



Integration Joint Board

29<sup>th</sup> November Board

This report relates to  
Item 10 on the Agenda

# Financial Performance to September 2016

*(Paper presented by Katy Lewis)*

*For Noting/Discussion*

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<b>List of Background Papers:</b>	
<b>Appendices</b>	

## SECTION 1: REPORT CONTENT

**Title/Subject:** Financial Performance to September 2016  
**Meeting:** Integration Joint Board  
**Date:** 26<sup>th</sup> October 2016  
**Submitted By:** Katy Lewis, Chief Finance Officer/  
Director of Finance NHS Dumfries and Galloway  
**Action:** For Noting/Discussion

### 1. Introduction

1.1 This report presents the summary financial forecast performance of the budgets delegated to the Integration Joint Board (IJB) based upon the period ending 30<sup>th</sup> September 2016 (month 6).

### 2. Recommendations

2.1 **The Integration Joint Board is asked to note and discuss the following;**

- **The overall level of financial risk associated with the six months financial data available to the IJB;**
- **The level of risk associated with the scale of unidentified efficiency plans to date, in particular the recurrent scale of the gap;**

### 3. Background

3.1 This report consolidates for the IJB the financial reporting for those services delegated to the IJB, bringing together the reporting styles and financial information of the Council and NHS Board for the services which have been delegated to the IJB.

3.2 The main purpose of this report is to identify the current level of financial risk on the IJB financial performance to date, highlighting the significant issues affecting the delivery of a breakeven position for 2016/17 by the year end.

3.3 The month 6 position for the NHS delegated resources updates the previous quarter one forecast position, building in changes identified over the last 3 months.

### 4. Executive Summary

4.1 Based on the midyear review, it is currently projected that the release of monies from the Social Care Fund, and further progress on the delivery of agreed savings will be required to address initially projected pressures against the Integrated Joint Board services in 2016/17. Prior to the release of Social Care funding and assuming planned savings are delivered Dumfries and Galloway Integrated Joint Board is forecasting a potential overall overspend of £526k as at the end of September.

- 4.2 Delivery of a balanced position for 2016/17 overall can be achieved through use of this funding and continuing discussions in the budget scrutiny meetings with the General and Service Managers to more effectively manage in year cost pressures.
- 4.3 Care at home/ living wage increase to £8.25 has now concluded and been applied to our payments systems from 1<sup>st</sup> October 2016. The increased cost of this for 2016/17 is estimated at £2.044m and is affordable in the current financial year; £1.8m has been applied to budgets from the Social Care Fund with just over £200k retained for increases still to be applied. The full year cost is estimated at £4.105m and will need to be recognised as a cost pressure for 2017/18 should sufficient additional funding not be provided by the Scottish Government.
- 4.4 It has been necessary to release £639k from the Social Care Fund to meet demographic pressures as reported in quarter one, £2,136k has been retained for known budget pressures expected to materialise in quarters 3 and 4.

### Summary Financial Performance Update as at end September 2016 (month 6)

- 4.4 The overall position as highlighted above reports an overall pressure for the IJB services of £526k as at the end of September. Appendix 1 provides a more detailed summary of the financial performance to date by service area.
- 4.5 Table 1 below provides a summary of each service's financial performance and movement in the position from the month 4 position;

**Table 1**

Directorate/Service	M4 Forecast Position £000s	M6 Forecast Position £000s	Movement
<b>Council Delegated Budgets</b>			
Children & Families	1	(1)	(2)
Adult Social Work Services	72	346	274
Older People	(111)	(29)	82
People with Physical Disability	(407)	(220)	187
People with a Learning Disability	(321)	(252)	69
People with Mental Health Need	(18)	110	128
Adults with addict/sub misuse	0	36	36
Non Social Work Budgets	146	0	(146)
Overall forecast outturn position as at month 4 and 6	(639)	(10)	629
<b>NHS Delegated Budgets</b>			
Acute and Diagnostics Directorate	(1,094)	(1,106)	(12)
Facilities and Clinical Support	428	300	(128)
Mental Health Directorate	366	525	159
Primary and Community Care Directorate	(393)	(425)	(32)
Women and Childrens' Directorate	179	190	11
Overall forecast outturn position as at Q1& Q2 reviews	(514)	(516)	(2)
<b>Combined IJB Variance</b>	<b>(1,153)</b>	<b>(526)</b>	<b>627</b>

## **5. Directorates'/ Services Overview position**

5.1 The main issues affecting the financial performance of the IJB YTD are summarised as;

- Delivery of efficiency schemes
- Increases in activity/ demography needs
- Prescribing/ drugs cost pressures

5.2 The main services by exception contributing to the underlying forecast overspend position are highlighted below, providing further levels of detail from each reporting area.

### **Social Work/ Council Delegated Budgets to IJB**

5.3 The Year End Forecast position for the delegated budgets to the IJB reports a £10k overspend position, this is a £629k decrease from the month 4 reported position and mainly relates to the allocation of demographic funding for expenditure in quarter one and further savings being delivered with a lower than expected increase in Residential and Nursing costs.

5.4 The main areas of variance are highlighted in the appendices to the report and relate to the following;

- People with Learning Disability Services are currently forecasting a £252k overspend, the position has improved from the £321k position reported in month 4.
- People with Physical Disability Services are currently forecasting a £220k overspend position which has improved by £187k since last reported at month 4.
- Older People Services are currently forecasting a £29k overspend, this is the largest area of spend for the Council Services delegated to the IJB. This position has improved since that reported in month 4 of £111k overspend due to allocation of demographic monies for identified pressures.

5.5 This position is off set with expected underspends relating to Adult Social Work Services of £346k. Due to hierarchy changes within the financial systems for the purposes of reporting what were previously known as 'other Council Services' are now contained in this area. The main reasons for this underspend are staffing vacancies in the Care at Home Support Service, Assessment and Fieldwork and Sensory Impairment Services

5.6 Older People Services continue to overspend (£29k) due to the numbers accessing the service, there are significant savings still to be delivered in this area attached to the real time monitoring system and we expect to see progress on this saving from 1<sup>st</sup> October. The main reason for the reduction in overspend is the application of demographics incurred in quarter one and a slowdown in Residential and Nursing growth. This is likely to reverse in quarter 3 as places are taken up.

- 5.7 Care at home is the main area of overspend (£257k) within Physical Disability Services and mainly relates to one high cost service user reported in month 4.
- 5.8 The forecast position assumes that the savings targets still to be delivered will be delivered, and indications are that this will be the case. The forecast position does not take into account future demographic growth which is expected due to the number of care packages which are currently unmet due to capacity in the market and recent trends.
- 5.9 There remains £1,037k of savings to be identified and delivered across the Council delegated budgets. Savings are mainly linked to review of care levels and receipt of income and as such will increase as the year progresses. When a service user review is completed the commitment on our financial systems will change and the saving will be realised. When a financial assessment has been completed and updated on our financial systems the income projection will change and the saving realised.
- 5.10 The following schemes are the main areas of efficiencies expected to be delivered from Council delegated services;
- Holistic review of packages is on track to deliver the full £653k and potentially over deliver, the benefit of this saving to the system as a whole is that it increases capacity in the market which also has a knock on financial risk attached to it and the use of demographic monies.
  - Contract management and general efficiency savings are on track and have delivered £425k so far. There are a number of areas which are being targeted to ensure full delivery of the saving.
  - Real time monitoring £200k saving has been delayed to due to the care at home services tender which will look to stabilise the market and ensure national living wage within the care at home market. Real time monitoring went live on 1<sup>st</sup> October and we will be in a better position to measure progress at the end of October. We still expect this saving to be delivered in full.
  - Non Residential Charging £423k saving is expected to be achieved in full, as the year progresses and service users receive their annual financial assessment this saving gap will be delivered.
  - Management/ Support costs £50k saving has been delivered in full with staffing reduction going as planned.
  - Health and Wellbeing £100k saving has been delivered and achieved in full due to the reduction in payment.

