

Midlothian Integration Joint Board



Thursday 7th June 2018

Financial Out-Turn 2017/18

Item number: 4.1

Executive summary

Midlothian Council and NHS Lothian have now provided the IJB with the actual expenditure that will be charged against the IJB's budgets for the 12 months ended 31st March 2018.

The IJB is underspent for the 2017/18 financial year. This is an improved financial position from that reported to the IJB at its December 2018 meeting. This underspend will allow the IJB to create a reserve and carry these unused funds forward into future years. Although the IJB did not have a reserve in its own books at the end of 2016/17, Midlothian Council carried forward c. £1.2m of funds on the IJB's behalf. An element of those funds has been used to support the financial position in the current year along with holding back new funding in 2017/18 to offset the projected overspend as far as possible. The use of these funds masks a continuing underlying and significant overspend in social care and does not alter the continuing need for transformation to more affordable models of care

Proposals for the utilisation of the reserve are detailed in the paper

Board members are asked to:

- *Accept the charges (the service delivery costs) for 2017/18 from the partners.*
 - *Note the year-end position for 2017/18.*
 - *Note the creation of a reserve for the IJB.*
 - *Support the proposals for the utilisation of the reserve.*
-

Financial Out-Turn 2017/18

1 Purpose

1.1 This report lays out the IJB's out-turn position for 2017/18.

2 Recommendations

2.1 Members are asked to :-

- Accept the charges (service delivery costs) for 2017/18 from the partners (Midlothian Council and NHS Lothian)
- Note the year-end position for 2017/18, this position being unaudited.
- Note the creation of a reserve for the IJB
- Support the proposals for the utilisation of the reserve.

3 Background and main report

Summary 2017/18 Position

3.1 The unaudited 2017/18 out-turn positions have now been provided to the IJB by its partners and this shows an underspend in both 'arms' of the IJB (that is both within those budgets managed operationally by NHS Lothian and by Midlothian Council).
In summary the position is :-

Table 1 – 2017/18 summary

	Budget £000's	Actual £000's	Variance £000's
Health			
Core	59,617	59,270	347
Non-cash Limited	8,706	8,706	0
Hosted	12,755	12,567	188
Set Aside	18,154	18,572	-418
Social Care	38,806	38,267	539
Total	138,038	137,382	656

There is a further carry forward of £243,000 of earmarked social care funding which is not noted above, this is discussed as part of the section on the IJB's reserves.

- 3.2 For noting, the financial information in table 1 includes 'Non cash limited' (NCL) budgets and expenditure. In the Health system, expenditure to support the delivery of community dentistry, community opticians and community pharmacists is termed as 'non cash limited' but is clearly part of the delivery of primary care services and these functions is delegated to the IJB. However, being NCL there is no budget as such but any expenditure incurred is supported in its entirety by the Scottish Government. The NCL values are not part of the budget setting process, there being no budget, but NHS Lothian has matched the NCL expenditure with income to cover this expenditure.

Main variances and financial pressures

- 3.3 The overall year-end position within the Health budget of the IJB is an underspend of c. £117,000. This can be analysed as follows :-

3.3.1 Core Health Services

There are two main elements to this position being an improvement in the GP prescribing budgets – improvement in the sense that the opening forecast for prescribing in 2017/18 was an overspend of c. £395,000 where as the actual out-turn was an overspend of c. £150,000. The other elements being a range of slippage (non-recurrent underspends) within GMS and as part of the transition of services from Liberton Hospital into the partnership.

3.3.2 Hosted Health Services

The hosted position shows an overspend within the Learning Disabilities services but being offset with underspends in community dental, rehabilitation services and the UNPACS budget (this is the budget used to support Lothian patients cared for by services outwith NHS Lothian). It should be remembered that although the core services are the actual costs of these services for Midlothian, the hosted services do not reflect the actual IJB usage but the IJB's share of the overall hosted budgets per the NHSL IJB health budget setting model.

3.3.3 Set Aside

The significant pressures being :-

Junior Medical – driven by additional staffing requested to cover rotas for sickness; maternity and vacancies – causing an over-establishment against funded levels. In addition there were significant excess banding payments for non-compliant rotas. New tighter controls regarding authorisation for additional staffing and reviewing rotas before issues arise are not in place to reduce pressure in 18/19

Gastroenterology - significant drug pressure reported on Adalimumab and Aflibercept driving costs as well as overall higher growth than previous year.

General Medicine – Pressure driven by staffing issues (significant at St Johns – where recruitment is difficult) and ongoing bed pressures.

A&E – recruitment issues resulting in additional costs of locums/agency to cover and make safe staffing rotas – especially problematic at SJH.

