



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

<b>Date of Meeting</b>	13 November 2018
<b>Report Title</b>	Finance Update as at end September 2018
<b>Report Number</b>	HSCP.18.087
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Gillian Parkin (Finance Manager) Jimmie Dickie (Finance Business Partner)
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Appendices</b>	a) Finance Update as at end September 2018 b) Summary of risks and mitigating action c) Sources of Transformational Funding d) Progress in implementation of savings - September 2018 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 6 (end of September 2018);
- b) To advise on any areas of risk and management action relating to the revenue budget performance of the Integration Joint Board (IJB) services; and
- 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; and
- b) Notes the budget virements indicated in Appendix E.

### 3. Summary of Key Information

#### Reported position for period to end September 2018

- 3.1. An adverse position of £537,000 is reported for the six-month period to the end of September 2018 as shown in Appendix A. A forecasted year-end position has been prepared based on month 6 results. This has resulted in a projected overspend of £633,000 (£884,000 in June 2018) on mainstream budgets. The main areas of overspend are Learning disabilities, Aberdeen City share of hosted services (health), Mental Health and Addiction, and Out of Area Treatments.
- 3.2. The Leadership Team have been working hard to bring this budget back into balance after early indications that there would be an overspend forecast for this first six months of the financial year. (Detailed actions were reported in the end of June finance update).
- 3.3. At the last IJB meeting it was noted that a transfer from reservices would be required should it not be possible to reduce the overspend on mainstream budgets and in order to fund the spend forecast on the integration and change projects. The position is tracked below and shows that the position has improved marginally since June.

	01/04/18	30/06/18	30/09/18
	£'000	£'000	£'000
Risk fund	2,500	2,500	2,500
Primary Care Reserve (previous unspent funding)	1,990	1,584	1,491
Integration and Change Funding	3,817	1,164	1,305



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<u>8,307</u>	<u>5,248</u>	<u>5,296</u>
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The position highlighted above closely aligns with the Medium-Term Financial Strategy, where it was intended the level of reserves would be reduced in 2018/19 to fund the transformation programme. The forecast position includes the additional income provided for Alcohol and Drugs Partnership (ADP) of £665,000 and winter planning of £185,000 and it is assumed in the forecast position this money will be fully spent by the end of financial. Although in the case of ADP this is very unlikely as the income has only just been received.

**3.4.** An analysis of variances is detailed below:

### **Community Health Services (Year to date variance - £328,000 underspend)**

#### **Major Movements:**

(£24,198)	Across non-pay budgets
£101,402	Under recovery on income
(£406,388)	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.

### **Hosted Services (Year to date variance £286,000 overspend)**

The main areas of overspend are as follows:

**Intermediate Care:** £152,116 relates to medical locum costs as a result of the requirement to provide consultant cover at night within Intermediate Care and higher than anticipated expenditure on the Wheelchair Service due to an increase in demand for this service.

**Police Forensic Service:** is forecast overspend as there has been a legacy under funding issue with this budget. However, it has been assumed this overspend will be covered from a budget transfer from NHS Grampian.



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**Grampian Medical Emergency Department (GMED):** £105,525 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. Additional funding has been received from the Scottish Government for out of hours and this has been allocated against this budget.

**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.

### Learning Disabilities (Year to date variance - £263,000 overspend)

#### Major Movements:

£186,000	Expenditure on needs led care services
£150,000	Under-recovery customer and client receipts
(£42,000)	Underspend against transport

Expenditure on needs led care services will be closely monitored and adjusted for any changes from service reviews. The under-recovery in client and customer receipts is mainly on residential and nursing care.

### Mental Health & Addictions (Year to date variance - £175,000 overspend).

#### Major Movements:

£322,000	Expenditure on commissioned services
(£92,000)	Income Customer and Client Receipts
(£39,000)	Staff vacancies

The overspend on commissioned services is mainly due to increased expenditure on residential services partly offset by increased client contribution and NHS staff vacancies.

### Older People & Physical and Sensory Disabilities (Year to date variance - £515,000 overspend)

#### Major Movements:

£444,000	Kingswells
£96,000	Under-recovery client contributions



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The overspend reflects additional profiled expenditure on Kingswells Nursing Home. This additional spend will be managed out by the year end. Client contribution budgets remain closely monitored.

### **Directorate (£281,000 underspend)**

(£102,000)

Under-spend commissioned services

(£145,000)

Under-spend on staff costs

The underspend on commissioned services is mainly on a provision set aside for increased funding for sleepovers.

