



AGENDA ITEM NO 5

REPORT NO IJB 34/19

ANGUS HEALTH AND SOCIAL CARE

INTEGRATION JOINT BOARD – 26 JUNE 2019

FINANCE REPORT

REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER

ABSTRACT

This report provides an update to the Angus Integration Joint Board (IJB) regarding the financial position of Angus IJB including an update of the 2018/19 year end position and a review of reserves.

1. RECOMMENDATIONS

It is recommended that the Integration Joint Board:-

- (i) notes the overall year end financial position of Angus IJB for 2018/19; and
- (ii) notes the update regarding IJB reserves and approves the planned treatment of reserves at the financial year end.

2. FINANCIAL MONITORING

The report describes the 2018/19 year end financial position for Angus IJB. The main sections of the report are structured in the following way:-

- a) NHS Directed Services (section 3).
- b) Angus Council Directed Services (section 4).
- c) Summary (section 5).

The IJB's detailed year end position for 2018/19 is set out in Appendix 1. This shows that the overall 2018/19 year end position for services delivered by the IJB at March 2019 is of an operating under spend of c£4.125m. This is after material Prescribing and Hosted Service overspends have been offset by other health under spends and under spends within Adult Services. In addition to this under spend the IJB has under spends on ring-fenced Scottish Government funding of £929k.

It is important to note that from 2018/19, should the IJB ultimately overspend in any financial year (i.e. after the implementation of a recovery plan and use of available reserves), then that overspend will be apportioned to Partner organisations in proportion to the spending directions to each party. That percentage share is currently estimated at: Angus Council: 36%; NHS Tayside: 64%.

3. NHS DIRECTED SERVICES – YEAR END POSITION

3.1 Local Hospital and Community Health Services

- For 2018/19 the vast majority of services have concluded the year end in an under spend or near breakeven position with a number of individual service positions showing higher

than previously expected under spends. As noted previously this reflects good progress made in both 2017/18 and early 2018/19 with delivery of both savings and cost containment. There may also have been a slight impact of vacancies in some professions (e.g. Physiotherapy) being higher than normal due to the scale of investment being made in these service elsewhere in Angus HSCP and neighbouring HSCPs. This reported situation makes a contribution to the IJB's financial position for this year and, to the extent it is a recurring impact, to planning for future years. These service budgets will continue to be monitored going forward.

- There are some overspends within "Other Community Services" – these relate to the interaction with other services and this presentation will be revised for the upcoming financial year.
- Beyond service budgets, the IJB has reported an under spend within Centrally Managed Budgets reflecting the above noted progress with savings (as per the IJB's financial plan), unplanned short term under spends regarding the final stages of the implementation of Enhanced Community Support (ECS) and short term (i.e. one off) planned under spends regarding Partnership Funds. Reported under spends re Partnership Funds have increased during the final quarter as risks that these funds were offsetting were resolved. In addition as more clarity was available regarding the spend against these funds (i.e. information was revised), which was lower than anticipated, so there was a bigger impact on the reported position.
- It is important to note that the impact of Partnership funds on the IJB's overall financial position is equivalent to c£1.2m of funds that were passed on to the IJB on a non-recurring (one-off) basis by NHS Tayside in 2018/19. This reflected an adjustment to NHS Tayside's accounting processes and similar effects could have happened to IJB's elsewhere in Scotland in previous years.
- Collectively these factors contribute to the forecast under spend of c£4.0m, much of it non-recurring, re Local Hospital and Community Health Services. This under spend is consistent with the IJB's overall financial plan, albeit the scale of under spend is greater than anticipated, with these under spends on this group of services/budgets intended to offset overspends elsewhere (e.g. Prescribing and Hosted Services).

Services Hosted in Angus on Behalf of Tayside IJBs

- Due to pressures that remain within these services, particularly Out of Hours, progress with delivery of savings proposals has been limited since the inception of the IJB. On that basis there remained a year end shortfall of c£113k re unmet savings.
- As expected there were year-end over spend on Out of Hours services though these were less than had been previously envisaged. Long term recovery improvement plans for the service are still under development and these will be considered in due course.
- The combined effect of the above, despite some off-setting under spends, is one of an over spend of c£27k for the Angus share of these costs.

