



## AUDIT & PERFORMANCE SYSTEMS COMMITTEE

<b>Date of Meeting</b>	12 <sup>th</sup> of February 2019
<b>Report Title</b>	Finance Update as at end December 2018
<b>Report Number</b>	HSCP.18.138
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Gillian Parkin (Finance Manager) Lesley Fullerton (Finance Operations Manager)
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Appendices</b>	a) Finance Update as at end December 2018, b) Summary of risks and mitigating action, c) Sources of Transformational Funding d) Progress in implementation of savings - December 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 9 (end of December 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.
- 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 Key Information

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

- 3.1. An adverse position of £217,000 is reported for the nine-month period to the end of December 2018 as shown in Appendix A. A forecasted year-end position has been prepared based on month 9 results. This has resulted in a projected overspend of £842,000 (£633,000 in September 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. At the last IJB meeting it was noted that a transfer from reserves 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.

	<b>01/04/18</b>	<b>30/06/18</b>	<b>30/12/19</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Risk fund	2,500	2,500	2,500
Primary Care Reserve (previous unspent funding)	1,990	1,491	1,491
Integration and Change Funding	3,817	1,305	1,152
	<b><u>8,307</u></b>	<b><u>5,296</u></b>	<b><u>5,143</u></b>



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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. An analysis of variances is detailed below:

### **Community Health Services (Year to date variance - £454,000 underspend)**

#### **Major Movements:**

(£58,682)	Across non-pay budgets
£215,283	Under recovery on income
(£610,527)	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

### **Hosted Services (Year to date variance £391,606 overspend)**

The main areas of overspend are as follows:

**Intermediate Care:** £103,009 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:** £132,658 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.

**Grampian Medical Emergency Department (GMED):** £227,235 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



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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 - £1,009,000 overspend)

#### Major Movements:

£1,300,000	Overspend of commissioned services
£400,000	Under-recovery customer and client receipts
£1,000,000	Adverse movement needs led homecare
(£300,000)	Favourable movement carers support
(£200,000)	Under spend on transfer payments
(£330,000)	Favourable movement needs led day care

Mainly due to overspend of commissioned services of £1,300,000. Under recovery of client contributions £400,000. Adverse movement in needs led homecare £1,000,000. Favourable movement in carers support £300,000. An underspend on transfer payments of £200,000 and needs led day care of £330,000. This budget projection has been updated as a result of the recent zero based budgeting exercise, the reason for the adverse movements being increasing demand and the complexity of clients' disabilities requiring support.

### Mental Health & Addictions (Year to date variance - £634,000 overspend).

#### Major Movements:

£560,000	Needs led residential care overspent
£110,000	Homecare overspent

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



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**Older People & Physical and Sensory Disabilities (Year to date variance - £450,000 underspend)**

### **Major Movements:**

(£186,000)	Over recovery of client contributions and board charges
(£286,000)	Favourable movement in Physical Disability Residential

Client contribution budgets remain closely monitored throughout the remainder of the financial year.

### **Directorate (£572,000 underspend)**

(£220,000)	Staffing savings
(£100,000)	Over recovery of charging policy
(£180,000)	Decreased expenditure on commissioned services

The underspend on commissioned services is mainly on a provision set aside for increased funding for sleepovers which is now included in the relevant section.

### **Primary Care Prescribing (Year to date variance – £224,119 underspend)**

As actual information is received two months in arrears from the Information Services Division, this position is based on actuals to October 2018 with an estimation of spend for November and December. 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 - £80,245 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



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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 - £14,000 overspend)**

The main change this month is to include potential charges for keeping a space for a patient who has moved to a lower level of service provision and where the move was conditional on retaining this original bed. This situation is being investigated to determine whether it is compliant with the contract conditions. The overall forecast outturn is now showing as £183,000 overspend (of which £160,000 is attributable to this dispute).

### **Learning Disabilities**

The learning disability budget is experiencing demand pressures, due to an increase in the number of clients requiring support with complex needs. Providers are seeking to pass these costs through to the IJB and given the lack of capacity in the system providers' rates are rising higher than had been anticipated. Also, a number of these clients require to be sent out of area due to the lack of capacity in the system locally. In Aberdeen City reviews are undertaken frequently of clients who are being cared for out of area. In terms of the review across Grampian and looking at commissioning the development of a new service locally, NHS Grampian are in the process of recruiting to a position which will take his work forward.

## **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.



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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.

### **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 December 2018

Accounting Period 9	Full Year Revised Budget £'000	Period Budget £'000	Period Actual £'000	Period Variance £'000	Variance Percent %	Year end Forecast Month 9 £'000
Community Health Services	32,840	24,234	23,780	(454)	-1.9	(700)
Aberdeen City share of Hosted Services (health)	21,699	16,263	16,655	392	2.4	358
Learning Disabilities	31,739	23,806	24,815	1,009	4.2	1,279
Mental Health and Addictions	19,834	14,878	15,512	634	4.3	557
Older People & Physical and Sensory Disabilities	74,485	55,864	55,414	(450)	-0.8	(298)
Directorate	343	254	(319)	(572)	-225.6	(326)
Criminal Justice	93	74	69	(5)	-6.8	(22)
Housing	1,861	1,395	1,189	(207)	-14.8	0
Primary Care Prescribing	40,712	30,606	30,382	(224)	-0.7	(309)
Primary Care	38,578	28,989	29,069	80	0.3	121
Out of Area Treatments	1,517	1,137	1,151	14	1.2	183
Set Aside Budget	40,509	30,382	30,382	0	0.0	0
Integration and Change (Transformation)	4,296	2,960	2,960	0	0.0	2,322
Approved transfers from reserves						(3,164)
Reported position excl reserves	<b>308,505</b>	<b>230,843</b>	<b>231,059</b>	<b>217</b>		<b>0</b>



