



Integration Joint Board

6th December 2019

This Report relates to
Item 14 on the Agenda

Financial Performance Update – Quarter Two

(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 Two

Meeting: Integration Joint Board

Date: 6th December 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 September 2019, Quarter Two of financial year 2019/20.

2. Recommendations

2.1 The Integration Joint Board is asked to note:

- **The forecast position at Quarter Two is a financial gap of £6.261m (£5.8m at Quarter One).**
- **The detailed review of the financial position following the assessment of the Quarter Two (month 6) financial results.**

3. Background

- 3.1 This report consolidates for the IJB the financial reporting for those services delegated to the IJB. The report at Quarter Two reflects an early indication of the position for 2019/20 based on the forecast outturn position as assessed after the Quarter Two Review meetings.

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. The latest position which has been assessed at Quarter Two reflects an in-year financial gap of £6.261m which is a worsening of the position from Quarter One, reflecting the additional financial pressures within the budget (primarily pressures in Acute services and GP prescribing budgets). The element of the financial gap relating to

the savings target has reduced to £3.9m within additional non-recurring savings and measures identified.

Savings, Efficiencies and Cost Reductions

- 4.2 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	£2.870m
Total	£19.403m

- 4.3 The IJB is required to achieve a balanced financial position for 2019/20 with the agreed Financial Plan having an unidentified savings requirement of £6.850m which has reduced to £3.935m in the latest update. Table 1 below summarises the current position.

Table 1

SUMMARY	2019/20 Original Plan	2019/20 Q1 Forecast	2019/20 Q2 Forecast
	£000s	£000s	£000s
TOTAL SAVINGS REQUIREMENT	19,505	19,505	19,505
Recurring Savings (from long list)	5,564	4,719	3,791
Recurring Savings - other	2,792	4,294	4,257
Recurring Savings Total	8,356	9,013	8,048
Non recurring Savings	4,300	5,632	7,522
TOTAL Savings Identified	12,656	14,645	15,570
IN-YEAR GAP	6,849	4,860	3,935

- 4.4 Progress has already been made towards identifying savings against the 2019/20 target, with the unidentified gap reduced by £2.8m since the opening plan to £3.935m. The latest update on progress is included in **Appendix 1**.

Reserves

- 4.5 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.
- 4.6 A return was requested by Scottish Government to provide information on the use of reserves and how this ties in with allocations for 2019/20, with reserves likely to reduce in-year as they are allocated against committed spend plans.
- 4.7 Given the service challenges specifically related to delayed discharges and system flow, discussions continue on investing some of the Social Care reserve funding

into additional capacity in Short Term Augmented Response Service (STARS) and Care and Support Services (CASS), Options are being considered around how we improve our care at home capacity in advance of the winter period.

Quarter Two Financial Review

- 4.8 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 Two financial review. Meetings took place with all General Managers and the Deputy Chief Operating Officer to review the financial position after the second quarter, assess variation from plan and forecast outturn for the current financial year.
- 4.9 The outcome of the review has been summarised in the following table:

Table 2

QUARTER TWO SUMMARY 2019/20	Quarter One Forecast £000s	Quarter Two Forecast £000s	Movement £000s
IJB DELEGATED SERVICES			
Acute & Diagnostics	(2,236)	(3,000)	(764)
Facilities and Clinical Support	(400)	(174)	226
Mental Health	647	222	(425)
Community Health and Social Care - NHS	0	(1,983)	(1,983)
Community Health and Social Care - SW	0	0	0
Primary Care Services	(268)	(113)	155
Women and Children's	999	173	(826)
E-Health	14	32	18
IJB Strategic Services	53	0	(53)
subtotal	(1,191)	(4,843)	(3,652)
IJB Savings unallocated	(5,512)	(2,345)	3,167
IJB Budget Reserves	867	928	61
subtotal	(4,645)	(1,417)	3,228
IJB DELEGATED BUDGETS TOTAL	(5,836)	(6,261)	(425)

- 4.10 The overall impact after factoring in the unidentified savings gap is a projected year end gap of £6.261m, which is an improvement of £1m from the opening Financial Plan but still represents a significant financial challenge for the partnership.
- 4.11 The Acute and Diagnostics Directorate is projecting an overspend of £3m for 2019/20, reflecting the risks across a range of service pressures which factor into an overall increased financial risk across the Board. DGRI continues to see increasing demand across all areas with the rising levels of activity resulting in growing/rising financial pressures on activity related costs; specifically nursing and supplies costs. The additional "winter beds" which are supporting the increased inpatient activity as a consequence of delayed discharges, have remained open for much of the year. Pressures associated with the cost of covering services with medical locums continue to increase, reflecting an additional pressure of £0.75m in-year. The overall in-year impact is mitigated by the savings delivered of £0.6m but remains a significant financial risk.

