

# **Agenda Item 7**

## **2019/20 Budget Report**

**Title/Subject:** 2019/20 Budget Report

**Meeting:** Integration Joint Board

**Date:** 7 June 2019

**Submitted By:** Chief Finance Officer

**Action:** For Decision

## **1. INTRODUCTION**

- 1.1. The purpose of this report is to provide the Board with an update on the 2019/20 budget. This report provides an update on the issues which were highlighted as requiring further work in the budget report presented to the March 2019 IJB.

## **2. RECOMMENDATIONS**

The Integration Joint Board is invited to:

- 2.1 note the contents of this report
- 2.2 request a presentation on the prescribing proposals for the next meeting of the IJB in September 2019
- 2.3 request further information on the budget proposals for in-scope health services for the next meeting of the IJB in September 2019
- 2.4 Approve that £0.200m is ringfenced from the Integration Funding reserve, currently sitting at £0.630m, to progress work on the Recovery, Recuperation and Reablement model and to put in place a clear Organisational Development approach
- 2.5 Request Partners agreement that the risk sharing agreement in operation for 2018/19, will continue to be adopted for 2019/20
- 2.6 Approve the revised Direction to NHS Forth Valley, reflecting the approved budget for 2019/20.

## **3. BACKGROUND**

- 3.1. The IJB has received a number of reports on the 2019/20 budget. The financial settlements from the Partners and the baseline budget for the Partnership has been set and approved at a meeting of the IJB on 28 March 2019. The March 2019 report noted that options for savings to mitigate the pressures on health services would be presented for approval at a future meeting of the IJB.

#### **4. APPROVED 2019/20 BUDGET**

- 4.1. The budget report to the March 2019 IJB meeting set out the agreed financial settlements from both Partners and a baseline budget for the Partnership. A summary of the position is included at Appendix 1.
- 4.2. It is anticipated that the way that financial information is presented will develop as the transfer of operational management of some health services to the Partnership takes place. The aim will be to provide a more joined up budget, demonstrating spend against the priority areas set out in the Strategic Plan and looking at the resources available to the IJB as a single pot. However, whilst operational management responsibility for some areas continues to lie with the NHS, it may be useful to consider the budget in terms of those areas under direct control of the Partnership and those still managed by the Partners. In addition, it will be necessary to look at our resource allocation across localities. These considerations will be explored with the new Senior Management Team of the Partnership once all staff are in post.

#### **5. SAVINGS DEVELOPMENT**

- 5.1. Both NHS Forth Valley and Falkirk Council have each agreed to adopt a Project Management Office (PMO) approach to direct change. This structure will identify, prioritise and target efficiencies and aim to maximise value across services. At the time of writing this report discussions are scheduled to ensure that the appropriate governance processes are followed for decisions about IJB functions and services. It is also recognised that there is a need to dovetail with already approved work, for example the Institute of Public Care (IPC) model.
- 5.2. In moving forward, it will be important that any governance structures being put in place align with the key messages flowing from the work of the Ministerial Strategic Group, including:
  - That Chief Officers are empowered to act on behalf of the IJB.
  - The responsibility for decisions about the planning and strategic commissioning of all health and social care functions that have been delegated to the IJB sits wholly with the IJB as a statutory public body. Such decisions do not require ratification by the Health Board or the Local Authority, both of which are represented on the IJB.
  - Statutory partners should ensure duplication is avoided and arrangements previously in place for making decisions are reviewed to ensure there is clarity about the decision making responsibilities of the IJB and that decisions are made where responsibility resides.
- 5.3. The IJB has approved savings in respect of adult social care. These total £1.7m and are included in Appendix 2. A Project Management Officer from Falkirk Council has been working with Service Managers to develop action plans with the aim of delivering

these savings. At this time in the financial year, this work is at an early stage and savings will be tracked and reported back to future IJBs.

- 5.4. A meeting is scheduled for June with all Services Managers to look at the savings plans and the business case already approved by the IJB. The aim of the session is to identify any potential issues with savings delivery and look at mitigating actions and also to look at the impact of the planned service changes for future years. This will help to inform the Medium Term Financial Plan.
- 5.5. The March 2019 budget report to the IJB highlighted that for in-scope health services, the process for identifying savings remained as in previous years with the Health Board putting forward proposals for the IJB to deliver. Under these arrangements, the Health Board have considered proposals prior to the IJB and whilst this process does not reflect the responsibilities under the legislation, it has been understood that this in part is a result of the operational management of most in scope health services remaining with the NHS.
- 5.6. To meet the challenge of delivering financial balance and achieving saving targets for health services, there is a need for a different approach to the historic directorate savings plan focussing instead on cross cutting schemes with dedicated clinical and operational ownership. This is the aim of the PMO approach. This involves a number of workstreams being identified including prescribing, medical workforce, nursing workforce, reducing bed occupancy, modernising out patients and theatres.
- 5.7. Workstreams will have designated managerial and clinical leads supported by enablers from various disciplines across the health board and will also involve collaborative working with partners across the whole system, to ensure the best use of resources. This approach will work with the Corporate Programme Management Office being established by NHS Forth Valley. Cost improvements in relation to set aside services have not been specifically identified but will emerge from this approach as workstreams begin to develop and deliver efficiencies.
- 5.8. NHS Forth Valley has a funding gap of £19.2m in 2019/20. This includes the funding gaps for both Forth Valley Integration Authorities in respect of in scope health services. The Health Board approved its Financial Plan for 2019/20 to 2023/24 on 26 March 2019. The high level savings identified in the financial plan for 2019/20 are:

