

# AGENDA ITEM

6

**Title/Subject:** Financial Position 2017/18

**Meeting:** Integration Joint Board

**Date:** 1 June 2018

**Submitted By:** Chief Finance Officer

**Action:** For Decision

**1. INTRODUCTION**

- 1.1. The purpose of this report is to inform the IJB of the projected financial outturn for 2017/18.

**2. RECOMMENDATIONS**

The IJB is invited to:

- 2.1. note the contents of this report
- 2.2. approve the transfer of £0.297m into general reserves
- 2.3. approve the issue of Final Directions to the Partners for 2017/18.

**3. BACKGROUND**

- 3.1. The financial reports to the IJB during 2017/18 have highlighted financial risks across the Partnership and more acutely on the in-scope NHS budget. These projections have been based on the best information available at the time and are subject to fluctuation due to a wide range of factors including drug pricing issues, pressures on beds, staffing issues and other demands.

**4. PROJECTED OUTTURN FOR 2017/18**

- 4.1. The accounts for Falkirk IJB for 2017/18 will go to the Audit Committee for consideration on 25 June 2018 before submission to the external auditors, Ernst & Young. Over the course of the next few weeks, the accounts will be drafted and some revision to the projected outturn may be necessary. Further revision may be required as a result of the audit process. The final outturn for 2017/18 will be reported back to the IJB following completion of the accounts and audit process.
- 4.2. The year end figures have been discussed and agreed with finance colleagues in both Falkirk Council and NHS Forth Valley. On that basis, the IJB can agree the Final Directions to the Partners.

#### 4.3. Partnership Outturn (excluding Set Aside)

The last 2017/18 financial report to the IJB included a projection for the year end. These figures are shown in the table below along with the current projection:

	<b>April 2018 £m</b>	<b>Current £m</b>	<b>Movement £m</b>
Underspend on budgets delegated to Falkirk Council (non HRA)	(0.273)	(0.579)	(0.306)
Overspend on budgets delegated to NHS Forth Valley*	1.690	0.270	(1.420)
<b>Sub Total</b>	<b>1.417</b>	<b>(0.309)</b>	<b>(1.726)</b>
Proposed Transfer to Earmarked Reserves	0.188	1.605	1.417
Proposed Transfer to General Reserves	0.085	0.297	0.212
<b>Projected Overspend</b>	<b>1.690</b>	<b>1.593</b>	<b>(0.097)</b>
Application of General Reserves	(0.213)	(0.213)	-
<b>Amount to be met from Risk Sharing Agreement</b>	<b>1.477</b>	<b>1.380</b>	<b>(0.097)</b>
Overspend on budgets delegated to Falkirk Council (HRA)	0.086	0.037	(0.049)

\* Whilst there appears to be a significant movement in the NHS position, this is not actually the case. For year end purposes, earmarked reserves have been presented in a consistent way for both Partners. This is a change to how such reserves have been presented throughout the year. Discussions are ongoing with colleagues to look at ways to smooth out the reporting of reserves to help the Partnership report earmarked reserves in a consistent way. Further explanation on the outturn position for the NHS is shown in paragraph 4.7 and the movement in reserves is reported at section 6 of this report.

- 4.3. There was an improvement in the financial position for both the Health and Social Care elements of the budget. A summary of the outturn is included at Appendix 1. The final overspend position is expected to be £1.380m on the NHS arm of the budget. This will be funded through additional non-recurring funds from NHS Forth Valley. An explanation of the main movements from previous projections is noted below:

#### 4.4. Adult Social Care

The full year cost of externally purchased home care services came in at £0.180m less than previous projections. This is the result of a series of measures taken to improve in-house service efficiency and reduce service overprovision.

