



Title/Subject: Financial Position Report
Meeting: Integration Joint Board
Date: 4th August 2017
Submitted By: Chief Finance Officer
Action: For Noting

1. INTRODUCTION

1.1 The purpose of this report is to provide an update on the financial position of the Integration Joint Board for 2017/18. This report covers the following areas:

- Partnership Base Budget
- Leadership Funding
- Integration Funding
- Partnership Funding
- Reserves

2. RECOMMENDATION

The Integration Joint Board is invited to note:

- 2.1 that a full risk-assessed budget recovery plan will be submitted to the October IJB meeting
- 2.2 the changes to the approved budget as set out in paragraphs 4.1 and 4.2
- 2.3 the projected overspend for the Partnership of £1.490m as set out in section 5 and the reasons for variations
- 2.4 the use of Leadership Funding as set out in section 6
- 2.5 the projected balance of £1.467m for Integration Funding as set out in section 7
- 2.6 the available balance of £2.2m for Partnership Funding as set out in Section 8
- 2.7 the position on reserves as set out in section 9
- 2.8 the future workstreams as set out in section 10



3. BACKGROUND

- 3.1 At its meeting on 30 March 2017, the IJB agreed an initial 2017/18 Partnership Budget of £205.897m subject to further information, including alternative savings proposals, for the Health Board element of the budget.
- 3.2 At the 16 June 2017 IJB meeting, two relevant reports were presented – the IJB Financial Budget Report and the NHS Cases for Change. The IJB Financial Budget report highlighted financial risks for the Health Board element of the budget, with a provisional overspend for the year estimated at £1.490m. The IJB were asked to note the 2017/18 financial position and remit the Leadership Team with bringing forward a robust and risk-assessed budget recovery plan to the August IJB meeting.
- 3.3 This report is the first produced by the newly appointed Chief Finance Officer and represents initial thoughts on the financial position based on information currently available. However, further detailed assessment of the financial information is required.
- 3.4 The Leadership Team and newly appointed Chief Finance Officer have not been able to complete a comprehensive budget recovery plan due to the short time period since the last Board meeting and the number of key staff on annual leave. A recovery plan will be submitted to the next meeting in October.

4. 2017/18 PARTNERSHIP BUDGET

Resources Available

- 4.1 As noted above, the resources available to the partnership and provisionally approved by the IJB was £205.897m. However, that review was based on an estimate of reserves and didn't include the full allocation of Integration Funding for 2017/18. The budget has therefore been restated as shown below:

	March 2017 £'m	Restated £'m
Falkirk Council Base	60.151	60.151
Falkirk Council Non-Recurring	0.525	0.525
NHS Forth Valley Base	133.295	133.295
NHS Forth Valley Non-Recurring	2.198	2.198
Sub Total Base Budget	196.169	196.169
Partnership Funding	3.744	3.744
Integration Funding	3.040	10.110
Sub Total	202.953	210.023
Available Reserves	2.944	4.841
Total Available Resources	205.897	214.864

Partnership Base Budget

- 4.2 The base figure approved in March may be subject to variations as a result of events such as additional funding received, or adjustments to correct in-scope/out of scope budget anomalies. The movement to date in the 2017/18 base budget is shown below:

	£'m
March 2017 Base Budget	196.169
NHS Forth Valley Variations Quarter 2	1.039
Application of Integration Funding	10.110
Revised Base Budget	207.318

- 4.3 The movements in the NHS budget are mainly due to non-recurring income allocations received over the last three months. Of these, £0.648m is from Partnership Funding allocations from Integrated Care Fund and Delayed Discharge monies. There is a further £0.226m for Psychological Therapies and £0.154m for Community Hub Fellows.
- 4.4 In addition, £0.235m of funding for the "Keep Well" programme, set up to help tackle health inequalities, has been moved from non-recurring funding to recurring funding.
- 4.5 In the March 2017 report, the Integration Funding of £3.040m was shown separately. The figure has now been revised to £10.110m and has been shown as part of the Falkirk Council expenditure in Appendix 1. The presentation of items such as this will be considered further for future reports.

5. 2017/18 PROJECTED OUTTURN

- 5.1 Appendix 1 sets out the projected net expenditure for both Adult Social Care and in-scope NHS budgets, together with a breakdown of how this expenditure is financed. These projections have been provided by the respective finance teams and are based on costs incurred to 30 June 2017.
- 5.2 The current projection is a net overspend of £1.490m. The Finance Report to the June IJB noted that whilst the Adult Social Care spend was likely to be within budget for the year, there was a financial risk associated with the Operational and Universal Service elements of the budget. This risk was projected to be £1.490m for the partnership.
- 5.3 The current projection has retained this assumption. At this stage, NHS Forth Valley remain optimistic that they can achieve financial balance in 2017/18, through savings or other non-recurring means. However, the use of non-recurring means will not address the underlying financial gap which, if not addressed, will add to the financial

pressures for 2018/19. It should be noted that a balanced position for NHS Forth Valley does not necessarily mean a balanced position for the Integration Joint Board.

