



Integration Joint Board

30th March 2017

This Report relates to
Item 8 on the Agenda

IJB Budget Setting 2017/18 Financial Plan

(Paper presented by Katy Lewis)

For Approval/Noting

Approved for Submission by	Katy Lewis Chief Finance Officer, IJB Director of Finance, NHS Dumfries and Galloway
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List of Background Papers:	N/A
Appendices	Appendix 1 - Extract from Integration Scheme Between NHS Dumfries and Galloway and Dumfries and Galloway Council Appendix 2 - Integrated Joint Board Savings/Cost Reductions 2017/18

SECTION 1: REPORT CONTENT

Title/Subject: IJB Budget Setting 2017/18 Financial Plan

Meeting: Integration Joint Board

Date: 30th March 2017

Submitted By: Katy Lewis
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Action: For Approval/Noting

1. Introduction

- 1.1 This paper sets out the Financial Plan for the Integration Joint Board (IJB) for 2017/18 and provides an update on savings plans to establish a balanced budget position for 2017/18.

2. Recommendations

2.1 The Integration Joint Board is asked to:

- **Approve the IJB Financial Plan for 2017/18 which is presented as a balanced position with a gap of £5.271m for which savings are still to be identified**
- **Note the IJB Budget Reduction and Cost Management Framework agreed at the IJB Performance and Finance Committee**
- **Support the progression of the business transformation/difficult decisions schemes to the next stage which would include public engagement and equality impact assessments**
- **Endorse the role of the IJB Performance and Finance Committee as the body to oversee the business transformation programme**
- **Note the current 2017/18 gap of £5.271m for which savings are still to be identified and progressed and the level of risk associated with the savings schemes identified to date.**
- **Note the £2m additional non-recurring budget allocated to the IJB from the NHS and the reduction in the savings target of £200k**
- **Note the significant level of risk in the financial position presented**

3. Background

- 3.1 This paper presents the budget position for the IJB for 2017/18 and reflects the allocation of resources from the partner agencies to the IJB in the context of the agreed Scottish Government budget for 2017/18, and the respective financial settlements to Local Authorities and NHS Boards.

3.2 The Financial Plan is presented as a balanced financial position but includes a high level of level of savings still to be identified (currently estimated at £5.271m/30%).

3.3 The position presented to the IJB Performance and Finance Committee on 10th March 2017 indicated a financial gap of £8.851m; the improvement in the position is as a result of three key areas:

- Additional operational savings of £0.73m identified
- Non-recurring support provided from the NHS of £2m
- Assessment of additional prescribing tariff reductions of £0.7m
- Increased funding assumptions for New Medicines Fund of £0.15m

3.4 The budget position can be summarised as follows:

Table 1

	IJB £000's R	IJB £000's NR	Total £000's
2016/17 recurring baseline	266,612	0	266,612
Funding for Pressures & Uplifts	12,529	10,067	22,596
Savings targets			
- balance of savings from 2016/17	(4,323)	0	(4,323)
- in year savings identified	(3,681)	(4,419)	(8,100)
- savings to be identified	(6,840)	1,569	(5,271)
			0
TOTAL	264,297	7,217	271,514

3.5 *IJB Scheme of Budget Reduction and Cost Management Framework*

3.6 The UK government has announced additional consequentials to Scotland in the spring budget. It is unclear whether any of this funding will flow in 2017/18 but is thought to be unlikely so has not been factored into the current position.

3.7 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.

3.8 At a local level, the allocation of funds for the financial year 2017/18 to the IJB requires service provision to be delivered within a reduced financial envelope, brought about by:

NHS Revenue budget support shortfall	£15.058m
Council reduced allocation to IJB/savings requirement	£2.636m
Total	£17.694m

3.9 It was agreed at the IJB Performance and Finance Committee that the proposed framework for budget reduction and management would be developed to ensure that a transparent process is adopted that satisfies the following criteria:

- 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

3.10 Assuming a savings target of at least 7%, the budget reduction programme requires to conform to the Scottish Government's commitment to Integration and the National Clinical Strategy, which is predicated on shifting the balance of care and funding into communities.

3.11 Three key elements require to be addressed:

1. Manage the demand side of the Health and Social Care Business
2. Reduce inappropriate hospital care and unscheduled bed days
3. Progress a business transformation programme

3.12 *Measuring Progress/Governance*

3.13 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. 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. It is proposed that the Performance and Finance Committee of the IJB take on the role of undertaking the detailed monitoring of the business transformation programme for the IJB.

4. Council Budget Position

4.1 Dumfries and Galloway Council formally approved its budget for 2017/18 at its meeting on the 28th February 2017. The Council agreed an approach which reduces Social Care budgets by £1.8m, which was permitted as part of the Scottish Government settlement.

4.2 Social Care Funding of £107m has been provided to the NHS budget for Social Care, £100m for the Living Wage, £5m for War Veterans and £2m for Carers. The allocation to NHS Dumfries and Galloway from the Social Care Funding has been confirmed as £3.23m.

