                       |
| <b>Hosted Services</b>           | <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"> <li>• Work is being undertaken at a senior level to consider future service provision and how the costs of this can be minimised.</li> <li>• Substantive posts have recently been advertised which might reduce some of this additional spend.</li> </ul> |

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

|  | <b>Risks</b>  | <b>Mitigating Actions</b>   |
|--|---|---|
| <b>Older people services incl. physical disability</b> | <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"> <li>• Monitor levels of staffing in post compared to full budget establishment.</li> <li>• A vacancy management process has been created which will highlight recurring staffing issues to senior staff.</li> <li>• Review packages to consider whether they are still meeting the needs of the clients.</li> </ul>  |
| <b>Prescribing</b>                                     | <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 date and evidence at start of each year by the Grampian Medicines Management Group</p> | <ul style="list-style-type: none"> <li>• Monitoring of price and volume variances from forecast.</li> <li>• Review of prescribing patterns across General Practices and follow up on outliers.</li> <li>• Implementation of support tools – Scriptswitch, Scottish Therapeutic Utility.</li> <li>• Poly pharmacy and repeat prescription reviews to reduce wastage and monitor patient outcomes.</li> </ul> |
| <b>Out of Area Treatments</b>                          | <p>There is a risk of an increase in number of Aberdeen City patients requiring complex care from providers located out with the Grampian Area, which would impact this budget.</p>   | <ul style="list-style-type: none"> <li>• Review process for approving this spend.</li> </ul>  |

## Appendix C: Progress in implementation of savings – December 2019

| Area  | Agreed Target<br>£'000 | Status | Action  | Responsible Officer            |
|---|------------------------|--------|---|--------------------------------|
| Review processes and ensure these are streamlined and efficient | (450)                  |        | <p><b>Financial Processes</b> – 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><b>Pre-paid cards</b> – 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 has gone live and cards are being issued.</p> | Alison MacLeod & Gail Woodcock |

## Appendix C: Progress in implementation of savings – December 2019

| Area                          | Agreed Target<br>£'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)                  |        | <p>Community Pharmacy operationalising (Grampian Primary Care Prescribing Group) GPCPG report recommendations.</p> <p>Work commenced on tracking and reporting on impact of GPCPG recommendations.</p> <p>Development of an Oral Nutrition Supplements Business Case, which is projected to deliver savings and constrain future demand</p> | Lorraine McKenna    |

## Appendix C: Progress in implementation of savings – December 2019

| Area             | Agreed Target<br>£'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:  |         | 89,311,971  |
| NHS per letter from Director of Finance:                     |         |             |
| Budget NHS per letter  |         | 219,111,067 |
|  |         | 308,423,039 |
| Reserves:  |         |             |
| Brought Forward NHS  |         | 5,581,424   |
|  |         | 314,004,463 |
| Funding Assumptions and Adjustments:                         |         |             |
| Less: Reserves   |         | (5,581,424) |
|  |         | 308,423,039 |
| <b>NHS -Additional allocations received during quarter 1</b> |         |             |
|  |         | 12,073,491  |
| <b>ACC -Additional allocations received during quarter 1</b> |         |             |
|  |         | 1,486,000   |
| <b>Reported at Month 3</b>                                   |         | 321,982,530 |
| <b>NHS -Additional allocations received during quarter 2</b> |         |             |
|  |         | 950,133     |
| <b>ACC -Additional allocations received during quarter 2</b> |         |             |
| Self Directed Support Transformation Funding                 | 123,000 | 123,000     |
| <b>Reported at Month 5</b>                                   |         | 323,055,663 |
| <b>NHS -Additional allocations received during quarter 3</b> |         |             |
|  |         | 4,071,216   |
| <b>ACC -Additional allocations received during quarter 3</b> |         |             |
| Use of reserves  |         | 3,078,337   |
| <b>Reported at Month 9</b>                                   |         | 330,205,216 |



## Appendix E: Virements

### Health 6-9 Transfers in Health

| Virement Name                         | Area Affected                  |            |
|---------------------------------------|--------------------------------|------------|
| Mental Health Realignment             | City Core                      | £74,683    |
| Mental Health Realignment             | City Learning Disabilities     | (£74,683)  |
| Realign Public Health Immunisation    | City Core                      | £1,642     |
| Realign Public Health Immunisation    | Transformation Reserves        | (£1,642)   |
| Realign Public Health Hierarchy       | Transformation & Public Health | £935,060   |
| Realign Public Health Hierarchy       | City Core                      | (£935,060) |
| Realign Innovation Funding            | City Learning Disabilities     | £10,000    |
| Realign Innovation Funding            | Transformation Reserves        | (£10,000)  |
| Efficient Resources Realignment       | Transformation & Public Health | £201,266   |
| Efficient Resources Realignment       | City Mental Health             | £140,366   |
| Efficient Resources Realignment       | City Core                      | (£341,631) |
| ICF Realignment for Acute Care @ Home | City Core                      | £645,959   |
| ICF Realignment for Acute Care @ Home | Transformation Reserves        | (£645,959) |
| Innovation Funding Realign            | City Learning Disabilities     | £67,894    |
| Innovation Funding Realign            | Transformation Reserves        | (£67,894)  |
| Capacity Building Funding Realign     | City Mental Health             | £133,307   |
| Capacity Building Funding Realign     | Transformation Reserves        | (£133,307) |
| <b>Virements Total</b>                |                                |            |