## Risks

5.11 Demographics are a significant risk to the service as new service users come through the assessment processes. As we make savings we increase capacity within the market which will be filled as we continue to see existing service user's conditions deteriorate and new service users present themselves. We currently have a number of unmet need packages awaiting care and expect to see an increase in Residential and Nursing uptake over the next few months. We estimate demographic growth over the second half of the financial year to be in the region of £1.3m.

5.12 As a result of the pressures areas faced by the Service we continue to promote the following range of control measures to ensure the Social Work budget is not overspent at the end of this financial year. These include the following actions:

- Promoting the Social Work Escalation procedure so that if the commitment to spend beyond the budget available to any budget holder (in emergency circumstances) is approved by the relevant line manager they consequently accept the responsibility to identify the required resources.
- Reviewing the localities Risk Enablement and Management Groups (REMG) to oversee the activity being taken to bring expenditure into alignment with budget whilst ensuring that all measures are commensurate with responsible management of risk.
- Communication reconfirming the savings required and expectations of Locality Managers to manage their budget.
- Consistent application of the Prioritisation Framework to direct the use of Social Work resources to the greatest need.
- Rollout of the Indicator of Relative Need and the Resource Allocation System to objectively assess eligibility and calculate an indicative budget.
- Identification of opportunities to deploy Assistive Technology as an alternative to traditional support which promotes independence whilst increasing cost effectiveness.
- Continuing review of Direct Payments and claw back of excess balances.
- Review of Learning Disability Community Support in conjunction with the Learning Disability review which takes into account the ARC staffing.
- Reviewing and increasing resourcing the High Care Package Review Team to ensure the delivery of savings.
- Progression on the Ordinary Residence cases through cross service forum.
- Confirmation of the funding allocated from the Social Care Fund to support the activity and demographic pressures within the service.

## **NHS delegated Budgets to IJB**

- 5.13 The revised forecast position, based upon the quarter 2 review shows no real change in the forecast of £516k adverse (£2k worse than quarter one's assessment).
- 5.14 As detailed in Table 1 above the largest overall variance currently relates to the Acute and Diagnostics Directorate, comprised of the following key issues YTD;
- Non delivery of YTD CRES - £67k.
  - Drugs overspend - £338k relating to Dermatology (£134k) and Ophthalmology (£181k) activity, resulting in an updated forecast overspend of £647k.
  - Medical Locum funding of £2.77mk has been taken YTD, £240k above expectations YTD, but no significant variance to annual forecast assumed at this stage.
- 5.15 Facilities and Clinical Support report an underspend of £168K YTD (£137k month 4), with the following key areas contributing to the underlying position:
- Heat/ Light/ Power – YTD underspend of £56k, the majority of which is within electricity.
  - Pays is £135k underspent, with a number of areas within Support Services and Property Services that are currently carrying vacancies. The two main areas driving the underspend are Estates and Catering, the underspend will not continue at this level.
- 5.16 Mental Health Services continue to underspend on pays, increasing the cumulative underspend to £450k. This is reflective of the level of ongoing vacancies across Learning Disability Services, Inpatient Services and Social Care Projects.
- 5.17 Non-pays are overspent by £108k YTD, mainly due to unachieved CRES £150k offset by other small underspends of £42k throughout the Directorate.
- 5.18 Primary and Community Care Directorate is reporting an overspend of £120k. This overspend mainly relates to unachieved CRES plans of £274k and Primary Care Prescribing of £257k, offset by an underspend in pays of £467k. The main issues behind the level of overspend are as follows:
- The pays position of £467k underspent across the Directorate helps to offset the unachieved CRES target and the adverse prescribing variance. The favourable in month variance of £111k relates to continued vacancies
  - Pays position of £270k underspent across the Directorate helps to offset the unachieved CRES target and the adverse prescribing variance. The favourable in month variance of £100k relates to continued vacancies and funding drawn down from the locum reserve to cover the cost of a GP Locum at Castle Douglas Hospital.

- The £467k underspend across pays relates primarily to Nursing budgets including a £113k underspend within the regional STARS service, £154k in Community Nursing and £129k across the eight Cottage Hospitals.

