

**REPORT TO:** East Lothian Integration Joint Board

**MEETING DATE:** 25 February 2016

**BY:** Chief Finance Officer

**SUBJECT:** Budget Allocations Update

---

## **1 PURPOSE**

- 1.1 This report summarises the current position on the Financial Assurance process for the IJB's proposed budget for 2016/17.

## **2 RECOMMENDATIONS**

- 2.1 To note the content of this paper
- 2.2 To update the IJB on the two matters to which it delegated authority to progress to the Chair, the Vice Chair, the Chief Officer and the Chief Finance Officer at its previous meeting.
- 2.2 To receive a report at the March meeting of the IJB laying out a conclusion to this process for the 2016/17 budget.

## **3 BACKGROUND**

- 3.1 A range of reports have been presented to the IJB both discussing this process and updating the IJB on the position at that date.
- 3.2 In summary the IJB has been delegated a range of functions by East Lothian Council and NHS Lothian and these partners must now propose the financial resources (the 'budget') that will allow the IJB to deliver these functions. This budget will be laid out in the IJB's Strategic Plan being the resources that the IJB will use to deliver that plan and will be the basis for the directions issued by the IJB to its partners to deliver the Strategic Plan.
- 3.3 This opening budget (for 2016/17) now requires to be considered and examined in terms of how the values were arrived at and what the underlying issues are. This process of financial assurance (which was also referred to in previous reports as 'due diligence') has been developed over the past few months and is, of course, informed by the

analyses that have been carried out by the partners as part of their own financial assurance processes.

3.4 A detailed report was considered by the IJB's Audit and Risk committee at its meeting of 10 February 2016. This report considered:-

- The impact of the Scottish Government's budget settlement (December 2015)
- The (then) current position within the financial planning processes for both East Lothian Council and NHS Lothian
- The underlying governance around the financial assurance process
- The method that had been followed
- An examination of some of the key issues – 'income' non-cash limited expenditure, efficiency plans etc.
- The budget setting models
- The method and processes to be followed
- A consideration and examination of the risks.

3.5 This report was the first step in the final financial assurance process for the 2016/17 budget and the following further tasks were identified:-

- Final propositions from both East Lothian Council and NHS Lothian to the IJB regarding the financial resources for 2016/17.
- Assurance that these budgets represent the functions delegated to the IJB through the Integration Schemes.
- Financial Analyses of the previous performance of those budgets and the financial planning assumptions for 2016/17.
- Analysis of the efficiency programmes embedded in the budgets proposed to the IJBs
- A further review of the above by the Chief Finance Officer
- A review of the financial assurance by the Chief Internal Auditor
- A review of this overall work by the Audit and Risk Committee

3.6 East Lothian Council set a budget at its meeting of 9 February 2016. This will now allow the Council to make a formal offer of a budget to the IJB. This will include East Lothian's share of the Scottish Government's Integration fund (a national total of £250m, East Lothian Share being £4.4m) and, as reported previously that will include the formal agreement by the IJB of the use of these funds. That discussion is currently being concluded and the IJB agreed at its previous meeting to delegate the authority to sign off that agreement to the Chair, the Vice Chair, the Chief Officer and the Chief Finance Officer.

- 3.7 As was reported previously NHS Lothian proposed a budget setting model to the IJB. The IJB delegated the authority to reply on its behalf to the Chair and a copy of that reply is attached to this report.
- 3.8 Its now clear from the work carried out to date and detailed dialogues with NHS Lothian that any financial proposition by NHS Lothian for 2016/17 will have to be made on an indicative basis and details of that proposition are currently being finalised with NHS Lothian as a result of the correspondence discussed above. It's important to note that in order to make an indicative settlement with any IJB; NHS Lothian will have to agree a similar approach with all the IJBs. This dialogue is not yet completed.
- 3.9 As the information requested above is delivered by the partners and until a final offer from NHS Lothian is received the financial assurance process cannot be completed. That said, it is proposed that a final report be brought to the IJB at its March meeting to recommend the appropriate progress on this matter.

#### **4 POLICY IMPLICATIONS**

- 4.1 These are covered through the IJB's Integration Scheme which is itself based on the Public Bodies (Joint Working) Act 2012.

#### **5 EQUALITIES IMPLICATIONS**

- 5.1 There are no equalities implications arising from this report.

#### **6 RESOURCE IMPLICATIONS**

- 6.1 The resources Implications are discussed above.

#### **7 BACKGROUND PAPERS**

- 7.1 Previous finance reports to the IJB and the report to the Audit and Risk committee of 10 February 2016.

<b>AUTHOR'S NAME</b>	David King
<b>DESIGNATION</b>	Chief Finance Officer
<b>CONTACT INFO</b>	<a href="mailto:David.king@nhslothian.scot.nhs.uk">David.king@nhslothian.scot.nhs.uk</a>
<b>DATE</b>	16 February 2016