

Report

Finance Update

Integration Joint Board

22 October 2019

Executive Summary

1. The purpose of this report is to provide the committee with an update on the in year financial position, including progress towards a balanced financial plan for 2019/20.

Recommendations

2. The Integration Joint Board is asked to:
 - a) Note that a version of this report was considered at the first meeting of the Performance and Delivery Committee;
 - b) Note the financial position for delegated services for the first 5 months of the year;
 - c) Agree the use of slippage to offset the in year position, as detailed in paragraph 18;
 - d) Note the potential to achieve a balanced financial position for the IJB for the year; and
 - e) Remit the Chief Officer and Chief Finance Officer to continue working with colleagues in the Council and NHS Lothian.

Background

3. The May meeting of the Board considered the financial plan for the year and approved a savings and recovery programme. It noted that the plan was not yet balanced and discussed the ongoing efforts to bridge the gap, including a proposal to use a combination of IJB reserves and monies related to centrally funded initiatives.
4. A briefing was circulated to members in August and this was followed by a development session in September which further updated members on the options to support a break even position as well as with progress with the savings and recovery programme.

5. This report builds on that work and demonstrates how a breakeven position could be achieved for 2019/20.

Main report

6. There are 3 elements to achieving a balanced financial position for 2019/20:
 - (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**.
7. These are discussed individually below.

Operational breakeven

8. 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. Many of which are delivered through the Partnership. Both these partner organisations have different approaches to financial reporting and this in turn impacts on the ability to produce aligned consolidated information for the IJB and work continues to address this.
9. The Council has just completed its period 5 monitoring report which focuses on the projected outturn for the year. As part of the production of this information, the Council’s finance team reviewed the allocation of the £8m demography provision built into the IJB’s financial plan. The quantification of pressures related to demography is not an exact science and, following discussion with the Chief Finance Officer, the funding has been applied against pressures where either volume increases are evident (for example the purchasing budget and transport) or costs relating to acuity are increasing (care homes). After these adjustments to budgets have been actioned, £2m of the original provision remains – this will offset the increased costs of school leavers transitioning to mainstream services which have not yet been reflected in the finance ledger. The team has also undertaken an exercise to determine the costs associated with the introduction of free personal care for the under 65s and this is estimated at £2.0m with a full year impact of £2.6m. Further detailed work will be undertaken to forecast the year end position based on review of the period 6 position.
10. NHS Lothian has been producing monthly financial reports since the beginning of the financial year and has just finalised the quarter 1 review which provided the first opportunity to quantify the year end position. In parallel, the actual results to the end of August were reported to the NHS Lothian Finance and Resources Committee on 25 September 2019. Whilst the overall year end forecast is a small overspend (£0.06m), pressures in set aside services are offset by projected underspends in hosted services. This is an improvement on the position reported to the end of August, with prescribing a particular outlier. This reflects an increase in chemist volumes in July and a consequent deterioration in the financial position.

The quarter 1 review took place before this information was available and the position will be carefully monitored in the coming months.

11. Also of note is the set aside position, which is forecast to be £1.1m overspent by the end of the year. 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). Work continues with colleagues in acute services to understand both the factors impacting the financial position and the offsetting mitigations.
12. Table 1 below summarises the operational position for delegated services, and also reflects the savings and recovery programme. Further detail is included in appendix 1:

	Year to date			Year end forecast
	Budget £k	Actual £k	Variance £k	£k
NHS services				
Core	121,496	121,729	(233)	80
Hosted	32,812	32,804	9	967
Set aside	36,643	37,456	(812)	(1,092)
Sub total NHS services	190,952	191,988	(1,036)	(44)
CEC services	94,823	94,823	0	(13)
Total	285,775	286,812	(1,036)	(57)

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

Savings and recovery programme

13. The board agreed a programme to delivery savings of £11.9m in year, 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.

14. 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 were 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	12,916
Projected variance	975

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

15. 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. Conversely only 2 schemes are currently projected not to deliver any savings in year – namely transport and scheduling in internal home care services.
16. The transport policy has been reviewed and the revised policy is now being implemented, ensuring there is sufficient operational grip and control. Staff transport options and packages of care which include a transport element are being reviewed as part of this work. Despite this there appears to be little evidence of reduced costs in this area and we are working closely with the project lead for transport and colleagues from finance to understand the extent to which new pressures are offsetting the impact of these efforts. The business case for scheduling software for homecare staff is being finalised in consultation with CGI and will be presented to the Savings Governance Board in October. A conservative estimate of deliverable in year savings has been made for these 2 projects.

