

# Report

## Financial Update

### Edinburgh Integration Joint Board

17 November 2017

#### Purpose of paper

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1. The purpose of this report is to provide the Integration Joint Board (IJB) with an overview of the financial position for the 6 months of 2017/18 and the forecast year end position.

#### Recommendations

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2. It is recommended that the board:
  - a) notes that delegated services are reporting an overspend of £7.9m for the first 6 months of 2017/18, which is projected to rise to £17.0m by the end of the financial year without any further action
  - b) agrees to ring fence a provision of £4.5m to support the work of the newly established assessment and review board, this includes the carry forward of any element unspent in 2017/18
  - c) agrees the release of the £2.0m inflation provision included in the social care fund to offset the financial impact of demographic growth; and
  - d) acknowledges that ongoing actions are being progressed to reduce the predicted in year deficit in order to achieve a year end balanced position; however, only **limited assurance** can be given of the achievement of break-even at this time.

#### Background

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3. Budget monitoring of IJB delegated functions is undertaken by finance teams from the Council and NHS Lothian, 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. At its meeting on 22 September, the IJB considered the in-year, financial position for 2017/18. Based on projections of expenditure and income and taking account of mitigating actions identified, the report highlighted a potential full year overspend of £17.2m for delegated



services. Given the seriousness of this position, the Interim Chief Officer and senior management team of the Edinburgh Health and Social Care Partnership have been working closely with officers from both the Council and NHS Lothian to identify and implement appropriate mitigating action.

## Main report

### Overview of 17/18 financial position

5. For the first 6 months of the financial year, the Council and NHS Lothian overspent against the budgets delegated by the IJB by £7.9m. The equivalent year end forecast is an overspend position of £17.0m. A summary is presented in Table 1 below, with further detail included in Appendix 1 (NHS Lothian) and Appendix 2 (Council). This reflects a number of significant and long-standing pressures that are impacting on the ability of both NHS Lothian and the Council to meet financial targets, deliver approved savings programmes and operate within established budgets. The Edinburgh Health and Social Care Partnership also faces significant levels of unmet need, which, if addressed with current models of provision, would increase pressure on the financial position.
6. Returning to balance will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders.

	Position to end September 2017			Year end forecast Variance £k
	Budget £k	Actual £k	Variance £k	
NHSL services				
Core services	130,357	132,955	(2,598)	(5,446)
Hosted services	40,004	39,307	697	730
Set aside services	47,535	48,993	(1,459)	(3,169)
<b>Sub total NHSL services</b>	<b>217,896</b>	<b>221,255</b>	<b>(3,359)</b>	<b>(7,885)</b>
<b>Council services</b>	<b>92,325</b>	<b>96,875</b>	<b>(4,550)</b>	<b>(9,100)</b>
<b>Gross position</b>	<b>310,221</b>	<b>318,130</b>	<b>(7,909)</b>	<b>(16,985)</b>

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

### Delegated services delivered by NHS Lothian

7. Delegated health services are showing an overspend of £3.4m for the first 6 months of the year, with a quarter 1 review projection of £7.9m. This forecast is being updated, based on the latest financial results, and a slight improvement is anticipated. This will be confirmed following finalisation of the position by NHS Lothian.

8. There has been little change in the underlying reasons.
- **Prescribing** remains one of the most significant financial pressures facing the Partnership and consequently the IJB. Although volumes remain lower than planned, the impact of short supply continues to increase costs. These factors combine to give a year to date overspend of £0.9m, which is predicted to rise to £2.5m by the end of the financial year. As more months of data are processed, a clearer picture will emerge and the tariff reductions that took effect in September may improve the overall position.
  - The **nursing** action plan developed by the Chief Nurse has successfully reduced the levels of supplementary staffing, and consequently the costs. Ongoing monitoring and controls are in place to ensure this position is sustained. The Chief Nurse is also reviewing the options for posts that were previously funded from non-recurring sources.
  - Pressures in **supplies costs** are emerging, particularly in relation to wheelchairs and the joint equipment store.
  - Some progress has been made in identifying and implementing **financial recovery schemes**, although this needs to be a focus for the remainder of the year.
  - **Junior medical staffing** remains the key factor in the overspend on set aside services. This is an issue across several areas in NHS Lothian, primarily A&E, acute medicine and medicine of the elderly. The underlying cause is the requirement for additional staff to deliver 7-day working, non-compliant rotas, and the use of locum staff to cover trainee gaps. A working group, led by Acute Medical Director, has been established with a remit to review the use of all supplementary medical staffing and to introduce a reporting mechanism for non-compliant rotas with a view to reducing the overall pressure by the end of the financial year.
9. Following the first quarter of the financial year, the NHS Lothian board undertook a detailed year-end forecast to establish progress towards a balanced financial outturn and identify actions to be pursued to ensure break-even is achieved. This quarter 1 review indicated that a break-even position across NHS Lothian is still not achievable, although the forecast gap reduced from £22.4m in the financial plan to £4.5m. Within this forecast, there are inherent risks in relation to winter, delivery of efficiency plans, the crystallisation of assumptions and the capacity in the social care sector to meet increased demands. Work continues in all areas to close the gap and deliver the agreed efficiencies.
10. Opportunities are being explored to accelerate property sales proceeds and quantify any benefit from the delay in the opening of the new hospital to support the achievement of a balanced financial position.

