

Report

2018/19 Financial Position

Edinburgh Integration Joint Board

28 September 2018



Executive Summary

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an overview of the financial position for the period to August 2018 and the year end forecast. It also considers the opportunities for financial recovery and concludes that this will present a challenge in year.

Recommendations

2. The Integration Joint Board is asked to:
 - a) note that delegated services are reporting an overspend of £4.7m for the period to the end of July 2018, and that this is projected to rise to £11.9m by the end of the financial year;
 - b) acknowledge that ongoing actions are being progressed to reduce the predicted in year deficit to achieve a year end balanced position, however, no assurance can be given of the achievement of break even at this time;
 - c) task the Chief Officer to set a Direction to the City of Edinburgh Council in relation to the additional £4m of funding being made available by NHS Lothian in respect of increasing capacity of care at home services; and
 - d) agree a paper to come to the next IJB detailing the early and initial impact of the use of this funding in relation to key areas of pressure.

Background

3. When resources have been delegated via directions by the IJB, the Council and NHS Lothian apply their established systems of financial governance to the delegated functions and resources. Accordingly, budget monitoring of IJB delegated functions is undertaken by finance teams within the Council and NHS Lothian. This arrangement reflects the IJB's role as a strategic planning body which does not directly deliver services, employ staff or hold cash resources. However, it is important that the IJB has oversight of the in year budget position as this highlights any issues that need to be accounted for when planning the future delivery of health and social care services.
4. IJB members are aware of the additional investments made by its partners in relation to increasing capacity in the care at home and care home market and for this increase to support the Health and Social Care Partnership to make

progress in improving outcomes for people; including in relation to delays in waits for care. This paper seeks agreement to the use of one element of this, £4m from NHS Lothian, toward increasing capacity in relation to care at home. Agreeing to set a Direction for the use of funding will enable officers to work quickly with providers to progress this.

Main report

2018/19 financial plan and savings target

5. At its meeting in May 2018, the IJB received an update on progress with the 2018/19 financial plan. It noted that offers had been received from the City of Edinburgh Council and NHS Lothian and that, whilst the process of due diligence on these offers had concluded, one issue remained outstanding (the £4m contribution from NHS Lothian). Extremely positive tri partite discussions have taken place between officers of the IJB, NHS Lothian and the Council to determine how these funds would be applied to increase care at home capacity. Whilst we are not yet in a position to confirm final agreement of all 3 parties, this is expected imminently. Assuming agreement, we will have an extremely short window for mobilisation to meet the proposed trajectory to increase capacity and reduce delays. Given this, it is recommended that the IJB set a Direction for the use of this funding, as outlined in a previous development session, to City of Edinburgh Council to enable the work to progress. A full report on the initial impact of the use of funding in the purchase of additional care at home will presented to the next meeting of the IJB.
6. Further, although both NHS Lothian and the City of Edinburgh Council (the Council) recognised that the underlying pressures in health and social care through their financial planning mechanisms, the IJB remains some distance from recurring financial balance. Specifically, the budgets delegated to the IJB fell short of the estimated costs by £20.3m, effectively setting the savings and recovery target. Consequently, the plan set out a programme of efficiency schemes totalling £15.0m. The balance of £5.3m reflected the IJB's share of NHS Lothian's financial plan deficit.

Financial position to the end of August

7. This report is based on the latest financial monitoring information available from the 2 partners. For NHS Lothian this is the position to the end of August and the latest publically available forecast for the Council.
8. For the first 5 months of the financial year the Council and NHS Lothian overspent against the budgets delegated by the IJB by £5.7m. This is anticipated to increase to £10.1m by the end of the financial year, a significant deterioration on the position as anticipated in the financial plan. As discussed above, if all the financial plan assumptions crystallised, delegated services would be reporting a full year overspend of £5.3m.

9. Table 1 below summarises the position with further detail included in appendices 1 (NHS Lothian) and 2 (the Council).

	Year to date			2018/19 Forecast £k
	Budget £k	Actual £k	Variance £k	
NHS services				
Core	113,977	115,871	(1,893)	(2,474)
Hosted	32,209	32,522	(313)	631
Set aside	36,255	37,218	(963)	(2,028)
Sub total NHS services	182,441	185,611	(3,170)	(3,871)
CEC services	82,650	85,225	(2,575)	(6,180)
Total	265,091	270,835	(5,745)	(10,051)

Table 1: summary IJB financial position to the end of August 2018

10. The key financial issues underpinning the position remain consistent with those previously reported, namely:
- As reflected in the third party payments overspend of £5.1m, **care at home** continues to be the single most significant financial challenge facing the IJB. Demographic factors continue to drive demand for care at home services, as evidenced by increases in direct payments, individual service funds and purchased services. The financial plan for 18/19 reflected an element of this increase with the remainder of the growth being offset by increases in efficiency. However to date, there is limited evidence of delivery.
 - **Prescribing** which has been an ongoing pressure across all 4 Lothian IJBs in recent years has stabilised in the early months of this financial year. As a result, a small favourable variance of £0.2m is forecast, although this will remain under close review.
 - Progress in delivering **savings and recovery plans**, is discussed in sections 10 to 13 below; and
 - NHS Lothian **set aside** budgets are overspent by £0.8m for the first 4 months and this is forecast to worsen to £2.1m by the end of the financial year.

Savings plans

11. As detailed above, the IJB's financial plan incorporated a savings target of £20.3m, £15.0m of which had been identified at the time the plan was considered.
12. Recognising the arrangements for the operational delivery of services delegated by the IJB only certain elements of the recovery programme are delivered by the Partnership. Progress against these elements is governed through the Savings Governance Board, chaired by the Chief Finance Officer. As well as scrutinising progress against the agreed plan, the Savings Governance Board has worked with operational leads to identify and agree

projects to deliver a further £1.4m. This reduces the unidentified balance to £3.9m as summarised in table 1 below:

	Financial plan £k	Current status £k	Change £k
Savings target per financial plan	20,258	20,258	0
Recovery plans identified	14,949	16,321	1,372
Balance to be identified	5,309	3,937	(1,372)

Table 1: progress with IJB recovery actions

13. It is however recognised that the pace of delivery against the plans needs to measurably increase. This is evident from the latest analysis of the status of the plans as shown in table 2, with further detail included as appendix 3:

RAG status	£k	%age
Red	8,845	44%
Amber	4,447	22%
Green	6,967	34%
Total	20,258	100%

Table 2: status of IJB recovery actions

14. As demonstrated in table 3, progress with nearly half of the identified projects is extremely limited. In recognition of this the Chief Officer and management team are reviewing current plans to ensure robustness and sustainability and pursuing alternative in year efficiency opportunities.

Year end position

15. In recognition of the financial challenges the management team have instituted an action plan which incorporates :
- re focussing leadership for each of the major financial pressures;
 - reinforcing accountability for budgets across localities and hosted services; and
 - strengthening budgetary controls, in particular over discretionary spend and agency costs.
16. Whilst these actions are welcomed and every effort continues to be applied to the position, they are unlikely to bridge the predicted level of in year deficit. In these circumstances, section 9.4 of the integration scheme sets out the “Process for addressing variance in the spending of the Integration Joint Board”. Specifically:
- Where financial monitoring reports indicate that an overspend is forecast on the operational budget, the Chief Officer should take immediate and appropriate remedial action to endeavour to prevent the overspend (9.4.3); and

- In the event that such remedial action will not prevent the overspend, the IJB Chief Finance Officer will develop a proposed recovery plan to address the forecast overspend. The Chief Finance Officer will then present that recovery plan to the IJB as soon as practically possible. The recovery plan will be subject to the approval of the IJB (9.4.4).
17. Work, led by the Chief Officer and Chief Finance Officer, is underway to review the options for financial recovery. The IJB remains ambitious to radically redesign services in a sustainable way and consequently improve outcomes for the people of Edinburgh. The timeframe associated with major transformation is 3-5 years and may require pump priming investment to deliver longer term gains. Whilst there are undoubtedly efficiencies which can be delivered in year without detriment to service provision, these are limited in the short term. It is therefore extremely likely that any recovery plan will have a detrimental impact on delivery of the IJB's strategic plan.

Key risks

18. The key risk outlined in this paper is the ability of the Council and NHS Lothian to operate within the delegated budgets and the likely impact on service provision of any recovery plan developed in response.

Financial implications

19. Outlined elsewhere in this report.

Implications for directions

20. As discussed above, it is recommended that the IJB set a Direction for the use of the £4m being made available by NHS Lothian to increase care at home capacity.

Equalities implications

21. While there is no direct additional impact of the report's contents, budget proposals will be assessed through the existing Council and NHS Lothian arrangements.

Sustainability implications

22. There is no direct additional impact of the report's contents.

Involving people

23. As above.

Impact on plans of other parties

24. As above.

Background reading/references

25. None.

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Links to priorities in strategic plan

**Managing our
resources
effectively**

Appendices

Appendix 1	Financial position of delegated services provided by NHS Lothian to August 2018
Appendix 2	Financial position of delegated services provided by City of Edinburgh Council to August 2018
Appendix 3	Status of IJB directed savings and recovery plans as at September 2018

**FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY NHS Lothian TO
AUGUST 2018**

	Year to date			2018/19 Forecast £k
	Budget £k	Actual £k	Variance £k	
Core services				
Community AHPs	3,343	3,425	(82)	(317)
Community hospitals	4,735	4,615	121	132
District nursing	4,657	4,512	146	(181)
GMS	28,694	29,516	(821)	(689)
Mental health	4,151	4,076	75	321
Other	22,817	24,176	(1,359)	(1,964)
Prescribing	33,525	33,500	25	220
Resource transfer	12,054	12,052	2	4
Sub total core	113,977	115,871	(1,893)	(2,474)
Hosted services				
AHPs	2,674	2,525	149	546
Complex care	737	765	(28)	76
GMS	1,571	1,617	(46)	293
Learning disabilities	2,841	3,039	(198)	(456)
Unscheduled care	2,307	2,354	(47)	0
Mental health	9,473	9,704	(231)	(552)
Oral health services	3,839	3,636	203	254
Other	131	43	88	(523)
Palliative care	970	975	(4)	(3)
Psychology	1,723	1,724	(1)	68
Rehabilitation medicine	1,324	1,239	85	226
Sexual health	1,300	1,310	(10)	(39)
Substance misuse	2,214	2,487	(273)	512
UNPAC	1,104	1,104	(0)	229
Sub total hosted	32,209	32,522	(313)	631
Set aside services				
A & E	2,686	2,792	(107)	(179)
Cardiology	1,756	1,780	(24)	15
Diabetes	432	457	(25)	0
Gastroenterology	1,201	1,256	(56)	(53)
General medicine	10,102	10,567	(465)	(1,278)
Geriatric medicine	5,536	5,459	78	50
Infectious disease	2,341	2,357	(15)	209
Junior medical	5,321	5,592	(271)	(663)
Management	522	560	(38)	(121)
Other	2,858	2,881	(23)	80
Rehabilitation medicine	877	924	(47)	(100)
Therapies	2,623	2,594	28	12
Sub total set aside	36,255	37,218	(963)	(2,028)
Total	182,441	185,611	(3,170)	(3,871)

FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL 2017/18

	Year to date			2018/19 Forecast £k
	Budget £k	Actual £k	Variance £k	
Employee costs				
Council Paid Employees	35,476	35,923	(447)	(1,073)
Non pay costs				
Premises	490	490	0	0
Transport	843	843	0	0
Supplies & Services	3,418	3,418	0	0
Third Party Payments	79,780	81,908	(2,128)	(5,107)
Transfer Payments	388	388	0	0
Sub total	84,918	87,046	(2,128)	(5,107)
Gross expenditure	120,395	122,970	(2,575)	(6,180)
Income	(37,745)	(37,745)	0	0
Total	82,650	85,225	(2,575)	(6,180)

**EDINBURGH INTEGRATION JOINT BOARD
STATUS OF RECOVERY PLAN AS AT SEPTEMBER 2018**

	Original programme	Changes	Current programme	RAG
	£k	£k	£k	
Telecare and support planning/brokerage	4,000	0	4,000	R
Homecare and reablement	1,000	0	1,000	G
Disability services	1,200	0	1,200	A
Workforce	1,900	0	1,900	A/G
Prescribing	3,226	990	4,216	G
Locality schemes	0	294	294	A/G
Procurement	480	88	568	A/G
Hosted services	716	0	716	R/A
Set aside services	627	0	627	R/A/G
Other	1,800	0	1,800	A/G
Sub total schemes identified	14,949	1,372	16,321	
Unidentified	5,309	(1,372)	3,937	R
Total efficiency requirement	20,258	0	20,258	

Red
Amber
Green
Total

8,845
4,447
6,967
20,258