

Title/Subject: Financial Report
Meeting: Integration Joint Board
Date: 2 February 2018
Submitted By: Chief Finance Officer
Action: For Noting

1. INTRODUCTION

- 1.1 The purpose of this report is to provide the IJB with an updated financial position for 2017/18. The report also presents an update on the development of a risk sharing agreement.
- 1.2 In addition, the report provides an update on the following areas:
- Changes to the Partnership Base Budget
 - Leadership Funding
 - Integration Funding
 - Partnership Funding
 - Reserves

2. RECOMMENDATIONS

The IJB is invited to note:

- 2.1 the changes to the Partnership Base Budget as set out in section 4 of this report
- 2.2 the financial projection for 2017/18 and the areas facing pressures as set out in section 5 of this report
- 2.3 the progress to date in developing the budget recovery plan and the focus on the development of a cost sharing agreement for the 2017/18 overspend
- 2.4 the use of Leadership Funding as set out in section 7 of this report
- 2.5 the projected balance of Integration Funding as set out in section 8 of this report
- 2.6 the position on reserves as set out in section 9 of this report

3. BACKGROUND

- 3.1 The financial reports presented to the IJB during 2017/18 have highlighted a significant financial risk as part of the in-scope NHS budgets of the Partnership.
- 3.2 At the December meeting of the IJB, it was noted that further updates on the development of the budget recovery plan would be presented to the IJB.

4. 2017/18 PARTNERSHIP BUDGET

4.1 Resources Available – Partnership Base Budget

The Partnership Base Budget covers the payments made by each partner to the IJB. Variations can occur due to how certain elements of the budget, for example Partnership Funding are treated. Discussions with the partners on the best way to present these areas are ongoing.

- 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
1 December 2017 Base Budget	208.302
Drawdown of Partnership Funding	0.346
Minor Revisions to SG Allocations	0.033
Realignment of PMS Budget	(0.043)
SG Sensory Strategy Funding	0.009
Revised Base Budget	208.647

- 4.3 The movements in the NHS budget are mainly due to non-recurring income allocations received. Of these, £0.346m is from Partnership Funding allocations from Integrated Care Fund and Delayed Discharge monies.
- 4.4 The remaining adjustments represent some relatively minor adjustments to funding from the Scottish Government, for example £0.036m for Psychological Therapy waiting times and adjustments to non cash limited services, such as General Dental Services, where funding will match spend.
- 4.5 The realignment of the Primary Medical Services budget reflects that spend and income in this area should match. The adjustment was discussed with NHS colleagues and the realignment agreed.
- 4.6 As in previous years, Falkirk Council has received an allocation from the Scottish Government for the Sensory Strategy.

5. FINANCIAL PROJECTION

- 5.1 The current projection for the Partnership is an overspend of £2.020m, a deterioration of £0.965m on the position reported to the December IJB. This position assumes that the NHS Board will be able to address pressures in the Set Aside budget, as previously indicated. The forecast position is reflected in Appendix 1 and summarised in the table below:

	£m
Budgets delegated to Falkirk Council (non HRA)	-
Budgets delegated to NHS Forth Valley	2.020
Projected Overspend	2.020
Budgets Delegated to Falkirk Council (HRA)	0.100

- 5.2 A summary of the main pressures is provided below:
- 5.3 **Adult Social Care (Appendix 2)**
The pressures facing Adult Social Care remain as previously reported, namely the increase in external home care provision. The Home Care Review working group is developing an action plan to look at a number of aspects of both internal and external home care provision.
- 5.4 The December finance report to the IJB noted an emerging pressure around the number of care home placements, noting an increase in the number of placements in October compared to January. However, this pressure appears to have eased slightly.
- 5.5 The Adult Social Care budget includes £0.097m set aside for Services for Survivors. Previous reports to the IJB have noted that this budget will underspend in 2017/18 by £0.030m and that projected underspend has been carried forward in reserves. Tenders have recently been issued for the first phase of the service with a planned start date of 5 February 2018. The underspend is therefore likely to be higher than previously projected and has been revised to £0.088m. The financial position statement at Appendix 1 has been updated to reflect this sum as being carried forward into reserves for use in 2018/19.
- 5.6 In 2017/18 Falkirk Council allocated £0.325m from their Spend to Save reserve to the Partnership. This funding was to be used to support various posts within Adult Social Care to assist in delivering transformational change. This funding was non-recurrent. A number of posts were identified and recruitment exercises are at varying stages of completeness. The current projection against this spend is £0.082m. The treatment of the remaining £0.237m will need to be agreed with Falkirk Council.