- 4.3 As a result of this funding, the Scottish Government has indicated that Councils can reduce their 2017/18 funding allocations to the IJB by up to £80m from 2016/17 levels. For Dumfries and Galloway, the share would be up to £2.42m. However, it was agreed that the reduction would be limited to £1.8m on the assumption that the IJB would not look to make any further changes to the charging policy for Social Work services.
- 4.4 It has been assessed that savings of £2.636m are required to be delivered for 2017/18, details as follows:

Table 2

Summary	£000s	Net Impact £000s
2016/17 Budget (including Social Care Funding)	62,490	
Budget to be updated	61,464	
Current Recurring Social Care Funding Available		1,026
Social Care Funding		
2017/18 Social Care Fund (Living Wage)	3,020	
2017/18 Social Care Fund (Carers/Veterans)	210	
Total 2017/18 Social Care Funding		3,230
Total Funding Available		4,256
Required Budget Increases 2017/18		
Full Year Impact £8.25 Living Wage	2,511	
Internal Staff Pay Award (1.5%)	238	
£8.45 - National Care Home Contract (2.5%)	734	
£8.45 - Care at Home	325	
£8.45 - Day Care	240	
£8.45 - Non NCHC's	156	
£8.45 - Direct Payments - OP	0	
Sleepovers - £7.20 (allowed share of SCF pending review)	304	
Carers/Veterans Funding (allowed share of SCF pending review)	210	
Demographics	1,224	
FY impact 16/17 savings	(850)	
Total Required Budget Increases		5,092
2017/18 Shortfall		836
Reduction in Delegated Budget as agreed 28/2/17		1,800
Savings & Efficiencies Requirement (4.2%)		2,636

5. NHS Budget Position

- 5.1 The NHS at its meeting of Performance Committee 30th January 2017, agreed an approach to budget setting with the IJB including the allocation of savings targets.
- 5.2 The allocation letter for NHS Dumfries and Galloway identifies a requirement to ensure “*NHS contributions to Integration Authorities for delegated health functions will be maintained at least at 2016/17 cash levels.*” It has since been clarified that this applies to recurring baseline budgets.
- 5.3 The budget uplifts and savings delegated to the IJB are as follows:

Table 3

SUMMARY	IJB DELEGATED SERVICES		
	R £000's	NR £000's	TOTAL £000's
Budget Uplifts 2017/18			
Uplifts:			
Pay Uplifts - Agenda for Change	2,511		2,511
Pay Uplifts - Medical Staff	651		651
Apprenticeship Levy	734		734
Price Uplifts	248		248
Rates	500		500
Primary Care Drugs	1,198		1,198
Secondary Care Drugs	732		732
Developments & Existing Pre Commitments			
New Medicines Fund		2,900	2,900
Cost Pressures	1,176	767	1,943
Acute Redevelopment	713	2,000	2,713
Locums		4,400	4,400
TOTAL Uplifts	8,463	10,067	18,530
Recurring deficit position b/f 2016/17	4,323		4,323
CRES Requirement for 2017/18	7,885	2,850	10,885
TOTAL CRES REQUIREMENT	12,208	2,850	15,058

- 5.4 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 just under 8%.

5.5 Integration Scheme

- 5.6 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.
- 5.7 For 2017/18, it has been agreed between the parties that the arrangements in year one 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.
- 5.8 Following the discussion at the IJB Performance and Finance workshop, advice has been sought from Scottish Government Policy team on whether the approach set out within this paper is consistent with the legislation on Integration and the Financial Regulations and they confirmed their support for our approach.

6. Savings, Efficiencies and Cost Reductions

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

Table 4

SUMMARY	Recurring 2017/18 £000's	Non- Recurring 2017/18 £000's	Total 2017/18 £000's	2018/19 FYE £000's
Business Transformation Programme - Saving Schemes to be Assessed through Making Difficult Decisions Framework	1,979	0	1,979	1,979
Operational Schemes Agreed by Service	5,093	4,419	9,512	5,508
Full Year Effect of 2016/17 Schemes	932	0	932	932
Total IJB Schemes Identified	8,004	4,419	12,423	8,419

- 6.2 To date, savings of £12,423 have been identified leaving a £5,271m gap to be identified. Further detail on savings is included at **Appendix 2**. This also details the risk profile of schemes identified to date.
- 6.3 The schemes identified to date through the business transformation programme were discussed at the Performance and Finance Committee and detailed templates were circulated to members following the meeting. The schemes identified to date through the business transformation programme were discussed at the IJB Performance and Finance Committee and detailed

templates were circulated to members following the meeting. They include review of provision of gluten free prescribing, review of prescribing of over the counter medicines, review of older peoples Social Work provision and review of deflator to be applied to direct payments. It is proposed that these schemes are progressed to the next stage and appropriate consultation and impact assessment is undertaken.

7. Risks

7.1 The management of financial risks during 2017/18 will be critical for the IJB and there are already a number of further risks emerging that have not all been reflected in the financial position but we must acknowledge as a Board. The key financial risks in this position are as follows:

- Delivery of savings plans and schemes identified
- Identification and delivery of a further £5.271m savings schemes during 2017/18
- Reduction and containment of Medical Locum costs and impact of IR35 and risk of cost increases as a results
- Ongoing discussions in relation to the National Care Home Contract
- Pay uplifts for NHS staff have yet to be notified
- The significant range of cost pressures emerging across both Health and Social Work services
- Sound budgetary control on both Acute and Primary Care Prescribing
- Achievement of Access Targets through existing capacity and resources
- Increasing activity growth of complex patients treated outwith Dumfries and Galloway
- Acute Services Redevelopment Project – the New Hospital transition
- Impact of the New Medicines Fund and potential future approvals of new drugs through Scottish Medicines Consortium
- Changes in the tariffs charged by English Trusts for cross border activity
- General workforce pressures and level of vacancies across a range of staff groups
- Impact of the rates revaluation and other non-pay and inflationary risks

SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS

8. Resource Implications

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

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

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

10. Legal & Risk Implications

10.1 None identified.

11. Consultation

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

12. Equality and Human Rights Impact Assessment

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

13. Glossary

CRES	-	Cash Releasing Efficiency Schemes
FYE	-	Full Year Effect
IJB	-	Integration Joint Board
NCHC	-	National Care Home Contract
OP	-	Older People
RAG	-	Red, Amber, Green status
SCF	-	Social Care Fund

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.