Services Hosted Elsewhere on Behalf of Angus IJB

- As the Board will be aware a number of devolved services are managed by other IJBs on behalf of Angus IJB. The year-end position for these services is an over spend of c£357k – an improvement on previous expectations, partly attributable to the availability of Scottish Government funding. The details are set out in Appendix 2.
- Main contributors to the year-end over-spending position are pressures within Adult Mental Health Services (overseen via Perth IJB) and pressures within Palliative Care, Brain Injury and Psychotherapy (overseen by Dundee IJB). As with Angus IJB, both Dundee and Perth IJBs have unmet savings associated with hosted services. These pressures are partially offset by a range of service under spends within other Hosted Services.

Family Health Service (FHS) Prescribing

- As the Committee is aware considerable work is and has been undertaken regarding Prescribing within the IJB and at a Tayside-level. This is the subject of a separate report to the June 2019 IJB.
- While the year end position for Prescribing does contain an element of estimation (and accrual) in it, it can be seen that the forecast improvement in the prescribing out-turn has materialised with a year end over spend on FHS Prescribing of £1.4m – approximately half the level of overspend reported last year and a lower over spend than most recently forecast for 2018/19. The work that has gone into delivering this improvement as well as future plans are described in the separate report.
- In addition to the above improvement, at the end of the year there was a marked improvement in the reported out-turn for “Other FHS Prescribing”. The late reporting of this improvement reflects revisions to figures used earlier in the year, however the underlying improvement also reflects an overall improving position regarding Prescribing more generally – again attributable to the work put in locally and regionally.
- The overall improvement in Prescribing has been a major factor in improving the IJB’s financial position in this year. The improvement also helps support some of the assumptions made in the IJB’s Strategic Financial Plan for 2019/20 to 2021/22 (as set out in report 21/19).
- Report 21/19 also noted the lack of clarity regarding the IJB’s financial planning framework for Prescribing for 2019/20 onwards. It was expected this would be driven forward via the Tayside Prescribing Management Group, however prescribing financial plans for 2019/20 onwards remain incomplete. Given the scale of the IJB’s Prescribing resources, the ongoing over spend (despite significant progress made to date) and the underlying risks that always exist re prescribing the lack of a final associated financial plan does need resolved. The IJB will continue to work with NHS Tayside Finance to conclude this matter.

General Medical Services and Family Health Services

- Previous projections for these services were for an approximately breakeven position – at the year end there was a marginal under spend, a helpful improvement since the last report to the IJB (previously being c£68k over). The improvement reflects late but reduced assessments re costs related to 2017/18 with the benefit materialising in 2018/19.
- Financial positions and future risks are partially attributable to provision of GMS in the likes of Brechin where NHS Tayside is directly managing GMS services.
- Longer term risks regarding the challenges re General Practitioner recruitment, the uncertainty that is prevailing in the period around the introduction of the new GMS contract and the underlying growth in some Enhanced Service and Premises costs all remain.

Large Hospital Services

- The Board will recall this is a budget that is devolved to the Partnership for Strategic Planning purposes but is operationally managed by the Acute Sector of NHS Tayside.
- As at 2018/19 this budget was initially quantified at £8.946m to reflect the direct costs associated with these services. Reflecting price changes and revised information regarding activity levels a new assessment of this budget for 2018/19 has been made at £9.734m. The year-end financial position is presented as break even in advance of further development of associated financial reporting.
- As noted previously the Scottish Government are very keen that the Large Hospital Services issue is further developed. While this presents opportunities to the IJB in terms of developing the overall strategic direction regarding Large Hospital Services, there are

also risks associated with the provision of Acute Sector capacity. While there have been some recent regional discussions regarding Large Hospital Services, including noting the issue is covered in the Ministerial Strategic Group report, the development of this issue did not progress significantly during 2018/19.

Overall Position Regarding NHS Directed Resources

- The overall reported operating 2018/19 financial position is an under spend of c£2.5m. The under spend reflects a series of offsetting variances including continued over spends re Prescribing and services hosted elsewhere being more than offset by local under spends (much of these being non-recurring). This is largely attributable to the sustained Prescribing improvements noted above, short term under spends but also to improvements across a range of other services.

4. ANGUS COUNCIL DIRECTED SERVICES (ADULT SERVICES) – YEAR END POSITION

4.1 Adult Services

- For 2018/19, the IJB is reporting a year end under spend within Adult Services of c£1.6m. Within this there are a number of offsetting variances.
- Earlier in the year the IJB had reported over spends associated with a small number of high cost care packages. Growth in this kind of care package does present a long term financial risk to the IJB.
- At the year end there was a stepped improvement in the reported out-turn for Learning Disability Services. This reflected revised information regarding service income. The reasons for this late revision will be reviewed in due course but had the effect of moving the service from a forecast over spend to an under spend position.
- The year end position reflects a number of one-off under spends in relation to the implementation of the Living Wage for sleepovers and the resettlement of patients from inpatient hospital care. In addition, as noted previously, the IJB has started to identify and confirm savings that will contribute to the 2019/20 financial plan whilst also contributing to this year's financial position.
- There remains a significant level of uncertainty about the IJB's levels of demographic growth pressures. This uncertainty is consistent with data quality issues noted previously and does still have the potential to undermine some of the reporting and predictive work that the IJB requires to do.
- As noted previously, the IJB has still yet to fully clarify the costs associated with the Carers Act. While overall costs are known to be increasing this has happened later in the financial year than originally anticipated. In addition the long term support structure costs regarding the implementation of the Carers Act have still to be determined. .

Overall Position Regarding Angus Council Directed Resources

- The overall reported year end position is of an under spend of c£1.582m.

5. SUMMARY IJB POSITION

From the above and appendix 1 it can be seen that the IJB is reporting an overall operational under spend of c£4.125m. The improvement since the last report to the IJB has been described earlier and is attributable to a range of factors. Some of the improvement is attributable to revisions of previous information – e.g. income forecasts (Adult Services – Learning Disability), prescribing forecasts, use of Partnership Funds. Collectively these contribute to over £800k of improvements. The underlying factors behind the revisions of previous information will be reviewed in due course and remedial action taken where possible to prevent similar issues in future repeating. As noted in sections 3 and 4, the year end financial position is supported by short term benefits.

This position is a materially better than was predicted at the start of the year. Many factors that contribute to this have been noted above and previously including:-

- Good progress in 2017/18 and 2018/19 regarding delivery of health savings and cost containment.
- The early identification of 2019/20 savings in a number of services.
- Use of non-recurring Partnership Funds (as per the IJB's financial plans).
- The alleviation of costs due to one off factors – such as the implementation timing of Living Wage issues and the timing or resettlement of patients from inpatient hospital care.
- A number of further non-recurring factors – including slippage on developments such as the implementation of ECS.

The extent to which the final year end position will impact on the IJB's longer term Strategic Financial Plan will be reviewed in due course.

As the IJB is reporting a year end under spend so the impact of the IJB's financial position for both Angus Council and NHS Tayside is neutral. Per the Integration Scheme, the IJB initially retains any projected year end under spend within IJB reserves. The IJB's reserves are described in more detail in appendix 4 including proposals regarding planned ear-marks.

6. FINANCIAL RISK ASSESSMENT

Noting that this report focuses on the financial year just concluded, future financial risks have recently been documented in report 21/19 "Angus IJB Strategic Financial Plan 2019/20-2021/22".

As such they are not restated in this report.

7. SUMMARY

The main financial reporting issues in this report are set out in sections 3, 4 and 5. The overall projected financial position for 2018/19, based on current information with many ongoing risks, is of an under spend. This reflects in year under spends for Adult Services and Local Hospital and Community Health Services being partially offset by over spends on hosted services and, in particular, Prescribing.

The overall financial position of the IJB does have a material impact on the way Angus IJB provides services in future. By making ongoing progress with delivery of efficiencies and with cost reduction programmes alongside service redesign and modernisation, the IJB will be most able to deliver the services it requires to deliver to the local population on a sustainable basis.

