

# Report

## Financial Update Edinburgh Integration Joint Board 22 September 2017



### Purpose of paper

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an overview of the financial position for the four months of 2017/18 and the forecast year end position.

### Recommendations

2. It is recommended that the board:
  - a) Notes that delegated services are reporting an overspend of £6.0m for the first four months of 2017/18, which is projected to rise to £17.2m by the end of the financial year without any further action;
  - b) agrees the release of the £2.2m provision included in the social care fund for demography and £1.0m to support the implementation of the locality structure; and
  - c) agrees to receive a detailed action plan from the Interim Chief Officer at a future date.

### Background

3. As previously discussed budget monitoring of IJB delegated functions is undertaken by finance teams within the City of Edinburgh Council (CEC) and NHS Lothian (NHSL), reflecting the IJB's role as a strategic planning body. However, the IJB requires oversight of the in year budget position as this highlights any issues that need to be accounted for when planning the future delivery of health and social care services.
4. In the absence of financial information from CEC, the position for delegated services ran by NHSL was reported at the July meeting. At that time it was noted that the emerging financial position was of some concern.
5. Since then, CEC and NHSL have undertaken a formal quarter one review. The Council position was reported to the Finance and Resources Committee on 5 September 2017. Whilst the interim findings have been reported to the Scottish Government, NHSL has

not yet had the opportunity to discuss the output at either the NHSL Board or the Finance & Resources Committee.

## Main report

### Overview of 17/18 financial position

6. For the first 4 months of the financial year CEC and NHSL overspent against the budgets delegated by the IJB by £6.0m. If no further action is taken, this position is forecast to deteriorate to £17.2m by the end of the year. A summary is presented in table 1 below with further detail included in appendices 1 (NHSL) and 2 (CEC). The key factors impacting financial performance have not materially changed and are discussed in more detail in sections 7 to 14 below.

	Position to end July 2017			Year end forecast Variance £k
	Budget £k	Actual £k	Variance £k	
NHS services				
Core services	75,788	77,559	(1,771)	(5,446)
Hosted services	26,036	25,763	273	730
Set aside services	31,765	33,154	(1,389)	(3,169)
<b>Sub total NHS services</b>	<b>133,589</b>	<b>136,476</b>	<b>(2,887)</b>	<b>(7,885)</b>
<b>CEC services</b>	<b>61,550</b>	<b>64,667</b>	<b>(3,117)</b>	<b>(9,350)</b>
<b>Gross position</b>	<b>195,139</b>	<b>201,142</b>	<b>(6,004)</b>	<b>(17,235)</b>

Table 1: summary financial position for NHS services to July 2017

### NHS services

7. Partnership services delivered by the NHS are showing an overspend of £2.9m for the first 4 months of the year, largely in line with the quarter 1 review projection of £8.9m.
8. As previously described there has been little change in the underlying reasons, namely:
- **Prescribing** – although minimal growth in volumes was seen in July, this remains one of the most significant financial pressures facing the Partnership. The year to date overspend is £0.6m which is predicted to rise to £2.5m by the end of the financial year. As more months of actual data are processed a clearer picture will emerge on whether the relatively low levels of growth seen in recent months will continue;
  - **Nursing** in community hospitals – where high levels of supplementary staffing have increased costs over recent years. This level of expenditure is anticipated to reduce following the closure of McCallum ward at the Astley Ainslie Hospital and the redeployment of the nurses to other Hospital Based Continuing

Complex Care (BCCC) units in the city. Other pressures arise from high levels of sickness absence and increasing one to one care. An action plan has been developed by the Chief Nurse which incorporates a review of how the need for one to one care is assessed and provided as well as enhancing controls over access to supplementary staffing;

- **Financial recovery schemes** – although some progress has been made in recent months, identification and delivery of savings programmes needs to be a focus for the remainder of the year; and
  - **Junior medical staffing** – remains the key factor in the overspend on set aside services. This is an issue across a number of areas within NHSL, primarily A&E, acute medicine and medicine of the elderly. The underlying cause is the requirement for additional staff to deliver seven day working, non compliant rotas and the use of locum staff to cover trainee gaps.
9. In addition to these historic issues pressures in supplies costs are emerging, particularly in relation to wheelchairs and the joint equipment store.
10. The quarter one review undertaken by NHSL presents the first key opportunity to review the detail of the financial position across the organisation and what options might be available to meet the statutory target of breakeven. At the time of writing the position has not been formally reported to either the NHS Board or Finance & Resources Committee but it is understood that an overspend is predicted, requiring the organisation to under spend in the coming months.
11. Within this forecast there are inherent risks in relation to winter, delivery of efficiency plans, the crystallisation of assumptions mainly around drug costs and the capacity within the social care sector to meet increased demands. Work will continue across NHSL with the aim to reduce the existing projected gap. However, at this stage all flexibility has been identified and included within the forecast.

