

Midlothian Integration Joint Board – Financial Assurance**Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of the Report**

The purpose of this report is to update the Council on the work undertaken to date on financial assurance in relation to the delegation of financial resources to the Midlothian Integration Joint Board, and on the work plan going forward.

2 Background

Under the Public Bodies (Joint Working) (Scotland) Act 2014, and associated Regulations, Local Authorities and Health Boards were required to jointly submit Integration Schemes for Ministerial approval by 1 April 2015. Following preparation of and consultation on a proposed Midlothian Integration Scheme, on 24 March 2015 Midlothian Council authorised the submission of the Integration Scheme to Scottish Government for approval. The NHS Lothian Board agreed similarly at its meeting on 4 March 2015.

The Midlothian Integration Scheme has now been given approval to be legally constituted from 27 June 2015. The first meeting of the Board will take place in August 2015.

One of the first tasks of the Board will be to agree its Strategic Plan. The financial resources delegated will be applied by the Board according to the aims laid out in the Strategic Plan. A financial assurance process is essential to ensure a clear understanding of the current and future risk to the Council associated with the delegation of financial resources to the Midlothian Integration Joint Board.

3 Midlothian Council Element of Delegated Budget

On 4 February 2014 Midlothian Council agreed the scope of the Council's budget which was to be delegated to the Midlothian Integration Joint Board. This was to be the Adult and Social Care budget as controlled by the Head of Adult and Social Care, excluding central support costs and budgets which are managed across the Council such as utilities costs and property repairs. It was further agreed by Council on 16 December 2014 that Criminal Justice would be included in the resources delegated. Children's Services will be considered for inclusion in the IJB arrangements at a future date. The Adult and Social Care budget makes up one element of the resources delegated to the Integration Joint Board.

The overall budget of the Midlothian Integration Joint Board will be made up of the following elements:-

- The Council's Adult and Social Care budget.
- The Midlothian Community Health Partnership's (CHP) core services, including community hospitals, GMS and GP prescribing.
- A share of the Delegated Hosted Services which are managed on a pan-Lothian basis by all CHPs.
- A share of NHS Lothian's delegated Acute Services. This is an amount which is made available by NHS Lothian to the IJB for planning purposes and is the 'set aside' element of the budget.

Appendix 1 shows the detailed Adult and Social Care budget for 2015-16, amounting to £36.930 m and Appendix 2 shows the build up of the 2015-16 base budget using the revised budget for 2014-15 as a starting point.

The Council's budget setting process involves budgeting for the existing permanent staffing establishment, taking into account uplifts for pay awards (on an estimated basis if not already agreed), incremental progression and increases in employer's national insurance and pension contributions. Some areas of the staffing budget are reduced by a 5 or 6% performance factor to take account of savings arising from periods of time when posts being vacant.

In the setting of the Council's budget for the provision of purchased care, including care packages in the community and care home places, budgets are uplifted for contractual inflation such as the terms of the National Care Home Contract and for the estimated impact of demographic pressures which lead to an increase in demand for social care services. The budget for 2015-16 was increased by £1.100 m for demographic pressures, £0.400 m of which was for young people making the transition to Adult Services with the balance of £0.700 m being mainly in relation to Older People.

The calculation of the uplift for demographic pressures assumes that some of the pressures will be mitigated by the ongoing transformation of services.

Budgeted savings, proposed by the Head of Adult and Social Care and approved by Council as part of the 2015-16 budget setting process, are also laid out in Appendix 2.

The budget is therefore set at a level which supports the existing staffing establishment, allows the service to meet the Council's policy of providing social care services where a service user has a need which is assessed as critical or substantial and builds in an allowance for the anticipated increase in demand for Adult and Social Care services as a result of demographic pressures.

Monitoring of performance against budget is reported to Council on a quarterly basis as part of the overall Council financial monitoring position.

This includes the detailing of material variances against budget, the reasons behind these variances and the action being taken. This will include progress against budgeted savings.

4 Delegation of Budgets to Midlothian Integration Joint Board

The Council's Adult and Social Care budget will in due course, and no later than 1 April 2016, be delegated to the Midlothian Integration Joint Board along with the NHS elements as outlined above.

