



Integration Joint Board

1st February 2018

This Report relates to
Item 7 on the Agenda

Financial Performance 2017/18 – November 2017

(Paper presented by Katy Lewis)

For Discussion and Noting

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List of Background Papers:	Not Applicable
Appendices	Appendix 1 – Summary of Issues

SECTION 1: REPORT CONTENT

Title/Subject: Financial Performance 2017/18 – November 2017

Meeting: Integration Joint Board

Date: 1st February 2018

Submitted By: Katy Lewis, Chief Finance Officer

Action: For Noting/Discussion

1. Introduction

1.1 This report presents the summary financial performance of the budgets delegated to the Integration Joint Board (IJB) as at end of November 2017 (month eight) 2017/18. It also provides an update to the IJB on the draft Scottish Government budget which was published on 14th December 2017.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Discuss the latest financial forecast position as at month eight which continues to forecast a £1m overspend position by the year end.**
- **Note the update from the Scottish Government's Budget Announcement on the Settlement for NHS and Social Care.**

3. Executive Summary

The Financial Plan, as agreed at the IJB meeting on 30th March 2017, advised that savings of £17.694m were required to be delivered to achieve a balanced financial position for 2017/18. In the opening plan, savings still requiring to be identified are £5.2m. Month eight shows ongoing progress against the balance of savings required with an overall in-year gap of £1.3m year to date (YTD) and a forecast gap of £2.1m with the overall forecast a £1m overspend before any further measures to contain the financial pressures in year.

4. Main Body of the Report

Month Eight Position for Services Delegated to IJB

- 4.1 The position as at month eight reflects the same view as undertaken at the Mid-Year Review (MYR), with a current forecast outturn of £1m overspend.
- 4.2 Directorates will be updating their forecasts once the month nine position has been finalised in January, to reflect any changes to the most recent forecast position.

- 4.3 The table below highlights the current year end outturn based upon the month eight variance, compared to the Q1 and MYR forecasts.

Table 1

AREA	Q1 Forecast	Mid Year Review	Month Eight
	Variance	Variance	Variance
	£000's	£000's	£000's
IJB DELEGATED SERVICES			
Acute and Diagnostics	(1,374)	(1,107)	(607)
Facilities and Clinical Support	(243)	(399)	(399)
Mental Health Directorate	(71)	(169)	(169)
Primary and Community Care	(2,277)	(2,145)	(1,025)
Women's and Children's Directorate	(320)	(308)	(308)
E Health	(180)	(286)	(286)
Strategic IJB Services	92	100	100
IJB Unidentified savings	0	729	1,694
Social Work Services	0	0	0
MYR Adjustment on Reserves	0	2,585	0
IJB SERVICES TOTAL	(4,373)	(1,000)	(1,000)

- 4.4 All savings targets have been allocated to directorate budgets and any unidentified savings are reflected in the outturn position. The IJB has unidentified Cash Releasing Efficiency Scheme (CRES) of £2.1m so overall this is an improved position in comparison to what might be expected and will include any general directorate underspends.
- 4.5 A more detailed analysis of each of the directorate positions, including reasons for overspend and any financial risks and challenges, is attached at **Appendix 1**.

Medical Locums

- 4.6 To date, expenditure on Medical Locums has been £8.3m as at the end of November compared to £7.5m incurred during the same time period last year. This increase reflects the increased level of vacancies experienced this financial year as well as the impact of IR35 on locum rates.
- 4.7 The impact of the tax changes around personal service companies and IR35 has significantly impacted on locum provision nationally, especially across rural economies. This has led to a reduction in the level of savings expected around locum rates this year, with savings on agency commission and VAT largely off-setting the increased hourly rates paid to locums since April.

4.8 Medical Staffing – The YTD spend on Medical Locums has now reached £8.3m. The table below shows the YTD expenditure by Directorate.

Table 2

Directorate	YTD Actual £k	Forecast £k
Acute and Diagnostics Directorate	6,715	10,074
Mental Health Directorate	321	481
Primary and Community Care	789	1,184
Woman's and Children's Directorate	449	674
Total IJB Services	8,275	12,413

4.9 This expenditure is off-set with the underlying level of underspend related to increased vacancies which for the moment, shows that the overall level of funding set aside for locums at the MYR assessment this year is expected to be sufficient.

Overall Savings Update

4.10 The YTD performance on savings plans shows total identified savings of £11.3m against an overall YTD target of £12.6m. The expected in-year gap by the year end is currently forecast to be £2.1m. The recurring gap stands at £8.2m as at the end of November, as shown in the table below.

Table 3

	Total 2017/18 Target £000	Recurring 2017/18 Schemes £000	NR 2017/18 Schemes £000	Total 2017/18 Schemes £000	In Year 2017/18 CRES Gap £000	2017/18 Recurring CRES Gap £000
NHS Delegated Services						
Acute and Diagnostics	3,139	441	2,107	2,548	(591)	(1,048)
E-Health	329	122	0	122	(207)	(207)
Facilities and Clinical Support	779	183	257	440	(339)	(596)
Mental Health	1,228	891	337	1,228	(0)	(337)
Primary and Community Care	1,637	529	841	1,370	(267)	(1,108)
Women and Children	1,102	352	700	1,052	(50)	(750)
Prescribing	4,500	2,405	711	3,116	(1,384)	(2,095)
Property Services	1,000	458	106	564	(436)	(542)
IJB Unidentified CRES	1,500	0	2,665	2,665	1165	(1,500)
Sub-total NHS Savings	15,214	5,381	7,723	13,104	(2,110)	(8,183)
Council Delegated Services						
Savings schemes	1,800	1,800		1,800		
Cost review and demographic mitigation	836	841		841		
Sub-total Council Savings	2,636	2,641	0	2,641	0	0
TOTAL	17,850	8,022	7,723	15,745	(2,110)	(8,183)

4.11 The savings/efficiency targets of £2.636m for Social Work budgets are required to achieve a balanced position for 2017/18. It is estimated that £1.9m of savings/efficiencies have been achieved so far leaving £751k still to be delivered. There are some unallocated funds from the Social Work Fund still to be allocated and will be retained as demographic and service pressures materialise throughout the year.

Current Financial Risks

4.12 The main risks and challenges facing the Integration Joint Board for 2017/18 are as follows:

- 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.
- Risk around delivery of savings programme, both the level of unidentified savings and slippage of in year CRES.
- The service brings in £14m 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.
- Prescribing remains an area of significant volatility, with data available only for April to September for Primary Care this year, with a prudent estimate of savings delivered to date based upon the most recent volume trends.
- 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 been implemented to minimise the cost of medical 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 represents a significant financial risk in terms of double running costs and these are currently being reassessed following the move.
- Growth in activity sent to other Health Boards and organisations, continue to rise in line with demographic changes.

Financial Plan Update 2018/19

4.13 On 14th December 2017, the Scottish Government published its draft budget for 2018/19 which will inform the Integration Joint Board's budget setting process. As an IJB, we need to await confirmation from the NHS and Council of how this budget will translate into resources delegated to the IJB.

4.14 The implications and key headlines for NHS Funding is summarised below:

- Funding increase of £354.5m of which £175m is directed to reform and transformation and £179.5m into Boards baselines

- Baseline Funding - £179.5m
 - 1.5% uplift for territorial boards
 - £30m for NRAC parity
 - £6m to Scottish Ambulance Service
 - £350m to be transferred to Social Care (as previously agreed)
 - £20m to Alcohol and Drug partnerships

4.15 Investment in reform is detailed below - £175m:

Table 4

	2017-18 (£m)	2018-19 (£m)	Increase for 2018-19 (£m)
Transformational Change Fund	25	126	101
Primary Care	60	110	50
Mental Health	30	47	17
Trauma Networks	5	10	5
Cancer	8	10	2
Total investment in reform	128	303	175

4.16 This funding will be used to support:

- Regional delivery plans/service plans/new models/digital capability
- Elective performance improvements
- New GP contract
- Increase in Mental Health workforce
- Trauma Networks/Cancer

4.17 The budget advises an increase of £66m for Council Funding for Social Care to support living wage, sleepover pressures, Carers Act, Free Personal Care and other Social Work pressures. Allocation of funding to the IJB is subject to Councils budget setting processes.

4.18 In addition, the Scottish Governments Public Sector Pay Policy for 2018/19 was confirmed with a 3% increase for all staff paid under £30k and a 2% cap on staff paid over £30k up to a maximum increase of £1,600. Any pay increases remain subject to pay review body considerations.

Dumfries and Galloway IJB Estimated Impact 2018/19

4.19 The impact on budgets for the IJB is currently being assessed with funding assumptions and delegated budgets subject to confirmation by NHS and Council. Our current working assumptions indicate a likely savings requirement for the IJB will be between £20-£27m (around 7%).

4.20 The Council budget proposals are being developed by 31st January 2018, with Full Council to consider budgets planned for its meeting on 8th February 2018. The NHS will consider the draft budget at its Performance Committee on 29th January 2018 with a final draft of the plan going to Performance Committee on 5th March 2018.

IJB Budget Setting 2018/19

4.21 From an IJB perspective the current actions are planned:

- Detailed financial modelling and assessment of position nearing completion.
- Savings plans and business transformation work in development.
- Clarification still required on elements of funding (unlikely to be clear until mid February).
- Workshop with H&SCSMT planned for next week.
- Workshop with IJB planned (date being finalised).
- Final budget to be agreed by end March 2018.

Business Transformation Update

4.22 Summary plans have been submitted to Performance and Finance Committee during 2017. The plans are at various stages of development with General Managers and their teams, and a workshop session with H&SCSMT is planned for 16th January 2018 to review progress. A further workshop will be arranged to discuss these with IJB members. In addition, an assessment of additional capacity required to support plans will be developed. Training support for co-production and community engagement is also being considered.

5. Actions and Recommendations

5.1 The key next steps and actions are to be noted by the IJB. Further updates will be brought back to future meetings:

- A Health and Social Care Management Team Workshop has been scheduled for 16th January 2018 where each General Manager is presenting the current YTD position, the updated forecast position and delivery against 2017/18 and proposed 2018/19 savings schemes.
- Workshop for IJB members on budget transformation and savings plans (date TBC).
- Scottish Government draft budget required approval (Health and Sports Committee considered it at meeting of 9th January 2018).
- Budgets confirmed with Council and NHS (engagement and discussions have commenced).
- Development of communication plan.

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:

- Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway
- Sean Barrett, Finance and Information Manager, Dumfries and Galloway Council
- Gillian Ross, Acting Head of Finance and Procurement, 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

AHP	-	Allied Health Professionals
ARCs	-	Adult Resource Centres
CAMHS	-	Child and Adolescent Mental Health Service
CRES	-	Cash Releasing Efficiency Scheme
FHS	-	Family Health Services
FYE	-	Full Year Effect
GMS	-	General Medical Services
H&SCSMT	-	Health and Social Care Senior Management Team
IJB	-	Integration Joint Board
LD	-	Learning Disabilities
PD	-	Physical Disabilities
STARS	-	Short Term Augmented Response Service
YTD	-	Year to Date

IJB DIRECTORATE SUMMARY OF ISSUES – as at Month 8: November 2017

Directorate	MYR Forecast	M8 Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics (including acute prescribing)	£1,107k o/s	£607k o/s	<ul style="list-style-type: none"> • Risk around locum costs not changed from Q1 assessment • Unidentified/unachieved CRES of £394k YTD, £591k Full year and £1m recurrently. • Non-pays overspend of £904k, relating to activity pressures within Radiology, £78k and labs, £180k, with pressures in travel costs of £114k, related to renal patients, tertiary referrals (mainly Cancer patients requiring radiotherapy in Glasgow) and locum travel costs to Stranraer. There is also a pressure within Audiology of £71k, relating to the increasing demand for hearing aids across the service, particularly related to replacement.
Facilities and Clinical Support	£399k o/s	£399k o/s	<ul style="list-style-type: none"> • Pressures within the service are hidden by staff vacancies. • Minor capital funding committed for 2017/18. • Review of facilities costs linked with New Hospital underway. • Ongoing review of property costs linked with property strategy and assessment of potential savings. • The key pressures year to date relate to Heat, Light and Power - £62k, Waste - £112k, mostly due to 'black-bag' waste and rates - £133k.
Mental Health Directorate	£169k o/s	£169k o/s	<ul style="list-style-type: none"> • Significant progress made on delivery of savings target. • Social Care project risk around double running costs/staff redeployment. • Access funding for Psychology now received and released into budgets. • The main pressure on Pays relates to the funding for Social Care projects which has stopped following the transition of all clients. Three permanent staff are still awaiting re-deployment, causing the main variance YTD of £125k.

