



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 29 June 2017

BY: Chief Finance Officer

SUBJECT: Financial Update – 2016/17 out-turn and 2017/18 update

1 PURPOSE

- 1.1 This report lays out the financial out-turn for 2016/17 for the IJB and updates the financial projections and planning for 2017/18

2 RECOMMENDATIONS

The IJB is asked to:

- 2.1 Note the financial out-turn for 2016/17
- 2.2 Accept the formal budget proposition from NHS Lothian for 2017/18
- 2.3 Note the drug and alcohol funds carried forward on behalf of the IJB by East Lothian Council from 2016/17 to 2017/18.
- 2.4 Note the financial update for 2017/18 and the expectation that the IJB will break-even.

3. BACKGROUND

2016/17 Out-turn

- 3.1 During the financial year 2016/17, the IJB had a financial risk sharing agreement with its partners – East Lothian Council and NHS Lothian. In essence this agreement was that any health overspends against the IJB's budgets would be covered by NHS Lothian and East Lothian Council made an additional £1.0m available to cover overspends in the social care budgets.
- 3.2 NHS Lothian wrote to the IJB on 22 April 2017, laying out the charges to the IJB for the delivery of the IJB's functions that had been incurred by NHS Lothian in 2016/17. The charges being a net cost to the IJB of £109.596m. As agreed, NHS Lothian has made income available to the IJB to cover this charge.

- 3.3 The NHS budget charge for 2016/17 included £10.4 m for what are called non cash limited functions (General Ophthalmic Services, General Pharmaceutical Services and General Dental services) These non-cash limited functions do not have budgets as such and the cost of delivering these functions is met in full by the Scottish Government. Therefore the IJB has no budgets for these services although they are delegated functions to the IJB and require to be reported as part of the 2016/17 out-turn. NHS Lothian has, accordingly, assumed income to cover the costs of these services.
- 3.4 East Lothian Council made an opening budget available to the IJB of £43.8m excluding the social care fund (which is included in the NHS Lothian values above). It's worth noting that the IJB's social care budget is not the same as the Council's Adult Wellbeing budget. Of the AWB budget, the supporting people budget (c. £0.8m) is not delegated to the IJB and, in addition to the remaining AWB budget an element of the Housing Revenue Account (HRA) is delegated to the IJB. In summary (based on the opening budgets) the position is as follows:-

	£000's
Opening AWB	43,498
Less -Supporting People	-800
Add -Private sector housing grant	256
Add – HRA	834
	<u>43,788</u>

As part of the Council's service review, welfare staff were moved from within the AWB budget to corporate services, this had the impact of Adjusting the IJB's budget by £125,000 giving a budget for the year of £43,663 (excluding the social care fund).

- 3.5 During the financial year, the forecast projected out-turn for 2016/17 for the Adult Wellbeing services indicated an overspend of c. £1.0m. At its meeting in December 2016 the Council cabinet agreed to an additional £1.0m to support the Adult Wellbeing budget.
- 3.6 The final net charge made by East Lothian Council to the IJB for 2016/17 is £44,277,000, and this includes a charge of £0.701m for the HRA. The HRA is ring-fenced, that is funds cannot be moved out of the HRA and therefore any HRA underspend is not available to the IJB. This has the effect of restating the IJB's position as follows:-

<u>2016/17 Outturn</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	£m	£m	£m
Social Care Services (excluding SCF)	42.829	43.576	-0.747
HRA	0.834	0.701	0.133
TOTAL	43.663	44.277	-0.614
<u>Adjusted 2016/17 Outturn</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	£m	£m	£m
Social Care Services (excluding SCF)	42.829	43.576	-0.747
HRA	0.701	0.701	0.000
TOTAL	43.530	44.277	-0.747

This means that, before any final adjustments, the IJB's social care budgets were overspent by £0.747m. However, additional funds were released by East Lothian Council from the earmarked reserve for drug and alcohol services and the remaining funds have been made available from within the £1.0m additional support to the adult wellbeing budget. The social care budgets of the IJB in 2016/17 have therefore broken even. The remaining element of the drug and alcohol reserve (c. £0.3m) will be carried forward by East Lothian Council on the IJB's behalf and will be available to the IJB in 2017/18

- .
- 3.6 The charges made by East Lothian Council to the IJB are the net direct costs incurred in the delivery of social care services in East Lothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the Core services are based on the net direct actual costs incurred in East Lothian but charges for hosted and set aside services are based on the total actual costs for these service shared across the IJBs per the budget setting model. East Lothian's share of the total actual costs incurred in 2016/17 for hosted services is 12% and, generally, 12% of the Lothian element of the set aside budgets.
- 3.7 That said, as expected, the IJB has broken even in 2016/17. However that breakeven position has been delivered through additional support from the partners of £1.649m being £0.595m from East Lothian Council and £1.054m from NHS Lothian.
- 3.8 The pressures driving these overspends fall into two broad areas :
- Significant overspends against the GP prescribing budget
 - A lack of delivery of efficiency schemes and recovery plans both within those services managed by the partnership and the services managed by other management teams within NHS Lothian.
- 3.9 These matters are addressed in the 2017/18 financial planning process in that the Partnership is considering a fundamental redesign of the

delivery of social care services for adults and the budget for GP prescribing has been reset at the closing position for 2016/17 with a more prudent financial model for 17/18. There remains a significant pressure from efficiency and recovery plans and this will be a key issue that the IJB will have to take assurance on during this financial year.

3.10 Social Care Fund

In 2016/17, the Scottish Government made available an additional £250m to Integration Authorities to support the delivery and development of social care services - called the Social Care Fund. This fund was required to support underlying pressures in social care including the delivery of the living wage for all staff who delivered social care and to provide 'additionality' in terms of transformation and further resources for social care services. The IJB has considered this matter on several occasions and at its meeting in December, having agreed to increase the resources available to support the living wage by c. £800,000 more than the opening estimate, laid out the following position :-

	£000's
Pressures etc	
Living Wage	1,300
Pay Awards etc	464
Other Pressures	<u>1,221</u>
Sub total	2,985
Additionality	
Thresholds	140
Project staff	100
Add'n packages etc	<u>1,145</u>
Sub total	1,385
Total	4,370

It will be recalled that the original position had been a 50/50 split of the use of the social care fund where 50% would go to pressures including the delivery of the living wage and 50% on additionality. As discussed above the IJB agreed to change this position and recognise that the delivery of the living wage – which is a key part of the delivery of its strategic plan – would cost more than the early indicative forecasts and the balance was changed. The above position reflects that change and the out-turn position for the social care fund is in line with the IJB's position.

2017/18 Update

- 3.11 At its March 2017 meeting the IJB accepted an indicative budget proposition from NHS Lothian in order to progress the issuing of Directions for 2017/18. NHS Lothian wrote to the IJB on 2nd May 2017 finalising its budget proposition for 2017/18. This letter proposes a value of £95.2m which is c. £140,000 greater than the indicative value and reflects some minor late changes to the NHSiL budget model.
- The letter from NHS Lothian along with a proposed reply is attached as Appendix 1 and 2 to this report and the IJB is asked to support this response.
- 3.12 The report to the IJB in March 2017 also laid out the financial pressures that the financial assurance process had identified for 2017/18. It was noted that the total pressures identified were c. £3.8m of which plans had been developed for c. £3.3. This left c. £0.5m of pressures for which plans had not, at that time been identified. These pressures being c. £0.3m in the set aside services and c. £0.2m in social care services.
- 3.13 The letter responding to NHS Lothian's 2017/18 budget offer seeks further clarity around the set aside services. The Partnership management team is continuing to develop and action its efficiency schemes for 2017/18.
- 3.14 The IJB continues to work with its partners to develop a multi-year financial plan which will support the delivery of the Strategic Plan and also the redesign and transformation of services that underlie that plan.
- 3.15 In the longer term this will entail finalising the redesign of a new delivery model for the delegated functions and thus creating a 'future service model'. This model then requires to be fully costed to allow the IJB to compare the costs of its redesigned services against the budget that will be available to it.
- 3.16 In the short term, and as a key part of the path to that future position, the following areas require to be further developed :-
- Services directly managed by the Partnership should continue to move towards a fully integrated, multi-disciplinary team model. This has already been started and work continues.
 - The 'our share' model for hosted services requires to be further developed. This would mean that the IJB's fair share of the hosted services' budget becomes available to the IJB and the IJB will use that resource to transform the delivery model for these services. Where appropriate a locally managed delivery model will be used and where a continuation of a pan lothian model is the agreed model, the IJB will work with partners to ensure that the service is sensitive to local needs and supports the delivery of the Midlothian Strategic Plan. In many areas Work is already underway to transform both pan Lothian Learning Disability and of Substance Misuse Services.

- The IJB needs to further understand the set aside services and to explore how these services could be delivered in a different way that is more community based. The IJB is working closely with NHS Lothian in this area and has indicated this in its directions.

