

Report

2018/19 Financial Position

Edinburgh Integration Joint Board

14th December 2018



Executive Summary

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an overview of the financial position for the period to October 2018 and the year end forecast. It also presents the conclusion of the financial recovery plan.

Recommendations

2. The Integration Joint Board is asked to:
 - a) note that delegated services are reporting an overspend of £6.7m for the period to the end of October 2018, and that this is projected to rise to £10.3m by the end of the financial year;
 - b) acknowledge that ongoing actions are being progressed to reduce the predicted in year deficit to achieve a year end balanced position, however, no assurance can be given of the achievement of break even at this time and
 - c) remit the Chief Officer, supported by the Chief Finance Officer, to continue to work with colleagues from the City of Edinburgh Council and NHS Lothian to identify options for achieving year end balance.

Background

3. A forecast overspend on delegated services of £10.1m was reported to the IJB at its meeting in September 2018. The board acknowledged the ongoing actions to reduce the predicted in year deficit and, further, that these were not sufficient to provide assurance that a break even position would be achieved.
4. In these circumstances, section 9.4 of the integration scheme sets out the *“Process for addressing variance in the spending of the Integration Joint Board”*. Specifically *“In the event that such remedial action will not prevent the overspend, the IJB Chief Finance Officer will develop a proposed recovery plan to address the forecast overspend. The Chief Finance Officer will then present that recovery plan to the IJB as soon as practically possible. The recovery plan will be subject to the approval of the IJB”* (9.4.4).
5. An update on this position is set out below.

Financial position to the end of October

6. This report is based on the latest financial monitoring information available from the 2 partners. For NHS Lothian this is represented by the position to the end of October and, for the Council, the mid year review.
7. Cumulatively this represents an overspent of £6.7m against the budgets delegated by the IJB. The equivalent projection for the end of the financial year is an overspend of £10.3m. Table 1 below summarises the position with further detail included in appendices 1 (NHS Lothian) and 2 (the Council).

	Year to date			2018/19 Forecast £k
	Budget £k	Actual £k	Variance £k	
NHS services				
Core	167,127	168,826	(1,700)	(2,653)
Hosted	46,191	45,839	352	1,473
Set aside	51,376	52,593	(1,216)	(2,030)
Sub total NHS services	264,694	267,258	(2,564)	(3,210)
CEC services	82,271	86,378	(4,107)	(7,041)
Total	346,965	353,636	(6,671)	(10,251)

Table 1: summary IJB financial position to the end of October 2018

8. The key financial issues underpinning the position remain consistent with those previously reported, namely:
 - As reflected in the third party payments overspend of £5.8m, **care at home** remains the single most significant financial challenge facing the IJB. Demographic factors continue to drive demand for care at home services, as evidenced by increases in direct payments, individual service funds and purchased services. The financial plan for 18/19 reflected an element of this increase with the remainder of the growth being offset by increases in efficiency. However to date, there is limited evidence of delivery.
 - **Prescribing** which has been an ongoing pressure across all 4 Lothian IJBs has stabilised as volumes continue to reduce. The outturn position remains difficult to predict due to an emerging potential short supply issue and further changes in tariff and rebate rates. This, along with evolving improvement and efficiency projects, impacts on the projected position but current estimate suggest a small year end underspend of £0.2m.
 - Progress in delivering **savings and recovery plans**, is discussed in sections 9 to 12 below; and
 - NHS Lothian **set aside** budgets are overspent by £1.2m for the first 7 months and this is forecast to worsen to £2.0m by the end of the financial year. As previously reported this is driven largely by pressures in junior doctor rotas and undelivered savings.

Savings plans

9. The IJB's financial plan incorporated a savings target of £20.3m. Of this, £15.0m had been identified at the time the plan was considered with the balance of £5.3m reflecting the IJB's share of NHS Lothian's financial plan deficit. Work has been ongoing within the business units of NHS Lothian to reduce this gap as a bridge towards financial balance. The net impact of these efforts was to identify a further £0.5m of efficiencies across delegated services.
10. Recognising the arrangements for the operational delivery of services delegated by the IJB, only certain elements of the recovery programme are delivered by the Partnership. Progress against these elements is governed through the Savings Governance Board, chaired by the Chief Finance Officer. As well as scrutinising progress against the agreed plan, the Savings Governance Board works with operational leads to identify and agree additional opportunities for efficiencies.
11. It is however recognised that the pace of delivery against the plans needs to measurably increase. This is evident from the latest analysis of the status of the plans as shown in table 2, with further detail included as appendix 3:

	Current programme	Forecast delivery	Projected slippage
	£k	£k	£k
Schemes identified	15,404	9,748	5,655
Outstanding balance	4,855	0	4,855
Total savings requirement	20,259	9,748	10,511

Table 2: status of IJB recovery actions

12. As demonstrated in table 3, forecast delivery against the £15.4m of projects identified equates to £9.7m (or 63%). When compared to the overall target of £20.3m forecast delivery drops to 48%. In recognition of this, the Chief Officer and management team have reviewed current plans to ensure robustness and sustainability as well as attempted to identify alternative in year efficiency opportunities.