Closing the budgetary gap

17. We started the year with a budget gap (i.e. difference between expected income from partners and the estimated cost of delegated services) of £21.5m. This figure assumed the release of the £2.5m of funding provided in the Council's priorities fund. This opening gap will be mitigated by the savings and delivery programme discussed above and a £2.4m non recurring contribution from reserves agreed at the June meeting, leaving an outstanding gap of £7.15m for the IJB to address by the end of the financial year.
18. This has now been further updated as additional information is available. Consequently the gap has reduced by £3.2m to £3.9m, through a combination of the NHS Lothian financial position following the quarter 1 review and the increased delivery via the savings and recovery programme.
19. At the August development session, the board was presented with an option to close this budgetary gap. This involved using slippage on funding set aside for specific initiatives: for example community support; the implementation of the carers act and free personal care for the under 65s. Applying this funding in this way and on a one off basis in no way deflects from the Board's strategic intent but recognises that planning in these areas has taken longer than originally

anticipated. It should also be noted that everyone in Edinburgh who is entitled to free personal care is currently in receipt of this, and that the costs will increase in future years, in line with Government estimates and expectations.

20. Taking these measures into account leaves a small residual gap of £0.3m which will be identified between now and the year end. The overall position is summarised in table 3:

	Previously reported	Current position	Change
	£k	£k	£k
Indicative savings target	23,951	21,739	2,212
CEC provision	(2,500)	(2,500)	0
Savings target	21,451	19,239	2,212
Savings and recovery programme	(11,941)	(12,916)	975
Contribution from IJB reserves	(2,360)	(2,360)	0
Projected balance to be delivered	7,150	3,962	3,188
Potential additional actions to achieve balance			
Slippage		(3,684)	3,684
Balance to be identified		(278)	278
Remaining balance	7,150	0	7,150

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

21. This in year position relies heavily on the use of one off measures and, whilst the agreed savings programme will "step up" in 2020/21, this will not fully bridge the gap. The Chief Officer, supported by the management team and other key stakeholders, has initiated work on the financial plan (including savings and recovery) for 2020/21 onwards.

Impact on our partners

22. Whilst these projections show that the IJB overall can reach a break even position, the impact on our partners has yet to be determined. Although one of the key tenets of integration is that money should "lose its identity", as integration matures it becomes increasingly difficult to differentiate between "council money" and "NHS money". This distinction, however, is important for our partners in the Council and NHS Lothian as both organisations have their own financial targets to meet. This point is particularly germane when deciding how any partnership wide savings (eg Gylemuir) and IJB reserves are directed back to the partners. As things stand, NHS Lothian is reporting a break even position although the Council has a material (£9.7m) deficit in its budget due to health and social care. This is entirely a factor of how income, costs and savings are reflected in the 2 financial ledgers and can be represented by the budget savings which are not directly attributable to either partner, as summarised in table 4 below:

	£k
Partnership wide savings	3,426
Contribution from IJB reserves	2,360
Slippage	3,684
Balance to achieve break even	278
Net of: NHSL overspend	(44)
	9,704

Table 4: unattributed budget savings

23. To support delivery of a balance position for the Council, the IJB would have to direct the entirety of these funds back to the Council. This position assumes no change in the underlying forecasts, the risks to which are outlined below. It is therefore recommended that this is a decision which has to be taken in the context of any changes in the respective Council and NHS Lothian forecasts and the proposed IJB budget settlements for 2020/21. This will continue to be progressed by the Chief Officer, supported by the Chief Finance Officer, and reported back to the board later in the year.

Key risks

24. 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) GP prescribing costs which increased in August;
 - (c) demand drives costs associated with external purchasing; and
 - (d) delivery of the savings and recovery programme in line with projections.

