

REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 28 January 2016

BY: Chief Finance Officer

SUBJECT: Update on Financial Assurance Process

1 PURPOSE

This paper updates the IJB on the current progress towards the completion of the financial assurance process for the IJB's opening 2016/17 budget

2 RECOMMENDATIONS

2.1 The IJB is asked to note the content of this paper.

3 BACKGROUND

3.1 A report was presented to the IJB's meeting of 26 November 2015 laying out the progress and further timescales of the Financial Assurance process that the IJB will undertake on the financial resources offered to it by both NHS Lothian and East Lothian Council to support the functions that these two bodies have delegated to the IJB.

3.2 Since that time, the Scottish Government has issued its budget for 2016/17 (on December 2016) which lays out a settlement for both the Scottish Health Service and Scottish Local Authorities.

3.3 In summary, this settlement shows:-

- For the Health service an average uplift of c. 5.5%. However, this uplift includes £250m (roughly half of the 5.5%) which is to be directed through the IJBs and is to be used to enhance social care services. There are other elements of the Health Service settlement that will have the effect of reducing the resources available to the Health Boards but this will have a marginal effect of the overall settlement.

- For Councils the revenue support grant has been reduced further than indicated previously and this has meant that East Lothian Council now must find further reductions in budgets, That is, further reductions than had already been built into the financial plan.
- 3.4 NHS Lothian's initial financial estimates for 2016/17 indicate a very significant challenge and even with an (albeit modest) positive uplift available and a range of efficiencies schemes being developed a break-even position will be difficult to achieve across all of its services.
 - 3.5 As was discussed above, an element of the NHS uplift is the £250m fund which is to be directed through IJBs to enhance social care. Further clarification is now required as to how this fund can be utilised and the extent to which this fund can be used to support financial pressures that are currently within the Social Care system.
 - 3.6 The financial assurance process is designed to consider what the proposals for 2016/17 (and beyond) from the Partners will mean for the delivery of the financial plan. Clearly much of this work is to consider previous performance and how the budgetary proposals were arrived at but the final element is, of course, the 16/17 settlements. .
 - 3.7 The previous report to the IJB identified a risk around the timing of these proposals from the Partners not being sufficient to allow the IJB to fully consider and understand the budgetary offers.
 - 3.8 Clearly the issues raised by the SG budget announcement (the further reduction of Council support and the utilisation of the £250m) are impacting on the IJB's financial assurance process in that further clarity is being sought around the allowable usage of these funds to support Social Care pressures within Council services and on some details of the Health settlement.
 - 3.9 NHS Lothian are not currently able to make a formal offer in financial terms but have instead written proposing a model which, if agreed by the IJB, would allow a quick computation of a final offer once the final financial position is clear. This letter is attached to this report as Appendix 1. A reply to this letter is in the process of preparation and the current position on this work will be discussed at this meeting
 - 3.10 No formal offer has currently been received by the IJB from East Lothian Council although the IJB has been briefed through the Chair and the Chief Officer. East Lothian Council will not make a formal offer to the IJB until after it has set its budget in February.
 - 3.11 The financial assurance process cannot be completed until both Partners have made a formal financial offer to the IJB which the IJB can properly consider. It is not currently clear when this information will be received and although much work has already been done and much information is available, the final position for 2016/17 remains unknown at this time.

5 POLICY IMPLICATIONS

- 5.1 The relevant policy issues referred to in this report arise from the Public Bodies (Joint Working) (Scotland) Act 2014.

6 EQUALITIES IMPLICATIONS

- 6.1 There is no direct impact on inequalities arising from this report.

7 RESOURCE IMPLICATIONS

- 7.1 There are no additional resource implications arising from the content of this report.

8 BACKGROUND PAPERS

- 8.1 Reports to the IJB – 26 November 2015.

