



Integration Joint Board

3<sup>rd</sup> April 2019

This Report relates to  
Item 6 on the Agenda

# Financial Performance 2018/19 – Quarter 3 Review

*(Paper presented by Katy Lewis)*

*For Discussion and Noting*

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<b>List of Background Papers</b>	
<b>Appendices</b>	<b>Appendix 1</b> – Summary of Issues <b>Appendix 2</b> – IJB Savings Plan Update

<b>Direction Required to Council, Health Board or Both</b>	<b>Direction to:</b>	
	1. No Direction Required	X
	2. Dumfries and Galloway Council	
	3. NHS Dumfries and Galloway	
	4. Dumfries and Galloway Council and NHS Dumfries and Galloway	

## SECTION 1: REPORT CONTENT

**Title/Subject:** Financial Performance – Quarter 3 Review 2018/19

**Meeting:** Integration Joint Board

**Date:** 3<sup>rd</sup> April 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 Integrated Joint Board (IJB) as at end of month nine, and updated following the quarter 3 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 the Quarter 3 forecast update for 2018/19.**

### 3. Background

- 3.1 The Financial Plan, as agreed at the IJB meeting on 5<sup>th</sup> 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 9 financial results (Q3 financial review) and updates the forecast position for 2018/19.

### 4. Main Body of the Report

#### **Quarter 3 Review Forecast Position for services delegated to IJB**

- 4.1 The Mid-year Review identified a level of unidentified savings of £1.2m as compared to the opening plan which was an improved position. The Q3 review reflects a worsening in the position with further savings identified to reduce the gap increasing to £1.86m.
- 4.2 Slippage to previously identified Prescribing CRES schemes, combined with higher cost associated with the continuation of clinical waste services following the collapse of the national provider pre Christmas, have been the key pressures in the

movement in the position. The ongoing costs of nurse agency and medical locum also account for the worsening in the financial position.

- 4.3 The table below summarises the current forecast outturn position by directorate based on the Q3 review assessment of the financial position.

**Table 1**

	<b>Mid-year Forecast</b>	<b>Q3 Forecast</b>	<b>Movement</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>IJB DELEGATED SERVICES</b>			
Acute & Diagnostics	(1,700)	(1,700)	0
Facilities and Clinical Support	(76)	(359)	(283)
Mental Health	359	171	(188)
Primary and Community Care	(1,743)	(2,573)	(830)
Women and Children's	900	998	98
E-Health	69	109	40
IJB Strategic Services	31	63	32
IJB Non-recurrent Savings	(1,548)	(1,548)	0
Social Work Services	0	(128)	(128)
<b>IJB SERVICES TOTAL</b>	<b>(3,708)</b>	<b>(4,967)</b>	<b>(1,259)</b>

- 4.4 The table above shows the movement in the Q3 forecast of £1.26m compared with the Mid-year review forecast position. This is 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 £1.86m:

**Table 2**

	<b>IJB £000s</b>
IJB Q2 Forecast	(3,708)
New Medicines Fund	500
Slippage on cost pressures reserve	1,000
Double running and ASRP funding	1,000
<b>Final Q2 Forecast</b>	<b>(1,208)</b>
Movement on directorate forecast at Q3	(1,259)
Non-pay inflation Balance	330
Risk on locum costs	(300)
Pays Reserve	102
Minor Capital Slippage	350
Delivery of Social Work Savings in Q4	128
<b>Final Q3 Forecast</b>	<b>(1,857)</b>

- 4.6 There are a number of key issues, risks and opportunities, impacting upon the Q3 position which are highlighted below:

- Primary Care Prescribing has worsened since the MYR forecast by around £0.7m and is now forecasting £2.5m overspend for 2018/19. This is made up of unidentified CRES of £242k, unachieved CRES of £941k (a deterioration of £397k, volume and tariff growth of £917k (£544k at MYR)) and under recovery on discounts of £382k (£467k MYR). The impact of the challenges across GP practices appears to have affected our CRES delivery in-year.
- Facilities' forecast has worsened by almost £300k mainly due to the increased costs of the interim clinical waste provision which impacted before Christmas. National plans are in place to remedy this situation and the additional costs may eventually be separately funded, but the increased costs of this to date are behind this movement.
- 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 Q3 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 Provision has been made within the NHS financial estimates of the assumption that the Board will fund the overspend within the IJB, as per the integration scheme, but the level of risk associated with the key items noted above remains a high concern.

### **Social Work Services**

4.10 Overall, the summary position for Social Work Services as at the end of December is a £128k overspend. It is expected that further savings will be delivered to bring the position into balance in the last quarter of the year. This position does not allow for further demographic growth across services, any further increases will require further off-setting savings. Future growth is estimated at £250k for the last quarter, but it assumed that this will be off-set by the numbers of users leaving services.

4.11 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.

4.12 The two main areas of pressure are within the care at home for Learning and Physical Disability Services. This pressure amounts to £1m over both services.