## Appendix B: Summary of risks and mitigating action

	Risks	Mitigating Actions
<b>Community Health Services</b>	<ul style="list-style-type: none"> <li>Balanced financial position is dependent on vacancy levels.</li> </ul>	<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>	<ul style="list-style-type: none"> <li>There is the potential of increased activity in the activity-led Forensic Service.</li> <li>There is the risk of high levels of use of expensive locums for intermediate care, which can put pressure on hosted service budgets.</li> </ul>	<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>
<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> </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>

	Risks	Mitigating Actions
	<ul style="list-style-type: none"> <li>Any change in vacancy levels (as the current underspend is dependent on these).</li> <li>Dilapidation in properties that may need investment to restore. (2019/20)</li> </ul>	
<b>Mental Health and Addictions</b>	<ul style="list-style-type: none"> <li>Increase in activity in needs led service.</li> <li>Potential complex needs packages being discharged from hospital.</li> <li>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.</li> </ul>	<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>Older people services incl. physical disability</b>	<ul style="list-style-type: none"> <li>There is a risk that staffing levels change which would have an impact on the balanced financial position.</li> </ul>	<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>

	Risks	Mitigating Actions
	<ul style="list-style-type: none"> <li>There is the risk of an increase in activity in needs led service, which would also impact the financial position.</li> </ul>	<ul style="list-style-type: none"> <li>An audit of Carefirst residential packages established that £500,000 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>	<ul style="list-style-type: none"> <li>There is a risk of increased prescribing costs as this budget is impacted by</li> <li>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</li> </ul>	<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>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<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	1.30		1.30
Action 15 Mental Health Strategy	0.43		0.43
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>21.63</b>	<b>8.31</b>	<b>29.94</b>
Adjust for social care and Health budget transfer	-17.14		-17.14
Adjust for GMED OOH Funding	-0.20		-0.20
<b>Funding available for IJB commitment</b>	<b>4.29</b>	<b>8.31</b>	<b>12.60</b>
Take off c/forward reserve			-8.31
<b>REPORTED FULL YEAR BUDGET</b>			<b>4.29</b>

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

Area	Agreed Target	Status	Responsible Officer
Review processes and ensure these are streamlined and efficient	(250)		M. Allan
<ul style="list-style-type: none"> <li>• <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</li> <li>• <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.</li> <li>• 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 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.</li> </ul>			
Review of out of hours services	(400)		A Macleod
<ul style="list-style-type: none"> <li>• 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. 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.</li> </ul>			

Area	Agreed Target	Status	Responsible Officer
Review of Out of Area Commissioning	(250)		A Stephen
<ul style="list-style-type: none"> <li>• <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.</li> <li>• <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.</li> <li>• <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.</li> </ul>			
Medicines Management	(200)		A Stephen
<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>			

## 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>
New Monies Received to Period 6		<b>£1,329,161</b>
<b>Reported at month 6</b>		<b>£306,699,998</b>

### Additional allocations received during quarter 3 (as per Appendix E)

FHHC Running Costs	£59,000
FHHC Unitary Charge	£548,428
Energy Budgets Uplift	£43,955
Physio Funding Acute to City	£9,721
Orthopaedic Project	£23,655
Shingles	£1,166
Rotavirus	£5,025
Men B	£17,250
Major Trauma	£10,221
AWM City Dietetics	£39,778
AFC Pay Award	£2,579
HNC Hosted Recharge	£2,784
NES Income Uplift Recharge	£-20,371
Plasma Products	£423
Hosted Budget Recharge	£75,105
Waiting Times	£181
N Care Allocation 1819	£1,366,390
Action 15 Balance of Funding	£129,000
Additional PCIP	£252,750

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<b>Total</b>	<b>£2,567,040</b>
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Less adjustment for pcip/action 15 allocation received above      £-762,879

**Reported at Month 9**      **£308,504,738**





## Appendix E: Virements

Health 7-9	£
FHHC Running Costs	59,000
FHHC Unitary Charge	548,428
Energy Budgets Uplift	43,955
Physio Funding Acute to City	9,721
ORTHOPAEDIC PROJECT	23,655
Shingles	1,166
Rotavirus	5,025
Men B	17,250
Major Trauma	10,221
AWM City Dietetics	39,778
AFC Pay Award	2,579
HNC Hosted Rech	2,784
NES Income Uplift Rech	-20,371
Plasma Products	423
Hosted Budget Recharge	75,105
Waiting Times	181
N Care Alloc 1819	1,366,390
Action 15 Balance of Funding	129,000
Additional PCIP	252,750
<b>Total Virements</b>	<b>2,567,040</b>

Social Care 7-9- to align budgets to spend	£
Adult Svcs Op & Physical Dis (Commissioning Services)	802,150
Adult Svcs Op & Physical Dis (Premises Costs)	-6,600
Adult Svcs Op & Physical Dis (Transfer Payments)	0
Adult Svcs Op & Physical Dis (Transport Costs)	6,600
Transformation Fund (Commissioning Services)	-40,000
Transformation Fund (Income)	-107,966
Transformation Fund (Staff Costs)	-274,184
Transformation Fund (Supplies & Services)	-380,000
<b>Total Virements</b>	<b>0</b>