



Integration Joint Board

5th April 2018

This Report relates to
Item 7 on the Agenda

IJB Budget Setting 2018/19 Financial Plan

(Paper presented by Katy Lewis)

For Approval

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|-----------------------------------|--|
| Approved for Submission by | Katy Lewis, Chief Finance Officer, IJB |
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| Date: | 16 th March 2018 |
| Appendices | Appendix 1 - Extract from Integration Scheme between NHS Dumfries and Galloway and Dumfries and Galloway Council |

SECTION 1: REPORT CONTENT

Title/Subject: IJB Budget Setting 2018/19 Financial Plan

Meeting: Integration Joint Board

Date: 5th April 2018

Submitted By: Katy Lewis, Chief Finance Officer, IJB

Action: For Approval/Noting

1. Introduction

1.1 This paper sets out the Financial Plan for the Integration Joint Board (IJB) for 2018/19 and provides an update on savings plans to establish a balanced budget position for 2018/19.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Approve the IJB Financial Plan for 2018/19 which is presented as a balanced position with an in year gap of £5.3m for which savings are still to be identified.**
- **Note that this budget is approved subject to NHS Board approval at its meeting on 9th April 2018.**
- **Note and acknowledge the commitment from the Council to pass across the full share of the £66m additional funding.**
- **Note and acknowledge the commitment from the NHS Board to provide additional non-recurring budget support of £3m in year as part of non-recurring savings and any additional consequentials to support the increased cost of the pay uplift (above the 1% for Agenda for Change staff) should additional resource be allocated to NHS Boards in year.**
- **Note the level of risk in the financial position presented**

3. Background

3.1 This paper presents the budget position for the IJB for 2018/19 and reflects the allocation of resources from the partner agencies to the IJB in the context of the agreed Scottish Government budget for 2018/19, and the respective financial settlements to Local Authorities and NHS Boards.

4. Main Body of the Report

4.1 The Financial Plan is presented as balanced financial position but includes a high level of savings still to be identified (currently estimated at £5.3m).

4.2 The overall IJB delegated budget position can be summarised as follows:

Table 1

| SUMMARY | IJB £000s R | IJB £000s NR | Total £000s |
|--|----------------------------|-----------------------------|------------------------|
| 2017/18 recurring baseline | 342,231 | 0 | 342,231 |
| Funding for Pressures & Uplifts | 19,063 | 7,840 | 26,903 |
| Savings targets | | | |
| - Balance of savings from 2017/18 | (8,088) | 0 | (8,088) |
| - Medical Locums costs | (5,300) | 0 | (5,300) |
| - Reserve Review | 2,300 | | 2,300 |
| - Increased savings requirement 2018/19 | <u>(3,481)</u> | <u>(1,245)</u> | <u>(4,726)</u> |
| Total of Savings 2018/19 | (14,569) | (1,245) | (15,814) |
| TOTAL | 346,725 | 6,595 | 353,320 |

- 4.3 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 balance of any savings target from 2017/18 carried forward, with the increased cost of medical locums now built into the recurring pressures (previously only recognised as a non-recurrent pressure), leaving an increased savings requirement of £4,726k in 2018/19. The total level of savings for the IJB to achieve financial balance in 2018/19 is £15,814k.
- 4.4 Included within this position is additional consequentials that have been indicated will be potentially confirmed in the summer to reflect the increased cost of pay inflation above 1%. It is has been assumed that will only be for Agenda for Change staff. The recent pay agreement in NHS England will require further review of assumptions once the potential implications for NHS Scotland are understood.
- 4.5 The IJB budget requires to be considered in the context of current Scottish Government policy, especially the Health and Social Care Delivery Plan with a focus on, Anticipation, Prevention and Self Management. Leading to Better Care, Better Health and Better Value. The Scottish Government policy position continues to support the shift of resources from hospital to community based care.