- 4.5.** There is an improvement of £0.100m in the respite care budget as a result of a reduction in the number of overnight respite placements, partially due to an increase in adopting alternative forms of respite. This has previously been reported as part of the April 2018 performance report to the IJB.
- 4.6.** There was a lower than anticipated spend on private sector housing grants of £0.088m due to a reduction in referrals to housing. Housing are liaising with Adult Social Care to explore this in more detail. This spend is funded by capital and the underspend will be transferred to IJB as a ring-fenced capital reserve.
- 4.7. Health Services**  
The final outturn for NHS services was £1.593m, an improvement of £0.097m on the previous projection of £1.690m. As previously agreed, this overspend will be met with general reserves of £0.213m and a one-off funding contribution from the NHS of £1.380m. Challenges in prescribing continued as projected into the year end with the final overspend of £1.722m being within £0.001m of the previous projection.
- 4.8.** Final charges in respect of Crisis Care were less than anticipated which brought a benefit of £0.032m. The balance of the improved performance was in respect of the impact of the non-recurring recovery plans put in place for the last few months of the financial year.

**4.9. Set Aside Outturn**

The risk for the set aside budget remains with NHS Forth Valley at this time and the financial update reports for the IJB focus on the operational and universal services elements of the budget. Any overspend on the set aside budget is therefore met by NHS Forth Valley. The projected outturn on the set aside budget is as follows:

	<b>£m</b>
Budget	25.207
Projected Outturn	26.300
<b>Projected Overspend</b>	<b>1.093</b>

- 4.10.** The Scottish Government has written to Integration Authority Chief Officers to request a progress report on establishing set aside arrangements. This request has been included in the 2018/19 budget report on this agenda.

**5. RISK SHARING AGREEMENT**

- 5.1.** The financial report presented to the IJB in April 2018 set out the risk sharing agreement that had been reached between the IJB, Falkirk Council and NHS Forth Valley. The risk sharing agreement was for one year only, recognising that the Partnership is in a transitional phase and significant structural change is anticipated in 2018/19 and 2019/20.

- 5.2. The agreement for 2017/18 sets out that each Partner will take responsibility for their overspend if applicable. This effectively means that NHS Forth Valley have agreed to fund the projected overspend, as adjusted for the application of reserves, totalling c£1.380m.

## 6. RESERVES

- 6.1. The outturn figures include a number of transfers to earmarked reserves. These transfers represent monies for specific purposes that have not been spent in 2017/18. The funds will be ring-fenced for use in 2018/19. The spending plans against the reserves will be updated during 2018/19. A summary of the reserves position is included in Appendix 2. The year end estimate for the total reserves being carried forward into 2018/19 is £6.490m.
- 6.2. The financial report presented to the April 2018 meeting of the IJB included a review of the reserves strategy. The report highlighted that it is challenging to set an appropriate level of general reserves (effectively contingency funds) at this early stage of the Partnership. This is in part due to the financial challenges that both Partners face. As a result of affordability issues, it was recommended that a target level of general reserves should be set at £0.250m and that the underspend on the Adult Social Care arm of the budget should be placed in general reserves.
- 6.3. The projected underspend for Adult Social Care, after transfers to earmarked reserves, is £0.297m. Given the pressures facing the Partnership going forward, it is considered prudent to transfer this sum into general reserves.

## 7. PARTNERSHIP FUNDING

- 7.1. Partnership Funding covers two areas – Integrated Care Fund and Delayed Discharge monies, both received from the Scottish Government. Partnership Funding is included as a separate report on this agenda. However, a breakdown of the outturn position for 2017/18 is shown below:

	£m
Balance Carried into Reserves	1,340
2016/17 Funding Returned	79
New Allocations from SG	3,662
<b>Total Available</b>	<b>5,081</b>
Less Funds Drawn Down	(2,676)
<b>Balance to be Carried Forward</b>	<b>2,405</b>

- 7.2. The above figures do not include Leadership Funding which is covered in section 6 of this report.

