

# Report

## Financial Update

### Edinburgh Integration Joint Board

15 July 2016

#### Executive Summary

---

1. An updated financial settlement has been formally proposed by NHS Lothian (NHSL). This offer includes additional funding to recognise prescribing and mental health pressures and appears to represent a fair share of the available NHS resource. However, the overall NHSL plan is out of balance by £20m, the Edinburgh Integration Joint Board's (IJB) share of which is £5.8m.
2. As a result of this additional investment and the recognition of the underlying deficit, the overall IJB savings target has reduced to £22.2m. Whilst this is clearly welcome, full achievement of the savings programme remains one of the key risks facing the IJB and, as such, the executive team will ensure a focus on delivery.
3. Due diligence on the City of Edinburgh Council's (CEC) offer has highlighted a potential risk of between £0.5m and £1m. CEC have established a provision to address any in year impact and the position will be closely monitored over the coming months. This aside, the conditions attached to the social care fund remain the only material outstanding issue preventing the agreement of a settlement with CEC.
4. A high level assessment of financial performance for the first two months of the year has been undertaken. This shows an overspend against budget of £1.5m, the majority of which relates to the IJB's share of the deficit on the NHSL financial plan.

#### Recommendations

---

5. It is recommended that the board:
  - Notes the updated financial settlement from NHS Lothian;
  - Agrees that, given the underlying deficit, the Integration Joint Board cannot accept the offer at this point;
  - Agrees that that Chair, the Chief Officer and Interim Chief Finance Officer continue to work with NHS Lothian with the aim of reaching a mutually acceptable offer;



- Notes the headline financial position to 31<sup>st</sup> May;
- Agrees to allocate £0.5m from the social care fund to offset demographic pressures in learning disability services; and
- Agrees to receive future finance reports based on the forecast year end position.

## Background

---

6. At its meetings on 11<sup>th</sup> March and 13<sup>th</sup> May 2016 the Integration Joint Board agreed to proceed on the basis of indicative allocations from the City of Edinburgh Council (CEC) and NHS Lothian (NHSL).
7. NHS Lothian has subsequently submitted an unbalanced financial plan to the Scottish Government and formally updated their offer to the Integration Joint Board (IJB) on the basis of this. This update reflects additional funding for prescribing and mental health for all 4 Lothian IJBs, with the result that the associated savings targets are reduced.

## Main report

---

### Sources of funding

8. Following submission of the financial plan to the Scottish Government (SG), NHS Lothian has made a formal proposal to the IJB. This offer is based on a financial plan which is out of balance by £20m with the IJB's share of this gap being £5.8m. The corollary being that NHS Lothian is not currently in a position to deliver services within the funding directed by the IJB. For this reason it is proposed that the offer is not accepted at this point but that the executive team continue to work with NHS Lothian to identify how this deficit is bridged.
9. Subsequently the Scottish Government has agreed to provide NHS Lothian with an additional £6m of recurring funding to "recognise the Board's position in relation to NRAC parity and to support delivery of the Board's financial and performance targets". The distribution of this funding has yet to be determined and the executive team will be working closely with officers from NHS Lothian to influence this. It is also worth noting that the letter recognises the integration of health and social care as "one of the most significant reforms since the establishment of the NHS".
10. No formal update is expected from CEC with the conditions associated with the social care fund remaining the one material outstanding issue.
11. Table 1 below sets out the latest funding propositions from CEC and NHSL, after adjusting for agreed releases from the social care fund.

	Base budget £k	Social care fund £k	Net position £k
City of Edinburgh Council	185,226	11,077	196,303
NHS Lothian core and hosted	297,923		297,923
Social care fund	20,180	(11,077)	9,103
<b>Subtotal</b>	<b>503,329</b>	<b>0</b>	<b>503,329</b>
NHS Lothian set aside	93,144		93,144
<b>Total</b>	<b>596,473</b>	<b>0</b>	<b>596,473</b>

Table 1: Summary IJB budget 16/17

12. This leaves a balance of £9.1m on the social care fund, £4.0m of which is being held as a provision against anticipated demographic pressures and the cost of increasing charging thresholds for non-residential care clients. It is recommended that decisions on investing the residual balance of £5.1m are considered in the context of the prevailing financial position.

### Financial position to 31<sup>st</sup> May 2016

13. The approaches taken by CEC and NHSL to ongoing financial reporting are markedly different. CEC place the emphasis on monthly forecasting whilst NHSL focus on reporting the actual position each month and forecast on a quarterly basis. These differences, compounded by the format for IJB requiring a degree of manual intervention to existing systems, present a challenge to reporting financial performance on a consistent basis to the IJB. Managers from the two organisations have been working closely to develop and agree a reporting strategy and this will be refined over the coming months. Consequently, a high level view of financial performance to 31<sup>st</sup> May is now available and this is summarised in table 2 below:

	Budget £k	Actual £k	Variance £k
NHS Lothian			
Core	36,393	37,008	(615)
Hosted	12,104	12,539	(435)
Set aside	16,019	16,410	(391)
<b>Subtotal NHSL</b>	<b>64,516</b>	<b>65,957</b>	<b>(1,441)</b>
CEC	27,643	27,743	(100)
<b>Total</b>	<b>92,159</b>	<b>93,700</b>	<b>(1,541)</b>

Table 2: Summary of financial performance to 31<sup>st</sup> May 2016

14. A total overspend of £1.5m is estimated against the budget for the first 2 months of the financial year, the majority of which relating to NHS services. Edinburgh IJB's share of the NHSL financial gap (after accounting for recovery actions and financial flexibility) is £5.8m. On the assumption that financial recovery actions deliver evenly across

the year, the IJB would be targeting a month 2 position of £1.0m. Obviously the actual reported position of £1.4m is in excess of this, due partly to a lack of progress in delivering recovery plans and partly to funding not yet released into budgets. The Edinburgh Health and Social Care Partnership (EHSCP) executive team will continually review services, staffing levels and ongoing areas of pressure in order to achieve financial sustainability and bridge this gap.