The outcome for 2018/19 suggests that, from a financial planning perspective, Angus IJB has an encouraging starting point as it embarks on the delivery of its 2019/20 – 2021/22 Strategic Plan.

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List of Appendices:

Appendix 1: Angus Health and Social Care Partnership Financial Monitoring Report 2018/19
Appendix 2: Hosted Services Financial reporting
Appendix 3: IJB Reserves

APPENDIX 1

Angus Health & Social Care Partnership - Financial Monitoring Report 2018-19						
	Adult Services		Angus NHS Directed Services		HSCP	
	Annual Budget	(Over) / Under	Annual Budget	(Over) / Under	Annual Budget	(Over) / Under
	£k	£k	£k	£k	£k	£k
Local Hospital and Community Health Services						
Older Peoples Services						
Psychiatry Of Old Age			4,855	107	4,855	107
Medicine For The Elderly			2,504	-63	2,504	-63
Community Hospitals			3,164	14	3,164	14
Minor Injuries / O.O.H			1,925	173	1,925	173
Community Nursing			3,842	119	3,842	119
Enhanced Community Support			1,018	172	1,018	172
Management & Admin	973	-77			973	-77
Care at Home	4,449	150			4,449	150
Intermediate Care	363	35			363	35
Community Support	829	-19			829	-19
Supported Accommodation	527	22			527	22
Internal Residential	4,989	-155			4,989	-155
Care and Assessment	19,973	-539			19,973	-539
Community Mental Health	1,150	113			1,150	113
Older Peoples Service	33,252	-471	17,308	522	50,560	51
Mental Health	2,779	214	2,573	74	5,352	287
Admin Community Support	7,048	135			7,048	135
Non Residential Care	93	19			93	19
Residential Care	7,434	253			7,434	253
Learning Disabilities	14,575	407	533	69	15,108	476
Physical Disabilities	1,925	-585			1,925	-585
Substance Misuse	920	106	934	5	1,854	111
Community Services						
Physiotherapy			1,696	104	1,696	104
Occupational Therapy	1,351	177	663	95	2,014	272
Joint Store	690	-12			690	-12
Anti-Coagulation			261	43	261	43
Primary Care			693	47	693	47
Carers	468	-12	8	0	476	-12
Homelessness	780	-4			780	-4
Other Community Services			1,502	-79	1,502	-79
Community Services	3,289	150	4,823	210	8,113	360
Planning / Management Support						
Centrally Managed Budget	1,980	1,713	2,281	2,140	4,261	3,853
Partnership Funding		0	890	890	890	890
Management / Improvement & Development	1,523	49	1,199	92	2,723	141
Planning / Management Support	3,505	1,762	4,370	3,122	7,874	4,884
Local Hospital and Community Health Services			30,542	4,004		
Services Hosted in Angus on Behalf of Tayside IJBs						
Forensic Service			961	106	961	106
Out of Hours			7,433	-150	7,433	-150
Speech Therapy (Tayside)			1,041	11	1,041	11
Locality Pharmacy			1,854	0	1,854	0
Tayside Continence Service			1,408	47	1,408	47
Hosted Savings - Phased in			-113	-113	-113	-113
Hosted Services Recharges to Other IJBs			-9,174	73	-9,174	73
Services Hosted in Angus on Behalf of Tayside IJBs	0	0	3,410	-27	3,410	-27
Services Hosted Elsewhere on Behalf of Angus IJB			13,449	-357	13,449	-357
GP Prescribing			20,904	-1,392	20,904	-1,392
Other FHS Prescribing			594	295	594	295
General Medical Services			17,202	-3	17,202	-3
Family Health Services			12,414	24	12,414	24
Large Hospital Set Aside			9,734	0	9,734	0
Grand Operating Total	60,244	1,582	108,249	2,543	168,493	4,125
Ear-Marked Reserves			929	929	929	929
Grand Reporting Total	60,244	1,582	109,178	3,472	169,422	5,054

