



Integration Joint Board

30<sup>th</sup> November 2017

This Report relates to  
Item 8 on the Agenda

# Financial Performance 2017/18 – Mid Year Review

*(Paper presented by Katy Lewis)*

*For Discussion*

<b>Approved for Submission by</b>	Katy Lewis, Chief Finance Officer IJB/ Director of Finance, NHS Dumfries and Galloway
<b>Author</b>	Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway Sean Barrett, Finance and Information Manager, Dumfries and Galloway Council
<b>List of Background Papers:</b>	Not applicable
<b>Appendices</b>	Appendix 1 – Summary of Issues Appendix 2 – IJB Savings Plan Update

## SECTION 1: REPORT CONTENT

**Title/Subject:** Financial Performance – Mid-year Review 2017/18

**Meeting:** Integration Joint Board

**Date:** 30<sup>th</sup> November 2017

**Submitted By:** Katy Lewis, Chief Finance Officer

**Action:** For Discussion

### 1. Introduction

1.1 This report presents the summary financial performance of the budgets delegated to the Integrated Joint Board (IJB) as at end of month six, and updated following the Mid Year Review for 2017/18.

### 2. Recommendations

#### 2.1 The Integration Joint Board is asked:

- **To discuss the latest financial forecast position and to note the Mid Year Review update for 2017/18 and the improved position from the Quarter One position.**
- **To discuss and agree how as an IJB we wish to engage with the NHS Board and Local Authority to influence budget setting and resource allocation decisions for 2018/19.**

### 3. Executive Summary

The Financial Plan as agreed at the IJB meeting on 30<sup>th</sup> March 2017 advised that savings of £17.694m were required to be delivered to achieve a balanced financial position for 2017/18. In the opening plan, savings still required to be identified was £5.2m to deliver a breakeven position. This update sees an improvement in the position with the revised gap on savings reduced to £1m after taking into consideration the Mid Year Review of the financial forecast for the Integration Joint Board.

#### 4. Main Body of the Report

##### 4.1 Mid Year Review Forecast Position for services delegated to IJB

4.2 The table below summarises the current forecast outturn position by directorate based on the mid-year review assessment of the financial position.

**Table 1**

AREA	Q1 Forecast	Mid Year Review
	Variance £000's	Variance £000's
<b>IJB DELEGATED SERVICES</b>		
Acute & Diagnostics	(1,374)	(1,107)
Facilities & Clinical Support	(243)	(399)
Mental Health Directorate	(71)	(169)
Primary & Community Care	(2,277)	(2,145)
Women's & Children's Directorate	(320)	(308)
E Health	(180)	(286)
Strategic IJB Services	92	100
IJB Unidentified savings	0	729
Social Work Services	0	0
<b>IJB SERVICES TOTAL</b>	<b>(4,373)</b>	<b>(3,585)</b>

4.3 All savings targets have been allocated to directorate budgets and any unidentified savings are reflected in the outturn position. The Integration Joint Board (IJB) has unidentified CRES of £1.6m YTD (based on the month 6 position), resulting in a forecast CRES gap of £2.8m. This is before the amendments in the mid year review to deliver the improved position (as detailed in table 3 below) in comparison to what might be expected and will include any general directorate underspends.

4.4 A more detailed analysis of each of the directorate positions, including reasons for overspend and any financial risks and challenges, is attached at **Appendix 1**.

4.5 The Budget Scrutiny meetings continue, with the next scheduled review to take place on 24<sup>th</sup> November.

##### 4.6 Overall Mid Year Review Position

4.7 In assessing the overall midyear position, a range of other areas have been considered including reserves, other in year flexibility and a revised forecast on locum costs.

4.8 The table below summarises this assessment which indicates that the overall position for the IJB results in an assessment of a £1m in year gap position (as compared to a £2m gap in savings from the Q1 review).

4.9 This is an improved position and provides increasing confidence that a balanced position can be achieved for 2017/18, although a note of caution that most of the measures reflected below only support the position on a non-recurring basis and don't impact on the recurring position.

