



Integration Joint Board

27th September 2018

This Report relates to
Item 10 on the Agenda

Financial Performance Update – Quarter One

(Paper presented by Katy Lewis)

For Discussion and Noting

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List of Background Papers	IJB Budget Setting Paper 2018/19, approved at 5th April 2018 meeting, IJB Finance Update presented at 26 th July 2018 meeting
Appendices	Appendix 1 – Integrated Budget Position at Quarter One review financial year 2018/19

SECTION 1: REPORT CONTENT

Title/Subject: Financial Performance Update
Meeting: Integration Joint Board
Date: 27th September 2018
Submitted By: Katy Lewis, Chief Finance Officer
Action: For Discussion and Noting

1. Introduction

- 1.1 This report presents an update on the financial performance for the budgets delegated to the Integration Joint Board (IJB) based on the position as reviewed after the Quarter One Review meetings of financial year 2018/19.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Note the improved forecast position following the Quarter One review of £3.4m in year gap (£5.2m in previously reported position) and the reduced level of unidentified savings of £3.0m. The significant level of recurrent savings still to identify that will be carried forward into the next financial year - £10.2m.**
- **Note the high level of risks associated with achieving the forecast position as set out above.**

3. Background

- 3.1 This report consolidates for the IJB the financial reporting for those services delegated to the IJB. The report provides a high level summary of the forecast outturn position following the Quarter One Reviews, held with the Chief Finance Officer, the Chief Officer and the relevant General Manager of each service. The improvement in the position reflects the review of allocations and reserves at Quarter One, including a detailed analysis of non-recurring savings options and release of reserves to fund identified pressures including energy costs inflationary increases.
- 3.2 Whilst this position is an improvement upon the previous forecast brought to the attention of this Board, the level of recurrent savings required to break-even moving forwards remains a significant challenge at £10.2m.

4. Main Body of the Report

Executive Summary

- 4.1 The IJB Financial Plan for 2018/19 is presented as a balanced position with an in-year gap of £3.0m for which savings are still to be identified. Further work is required to ensure further savings are delivered in order to achieve the planned break-even position. A schedule detailing the integrated budgets by directorate is included at **Appendix 1**.

Allocations

- 4.2 An additional £3.5m of allocations have been received since the previous reported position as at month 2. The main allocations are highlighted below:

Table 1

Health Visitors support to GIRFEC	£420k
Primary Care Improvement Fund – 1 st tranche	£794k
Waiting Times – Long waits 1 st tranche	£745k
eHealth Bundle: Strategic Fund (Incl 6th Strategic Aim)	£703k
NSD Risk Share – Payment to National Services Scotland (NSS) for patients treated by them outwith NHS D&G	(£1,109k)
Public Dental Service (Salaried) GDS Costs	£1,124k

- 4.3 These are areas where the resources have been allocated to integration boards and NHS to support specific policy directorates and must be used for the directed purpose.
- 4.4 Further allocations in respect of ‘Additional Investment in Services to Reduce Problem Drug and Alcohol Use’ has been announced on 23rd August, providing further detail of the original £20m announced in the Scottish Budget. £17m of this has been devolved based upon an NRAC share, providing the IJB with £506k of additional funding in 2018/19. The remaining balance of £3m is held centrally to be allocated on a bidding basis, evaluated by the CORRA foundation.
- 4.5 The guidance clarifies that this funding must be used to support new innovative approaches as well as responding to the needs of patients in a more joined up, person centred approach.

Savings, Efficiencies and Cost Reductions

- 4.6 At a local level, the allocation of funds for the financial year 2018/19 to the IJB requires service provision to be delivered within a reduced financial envelope, brought about by:

NHS Revenue savings requirement	£13.680m
Council/savings requirement	£2.192m
Additional savings (increased cost of sleepovers)	£0.115m
Less Social Work outturn improvement position	- (£0.161m)
Total	- £15.826m

- 4.7 The approved Financial Plan confirmed that current progress on development of savings could be summarised as follows:

