



Integration Joint Board

28<sup>th</sup> September 2017

This Report relates to  
Item 7 on the Agenda

# Financial Performance 2017/18 – Quarter One

*(Paper presented by Katy Lewis)*

*For Discussion*

<b>Approved for Submission by</b>	Katy Lewis, Chief Finance Officer IJB/ Director of Finance, NHS Dumfries and Galloway
<b>Author</b>	Katy Lewis, Chief Finance Officer IJB/ Director of Finance, NHS Dumfries and Galloway
<b>Date:</b>	13 <sup>th</sup> September 2017
<b>List of Background Papers:</b>	Not applicable
<b>Appendices</b>	Appendix 1 – Summary of Issues Appendix 2 – IJB Savings Plan Update

## SECTION 1: REPORT CONTENT

**Title/Subject:** Financial Performance – Quarter One 2017/18

**Meeting:** Integration Joint Board

**Date:** 28th September 2017

**Submitted By:** Katy Lewis, Chief Finance Officer

**Action:** For Discussion

### 1. Introduction

- 1.1 This report presents the summary financial performance of the budgets delegated to the Integrated Joint Board (IJB) as at end of the Quarter One for 2017/18.

### 2. Recommendations

- 2.1 **The Integration Joint Board is asked to note the Quarter One financial update for 2017/18 and the improved position from the approved plan, with the level of financial risk in the position reduced from the £5.2m to £2m and the ongoing work to develop plans to further reduce the in-year gap.**

### 3. Executive Summary

The Financial Plan as agreed at the IJB meeting on 30<sup>th</sup> 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 required to be identified was £5.2m. This update sees an improvement in the position with the level of gap on savings reduced to £2m after the quarter one review.

### 4. Main Body of the Report

#### 4.1 Quarter One Forecast Position for services delegated to IJB

- 4.2 The table below summarises the current forecast outturn position by directorate based on the Quarter One assessment of the financial position.

**Table 1**

AREA	M3 Actual YTD Variance £000's	Q1 Forecast Variance £000's
<b>IJB DELEGATED SERVICES</b>		
Acute & Diagnostics	(425)	(1,374)
Acute Services Redesign	(5)	0
Facilities & Clinical Support	(115)	(243)
Mental Health Directorate	(18)	(71)
Primary & Community Care	(406)	(2,277)
Women's & Children's Directorate	5	(320)
E Health	(57)	(180)
Strategic IJB Services	39	92
IJB Unidentified savings	(625)	0
Social Work Services	(225)	0
<b>IJB SERVICES TOTAL</b>	<b>(1,829)</b>	<b>(4,373)</b>

- 4.3 All savings targets have been allocated to directorate budgets and any unidentified savings are reflected in the outturn position. The Integrated Joint Board (IJB) has unidentified CRES of £5.124m (based on the month 3 position) so overall this is an improved position in comparison to what might be expected and will include any general directorate underspends.
- 4.4 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**.
- 4.5 The Budget Scrutiny meetings in August with the General Managers and Directorate leads focussed on a review of the Quarter One position.
- 4.6 Overall Quarter One Position**
- 4.7 In assessing the overall Quarter One position, a range of other areas have been considered including reserves, other in-year flexibility and specifically locum costs.
- 4.8 The table below summarises this assessment which indicates that the overall position for the IJB at the end of Quarter One results in a £2m gap (as compared to a £6m gap in savings at the start of the year).

4.9 This is an improved position and provides increasing confidence that a balanced position can be achieved for 2017/18, although a note of caution that most of the measures reflected below only support the position on a non-recurring basis and don't impact on the recurring position.

**Table 3**

	<b>IJB £000's</b>
<b>Forecast Outturn from Directorates</b>	<b>(4,373)</b>
Revaluation/property strategy savings	458
Cost pressures reassessment	1,000
Additional locum pressures	(1,200)
Minor capital/ capital to revenue	1,600
Community Pharmacy Contract - tariff reductions	(109)
Apprenticeship levy (reduction in estimate charge)	150
Other flexibility (adjustments in-year flex)	450
<b>Overall position</b>	<b>(2,024)</b>

4.10 The overall position and issues related to the Quarter One review are summarised below:

- Increase in number of medical vacancies (£1.2m worse)
- Revaluation of NHS estate at year end (£0.45m better)
- Review and slippage on cost pressure reserve (£1m better)
- Minor capital/ capital to revenue (£1.6m better)
- Slippage on prescribing savings schemes (£0.5m)
- Underlying position has remained relatively stable

#### **4.11 Medical Locums**

4.12 Provision was made in the opening Financial Plan recognising the significant number of medical staffing vacancies and the increasing costs by the service of filling these vacancies. The Quarter One assessment indicates a potential increased cost of up to £2m, comprising a range of factors including, reduced savings from original assumptions at LDP, increased costs in final quarter of 2016/17 not reflected in financial planning estimates, and an increase in the number of vacancies over the last six months.