**Table 3**

<b>Mid-year Review Assessment</b>	<b>IJB £000's</b>
<b>Forecast Outturn from Directorates</b>	<b>(3,585)</b>
Additional allocations review (NR)	291
Acute Services review of outturn (NR)	500
Review of Prescribing Reserve	1,120
Review of NMF Reserve	800
Non pay Inflation Reserve Review	464
Slippage on Cost Pressures 17/18	276
Review of Balance Sheet items	134
Review of pressures and potential additional liabilities	(1,000)
<b>Overall position</b>	<b>(1,000)</b>

4.10 The overall position and issues related are summarised below:

- No significant revision to Q1 Medical Locum Requirement
- All allocations have been reviewed, assessed for slippage and additional funding for Winter Pressures now received which we had already provided for (0.3m)
- The Acute and Diagnostic directorate is reviewing its in year position and has potential to review overspend in year (£0.5m)
- Lower call on NMF drugs approved by SMC (£0.8m)
- Review of high cost drug costs requirement and in year prescribing reserve to offset other prescribing pressures 17-18 (£1.1m)
- Release of non-pay inflation reserves (0.5m)
- Review on cost pressures in-year (£0.3m)
- Balance sheet review of provisions (£0.1m)
- Increased costs and liabilities assessed including costs associated with back-dated enhancements during leave (£1m)
- Underlying position has remained relatively stable with Q1 review

### **Medical Locums**

4.11 Following the assessment in Q1 whereby an additional £2m was identified to resolve the increasing need for medical locum use, no significant changes have been highlighted as part of the midyear review position, with the fill rate from our partner organisation, Retinue, continuing to increase. This reflects a more

stable locum supply market for the majority of specialties and an increase in the numbers of locum doctors being directly engaged.

- 4.12 The impact of the tax changes around personal service companies and IR35 has significantly impacted on locum provision nationally, especially across rural economies. This situation will improve moving forwards with a revised rate-card cap being introduced across the West of Scotland. However assurances have been put in place with Retinue to ensure that the supply of locums to Dumfries and Galloway will not be jeopardised over the coming months with the opening of the new hospital.

### **New Medicine Fund**

- 4.13 The call on the New Medicines' reserve was based upon an assessment at a point in time on the introduction of new SMC approved drugs for 17/18, along with a continuation of on-going medicines prescribed in 16-17.
- 4.14 A combination of existing patients reducing and delays to SMC approvals in 17/18, lower than expected patient numbers requiring NMF prescribed drugs has resulted in a re-assessment of the in-year funding for NMF prescribed drugs.
- 4.15 This is expected to be a non-recurrent benefit of £0.8m, with this funding required moving forwards to fund drug need in 18-19.

### **Social Work Services**

- 4.16 IJB Social Work Services are forecast to overspend by £752k at the end of Month 6, there are assumptions applied to this position in relation to the future use of funding for demographic increases and the requirement to deliver savings to further offset this position. A balanced budget is expected based on current assumptions.

### **Mid Year Savings Update**

- 4.17 There are still some risks around delivery of some saving schemes, particularly within Primary Care prescribing, but these have been offset by increased non-recurring underspends which are supporting the in-year position.
- 4.18 There is a significant recurrent gap on savings (£8m) and the level of risk around plans remains high. The level of delivered savings at end of the mid-year is 82% (if you factor in non-recurring flex.) A review of balance sheet/accruals/provisions has been undertaken to assess how this can support the in-year position.
- 4.19 The table included at appendix 2 summarises the CRES position at the end of the second quarter, including the revised additional savings as indicated in section 4.9.

- 4.20 The savings/efficiency targets of £2.636m for Social Work budgets are required to achieve a balanced position for 2017/18. It is estimated that £1.4m of savings/efficiencies have been achieved so far with a further £0.75m identified that is expected to be delivered by the year end. Work continues to identify the outstanding balance of £0.2m that is assumed to be found either through non-recurring flexibilities or under-spends from elsewhere.
- 4.21 There are some unallocated funds from the Social Work Fund still to be allocated and will be retained as demographic and service pressures materialise throughout the year.
- 4.22 The remaining CRES targets have been devolved to each directorate and have either been identified and removed from budget or form part of the YTD variance within Non-Pays. An overall update on savings delivered to date is included in **Appendix 2**.

### **Ongoing Risks and Challenges**

- 4.23 Whilst delivery of a balanced position for 2017/18 looks more achievable, the Board must continue to manage a range of financial risks:
- Ongoing financial pressures around medical recruitment costs and potential additional medical locum risk around further increases to hourly rates for locums
  - Level of non-recurring savings factored for 2017/18 and delivering recurring financial balance
  - New hospital double running costs/financial risks potential additional pressures
  - GP prescribing figures at month 5 show a slightly improved underlying position due to a reduction in volume in August compared to previous indications (2.3%), but short-supply issues with certain tariff drugs are creating a potential cost pressure of £1.1m.
  - Price pressures relating to living wage, inflation and independent provider specific cost pressures
  - Demographics and increased levels of care dependency will always put pressure on existing financial resources. Within this is a potential risk of £706k related to additional growth areas.