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

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
CONTACT INFO	David.king@nhslothian.scot.nhs.uk
DATE	21 June 2017

Chair and Chief Officer of IJB

Date 2 May 2017
Your Ref
Our Ref
Enquiries to Susan Goldsmith
Extension 35810
Direct Line 0131 465 5810
Email - Susan.Goldsmith@nhslothian.scot.nhs.uk

Dear Colleague

BUDGET AGREEMENT 2017/18 – EAST Lothian INTEGRATION JOINT BOARD (IJB)

Further to my letter of 10th February 2017 and the submission of NHS Lothian's Local Development Plan to the Scottish Government on 11th April 2017, I am now in a position to confirm the resource allocation for your IJB. Your total budget for 2017/18 is £95.2m.

In addition to the delegated budget shown as part of your financial plan, a further £1.76m will be passed through from Health directly to your IJB from the Social Care fund and is your IJB's share of the £14.2m which is part of NHS Lothian's base uplift. This will be in addition to the budget allocation above.

At this stage NHS Lothian is planning on the assumption that there will be no base uplift in 2018/19 and therefore the IJB budget allocation for next year will be in line with this year. However, recognition needs to be made that some of the funding sources for this year's financial plan are non recurring in nature and at this stage no guarantee can be given that this level of funding will be available in future years.

The budget allocation excludes a contribution from the £2m investment to support Primary Care. The utilisation of this fund will be determined through the Primary Care Board, co-chaired by Tracey Gillies and David Small. The allocation also excludes a contribution from the £2m investment to support a quality improvement approach to elimination of unwarranted variation and waste in Primary Care prescribing proposals. To take this forward proposals will be considered, and agreed, by the Effective Prescribing Group.

Finally the Scottish Government has funding available for investment in IJB delegated functions, and these will be allocated to IJBs once available. The level of this funding is not yet clear by Board/IJB.

The methodology for apportioning budgets and allocating uplift is summarised below:



Headquarters
Waverley Gate, 2-4 Waterloo Place, Edinburgh EH1 3EG

Chair Mr Brian Houston
Chief Executive Mr Tim Davison
Lothian NHS Board is the common name of Lothian Health Board

- **GP Prescribing budgets** – This budget is set based on the estimated 16/17 expenditure. To be able to achieve this NHS Lothian has allocated £8.5m of non-recurring resource to the prescribing budgets. In recognition of future growth, NHS Lothian has laid aside £2m for pump priming of quality improvement prescribing initiative schemes to help manage the pressure referenced above;
- **Pay Uplift** – The importance of maintaining integrity of pay budgets has been recognised by the Board and the balance of the 17/18 uplift along with other recurring resources have been allocated across all recurring pay budgets to meet pay awards;
- **Primary Care Investment** – the £2m recurring Investment in Primary care included in the Financial Plan is still to be allocated across the partnerships and once agreed will form part of the in year adjustments to the budget, referenced above;
- **NRAC** – The additional 16/17 NRAC £6m and the anticipated 17/18 NRAC £19m parity funding have, along with recurring reserves, been allocated to those cost pressures previously agreed by the Board as a funding priority in the 16/17 Financial Plan but had only a non-recurrent funding solution to support them up to this point;
- **Social Care Fund** – The additional funding will be allocated as directed by the Scottish Government and does not form part of this budget allocation;
- **Efficiencies** - Chief Officers in their capacity as managers of NHS Lothian services have developed financial recovery plans to demonstrate how financial balance can be achieved for those services for which they have responsibility. IJBs will need to be assured that those recovery actions identified do not impact on their ability to deliver strategic direction. As plans are agreed this may result in the reallocation of budgets to reflect the consequent service change. This will be agreed with IJBs.

IJBs will be expected to deliver financial balance through their Directions to the Board and through the Partnerships, and working with Acute Services to reduce estimated expenditure on a recurring basis to deliver a balanced ongoing position across all delegated services of the IJB.

For 2016/17 NHS Lothian agreed with IJB Partners that a year end financial adjustment would be made, non recurrently, in order that the Health component of the IJBs budgets

would be able to deliver a balanced outturn. This has been achieved largely through the use of flexible resources in reserves which were explicitly not included in last year's plan.

However, NHS Lothian's reserves have already been deployed in the financial plan this year and as a consequence no further resources are available, with the exception of those referenced above. Therefore each IJB will be required to explicitly set out cost reduction plans through their directions in order to ensure the IJB can achieve a balanced outturn at the end of the year.

Performance Metrics

During the final quarter of 2016/17 NHS Lothian introduced a framework to measure performance under integration. This suite of measures will allow each Integration Authority's performance to be monitored and improvement opportunities identified. The development of this framework is seen as iterative and will be further refined and developed throughout the coming months and years and our expectation is that you will identify clear measures for these and work with Jim Crombie on monitoring of these.

