

Finance and Resources Committee

10.00am, Tuesday 7 November 2017

Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services

Item number	7.8
Report number	
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Executive Summary

At its meeting on 28 September, the Finance and Resources Committee considered an update on the in-year, Council-wide revenue monitoring for 2017/18. Based on projections at month 5 and taking account of mitigating actions identified, the report advised of a potential full-year overspend of £9.1m for Health and Social Care. The projected overspend reflected significant demand-led pressures, together with £6.0m of slippage on planned demand management savings initiatives. The forecast represented an increase of £2m compared to the period 3 position, and reflected service levels at period 5, with no provision for any further uplift in activity. Given the seriousness of this position, members of the Committee asked the Interim Chief Officer of the Edinburgh Health and Social Care Partnership to provide a service-specific update to the Committee on 7 November.

Work to identify and deliver appropriate mitigating actions is continuing apace. This report notes an improvement in the projected overall in-year position, albeit highlighting further pressures in Health and Social Care that will require concerted and sustained action to regain financial stability. Several management actions have been initiated and these are detailed in the report. Significant and long-standing pressures are evident in the current financial position. Returning to balance will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders.

Edinburgh Health and Social Care Partnership – Update on Financial Position of City of Edinburgh Council Services

1. Recommendations

- 1.1. The Finance and Resources Committee is asked to:
 - 1.1.1. note the current financial forecast for Health and Social Care, which is based on current levels of service delivery
 - 1.1.2. note the potential additional cost of unmet need
 - 1.1.3. note the range of mitigation measures instigated by the Interim Chief Officer
 - 1.1.4. note that work is ongoing to assess the level of increasing demand and unmet need and to evaluate opportunities for financial savings and demand management, and that the Interim Chief Officer will provide regular updates on progress to the Finance and Resources Committee
 - 1.1.5. refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

2. Background

- 2.1 At its meeting on 28 September, the Finance and Resources Committee considered the in-year, Council-wide revenue monitoring report 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 £9.1m for Health and Social Care. Given the seriousness of this position, members of the Committee asked the Interim Chief Officer of the Edinburgh Health and Social Care Partnership to provide a service specific update to the Finance and Resources Committee on 7 November.

3. Main report

- 3.1 In recognition of the level of concern about the financial position, the Interim Chief Officer undertook to provide a service-specific update to the Finance and Resources Committee as a matter of priority. The Partnership faces considerable

pressures to meet financial targets, deliver approved savings programmes and operate within established budgets. It also faces significant levels of unmet need, which, if addressed with current models of provision, would increase pressure on the financial position.

- 3.2 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.
- 3.3 These demand-led pressures and non-delivery of approved savings are reflected in the latest year-end forecast position for the Partnership's Health and Social Care services, which shows an overspend of £9.1m. This is after application of a £2.25m allowance for demographic growth from the Edinburgh Integration Joint Board (EIJB) and demonstrates a deterioration from the position reported at month 3. A summary is given in table 1 below:

	Period 5 Forecast Variance
Employees	(£1.0m)
Purchasing	£9.75m
Transport	£0.25m
Supplies (Legal)	£0.4m
Transfer Payments	£0.2m
Income	(£0.5m)
Net Expenditure	£9.1m

Table 1: Health and Social Care forecast outturn 2017/18

- 3.4 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.
- 3.5 The EIJB will review the extent to which uncommitted financial plan funding can be reprioritised in year. A proposal to release a further £2m from inflation provisions that are no longer required to partly offset the financial implications of demographic growth will be presented to the EIJB on 17 November. If agreed, this would reduce the projected overspend to £7.1m. Work is continuing to identify further opportunities to reduce the level of projected overspend.
- 3.6 Members will be aware that the most recent Council-wide revenue monitoring update considered by the Finance and Resources Committee on 28 September 2017 indicated that without further remedial action, there would be a potential

overall year-end overspend of £4.0m, representing the net effect of significant overspends in Health and Social Care (£9.1m) and other Council services (£3.5m), offset by one-off savings (or savings already assumed in the budget framework in future years) of £8.6m.

- 3.7 In light of the projected position at that time, the report confirmed that a further tightening of financial and workforce controls had been implemented. When combined with a review of discretionary expenditure priorities, the identification of the proposed additional contribution of £2m from the Social Care Fund, and active management of risks and pressures for the remainder of the year, it is anticipated that this will allow a projected balanced position for the Council to be reported to the Finance and Resources Committee's November meeting.
- 3.8 While the improvement in the overall projected position of the Council is to be welcomed, underlying pressures in Health and Social Care require to be addressed on a sustainable basis to ensure a stable longer term financial position. The Council's financial strategy for 2018/19, as reported to Finance and Resources Committee on 27 October 2017, seeks the identification of savings sufficient to address the underlying structural pressures of £7.1m in Health and Social Care. Specific savings proposals totalling £1.1m relating to disability day services alignment, discretionary expenditure, and legal services have been identified, and are included in the Council's proposals for budget engagement. A £3m savings target for Health and Social Care, representing savings originally planned for delivery in earlier years, has been set for 2018/19, and updates on development of specific initiatives will be provided through regular reports to Committee. The net effect of the above additional funding and assumed additional savings would result in an uplift of £3m in the Council's baseline offer to the EIJB for 2018/19, with compensating savings proposed across other Council services.
- 3.9 It is in this context that the Council Leadership Team and Partnership Senior Management Team have identified a series of mitigating actions. Some of these initiatives will deliver reductions in the cost base, whilst 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 schemes (reablement, telecare and brokerage), together with development of a pipeline of prioritised projects. Specifically, the Interim Chief Officer, supported by the Senior Management Team, has:
- 3.9.1 developed and agreed a "Statement of Intent", which sets out the challenges facing the Partnership and begins to articulate how efforts will be prioritised to tackle them
- 3.9.2 established a Savings Governance Board, chaired by the Interim Chief Finance Officer for the Edinburgh Integration Joint 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.