4.13 Care at home services within Learning Disabilities continue to increase and will require significant savings delivery to balance the budget. It is forecast to overspend by £558k, this is being helped by several vacancies within our in-house

LD region wide staffing structures along with a continued underspend within residential placements. The main areas of pressure are within Nithsdale and Wigtownshire localities. These two localities have seen an increase in service users of 16 which equates to slightly over 5% of service users at the start of the year. It is unlikely that this spend will be recovered this financial year and this will be a carry forward budget pressure for 2019/20.

- 4.14 Care at home services within Physical Disabilities continue to be a pressure but have dropped slightly over the last quarter, they are £439k over budget. This increase is being experienced across the region and appears to be linked to increase in care to existing users as opposed to additional service users. They will require significant savings delivery to balance the budget, this is unlikely to happen in this financial year and will become a budget pressure for 2019/20.
- 4.15 The overspends are 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.

### **Q3 Savings Update**

- 4.16 There is a significant recurrent gap on savings (£10.9m) and the level of risk around plans identified moving forward remains high. A recent workshop with the General Managers identified a long list of schemes moving forwards to remedy the remaining gap and will be taken forward within the 3 year Financial Plan. The table included at **Appendix 2** summarises the CRES position at the end of the third 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 £941k, with a recurring gap of £1.18m, compared to the position reported in the Mid-year Review of £786k.
- 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 £1.8m of savings/efficiencies have been achieved so far with the balance to be identified and delivered in the final three 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 £2.5m 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.
- The challenges involved in addressing the overspends across LD and PD care at home markets will continue to put budgets under pressure during 2019/20.

### IJB Reserves

4.22 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. In addition to the balances of the Social Care Fund and Integrated Care Fund, it is proposed that the balance of Alcohol and Drugs Partnership (ADP), Primary Care Improvement Fund and Mental Health Action 15 monies will form part of the IJB Reserve to be carried forward at the year end, totalling £7.4m.

**Table 3**

	31/03/17	31/03/18	Projected 31/03/19
Social Care Fund	£2.1m	£3.5m	£3.0m
Integrated Care Fund	£2.2m	£3.3m	£2.9m
Alcohol and Drugs Partnership			£0.6m
Primary Care Improvement Fund			£0.7m
Mental Health Action 15			£0.2m
<b>TOTAL</b>	<b>£4.3m</b>	<b>£6.8m</b>	<b>£7.4m</b>

## 5. Conclusions

- 5.1 Whilst there has been a worsening in the forecast position during the Q3 Review, provision has been made within the NHS financial estimates to fund the overspend through non-recurrent means as allowed for under the Integration Scheme.
- 5.2 The level of ongoing risk identified above continues to be significant and workstreams are progressing to finalise transformational plans to reduce the size of the financial gap next year.
- 5.3 The following actions are to be noted by the IJB. Further updates will be brought back to future meetings:
- The movement in the Q3 Review compared to the Mid-year Review.

- Scale of the challenge of identifying the recurring savings target in full as the 3 year financial plan is developed and agreed.

## **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**

ADP	Alcohol and Drugs Partnership
ASRP	Acute Services Redevelopment Project
CRES	Cash Releasing Efficiency Scheme
DE	Direct Engagement
GP	General Practice
IJB	Integration Joint Board
LD	Learning Disabilities
MYR	Mid-Year Review
PC	Primary Care
YTD	Year to Date

## IJB DIRECTORATE SUMMARY OF ISSUES – Mid-Year Review Update

Directorate	MYR Forecast	Q3 Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics (including acute prescribing)	£1,700k o/s	£1,700k o/s	<ul style="list-style-type: none"> <li>• Risk around locum costs managed within overall directorate position</li> <li>• Unidentified/unachieved CRES of £704k</li> <li>• High level of nurse agency spend (pressure £700k) reduced by filling vacancies moving forwards with newly qualified nurses.</li> <li>• Non-pays £610k overspent – pressures on travel and patient transport, activity pressures in labs and theatres.</li> <li>• Drugs - £288k over due to unachieved CRES YTD and increased costs related to activity growth across gastroenterology. Pharmacy are meeting with the clinicians to review the changes in prescribing practice.</li> </ul>
Facilities and Clinical Support	£76k o/s	£359k 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 (£300k forecast) due to the increased cost of clinical waste as a result of national contingency plans in place to deal with clinical waste at a national level.</li> <li>• Prudent assessment of energy and utility costs – current pressure of £60k.</li> <li>• Minor capital funding committed for 2018/19.</li> <li>• Ongoing review of property costs linked with property strategy and assessment of potential savings.</li> </ul>
Mental Health Directorate	£359k u/s	£171k u/s	<ul style="list-style-type: none"> <li>• The Directorate has plans to achieve the CRES target in-year, £347k non-recurrently.</li> <li>• YTD Underspends within pay of £341k 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.</li> </ul>