### **Council services**

12. The month three report on financial performance from CEC confirms the concerns highlighted in the July finance report to the IJB. Specifically that, whilst staffing shows a balanced position, a projected £9.35m overspend on the purchasing budget has been identified. This relates primarily to:
- Growth in demand/volume for purchased care at home services and self-directed support payments (£3m); and
  - Non delivery of savings (£6m).
13. When setting the financial plan for 17/18, the IJB made provision of £2.2m to allow for the impact of demography on purchasing costs. As has been previously reported, this is an area impacted by a number of

factors, including: an ongoing increase in direct payments which reduces the funding available for CEC arranged services; the increase in care at home capacity required as delays are addressed; and the requirement to deliver efficiencies. It is therefore recommended that this sum is now used to offset these costs and the budget increased accordingly. This would partially offset the growth in demand/volume which is reflected in the projected overspend of £9.35m, reducing the anticipated year end overspend to £7.1m.

14. However it should be noted that this position assumes no additional in year growth, despite the evidence that current waiting times for assessment, review and service delivery are unacceptably long and the associated risks are not adequately mitigated. The management team has been tasked with addressing these delays during 2017 and maintaining the system in a steady state thereafter. A series of actions required to support delivery have been identified but will require a step change in resourcing, estimated to be in the region of £5m this financial year and £12m the following year. These costs are based on assumptions which require further testing and they have not been reflected in the year end forecast but will be an inevitable consequence of addressing the delays.
15. As of period three, the Council is projecting an overall overspend of £5.0m. This overall variance comprises projected overspends in Health and Social Care, Safer and Stronger Communities and Place (together totalling £11.1m), offset primarily by net non recurring savings in corporate areas of £6.1m. Work is ongoing to identify potential options to bring expenditure back in line with budgeted levels as a matter of urgency and a progress update is scheduled for consideration at the Finance and Resources Committee on 28 September.

### **In year mitigation**

16. In recognition of the level of concern about the financial position, the Interim Chief Officer has been asked to assess and refocus plans in three priority areas: performance; quality; and finance. The output of this work will be available in two months and in the meantime the following actions are being actively progressed by the Edinburgh Health and Social Care Partnership with the support of officers from CEC and NHSL:
  - immediate implementation of manpower controls with all vacancies to be authorised by the Chief Officer;
  - increased control over the use of all supplementary staffing;
  - reviewing and reinforcing controls over all areas of expenditure, including a systematic assessment of existing arrangements against best practice;
  - reinvigorating and refocusing existing savings proposals;

- identification and delivery of additional savings opportunities;
  - progressing invest to save plans utilising (for example) the efficient prescribing monies to reduce costs; and
  - reviewing the extent to which uncommitted financial plan funding can be reprioritised in year. This includes the proposed release of £1m (£0.8m for CEC and £0.2m for NHS Lothian) to support the integrated structure on a non recurring basis.
17. It is however recognised that these actions above, coupled with the potential cost of eradicating or even reducing delays, are unlikely to deliver in year balance in either services delivered by CEC or NHSL.
18. Significant and long standing pressures are evident in the current financial positions of both health and council run services and returning to a balanced position will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders.

### **Medium term financial planning**

19. When considering the one year 17/18 financial plan at its meeting in July the IJB requested that “*partners work with the IJB Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three year period*”. Given, the twin challenges of increasing demand for services and a climate of constrained financial resources, the importance of this exercise is clear. The development and implementation of a strategic approach to financial planning over the next three to five years is essential to support the sustainability of health and social care delivery within Edinburgh.
20. Whilst both CEC and NHSL continue to refine their financial plans, the prevailing financial climate for public services means that neither organisation is likely to be in a position to materially increase their offer to the IJB. NHSL are working on a planning assumption of an increase in their allocation from the Scottish Government of 0.4% for each year in the five year planning period plus a move towards NRAC parity. Current estimates are that the total element relating to the IJB’s delegated services would be £1.1m annually. Although CEC expect to face continuing significant cash-terms reductions in the overall level of resourcing available, it is proposed to adopt a position of “flat-cash” allocations for each of the next three years of the budget framework. The final piece of funding context is the programme for government announced on 5 September 2017. Whilst this contained a number of points pertinent to IJBs the following practical implications remain to be worked through:
- at least a real terms increase in the NHS budget;
  - a safe staffing bill to ensure sufficient staff in the right areas;

- a health and social care delivery plan to shift resources to primary and community care;
  - an additional £20m for alcohol and drug misuse services;
  - ill health strategy; and
  - implementation of 'Frank's Law' making free personal care available for under 65s with certain conditions such as dementia.
21. It is in this context that the financial plan for the IJB is being developed. However it is already evident that the quantum of the financial challenge will be considerable and, in order to deliver services within the funding available, any mitigating action is likely to impact on delivery of the strategic plan. Both the way services are delivered and our thinking will require to be transformative.

