



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 23 May 2019

BY: Chief Finance Officer

SUBJECT: Budget Offers from NHS Lothian and East Lothian Council to the IJB for 2019/20

1 PURPOSE

- 1.1 This report presents the Board with the formal 2019/20 budget offers from East Lothian Council and NHS Lothian for consideration. The budget offers also includes indicative budget offer values for financial years 2020/21 and 2021/22.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to:
- i. Consider the formal budget offers for 2019/20; and
 - ii. Accept the formal budget offers made by both partners, noting the indicative future year's values.

3 BACKGROUND

- 3.1 At its meeting in March 2019, the IJB received an update on its projected 2018/19 year end financial position and the indicative budget offers and principles from partners East Lothian Council and NHS Lothian for 2019/20.
- 3.2 East Lothian Council agreed their 2019/20 budget on the 12th February 2019 and as such a formal budget offer of £53.48m has been offered to the IJB. This budget offer letter is attached as Appendix 1 and includes the following for 2019/20

East Lothian Council budget offer to the IJB	2019/20
	£000's
Baseline Budget for Social Care	51,424
Share of new Monies	
Investment in Integration	2,022
Carers Act	188
Free Personal & Nursing Care Under 65s	548
Savings	
Integration savings	-488
Corporate Savings	-214
	53,480

- 3.3 NHS Lothian concluded their financial planning process for 2019/20 at their Board meeting on the 3rd April 2019. They have now also formally notified the IJB of their budget offer for 2019/20 and this letter is attached as Appendix 2. Their offer to the IJB totals £104.114m and this offer is shown below

NHS Lothian budget offer to the IJB	2019/20
	£000's
Baseline Budget for Core Hosted & Set Aside	100,616
Uplift of 2.6%	2,611
Funding to cover Unscheduled Care Increased Costs & Other	887
	104,114

- 3.4 In line with the Integration Scheme the IJB should consider these budget offers in terms of “fair and adequacy” and formally respond to both Partners whether accepting the offers.
- 3.5 Its worth noting the offer letters include indicative values for 2020/21 and 2020/22, which we can use as a basis for our longer term rolling financial plan but these offer values will be formalised in future years.

4 ENGAGEMENT

- 4.1 The IJB holds its meetings in public and makes its papers and report available on the internet.

5 POLICY IMPLICATIONS

- 5.1 There are no new policies arising from this paper.

6 INTEGRATED IMPACT ASSESSMENT

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

7 RESOURCE IMPLICATIONS

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

8 BACKGROUND PAPERS

- 8.1 Financial Update – March 2019 IJB meeting.

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DATE	May 2019

Appendix 1 – East Lothian Councils budget offer to the IJB

Appendix 2 – NHS Lothians budget offer to the IJB

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29 March 2019

**Councillor Fiona O'Donnell
Depute Convener
East Lothian Integration Joint Board**

Dear Councillor O'Donnell,

**FINANCIAL RESOURCE PROPOSAL FROM EAST LOTHIAN COUNCIL
TO EAST LOTHIAN INTEGRATION JOINT BOARD – 2019/2020 TO 2021/2022**

In accordance with the provisions set out in the Integration Scheme agreed between East Lothian Council and NHS Lothian, this letter sets out the formal proposal from East Lothian Council to the Integrated Joint Board (IJB) advising of the level of financial resources that will be delegated by the Council in financial year 2019/2020 to the IJB.

This proposal has been derived from the 2019-2022 Budgets approved by Council on 12 February 2019, and includes East Lothian's share of the national Social Care Fund which amounts to £6.2m for 2019/2020. The offer also sets out indicative budgets for 2020/2021 and 2021/2022, and these will be updated annually in line with the approved budget development framework. In addition, the Council's approved budget includes a range of unallocated 'corporate savings' that require to be delivered across all Council services, including those delegated to the IJB. This offer includes a proportionate share of these savings, and any implications for future years will be informed through the wider annual budget discussions. I should also note that this offer includes the Council's full allocation of the funding which has been received to deliver the Free Personal and Nursing Care for under 65s. The funding allocation has been confirmed since the budget was agreed by the Council and will be passed on in full. You should be aware that we have yet to receive confirmation of the funding allocation relating to School Counselling Service, and this will be discussed with the IJB Chief Officer and Chief Finance Officer once confirmation is received.

The level of funds allocated to the IJB is in line with the delegated functions set out in the Scheme of Integration. Details of this proposal are set out within the table below, and include a number of adjustments to reflect budgets relating to delegated functions from within the Housing Revenue Account (HRA) and General Services Non Housing budget, and removal of non-delegated expenditure from within the wider Adult Wellbeing service. You should be aware that discussions are still ongoing to finalise the actual budgets for these adjusted areas and, therefore, the figures set out below have been based on

indicative budgets for 2019/2020. It is, however, considered unlikely that there will be any material change to these budgets during 2019/2020, and I will ensure that the Chief Officer and Chief Finance Officer are presented with the finalised position as soon as possible.

