

Title/Subject: Integration Joint Board Financial Report and Budget Recovery Plan Update

Meeting: Integration Joint Board

Date: 5 August 2016

Submitted By: Chief Finance Officer

Action: Decision

1. INTRODUCTION

- 1.1 The purpose of this report is to provide the IJB with an overview of the financial position of the Health and Social Care Partnership. This report has been prepared based on information supplied by the finance teams within Falkirk Council and NHS Forth Valley and on the basis of financial reporting arrangements and format agreed through the Finance Workstream.
- 1.2 The structure and format of financial reports will be the subject of ongoing review in light of evolving experience and feedback and development of financial reporting systems and arrangements to support the requirements of IJBs. The IJB will normally receive a financial report at each meeting from this point forward.

2. RECOMMENDATIONS

- 2.1 The Integration Joint Board is asked to
- 2.1.1 Note the financial position for the period ended 30 June 2016
- 2.1.2 Note the current projected overspend of £1.288m for the year to 31 March 2017
- 2.1.3 Approve, subject to all efforts continuing to deliver savings programmes, manage cost pressures and deliver services within resources available, meeting the projected overspend from a combination of the balances of Delayed Discharge, Integrated Care and Integration Funding as follows
- Estimated Costs of Falkirk Community Hospital Ward 5 from utilising £0.378m of Delayed Discharges Funding and £0.014m of the Integrated Care Fund
 - Projected Net Overspend on Adult Social Care Services of £0.896m from the Integration Fund

2.2 Allocate a sum of £0.086m from the Integrated Care Fund to expedite the appointment of a Project Manager post for a fixed term March 2018 to support the development of the West Locality Pilot and the wider development of Locality Models

2.3 Note the Post Diligence issue in relation to Community Hospitals detailed in Section 8 of this report.

3. BACKGROUND

3.1 The IJB agreed the initial budget for the Partnership for 2016/17, at its meeting of 24 March 2016 as £200.078m.

3.2 The IJB approved the Recovery plan for to address the projected overspend in Adult Social Care Budgets at the meeting of 3 June 2016.

4. FINANCIAL REPORT FOR PERIOD TO 30 JUNE 2016

Summary of Financial Position

4.1 The summary financial position relating to IJB budgets for the period ended 30 June 2016 is a net overspend of £0.855m consisting of

- A £0.274m year to date overspend on budgets delegated to Falkirk Council
- A £0.581m year to date overspend on budgets delegated to NHS Forth Valley consisting of, £0.090m overspend on the Operational Management budget and a £0.491m overspend on the budget relating to Universal Health Services.

4.2 Based on financial performance to date, known issues which will affect the financial position over the remainder of the year and anticipated impact of measures to deliver savings and efficiency programmes an overspend of £1.288m is projected. This report recommends the proposed approach to address this overspend in the current financial year whilst linking

The key elements of this projected overspend are:

- The projected net overspend, after accounting for the further £1m support from the Integration Fund as agreed at the IJB meeting of 3 June 2015, on In-Scope Local Authority Budgets of £0.896m as detailed in Appendix I
- The costs of Falkirk Community Hospital Ward 5 being open from April to approximately mid-August at an estimated cost of £0.392m

Changes to Partnership Budget

- 4.3 The initial budget agreed by the IJB in March 2016 totalled £200.078m. This consisted of a payment from Falkirk Council totalling £61.466m, Side Aside Budget from NHS Forth Valley for Large Hospital Services of £24.155m, a payment from NHS Forth Valley totalling £106.444m and Partnership Funding Streams totalling £8.013m.

Changes to these initial budgets/payments are detailed in the tables below. These remain subject to revision in line with the provisions within the integration scheme relating to first year budgets.

Table 1

Change in Payment from Falkirk Council

	£m
Per Initial Budget	61.466
Garden Aid Budget	0.489
Correction to Initial Payment Amount	(0.028)
Revised Payment at 30 June	<u>61.926</u>

The budget for the garden aid scheme has been added following a decision by the council not to proceed with a proposal to make a savings by ending this services, to restrict the availability of the service for new applicants to those in receipt of community care service and to restrict the availability of the service for new applicants to those in receipt of a community care service and to review the criteria for access to the scheme to ensure that it is targeted at those in most need.