## 8. LEADERSHIP FUNDING

- 8.1. In March 2017 the IJB agreed to remit £1m of Partnership Funding to the Leadership Group to enable effective and timeous allocation of resources to respond to need, effect action, increase pace of change and improvement within key priority areas aligned with the Strategic Plan. Once funding proposals have been considered by the Leadership Group and approved by the Chief Officer, they are presented to the Chair and Vice Chair for agreement.
- 8.2. Of the £1m approved for 2017/18, £0.750m was originally allocated to the Discharge to Assess project. However, previous IJB reports have noted that underspends in elements of the adult social care budget have been used to meet some of the Discharge to Assess costs. The final drawdown of Leadership Funding in respect of Discharge to Assess was £0.302m. The final position for Leadership Funding is as follows:

	<b>Allocation £m</b>	<b>Funds Drawn Down £m</b>	<b>Balance £m</b>
Discharge to Assess	0.750	0.302	0.448
Graduates	0.036	0.026	0.010
ADL Smartcare	0.053	0.041	0.012
Eligibility Criteria – staff resource	0.037	0.014	0.023
Unallocated	0.124	-	0.124
<b>Total</b>	<b>1.000</b>	<b>0.383</b>	<b>0.617</b>

- 8.3. Costs of £0.094m for Discharge to Assess are anticipated for 2018/19. The carried forward Leadership Funds will be used to meet these costs. All other spending proposals will go through the previously agreed process and be reported back to the IJB for information.

## 9. SPEND TO SAVE – FALKIRK COUNCIL

- 9.1. Falkirk Council agreed to a non-recurring injection of funds of £0.325m in 2017/18 for the Partnership. A further £0.100m of funding was also approved as part of the late budget negotiations in February 2017. These monies were to be used to fund a number of posts with a focus on supporting change within Adult Social Care. The draw down of funding for these posts was expected to take place in 2017/18 and 2018/19.
- 9.2. During 2017/18 c£0.166m of costs were incurred for the additional posts. These costs have been funded through a combination of the additional funding and underspend within Adult Social Care. As a result, the full £0.325m will be carried forward into 2018/19. These funds sit within the Falkirk Council reserves.

## **10. DIRECTIONS**

- 10.1.** Final Directions for Falkirk Council and NHS Forth Valley for the financial year 2017/18 are included at appendix 3 and 4. The IJB are asked to approve these Directions. The Directions follow the same format used for the initial 2017/18 Directions and reflect the additional funding received from NHS Forth Valley at the year end.

## **11. CONCLUSIONS**

- 11.1.** The Partnership (excluding Set Aside budget) is projected to overspend in 2017/18 by £1.593m. This will be offset with an approved allocation of reserves of £0.213m, resulting in a net overspend of £1.380m on the NHS arm of the budget. As part of the risk sharing agreement NHS Forth Valley have agreed to provide additional funding of £1.380m for 2017/18.
- 11.2.** The set aside budget is expected to overspend by £1.093m in 2017/18. Financial risk for set aside budgets remains with NHS Forth Valley.
- 11.3.** The reserves balance at the year end is £6.490m, made up of £0.297m of general reserves and £6.195m of earmarked reserves. Future reports to the IJB will monitor reserve levels against proposed spending plans for these funds.
- 11.4.** The accounts for Falkirk IJB for 2017/18 will be considered by the IJB Audit Committee on 25 June 2018 before submission to Ernst & Young for audit.

### **Resource Implications**

The resource implications are considered in the body of the report.

### **Impact on IJB Outcomes and Priorities**

The budget sets out the overall resources available to the Partnership to support delivery of the Strategic Plan.

### **Legal & Risk Implications**

The main financial risks facing the Partnership are considered in the body of the report.

### **Consultation**

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

### **Equalities Assessment**

The budget may include savings proposals which involve service change. These should all be subject to an Equality Assessment.

