

Midlothian Integration Joint Board



1st March 2018

Financial Assurance – 2018/19 budget setting

Item number: 5.2

Executive summary

The IJB requires to set a budget for 2018/19 and this budget flows from the budget offers to the IJB from Midlothian Council and NHS Lothian. Midlothian Council set a budget at its meeting on 13th February 2018 which included a proposed budget for the IJB. NHS Lothian has provided the IJB with a detailed financial plan although it has not yet set a final budget for 2018/19. The NHS Lothian element of the budget proposition below is based on the information provided to NHS Lothian's finance and resource committee at its January 2018 meeting.

The IJB undertakes a process of financial assurance which looks at the budget propositions from the partners and asks two key questions:-

- Is it fair – is the proposed budget a 'fair' share of the partners overall resources to support the functions that the partner has delegated to the IJB*
- Is it adequate – this raises the issue of the service delivery model. Clearly the budgets are not 'adequate' in the absolute sense of the word otherwise there would not be significant efficiency schemes to be delivered. The IJB has to consider that the efficiency schemes that are required to deliver a balanced financial position are deliverable and do not impact on the IJB's ability to deliver its strategic plan.*

Board members are asked to:

1. Accept the Midlothian Council's budget settlement
2. Accept NHS Lothian's indicative offer on the basis that :-
 - Any further revision to the NHS Lothian Financial Plan does not impact significantly on the IJB.
 - NHS Lothian resolves to the IJB's satisfaction the pressures with the Set Aside budget

Financial Assurance – 2018/19 budget setting

1 Purpose

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

2 Recommendations

- 2.1 Members are asked to:-
- 1 Accept the Midlothian Council's budget settlement
 - 2 Accept NHS Lothian's indicative proposition on the basis that:-
 - Any further revision to the NHS Lothian Financial Plan does not impact significantly on the IJB.
 - NHS Lothian resolves to the IJB's satisfaction the pressures with the Set Aside budget

2 Background and main report

- a. The IJB performs a process of financial assurance prior to considering the acceptance of the budget proposition from the partners. The Integrated Resources Advisory Group (a technical accounting group set up by the Scottish Government to provide guidance on integration) 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.'

- b. The IJB's budget is simply the total of the budget propositions from the two partners – Midlothian 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 should reflect on the totality of their resources along with the totality of their responsibilities including those which support the objectives of the IJB.

- c. 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 Midlothian Council raise income from the Council tax and make some charges to support the delivery of social care services, the largest element by far of Midlothian Council's income comes from the Scottish Government's revenue support grant. The Partners, and therefore, the IJB are dependent on the financial settlement made by the Scottish Government
- d. 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 (the formula used in Scotland to distribute the total health budget over the territorial health boards) parity ensuring that all Boards are within 0.8% of their NRAC share
 - £66m to the Councils to support social care pressures of which Midlothian Council's share was £0.98m
 - A slight increase to the councils overall budget.
- e. 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 in 2017/18) are not in the proposed budget to the IJB from NHS Lothian. As these allocations are made in 2018/19, further details will be provided to the IJB.

Budget Settlements

- f. Midlothian Council set their budget for 2018/19 at their meeting on 13th February 2018. As part of that process they laid out the budget proposition for the IJB. This shows :-

	£m	Notes
2817/18 Baseline	37.57	
Service users transport	0.57	1
Uplifts :-		
Pay and Inflation	0.68	
Demographic Pressures	1.04	
Add'n Funding	0.98	2
Change Programme	-1.04	3
Add'n Savings	-0.05	4
2018/19 allocation	39.75	

Notes :-

1. This budget was held centrally but supports the delivery of social care. The Council have now agreed to delegate this resource to the IJB, it should be

noted that this resource is currently fully utilised and does not constitute an increase of resources available to the IJB.

2. This is the Midlothian Council's share of the national £66m to be invested in social care. Appendix 1 breaks down this value, the management teams are working through each element to ensure that they can deliver any additional obligations within the resource elements.
3. As part of the overall council service redesign programme, the partnership management team have committed to delivering c. £1.0m of efficiencies. The current plans are further detailed in Appendix 2.
4. As part of the final budget setting agreement, Midlothian Council have sought an additional saving of c. £44,000. This will be incorporated into the overall efficiency programme.

3.7 NHS Lothian have been developing their 2018/19 financial plan and this has been discussed at their Finance and Resources committee and their Board. The details behind the various iterations of the financial plan have been fully shared with the IJB's Chief Officer and its Chief Finance Officer. This work is not yet completed and a further revision to the overall financial plan is 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	84.7
Per January F&R position	87.3
Uplift	2.6

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 recurrent resource to support capacity in primary care (c. £400,000 although £200,000 was invested non recurrently in 2017/18) and to support further developments in the delivery of GP prescribing (c. £200,000). 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 Midlothian Council has passed on the additional resources made available to support Social Care by the Scottish Government, has made provisions for pay awards and demography and has not changed its previous announced savings plans as they impact upon the IJB. 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 in year (18/19) 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 :-