### **Financial Planning 2018/19 and beyond**

- 4.24 Work is ongoing to draft the IJB financial plan for the three year period 2018/19, 2019/20 and 2020/21 with details to be shared with members for the Finance and Performance Committee scheduled for January. The Scottish Government draft budget is due to be published on 14<sup>th</sup> December 2017 but as in previous years the details of the settlement is unlikely to be clear until the new year. Early indications are that the settlement will be extremely challenging with no expected inflationary uplifts or additional resources expected for with Health Boards or Local Authorities for 2018/19 and as in previous years it is expected to be a one year budget.

4.25 It is essential that as an IJB we are able to engage with our partner organisations locally and influence resource allocation and budget setting decisions so that the IJB is not unfairly disadvantaged by any such settlement. As an IJB we should consider how we wish to do this for 2018/19.

## **5. Actions and Recommendations**

5.1 The following actions are to be noted by Committee. Further updates will be brought back to future meetings:

- Budget Scrutiny meetings to continue to review on-going Delegated Services' positions (next meeting 24<sup>th</sup> November)
- Paper on Mid Year Review to come to Integration Joint Board on 30th November 2017 (this paper)
- Development of work with IJB on business transformation programme
- Development of a longer term financial strategy (proposal to bring back paper to the next IJB Performance and Finance Committee)

## **SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS**

### **6 Resource Implications**

- 6.1 Funding implications are considered as part of the overall financial plan for the IJB.

### **7 Impact on Integration Joint Board Outcomes, Priorities and Policy**

- 7.1 The financial plan has a key role in supporting the delivery of the Strategic Plan.

### **8 Legal & Risk Implications**

- 8.1 None identified.

### **9 Consultation**

- 9.1 Resources Workstream including:
- Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway
  - Sean Barrett, Finance and Information Manager, Dumfries and Galloway Council

### **10 Equality and Human Rights Impact Assessment**

- 10.1 As this report does not propose a change in policy/strategy/plan/project, it is not necessary to complete an impact assessment. Individual savings schemes and difficult decisions will be impact assessed.

### **11 Glossary**

ARCs	-	Adult Resource Centres
AHP	-	Allied Health Professionals
CAMHS	-	Child and Adolescent Mental Health Service
CRES	-	Cash Releasing Efficiency Scheme
FYE	-	Full Year Effect
IJB	-	Integration Joint Board
LD	-	Learning Disabilities
PCCD	-	Primary Care and Community Directorate
PD	-	Physical Disabilities
REMG	-	Risk Enablement and Management Groups
STARS	-	Short Term Augmented Response Service
YTD	-	Year to Date

## Appendix 1

### IJB DIRECTORATE SUMMARY OF ISSUES – MYR Update

Directorate	Q1 Forecast	MYR Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics (including acute prescribing)	£1,374k o/s	£1,107k o/s	<ul style="list-style-type: none"> <li>• Risk around locum costs not changed from Q1 assessment</li> <li>• Unidentified/unachieved CRES of £345k YTD, £591k Full year and £1m recurrently.</li> <li>• Non-pays overspend of £432k, relating to activity pressures within Radiology, £227k and labs, £164k, with pressures in travel costs of £105k, related to renal patients, tertiary referrals (mainly Cancer patients requiring radiotherapy in Glasgow) and locum travel costs to Stranraer. There is also a pressure within Audiology of £59k, relating to the increasing demand for hearing aids across the service, particularly related to replacement.</li> </ul>
Facilities and Clinical Support	£243k o/s	£399k o/s	<ul style="list-style-type: none"> <li>• Pressures within the service are hidden by staff vacancies.</li> <li>• Some pressures around the waste contract (£180k).</li> <li>• Prudent assessment of energy and utility costs.</li> <li>• Rates under review with revaluation and backdated pressure (£80k).</li> <li>• Minor capital funding committed for 2017/18.</li> <li>• Review of facilities costs linked with New Hospital underway.</li> <li>• Ongoing review of property costs linked with property strategy and assessment of potential savings.</li> <li>• Underspend on planned maintenance programme (£94k) as the Board has been preparing for the move to the new hospital.</li> </ul>
Mental Health Directorate	£71k o/s	£169k o/s	<ul style="list-style-type: none"> <li>• Significant progress made on delivery of savings target.</li> <li>• Social Care project risk around double running costs/staff redeployment.</li> <li>• Access funding for psychology now received and released into budgets.</li> <li>• The main pressure on Pays relates to the funding for social care projects which has stopped following the transition of all clients. Three permanent staff are still awaiting re-deployment, causing the main variance YTD of £172k.</li> </ul>