- 5.4 It is assumed that constituent authorities will take action to bring spend within budget where appropriate, albeit these plans may be subject to IJB approval. The Falkirk Integration Scheme sets out the steps to be taken in the event that an overspend is forecast for a constituent authority. The first stage is the agreement of a recovery plan.
- 5.5 To address the financial pressures, NHS Forth Valley has developed a programme of efficiencies. A number of these efficiencies do not impact on service delivery. Where proposals relate to a significant service change that requires planning and implementation, NHS Cases for Change are developed, as included in this meeting agenda. This work will feed into the development of a recovery plan and a detailed review of projections and potential savings is planned for mid-August 2017. It is anticipated that this review will form part of a more detailed report to the October IJB meeting.
- 5.6 Where the recovery plan is unsuccessful, the Integration Scheme sets out further options, for example the use of reserves. However, these options should be considered a last resort as they do not address the underlying cause of the overspend. In addition, it may result in funds not being used for their intended purpose and may not deliver Strategic Plan priorities, including the desired shift in the balance of care.
- 5.7 Further information on the NHS position is included at paragraph 5.14.

Adult Social Care

- 5.8 Appendix 2 provides more detailed information on the Adult Social Care position. In total an underspend of £0.261m is anticipated for Adult Social Care. Of this, £0.224m relates to Housing Revenue Account (HRA) Aids and Adaptations. This underspend is ringfenced and would go to the HRA reserve at the end of the year. The remaining £0.037m underspend would reduce the amount of Integration Funding to be applied in the year, thereby increasing the Integration Fund reserve.
- 5.9 There are two main areas of projected overspend in the Adult Social Care budget. The first is the roll out of the Discharge to Assess pilot. The Avenue Care contract will expire at the end of August 2017 and the Leadership Team are considering options for continuation of the service. In the interim an additional £160k has been built into the projection. This is likely to be the subject of a tender exercise and these arrangements would be in place from October 2017. The pilot will therefore be extended to cover the timing gap.
- 5.10 A further cost pressure is arising from the anticipated increase in external home care. Activity trends show the number of hours of care provided has risen significantly. Work is continuing to monitor this area and track any changes in provision elsewhere but it is recognised that this is an area of risk.

- 5.11 These cost pressures have been offset to some degree with projected underspends in Residential Care and Day Care Services.
- 5.12 The budget for 2017/18 includes monies of £0.098m for services for the survivors of trauma. A service model has been developed incorporating tiers of support – Practical & Emotional Support, Support for Parents and Counselling and Therapeutic Interventions. It is proposed that these services are commissioned on a phased basis. Phase one covers Practical & Emotional Support and Support for Parents and will cost c£0.068m. It is anticipated that tenders for these services will be issued by the end of August 2017 for a one year contract. Phase two services are likely to be delivered in 2018/19 and the monies earmarked for this (£0.030m) will be transferred to reserves for this purpose.
- 5.13 Falkirk Council allocated £0.325m from its spend to save reserve to allow a number of temporary posts to be recruited. These posts are needed to drive forward the IJB's Change Programme and the Council's change agenda. The majority of the posts will be filled from 1 October 2017 onwards meaning part year costs for 2017/18, estimated at £0.145m. The Council will therefore reduce the allocation for 2017/18 and carry forward the balance in its spend to save reserve for 2018/19.

NHS Forth Valley

- 5.14 NHS Forth Valley is under financial pressure with overall savings of £24m required for 2017/18. In order to deliver these, the NHS Board recognises that they will need to increase the pace and scale of savings delivery.
- 5.15 The main areas of overspend for the Falkirk IJB are against the Community Hospitals, the Prescribing budget and Joint Partnership Agreements. More detail is provided in Appendix 3.
- 5.16 The Finance report to the June 2017 IJB highlighted the extended use of contingency beds in Falkirk Community Hospital Ward 5. This ward has now closed. However, the extended use of the beds has resulted in an overspend of c£0.280m. In line with budgetary control best practice, it is expected that the appropriate budget holder will take steps to mitigate the overspend in year.
- 5.17 The Prescribing budget represents the biggest single area of financial risk for the Falkirk IJB. In the first quarter the IJB produced an overspend of £0.312m, a potential overspend of £1.248m for the full year. However, it should be noted that actual figures are not known until 2 months later, meaning the May and June figures are based on estimates provided by Pharmacists. Key growth areas are in new and more expensive drugs to treat cardiovascular conditions, immunosuppressive drugs and drugs used to treat prostate cancer.
- 5.18 It will be critical that work continues to review prescribing in the Falkirk IJB area. It is worth noting that the Stirling/Clackmannanshire IJB does not face the same pressures in this area. It will be important to understand the differences between the two IJB areas and determine what, if any, lessons can be learned.

- 5.19 Joint Partnership Agreements cover complex care packages. There have been a number of new cases and increasing demand for high intensity care packages, often requiring the use of bank staff to supplement provision.
- 5.20 As previously noted, the financial risks facing NHS Forth Valley are high. The budget recovery plan will be critical to address these risks.

