



Integration Joint Board

29th November 2018

This Report relates to
Item 16 on the Agenda

Financial Performance 2018/19 – Mid-Year Review

(Paper presented by Katy Lewis)

For Discussion and Noting

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List of Background Papers	14th November 2018
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SECTION 1: REPORT CONTENT

Title/Subject: Financial Performance 2018/19 – Mid-year Review

Meeting: Integration Joint Board

Date: 29th November 2018

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 2018/19.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **To discuss and note the latest financial forecast position and to note the Mid-year review forecast update for 2018/19.**

3. Background

- 3.1 The Financial Plan, as agreed at the IJB meeting on 5th April 2018, advised that savings of £5.3m were required to be made from an initial target of £15.8m to achieve a balanced financial position for 2018/19. This update assesses the position on the basis of the month 6 financial results (mid-year financial review) and updates the forecast position for 2018/19.

4. Main Body of the Report

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

- 4.2 The Quarter One financial review identified a level of unidentified savings of £3.4m as compared to the opening plan which was an improved position. The Mid-year review reflects an improvement in the position with further savings identified to reduce the gap to £1.2m.
- 4.3 The table below summarises the current forecast outturn position by directorate based on the Mid-year review assessment of the financial position.

Table 1

	Q1 Forecast	Mid-year Forecast	Movement
	£000s	£000s	£000s
IJB DELEGATED SERVICES			
Acute & Diagnostics	(1,925)	(1,700)	225
Facilities and Clinical Support	(177)	(76)	101
Mental Health	286	359	73
Primary and Community Care	(871)	(1,743)	(872)
Women and Children's	700	900	200
E-Health	81	69	(12)
IJB Strategic Services	76	31	(45)
Realistic Medicine	(500)	(500)	0
Business Transformation Programme	(500)	(500)	0
Property and Asset Management Strategy	0	0	0
Reduction in use of medical locums	(400)	(400)	0
IJB Non-recurrent Savings	(148)	(148)	0
Social Work Services	0	0	0
IJB SERVICES TOTAL	(3,379)	(3,708)	(329)

4.4 The Quarter One financial review identified an in-year financial gap of £3.379m, primarily related to gaps and slippage in savings delivery. This has worsened in the Mid-year review to be a £3.708m gaps before slippage on central reserves and budgets are allocated.

4.5 In reviewing the financial position the following positive movements have been assessed in the overall forecast when considering reserves and unallocated budgets, reducing the in-year gap to £1.2m:

Table 2

	Mid year Forecast
	£000's
Mid-year review directorate position	(3,708)
New Medicines Fund	500
Slippage on cost pressures reserve	1,000
Double running and ASRP funding	1,000
Revised Projection	(1,208)

4.6 There are a number of key issues, risks and opportunities, impacting upon the mid-year position which are highlighted below:

- Primary Care Prescribing has worsened since the Quarter One forecast by around £1m and is now forecasting £1.8m overspend for 2018/19. This is made up of unidentified CRES of £242k, unachieved CRES of £544k, volume and tariff growth of £544k and under recovery on discounts of £467k. The discount element is under review to assess whether this estimate is realistic as it doesn't tie in with expectation. The impact of the challenges across GP practices appears to have affected our CRES delivery in-year.

- The NHS Board provided additional non recurring funding of £3m for 2018/19 to cover the double running of Mountainhall and transition costs of DGRI. This is not required at this level with £1m able to be released to support other pressures within the position.
- The estimate of costs associated with the New Medicines Reserve remain unchanged from the Quarter One position with a £500k positive impact in year expected.
- Medical Locum costs continue to be high with the forecast outturn estimated to be up to £800k higher than planning assumptions. This forecast has been reflected in the overall Acute and Diagnostic estimates but it has been confirmed that the directorate will manage pressures to contain this cost, improving the position by £500k from the Quarter One estimate.

4.7 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**.

4.8 The Mid-year review meetings have now taken place between the Chief Officer and Chief Finance Officer with all of the General Managers and directorate leads to fully understand the forecast position and to identify other opportunities to help achieve the break-even position both in-year and for the Financial Plan 2019/20 onwards.

4.9 The residual in-year financial pressure which has now reduced to £1.2m gives increasing confidence that a break-even position can be achieved for 2018/19.

4.10 **Social Work Services**

4.11 The Social Work position at Mid-year review is a balanced budget position, however, this assumes that any further growth in service expenditure linked to increased care will be offset by a further delivery of savings from review and control of existing and new purchased care.

