



Dumfries and Galloway  
Integration Joint Board

21<sup>st</sup> May 2020

This Report relates to  
Item 7 on the Agenda

# Financial Plan 2020/21 – 2022/23

*Paper presented by Katy Lewis*

*For Approval*

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<b>List of Background Papers:</b>	Not required
<b>Appendices:</b>	<b>Appendix 1 – Extract from Integration Scheme</b>

<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 paper sets out the Financial Plan for the Integration Joint Board (IJB) for 2020/21 and provides an update on savings plans required to establish a balanced budget position for 2020/21.

1.2 This draft of the Financial Plan was developed in advance of the Covid-19 pandemic and is presented on the basis of “business as usual”. This plan is being presented for approval by the IJB as normal but recognising that significant further review will be required during 2020/21 and that the emergency planning crisis faced not just in the UK and around the world significantly impacts on our ability to undertake business as usual and that the additional risks arising from this crisis will impact on our savings delivery and our overall financial framework. It should be recognised that significant extraordinary costs are being incurred and will continue to be incurred for the foreseeable future through our operational response to the pandemic under direction from Scottish Government. The additional costs are being reported and monitored through the financial framework to the mobilisation plan and it is currently assumed these will be funded by government.

## **2. Recommendations**

2.1 **The Integration Joint Board is asked to note:**

- **The delivery of a balanced position for 2019/20 following additional funding of £4.774m from NHS Board to cover overspends.**
- **Approve the IJB Financial Plan for 2020/21 which is presented as a balanced position with an in-year gap of £13.064m for which savings are still to be identified.**
- **Note the ongoing discussions with Scottish Government around the costs associated with the Covid-19 crisis and the uncertainty around funding streams for this additional cost.**
- **Note that a further financial update will be presented once the Quarter One financial results are known.**

## **3. Background and Main Report**

3.1 Background

3.2 This paper presents the budget position for the IJB for 2020/21 and reflects the allocation of resources from the partner agencies to the IJB in the context of the agreed Scottish Government budget for 2020/21, and the respective financial settlements to Local Authorities and NHS Board. Included is an indicative Financial Plan for a further two years to reflect the position to 2022/23.

3.3 Main Body of the Report

3.4 The year end financial position for 2019/20 has been concluded with an additional funding transfer of £4.774m from the NHS Board to support the overspend within the delegated NHS budget. The Council delegated service delivered a balanced position with a balance remaining of £2.3m on the Social Care Fund to support the commitments into the future years as planned. The position remains subject to external audit review.

- 3.5 The position for the joint IJB delegated budget position is summarised in Table 1 below. This reflects the forecast costs and the required savings targets derived from the respective NHS and Council budget settlements. The detail to support the position is reflected in the narrative in the further sections.

**Table 1- Summary Position for 2020/21**

<b>SUMMARY</b>	<b>£000s NHS</b>	<b>£000s Council</b>	<b>£000s</b>
<b>Opening Baseline Position</b>	<b>323,325</b>	<b>75,729</b>	<b>399,054</b>
Pressures and Uplifts	17,895	5,979	23,874
less release of Social Care Fund reserve		(1,467)	(1,467)
less additional funding for uplift		(86)	(86)
Savings targets			
- Balance of savings from 2019/20	(11,171)		(11,171)
- Increased savings requirement 2020/21	(10,162)	(1,290)	(11,452)
<b>subtotal savings</b>	<b>(21,333)</b>	<b>(1,290)</b>	<b>(22,623)</b>
<b>Total</b>	<b>319,887</b>	<b>78,951</b>	<b>398,838</b>

- 3.6 The above table identifies the combined IJB recurrent budget baseline from both the NHS and the Council before the application of uplifts and pressures. The baseline has been grossed up to reflect the savings of £11.171m not delivered recurrently from 2019/20. The increased savings requirement of £11.452m in 2020/21 results in an overall savings requirement for 2020/21 of £22.623m.