Table 2

Change in Set Aside and Payment from NHS Forth Valley

	£m
Opening Budget	130.599
Adjustment to Pays and National Insurance Uplifts	0.306
Other Budget Adjustments and Allocations	5.136
Revised Payment at 30 June 2016	<u>136.040</u>

The detail of the other budget adjustments and allocations has been shared with the Chief Officer and IJB Chief Finance Officer. This includes the allocation of various elements of non-recurrent Scottish Government funding relating to in-scope services.

In the first quarter of the year the adjustments are high in volume and the IJB Chief Finance Officer is working with the NHS Forth Valley Finance Team to agree an appropriate way to summarise these as part of development of

financial control processes. Further details will be provided within the finance report to the October 2016 IJB meeting to ensure an appropriate level of detail is provided to the IJB.

Current Position

- 4.4 There are a number of budget pressures some of which are a continuation of overspends in previous years and some which related to emergent financial pressures in year and delivery of savings and efficiency programmes.
- 4.5 The Chief Officer Report on the agenda outlined a strategic whole system approach including developing a comprehensive Frailty pathway, Discharge to Assess and intermediate care model to improve outcomes. This is evidenced based and should address the underlying issues to:
- Reduce admissions
 - Reduce length of stay in hospital
 - Reduce delays in discharge
 - Reduce care home placements
 - Improve outcomes

The most significant areas of pressure are:

4.5.1 Within the budgets delegated to Falkirk Council:

- Demand for Care at Home Packages. The number of hours supplied in the first quarter has increased by 7% on a year on year basis. The current projected overspend in this area is £2.787m however should current trends continue there is a risk that this may increase by a further £0.400m
- Demand for and costs of Residential and Nursing Home Care which are currently projected to overspend by £0.926m
- Costs of Care Packages in Transition from Children's to Adult Services. £0.320m is included within the projections for these however there is a risk that additional cases in transition will further increase this cost by up to £0.400m
- Net savings unlikely to be achieved in year totalling £0.270m

4.5.2 Within the budgets delegated to NHS Forth Valley

- The Operational element of the budget is reporting an overspend position of £0.090m for the first quarter. There are a range of over and underspends within this area including the significant financial risks relating to the costs of joint funded complex care packages and delivery of recurrent cash releasing savings.

A key driver of the projected overspend relates to Community Hospitals and, in particular the cost of keeping the winter contingency bed capacity open post April at Falkirk Community Hospital Ward 5 due to demand. In scope costs for the IJB relating to this ward total £0.087m per month and it is currently envisaged the ward will close around mid-August 2016 before reopening, as part of planned winter capacity arrangements in November 2016. In 2015/16 Delayed Discharge funding contributed £0.236m to the cost of the ward with an equivalent amount contributing towards care home purchasing.

- The Universal and Family Health Services element of the budget is reporting an overspend of £0.491m for the first quarter due to phasing of savings plan delivery and anticipated volume increase on prescribing. Due to a two month time lag actual prescribing data the current position is based on actual data for April and estimates for May and June.
- Overall NHS Forth Valley are projecting that a balanced financial position for the year is achievable subject to agreeing a funding solution for the costs relating to Falkirk Community Hospital Ward 5 from April to mid-August. This is, however, dependent on continued efforts to reduce costs, realise cash releasing efficiency savings and manage significant areas of financial risk around complex care packages, prescribing and staffing costs.

Detailed financial summaries of the in-scope Falkirk Council and NHS Forth Valley budgets are attached at Appendix I and II to this report.

5. BUDGET RECOVERY PLAN AND SAVINGS PROGRAMME UPDATES

- 5.1 The report on the budget recovery plan presented to the IJB on 3 June 2016 detailed the high or red risk areas in relation to savings delivery across IJB functions which totalled £1.230m. This is against a quantum of savings programmes for 2016/17 totalling £4.5m.

