



Integration Joint Board

3<sup>rd</sup> April 2019

This Report relates to  
Item 7 on the Agenda

# Financial Plan 2019/20- 2021/22

*(Paper presented by Katy Lewis)*

*For Approval*

<b>Approved for Submission by</b>	Katy Lewis, Chief Finance Officer, Integration Joint Board
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<b>List of Background Papers</b>	None
<b>Appendices</b>	None

<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

<b>Title/Subject:</b>	Financial Plan 2019/2020 – 2021/2022
<b>Meeting:</b>	Integration Joint Board
<b>Date:</b>	3 <sup>rd</sup> April
<b>Submitted By:</b>	Katy Lewis, Chief Finance Officer, Integration Joint Board
<b>Action:</b>	For Approval

### 1. Introduction

- 1.1 This paper sets out the Financial Plan for the Integration Joint Board (IJB) for 2019/20 and provides an update on savings plans required to establish a balanced budget position for 2019/20.

### 2. Recommendations

#### 2.1 The Integration Joint Board is asked to:

- **Approve the IJB Financial Plan for 2019/20 which is presented as a balanced position with an in-year gap of £6.850m for which savings are still to be identified.**
- **Note that this budget is approved subject to NHS Board approval of the delegated budget at its meeting on 8th April 2019.**
- **Note the additional delegated budget from the NHS Board for Acute Pharmacy and Public Dental Service.**
- **Note the significant level of risk in the financial position presented.**
- **Note the ongoing development of a financial recovery plan.**

### 3. Background

- 3.1 This paper presents the budget position for the IJB for 2019/20 and reflects the allocation of resources from the partner agencies to the IJB in the context of the agreed Scottish Government budget for 2019/20, and the respective financial settlements to Local Authorities and NHS Boards.

### 4. Main Body of the Report

- 4.1 The Financial Plan is presented as balanced financial position but includes a high level of savings still to be identified (currently estimated at £19.5m).
- 4.2 The overall IJB delegated budget position can be summarised as follows:

Table 1

SUMMARY	IJB £000s NHS	IJB £000s Council	Total £000s
<b>2019/20 recurring baseline</b>	<b>283,608</b>	<b>72,422</b>	<b>356,030</b>
Transfer of Services into IJB 2019/20			
- Acute Pharmacy	2,920		2,920
- Public Dental Service	<u>1,280</u>		<u>1,280</u>
<b>Revised Recurring Baseline</b>	<b>287,808</b>	<b>72,422</b>	<b>360,230</b>
Funding for Pressures and Uplifts	15,531	6,029	21,560
Savings targets			
- Balance of savings from 2018/19	(9,518)		(9,518)
- Increased savings requirement 2019/20	<u>(7,014)</u>	<u>(2,972)</u>	<u>(9,986)</u>
Total of Savings 2019/20	(16,532)	(2,972)	(19,504)
<b>TOTAL</b>	<b>286,806</b>	<b>75,479</b>	<b>362,286</b>

4.3 The above table identifies the combined IJB recurrent budget baseline from both the NHS and the Council before the application of uplifts and pressures. The balance of any savings target from 2018/19 has been carried forward of £9,518k, with the increased savings requirement of £9,986k in 2019/20. The total level of savings for the IJB to achieve financial balance in 2019/20 is £19,504k.

4.4 The uplift in baseline allocations for both the NHS and Council have been included in this position, with a proportional share of the 2.5% increase in funding in the NHS allocation equating to a £6.1m increase in the IJB recurrent baseline. In addition, the assumed uplift in the New Medicines Fund (NMF) of £2.4m has been allocated to the IJB in totality.

4.5 At a local level, the allocation of funds for the financial year 2019/20 to the IJB requires service provision to be delivered within a reduced financial envelope, brought about by:

NHS Revenue savings requirement	£16.532m
Council/savings requirement	<u>£2.972m</u>
<b>Total</b>	<b>£19.504m</b>

#### *Council Budget Position*

4.6 Dumfries and Galloway Council formally approved its budget for 2019/20 at its meeting on the 28th February 2019.

4.7 The service was faced with £4.3m of budget pressures during 2018/19, with the settlement providing £2.1m of Social Care Fund to help alleviate this. This left £2.2m of savings required, £1.8m were delivered through control of expenditure, with the remainder identified through non-recurrent staff underspends.

