



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 22 February 2018

BY: Chief Finance Officer

SUBJECT: Financial Assurance 2018/19

1 PURPOSE

- 1.1 This report lays out the current position of the financial assurance exercise undertaken on the 2018/19 budgetary settlement and proposition made by the IJB's partners.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to:
- Accept East Lothian Council's budget settlement based on the information currently available.
 - Accept NHS Lothian's Indicative proposition on the basis that any revision does not impact significantly on the IJB and that NHS Lothian resolves to the IJB's satisfaction the pressures with the Set Aside budget

3 BACKGROUND

- 3.1 The IJB performs a process of financial assurance prior to considering the acceptance of the budget proposition from the partners. The IRAG guidance states that:-

'An effective assurance process should enable the host body (whether an Integration Joint Board (IJB) in a corporate body arrangement; or a Health Board or Local Authority in a lead agency arrangement) to identify the resources delegated to it and the financial, legal or organisational risks involved; it should also help the delegating partners to quantify the risks to their respective operations. If planned and implemented in a logical sequence, it should allow the Health Board and Local Authority to maximise the benefits and minimise the risks from integration.'

- 3.2 The IJB's budget is simply the total of the budget propositions from the two partners – East Lothian Council and NHS Lothian. These partners have delegated a range of functions to the IJB and the IJB must satisfy itself that the resources made available by the partners will allow the IJB to deliver the delegated functions. That said, both partners have a further range of responsibilities outwith those delegated to the IJB and the IJB must consider the totality of their resources along the totality of their responsibilities including those of support the IJB.
- 3.3 The resources available to the partners are largely based on resources allocated by the Scottish Government. All of NHS Lothian's funding flows from the Scottish Government and although East Lothian Council raise income from their Council tax and make some charges to support the delivery of social care services, by far and away the largest element of East Lothian Council's income comes from the block grant. The Partners, and therefore, the IJB are dependent on the financial settlement made by the Scottish Government.
- 3.4 The Scottish Government announced their draft budget for 2018/19 on 14th December 2017. This was later amended as part of an agreement between the Scottish Green Party and the government. The revised settlement (in summary is as follows):-
- An uplift for all territorial health boards of 1.5%
 - A further move to NRAC ensuring that all Boards are within 0.8% of their NRAC share
 - £66m to the Councils to support social care pressures – East Lothian share being £1.237m
 - A small increase to the East Lothian Council baseline - £2.2m in total but that includes that £1.2m above.
- 3.5 In addition to the above a series of further investments are planned by the Scottish Government in Primary Care (£110m nationally) and Mental Health (£47m nationally). These values are the overall investment in 2018/19 but non-recurrent investments were made in 17/18 and in total, there is a step-up of £67m in these two areas. These planned investments (and the non-recurrent elements 2017/18) are not in the proposed budget to the IJB from NHS Lothian at this time. As these allocations are made during 2018/19, further details will be provided to the IJB.

Budget Settlements

- 3.6 East Lothian Council set their budget for 2018/19 at their meeting on 13th February 2018. This included the details of the budget for the Adult Wellbeing Services which are largely delegated to the IJB. As has been discussed previously, the allocation for the IJB is not the same as that for Adult Wellbeing – an element of the housing support grants not being delegated to the IJB and some HRA services are delegated to the IJB. A value for the IJB is not available at this time however, the

settlement for Adult Wellbeing can be used as a proxy and any further adjustments will not impact on the IJB.

The East Lothian Council settlement for Adult Wellbeing is as follows:-

	£m	Notes
Baseline Budget (excluding SCF)	43.4	
Movements		
Provision for Pay Awards etc	0.5	
Increase in Service Charges	-0.4	1
Share of SG £66m	1.2	2
Uplift for NCHC	0.3	
Add'n investments	0.2	3
Efficiencies	-0.4	4
Net Increase	1.6	
2018/19 Allocation	45.0	

1. The Social Care allocation is net of income. The Council's budget proposes an increase in income the details of which have yet to be agreed, this is the amount attributed to Adult Wellbeing.
 2. As was discussed, as part of its settlement, the Scottish Government made £66m available to Councils to support Social Care. East Lothian's share is £1.2m and all of that has been put into the AWB budget.
 3. Additional resources have been made available by the Council to invest in Adult Social Care.
 4. The partnership management team, as part of the overall re-design have agreed to an efficiency programme which will be delivered by a review of the section 10 grants (£221,000) and a review of the Home Care service (£138,000)
- 3.7 NHS Lothian have been developing their 2018/19 financial plan and this has been discussed to their Finance and Resources committee and their Board. The details behind the financial plan have been fully shared with the IJB. This work is not yet completed and a further revision to the overall financial plan is currently underway. That said, the analysis below is based on the information presented to the Finance and Resource Committee at its meeting in January 2018. It is important to recognise that this financial plan is not balanced – it shows (overall for all of NHS Lothian) a financial gap of £27.8m and an element of that gap is reflected in the analysis of the financial pressures in the health allocation. This is discussed further below.
- 3.8 The position within the health system is not as clear as that within the Council. The NHS are given a series of additional allocations during the financial year and those elements that are part of the IJB's delegated functions are added to the IJB's budget in year. In addition there have been further revisions to the Health Budget setting model (especially within the Set Aside service) and budgets from Liberton hospital being transferred to the IJB. For the purposes of this exercise, the year on year comparison is based on a restated budget.

	£m
Restated 2017/18 baseline	97.548
Per January F&R position	100.67
Uplift	3.122

The Uplift consists of:-

- A reinstatement of the non-recurrent GP prescribing support made in 2017/18
- Pay awards that will support the staff costs in the operational budgets that constitute the IJB's allocation
- A further uplift for GP prescribing to take the opening 18/19 GP prescribing position to break-even.

