



Integration Joint Board

26th July 2018

This Report relates to
Item 10 on the Agenda

Financial Performance Update

(Paper presented by Katy Lewis)

For Discussion and Noting

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| Approved for Submission by | Katy Lewis, Chief Finance Officer IJB |
| Author | Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway Sean Barrett, Finance Manager, Dumfries and Galloway Council |
| List of Background Papers | IJB Budget Setting Paper 2018/19, approved at 5th April 2018 meeting |
| Appendices | Appendix 1 – Integrated Budget Position at month 2 of financial year 2018/19 |

SECTION 1: REPORT CONTENT

Title/Subject: Financial Performance Update
Meeting: Integration Joint Board
Date: 26th July 2018
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 May 2018 month 2 of financial year 2018/19.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Note the current projected position after month 2 reflecting the £5.3m unidentified savings as set out in the opening Financial Plan.**
- **Note a detailed review of the financial position is planned by the Chief Officer and Chief Finance Officer during July once the month 3 (Quarter One) financial results are known.**

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 2018/19 but will be further updated at quarter one when a detailed review of the Financial Plan is completed.

4. Main Body of the Report

4.1 *Executive Summary*

The IJB Financial Plan for 2018/19 is presented as a balanced position with an in-year gap of £5.3m for which savings are still to be identified. The month 2 reported position is in line with the opening Financial Plan, with the level of unidentified savings still consistent with the opening position. A schedule detailing the integrated budgets by directorate is included at **Appendix 1**.

The Social Work budget saw an improved year end position between the agreement of the Financial Plan and the year end results which means that despite the savings target increasing by £115k due to the decision to increase payments for sleeping nights, the saving requirement has reduced from £2,192k to £2,146k. The overall savings plan has been reassessed to accommodate this change with savings plans currently being implemented.

4.2 *Allocations*

Since the Financial Plan has been prepared, a number of new allocations have been confirmed for 2018/19:

| | |
|---------------------------------------|---------|
| Primary Care Improvement Fund | £1,363k |
| Waiting times and Access Support | £1,490k |
| Additional Mental Health (MH) Workers | £229k |
| GP Out of Hours (OOH) fund | £149k |

These are areas where the resources have been allocated to Integration Boards and NHS to support specific policy directorates and must be used for the directed purpose.

4.3 *Savings, Efficiencies and Cost Reductions*

At a local level, the allocation of funds for the financial year 2018/19 to the IJB requires service provision to be delivered within a reduced financial envelope, brought about by:

| | |
|---|------------------------|
| NHS Revenue savings requirement | £13.680m |
| Council/savings requirement | £2.192m |
| Additional savings (increased cost of sleepovers) | £0.115m |
| Less Social Work outturn improvement position | <u>(£0.161m)</u> |
| Total | <u>£15.826m</u> |

The approved Financial Plan confirmed that current progress on development of savings could be summarised as follows:

Table 1

| | 2018/19 Target | 2018/19 Identified to date | Gap |
|--|----------------|----------------------------|----------------|
| | £000s | £000s | £000s |
| IJB Savings | | | |
| Reduction in use of medical locums | 1,000 | 1,000 | 0 |
| Effective prescribing (Secondary Care) | 1,250 | 1,000 | (250) |
| Effective prescribing (Primary Care) | 1,750 | 1,000 | (750) |
| Service efficiency (2%) - NHS | 3,380 | 2,080 | (1,300) |
| Service and redesign - Social Work | 2,146 | 2,146 | 0 |
| Realistic Medicine | 500 | 0 | (500) |
| Business Transformation Programme | 500 | 0 | (500) |
| Property and Asset Management Strategy | 500 | 500 | 0 |
| Non recurring savings/ flexibility | 4,800 | 2,800 | (2,000) |
| TOTAL IJB | 15,826 | 10,526 | (5,300) |

To date, savings of £10.5m have been identified leaving an in-year gap of £5.3m. As mentioned above, the target has now increased by a further £115k. Further monitoring of delivery of the plans will be reported to the IJB during 2018/19.

Progress has already been made towards identifying savings against the 2018/19 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.

Medical Locum costs is an area we are targeting for savings through a combination of increasing the level of directly engaged doctors with the Board, as well as adhering to the rate card cap agreed by the West of Scotland Steering Group which will deliver a significant reduction in current costs. In addition, services are reviewing the demand for locum medical staff in the light of recruitment to vacancies.

During 2017/18, savings of £1.8m have been delivered through Primary Care Prescribing initiatives. This is planned to continue into 2018/19 through a variety of initiatives which have been set up and agreed with the Pharmacy Support Team to specifically look at areas of expenditure and volume changes across each practice. This links directly with work undertaken by the Realistic Medicine Project in better understanding clinical variation in prescribing.