As with hosted services, these are not the charges specifically for Midlothian patients but reflect the agreed share of the IJB's Set Aside budgets. There is work ongoing within NHS Lothian to review the model to ensure that the costs charged to the IJB reflect the actual usage of set aside services (and hosted services) by Midlothian patients rather than the current proxy measures.

- 3.4 The Social Care element of the IJB's budget is underspent by £539,000, which is a further improvement from the position reported at the December 2017 meeting. Midlothian Council undertakes quarterly reviews of the financial position along with an analysis of the key financial issues. The finance report presented to the Council at its February meeting shows the following movements in the social care position :-

Report	Forecast £000's	Improvement £000's
Quarter 1	-1260	n/a
Quarter 2	-875	385
Quarter 3	-312	563
Out-turn Actual	539	851

Negative value is an overspend

The issues identified as pressures at the year-end were a significant overspend within adult services, specifically those for clients with Learning Disabilities and Physical Disabilities. This pressure was offset by underspend in services for older people, although there are underlying pressures in some specific services including MERRIT and care at home.

Non-recurrent support – Underlying position

- 3.5 Work continues on the detailed analysis of the out-turn social care position and this information will be used for operational financial plans. However, using the information available, it can be seen that the underspend reported is, in reality, a recurrent overspend when the non-recurrent support is removed. The table below lays this out :-

	£000's	
Out-turn position	539	
N/R Support above	-601	See appendix 1
N/R Support in year - SCF	-425	
N/R Support in year - ICF	-99	
Operational Position	-586	

Movements from the previous forecast

- 3.6 At its December 2017 forecast meeting a 2017/18 forecast was presented to the IJB. That forecast was an overall overspend of £923,000, the actual 2017/18 out-turn (albeit unaudited) is obviously a significant improvement. The January '17 and March '18 financial reports to the IJB concentrated on the financial plan and the financial assurance for 2018/19. However a verbal update was provided to the IJB at its May '18 meeting when it was noted that the out-turn had improved from the previous forecasts and that the actual position may be an overall underspend.

The table below shows the movements between the December forecast and the actual position.

	December '17 Projection £000's	Actual 17/18 Out-turn £000's
Core	250	347
Hosted	62	188
Set Aside	-470	-418
Social Care	-765	539
Total	-923	656

- 3.7 The main change between the December forecast and the actual outturn lies within the social care budgets, with a relatively modest improvement in the health budgets.
- 3.8 As was described above, the health elements of the IJB's budget has moved in total by c. £275,000. This is driven by a range of small improvements, no-one service having a significant movement.
- 3.9 When the paper was prepared for the IJB in December 2017, the Q3 forecast for the social care services was not available. The out-turn forecast above (an overspend of £765,000) was an estimate based on the operational management position in the month of December. The Q3 forecast, which was available in February, showed a significant improvement on both the Q2 forecast and the forecast prepared for the December IJB report. As can be seen from the analysis in 3.4, the social care out-turn forecast position improved during the financial year.
- 3.10 The largest element of the social care budget (c. £32m) is the community care resource panel which is used to procure social care services for both adults and older people. The operational management teams have concentrated their recovery actions during the financial year in improved management and efficiencies within this budget and this work has generated a significant movement between Q4 and the year-end. The total resource panel spend in 17/18 is roughly the same as the total spend in 16/17 which, given the increases in costs and the additional demand, gives a broad illustration of the impact of management actions to manage this budget.

That said, as described above, this position is supported by over £0.9m of non-recurrent resources and the apparent underspend is, in reality an overspend.

Reserves

- 3.11 The accounting regime within health and the council is different. The health system is required to break-even year on year and may not create reserves (that is balances that can be carried forward from one year to the next) whilst the council financial regime allows the creation of reserves. The IJB is covered by the council financial regime and as such may create reserves. Reserves may flow from two sources :-
- Funds allocated for a specific project which are not used in the year in which they are allocated may be carried forward to the next year to allow the project to be completed. These are generally referred to as 'earmarked' reserves
 - Funds arising from underspends at the end of the financial year may be carried forward for use in subsequent years and are generally referred to as 'general' reserves
- 3.12 The IJB's Integration Scheme deals with the matter of in year underspends as follows – if an underspend is considered to be 'fortuitous' (that is not planned by the IJB) then the underspend may be kept by the partner wherein that underspend was generated. Otherwise, if an underspend is 'planned' then the underspend may be kept by the IJB. Both Midlothian Council and NHS Lothian have agreed that the underspends as reported above may be kept by the IJB.
- 3.13 There have also been further funds which were allocated to the IJB (from Midlothian Council) which were earmarked for specific purposes and not utilised in 2017/18 these are detailed in appendix 1 – totalling £243,000 which are not included the out-turn position above. These funds will also been taken into the IJB's reserve.
- 3.14 The IJB will now create both a general reserve and earmarked reserves utilising the underspend as above to create the general reserve (£656,000) along with funds (£243,000) carried forward for specific purposes. The IJB will therefore have reserves totalling £899,000.