	£m
Drugs and medicines – including waste, patent expiry and switches	4.5
Management and administration functions	3.0
Nursing and AHP workforce – based on rostering review and workforce/service redesign	3.9
Medical workforce – based on job planning review and workforce/service redesign	2.8
Consumables and procurement efficiencies	1.4
Other options including non recurring funding, full year effect of 2018/19 savings plans etc	3.6
<b>Total</b>	<b>19.2</b>

- 5.8 The NHS financial plan recognises that the work of the PMO will take resource and time to set up and mobilise with the majority of the cost improvements likely to be delivered in years 2 and 3 of the plan. The plan highlights the need for change at pace to deliver sustainable recurring financial balance.
- 5.9. At the time of writing, the delivery plan for the savings in the table above is not clear, or the extent to which the PMO approach is expected to support delivery of these savings in 2019/20. However, a report will go to the NHS Performance and Resources Committee in June setting out the detailed savings options. This will be reflected in the September IJB Report.
- 5.10. The funding gap for in scope health services is estimated to be £3.472m, including Set Aside. The budget report to March IJB highlighted some key areas for transformation/review:
- Prescribing – the report set out a number of workstreams for this area. In 2018/19 there was an overspend on community prescribing of £1.536m. It is unclear at this stage whether the PMO will work in this area or have a focus on prescribing within the hospital. It will be for pharmacy senior management to set out their resource requirements. It will be essential that a robust prescribing plan is developed and approved for delivery as a matter of some urgency. It should be noted that prescribing related savings of c£0.400m have been identified for the Falkirk partnership in 2019/20. These are mainly made up of housekeeping improvements, medicine reviews and technical drug switches. Work on these areas will continue at pace but it is evident that more options are required. It is recommended that the IJB request a presentation on the prescribing proposals for the next meeting of the IJB in September 2019. Given this will be half way through the financial year, there is an expectation that work in this area will continue at pace.
  - Review of the community hospitals and their role in intermediate care – it is unclear at this stage how this strand of work is being taken forward. The management responsibility for community hospitals has not yet transferred to the Partnership and there was a significant overspend on this budget of £0.681m in 2018/19. It is vital that there is a strong grip on the spend pressures in this area. However, it must also be noted that the work required on community hospital redesign is likely to be significant and may be unlikely to deliver any benefits in 2019/20. This makes progress on related plans even more urgent.
  - Review of Allied Health Professional resource, in the context of care in the community, including intermediate care. This ties in with the work being developed in collaboration with the Institute of Public Care (IPC) to develop a strategy for promoting independence and the development of design characteristics for an out of hospital recovery care model. Work with IPC has been progressing, with a workshop held on new approaches to discharge to assess, specifically for key clinician practitioners working in the acute sector.

- 5.11. In addition, the report noted that efficiency savings are anticipated through reviewing workforce and skill mixes as well as other house-keeping activities. The sum available from such activities has not yet been quantified. However, it is anticipated that this work will continue and will deliver some benefits in 2019/20.
- 5.12. Whilst a number of areas have been identified for transformation, which are expected to both improve financial performance and outcomes for service users, it remains that a robust list of savings for approval for the IJB is not available. As such, the financial position for the IJB for 2019/20 is very high risk. At this stage, the budget holders for the areas under review remain within the NHS management structure and savings options will be submitted to the NHS Performance and Resources in June 2019. These will subsequently be presented to the IJB in September for approval. There is a danger of a disconnect between budget accountability for the IJB and governance around decision making by one of the Partners. This needs to be addressed urgently if a sustainable financial position is going to be achieved in 2019/20.

