

Midlothian Integration Joint Board



Thursday 16th March 2017 at 2.00 pm

Budget Setting – 2017/18

Item number: 4.1

Executive summary

The IJB requires financial resources to allow it to deliver its Strategic Plan. These resources are provided by the IJB's partners – Midlothian Council and NHS Lothian. Midlothian Council has set its 2017/18 budget and made a proposition to the IJB and NHS Lothian have provided an indicative position which will be formally agreed by the NHS Lothian Board in April 2017. These two propositions represent the total of the financial resources available to the IJB in 2017/18.

Both NHS Lothian and Midlothian Council in collaboration with the IJB have also considered the potential financial pressures inherent in these budgetary offers and it is clear that without a significant change to the current model of the delivery of services there will be a significant gap between the resources available and the projected expenditure.

This paper discusses two issues :-

- a) Whether the budget proposal from the Partners is a fair share of the resources available to them.
- b) The risks inherent in the delivery of a balanced financial position given that the forecasts suggest a significant overspend and thus a significant financial recovery plan will have to be delivered.

Board members are asked to:

- 1. Reflect on their response to these two issues.**
 - 2. Accept the proposed budgets.**
 - 3. Receive a further report to the IJB April meeting laying out the financial risk mitigating propositions.**
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Budget Setting 2017/18

1. Purpose

- 1.1 The report lays out the 2017/18 budget propositions from Midlothian Council and NHS Lothian to the IJB. It then examines the projected financial pressures for 2017/18 which have been developed by Midlothian Council, NHS Lothian and the IJB.

2. Recommendations

The IJB is asked to :-

- 2.1 Accept the formal budget proposition from Midlothian Council.
- 2.2 Accept the indicative budget proposition from NHS Lothian.
- 2.3 Receive a further report at the April IJB meeting laying out the financial risk mitigating propositions.

3. Background and main report

3.1 Budget Propositions from the partners

Midlothian Council

Midlothian Council set its budget on 7th February 2017 and sent the IJB a letter on 9th February 2017 laying out its budget proposition to the IJB. This letter along with the reply from the Chief Officer is appended to this report (appendix 2). Midlothian Council are proposing a net budget of £37.5m which is c. £0.4m greater than the base budget that Midlothian Council provided to the IJB for the Adult Social Care services for 2016/17.

This budget proposition contains c. £2.1m of uplift of which the largest element is to support the forecast increase in number of packages of care to adults but also contains c. £1.7m (this is greater than the £1.5 previously reported to the IJB) of efficiency plans which have been agreed by the service management teams.

As was reported to the IJB at its last meeting, the Scottish Government's 2017/18 settlement allowed Councils to reduce an IJB's 2016/17 base social care budget by the Council's share of £80m - the Midlothian element being c. £1.1m - and its clear from the above budget proposition that Midlothian Council have not reduced the social care budget proposition to the IJB.

NHS Lothian

NHS Lothian will agree its 2017/18 budget at its Board meeting on 5th April 2017. However, in order to allow the IJB to agree a budget before 31st March, NHS Lothian has set an indicative budget of £81.073m (net of the social care fund) which is reflected in a paper to NHS Lothian Finance and Resources committee of 15th March. This is an increase of c. £2.8m on the NHS Lothian budget agreed by the IJB at its meeting in August 2016. The Scottish Government's 2017/18 budget settlement required Health Boards to not reduce the budgets to the IJB between 2016/17 and 2017/18 and NHS Lothian has clearly complied with this requirement.

The main financial pressure facing the IJB in 2016/17 was within the GP Prescribing budget wherein over the past few years growth in costs had significantly outstripped the budget uplifts. NHS Lothian has now reset the GP Prescribing budgets for each of the IJBs to reflect the projected out-turn position in 2016/17. In Midlothian this provides an uplift of c. £1.5m.

As part of the 2017/18 budget, NHS Lothian has also provided additional funds to all the Lothian IJBs to allow further investments to support Primary Care services and to support further work to manage the GP prescribing budget. In total this is £4.0m, the IJB's share being c. £400,000. This amount is not in the budget laid out above.

A full detailed analysis and report of these budgetary propositions will be brought to the IJB's April '17 meeting

Appendix 1 summarises the budgetary movements between 2016/17 and 2017/18.

3.2 Social Care Fund

As part of the 2016/17 financial settlement the Scottish Government announced a £250m social care fund. This fund was to support further investment in social care services and was to be governed by the Integration Authorities. In Midlothian a proposal for the use of that fund was agreed with the Council and this was built into the 2016/17 financial plan. The government's ambition for the use of the fund was, in principle, was to use half of the fund to support pressures already in the system but including the delivery of the living wage and half of the funds were to provide 'additionality' – that is further activity to support additional demand and work to support the transformation of the delivery of these services. The agreement with Midlothian Council fitted neatly into these parameters.

However, the projected 2016/17 out-turn position for the social care fund show that this ambition has not been fully delivered in year. Because some of the transformational projects have slipped, slightly more than half the fund has been used in year to support 'pressures'.

The 2017/18 Scottish Government settlement included a second tranche of social care fund which were again to be governed by the Integration Authorities, with the first £250m now becoming part of the baseline budget.