*Council Budget Position*

- 3.7 The Local Government Finance Settlement for 2020/21 included additional funding of £100m to support Health, Social Care and Mental Health. The additional funding can be summarised as follows:

**Table 2 – Summary of Council Settlement Social Care**

<b>Additional Agreed Settlements</b>	<b>2020/21 National</b>	<b>2020/21 D&amp;G</b>
Delivery of Real Living Wage	£25m	£0.813m
Carers Bill	£11.6m	£0.378m
Free Personal & Nursing Care Uprating	£ 2.2m	£0.086m
Health and Social Care	£57.2m	£1.859m
School Counselling	£4m	£0.135m
<b>Total</b>	<b>£100m</b>	<b>£3.271m</b>

- 3.8 The Scottish Government's initial terms in relation to the 2020/21 Local Government Finance Settlement indicated that the additional funding outlined above should be additional to each council's 2020/21 recurrent spending on Social Care and not substitutional.
- 3.9 While the Scottish Government issued further correspondence indicating that flexibility will be made available to Local Authorities to offset their Adult Social Care allocations to Integration Authorities by up to 2%, and a maximum of £50 million, in 2020/21 based on local needs, the budget agreed by the Council on 27 February 2020 reflected this funding being passed on in full to the IJB to support Social Care spending.

3.10 The delegated budgets are facing cost and activity increases of £6m (8.3%) set against the additional funding of £3.1m (4.2%). The position described below assumes release of £1.5m of the Social Care Fund held in reserve to support the increased capacity measures agreed in 2019/20. Recurring funding is required for these initiatives which would increase the underlying savings requirement from £1.290m to £2.897m.

**Table 3 – Summary of Council Delegated Budget**

<b>IJB delegated</b>	<b>Spend</b>	<b>Uplift</b>	<b>2020/21 Increase</b>
Staff Costs	17,697,330	3%	530,920
Care at Home Costs	30,822,174	3.30%	1,017,132
Sleeping Nights	2,076,099	3.29%	68,231
Direct Payment Costs	6,152,947	2.23%	137,211
Block	1,011,741	3.30%	33,387
Day Care Services	842,597	3.30%	27,806
Residential & Nursing	30,212,598	3.54%	1,069,526
Block	1,633,928	3.54%	57,841
Vol Org Grants	3,140,218	3.54%	111,164
Income	- 9,438,963	2.50%	(235,974)
<b>Increased Capacity Measures</b>			
CASS – Staffing			604,000
STARS – Staffing			449,250
Externals - Older People Care at Home			414,000
Demographic Increases	40,273,793	1.6%	645,368
Underlying Pressures			
R&N Placements			(533,000)
LD/PD external care			1,203,000
Increased Carer commitments			379,000
<b>2020/21 budgeted increases</b>			<b>5,978,861</b>
<b>Nett SG Funding Settlement</b>			<b>(3,136,000)</b>
<b>2020/21 Forecast Shortfall</b>			<b>2,842,861</b>
Funded by:			
Use of SCF reserve - Increased Capacity Measures			(1,467,250)
COVID 19 - mobilisation cost of care at home rate 3.30%			(86,000)
<b>2020/21 adjusted shortfall</b>			<b>1,289,611</b>
Savings Options			
Reductions in LD/PD Care		2.3%	(615,600)
Reductions in Older People Care at home		2.3%	(296,400)
Carer commitments from existing budget			(379,000)
<b>2020/21 Savings Target</b>			<b>(1,291,000)</b>
<b>Ongoing Savings requirement</b>			<b>2,842,861</b>

*NHS Budget Position*

3.11 The NHS Board Financial Plan for 2020/21 was approved at its meeting of 6<sup>th</sup> April 2020. The position includes a 3% uplift to NHS Boards baseline budgets which was passed on proportionally to the delegated budget.

3.12 The budget uplifts and savings delegated to the IJB from the NHS Board are as follows:

**Table 4 – Summary of NHS Delegated Budget**

<b>SUMMARY</b>	<b>NHS BUDGETS DELEGATED TO IJB</b>
	<b>2020/21 £000s</b>
<b>Opening Baseline Position</b>	<b>323,325</b>
<b>Budget Uplifts 2020/21</b>	
Baseline Uplift 3% (proportionate share of NHS funding)	7,733
<b>Total Allocation Uplifts</b>	<b>7,733</b>
<b>Budgets Held Centrally</b>	
Pay Uplifts - Agenda for Change	7,009
Pay Uplifts - Medical Staff	1,063
Price Uplifts	1,041
Primary Care Drugs	3,259
Secondary Care Drugs	2,085
New Medicines Fund Drugs	528
Cost Pressures	2,910
<b>Total Pressures and Inflationary Uplifts</b>	<b>17,895</b>
Recurring deficit position b/f 2019/20	11,171
Increased savings requirement 2020/21	10,162
<b>2020/21 Savings Target to break-even</b>	<b>21,333</b>
<b>2020/21 Delegated Budget</b>	<b>319,887</b>

*Additional Resources Delegated*

3.13 In addition to the confirmed NHS Board baseline uplift of 3%, there are also additional resources available to the partnership relating to government priorities including Alcohol and Drugs Partnership (ADP), Mental Health Action 15 and Primary Care Transformation as identified in the table below. The specific allocations for Dumfries and Galloway have not been notified by Scottish Government.