- 3.9.3 *Targeted reablement* – the criteria for entry to the reablement service, which had been relaxed in response to delayed discharge pressures, has been reinstated. Locality Managers have been tasked with discharging those services users who have been reabled successfully into mainstream services and ensuring only new service users who meet the criteria enter the reablement service. As a result, the average package of care should be reduced in line with the target of 45%. Benefits are currently tracking at 49%. There is an additional opportunity to reduce the unit cost of the service through improved productivity. The proposal for this is being developed and is anticipated to realise in year benefits.
- 3.9.4 *Telecare* – a detailed implementation plan is being developed to provide telecare services to new service users each month, thereby reducing reliance on care at home and care and support services. The project delivery team is working with locality teams to identify the cohorts of service users and accelerate progress.
- 3.9.5 *Support planning and brokerage* – three interrelated work streams have been developed in the scope of this scheme. First, delivery plans are being finalised for the North-East locality test of change, which focuses on developing the asset-based approach to assessment and support planning for a targeted number of people. The scope includes older people, people with learning disabilities, physical disabilities and mental health problems, and is due to ‘go live’ from 4 December.
- 3.9.6 *Care at home and care and support services* – pending full implementation of the schemes detailed above, Locality Managers have been tasked with reviewing all extant packages of care. This incorporates a review of all high cost packages of care, sleepover arrangements, overnight services and a parallel review of the productivity of in house services. Work has been commenced to consider alternative models to address the contractual issues and increase capacity.
- 3.9.7 *Workforce* – as above, there are several strands to this work stream, including: the instigation of staffing controls, with all vacancies being authorised by the executive management team; increased controls over the use of all supplementary staffing, with all requests for agency cover now signed off by Cluster Managers; “star chambers” held with care homes to address budget overspends; a review of the options to support robust rota management; scrutiny of all current vacancies and fixed-term contracts with a view to identifying potential efficiencies; and an acceleration of appropriate elements of the phase 3 organisational review.
- 3.9.8 *Development of specific savings initiatives* – as noted in paragraph 3.8, a savings target of £3m is assumed in the Council’s budget proposals for

2018/19, and specific initiatives will be developed with updates provided to Committee. Areas under consideration include: further staff savings through enhanced workforce controls; comprehensive review of charges; a review of services, including homecare and reablement; and a review of grants.

- 3.9.9 *Supplies and procurement* – a General Supplies Group, supported by Procurement, will be established with a remit to ensure best value is delivered for all products that are either high volume/low cost or high cost/low volume. A one-off review of inventory will be undertaken and opportunities to introduce a “top-up” system in care homes will be investigated. A similar approach has yielded results previously in NHS Lothian, and this project will be supported by senior managers from the Royal Infirmary of Edinburgh.
- 3.9.10 *Internal controls* – a number of actions have been initiated to strengthen internal controls: an internal audit review to assess the adequacy and effectiveness of controls established across Health and Social Care to support home care service delivery has been added to the 2017/18 internal audit plan at the request of the Interim Chief Officer and Council Head of Finance; work is underway to develop a weekly management dashboard highlighting movements in service volumes; a monthly process to cleanse commitment data in Swift has been agreed to support financial monitoring; and weekly reports are now being issued to Locality Managers providing details of all new commitments approved through Direct Payments and Individual Service Funds.
- 3.9.11 The Interim Chief Officer has initiated a review of all uncommitted funds within the Social Care Fund and Integrated Care Fund and an update will be reported to the EIJB on 17 November.
- 3.9.12 An Assessment and Review Board has been established, and this group will lead on the development of a plan to prioritise outstanding assessments. An update on this matter, including proposed funding arrangements, will be reported to EIJB on 17 November.
- 3.9.13 *Budget realignment and budgetary control* – work is ongoing to realign budgets, expenditure and commitments to reflect new organisational structures to provide the basis for effective ongoing financial management by senior managers.
- 3.9.14 *Other schemes* – several miscellaneous projects are also underway, including a targeted exercise to increase clawback of direct payments that are no longer required; a review of transport arrangements in line with the Council-wide transformation project, and scrutiny of all discretionary expenditure.
- 3.10 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; some assessments will result in no service being required

and others will lead to a wide range of demand; however, an initial estimate indicates that costs might be in the region of £20m over two financial years.

4. Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2017/18 at the same time as delivering key service performance indicators carries a high risk. The measure of success is therefore defined as ensuring no additional growth in the overspend and reducing costs wherever possible.

5. Financial impact

- 5.1 Delivery of a balanced budget in any given year is contingent on the development and subsequent delivery of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.
- 5.2 The Council's Financial Regulations set out Chief Officer, Executive Director and Senior Manager responsibilities in respect of financial management, including regular consideration and ongoing active management of delegated service budgets.

6. Risk, policy, compliance and governance impact

- 6.1 The delivery of a balanced budget outturn for the year is the key target. 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.
- 6.2 Regular updates on the financial position will be considered by the Partnership management team, Council Leadership Team, Council Committees and the EIJB.

7. Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront assessment across these areas.

9. Consultation and engagement

- 9.1 The Corporate Leadership Team has formally reviewed and discussed the in-year monitoring position and year-end projection. The Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals.
- 9.2 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of regular consultation and engagement.

10. Background reading/external references

- 10.1 [Revenue Budget Monitoring 2017/18](#) – update: Report to Finance and Resources Committee, 28 September 2017

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11. Appendices

None