This additional fund (£100m on a national basis) is to support the full year costs of delivering the living wage – which was only implemented on a half year basis in 2016/17 – to support any consequential impacts and also to support the increase in the living wage programmed for 2017/18. It is expected that this second tranche of funds will fully cover the full year impacts of delivering the living wage in 2017/18.

Further Social Care funds will be made available in year to take the total value of the second tranche of the social care fund to £107m. The additional £7.0m being £5.0m to allow Councils to not take into account in any financial assessment the income from a veteran's military pension and £2.0m to start preparatory work to support the delivery of the Carers Bill in 2018.

An analysis of both the final out-turn for the use of the social care fund in 2016/17 and a proposition as to the use of the revised total of the fund in 2017/18 will be presented at the April IJB meeting for discussion.

Midlothian's share of the 2015/17 Social Care Fund is £3,590,000 with the 2017/18 element (in total) being a further £1.45m

3.3 2016/17 Projected Out-turn.

As was reported at the last IJB meeting although the projected out-turn for the IJB for 2016/17 is an overspend of c. £2.7m. Both NHS Lothian and Midlothian Council have agreed to underwrite their element of this overspent and therefore the IJB will break-even.

Clearly there are a range of underlying financial pressures and , as part of the financial planning process, the impact of these pressures have been built into the projections for 2017/18.

A detailed analysis of the 2016/17 out-turn position will be brought to the IJB when the final positions are agreed.

3.4 Financial Pressures in 2017/18.

At its December 2016 meeting, the IJB considered those pressures which it would support as part of its financial plan process. Those were

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

Service Developments

- New GP Practice
- CHIT

Changes In demand

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

To this list has to be added pressures brought forward from previous years as discussed above. These pressures are recognised in the IJB's budget setting process.

However, there are three further developments proposed for the Set Aside Budgets which were discussed in the February report to the IJB. The developments being opening of new acute receiving unit beds, the investments in additional insulin pumps and further nurse staffing. The IJB has asked for further information to support these investments and, until this can be understood is not supporting these developments at this time. The IJB is developing plans, in the light of the performance targets laid down for IJBs by the Scottish Government, to reduce bed usage and to reduce attendances at the Emergency Department. This work, which will be articulated in the directions, will mitigate against the requirement for additional beds.

3.5 Financial Recovery target

As was discussed above, the Midlothian Budget contains an efficiency target of c. £1.7m and, on the assumption that the uplift available will be committed against the additional activity, the underlying pressure of c. £1.4m will also have to be managed. This suggests a total efficiency target of c. £2.9m within social care.

The NHS Lothian position shows, in addition to efficiency schemes of c. £1.4m there remains a gap (after uplift) of c. £0.5m, therefore an overall efficiency target of c. £1.9m.

Recovery plans have been developed but there remains a overall pressure for the IJB of c. £2.0m for which, at this times, plans still require to be developed. This is further analysed in Appendix 1.

3.6 Financial Recovery plans.

As part of the development of the financial plans both partners along with the IJB's Chief Officer and Chief Finance Officer have been developing recovery plans. In principle these recovery plans are to close the financial pressures discussed above but given that its clearly not affordable to carry on using the current service delivery models these recovery plans are part of the transformation process that allows the services to build new models that are sustainable given the financial constraints. The recovery plans will fit into the general financial redesign principle as agreed by the IJB at its October meeting. These principles are now being incorporated into emerging new models of care.

At this time, the financial recovery plans have not been fully developed (as discussed above) and further information is awaited from NHS Lothian to detail the plans around the hosted and set aside services that are not managed by the Partnership.

Detailed recovery plans will be presented to the IJB at its April meeting for consideration. At that time the Chief officer and the Chief Financial officer will also bring back to the IJB a position on financial risk sharing with the Partners for 2017/18.

3.7 Other Issues not currently reflected in the financial plan

There are a range of issues which have the potential to impact on the IJB's financial plan but which are not included in the current position. These are :-

- The new GMS Contract. This is being developed in collaboration between the Scottish Government and GP representatives. As further information around any cost pressures is available this will be reported to the IJB
- The Carers Bill. Part of the additional social care funding is to support work to allow the full implementation of the Carers Bill in early 2018. However, there may be further costs pressures and as any further information around any cost pressures is available this will be reported to the IJB
- Further Scottish Government Investments. The Scottish Government has announced a further range of investments in Primary care and mental Health services which will be made during 2017/18. The details are not yet available, but, as before, when they become available they will be reported to the IJB.
- Revised Acute bed occupancy model – move to 85%. NHS Lothian has agreed that a safe and effective target occupancy for Acute wards (including those functions delegated to the IJB) should be 85%. Currently the average occupancy is considerable higher than that value. In financial terms, and this will be the impact on the IJB's financial plan, this means that as occupancy is reduced from the current level down to 85% there will not be a concomitant release in resources.

3.8 Performance Measures

As was discussed in the February report, the Scottish Government has laid out six specific performance targets for the IJBs. Work continues to quantify the resources required to deliver these targets however given the overall financial pressures in the system the delivery of these targets will be funded from the resources already in the system. Using the principles laid out in 3.6 above these targets will be achieved by :-

- