



**REPORT TO:** East Lothian Integration Joint Board

**MEETING DATE:** 27 September 2018

**BY:** Chief Finance Officer

**SUBJECT:** Financial Position 2018/19 and Financial Plan

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## **1 PURPOSE**

- 1.1 This report further updates the IJB on its current financial position in 2018/19, considers the projected year end out-turn and describes the continuing work on the IJB's three year financial plan.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is asked to:
- i. Note the current financial position
  - ii. Support the actions laid out below to work to-towards a break-even position in 2018/19
  - iii. Support the further work on the three year financial plan

## **3 BACKGROUND**

- 3.1 At its meeting in August 2018, the IJB received an update on its in year (2018/19) financial projection. At month 3 (June) using the AWB position as a proxy for the IJB's social care services, the paper presented a year to date (to month 3) underspend of c. £96,000 in the IJB's health 'arm' with an overspend of c. £344,000 within the IJB's social care services.
- 3.2 The August paper further reflected that the social care position was unlikely to improve, and whilst more detailed forecasts are still being developed, initial estimates suggest the Council delegated functions will not operate within approved budgets. Further work was underway by NHS Lothian to review their Q1 forecast out-turn position. The paper also considered the provisions within the Integration Scheme regarding projected overspends. To summarise:-

- The partners prepare a recovery plan – *that not being considered to be successful*
  - The IJB prepares a recovery plan – *that not be considered to be successful*
  - In the event that there is an underspend in one ‘arm’ of the IJB’s budget and an overspend in the other, the IJB may move resources from one ‘arm’ to the other. That requires the support of the underspent partner. *That not being considered to be successful*
  - That additional resources are made available by the partner(s).
- 3.3 NHS Lothian have now reported their Q1 forecast to their Finance and Resources committee. This shows – based on the current information – a projected underspend within the health budget of the IJB in 2018/19. That said, there is a clear risk around the GP prescribing budget wherein the current position is underspent which is a considerable improvement on the opening financial plan. However previous experience has suggested that the GP prescribing position can move significantly in a relatively short period of time. There are also pressures within Set Aside and the mental health services with REAS and there may be a financial impact from the coming winter depending on how severe it is.
- 3.4 As was discussed above, the social care position is not expected to improve and although the management team is working on a recovery plan the position remains at ‘high risk’ of an overspend.
- 3.5 The August IJB paper concluded with a list of actions which would both further inform the IJB and the partnership management team of the underlying cause of the financial pressures and provide valuable baseline information for the IJB’s own financial planning processes.
- 3.6 This work has continued and is now reaching completion. A detailed analysis of both the social care activity and the budgets and spend associated with that activity is currently being reviewed.
- 3.7 In principle a financial pressure can be driven by three main causes:-
- Activity greater than the budgeted capacity
  - The cost of each item of activity greater than the budget cost
  - The service delivery model (which is clearly a key determinate of the unit cost) being inefficient in that it does not properly manage the use of the resources (activity) or the costs of delivery

The work described at the end of the August paper will address the first two bullet points above but the third bullet point is part of the IJB’s transformation agenda. With the benefit of three years of experience and knowledge, it is possible that there are further elements of service delivery redesign that the IJB now has to address and this will be tackled as part of the overall revision of the IJB’s Strategic Plan.

## **Resolution to the 2018/19 projected financial pressure**

- 3.8 East Lothian Council have already indicated that there is unlikely to be any additional resources available in the current financial year above those currently identified in their overall budgets and therefore those that have been allocated to the IJB. That said, it is equally clear that there is a financial pressure in the IJB's 18/19 budgets and that the IJB now needs to address this. The following steps are now proposed:-
- 3.8.1 East Lothian Council will be asked for an indicative projected out-turn position for the social care services delegated to the IJB for 2018/19. This will allow the starting point for a recovery plan to be developed.
- 3.8.2 The Partnership will be asked to indicate what recovery actions they are planning – these require to be agreed and supported by the IJB – and the potential impact on the financial projection
- 3.8.3 The IJB must then consider if it wishes to direct any further recovery actions in year.
- 3.8.4 The IJB will approach NHS Lothian, having indicated a potential underspend in the health services delegated to the IJB, and discuss if these resource can be made available to the IJB to underpin its overall financial position. This action was undertaken at the end of 2017/18 albeit this was agreed after the end of the financial year.

This would be a tri-partite recovery plan and it is proposed that the further development of this recovery plan be brought back to the IJB at its October meeting.

## **Reflection of the proposed revised health IJB budget setting model**

- 3.9 As has been previously discussed NHS Lothian is proposing a revised IJB Health Budget setting and charging model. A paper laying this out was presented to the NHSiL Finance and Resources committee at its November meeting and a copy of that paper was presented to the IJB at its February 2018 meeting. Simply this model proposes an overall IJB budget based on the IJB's NRAC share of the total delegated resources and then the IJB is charged for its actual use of the delegated resources. Early indications are that this model will advantage the IJB and this should provide additional resources to the IJB which can support any residual pressures within its system. There will be a period of transition from the old model to the new model in order to manage any issues of financial turbulence and a further report will be brought back to the IJB as further, more detailed, propositions are available from NHSiL.

## **Financial Plan**

- 3.10 Of course, the recurrent solution is to have a clear financial plan which is designed to deliver a sustainable financial position. The IJB's outline financial strategy was agreed at the IJB's meeting of February 2018. This is based on the overall principle that the IJB will take the totality of the resources available to it and use those resources to deliver the outcomes required by the Strategic Plan.

The key themes underpinning the financial strategy are:-

- Prioritising the Allocation of Resources
  - Making more efficient use of resources
  - A move from failure demand to prevention
  - A move from hospital care or care homes to community based services
  - A move to improved quality and access
  - A move from working in silos to team working
  - A move from reactive to anticipatory care planning
- 3.11 The IJB identified the continued development of a multi-year financial plan as a one of its priorities (as described in the report presented to the IJB at its February meeting) and this work has been progressed. The identification of baselines and the underlying capacity of its current services – as described above – being invaluable preparatory work for the delivery of the plan.

## **4 ENGAGEMENT**

- 4.1 The IJB holds its meetings in public and makes its papers and report available on the internet.

## **5 POLICY IMPLICATIONS**

- 5.1 There are no new policies arising from this paper.

## **6 INTEGRATED IMPACT ASSESSMENT**

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

## **7 RESOURCE IMPLICATIONS**

- 7.1 Financial – discussed above
- 7.2 Personnel – none

7.3 Other – none

## 8 BACKGROUND PAPERS

8.1 IJB's financial strategy and out-line financial plan – February 2018 IJB meeting.

8.2 Financial Update – August 2018 IJB meeting.

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