

To Chair and Chief Officer of IJB

Date 26 April 2018

Your Ref

Our Ref SG/AMcC/AWW

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Dear Colleagues

### **Budget Agreement 2018/19 – Midlothian Integration Joint Board**

The NHS Lothian 2018/19 Financial Plan was approved by the Board of NHS Lothian on April 4<sup>th</sup>. The Plan presents a projected financial gap of circa £21m and provides limited assurance on the achievement of a balanced outturn next year.

The Plan includes details on the planned receipt and allocation of resources for 2018/19. NHS Lothian is assuming the following additional funding streams (equating to a total uplift against the baseline allocation of 3.08%):

- £20.3m of uplift (1.5% on the baseline);
- £8.7m of an NRAC parity adjustment (bringing NHS Lothian to within 0.8% of parity, in line with all other underfunded Boards).
- £12.7m of Scottish Government funding to meet the additional cost of the enhanced pay awards for staff on Agenda for Change pay scales.

In distributing additional resources, a number of principles are recognised:

- 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, additional recurrent uplift has been prioritised against the following key areas:

- £24.7m to fully fund pay awards, including Agenda for Change;
- £8.6m to provide a recurrent funding solution to the uplift to prescribing for 2017/18, previously funded through non recurring sources;
- £5.4m to fund the additional costs in the new RHSC Hospital.

GP Prescribing has been a key financial challenge for both the IJB and NHS Lothian in recent years, and I am committed to ensuring the recent improvement in the Prescribing financial position can be sustained. To this end the following adjustments will be made to support Prescribing, in addition to the allocation of the £8.6m recurrent solution identified above:

- An estimated £2.5m of additional funding from non-recurrent sources will be allocated across IJBs to ensure that the total prescribing budget available in 2018/19 will be consistent with the prescribing outturn spend for each IJB in 2017/18. This principle is the same as 2017/18 arrangements;
- A further £2m of non recurrent support has been allocated to support delivery of Lothian-wide Prescribing efficiency initiatives, with £1.3m being allocated on an NRAC basis across the four IJBs, and the balance of £0.7m utilised against specific initiatives and infrastructure support (pending final agreement on its allocation and therefore not forming part of the budget allocation at this stage).

The IJB's share of the £2m Primary Care Investment monies (the second tranche) is also included in IJB budgets for the coming year. The revised baseline budget does not currently include additional expected allocations from the Scottish Government (eg Alcohol & Drug Funding). These balances will be allocated across IJBs once confirmation is received from the Scottish Government.

Table 1 below summarises the impact of these additions on your IJB. Note that the percentage uplift values against your baseline have been included. At this stage GMS has been excluded from this calculation on the basis it will receive additional uplift during the year. In addition, non-cash limited expenditure and budget is also excluded.

**Table 1 – Budget adjustments for Midlothian IJB, 2018/19**

	Recurrency of Budget	Status	Allocation	Mid Lothian IJB £'000	% uplift on base net of GMS
<b><u>Baseline Budget 18/19</u></b>	R	Delegated	Core	44,437	
			Corporate	212	
			Hosted	9,799	
	R	Set Aside		16,252	
	NR	Set Aside		(43)	
				<b>70,657</b>	
	R	GMS		13,341	
<b>Total</b>				<b>83,998</b>	
<b><u>Additional Budget 18/19</u></b>					
Pay Uplift	R			912	1.29%
Investment in Prescribing	R	Recurrency of 16/17		1,352	1.91%
	NR	2017/18 Outturn		145	0.21%
	NR	Efficiency initiative funding		132	0.19%
PC Investment share of £2m	R			200	0.28%
Other	NR			148	0.21%
				<b>2,889</b>	<b>4.09%</b>
<b>Total Budget</b>				<b>86,887</b>	
<i>The baseline budget includes the 16/17 and 17/18 Social Care Fund; Drugs and Alcohol Partnership Funding; and adjustments during 17/18 in relation to Liberton Hospital.</i>					

### **Midlothian IJB 2018/19 – 2022/23 Budget**

At this stage the Scottish Government has confirmed arrangements to allow for a one-year Plan only. 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 Midlothian IJB are shown below. The element of projected uplift is based on the assumption that future years' uplift will cover the cost of pay awards, with the value of pay award consistent with that for

2018/19: 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 2022/23.

**Table 2 – Midlothian estimated budget baselines to 2022/23.**

		<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Baseline Budget	R	86,505	87,376	88,339	89,329
Additional Budget	R	937	963	990	1,017
Additional Budget	NR	14	0	0	0
<b>Estimated Total Budget:</b>		<b>87,456</b>	<b>88,339</b>	<b>89,329</b>	<b>90,346</b>

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 (eg 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 and agreement with both NHS Lothian and each of the IJBs, but I look forward to working with you on this important programme as we continue to collectively 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 - 2018/19 - 2022/23								
	Recurrency of Budget	Status	Allocation	18/19 Mid Lothian IJB £'000	19/20 Mid Lothian IJB £'000	20/21 Mid Lothian IJB £'000	21/22 Mid Lothian IJB £'000	22/23 Mid Lothian IJB £'000
<b><u>Baseline Budget</u></b>	R	Delegated	Core	57,778	59,674	60,027	60,390	60,764
			Corporate	212	215	218	222	226
			Hosted	9,799	10,009	10,157	10,377	10,604
	R	Set Aside		16,252	16,608	16,974	17,350	17,735
	NR	Set Aside		(43)	0	0	0	0
<b>Total</b>				<b>83,998</b>	<b>86,505</b>	<b>87,376</b>	<b>88,339</b>	<b>89,329</b>
The baseline budget includes the 16/17 and 17/18 Social Care Fund; Drugs and Alcohol Partnership Funding; and adjustments during 17/18 in relation to Liberton Hospital								
<b><u>Additional Budget</u></b>								
Pay Uplift	R			912	937	963	990	1,017
Investment in Prescribing	R			1,352	0	0	0	0
Investment in Prescribing	NR			277	0	0	0	0
PC Investment share of £2m	R			200	0	0	0	
Other	NR			148	14	0	0	0
				<b>2,889</b>	<b>951</b>	<b>963</b>	<b>990</b>	<b>1,017</b>
<b>Total Budget</b>				<b>86,887</b>	<b>87,456</b>	<b>88,339</b>	<b>89,329</b>	<b>90,346</b>