## Key risks

---

22. There are a number of key risk inherent in the budgets delegated by partners and the consequent draft financial plan, including:
- the **new GMS contract** is being developed in collaboration between the Scottish Government and GP representatives. As further information on the financial implications is available this will be reported to the IJB;
  - part of the additional social care funding is to support work to allow the full implementation of the **Carers Bill** in early 2018. However, the associated long term costs of implementing this legislation are not yet clear and as further information becomes available this will be reported to the IJB; and
  - NHS Lothian has agreed that a safe and effective target **occupancy** for acute wards (including those functions delegated to the IJB) should be 85%, well below the current average. The financial impact of reducing occupancy and increasing community capacity has not yet been modelled and may require additional investment.

## Financial implications

---

23. Outlined elsewhere in this report.

## Involving people

---

24. 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

---

25. As above.

## Impact for directions

---

26. The financial schedule to the increase in resources delegated to the City of Edinburgh Council by £2.2m on a recurring basis and £0.8m on a non recurring basis and to NHS Lothian by £0.2m on a non recurring basis.

## Background reading/references

---

27. None.

**Michelle Miller**  
**Interim Chief Officer, Edinburgh Health and Social Care Partnership**

## Report author

---

Moira Pringle, Interim Chief Finance Officer

E-mail: [moira.pringle@nhslothian.scot.nhs.uk](mailto:moira.pringle@nhslothian.scot.nhs.uk) | Tel: 0131 469 3867

## Links to priorities in strategic plan

---

**Managing our  
resources  
effectively**

## FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED NHS Lothian 2017/18

	Position to end July 2017			Year end forecast
	Budget £k	Actual £k	Variance £k	Variance £k
<b>Core services</b>				
Community AHPs	1,771	2,151	(381)	(656)
Community Hospitals	3,299	3,621	(322)	(907)
District Nursing	3,503	3,522	(19)	(142)
GMS	22,842	22,669	173	2
Mental Health	2,995	2,954	41	167
Other	4,345	5,019	(675)	(1,404)
Prescribing	26,295	26,884	(590)	(2,505)
Resource Transfer	10,739	10,738	1	(1)
<b>Sub total core</b>	<b>75,788</b>	<b>77,559</b>	<b>(1,771)</b>	<b>(5,446)</b>
<b>Hosted services</b>				
AHPs	2,167	2,123	44	81
Complex Care	292	435	(142)	(63)
GMS	1,660	1,654	6	0
Learning Disabilities	2,818	2,803	16	(203)
Lothian Unshed Care Service	1,597	1,650	(52)	14
Mental Health	7,943	7,668	275	480
Oral Health Services	3,069	2,964	106	287
Other	(267)	(367)	100	37
Palliative Care	778	777	1	(80)
Psychology Service	1,262	1,232	29	(11)
Rehabilitation Medicine	1,330	1,256	74	346
Sexual Health	1,016	1,026	(10)	2
Substance Misuse	1,306	1,644	(338)	(319)
UNPAC	1,066	900	166	159
<b>Sub total hosted</b>	<b>26,036</b>	<b>25,763</b>	<b>273</b>	<b>730</b>
<b>Set aside services</b>				
A & E (outpatients)	2,065	2,077	(12)	(5)
Cardiology	5,128	5,118	10	40
Diabetes	392	388	4	(119)
Gastroenterology	1,739	1,958	(219)	(541)
General medicine	7,617	7,760	(143)	(547)
Geriatric medicine	5,124	5,055	69	114
Infectious disease	2,156	2,104	52	26
Junior medical	3,833	4,565	(732)	(1,695)
Management	510	557	(47)	(163)
Other	473	806	(334)	(135)
Rehabilitation medicine	680	720	(40)	(88)
Therapies	2,047	2,045	2	(56)
<b>Sub total set aside</b>	<b>31,765</b>	<b>33,154</b>	<b>(1,389)</b>	<b>(3,169)</b>
<b>Grand total</b>	<b>133,589</b>	<b>136,476</b>	<b>(2,887)</b>	<b>(7,885)</b>



FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY  
CITY OF EDINBURGH COUNCIL 2017/18

	Position to end July 2017			Year end forecast Variance £k
	Budget £k	Actual £k	Variance £k	
<b>Employee costs</b>				
Council Paid Employees	<b>27,759</b>	<b>27,759</b>	<b>0</b>	0
<b>Non pay costs</b>				
Premises	430	430	0	0
Third Party Payments	59,322	62,322	(3,000)	(9,000)
Supplies & Services	2,943	3,076	(133)	(400)
Transfer Payments	258	325	(67)	(200)
Transport	586	670	(83)	(250)
Other	150	150	0	0
<b>Sub total</b>	<b>63,688</b>	<b>66,972</b>	<b>(3,283)</b>	<b>(9,850)</b>
<b>Gross expenditure</b>	<b>91,447</b>	<b>94,731</b>	<b>(3,283)</b>	<b>(9,850)</b>
<b>Income</b>	<b>(29,897)</b>	<b>(30,064)</b>	<b>167</b>	<b>500</b>
<b>Net expenditure</b>	<b>61,550</b>	<b>64,667</b>	<b>(3,117)</b>	<b>(9,350)</b>