

Report

2019/20 Financial Plan

Edinburgh Integration Joint Board

29 March 2019



Executive Summary

1. The purpose of this report is to present the board with progress with establishing a balanced financial plan for 2019/20.

Recommendations

2. The Integration Joint Board is asked to:
 - i. note that there is no change to the moderate assurance given in relation to achieving a balanced year end position for 2018/19;
 - ii. note the anticipated budget offers from the City of Edinburgh Council and NHS Lothian;
 - iii. note the resultant financial plan based on the anticipated delegated budgets;
 - iv. agree the draft savings and recovery programme for 2019/20 as outlined in appendix 1;
 - v. note the efforts being made to reach a balanced position and remit the Chair, Vice Chair, Chief Officer and Chief Finance Officer to meet with senior representatives from City of Edinburgh Council and NHS Lothian to progress the options to support a balanced financial plan; and
 - vi. agree to receive an update at the next meeting.

Background

3. The Board has received regular updates on the financial position for 2018/19, the latest of which indicated a projected year end overspend in delegated services of £10.0m. Based on the positive ongoing discussions between the Chief Officer, Chief Finance Officer, and colleagues from the City of Edinburgh Council and NHS Lothian, moderate assurance of a balanced year end position was given in

the finance report to the board in February 2019. Since this point there has been no material change in the numbers and the status of moderate assurance remains.

4. Despite this projected balanced position for 2018/19, the underlying financial pressures remain. A series of development sessions have taken place between January and March to brief the IJB on the emerging financial plan for 2019/20 and associated savings programme.
5. The Council agreed its financial plan for 2019/20 on 21 February 2019, at the time of writing no formal offer has yet been received but this is expected imminently. NHS Lothian has not yet concluded its financial planning process and an update will be presented to their Finance and Resources Committee on 20 March 2019.
6. Based on this information the IJB has developed its financial plan and associated savings programme, further details on which is included in paragraphs 9 to 23 below.
7. At this point the plan remains unbalanced and, it is clear that, like many other public sector bodies, the IJB faces significant financial challenges for the foreseeable future. The system is some way from recurring financial balance and the budgets delegated by Council and NHS Lothian will not be sufficient to deliver services without the requirement to make further savings. As such, further discussions with our partner organisations will be required to consider what additional actions we need to take collectively to get to a balanced plan, both for next financial year and beyond.

Main report

Scottish Government budget

8. The Scottish Government's budget for 2019/20 was approved by the Scottish Parliament on 21 February 2019. Key headlines from the budget included:

Health

- a minimum uplift of 2.5% for all territorial health boards plus a share of £23m for those below NRAC parity;
- additional investment of £149m to improve patient outcomes in 5 core areas:
 - a) **primary care** - investment in the primary care fund will rise by £35m to £155m to support transformation by enabling the expansion of multidisciplinary teams for improved patient care, and a strengthened and clarified role for GPs as expert medical generalists and clinical leaders in the community;
 - b) **waiting times improvement plan** – an further investment of £90m to support delivery of the trajectories set out in the waiting times improvement plan;

- c) **mental health and CAMHS** - a further £14m is to be invested which will go towards the commitment to increase the workforce by an extra 800 workers; for transformation of CAMHS; and to support the Programme for Government commitments on adult and children's mental health services. This funding is provided on the basis that it is in addition to a real terms increase in existing 2018/19 spending levels;
- d) **trauma networks** - funding will increase by £8 million to £18 million, taking forward the implementation of the major trauma networks; and
- e) **cancer** - an additional £2m reflecting continued investment in the £100 million cancer strategy.

Local authorities

- additional Scotland wide revenue funding of £148m to facilitate expansion of free personal and nursing care for under 65s (£29.5m), continuing implementation of the carers' act (£10.5m) and increased investment in health and social care integration (£110m);
- permission to apply an efficiency target prior to passing on the additional resources noted above to IJBs. If actioned this would act as a contribution to addressing wider savings requirements; and
- underlying year-on-year cash-terms core funding for local government of around £140m across Scotland. Edinburgh's level of reduction was slightly higher than the Scotland-wide average.

Delegated resources 2019/20

9. The full council agreed the budget at a special meeting on 21 February 2019, and information has been provided on the implications for the IJB. This suggests an in year delegated budget allocation of £211.9m, an increase of £13.0m (6.6%) over the 18/19 level. A breakdown of the movement is given in table 1 below:

	£k
18/19 delegated budget	198,895
<i>Local Government settlement</i>	
Investment in integration	9,127
Carers act	887
Free personal care	3,023
Total delegated resources	211,932

Table 1: proposed Council delegated budget 2019/20

10. It should be noted that the Council opted not to exercise their right to retain an element of the additional funding provided through the Local Government settlement as outlined above. Therefore included in this offer is the Council's full share of the monies provided nationally to support integration.
11. On 20 March, the NHS Lothian Finance and Resources Committee will consider the latest version of its financial plan. Following this, it will be presented to the board meeting on 3 April 2019. As the plan is not yet finalised no formal offer has yet been made to the IJB so this paper outlines the indicative position. As in previous years, NHS Lothian's financial plan is currently unbalanced, with a gap

of c£26m projected for the year. As such, the Director of Finance is likely to provide the board with only limited assurance that a balanced outturn would be achieved in 2019/20.

