

Report

Finance Update

Edinburgh Integration Joint Board

10 December 2019

Executive Summary

1. The purpose of this report is to provide the Edinburgh Integration Joint Board (EIJB) with an update on the financial position.

Recommendations

2. The Integration Joint Board is asked to:
 - i. note that a version of this report was scrutinised by the Performance and Delivery Committee (P&D) on 20th November 2019;
 - ii. note the financial position for delegated services for the first 7 months of the year;
 - iii. note that moderate assurance can be given that the Integration Joint Board can achieve in year financial balance;
 - iv. agree that, if overall financial balance is achieved, a direction is issued to the Council to address the health and social care budget gap; and
 - v. support the Chief Officer and Chief Finance Officer's ongoing discussions on the 2020/21 budget.

Background

3. The October meeting of the Integration Joint Board (IJB) considered the update on the 19/20 financial position and agreed to use a combination of IJB reserves and monies related to centrally funded initiatives to balance the plan.
4. This report provides an update following the publication of the City of Edinburgh Council (the Council) and NHS Lothian financial results to September 2019 and provides moderate assurance of financial breakeven.

5. There are 3 elements to achieving a balanced financial position for 2019/20, which are discussed individually below:
 - (a) **Operational breakeven** – i.e. reporting a balanced position on the budget excluding savings;
 - (b) Delivery of agreed **savings and recovery programme**; and
 - (c) Closing the outstanding **budgetary gap**.

Operational breakeven

6. As members are aware the IJB “directs” budgets back to our partner organisations, the City of Edinburgh Council (the Council) and NHS Lothian, who in turn provide the associated services. The majority these services are delivered through the Partnership with the balance being managed by NHS Lothian under the strategic direction of the IJB.
7. Table 1 below summarises the operational position for delegated services (incorporating the impact of the savings and recovery programme). Further detail is included in appendices 1 (NHS Lothian) and 2 (the Council):

	Year to date			Year end forecast
	Budget £k	Actual £k	Variance £k	£k
NHS services				
Core	174,061	174,252	(191)	797
Hosted	48,221	47,770	451	731
Set aside	52,580	53,439	(859)	(948)
Sub total NHS services	274,862	275,461	(599)	581
CEC services	132,648	131,736	912	1,563
Total	407,510	407,197	313	2,144

Table 1: operational financial performance to October 2019 and year end forecast

8. The Council has just completed its period 7 monitoring report which focuses on the projected outturn for the year. As highlighted in the previous finance report, the Council’s finance team were undertaking further detailed work to forecast the year end position based on review of the period 6 position. This included additional modelling on the cost of free personal care for the under 65s. Also referred to as “Frank’s Law” this was implemented on 1st April 2019 with funding of £3.023m made available by the Scottish Government. Current projections show that full year costs of at least £3m for new personal care provision for under 65s has been added to the system between April 2019 and September 2019, fully utilising the funding available. This is a change from the position reported to the IJB in October which assumed slippage of c£1m would be available.

9. The team also did some further work on the purchasing budget, including a review of the £8m provided in the financial plan for demography. This was set on a prudent basis, taking account previous patterns of expenditure and anticipated growth. Reviewing these assumptions against costs incurred to date the belief is that the full amount included in the financial plan for demography is not required in year. After building in a further increase (£3m) in purchasing between now and the end of the financial year, £1.8m of the demography provision remains unallocated, largely accounting for the year end forecast for Council services of £1.6m. A breakdown of the offsetting variances is available in appendix 2, the format of which has been revised from previous reports to lay out the information in a more informative way.
10. NHS Lothian has now published the financial results to the end of October and finalised their quarter 2 review. This shows a slight improvement (£0.6m) from the quarter 1 forecast. However the underlying theme of pressures in set aside services offset by projected underspends in core and hosted services remains. By the end of the year, set aside services are projected to be over budget by £0.9m. Key drivers include nursing (driven by high levels of sickness, vacancies, difficulty in recruiting and patient acuity), medical supplies (across a number of specialities with particular pressures in home oxygen costs and sleep service supplies) and medical staffing (emergency department and gastroenterology rotas and general junior medical rotas). Further scrutiny of the set aside position will be undertaken by P&D at its meeting in January 2020. This will include discussion on: the factors impacting the financial position; offsetting mitigations and actions being taken; progress with savings and recovery plans; and will touch on the implications for next year's financial plan.