The risk of the savings delivery programmes have been re-assessed in preparing this report and the high or red risks areas are detailed in Table 3 below.

Table 3

COMBINED RED RISKS ON SAVINGS DELIVERY RELATING TO IJB BUDGET FOR 2016/17	
	£m
Eligibility Criteria (Net of of £0.2m saving per Section 5.2)	0.300
Oakbank and Summerford	0.070
Shopping Service	0.020
Offset: Over Delivery of Asset Savings	-0.120
Mental Health Inpatients : Female Low Secure Patients	0.112
Learning Disability Inpatients	0.140
NHS Board: Original Savings Proposal Not Now Progressing	0.331
TOTAL	0.853

Updates on various elements of these savings programmes are provided below.

5.2 Eligibility Criteria

Work is continuing around the re-profiling the existing eligibility criteria for adult social care. It is expected that that the re-profiled eligibility framework in conjunction with the introduction of a resource allocation system will realise a range of benefits. The resource allocation system will ensure that provision of funded support/individual budgets will be uniquely tailored to the outcomes of each individual whilst taking account of their particular needs and circumstances. This will link to the Change programme as proposed in the Chief Officer report.

Whilst taking account of risk factors, the provision of support will focus on reablement and capacity for independence within its widest context. It is expected that efficiencies will be achieved as the barriers of the operational procedure linked to current eligibility criteria are replaced with a more personalised system. The system will focus on priority need ensuring that finite resources are targeted specifically at those assessed as most vulnerable and in need.

It is anticipated that this work is completed with approval for implementation prior to the commencement of financial year 17/18. The current position remains that we do not anticipate the savings of £0.5m being realised within financial year 16/17. However, efforts are being made to expedite this process and earlier implementation will increase the probability of a percentage of this amount being attained. Some mitigation to this position is the work being taken forward in the review of current care support packages. It is expected that this work will realise a saving in the region of £0.2m within this financial year.

Officers are currently developing an eligibility framework, which will require consultation. A report will be presented to the next meeting of the IJB which will include an implementation plan.

5.3 Alcohol and Drug Partnership

Formal correspondence has been received from the Scottish Government of the 2016/17 financial allocation to support Alcohol and Drug Partnerships (ADP). Following the change in government policy, responsibility for drug misuse passed from Justice to Health, the allocation in 2016/17 is a combined amount for drug and alcohol purposes. The correspondence details an allocation of £2.654m, which represents a 21% reduction compared to combined resources received in 2015/16. The Cabinet Secretary has stated that there is a clear expectation that existing services, resources and outcomes are maintained at 2015/16 into 2016/17.

The NHS Forth Valley financial plan made provision to fund the 21% gap in 2016/17, but that the service will be subject to a 6% cash savings requirement, consistent with all other services. Plans to meet the 6% cash savings target are in place, and discussions continue with Criminal Justice and wider Local Authorities on funding and resource contributions for Alcohol and Drug Partnerships.

5.4 Learning Disability Inpatients

A case for change has been developed further relating to this issue and the implication will be discussed at the next meeting of the Leadership Group to fully understand the implications across the IJB budget. The case for change is predicated on a reduction in inpatient bed capacity at Lochview and with a share of the resultant savings being reinvested in alternative models of treatment and support. The IJB is not being asked to take a decision on this issue at this point in time and a further update will be provided in due course.

5.5 Mental Health Inpatients – Female Low Secure Patients

A case for change has been developed based on the Forth Valley having under occupancy in Trystview ward at Bellsdyke, a service gap for low secure female patients and high 'out of area' spend on low secure female patients, who tend to have protracted lengths of stay. This proposal aims to repatriate these 'out of area' patients, by utilising some of the savings, to develop and run a new low secure 6 bedded unit in Trystview, whilst still delivering a net reduction in costs.

This change will require recruitment and a degree of capital investment and therefore has a lead-in time. The implications for the IJB will be discussed at the next meeting of the Leadership Group. The IJB is not being asked to take a decision on this issue at this point in time and a further update will be provided in due course.