4.12 It is anticipated that further savings will be secured and controls of demographic growth expenditure will result in a balanced budget position without the need for use of accumulated reserves.

4.13 The two main areas of pressure are within the care at home for Learning and Physical Disability Services. This pressure amounts to £1.1m and is being offset through underspends from within our in-house Learning Disability Services and from wider across service staffing vacancies. In addition to this, efficiencies being made across Older People Services are also offsetting the aforementioned overspends.

4.14 **Mid-Year Savings Update**

4.15 There are still some risks around delivery of some saving schemes, particularly within Primary Care prescribing and ongoing levels of vacancies across medical teams and nursing positions. Non-recurring underspends are supporting the in-year position in other areas, where vacancies are being proactively managed.

4.16 There is a significant recurrent gap on savings (£11.2m) and the level of risk around plans remains high. The table included at **Appendix 2** summarises the CRES position at the end of the second quarter.

4.17 There has been significant slippage in relation to Primary Care Prescribing budgets with unidentified CRES of £242k and unachieved CRES (slippage) of £544k, with a recurring gap of £1.1m.

4.18 The savings/efficiency targets of £2.146m for Social Work budgets are required to achieve a balanced position for 2018/19. It is estimated that £1.5m of savings/efficiencies have been achieved so far with the balance to be identified and delivered in the final six months of the year.

4.19 The remaining CRES targets have been devolved to each directorate and have either been identified and removed from budget or form part of the variance within Non-Pays. An overall update on savings delivered to date is included in **Appendix 2**.

4.20 **Ongoing Risks and Challenges**

4.21 Whilst delivery of a balanced position for 2018/19 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 supply of Direct Engagement (DE) doctors.
- Level of non-recurring savings factored for 2018/19 and delivering recurring financial balance.
- Ongoing risks with GP prescribing figures translating into a projected £1.8m forecast overspend for 2018/19.
- Price pressures relating to living wage, inflation and independent provider specific cost pressures.
- Demographics and increased levels of care dependency for under 65 population. Savings will be required to bring this position back to the budgeted level in 2019/20 as this is being managed in the current financial year partially through underspends across staffing budgets and funding applied to Older Peoples Services not yet utilised.

4.22 **Financial Planning 2019/20 and beyond**

4.23 The development of the three year Financial Plan at this stage is still at an early stage and it is clearly evident that both the immediate and longer term challenge to deliver financial balance and financial sustainability is considerable. Transformation is the key to delivering sustainable services within the level of funding identified to the IJB over the next 3 years and beyond.

4.24 Work is ongoing to draft the IJB Financial Plan for the three year period 2019/20, 2020/21 and 2021/22 with details to be shared with members of the Performance and Finance Committee scheduled for January 2019, following the workshop at the Committee on 2nd November 2018. The Scottish Government draft budget is due

to be published on 12th December 2018 but as in previous years the details of the settlement may not be clear until the new year.

- 4.25 The Scottish Government published its 3 year financial framework in October 2018, setting out the level of challenge for the NHS and Social Care in Scotland as a whole. The emerging financial strategy remains under development and will be discussed as part of the 3 year planning cycle in January 2019. It is clear, however, that such a strategy will be required to build the relationship with the corporate objectives, the strategic plans and the latest corporate risks in order to create a coherent prioritisation for investment to be included in future financial plans
- 4.26 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 the indicative assumptions as set out in the financial framework.

5. Conclusions

- 5.1 The following actions are to be noted by Committee. Further updates will be brought back to future meetings:
- Update following Scottish Government budget on 12th December 2018.
 - Paper on Financial Strategy to come to IJB Performance and Finance Committee in January 2019.
 - Ongoing discussions with NHS and Local Authority around budget proposals for 2019/20.

