



Dumfries and Galloway  
Integration Joint Board

6<sup>th</sup> February 2020

This Report relates to  
Item 8 on the Agenda

# Financial Performance Update – Quarter Three

*Paper presented by Katy Lewis*

*For Discussion*

|                                   |   |
|-----------------------------------|---|
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| <b>List of Background Papers:</b> | Not required  |
| <b>Appendices:</b>                | Appendix 1 – Savings Update on Progress against Original Plan<br>Appendix 2 - Key Variances within the Delegated Budget |

|  |  |   |
|--|--|---|
| <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 |   |

## 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 December 2019, Quarter Three of financial year 2019/20.

## 2. Recommendations

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

- Note the forecast position at Quarter Three is a financial gap of £5.052m (£6.261m at Quarter Two).
- Note the detailed review of the financial position following the assessment of the Quarter Three (month 9) financial results.
- Note the ongoing discussions with the NHS Board about the management of the financial pressures and the projected year end overspend on the delegated Health budgets.

## 3. Background and Main Report

### 3.1 Background

- 3.2 This report consolidates for the IJB the financial reporting for those services delegated to the IJB. The report at Quarter Three reflects an updated position for 2019/20 based on the review of the financial forecasts for the year.

### 3.3 Executive Summary

- 3.4 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 were still to be identified. The latest position which has been assessed at Quarter Three reflects an in-year financial gap of £5.052m which is an improvement of the position from Quarter Two. It reflects the additional financial pressures within the budget (primarily pressures in GP Prescribing budgets and Acute services). The element of the financial gap relating to the savings target has reduced to £3.5m within additional non-recurring savings and measures identified.

### 3.5 Savings, Efficiencies and Cost Reductions

- 3.6 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         |
| Adjustment at Quarter One following SW budget review | £0.102m         |
| <b>Total</b>   | <b>£19.505m</b> |

- 3.7 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 £3.5m in the latest update. Table 1 below summarises the current position.

Table 1

| SUMMARY                            | 2019/20<br>Original<br>Plan | 2019/20<br>Q1<br>Forecast | 2019/20<br>Q2<br>Forecast | 2019/20<br>Q3<br>Forecast |
|------------------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|
|                                    | £000s                       | £000s                     | £000s                     | £000s                     |
| <b>TOTAL SAVINGS REQUIREMENT</b>   | <b>19,505</b>               | <b>19,505</b>             | <b>19,505</b>             | <b>19,505</b>             |
| Recurring Savings (from long list) | 5,564                       | 4,719                     | 3,791                     | 3,975                     |
| Recurring Savings - other          | 2,792                       | 4,294                     | 4,257                     | 4,257                     |
| <b>Recurring Savings Total</b>     | <b>8,356</b>                | <b>9,013</b>              | <b>8,048</b>              | <b>8,232</b>              |
| Non-recurring Savings              | 4,300                       | 5,632                     | 7,522                     | 7,784                     |
| <b>TOTAL Savings Identified</b>    | <b>12,656</b>               | <b>14,645</b>             | <b>15,570</b>             | <b>16,016</b>             |
| <b>IN YEAR GAP</b>                 | <b>6,849</b>                | <b>4,860</b>              | <b>3,935</b>              | <b>3,489</b>              |

3.8 The latest detailed update on progress is included in **Appendix 1**.

### 3.9 Reserves

3.10 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 31<sup>st</sup> 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.

3.11 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.

3.12 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. Revised arrangements for contracting for Care at Home provision in Dumfries and Galloway commenced on 25<sup>th</sup> January 2020. Whilst this is funded through the Social Care fund for two years, additional recurring funding requirement will need to be factored into the ongoing Financial Plan in future years for this development.

### 3.13 Quarter Three Financial Review

3.14 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 Three financial review.

3.15 The outcome of the review has been summarised in the following table:

**Table 2**

| <b>QUARTER THREE SUMMARY 2019/20</b>   | <b>Quarter Two Forecast Variance<br/>£000s</b> | <b>Quarter Three Forecast Variance<br/>£000s</b> | <b>Movement<br/>£000s</b> |
|--|--|--|---------------------------|
| <b>IJB DELEGATED SERVICES</b>          |  |  |                           |
| Acute & Diagnostics                    | (3,000)  | (2,800)  | 200                       |
| Facilities and Clinical Support        | (174)  | (450)  | (276)                     |
| Mental Health                          | 222  | 77   | (145)                     |
| Community Health and Social Care - NHS | (1,983)  | (2,463)  | (480)                     |
| Community Health and Social Care - SW  | 0  | 0  | 0                         |
| Primary Care Services                  | (113)  | (56)   | 57                        |
| Women and Children's                   | 173  | 393  | 220                       |
| E-Health                               | 32   | (23)   | (55)                      |
| <b>subtotal</b>                        | <b>(4,843)</b>                                 | <b>(5,322)</b>                                   | <b>(478)</b>              |
| IJB Strategic Services                 | 0  | (35)   | (35)                      |
| IJB Savings                            | (2,345)  | (2,200)  | 145                       |
| IJB Budget Reserves                    | 928  | 2,505  | 1,577                     |
| <b>IJB DELEGATED BUDGETS TOTAL</b>     | <b>(6,261)</b>                                 | <b>(5,052)</b>                                   | <b>1,209</b>              |