Savings and recovery programme

11. The IJB agreed a programme to deliver in year savings of £11.9m, recognising that this was both achievable and challenging. Delivery is overseen by the savings governance board, chaired by the Chief Officer. This group meets monthly with all project leads submitting progress reports, allowing the Chief Officer to have an overview of the programme. The meeting itself focuses on the schemes which have been identified as needing support to progress, allowing us to concentrate on the actions required to deliver the agreed intent of the board.
12. Each of the individual schemes has been reviewed to assess forecast delivery and this is summarised in table 2 below, with details on a project by project basis in appendix 3. A number of factors are considered when making this assessment, including the monthly status reports to the savings governance board, the cost profile as evidenced through the financial ledger and the overall financial projections for the year.

	£k
In year target	11,941
Projected delivery	13,495
Projected variance	1,554

Table 2: projected in year delivery of savings and recovery programme

13. As can be seen from the appendix, the programme overall is delivering above target, largely due to the increased level of financial benefit associated with the closure of Gylemuir. A paper on the impact of the closure was considered by the P&D committee on 20th November 2019. Further, any slippage in individual projects is more than offset by other mitigations.

Closing the budgetary gap

14. At the IJB's meeting in October, members agreed the use of slippage to close the in year financial gap. Following this, and as discussed above, the Council's finance team reviewed the financial impact of Frank's law. This exercise identified that the costs had been higher than previously calculated and, as a result, slippage on the associated funding is no longer available to support the overall financial position. However this is more than offset by the unallocated demography funding (also referenced above). Taking these factors into account and the agreements made by the IJB in October leaves a small projected surplus of £0.6m. The overall position is summarised in table 3 and will clearly be closely monitored in the remaining months.

	£k
Operational position	2,144
Adjust for CEC budget gap	(9,691)
Balance to be funded	(7,547)
<i>IJB agreed actions</i>	
Partnership wide savings	3,076
Contribution from reserves	2,360
Slippage	2,684
Potential surplus	573

Table 3: balancing the IJB's financial plan for 2019/20

15. Previous reports to the IJB highlighted that, whilst the IJB was in overall financial balance, the Council retained a budget gap of £9.7m (as per table 3 above). Given that moderate assurance of in year balance has been received it is recommended that the IJB now agree to direct sufficient resource back to the Council to allow the delegated services they run to break even. As per appendix 2 this currently equates to £8.1m and it is proposed that a direction is issued later in the financial year in line with the final outturn.

20/21 budget setting

16. At the meeting in October 2019 the IJB received an update on the financial framework for 2020-2023, including a projected savings target of £35m for 2020/21. This gap is based on the current financial planning assumptions of our partners and, as instructed by the IJB, the Chief Officer has written to the Council's Head of Finance to express the IJB's concern about the potential impact of the Council's proposed settlement on the services the IJB is responsible for, and the sustainability of recent performance improvement were this to be the final position. No response has been received at the time of writing.

17. The upcoming general election has impacted on the planned timetable for budget setting with both the UK and Scottish budgets being postponed. This clearly impacts on the timetables for both our partners and, consequently, the IJB itself. Despite the uncertainty around the timescales, the Chief Officer and Chief Finance Officer continue to work with colleagues in the Council and NHS Lothian as their respective financial plans are developed.

Key risks

18. Like any year end projection, the IJB's relies on a number of assumptions and estimates each of which introduces a degree of risk. Of particular note are:
- (a) any financial impact of NHS Lothian's recovery programme;
 - (b) demand drives costs associated with external purchasing; and
 - (c) delivery of the savings and recovery programme in line with projections.

Financial implications

19. Outlined elsewhere in this report.

Implications for directions

20. There are no immediate implications for directions arising from this report. If the recommendation in this report is agreed, a direction will be issued to the Council to address the budget shortfall when the year end outturn is known.

