

Report

Financial Position to November 2016

Edinburgh Integration Joint Board

20th January 2017



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 November 2017 and the forecast year end position.

Recommendations

2. It is recommended that the board:
 - Notes the financial position at the end of November 2016 - a cumulative overspend of £5.4m;
 - Notes that a combination of social care fund monies identified by the IJB and provisions made by the City of Edinburgh Council reduces the forecast overspend in the council element of the IJB's budget to £0.9m;
 - Notes that NHS Lothian will underwrite the projected overspend in the health element of the IJB's budgets on the basis that NHS Lothian can break-even in 16/17; and
 - Agrees to request that NHS Lothian undertake a detailed review of prescribing in Edinburgh.

Background

3. Budget monitoring of IJB delegated functions is undertaken by finance teams within the City of Edinburgh Council (CEC) and NHS Lothian (NHSL) who have responsibility for working with budget holders to prepare information on financial performance. This is in line with the approved integration scheme which notes that when resources have been delegated via directions by the IJB, NHSL and CEC apply their established systems of financial governance to the delegated functions and resources. This reflects the IJB's role as a strategic planning body which does not directly deliver services, employ staff or hold cash resources.

4. Both NHSL and CEC then provide the required information on operational budget performance from their respective financial systems, under the co-ordination of the IJB Interim Chief Finance officer, to provide budget reports to the Board on delegated health and social care functions.
5. In terms of in year operational budget performance, the Council and NHSL are primarily responsible for managing within budget resources available as set out in the Directions issued to both bodies. However, it is important that the IJB has oversight of the in year budget position as this influences the strategic planning role of the Board and highlights any issues that need to be taken account of in planning the future delivery of health and social care services within available resources.
6. At the November meeting the Board agreed to formally accept the delegated budget offer from CEC but the position with NHSL remained outstanding. The IJB asked the Chief Officer and Interim Chief Finance Officer to continue to progress this with NHSL and the outcome of these discussions is covered in paragraphs 12 and 13 below.

Main report

Overview

7. For the first 8 months of the financial year the IJB overspent by £5.4m 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 £12.3m. This is a deterioration of £2.2m on the November projection which reflects a reassessment of the CEC savings programme. The numbers are summarised in table 1 with further detail included in appendices 1 (NHSL) and 2 (CEC).

	Position to end November 2016			Year end forecast variance £k
	Budget	Actual	Variance	
	£k	£k	£k	
NHS services				
Core services	155,549	157,377	(1,828)	(2,430)
Hosted services	50,271	49,722	549	(1,167)
Set aside services	65,263	65,811	(548)	(3,353)
Sub total NHS services	271,083	272,910	(1,827)	(6,949)
CEC services	125,286	128,886	(3,600)	(5,400)
Gross position	396,369	401,796	(5,427)	(12,349)

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

NHS services

8. Services delivered by the NHS account for £1.8m of the year to date overspend and £6.9m of the year end forecast. Further detail is given in appendix 1. The key drivers of this position continue to be pressure on prescribing and nursing budgets in community hospitals.
9. The prescribing position, although reporting a £0.5m improvement in month, continues to forecast an overspend position. NHSL Finance and Resources Committee received a report detailing an update on GP prescribing expenditure across Lothian, the implications for planning into 17/18 and the actions being proposed to control expenditure. This comprehensive paper highlighted ongoing increases in both volume and price in excess of predicted levels. This combination of factors is driving the forecast year end overspend of £1.7m (£0.9m was the original forecast overspend within the 16/17 financial plan). The paper set out the position across Lothian and It is suggested that the IJB ask NHSL to provide a similar analysis of the Edinburgh position in order to inform our approach to managing prescribing budgets.
10. 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; sickness; and the use of bank nurses to achieve safe minimum staffing level. The Chief Nurse has developed an action plan to address these issues and a workforce review paper will go through the governance lines and be presented to the IJB in March 2017. Implementation of this action plan has seen a reduction in bank usage across all services with the exception of the brain injury unit which is subject to a separate review.
11. Hosted and set aside services combined are in balance to November but this position is forecast to deteriorate by the year end. NHSL are undertaking further work to determine the drivers.
12. As reported in previous months, NHSL is forecasting an overall breakeven position for 16/17. The corollary being that the same IJB pressures relating to NHS functions, are currently forecast to be met by NHS Lothian through a combination of recurrent reserves and other one off sources including the sale of properties and balance sheet provisions. Taking account of this, the overspend on IJB functions delivered by NHSL will be managed and a breakeven position will effectively be achieved for 16/17.
13. This position has now been agreed with the NHSL Chief Executive and Director of Finance. As NHSL will be using non recurring monies to bridge the overall gap they have proposed the underwriting of the existing level of overspend as outlined in paragraph 12 above as opposed to formally increasing the offer to the IJB. On this basis it is recommended that the IJB now accept this position.