Movement in Reserves

- 3.15 At the end of 2016/17, the Council carried forward a reserve of c. £1.2m on behalf of the IJB and this was reported to the IJB at its June '17 meeting. The breakdown of this 'reserve' is detailed in Appendix 1.

Although these funds were not in the budget offer made by Midlothian Council in February 2017, Midlothian Council allocated these funds to the IJB in 2017/18.

It can be seen from appendix 1 that some of this 'reserve' (for example MELDAP and TEC) are part of the earmarked funds to be carried forward into 2018/19 however, much of the remainder of these funds have been used to underpin the social care position in 2017/18 as is discussed above. .

In summary, the reserves at 31st March 2018 are as follows :-

IJB Reserves at 31/3/18

	£000's
Earmarked Reserves	
MELDAP	132
TEC	77
Other	34
General Reserve	656
	899

Proposals for the Utilisation of the reserves in 2018/19

- 3.16 It is proposed that the reserves are used for five broad purposes in 2018/19. These being :-
- 3.16.1 Reserves earmarked for specific projects will be used to support these projects – for example the continuation of substance misuse services (using the MELDAP reserve) and the further development of the use of Technology Delivered Care (using the TEC reserve).
- 3.16.2 Transformation Programme – a programme of work has been developed to further support the transformation agenda which will include a Programme Manager to work with acute and other service staff to deliver agreed outcomes. The initial focus will be on progressing the Mental Health plan and on work to support the IJB's ambition to reduce its bed use in the Acute hospital sites, particularly in relation to the respiratory pathway. This development will require investment as part of a 'spend to save' approach.
- 3.16.3 Waiting Times – the IJB has a number of community services that are reporting significant waiting times (Psychological Therapies, Substance Misuse, occupational therapy assessment), and projects will be developed to reduce these waiting times and to ensure that the service is sustainable thereafter.
- 3.16.4 Delayed Discharge – as previously reported to the IJB, there continues to be a need to support timely discharge from hospital and resource will be allocated to support the implementation of the delayed discharge action plan.
- 3.16.5 The residual element of the general reserve will be used as required to support in-year financial pressures, recognising the continuing underlying and significant overspend in social care.

Impact on 2018/19 and the financial plan.

- 3.17 The initial drafts of the IJB's three year financial plan provided for a level of underlying financial pressure within the social care services. The plan is being revised to take account of the actual out-turn position and to reflect the use of the reserves as above.

4 Policy Implications

4.1 There are no new policies proposed or described in this report.

5 Equalities Implications

5.1 There are no implications for equalities in this report.

6 Resource Implications

6.1 The resource implications are laid out above

7 Risk

7.1 The issues above are already noted within the IJB's risk register.

8 Involving people

8.1 The IJB is held in public and its papers are publically available.

9 Background Papers

9.1 None

Appendix.

Movement In reserves

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
CONTACT INFO	david.king@nhsllothian.scot.nhs.uk
DATE	May 2018

Movement in Reserves – 2016/17 and 2017/18

	2017/18 Opening	2017/18 Closing	Movement	Notes
Committed Project Funds	£000's	£000's	£000's	
SG Self directed support	316	0	316	N/r support in 2017/18
MELDAP	278	132	146	Element used in year per plan - balance c/fwd
SG Funding TEC	85	77	8	Multi-year project, balance c/fwd
SG (via NHS) Dementia	77		77	Been used in year
7 Pillars (MH)	27		27	Been used in year
Criminal Justice	39		39	Been used in year
Other	73	34	39	Net movement in a range of small projects
	<u>895</u>	<u>243</u>		
16/17 c/fwd funding				
SCF	200	0	200	Used for n/r support
Integrated Care Fund	34	0	34	Used for n/r support
Resource Transfer	51	0	51	Used for n/r support
Total	<u>1180</u>	<u>243</u>		

Additional Reserves from 2017/18 Underspend

Health Underspend	117
Social Care Underspend	539

Total Reserves at 31/3/18 **899**

Reserves used to support the 2017/18 position

SG Self directed support	316
SCF	200
Integrated Care Fund	34
Resource Transfer	51
Total in year support	<u><u>601</u></u>