



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 21 December 2016

BY: Chief Finance Officer

SUBJECT: Financial Assurance 2016/17

1 PURPOSE

- 1.1 This report updates the IJB on financial assurance work for the IJB for 2016/17.

2 RECOMMENDATIONS

- 2.1 That the IJB notes that NHS Lothian will underwrite the projected overspend in the health element of the IJB's budgets on the basis that NHSiL can break-even in 2016/17.
- 2.2 That the IJB recognises the financial pressures within the Adult Wellbeing operational budgets and support them as necessary in 2016/17. This on the basis that:
- a) East Lothian Council underwrite any overspend in the social care element of the IJB's budget.
 - b) That in 2017/18 an appropriate element of additionality is delivered from the recurrency of the 2016/17 SCF investments.

3 BACKGROUND

- 3.1 The IJB has spent a considerable amount of time considering and reviewing the budgetary settlement from the IJB's partners for 2016/17. At its September meeting the IJB agreed the following recommendations:
- The Social Care Fund should support an additional £800k to underpin the costs of implementing the living wage.
 - That the balance of c £1m should be invested in home care commissioning budgets.

- East Lothian Council should accept the residual financial risk in the Adult Wellbeing budget in 2016/17.
 - East Lothian Council and the IJB should jointly approach the Scottish Government to discuss the costs of funding the living wage.
 - Ask the Chief Officer, through discussion with ELC colleagues, to agree the impact of these proposals on the adult wellbeing budget along with an agreement on how the IJB can be assured of the 'additionality' achieved through the social care investments.
- 3.2 The Chief Officer and the Chief Finance officer have met with ELC and discussed these matters in detail. ELC is considering its position which will be discussed at its Cabinet meeting on 20th December. The outcome from this meeting will be reported to the IJB at its meeting.
- 3.3 A verbal report was made by the Chief Finance officer at the IJB's November meeting and the IJB asked for an analysis of the current financial projections for 2016/17 along with a position on the use by ELC of the social care fund. Clearly the ELC position will derive from the report to cabinet discussed above but the information that is currently available is discussed below.

CURRENT FINANCIAL PROJECTIONS – OUT-TURN 2016/17

Health Budgets

- 3.4 NHS Lothian are projecting an over spend of £1.4m projected, broken down as follows :-

	£000's
Core	-809
Hosted	17
Set Aside	-690
	<hr style="width: 20%; margin-left: auto; margin-right: 0;"/> -1482

- 3.5 The main underlying issue being the pressure within the Prescribing budgets and the costs involved in the recovery of the ex-GMS Practice at Eskbridge which is currently directly managed by the Partnership.
- 3.6 NHS Lothian has agreed that, given that NHS Lothian themselves can break-even; they will underpin this financial pressure within the IJB. The health element of the IJB will therefore break-even.

Social Care Budgets

- 3.7 Despite broadly working to budget during the first 3 months of the financial year, the second quarter of 2016-17 has seen a significant increase in the reported overspend across the Adult Wellbeing budgets rising from £45,000 in quarter1 to £1.088 million as at end of September 2016.

- 3.8 In response to the worsening position experienced during the second quarter, the operational management team have been asked to implement cost recovery plans with enhanced financial controls and additional monitoring checks now in place.
- 3.9 The 2016/17 Adult Wellbeing budget included an efficiency target of c. £2.4m. It was accepted that this would be a very challenging target and much of the underlying driver of the current position is unachieved elements of that efficiency target. This means, in the current financial year, that the Adult Wellbeing service has not been able to reduce its cost base to the level required at the budget setting process.
- 3.10 ELC are currently reviewing the projected out-turn position but there is still significant risk that Adult Wellbeing will be unable to break-even based on its current budget.
- 3.11 The Integration Scheme lays out a mechanism to be invoked where budgets are forecast to be in an overspend position. Basically this says that in the first instance the operational management teams concerned will prepare a recovery plan. If this is unlikely to succeed then the IJB should put together its own plan and, if that does not succeed then the Partners may put in additional resources. If all of these options fail then the IJB may 'borrow' the funds against its next year's budget. Given the current financial position and given that the 16/17 position was transitional in that the influence of the IJB on the budget setting process was minimal (and given where we are in the current financial year) the IJB would have expected that the partners would offer additional funds and this was the position that it proposed to ELC following its September meeting. This is the position taken by NHS Lothian and the response from ELC is awaited.

Social Care Fund

- 3.12 In March 2016, as part of the budget setting process, the IJB agreed with ELC the proposed use of the Social Care Fund. In summary this was c. £2.2m to manage underlying pressures including the delivery of the living wage with c. £2.2m of additionality although this included managing the costs of increasing charging thresholds to clients. At the IJB's meeting in June an update on the SCF was included as part of the final consideration of the financial assurance for the 2016/17 financial year. At this time it was recognised that the costs of delivery of the Living Wage were considerably in excess of the original estimates and the IJB revised its agreement on the use of the SCF in year. The IJB agreed that a further £800,000 of the SCF could be used to offset the additional costs of delivering the living wage whilst the IJB and ELC approached the Scottish Government to clarify their position.
- 3.13 This left c. £1.4m for additionality and, at that time, there were already some new (additional) high cost Learning Disabilities packages put in place and the estimated costs of increasing the charging thresholds is c. £200,000. This meant that c. £1.0m of additionality was expected and, although the IJB was did not specify how this was to be delivered,

it expected that a significant reduction in the overall delayed discharge position would be an important indicator.

- 3.14 Although the Delayed Discharge Position has significantly improved (at the time of writing) and there is some evidence of additional activity, it is not yet clear how much additionality is being provided by this £1.0m, but it is clear that this 'budget' is included in the projected out-turn (when finalised) for Adult Wellbeing. It is unlikely that the final position on additionality will be clear before the end of the financial year and the IJB must now take a position on this in order to support its partners' own financial position.
- 3.15 The NHS Lothian position is underpinned by an element of slippage within the ICF funding (Integrated Care Fund) and this is reported in the paper on Directions.
- 3.16 The IJB does have the power to reduce the payment of the social care fund to ELC and therefore to have 'unused' funds carried forward into the next financial year. However, this would simply directly impact on the projected 2016/17 out-turn position for ELC and that runs the risk of damaging the excellent partnership working that that IJB has supported and encouraged and is the key element in allowing the IJB to deliver its ambitions. It is not recommended that the IJB pursue this line.
- 3.17 A full detailed report will be delivered to the IJB at the end of the financial year which will lay out the use of the Social Care Fund. If, at this time, the additionality is felt to be inadequate then that will be addressed as part of the 17/18 budget management process. This position being based on the presumption that ELC will underwrite any overspend within the social care budgets in 2016/17.

4 POLICY IMPLICATIONS

- 4.1 There are no new policy implications arising from this paper.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not directly affect the wellbeing of the community or have a significant impact on equality, the environment or the economy.

6 RESOURCE IMPLICATIONS

- 6.1 These are discussed above.

7 BACKGROUND PAPERS

7.1 None.

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
CONTACT INFO	david.king@nhslothian.scot.nhs.uk
DATE	13 December 2016