### **Primary Care Prescribing (Year to date variance – £87,000 underspend)**

As actual information is received two months in arrears from the Information Services Division this position is based on actuals to July 2018 with an estimation of spend for August and September. At present it appears the budgeted level of spend will be close to the forecast at the end of the financial year, however, as has been shown previously spend on this budget line can move by material amounts between the months based on factors largely out with the control of the IJB.

### **Primary Care Services (Year to date variance - £68,000 overspend)**

The position within Primary Care Services represents the impact of the revision of the Global Sum (based on practice registered patient numbers) payments for 2018/19 including protected element now being paid assumed to be offset by revised allocation yet to be received from Scottish Government as part of the new GMS contract.

The premises position continues with an overspend which will include any rental increases impacting on 2018/19 confirmed as a result of rent reviews. The forecast to the end of the financial year is breakeven as it should be possible to reduce this overspend over the next few months.

### **Out of Area Treatments (Year to date variance - £9,000 underspend)**

The reported underspend is non linear and does not reflect known additional costs which are expected to be incurred prior to year end, resulting in a projected overspend for year-end of £211,000. This is due to a known transfer which will happen earlier than previously forecast, an extended length of stay within Brain Injury Rehab and a likely new admission.



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### **The impact of the current position on 2019/20 onwards**

The current budget position is based on the following assumptions:

- Vacancy management savings at a central management team level:

What has been seen in previous years is that the vacancy management savings don't fall in the same area each year. For example, last financial year there were a number of vacancies in the podiatry team which have been filled this financial year. This year there have been a number of vacancies at a senior level within the organisation and in the primary care team. It is not anticipated that some of these posts will be filled going forward and therefore the assumption on vacancy managements savings should hold for the following year with some work from the senior leadership team.

- Increased demand and cost for learning disability, mental health clients and out of area placements:

In the medium term financial strategy an additional £600,000 is added each financial year for new learning disability clients. What is becoming clear is that the costs of services for these groups of clients is increasing due to the complexity of the clients needs. As more complex clients are discharged from hospital the costs associated with the providing the social care falls on the IJB. Some of these clients can cost the IJB upwards of £150,000 a year.

- Prescribing is currently forecast to underspend:

The prescribing budget is currently forecast to underspend. This budget is very volatile and the forecast has moved about significantly over the period of this financial year. The forecast as it currently stands is the best guide that we have at this period of time. Significant work is being undertaken across Grampian to reduce the spend on prescribing and the full year impact will be felt in 2019/20.

- Integration & Change fund expenditure and commitments:

A high-level review has been undertaken by the finance team on the integration and change fund expenditure forecast to be spent in 2019/20.



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Several assumptions have been made in regard to this review, however, the funding available will be enough to cover the costs likely to be incurred.

In conclusion the assumptions in the medium-term financial strategy still stand as reported to the last IJB. The main area of risk arising in relation to these assumptions is in regard to Learning Disability, Mental Health and Out of Authority placements where the costs of providing the services are increasing. It is difficult to put a precise figure on the level of risk at this stage, however, it could be as much as an additional £1 million. A zero-base budgeting exercise is currently being undertaken to quantify the figure.

### **4. Implications for IJB**

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.

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

### **5. Links to ACHSCP Strategic Plan**

- 5.1. 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.



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### **6. Management of Risk**

#### **6.1. Identified risks(s)**

See directly below.

#### **6.2. 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.

#### **6.3. 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 September 2018

Accounting Period 6	Full	Period	Period	Period	Variance	Year
	Year					
	Revised	Budget	Actual	Variance	Percent	Forecast
	£'000	£'000	£'000	£'000	%	Month 6
						£'000
Community Health Services	32,110	16,017	15,689	(328)	-2.0	(584)
Aberdeen City share of Hosted Services (health)	21,634	10,800	11,086	286	2.6	389
Learning Disabilities	31,739	15,866	16,129	263	1.7	876
Mental Health and Addictions	20,639	10,346	10,521	175	1.7	523
Older People & Physical and Sensory Disabilities	73,681	36,439	36,954	515	1.4	(224)
Directorate	343	169	(112)	(281)	-166.0	(189)
Criminal Justice	93	37	48	11	28.5	(25)
Housing	1,861	930	855	(75)	-8.1	0
Primary Care Prescribing	40,712	20,264	20,178	(87)	-0.4	(344)
Primary Care	37,188	18,454	18,522	68	0.4	0
Out of Area Treatments	1,517	758	749	(9)	-1.2	211
Set Aside Budget	40,509	20,255	20,255	0	0.0	0
Integration and Change (Transformation)	4,674	2,388	2,388	0	0.0	2,378
Approved transfers from reserves						(3,011)
Reported position excl reserves	<b>306,698</b>	<b>152,724</b>	<b>153,261</b>	<b>537</b>		<b>0</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 as a result 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 weekly resource allocation panel</li> </ul>
<b>Mental Health and Addictions</b>	<p>Increase in activity in needs led service.            Potential complex needs packages being discharged from hospital.            Increase in consultant vacancies resulting in inability to recruit which would increase the locum usage.            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>

