



Integration Joint Board

30th January 2019

This Report relates to
Item 13 on the Agenda

Financial Performance 2018/19 – Month 8 Update

(Paper presented by Katy Lewis)

For Discussion and Noting

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List of Background Papers	Not Applicable
Appendices	Appendix 1 – Summary of Issues Appendix 2 – IJB Savings Plan Update

SECTION 1: REPORT CONTENT

Title/Subject: Financial Performance 2018/19 – Month 8 Update

Meeting: Integration Joint Board

Date: 30th January 2019

Submitted By: Katy Lewis, Chief Finance Officer

Action: For Discussion and Noting

1. Introduction

- 1.1 This report presents the summary financial performance of the budgets delegated to the Integration Joint Board as at end of month 8, following the Mid-year review adjustments agreed for 2018/19.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- To discuss and note the forecast financial position 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 8 financial results (including the release of reserves as agreed following the Mid-year review) and updates the forecast position for 2018/19.

4. Main Body of the Report

4.1 Month 8 forecast position following the Mid-Year Review changes

- 4.2 The month 8 position continues to reflect an improvement in the position following the release of reserves agreed in the Mid-year review, with work ongoing to identify further savings 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
	£000s	£000s
IJB DELEGATED SERVICES		
Acute & Diagnostics	(1,925)	(1,700)
Facilities and Clinical Support	(177)	(76)
Mental Health	286	359
Primary and Community Care	(871)	(1,743)
Women and Children's	700	900
E-Health	81	69
IJB Strategic Services	76	31
Realistic Medicine	(500)	(500)
Business Transformation Programme	(500)	(500)
Property and Asset Management Strategy	0	0
Reduction in use of medical locums	(400)	(400)
IJB Non-recurrent Savings	(148)	(148)
IJB Reserves	0	2,500
Social Work Services	0	0
IJB SERVICES TOTAL	(3,379)	(1,208)

- 4.4 In reviewing the financial position, the following positive movements were 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)

- 4.5 This still leaves a level of risk within the IJB budgets relating to unidentified and unachieved Cash Releasing Efficiency Schemes (CRES) of £2.8m, with a recurrent gap of £11m.
- 4.6 There are a number of key issues, risks and opportunities, impacting upon the mid-year forecast position which are highlighted below:
- Primary Care Prescribing has worsened again since the Mid-year review forecast by around £300k to £2.1m and this will be reviewed in more detail as part of the Quarter 3 review in January 2019. For now, the main elements of the Primary Care Prescribing overspend is made up of unidentified CRES of £242k, unachieved CRES of £893k, volume and tariff growth of £630k and under recovery on discounts of £349k. The discount element was reviewed in month 8 and improved by £118k based upon an improvement in discounts received YTD as at month 6 actuals received. 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 Dumfries and Galloway Royal Infirmary. 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 remains 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 The month 8 position includes the release of the funding identified as part of the Mid-year review and remains on track, despite the increasing pressure reported across Primary Care Prescribing.

4.11 **Social Work Services**

4.12 The Social Work position at month 8 is a £163k forecast overspend position, with continued net growth in care at home particularly within the Learning Disability service user group. This position 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.

4.13 We are anticipating 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. 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 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

4.15 The Social Work savings target is derived from an estimate of £4.3m of cost increases for price, policy and demographic pressures less £2.2m of Scottish Government funds towards these pressures. The service are currently managing the increased demand for Learning Disability and Physical Disability care at home services through the use of one off underspends and should there be further increases in demand for services, then additional savings will be required to offset this expenditure. It is estimated that £1.6m of the £2.1m target has been delivered, mainly from Option 1 spend control and from control of new demand. It is estimated that there is a recurring gap against savings of £1.1m.

4.16 There is 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 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.

4.17 **Savings Update**

4.18 There are still 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.

4.19 There is a significant recurrent gap on savings (£11m) 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.

4.20 There has been significant slippage in relation to Primary Care Prescribing budgets with unidentified CRES of £242k and unachieved CRES (slippage) of £893k. The recurring gap will be reassessed as part of the Quarter 3 review.

4.21 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 £1.63m of savings/efficiencies have been achieved so far, with the balance to be identified and delivered in the final four months of 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 variance within Non-Pays. An overall update on savings delivered to date is included in **Appendix 2**.

4.23 **Ongoing Risks and Challenges**

4.24 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 £2.1m forecast overspend for 2018/19 as at month 8.
- 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 has announced that free personal care 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. A forecast of the impact is contained within these forecasts.
- Demographics and increased levels of care dependency will always put pressure on existing financial resources.

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

4.26 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.

4.27 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 was published on 12th December 2018 and the Finance team are currently updating the Financial Plan based upon the latest update.

5. Conclusions

5.1 The following actions are to be noted by the IJB. 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

ASRP	Acute Services Redevelopment Programme
CRES	Cash Releasing Efficiency Scheme
DE	Direct Engagement
DGRI	Dumfries and Galloway Royal Infirmary
IJB	Integration Joint Board
MYR	Mid-year review
NHS	National Health Service
SDS	Self-Directed Support
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 accommodation. • 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 Learning Disability, Community Mental Health Teams, Administration, medical and Occupational Therapy. 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	Recurring 2018/19 Schemes	NR 2018/19 Schemes	Total 2018/19 Schemes	In Year 2018/19 CRES Gap £000	2018/19 Recurring CRES Gap £000
	£000	£000	£000	£000		£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	218	482	700	0	(482)
Women and Children	380	58	322	380	0	(322)
Effective prescribing (Secondary Care)	1,250	841	216	1057	(193)	(409)
Effective prescribing (Primary Care)	1,750	1258	250	1508	(242)	(492)
Strategic Planning	25	0	25	25	0	(25)
IJB CRES Schemes (incl unidentified)	7,300	1000	4752	5,752	(1,548)	(6,300)
Sub-total NHS Savings	13,680	3,765	7,083	10,848	(2,832)	(9,915)
Council Delegated Services						
Growth Control 1%	342	342		342		0
Region wide re-alignment	361	361		361		0
Reduction in Sleepovers	115				(115)	(115)
Options 1s reduction	500		604	604	104	(500)
Under 65s reviews	266			0	(266)	(266)
Over 65s reviews	562	322		322	(240)	(240)
Sub-total Council Savings	2,146	1,025	604	1,629	(517)	(1,121)
TOTAL	15,826	4,790	7,687	12,477	(3,349)	(11,036)