5.19 Womens and Childrens' Directorate is currently £168k underspent, comprised of the following main areas:

- Pays overall are £257k underspent due to CAMHS vacancy (£31k), Neonatal efficient rostering (£57k), AHP (£45k), Ward 15 (£38k) and Public Health Nursing (£87k).
- Non-pays across Women and Children's Directorate are £91k overspent YTD, made up of unidentified CRES of £114k offset by £23k general under spends.

### **Efficiencies - NHS**

5.20 Whilst there still remains an in year gap on the services delegated by the Health Board as at the end of September for 2016/17, the forecast position assumes that the majority of this will be identified by the year end, or offset with non recurrent pay underspends, with just £370k of Primary Care Prescribing savings still to be identified by the year end.

5.21 For the moment there still remains a gap on in year savings targets across Acute and Diagnostics (£133k), Primary and Community Care (£451k) and Women and Childrens' (£78k), but it is anticipated that these can be offset this year with other underspends within each Directorate.

5.22 However significant work still needs to be undertaken to deliver these savings recurrently, with an overall recurrent gap of £4.44m still to be identified as follows;

- Acute and Diagnostics - £2.95m
- Facilities and Clinical Support - £113k
- Primary and Community Care - £451k
- Women and Childrens' Services - £559k
- Primary Care Prescribing - £370k

5.23 Work continues across all directorates to identify the remaining gap on a recurrent basis, with particular challenges for the Acute and Diagnostics Directorate in achieving the ongoing level of savings required.

5.24 Appendix 2 provides a summary of the achievement of savings YTD.

## **Risks – NHS**

5.25 The main risks and challenges facing the NHS delegated service in delivering a breakeven position include the following;

- Ongoing high cost Medical Locum cover for vacancies, on-call and Achievement of Access Targets - £0.5m.
- Further reduction in New Medicines Funding beyond the assumptions in the Financial Plan - £0.65m.
- Delivery of in year efficiency savings of £1,032k still to be delivered and identified in full with a recurring gap of £4.44m.
- Secondary Care Prescribing growth (with new treatments and increased growth beyond expected levels) - £0.6m.
- Growth in Primary Care Prescribing – with only 4 months of actual data showing expenditure close to budget, there still remains a risk on increased growth and price increases later in the year.

## **Overall Position**

5.26 The agreed savings for the Social Work/ Council services have been applied to the budgets and are forecast as being fully achieved in the forecast outturn, but there still remains a current gap as at month 6 of £1.037m.

5.27 The agreed savings for the NHS delegated budgets have been applied to the budgets and have a current in year gap remaining to be identified of £1m.

5.28 Appendix 2 provides a summary schedule of the plans developed to date for achievement of efficiency savings.

5.29 For NHS delegated budgets it is important to note the non recurring corporate support has been provided in year to allow services sufficient time to develop sustainable recurrent solutions. The total in year support provided to IJB delegated NHS services is £2.56m.

## **Conclusions**

5.30 The forecast outturn position of the IJB represents a very challenging position for 2016/17 with the requirement to breakeven in the year requiring both partner organisations to contribute significant additional resources by the year end to ensure this statutory target is delivered.

5.31 Further work is necessary on ensuring all efficiency savings plans are worked up in full to ensure delivery of the required level of savings in total.

- 5.32 It is essential that the monitoring and phasing of CRES achievement throughout the year is robust in order that cost pressures are not understated during the year. This is kept under continuous review.
- 5.33 Whilst the financial plan for 2016/17 reflects known financial risks, these will continue to be monitored and reviewed through the financial reporting cycle.

## **SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS**

### **6 Resource Implications**

- 6.1 Funding implications are considered as part of the overall financial plan 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**

- 9.1 Resources Workstream including Head of Finance for 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.

