



Integration Joint Board

25th September 2019

This Report relates to
Item 8 on the Agenda

Financial Performance Update – Quarter One

(Paper presented by Katy Lewis)

For Discussion and Noting

Approved for Submission by	Julie White, Chief Officer IJB
Author	Katy Lewis, Chief Finance Officer IJB
List of Background Papers	Not Required
Appendices	Appendix 1 – Savings Update on Progress against Original Plan Appendix 2 - 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 – Quarter One

Meeting: Integration Joint Board

Date: 25th September 2019

Submitted By: Katy Lewis, Chief Finance Officer

Action: For Discussion and Noting

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 June 2019, Quarter One of financial year 2019/20.

2. Recommendations

2.1 The Integration Joint Board is asked to note:

- **The forecast position after reflecting the improved savings trajectory and the directorate overspends at Quarter One is a reduction in the year financial gap from £6.850m to £5.8m.**
- **The detailed review of the financial position following the assessment of the Quarter One (month 3) financial results.**
- **The progress to date 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 Quarter One reflects an early indication of the position for 2019/20 based on the forecast outturn position as assessed at Quarter One.

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 savings gap reducing to £4.86m as a result of rates and pharmacy rebates and additional savings identified but the overall forecast position is currently projected at £5.8m after reflecting directorate overspends.

Allocations

- 4.2 Since the Financial Plan has been prepared, a number of additional allocations have been confirmed including the new allocations for Primary Care Improvement Fund and additional Mental Health Workers and Alcohol and Drugs funding.
- 4.3 Confirmation has now been received of allocations to support the employer's pension increases from 1st April 2019. Funding has been provided for all staff in post on an National Resource Allocation Formula (NRAC) basis, with all Boards required to fund tertiary boards through an increased Service Level Agreement (SLA) uplift of 5.12% (as compared to 2.5%). Given our significant number of vacancies and the fact that budgets were uplifted based on staffing establishment not staff in post, there is a pressure on the NHS budget of approx £609k. It has been assumed that this will be fully funded by the NHS Board with discussions ongoing to finalise the value to be transferred.

Savings, Efficiencies and Cost Reductions

- 4.4 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	<u>£19.505m</u>

- 4.5 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 has reduced to £4.86m in the latest update. Table 1 below summarises the current position.

Table 1

SUMMARY	2019/20 Original Plan	2019/20 Q1 Forecast	Movement
	£000s	£000s	£000s
TOTAL SAVINGS REQUIREMENT	19,505	19,505	0
Recurring Savings (from long list)	5,564	4,719	(845)
Recurring Savings - other	2,792	4,294	1,502
Recurring Savings Total	8,356	9,013	657
Non recurring Savings	4,300	5,632	1,332
TOTAL Savings Identified	12,656	14,645	1,989
IN YEAR GAP	6,849	4,860	(1,989)

- 4.6 Progress has already been made towards identifying savings against the 2019/20 target, with the unidentified gap reduced by £2m since the opening plan to £4.86m. The latest update on progress is included in **Appendix 1**.

Reserves

- 4.7 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 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.
- 4.8 Discussions are ongoing with Scottish Government as the initial allocations for Primary Care Improvement Fund, Mental Health Action 15 and Alcohol and Drugs Partnership are not at the level anticipated; with assumptions centrally at Scottish Government about local spend plans, not informed by our actual plans. The Chief Finance Officer has engaged with Scottish Government colleagues and formally written to them to ensure that this is rectified in the second tranche of funding due in November. Whilst the potential financial risk is £1.3m, it is not expected that this risk will materialise.
- 4.9 Given the service challenges specifically related to delayed discharges and system flow, discussions continue on whether to invest some of the Social Care reserve funding into additional capacity in Short Term Augmented Response Service (STARS) and Care and Support Services (CASS), and options are being considered around how we improve our care at home capacity in advance of the winter period.