It is also important to note that as some of these delegated budgets relate to resources contained within the HRA, any direction around the use of these budgets must also be considered alongside the statutory HRA guidance which sets out the parameters relating to proper use of the HRA resources.

	2019/2020 £m	2020/2021 £m	2021/2022 £m
Adult Wellbeing 2019/20 approved Budget	52.442	52.192	51.942
Less Non-delegated Functions	(0.790)*	(0.790)*	(0.790)*
Less Share of Corporate Savings	(0.214)	tbc	tbc
Add			
Free Personal & Nursing Care under 65's	0.548	tbc	tbc
Non HRA – Private Sector Housing Grant	0.256*	0.256*	0.256*
HRA – Disabled Adaptions (Capital)	1.000*	1.000*	1.000*
HRA – Garden Aid	0.238*	0.238*	0.238*
Total IJB budget allocation	53.480	52.896	52.646

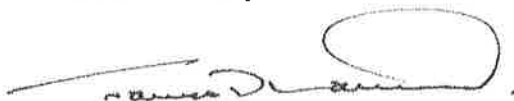
* Indicative budgets

I confirm that these budgets represent the resources available to the Council to support the functions that have been delegated by the Council to the IJB.

The Council will seek to ensure that the operation of the delegated functions will be delivered within the available budgetary resources. In the event that financial monitoring reports indicate that an overspend is forecast, and immediate recovery plans prove unsuccessful, the responsibilities set out within the Scheme of Integration must be adopted to ensure an agreed and timely process is applied to consider the implications for the immediate financial year and any recurring issues going forward.

I look forward to receiving early confirmation from you around the level of budgets which will then be devolved to the Council, including the related directions that will apply during 2019/2020.

Yours sincerely



Jim Lamond
Head of Council Resources (CFO)

cc: Alison MacDonald, Interim Chief Officer, East Lothian IJB
Claire Flanagan, Chief Finance Officer, East Lothian IJ B
Sarah Fortune, Service Manager, Finance, ELC

Alison MacDonald
Chief Officer
East Lothian Integration Joint Board

Date 9 May 2019
Your Ref
Our Ref
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Dear Colleague

Budget Agreement 2019/20 – East Lothian Integration Joint Board

I write further to my letter of 15th February and the approval of the NHS Lothian Financial Plan by the Board of NHS Lothian on April 3rd, which accepted limited assurance on the achievement of a breakeven outturn for the health board next year.

This letter sets out the key elements of your IJB budget for 2019/20 and beyond, based on the information contained in the Plan, updated for any new information now available.

Baseline Budget and Uplift

The approved Plan includes details on the anticipated additional receipts and planned allocation of resources for 2019/20. NHS Lothian received a 2.6% uplift to baseline budgets equating to £35.8m which gives due recognition to the additional cost of the reform to the Agenda for Change pay scales. East Lothian IJB's share of this base uplift is £2,611k.

In developing the Financial Plan a number of principles were endorsed by NHS Lothian's Finance and Resources Committee:

- The importance of maintaining integrity of pay budgets through an equitable application of budget uplift to meet pay awards;
- A need to use recurrent resources against recurrent costs as far as possible, particularly in relation to the baseline recurrent gap;
- A recognition that there will be certain national costs which are inevitable;
- Under the arrangements for financial planning there is an expectation that all Business Units will plan to deliver financial balance against their budgets and therefore there needs to be recognition of the relative efficiency challenge across operational units;

- A reasonable balance of risk for NHS Lothian in the context of its breakeven target.

Recognising these key principles, the additional recurrent uplift has been prioritised against the following key areas across Lothian:

- £24.4m to fully fund pay awards, including Agenda for Change;
- £2.5m to provide a recurrent funding solution to the uplift to prescribing for 2018/19, previously funded through non recurring sources;
- £3m for Primary Care Investment, being the final £1m instalment of the £5m investment and making the £2m 18/19 investment recurring;
- £12.3m is provided to meet prior year recurring commitments previously funded from a non-recurrent source in 2018/19.

The current gap on the Financial Plan of circa £26m assumes that each of the IJBs can agree the application of additional resource against cost pressures which feature across NHS Lothian delegated functions. In addition it would be helpful to agree a mutually agreeable position for key cost pressures impacting across IJBs and non-delegated functions. We will continue dialogue with you in this regard.

Unscheduled Care

Given the patient safety and quality issues that the Board is facing in it's delivery of unscheduled care, it has endorsed the need to create both additional physical capacity at both the RIE and St Johns 'Front Door' and to enhance clinical staffing levels and management capacity. This will increase the costs attributed to the "Set Aside" element of IJB's resources and the Financial Plan utilises funding available to the Board to address this increased cost. This effectively passes additional Set Aside resource to the IJBs. The values set out reflect the latest information on the allocation of this resource at an IJB level, and may differ from the estimates initially identified in the Plan. The Plan figures were based on available information and necessary assumptions on the deployment of this resource. Updated information has now been received, reflected in amended figures in this area.