4.13 In addition, we have been unable to reduce hourly rates and on a daily basis are fighting pressures to increase rates. The impact of the tax changes around personal service companies and IR35 has significantly impacted on locum provision nationally, especially across rural economies. The table below summarises the position. The NHS have agreed an additional £0.8m to support some of the risk around locum costs but a pressure of £1.2m remains.

**Table 4**

	<b>LDP £000's</b>	<b>Q1 £000's</b>	<b>Change £000's</b>
Locum reserve	5,650	7,196	1,546
Assumed savings	(1,650)	(1,250)	400
<b>Total</b>	<b>4,000</b>	<b>5,946</b>	<b>1,946</b>

#### 4.14 Quarter One Savings Update

4.15 Overall savings are in line with original LDP position but there has been some slippage on some prescribing schemes offset by increased non-recurring underspends which are supporting the in-year position. There is a further potential risk around pregabalin savings which have not been factored into position until this is resolved nationally.

4.16 There is a significant recurrent gap on savings (£10.3m) and the level of risk around plans remains high. The level of delivered savings at end of Quarter One is 13% (if you factor in non-recurring flex.) A review of balance sheet/accruals/provisions has been undertaken to assess how this can support the in-year position.

4.17 The table included at appendix 2 summarises the CRES position at the end of the first quarter, before reflecting any of the additional savings as indicated in section 4.9.

4.18 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 £756k of savings/efficiencies have been achieved so far leaving £1.8m 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.

4.19 The remaining CRES targets have been devolved to each directorate and have either been identified and removed from budget or form part of the YTD variance within Non-Pays. An overall update on savings delivered to date is included in **Appendix 2**.

#### 4.20 Financial Risks Updated

4.21 The main risks and challenges facing the Integrated 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.
- Continued delivery of a £2.636m savings programme.

- 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.
- The main area of risk relates to the ongoing level of unidentified and unachieved CRES to date.
- Prescribing remains an area of volatility with data available only for April and May 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, opening in December represents a significant financial risk in terms of double running costs.
- Growth in activity sent to other Health Boards and organisations, continue to rise in line with demographic changes.

#### **4.22 Ongoing Risks and Challenges**

4.23 Whilst delivery of a balanced position for 2017/18 looks more achievable, the Board must continue to manage a range of financial risks:

- Ongoing financial pressures around medical recruitment costs and potential additional medical locum risk around further increases to hourly rates for locums
- Allocation outstanding for New Medicines Fund
- Level of non-recurring savings factored for 2017/18 and delivering recurring financial balance
- New hospital double running costs/financial risks potential additional pressures
- No activity data received from other Health Boards at the end of the first quarter
- GP prescribing figures at month 2 show increased pressure (£200k), risk around delivery of savings

#### **5. Actions and Recommendations**

5.1 The following actions are to be noted by Committee. Further updates will be brought back to future meetings:

- Budget Scrutiny meetings to review Quarter One position 25th August 2017 have now been completed
- Paper on Quarter One to come to Integration Joint Board on 28th September 2017 (this paper)

- Development of work with IJB on business transformation programme
- Development of a longer term financial strategy (proposal to bring back paper to the next IJB Performance Committee)
- Confirm NHS Board support to progress Capital to Revenue transfer with SG

## **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**

ARCs	-	Adult Resource Centres
AHP	-	Allied Health Professionals
CAMHS	-	Child and Adolescent Mental Health Service
CRES	-	Cash Releasing Efficiency Scheme
FYE	-	Full Year Effect
IJB	-	Integration Joint Board
LD	-	Learning Disabilities
PCCD	-	Primary Care and Community Directorate
PD	-	Physical Disabilities
REMG	-	Risk Enablement and Management Groups
STARS	-	Short Term Augmented Response Service
YTD	-	Year to Date

## IJB DIRECTORATE SUMMARY OF ISSUES

Directorate	Q1 Forecast	Risks/Issues/Challenges and Opportunities
Acute and Diagnostics (including acute prescribing)	£1,374k o/s	<ul style="list-style-type: none"> <li>• Potential for further non-recurring savings of £486k (factored into current forecast).</li> <li>• Risk around locum costs not reflected in position (assumes will be funded corporately). This is assessed in more detail in the forecast later.</li> <li>• Further risks around drugs cost, patients travel, radiology locums and contracts for reporting x-rays.</li> <li>• Plans for use of £1.5m access funding assuming we improve by performance on elective waiting times.</li> </ul>
Facilities and Clinical Support	£243k o/s	<ul style="list-style-type: none"> <li>• Pressures within the service are hidden by staff vacancies.</li> <li>• Some pressures around the waste contract (£180k).</li> <li>• Prudent assessment of energy and utility costs.</li> <li>• Rates under review with revaluation and backdated pressure (£80k).</li> <li>• Minor capital funding committed for 2017/18.</li> <li>• Review of facilities costs linked with New Hospital underway.</li> <li>• Ongoing review of property costs linked with property strategy and assessment of potential savings.</li> </ul>
Mental Health Directorate	£71k o/s	<ul style="list-style-type: none"> <li>• Significant progress made on delivery of savings target.</li> <li>• Social Care project risk around double running costs/staff redeployment.</li> <li>• Access funding for psychology now received and released into budgets.</li> </ul>
Primary and Community Care - NHS	£2,277k o/s	<ul style="list-style-type: none"> <li>• £1.8m of forecast associated with prescribing budgets.</li> <li>• Slippage of £0.5m against prescribing schemes.</li> <li>• Prudent assessment of prescribing forecast.</li> <li>• Gap on savings delivery excluding prescribing of £1.1m.</li> <li>• STARs service has been rebased jointly.</li> <li>• Budgets for the Nithsdale in Partnership team have been allocated to directorate in first quarter.</li> <li>• 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.</li> </ul>
Women's and Children's	£320k o/s	<ul style="list-style-type: none"> <li>• Review of deliverability of savings target for directorate underway including drugs target.</li> <li>• Performance post now appointed to.</li> <li>• Additional allocation received for health visitors needs to be reviewed to ensure we meet national targets.</li> <li>• Locum requirement for 2017/18 estimated at £322k.</li> <li>• Cost pressure in CAMHS linked with junior doctors.</li> <li>• Reduction in Speech and Language SLA by DGC, reduced by £105k over three years.</li> </ul>

Directorate	Q1 Forecast	Risks/Issues/Challenges and Opportunities
E health	£180k o/s	<ul style="list-style-type: none"> <li>• CRES of £122k identified to date, overspend linked with in-year gap on CRES.</li> <li>• Discussions around funded service expansions.</li> <li>• Significant workload in-year with New Hospital move.</li> </ul>
Strategic IJB services (strategic planning etc)	£92k u/s	<ul style="list-style-type: none"> <li>• Departmental vacancies.</li> </ul>
Unidentified CRES	0	<ul style="list-style-type: none"> <li>• Bridged on a non-recurring basis.</li> <li>• Further savings through property strategy element planned.</li> </ul>
Social Work Services	£b/even	<ul style="list-style-type: none"> <li>• Adult Services has a potential to increase to £195k by the year end, this relates to the staffing vacancy assumption target across services and travel costs within the Care and Support Service Teams.</li> <li>• Older People Services are expected to break even due to less Residential and Nursing placements offsetting an overspend in care at home spend. Care at home services have significant levels of savings planned to be delivered over the last 9 months of the year.</li> <li>• Learning Disability Services are likely overspend by £333k due to increases in the costs associated with care at home. There are savings planned to be delivered against this service over the last 9 months of the financial year.</li> <li>• Physical Disability Services has a financial risk of £241k within care at home services with savings still to be delivered over the rest of the financial year which will help bring this overspend closer to budget..</li> <li>• Mental Health Services are forecasting a £124k overspend which is due to an increase in residential placement costs and a forecast reduction in residential and nursing income which will require further investigation.</li> <li>• A range of financial pressures relating to care home sustainability are emerging and are under review.</li> </ul>

**IJB Savings Plans Update**

	<b>Total 17/18 Target £000</b>	<b>Recurring 17/18 Schemes £000</b>	<b>NR 17/18 Schemes £000</b>	<b>Total 17/18 Schemes £000</b>	<b>In Year 17/18 CRES Gap £000</b>	<b>17/18 Recurring CRES Gap £000</b>
<b>NHS Delegated Services</b>						
Acute and Diagnostics	3,139	482	2,029	2,511	(628)	(1,007)
E-Health	329	198	0	198	(131)	(131)
Facilities and Clinical Support	779	176	0	176	(603)	(603)
Mental Health	1,228	509	0	509	(719)	(719)
Primary and Community Care	1,637	524	0	524	(1,113)	(1,113)
Women and Children	1,102	91	0	91	(1,011)	(1,011)
Prescribing	4,500	3,350	0	3,350	(1,150)	(1,150)
Property Services	0	230	0	230	230	230
IJB Unidentified CRES	2,500	0	2,500	2,500	0	(2,500)
<b>Subtotal NHS Savings</b>	<b>15,214</b>	<b>5,559</b>	<b>4,529</b>	<b>10,089</b>	<b>(5,125)</b>	<b>(8,005)</b>
<b>Council Delegated Services</b>						
Savings schemes	1,800	1,800		1,800		
Cost review and demographic mitigation	836	841		841		
<b>Subtotal Council Savings</b>	<b>2,636</b>	<b>2,641</b>	<b>0</b>	<b>2,641</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>17,850</b>	<b>8,200</b>	<b>4,529</b>	<b>12,730</b>	<b>(5,125)</b>	<b>(8,005)</b>