6. LEADERSHIP FUNDING

- 6.1 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 will be presented to the Chair and Vice Chair for agreement.
- 6.2 Spend against the £1m allocation is as follows:

	£'000
Original Allocation	1,000
Less: ADL Smartcare	(53)
Discharge to Assess	(325)
Graduate Placements	(36)
Current Available Balance	586

- 6.3 Funding requests will continue to be considered using the agreed governance process noted above and will be reported back to the IJB as appropriate.

7. INTEGRATION FUNDING

- 7.1 The Finance Report to the June IJB noted that £1.430m of Integration Funding had been put into reserves at the 2016/17 year end. In 2017/18 a further £10.110m was received from the Scottish Government and was fully allocated to Adult Social Care mainly to cover the costs of the living wage and demographic pressures. However, as noted at paragraph 5.6, Adult Social Care are projecting an underspend of £0.037m which would go back into the reserve. The current projected available balance for Integration Funding is therefore £1.467m.

8. PARTNERSHIP FUNDING

- 8.1 Partnership Funding covers two areas – Integrated Care Fund and Delayed Discharge monies, both received from the Scottish Government. A breakdown of the funding available for 2017/18 is shown below:

	£'000
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Balance Carried into Reserves	1,340
New Allocations from SG	3,744
Total Available	5,084
Less Committed	(2,884)
Current Available Balance	2,200

- 8.2 Details on funding recommendations for these balances are included in a separate report on Partnership Funding on this agenda.

9. RESERVES

- 9.1 As at 31st March 2017 the IJB had £4.841m of reserves, subject to external audit. Included in this figure is the £1m earmarked for Leadership Funding.
- 9.2 An analysis of these reserves and their projected balance at the end of the year is included at Appendix 4. At this stage in the financial year, some projections are unavailable. However, reserves will continue to be closely monitored going forward.
- 9.3 As part of the 2018/19 budget setting process, consideration will also be given by the Housing Contribution Group, to the most effective utilisation of the earmarked Housing Revenue Account (HRA) reserve going forward.
- 9.4 The reserves policy and strategy will be updated before the financial year end and an update provided to the IJB.

10. PLANNED WORK

Due Diligence

- 10.1 The Falkirk Integration Scheme requires due diligence to be carried out to assess the adequacy of payments made in respect of the Integrated Budget, including the set aside. This work will involve Finance staff in each of the constituent authorities. It is anticipated that a review of payments will commence in Autumn 2017.

Medium Term Financial Planning

- 10.2 Effective financial planning is crucial to supporting delivery of the Strategic Plan and the desired shift in the balance of care. The Finance Report to the June IJB noted that work will be undertaken this year to develop a medium term financial plan (MTFP) for the IJB. The aim of the MTFP will be to pull together all the known factors that will affect the financial position and financial sustainability of the IJB over the medium term. This will in turn provide the basis for decision making. For the MTFP to be effective, it must be developed in conjunction with our partners. Progress on the MTFP will be reported back to the IJB.

Budget Setting Process

- 10.3 The 2018/19 budget is likely to be challenging for both constituent authorities. For the 2017/18 budget a business case was submitted by the IJB to the Council in November 2016. It is likely that a similar timeframe will be required for 2018/19. Work will also be undertaken to try and better align the budget timetables for the Council and the NHS as far as is reasonably practicable. This would include, for example, the IJB having sight of cost and service pressures and draft savings proposals for both authorities at the same time. Work will continue with the constituent authorities to develop an appropriate and effective budget process. The IJB will be updated on progress at its October meeting.

Budgetary Control Reports

- 10.4 The content and structure of the budgetary control reports received by the IJB is under review. The aim is to provide a clear view of the total funds available to the IJB and total expenditure of the IJB. However, this is a complex picture due to the way various funds are treated, for example Partnership Funding may be shown separately for budget purposes but included in the core budget for budgetary control. The presentation of Integration Funding can also be confusing. Work is planned with both constituent authorities to look at streamlining and improving the presentation of complex financial information. Whilst some steps have been taken to change presentation, the process of agreeing changes for various, more complex strands will take some time.

11. CONCLUSIONS

- 11.1 This report contains a brief summary of the Partnership budget projected outturn for 2017/18 and an update on the current position with the Partnership's main funds and reserves.
- 11.2 The financial risk highlighted to the IJB in June remains high and a significant piece of work will need to be completed in conjunction with NHS Forth Valley to mitigate this risk.
- 11.3 A further significant workstream is the development of both the budget setting processes and the Medium Term Financial Plan. These two separate but related workstreams will be critical to ensure the financial stability of the Partnership going forward whilst supporting the Partnership to deliver the priorities of the Strategic Plan.

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

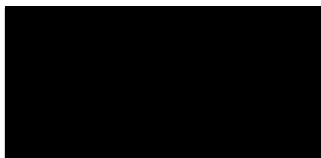
The main financial risks facing the Partnership are considered in the body of the report.

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