- 4.6 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 | £13.662m |
| Council /savings requirement | <u>£2.192m</u> |
| Total | £15.814m |

- 4.7 Building upon last year's IJB Performance and Finance Committee's agreement that the proposed framework for budget reduction and management would be developed to ensure that a transparent process is adopted, the following criteria remain valid:

- Enables validation of safe and affordable services to which we can recruit
- Provides for option appraisal of alternative service models
- Provides for engagement with staff and public regarding options and service transformation

Measuring Progress/Governance

- 4.8 The ability to track the balance of care spend across institutional and community care services requires to be built into the scheme. Variation across the region requires to be identified to enable focus on outliers eg. variation in GP referrals to A&E (Accident & Emergency). The transformational programme described above, impacting on both service design, financial allocation and budget management and control, requires to be demonstrably transparent, evidence based, option appraised and supported by staff, communities of interest and the wider community. The Performance and Finance Committee has taken on the role of undertaking the detailed monitoring of the business transformation programme for the IJB.

Council Budget Position

- 4.9 Dumfries and Galloway Council formally approved its budget for 2018/19 at its meeting on the 27th February 2018.
- 4.10 The forecast year end position for Adults Social Work Services is a balanced budget following the utilisation of Social Care Funding to meet price increases and through the delivery of savings to offset demographic increases.
- 4.11 The Financial Plan for 2018/19 for the Adults Social Work budget delegated to the IJB contains price and care volume increases of £4.359m (detailed in the table below).
- 4.12 The Scottish Government have announced additional funding nationally of £66m to meet the pressures facing Social Work Services which for Dumfries and Galloway equates to £2.167m. This funding has been included within the local government settlement and Members agreed this funding to transfer to

IJB delegated budgets when the budget was set on the 27th February 2018. No additional funding was agreed to meet price and demographic pressures.

4.13 It has been assessed that savings of £2.192m are required to be delivered for 2018/19, details as follows:

Table 2

| SUMMARY | £000s | Net Impact £000s |
|--|--------------|-----------------------------|
| 2017/18 Budget (including Social Care Funding) | 67,736 | |
| Budget to be up-rated | 58,242 | |
| Current Recurring Social Care Funding Available | | 9,494 |
| | | |
| Required Budget Increases 2018/19 | | |
| Internal Staff Pay Award (public workers proposal) | 372 | |
| National Care Home Contract (3.6%) | 949 | |
| £8.75 - Care at Home | 634 | |
| £8.75 - Day Care | 56 | |
| £8.75 - Non NCHC's | 185 | |
| £8.75 - Direct Payments - OP | 0 | |
| Sleepovers (allowed share of SCF pending review) | 328 | |
| Carers Act (allowed share of SCF pending review) | 624 | |
| Demographics | <u>1,211</u> | 4,359 |
| | | |
| 2018/19 Received from Scottish Government (share of £66m) | | (2,167) |
| | | |
| Savings & Efficiency Requirement (3.24%) | | 2,192 |
| | | |
| Revised 2018/19 Proposed Budget | | 69,903 |

NHS Budget Position

4.14 NHS Board Financial Plan for 2018/19 has been submitted for approval at the NHS Board on 9th April 2018 and includes agreement on the budgets proposed for the NHS Delegated services.