To date, the performance framework has included data by each IJB on;

- Number of front door attendances & admissions – for the IJB
- Number of front door attendances & admissions – broken down by GP practice and referral type
- Front door inpatient conversion rate
- Analysis of the acuity of attendances
- Age profiling of front door attendances and admissions
- Performance against the 4 hour target
- Unplanned inpatient total occupied bed days
- No of delayed discharges vs. trajectory
- No. of packages of care against locally set trajectory
- Delayed discharges by length of delay
- Total occupied bed days for delayed discharges

The letter from Geoff Huggins received in January detailed plans to measure performance under integration at a national level. This added a further two measures that would be monitored for each IJB:

- End of life care
- Balance of care

Further work analysing each IJB performance over time will allow the development of improvement trajectories to support the delivery of the milestones set out by Scottish Government, and to deliver financial balance on the set aside budget.

Finally we have agreed that during 17/18 we should jointly revisit the cost model utilised to allocate set aside and hosted services budgets. This will consider the utilisation of the NRAC formula. I propose that we do not make any allocation formula changes in 17/18 but plan to implement in 18/19.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Susan Goldsmith'.

Susan Goldsmith
Director of Finance

East Lothian Integration Joint Board



David Small
Chief Officer
East Lothian IJB
John Muir House
Haddington

By Email Only

Mrs Susan Goldsmith
Director of Finance
NHS Lothian
Waverley Gate

Date

Dear Mrs Goldsmith,

BUDGET AGREEMENT 2017/18 – EAST Lothian INTEGRATION JOINT BOARD (IJB)

Thank you for your letter of 2 May 2017.

At its March 2017 meeting I presented an indicative NHS Lothian budget to the IJB for 2017/18 as part of the process of agreeing the overall IJB budget. This indicative value was based on the latest iteration of the NHSiL financial plan and is only c. £140,000 different from the budget in your letter which is, simply the product of a few further minor adjustments. This difference is clearly not material. The IJB is content to accept this budget and grateful for the support that the Health Board has given and continues to give to the IJB around the budget setting process.

I note your comments around the further investments in primary care, GP prescribing support programmes, the second tranche of the social care fund and any further Scottish Government investments

The IJB's Integration Scheme lays out a model for financial management which, in effect, expects a break-even position. I appreciate that NHS Lothian has no further resources but the IJB is not, as you know, an operational unit with its own management capacity and I am anxious about resolving financial issues outwith the Partnership's direct control. I would be grateful for further

discussion as to how the IJB and NHSiL can work together to support financial delivery in both set aside and other budgets outwith the partnership. It would be useful, therefore, to get an early detailed understanding of the financial pressures projected in the current financial plan against the set aside budgets.

Of course what will help to resolve a range of financial management issues is a clearer understanding of the IJB's use of the pan-Lothian resources, as you discuss in your letter. I would support a detailed analysis of the use by the IJB of the set aside beds (and other acute services as appropriate) and the hosted services. This can become part of the more thorough review of the IJB health budget setting model as we now need to move towards a proposition for the IJBs in Lothian as to what constitutes a fair share of the Lothian resources for delegated functions for each IJB. I am copying this response to the Chief officers in the other Lothian IJBs in that we will all have to work together to finalise an appropriate resource sharing mechanism. I am happy to support your proposal that any changes to the current model suggested by this work are not actioned until 2018/19.

I also appreciate your concern around the performance targets for each IJB as indicated by the recent Scottish Government letter. It is important to recognise that the IJB has set targets along the lines of the Scottish Government's recommendations which are encapsulated in the IJB's directions to NHS Lothian and I'm pleased that NHS Lothian is developing performance systems that will allow the IJB to understand if NHS Lothian is delivering against these targets. That said, such delivery is, like everything else the IJBs undertake, a partnership between the IJB(s) and NHS Lothian and we need to be clear as to how this partnership will work in operational terms, especially considering that this financial year is now nearly three months old.

The other issue the IJBs are keen to drive forward is that of a multi-year financial plan. I appreciate your comments around the proposed position for 18/19 and it would also be useful to consider how we might work together to develop a financial plan for future years. In principle, NHSiL would indicate to the IJB the resources available to it in future years and the IJB would then decide how to deploy these resources to deliver its strategic plan. However, this may be very difficult to do in practice, especially in the next couple of years and we need to consider how to best drive this change in the financial planning process forward.

In terms of in year budget setting and management, I would appreciate your thoughts on how we can reflect any changes to the IJB's budget arising from further SG allocations. It would be useful to know what the current assumptions on SG allocations are in the base budget and how we will ensure that the IJB receives its share of any in-year allocations that support delegated functions.

We have set up meetings to discuss these finance issues between the IJBs and NHSiL and I am keen that we get the matters discussed above on the agenda for these meetings.

Yours sincerely,

David Small
Chief Officer

On behalf of East Lothian Integration Joint Board