



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 30 March 2017

BY: Chief Finance Officer

SUBJECT: Budget setting 2017/18

1 PURPOSE

- 1.1 The report lays out the 2017/18 budget propositions from East Lothian Council and NHS Lothian to the IJB. It then examines the projected financial pressures for 2017/18 which have been developed by East Lothian Council, NHS Lothian and the IJB.

2 RECOMMENDATIONS

The IJB is asked to:

- 2.1 Accept the formal budget proposition from East Lothian Council.
- 2.2 Accept the indicative budget proposition from NHS Lothian.
- 2.3 Receive a further report at the June IJB meeting further detailing the financial management propositions for 2017/18.

3. BACKGROUND

- 3.1 This report builds on the report presented to the IJB at its February 2017 meeting which laid out the background to the 2017/18 settlement and presented indicative budget values from the Partners and an outline of the financial pressures facing the IJB.
- 3.2 Budget Propositions from the partners:

East Lothian Council

East Lothian Council set its budget on 21 February 2017 and sent the IJB a letter on 23rd March 2017 laying out its budget proposition to the IJB. As was noted in the report to the IJB in February, East Lothian Council allocation to the IJB is not simply the Adult Wellbeing budget,

there being services within AWB that have not been delegated to the IJB and some housing services that have been delegated to the IJB. The table below shows the ELC budget, starting with the published budget settlement :-

	£m
Adult Wellbeing 2017/18 approved Budget	49.596
Less Non delegated Functions	(0.850)*
Add	
Non HRA – Private Sector Housing Grant	0.256*
HRA – Disabled Adaptions (Capital)	0.600*
HRA – Garden Aid	0.238*
Apprenticeship Levy	0.057*
Total IJB budget allocation	49.897

This value includes the Social Care Fund (see below) of c. £6.2m making base allocation to the IJB from East Lothian Council of £43.657m being c. £131,000 less than the base budget for 2016/17.

As was reported to the IJB at its last meeting, the Scottish Government's 2017/18 settlement allowed Councils to reduce an IJB's 2016/17 base social care budget by the Council's share of £80m - the East Lothian element being c. £1.4m - and it is clear from the above budget proposition that East Lothian Council have not reduced the social care budget proposition to the IJB.

NHS Lothian

NHS Lothian will agree its 2017/18 budget at its Board meeting on 5th April 2017. However, in order to allow the IJB to agree a budget before 31st March, NHS Lothian has set an indicative budget of £90,710m (net of the social care fund) which is reflected in a paper to NHS Lothian Finance and Resources committee of 15th March. This is an increase of c. 3.8m on the NHS Lothian budget agreed by the IJB at its meeting in August 2016. The Scottish Government's 2017/18 budget settlement required Health Boards to not reduce the budgets to the IJB between 2016/17 and 2017/18 and NHS Lothian has clearly complied with this requirement.

The main financial pressure facing the IJB in 2016/17 within the health budgets was within the GP Prescribing budget wherein over the past few years growth in costs had significantly outstripped the budget uplifts. NHS Lothian has now reset the GP Prescribing budgets for each of the IJBs to reflect the projected out-turn position in 2016/17. In East Lothian this provides an uplift of c. £1.5m for the GP Prescribing budget..

As part of the 2017/18 budget, NHS Lothian has also provided additional funds to all the Lothian IJBs to allow further investments to support Primary Care services and to support further work to manage the GP

prescribing budget. In total this is £4.0m, the IJB's share being c. £480,000. This amount is not in the budget laid out above.

Appendix 1 summarises the budgetary movements between 2016/17 and 2017/18.

3.3 Social Care Fund

As part of the 2016/17 financial settlement the Scottish Government announced a £250m social care fund. This fund was to support further investment in social care services and was to be governed by the Integration Authorities. In East Lothian a proposal for the use of that fund was agreed with the Council and this was built into the 2016/17 financial plan. The government's ambition for the use of the fund was, in principle, was to use half of the fund to support pressures already in the system but including the delivery of the living wage and half of the funds were to provide 'additionality' – that is further activity to support additional demand and work to support the transformation of the delivery of these services. In 2016/17 it has not proved possible to realise that ambition with an element of the 'additionality' being redirected to support the costs of delivering the living wage. This was agreed by the IJB at its September 2016 meeting.

It should be noted that the social care fund has now been incorporated into the IJB's baseline position.

