

REPORT

Finance update

Edinburgh Integration Joint Board

4 February 2020

Executive Summary

The purpose of this report is to provide the Integration Joint Board with an update on the in year financial performance. Given the recent deterioration in financial performance the assurance level has been reduced from moderate to limited.

Recommendations

It is recommended that the Performance and Delivery Committee note:

1. the current year end forecast;
2. the work ongoing to address this; and
3. that the previous “moderate” level of assurance for a break even position has been reduced to “limited”.

Directions

Direction to City of Edinburgh Council, NHS Lothian or both organisations	No direction required	✓
	Issue a direction to City of Edinburgh Council	
	Issue a direction to NHS Lothian	
	Issue a direction to City of Edinburgh Council and NHS Lothian	

Report Circulation

1. The elements of this report which relate to the NHS Lothian financial position were considered by their Finance and Resources Committee on 22 January 2020. Similarly, for the City of Edinburgh Council (the Council) at its Finance and Resources Committee on 23 January 2020. A more detailed version of this report will be considered by the Performance and Delivery Committee on 31 January 2020. A verbal update on this discussion will be given to the Integration Joint Board (IJB).

Main Report

2. An update on financial performance is provided to each meeting of the IJB and, since its establishment, to the Performance and Delivery Committee. In December 2019 the IJB received moderate assurance of financial breakeven for 2019/20. The most recent financial monitoring information indicates deterioration in the position of both partners, hence the level of assurance has been reduced to limited.
3. 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

4. As members are aware, the IJB “directs” budgets back to our partner organisations, 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.

5. Table 1 below summarises the operational position for delegated services (incorporating the impact of the savings and recovery programme) based on the financial results to the end of December 2019. Further detail is included in appendices 1 (the Council) and 2 (NHS Lothian).

	Year end forecast £k	Previous forecast £k	Movement £k
NHS services			
Core	(837)	797	(1,634)
Hosted	1,198	731	467
Set aside	(814)	(948)	134
Subtotal NHS services	(452)	580	(1,032)
CEC services	43	1,563	(1,520)
Total	(409)	2,143	(2,552)

Table 1: IJB year end forecast 2020/21

6. This shows a significant deterioration in the year end forecast of c£2.5m. The 2 main factors are increased costs associated with prescribing (NHS) and the purchasing of residential and nursing services (Council).
7. The Council has just completed its period 9 monitoring report which focuses on the projected outturn for the year. This has highlighted an adverse swing in costs associated with residential and nursing provision. An exercise is underway to establish the drivers and the early indications are that these include: a number of high cost residential placements agreed in recent months; increased admissions to a number of care homes now accepting residents at national care home rates; and the impact of time lags between care being agreed and entered on the social care systems. Pending the conclusion of this piece of work it has been deemed prudent to offset the previously unallocated demography funding of £1.8m against this emerging pressure. As a result the Council's position has moved from the previous forecast of a £1.6m surplus to largely breakeven.
8. NHS Lothian has now published the financial results to the end of December and undertaken a quarter 3 review. Both these exercises highlight the underlying theme of pressures in set aside services offset by projected underspends in core and hosted

services. However, as with the Council position, we have seen a deterioration in the forecast driven by increases in prescribing costs. Previous forecasts were based on item growth remaining flat however we are now seeing growth in excess of 2.5%. This, coupled with volatility in the price per item, had led to a forecast overspend of £0.7m.

Savings and recovery programme

9. 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.
10. 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	13,395
Projected variance	1,454

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

11. 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. Further, any slippage in individual projects is more than offset by other mitigations.

Closing the budgetary gap

12. At the IJB's meeting in October, members agreed the use of slippage to close the in year financial gap. This was followed up in December by an agreement to direct

sufficient resource back to the Council to allow the delegated services they run to break even. At both meetings moderate assurance was given of a break even position.

13. However, the movements in the financial positions described above indicate an overspend of £2.0m by the end of the financial year as per table 3 below.

	£k
Operational position	(409)
Adjust for CEC budget gap	(9,691)
Balance to be funded	(10,100)
<i>IJB agreed actions</i>	
Partnership wide savings	3,076
Contribution from reserves	2,360
Slippage	2,684
Potential deficit	(1,980)

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

14. Given the limited time between now and the end of the financial year this position is of some concern. As well as the work outlined earlier in this paper to better understand the drivers of this movement, the Chief Officer and Chief Finance Officer are in close dialogue with colleagues in NHS Lothian and the Council to explore options. Through these discussions, NHS Lothian has indicated that flexibility in the overall position will allow them to cover the shortfall in NHS services of £0.5m, bringing the outstanding balance to £1.5m.

Implications for Edinburgh Integration Joint Board

Financial

15. Outlined elsewhere in this report.

Legal/risk implications

16. 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:
- any financial impact of NHS Lothian's recovery programme;
 - demand drives costs associated with external purchasing; and
 - delivery of the savings and recovery programme in line with projections.