Equalities implications

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

Sustainability implications

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

Involving people

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

Impact on plans of other parties

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

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Appendices

Appendix 1	Financial position to September 2019 and year end forecast for NHS delegated services
Appendix 2	Financial position to September 2019 and year end forecast for council delegated services
Appendix 3	Edinburgh IJB savings and recovery programme 2019/20 projected delivery
Appendix 4	Glossary of terms

**FINANCIAL POSITION TO OCTOBER 2019 AND YEAR END FORECAST FOR NHS
DELEGATED SERVICES**

	Annual budget £k	To October 2019			Forecast Variance £k
		Budget £k	Actual £k	Variance £k	
Core services					
Community Equipment	2,323	1,355	1,661	(306)	(525)
Community Hospitals	12,527	7,280	7,247	33	89
District Nursing	11,803	6,764	6,395	369	478
Geriatric Medicine	4,135	2,056	2,027	30	(0)
GMS	81,699	46,538	46,232	306	(110)
Mental Health	10,728	6,111	5,606	505	874
PC Management	43,807	27,318	27,457	(139)	(290)
PC Services	11,050	5,506	5,897	(390)	(104)
Pharmacy	1,684	903	903	0	0
Prescribing	79,342	45,134	45,833	(699)	128
Resource Transfer	23,737	16,318	16,315	3	3
Substance Misuse	2,999	1,728	1,793	(66)	(71)
Therapy Services	10,456	5,889	5,787	102	140
Other	2,076	1,161	1,098	63	185
Sub total core	298,364	174,061	174,252	(191)	797
Hosted services					
GMS	7,833	2,452	2,520	(68)	7
Hospices & Palliative Care	2,503	1,458	1,470	(11)	(0)
Learning Disabilities	7,947	4,292	4,583	(292)	(298)
LUCS	6,707	4,276	4,276	(0)	(0)
Mental Health	27,408	15,596	15,669	(73)	(229)
Oral Health Services	9,762	5,835	5,624	210	207
Psychology Services	4,288	2,535	2,599	(64)	(132)
Rehabilitation Medicine	3,529	1,975	1,786	189	426
Sexual Health	3,648	2,015	2,060	(46)	(108)
Substance Misuse	2,671	1,391	1,408	(17)	18
Therapy Services	7,375	4,158	3,985	173	293
UNPAC	3,743	1,427	1,163	264	681
Other	2,447	812	627	186	(135)
Sub total hosted	89,861	48,221	47,770	451	731
Set aside services					
Acute Management	2,697	1,450	1,538	(88)	(159)
Cardiology	4,758	2,761	2,776	(15)	(106)
ED & Minor Injuries	8,777	4,822	4,957	(135)	(457)
Gastroenterology	3,357	2,001	1,943	58	(109)
General Medicine	26,362	15,260	15,712	(451)	(537)
Geriatric Medicine	14,309	8,348	8,257	91	157
Junior Medical	14,659	8,574	8,772	(199)	(360)
Respiratory Medicine	5,683	3,296	3,467	(172)	(250)
Therapy Services	7,215	4,075	4,103	(28)	(119)
Other	6,466	1,993	1,913	80	991
Sub total set aside	94,283	52,580	53,439	(859)	(948)
Total	482,508	274,862	275,461	(599)	581