Table 2

	2018/19 Target	2018/19 Identified to date	In-year Gap	Recurrent Gap
	£000s	£000s	£000s	£000s
IJB Savings				
Reduction in use of medical locums	1,000	600	(400)	(1,000)
Effective prescribing (Secondary Care)	1,250	894	(356)	(572)
Effective prescribing (Primary Care)	1,750	1,508	(242)	(492)
Service efficiency (2%) - NHS	3,380	2,516	(864)	(2,861)
Service and redesign - Social Work	2,146	2,146	0	0
Realistic Medicine	500	0	(500)	(500)
Business Transformation Programme	500	0	(500)	(500)
Property and Asset Management Strategy	500	500	0	0
Non recurring savings/ flexibility	4,800	4,652	(148)	(4,300)
TOTAL IJB	15,826	12,816	(3,010)	(10,225)

- 4.8 To date, savings of £12.8m have been identified leaving an in-year gap of £3.0m. Further monitoring of delivery of the plans will be reported to the IJB during 2018/19.
- 4.9 The improvement in the achievement of CRES relates mainly to the increase in non-recurrent schemes across the Pays in the Directorates, as well as a review of central reserves. The facilities management and property costs are part of the delegated budget and, as such, are subject to an efficiency target. This has been one of the targeted areas of the savings plans to release savings from vacant buildings, consider property disposals and reconfigure services to use our accommodation more efficiently, delivering £500k as planned.
- 4.10 Progress has already been made towards identifying savings against the 2018/19 target. Monitoring of the detailed schemes will be undertaken through the Finance team and will be presented and discussed through IJB Performance and Finance Committee.
- 4.11 Medical Locum costs is an area we are targeting for savings through a combination of increasing the level of directly engaged doctors with the Board, as well as adhering to the rate card cap agreed by the West of Scotland Steering Group which will deliver a significant reduction in current costs. In addition, services are reviewing the demand for locum medical staff in the light of recruitment to vacancies.
- 4.12 Whilst over £1.8m of savings were delivered in Primary Care Prescribing during 2017/18, this is planned to continue into 2018/19 through a variety of initiatives which have been set up and agreed with the Pharmacy Support Team to specifically look at areas of expenditure and volume changes across each practice. This links directly with work undertaken by the Realistic Medicine Project in better

understanding clinical variation in prescribing. The appointment of a lead pharmacist for Community Health and Social Care (CH&SC) will help to strengthen links across Primary Care and improve engagement with GP practices.

- 4.13 Secondary Care Prescribing is an area we are continuing to target for savings with a number of initiatives focussed on switching to more effective biological treatments and reviewing alternative formulary choices to reduce costs in 2018/19.
- 4.14 All directorates have been provided with a 2% service efficiency target challenge where plans already have been identified around workforce redesign, including skill-mix reviews and administrative reviews, lean principles, catering reviews, co-location of services and review of technology.
- 4.15 The £2.146m savings requirement for Social Work is expected to be delivered through the following areas:
- Self-Directed Support (SDS) Option 1 individual budget balances and spend control
 - Control new demand through alternatives to paid care
 - Continued review of existing care to reduce dependence
 - Review of Learning and Physical Disability Services care levels
 - Control of price growth
 - Review of current underspends to reduce ongoing commitment
- 4.16 The Social Work savings target is linked to an estimate of £4.3m for price, policy and demographic pressures less £2.2m of Scottish Government funds towards these pressures. It is estimated that approximately £1.6m of these pressures have not yet materialised, if they do then the service will have to deliver in full the £2.1m savings estimate. It is estimated that £500k of the £2.1m target has been delivered, mainly from Option 1 spend control and from control of new demand.
- 4.17 The forecast before factoring in savings would suggest a £665k overspend by the year end but we are confident that in year we can deliver savings to ensure a breakeven position without using of any accumulated reserves. This is an improvement in the position as we haven't experienced the level of demographic and other growth so far this year than was originally anticipated.
- 4.18 There continues to be a slowing down of demand amongst older people services which is currently offsetting a continued increase in the cost and demand for care at home services for the under 65's population. Savings will be required to bring this position back to the budgeted level should there be an increase in the current level of demand for older people services.
- 4.19 It was agreed by the IJB that the detailed work on the Business Transformation Programme would be presented for scrutiny and review through the IJB Performance and Finance Committee meetings. Details of the proposals were presented at the April 2018 meeting, with further updates and progress on all schemes presented to the July 2018 Committee and a workshop following the July 2018 IJB meeting. This remains one of the key strands of the IJB's sustainability and efficiency. The plan linked with the three year financial framework is being

developed. A further update is planned for the next IJB Performance and Finance Committee in October 2018.

