



Integration Joint Board

29<sup>th</sup> May 2019

This Report relates to  
Item 8 on the Agenda

# Financial Performance Financial Year 2018/19

*(Paper presented by Katy Lewis)*

*For Discussion and Noting*

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<b>List of Background Papers</b>	Not applicable
<b>Appendices</b>	Appendix 1 – Efficiency Savings

<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 – Financial Year 2018/19

**Meeting:** Integration Joint Board

**Date:** 29<sup>th</sup> May 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 (IJB) as at end of March 2019 for the financial year 2018/19.

### 2. Recommendations

- 2.1 **The Integration Joint Board is asked to note and discuss the following:**

- **The draft break-even position for the year as planned.**
- **All numbers are draft subject to external audit scrutiny of the NHS, Council and IJB accounts.**
- **Additional funding was released from the NHS Board to the IJB to offset the underlying overspends of £1.814m in-year non-recurrently.**
- **Note the level of IJB ringfenced reserves at 31 March 2019 of £8.4m (£6.8m at 31 March 2018).**

### 3. Background

- 3.1 This consolidated report brings together the financial reporting of all services delegated to the IJB from the NHS and the Council. It presents the draft final position for the IJB as a whole for the year ending 2018/19.

### 4. Main Body of the Report

#### **Executive Summary**

- 4.1 The final position of the IJB reports a break-even position, confirming that the position has improved from the original Financial Plan. This has been delivered as per the Integration Scheme, with the NHS Board funding a range of cost pressures and overspends throughout the year and releasing reserves of £1.814m to achieve a balanced position.

## Services Delegated to IJB

4.2 The position as at the year end shows a break-even position as highlighted in the table below by each of the delegated services:

Table 1

AREA	2018/19 Annual Budget	2018/19 Actual outturn	2018/19 Variance
	£000s	£000s	£000s
<b>IJB DELEGATED SERVICES</b>			
Acute and Diagnostics	112,435	114,242	(1,807)
Facilities and Clinical Support	16,366	16,507	(141)
Mental Health Directorate	21,697	21,546	150
Primary and Community Care	103,262	105,562	(2,300)
Women's and Children's Directorate	21,260	20,318	942
EHealth	5,162	4,956	206
Strategic IJB Services	22,813	22,630	183
IJB Unidentified savings	(1,748)	(200)	(1,548)
IJB Non-recurring Savings	2,500	0	2,500
IJB Funding from NHS Board	1,814	0	1,814
<b>Social Work Services</b>			
Children & Families	107	101	6
Adult Services	14,392	13,972	420
Older People	27,522	27,052	470
People with LD	20,635	21,990	(1,355)
People with PD	5,283	5,543	(260)
People with MH Need	1,692	1,367	325
Adults with addiction/substance mis-use	263	224	39
Strategic Commissioning	2,512	2,157	355
<b>IJB SERVICES TOTAL</b>	<b>377,967</b>	<b>377,967</b>	<b>0</b>

4.3 Delivery of a balanced position for 2018/19 was achieved, after additional non-recurrent funding was made available to off-set the overspends across IJB delegated services and the gap on delivery on some of the directorate Cash Releasing Efficiency Schemes (CRES) (most notably Primary Care Prescribing of £1.2m and the level of unidentified IJB savings target of £1.5m).

4.4 The key areas of overspend within the IJB delegated budgets were as follows:

- Pressure on Pays within Acute and Diagnostics (£764k across nursing due to the high level of vacancies and agency use).
- Non-pays pressures across Acute and Diagnostics related to outsourced Radiology work (£145k), increased levels of activity within laboratories (£141k) and increased costs associated with travel for patients travelling to tertiary centres for cancer treatment and local transport costs for renal patients (£105k).

- Pressures within Non-pays (£192k) across Facilities relates predominantly to expenditure within ICES (Integrated Community Equipment Service), clinical waste and increased laundry costs.
- In addition to unachieved and unidentified CRES within Primary Care Prescribing, there were pressures across volume and price increases of £764k.
- There are significant overspends on Learning Disability Care at Home Services due to increasing numbers of service users and increasing levels of need, this has been balanced during the year from underspends across other services within Social Work relating to staff vacancies, reductions in activity and over delivery of savings.