APPENDIX 2 – HOSTED SERVICES

SERVICES HOSTED IN ANGUS IJB ON BEHALF OF TAYSIDE IJBs	ANNUAL BUDGET	PROJECTED YEAR END VARIANCE	
	£	£	
ANGUS HOSTED SERVICES	12584000	-100000	
HOSTED SERVICES ATTRIBUTABLE TO DUNDEE & PERTH IJBs	9174000	-72000	72.9%
BALANCE ATTRIBUTABLE TO ANGUS	3410000	-28000	27.1%
SERVICES HOSTED IN DUNDEE & PERTH IJBs ON BEHALF OF ANGUS IJB	ANNUAL BUDGET	PROJECTED YEAR END VARIANCE	
	£	£	
ANGUS SHARE OF SERVICES HOSTED IN DUNDEE			
Palliative Care	5642602	-123973	
Brain Injury	1595921	-122817	
Homeopathy	26515	-3640	
Psychology	4924220	557683	
Eating Disorders	0	0	
Psychotherapy (Tayside)	893762	-139134	
Dietetics (Tayside)	3143764	208770	
Sexual & Reproductive Health	2069081	44219	
Medical Advisory Service	153646	60395	
Tayside Health Arts Trust	58400	1606	
Learning Disability (Tay Ahp)	769208	79158	
Balance of Savings Target	-598516	-598516	
Grand Total	18678603	-36248	
Angus Share (27.1%)	5062000	-10000	
ANGUS SHARE OF SERVICES HOSTED IN PERTH & KINROSS			
General Adult Psychiatry	15678146	-1004644	
Learning Disability (Tayside)	6011501	-194038	
Substance Misuse	1455242	159304	
Prison Health Services	3386677	294	
Public Dental Service	2003863	35035	
Podiatry (Tayside)	2833180	144672	
Balance of Savings Target	-422053	-422053	
Grand Total	30946556	-1281430	
Angus Share (27.1%)	8387000	-348000	
TOTAL ANGUS SHARE OF SERVICES HOSTED ELSEWHERE	13449000	-358000	

Note – Minor rounding issue on “Angus Hosted Services – Balance Attributable to Angus”

APPENDIX 3 – IJB RESERVES

In April 2017 (Audit Committee Report 22/17) the IJB described and agreed its “Reserves Policy”. This set out that the IJB may hold both “ear-marked” reserves and general reserves. Ear-marked reserves will generally be for specific projects or issues, ear-marked due to specific constraints or ear-marked due to funding factors. General reserves are intended to assist the IJB manage its overall resources over the longer term. The IJB has previously agreed it would set itself a target of having a general reserves equivalent to 2% of turnover or about £3.4m. It should be noted that the JB can review this target in future if that was felt necessary.

General Reserves

The IJB has previously agreed it would set itself a target of having a general reserves equivalent to 2% of turnover or about £3.4m. Should the IJB ultimately over spend in any financial year, noting the last Strategic Financial Plan forecast shortfalls in financial years from 2019/20, then the IJB's uncommitted general reserves would be required to offset any in year overspend. Clearly this will only provide short term relief to any ongoing financial pressures.

As at March 2018, the IJB's Annual Accounts showed that Angus IJB has general reserves of £962k. This has been created through under spends in Adult Services during the first two years of the IJB's operations. As at March 2019, in the first instance the general reserve will increase by £4.125m due to operational under spends reported within this report. This would initially give a revised general reserve of £5.087m – in excess of the IJB's target level of general reserves of c£3.4m.

The fact that the IJB has reserves greater than its target of 2% does not remove the strategic intention of the IJB to deliver its long term strategic plan on a sustainable basis – i.e. without the reliance on one-off funding or reserves. So while reserves can help in a period where the IJB is moving towards delivering sustainable services, the IJB should not be developing plans that are overly reliant on reserves. It remains fundamentally important to the IJB to seek to deliver services in line with the strategic plan efficiently, effectively and sustainably with this being supported by appropriate budget settlements with Partners. On that basis it can be deemed that the IJB should not seek to hold a general reserve above its target level of 2% (i.e. £3.4m). Recent Scottish Government reports (Ministerial Strategic Group for Health and Community Care, Review of Progress with Integration of Health and Social Care - Final Report, February 2019) also noted IJB's should not hold reserves unnecessarily.