11. The impact on all 4 Lothian IJBs is the subject of ongoing discussions with NHS Lothian.

### **Delegated services delivered by the City of Edinburgh Council**

12. Increasing demand, failure to implement previously approved savings/demand management programmes, together with significant and growing waits for assessment and service have placed extreme strain on the budget. The Partnership faces growing numbers of people waiting for services. As of 16 October 2017, 169 people were delayed in hospital, 700 people were waiting in the community for c7,000 hours of service and assessments were outstanding for 1,836 people.
13. These demand-led pressures and non-delivery of approved savings are reflected in the latest year end forecast position for the delegated services run by the Council, which shows an overspend of £9.1m. This is a deterioration from the position reported at month 3. This forecast reflects service levels at period 5 and does *not* include provision for any further uplift in activity, either in terms of increased baseline demand or through addressing the waiting lists. The cost of assessing and providing services for all the people who are waiting is significant. It is not possible to estimate the exact figure with accuracy, given that: needs change over time; and some assessments will result in no service being required, while others will lead to a wide range of demand. However, a conservative estimate might be in the region of £20m over two years.

### **In year mitigation**

14. It is in the context set out in paragraphs 5 to 13 above that the Partnership senior management team, supported by senior leaders in both the Council and NHS Lothian, has identified a series of mitigating actions. Some of these initiatives will deliver reductions in the cost base, while others will support the management of capacity, seeking to increase service delivery without additional costs. An important element of this approach is the reinvigoration of previously agreed savings schemes (reablement, telecare, brokerage and prescribing), together with development of a pipeline of prioritised projects. This work is supported by:
  - the “Statement of Intent”, which sets out the challenges facing the Partnership and begins to articulate how efforts will be prioritised to tackle them; and
  - the establishment of a “Savings Governance Board” with a remit to support the development and oversee the implementation of the savings and recovery programme across all Partnership services; membership of the board includes senior leadership from the

Partnership, with support from finance staff from the Council and NHS Lothian and an experienced Council project manager.

15. However, these efforts will not fully deliver in-year balance, and consequently, the Interim Chief Officer has reviewed the extent to which uncommitted financial plan funding can be reprioritised in year. Table 2 below summarises the funds that have been assessed as unlikely to be required for their original purpose in this financial year, as the underpinning strategies and plans are not yet fully developed.

	£k
<i>Fund to support assessment and review</i>	
OP model of care	1,500
MH community places	1,167
Innovation fund	1,851
<b>Sub total</b>	<b>4,518</b>
<i>Offset demographic growth</i>	
Inflation contingency	1,994
<b>Sub total</b>	<b>6,512</b>

Table 2: unallocated IJB financial plan funding 2017/18

16. An assessment and review board has been established, which will lead on the development of a plan to prioritise outstanding assessments. Given the risk associated with the significant level of unmet demand, in particular, the numbers of outstanding assessments, it is proposed that the remaining £4.5m of unallocated funding in the IJB financial plan for 2017/18 is ring-fenced on a non-recurring basis to support this work. It is anticipated that a small element of associated cost will be incurred in year, with the majority carried forward to 2018/19. This sum is probably insufficient to address the existing waiting list fully.
17. The £2.0m for inflation contingency shown in Table 2 above is no longer required for the original purpose, and it is proposed that this is released on a recurring basis to offset partly the financial implications of demographic growth. This will reduce the projected overspend for the Council delivered services to £7.1m, and the overall forecast for the Partnership to £15.0m.
18. These actions, coupled with the potential cost of reducing delays, are unlikely to deliver in-year balance in any of the Partnership's services. Significant and long-standing pressures are evident in the current financial positions of both health and local authority-run services, and returning to a balanced position will require a major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders.

19. Current Council planning assumptions are that: the Council-wide tightening of financial and workforce controls; the review of discretionary expenditure priorities; active management of risks and pressures for the remainder of the year; and the proposed additional contribution of £2m from the social care fund (see section 16 above), will allow a projected balanced position for the Council overall to be reported to the Finance and Resources Committee's November meeting. The corollary is that the anticipated shortfall of up to £7.1m in delegated services will be met by the Council on a non-recurring basis in 2017/18. Work is continuing to identify further opportunities to reduce the level of projected overspend.

