

Title/Subject: IJB Financial Report
Meeting: Integration Joint Board
Date: 16 June 2017
Submitted By: Chief Finance Officer
Action: For 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 IJB will normally receive a financial report at each meeting.

2. RECOMMENDATIONS

The Integration Joint Board is asked to:

- 2.1 note the financial position reported for the year ended 31 March 2017 subject to audit (Section 4)
- 2.2 note the resultant IJB reserves position and position regarding the use of the Integration Fund (Sections 5 and 6)
- 2.3 approve the issuing of final 2016/17 directions to Falkirk Council and NHS Forth Valley per Appendices III and IV to this report
- 2.4 note the 2017/18 IJB Revenue Budget and Budget Recovery Update (Section 7) including the high risk of overspend in the current financial year and the costs associated with contingency beds at Falkirk Community Hospital remaining open till end of June 2017.
- 2.5 note the current assessment of financial risk in relation to Operational and Universal Services Element of In-Scope NHS Budgets as detailed in Table 5 and the requirement to bring further savings proposals forward to the August IJB meeting.
- 2.6 remit the leadership group with bringing forward a robust and risk-assessed budget recovery plan to the August IJB meeting to address the level of financial risk detailed within this paper.

- 2.7 note that the Discharge to Assess Pilot has been extended until the end of August 2017 at a cost of £0.325m and that the associated costs of this and implementation of ADL Smartcare will be met through the £1m of partnership funding approved to support Strategic Commissioning at the March 2017 meeting.

3. BACKGROUND

- 3.1 The IJB agreed the budget considerations for the Partnership for 2016/17, at its meeting of 24 March 2016 and agreed the initial budget for the Partnership for 2017/18 at its meeting of 30 March 2017, with the exception of the Health Board savings proposals which would be the subject of a report to the June meeting.
- 3.2 The IJB approved the Recovery plan to address the projected overspend in Adult Social Care Budgets at the meeting of 3 June 2016 and a financial report and initial budget recovery plan update at its meeting on 5 August 2016.
- 3.3 The IJB has received regular reports at Board Meetings outlining the financial position.

4. FINANCIAL REPORT FOR PERIOD FOR YEAR ENDED 31 MARCH 2017

Summary of Financial Position

- 4.1 The summary financial position relating to IJB budgets for the year ended 31 March 2017 is a net overspend of £0.103m consisting of
- A £0.585m underspend on budgets delegated to Falkirk Council
 - A £0.688m overspend on operational and universal services budgets delegated to NHS Forth Valley which has been matched non-recurrently by release of contingency funding from NHS Forth Valley to bring into a balanced position per the terms of the integration scheme relating to the first year of operations only.
- 4.2 The net effect of the above is, with the exception of the set-aside budget for large hospital services, to bring the partnership into financial balance for the year. The operational underspend on Adult Social Work services is being transferred into a combination of earmarked and general reserves, with the earmarked elements relating to the Housing Revenue Account and Sensory Strategy.
- 4.3 The balances of Partnership Funding (Integrated Care Fund and Delayed Discharges) and Transformation Funds allocated from Scottish Government in 2016/17 have also been transferred into IJB earmarked reserves as indicated in the 2017/18 IJB Revenue Budget. Further detail on IJB reserves is provided at section 5.

Changes to Partnership Budget

- 4.4 The initial budget agreed by the IJB in March 2016 totalled £200.078m. Changes to these initial budgets/payments detailed in the report to the IJB meeting on 5 August 2016 brought the budget to a total of £205.979m consisting of a payment from Falkirk Council of £61.926m, Set Aside budget and payment from NHS Forth Valley of £136.040m and Partnership Funding totalling £8.013m.

Table 1: Change in Payment from Falkirk Council

	£m
Payment @ 30 November 2016 (Per Feb 17 IJB Report)	62.253
Adjustments to Payment	0.009
Payment @ 31 March 2017	62.262

Table 2: Change in Payment and Set-Aside Budget from NHS Forth Valley

	Set-Aside £m	Operational & Universal Services £m	Total £m
Set-Aside & Payment @ 31 November 2016	24.934	113.836	138.770
Winter Plan Funding	0.051	0.178	0.229
Partnership Funding to Match Expenditure		0.842	0.842
Non-Recurrent Contingency Funding		0.688	0.688
Integration Fund		5.640	5.640
Year End Balances and Transfers to IJB			
Reserves		4.306	4.306
Other Budget Adjustments	0.002	-0.109	-0.107
Totals @ 31 March 2017	24.987	125.382	150.368

Year End Position

- 4.5 As previously reported there are a number of budget pressures some of which are a continuation of overspends in previous years and some of which are related to emergent financial pressures in year and delivery of savings and efficiency programmes.