### **11 Glossary**

AHP	-	Allied Health Professionals
CAMHS	-	Child and Adolescent Mental Health Service
CRES	-	Cash Releasing Efficiency Scheme
IJB	-	Integration Joint Board
LD	-	Learning Disabilities
PCCD	-	Primary Care and Community Directorate
REMB	-	Risk Enablement and Management Groups
STARS	-	Short Term Augmented Response Service
YTD	-	Year to Date

## Appendix 1 – Summary of Forecast Outturn

### Forecast Outturn of IJB Delegated Services as at 31<sup>st</sup> July 2016

Directorate/Service	Annual Budget £000s	Forecast Outturn £000s	Forecast Underspend/ (Overspend) £000s	Forecast Variance %
<b>Council Delegated Budgets</b>				
Children and Families	107	108	(1)	0.9%
Adult Social Work Services	13445	13,099	346	1.1%
Older People	21990	22,019	(29)	(0.5%)
People with Physical Disability	5,772	5,992	(220)	(7.4%)
People with a Learning Disability	16,755	17,007	(252)	(1.9%)
People with Mental Health Need	2,145	2,035	110	(0.8%)
Adults with addict/ substance misuse	263	227	36	0.0%
Overall forecast outturn position as at month 4	60,539	61,177	(10)	(0.0%)
<b>NHS Delegated Budgets</b>				
Acute and Diagnostics Directorate	94,370	95,476	(1,106)	(1.2%)
Facilities and Clinical Support	18,981	18,681	300	1.6%
Mental Health Directorate	20,876	20,351	525	2.5%
Primary and Community Care Directorate	58,941	59,366	(425)	(0.7%)
Women and Childrens' Directorate	20,534	20,344	190	0.9%
Overall forecast outturn position as at Q1 review	213,703	214,220	(516)	(0.2%)
<b>Combined IJB Variance</b>	<b>274,180</b>	<b>274,707</b>	<b>(526)</b>	<b>(0.2%)</b>

Forecast Outturn of IJB Delegated Services as at 31<sup>st</sup> July 2016

## Locality Summary

Locality	Annual Budget £000s	Forecast Outturn £000s	Forecast Underspend/ (Overspend) £000s	Forecast Variance %
<b>Council Delegated Budgets</b>				
Annandale and Eskdale	11,740	11,787	(47)	0.00%
Nithsdale	23,553	23,882	(329)	(1.40%)
Stewartry	8,720	8,630	90	1.00%
Wigtown	10,867	10,681	186	1.70%
Region Wide	5,598	5,507	91	1.60%
Overall forecast outturn position as at month 4	60,477	60,487	(10)	(0.00%)
<b>NHS Delegated Budgets</b>				
Annandale and Eskdale	16,191	16,226	(35)	(0.22%)
Nithsdale	18,066	18,059	7	0.04%
Stewartry	12,778	12,738	40	0.31%
Wigtown	10,557	10,520	37	0.35%
Region Wide	156,111	156,677	(566)	(0.36%)
Overall forecast outturn position as at Q1 review	213,703	214,220	(516)	(0.24%)
<b>Integrated Services</b>				
Annandale and Eskdale	27,931	28,013	(82)	(0.29%)
Nithsdale	41,619	41,941	(322)	(0.77%)
Stewartry	21,498	21,368	130	0.60%
Wigtown	21,424	21,201	223	1.04%
Region Wide	161,709	162,184	(475)	-0.29%
<b>Combined IJB Variance</b>	274,180	274,707	(526)	(0.19%)