5.7 Adult Social Care – Housing Revenue Account

The budget delegated to Falkirk Council in respect of Housing Revenue Account (HRA) is projected to overspend by £0.100m, as reported in December. This reflects a significant increase in the number of adaptation works undertaken on HRA properties. The £0.100m overspend will be fully met from ring-fenced HRA reserves.

5.8 NHS Forth Valley (Appendix 3)

Overall the forecast position for the NHS arm of the budget shows an overspend of £2.020m, a deterioration of the previously reported position of £0.965m.

5.9 Previous reports to the IJB have flagged up four main areas of pressure in the NHS arm of the budget – prescribing, non-delivery of savings, complex care and community hospitals, and provided some detail of the difficulties faced in each area. These four areas continue to put pressure on the budget. However, prescribing continues to be the biggest single budget pressure facing the Partnership.

5.10 As highlighted in the finance report to the December IJB, prescribing is causing financial challenges on a national basis due to short supply issues and uptake of new medicines. The short supply issue is compounded by the fact that short supply drugs are often the first choice of drug for a patient and in many cases there are no alternative medicines to switch to during the short supply period. It is hoped that there will be some easing of prices if market conditions improve, however this is difficult to predict and prices rarely go back to where they were before the short supply period. The latter issue is being reviewed by the national Short Life Working Group on short supply and clearly action will be required on a national rather than local basis.

5.11 Locally NHS Forth Valley continues to look at areas for review including efficiencies through poly-pharmacy review, technical switches and waste/repeat prescription reductions. A bid for funding has been submitted to the Partnership Funding Group (PFG). The purpose of the bid is to fund 2 Pharmacists and 3 Pharmacy Technicians to carry out poly-pharmacy reviews in community hospitals, care homes and care at home within the Falkirk area. The proposal would help to reduce demand on the GP workforce and improve patient safety, as well as reduce prescribing costs. The funding request is for £284,650 in 2018/19 and a further £270,795 in 2019/20, a total of £555,445. However, some funding may be available through the Primary Care Transformation Fund and this is being explored.

5.12 The PFG has approved the bid in principle, recognising the potential benefits. However, the PFG has asked to see an implementation plan and clarity over how savings will be recognised and released. This bid will form part of the Partnership Funding investment plan for 2018/19 which will be submitted to the IJB in March along with the 2018/19 budget.

5.13 **Winter Planning**

In December the IJB considered a report on the Winter Plan which included Finance implications. NHS Forth Valley agreed to use some of the winter planning funds available to enhance the Discharge to Assess service already in operation in Falkirk. £0.050m has been ring-fenced to allow Avenue Care to bring in 4 additional staff. There may be further actions and costs which will be reviewed as arrangements continue.

6. BUDGET RECOVERY PLAN & RISK SHARING AGREEMENT

- 6.1 A sub group of the Leadership Team comprising NHS finance managers and operational and general managers has met regularly to discuss opportunities for recovery of the 2017/18 budget. However, the finance report to the December IJB highlighted that whilst the meetings were positive and constructive, achieving financial balance on the NHS arm of the budget was unlikely. This remains the case. To date no further savings have been identified, although efforts to identify solutions continue and the sub group continues to meet. In addition, no further funding from the Scottish Government is anticipated.
- 6.2 The Integration Scheme sets out the steps to be taken in the event that the recovery plan is unsuccessful. The relevant extract from the Integration Scheme is set out in Appendix 4.
- 6.3 The next stage is to formally agree a cost sharing model for 2017/18. This recognises that the Partnership is in a transitional phase with significant structural change anticipated in 2018/19 and 2019/20. The cost sharing model adopted for 2017/18 may not be appropriate once these structural changes have taken place.
- 6.4 To date the Chief Finance Officer (Falkirk Council) and the Director of Finance (NHS Forth Valley) have been asked for their views on an appropriate cost sharing model. A meeting has been scheduled to take this forward and the outcome will be reported back to the IJB at the earliest opportunity.

7. LEADERSHIP FUNDING

- 7.1 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.

7.2 Spend against the £1m allocation is as follows:

	£m
Original Allocation	1.000
Less: ADL Smartcare	(0.053)
Discharge to Assess	(0.750)
Graduate Placements	(0.036)
Temporary Posts to support the roll out of Eligibility Criteria	(0.037)
Current Available Balance	0.124

7.3 The full year costs for Discharge to Assess have been allocated against the Leadership Fund. However, to date Adult Social Care Services have been able to use underspends to meet some of the costs of this project. Given the risks within the Adult Social Care budget, the full allocation for Discharge to Assess has been set aside. If it is not required, the funds can be reallocated.