In-Scope Adult Social Work Budgets

- 4.6 The year end outturn for delegated Adult Social Work budgets is significantly better than previously forecast following an improving trend in recent months: An underspend of £0.585m is being reported :
- £0.357m of which arises from lower expenditure in Garden Aid and Housing Aid & Adaptations.
 - £0.228m from savings and cost reductions delivered in Adult Social Care through reviewing high cost packages, re-negotiating and harmonising external residential care rates, as well as improving the efficiency of in house services as evidenced by sizable reduction in overtime and casual wages.

In Scope NHS Budgets

- 4.7 The year end outturn for delegated Operational and Universal Services NHS Budgets is an overspend of £0.688m. This overspend is £0.168m higher than previously projected mainly due to higher than forecast prescribing costs.

In line with the terms of the Integration Scheme in relation to the first year of operations this overspend has been met by NHS Forth Valley on a non-recurrent basis through the release of additional contingency funding.

The main areas of variance to note within these budgets are:

District Nursing Services	£0.161m overspend
Community AHP Services	£0.071m overspend
Community Pharmaceutical Services including Family Health Services Prescribing	£1.646m overspend
Community Addictions Services	£0.213m underspend
Community Learning Disability and Mental Health Services	£0.295m underspend
Primary Medical Services	£0.404m underspend
GP Out of Hours Services	£0.113m underspend

4.8 Set-Aside Budget for Large Hospital Services

Based on the extant budget model, which is based on historic activity, the set aside budget is overspent by £0.411m for financial year 2016/17 reflecting costs pressures in Accident and Emergency, Geriatric and Rehabilitation within Acute Services and overspends in Learning Disability and Mental Health services predominantly related to timing of savings delivery.

- 4.9 The outturns reported are subject to the audit processes of both the constituent authorities and the IJB and will form the basis of the IJBs 2016/17 accounts.

Directions

- 4.10 In order that there is clarity that the adjusted payments and set-aside budget are directed back to the constituent authorities including the contingency funding released from NHS Forth Valley on a non-recurrent basis in line with the Integration Scheme final 2016/17 directions have been prepared and are attached as Appendices III and IV to this report. This approach is to ensure consistency with accounting treatments however it is acknowledged that the IJBs approach to directions will require further consideration and review going forward.

5. RESERVES POSITION

- 5.1 The IJB Revenue Budget 2017/18 agreed by the IJB on 30 March 2017 indicated the intention to use the IJBs financial regime to establish various reserves. The outturn for the financial year has had an impact on the levels of reserves established.
- 5.2 All of the IJBs reserves are usable and are a combination of general reserves and earmarked reserves for a specific purpose. In addition to the reserves listed below a £0.050m provision for bad debts will be created. The table below details the IJBs reserves position.

Table 3: Closing IJB Reserves at 31 March 2017

General Fund: Useable Reserves	£m
General Reserve	<u>0.213</u>
Earmarked Reserves	
Housing Revenue Account	0.275
Sensory Strategy	0.047
Integration Fund	1.430
Partnership Funding	2.340
Primary Care Transformation and Mental Health	0.322
Transforming Urgent Care	<u>0.214</u>
Total Earmarked Reserves	<u>4.628</u>
Total Closing Reserves	<u><u>4.841</u></u>

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 Partnership's share of this funding for 2016/17 totalled £7.070m.

£5.640m of this funding was drawn down to support adult social care costs in 2016/17. The balance of £1.430m has been transferred to an earmarked reserve.

A breakdown of the utilisation of the funding is provided in the table below.