- 4.12 The Primary Care prescribing forecast is based on the overspend of £688k at month 6, combined with a detailed review of ongoing pressures across the system. Four months data has now been received and volume is now showing as a 3% increase compared to the same time period last year. The forecast as compared with Quarter One has worsened by £1.1m to £2.5m overspend and presents significant financial risk to delivery of financial targets for 2019/20. This is due to a combination of unachieved CRES (Cash Releasing Efficiency Savings) of £283k, increase in volumes of £290k and cost increases of £115k. The General Manager and Director of Pharmacy have developed an action plan to both accelerate a number of additional saving schemes and also assess the workload priorities for the Prescribing Support teams. A range of scenario modelling has been undertaken with a worst case forecast for this area suggesting a further £1m potential pressure.
- 4.13 The Mental Health and Women's and Children's Directorates, despite showing an adverse movement, have remained relatively stable overall. The reason for the shift in forecast relates to the release of the £1m non-recurring savings target from the opening Financial Plan which was held centrally in Quarter One and has now been moved to the directorates in Quarter Two, which reflects the worsening of the directorate reported position.
- 4.14 Release of accruals, use of balance of Integrated Care Fund and review of allocations has improved the unallocated saving balance for the IJB delegated services by £1.8m to mitigate the additional pressures which are being reported this quarter.
- 4.15 There are a number of key actions associated with short term measures that are ongoing to seek to improve the position in-year following discussions through the quarterly review meetings, and will be factored into the financial position as they crystallise over the next couple of months. These include ensuring all income opportunities are maximised, further review of financial estimates, identification and maximisation of other sources of funding, reviewing areas where spend can be reduced in-year, and a range of financial control measures.
- 4.16 Longer term sustainability and other measures are being assessed as part of the draft Financial Plan for 2020/21 onwards through a range of priorities and measures being considered through the Sustainability and Modernisation (SAM) programme.
- 4.17 The savings plan has produced an additional £2.9m in savings but this has been offset by additional pressures across the service of £2.5m. 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

- 4.18 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 £19.4m in total, with schemes to the value of £15.5m having been identified. This leaves a current savings gap of £3.935m 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). There is further potential risk of £1m in the position beyond that factored into the current projections.
- 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. Income levels are projected to fall to £11.5m in 2019/20, £500k attributable to free personal care for under 65's and the remainder through a reduction residential and nursing care home placements.
- There are increasing levels of assessed need not yet purchased which, when care is made available, will increase the costs particularly within the over 65's care sector.

5. Conclusion

- 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 £6.261m gap.
- 5.2 The level of risk in our financial position has been discussed with our partners, in particular the NHS Board where the bulk of the in-year financial pressures have arisen, to ensure they are fully aware of the challenges within the position. It is assumed at that stage some in-year financial support will be sought through the NHS, in particular to manage the financial risks.

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.

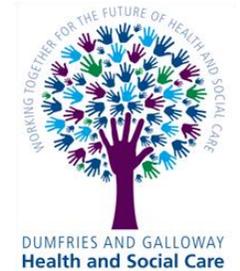
10. Equality and Human Rights Impact Assessment

- 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
CDF	-	Clinical Development Fellow
CRES	-	Cash Releasing Efficiency Savings
DE	-	Direct Engagement
ECC	-	Emergency Care Centre
IJB	-	Integration Joint Board
NMF	-	New Medicines Fund
SAM	-	Sustainability and Modernisation Programme
SMC	-	Scottish Medical Consortium
STARS	-	Short Term Augmented Response Service
YTD	-	Year to date