## Summary of Efficiency Savings achieved YTD and Recurring Gap

Service Area	In year 16/17 Target £000's	In Year 16/17 Delivered £000's	In Year 16/17 GAP £000's	Comments / Progress	Recurring Gap 17/18 Amount £000's
<b>Council</b>					
RTM Saving - 2016/17	£200k	0	(£200k)	Delayed due to care at home service tender, but still expect to deliver in full. Expectation to start seeing savings from October.	
Holistic review of care packages	£653k	£592k	(61k)	On track to deliver full target	
Contract Management Saving	£147k	£147k	0	On-track to deliver savings by year end	
Non-residential Charging Saving	£423k	£345k	(£78k)	Expected to be achieved in full as the year progresses when service users receive their annual financial assessment	
Management Savings	£50k	£50k	0	Already delivered in full with reduced staffing as planned	
Health and Wellbeing Saving	£100k	£100k	0	Has been delivered and achieved in full by reducing payment to NHS. This has caused a financial pressure in NHS budgets due to staff in post and the reduction of services provided.	
<b>Subtotal 16/17</b>	<b>£1,573k</b>	<b>£1234k</b>	<b>(£339k)</b>		
<b>15-16 Schemes</b>					
RTM	£200k		£200k	Delayed due to care at home service tender, but still expect to deliver in full. Expectation to start seeing savings from October.	
General Efficiencies	£350k	£278	£72k	Various contracts have been reviewed and delivered a saving, this saving will be evident after six months. Efficiencies are being made through the payments and review process which will ensure the saving is delivered in 16/17. This will need to be reviewed to assess the recurrency.	

## Appendix 2

<b>Service Area</b>	<b>In year 16/17 Target £000's</b>	<b>In Year 16/17 Delivered £000's</b>	<b>In Year 16/17 GAP £000's</b>	<b>Comments / Progress</b>	<b>Recurring Gap 17/18 Amount £000's</b>
Ordinary Residence Reduction	£200k		£200k	Discussions are ongoing with three local authorities to establish ordinary residence of some of the out of region service users. Newly formed cross service group review on a monthly basis and follow up actions.	
Increase RTM savings to fund costs of new contract/ system	£225k		£225k	Delayed due to care at home service tender, but still expect to deliver in full. Expectation to start seeing savings from October.	
<b>Subtotal 15/16</b>	<b>£975k</b>	<b>£278k</b>	<b>(£697k)</b>		
<b>TOTAL COUNCIL/ SOCIAL WORK</b>	<b>£2,548</b>	<b>£1512k</b>	<b>(£1,037k)</b>		
<b>NHS</b>					
Acute & Diagnostics Directorate	£3,653k	£3,520k	(£133k)	Schemes to progress savings in medical locum budgets are being progressed at both a national and local level and have a potential to impact in the final quarter of 2016/17. There is an ongoing review of external agreements with other Health Boards to minimise in year cost pressures. £133k in year balance of savings still to be identified.	(£2,951k)
Facilities and Clinical Support Directorate	£840k	£840k	0	In year savings delivered through a mix of property, energy, transport efficiencies and service reviews.	(£113k)
Primary and Community Care Directorate	£1,325k	£874k	(£451k)	Ongoing review of savings with service and locality managers with Finance Manager. £107 savings delivered to date through local budget scrutiny processes. With a further through a review of contracts, workforce reviews and procurement savings. £451k in year balance of savings still to be identified.	(£451k)
Mental Health Directorate	£937k	£937k	0	The directorate is on target to deliver savings in year through the review of the EMI strategy, review of management arrangements and review of prescribing and drugs.	0

## Appendix 2

<b>Service Area</b>	<b>In year 16/17 Target £000's</b>	<b>In Year 16/17 Delivered £000's</b>	<b>In Year 16/17 GAP £000's</b>	<b>Comments / Progress</b>	<b>Recurring Gap 17/18 Amount £000's</b>
Women & Children's Directorate	£936k	£857k	(£78k)	The delivery of savings in year has been through a number of service and workforce reviews, service productivity savings and procurement savings. There is an in year balance of £78k to be identified.	(£559k)
Prescribing	£2,453k	£2,083k	(£370k)	Variety of schemes across both Secondary and Primary Care Prescribing including more efficient procurement, increased delivery of services through homecare and a range of other initiatives designed to eradicate waste. The in year gap is £370k, with the Chief Pharmacist leading on workstreams to identify remaining gap.	£370k
<b>TOTAL NHS</b>	<b>£10,143k</b>	<b>£8,985k</b>	<b>(£1,158k)</b>		<b>£4,445k</b>
<b>TOTAL – IJB Target</b>	<b>£12,691k</b>	<b>£10,497k</b>	<b>(£2,194k)</b>		<b>£4,445k</b>