Table 4: Use of Integration Fund

INTEGRATION FUND	£m
Partnership Allocation	7.070
Commitments	
Living Wage from 1 October 2016 and Other Cost Pressures	3.540
Assumption per IJB Initial Budget Setting	1.000
Allocation per 16/17 Budget Recovery Plan	1.000
Discharge to Assess Funding per 7 October IJB	0.100
Balance to Reserves	<u>1.430</u>

7. 2017/18 IJB REVENUE BUDGET AND BUDGET RECOVERY UPDATE

- 7.1 Per the 2017/18 Integration Joint Board Revenue Budget presented to the Board on 30 March the level of risk associated with the financial position, particularly with regard to in-scope NHS Budgets, was sufficient to require a budget recovery plan to be presented for the Boards oversight per the terms of the Integration Scheme.
- 7.2 Additionally, at the March 2017 meeting the IJB approved delegation of £1m of partnership funding resources for Strategic Commissioning of services to support progress towards integrated service delivery. Further detail around this will be reported in due course in line with the conditions agreed in relation to the funding.

7.3 The Board are asked to note that arrangements have been put in place to extend the Discharge to Assess pilot as agreed at the meeting on 3 February, until the end of August 2017. This will enable the further development of the full model, to build capacity in our internal team and framework providers to deliver on this basis and to embed this in the commissioning process for the full at home tender. The cost of this extension is £0.325m which will be met from the £1m allocation for Strategic Commissioning.

7.4 A bid to fund the implementation of the ADL SMART Care system was considered by the Leadership team and agreed by the Chair and Vice Chair of the IJB. This is in line with process agreed by the IJB at the meeting on 31 March 2017. The cost of £ 53,000 to implement ADL Smartcare will also be met from the £1m allocation.

Adult Social Care Services Budget

7.5 As detailed within this report the outturn position for in-scope Adult Social Care Services was an improvement on the position previously forecast as a result of the underspend on in-scope Housing budgets and operational underspends which appear to be mainly as a result of early delivery of 2017/18 savings and efficiency programmes.

The 2017/18 revenue budget gave reasonable confidence that sufficient resources were in place to cover projected costs of Adult Social Care services for 2017/18. The outturn continues to support this position though demand and cost pressures and delivery of savings and efficiency programmes will continue to require close monitoring over the year.

7.4 In-Scope NHS Budgets

The 2017/18 IJB Revenue Budget highlighted significant financial risk as a result of a combination of recurrent overspend from 2016/17 and risk assessment of delivery of 2017/18 savings and efficiency programmes.

NHS Forth Valley have continued to work to further progress the issues relating to delivery of savings programmes and an update on this was provided to the NHS Board on 30 May 2017.

Implications relating to this for the IJB budget are:

- Presentation of 'Cases for Change' for savings proposals which involve significant service change per the Integration Scheme. These are presented at Agenda item 9.
- An updated assessment of the risk of delivery of the NHS savings and efficiency programmes has been undertaken and the implications for Falkirk IJB's budget analysed.

Based on the assumption that no savings will realistically be delivered until 2018/19 in relation to the proposals around Bo'ness Community Hospital an upper and

lower range of savings delivery has been calculated and compared to the baseline recurrent overspend and cost of inflationary pressures for in-scope NHS services to give an indication of the range of financial risk associated with the stage of development of these proposals at this point in the financial year. These savings are also dependent on future IJB approval of the Cases for Change in relation to NHS services...

The contingency beds in Falkirk Community Hospital Ward 5 currently remain open with current planned closure by the end of June 2017. These beds were assumed to close by the end of March 2017 in relation to winter planning arrangements. The costs of these beds lie within the Operational Element of the in scope NHS Budgets and therefore the associated costs of £255k are a financial risk to the partnership. In 2016/17 these beds remained open during the summer months and the costs were met from Partnership Funding (mainly Delayed Discharge funding with a small top up from Integrated Care Fund).

The lower end range of savings delivery is calculated on the assumption that programmes rated Green risk deliver 100% of savings in year, Amber 50% and Red 25%. The higher end range is assumes full savings delivery in year.

The table below summarises the financial risk for the lower and higher ranges as they relate to the Operational and Universal Services elements of the budget.

Table 5: Current Assessment of Financial Risk in Relation to Operational and Universal Services Element of In-Scope NHS Budgets

Savings Delivery Risk Rating	Lower End Range £'000	Higher End Range £'000
Red	174	694
Amber	527	1053
Green	422	422
Total	1,122	2169
Inflationary Pressures Relating to Operational And Universal Elements of In-Scope NHS Budgets		
16/17 Baseline Overspend (Operational and Universal Services)	2,193	2,193
FCH Ward 5 Financial Pressure - April to June 17 - 3months @ c£85k per month	688	688
	255	255
Estimated Savings Requirement to Balance	3,136	3,136
Projected Surplus/ (Shortfall) Range	(2,014)	(967)
Mostly Likely as mid-point between the 2 ranges	(1,490)	

Taking the mid-point of these two scenarios as the most likely the currently projected financial risk in relation to in scope NHS budgets this would equate to £1.490m for the partnership.