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

8. INTEGRATION FUNDING

8.1 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.

8.2 The draft IJB Business Plan for 2018/19, considered by the IJB in December 2017, included a proposal to use £0.700m of Integration Funding to offset cost pressures in Adult Social Care. It is recognised that using reserves in this way is not sustainable. However the proposal is that this non-recurring use of funds will allow the Partnership time to deliver some of the transformational changes required.

8.3 The projection of useable Integration Funding for 2018/19 is £0.730m, once the budget allocation is accounted for. The Scottish Government ringfenced this funding for Adult Social Care and it cannot therefore be used to offset the overspend on the NHS arm of the budget.

9. PARTNERSHIP FUNDING

- 9.1 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
Balance Carried into Reserves	1,340
2016/17 Funding Returned	79
New Allocations from SG	3,662
Total Available	5,081
Less Committed	(3,046)
Current Available Balance	2,035

- 9.2 Projects will be required to submit their quarter three monitoring returns shortly and the information from these returns will be collated. At this stage it is expected that there will be an underspend against the allocation of £3.046m. This figure will be calculated as part of the review of quarter three monitoring returns. In some cases projects can request that they carry forward the underspend per the financial principles adopted by the PFG.
- 9.3 In December the IJB approved the investment plan for Partnership Funding for the period 1 April 2018 to 31 March 2021, subject to detailed costings being presented in February 2018 and on-going performance review. The 2018/19 budget for the Partnership will now be considered at a special meeting of the IJB in March 2018 and it is considered appropriate to bring the investment plan for Partnership Funding to that meeting. In the meantime, the investment plan has been reviewed and approved by both the PFG and the Strategic Planning Group.

10. RESERVES

- 10.1 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.
- 10.2 An analysis of these reserves and their projected balance at the end of the year is included at Appendix 5.
- 10.3 The reserves policy and strategy is due to be updated and will be brought back to a future meeting of the IJB.

11. CONCLUSIONS

- 11.1 This report provides a projected outturn for the Falkirk Partnership for 2017/18. There remains a significant risk of the Partnership overspending by £2.020m. It will be critical to agree a cost sharing model between the two key partners quickly. Progress will be reported back to the IJB.

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.

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

Author: Amanda Templeman

Date: 9 January 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 31/12/2017

	<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	70.586	0.012	0.0
Falkirk Council Spend to Save	0.325	0.082	(0.243)	-
NHS Forth Valley	137.748	139.768	2.020	1.5
Sub - Total	<u>208.647</u>	<u>210.436</u>	<u>1.789</u>	<u>0.9</u>
Use of Earmarked Reserves	-	0.876	0.876	-
NET EXPENDITURE	<u>208.647</u>	<u>211.312</u>	<u>2.665</u>	<u>-</u>
<u>Funded By :</u>				
Falkirk Council Contribution	60.464	60.464	-	-
Falkirk Council Spend to Save Contribution	0.325	0.082	(0.243)	-
NHS Forth Valley Contribution	137.748	137.748	-	-
Integration Funding (via Health Boards)	10.110	10.110	-	-
Leadership Funding	-	0.876	0.876	-
NET INCOME	<u>208.647</u>	<u>209.280</u>	<u>0.633</u>	<u>-</u>
SURPLUS/(DEFICIT)	<u>-</u>	<u>(2.032)</u>	<u>(2.032)</u>	<u>-</u>
Transfer from HRA Reserves		0.100		
Transfer to Reserves - Services for Survivors		(0.088)		
Projected Outturn		(2.020)		

LOCAL AUTHORITY BUDGETS	ANNUAL BUDGET			YTD ACTUALS			FORECAST FOR FINANCIAL YEAR	
	£m	£m	£m	£m	£m	£m	£m	£m
	INITIAL	BUDGET	REVISED	YEAR TO	YEAR TO	YEAR TO	FORECAST	FORECAST
	ANNUAL	ADJUSTM	ANNUAL	DATE	YEAR TO DATE	DATE	EXPENDITURE	FORECAST
	BUDGET	ENTS	BUDGET	BUDGET	EXPENDITURE	VARIANCE		VARIANCE
Older People	3.009	0.313	3.322	2.492	2.440	(0.052)	3.253	(0.069)
Mental Health	0.605	(0.029)	0.576	0.432	0.395	(0.037)	0.526	(0.050)
Learning Disability	0.296	0.032	0.328	0.246	0.241	(0.005)	0.321	(0.007)
Physical Disability	0.635	0.067	0.702	0.527	0.515	(0.011)	0.687	(0.015)
Adult Support and Protection	0.188	(0.089)	0.099	0.074	0.056	(0.019)	0.074	(0.025)
Carers	0.050	(0.002)	0.048	0.036	0.026	(0.010)	0.035	(0.013)
Care at Home	30.299	0.193	30.492	22.869	22.832	(0.037)	30.443	(0.049)
Residential Care	22.674	(0.074)	22.600	16.950	17.225	0.275	22.967	0.367
Respite Care	1.307	(0.102)	1.205	0.904	0.901	(0.003)	1.201	(0.004)
Day Care/ Services: PD,LD,OP,MH	4.104	0.168	4.272	3.204	3.080	(0.124)	4.107	(0.165)
MECS/Telecare/Telehealth	0.601	(0.032)	0.569	0.427	0.461	0.034	0.614	0.045
Housing with Care/Sheltered Accommodation	1.098	0.060	1.158	0.868	0.915	0.047	1.220	0.062
Shopping Service	0.014	0.010	0.024	0.018	0.029	0.011	0.038	0.014
Equipment and Adaptations	0.420	0.009	0.429	0.322	0.326	0.004	0.434	0.005
Advocacy	0.096	(0.001)	0.095	0.071	0.067	(0.005)	0.089	(0.006)
Sensory Team	0.455	(0.097)	0.358	0.269	0.209	(0.060)	0.278	(0.080)
Mental Health Team	0.297	(0.002)	0.295	0.221	0.217	(0.005)	0.289	(0.006)
Learning Disability Team	0.586	0.002	0.588	0.441	0.473	0.032	0.631	0.043
JLES	0.328	(0.025)	0.303	0.227	0.227	0.000	0.303	0.000
Day Care/ Centre: MH	0.167	0.100	0.267	0.200	0.149	(0.051)	0.199	(0.068)
Sensory Resource Centre	0.079	0.000	0.079	0.059	0.063	0.004	0.084	0.005
Voluntary Organisations	0.554	0.000	0.554	0.416	0.362	(0.054)	0.482	(0.072)
Garden Aid	0.489	0.000	0.489	0.367	0.367	0.000	0.489	0.000
Housing Aids and Adaptations	1.200	0.000	1.200	0.900	0.975	0.075	1.300	0.100
Improvement Grants	0.327	0.000	0.327	0.245	0.245	0.000	0.327	0.000
IJB Operation	0.193	0.002	0.195	0.146	0.146	0.000	0.195	0.000
Integration Fund	(9.920)	(0.190)	(10.110)	(7.583)	(7.583)	0.000	(10.110)	0.000
TOTAL LOCAL AUTHORITY BUDGETS	60.151	0.313	60.464	45.348	45.357	0.009	60.476	0.012

Notes:

1. Breakdown of Falkirk Council's contribution to IJB as

General Fund payment to IJB	£58.410	£0.313	£58.723
HRA Payment to IJB	£1.414		£1.414
Capital	£0.327		£0.327
	<u>£60.151</u>	<u>£0.313</u>	<u>£60.464</u>

2. YTD expenditure and YTD variance is calculated on pro rata basis.

NHS Forth Valley, Health & Social Care Integration Board Level IJB
Financial Report 2017 Period 9 (December)

