

Midlothian Integration Joint Board



Thursday 7th December 2017 at 2.00pm

Financial Position – December 2017

Item number: 5.1

Executive summary

This paper lays out the IJB's projected out-turn position for 2017/18 – that is a forecast of the IJB's financial position at March 2018. This forecast is based on the Midlothian quarter 2 review and information from NHS Lothian who provide the IJB with a monthly update of the forecast out-turn.

The forecast projects an overspend position for the IJB and the Integration Scheme lays out the actions to be taken if an overspend is forecast. There are five options :-

- 1. That the partners prepare a recovery plan – this is already in train*
- 2. That the IJB prepares a recovery plan – this is not considered to be practical at this time.*
- 3. That the IJB transfers resources from one 'element' of the IJB to another – at this time both partners are forecasting an overspend in their element of the IJB's budget*
- 4. That the partners provide additional resources – this has not yet been discussed with the partners*
- 5. That the partners provide 'brokerage' – that is a loan to the IJB.*

Board members are asked to:

- 1. Note the forecast out-turn position for 2017/18*
 - 2. Consider the options available to the IJB*
 - 3. Direct the Chief Officer and the Chief Finance officer to take the actions as laid out in the integration scheme*
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Financial Position – December 2017

1. Purpose

- 1.1 This paper updates the IJB on the most recently available financial forecast for the IJB's out-turn position in 2017/18

2. Recommendations

The IJB is recommended to :-

- 2.1 Note the forecast out-turn position for 2017/18
2.2 Consider the options available to the IJB
2.3 Direct the Chief Officer and the Chief Finance officer to take the actions as laid out in the Integration Scheme actions.

3. Background and main report

- 3.1 At its March meeting the IJB received a report laying out the financial assurance around its proposed 2017/18 budget. In summary, the financial assurance considered the budgetary offers made by partners to the IJB and examined an analysis of the financial challenges within these offers. This analysis showed that a total of c. £4.8m of financial pressures had been identified with c. £2.8m of plans available to support these pressures and therefore this left a projected £2.0m 'gap' for which plans had (at that time) still to be identified.
- 3.2 The March financial assurance report to the IJB also noted that there was no financial risk sharing agreement in 2017/18 in that any overspends would not automatically be supported by the partners as had happened in 2016/17. That said, the IJB decided to accept the budgetary offer in order to continue to develop and deliver its strategic plan and the operational service management of the partners would work towards a break-even position.
- 3.3 The 2017/18 financial position was reported to the IJB at its meetings in June, August and October. The October report laid out the results of the quarter one review and this projected an out-turn position for the IJB of c. £1.4m of an overspend. The IJB asked its partners to continue to develop and deliver their in-year recovery plans.
- 3.4 The table below shows the current year-end projected out-turn :-

Midlothian IJB - Projected Out-turn December 2017

	£000's
Health	
Core	250
Hosted	62
Set Aside	(470)
Social Care	(765)
Total	<u>(923)</u>

All values variances - underspend/(overspend)

It can be seen that the position has improved since the quarter one forecast but that the IJB's projected put-turn position is not in balance.

- 3.5 The key drivers behind this position remain largely the same as those reported in the October paper – that is an overspend in adult social care, overspends in junior medical staff (in the set aside budget) and challenges in both Set Aside and Adult Social Care in the delivery of efficiency schemes.
- 3.6 The IJB held a workshop on 16th November 2017 to discuss and consider the implications of a year-end overspend and to reflect on the options available to both the IJB and the partners.
- 3.7 NHS Lothian Finance and Performance group at its meeting in 15th November 2017 received a paper entitled 'Impact of IJB financial performance on NHS Lothian'. This report noted the options available to the IJB as laid out in the integration scheme in the event of an overspend being forecast – these are :-
1. That the partners prepare a recovery plan. The partners have prepared and are delivering recovery plans, however, it is clear from the MLC forecast that this recovery plan is unlikely to deliver a break-even position. The NHS Lothian forecast position has improved since the start of the financial with their now only being an overspend within Set Aside. NHS Lothian have intimated that, at this time, it seems unlikely that the set aside position can be recovered.
 2. That the IJB prepares a recovery plan. The practicality of such action was discussed at the workshop and it was agreed that this is not a practical action in 2017/18. It may be worth considering if the IJB should draw up such plans for 18/19 early in the financial year as a contingency position.
 3. That the IJB uses any underspend in 'one arm' of its budget. Given that both partners are predicting an overspend this is not an option at this time. However, the health position has improved since the start of the financial year and it may improve further. Its also worth considering that the IJB has a very modest influence over the set aside budget and that any overspend in set aside is shared amongst the Lothian IJBs and does not necessarily reflect the IJB's usage of that resource.

4. That the partners make additional funds available to the IJB. In 2016/17, both partners provided additional resources to cover 'their' element of the overspend. No such agreement exists in 2017/18 but discussion are underway between the IJB and its partners.
5. That the IJB is provided with brokerage (a loan) by the partners. This is a very poor position for the IJB – the IJB has no realistic way of repaying such a loan and if, as an example, the loan was to be repaid for the 18/19 budgetary allocation then could the IJB accept a budget that was clearly 'insufficient'.

The NHSiL Finance and Resources paper is attached to this report for information.

- 3.8 Its is also possible, in theory, for either or both partners to break-even and for the IJB to be overspent – if, for example, MLC supported the social care overspend from their reserves but did not allocate any additional funds to the IJB However, such a position would not benefit the partners since the partners would have to reflect the IJB's overspend in their accounts and (in their operational budgets) account for the overspend in their own books.
- 3.9 Discussion are underway between the Chief Officer, the Chief Finance Officer and the partners and these are being progressed on the basis that the IJB is supported to break-even (assuming that the partners can break-even) and that the IJB will not achieve this through brokerage. Progress on this matter will be reported back to the IJB at its next meeting.

3. Policy Implications

- 4.1 There are no further policy implications arising from any decisions made on this report.

4. Equalities Implications

- 5.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper. However, as services are redesigned as discussed above equalities impacts will require to be undertaken

5. Resource Implications

- 6.1 The resources implications are laid out above

7 Risks

7.1 The issue of financial sustainability is already identified in the IJB's risk register

8 Involving People

8.1 This report is based on the IJB's Strategic Plan which itself has been consulted on with both the general population and staff. Nevertheless the emerging financial challenges facing the partners, and therefore the budgets likely to be available to the IJB, require a concerted programme of public engagement. Transforming health and care services will only succeed if the people of Midlothian understand the changes being considered; are able to influence these; and are prepared to support them. With this in mind a communications and engagement plan is now being developed.

9 Background Papers

9.1 Previous finance reports to the IJB discussed above.

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