- 3.16 The overall impact after factoring in the unidentified savings gap is a projected year end gap of £5.052m, which is an improvement of £1.8m from the opening Financial Plan but still represents a significant financial challenge for the partnership.
- 3.17 The Acute and Diagnostics Directorate is projecting an overspend of £2.8m for 2019/20 (slight improvement on Quarter Two), 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.
- 3.18 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.
- 3.19 The Primary Care Prescribing forecast is based on an overspend of £2m at month 9, combined with a detailed review of ongoing pressures across the system. Seven months data has now been received and volume is now showing as a 2.7% increase compared to the same time period last year. The forecast as compared with Quarter two has worsened from £2.5m to £2.9m overspend and presents significant financial risk to delivery of financial targets for 2019/20. This is due to a combination of unachieved CRES of £533k, increase in volumes of £646k and cost increases of £212k. There is also an increase in the volume of 'Other' prescribing which is being driven by Pharmacists and ANP's prescribing which has contributed to an additional spend of £196k along with generic drug discount received being under budget by £124k.

3.20 The £2.9m forecast for Quarter Three is based on the prescribing trend for January to March reducing back to the same spend as the previous financial year. Historically, prescribing costs have reduced in the last quarter of the financial year. In November 2019, the General Manger and Director of Pharmacy developed an action plan to ensure that additional savings schemes were accelerated, although the data is not available yet to track this progress, these savings have been prioritised across the four localities.

3.21 Release of accruals and review of allocations has improved the unallocated saving balance for the IJB delegated services in Quarter Three to mitigate the additional pressures which are being reported this quarter and improve the overall position. In addition, any allocations received in 2019/20 which are not planned to be spent in year have been released to the position, totalling £1,121k, recognising this commitment will need to be built into the Financial Plan for 2020/21 where funding maybe required. This excludes the specific allocations referred to in para 3.10.

3.22 There are a number of key actions associated with short term measures which are assumed to improve the position in-year following discussions through the quarterly review meetings. These will be factored into the financial position as they crystallise over the next couple of months. They 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 other financial control measures.

3.23 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.

#### 3.24 Financial Risks 2019/20

3.25 A detailed narrative on the directorate financial performance has been included in **Appendix 2**. This reflects the forecast position as prepared at Quarter Three in 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 £16m having been identified. This leaves a current savings gap of £3.5m outstanding and a recurring savings gap of £11.3m.
- 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 were 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). Some of the further potential risk of £1m materialised at Quarter Three primarily as a result of increasing prescribing volumes.

- 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 is budgeted to bring 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 further reduce income in 2019/20. Income levels are projected to fall to £11.7m in 2019/20, £400k 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.

#### **4. Conclusions**

- 4.1 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 £5.052m gap.
- 4.2 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.

#### **5. Resource Implications**

- 5.1. Funding implications are considered as part of the overall Financial Plan and budget setting for the IJB.

#### **6. Impact on Integration Joint Board Outcomes, Priorities and Policy**

- 6.1. The Financial Plan has a key role in supporting the delivery of the Strategic Plan.
- 6.2. 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.

#### **7. Legal and Risk Implications**

- 7.1. There are no legal or risk implications identified.

## 8. Consultation

- 8.1. 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.

## 9. Equality and Human Rights Impact Assessment

- 9.1. 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.

## 10. Glossary

- 10.1 All acronyms must be set out in full the first time they appear in a paper with the acronym following in brackets.

|            |  |
|------------|--|
| EQIA       | Equalities Impact Assessment               |
| IJB        | Integration Joint Board                    |
| ADP        | Alcohol and Drugs Partnership              |
| ANP        | Advanced Nurse Practitioners               |
| CASS       | Care and Support Services                  |
| CDF        | Clinical Development Fellow                |
| CRES       | Cash Releasing Efficiency Savings          |
| DE         | Direct Engagement                          |
| <b>ECC</b> | <b>Emergency Care Centre</b>               |
| NMF        | New Medicines Fund                         |
| SAM        | Sustainability and Modernisation Programme |
| SMC        | Scottish Medical Consortium                |
| SW         | Social Work                                |
| 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  |  |