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Approved for Submission by: Patricia Cassidy, Chief Officer, Falkirk IJB

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**Date:** 14 May 2018

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



# FALKIRK HEALTH AND SOCIAL CARE PARTNERSHIP

## PROJECTED OUTTURN STATEMENT 2017/18 AS AT 14/05/2018

	<u>Budget</u>	<u>Projected</u> <u>Outturn</u>	<u>(Fav)/ Adv</u> <u>Variance</u>	
	£m	£m	£m	%
Adult Social Work Services	70.574	70.032	(0.542)	(0.8)
Falkirk Council Spend to Save	0.325	-	(0.325)	(100.0)
NHS Forth Valley Set Aside	25.207	26.300	1.093	4.3
NHS Forth Valley Operational & Universal	115.686	115.956	0.270	0.2
<b>Sub - Total</b>	<u>211.792</u>	<u>212.288</u>	<u>0.496</u>	<u>0.2</u>
<b>NET EXPENDITURE</b>	<u>211.792</u>	<u>212.288</u>	<u>0.496</u>	<u>0.2</u>
<b><u>Funded By :</u></b>				
Falkirk Council Contribution	60.464	60.464	-	-
Falkirk Council Spend to Save Contribution	0.325	-	(0.325)	(100.0)
NHS Forth Valley Contribution	140.893	140.893	-	-
Integration Funding (via Health Boards)	10.110	10.110	-	-
<b>NET INCOME</b>	<u>211.792</u>	<u>211.467</u>	<u>(0.325)</u>	<u>(0.2)</u>
<b>SURPLUS/(DEFICIT)</b>	<u>-</u>	<u>(0.821)</u>	<u>(0.821)</u>	<u>-</u>
Additional Funding from NHS - Set Aside		1.093		
Additional Funding from NHS - Op & Universal		1.380		
Transfer to Earmarked Reserves - Health		(0.637)		
Transfer to Earmarked Reserves - Adult Social Care		(0.195)		
Transfer to Capital Reserves		(0.088)		
Transfer to Partnership Funding Reserves		(0.686)		
Transfer from HRA Reserves		0.038		
Transfer from General Reserves		0.213		
<b>Projected Outturn</b>		<b>0.297</b>		

<b>FALKIRK HEALTH AND SOCIAL CARE PARTNERSHIP</b>
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<b>PROJECTED RESERVES POSITION FOR 2017/18 AS AT 14/05/2018</b>
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	<b>OPENING BALANCE 01/04/2017</b>	<b>TRANSFERS IN</b>	<b>TRANSFERS OUT/SPEND</b>	<b>CLOSING BALANCE 31/03/2018</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Reserve	0.213	0.297 -	0.213	0.297
Housing Revenue Account	0.275	- -	0.038	0.237
Capital Grant	-	0.088	-	0.088
 Sensory Strategy	 0.047	 0.005	 -	 0.052
Services for Survivors	-	0.090	-	0.090
Dementia Innovation Fund	-	0.100	-	0.100
				-
Integration Funding	1.430	-	-	1.430
Partnership Funding	2.340	2.741 -	2.673	2.408
Leadership Funding	-	1.000 -	0.383	0.617
 PC & MH Transformation Funds	 0.322	 0.316 -	 0.031	 0.607
Transforming Urgent Care	0.214	0.196 -	0.018	0.392
Pharmacy First	-	0.002	-	0.002
Mental Health Innovation Fund	-	0.112	-	0.112
GP Cluster Model	-	0.058	-	0.058
	<b>4.841</b>	<b>5.005 -</b>	<b>3.356</b>	<b>6.490</b>

**PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014**

**DIRECTION TO FALKIRK COUNCIL**

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;
  - (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 £70.574m to carry out the functions.
3. This direction will remain in force until revoked in full or part by the IJB.

Integration Joint Board  
1 June 2018

**PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014**

**DIRECTION TO FORTH VALLEY HEALTH BOARD**

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;
  - (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 £142.272m to carry out the functions. The Health Board will make use of the sum of £25.207m set aside in relation to Large Hospital Services. In addition the Health Board will pass through Integration Funding of £10.110m to Falkirk Council.
3. This direction will remain in force until revoked in full or part by the IJB.

Integration Joint Board  
1 June 2018