IJB reserves

13. In recognition of the projected in year deficit, a review of the reserves held by the IJB has been undertaken. The outcome is summarised in table 3 below with further detail in appendix 4.

	£k
Carried forward from 17/18	8,352
New provision 18/19	11,089
Allocated during 18/19	(11,542)
Commitments cfwd to 19/20	(4,571)
Uncommitted balance	3,328

Table 3: IJB reserves

14. This exercise demonstrates that, after setting £4.6m aside for anticipated costs in 2019/20 (see appendix 4 for details), the IJB would have uncommitted reserves totalling £3.3m.

Achieving financial balance

15. Although both NHS Lothian and the Council recognised the underlying pressures in health and social care through their financial planning mechanisms, the IJB remains some distance from recurring financial balance. Specifically, as discussed above, with no further mitigating actions the services delegated to the IJB are forecast to overspend by £10.3m by the end of the year.
16. In these circumstances, section 9.4 of the integration scheme sets out the “Process for addressing variance in the spending of the Integration Joint Board”. Specifically:
- Where financial monitoring reports indicate that an overspend is forecast on the operational budget, the Chief Officer should take immediate and appropriate remedial action to endeavour to prevent the overspend (9.4.3); and
 - In the event that such remedial action will not prevent the overspend, the IJB Chief Finance Officer will develop a proposed recovery plan to address the forecast overspend. The Chief Finance Officer will then present that recovery plan to the IJB as soon as practically possible. The recovery plan will be subject to the approval of the IJB (9.4.4).
17. As a response to section 9.4.3 the Chief Officer, supported by the management team instigated a series of actions, including:
- re focussing leadership for each of the major financial pressures;
 - reinforcing accountability for budgets across localities and hosted services;
 - strengthening budgetary controls, in particular over discretionary spend and agency costs;

- reviewing progress against existing savings programmes; and
 - considering options for further mitigation of the position.
18. These efforts were reported to the September IJB and followed up at the development and briefing sessions in October and December. As part of the ensuing discussion both the Chief Officer and Chief Finance Officer, advised the board that these actions alone will not bridge the predicted level of in year deficit. It was therefore concluded that a recovery plan should be developed in line with section 9.4.4 of the integration scheme.
19. This work has been progressed by the management team and the conclusions are:
- Whilst there are undoubtedly efficiencies which can be delivered in year without detriment to service provision, these are limited in the short term;
 - The IJB should review its level of reserves and consider the balance between shoring up the in year position and protecting funds to invest in pump priming change;
 - Consequently any options to deliver break even in year will have a detrimental impact on operational services and delivery of the IJB's strategic plan; and
 - In this context the Chief Officer and Chief Finance Officer should continue the productive discussion with colleagues in the Council and NHS Lothian to support the achievement of year end balance.
20. The IJB remains ambitious to radically redesign services in a sustainable way and consequently improve outcomes for the people of Edinburgh, this will take 3-5 years and will require pump priming investment to deliver longer term gains.

Key risks

21. The key risk outlined in this paper is the ability of the Council and NHS Lothian to operate within the delegated budgets and the likely impact on service provision of any recovery plan developed in response.

Financial implications

22. Outlined elsewhere in this report.

Implications for directions

23. None.

Equalities implications

24. While there is no direct additional impact of the report's contents, budget proposals will be assessed through the existing Council and NHS Lothian arrangements.

Sustainability implications

25. There is no direct additional impact of the report's contents.

Involving people

26. As above.

Impact on plans of other parties

27. As above.

Background reading/references

28. None.

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Links to priorities in strategic plan

Managing our resources effectively

Appendices

Appendix 1	Financial position of delegated services provided by NHS Lothian to August 2018
Appendix 2	Financial position of delegated services provided by City of Edinburgh Council to August 2018
Appendix 3	Status of IJB directed savings and recovery plans as at November 2018
Appendix 4	Status of IJB reserves as at November 2018

FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY NHS Lothian 2018/19

	Year to date			2018/19
	Budget	Actual	Variance	Forecast
	£k	£k	£k	£k
Core services				
Community AHPs	5,316	5,518	(202)	(465)
Community hospitals	6,648	6,548	100	213
District nursing	6,548	6,346	202	188
GMS	43,609	44,496	(887)	(1,180)
Mental health	6,200	5,890	310	382
Other	34,720	36,135	(1,415)	(2,015)
Prescribing	46,581	46,392	188	220
Resource transfer	17,505	17,502	3	4
Sub total core	167,127	168,826	(1,699)	(2,653)
Hosted services				
AHPs	3,794	3,554	240	492
Complex care	1,078	1,065	13	212
GMS	2,880	2,901	(21)	296
Learning disabilities	4,212	4,473	(261)	(303)
Unscheduled care	3,345	3,345	0	(1)
Mental health	13,655	13,910	(255)	(265)
Oral health services	5,499	5,188	311	315
Other	208	(23)	232	(408)
Palliative care	1,379	1,392	(13)	(3)
Psychology	2,470	2,442	29	(27)
Rehabilitation medicine	1,889	1,756	133	229
Sexual health	1,834	1,840	(6)	(44)
Substance misuse	2,360	2,409	(49)	750
UNPAC	1,587	1,587	(0)	229
Sub total hosted	46,191	45,839	352	1,473
Set aside services				
A & E	3,857	3,927	(70)	(172)
Cardiology	2,511	2,538	(27)	19
Diabetes	610	610	(0)	(1)
Gastroenterology	1,700	1,595	105	(54)
General medicine	14,160	15,053	(893)	(1,313)
Geriatric medicine	7,785	7,691	94	65
Infectious disease	3,267	3,197	70	199
Junior medical	7,731	8,095	(365)	(659)
Management	772	824	(52)	(125)
Other	4,049	4,070	(21)	97
Rehabilitation medicine	1,233	1,301	(69)	(95)
Therapies	3,701	3,690	11	9
Sub total set aside	51,376	52,593	(1,216)	(2,030)
Total	264,694	267,257	(2,564)	(3,210)

**FINANCIAL POSITION OF DELEGATED SERVICES PROVIDED BY
CITY OF EDINBURGH COUNCIL 2018/19**

	Year to date			2018/19 Forecast
	Budget £k	Actual £k	Variance £k	£k
Employee costs				
Council Paid Employees	50,569	50,601	(32)	(55)
Non pay costs				
Premises	687	687	0	0
Transport	1,170	1,723	(554)	(949)
Supplies & Services	4,479	4,596	(117)	(200)
Third Party Payments	114,471	117,293	(2,822)	(4,837)
Transfer Payments	478	478	0	0
Sub total	121,284	124,776	(3,492)	(5,986)
Gross expenditure	171,854	175,377	(3,524)	(6,041)
Income	(55,831)	(55,248)	(583)	(1,000)
Total	116,022	120,129	(4,107)	(7,041)

**EDINBURGH INTEGRATION JOINT BOARD
STATUS OF RECOVERY PLAN AS AT NOVEMBER 2018**

	Current programme	Forecast delivery	Projected slippage
	£k	£k	£k
Telecare and support planning/brokerage	4,000	500	3,500
Homecare and reablement	1,000	1,000	0
Disability services	1,200	1,200	0
Workforce	1,900	750	1,150
Prescribing	3,929	3,929	0
Procurement	480	480	0
Hosted services	436	265	171
Set aside services	659	99	559
Other	1,800	1,525	275
Sub total schemes identified	15,404	9,748	5,655
Unidentified	4,855	0	4,855
Total efficiency requirement	20,259	9,748	10,511

**EDINBURGH INTEGRATION JOINT BOARD
STATUS OF RESERVES AS AT NOVEMBER 2018**

	Reserves cfwd £k	New provision 18/19 £k	Allocated in year £k	Carry forward £k	Balance £k
Ex CEC balance sheet	504		(244)	(260)	0
Integrated care fund	613		(449)	0	163
Social care fund	875		(78)	(788)	9
Contribution to Council FP	1,830		(1,830)		0
Carers act	163	1,465	(610)	(1,018)	0
Interim solutions agreed by IJB	4,368		(2,773)	(1,652)	(57)
Older people		1,500	(408)	0	1,092
MH community accomodation		1,190	(899)	0	291
Community led support		2,300	(470)	0	1,830
SG allocations (PC, MH, EADP)	0	4,634	(3,781)	(853)	0
Total	8,352	11,089	(11,542)	(4,571)	3,328

Carry forward being:

	Carry forward £k
Integration costs (audit fees, insurance)	260
Telecare	588
Carers Act	1,018
District Nursing	200
Care home capacity	1,652
SG allocations (PC, MH, EADP)	853
Total	4,571