Quarter One Financial Review

- 4.10 A more detailed review of the forecast financial position for 2019/20 has been undertaken by the Chief Finance Officer as part of the Quarter One financial review. Meetings took place with all General Managers and the Deputy Chief Operating Officer to review the financial position after the first quarter, assess variation from plan and forecast outturn for the current financial year.
- 4.11 The outcome of the review has been summarised in the following table:

QUARTER ONE SUMMARY 2019/20	Quarter One Forecast £000's
IJB DELEGATED SERVICES	
Acute & Diagnostics	(2,236)
Facilities and Clinical Support	(400)
Mental Health	647
Community Health and Social Care – NHS	(450)
Community Health and Social Care - Social Work	0
Women and Children's	999
E-Health	14
IJB Strategic Services	235
Subtotal	(1,191)
IJB Savings unallocated	(5,512)
IJB Budget Reserves	867
Subtotal	(4,645)

IJB DELEGATED BUDGETS TOTAL	(5,836)
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- 4.12 The overall impact after factoring in the unidentified savings gap is a projected year end gap of £5.8m, which is an improvement of £1m from the opening Financial Plan but still represents a significant financial challenge for the partnership.
- 4.13 The savings plan has produced an additional £2m in savings but this has been offset by additional pressures across the service of £1m. The focus remains on a balance of control of costs and accelerated delivery of savings and the establishment of the Sustainability and Modernisation programme to start to impact on the pace of savings delivery.

Financial Risks 2019/20

- 4.14 A detailed narrative on the directorate financial performance has been included in **Appendix 2**. This reflects the forecast position as prepared at Quarter One into the financial year. The main financial risks and challenges facing the IJB for 2019/20 are described 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 £14.7m having been identified. This leaves a current savings gap of £4.9m 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).
 - The overspend of £400k within the Facilities and Clinical Support directorate can be attributed to the slippage in the implementation of the National Clinical Waste contract, with the new service not expected to commence until October 2019 at the earliest. This remains an ongoing risk of further slippage in the implementation date.
 - 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 £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)

- 4.15 The Sustainability and Modernisation Programme work commenced with a series of road-shows led by the NHS Chief Executive and Chief Operating Officer/IJB Chief Officer, supported by the NHS Board Directors, Chief Social Work Officer and lead officers/professional leads across the whole Health and Social Care Partnership. These started on Monday 19th August 2019 and being hosted across the whole of the Dumfries and Galloway region.
- 4.16 A workshop was organised for Thursday 12th September 2019 for IJB members, through the Performance and Finance Committee, where a more detailed update is to be provided on progress with the programme to date. Regular reporting through the IJB and Committees will be scheduled in future.
- 4.17 A few highlights on the programme are as follows:
- Recruitment underway to Programme Management Office (PMO) to support the Chief Officer and Chief Finance Officer.
 - Regular weekly Programme Board meetings are now established to increase focus on financial issues and drive forward financial improvements.
 - Workstream structure finalised and dates in diary for initial meetings.
 - Setting up “small change matters” which is an ideas generation programme to engage staff across the partnership in contributing to SAM.
 - Further engagement workshops/meetings to be scheduled with H&SCSMT, Board members, IJB members, Area Clinical Forum, Area Partnership Forum etc.
 - 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.
 - Agreement to provide regular reports on progress back to IJB, Performance and Finance Committees, Management Teams.

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.
- 7.2. The content of this Report links to National Health and Wellbeing Outcome 9 – Resources are used effectively and efficiently in the provision of health and social care services.

8. Legal & Risk Implications

- 8.1. There are no legal or risk implications 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 Management Team, Janet Sutton, Finance Officer, Dumfries and Galloway Council.

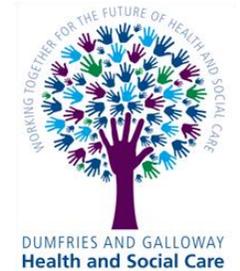
10. Equality and Human Rights Impact Assessment

- 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

ADP	-	Alcohol and Drugs Partnership
CASS	-	Care and Support Services
CRES	-	Cash Releasing Efficiency Savings
IJB	-	Integration Joint Board
NMF	-	New Medicines Fund
NRAC	-	National Resource Allocation Formula
PMO	-	Programme Management Office
SAM	-	Sustainability and Modernisation Programme
SLA	-	Service Level Agreement
SMC	-	Scottish Medical Consortium
STARS	-	Short Term Augmented Response Service

