



Financial Update – 2016/17 out-turn and 2016/17 Directions

Item number: 5.2

Executive summary

This report reflects on three issues :-

- 1. An update on the projected financial position of the IJB for 2016/17. The projections show an overspend position for the IJB but the IJB has now reached agreements with both NHS Lothian and Midlothian Council for non-recurrent support to underpin this position – the IJB is therefore projecting a break-even position for 2016/17*
- 2. That the financial values contained in the IJB's 2016/17 directions need to be updated to reflect the current budgets. This is to ensure a clean audit trail and will not affect the delivery of the delegated functions in 2016/17*
- 3. A further consideration of the financial challenges facing the IJB in 2017/18 following from the projected financial out-turn in 2016/17 and a reflection of any additional financial pressures and any proposed investments.*

Board members are asked to :-

- a) Note the projected out-turn position for 2016/17*
 - b) Agree the financial revisions to the 2016/17 directions.*
 - c) Consider the financial pressures (in principle) for 2017/18*
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Financial Update – 2016/17 out-turn & 2016/17 Directions

1. Purpose

- 1.1 The report covers three areas
 - An update on the projected out-turn for the IJB for 2016/17
 - An update of the financial values for the IJB's 2016/17 directions
 - A further consideration of the financial pressures and challenges facing the IJB in 2017/18

2. Recommendations

Board members are asked to :-

- 2.1 Note the projected out-turn position for 2016/17
- 2.2 Agree the financial revisions to the 2016/17 directions.
- 2.3 Consider the financial pressures/investments (in principle) for 2017/18

3. Background and Main Report

3.1 Financial Out-turn for 2016/17.

A report was presented to the IJB at its October meeting which considered the projected 2016/17 financial position for those budgets delegated to the IJB by NHS Lothian and Midlothian Council. At that time, the forecast position was an overspend of c. £1.4m. A further review of the projected out-turn position has since been undertaken by NHS Lothian and Midlothian Council and although these forecasts are not yet finalised, the position in respect of the IJB's budget appears to have worsened. The position in relation to Adult Social Care is described in more detail in a separate report on today's agenda.

The IJB has asked the Chief Officer and the Chief Finance Officer to clarify the financial risk sharing agreements with the partners and to lay out what this forecast will mean for the IJB's own financial position. Both partners have agreed that, in 2016/17, if the partners organisation can break-even in totality then they will provide additional resources to the IJB to allow the IJB to also break-even. Simplistically this means that NHS Lothian will 'cover' the overspend in the health elements of the IJB's budgets and Midlothian Council will 'cover' the overspends in the social care budgets. Therefore the IJB – assuming that both partners can break-even in totality in 2016/17 – will break-even in the current financial year.

It is clearly important that the IJB examines the detailed out-turn position when it is finally available and ensure that any lessons to be learned for the 2016/17 operational performance are learned and that any recurrent impact of that performance in 2017/18 is considered as part of the IJB's financial planning process.

It should also be noted that the IJB has committed all of the Integrated Care Fund, Delayed Discharge and Social Care Fund resources available in year

(2016/17) and a further report on these specific funding streams will also be brought back to the IJB when the final details have been agreed.

3.2 2016/17 Directions – Financial Resources.

The IJB's policy on directions lays out that each direction – per the appropriate regulations that support the Public Bodies (Joint Working) 2014 Act – will show the financial resources (the budget) to be used to achieve that direction. A format for this resource analysis has been agreed with the partners and this was used to populate the individual directions issued in March 2016 and also to prepare a summary position. This layout is also the basis of the financial reports provided to the IJB and will be used to report the final financial position of the IJB at the end of the financial year.

The directions issued in March 2016 used two sets of financial information :-

- The Social Care element was based on the formal offer from Midlothian Council based on the Council's budget which had, by the time of the directions being issued, been formally set. This offer did not include any element of the Social Care Fund although the IJB agreed with the Council as to how that fund was to be used.
- The Health service element was based on indicative financial planning values because at that time the NHS Lothian budget had not been set.

NHS Lothian made a formal budgetary offer to the IJB further to its own budget setting process in June 2016 and the IJB accepted that offer at its August meeting.

At that time, the financial values in the directions could have been updated but NHS Lothian is in continual receipt of additional allocations from the Scottish Government and the budget value continues to change. In the case of the social care budgets these have also been changed as the SCF has been allocated appropriately and an element of resources carried forward by the Council from 2015/16 has now been fed into the operational budgets for 2016/17. Clearly a process is required to both update the IJB's budgets and reflect on how that update impact on the directions and work on agreeing that process with the partners continues.

That said, 2016/17 is a transitory year and , as was laid out above, agreements have now been reached that removes the financial risk of over or under spends to the IJB and, in any case, the directions were not sufficiently specific to be impacted by operational budget changes.

It is however, important to record the changes between the opening budgets, the indicative budgets used in the directions and the current revised budgets. This has now been done and the revised position will be used as a base against which the final position will be reported at the end of the financial year.

One of the lessons from this year's work is that budgets in the directions have to be both meaningful and also reconcilable to the overall resources available to

the IJB. As was discussed above an appropriate process is being developed to manage this and will be brought back to the IJB for discussion.

3.3 Financial Planning for 2017/18.

3.3.1 Update on process

The IJB is working closely with its partners as was discussed in the IJB's October paper. That said there remains a considerable element of uncertainty about the Scottish Government's financial settlement for 2017/18 for both the Health Service and the Local Authorities. The Scottish Government will announce its financial settlement for 2017/18 in December 2016 and any further detailed financial planning can only proceed from that date

3.3.2 Pressures and investments in principle

At its October meetings the IJB considered an outline of the potential financial pressures for 2017/18. Its important that the IJB agrees to pressures and investments that it will consider and as a corollary agrees which pressures it will not support. Those which the IJB could support being :-

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 including the investment in the Community Health Inequalities Team

Service Developments

- New GP Practice

Changes In demand

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

It should be noted that these pressures alone, as considered in the October report, constitute a very significant financial pressure and if the IJB accepts any further pressures/investments then this will increase that finance pressure.

4. Policy Implications

- 4.1 There are no further policy implications arising from any decisions made on this report.

5. Equalities Implications

- 5.1 There are no equalities issues arising from any decisions made on this report.

6. Resource Implications

- 6.1 There are no resource implications arising from any decisions made on this report.

7. Risk

- 7.1 Some of the risks are discussed above but this work requires to be fully developed and included in the IJB's risk register

8. Involving People

- 8.1 There are no implications for involving people as a result of this report.

9. Background Papers

- 9.1 There are no background papers in relation to the content of this report

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