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	2019/20 Q2 Forecast
	£000s	£000s	£000s
Recurring Savings (from long list)			
eHealth	253	253	253
Locum	250	250	250
Locum Acute	1,250	900	600
Secondary Care Prescribing	844	946	743
Primary Care Prescribing	1,072	942	517
Property	985	1,198	1,198
Transformation - NHS	230	230	230
Transformation - SW	680	0	0
Sub-total	5,564	4,719	3,791
Recurring Savings – other			
Directorate efficiency (Operational CRES) - NHS	500	675	740
Directorate efficiency (Operational CRES) - SW	2,292	2,972	2,870
Rates		647	647
Sub-total	2,792	4,294	4,257
Recurring Savings Total	8,356	9,013	8,048
Non recurring Savings			
Balance sheet/accruals review	300	300	335
Review of commitments against allocations	2,000	2,000	3,805
In-year flexibility on allocations	1,000	1,000	1,000
Non-recurring staff savings/underspends	1,000	1,000	1,000
Prescribing Rebates		720	770
Rates		612	612
Sub-total	4,300	5,632	7,522
TOTAL	12,656	14,645	15,570

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Key Variances within the delegated budget

Appendix 2

Directorate	Quarter Two Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics	<p>(£3m) Overspend</p>	<p>The Acute Directorate is overspent by (£1.619m) as at 31st October 2019. High levels of activity, acuity and delayed discharges continue to put pressure on the Acute Care system. These linked with the recruitment pressures of nurses and medics, and the continued reliance on supplementary staffing remains the biggest financial risk within the directorate.</p> <p>The overall nursing position is £760k overspent with a £468k spend on agency nurses to date, a reduction on the spend of £547k in the same period in 2018/19.</p> <p>The CRES target for Acute and Diagnostics in 2019/20 is £1.6m. In-year savings of £358k have been recognised so far, of which, £29k is recurrent. The remaining £1.25m relates to target to reduce medical locums. There have been saving made due to move to Direct Engagement (DE) and Clinical Development Fellow (CDF) recruitment but these have not yet been recognised within the directorate. The remaining target id phased M7 to M12 so we are beginning to recognise underachievement of this in the position.</p> <p>The drugs position at month 7 is showing an overspend of £177k, with the main overspending sitting in surgery mainly due to increased prescribing of drugs for treatment of Wet AMD in ophthalmology.</p> <p>There is increasing spend throughout surgical consumables. It is £206k over budget in 7 months. This is a continuation of previous year's pressures - respiratory, Emergency Care Centre (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 Two Forecast	Risks/Issues/Challenges and Opportunities
Facilities and Clinical Support	(£174k) Overspend	<p>The Facilities and Clinical Support directorate is reporting an overspend of (£294k).</p> <p>Pays are under spent by £163k which reflects the current vacancies across the main team as well as within Medical Physics. This is an interim position as the directorate works towards recruiting to the new staffing model in Estates post new hospital.</p> <p>Non-pays are overspending by (£411k); this is due to security measures (£121k) for Crichton Hall and Mountainhall as well as the stewarding of car parks at DGRI. The directorate is currently (£163k) overspent in relation to heat, light and power relating to seasonal fluctuations of in energy usage relating to cooling and heating the new DGRI. The delay in the implementation of the new national clinical waste contract has resulted in a pressure of (£150k) year to date. The new contract was expected to come into force from 2nd August 2019. The directorate received non-recurrent cost pressure funding to cover the cost of the contingency arrangements in place up until that point. These arrangements will continue to cause a pressure of £75k per month until the new contract is operational which is now expected to be by end of February 2020.</p>
Mental Health Directorate	£222k Underspend	<p>The Mental Health Directorate are reporting an under spend of £143k at Oct 2019, of which £81k relates to Pays budgets and £63k in Non-Pay budgets.</p> <p>The main areas of Pays variances are under spends within Community £95k, Learning Disability £48k, OT £58k, Psychology £35k, Substance Misuse £25k offset by £154k overspend in Management, Inpatient (£13k) and Medical (£15k).</p> <p>Non-pays are underspent by £63k mainly due to underspends in travel £50k, Externals £20k general £48k offset by overspends in drugs (£27k), Clinical (£4k), Equipment/Service Contracts (£24k).</p>