	Budget	Projected Spend	Projected Variance
	£m	£m	£m
Social Care	39 .49	41 .29	-1 .80
Health - Core	58 .74	59 .00	- .27
Health - Hosted	10 .37	10 .45	- .08
Health - Set Aside	18 .19	18 .95	- .76
Total	126 .78	129 .69	-2 .90

- 3.16 As part of the budgetary proposition above, Midlothian Council had indicated that they would expect c. £1.09m of efficiencies to be delivered in 18/19 and this had been agreed by the partnership management team. The final out-turn position for social care is not yet finalised but it is clear that, even if the position reaches a break-even, the 17/18 position has been underpinned by a series of non-recurrent support, mostly through the release of reserves held by Midlothian Council on the IJB's behalf. It is estimated that, if no further actions are taken, this means that there is a recurrent pressure of c. £800,000 in the social care position. This gives a total pressure in 2018/19 of £1.8m and efficiency and recovery plans have been prepared to resolve this pressure. These are laid out in appendix 2.
- 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 current iteration and this is one of the key elements of that overall gap.
- 3.18 The pressures within Hosted and Core appear to be relatively small, however further work is underway to review the Partnership's financial plan and it is likely that this pressure will increase. Accordingly, the efficiency programmes for the core element of the IJB's budget are greater than the position above and are also detailed in appendix 2. 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 IJB's 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 is clear that the position in 2019/20 and 2020/21 will be significantly challenging.

4 Policy Implications

- 4.1 There are no new policy issues raised in this paper

5 Equalities Implications

- 5.1 Equality impact assessments will be undertaken by the partners as part of the delivery of the efficiency programmes

6 Resource Implications

- 6.1 The resource implications are laid out above

7 Risk

- 7.1 There are a range of risks which are noted in detail in the financial plans of the partners. However to summarise:-
- A risk that the efficiency plans and recovery plans cannot be fully delivered.
 - A risk that the new resources (the £976,000 discussed above) will not be adequate to support the new obligations that have to be met by the IJB

The risk around the pressures on the financial resources available to the IJB is noted in the IJB's risk register

8 Involving people

- 8.1 This report is based on the IJB's Strategic Plan which itself has been consulted on with both the general population and staff. Nevertheless the emerging financial challenges facing the partners, and therefore the budgets likely to be available to the IJB, require a concerted programme of public engagement. Transforming health and care services will only succeed if the people of Midlothian understand the changes being considered; are able to influence these; and are prepared to support them. With this in mind a communications and engagement plan is now being developed

9 Background Papers

- 9.1 January 2018 Report to the IJB – Financial Strategy and Financial Plan.

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Appendices :-

1. Breakdown of the Midlothian share of the £66m.
2. Indicative efficiency plans.

Appendix 1 – Breakdown of the share of the £66m.

As was noted above, the Scottish Government's 2018/19 settlement made available £66m to Councils nationally to support pressures in social care. Midlothian's share of this allocation was £976,000 and the notional breakdown of this is as follows :-

Support to :-	Amount £000's	Note
Living Wage Uplift	444	The living wage will increase in 2018/19 for all care providers – this includes the costs of supporting home care providers and care home providers to deliver the living wage commitments. The National Care home uplift has been agreed at 3.33%. Its not yet clear if this cost can be covered from within this particular resource given the commitments with the home care providers
Sleepover Pressure	148	Staff providing 'sleepovers' will have to be paid at the living wage
Carer's Act	281	The Carer's Act brings further obligations to the IJB and its delivery partners. This is the estimated costs of providing these obligations
Free personal Care uplift	30	As described
Additional Uplift	73	Its likely that the additional costs incurred through the full delivery of the carers act may be greater than the provision above. Any proposed use for this element of funding will have to wait until a final analysis of the costs of delivering the carers act has been reached.
Total	976	

Appendix 2 – Indicative efficiency plans.

Service Area	Analysis of Issue	Proposed Saving
Reablement Service	Significant time spent on travel resulting in reduced productivity	£277,000
Prescribing	Costs are £6 per patient higher than Scottish average	£940,000
Homecare/Care at Home	External providers not delivering to the full contract	£900,000
Learning Disability Services	Reviews and assessments outwith recommended review period	£200,000
Bank & Agency (NHS)	Ongoing use of bank staff beyond vacancy coverage	£75,000
Agency & Standby (MLC)	Usage has reduced but still scope for further improvement	£75,000
Mental Health	Opportunity to move beyond bed-based model of care	£50,000
Acute Services	Redesign services to reflect shift in the balance of care <ul style="list-style-type: none"> - Frailty - Diabetes - Respiratory - End of life care 	£540,000
Charging for Services	Scope to introduce charging to bring in to line with other areas	£300,000
Operational Management	Review and reduction of travel, non-pay and other costs	£50,000
Service Delivery	Service reviews to reflect changing models of care	£80,000
		£3,487,000

This plan was presented to the IJB at its December meeting as part of the Chief Officer's report 'Achieving financial balance for the IJB'.