4.8 The Financial Plan for 2019/20 has provided for an overall increase of costs of £6m, mainly related to the following uplifts and pressures:

- Scottish Living Wage – 2.72% increase to £1,032k
- Sleepovers – 16% increase to £286k
- NCHC (National Care Home Contract) – a further £962k
- Staff pay award - £533k
- Additional Carers Allocation - £328k
- Free Personal Care – Franks Law - £780k
- Demographic Growth - £1,108k
- Underlying Pressures - £1,000k

4.9 The 2019/20 Social Care Fund has been announced as £108m. In addition, £30m has been included within local government for Free Personal Care (Frank’s Law) and another £10m for the Carers’ Act. This totals £148m with Dumfries and Galloway Council’s share being 3.28% equating to £4.65m. The table below summarises how the allocation has been provided to Dumfries and Galloway Council:

**Table 2**

<b>Additional Agreed Settlements</b>	<b>2019/20 National</b>	<b>2019/20 D&amp;G</b>
Social Care Fund	£108m	£3.54m
Free Personal Care	£30m	£0.78m
Carers’ Act	£10m	£0.33m
<b>Sub-total</b>	<b>£148m</b>	<b>£4.65m</b>
<b>Retained by DGC</b>	<b>£50m</b>	<b>£1.593m</b>
<b>TOTAL</b>	<b>£98m</b>	<b>£3.057m</b>

4.10 The Scottish Government has allowed local authorities to vary this budget by up to 2.2% of £50m nationally of the Social Care Fund. This translates into a reduction of £1.593m for wider Social Work pressures resulting in a net funding increase of £3.057m, rather than £4.65m. Additional funding was provided for two specific acts (Frank’s Law and The Carer’s Act) which total £1.1m, as indicated in the above table.

4.11 The delegated budgets are facing cost and activity increases of £6m (8.3%) set against the additional funding of £3.1m (4.2%).

4.12 The current budget is £72,422k; with an addition of circa £3,057k, would give a budget of £75,479k. The efficiency target is £2,972k, 3.9%.

4.13 The delivery of savings will need to consider the push to meet demand and increase care in the community. The IJB need to be clear where and how we are going to fund this from as the delivery of savings will be required from a more efficient use of care as we continue to see the unit cost of care increase. The IJB will continue to deliver efficiencies from real time monitoring and review of Self Directed Support (SDS) option 1’s however these are required to meet existing pressures. Areas to target for spend reduction include more efficient allocation of

care, using different models (eg. reable, telecare, occupational therapy etc) in addition to more effective demand management.

- 4.14 It has been assessed that savings of £2.97m are required to be delivered for 2019/20, details as follows:

**Table 3**

<b>SUMMARY</b>	<b>£000s</b>	<b>Net Impact £000s</b>
2018/19 Budget (including Social Care Funding)		72,422
<b>Required Budget Increases 2019/20</b>		
Internal Staff Pay Award (public workers proposal)	533	
National Care Home Contract (tbc)	962	
Scottish Living Wage – Care at Home (tbc)	873	
Scottish Living Wage - Other	159	
Scottish Living wage - Sleepovers	286	
Carers Act	328	
Free Personal Care – Frank’s Law	780	
Underlying recurring pressures – under 65’s	1,000	
Demographics	<u>1,108</u>	6,029
<b>2019/20 Received from Scottish Government Savings &amp; Efficiency Requirement (3.9%)</b>	(3,057)	(2,972)
<b>Revised 2019/20 Proposed Budget</b>		<b>75,479</b>

*NHS Budget Position*

- 4.15 NHS Board Financial Plan for 2019/20 has been submitted for approval at the NHS Board on 8<sup>th</sup> April 2019 and includes agreement on the budgets proposed for the NHS Delegated services.
- 4.16 The budget uplifts and savings delegated to the IJB from the NHS Board are as follows:

