



Integration Joint Board

24th July 2019

This Report relates to
Item 7 on the Agenda

Financial Performance Update – Month 2

(Paper presented by Katy Lewis)

For Discussion and Noting

Approved for Submission by	Julie White, Chief Officer
Author	Katy Lewis, Chief Finance Officer IJB
List of Background Papers	Not Applicable
Appendices	Appendix 1 – Summary of Social Work Budget Realignment 2019/20 Appendix 2 – IJB Savings Plan 2019/20 Appendix 3 – Key Variances within the delegated budget

Direction Required to Council, Health Board or Both	Direction to:	
	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 Update – Month 2
Meeting: Integration Joint Board
Date: 24th July 2019
Submitted By: Katy Lewis, Chief Finance Officer
Action: For Noting/Discussion

1. Introduction

- 1.1 This report presents an update on the financial performance for the budgets delegated to the Integration Joint Board (IJB) based on the position at the end of May 2019 month 2 of financial year 2019/20.

2. Recommendations

2.1 The Integration Joint Board is asked to note:

- **The improved financial position after two months reflecting a reduction in the unidentified savings from £6.850m to £5.8m. The improvement relates to rates and pharmacy rebates and additional recurring savings identified.**
- **A detailed review of the financial position is currently being undertaken by the Chief Finance Officer during July following the assessment of the Quarter One (month 3) financial results.**
- **The progress with the financial improvement plan work through the Sustainability and Modernisation Programme.**

3. Background

- 3.1 This report consolidates for the IJB the financial reporting for those services delegated to the IJB. The report at month 2 reflects a very early indication of the position for 2019/20 but will be further updated at quarter one when a detailed review of the Financial Plan is completed.

4. Main Body of the Report

Executive Summary

- 4.1 The IJB Financial Plan for 2019/20 was approved at the April 2019 meeting with an in-year gap of £6.850m for which savings are still to be identified. This latest update

to the position indicates an improved financial position, with the gap reducing to £5.8m as a result of rates and pharmacy rebates and additional savings identified.

Budget Setting Update

- 4.2 The budgets have been uplifted for pay and price pressures as set out in the financial plan. The social work budgets have been realigned as part of the opening budget review including applying Scottish Government funding of £3.2m to current budgets recognising current budget pressures totalling £6.1m. Budgets were realigned to match those pressures and activity levels from 2018/19, known price increases were applied, and activity growth assumptions and policy impacts from carers act/free personal care. This resulted in a revised budgeted shortfall which requires to be met by savings of £2.9m which is in line with the agreed financial plan. The detail of this is set out in **Appendix 1**.

Allocations

- 4.3 Since the Financial Plan has been prepared very few allocations have been confirmed including the new allocations for Primary Care Improvement Fund, Additional Mental Health Workers and Alcohol and Drugs funding. It is anticipated these will be clarified during July and we have no reason to change the basis of our spend plans for 2019/20 or have assessed any additional risk.
- 4.4 Based on Scottish government advice we are planning that the pension increase will be fully funded. An allocation of £7.022m has been built into the plan (for NHS delegated budget) and has been fully released into the position. Likely funding will be reduced for current vacancies, with this risk assessed in the quarter one position when it is assumed the funding will be confirmed.

Savings, Efficiencies and Cost Reductions

- 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	£16.533m
Council/savings requirement	£2.972m
Total	£19.505m

- 4.6 The IJB is required to achieve a balanced financial position for 2019/20 with the agreed Financial Plan had an unidentified savings requirement of £6.850m which have reduced to £5.8m in the latest update. Table 1 below summarises the current position.

Table 1

SUMMARY	Original 2019/20 £000s	2019/20 Forecast £000s	Movement £000s
TOTAL SAVINGS REQUIREMENT	19,505	19,505	0
Recurring Savings (from long list)	5,564	5,869	305
Recurring Savings - other	2,792	2,792	0
Recurring Savings Total	8,356	8,661	305
Non recurring Savings	4,300	5,062	762
TOTAL Savings Identified	12,656	13,723	1,067
IN YEAR GAP	6,849	5,782	(1,067)

- 4.7 Progress has already been made towards identifying savings against the 2019/20 target. Monitoring of the detailed schemes will be undertaken through the Finance team and will be presented and discussed through IJB Performance and Finance Committee. The latest update on progress is included in **Appendix 2**.

Reserves

- 4.8 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 ring-fenced allocations and are fully committed and remain set aside for the purposes they were originally allocated to. The IJB has no general reserves. Further details on spend and commitments will be regularly reported through the bi monthly finance report to the IJB.

Table 2

	31/03/17	31/03/18	31/03/19
Social Care Fund	£2.1m	£3.5m	£4.0m
Integrated Care Fund	£2.2m	£3.3m	£3.1m
Primary Care Improvement Fund	£0m	£0m	£0.7m
Mental Health Action 15	£0m	£0m	£0.1m
Alcohol and Drugs Partnership	£0m	£0m	£0.5m
TOTAL	£4.3m	£6.8m	£8.4m

Financial Risks 2019/20

- 4.9 The variance analysis of the latest financial position after the first two months is detailed in **Appendix 3**, which is a range of analysis of the key risks driving the current financial position. The main risks and challenges facing the IJB as we move into the new financial year for 2019/20 are set 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 £13.7m having been identified. This leaves a current gap of £5.8m 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 Cash Releasing Efficiency Savings (CRES).
- The service brings in £12.5m 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.

Sustainability and Modernisation Programme (SAM)

4.10 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.
- Finalise workstreams and get dates for meetings in diary.
- Review programme and appoint to additional project support roles.
- Further workshops to be scheduled with HSCSMT, 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.
- Director led roadshows have been organised for w/c 19th August to head across the region as part of the communications strategy for the programme. Details will be communicated to all members there is an open invite to all IJB members to attend the sessions.

A detailed update on the programme was given to the IJB Performance and Finance Committee on the 9th July (presentation has been shared with all IJB members). Specific actions were agreed to have a further update on the programme in around 6-8 weeks through the committee, with an open invite to all IJB members. It was agreed that this committee would continue to have a scrutiny role to oversee the programme.

5. Conclusions

- 5.1 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 £5.8m gap (improvement on opening financial plan of £6.850m).

SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS

6. Resource Implications

- 6.1. Funding implications are considered as part of the overall Financial Plan and budget setting 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 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, Janet Sutton, Finance Officer, Dumfries and Galloway Council.

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 Savings
HSCSMT	-	Health and Social Care Senior Management Team
IJB	-	Integration Joint Board
SAM	-	Sustainability and Modernisation Programme