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

Table 3

| SUMMARY | NHS IJB DELEGATED SERVICES | | |
|---|----------------------------|--------------|----------------|
| | 2018/19 | | |
| | R | NR | TOTAL |
| | £000s | £000s | £000s |
| Recurring Baseline 2017/18 | 274,495 | | 274,495 |
| Budget Uplifts 2018/19 | | | |
| Baseline Uplift 1.5% | 3,827 | | 3,827 |
| Additional Consequentials to support Pay Uplift | 1,991 | | 1,991 |
| New Medicines Fund (SG allocation) | | 1,350 | 1,350 |
| New Medicines Fund (NHS Board risk share) | | 1,245 | 1,245 |
| Primary Care Drugs (risk share around short supply) | 600 | | 600 |
| Rates revaluation and inflation | 1,697 | | 1,697 |
| Non recurring support for ASRP | | 4,000 | 4,000 |
| | | | 0 |
| Total Allocation Uplifts | 8,115 | 6,595 | 14,710 |
| Uplifts: | | | |
| Pay Uplifts - Agenda for Change | 3,342 | | 3,342 |
| Pay Uplifts - Medical Staff | 669 | | 669 |
| Price Uplifts | 568 | | 568 |
| Price Uplifts - Energy | 181 | | 181 |
| Price Uplifts - Rates revaluation | 1,697 | | 1,697 |
| Primary Care Drugs | 600 | | 600 |
| Secondary Care Drugs | 450 | | 450 |
| | | | 0 |
| Developments & Existing Pre Commitments | | | |
| New Medicines Fund | | 3,840 | 3,840 |
| Cost Pressures | 1,897 | | 1,897 |
| Medical Locum additional costs of Agency | 5,300 | | 5,300 |
| Acute Redevelopment/ Double Running | | 4,000 | 4,000 |
| Total Pressures and Inflationary Uplifts | 14,704 | 7,840 | 22,544 |
| Recurring deficit position b/f 2017/18 | 8,088 | | 8,088 |
| Medical Locums | 5,300 | | 5,300 |
| Reserve review | (2,300) | | (2,300) |
| Increased savings requirement 2018/19 | 1,289 | 1,245 | 2,534 |
| 2018/19 Savings Target to break-even | 12,377 | 1,245 | 13,622 |
| | | | |
| 2018/19 Delegated Budget | 276,822 | 6,595 | 283,417 |

4.16 As the NHS Board has delegated the management of all operational health services to the IJB; the level of the savings target reflects the amount of resources delegated and is a savings target of 4.9%.

Integration Scheme

4.17 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.

4.18 For 2018/19, 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.

Savings, Efficiencies and Cost Reductions

4.19 The current progress on development of savings is summarised as follows:

Table 4

| SUMMARY | 2018/19 Target | 2018/19 Identified to date | Gap |
|--|----------------|----------------------------|---------------|
| | £m | £m | £m |
| IJB Savings - targeted areas | | | |
| Reduction in use of medical locums | 1.00 | 1.00 | 0.00 |
| Effective prescribing (Secondary Care) | 1.25 | 1.00 | (0.25) |
| Effective prescribing (Primary Care) | 1.75 | 1.00 | (0.75) |
| Service efficiency (2%) - NHS | 3.30 | 2.00 | (1.30) |
| Service and redesign - Council | 2.20 | 2.20 | 0.00 |
| Sub-total | 9.50 | 7.20 | (2.30) |
| Transformation activity | | | |
| Realistic Medicine | 0.50 | 0.00 | (0.50) |
| Business Transformation Programme | 0.50 | 0.00 | (0.50) |
| Property and Asset Management Strategy | 0.50 | 0.50 | 0.00 |
| Sub-total | 1.50 | 0.50 | (1.00) |
| TOTAL RECURRING | 11.00 | 7.70 | (3.30) |
| Non recurring savings/flexibility | 4.80 | 2.80 | (2.00) |
| Total IJB Savings requirement | 15.80 | 10.50 | (5.30) |

4.20 To date savings of £10.5m have been identified leaving an in year gap of £5.3m.

Efficiency Plans

4.21 Progress has already been made towards identifying savings against the 2018/19 target. The progress to date against the targeted areas are set out in table 4. Monitoring of the details schemes will be undertaken through the finance team and will be presented and discussed through Performance and Finance Committee.

4.22 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 will deliver a significant reduction in current costs.

4.23 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.

4.24 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.

4.25 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.

4.26 The £2.2m savings requirement for Social Work is expected to be delivered through the following areas:

- 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

4.27 It was agreed by the Integration Joint Board that the detailed work on the Business Transformation Programme would be presented for scrutiny and review through the Performance and Finance meetings. Details of the proposals are due to be presented at the April 2018 meeting, with updates and progress on all schemes to date. This remains one of the key strands of the IJB's sustainability and efficiency work and whilst details of any specific savings

proposal have not been developed at this early stage the plan would be for a three year financial framework to be developed.

