

Report

Financial Update

Edinburgh Integration Joint Board

16th September 2016



Executive Summary

1. Agreement remains outstanding on financial settlements from NHS Lothian (NHSL) and City of Edinburgh Council (CEC).
2. The forecast year end position for the Integration Joint Board (IJB) shows an overspend of £9.4m. The 2 key drivers being: the share of the NHSL financial plan gap (£5.8m) and projected slippage in delivery of CEC savings (£3.5m).
3. Two key measures will support delivery of a balanced IJB financial position in year: the impact of the NHS Lothian forecast break even position; and non recurring provision is from the social care fund (SCF) to offset potential slippage in savings delivery.
4. The process of financial planning for 2017/18 has commenced with an initial view of potential pressures facing the IJB.

Recommendations

5. It is recommended that the board:
 - Agrees that that the Chief Officer and Interim Chief Finance Officer in consultation with the Chair continue to work with the City of Edinburgh Council and NHS Lothian with the aim of reaching a mutually acceptable offer;
 - Notes the forecast year end position and the actions being taken to mitigate;
 - Agrees to provisionally allocate £4.3m from the social care fund (SCF) to offset potentially unachieved savings; and
 - Notes the start of financial planning for 2017/18 onwards and the potential impact on the unallocated social care fund monies.

Background

6. The Integration Joint Board has agreed to proceed on the basis of indicative allocations from CEC and NHSL.
7. At its meeting in July 2016, the IJB agreed to receive financial reports based on the forecast year end position.

Main report

Update on base budgets

8. Following additional funding of £6m being allocated by the Scottish Government to “recognise the Board’s position in relation to NRAC parity and to support delivery of the Board’s financial and performance targets”, the NHSL financial plan is out of balance by £14m. The IJB’s share of the original £20m gap is £5.8m, albeit discussions on the allocation of the £6m have not concluded.
9. NHSL has now undertaken a quarter 1 review of the financial position which shows a projected balanced position at an organisation wide level. This position is based on a number of key assumptions and the NHSL Finance and Resources Committee has been given a “moderate level of assurance that a breakeven position will be achieved. A further review of the assurance level will be given as part of the mid year review”. Discussions on the impact on the IJB are at an early stage.
10. No formal update is expected from CEC with the conditions associated with the social care fund remaining the one material outstanding issue.

Year end forecast

11. As previously discussed, the approaches taken by CEC and NHSL to ongoing financial reporting are markedly different and present a challenge to reporting financial performance on a consistent basis to the IJB. It has been agreed to focus on reporting projected year end performance, recognising that the forecasts are based on different points in time: CEC figures on the year end forecast position at month 5 and the NHSL numbers on the quarter 1 review.

12. These latest available numbers show a consolidated overspend for the IJB of £9.4m as summarised in table 1 below, with further analysis included in appendices 1 (CEC) and 2 (NHSL):

| | Variance £k |
|-----------------------|------------------------|
| NHS Lothian | |
| Core | (2,112) |
| Hosted | (339) |
| Set aside | (3,464) |
| Sub total NHSL | (5,915) |
| CEC | (3,500) |
| Total | (9,415) |

Table 1: Forecast financial performance to 31st March 2017

13. Of the total overspend, £5.9m relates to NHS services and the net position is consistent with the IJB's share of the NHSL financial gap of £5.8m. However, within this, increasing evidence of pressure on prescribing budgets is offset by improvements in set aside services. For prescribing, both volume and unit cost are currently running above estimated levels whilst further work is required to understand the drivers behind the improvement in set aside.
14. As discussed above, NHSL have given qualified assurance that they can deliver financial balance overall, although the impact on the IJB is not clear at this point.
15. CEC services are showing a projected overspend of £3.5m which is entirely due to savings plans which have been assessed as "red". This is covered in more detail in paragraphs 17, 18 and 19 below.

Savings programme

16. The indicative funding settlements from CEC and NHSL assume that the IJB realises savings of £28.2m in 2016/17 for the combined budget to balance. Schemes totalling £22.0m have been developed, giving a residual balance of £6.2m, £5.8m of which is the IJB share of the NHSL financial plan gap. The balance being the shortfall in the savings required from the Edinburgh Drug and Alcohol Partnership following a reduction in funding of 23%. The overall position is summarised in table 2 below:

| | Target | Identified schemes | Net position |
|---|-----------------|--------------------|----------------|
| | £k | £k | £k |
| NHS Lothian | | | |
| Core & hosted | (5,390) | 5,004 | (386) |
| Set aside | (6,203) | 755 | (5,448) |
| Sub total | (11,593) | 5,759 | (5,834) |
| CEC | (15,018) | 15,018 | 0 |
| Edinburgh Drug and Alcohol Partnership | (1,550) | 1,213 | (337) |
| Total | (28,161) | 21,990 | (6,171) |

Table 2: IJB savings targets for 2016/17

17. Whilst the IJB has responsibility for the full £22.0m, an element will be 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 net savings of £1.2m, leaving Edinburgh Health and Social Care Partnership (EHSCP) with responsibility for delivering savings of £21.1m on behalf of all 4 IJBs.