Table 4

SUMMARY	NHS BUDGETS DELEGATED TO IJB
	<b>2019/20</b> <b>£000s</b>
<b>Recurring Baseline (including budget reserves 2018/19)</b>	<b>283,608</b>
<b>Budget Uplifts 2019/20</b>	
Baseline Uplift 2.5%	6,132
New Medicines Fund (Scottish Government allocation)	2,384
<b>Total Allocation Uplifts</b>	<b>8,516</b>
<b>Budget Reserves</b>	
Pay Uplifts - Agenda for Change	3,044
Pay Uplifts - Medical Staff	1,062
Price Uplifts	348
Primary Care Drugs (overspend)	1,990
Primary Care Drugs	638
Secondary Care Drugs	1,351
New Medicines Fund Drugs	3,453
Emergency Care Centre	1,144
Cost Pressures	2,500
<b>Total Pressures and Inflationary Uplifts</b>	<b>15,530</b>
Recurring deficit position b/f 2018/19	9,518
Increased savings requirement 2019/20	7,014
<b>2019/20 Savings Target to break-even</b>	<b>16,532</b>
<b>Budget Transfer</b>	
Acute Pharmacy	2,920
Public Dental Service	1,280
<b>2019/20 Delegated Budget</b>	<b>286,806</b>

- 4.17 As the NHS Board has delegated the management of all operational health services to the IJB, the level of the savings target reflects the amount of resources delegated and is a savings target of 5.7%.

*Additional Resources Delegated*

- 4.18 In addition, to the confirmed delegated budgets identified above there are also additional resources available to the partnership relating to government priorities including Alcohol and Drugs Partnership (ADP), Mental Health Action 15 and Primary Care Transformation totalling £12.6m over the next 3 years as identified in the table below.

- 4.19 There was a requirement for NHS Boards to pass the entirety of resources to Health and Social Partnerships. The values in future years are indicative and yet to be confirmed by Scottish Government.

**Table 4**

<b>Additional Assumed Allocations</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Alcohol and Drugs Partnership	£0.5m	£0.5m	£0.5m
Mental Health Action 15	£0.5m	£0.7m	£0.95m
Primary Care Transformation Fund	£1.4m	£3.1m	£4.4m
<b>TOTAL</b>	<b>£2.4m</b>	<b>£4.3m</b>	<b>£5.9m</b>

*Integration Scheme*

- 4.20 The Integration Scheme, which has been agreed between the partners, confirmed that for the first year of operation as a partnership, any overspend would be supported by the party who originally delegated the budget if financial balance could not be achieved by the partnership. **Appendix 1** provides an extract from the Integration Scheme which indicates that any move to a different methodology could be agreed as the partnership matures.

- 4.21 For 2019/20, it has been agreed between the parties that the arrangements in year one and two will continue for a further year, whereby each of the parties would be responsible for the overspend position on their delegated budgets should the IJB be unable to deliver a balanced position.

*Savings, Efficiencies and Cost Reductions*

- 4.22 The current progress on development of savings is summarised as follows:

Table 5

	<b>NHS £000's</b>	<b>Council £000's</b>	<b>Total £000's</b>
<b>Recurring Savings (from long list)</b>			
eHealth	253	0	253
Locum	1,500	0	1,500
Prescribing	1,916	0	1,916
Property	800	0	800
Transformation	415	680	1,095
<b>Subtotal</b>	<b>4,884</b>	<b>680</b>	<b>5,564</b>
<b>Recurring Savings - other</b>			
Directorate efficiency (Operational CRES)	500	2,292	2,792
<b>Subtotal</b>	<b>500</b>	<b>2,292</b>	<b>2,792</b>
<b>Recurring Savings Total</b>	<b>5,384</b>	<b>2,972</b>	<b>8,356</b>
<b>Non recurring Savings</b>			
Balance sheet/ accruals review	300	0	300
Review of commitments against allocations	2,000	0	2,000
In year flexibility on allocations	1,000	0	1,000
Non recurring staff savings/ underspends	1,000	0	1,000
<b>Subtotal</b>	<b>4,300</b>	<b>0</b>	<b>4,300</b>
<b>TOTAL</b>	<b>9,684</b>	<b>2,972</b>	<b>12,656</b>

- 4.23 To date, savings of £12.656m have been identified as targeted areas leaving a total gap of £6.850m still to be identified.