Falkirk IJB £

Scope	Category Reference & Name	Annual Budget F IJB	YTD Budget F IJB	YTD Actuals F IJB	YTD Variance F IJB
Set Aside	.2 Accident and Emergency Services	6,227,059	4,654,316	4,838,398	(184,082)
	.3a Inpatient Hospital Services General Medicine	3,119,037	2,341,128	2,322,809	18,319
	.3b Inpatient Hospital Services Geriatric Medicine	4,434,471	3,314,073	3,513,845	(199,772)
	.3c Inpatient Hospital Services Rehabilitation Medicine	1,425,786	1,069,623	1,107,105	(37,482)
	.3d Inpatient Hospital Services Respiratory Medicine	1,174,673	881,567	891,628	(10,060)
	.3e Inpatient Hospital Services Psychiatry of Learning Disability	1,333,422	1,000,067	1,024,914	(24,847)
	.4 Palliative Care (Hospital Based)	1,068,168	801,126	795,064	6,063
	.7 Mental Health Inpatient Services	6,323,549	4,715,047	5,102,081	(387,034)
Set Aside	Sub Total	25,106,165	18,776,946	19,595,842	(818,896)
Operational	.8 District Nursing Services	4,164,104	3,118,079	3,150,869	(32,791)
	.9 Community Addiction Services	2,949,757	2,226,069	2,156,314	69,755
	.10 Community Based AHP Services	6,268,432	4,658,724	4,599,829	58,895
	.11 Public Dental Service	1,039,964	779,973	788,659	(8,685)
	.17 Services provided outwith a hospital in relation to geriatric medicine	1,101,836	826,378	733,021	93,357
	.18 Palliative Care (delivered in Community)	79,853	59,890	64,211	(4,321)
	.19 Community Learning Disability Services	800,409	585,945	432,385	153,560
	.20 Community Mental Health Services	5,278,930	3,954,995	3,798,765	156,230
	.21 Continence Services	190,526	142,894	119,189	23,705
	.23 Services Provided by health professionals to promote public health	1,458,457	1,074,064	1,002,716	71,347
	.24 Community Hospitals (recurrent budget)	5,972,365	4,232,277	4,695,806	(463,530)
	.RTs Resource Transfer	11,253,081	8,439,811	8,439,813	(2)
	.JPA Joint Partnership Agreements	1,856,622	1,408,985	1,735,379	(326,394)
	.PF Partnership Funds (ICF/ Delayed Discharge / Bridging)	1,784,986	1,784,986	1,792,361	(7,375)
	.Pass Integration Fund Pass Through Funding	10,110,000	7,582,500	7,582,500	0
	.ResCF IJB Reserves Cfwd	(40,256)	(40,256)	(40,256)	0
Operational	Sub Total	54,269,066	40,835,313	41,051,562	(216,249)
Universal	.12 Primary Medical Services (GMS Contract)	21,710,285	16,018,004	15,936,023	81,980
	.13 Primary Dental Services (GDS Contract)	8,654,821	6,438,569	6,417,420	21,149
	.14 Community Ophthalmic Services	3,010,097	2,242,687	2,242,686	0
	.15 Community Pharmaceutical Services	34,230,730	26,576,216	27,804,553	(1,228,337)
	.16 GP Out of Hours Services	1,360,697	962,490	979,292	(16,802)
Universal	Sub Total	68,966,630	52,237,965	53,379,975	(1,142,010)
Total		148,341,861	111,850,224	114,027,379	(2,177,155)

8.5 In-year overspend on the Integrated Budget

8.5.1 Where there is a projected overspend against an element of the Integrated Budget, the Chief Officer, the Chief Finance Officer of the Integration Joint Board and the relevant finance officer and operational manager of the constituent Party must agree a recovery plan to balance the overspending budget.

8.5.2 If the recovery plan is unsuccessful, the Integration Joint Board may increase the payment to the affected Party, by either:

- I. utilising an under spend on another arm of the Integrated Budget to reduce the payment to that Party; and/or
- II. utilising the balance of the general fund, if available, of the Integration Joint Board in line with the reserve policy.

8.5.3 If the recovery plan is unsuccessful and there are insufficient general fund reserves to fund a year end overspend, then the Parties have the option to:

- I. make additional one-off payments to the Integration Joint Board, based on an agreed cost sharing model; or
- II. provide additional resources to the Integration Joint Board which are then recovered in future years, subject to scrutiny of the reasons for the overspend and assurance that there is a plan to address this; or
- III. access the reserves of the Integration Joint Board to help recover the overspend position.

8.5.4 The exception is for overspends that arise due to material differences between assumptions used in setting the payments to the Integration Joint Board and actual events (e.g. pay inflation). Unplanned overspends

effectively represent underfunding by the Parties with respect to planned outcomes and the cost should be met by the relevant Party, subject to the financial capacity of the relevant Party.

Appendix 5

ANALYSIS OF RESERVES

	Balance 01/04/2017 £m	Spend £m	Transfers £m	Misc. £m	Projected Balance 31/03/2018 £m
General Reserve	0.213	-	-	-	0.213
Housing Revenue Account (HRA)	0.275	(0.100)	-	-	0.175
Sensory Strategy	0.047	(0.002)	-	-	0.045
Leadership Fund	1.000	(0.876)	-	-	0.124
Integration Fund	1.430	-	-	-	1.430
Partnership Fund	1.340	(3.046)	3.741	-	2.035
Primary Care Transformation & Mental Health	0.322	(0.168)	0.530	-	0.684
Transforming Urgent Care	0.214	(0.086)	-	-	0.128
Survivors of Trauma - Phase 2	-	-	0.088	-	0.088
TOTAL	4.841	(4.278)	4.359	-	4.922

Future Year Allocations 2018/19 £m
-
-
(0.045)
-
(0.700)
-
(0.407)
(0.149)
(0.030)
(1.331)