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Dear Colleague

RESOURCE ALLOCATION TO THE INTEGRATED JOINT BOARD (IJB) IN RELATION TO FUNCTIONS DELEGATED BY NHS LOTHIAN

The Integration Scheme for each IJB lays out that financial resources to deliver the functions delegated (I have referred to these as 'budgets' below) will be allocated to the IJB. There have been a series of discussions and papers laying out the options for translating existing CHP budgets into IJB budgets and for determining the distribution of the set aside Acute budget. The purpose of this letter is to set out NHS Lothian's formal budget allocation proposal for IJB consideration. The letter also sets out a proposal for 16/17 uplift on these budgets following the Spending Review and current thinking on NRAC.

NHS Lothian are not able to make a final financial proposal at this time as further work is required to fully understand the impact of the Scottish Government's recent budget announcements on the resources available to the Board. For example, the Scottish Government has indicated a 7.5% reduction in the funding for the 'bundles' and we are still establishing how this will impact on your IJB. In addition this proposal is also subject to consideration of the proposals from all our Council partners.

To support this we have developed a set of underlying principles, key of which is the equitable distribution of the financial challenge across the full range of NHS services.

The resultant proposal for apportioning budgets and allocating uplift is summarised in sections 1 to 4 below:

1. Core Services (Specific IJB services and GMS budgets)

The budgets that are held for the services that represent functions delegated to the IJBs by NHS Lothian are held at cost centre level and a detailed model has been developed to allocate these budgets by cost centre to the IJBs. This model will be agreed by the Chief Officers on behalf of the IJB and will be distributed to the Chief Officers separately. These cost centres will be allocated to IJBs based on the historic core budgets held by the CHPs

2. GP Prescribing budgets

It is proposed to allocate the current prescribing budget for NHS Lothian across the 4 IJBs using the Prescribing Budget setting model. The PBSG model is specifically designed for GP Prescribing and is based at GP Practice level. I appreciate that the IJBs may wish to continue with the current risk sharing model but this will be a matter for IJBs.

3. Share of pan-Lothian Services (Hosted and Set Aside)

It is proposed to allocate budgets for services that represent functions delegated to the IJBs by NHS Lothian currently managed on a pan-Lothian basis on a PCNRAC basis with certain exceptions as appropriate. The detail associated with this is attached as an Appendix 1 to this letter.

A summary of the opening budget for 16/17 for each IJB, based on these proposals is attached as Appendix II. These budgets are prior to any uplift for 16/17.

Turning to the proposal for uplift there are 4 elements to this: pay and price uplift, NRAC, Social Care funding, and efficiency savings.

4. 2016/17

1. Pay and Prices - The general uplift of 1.7% available to NHS Lothian in 2016/17 is calculated on NHS Lothian's baseline funding of £1.2bn and therefore equates to circa 1.4% when shared across all budget. It is proposed that this is distributed on a pro rata basis with the exception of GMS which receives a separate nationally determined uplift.
2. NRAC - There are currently 2 options being considered by NHS Lothian for the distribution of the NRAC allocation of £14m. The discussion at our meeting on the 8 January with Chairs, Chief Officers, and section 95 officers concluded that NRAC should be allocated across all Acute budgets. Since then further consideration has been given to the pressure across all drugs budgets and the use of NRAC to partially address this. Given that the NRAC allocation for NHS Lothian is still subject to the final approval of the Spending Review no formal proposal is being made to the IJBs at this stage.

3. Social Care Fund - It is proposed to distribute this Fund as directed by the Scottish Government. In addition the Delayed Discharge step up will be distributed to the IJBs on the same basis as the original allocation.
4. Efficiency Schemes - CHPs have been provided with a summary financial plan for 16/17 which identifies the forecast cost pressures within their services for 16/17. Chief Officers in their capacity as managers of NHS Lothian services have been asked to develop financial recovery plans to demonstrate how financial balance can be achieved for these services. For this reason each IJB has a specific savings target for their service. Once plans are agreed this may result in the reallocation of budgets to reflect the consequent service change. This will be agreed with IJBs.