Taking this into account, and accepting that the IJB does still have a challenge to address to deliver long term sustainable services, it is recommended that the IJB considers reverting the balance of reserves above £3.4m (being £1.687m) back to its funding Partners (i.e. Angus Council and NHS Tayside). This is intended to ensure an appropriate balance is struck between the financial pressures and challenges the IJB is facing and the financial pressures, challenges and constraints the IJB's Partners face.

However it is also reasonable to note that the IJB does have a number of investments and actions it can undertake in the near future that will facilitate it deliver its Strategic Plan – investments such as developing IT solutions, bringing forward investments in long term resource requirements and workforce developments that will all benefit, from a service but also a financial perspective, directly from support or earlier support. It is therefore further suggested that before the balance of reserves is passed back to Partners, that £500k of this is set aside to support the delivery of the Strategic Plan (i.e. an ear-marked Strategic Plan reserve) leaving a balance of £1.187m.

Discussion regarding the above will be progressed with Partners over the summer with a final request for approval brought to the IJB at a future meeting. However at this point provisional approval is sought from the IJB to work on the above basis and to re-describe the IJBs year end initial general reserve of £5.187m as follows:-

- General Reserve - £3.4m
- Strategic Plan Reserve (Ear Marked Reserve) - £0.5m
- Financial Planning Reserve (Ear marked Reserve) - £1.187m.

The last of these being the balance being held in advance of concluding discussion with Partners re the balance of reserves.

Ear- Marked Reserves

As noted previously the IJB does have a number of ear-marked reserves. These are described below with balances set out in the table also below.

GMS Contract – Primary Care Improvement Fund (2018/19) – Funding ring-fenced to support implementation of new SMS contract. Overall funding phased on over 4 years and ear-marked reserves will be re-allocated into project roll-outs. (See report 59/18).

Mental Health – Action 15 Funding (2018/19) - Funding ring-fenced to support implementation of new Action 15 Commitments. Overall funding phased on over 4 years and ear-marked reserves will be re-allocated into project roll-outs. (See report 59/18).

GMS Contract – Primary Care Transformation Funding (2017/18) - Funding initially ring-fenced to support implementation of new SMS contract.

GMS Contract – Recruitment and Retention Funding (2017/18) - Funding ring-fenced to support implementation of agreed Recruitment and Retention initiatives to approximately 2019/20.

In addition to the above already previously documented, the IJB has further ear-marks associated with Alcohol and Drug Partnership funding (£72k) and other reserves re Mental Health and Forensic Medical Services totalling £93k. These additional reserves, as with those listed previously, are linked to Scottish Government funding allocations.

Overall Reserves

The table below sets out the proposed year end position regarding the IJB's reserves, subject to provisional approval above.

Angus IJB Reserves			
Movement in Reserves 2018/19	General Fund Balance (Usable Reserve)	General Fund Balance (Ear-Marked Reserves)	Total General Fund Balance
	£K	£K	£K
Opening Balance 31 March 2018	962	0	962
Change due to Financial Out-turn (to increase general reserve)	2438	0	2438
Change due to Financial Out-turn (to create a Strategic Plan Reserve)	0	500	500
Change due to Financial Out-turn (to create a Financial Planning Reserve)	0	1187	1187
Change due to Financial Out-turn	2438	1687	4125
Scottish Government - SMS Contract - Primary Care Improvement Fund 2018/19	0	322	322
Scottish Government - Mental Health - Action 15 Funding 2018/19	0	143	143
Scottish Government - SMS Contract - Primary Care Transformation Funding 2017/18	0	206	206
Scottish Government - SMS Contract - Recruitment & Retention Funding 2017/18	0	93	93
Scottish Government - ADP 2018/19	0	72	72
Scottish Government - Mental Health 2018/19	0	42	42
Scottish Government - Forensics 2018/19	0	51	51
Closing Balance at 31 March 2019	3400	2616	6016