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	

	2019/20 Original Plan	2019/20 Q1 Forecast	Movement
	£000s	£000s	£000s
Recurring Savings (from long list)			
eHealth	253	253	0
Locum	250	250	0
Locum Acute	1,250	900	(350)
Secondary Care Prescribing	844	946	102
Primary Care Prescribing	1,072	942	(130)
Property	985	1,198	213
Transformation - NHS	230	230	0
Transformation - SW	680	0	(680)
Sub-total	5,564	4,719	(845)
Recurring Savings – other			
Directorate efficiency (Operational CRES) - NHS	500	675	175
Directorate efficiency (Operational CRES) - SW	2,292	2,972	680
Rates		647	647
Sub-total	2,792	4,294	1,502
Recurring Savings Total	8,356	9,013	657
Non recurring Savings			
Balance sheet/accruals review	300	300	0
Sale of equipment	0		0
Review of commitments against allocations	2,000	2,000	0
In year flexibility on allocations	1,000	1,000	0
Non recurring staff savings/underspends	1,000	1,000	0
Prescribing Rebates		720	720
Rates		612	612
Sub-total	4,300	5,632	1,332
TOTAL	12,656	14,645	1,989

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Directorate	Quarter One Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics	<p>(£2,236k) Overspend</p>	<p>The Acute Directorate is overspent by (£706k) as at 31st July 2019. Recruitment of nurses and medics remains the biggest financial risk within the directorate coupled with the number of delayed discharges throughout the hospitals. The overall nursing position is £406k overspent with a £273k spend on agency nurses to date. This compares with spend of £356k in the same period in 2018/19.</p> <p>Due the bed pressures in the system we have been unable to close the ‘winter beds’ for more than a few days since last winter. There are vacancies throughout all areas, specifically within ECC. The recent recruitment day has potentially filled 75% of the gap but the majority will be newly qualified with reasonable lead in times to show a reduction in spend. High levels of absence continue which put continued pressure on the system and the resilience of staff.</p> <p>The CRES target for Acute and Diagnostics in 2019/20 is £1.6m. In-year savings of £62k have been recognised so far, of which, £29k is recurrent.</p> <p>There is increasing spend throughout in surgical consumables. It is £243k over budget in four months. This is a continuation of previous year’s pressures respiratory, ECC and theatres in particular, however there is an increase in spend overall. Travel and patient transport continue to have recurring issues which are contributing to the non-pays overspend. Underlying inflation on catering provisions is approximately 5% in year but this requires evidencing in more detail. The move to new hospital has skewed the figures and we are working through new income projections and trying to isolate reasons for increased costs.</p>

Key Variances within the delegated budget

Appendix 2

Directorate	Quarter One Forecast	Risks/Issues/Challenges and Opportunities
Facilities and Clinical Support	(£400k) Overspend	<p>The Facilities and Clinical Support directorate is reporting an overspend of (£319k).</p> <p>Pays are underspent by £95k due to a small number of vacancies.</p> <p>Non-Pays are overspending by (£409k) is due to security measures for both Crichton Hall and Mountainhall as well as the stewarding of car parks at DGRI. The directorate is currently (£229k) overspent in relation to heat, light and power; the June gas bill for DGRI equates to (£106k) which compares to £35k in the previous year. The financial risk around this is being assessed and the directorate are currently working with the team to investigate the cause and likelihood of further risk to the financial position.</p>
Mental Health Directorate	£647k Underspend	<p>The Mental Health Directorate are reporting an underspend of £228k at July 2019, of which £251k relates to Pays budgets offset by (£23k) overspend in Non-pays.</p> <p>The main areas of Pays variances are underspends within Community £69k, Inpatient £23k, Learning Disability £26k, Medical £38k, Occupational Therapy £42k, Psychology £35k. This is driven by a high number of vacancies across Mental Health in Community Nursing teams, Learning Disabilities, Medical (not fully offset with locum cover), service development, Psychology and Occupational Therapy.</p> <p>Non-pays are overspent by £23k mainly due to overspends in drugs £33k, Clinical £6k and Equipment/Service Contracts £19k, offset by underspends in travel £27k, and general underspends of £8k.</p>