Following delegation of the budgets from both the Council and NHS Lothian to the Midlothian Integration Joint Board, it will then direct the Council and NHS Lothian to deliver services in line with the Strategic Plan which it has agreed.

The risks inherent in the new arrangements will be identified and mitigated through the work being progressed locally and at a pan-Lothian level involving senior finance officers from both organisations.

A report presented to the NHS Lothian Finance and Resources Committee on 13 May 2015 is attached at Appendix 3. This forms part of the financial assurance process being undertaken by NHS Lothian prior to the delegation of its resources. Work is ongoing within NHS Lothian to determine the level and makeup of the NHS budgets being delegated to the Midlothian Integration Joint Board and progress on this is being shared with Council finance officers. This work includes defining the allocation of the resources for hosted services across the four Lothian partnerships and the risk sharing arrangements for these. Work is also ongoing on the processes around set aside and prescribing budgets under the new arrangements. A further report which will cover these issues is being presented to the NHS Lothian Finance and Resources Committee on 13th July 2015.

Work is ongoing at both a Lothian-wide level, through the Pan Lothian Section 95 Officers' Finance Working Group, and at a local level to develop governance arrangements in relation to the IJB and a financial control framework, including financial regulations. Consideration will need to be given to the process for the delegation of additional resources, in particular for demographic pressures, where the amount needed is not known at the start of the financial year. The IJB meets for the first time in August 2015 and resources must be delegated to the IJB by 1 April 2016. This necessitates the focussing of resources over the next six months to progress the workstreams relating to financial assurance for both the Council and the IJB itself.

A due diligence report will be presented to the Midlothian Integration Joint Board in August 2015 and a further report on the above workstreams, including an update on the work being undertaken by NHS Lothian on financial assurance, will be presented to Council in the autumn as part of the ongoing process of financial assurance in relation to the impact on the Council of the new arrangements. The due

diligence process is an important element in the development of the Strategic Plan, which is scheduled to be developed over the remainder of 2015 in order to directly influence and shape service delivery in 2016-17.

5 Report Implications

5.1 Resources

There are no resource implications arising directly from this report. The report explains the process for determining the initial budget for the Midlothian Integration Joint Board and the work being progressed around financial assurance.

The Council continues to provide service support to the work of the Midlothian Integration Joint Board and there is a commitment to continue this support going forward. There will be no charge for these support services.

5.2 Risk

The Council and NHS Lothian continue to manage risk according to their own established policies.

The financial risks inherent in the new arrangements are being identified both locally and across Lothian and this report highlights the work being undertaken to mitigate these risks.

There is a risk to the Council that, having delegated its Adult and Social Care budget, it loses some flexibility as it does not have direct control over that element of its budget.

NHS Lothian face financial challenges within their acute services and the new arrangements, which affect their financial flexibility, may impact on their ability to deliver a balanced financial position.

5.3 Policy

Strategy

The creation of new arrangements for Health and Social Care are consistent with one of the key findings of the Christie Commission that “public services work effectively together to achieve outcomes”.

Consultation

Consultation has taken place with the Chief Officer of the Shadow Board and with finance colleagues within NHS Lothian. Finance workstreams have been discussed at a Lothian-wide level through a Section 95 Officers Finance Group with representation from the four Lothian authorities and NHS Lothian.

Equalities

There are no equalities issues arising from this report.

Sustainability

There are no environmental sustainability issues arising from this report

IT Issues

There are no IT issues arising from this report.

6 Summary

The Midlothian Integration Joint Board meets for the first time in August 2015. Budgets must be delegated to the Integration Joint Board by the Council and NHS Lothian by no later than 1 April 2016. It is essential that by the time this happens the Council is satisfied that robust processes are in place surrounding the resources being delegated. Work is underway and Council will be updated later in the year on progress.

7 Recommendations

Council is recommended to

- 7.1 Note the work undertaken to date on financial assurance in relation to the delegation of financial resources to the Midlothian Integration Joint Board.
- 7.2 Note the work plan for the remainder of 2015-16.
- 7.3 Agree to receive an update report later in the year.

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