4.20 Whilst the IJB does not own any assets, the facilities management and property costs are part of the delegated budget and, as such, are subject to an efficiency target. This has been one of the targeted areas of the savings plans to release savings from vacant buildings, consider property disposals and reconfigure services to use our accommodation more efficiently. Various property disposals are expected to occur during 2018/19 and there is a level of certainty about deliverability of the savings targets which have been set for this area.

Reserves

4.21 The IJB has carried forward reserves of £6.8m into 2018/19 relating to the balance of the Social Care Fund and Integrated Care Fund, as set out below. These remain set aside for the purposes they were originally allocated and will be monitored and reported during the year along with the overall financial position.

Table 3

	31/03/17	31/03/18
Social Care Fund	£2.1m	£3.5m
Integrated Care Fund	£2.2m	£3.3m
TOTAL	£4.3m	£6.8m

Financial Risks - updated

4.22 There remains a significant financial risk in the position with the main risks and challenges set out below:

- Price pressures relating to living wage, inflation and independent provider specific cost pressures. Further pressures linked to external providers from either Scottish Living Wage or the costs associated with staffing inappropriate buildings and the rurality of our region.
- There are increasing levels of vacancies within some of our care homes which are impacting on the financial sustainability of these facilities.
- Price pressures linked to Scottish Living Wage for external sleep in provision and in-house sleep in provision.
- Providers' sustainability linked to unprofitable businesses and workforce availability.
- Increased need and expectation from service users linked to Health and Social Care outcomes.
- The service requires the continued receipt of approximately £14m of income from service users to meet the £96m of costs associated with delivering this care. A reduction in the ability to pay residents would have an impact on the funds available to deliver care.
- The Scottish Government have announced that free personal for under 65's will come in from April 2019. Discussions are still going on as to the costs of this policy and how much will be made available to offset this. It is estimated that this will cost in the region of £400k locally.

- The local authority pay deal is not yet known but no additional funding will be provided by the Scottish Government.
- The NHS pay settlement has been agreed at an increased cost from the original plan and the additional consequentials to fund the financial implications of this have yet to be confirmed.
- Demographics and increased levels of care dependency will always put pressure on existing financial resources.
- Risk around delivery of savings programme, both the level of unidentified savings and slippage of in-year CRES (Cash Releasing Efficiency Savings).
- Prescribing remains an area of significant volatility, with 2017/18 witnessing unprecedented levels of short-supply drug costs, as the Pharmaceutical Industry straddles with maintaining sufficient levels of ingredients to match world-wide demand. This has seen an increase of £800k on drugs where prices have shifted significantly in 2017/18.
- The level of medical vacancies remains high across the majority of services with increasing reliance placed upon agency staff. Whilst a new contract arrangement with Retinue has delivered a reduction in the average hourly cost paid for Agency staff, the impact of IR35 and general market supply shortages continue to make recruitment to unfilled gaps difficult.
- The transition to the New Hospital, which opened in December 2017, represented a significant financial risk in terms of double running costs and these will continue following the move and the refurbishment programme of Mountainhall Treatment Centre.
- The ongoing pressure to maintain waiting times and increases in activity across most specialties have also brought additional costs into the forecast position. Whilst there is additional funding to deliver waiting times this year, the ongoing level of growth in activity remains a pressure.

5. Conclusions

- 5.1 Whilst the Financial Plan for 2018/19 has been approved by the IJB and submitted to the Scottish Government, there still remains a significant level of challenge in identifying the remaining £3.0m gap. The scale of the recurrent gap of £10.2m is by far the largest risk to delivering a balanced position as we move into the new financial year if further significant schemes are not identified.
- 5.2 The services delegated to the IJB are well aware of the scale of challenge and are committed to focussing on transformational plans and ideas that will provide the necessary level of savings required to deliver a break-even position.

SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS

6. Resource Implications

6.1 Funding implications are considered as part of the overall Financial Plan and budget setting 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

- Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway
- Sean Barrett, Finance and Information Manager, Dumfries and Galloway Council
- Health and Social Care Management Team

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

CH&SC	Community Health and Social Care
CRES	Cash Releasing Efficiency Savings
GDS	General Dental Services
GIRFEC	Getting it Right for Every Child
IJB	Integration Joint Board
NRAC	National Resource Allocation Formula
NSD	National Services Division
SDS	Self Directed Support