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
- Health and Social Care Senior 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

CRES -	Cash Releasing Efficiency Scheme
DE	- Direct Engagement
IJB	- Integration Joint Board
LD	- Learning Disabilities
YTD	- Year to Date

IJB DIRECTORATE SUMMARY OF ISSUES – Mid-Year Review Update

Directorate	Q1 Forecast	MYR Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics (including acute prescribing)	£1,925k o/s	£1,700k o/s	<ul style="list-style-type: none"> • Risk around locum costs managed within overall directorate position • Unidentified/unachieved CRES of £915k • Pressures in cancer services of £164k relating to cost of patient accomodation • High level of nurse agency spend (pressure £700k) reduced by filling vacancies from September onwards with newly qualified nurses. • There is a pressure within Audiology of £66k, relating to the increasing demand for hearing aids across the service, particularly related to replacement.
Facilities and Clinical Support	£177k o/s	£76k o/s	<ul style="list-style-type: none"> • Pressures within the service are hidden by staff vacancies. • Some pressures around the waste contract (£28k). • Prudent assessment of energy and utility costs – current pressure of £60k. • Minor capital funding committed for 2018/19. • Ongoing review of property costs linked with property strategy and assessment of potential savings. • Main pressure resulting from unachieved CRES - £60k
Mental Health Directorate	£286 u/s	£359k u/s	<ul style="list-style-type: none"> • The Directorate has plans to achieve the CRES target in-year, £347k non-recurrently. • Underspends within pay of £355k relate to vacancies across LD, Community Mental Health Teams, Administration, medical and OT. Pressures across inpatients relate to the complexity of patients seen in the first half of the year.

Directorate	Q1 Forecast	MYR Forecast	Risks/Issues/Challenges and Opportunities
Primary and Community Care - NHS	£871k o/s	£1,743k o/s	<ul style="list-style-type: none"> The key pressure area is the worsening position in Primary Care prescribing, related to slippage in CRES schemes and volume and price movements. Other directorate savings fully delivered in year on a non-recurring basis Pressures in Primary Medical Services of £300k relating to board managed practices.
Women's and Children's	£700k u/s	£900k u/s	<ul style="list-style-type: none"> Almost all the favourable variance within the Directorate relate to the level of vacancies across all services – particularly within midwifery and public health nursing. This has enabled the CRES to be delivered non-recurrently this year, with a remaining recurring gap of £321k.
E health	£81k u/s	£69k u/s	<ul style="list-style-type: none"> CRES has been met in full in-year with plans being finalised for recurrent plans. Pressures are being absorbed across a variety of areas such as Board wide printing project through slippage in-year against pays
Strategic IJB services (strategic planning etc)	£76k u/s	£31k u/s	<ul style="list-style-type: none"> Underspend in pay budgets due to vacancies which are now filled moving forward.
Unidentified CRES	£1,548k o/s	£1,548 o/s	<ul style="list-style-type: none"> Balance of central CRES target outstanding.
Social Work Services	£b/even	£b/even	<ul style="list-style-type: none"> The Social Work position at Quarter 2 is a balanced budget position. The two main areas of pressure are within the care at home for Learning and Physical Disability Services. This pressure amounts to £1.1m and is being offset through underspends from within our in-house Learning Disability Services and from wider across service staffing vacancies. In addition to this, efficiencies being made across Older People Services are also offsetting the aforementioned overspends.

IJB SAVINGS PLANS UPDATE

	Total 2018/19 Target £000	Recurring 2018/19 Schemes £000	NR 2018/19 Schemes £000	Total 2018/19 Schemes £000	In Year 2018/19 CRES Gap £000	2018/19 Recurring CRES Gap £000
NHS Delegated Services						
Acute and Diagnostics	1,500	250	500	750	(750)	(1,250)
E-Health	150	37	113	150	0	(113)
Facilities and Clinical Support	225	50	76	126	(99)	(175)
Mental Health	400	53	347	400	0	(347)
Primary and Community Care	700	144	556	700	0	(556)
Women and Children	380	58	322	380	0	(322)
Effective prescribing (Secondary Care)	1,250	678	216	894	(356)	(572)
Effective prescribing (Primary Care)	1,750	1,258	250	1,508	(242)	(492)
Strategic Planning	25	0	25	25	0	(25)
IJB CRES Schemes (incl unidentified)	7,300	1,000	4,752	5,752	(1,548)	(6,300)
Sub-total NHS Savings	13,680	3,528	7,157	10,685	(2,995)	(10,152)
Council Delegated Services						
Growth Control 1%	342	342		342		0
Regionwide re-alignment	361	361		361		0
Reduction in Sleepovers	115			115	(115)	(115)
Options 1s reduction	500		478	478	(22)	(500)
Under 65s reviews	266			0	(266)	(266)
Over 65s reviews	562	322		322	(240)	(240)
Sub-total Council Savings	2,146	1,025	478	1,503	(643)	(1,121)
TOTAL	15,826	4,553	7,635	12,188	(3,638)	(11,273)