Directorate	Quarter One Forecast	Risks/Issues/Challenges and Opportunities
Community Health and Social Care - NHS	(£450k) Overspend	<p>The Primary and Community Care Directorate is reporting an overspend of (£457k).</p> <p>The Pays position is (£26k) overspent across the Directorate. £34k relates to Nursing budgets, Health Sciences £59k under, Ancillary £117k under off-set by Medical £243k and AHP £33k budgets which are overspent.</p> <p>Ancillary and Nursing budgets are under spent due to vacancies across Cottage Hospitals and Community Nursing. Health Sciences are under spent by due to vacancies in community pharmacist posts. The Medical budget overspends relate to locum costs within the 2C GP Practices.</p> <p>Primary Care prescribing is showing an overspend of £434k at month 4. April and May data has now been received and this is showing an increase in volume of 4.7% compared to last financial year which relates to £320k; the main chapters this relates to are Appliances, Cardiovascular, Musculoskeletal and malignant disease. There is also a £130k pressure from CRES which has not been achieved year to date; plans are being reviewed to consider how this will be recovered throughout the year.</p>

Directorate	Quarter One Forecast	Risks/Issues/Challenges and Opportunities
Community Health and Social Care (Social Work)	£0k	<p>Overall the summary position for Social Work Services as at End of June is a balance budget. It should be noted however that based on current activity there is an overspend of £1m, there is a budgeted assumption of a further £1.1m of demographic growth and £0.4m of price increases within care at home services forecast. The planning assumption is that there will be £2.5m of savings delivered to offset current and projected activity with current staffing vacancies helping this position on a non-recurring basis.</p> <p>Older People services continue to experience lower levels of activity, forecast spend is currently below the budgeted assumption which is last year's spend plus budgeted price growth of £1m, demographic growth of £635k less a savings target of £910k. Current spend would indicate no demographic growth has come through in first quarter, with further investigation required in relation to residential activity which has reduced from last year's levels.</p> <p>Learning Disability Services were £1.3m overspent in 18/19, the 19/20 budget has applied an additional £3m to offset this pressure as well as meeting price increases and projected growth in need. This will still require £1.4 of savings to meet the current year increases in activity. Current indications are that care at home they are £600k over budget in 19/20. This position does not take account of any future growth.</p> <p>Physical Disability Services are forecasting to be £600k overspend. Activity within direct payments option 1 has increased significantly in the first quarter which will require savings to address and manage any future growth.</p> <p>The services bring in approx. £12.5m of income relating to service users contribution to care, with free personal care being extended to under 65's we forecast this to drop by £400k. It is difficult to project so early in the year so close monitoring will be required. There is the risk that this increase continues as the service reviews their current care and classifies it as personal care which would further reduce income. Decreases in residential spend will also result in a reduction in income.</p>

Key Variances within the delegated budget

Directorate	Quarter One Forecast	Risks/Issues/Challenges and Opportunities
Women's and Children's	£999k Underspend	<p>The Women, Children and Sexual Health Services Directorate is reporting an overall underspend of £336k to July 2019.</p> <p>Pays overall are £401k underspent mainly due to Neonatal efficient rostering £24k, Public Health Nursing £144k Learning Disability £57k, CAMHS £23k and Midwifery £175k. Non-pays across Directorate are £56k overspent YTD, made up of Drugs £56k, (Includes drug CRES of £16k), Equipment and Service Contracts £17k offset by general underspends of £17k.</p>
e-Health	£14k Underspend	<p>The e-Health Directorate is reporting a breakeven position.</p> <p>Pays overall are £62k underspent due various vacancies within the department.</p> <p>Non-pays across Directorate are (£55k) overspent YTD. Mainly due to Mountainhall Project, double running costs, timing of invoices and the difficulty in accessing one bill.</p> <p>Income is under achieved by (£8k) YTD.</p>
IJB Strategic Services	£235k Underspend	<p>Strategic Services are underspending YTD due to a number of vacancies across Public Dental Services which are currently out to recruitment.</p>