



Integration Joint Board

31st May 2018

This Report relates to
Item 8 on the Agenda

Financial Performance Financial Year 2017/18

(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 Financial Year 2017/18

Meeting: Integration Joint Board

Date: 31st May 2018

Submitted By: Katy Lewis, Chief Finance Officer

Action: For Discussion / Noting

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 March 2018 for the financial year 2017/18.

2. Recommendations

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

- **The draft break-even position for the year as planned.**
- **All numbers are draft subject to external audit scrutiny of the NHS, Council and IJB accounts.**
- **Note the level of IJB reserves at 31 March 2018 of £6.8m (£4.3m at 31 March 2017).**

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. It presents the draft final position for the IJB as a whole for the year ending 2017/18.

4. Main Body of the Report

Executive Summary

- 4.1 The final position of the IJB reports a break-even position, confirming that the position has improved from the original Financial Plan. This has been delivered as per the Integration Scheme, with the NHS Board funding a range of cost pressures

and overspends relating to Prescribing (£600k), EHealth (£150k) and general support across the IJB of £2.4m.

Services Delegated to IJB

- 4.2 The position as at the year end shows a break-even position as highlighted in the table below by each of the delegated services:

Table 1

AREA	2017/18 Draft Position	Non-Recurring support	2017/18 Revised Position
	Variance		
	£000s	£000s	£000s
IJB DELEGATED SERVICES			
Acute and Diagnostics	(1,160)	200	(960)
Facilities and Clinical Support	(234)	0	(234)
Mental Health Directorate	62	0	62
Primary and Community Care	(1,670)	400	(1,270)
Women's and Children's Directorate	(158)	0	(158)
EHealth	(438)	150	(288)
Strategic IJB Services	72	0	72
IJB Unidentified savings	0	2,459	2,459
Social Work Services			
Children & Families	3	0	3
Adult Services	(284)	0	(284)
Older People	433	0	433
People with LD	(1,039)	0	(1,039)
People with PD	363	0	363
People with MH Need	484	0	484
Adults with addiction/substance mis-use	39	0	39
IJB SERVICES TOTAL	(3,209)	3,209	0

- 4.3 Delivery of a balanced position for 2017/18 was achieved as planned, after additional non-recurrent funding was made available to off-set the gap on delivery on some of the directorate Cash Releasing Efficiency Schemes (CRES) (most notably Primary Care Prescribing of £1.3m).
- 4.4 With all savings targets allocated to directorate budgets, the total of the unidentified savings are reflected in the outturn position. The total savings delivered in the year across the IJB were £16.8m, with £8.2m made recurrently. This leaves a recurring gap of £8m moving into the new financial year.

Medical Locums

- 4.5 To date, expenditure on Medical Locums has been £12.6m as at the end of March 2018 compared to £11.6m 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 nationally.

4.6 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.

4.7 The table below shows the actual locum expenditure by Directorate.

Table 2

Directorate	2017/18 Actual £000s
Acute and Diagnostics Directorate	10,297
Mental Health Directorate	1,037
Primary and Community Care	527
Woman's and Children's Directorate	756
Total IJB Services	12,617

4.8 This expenditure is off-set with the underlying level of underspend related to increased vacancies, resulting in a net increase in funding above established budgets of £6.5m.

Overall Savings Update

4.9 The full year's performance on savings plans shows total identified savings of £16.8m against an overall YTD target of £17.85m. The recurring gap stands at £8m, as shown in the table below.

Table 3

	Total 2017/18 Target £000s	Recurring 2017/18 Schemes £000s	NR 2017/18 Schemes £000s	Total 2017/18 Schemes £000s	In Year 2017/18 CRES Gap £000s	2017/18 Recurring CRES Gap £000s
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	288	257	545	(234)	(491)
Mental Health	1,228	891	337	1,228	0	(337)
Primary and Community Care	1,637	599	1,038	1,637	0	(1,038)
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	3,271	3,271	1,771	(1,500)
Sub-total NHS Savings	15,214	5,556	8,583	14,140	(1,074)	(8,008)
Council Delegated Services						
Savings schemes	1,800	1,800	0	1,800	0	0
Cost review and demographic mitigation	836	836	0	836	0	0
Sub-total Council Savings	2,636	2,636	0	2,641	0	0
TOTAL	17,850	8,192	8,583	16,776	(1,074)	(8,008)

4.10 The savings/efficiency targets of £2.636m for Social Work budgets were required to achieve a balanced position for 2017/18. The savings have been found in full as at March 2018.

Reserves

4.11 The IJB carried forward reserves of £4.3m into 2017/18 relating to the balance of the Social Care Fund and Integrated Care Fund, as set out below. At the 31st March 2018, these had increased to £6.8m and remain set aside for the purposes they were originally allocated.

Table 4

	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

Current Financial Risks

4.12 The main risks and challenges facing the IJB as we move into the new financial year for 2018/19 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 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.
- Growth in activity sent to other Health Boards and organisations continues to rise in line with demographic changes, with the highest increase across the Glasgow Service Level Agreement (SLA), Cumbria, Newcastle and high cost drugs.

5. Conclusions

- 5.1 The IJB delivered a break-even position during the 2017/18 financial year, identifying £16.8m of savings and identifying further efficiency programmes to be taken forward for 2018/19. This position is subject to final confirmation by external auditors.
- 5.2 There remain a number of key pressures across the IJB as identified above. These are summarised as follows:
- Medical vacancies and associated costs of locums.
 - Prescribing across both Primary and Community Care as well as increasing new drug regimes within Secondary Care.
 - Demographic changes.
 - Identification of efficiency target in full to close the remaining £6m gap.
- 5.3 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.
- 5.4 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 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

IJB	-	Integration Joint Board
LD	-	Learning Disabilities
PD	-	Physical Disabilities
SLA	-	Service Level Agreement
YTD	-	Year to Date