6. INTEGRATION FUND

- 6.1 As previously reported the Integration Fund was allocated to partnerships within the 2016/17 budget settlement as a share of £250m nationally to support cost and demand pressures in Social Care including the impact of implementing the Living Wage from 1 October 2016.
- 6.2 The Falkirk Partnerships share of this funding totals £7.070m and the commitments against it, including the £1m allocated to support the budget recovery plan and the requirement to draw on this funding to meet the projected overspend in Adult Social Care per this report is illustrated in Table 4 below.

Table 4

Integration Fund

	£m
Falkirk Partnership Allocation	7.070
Commitments	
Living Wage From 1 Oct 2016 & Other Cost Pressures	3.540
Assumption per IJB Initial Budget Setting	1.000
Allocation per 16/17 Budget Recovery Plan	1.000
Balance Remaining at June IJB Meeting	1.530
Requirement to Meet Projected Overspend in Adult Social Care	0.896
Net Balance Remaining	0.634

As previously highlighted, the full year cost of implementing the Living Wage will be a significant financial pressure in 2017/18 if not fully resourced by Scottish Government. Based on the preferred option detailed in the Living Wage report to be presented to the IJB on 5 August 2016 this risk would amount to a further £3.2m at 2016/17 prices plus any further impact of inflation.

7. PARTNERSHIP FUNDING

- 7.1 This report is supplemented by a separate report on Partnership Funding streams covering the Integrated Care Fund, Delayed Discharge Funding and Bridging. Nil variance is reported against Partnership Funding streams for the period.
- 7.2 In addition to the content of the Partnership Funding report, and further to discussions with the Chair and Vice Chair of the IJB, there is an urgent need to expedite the appointment of a Project Manager post to take forward the work of the West Locality pilot and the wider development of locality models. The IJB is therefore asked to approve the funding of this post from the Integrated

Care Fund without a specific recommendation from the Strategic Planning Group. The estimated cost of this post, subject to job evaluation is in the region of £0.065m per annum with estimated costs of £0.021m in 2016/17 and £0.065m in 2017/18.

8. POST DUE DILIGENCE ISSUE – COMMUNITY HOSPITALS

- 8.1 Through discussions which have taken place via the Finance Workstream concerns have been raised as to the treatment of the budgets relating to Community Hospitals when moved from the set-aside to operational element of the budgets delegated to the Integration Joint Boards.

In order to address any gaps in governance it was agreed with the Finance Workstream and Chief Officers to highlight the issue within the first financial reports. Discussions will continue to identify possible resolutions to the issue and a report will be brought to the October IJB meeting. The Finance Workstream will continue to meet during 2016/17 to monitor financial issues arising in the first year of IJB operation.

9. OTHER FINANCIAL GOVERNANCE RELATED ISSUES

9.1 Value Added Tax (VAT) and IJBs

A meeting between HMRC, Scottish Government, Ernst and Young (Scottish Governments VAT advisers on issues relating to integration) and some IJB Chief Finance Officers took place on 21 June 2016 and an update was provided from Scottish Government on 30 June 2016 which is in line with current understanding and VAT treatment.

The main subject of the meeting was VAT treatment in relation to IJB support services and a final opinion on the matter is awaited from HMRC. Once this is received further VAT guidance will be issued from Scottish Government.

10. CONCLUSIONS

- 10.1 This financial report illustrates a challenging and difficult financial climate and financial position for the IJB. The direction of travel set out in the Chief Officers report illustrates the way forward for service delivery in line with the priorities set out in the Strategic Plan. Such change, however, takes time and comes with a significant degree of financial risk.
- 10.2 Meanwhile efforts must continue across all in-scope services to manage cost pressures, deliver savings programmes and deliver services within resources available. Significant effort and management attention is required to ensure the financial position does not deteriorate further in the coming months.

- 10.3 A degree of pragmatism is, however, required particularly in the early stages of the IJBs evolution and this was recognised in the development of the Integration Scheme.