As part of the 2017/18 settlement the government announced a further £107m element of the social care fund which will be distributed through the Health Board to the Integration Authorities. Of this amount £100m is to support the full year costs of delivering the living wage, the step up in the living wage in 2017/18 (from £8.25 per hour to £8.45 per hour) and resources to ensure sustainability of the living wage position. An additional £7m will be made available to allow veteran's military pensions to be excluded from the financial assessment process and to support the development of the Carers Bill. The value for East Lothian is c. £1.8m and it is expected that these resources will manage these additional costs pressures.

3.4 2016/17 Projected Out-turn.

As was reported at the last IJB meeting although the projected out-turn for the IJB for 2016/17 is an overspend of c. £2.7m. NHS Lothian have agreed that they will underpin the health element of this position and East Lothian Council have allocated an additional £1.0m on a non-recurrent basis to support the in-year Adult Wellbeing position.

Clearly there are a range of underlying financial pressures and , as part of the financial planning process, the impact of these pressures have been built into the projections for 2017/18.

A detailed analysis of the 2016/17 out-turn position will be brought to the IJB when the final positions are agreed.

3.5 Financial Pressures in 2017/18.

As part of the financial planning process the IJB has supported the following financial pressures:-

Unavoidable pressures

- Pay Awards
- Additional payroll charges (e.g. Apprenticeship levy)
- Uplifts to the living wage
- Uplifts to the national Care Home Contract
- Full year effect of previous investments

Changes In demand

- Transitions
- Increasing service demand from Older People
- Additional GP Prescribing costs

To this list has to be added pressures brought forward from previous years which will include the full year delivery of the 2016/17 Adult Wellbeing efficiency schemes. These pressures are recognised in the IJB's budget setting process.

However, there are two further developments proposed for the Set Aside Budgets which were discussed in the February report to the IJB. The developments being opening of new acute receiving unit beds and the investments in additional insulin pumps. The IJB has asked for further information to support these investments and, until this can be understood is not supporting these developments at this time.

3.6 Financial Recovery target

Health Services

There were two main pressures within the health services delegated to the IJB GP Prescribing (by far the most significant) and pressures with Set Aside. The GP prescribing budget (as described above) has now been reset to the closing position for 2016/17 and the major financial challenge facing the health services managed by the Partnership will be the prescribing uplift required for 2017/18. This is estimated at c. £1.2m gross although there are changes to the national prescribing tariffs that will mitigate this pressure to under £1.0m. There remain financial pressures within the Set Aside services and further work is underway with NHS Lothian to clarify the recovery plans.

Social Care Services

The 2017/18 budget settlement includes a further £200,000 of efficiencies with the Adult Wellbeing but the key pressure is the full year achievement of the £2.3m efficiency target from the 2016/17 budget settlement. It is estimated that taking these two elements into consideration that there is a total efficiency requirement of c. £2.0m

Thus the IJB has efficiency targets projected in 2017/18 of c. £3.8m although plans have been developed to manage c. £3.3m of these pressures

This is further analysed in Appendix 1.

3.7 Financial Recovery plans.

As part of the development of the financial plans both partners along with the IJB's Chief Officer and Chief Finance Officer have been developing recovery plans. In principle these recovery plans are to close the financial pressures discussed above but given that it is clearly not affordable to carry on using the current service delivery models these recovery plans are part of the transformation process that allows the services to build new models that are sustainable given the financial constraints. The recovery plans will fit into the general financial redesign principles which are articulated further in the directions. These principles are now being incorporated into emerging new models of care.

At this time, the financial recovery plans have not been fully developed (as discussed above) and further information is awaited from NHS Lothian to detail the plans around the hosted and set aside services that are not managed by the Partnership.

Recovery plans will be presented to the IJB at its June meeting for consideration. At that time the Chief Officer and the Chief Financial officer will also bring back to the IJB a position on financial risk sharing with the Partners for 2017/18.

3.8 Other Issues not currently reflected in the financial plan

There are a range of issues which have the potential to impact on the IJB's financial plan but which are not included in the current position. These are:-

- The new GMS Contract. This is being developed in collaboration between the Scottish Government and GP representatives. As further information around any cost pressures is available this will be reported to the IJB
- The Carers Bill. Part of the additional social care funding is to support work to allow the full implementation of the Carers Bill in early 2018. However, there may be further costs pressures and as

any further information around any cost pressures is available this will be reported to the IJB

- Further Scottish Government Investments. The Scottish Government has announced a further range of investments in Primary care and mental Health services which will be made during 2017/18. The details are not yet available, but, as before, when they become available they will be reported to the IJB.
- Revised Acute bed occupancy model – move to 85%. NHS Lothian has agreed that a safe and effective target occupancy for Acute wards (including those functions delegated to the IJB) should be 85%. Currently the average occupancy is considerably higher than that value. In financial terms, and this will be the impact on the IJB's financial plan, this means that as occupancy is reduced from the current level down to 85% there will not be a concomitant release in resources.