Directorate	MYR Forecast	M8 Forecast	Risks/Issues/Challenges and Opportunities
Primary and Community Care - NHS	£2,145k o/s	£1,025k o/s	<ul style="list-style-type: none"> • £1.8m of forecast associated with prescribing budgets, which will be offset by Primary Care Drug Reserves (NR). • CRES Slippage of £1.2m against prescribing schemes. • The remaining Directorate unidentified CRES stands at £267k, offset by Pays underspends of £190k. The main areas of underspend within Pays relates to the level of vacancies across Nursing - £86k, Health Sciences - £44k and Admin posts - £51k. • Prudent assessment of prescribing forecast. • Gap on savings delivery off-set through NR Pays underspends • STARs service has been rebased jointly. • It has been assumed that FHS budgets deliver a breakeven position; there are some risks around the GMS contract allocation and GP rates which are under review.
Women's and Children's	£308k o/s	£308k o/s	<ul style="list-style-type: none"> • Review of deliverability of savings target for directorate underway including drugs target. • Performance post now appointed to. • Additional allocation received for health visitors has now been reviewed and funding released to the position. • Cost pressure in CAMHS linked with junior doctors. • Reduction in Speech and Language SLA by DGC, reduced by £105k over three years. • Pays are underspent across the following areas due to vacancies – Ward 15 - £22k, Neonatal - £23k, Learning Disability, £21k, Public Health - £31k and Midwifery - £55k. The pressure on medical pays budgets of £126k is offset by the above underspends
E health	£286k o/s	£286k o/s	<ul style="list-style-type: none"> • CRES of £122k identified to date, overspend linked with in-year gap on CRES. • Discussions around funded service expansions. • Significant workload in-year with New Hospital move. • Increasing pressure on Service contracts - £233k • The Pays underspend of £137k, reflects the general level of vacancies across the Directorate, off-setting the pressures on Non-pays

Directorate	MYR Forecast	M8 Forecast	Risks/Issues/Challenges and Opportunities
Strategic IJB services (strategic planning etc)	£100k u/s	£100k u/s	<ul style="list-style-type: none"> • Departmental vacancies now filled moving forwards.
Unidentified CRES	£729k	£1,694k	<ul style="list-style-type: none"> • Bridged on a non-recurring basis. • Further savings through property strategy element planned.
Social Work Services	£b/even	£b/even	<ul style="list-style-type: none"> • The main pressure area within Adults Social work Services relates to care at home services within the Learning Disability (LD) sector. • This area of spend is forecast to be £2.2m overspent, however this will be offset through transfer of funding from Social Care Houses and underspends within the in house LD services leaving a projected £1.1m overspend. • The costs attached to service users tend to be significant and the number of service users and level of need are increasing. • There are further savings to be delivered in this area and a review of LD services across the partnership has begun. • There are also cost pressures within physical disability services from the care at home provision of £392k mainly from additional high cost service users, this position is partially addressed through a forecast £94k underspend within PD residential care. • Over 65's Residential and Nursing care is forecasting to underspend by £410k due to reductions in net numbers attributable to Dumfries and Galloway and increases in free personal care only as opposed to full care • Savings delivered to date are in the region of £1.5m with another £350k expected to be delivered by the end of March. • There are funds held centrally to offset further demographic pressures and address the current overspend position further. • Savings in the region of £750k will be required to fully address this position.