



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

**MEETING DATE:** 25 August 2016

**BY:** Chief Finance Officer

**SUBJECT:** Final Financial Assurance 2016/17

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## 1 PURPOSE

This report lays out the final financial assurance process undertaken by the Chief Finance Officer of the IJB for 2016/17 after considering the formal offer from NHS Lothian (received on 14 June 2016) and updating the position on East Lothian Council's utilisation of the Social Care Fund

## 2 RECOMMENDATIONS

It is recommended that:-

- 2.1 Accepts the NHS Lothian offer with the following caveats :-
  - 2.1.1 That the Set Aside pressures are managed by NHS Lothian
  - 2.1.2 That the Partnerships can manage within their health budgets
  - 2.1.3 That the health budget setting model remains indicative until an appropriate baseline position is agreed
  - 2.1.4 That the prescribing budget setting model for 17/18 is clarified and agreed with the IJB.
  - 2.1.5 That a proposition to manage the emerging financial pressures within the GP prescribing budgets in 2016/17 is prepared.
- 2.2 Considers how the financial issues identified within the Adult Wellbeing budget can be addressed within the framework laid out in the IJB's Integration Scheme
- 2.3 Accepts that the financial assurance for 2016/17 is now completed with the outstanding issues becoming part of the IJB's financial planning development for 2017/18 and beyond.

### **3 BACKGROUND**

- 3.1 At its meeting of March 2016, the IJB received a report on financial assurance for the proposed resources delegated to the IJB by both East Lothian Council and NHS Lothian.

The IJB agreed to the recommendations of its Audit and Risk Committee.

- 3.2 A report has been presented to the IJB's Audit and Risk Committee which laid out the final financial assurance work for 2016/17. A review of this work has been undertaken by the IJB's Chief Internal Auditor and her report has also been presented to the Audit and Risk Committee for consideration.

- 3.3 There are a range of issues arising from this work – an overall summary is presented below – but the key proposal is that the financial assurance is now considered to be completed with the issues arising from this work to be incorporated into the financial planning and budget setting process for 2017/18 and beyond.

- 3.4 Summary of issues and risks

- 3.4.1 East Lothian Council Offer.

The IJB accepted the offer from East Lothian Council on the basis that assurance would be given that the efficiency plans embedded in that budget (c. £2.4m) would be achievable. At this time there are plans for c. £1.8m of efficiencies and therefore a gap in these plans of c. £6000,000.

The IJB accepted East Lothian Council's proposition around the use of the social care fund. Two pieces of further information are now available that were not available in March –

- The 15/16 out-turn position for Adult Social Care which was projected at an overspend of c. £436,000 has now been confirmed at an overspend of c. £1.2m
- The overall cost of delivering the living wage (including the National Care Home Uplift) was estimated at c. £1.0m. It is now projected at £1.8m.

Clearly this is a significant change. A detailed analysis has been considered by the Audit and Risk Committee and the Committee will make a verbal report to the IJB considering their recommendation as to progress.

- 3.4.2 NHS Lothian Offer

NHS Lothian has now made a final offer to the IJB based on the financial plan that it submitted to the Scottish Government in June '16. NHS Lothian's financial plan has a 'gap' of c. £20m and the IJB's share

of this gap is estimated at c. £900,000. From the analysis of the financial plan this gap relates entirely to the Set Aside budgets and NHS Lothian have offered to underwrite the financial pressures in the Set Aside budgets.

The financial plan has a significant level of efficiency plans built into it, and although the IJB has detailed information about the East Lothian Partnership's plans it does not have an analysis of the other plans that impact upon its budget.

A significant element of the Partnerships' efficiency plans is to support the projected pressure within the GP Prescribing budget. However, since this plan was drawn up, further information has become available about the prescribing position which suggests that the position has further deteriorated beyond the ability of the Partnerships to manage. The IJB will require further assurance from NHS Lothian as to how this potential financial pressures can be managed.

A detailed reply capturing these issues and requesting further clarification of the budget setting model will be made to NHS Lothian after the IJB has decided how to progress this matter.

3.5 Because of timing issues, the IJB's audit and risk committee has met directly before the IJB's own meeting. There has not, therefore, been time to prepare a report laying out the recommendations of the committee and this will be reported verbally at the meeting.

3.6 In terms of general, overarching principles this report considers that:-

- The IJB needs to progress its work, in order to do that it needs to establish a budget even though that budget contains a significant elements of potential financial risk and issues to be resolved
- The financial assurance process of 2016/17 needs to be brought to a conclusion given that the IJB's input into the 2016/17 budget setting process was marginal and that its is already 2016/17. The energy and resources of the IJB should now be concentrated on the financial planning and budget setting processes for 2017/18 and beyond.

## **4 POLICY IMPLICATIONS**

4.1 There are no further policy implications arising from this document.

## **5 INTEGRATED IMPACT ASSESSMENT**

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

## **6 RESOURCE IMPLICATIONS**

6.1 The resource implications are discussed above but, in summary these cannot be adequately analysed until a final position is available.

## **7 BACKGROUND PAPERS**

7.1 Financial Assurance reports to the Audit and Risk Committee and the IJB.

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<b>DATE</b>	19 August 2016