Directorate	MYR Forecast	Q3 Forecast	Risks/Issues/Challenges and Opportunities
Primary and Community Care – NHS	£1,743k o/s	£2,573k o/s	<ul style="list-style-type: none"> <li>The key pressure area is the worsening position in Primary Care prescribing, related to slippage in CRES schemes and volume and price movements (£1.1m forecast)</li> <li>Other directorate savings fully delivered in year on a non-recurring basis</li> <li>Pressures in Primary Medical Services of £300k relating to board managed practices.</li> <li>The Pays position is £240k YTD under-spent across the Directorate. £189k relates to Nursing budgets. AHP £109k under, Health Sciences £73k under, Admin budgets are £5k over, Miscellaneous £7k under. Medical budgets are over spent by £233k. Ancillary are under spent by £99k.</li> </ul>
Women's and Children's	£900k u/s	£998k u/s	<ul style="list-style-type: none"> <li>Pays £819k underspent YTD related to public health nursing (£380k), midwifery (£299k), Ward 15 (£110k), Learning Disability (£133k), AHPs (£59k), Neonatal (£64k) offset with overspends in Management and Governance (£285k). The overspend in Management and Governance reflects the level of CRES (£209k) moved to Nursing Pays, reflecting the overall level of underspends YTD which are off-setting the underachievement on CRES non-recurrently.</li> <li>Non-pays are (£104k) overspent relating to drugs (£53k of which £35k is unachieved Drug CRES YTD) and a variety of overspends across equipment and service contracts and clinical supplies</li> </ul>
E health	£69k u/s	£109k u/s	<ul style="list-style-type: none"> <li>Pays underspent by £105k YTD, mainly due to vacancies in Clinical Prep, Scanning team, Referrals team and Support team.</li> <li>Non-pays are overspent by £20k YTD due to overspend within telephones because of a move to national contract and GMS (General Medical Services) because of the new GP contracts which are offset by underspends within new service contracts.</li> </ul>
Strategic IJB services (strategic planning etc)	£31k u/s	£63k u/s	<ul style="list-style-type: none"> <li>Underspend in pay budgets due to vacancies which are now filled moving forward.</li> </ul>
Unidentified CRES	£1,548 o/s	£1,548 o/s	<ul style="list-style-type: none"> <li>Balance of central CRES target outstanding.</li> </ul>

Directorate	MYR Forecast	Q3 Forecast	Risks/Issues/Challenges and Opportunities
Social Work Services	£b/even	£128 o/s	<ul style="list-style-type: none"> <li>• The Social Work position at Quarter 3 a £128k o/s but with assumed savings to be made in final quarter to deliver a balanced budget position.</li> <li>• The two main areas of pressure are within the care at home for Learning and Physical Disability Services.</li> <li>• This pressure amounts to £1m and is being offset through underspends from within in our in-house LD regionwide staffing structures along with a continued underspend within residential placements and the wider cross-service staffing vacancies.</li> <li>• Older People services continue to underspend based on activity and cost efficiencies which are more than offsetting recent price increases within care at home and care home services. This equates to approx. 6 R&amp;N placements, there is a downturn in care at home levels also although this could be attributed to the impact of real time monitoring.</li> <li>• These reductions are being experienced across all localities except for Wigtown care homes. Should the vacancies not be taken up then we should expect to retain an overall underspend within this area. We are experiencing a significant shift between costs and income due to the significant shift in Route 1 free personal care only residents.</li> <li>• Efficiency savings of £2.1m were budgeted for and would be required if the forecast demand and price growth in services of £4.3m was incurred. It is estimated that £1.8m of savings have been delivered. Further growth in care delivered over the last 6 months will require further savings to be delivered.</li> </ul>

## 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
<b>NHS Delegated Services</b>						
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	175	225	0	(175)
Mental Health	400	53	347	400	0	(347)
Primary and Community Care	700	218	482	700	0	(482)
Women and Children	380	66	314	380	0	(314)
Effective prescribing (Secondary Care)	1,250	841	216	1,057	(193)	(409)
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)
<b>Sub-total NHS Savings</b>	<b>13,680</b>	<b>3,773</b>	<b>7,174</b>	<b>10,947</b>	<b>(2,733)</b>	<b>(9,907)</b>
<b>Council Delegated Services</b>						
Growth Control 1%	342	342	0	342	0	0
Regionwide re-alignment	361	361	0	361	0	0
Reduction in Sleepovers	115	0	0	0	(115)	(115)
Options 1s reduction	500	0	661	661	161	(500)
Under 65s reviews	266	0	0	0	(266)	(266)
Over 65s reviews	562	462	0	462	100	(100)
<b>Sub-total Council Savings</b>	<b>2,146</b>	<b>1,165</b>	<b>661</b>	<b>1,826</b>	<b>(320)</b>	<b>(981)</b>
<b>TOTAL</b>	<b>15,826</b>	<b>4,938</b>	<b>7,835</b>	<b>12,773</b>	<b>(3,053)</b>	<b>(10,888)</b>