15. CEC services are largely in line with budget, on the assumption that £15.0m of savings are delivered in full. Work is ongoing to realign the base budget to reflect £7m of additional funding agreed through the financial planning process and built into the offer to the IJB; transfer of budgets in relation to criminal justice and support services; and a review of budget phasing. The estimated overspend of £0.1m relates to learning disability packages of care approved during 15/16. The full year cost of these packages is estimated at £0.5m and it is proposed to release funding from the social care fund to address this demography related pressure.
16. The due diligence work indicates that the baseline budget offer from CEC appears reasonable. The supporting analysis has been undertaken on a prudent basis however it is recognised that there remains a residual risk (currently assessed at £0.5m-£1m) to the baseline position. This will be monitored closely and it should be noted that CEC has established a non recurring contingency provision to mitigate this potential risk.
17. It is proposed that future financial reports will focus on the latest available forecast information whilst the monthly financial position will be reported to the EHSCP.

### **Savings programme**

18. Inherent in the indicative funding settlements from CEC and NHSL is the assumption that IJB will have to realise savings of £28.0m in 2016/17 for the combined budget to balance. This is a significant reduction in the previously reported target of £34.3m, reflecting the additional funding allocated by NHSL for prescribing and mental health.
19. Schemes totalling £22.2m have been developed, with the residual balance of £5.8m being the IJB share of the NHSL financial plan gap. It should be noted that the major share of this deficit sits within set aside services which are directed by the IJB directs but operationally managed by NHSL. This position is summarised in table 3 below:

	Target £k	Identified schemes £k	Net position £k
NHS Lothian			
Core & hosted	(5,390)	5,004	(386)
Set aside	(6,203)	755	(5,448)
<b>Sub total</b>	<b>(11,593)</b>	<b>5,759</b>	<b>(5,834)</b>
<b>CEC</b>	<b>(15,018)</b>	<b>15,018</b>	<b>0</b>
<b>Edinburgh Drug and Alcohol Partnership</b>	<b>(1,380)</b>	<b>1,380</b>	<b>0</b>
<b>Total</b>	<b>(27,991)</b>	<b>22,157</b>	<b>(5,834)</b>

Table 3: IJB savings targets for 2016/17

20. Following discussion at the IJB meeting in May, NHSL has been asked to confirm it's position on the drug and alcohol partnership funding.
21. Whilst the IJB has responsibility for the full £22.2m, an element of which will be operationally delivered either through NHSL or one of the other Lothian partnerships. This applies where services are hosted (either by NHSL or one of the other Lothian IJBs) and for set aside services, managed on our behalf by NHS Lothian: in total this accounts for savings of £1.2m, leaving EHSCP with responsibility for delivering savings of £20.9m on behalf of all 4 IJBs.
22. To support delivery, a programme has been developed which is considered to be achievable although, at this stage, some of the underpinning business cases have still to be completed. The schemes identified are summarised in table 4 below:

	£k
CEC health and social care transformation programme	4,137
Transformation: organisational review	5,808
Contract management	1,400
Minor CEC schemes	130
Social care fund	3,543
Service reviews (sexual health, rehabilitation, continence, HBCCC)	990
Prescribing	1,898
Reduction in management costs	400
Supplementary staffing	1,000
General Medical Services running costs	250
Edinburgh Drug and Alcohol Partnership	1,380
<b>Total identified</b>	<b>20,936</b>
<b>Outstanding balance</b>	<b>0</b>

Table 4: IJB savings programme

## Key risks

---

23. Key risks include:

- *NHSL financial plan* - as discussed above, NHSL does not currently have a balanced financial plan and the IJB is therefore not in a position to accept the proposed settlement. The executive team will continue to work closely with officers from NHSL and others to identify and implement mitigating actions;
- *Savings programme* – delivery of a £20.1m savings programme is required to achieve a breakeven position. Whilst schemes have been identified and the supporting business cases and implementation plans are being developed, there is a risk of a material in year shortfall. Opportunities for further mitigating actions will be explored through the budget monitoring process; and
- *Reliance on non recurring funding* – SG provided £2.0m of bridging funding to support the action plan to reduce delayed discharges. Whilst the funding was provided on a one off basis, it underpins recurring costs, in particular the second tranche of 30 beds at Gylemuir. Identification of a recurring source of funding will require to feature in the IJB's financial plan for 17/18 onwards.

## Financial implications

---

24. Outlined elsewhere in this report.

## Involving people

---

25. The successful implementation of these recommendations will require the support and co-operation of both CEC and NHSL personnel.

## Impact on plans of other parties

---

26. As above.

## Background reading/references

---

27. None.

## Report author

---

**Rob McCulloch-Graham**

Chief Officer, Edinburgh Health and Social Care Partnership

Contact: Moira Pringle, Interim Chief Finance Officer

## [Links to priorities in strategic plan](#)

---

**Managing our  
resources  
effectively**



Working together for a caring,  
healthier, safer Edinburgh