18. Full delivery of the combined savings programme remains a major financial risk for the IJB. Consequently, as part of the CEC and NHSL year end forecasting processes, progress against identified schemes was assessed by the respective finance teams. Individual schemes have been reviewed and categorised as either red, amber or green, depending on the status and robustness of plans in place for delivery. This is summarised in table 3 below with further detail in Appendix 3:

| | Total £k | Red £k | Amber £k | Green £k |
|--|---------------|--------------|--------------|---------------|
| NHSL | 4,538 | 546 | 0 | 3,992 |
| CEC | 15,018 | 3,376 | 3,274 | 8,368 |
| Edinburgh Drug and Alcohol Partnership | 1,550 | 337 | 0 | 1,213 |
| Total | 21,106 | 4,259 | 3,274 | 13,573 |

Table 3: assessment of EHSCP savings programme

19. The majority of the savings assessed as red and amber relate to the CEC transformation programme. This consists of a number of work streams focussed on managing demand and assumes savings of £9.0m over 2 years, with £4.1m to be delivered in 2016/17. Achievement has been assessed as high risk, with £0.8m of savings currently classed as amber and £3.3m as red. Work is progressing on detailed business cases and implementation plans for proposals focused on asset based assessment, support planning, brokerage and financial controls around the financial allocation system. To offset potential slippage, work has been commissioned to identify further opportunities, and schemes being investigated include: telecare/health; targeted review to reduce cost of care packages; business process redesign – financial process and ‘flow’ across the end-to-end systems from first point of contact to service delivery; tackling delays across the system; and increasing uptake of self directed support and individual service funds.
20. The balance of the amber savings largely relates to the ongoing organisational review. The new structure will be delivered in 2 phases, the first of which (the senior management) will be in place by the end of September. Work continues to agree and finalise plans for the second phase, including the drafting of job descriptions, development of a communications plan and agreement of a detailed timetable for implementation. Full implementation of the structure will achieve savings of £11.2m in the full year, with £5.8m of the target associated with 2016/17. Although £1.8m of this year’s target is currently assessed as amber, full implemented of phase 2 by 31 December 2016 should see the full delivery of the in year target.

Achieving financial balance

21. As described in paragraph 12 above, the unadjusted forecast year end overspend for the IJB is £9.4m, clearly a position of some concern.

Proposed mitigating actions are aligned with the 2 main drivers of this position, i.e. the share of the NHSL financial plan gap and a shortfall in delivery of CEC savings.

22. NHSL's quarter 1 review identified how the organisation could deliver in year financial balance. Initial indications are that NHSL recognises and acknowledges that certain IJB pressures are manageable within the overall resource envelope. Whilst welcome, this will clearly require further detailed discussion before reassurance can be given that the IJB is comfortable with any proposals.
23. Previous reports have recommended no further commitments be made against the unallocated social care fund monies until the financial position is clearer. In the light of the forecast information now available it would be prudent to set aside £4.3m non recurrently to offset any potential slippage on the delivery of savings. However this does not remove the need for concerted management action to driver delivery. It should also be recognised that this will increase the burden of savings in 2016/17.

Financial planning for 2017/18

24. Work has started on the financial plans for CEC and NHSL and the IJB will wish to be in a position to influence these emerging plans. This means having a clear understanding of the financial challenges we face and the financial implications of the priorities in the strategic plan. An initial assessment includes:
 - Services currently funded on a non recurring basis, for example Gylemuir, Milestone House and some primary care initiatives;
 - Increase (from 1st April 2017) in current living wage of £8.25/hour, due to be announced in the autumn;
 - Care centres for people with challenging behaviour;
 - Reducing delay in community social care assessments;
 - Implementing recommendations from the work on capacity planning including redesign to support flow and reduce delays;
 - The contractual increase in the care at home contract rate from £16 to £16.50;
 - A significant (albeit yet to be quantified) savings target to be delivered, including recognition of the IJB's share of the NHS Lothian recurring deficit, estimated at £60m;
 - Continued volume and price increases driving prescribing costs; and

- Potential investment in community provision to support the bed reductions resulting from phase 1 of the Royal Edinburgh Hospital re-provision.