Equality and integrated impact assessment

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

Environment and sustainability impacts

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

Quality of care

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

Consultation

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

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

	Annual budget £k	To December 2019			Forecast Variance £k
		Budget £k	Actual £k	Variance £k	
Internal services					
Assessment & care management	13,093	9,820	9,798	22	29
Care at home	24,530	18,397	18,460	(63)	(83)
Care and support	7,969	5,977	5,977	0	0
Day services	10,571	7,928	7,545	383	511
Equipment services	8,282	6,211	6,576	(365)	(486)
Management/strategy	3,291	2,468	2,310	159	212
Other services	6,589	4,942	4,891	50	67
Residential services	27,149	20,362	20,459	(98)	(130)
Strategy/contract/support services	2,836	2,127	2,213	(86)	(115)
Therapy services	3,420	2,565	2,577	(12)	(16)
Pension costs	439	329	329	0	0
Unallocated demography	0	0	0	0	0
Subtotal internal services	108,168	81,126	81,135	(9)	(12)
External services					
Assessment & care management	519	389	389	0	0
Care at home	29,869	22,402	22,151	251	335
Care and support	54,821	41,116	40,726	390	520
Day services	12,612	9,459	9,683	(224)	(299)
Direct payments/individual service funds	33,575	25,182	25,496	(314)	(419)
Other services	10,775	8,081	8,022	59	78
Residential services	69,733	52,300	52,193	106	141
Subtotal external services	211,903	158,927	158,660	267	357
Income	(40,870)	(30,653)	(30,427)	(226)	(301)
Funding	(51,725)	(38,794)	(38,794)	0	0
Total delegated budget	227,476	170,607	170,575	32	43
Budget gap	(9,691)	(7,268)	0	(7,268)	(9,691)
Net ledger position	217,785	163,339	170,575	(7,236)	(9,648)

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

	Annual budget £k	To December 2019			Forecast Variance £k
		Budget £k	Actual £k	Variance £k	
Core services					
Community Equipment	2,323	1,742	2,136	(394)	(525)
Community Hospitals	12,542	9,364	9,202	162	89
District Nursing	11,816	8,730	8,207	523	478
Geriatric Medicine	4,158	2,555	2,525	31	(0)
GMS	82,533	61,117	60,823	293	(110)
Mental Health	10,761	7,758	7,125	632	874
PC Management	44,793	31,389	31,480	(91)	(290)
PC Services	11,065	7,400	7,867	(467)	(804)
Pharmacy	1,684	1,184	1,233	(50)	0
Prescribing	79,858	58,798	59,277	(479)	(806)
Resource Transfer	23,674	16,318	16,315	3	3
Substance Misuse	2,999	2,236	2,307	(71)	(71)
Therapy Services	10,475	7,076	7,015	60	140
Other	2,076	1,464	1,352	112	185
Subtotal core	300,757	217,130	216,865	265	(837)
Hosted services					
GMS	7,242	3,773	3,786	(12)	7
Hospices & Palliative Care	2,503	1,912	1,921	(9)	(0)
Learning Disabilities	7,906	5,607	5,905	(297)	(316)
LUCS	6,850	5,345	5,345	0	(0)
Mental Health	27,479	20,082	20,315	(233)	(229)
Oral Health Services	9,906	7,497	7,295	203	207
Psychology Services	4,769	3,304	3,351	(47)	(132)
Rehabilitation Medicine	3,529	2,545	2,295	250	426
Sexual Health	3,653	2,610	2,653	(44)	(108)
Substance Misuse	2,706	1,926	1,898	29	18
Therapy Services	7,407	5,449	5,205	244	293
UNPAC	3,743	1,948	1,616	332	681
Other	1,899	813	704	109	350
Subtotal hosted	89,591	62,813	62,288	525	1,198
Set aside services					
Acute Management	2,843	1,850	2,009	(159)	(159)
Cardiology	4,757	3,557	3,612	(55)	(106)
ED & Minor Injuries	8,735	6,262	6,486	(224)	(457)
Gastroenterology	3,371	2,573	2,390	184	(109)
General Medicine	26,968	19,745	20,330	(584)	(445)
Geriatric Medicine	14,347	10,786	10,640	146	157
Junior Medical	14,774	11,065	11,259	(194)	(280)
Respiratory Medicine	5,729	4,283	4,468	(184)	(287)
Therapy Services	7,342	5,263	5,303	(40)	(119)
Other	6,335	3,905	3,773	132	991
Subtotal set aside	95,202	69,290	70,269	(979)	(814)
Total	485,551	349,233	349,423	(190)	(452)

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	0	(700)
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	0	(375)
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			1,575	1,575
Total	14,889	11,941	13,395	1,454

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	Services provided to under 65s in their homes.
DAY SERVICES	Services provided to clients in buildings owned by the Council or a third party.
DIRECT PAYMENTS	Option 1 of self directed support where the client has chosen to be responsible for organising their care.
EQUIPMENT 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.
FREE PERSONAL/ NURSING CARE	Personal and nursing care payments to providers for clients that are fully self funding.
HOSTED 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).
INDIVIDUAL SERVICE FUNDS	Option 2 of self directed support where the client has chosen for a 3rd party (not the Council) to organise their care.
MANAGEMENT / STRATEGY	Predominantly the costs of executive management team, locality management team, strategy team, contracts team and other service wide budgets.
OTHER 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.
RESIDENTIAL SERVICES	Services provided to clients in care homes.
SET ASIDE SERVICES	Acute hospital based services managed on a pan Lothian basis by NHS Lothian
THERAPY SERVICES	Mainly occupational therapy teams.
UNALLOCATED DEMOGRAPHY	Demography budget that has been identified as currently not required in year.
UNPAC	Services provided for Lothian residents out with Lothian.