



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

**MEETING DATE:** 26 May 2016

**BY:** Chief Finance Officer

**SUBJECT:** Financial Assurance - update

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## **1 PURPOSE**

- 1.1 This report updates Board on the current position with the financial assurance process and other matters arising from the report to the Board at its meeting on 31 March 2016.

## **2 RECOMMENDATIONS**

- 2.1 That the Board note the contents of this report.

## **3 BACKGROUND**

- 3.1 The IJB Strategic Plan has a start date of 1 April 2016. This means that the functions delegated to the IJB as laid out in the Integration Scheme formally become the responsibility of the IJB on that date and that NHS Lothian and East Lothian Council have to delegate to the IJB appropriate financial resources to the IJB.
- 3.2 An update report on the current position of financial assurance was made to the Board at its 31 March 2016 meeting.
- 3.3 This report reflected that East Lothian Council had now made a formal offer to the IJB which the IJB accepted albeit with the condition that the IJB fully understood the impact of the proposed £2.3m efficiency plans embedded in that budget. NHS Lothian, however, would not make the IJB a formal offer until it submitted its LDP (Local Development Plan, in effect NHS's Lothian financial plan) at the end of May 2016. NHS Lothian has not, at this time, made a final, formal offer to the IJB for 2016/17.

- 3.4 The report laid out the recommendations from the Audit and Risk Committee and the IJB agreed these as the actions outstanding. In summary the current position on these actions are:-

#### **Finalisation of the 15/16 financial assurance**

This will be presented to the Audit and Risk committee and thence to the IJB at the end of the first quarter of 2016/17. By that time the formal offer from NHS Lothian will have been received along with an appropriate analysis of both NHS Lothian's and the Adult Wellbeing efficiency schemes. The out-turn position for 2016/17 will also be available and this information will support the final position.

#### **Setting a financial baseline**

The IJB now needs a clear financial baseline. This means that all of the elements of the budgets require to be fully refined and clearly understood. The core budgets both in health and Adult Social Care need to be finalised (having reviewed the impact of the efficiency schemes as above) and the IJB's share of the pan-Lothian services requires to be agreed by reference to a model acceptable to all the IJBs taking into account the historic usage of these services. Its hoped that the work around the hosted services can be completed in year, however its unlikely that a clear baseline for all of the set aside services will be available in 2016/17. This work will also need to include an examination of what activity is associated with these budgets to allow further development of the Strategic Plan. It may be that the IJB would also wish to consider what, if any, element of the facilities and central corporate budgets from both partners should be allocated to it.

#### **Financial management and reporting to the IJB**

It is proposed that a quarterly financial position is reported to the IJB and work continues to ensure that not only can the financial position itself be generated for the IJB but an appropriate level of intelligence be obtained to allow the IJB to reflect on what actions it may have to take in year and the impact of in year financial performance on future Strategic Plans.

#### **Financial Risk sharing agreements**

The Integration Scheme lays out the processes to manage over and underspends in year. However, given that the IJB will only receive financial information on a quarterly basis the in year financial management will be undertaken at an operational level by the partners. The IJB has asked the Chief Officer and the Chief Finance officer to discuss an appropriate financial risk management arrangement with the partners and this is being progressed

#### **Financial Planning for 2017/18 and thereafter**

The IJB's influence over the 2016/17 financial plans of both partners was very modest. The functions now having been delegated and the Strategic Plan now live, the IJB's influence over the financial plans for

the delegated functions for 2017/18 and beyond is now absolute. However, the financial resources to support these functions will continue to flow from the total resources available to the partners and the IJB's plans will be constrained by the totality of the resources available to the partners. Indications are already available of the resources levels available for 2017/18 and the IJB should now plan to live within these resources. A proper financial planning mechanism, recognising the primacy of the Strategic Plan, is in the process of development.

3.5 The financial assurance work undertaken to date identified a range of risks. Three of the key risks being:-

- The efficiency schemes which are embedded in both East Lothian Council's and NHS Lothian (outline) financial plans. Although the efficiency plans for the services managed by the Partnership have been drawn up in outline (albeit there remains an outstanding gap), the efficiency plans for those services delegated to the IJB which are not managed by the Partnership are not yet available to the IJB. The IJB requires to understand the impact of all the efficiency schemes which are embedded in the IJB's budgets.
- The unbalanced NHS Lothian LDP (local development plan – in effect NHS Lothian's financial plan). At its Board meeting of 11<sup>th</sup> May 2016, the proposed LDP for 2016/17 was laid out. This plan showed a net gap (that is the projected expenditure was greater than the available budget) of c. £21m and that position was after the assumed achievement of c. £27m of efficiencies.
- A lack of clarity around the financial risk sharing mechanism between the IJB and the partners. The IJB has asked the Chief Officer and the Chief Finance Officer to agree a financial risk sharing model between the IJB and the partners. This has not yet been completed.

Clearly mitigating actions are required to manage these risks and the longer these actions are delayed the greater the risk

## **4 POLICY IMPLICATIONS**

4.1 There are no policy implications arising from this report.

## **5 INTEGRATED IMPACT ASSESSMENT**

5.1 Any changes to workforce arrangements will be subject to integrated impact assessments.

## 6 RESOURCE IMPLICATIONS

6.1 There are no further resource implications arising from this report.

## 7 BACKGROUND PAPERS

7.1 East Lothian Integration Scheme and the Financial Assurance pack presented to the IJB's Audit and Risk Committee on 10 February 2016.

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