



Integration Joint Board  
Performance and Finance Committee

23rd February 2018

This Report relates to  
Item 6 on the Agenda

# ***Budget Setting 2018/19***

*(Paper presented by Katy Lewis)*

*For Discussion and Noting*

<b>Approved for Submission by</b>	Katy Lewis, Chief Finance Officer
<b>Author</b>	Katy Lewis, Chief Finance Officer
<b>List of Background Papers</b>	None
<b>Appendices</b>	Appendix 1 - Draft Financial Plan - 2018/19 to 2020/21 paper submitted to NHS Performance Committee 29/01/18 (including appendix)

## SECTION 1: REPORT CONTENT

<b>Title/Subject:</b>	Budget Setting 2018/19
<b>Meeting:</b>	Integration Joint Board Performance and Finance Committee
<b>Date:</b>	23 February 2018
<b>Submitted By:</b>	Katy Lewis, Chief Finance Officer
<b>Action:</b>	Discussion and Noting

### 1. Introduction

- 1.1 This report presents an update on the budget setting position for the Integration Joint Board (IJB) for 2018/19. It also provides an update to the IJB on the timetable for the budget setting process and the financial challenges and risk faced. This paper should be read in the context of the separate paper detailing the Social Work challenges and also the NHS Performance Committee paper included as an appendix to this paper for information (**Appendix 1**).

### 2. Recommendations

#### 2.1 The Performance and Finance Committee is asked to:

- **Discuss the financial position facing the IJB for 2018/19.**
- **Note the timetable for the budget setting process and the update on the NHS budget setting process.**

### 3. Background

- 3.1 The strategic context which this Financial Plan is set is well documented both nationally and locally and is set in an extremely challenging financial context. Both the NHS and Local Authority face either reductions to their settlement or allocation uplifts which are unable to keep up with a combination of significant price and volume increases. In addition, the level of non-recurring savings used to deliver a balanced position for 2017/18 increase the challenge for 2018/19.

- 3.2 The Financial Plan for 2018/19 for the IJB is subject to confirmation of budgets delegated by both the NHS and the Local Authority to the partnership. The expectation is that, following the Council meeting on 27th February 2018 and the NHS Performance Committee on the 5th March 2018, we will have further clarity on key aspects of the budget to allow a budget to be submitted to the IJB for its meeting on 5th April 2018.

### 4. Main Body of the Report

- 4.1 The Scottish Government has announced additional funding nationally of £66m to meet the pressures facing Social Work Services for which Dumfries and Galloway equates to £2.167m. This funding has been included within the local government settlement and the assumption is that this funding will transfer over to the IJB leaving a funding shortfall of £2.24m. Dumfries and Galloway Council are currently considering their budget against a backdrop of a 2.1% reduction in budget with a £11.4m savings target for 2018/19.
- 4.2 Members are required to take recognition of the Social Care funding when setting its budget on the 27th February 2018. The budget which transfers to the IJB will not be known until then but the planning assumption for the IJB is that at least £2.24m of savings will be required to balance the budget. The area that savings will have to come from will impact on service users and care providers through control over levels of care purchased and restrictions on the increases to the prices of care paid. Details of the pressures within the Social Work budget are set out in the separate paper.
- 4.3 It is important to note that the decision on the level of budget delegated to the IJB budget is a Council decision and that determining and approving any savings measured that will be required to address the funding gap is a matter for the IJB itself.
- 4.4 The NHS Board has received an uplift to its baseline budget of 1.5% which it will pass on to the IJB proportionate to the budgets delegated to the partnership. In addition, resources are anticipated to support the Primary Care Transformation Fund, Mental Health Strategy and also improvements in waiting times and elective performance, details of these allocations are at this stage not notified by Scottish Government so haven't been factored into the budget position.
- 4.5 The paper attached in **Appendix 1** sets out the overall NHS position at the end of January 2018 which indicated an overall savings challenge of £23.4m. Since this paper was prepared, the budget discussions have confirmed a change in the pay policy statement which would increase costs by a further £246k. In addition, there is potential additional consequentials from treasury to support the costs above 1% for Agenda for Change staff.
- 4.6 The current savings challenge for the NHS delegated budgets is summarised below:

**Table 1**

	<b>Recurring</b>	<b>Non-Recurring</b>	<b>TOTAL</b>
Savings requirement brought forward	8,088		8,088
Medical Locums	5,000		5,000
Reserve review	(1,600)		(1,600)
Increased Savings Requirement	6,867	2,353	9,220
<b>TOTAL Savings Requirement</b>	<b>18,355</b>	<b>2,353</b>	<b>20,708</b>
Additional Pay Award	230		230
Potential Consequentials	(1,958)		(1,958)

<b>Revised Position</b>	<b>16,627</b>	<b>2,353</b>	<b>18,980</b>
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4.7 In summary, the current assessment of the potential savings required to be delivered to achieve a balanced budget for the IJB, assuming the additional consequentials are received would be:

Social work savings £2.24m  
NHS savings £18.98m  
**TOTAL £21.22m**

4.8 A number of issues will influence the current estimates as work is ongoing to finalise the position.

- Confirmed final budget position from NHS and Council
- Review of estimates for drugs and prescribing costs ongoing
- Review of double running and estimates for Mountainhall and New DGRI
- Review of risk around medical staffing costs specifically additional locum spend requirements
- Review of cost pressures and other inflationary cost impacts
- Impact of living wage increases
- Agreed position on nationally negotiated settlements such as care at home uplifts, GP contract, Community Pharmacy Negotiations
- Clarification of further funding in addition to baseline uplifts (transformation funding etc.)

4.9 As an Integration Joint Board, we need to develop a balanced budget position and hence savings plans are under development to present to the Board as part of the overall Financial Plan and budget position. We must work to ensure that not only a balanced position can be achieved but that this is delivered on a recurring basis, however, it is inevitable there will need to be a level of non-recurring savings for 2018/19 given the timeline required to deliver some of the more complex savings proposals.

4.10 The work on the business transformation is documented in a separate paper but further work is required specifically on timelines for delivery of projects and hence timelines for savings delivery. This is a complex assessment given the desire as a partnership to consult, engage and co produce solutions through this programme, and the time and resource it inevitably takes to do this.

4.11 It is envisaged that the savings programme will have the following strands:

- Medical locums - reduction in costs, recruitment and retention, increase direct engagement
- Effective prescribing - drugs switches, tariff reductions, drugs efficiencies, reduce waste
- Procurement - savings from cost effective procurement solutions
- Productive opportunities - realistic medicine programme, efficiency, reduce variation
- Operational efficiencies - general department efficiencies
- Property and estates strategy - asset disposal, efficiency and other savings opportunities

- Business transformation programme

4.12 At this stage, presenting a balanced budget position by 5th April 2018 is looking extremely challenging and it is clear that we are not the only partnership in this position. However, a full assessment of the position is under review and will be presented to the IJB with a realistic view on the deliverability of the budget for 2018/19. The ambition for the partnership is to ensure we have a robust balanced Financial Plan for the three years to 2020/21.

## **5. Conclusions**

5.1 Key next steps and actions are to be noted by the IJB. Further updates will be brought back to future meetings:

- Scottish Government draft budget required approval (Health and Sports Committee considered it at meeting of 9 January 2018) but expected to be approved on 21st February 2018.
- Budgets confirmed by the Council with this expected following the Council meeting on 27 February 2018.
- Budgets confirmed by NHS in draft following Performance Committee on 5th March 2018.
- IJB consider budget at its meeting 5th April 2018.

## **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 Performance and Finance Committee 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. Health and Social Care Management Team, Senior Finance 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**

H&SCSMT	-	Health and Social Care Senior Management Team
IJB	-	Integration Joint Board
YTD	-	Year to Date