Key risks

25. Key risks include:

- *NHSL financial plan* - as discussed above, although NHSL is forecasting a break even position for the year, the impact on the IJB is emerging. The executive team will continue to work closely with officers from NHSL and others;
- *Savings programme* – allowing substitution from the SCF to offset any in year slippage, full year delivery of this year’s savings programme is required to safeguard investment in priority areas; and
- *Financial planning for 2017/18* – whilst an element of the social care fund has been retained to support investment in strategic priorities, there is a risk that emerging pressures and slippage in savings programmes are the first call on this resource.

Financial implications

26. Outlined elsewhere in this report.

Involving people

27. 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

28. As above.

Background reading/references

29. None.

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Managing our resources effectively

Appendix 1 - CEC element of IJB year end forecast 2016/17

Appendix 2 - NHS element of IJB year end forecast 2016/17

Appendix 3 - Edinburgh Health and Social Care Partnership
Savings Programme 2016/17

CEC element of IJB year end forecast 2016/17

| | Budget | Forecast | Forecast variance |
|----------------------------|----------------|----------------|-------------------|
| | £k | £k | £k |
| Employee costs | 82,181 | 82,181 | 0 |
| Spot purchasing | 133,975 | 137,475 | 3,500 |
| Block Contracts and Grants | 22,259 | 22,259 | 0 |
| Other | 14,729 | 14,729 | 0 |
| Gross expenditure | 253,144 | 256,644 | 3,500 |
| Income | (65,376) | (65,376) | (0) |
| Net expenditure | 187,767 | 191,268 | 3,500 |

| | Budget | Forecast | Forecast variance |
|-----------------------------------|----------------|----------------|-------------------|
| | £k | £k | £k |
| Employees | 82,799 | 82,799 | 0 |
| Agency staff | 5,200 | 5,200 | 0 |
| Unallocated staff savings | (5,818) | (5,818) | 0 |
| Employee costs | 82,181 | 82,181 | 0 |
| Care at home | 51,802 | 53,877 | 2,075 |
| Residential & nursing | 46,205 | 46,205 | (0) |
| Free personal & nursing care | 13,280 | 13,280 | 0 |
| Day Care | 6,091 | 6,615 | 525 |
| Direct payments/ ind service fund | 16,597 | 17,498 | 900 |
| Block contracts | 18,544 | 18,544 | 0 |
| Grants | 3,715 | 3,715 | 0 |
| Other | 14,729 | 14,729 | 0 |
| Gross expenditure | 253,144 | 256,644 | 3,500 |
| Income - clients | (20,661) | (20,661) | (0) |
| Income - External Funding | (44,235) | (44,235) | (0) |
| Income - CEC | (480) | (480) | 0 |
| Total Income | (65,376) | (65,376) | (0) |
| Net expenditure | 187,767 | 191,268 | 3,500 |

NHS element of IJB year end forecast 2016/17

| | Variance £k |
|----------------------------|----------------|
| Core | |
| Community AHPs | 135 |
| Community hospitals | (1,273) |
| District nursing | 633 |
| GMS | 22 |
| Health visiting | 0 |
| Mental health | 44 |
| Other | (348) |
| Prescribing | (1,366) |
| Resource transfer | 0 |
| Substance misuse | 42 |
| Sub total core | (2,112) |
| Sub total hosted | (339) |
| Sub total set aside | (3,464) |
| Grand total | (5,915) |

Edinburgh Health and Social Care Partnership Savings Programme 2016/17

| | Total £k | Red £k | Amber £k | Green £k |
|---|---------------------|-------------------|---------------------|---------------------|
| Organisational review | 5,808 | 0 | 1,800 | 4,008 |
| Transformation programme | 4,137 | 3,376 | 761 | 0 |
| Contract management | 1,400 | 0 | 713 | 687 |
| Minor CEC schemes | 130 | 0 | 0 | 130 |
| Social care fund | 3,543 | 0 | 0 | 3,543 |
| Service reviews (sexual health, rehabilitation, continence) | 930 | 470 | 0 | 460 |
| Prescribing | 1,898 | 0 | 0 | 1,898 |
| Reduction in management costs | 400 | 0 | 0 | 400 |
| AHPs | 550 | 76 | 0 | 474 |
| Locality based services | 490 | 0 | 0 | 490 |
| General Medical Services running costs | 250 | 0 | 0 | 250 |
| Minor NHS schemes | 20 | 0 | 0 | 20 |
| Edinburgh Drug and Alcohol Partnership | 1,550 | 337 | 0 | 1,213 |
| Total | 21,106 | 4,259 | 3,274 | 13,573 |