12. NHS Lothian's planning assumption is that each of the 4 IJBs will be passed a 2.6% uplift, reflecting the budget settlement outlined in paragraph 8 above, plus a share of a fund totalling £7.1m which the board is proposing to allocate to meet a range of unscheduled care initiatives across Lothian. This is in response to the recognised need to improve performance at the "front door" (the care deficit) and the majority of the associated funding would be passed to IJBs recognising that these are delegated services. For Edinburgh this will be supplemented by the balance of the £4m investment to increase community capacity and consequently reduce hospital delays. In total this potential funding package equates to an increase of £17.9m (4.2%) in the IJB's delegated budget. Of this, £3.7m is non recurring and the position is summarised in table 2 below:

	£k
18/19 delegated budget	430,229
Uplifts	
2.6%	11,185
Unscheduled care	3,004
Balance of £4m (non recurring)	3,700
Total delegated resources	448,118

Table 2: proposed NHS Lothian delegated budget 2019/20

13. The combination of the funding discussed in paragraphs 9 to 12 would give an opening IJB delegated budget of £660m for 2019/20, as per table 3 below:

	Recurring £k	Non recurring £k	Total £k
City of Edinburgh Council	211,932		211,932
NHS Lothian	444,418	3,700	448,118
Total delegated resources	656,350	3,700	660,050

Table 3: projected IJB delegated budget 2019/20

Expenditure on delegated services 2019/20

14. Working with colleagues in the Council and NHS Lothian the costs associated with the delegated services for 2019/20 have been modelled. To support this exercise the following assumptions were used:
- pay costs will rise in line with Scottish Government public sector pay policy;
 - contract inflation based on estimates of the impact of: implementing the new Scottish living wage of £9.00 from 1 May 2019, the anticipated negotiated settlement for the national care home contract; and addressing the Scottish Government policy of paying the Scottish living wage for sleepovers from 1st April 2019;

- prescribing costs will increase by an average of 1.6%, in line with the estimates provided corporately by NHS Lothian;
- hospital medicine costs will increase by 33%; this figure is based on the detailed horizon scanning that has been undertaken by NHSL pharmacy department
- NHS non pay costs will increase by 2%;
- demographic growth in older people and learning disabilities services will increase costs by a further £8m in 2018/19;
- the implications of Scottish Government policies, including the Carers' Act, the living wage, the new GP contract and free personal care are deliverable within the funding available.

15. Based on these assumptions (the financial implications of which are captured in table 4), the costs projected to be incurred by the delegated services total £684m:

	£k
Opening cost base	642,928
<i>Projected increase in costs</i>	
Costs funded non recurrently in 18/19	3,380
Pay awards, increments & contract inflation	13,170
Growth and capacity	19,800
Matched funding	4,480
Other	608
Total projected costs	684,367

Table 4: projected delegated costs 2019/20

16. Comparing the anticipated income and expenditure for the IJB gives an opening savings requirement for the IJB of £24.3m as per table 5 below:

	Council £k	NHS Lothian £k	Total £k
Delegated resources	211,932	448,118	660,050
Anticipated cost of delegated services	228,326	456,041	684,367
Projected savings requirement	16,394	7,923	24,317

Table 5: projected savings requirement 2019/20

Savings and recovery strategy and programme

17. As can be seen from the discussion above, the IJB faces a mismatch between the level of funding available and the projected costs. It is widely acknowledged that we face unprecedented challenges to the sustainability of our health and care system: resource availability cannot continue to match levels of demand; the population is ageing, and we are facing a reduction in the working age population which compounds the challenge in workforce supply. It is in this context that the IJB has developed its savings and recovery strategy which recognises that efficiencies are delivered in 3 “phases”: grip and control; redesign; and

transformation. Although the greatest gains are delivered via transforming services, change of this scale complexity takes time and needs to be adequately resourced. Until this is achieved and sustained shorter term efficiencies from introducing and reinforcing controls and smaller scale redesign will bridge the gap. The savings and recovery strategy is displayed graphically in figure 1 below:

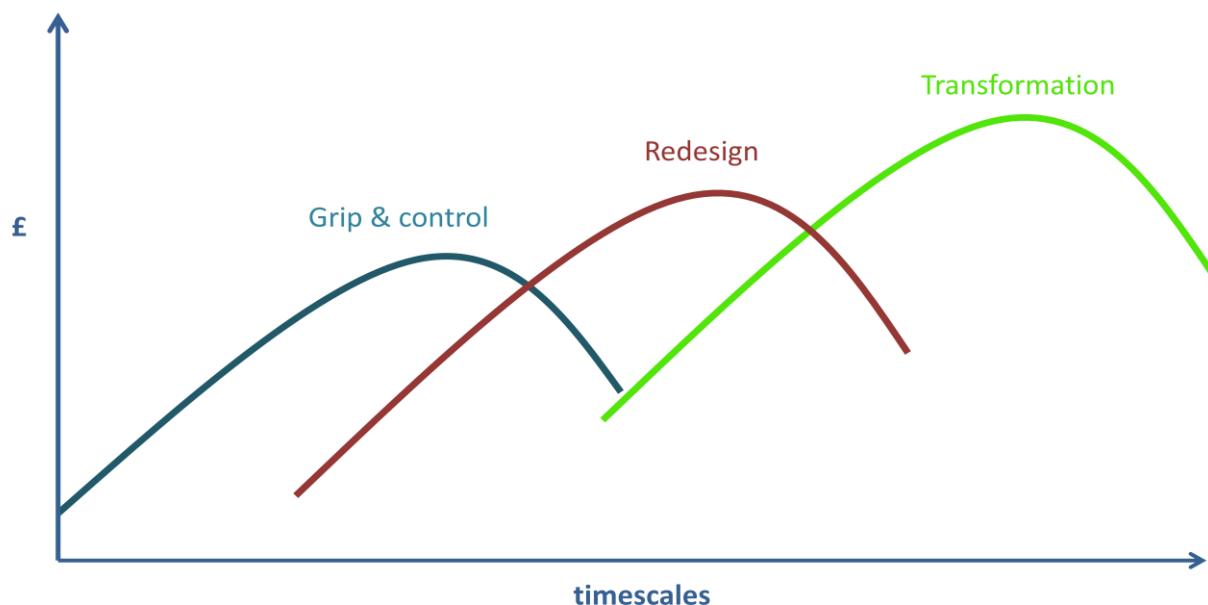


Figure 1: IJB savings and recovery strategy

18. It is in this context that IJB members have participated in a series of workshops to consider the emerging savings and recovery programme. This takes cognisance of the ambitious programme of improvement set out in the paper on “Transformation and change –developing the Edinburgh model” agreed by the Board in February 2019 and as, far as possible, seeks to balance efficiency with performance and recognising the longer term need to radically redesign our offer to the people of Edinburgh.
19. Individual projects have been identified by the Edinburgh Health and Social Care Partnership’s (the Partnership) management team working collaboratively with colleagues in the Council and NHS Lothian. Templates outlining the scope, impact, benefit, risks and dependencies have been prepared and shared with board members. Work is now underway on the detailed implementation plans, and integrated impact assessments will be undertaken, both for individual schemes and the programme as a whole.
20. Both the scale and pace of delivery is challenging and, to give the best chance of delivery, will require to be adequately resourced. For this we will be dependent on our partners and will also utilise an element of the £2m investment in transformation agreed by the IJB in February. Scrutiny of the programme will be via the Partnership’s savings governance board to the performance and delivery subgroup recommended in the recent governance review of the IJB.

21. The programme is summarised in table 6 below with further detail included as appendix 1.

	In year £k	Recurring £k
Grip and control	1,700	2,200
3 conversations/Edinburgh offer/service redesign	4,803	7,793
Other	5,168	4,896
Total	11,671	14,889

Table 6: savings and recovery programme 2019/20

Achieving financial balance

22. Taking together the financial impact of the savings and recovery programme as it currently stands and the savings requirement demonstrated in table 5 still does not get the IJB to a break even position, as per table 7 below:

	£k
Savings requirement	24,317
Savings and recovery programme	11,671
Net position	12,645

Table 7: projected net position

23. A range of parallel and urgent actions will be required in order to reach a balance position for next financial year. These include:
- reviewing the IJB's reserves, to reassess priorities for investment and, potentially delay the implementation of some developments. It is estimated that this exercise could identify between £5m and £6m to offset the pressures driving the cost overruns;
 - continuing the work to identify other opportunities for efficiencies and contributions to the savings and recovery strategy;
 - ongoing overview of financial management discipline, this will include a series of service by service reviews, the first of which will be held in April and will cover: current pressures and mitigations; savings proposals and efficiencies; and transformation proposals;
 - continued dialogue with our partners in NHS Lothian and the Council to agree a collective approach to addressing the financial pressure whilst recognising the need to maintain performance improvements and transform services; and
 - developing a medium term financial strategy which will underpin the strategic plan.

Key risks

24. The key risk to the IJB is on the ability to fully deliver on the strategic plan in the context of the prevailing financial position.