	Risks	Mitigating Actions
<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> <li>• An audit of Carefirst residential packages established that £500k of packages should be closed. These findings were combined with a review of previous years accruals to determine how much the residential care spend should be reduced which also resulted in a favourable reduction in projected spend</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>

	Risks	Mitigating Actions
<b>Out of Area Treatments</b>	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.	<ul style="list-style-type: none"> <li>Review process for approving this spend.</li> </ul>

## Appendix C: Sources of Transformational Funding

	2018/19 £m	2017/18 c/fwd £m	Total £m
Integrated Care Fund	3.75	1.59	5.34
Delayed Discharge Fund	1.13	1.10	2.22
Mental Health Access		0.18	0.18
Mental Health Fund		0.28	0.28
Primary Care Pharmacy	0.30	0.39	0.69
Social Care Transformation Funding	13.36	3.13	16.49
Primary Care Transformation		0.30	0.30
Primary Care Improvement Fund	1.05		1.05
Action 15 Mental Health Strategy	0.30		0.30
OOH GMED funding	0.20		0.20
Transforming Urgent Care		0.54	0.54
Keep Well/Public Health		0.16	0.16
Carers Information Strategy		0.16	0.16
Mental Health Innovation		0.02	0.02
6EA Unscheduled Care		0.11	0.11
Winter funding		0.26	0.26
Health Visiting funding	0.09	0.09	0.19
ADP	0.67		0.67
6EA Unscheduled Care	0.04		0.04
Winter funding	0.19		0.19
Veterans Funding	0.18		0.18
	<b>21.25</b>	<b>8.31</b>	<b>29.55</b>
Adjust for social care and Health budget transfer	-16.95		-16.95
Adjust for GMED OOH Funding	-0.20		-0.20
Funding available for IJB commitment	<b>4.10</b>	<b>8.31</b>	<b>12.40</b>
Take off c/forward reserve			-8.31
Add on anticipated allocations			
Primary Care Improvement Plan balance			0.58
<b>REPORTED FULL YEAR BUDGET</b>			<b>4.68</b>

## Appendix D: Progress in implementation of savings – September 2018

Area	Agreed Target	Status	Action	Responsible Officer
Review processes and ensure these are streamlined and efficient	(250)		<p><b>Financial Processes</b> -Continuing to investigate the use of portal allowing the upload of required documents electronically (by staff or supported individuals) – now paused pending decisions around the future of Care First (or upgrade to Eclipse) or move to another supplier will impact on this. Information Leaflet is in final draft, awaiting printing.</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. Awaiting agreement of competition dates to commence recruitment of Finance Officer role to support implementation of</p>	M. Allan

Area	Agreed Target	Status	Action	Responsible Officer
			cards. Asked to consider individuals placed on ACC redeployment register in first instance (which may shorten recruitment timelines) – HR have identified individuals – this has been paused for now – awaiting appointment of card provider prior to appointment of finance officer role.	
Review of out of hours services	(400)		<p>At an initial meeting of the Shortlife Working Group it was agreed to split the work into two areas. The first was to review Sleepovers. Once this was completed we would have a clearer understanding of the requirements for the Responder Service and work on that could then begin.</p> <p>The review would need to begin asap. A saving target of £400,000 has been allocated for financial year 2018/19 and whilst some alternative arrangements have already been identified as part of the transfer of service provision at Donald Dewar Court further work needs to be undertaken as soon as possible.</p>	A. Macleod