## **6. INSTITUTE OF PUBLIC CARE & OTHER DEVELOPMENT WORK**

- 6.1 The IJB has previously approved the service delivery model set out by the Institute of Public Care (IPC). IPC have set out a programme to support the Partnership to develop a Recovery, Recuperation and Reablement Model. The costs of this support are estimated to be c£0.035m. In addition, further resource may be required on a temporary basis to support the project work.
- 6.2 The Partnership has also been working to put in place a clear Organisational Development approach to recognise the significant structural change that is due to take place in 2019/20. There has been some early engagement with providers and some ground work completed to help develop the approach. There will be further costs associated with this work.
- 6.3 It is recommended that the IJB agreed to ringfence £0.200m from the Integration Funding balance of £0.630m, in order to support the above work and allow progress to be made over the summer recess.

## **7. RISK SHARING AGREEMENT/BUDGET DUE DILIGENCE**

- 7.1. There has been an overspend on in scope health services for each of the last three financial years. For the last two years, the IJB and its Partners have reached a risk sharing agreement on an annual basis. The basis of the agreement is that each Partner has taken responsibility for their own overspend. As a result, each year NHS Forth Valley has provided non recurring funding to mitigate the overspend. In part this agreement has reflected the management position in that operational management responsibility has not transferred to the Partnership.
- 7.2. Operational management responsibility for some, but not all, of the in scope health services is expected to transfer to the Partnership at some point during 2019/20.

Section 5 of this report highlights the high level of financial risk associated with these services. As such, two associated recommendations are made:

- The IJB should confirm with Partners that the risk sharing agreement used in previous years continues for 2019/20; and
- A due diligence exercise must be carried out on the budgets associated with in scope services transferring as part of the phase 1 transfer of operational management responsibility. An example of this is the community hospitals which have been consistently overspent for each of the last 3 years. This suggests a significant underlying risk in the budget for this area. This in turn has implications for the wider Partnership. This has been included in a separate report recommendation on this agenda (item 6).

## **8. SET ASIDE**

- 8.1. In 2018/19 the Set Aside budget was overspent by £1.416m. For 2019/20 the financial gap estimated for the Set Aside budget is £1.222m
- 8.2. Work to progress the Set Aside arrangements has been slower than anticipated. This was reflected in the self evaluation template completed for the Ministerial Strategic Group in May. That return reflected that some work has been undertaken regarding Set Aside, including:
  - A budget has been identified and allocated to each partner and performance against this is monitored
  - A methodology for identifying the budget was agreed
  - A figure is included in each Partnership's financial monitoring statements although the risk remains within the NHS
- 8.3. However, the evaluation also highlights that the ability to move funds from set aside to community based support requires a huge, national cultural shift with a change in the attitudes and behaviours of the both public and professionals. This will take time and it is challenging to see where funds can readily be released.
- 8.4. It is anticipated that work in 2019/20 will focus on improving the understanding of the impact of activity on budget, and helping to identify where the opportunities for improvement lie.

## **9. DIRECTIONS**

- 9.1. Directions for the 2019/20 budget were included in the March 2019 budget report. The Directions are updated in each finance report to reflect any movements in the budget. The Direction to Falkirk Council remains unchanged. On review, it was noted that the Direction to NHS Forth Valley was based on the projected spend, before savings requirements are taken into account. This has now been rectified and a

revised Direction is included at Appendix 3 for approval. The substance of the figures included in the March 2019 budget report has not changed. The revised Direction simply reflects that savings will have to be made to ensure a balanced position for 2019/20.

- 9.2. There is work ongoing at a national level in respect of Directions but this has not been completed. In the event that revised guidance is issued, the Directions will be reviewed and brought back to the IJB. It is anticipated that work on Directions will progress over the summer. This will be especially important as the structure and responsibilities of the Partnership changes during 2019/20.

## **10. CONCLUSIONS**

- 10.1. This report provides the IJB with an update on the budget issues for 2019/20. On the NHS arm of the budget, further savings need to be identified. The achievement of a balanced position for 2019/20 is currently rated as very high risk.

### **Resource Implications**

The resource implications are considered in the body of the report.

### **Impact on IJB Outcomes and Priorities**

The report confirms the budget available to the Partnership to deliver the outcomes and priorities of the Strategic Plan.

There is a risk that an insufficient budget would negatively impact on the ability to deliver the outcomes and priorities of the Strategic Plan.

### **Legal & Risk Implications**

Key risks for the Partnership are the identification of sustainable, deliverable and recurring savings. There is a risk of using non-recurring means, such as one off savings or the use of reserves, to achieve financial balance. A focus on recurring savings will be essential going forward. At this stage savings have not been identified to mitigate the overall financial risk to the Partnership.

Risks also include the capacity of the management team to deliver operational services, delivery efficiencies and implement significant service changes. A support structure will be required to mitigate these risks.

### **Consultation**

Requirements for consultation on the proposed savings programme will require to be considered.

### **Equalities Assessment**

An equalities assessment will require to be prepared for each of the savings proposals, where it is not already available.