Although the NHS Lothian budget is not yet finalised, NHS Lothian are proposing to provide additional resource to support capacity in primary care (c. £480,000 although £240,000 was invested non recurrently in 2017/18) and to support further developments in the delivery of GP prescribing (c. £240,000). Neither of these proposed investments are included in the values above. As discussed above this does not include any further elements of the Scottish Government investments indicated in the 2018/19 settlement.

- 3.9 In principle, the IJB should negotiate with the partners as to the allocations that they make to the IJB. In practice this work is undertaken in the dialogue that the Chief Officer has in his role as Joint Director, the issues reflected by the Chief Finance Officer in his operational role and in discussions with the partners that IJB members have in their roles as members of NHS Lothian Board or as Councillors. The IJB has not undertaken a 'formal' set of negotiations as this is considered to be neither practical (given the timescales) nor in the spirit of partnership. That said, this will be reflected in the multi-year financial plan which is discussed further below.
- 3.10 The financial assurance can be considered to consist of two broad elements – is the allocation fair and is the allocation adequate?
- 3.11 The 'fair' element is addressed by examining the allocation proposals (laid out above) and considering if the IJB has received a fair share of the resources available to the partners
- 3.12 East Lothian Council has passed on the additional resources made available to support Social Care by the Scottish Government, has made provisions for pay awards, the cost of the NCHC uplift along with further investments. It has reduced the levels of efficiencies that it had indicated for 2018/19 in the 2017/18 financial plan, this position is considered to be fair.

- 3.13 NHS Lothian, although this is not yet a final position, has made a provision to uplift all the operational pay budgets that fall into the IJB's allocation and has reinstated the GP Prescribing support as above. Further investments will be provided to support capacity in Primary care along with further development work in GP prescribing. There will also be additional resources from the Scottish Government which will pass onto the IJB. This position is considered to be fair.
- 3.14 The adequacy test can be tested by looking at the indicative financial pressures that the financial analysis of the partners provides. The IJB is fully aware of the overall financial constraints and that the current services delivery model is unaffordable and is committed to redesigning that model. The principles behind that redesign are laid out in the IJB's financial Strategy. That said, the IJB has to recognise the current position and to ensure itself that there are clear plans to manage any financial pressures.
- 3.15 The indicative position is as follows:-

	Indicative Budget £m	Projected Expenditure £m	Pressure £m
Adult Social Care	51.81	52.66	-0.85
Health - Core	67.19	67.64	-0.46
Health - Hosted	12.25	12.39	-0.14
Health - Set Aside	21.23	22.14	-0.90
	152.48	154.83	-2.35

- 3.16 The East Lothian Council position has been revised to take into account the adjustments required to move from the AWB position to the IJB's delegation. The Council have indicated that they would expect c. £0.4m of efficiencies to be delivered and this had been agreed by the partnership management team. The final out-turn position for social care is not yet finalised and there is a risk that, even if the position reaches a break-even, the 17/18 position has been underpinned by non-recurrent support. This means that, if no further actions are taken, this means that there may a recurrent pressure in the social care position. For the purposes of planning – and this will be revised once the out-turn position is finalised – a recurrent pressure of £500,000 has been assumed. This plus the achievement of the agreed 18/19 efficiencies has been used as the basis for this position. Details of the 2018/19 efficiency programmes have already been presented to the IJB and further details will be provided at the March 20-18 meeting.
- 3.17 It can be seen that the largest element of pressure within the Health position is within Set Aside. This is not managed by the Partnership

and NHS Lothian has been approached by the Chief Officer and asked to provide plans to deliver a break-even position. As was discussed above, the NHS Lothian financial plan does not balance in this version and this is one of the key elements of that overall gap.

- 3.18 The pressures within Core will be managed by the partnership and further details will be provided at the March IJB when the final NHS Lothian financial plan is agreed. The presumption, at this time, is that the hosted pressures can be managed.
- 3.19 As was reported to the IJB previously, NHS Lothian is working through a new model for IJB budgets which would not only deliver a fair IJB budget but also ensure that the charges against that budget represented the utilisation of these services rather than the current position which is based on notional shares.
- 3.20 Therefore in order to respond to the 'adequacy' issue the IJB has to consider if the efficiency plans will meet the financial pressures and if these plans do not impact on the IJB's ability to deliver its Strategic Plan. This does not seem unreasonable at this time with the very clear exception of the Set Aside position for which the IJB simply does not have adequate assurance. This matter is being actively progressed by the Chief Officer.
- 3.21 The discussion above relates only to the 2018/19 position. Clearly the IJB requires a three year financial plan and this is addressed by a separate report. The partners have been providing indicative three year allocations along with an analysis of the financial pressures and it's clear that the position in 2019/20 and 2020/21 will be significantly challenging.
- 3.22 Work will continue on the 2018/19 financial assurance exercise and a further position, including the projected 2017/18 out-turn will be reported to the March 2018 IJB meeting.

4 ENGAGEMENT

- 4.1 The IJB holds its meetings in public and the Partners have made the financial information publically available

5 POLICY IMPLICATIONS

- 5.1 There are no further policy implications within this report.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report has not been through the Integrated Impact Assessment process. This work will continue as the financial plans for 2018/19 are finalised.

7 RESOURCE IMPLICATIONS

- 7.1 Financial – discussed above
- 7.2 Personnel – none
- 7.3 Other – none

8 BACKGROUND PAPERS

- 8.1 IJB finance report in December 2017

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