Council services

14. At November the outturn forecast for Council services shows a projected overspend of £5.4m. Of this, £3.4m relates to purchasing budgets and is primarily attributable to delays in the implementation of transformation linked savings proposals. A further £2m (relating to the phasing of the implementation of the new structure and increasing agency costs) was identified following a review by Council officers.
15. As a result, CEC services make up £3.6m of the year to date and £5.4m of predicted full year overspend. Details are included in appendix 2.
16. Work is ongoing to review the budget position and consider further opportunities to reduce the level of overspend. Provisional non-recurring funding contributions of £4.5m have been identified at this stage to offset the projected overspend with £3.4m earmarked by the IJB through the social care fund and £1.1m by the Council through the overall revenue budget monitoring position. These 2 measures would bring the projection down to a net £0.9m overspend. Discussions on ongoing with CEC to identify how this gap will be bridged.
17. A sustainable means of realising the approved level of savings in the medium term is required and a review of planned savings for 2017/18 will be undertaken.

Key risks

18. Key risks include: further deterioration in the financial position, either in terms of baseline spending or delivery of savings; and a failure to reach agreement with CEC around the outstanding £0.9m residual gap.

Financial implications

19. Outlined elsewhere in this report.

Involving people

20. 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

21. As above.

Background reading/references

22. 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 November 2016			Year end forecast variance £k
	Budget	Actual	Variance	
	£k	£k	£k	
Core services				
Community AHPs	3,958	3,905	53	135
Community Hospitals	6,715	7,385	(669)	(1,273)
District Nursing	7,048	6,774	274	633
GMS	46,814	46,839	(25)	51
Mental Health	6,320	6,205	115	44
Prescribing	51,455	52,539	(1,084)	(1,713)
Resource Transfer	25,059	25,058	1	0
Other	8,180	8,672	(492)	(307)
Sub total core	155,549	157,377	(1,828)	(2,430)
Hosted services				
AHPs	4,444	4,212	233	406
Complex care	1,232	1,505	(272)	(181)
Learning disabilities	5,972	5,761	211	357
Lothian unscheduled care service	3,770	3,866	(96)	(674)
Mental health	18,281	17,600	681	(1,349)
Oral health services	6,165	6,000	165	146
Rehabilitation medicine	2,603	2,478	125	201
Sexual health	2,010	1,950	59	43
Substance misuse	2,970	3,415	(445)	(466)
Out of area placements	2,514	2,447	67	0
Other	311	490	(179)	351
Sub total hosted	50,271	49,722	549	(1,167)
Set aside services				
A & E (outpatients)	4,328	4,278	50	80
Cardiology	10,896	10,783	113	183
Gastroenterology	3,788	3,640	149	96
General Medicine	20,622	21,179	(557)	(3,028)
Geriatric Medicine	12,540	12,499	41	(248)
Infectious Disease	5,432	5,386	46	23
Rehabilitation Medicine	1,340	1,453	(113)	0
Therapies	3,945	4,059	(115)	(402)
Other	2,371	2,534	(163)	(57)
Sub total set aside	65,263	65,811	(548)	(3,353)
Grand total	271,083	272,910	(1,827)	(6,949)
Underwritten by NHSL				6,949
Net position				0

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

	Position to end November 2016			Year end forecast variance £k
	Budget	Actual	Variance	
	£k	£k	£k	
Employee costs				
Council Paid Employees	51,647	51,380	267	400
Agency Staff	3,333	4,933	(1,600)	(2,400)
Redundancy costs	2,333	2,333	0	0
Sub total	57,313	58,647	(1,333)	(2,000)
Non pay costs				
Care at Home	34,535	35,909	(1,374)	(2,061)
Residential & Nursing	30,367	30,367	0	0
Free Personal & Nursing Care	8,853	8,853	0	0
Day Care	4,061	4,135	(75)	(112)
Direct Payments/Ind Service			(818)	
Fund	11,073	11,891		(1,227)
Block Contracts	12,427	12,427	0	0
Grants	2,468	2,468	0	0
Other	10,297	10,297	0	0
Sub total	114,081	116,348	(2,267)	(3,400)
Gross expenditure	171,395	174,995	(3,600)	(5,400)
Income				
Clients	(13,740)	(13,740)	0	0
External funding	(32,049)	(32,049)	0	0
CEC	(320)	(320)	0	0
Total Income	(46,109)	(46,109)	0	0
Net expenditure	125,286	128,886	(3,600)	(5,400)
Provisional offsets:				
Social care fund				3,400
City of Edinburgh Council				1,100
Net expenditure	125,286	128,886	(3,600)	(900)