

Report

Financial Position to September 2016

Edinburgh Integration Joint Board

18th November 2016



Executive Summary

1. The purpose of this report is to provide the Integration Joint Board with an overview of the financial position for the 6 months to September 2016 and the forecast year end position.

Recommendations

2. It is recommended that the board notes:
 - the financial position at the end of September 2016 - a cumulative overspend of £3.9m; and
 - the forecast of a breakeven position is reliant on reaching an agreed position with NHS Lothian.

Background

3. The Integration Joint Board (IJB) has agreed to proceed on the basis of indicative allocations from City of Edinburgh Council (CEC) and NHS Lothian (NHSL). A position has now been reached with CEC which is presented to the IJB separately for approval. Although positive discussions have taken place, agreement with NHSL remains outstanding.

Main report

Overview

4. For the 6 months of the financial year the IJB overspent by £3.9m, against the budgets delegated by the City of Edinburgh Council (CEC) and NHS Lothian (NHSL). The equivalent year end forecast position is an overspend of £10.1m. This is summarised in table 1 with further detail included in appendices 1 (NHSL) and 2 (CEC).

	Position to end Sept			Year end forecast
	Budget £k	Actual £k	Variance £k	£k
NHS services				
Core services	117,883	120,097	(2,214)	(2,685)
Hosted services	37,302	36,979	323	(597)
Set aside services	48,546	48,989	(443)	(3,442)
Sub total NHS	203,730	206,065	(2,335)	(6,724)
CEC services	90,753	92,345	(1,592)	(3,376)
Gross position	294,483	298,409	(3,927)	(10,099)

Table 1: summary IJB financial position to September and year end forecast

NHS services

5. Services delivered by the NHS account for £2.3m of the year to date overspend and £6.7m of the year end forecast. Further detail is given in Appendix 1 and key drivers of this position include:

- Continuing pressure on **nursing budgets** in community hospitals. Although still below the last year's level, use of supplementary staffing remains high. Factors impacting this include high levels of: vacancies; patient acuity requiring 1:1 close observations; and sickness. The Chief Nurse has developed an action plan to address these issues.
- The **prescribing** position continues to deteriorate, reflecting growth in volumes beyond predicted and budgeted levels. Price per item is broadly in line with plan however, August chemist declared volumes were significantly up against plan, resulting in a further deterioration in the position. As a result the year to date position has increased to £1.6m, and the forecast outturn to £1.9m. Work continues with GP colleagues to understand the complex factors driving this and the Strategy Planning and Quality Manager for Primary Care is reviewing the results of a recent "deep dive" exercise carried out in East Lothian.
- Within **hosted services**, the most significant adverse year end variances are forecast for complex care, the Lothian Unscheduled Care Service (LUCS), mental health and substance misuse services. Demographic changes are causing pressure on **complex care** services as increased numbers of clients are being cared for in community settings. **LUCS** faces a combination of issues including: medical long term sickness being covered by sessional GPs; nurses in training having to be supervised until fully qualified and a medical management structure where not all posts are fully funded. The Chief Officer is liaising with his counterpart in East Lothian (where this service is hosted). Substance misuse services face reduced funding resulting in an in year pressure where services have not had the ability to reduce costs in line with the reduction.

- Although only £0.4m overspent to September, the financial position for **set aside services** is projected to deteriorate to £3.4m. The major factor is an issue with junior medical staffing which is affecting all acute services. A short life working group has been established to analyse and manage this issue but the main cause appears to be a significant increase in fill rates for trainees. This is compounded by ongoing nursing pressures on medical wards across all the sites.
6. Members will recall that the IJB's share of the overall NHSL £20m financial plan gap is £5.8m. Clearly the current year end forecast exceeds this (by £0.9m) so the overall financial position has deteriorated. As discussed above, there are a variety of factors impacting this but the key changes from the financial plan position are: increasing pressure on prescribing budgets; use of supplementary nurse staffing beyond planned levels; offset by improvements in set aside services. Further work is required to understand the drivers behind the improvement in set aside.

Council services

7. Council services make up £1.6m of the year to date and £3.4m of predicted full year overspend. Details are included in Appendix 2.
8. Key points to highlight include:
- **Staffing costs** are £0.5m overspent for the first 6 months of the year. This is forecast to move to a break even position by the end of the year as the structure is fully implemented and vacancies filled, consequently reducing the use of agency staff.
 - Potential slippage in delivery of approved savings under the Health and Social Care Transformation Programme is leading to pressure on **purchasing budgets** (care at home, direct payments and individual services funds). Work, supported by Ernst & Young, is progressing on detailed business cases and associated implementation plans. Given the level of redesign required to deliver these savings it is prudent to recognise a significant risk that the assumed phasing of savings in 16/17 will not be achieved. Consequently at its September meeting the IJB agreed to provisionally allocate up to £3.4m of non-recurring funding from the Social Care Fund (SCF) to mitigate this. Members are reminded that, in addition to any savings carried forward from this financial year, a further £4.9m requires to be delivered in 17/18. This re-emphasises the need for robust savings plans to be developed to deliver services on a sustainable basis.
 - As part of the exercise to allocate budgets on a locality basis, a review will be undertaken to align activity and performance information with costs. This will be a key plank of managing and understanding demands on services.