**Table 5 – Additional NHS Funding Outwith Boards Baselines**

<b>Improving patient outcomes</b>	<b>2019/20 Investment in reform (£m)</b>	<b>2020/21 Investment in reform (£m)</b>	<b>Increase for 2020/21 (£m)</b>
Primary Care	155	205	50
Waiting Times Improvement	106	136	30
Mental Health and CAMHS	61	89	28
Trauma Networks	18	31	13
<b>TOTAL</b>	<b>340</b>	<b>461</b>	<b>121</b>

### *Integration Scheme*

- 3.14 The Integration Scheme, which has been agreed between the partners, confirmed that for the first year of operation as a partnership, any overspend would be supported by the party who originally delegated the budget if financial balance could not be achieved by the partnership. **Appendix 1** provides an extract from the Integration Scheme which indicates that any move to a different methodology could be agreed as the partnership matures.
- 3.15 For 2020/21, it has been agreed between the parties that the arrangements in year one and two will continue for a further year, whereby each of the parties would be responsible for the overspend position on their delegated budgets should the IJB be unable to deliver a balanced position. A further review of the scheme will be scheduled alongside the Strategic Plan.

### *Savings, Efficiencies and Cost Reductions*

- 3.16 Currently Dumfries and Galloway IJB does not have plans in place to cover the £22.623m gap in the Financial Plan for 2020/21 but it working through plans to cover the gap for 2020/21. The Health and Social Care Partnership is working collaboratively (with the NHS and Local Authority) through the Sustainability and Modernisation Programme (SAM) on plans to seek to move towards closing the gap. In terms of closing the gap, the key areas of focus will be on locum and agency staffing, medicines, procurement and non-clinical areas.
- 3.17 The SAM Programme governance structure has been established, incorporating four workstreams which have been aligned with the existing Programme Board Structure:
- Modernisation and Transformation
  - Clinical Efficiency (Medicines Usage/Atlas of Variation etc)
  - Workforce (Locum use/agency/pay and conditions)
  - Finance
- 3.18 The progress of the SAM programme is regularly reported through both the NHS Performance Committee and the IJB Performance and Finance Committee to reflect progress across all areas.
- 3.19 In terms of the savings delivery, the key areas of focus are summarised in the table below. This is extracted from the Sustainability and Modernisation mandate database and updated for any further savings which are not currently reflected in this. In addition, it specifically excludes any potential savings from the Social Work budget which will be reported through the IJB Financial Plan. This indicates recurring savings of £7,059m for 2020/21.

**Table 6 - Summary of Recurring Savings Identified as at March 2020**

	Sum of 2020/21 £000s	Sum of 2021/22 £000s	Sum of 2022/23 £000s
<b>Clinical Efficiency</b>			
Prescribing	1,840	100	
<b>Finance</b>			
Facilities and Property	195	250	
<b>SAM Ideas</b>			
SAM Ideas	1,204	730	
<b>Transformation</b>			
eHealth	85	150	
Transformation	865	1,190	150
Social Work	470	1,000	500
<b>Workforce</b>			
Locum	2,400	774	75
<b>Grand Total</b>	<b>7,059</b>	<b>4,194</b>	<b>725</b>

- 3.20 This is categorised by workstream with further savings schemes likely to be focussing on these areas in order to bridge the forecast financial gap for 2020/21. These are driven by our savings strategy to focus on recruitment to reduce locum savings, prescribing and medicines management, estates, property and procurement and increasingly through transformation and redesign.
- 3.21 In addition, it is estimated that a further £2.5m non-recurring savings can be delivered through underspends on existing vacancies, in-year flexibility and other potential savings not reflected in the table above. Therefore, total potential savings for 2020/21 are £9.559m, therefore reducing the overall in-year gap to £13.064m.
- 3.22 The Health and Social Care Partnership (through the Chief Officer) is leading on the operational savings programme through SAM to assess the savings that will need to be achieved in 2020/21 and to agree the associated improvement actions. Significant further work is required on the savings plan during the new financial year to seek to indentify schemes to look to close the financial gap for next year further.