Consequently, at this point in time, the IJB is at high risk of overspending unless additional savings are identified and robust plans to bring costs in line with available resources are brought forward and implemented swiftly.

8. CONCLUSIONS

- 8.1 This report illustrates a significantly improved outturn for the partnership for financial year 2016/17 than had been forecast and the actions taken in achieving this position should be commended. However, the position is materially affected by the release of non-recurrent contingency funding from NHS Forth Valley in line with the terms of the Integration Scheme for the first year of IJB operations.
- 8.2 The level of financial risk detailed in the body of the report suggests the partnership is at high risk of overspend in the current financial year. Efforts to agree and implement savings and efficiency programmes therefore require to continue at pace and the budget recovery update to be presented to the August 2017 IJB meeting requires to identify further opportunities to reduce cost and therefore bring the partnership budget into balance in year.
- 8.3 The partnership requires to plan and deliver services in an integrated and financially sustainable basis going forward taking into account the agreed strategic plan priorities and demand and cost pressures faced. This will require effective and collegiate working across the partnership, including expediting the development of localities, to exploit the potential of integration and avoid unforeseen transfer of pressures across different elements of the partnership budget.

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

Equalities Assessment

No equalities issues directly arising.

Approved for Submission by: Patricia Cassidy, Chief Officer

Author – Ewan C. Murray, Chief Finance Officer

Date: 10 June 2017

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 & 30 March 2017 Integration Joint Board Revenue Budget

Previous IJB Financial Reports

18 November 2016 IJB 2017/18 Business Case

Appendix 1 Falkirk Council Budget

Appendix 2 NHS FV Budget

Appendix 3 Public Bodies (Joint Working) Scotland) Act 2017 Direction to Falkirk Council

Appendix 4 Public Bodies (Joint Working) Scotland) Act 2017 Direction to Forth Valley Health Board

APPENDIX I
BUDGETS DELEGATED TO FALKIRK COUNCIL
YEAR ENDED 31 MARCH 2017

	£m	£m	£m
	BUDGET	EXPENDITURE	VARIANCE
Older People	2.879	2.884	(0.005)
Mental Health	0.588	0.453	0.135
Learning Disability	0.284	0.284	0.000
Physical Disability	0.608	0.609	(0.001)
Adult Support and Protection	0.188	0.089	0.099
Carers	0.048	0.035	0.013
Care at Home	29.507	29.835	(0.328)
Residential Care	21.345	21.790	(0.445)
Respite Care	1.278	0.979	0.299
Day Care/ Services: PD,LD,OP,MH	4.321	4.152	0.169
MECS/Telecare/Telehealth	0.493	0.546	(0.053)
Housing with Care/Sheltered Accommodation	1.081	1.134	(0.053)
Shopping Service	0.013	0.086	(0.073)
Equipment and Adaptations	0.424	0.300	0.124
Advocacy	0.096	0.089	0.007
Sensory Team	0.448	0.294	0.154
Mental Health Team	0.280	0.247	0.033
Learning Disability Team	0.568	0.624	(0.056)
JLES	0.318	0.258	0.060
Day Care/Centre: MH	0.198	0.101	0.097
Sensory Resource Centre	0.077	0.051	0.026
Voluntary Organisations	0.554	0.551	0.003
Garden Aid	0.489	0.356	0.133
Housing Aids and Adaptations	1.200	0.976	0.224
Improvement Grants	0.327	0.327	0.000
IJB Operation	0.190	0.167	0.023
Integration Fund	(5.540)	(5.540)	0.000
TOTAL LOCAL AUTHORITY BUDGETS	62.262	61.677	0.585

Notes:

1. Figures subject to audit
2. Underspend transferred to IJB reserves (general and earmarked).
3. Overspends are reflected as negative variances and underspends positive.