It is therefore proposed that the current level of projected overspend is met in-year from the balance of Delayed Discharge funding available (£0.378m) and Integrated Care Fund (£0.014m) in relation to the costs of Falkirk Community Hospital Ward 5 from April to mid-August and the balance of the integration fund in relation to the projected overspend in Adult Social Care Services (£0.896m).

Resource Implications

As detailed within the body of the report.

Impact on IJB Outcomes and Priorities

The financial resources detailed in this report reflect the resources available to support the delivery of the strategic plan,

Legal & Risk Implications

Financial Risks are detailed within the body of the report

Consultation

The IJB Chief Officer, Chief Finance Officer of Falkirk Council and Director of Finance of NHS Forth Valley have been consulted on the content of this report.

Equalities Assessment

None arising.

Approved for Submission by: Patricia Cassidy, Chief Officer

Author – Ewan C. Murray, Chief Finance Officer

Date: 29 July 2016

List of Background Papers: The papers that may be referred to within the report or previous papers on the same or related subjects.

24 March 2016 Integration Joint Board Budget

3 June 2016 Budget Recovery Plan

APPENDIX I

FALKIRK H&SC PARTNERSHIP FINANCIAL POSITION FOR PERIOD TO 30 JUNE 2016

LOCAL AUTHORITY BUDGETS	ANNUAL BUDGET			£m	YTD ACTUALS		FORECAST FOR FINANCIAL YEAR	
	£m	£m	£m		£m	£m	£m	£m
	INITIAL ANNUAL BUDGET	BUDGET ADJUSTMENTS	REVISED ANNUAL BUDGET	YEAR TO DATE BUDGET	YEAR TO DATE EXPENDITURE	YEAR TO DATE VARIANCE	FORECAST EXPENDITURE	FORECAST VARIANCE (OVER) / UNDERSPEND
Older People	3.025	(0.146)	2.879	0.720	0.709	0.011	2.835	0.044
Mental Health	0.598	(0.011)	0.587	0.147	0.117	0.030	0.467	0.120
Learning Disability	0.298	(0.014)	0.284	0.071	0.070	0.001	0.279	0.005
Physical Disability	0.639	(0.031)	0.608	0.152	0.150	0.002	0.599	0.009
Adult Support and Protection	0.209	0.003	0.212	0.053	0.033	0.020	0.132	0.080
Carers	0.208	0.000	0.208	0.052	0.049	0.003	0.197	0.011
Care at Home	21.264	0.276	21.540	5.385	6.082	(0.697)	24.327	(2.787)
Residential Care	18.871	0.011	18.882	4.721	4.952	(0.232)	19.808	(0.926)
Respite Care	1.268	0.041	1.309	0.327	0.254	0.074	1.014	0.295
Day Care/ Services: PD,LD,OP,MH	3.710	0.037	3.747	0.937	0.792	0.145	3.167	0.580
MECS/Telecare/Telehealth	0.439	0.043	0.482	0.121	0.104	0.017	0.416	0.066
Housing with Care/Sheltered Accommodation	6.836	(0.231)	6.605	1.651	1.624	0.027	6.497	0.108
Shopping Service	0.012	0.001	0.013	0.003	0.012	(0.009)	0.048	(0.035)
Equipment and Adaptations	0.415	0.000	0.415	0.104	0.103	0.001	0.410	0.005
Advocacy	0.096	0.000	0.096	0.024	0.024	0.000	0.096	0.000
Sensory Team	0.440	0.008	0.448	0.112	0.091	0.021	0.364	0.084
Mental Health Team	0.264	0.000	0.264	0.066	0.065	0.001	0.261	0.003
Learning Disability Team	0.552	0.006	0.558	0.140	0.138	0.002	0.552	0.006
JLES	0.152	0.005	0.157	0.039	0.030	0.010	0.118	0.039
Day Care/Centre: MH	0.160	0.003	0.163	0.041	0.013	0.028	0.053	0.110
Sensory Resource Centre	0.090	0.001	0.091	0.023	0.017	0.006	0.067	0.024
Voluntary Organisations	0.393	(0.031)	0.362	0.091	0.094	(0.003)	0.374	(0.012)
Garden Aid	0.000	0.489	0.489	0.122	0.104	0.019	0.414	0.075
Housing Aids and Adaptations	1.200	0.000	1.200	0.300	0.300	0.000	1.200	0.000
Improvement Grants	0.327	0.000	0.327	0.082	0.082	0.000	0.327	0.000
TOTAL LOCAL AUTHORITY BUDGETS	61.466	0.460	61.926	15.482	16.006	(0.524)	64.022	(2.096)
Effect of £1m Support from Integration Funding per Recovery Plan				0.250	0.000	0.250	0.000	1.000
Projected Effect of Additional Savings Programmes							(0.200)	0.200
NET POSITION ON LOCAL AUTHORITY BUDGETS				15.732	16.006	(0.274)	63.822	(0.896)