#### *Reserves*

- 3.23 The IJB carried forward reserves of £8.4m into 2019/20 relating to the balance of the Social Care Fund and Integrated Care Fund, as set out below. These remain set aside for the purposes they were originally allocated and will be monitored, and have been reported during the year along with the overall financial position. The reserves also include balances for Alcohol and Drugs Partnership, Primary Care Improvement Fund and Mental Health Action 15 monies. There has been a planned reduction in these balances in-year in line with the expenditure plans for the programmes they are supporting. These in their entirety relate to earmarked/ring fenced funding received from Scottish Government for a specific purpose.

**Table 7**

	31/03/2017	31/03/2018	31/03/2019	Projected 31/03/20
Social Care Fund	2.1m	3.5m	4.0m	2.3m
Integrated Care Fund	2.2m	3.3m	3.2m	0.0m
Alcohol and Drugs Partnership			0.5m	0.2m
Primary Care Improvement Fund			0.7m	0.0m
Mental Health Action 15			0.1m	0.0m
<b>TOTAL</b>	<b>4.3m</b>	<b>6.8m</b>	<b>8.4m</b>	<b>2.5m</b>

*Covid-19*

3.24 The 2020/21 budget proposals are presented on the basis of “business as usual”, ongoing and developing Covid-19 issues highlight that this is not the case. It should be recognised that extraordinary costs are being incurred and will continue to be incurred for the foreseeable future. For accounting purposes, these costs will be recorded separately, with the assumption that costs will be covered by partners, and ultimately by government. The level of additional funding to support Covid-19 has not been confirmed by Scottish Government at the point of updating this paper.

3.25 The Partnership is required (through the NHS Board) to provide information on the additional costs associated with Covid-19 through a return to Scottish Government (previously weekly now monthly). This return aligns with the operational surge plans which have recently been revised to reflect the latest estimates for projected Covid-19 activity. This includes (amongst other things):

- Increased bed capacity in DGRI
- Use of Community Hospitals
- Community Assessment Hub
- Testing capacity
- PPE and other equipment costs
- Additional Social Care capacity to support delayed discharge
- Other Social Care measures to support providers

3.26 Much business as usual work has been stepped down during this Covid-19 crisis period, this includes the SAM programme work. Initial work has commenced to start the recovery planning work. A reassessment of all financial estimates including savings plans will need to be completed as soon into the new financial year as possible.

#### **4. Conclusions**

4.1 The current draft proposed budget for services delegated to the IJB, passes on in full the additional funding from the partner organisations as identified in the Scottish Budget announced in February 2020. This leaves a significant level of pressure in the system when the full impact of pay and price inflation, along with known increased costs associated with activity growth and new developments are factored in.

4.2 The 2020/21 budget proposals assume “business as usual”. The potential financial



and economic impacts of Covid-19 represents a significant additional risk to the IJB, and the wider public sector going forward.

4.3 Progress has been made towards identifying savings and new ways of working to deliver the financial challenge identified for this forthcoming year, however, significant progress must be made across the transformation of existing services if there is any chance for recurring balance to be achieved in the months ahead.

4.4 The IJB is not projecting a break-even position and will continue to identify solutions to bridge the current £13.064m unidentified savings gap.

## **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.

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

7.1. There are no legal or risk implications identified.

## **8. Consultation**

8.1. Senior Finance Team/Health and Social Care Senior Management Team

## **9. Equality and Human Rights Impact Assessment**

9.1. Impact assessments will be required for all proposals progressed through the business transformation programme.

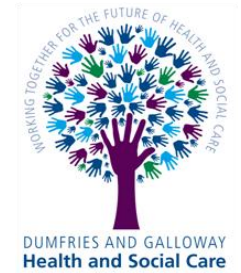
## **10. Glossary**

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

ADP	Alcohol and Drugs Partnership
CAMHS	Child and Adolescent Mental Health Services
CASS	Council Care at Home Service
IJB	Integration Joint Board
LD	Learning Disability
NMF	New Medicines Fund
PD	Physical Disability
R&N	Residential & Nursing
SAM	Sustainability and Modernisation
SCF	Social Care Fund
SG	Scottish Government
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	