Area	Agreed Target	Status	Action	Responsible Officer
Review of Out of Area Commissioning	(250)		<p><b>Workstream 1 - Streamlining of Processes and procedures for OOA Placements</b> (<i>updating of forms/guidance/flowcharts of processes</i>). The group have now met on 4 occasions with guidance flowcharts in final form. The group now have a clear spreadsheet of all out of area placements and associated costs. Review positions are now being sought for all Health Out of Area placements on a quarterly basis.</p> <p><b>Workstream 2 - Learning Disabilities Cohort</b> – (<i>To check current information is correct; to benchmark with other models/areas; and review current placements and merging and existing local complex care packages with consideration of potential local alternatives</i>). Identified and profiled all existing out of area placements and current /emerging locally delivered complex/intensive care packages. Aberdeenshire colleagues have undertaken same exercise. Now preparing case pen pictures with a view to determining potential cohorts of clients/needs. Joint meeting currently being organised to take place in late August with Aberdeenshire Colleagues.</p>	A. Stephen

Area	Agreed Target	Status	Action	Responsible Officer
			<p><b>Workstream 3 – Alcohol, Detox &amp; Chronic/Long Term Alcoholism</b> – <i>to check current information is correct, to benchmark with other models/areas; and consider potential local alternatives.</i> This workstream group met in early June to review information around in-patient detox services. Group to undertake a case review of the last 10 admissions to identify whether their needs could be met elsewhere. Group reviewing Service Agreement arrangement and reporting outcomes. Group to meet at the end of August to look at further options for alternative service provision.</p>	
Medicines Management	(200)		<ul style="list-style-type: none"> <li>• Community Pharmacy operationalising (Grampian Primary Care Prescribing Group) GPCPG report recommendations.</li> <li>• Work commenced on tracking and reporting on impact of GPCPG recommendations.</li> <li>• Development of an Oral Nutrition Supplements Business Case, which is projected to deliver savings and constrain future demand.</li> <li>• Budget currently forecasting to underspend</li> </ul>	A Stephen

## Appendix D: Budget Reconciliation

	£	£
ACC per full council:		£86,855,213
NHS per letter from Director of Finance:		
Budget NHS per letter		<u>£215,579,519</u>
		£302,434,732
New Monies Received to Period 3:		
Scottish Government	£1,524,383	
NHS Adjustments	<u>£832,722</u>	£2,357,105
Reserves:		
Carry Forward Brought Down NHS	£1,229,063	
Carry Forward still to be brought down NHS	£3,952,649	
Carry Forward brought down ACC	<u>£3,130,000</u>	<u>£8,306,965</u>
		£313,098,802
Funding Assumptions:		
Less: Reserves		<b>-£8,306,965</b>
New Funding PCIP\Action 15 = 30%		£579,000
		<b>£305,370,837</b>
Additional revised during quarter 2		
Pay Award (health)		£1,041,466
Child Flu		£1,945
SG – Alcohol and Drugs Partnership		£461,123
SG – 6 Essential Actions		£37,455
SG - Winter funding		£185,605
SG - Veterans		£183,300
SG - Dental		£187,000
Nursing Resource Group		£22,000
Rota virus		£4,720
Meningitis B		£13,921
Primary Care		£41,142
Prescribing reduction		<b>-£848,571</b>
<b>Reported at month 6</b>		<b>£306,701,943</b>

## Appendix E: Virements

Health 4-6	
Pay Award (health) & Hosted Services	£1,041,466
Alcohol and Drugs Partnership (Scottish Government allocation)	461,123
Nursing Resource Group (training support)	22,000
Dental allocations for Childsmile and Oral Health (Scottish Government allocation)	187,000
Primary Care (NHS reallocation)	41,142
6 Essential Action funding (Scottish Government allocation)	37,455
Veterans Funding (Scottish Government allocation)	183,300
Winter Funding (Scottish Government allocation)	185,605
Reduction to Prescribing budget (Scottish Government adjustment)	-848,571
Rotavirus	4,720
Meningitis B	13,921
Child Flu	1,945
<b>Total Virements</b>	<b>1,331,106</b>

Social Care 4-6- to align budgets to spend	
Directorate (NHS income)	£ 511,028
Directorate (Charging Policy Income)	526,721
Directorate (other income)	6,888
Directorate (inflation contingency)	-1,044,637
Older People (Client contributions)	217,760

Older People (Rental Income)	-24,698
Older People (In-house client contributions)	-193,062
Learning Disability (Staffing)	1,000
Learning Disability (Commissioned services)	-82,170
Learning Disability (Transfer Payments)	200
Older People (commissioned services)	64,432
Older People (supplies and services)	16,585
Older People (transfer payments)	-47
Learning Disability (admin)	9,008
Learning Disability (transport)	-1,600
Learning Disability (supplies and services)	1,592
Learning Disability (NHS Income)	-9,000
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Total Virements	0