Notes:

1. Forecast above does not assume any delayed discharges funding for Residential Care in Care Home. Funding has been allocated from Delayed Discharge funding to contribute to this in 2014/15 and 2015/16.
2. YTD expenditure and YTD variance is calculated on pro rata basis.
3. Ongoing negotiation with local care providers may have significant impact on living wage assumption.

APPENDIX II

FALKIRK IJB		Annual Budget 30th June 2016	Budget to date	Actual	Variance (over) / under spend
		£m	£m	£m	£m
<u>Operational</u>					
8	District Nursing Services	4.180	1.045	1.099	(0.054)
9	Community Addiction Services	2.755	0.687	0.636	0.051
10	Community Based AHP Services	6.147	1.519	1.594	(0.075)
11	Public Dental Service	1.139	0.285	0.261	0.024
17	Services provided outwith a hospital in relation to geriatric medicine	1.204	0.297	0.270	0.027
18	Palliative Care (delivered in Community)	0.055	0.014	0.019	(0.005)
19	Community Learning Disability Services	0.814	0.204	0.153	0.051
20	Community Mental Health Services	4.836	1.182	1.170	0.013
21	Continence Services	0.194	0.049	0.041	0.007
23	Services Provided by health professionals that aim to promote public health	1.384	0.342	0.337	0.005
24	Community Hospitals	5.641	1.480	1.594	(0.114)
Rtrs	Resource Transfer	11.253	2.813	2.813	(0.000)
JPA	Joint Partnership Agreements	2.313	0.573	0.593	(0.020)
	Partnership Funds (ICF/ Delayed Discharge / Bridging)	0.372	0.285	0.285	(0.000)
	Share of Savings Programmes identified to date	(0.000)	0.000	0.000	0.000
Subtotal - Operational Management		42.288	10.775	10.865	(0.090)
<u>Universal</u>					
12	Primary Medical Services (GMS Contract)	21.717	5.142	5.068	0.074
13	Primary Dental Services (GDS Contract)	8.555	2.125	2.129	(0.003)
14	Community Ophthalmic Services	2.851	0.746	0.746	(0.000)
15	Community Pharmaceutical Services	34.407	8.740	9.309	(0.569)
16	GP Out of Hours Services	1.369	0.310	0.302	0.007
Subtotal - Operational Management		68.899	17.063	17.554	(0.491)
TOTAL FALKIRK IJB		111.187	27.838	28.419	(0.581)
FORECAST FOR FINANCIAL YEAR					(0.392)

Notes:

1. The £111.187m detailed above plus £24.854m Set Aside budget relating to Large Hospital Services equals the total budget of £136.040 total health budget documented within the report.
2. The Set Aside budget will be reported annually as part of Annual Financial Statement with a significant financial pressures emergent in year being highlighted to the IJB within regular financial reports.
3. The forecast outturn illustrated above relates to costs of Falkirk Community Hospital Ward 5. The proposals in the finance report would address this and reduce the forecast to breakeven subject to management of the risks detailed.
4. More detailed forecasting information at IJB level will be developed as part of the evolution of financial reporting for IJBs.