### **Saving Plans Development and Efficiency Strategy**

- 4.24 The overall strategy for development of savings and efficiency plans continues to focus on a range of areas including transformation of services, prescribing efficiencies, reduction in locum costs through improving recruitment and retention, capping rates and scrutiny of requirements, property and estate rationalisation and digital and eHealth initiatives.
- 4.25 Following on from the initial work of the Business Transformation Programme, the IJB has established a range of programme boards to take forward service transformation across the Health and Social Care Partnership. A process has been agreed whereby a long list of savings plans has been developed scored and assessed as to deliverability and priorities. This remains one of the key strands of the IJB's sustainability and efficiency work with the plan developing options over a three year time frame.
- 4.26 During 2018/19 savings of £700k have been achieved through Primary Care prescribing. This is planned to continue into 2019/20 through a variety of savings schemes such as reducing variation in prescribing patterns and volume of drugs and ensuring that the most cost effective drug continues to be prescribed. Secondary Care prescribing has delivered savings of £1.2m during 2018/19. Going into 2019/20 it is planned to continue delivering these savings as more cost

effective biosimilars become available and national procurement continues to negotiate national discounts.

- 4.27 Medical recruitment continues to be a difficult area for NHS Dumfries and Galloway, with vacancy rates for consultants averaging around 20% over the past 2 years. Recruitment to junior doctor positions has also become more challenging in recent times for the Board as well. This has led to a 7% increase in demand of external agency hours during a period of severe competition across the sector for quality medical locum cover, with total expenditure in 2018/19 estimated to be £12.6m.
- 4.28 Working closely with our recruitment partner, Retinue Health, the Board is once again striving to further improve on previous success, on ensuring medical locums placed with the Board represent the best possible opportunity for Value for Money. Through engaging with the West of Scotland consortia members it is envisaged that further savings to rates paid for medical locums will be delivered again in 2019/20. This, in combination with ensuring all doctors placed are engaged through Direct Engagement as well as reviewing the level of need across each service carefully, should provide opportunities to reduce like for like replacement costs by between £1.2m -£1.8m per year.
- 4.29 A number of initiatives driven around eHealth initiatives are being progressed including digital solutions (attend anywhere, VC, MORSE etc). In addition, savings are anticipated through new mobile contracts, rationalisation of telephone systems, printing solutions, review of mail arrangements and other technology solutions.
- 4.30 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.
- 4.31 The £2.97m savings requirement for Social Work is expected to be delivered through the management of demand across the system. The following areas are examples of where this might be identified throughout the year:
- 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

#### *Reserves*

- 4.32 The IJB 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 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 £7.3m.

- 4.33 These in their entirety relate to earmarked/ring fenced funding received from Scottish Government for a specific purpose. The late receipt of funding during 2018/19 reflects the significant increase in reserves year on year. This level is not expected to continue into future years.

Table 6

	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			£0.5m
Primary Care Improvement Fund			£0.7m
Mental Health Action 15			£0.2m
<b>TOTAL</b>	<b>£4.3m</b>	<b>£6.8m</b>	<b>£7.3m</b>

### Risks

- 4.34 The current revenue plan identifies a financial gap of £19.5m in year, reducing to £6.6m once savings plans are factored in. The in-year gap is not a position which can currently be managed within the assessed financial position so a break-even position is not projected at this stage and there are a range of significant financial risks in the current position which have been summarised below:

- Pressures in GP (General Practice) prescribing, specifically associated with increased cost of drugs on short supply, increased volume of high cost drugs.
- Continuing increasing costs of medical locums which are being targeted through savings plan but remain a current risk.
- The risk of further GP resignations from vacancies across General Practice with increased cost to NHS Boards.
- Increased cost of New Medicines Fund and ongoing SMC approvals throughout the year beyond the level identified in the Financial Plan.
- Delivery of elective waiting times improvement required beyond any additional funding identified at the current level.
- Risks around radiology service due to vacancies and service pressures.
- General nursing vacancies across the DGRI, but specifically related to the newly established emergency care centre.
- Increased growth of referrals outwith the region across Scotland and into NHS England providers.
- Increasing demand and assessed need putting pressure on existing health and social care staff resources and on available care provision.
- Lack of capacity both within residential and care at home settings requiring alternative models to be developed
- Sustainability of the social care market due to financial and workforce pressures
- Need to develop new models of care to meet projected social care demographic increases alongside the running of current models.