## Key risks

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20. An agreement has yet to be reached with NHS Lothian on the settlement for the IJB in the context of the overall NHS Lothian year-end forecast position.
21. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed, and management action is taken as appropriate. Despite this overview, however, it is not possible to mitigate all the risks associated with the delivery of a balanced budget when this is constrained by the reductions in public expenditure required by the government's financial settlements.

## Financial implications

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22. Outlined elsewhere in this report.

## Involving people

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23. The successful implementation of these recommendations will require the support and co-operation of both the Council and NHS Lothian personnel.

## Impact on plans of other parties

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24. As above.

## Impact for directions

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25. The financial schedule to the increase in resources delegated to the Council by £2.0m on a recurring basis and £4.5m on a non-recurring basis.

## Background reading/references

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26. None.

## Report author

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## Links to priorities in strategic plan

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**Managing our  
resources  
effectively**

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

	Position to end September 2017			Year end forecast
	Budget £k	Actual £k	Variance £k	Variance £k
<b>Core services</b>				
Community AHPs	2,929	3,229	(300)	(656)
Community Hospitals	5,170	5,462	(293)	(907)
District Nursing	5,254	5,258	(4)	(142)
GMS	36,242	36,648	(407)	2
Mental Health	4,553	4,497	56	167
Other	24,685	25,427	(742)	(1,404)
Prescribing	39,478	40,387	(909)	(2,505)
Resource Transfer	12,047	12,046	1	(1)
<b>Sub total core</b>	<b>130,357</b>	<b>132,955</b>	<b>(2,598)</b>	<b>(5,446)</b>
<b>Hosted services</b>				
AHPs	3,225	3,155	71	81
Complex Care	614	827	(212)	(63)
GMS	2,608	2,609	(1)	0
Learning Disabilities	4,207	4,156	51	(203)
Lothian Unscheduled Care Service	2,620	2,623	(4)	14
Mental Health	12,172	11,730	442	480
Oral Health Services	4,671	4,507	164	287
Other	(463)	(565)	102	37
Palliative Care	1,166	1,158	8	(80)
Psychology Service	1,936	1,899	37	(11)
Rehabilitation Medicine	1,870	1,738	132	346
Sexual Health	1,537	1,541	(4)	2
Substance Misuse	2,167	2,551	(384)	(319)
UNPAC	1,674	1,379	295	159
<b>Sub total hosted</b>	<b>40,004</b>	<b>39,307</b>	<b>697</b>	<b>730</b>
<b>Set aside services</b>				
A & E	3,093	3,172	(79)	(5)
Cardiology	7,865	7,916	(51)	40
Diabetes	545	528	17	(119)
Gastroenterology	1,959	2,254	(295)	(541)
General medicine	11,874	12,074	(200)	(547)
Geriatric medicine	6,638	6,564	74	114
Infectious disease	3,718	3,745	(27)	26
Junior medical	6,115	6,848	(733)	(1,695)
Management	785	866	(81)	(163)
Other	790	836	(47)	(135)
Rehabilitation medicine	1,019	1,074	(55)	(88)
Therapies	3,134	3,116	18	(56)
<b>Sub total set aside</b>	<b>47,535</b>	<b>48,993</b>	<b>(1,459)</b>	<b>(3,169)</b>



<b>Grand total</b>	<b>217,896</b>	<b>221,255</b>	<b>(3,359)</b>	<b>(7,885)</b>
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## FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY THE CITY OF EDINBURGH COUNCIL 2017/18

	Position to end September 2017			Year end forecast
	Budget £k	Actual £k	Variance £k	Variance £k
<b>Employee costs</b>				
Council Paid Employees	<b>41,638</b>	<b>41,138</b>	<b>500</b>	1,000
<b>Non pay costs</b>				
Premises	645	645	0	0
Third Party Payments	88,982	93,857	(4,875)	(9,750)
Supplies and Services	4,414	4,614	(200)	(400)
Transfer Payments	387	487	(100)	(200)
Transport	879	1,004	(125)	(250)
Other	225	225	0	0
<b>Sub total</b>	<b>95,533</b>	<b>100,833</b>	<b>(5,300)</b>	<b>(10,600)</b>
<b>Gross expenditure</b>	<b>137,171</b>	<b>141,971</b>	<b>(4,800)</b>	<b>(9,600)</b>
<b>Income</b>	<b>(44,846)</b>	<b>(45,096)</b>	<b>250</b>	<b>500</b>
<b>Net expenditure</b>	<b>92,325</b>	<b>96,875</b>	<b>(4,550)</b>	<b>(9,100)</b>