4.28 Whilst the IJB does not own any assets, the facilities management and property costs are part of the delegated budget 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.

Risks

4.29 The current revenue plan identifies a financial gap of £15.8m in year, reducing to £5.3m once savings plans are factored in. The in year gap is not a position which can currently be managed within the assessed financial position so a breakeven position is not projected at this stage and there are a range of significant financial risks in the current position which have been summarised below:

- Pressures in GP (General Practice) prescribing, specifically associated with increased cost of drugs on short supply.
- Continuing increasing costs of medical locums which are being targeted through savings plan but remain a current risk.
- The risk of further GP resignations from vacancies across General Practice with increased cost to NHS Boards.
- Pressures associated with move to new hospital including a review of staffing templates in nursing.
- Increased cost of New Medicines Fund which is currently showing a cost of £2.5m in excess of funding provided.
- Double running costs of old hospital (Mountainhall) especially estates and facilities costs.
- Delivery of elective waiting times improvement without additional resource identified.
- Risks around radiology service due to vacancies and service pressures.
- Winter Pressures and the need to have addition surge capacity and additional staffing to support the hospital over the December to March period.
- Increasing demand and assessed need putting pressure on existing health and social care staff resources and on available care provision.
- Lack of capacity both within residential and care at home settings requiring alternative models to be developed
- Sustainability of the social care market due to financial and workforce pressures
- Need to develop new models of care to meet projected social care demographic increases alongside the running of current models.

5. Conclusions

- 5.1 The current draft proposed budget for services delegated to the IJB, passes on in full the additional funding identified in the Scottish Budget announced in December 2017. 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
- 5.2 Good progress has been made towards identifying savings and new ways of working to deliver the financial challenge identified for this forth coming 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

SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS

10. Resource Implications

10.1 Funding implications are considered as part of the overall Financial Plan for the IJB.

11. Impact on Integration Joint Board Outcomes, Priorities and Policy

11.1 The Financial Plan has a key role in supporting the delivery of the Strategic Plan.

12. Legal & Risk Implications

12.1 None identified.

13. Consultation

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

14. Equality and Human Rights Impact Assessment

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

15. Glossary

| | | |
|------|---|-----------------------------|
| A&E | - | Accident & Emergency |
| GP | - | General Practice |
| IJB | - | Integration Joint Board |
| LDP | - | Local Delivery Plan |
| NCHC | - | National Care Home Contract |
| SCF | - | Social Care Fund |
| SW | - | Social Work |

EXTRACT FROM INTEGRATION SCHEME BETWEEN NHS DUMFRIES AND GALLOWAY AND DUMFRIES AND GALLOWAY COUNCIL

8.2 Integrated Budget In-Year Variations

8.2.1 Process for resolving budget variances

Overspend

8.2.1.1 The Chief Officer is expected to deliver the outcomes within the total delegated resources and where there is a forecast overspend against an element of the operational budget, the Chief Officer, the Chief Finance Officer of the IJB and the relevant finance officers of the Parties must agree a recovery plan to balance the overspending budget.

8.2.1.2 In addition, the IJB may increase the payment to the relevant organisation responsible for commissioning/providing services, by either:

(a) Utilising an underspend on the other arm of the operational Integrated Budget to reduce the payment to that body; and/or

(b) Utilising the balance on the general fund, if available, of the IJB in line with the reserves policy.

8.2.1.3 If the recovery plan is unsuccessful and there are insufficient general fund reserves to fund a year end overspend, then the partners have the option to:

(a) Make additional one-off payments to the IJB; or

(b) Provide additional resources to the IJB which are then recovered in future years, subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to resolve this.

8.2.1.4 As a default position, should the recovery plan be unsuccessful, the IJB may request that the payment from the Parties be adjusted to take account of any revised assumptions. It is expected that as we move towards fuller integration as the IJB matures, that the Parties will share out the additional contributions, if required based on the proportion of their allocations. At the initial stage (until the end of 2016/17), prior to fuller integration, it will be incumbent on the Party who originally delegated the budget to make the additional payment to cover the shortfall.