## **5. Conclusions**

- 5.1 The current draft proposed budget for services delegated to the IJB, passes on in full the additional funding identified in the Scottish Budget announced in December 2018. This leaves a significant level of pressure in the system when the full impact of pay and price inflation along with known increased costs associated with activity growth and new developments are factored in.
- 5.2 Progress has been made towards identifying savings and new ways of working to deliver the financial challenge identified for this forthcoming year, however, significant progress must be made across the transformation of existing services if there is any chance for recurring balance to be achieved in the months ahead.
- 5.3 The IJB is not projecting a break-even position and will continue to identify solutions to bridge the current £6.85m unidentified savings gap.
- 5.4 There is a need to develop a financial recovery plan, particularly in relation to the NHS delegated budgets. This will be progressed in partnership with the NHS. Savings plans will be monitored in detail through the Performance and Finance Committee.

## **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 and Risk Implications**

- 8.1 None identified.

### **9. Consultation**

- 9.1 Senior Finance Team/Health and Social Care Senior Management Team

### **10. Equality and Human Rights Impact Assessment**

- 10.1 Impact assessments will be required for all proposals progressed through the business transformation programme.

### **11. Glossary**

GP	General Practice
IJB	Integration Joint Board
NCHC	National Care Home Contract
NMF	New Medicines Fund
SDS	Self Directed Support
SW	Social Work

## Dumfries and Galloway Integration Joint Board

### DIRECTION

(ISSUED UNDER SECTIONS 26-28 OF THE PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014)



1.	Title of Direction and Reference Number	
2.	Date Direction Issued by Integration Joint Board	
3.	Date from which Direction takes effect	
4.	Direction to	
5.	Does this direction supersede, amend or cancel a previous Direction? If yes, include the reference number(s)	
6.	Functions covered by Direction	
7.	Full text of Direction	
8.	Budget allocated by Integration Joint Board to carry out Direction	
9.	Desired Outcomes	
10.	Performance Monitoring Arrangements	
11.	Date Direction will be Reviewed	

**EXTRACT FROM INTEGRATION SCHEME BETWEEN NHS DUMFRIES AND GALLOWAY AND DUMFRIES AND GALLOWAY COUNCIL**

8.2 Integrated Budget In-Year Variations

8.2.1 Process for resolving budget variances

Overspend

8.2.1.1 The Chief Officer is expected to deliver the outcomes within the total delegated resources and where there is a forecast overspend against an element of the operational budget, the Chief Officer, the Chief Finance Officer of the IJB and the relevant finance officers of the Parties must agree a recovery plan to balance the overspending budget.

8.2.1.2 In addition, the IJB may increase the payment to the relevant organisation responsible for commissioning/providing services, by either:

(a) Utilising an underspend on the other arm of the operational Integrated Budget to reduce the payment to that body; and/or

(b) Utilising the balance on the general fund, if available, of the IJB in line with the reserves policy.

8.2.1.3 If the recovery plan is unsuccessful and there are insufficient general fund reserves to fund a year end overspend, then the partners have the option to:

(a) Make additional one-off payments to the IJB; or

(b) Provide additional resources to the IJB which are then recovered in future years, subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to resolve this.

8.2.1.4 As a default position, should the recovery plan be unsuccessful, the IJB may request that the payment from the Parties be adjusted to take account of any revised assumptions. It is expected that as we move towards fuller integration as the IJB matures, that the Parties will share out the additional contributions, if required based on the proportion of their allocations. At the initial stage (until the end of 2016/17), prior to fuller integration, it will be incumbent on the Party who originally delegated the budget to make the additional payment to cover the shortfall.