

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

The purpose of this report is to provide a further update to Council on the work undertaken in relation to financial assurance in respect of the delegation of resources to the Midlothian Integration Joint Board (the Board) from 1 April 2016.

**2 Background**

Since the first meeting of the Board on 20 August 2015 it has worked to put in place appropriate and proportionate financial governance arrangements in preparation for the delegation of financial resources, from the Council and NHS Lothian, from 1 April 2016.

At its meeting on 10 December 2015 the Board approved its Strategic Plan for Health and Social Care and it is from this plan that Directions will flow. These Directions will in due course, following confirmation of the budgets being delegated to the Board, be issued to the Council and NHS Lothian together with the provision of resources to fulfil the directions.

Since the last Financial Assurance update report the Scottish Government has published its 2016-17 budget and proposed local government grant settlement. Nationally the local government settlement represents an overall reduction in funding of 3.31%. The overall settlement package to local government includes £250 million to be provided from the health budget to integration authorities in 2016-17 for social care.

**3 Midlothian Council Element of Delegated Budget**

The Financial Strategy 2016/17 to 2020/21 report which is also on today's agenda asks Council to agree the level of resources from the Adult and Social Care budget which will be delegated to the Board from 1 April 2016.

This allocation includes provision for pay awards and incremental progression, contractual inflation and for the estimated impact of demographic pressures which lead to an increase in demand for social care services. It assumes that resource transfer income from NHS Lothian will be maintained at the 2015-16 level of £4.751 million and it includes savings of £0.394 million.

The Board's share of the £250 million 'Integration funding' amounts to £3.6m.

£1.8 million of this funding must be allocated for the purchase of social care. Initial plans are for this to be invested in new services and the expansion of existing services, targeted at ensuring the future sustainability of Health and Social Care services. This element of the funding is also to be used to increase charging thresholds for all non-residential services. As part of the means testing process, raising the threshold from 16.5% to 25% will mean that service users will have more of their income disregarded from charging. The financial impact of this is still to be determined but is estimated to be between £0.100 million and £0.200 million.

The remaining £1.8 million will in part be used to fund payment of the Living Wage of £8.25 per hour to care workers, with a target implementation date of 1 October 2016. It will also fund other Social Care cost and pay pressures which the Council is facing. The Board will approve the overall use of the £3.6 million.

The Financial Monitoring 2015-16 report presented to Council on 9 February 2016 showed, for Adult and Social Care, a projected overspend of £1.142 million on a recurring budget of £36.923m. This projected overspend is mainly as a result of demand led pressures on the Community Care Resource Panel and expenditure pressures within care homes for older people. The proposed budget allocation to the Board makes provision for additional demographic cost pressures. In addition work continues to seek to manage these cost pressures within the overall budget.

#### **4 NHS Lothian Element of Delegated Budget**

NHS Lothian will not have reached a position where it is able to determine a final budget to be delegated to the Board for 1<sup>st</sup> April 2016. The current proposal is that budgets for core services will be allocated to the Board on the basis of historic core budgets held by the Midlothian Community Health Partnership (CHP).

GP Prescribing budgets are to be allocated using the Prescribing Budget setting model. It will be for IJBs across Lothian to consider whether or not to continue existing risk sharing arrangements and in this respect officers will continue to monitor developments and the implications for the Council.

Indicative allocations of hosted and set aside budgets, currently managed on a pan-Lothian basis, have been shared with the Board, however discussions are ongoing around uplifts and efficiency schemes. It is likely that the NHS budget will continue to rely on an element of non-recurring funding.

Work is ongoing to finalise the overall budget which will form the final proposal to the Board, with the Board and the Council being kept

informed of proposals as they develop. The Board is receiving regular Financial Assurance update reports with details of progress.

## **5 Overall Budget of Integration Joint Board**

Further assurance work will be required in relation to the NHS Lothian share of the Board's budget. It is anticipated that, whilst an indicative allocation has been provided, work on determining the final amount of this budget will continue through March and into the new financial year as the implications of NHS Lothian's financial settlement for individual IJBs become clearer.

The Board will require a formal proposition from both the Council and NHS Lothian laying out the amount being proposed along with confirmation that the budgets being proposed represent the functions being delegated. In 2016-17 it is proposed that there will be a principle of no cross-subsidisation between the partners which will assist in mitigating any financial risks to the Council.

Efficiencies which are assumed within the financial propositions, principally in respect of health, will need to be detailed and assurances given to the Board around their achievement.

Consideration is ongoing between the four Lothian Boards to determine any risk sharing arrangements which would be appropriate for 2016/17. Such arrangement will help mitigate the risk of any financial turbulence whilst the Boards are in their infancy whilst enabling the Boards to deliver the delegated services in the most effective way.

The financial assurance process from a Council perspective will need to continue beyond the 1 April 2016 to include the implications of the final Health Board allocations, risk sharing arrangements, and the implication of directions. It is expected that a further report will be presented to Council alongside in June 2016.

## **6 Report Implications**

### **6.1 Resources**

There are no resource implications arising directly from this report. The report deals with the financial assurance work undertaken in relation to the determination of the initial budget for the Board and the delegation of resources from 1 April 2016.

The Adult and Social Care budget represents the functions being delegated to the Board and this budget, amounting to £37.086 million, will be delegated to the Board from 1 April 2016.

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

## **6.2 Risk**

The Council and NHS Lothian continue to manage risk according to their own established policies and arrangements are being developed to manage these risks through the Board arrangements. The directions of the Board will bring a new facet to the risks and these will be managed by the Board.

The ongoing work being undertaken on financial assurance will identify and address the financial risks which are inherent in the new arrangements.

Council and NHS Lothian financial pressures will impact on the resources available to the Board at the same time as demographic pressures increase demand for services. Pressures in relation to the impact of the living wage on service providers and the raising of the charging threshold will also need to be managed. NHS Lothian's overall financial position continues to rely on non-recurrent budgets to fund ongoing services.

There remains further work to be completed by NHS Lothian to determine the final allocation of NHS budgets to the Board. A final allocation will not be available until after 1 April 2016 and the Board will need to work with an indicative budget in the meantime.

The future development of pan-Lothian services will be dependent on IJBs across Lothian working together effectively. There is a risk that this work will be dominated by the larger IJBs.

## **6.3 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 and Chief Financial Officer of the Integration Joint Board. Finance workstreams continue to be 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.

## **7 Summary**

Delegation of financial resources to the Board will take effect from 1 April 2016. The amount of Council resources to be delegated has been determined and NHS Lothian continues to work on its proposed allocation of financial resources to the Board. Financial assurance will be an ongoing process beyond 1 April 2016 as the IJBs, Councils and NHS Lothian embrace integration.

## **8 Recommendations**

Council is recommended to

- 8.1 Note the update on the ongoing financial assurance process in relation to the delegation of financial resources to Midlothian Integration Joint Board.
- 8.2 Note the ongoing work in relation to the finalisation of the delegated budgets, the issuing of formal propositions to the Board, the issuing of directions by the Board and the consideration of risk sharing arrangements between IJBs.
- 8.3 Note that the Adult and Social Care budget which it is proposed be delegated to the Board amounts to £37.086m and is being considered as part of the latest Financial Strategy report.
- 8.4 Agree to receive a further update in June 2016.

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