Summary Budget Adjustments

Table 1 below summarises the impact of these additions on your IJB with the percentage uplift values against your baseline included. These figures are generated from the IJB mapping table for 2018/19. We have updated the mapping table for 2019/20 and can provide a further update on budget allocations on agreement of this update.

Please note that the measure of uplift provided includes GMS - we expect to receive a separate uplift allocation for this later in the year and any incremental adjustment to your budget baseline will be made once this uplift has been confirmed. However, in the meantime the additional flexibility allocated to reach 2.6% will need to give consideration to the additional costs of growth within GMS. In addition, non-cash limited expenditure and budget is excluded from these calculations, consistent with last year.

The “Other” adjustment reflects smaller budget changes as part of the financial planning process. Further detail is available on request.

Table 1 – Budget adjustments for East Lothian IJB, 2019/20

	Status	Allocation	East Lothian IJB £'000	% uplift on base
<u>Baseline Budget 19/20</u>	Delegated	Core	56,085	
		GMS	14,737	
		Corporate	441	
		Hosted	10,245	
	Set Aside		19,108	
Total			100,616	
<u>Additional Budget 18/19</u>				
Pay Uplift			1,296	1.3%
Investment in Prescribing			10	0.0%
PC Investment share of £3m			360	0.4%
Balance of Base Uplift			945	0.9%
Share of Base Uplift			2,611	2.6%
Unscheduled Care Investment			825	0.8%
Other			62	0.1%
			3,498	3.5%
Total Budget			104,114	
<i>The baseline budget includes the 16/17 and 17/18 Social Care Fund; Drugs and Alcohol Partnership Funding</i>				

East Lothian IJB 2019/20 – 2023/24 Budget

At this stage the Scottish Government has only confirmed funding for 2019/20. However, assumptions have been made in order to forecast forward into future years and the implications of assumed additional funding streams and their agreed application for East Lothian IJB are shown below. The element of projected uplift is based on the assumption that future years’ uplift will be in line with that received in 2019/20, although this remains subject to confirmation. At this stage, no further assumptions have been made around other uplift values. Table 2 shows the budget values to 2023/24.

Table 2 – East Lothian estimated budget baselines to 2023/24

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Baseline Budget	103,227	105,100	106,096	107,112
Additional Budget	1,006	129	149	170
Estimated Total Budget	104,233	105,229	106,245	107,282

A more detailed breakdown of these constituent balances is presented in **Appendix 1**.

In addition, there are a number of additional funds which have been included in the Financial Plan for set aside functions, but which have not been included in the future years IJB allocations above as we do not yet have confirmation on how these resources will be allocated across each IJB (e.g. funding for new medicines). Once agreed, these allocations will further increase the total resources delegated to the IJB.

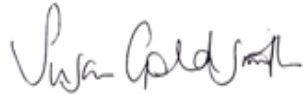
Finally, I can confirm that support services to the IJB, including Finance, will be provided on the same basis as previously. These resources are not included in the budgets set out above.

You will be aware that we have been working with CFOs to develop a revised cost and budget allocation model. This requires further work but we have agreed that we will introduce the new model in this financial year as a shadow year to support strategic planning.

We will continue to work with all IJBs as we allocate further NHS resources across services in the coming year between delegated and non-delegated functions. I would expect that further investment will be required in specific areas such as unscheduled care and in medicines, and you will be updated as progress is made on these issues.

I look forward to working with you in the coming year as we continue to work together to identify and action opportunities to develop health service delivery within available resources across your IJB.

Yours sincerely



Susan Goldsmith
Director of Finance

cc Chief Finance Officer

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APPENDIX 1

IJB Budgets - 2019/20 to 2023/24			2019/20	2020/21	2021/22	2022/23	2023/24
	Status	Allocation	East Lothian £'000	East Lothian £'000	East Lothian £'000	East Lothian £'000	East Lothian £'000
<i>Baseline Budget 19/20</i>	Delegated	Core	56,085	57,909	58,769	59,211	59,664
		GMS	14,737	14,737	14,737	14,737	14,737
		Corporate	441	450	463	470	477
		Hosted	10,245	10,501	10,873	11,070	11,271
	Set Aside		19,108	19,630	20,258	20,608	20,964
Total			100,616	103,227	105,100	106,096	107,113
<i>Additional Budget 18/19</i>							
		Pay Uplift	1,296	1,873	996	1,016	1,036
		Investment in Prescribing	10				
		PC Investment share of £3m	360				
		Balance of Base Uplift	945				
		Share of Base Uplift	2,611	1,873	996	1,016	1,036
		Unscheduled Care Investment	825				
		Other	62	(867)	(867)	(867)	(867)
			3,498	1,006	129	149	169
Total Budget			104,114	104,233	105,229	106,245	107,282

The baseline budget includes the 16/17 and 17/18 Social Care Fund; Drugs and Alcohol Partnership Funding