Financial implications

25. Outlined elsewhere in this report.

Implications for directions

26. Following formal acceptance of the budget allocations from the Council and NHS Lothian the figures in the associated financial plan will inform the funds delegated by the IJB back to the partner bodies. Further work will be required to agree how the projected savings will be allocated between the partner organisations.

Equalities implications

27. 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

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

Involving people

29. As above.

Impact on plans of other parties

30. As above.

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Appendices

Appendix 1

Edinburgh Integration Joint Board savings and recovery programme 2019/20

EDINBURGH INTEGRATION JOINT BOARD

PROPOSED SAVINGS AND RECOVERY PROGRAMME FOR 2019/2020

PROPOSAL	DESCRIPTION	2019/20 IN YEAR £K	RECURRING £K
Grip and Control			
Transport efficiencies	Implementation of a range of efficiencies, including: the introduction of a revised assisted transport policy which aims to reduce dependency on transport provided by the Partnership, whilst maximising independence through utilising individual and community based resources; introduction of greater “grip and control” around provision of staff transport.	500	500
Reduction in agency staffing expenditure	A range of grip and control measures to reduce expenditure in relation to agency and supplementary staffing, particularly across the care home estate and within disability services.	700	700
Budget control and efficiencies in ATEC24 Service	Introduction of better grip and control in relation to the processes for requesting and authorising spend against the NHS budget for the equipment service provided by the ATEC 24 service	250	500
S2C GP practices	Establishment of a dedicated post will ensure greater grip and control within Section 2C GP practices and provide day to day operational support to address current projected overspends.	250	500
3 Conversations Model/ Edinburgh Offer/ Service Redesign			

Home care	Right sizing the internal home care service, to achieve a scaled, effective in-house managed service, which is focused on provision of reablement and complex care. Mainstream care at home can then be purchased from the external market.	500	1,000
Overnight home care	Modernisation of the existing overnight home care service to bring it into line with other out-of-hours/ responder systems. Introduction of better continence care to reduce the need for overnight support and meet outcomes in a more cost effective and less intrusive way.	250	500
Overnight support	Introduction of a city-wide responder service to support a strategy of shared overnight support, aligned with better use of assistive technology. This would provide a more cost effective and less intrusive way of alternative to traditional sleepover services for those service users whose needs can be appropriately met in this way.	250	500
Expansion of Be Able model of day care	Increase access to the successful Be Able programme of older people's day care by refocusing our resources on providing high-end support and reablement approaches. Increase the number of Be Able sessions from 9 a week to 15 a week. Move away from the provision of internal mainstream daycare with the resulting closure of 2 day care centres.	92	200
Closure of Gylemuir House Care Home	The current lease for Gylemuir House does not permit the physical upgrades and improvements which are necessary to meet the terms of Care Inspectorate registration. Gylemuir cannot provide this service going forward and will need to be closed. There is sufficient capacity across the rest of the care home estate to manage the immediate demand for interim care, pending a wider redesign of the bed base.	2,250	3,000

Delivery design	Reconfiguration of organisational structure to support our move towards the 3 Conversations whole-system model of delivery. Simplification of locality management structures to provide more supportive management and professional governance.	350	700
Mental health and disabilities services efficiencies	A range of efficiency measures within mental health and disability services, including a review of the current management arrangements for internally provided services; reviews of current packages of care, aligned with the 3 Conversation model, to ensure fair and equitable provision of support in areas such as short breaks and housing with support; a review of out of Edinburgh placements for mental health.	736	1,393
Community/hospital interface	This proposal seeks to create a city-wide sustainable Hospital @ Home service as part of a wider review and rationalisation of a variety of disparate, specialist teams working within the community.	375	500
Other			
Scheduling efficiencies in the internal home care service	Introduction of a new IT scheduling system for the internal home care service, leading to greater efficiency in scheduling and a consequent reduction in current administration costs.	125	250
Uplifts to rates	Honouring the commitment to support providers to deliver the Scottish Living Wage whilst also working with those providers in 19/20 to deliver increased efficiencies and reduced costs.	550	550
Efficiencies in hosted and set aside services	Continue to work in partnership with NHS Lothian on this area of budget pressure.	1,870	1,473

Increases to charges	Discretionary charges for health and social care services (including care at home, day care and telecare and community alarm services) increased by 5%, pending the development of a more comprehensive charging strategy for services.	500	500
Prescribing	A range of prescribing efficiency measures which includes actions that have taken place in 18/19 that impact on expenditure in 19/20 have been estimated at £0.5m. Schemes for next year include; polypharmacy reviews, scriptswitch, rebates, GP practice intervention project, dietetic reviews of oral nutritional supplementation and a care home waste reduction initiative.	2,123	2,123
TOTAL		11,671	14,889