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Approved for Submission by: Patricia Cassidy, Chief Officer, Falkirk IJB

**Author: Amanda Templeman, Chief Finance Officer**

**Date:** 22 May 2019

**List of Background Papers:** The papers that may be referred to within the report or previous papers on the same or related subjects.

**BUDGET SUMMARY STATEMENT 2019/20**

	<b><u>Budget</u></b>	
	<b>£m</b>	
Adult Social Work Services	75.978	Note 1
NHS Forth Valley - Set Aside	27.506	
NHS Forth Valley - Operational & Universal	117.259	
Partnership Funding Spend	3.744	
<b>Sub - Total</b>	<b>224.487</b>	
Use of Earmarked Reserves	-	
<b>NET EXPENDITURE</b>	<b>224.487</b>	
<b><u>Funded By :</u></b>		
Falkirk Council Contribution	61.685	
Falkirk Council Pass Through of SG Funding	4.241	
NHS Forth Valley Contribution	141.293	
Integration Funding (via Health Boards)	10.052	
Partnership Funding (via Health Boards)	3.744	
<b>NET INCOME</b>	<b>221.015</b>	
<b>SURPLUS/(DEFICIT)</b>	<b>(3.472)</b>	Note 2

**Notes**

- 1 The above figures assume approval of the Adult Social Work savings.
- 2 This figure covers the pressures on the health arm of the budget.  
Savings are being reviewed for future presentation to the IJB.

	Amount £m
<b><i>Efficiencies</i></b>	
Sickness Absence – Home Care	0.080
Sickness Absence – Care Homes	0.070
Home Care Efficiencies – through the introduction of revised shift patterns and the investment in the single grade of carer, both pieces of work bringing more flexibility into the scheduling system.	0.300
<b><i>Demand Management</i></b>	
Older People:	
Reduce demand on home care – this saving recognises that Falkirk Council has a substantially higher proportion of the population in receipt of home care than the Scottish average. Through embedding the already approved eligibility criteria, reablement approach and outcomes focussed assessment, demand should slow. In addition, introduction of a reviews strategy should improve the use of resources.	0.350
Reduce demand on residential care – numbers of older adults living in residential care has reduced incrementally over the last two years due to a change in practice and a focus on keeping people at home for longer. However, numbers remain higher than hoped for and work will continue to reduce demand through improved integrated practice in the locality based delivery model.	0.350
Younger Adults:	
Reduce demand for residential care – numbers of younger adults living in residential care remains high. It is critical that this issue is addressed through improving practice and commissioning alternatives to residential care. This approach should also enable those younger adults in placements outwith the area to be supported to return to Falkirk. This is a key project which will generate savings in future years. It has been included in this list for completeness but is not anticipated to generate savings in 2019/20.	-
<b><i>Service Redesign</i></b>	
Older Adult Day Services – this saving is generated through a review of existing day service provision which is not well used. This could be due to the historic nature of some of the commissioning arrangements. Any reduction will be discussed with providers but it is considered unlikely for example that a reduction in block bookings would significantly impact on the outcomes.	0.200
Younger Adult Day Services – this saving will flow from the previous redesign of day services for younger adults.	0.100
<b><i>Income</i></b>	
Increased income from charging – this has been kept at the inflationary uplift of 2.6% applied to state pensions.	0.273
<b>TOTAL</b>	<b>1.723</b>

**PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014**

**DIRECTION TO FORTH VALLEY HEALTH BOARD**

Direction for Financial Year 2019/20

1. The Integration Joint Board has the authority to make decisions in respect of services commissioned from Forth Valley Health Board ("the Health Board"). The Integration Joint Board directs the Health Board in terms of section 26 of the Public Bodies (Joint Working) (Scotland) Act 2014 to carry out each of the functions listed in Annex 2 of the Integration Scheme ("the functions"), subject to the following conditions:-
  - (a) the functions will be carried out consistent with the existing policies of the Health Board and any relevant decisions of the Health Board in relation to its revenue budget;
  - (b) the functions will be carried out in a manner consistent with the strategic plan; and
  - (c) no material change will be made to policies (for example reablement strategies) or service provision (for example patient pathways) within the functions unless agreed by the IJB.
  - (d) any material change to policies or service provision as outlined in (c) must be initiated and discussed through the Leadership Group (agreed by the IJB on 7 October 2016)
2. The IJB will make a payment to the Health Board of £115.009m to carry out the functions. The Health Board will make use of the sum of £26.284m set aside in relation to Large Hospital Services.
3. The Health Board will pass through £10.052m of Integration Funding to Falkirk Council in line with Scottish Government allocations. £3.744m of funding for the Integrated Care Fund and Delayed Discharge will be allocated in line with the agreed Partnership Funding governance process.
4. This direction will remain in force until revoked in full or part by the IJB.