The NHS Lothian Board will be considering the draft Financial Plan at its Board Meeting on 3 February and so a response to this proposal prior to then is required. Of course I am happy to meet and discuss this proposal.

I am copying this letter to my Council partners and would be grateful for details on their proposals to the IJB.

Yours sincerely

Susan Goldsmith
Director of Finance

Circulation :

To Chairs of East Lothian, Midlothian, Edinburgh and West Lothian Integration Joint Boards

Copies to Chief Officers and Chief Financial officers of East Lothian, Midlothian, Edinburgh and West Lothian Integration Joint Boards

Area	Description	Allocation Split	East Lothian %	Edinburgh %	Mid Lothian %	West Lothian %	Acute Non Delegated %
Core Services							
The share of the core services is 100% to the specific IJB with the following exceptions:							
Exceptions:							
	Lothian Memory Treatment Clinic	PC NRAC (Traditional)	12.64	56.04	10.44	20.88	0.00
	E And M School Nurses/HPV Inoculation	East and Mid Split	50.00	0.00	50.00	0.00	0.00
	Community Equipment Store and Continence Service	Edinburgh, East and Mid	15.19	72.15	12.66	0.00	0.00
	Prescribing	PBSG	13.00	54.00	11.10	21.90	0.00
Hosted							
The share of the hosted services based on PCNRAC(Traditional) with the following exceptions							
Exceptions:							
	Edinburgh Mental Health and Psychology Services	All in Edinburgh	0.00	100.00	0.00	0.00	0.00
	West Lothian Mental Health and Psychology Services	All in West	0.00	0.00	0.00	100.00	0.00
	East & Mid Psychology Services	East and Mid Split	50.00	0.00	50.00	0.00	0.00
	Liberton Hospital	Liberton	4.40	71.20	22.40	2.00	0.00
	REH - Adult Psy beds	REH - Adult Psy beds	10.00	80.00	10.00	0.00	0.00
	VO - Children And young People	East and Mid Split	50.00	0.00	50.00	0.00	0.00
	Change Fund reserve	ICF	12.36	57.52	10.11	20.01	0.00
Acute - Set Aside							
The share of the hosted services based on PCNRAC(Traditional) with the following exceptions							
Exceptions:							
	Cardiology and Respiratory	Cardiology (non Lothian)	8.00	37.80	6.60	13.90	33.70
	RIE Emergency Department	ED @ RIE	14.80	57.50	15.70	2.50	9.50
	St John's Emergency Department	ED @ St. John's	0.30	7.20	0.30	85.00	7.20
	Adult Therapy Service	Edinburgh, East and Mid	15.19	72.15	12.66	0.00	0.00
	RIE & WGH Metabolic Diseases	Endocrinology (non Lothian)	8.90	42.20	7.40	15.60	25.90
	WGH Infection Diseases	Infectious Diseases (non Lothian)	11.00	52.00	9.10	19.20	8.70
	Liberton Hospital	Liberton	4.40	71.20	22.40	2.00	0.00
	WGH ARAU	WGH ARAU	20.60	62.90	16.50	0.00	0.00
Note:		PC NRAC (Traditional)	12.64	56.04	10.44	20.88	0.00

	Total £'000	East Lothian IJB £'000	Edinburgh IJB £'000	Mid Lothian IJB £'000	West Lothian IJB £'000	Not Delegated	
						Acute Budget £'000	Other Budget £'000
Delegated							
Core	423,047	67,777	218,820	49,974	86,476		
Hosted	90,248	9,783	57,592	8,718	14,155		
Set Aside	153,773	19,011	88,169	17,738	28,855		
Total Delegated	667,068	96,571	364,581	76,430	129,486		
Non Delegated							
Hosted	5,030						5,030
CHP	36,057						36,057
Acute	463,042					463,042	
Corporate	299,303						299,303
Total Non Delegated	803,432					463,042	340,390
Total Potential Budget	1,470,500	96,571	364,581	76,430	129,486	463,042	340,390