Secondary Care Prescribing is an area we are continuing to target for savings with a number of initiatives focussed on switching to more effective biological treatments and reviewing alternative formulary choices to reduce costs in 2018/19.

All directorates have been provided with a 2% service efficiency target challenge where plans already have been identified around workforce redesign, including skill-

mix reviews and administrative reviews, lean principles, catering reviews, co-location of services and review of technology.

The £2.146m savings requirement for Social Work is expected to be delivered through the following areas:

- Self Directed Support (SDS) Option 1 individual budget balances and spend control
- Control new demand through alternatives to paid care
- Continued review of existing care to reduce dependence
- Review of Learning and Physical Disability Services care levels
- Control of price growth
- Review of current underspends to reduce ongoing commitment

It was agreed by the IJB that the detailed work on the Business Transformation Programme would be presented for scrutiny and review through the IJB Performance and Finance Committee meetings. Details of the proposals were presented at the April 2018 meeting, with further updates and progress on all schemes to date scheduled for the July 2018 Committee and a workshop following the July 2018 IJB meeting. This remains one of the key strands of the IJB's sustainability and efficiency. The plan linked with the three year financial framework is being developed.

Whilst the IJB does not own any assets, the facilities management and property costs are part of the delegated budget and, as such, are subject to an efficiency target. This has been one of the targeted areas of the savings plans to release savings from vacant buildings, consider property disposals and reconfigure services to use our accommodation more efficiently. Various property disposals are expected to occur during 2018/19 and there is a level of certainty about deliverability of the savings targets which have been set for this area.

4.4 Reserves

The IJB has 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. These remain set aside for the purposes they were originally allocated and will be monitored and reported during the year along with the overall financial position.

Table 2

| | 31/03/17 | 31/03/18 |
|----------------------|-----------------|-----------------|
| Social Care Fund | £2.1m | £3.5m |
| Integrated Care Fund | £2.2m | £3.3m |
| TOTAL | £4.3m | £6.8m |

4.5 Financial Risks - updated

There remains a significant financial risk in the position with the main risks and challenges set out below:

- Price pressures relating to living wage, inflation and independent provider specific cost pressures. Further pressures linked to external providers from either Scottish Living Wage or the costs associated with staffing inappropriate buildings and the rurality of our region.
- Price pressures linked to Scottish Living Wage for external sleep in provision and in-house sleep in provision.
- Providers' sustainability linked to unprofitable businesses and workforce availability.
- Increased need and expectation from service users linked to health and social care outcomes.
- The service requires the continued receipt of approximately £14m of income from service users to meet the £96m of costs associated with delivering this care. A reduction in the ability to pay residents would have an impact on the funds available to deliver care.
- The affordability of free personal care for under 65's from 2019/20.
- The NHS pay settlement has been agreed at an increased cost from the original plan and the additional consequentials to fund the financial implications of this have yet to be confirmed.
- Demographics and increased levels of care dependency will always put pressure on existing financial resources.
- Risk around delivery of savings programme, both the level of unidentified savings and slippage of in-year CRES (Cash Releasing Efficiency Savings).
- Prescribing remains an area of significant volatility, with 2017/18 witnessing unprecedented levels of short-supply drug costs, as the Pharmaceutical Industry straddles with maintaining sufficient levels of ingredients to match world-wide demand. This has seen an increase of £800k on drugs where prices have shifted significantly in 2017/18.
- The level of medical vacancies remains high across the majority of services with increasing reliance placed upon agency staff. Whilst a new contract arrangement with Retinue has delivered a reduction in the average hourly cost paid for Agency staff, the impact of IR35 and general market supply shortages continue to make recruitment to unfilled gaps difficult.
- The transition to the New Hospital, which opened in December 2017, represented a significant financial risk in terms of double running costs and these will continue following the move and the refurbishment programme of Mountainhall Treatment Centre.

5. Conclusions

- 5.1 Whilst the Financial Plan for 2018/19 has been approved by the IJB and submitted to the Scottish Government, there still remains a significant level of challenge in identifying the remaining £5.3m gap.
- 5.2 The services delegated to the IJB are well aware of the scale of challenge and are committed to focussing on transformational plans and ideas that will provide the necessary level of savings required to deliver a break-even position.

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

- 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

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 |
| GP | General Practice |
| IJB | Integration Joint Board |
| MH | Mental Health |
| OOH | Out of Hours |
| SDS | Self Directed Support |
| SW | Social Work |