MANAGEMENT IN CONFIDENCE

Directorate	Quarter Two Forecast	Risks/Issues/Challenges and Opportunities
Community Health & Social Care (NHS)	(£1,983k) Overspend	<p>The Community Health and Social Care Directorate is reporting an overspend of (£746k).</p> <p>The Pays position is £321k underspent across the Directorate. £90k relates to Nursing budgets, Health Sciences £104k under, Ancillary £102k, Admin £49k under off-set by AHP budgets which are over spent by (£86k).</p> <p>Ancillary and Nursing budgets are underspent due to vacancies across Cottage Hospitals and Community Nursing. Health Sciences are underspent due to vacancies in community pharmacist posts. The favourable swing in month is lower than the year to date trend due to the increased cost of nursing, covering vacancies and maternity leaves.</p> <p>The Non-pays position is overspent by (£1.066m) across the Directorate. This mainly relates to Prescribing (£996k) overspend. Five months data has now been received, the total overspend at Month 7 is £996k, this is an additional spend of £309k in the month. £90k of this relates to an under accrual of August data. Volume is up 2.3% on last financial year which has resulted in an increased cost of £298k and an increase in cost of £0.11 per item has resulted in an increase cost of £171k. The unachieved CRES for month 7 within the GP prescribing budget is £411k. There is also an underachievement of Generic discount achieved of £79k year to date. There are also overspends against surgical sundries and equipment purchases and service contract.</p>

Directorate	Quarter Two Forecast	Risks/Issues/Challenges and Opportunities
Community Health & Social Care (Social Work)	Break-even	<p>The services efficiency targets were £2.9m, £1.25m of this figure has been delivered through reduced residential activity and vacancies with £500k of this figure has been delivered through high balance reclaims and identification of ongoing underspends being achieved. £1.15m of efficiencies can be attributed to alternatives and reduction in care levels. The underspends in Adult services mainly relate to staffing vacancies across the locality teams.</p> <p>Older People services continue to experience lower levels of activity than budgeted for, forecast spend is currently £0.5m 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. The care at home spend assumes additional growth in line with strategic commissioning discussions on increased capacity. The underspend relates to a reduction in residential and nursing activity compared to last year.</p> <p>Learning Disability services £1.3m overspent in 2018/19, the 2019/20 budget has applied an additional £3m to offset this pressure as well as meeting price increases and projected growth in need. If budgeted projections came to fruition, then £1.4m of savings would be needed meet these increased costs. Current indications are that they are £350k over budget in 2019/20 aided by £360k of in-house staffing vacancies. This position does not take account of any future growth. Physical Disability Services area are forecasting to be £411k overspent. Activity within direct payments option 1 have increased significantly in the first half of the year which will require savings to address and manage any future growth.</p> <p>At this point in the financial year there are no indications of any material over or under spends in other services and a closer review will take place during the next month. All staff-based service were realigned to budget costs.</p> <p>The service 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. Initial indications are that service user income projections for under 65's are down by £500k. It is difficult to project due to in year financial assessments and bad debt write offs 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.</p>

Key Variances within the delegated budget

Appendix 2

Directorate	Quarter Two Forecast	Risks/Issues/Challenges and Opportunities
Primary Care Services	(£113k) Overspend	<p>Primary Care Services are reporting an overspend of (£120k).</p> <p>The Pays position is (£305k) overspent, (£287k) relates to Medical and Dental and (£48k) Nursing budgets off-set by Admin budgets which are underspent by £42k.</p> <p>Medical pays budgets are overspent due to GP locum charges within 2C practices of (£329k), off-set by underspends of £42k within Dental Services due to historic recruitment issues.</p> <p>The Non-pays position is underspent by £161k across Primary Care Services. This mainly relates to Family Health Services, due to a review of rent charges across GP premises.</p>
Women's and Children's	£173k Underspend	<p>The Women, Children and Sexual Health Services Directorate is reporting an overall underspend of £200k.</p> <p>Pays overall are £271k under spent mainly due to Neonatal efficient rostering £53k, Public Health Nursing £163k Learning Disability £52k, CAMHS £28k and Midwifery £334k off set by (£389k) in Management & Governance. Non-pays across Directorate are (£69k) over spent YTD, made up of Drugs (£106k), (Includes drug CRES of £27k), Equipment and Service Contracts (£48k) offset by under spends of Clinical £48k, over achieved CRES £31k and General £6k.</p>
e-Health	£32k Underspend	<p>The e-Health Directorate is reporting a (£16k) overspend.</p> <p>Pays overall are £103k underspent due to various vacancies within the department.</p> <p>Non-pays across Directorate are (£104k) 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 (£15k) YTD.</p>
IJB Strategic Services	Level Spend	<p>Strategic Services are underspending YTD due to a change of work pattern and a small number of vacancies.</p>

MANAGEMENT IN CONFIDENCE

