

Report

2018/19 Financial Position and Initial Outlook for 2019/20 Edinburgh Integration Joint Board



Executive Summary

1. The purpose of this report is twofold: to provide the Integration Joint Board (IJB) with an overview of the in year financial position; and to outline the indicative budget offers from partner organisations for 2019/20.

Recommendations

2. The Integration Joint Board is asked to:
 - a) note that delegated services are reporting an overspend of £7.7m for the period to the end of December 2018, and that this is projected to rise to £10.0m by the end of the financial year;
 - b) acknowledge that, based on ongoing discussions between the Chief Officer, Chief Finance Officer, and colleagues from the City of Edinburgh Council and NHS Lothian, moderate assurance of balanced year end position can be given;
 - c) agree the proposal for the use of reserves as set out in paragraph 11; and
 - d) note the indicative budget offers from NHS Lothian and the City of Edinburgh Council and the concerns raised by the Chief Officer as detailed in paragraph 14.

Background

3. A forecast overspend on delegated services of £10.1m was reported to the IJB at its meeting in September 2018. This was followed by an update in December when the figure had risen slightly to £10.2m. On both occasions, the board acknowledged the ongoing actions to reduce the predicted in year deficit and that these were not sufficient to provide assurance that a break even position would be achieved. A further update on the in year position is set out in paragraphs 5 to 13 below.
4. This baseline gap will be carried into the next financial year and, whilst neither the Council nor NHS Lothian have either finalised their own financial planning and budgeting processes or made a formal offer to the IJB, the indicative budget offers from both parties are discussed in paragraphs 14 to 16.

In year financial position

5. This report is based on the latest financial monitoring information available from the 2 partners. Cumulatively this shows an overspend of £7.7m against the budgets directed by the IJB. The equivalent projection for the end of the financial year is an overspend of £10.0m, a slight improvement (£0.2m) over the position reported to the board in December. Table 1 below summarises this, 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	204,647	205,689	(1,042)	(1,377)
Hosted	60,517	60,196	321	689
Set aside	66,355	68,086	(1,731)	(2,315)
Sub total NHS services	331,519	333,972	(2,452)	(3,003)
CEC services	149,171	154,452	(5,281)	(7,041)
Total	480,691	488,424	(7,733)	(10,044)

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

6. The key financial issues underpinning the position remain consistent with those previously reported, namely: care at home, progress with savings and recovery plans and set aside pressures. Further detail on each of these cost drivers is included in the December report to the board. Prescribing, which for some years has been a pressure across all 4 Lothian IJBs has stabilised reflecting the continuation of low item growth and no significant short supply effects on price. The overall forecast is currently being reviewed in line with the latest information available.
7. Progress against each of the schemes in the savings programme was reported to the board in December. This showed schemes valued at £15.4 had been identified and that forecast delivery against these projects equated to £9.7m (or 63%). This picture has not significantly changed and the Chief Officer and management team continue to review current plans to ensure robustness and sustainability as well as attempted to identify alternative in year efficiency opportunities.
8. The December report also set out the actions instigated by the Chief Officer, in line with the integration scheme, to achieve an in year break even position. This concluded that “whilst there are undoubtedly efficiencies which can be delivered in year without detriment to service provision, these are limited in the short term”. In this context the Chief Officer and Chief Finance Officer were asked to continue the productive discussion with colleagues in the Council and NHS Lothian.
9. Paragraph 9.4.5 of the integration scheme states “where a recovery plan is projected to be unsuccessful and an overspend occurs at the financial year end,

and there are insufficient reserves to meet the overspend, then the parties may consider making additional payments to the Integration Joint Board.”

10. Recognising this, a review of the reserves has been undertaken. This identified a projected balance of £7.9m at the end of the financial year as summarised in table 2 below.

	£k
Carried forward from 17/18	8,352
New provision 18/19	11,089
Allocated during 18/19	(11,542)
Total	7,898

Table 2: projected IJB reserves at 31st March 2019

11. Table 3 below sets out the proposed use of these reserves, based on the recommendation that they are carried forward in full to next financial year and applied as follows:

- £1.9m to be ring fenced to meet committed costs which will be incurred in 2019/20;
- £2m to support transformation as requested in a separate paper to this meeting. This would supplement the £0.8m previously agreed to support digital transformation; and
- In recognition of the scale of the financial challenge facing the IJB in 2019/20 that the balance of £3.2m is carried forward to mitigate, on a non recurring basis, the savings requirement. This is discussed in further detail below.

	£k
Integration costs	260
Care home capacity	1,652
Investment in transformation	2,788
Commitments cfwd to 19/20	3,198
Total	7,898

Table 3: proposed use of IJB reserves

12. This proposition has been shared with colleagues in the Council and NHS Lothian. Whilst neither is yet in a position to formally confirm the extent to which they will provide additional support to the IJB, the dialogue has been positive and has given the Chief Officer a degree of confidence that this support will be forthcoming.
13. Although not yet in a fully balanced position, the Council assumption is the overspend will not be recovered by the end of the financial year and NHS Lothian have now provided moderate assurance that a break even position will be achieved by the end of the year. Further, NHS Lothian considered the position of its 4 partner IJBs at the Finance and Resources Committee meeting on 23rd January. Each IJB faces a different set of financial dynamics which NHS Lothian is attempting to balance. To this end, they have requested information to determine the extent to which they will provide additional financial

support to deliver breakeven in the health component of an IJB's budget. As part of this exercise Edinburgh IJB has been asked for clarification of the availability and application of reserves and the proposal set out in this paper has been shared with them in response to this request.