APPENDIX 2
BUDGETS DELEGATED TO NHS FORTH VALLEY
YEAR ENDED 31 MARCH 2017

	Budget £m	Expenditure £m	Variance £m	
<u>Operational</u>				
8	District Nursing Services	4.111	4.271	(0.161)
9	Community Addiction Services	2.949	2.737	0.213
10	Community Based AHP Services	6.258	6.329	(0.071)
11	Public Dental Service	1.054	1.065	(0.011)
17	Services provided outwith a hospital in relation to geriatric medicine	1.132	1.044	0.088
18	Palliative Care (delivered in Community)	0.055	0.063	(0.008)
19	Community Learning Disability Services	0.813	0.627	0.186
20	Community Mental Health Services	5.018	4.909	0.109
21	Continence Services	0.191	0.164	0.026
23	Services Provided by health professionals that aim to promote public health	1.508	1.453	0.056
24	Community Hospitals	6.558	6.578	(0.020)
Rtrs	Resource Transfer	11.253	11.253	0.000
JPA	Joint Partnership Agreements	2.299	2.273	0.026
	Partnership Funds (ICF/ Delayed Discharge / Bridging)	2.468	2.468	(0.000)
	Contingency	0.688	0.000	0.688
	Shared Partnership Costs	0.167	0.167	(0.000)
	Integration Fund	5.640	5.640	(0.000)
<u>Balances c/fwd to IJB Earmarked Reserves</u>				
	Integration Fund Balance	1.430	1.430	0.000
	Partnership Fund Balances (ICF/ Delayed Discharge)	2.340	2.340	0.000
	Primary Care Transformation Fund / MH Fund Balance	0.322	0.322	0.000
	Transforming Urgent Care Fund Balance	0.214	0.214	0.000
Subtotal		56.468	55.348	1.121
<u>Universal</u>				
12	Primary Medical Services (GMS Contract)	21.808	21.404	0.404
13	Primary Dental Services (GDS Contract)	8.540	8.531	0.009
14	Community Ophthalmic Services	2.896	2.896	(0.000)
15	Community Pharmaceutical Services	34.298	35.944	(1.646)
16	GP Out of Hours Services	1.370	1.257	0.113
Subtotal		68.913	70.033	(1.121)
TOTAL FALKIRK IJB		125.382	125.382	0.000

Notes:

- Operational and Universal Services budget above plus £24.987 set-aside budget equals £150.368 total budget.
- Above table reflects contingency funding released non-recurrently and funding transferred to IJB earmarked reserves.
- Figures Subject to Audit
- Negative figures reflect overspend and positive figure underspend.

PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014

DIRECTION TO FALKIRK COUNCIL

Final Direction for Financial Year 2016/17

1. The Integration Joint Board directs Falkirk Council (“the Council”) in terms of section 26 of the Public Bodies (Joint Working) (Scotland) Act 2014 to carry out each of the functions listed in Annex 2 of the Integration Scheme (“the functions”), subject to the following conditions:-
 - (a) the functions will be carried out consistent with the existing policies of the Council and any relevant decisions of the Council in relation to its revenue budget;
 - (b) the functions will be carried out in a manner consistent with the strategic plan; and
 - (c) no material change will be made to policies or service provision within the functions (with the exception of the function under section 24 of the Local Government and Planning (Scotland) Act 1982) unless agreed by the IJB.
2. The IJB will make a payment to the Council of £62.262 to carry out the functions.
3. This direction will remain in force until revoked in full or part by the IJB.

Integration Joint Board
16 June 2017

PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014

DIRECTION TO FORTH VALLEY HEALTH BOARD

Final Direction for Financial Year 2016/17

1. The Integration Joint Board directs Forth Valley Health Board (“the Health Board”) in terms of section 26 of the Public Bodies (Joint Working) (Scotland) Act 2014 to carry out each of the functions listed in Annex 1 Section of the Integration Scheme (“the functions”), subject to the following conditions:-
 - (a) the functions will be carried out consistent with the existing policies of the Health Board and any relevant decisions of the Health Board in relation to its revenue budget;
 - (b) the functions will be carried out in a manner consistent with the strategic plan; and
 - (c) no material change will be made to policies or service provision within the functions unless agreed by the IJB.
2. The IJB will make a payment to the Health Board of £125.382 to carry out the functions. The Health Board will make use of the sum of £24.987m set aside in relation to Large Hospital Services.
3. This direction will remain in force until revoked in full or part by the IJB.

Integration Joint Board
Falkirk
16 June 2017