3.9 Performance Measures

As was discussed in the February report, the Scottish Government has laid out six specific performance targets for the IJBs. Work continues to quantify the resources required to deliver these targets however given the overall financial pressures in the system the delivery of these targets will be funded from the resources already in the system. Using the principles laid out in 3.6 above these targets will be achieved by :-

- Building on the investments made through the Integrated Care Fund, the Delayed Discharge fund and the Social Care Fund. Those investments are now starting to deliver new models and additional capacity.
- Fundamental service redesign based on a wholly integrated, locally delivered and managed multi-disciplinary team model. All the available resources across the whole of the system will be brought together to support this new model. For example within Learning Disabilities services there are several different budgets managed in disparate parts of both NHSiL and ELC, work is already underway to identify the IJB's share of these total resources and the Partnership will be directed to deliver a new model based on these resources.
- Further reduction in the provision of institutional care and the transfer of these resources into the community provision. For example the plan is to have no East Lothian patients in Liberton hospital by April 2017 (except the Step Down beds) and to transfer the associated resources into the Partnership to support the delivery of a community based model

3.10 Financial Plan

2017/18

Having received the final detail of the budgetary settlements from the Partners and having completed the development of the recovery plans, a financial plan for 2017/18 will be presented to the IJB. This plan will capture the issues discussed above and support the IJB's own Strategic Plan.

Three year plan

The IJB should have a three year financial plan which articulates how it will finance the delivery of its Strategic Plan. The Scottish Government's 2017/18 settlement is largely a one year position. However, it is recognised that longer term financial planning is essential and NHS Lothian is developing longer term plans. East Lothian Council already produces a three year financial plan. The IJB will also develop long term plans which will be based on the 2017/18 plan.

In order to develop such a plan the IJB will have to agree a proper financial baseline with both partners, especially NHS Lothian wherein the share of the total delegated resource across the four Lothian IJB remains in active dialogue.

3.11 Financial Management

Work continues to agree a system of financial management and governance with the partners for 2017/18. What is required is a clear agreement around reporting timescales and, in the case of deviation from the budget, what actions will be delivered by the Partners and what actions will be directed by the IJB. A detailed proposal will be brought back to the April meeting.

3.12 Financial Assurance

The IJB undertook a detailed financial assurance process in relation to its 2016/17 budget. However, financial assurance is a continuing process – a review of the financial risks inherent in the budgetary position and a detailed consideration of how these risks can be mitigated. Reports were presented to the IJB at its August, September, December and February meetings to continue the 2016/17 work and to roll it forward into 2017/18.

This report is therefore the most recent part of the financial assurance process and builds on the reports laid out above.

It is clear that the acceptance of the budget propositions from the partners an element of financial risk although there are a range of reasonably well developed recovery plans available.

That said, it is important to continue this process and the IJB will wish to continue to action and deliver its Strategic Plan and therefore to accept the budget as laid out above.

4 POLICY IMPLICATIONS

4.1 This paper is covered within the policies already agreed by the IJB.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper have yet to be assessed. Such issues will be the cornerstone of longer term planning to be undertaken beyond 2017/18, in partnership with the partners

6 RESOURCE IMPLICATIONS

6.1 Financial – discussed above.

6.2 Personnel – there are none.

7 BACKGROUND PAPERS

7.1 Previous reports to the IJB.

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DATE	20 March 2017

Summary IJB Budget movements - 2016/17 to 2017/18

	2016/17 Budget Agreed £000's	2017/18 Budget Propositions £000's	Movements £000's	Estimated Pressures £000's	Plans Available £000's	Plans to be developed £000's
East Lothian Council	43,788	43,657	-131	2,000	1,800	200
NHS Lothian						
Core	54,710	57,843	3,133	1,175	1,175	0
Hosted	12,491	12,585	94	65	65	0
Set Aside	19,628	20,282	654	605	277	328
Social Care Fund						
2016/17	4,370	4,370	0			
2017/18		1,870	1,870			
Total IJB Budget	134,987	140,607	5,620	3,845	3,317	528

Notes

1. Budget Agreed - per the letter from ELC of February '16 and NHSiL letter of 14/6/16