4.5 With all savings targets allocated to directorate budgets, the total of the unidentified savings are reflected in the outturn position. The total savings delivered in the year across the IJB were £13.1m, with £6.2m made recurrently. This leaves a recurring gap of £9.6m moving into the new financial year.

### Medical Locums

4.6 Expenditure on Medical Locums for 2018/19 was £12.1m which compares to £12.6m for the same period 2017/18. Whilst this is a decrease year on year, it reflects the ongoing reduction of hourly rates driven through the Neutral Vendor Contract with Retinue. The associated increase in external locum hours is 7% overall, with an associated decrease in costs of almost £600k.

4.7 Whilst the impact of the tax changes around personal service companies and IR35 has significantly impacted on locum provision nationally, especially across rural economies, focussing on sourcing directly engaged doctors, combined with adhering to the rate-card cap has enabled an overall reduction in average gross hourly rates across all specialties.

4.8 The table below shows the actual locum expenditure by Directorate compared to the prior year.

**Table 2**

<b>Directorate</b>	<b>2017/18 Actual £000s</b>	<b>2018/19 Actual £000s</b>
Acute and Diagnostics Directorate	10,297	11,095
Mental Health Directorate	1,037	407
Primary and Community Care	527	247
Woman's and Children's Directorate	756	257
<b>Total IJB Services</b>	<b>12,617</b>	<b>12,106</b>

4.9 This expenditure is off-set with the underlying level of underspend related to increased vacancies, resulting in a net increase in funding above established budgets of £5.7m.

## Overall Savings Update

- 4.10 The full year's performance on savings plans shows total identified savings of £13.1m against an overall annual target of £15.8m. The recurring gap stands at £10.5m, as shown in **Appendix 1**.
- 4.11 The savings/efficiency targets of £2.1m for Social Work budgets were required to achieve a balanced position for 2018/19. The savings were not found in full, however, have been offset through other underspends. A review of these will take place to see if they can be achieved and help reduce the recurring shortfall.
- 4.12 The in-year gap on NHS services were covered through a combination of underspends across Pays and additional non-recurrent funding from the Health Board.

## Reserves

- 4.13 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. At the 31st March 2019, these had increased to £8.4m, including the balance of the Primary Care Transformation and Mental Health Action 15 funding. In addition to this, the ADP funding for 2018/19 of £503k has also been carried forward. These are ringfenced allocations and are fully committed and remain set aside for the purposes they were originally allocated to. The IJB has no general reserves.

**Table 3**

	<b>31/03/17</b>	<b>31/03/18</b>	<b>31/03/19</b>
Social Care Fund	£2.1m	£3.5m	£4.0m
Integrated Care Fund	£2.2m	£3.3m	£3.9m
ADP	£0m	£0m	£0.5m
<b>TOTAL</b>	<b>£4.3m</b>	<b>£6.8m</b>	<b>£8.4m</b>

## Financial Risks 2019/20

- 4.14 The main risks and challenges facing the IJB as we move into the new financial year for 2018/19 are as follows:
- Efficiency savings delivery: The scale of the gap moving into 2019/20 is £19.5m in total, with schemes to the value of £12.7m having been identified. This leaves a current gap of £6.85m outstanding.
  - General recruitment and workforce retention remains a high risk area, particularly in regards to both medical and nursing recruitment. A new team is now in place to enhance recruitment across the region. The high cost of using medical locum doctors remains a high risk when taking into account the wider market supply and availability of doctors nationally.
  - Prescribing pressures and growth have been funded within the revised 2019/20 budget baseline of the IJB. There will continue to be a high level of risk associated with the deliverability of some efficiency savings as well as

controlling the number and level of new drugs approved via SMC (Scottish Medical Consortium )/NMF (New Medicines Fund).

- Ongoing growth of activity and costs associated with Dumfries and Galloway residents being treated in other Health Boards remains a high risk area, with the ability to control changes in other organisations' service delivery models remaining very limited.
- Price pressures relating to living wage, inflation and independent provider specific cost pressures.
- Demographics and increased levels of care dependency will always put pressure on existing financial resources, this is proving to be a considerable cost pressure with younger adults.
- Risk around delivery of savings programme, both the level of unidentified savings and slippage of in-year CRES.
- The service brings in £14m of service user contributions towards the costs of care and there are risks attached to the collection and future sustainability of this income linked to pension levels, benefit levels and house prices. Income was down in 2018/19 on the previous year and the impact of free personal care for all adults will require to be closely monitored during 2019/20.

### **Financial Improvement Plan**

4.15 Work is ongoing to develop a financial improvement programme as part of the financial recovery plan measures to seek to close the gap in-year recognising that this year is not business as usual financially and that delivery of a balanced financial position will be extremely difficult. Work has commenced to assess good practice in other Partnerships to look to develop a detailed programme which includes a range of activities including:

- Review and implement a project support structure to support the Chief Officer and Chief Finance Officer to increase partnership focus on financial position.
- Regular programme board meetings to be established to increase focus on financial issues and drive forward financial improvements.
- Focussed communication and engagement plan to ensure ongoing and consistent messaging about savings delivery.
- Further workshops to be scheduled with H&SCSMT, Board members, other partners to focus on savings and ideas generation and development and to provide assurance on the work which is being progressed.
- Ensuring that whilst driving forward this change, that appropriate clinical impact assessment is undertaken and the appropriate balance with workforce, patient safety and clinical issues is maintained.
- Provide regular reports on progress back to IJB, Performance and Finance Committees, Management Teams.

## **5. Conclusions**

5.1 The IJB delivered a break-even position during the 2018/19 financial year, identifying £13.1m of savings and identifying further efficiency programmes to be taken forward for 2019/20. This position is subject to final confirmation by external auditors.

- 5.2 There remain a number of key pressures across the IJB as identified above. These are summarised as follows:
- Medical vacancies and associated costs of locums.
  - Prescribing across both Primary and Community Care as well as increasing new drug regimes within Secondary Care.
  - Demographic changes.
  - Identification of efficiency target in full to close the remaining £10.5m gap.
- 5.3 Whilst the Financial Plan for 2019/20 has been approved by the IJB and submitted to the Scottish Government, there still remains a significant level of challenge in identifying the remaining £6.85m gap.
- 5.4 The services delegated to the IJB are well aware of the scale of challenge and are committed to focussing on transformational plans and ideas that will provide the necessary level of savings required to deliver a break-even position.

## **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**

- 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
CRES	-	Cash Releasing Efficiency Savings
ICES	-	Integrated Community Equipment Service
H&SCSMT	-	Health and Social Care Senior Management Team
IJB	-	Integration Joint Board
LD	-	Learning Disabilities
MH	-	Mental Health
NMF	-	New Medicines Fund
PD	-	Physical Disabilities
SLA	-	Service Level Agreement
SMC	-	Scottish Medical Consortium
YTD	-	Year to Date

## Appendix 1 – Efficiency Savings

2018/19 IJB Efficiency Savings	Total 2018/19 Target	Recurring 2018/19 Schemes	NR Schemes	Total 2018/19 Schemes	In-year CRES Gap	2018/19 Recurring CRES Gap
	£000s	£000s	£000s	£000s	£000s	£000s
<b>IJB Savings</b>						
Reduction in use of medical locums	1,000	0	600	600	(400)	(1,000)
Effective prescribing (Secondary Care)	1,250	1,034	216	1,250	0	(216)
Effective prescribing (Primary Care)	1,750	1,258	250	1,508	(242)	(492)
Service efficiency (2%) - NHS	3,380	771	1,859	2,630	(750)	(2,609)
Realistic Medicine	500	0	0	0	(500)	(500)
Business Transformation Programme	500	0	0	0	(500)	(500)
Property and Asset Management Strategy	500	500	0	500	0	0
Non recurring savings/ flexibility	4,800	500	4,152	4,652	(148)	(4,300)
<b>Sub-total NHS</b>	<b>13,680</b>	<b>4,063</b>	<b>7,077</b>	<b>11,140</b>	<b>(2,540)</b>	<b>(9,617)</b>
<b>Council Delegated Services</b>						
Growth Control/Regionwide re-alignment	703	703	0	703	0	0
Reduction in sleepovers/Under 65's reviews	381	381	0	0	(381)	(381)
Option 1 - reviews	500	500	0	661	161	(500)
Over 65's reviews	562	562	0	562	0	0
<b>Sub-total Social Work</b>	<b>2,146</b>	<b>2,146</b>		<b>1,926</b>	<b>(220)</b>	<b>(881)</b>
<b>Total IJB</b>	<b>15,826</b>	<b>6,209</b>	<b>7,077</b>	<b>13,066</b>	<b>(2,760)</b>	<b>(10,498)</b>