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	Financial position to August 2019 and year end forecast for NHS delegated services
Appendix 2	Financial position to August 2019 and year end forecast for Council delegated services
Appendix 3	Edinburgh IJB savings and recovery programme 2019/20 projected delivery

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

	Annual budget £k	To August 2019			Forecast Variance £k
		Budget £k	Actual £k	Variance £k	
Core services					
Community Equipment	2,323	968	1,187	(219)	(525)
Community Hospitals	12,490	5,184	5,159	25	(81)
District Nursing	11,818	4,836	4,536	299	403
GMS	79,889	30,823	30,605	218	(110)
Mental Health	11,725	4,762	4,013	750	1,116
PC Management	41,780	18,830	18,969	(139)	(140)
PC Services	11,039	3,945	4,293	(348)	(370)
Prescribing	79,342	32,581	33,454	(873)	228
Resource Transfer	23,819	10,753	10,751	2	3
Substance Misuse	2,922	1,217	1,261	(44)	(11)
Therapy Services	10,519	4,673	4,589	84	82
Other	7,846	2,923	2,911	12	(515)
Sub total core	295,510	121,496	121,729	(233)	80
Hosted services					
GMS	3,466	1,161	1,194	(33)	7
Hospices & Palliative Care	2,367	985	993	(8)	(0)
Learning Disabilities	7,808	2,943	3,268	(325)	(315)
LUCS	6,774	3,090	3,090	0	(0)
Mental Health	26,209	10,388	10,806	(418)	(610)
Oral Health Services	9,683	4,103	3,929	174	207
Psychology Services	4,301	1,797	1,847	(50)	(64)
Rehabilitation Medicine	3,514	1,369	1,238	131	372
Sexual Health	3,570	1,440	1,447	(7)	(108)
Substance Misuse	2,616	1,023	1,035	(13)	18
Therapy Services	7,279	2,911	2,795	116	276
UNPAC	3,743	1,049	830	219	624
Other	2,506	555	332	223	560
Sub total hosted	83,836	32,812	32,804	9	967
Set aside services					
Acute Management	2,844	1,033	1,092	(59)	(159)
Cardiology	4,726	1,951	1,951	0	(106)
ED & Minor Injuries	8,701	3,421	3,475	(55)	(449)
Gastroenterology	3,189	1,329	1,324	6	(166)
General Medicine	26,377	11,002	11,267	(265)	(537)
Geriatric Medicine	14,240	5,950	5,826	124	157
Junior Medical	14,151	5,916	6,156	(239)	(298)
Respiratory Medicine	5,538	2,288	2,403	(115)	(250)
Therapy Services	7,240	2,861	2,900	(39)	(119)
Other	6,791	891	1,062	(170)	835
Sub total set aside	93,798	36,643	37,456	(812)	(1,092)
Non cash limited				0	
Total	473,145	190,952	191,988	(1,036)	(44)

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

	Annual budget £k	To August 2019			Forecast Variance £k
		Budget £k	Actual £k	Variance £k	
Employee costs					
Council paid employees	87,690	36,538	36,314	224	537
Non pay costs					
Premises	746	311	308	3	7
Transport	3,583	1,493	1,533	(40)	(95)
Supplies & services	8,452	3,522	3,465	57	136
Third party payments	221,964	92,485	92,543	(58)	(138)
Transfer payments	253	105	105	0	0
Council priorities fund	0	0	0	0	0
Sub total	234,998	97,916	97,953	(37)	(90)
Gross expenditure	322,688	134,453	134,267	186	447
Income	(95,112)	(39,630)	(39,438)	(192)	(460)
Total	227,576	94,823	94,829	(5)	(13)
Budget gap	(9,691)	(4,038)	0	(4,038)	(9,691)
Net ledger position	217,885	90,785	94,829	(4,043)	(9,704)

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	500	0
Reduction in agency staffing expenditure	700	700	700	0
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	250	0
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	350	0
Mental health and disabilities efficiencies	1,393	736	736	0
Community/hospital interface	500	375	100	(275)
Other				
Scheduling efficiencies in internal home care	250	125	0	(125)
Uplifts to rates	550	550	550	0
Efficiencies in hosted and set aside services	1,473	1,890	2,469	579
Increases to charges	500	500	500	0
Prescribing	2,123	2,123	2,123	0
Mitigating offsets			70	70
Total	14,889	11,941	12,916	975