Directorate	Q1 Forecast	MYR Forecast	Risks/Issues/Challenges and Opportunities
Primary and Community Care - NHS	£2,277k o/s	£2,145k o/s	<ul style="list-style-type: none"> <li>• £1.8m of forecast associated with prescribing budgets.</li> <li>• Slippage of £1.1m against prescribing schemes.</li> <li>• Prudent assessment of prescribing forecast.</li> <li>• Gap on savings delivery off-set through NR Pays underspends</li> <li>• STARs service has been rebased jointly.</li> <li>• Budgets for the Nithsdale in Partnership team have been allocated to directorate in first quarter.</li> <li>• It has been assumed that FHS budgets deliver a breakeven position; there are some risks around the GMS contract allocation and GP rates which are under review.</li> </ul>
Women's and Children's	£320k o/s	£308k o/s	<ul style="list-style-type: none"> <li>• Review of deliverability of savings target for directorate underway including drugs target.</li> <li>• Performance post now appointed to.</li> <li>• Additional allocation received for health visitors has now been reviewed and funding released to the position.</li> <li>• Locum requirement for 2017/18 estimated at £462k.</li> <li>• Cost pressure in CAMHS linked with junior doctors.</li> <li>• Reduction in Speech and Language SLA by DGC, reduced by £105k over three years.</li> </ul>
E health	£180k o/s	£286k o/s	<ul style="list-style-type: none"> <li>• CRES of £122k identified to date, overspend linked with in-year gap on CRES.</li> <li>• Discussions around funded service expansions.</li> <li>• Significant workload in-year with New Hospital move.</li> <li>• Increasing pressure on Service contracts</li> </ul>
Strategic IJB services (strategic planning etc)	£92k u/s	£100k u/s	<ul style="list-style-type: none"> <li>• Departmental vacancies now filled moving forwards</li> </ul>
Unidentified CRES	0	729	<ul style="list-style-type: none"> <li>• Bridged on a non-recurring basis.</li> <li>• Further savings through property strategy element planned.</li> </ul>

Directorate	Q1 Forecast	MYR Forecast	Risks/Issues/Challenges and Opportunities
Social Work Services	£b/even	£b/even	<ul style="list-style-type: none"> <li>• The main pressure area within Adults Social work Services relates to care at home services within the Learning Disability sector.</li> <li>• This area of spend is forecast to be £1.4m overspent, however this will be offset through transfer of funding from Social Care Houses.</li> <li>• The costs attached to service users tend to be significant and the number of service users and level of need are increasing.</li> <li>• There are further savings to be delivered in this area and a review of LD services across the partnership has begun.</li> <li>• Savings delivered to date are in the region of £1.4m with another £750k expected to be delivered by the end of November.</li> <li>• There are funds held centrally to offset further demographic pressures and address the current overspend position however further</li> <li>• Savings in the region of £750k will be required to fully address this position.</li> </ul>

**IJB Savings Plans Update**

	<b>Total 17/18 Target £000</b>	<b>Recurring 17/18 Schemes £000</b>	<b>NR 17/18 Schemes £000</b>	<b>Total 17/18 Schemes £000</b>	<b>In Year 17/18 CRES Gap £000</b>	<b>17/18 Recurring CRES Gap £000</b>
<b>NHS Delegated Services</b>						
Acute and Diagnostics	3,139	441	2,898	3,339	200	(1,048)
E-Health	329	122	0	122	(207)	(207)
Facilities and Clinical Support	779	183	30	213	(566)	(596)
Mental Health	1,228	891	337	1,228	0	(337)
Primary and Community Care	1,637	529	841	1,370	(267)	(1,108)
Women and Children	1,102	202	950	1,152	50	(900)
Prescribing	4,500	2,650	591	3,241	(1,259)	(1,850)
Property Services	1,000	458	106	564	(436)	542
IJB Unidentified CRES	1,500	0	2,941	2,941	1,441	(1,500)
<b>Subtotal NHS Savings</b>	<b>15,214</b>	<b>5,476</b>	<b>8,694</b>	<b>14,170</b>	<b>(1,044)</b>	<b>(8,088)</b>
<b>Council Delegated Services</b>						
Savings schemes	1,800	1,800		1,800		
Cost review and demographic mitigation	836	841		841	5	
<b>Subtotal Council Savings</b>	<b>2,636</b>	<b>2,641</b>	<b>0</b>	<b>2,641</b>	<b>5</b>	<b>0</b>
<b>TOTAL</b>	<b>17,850</b>	<b>8,117</b>	<b>8,694</b>	<b>16,811</b>	<b>(1,039)</b>	<b>(8,088)</b>