Achieving financial balance

9. As well as ongoing financial performance, two additional factors will impact the IJB's ability to deliver a break even position:
- The final settlement agreed from health. NHSL have given their board qualified assurance that they can deliver financial balance overall. Agreement has not as yet been reached on how this will impact the 16/17 budget delegated to the IJB.
 - In line with the agreement made at the September meeting, a provision of up to £4.3m to non recurringly offset in year slippage on the savings programme.
10. As summarised in table 2 below, applying the agreed mitigation from the SCF would reduce the year end forecast to £5.8m which is in line with the IJB's share of the NHSL financial plan gap. Delivery of a break even position is therefore dependant on a successful conclusion to the negotiation with NHSL.

	£k
Gross position	(10,099)
Less agreed mitigation from SCF	4,259
Net position	(5,840)

Table 2: IJB year end forecast

Key risks

11. Key risks remain as previously advised:
- *NHSL financial plan* - as discussed above, although NHSL is forecasting a break even position for the year, the impact on the IJB has not yet been agreed. 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

12. Outlined elsewhere in this report.

Involving people

13. 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

14. As above.

Background reading/references

15. None.

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Links to priorities in strategic plan

**Managing our
resources
effectively**

NHS Lothian Element of IJB Financial Position 2016/17

	Position to end Sept			Year end forecast variance £k
	Budget	Actual	Variance	
	£k	£k	£k	
Core services				
Community AHPs	2,825	2,791	34	135
Community Hospitals	5,023	5,633	(610)	(1,273)
District Nursing	5,252	5,062	190	633
GMS	35,684	35,635	49	51
Mental Health	4,726	4,676	50	44
Prescribing	38,543	40,122	(1,579)	(1,968)
Resource Transfer	19,674	19,673	1	0
Other	6,155	6,505	(349)	(307)
Sub total core	117,883	120,097	(2,214)	(2,685)
Hosted services				
AHPs	3,307	3,149	158	499
Complex care	914	1,103	(188)	(181)
Learning disabilities	4,460	4,272	188	471
Lothian unscheduled care service (LUCS)	2,829	2,911	(82)	(572)
Mental health	13,501	13,076	425	(874)
Oral health services	4,633	4,521	112	125
Rehabilitation medicine	1,973	1,846	128	201
Sexual health	1,460	1,444	16	43
Substance misuse	2,130	2,445	(315)	(659)
Out of area placements	1,885	1,891	(6)	0
Other	210	321	(112)	351
Sub total hosted	37,302	36,979	323	(597)
Set aside services				
A & E (outpatients)	3,237	3,213	24	230
Cardiology	7,977	7,873	105	187
Gastroenterology	2,860	2,813	47	96
General Medicine	15,262	15,723	(461)	(3,188)
Geriatric Medicine	9,414	9,408	6	(248)
Infectious Disease	4,076	3,989	87	(29)
Rehabilitation Medicine	1,005	1,106	(101)	0
Therapies	2,948	3,066	(118)	(402)
Other	1,766	1,798	(32)	(88)
Sub total set aside	48,546	48,989	(443)	(3,442)
Grand total	203,730	206,065	(2,335)	(6,724)

CITY OF EDINBURGH COUNCIL ELEMENT OF IJB
FINANCIAL POSITION 2016/17

	Position to end Sept			Year end forecast variance £k
	Budget	Actual	Variance	
	£k	£k	£k	
Employee costs				
Council Paid Employees	39,805	39,167	638	1,645
Agency Staff	2,600	3,578	(978)	(1,645)
Redundancy costs	1,750	1,952	(202)	0
Sub total	44,155	44,697	(542)	(0)
Non pay costs				
Care at Home	21,584	23,011	(1,427)	(2,141)
Residential & Nursing	21,037	20,577	460	114
Free Personal & Nursing Care	6,115	5,761	354	0
Day Care	2,280	2,295	(15)	(180)
Direct Payments/ Ind Service Fund	10,618	11,040	(422)	(1,169)
Block Contracts	18,034	18,034	0	0
Grants	2,700	2,700	0	0
Other	4,897	4,897	0	0
Sub total	87,265	88,315	(1,050)	(3,375)
Gross expenditure	131,420	133,012	(1,592)	(3,376)
Income				
Clients	(12,823)	(12,823)	0	0
External funding	(27,845)	(27,845)	0	0
CEC	0	0	0	0
Total Income	(40,668)	(40,668)	0	0
Net expenditure	90,753	92,345	(1,592)	(3,376)