Indicative financial settlements for 2019/20

14. Neither partner organisation has yet finalised its budget setting process, consequently no formal budget offers have yet been received by the IJB. The Chief Officer and Chief Finance Officer have been working closely with colleagues as the respective plans are developing. Through this dialogue both the Council and NHS Lothian have advised the indicative budget offers which are built into their current financial planning assumptions. As yet, these do not take account of changes to the provisional local government settlement announced as part of the stage one parliamentary debate on 31st January by the Cabinet Secretary.
15. Table 4 below summarises these indicative offers and were initially shared with the board at the development session on 22nd January 2019. A number of follow up events have been arranged in the run up to the board formally considering the budget, and associated savings plans, in March 2019.

	CEC £k	NHS £k	Total £k
Delegated resource	205,867	438,634	644,501
Anticipated spend	225,261	448,313	673,574
Indicative savings target	19,394	9,679	29,073

Table 4: indicative IJB summary budget for 2019/20

16. Based on these projections the IJB would require to identify savings across all delegated services totalling £29.1m. The board considered the initial propositions at the session on 22nd January and these proposals are being refined and expanded.
17. Although the process of due diligence is ongoing, and the figures outlined above remain indicative, the Chief Officer has advised the board that she is not currently in a position to recommend a budget from the Council at this level on the basis that a savings requirement of this level would have a significant, detrimental impact on outcomes for the people of Edinburgh as well as jeopardising the IJB's transformation plans which are the only way to deliver services which are sustainable in the longer term.

Key risks

18. The key risks outlined in this paper are as follows:
- For 2018/19 – a failure to reach agreement with partner organisations on additional contributions to the IJB; and
 - For 2019/20 - the ability of the IJB to set a credible, realistic and deliverable savings programme for 2019/20.

Financial implications

19. Outlined elsewhere in this report.

Implications for directions

20. None.

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
Appendix 2	Financial position of delegated services provided by City of Edinburgh Council

FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY NHS Lothian 2018/19

	Year to date			2018/19 Forecast £k
	Budget £k	Actual £k	Variance £k	
Core services				
Community AHPs	6,956	7,222	(266)	(306)
Community hospitals	8,556	8,490	66	173
District nursing	8,387	8,085	302	328
GMS	57,618	58,355	(736)	(980)
Mental health	7,972	7,555	417	416
Other	37,177	38,584	(1,407)	(1,635)
Prescribing	60,476	59,895	581	623
Resource transfer	17,505	17,503	2	4
Sub total core	204,647	205,688	(1,042)	(1,377)
Hosted services				
AHPs	4,914	4,674	240	501
Complex care	1,098	1,074	24	212
GMS	4,141	4,144	(4)	296
Learning disabilities	5,815	6,128	(313)	(273)
Unscheduled care	4,353	4,353	(0)	(1)
Mental health	18,025	18,227	(202)	(265)
Oral health services	6,903	6,519	384	268
Other	472	394	78	(408)
Palliative care	1,787	1,805	(18)	(3)
Psychology	3,139	3,102	37	(27)
Rehabilitation medicine	2,429	2,258	171	229
Sexual health	2,418	2,422	(4)	(44)
Substance misuse	2,982	3,054	(72)	(26)
UNPAC	2,040	2,040	(0)	229
Sub total hosted	60,517	60,196	321	689
Set aside services				
A & E	4,987	5,078	(91)	(422)
Cardiology	3,248	3,272	(24)	19
Diabetes	797	813	(16)	(1)
Gastroenterology	2,228	2,093	135	(54)
General medicine	18,166	19,329	(1,164)	(1,289)
Geriatric medicine	10,018	9,920	98	65
Infectious disease	4,206	4,258	(52)	140
Junior medical	10,122	10,526	(404)	(659)
Management	1,021	1,083	(62)	(125)
Other	5,183	5,241	(57)	97
Rehabilitation medicine	1,581	1,665	(84)	(95)
Therapies	4,799	4,809	(9)	9
Sub total set aside	66,355	68,086	(1,731)	(2,315)
Total	331,519	333,971	(2,452)	(3,003)

**FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY
CITY OF EDINBURGH COUNCIL 2018/19**

	Year to date			2018/19 Forecast £k
	Budget £k	Actual £k	Variance £k	
Employee costs				
Council Paid Employees	65,018	65,059	(41)	(55)
Non pay costs				
Premises	883	883	0	0
Transport	1,504	2,216	(712)	(949)
Supplies & Services	5,759	5,909	(150)	(200)
Third Party Payments	147,177	150,805	(3,628)	(4,837)
Transfer Payments	615	615	0	0
Sub total	155,937	160,427	(4,490)	(5,986)
Gross expenditure	220,955	225,485	(4,531)	(6,041)
Income	(71,783)	(71,033)	(750)	(1,000)
Total	149,171	154,452	(5,281)	(7,041)