**FINANCIAL POSITION TO OCTOBER 2019 AND YEAR END FORECAST FOR
COUNCIL DELEGATED SERVICES**

	Annual budget £k	To October 2019			Forecast Variance £k
		Budget £k	Actual £k	Variance £k	
Internal services					
Assessment & care management	13,093	7,638	7,573	65	111
Care at home	24,530	14,309	14,422	(113)	(194)
Care and support	7,807	4,554	4,653	(98)	(169)
Day services	10,717	6,251	5,886	366	627
Direct payments	8,282	4,831	5,179	(348)	(597)
Equipment services	3,069	1,790	2,097	(306)	(525)
Management/strategy	7,678	4,479	4,450	28	48
Other services	2,836	1,654	1,708	(54)	(92)
Residential services	27,149	15,837	16,063	(226)	(388)
Therapy services	3,560	2,076	2,060	17	29
Pension costs	439	256	256	0	0
Unallocated demography	1,825	1,065	0	1,065	1,825
Sub total internal services	110,984	64,741	64,346	394	676
External services					
Assessment & care management	519	303	303	0	0
Care at home	29,869	17,424	17,357	67	115
Care and support	54,714	31,917	31,702	215	368
Day services	12,612	7,357	7,374	(18)	(30)
Direct payments/individual service funds	33,575	19,586	19,612	(27)	(45)
Other services	9,600	5,600	5,603	(3)	(5)
Residential services	68,014	39,675	39,542	133	228
Sub total external services	208,903	121,860	121,493	368	630
Income	(40,765)	(23,780)	(23,930)	150	257
Funding	(51,725)	(30,173)	(30,173)	0	0
Total delegated budget	227,397	132,648	131,736	912	1,563
Budget gap	(9,691)	(5,653)	0	(5,653)	(9,691)
Net ledger position	217,706	126,995	131,736	(4,741)	(8,128)

EDINBURGH IJB SAVINGS AND RECOVERY PROGRAMME 2019/20 PROJECTED DELIVERY

	Recurring £k	In year target £k	Year end forecast £k	Variance £k
Grip and control				
Transport efficiencies	500	500	0	(500)
Reduction in agency staffing expenditure	700	700	250	(450)
Budget control and efficiencies in ATEC 24	500	250	250	0
S2c GP practices	500	500	500	0
3 conversations/Edinburgh pact/redesign				
Homecare	1,000	500	500	0
Overnight homecare	500	250	0	(250)
Overnight support	500	250	250	0
Expansion of BeAble model of day care	200	92	92	0
Closure of Gylemuir House care home	3,000	2,250	2,976	726
Delivery design	700	350	0	(350)
Mental health and disabilities efficiencies	1,393	736	736	0
Community/hospital interface	500	375	100	(275)
Other				
Scheduling efficiencies in home care	250	125	0	(125)
Uplifts to rates	550	550	550	0
Efficiencies in hosted and set aside	1,473	1,890	3,343	1,453
Increases to charges	500	500	500	0
Prescribing	2,123	2,123	2,123	0
Mitigating offsets			1,325	1,325
Total	14,889	11,941	13,495	1,554

GLOSSARY OF TERMS

TERM	EXPLANATION
ASSESSMENT AND CARE MANAGEMENT	Predominantly social work, mental health and substance misuse teams
CARE AT HOME	Services provided to over 65s in their homes.
CARE AND SUPPORT DAY SERVICES	Services provided to under 65s in their homes.
DIRECT PAYMENTS	Services provided to clients in buildings owned by the Council or a third party.
EQUIPMENT SERVICES	Option 1 of self directed support where the client has chosen to be responsible for organising their care.
FREE PERSONAL/ NURSING CARE HOSTED SERVICES	Provision of equipment to clients, including community alarms and adaptations. Budget includes costs incurred on behalf of CEC Housing Services, NHS, East Lothian and Midlothian partners that are subsequently recovered.
INDIVIDUAL SERVICE FUNDS MANAGEMENT / STRATEGY	Personal and nursing care payments to providers for clients that are fully self funding.
OTHER SERVICES	Services which are operationally managed on a pan Lothian basis either through one of the 4 Health and Social Care Partnerships or Royal Edinburgh and Associated Services (REAS).
RESIDENTIAL SERVICES	Option 2 of self directed support where the client has chosen for a 3rd party (not the Council) to organise their care.
SET ASIDE SERVICES	Predominantly the costs of executive management team, locality management team, strategy team, contracts team and other service wide budgets.
THERAPY SERVICES	Mainly grants and block contract payments to organisations that provide more than one type of service. The internal element includes sheltered housing and supported accommodation.
UNALLOCATED DEMOGRAPHY UNPAC	Services provided to clients in care homes.
	Acute hospital based services managed on a pan Lothian basis by NHS Lothian
	Mainly occupational therapy teams.
	Demography budget that has been identified as currently not required in year.
	Services provided for Lothian residents out with Lothian.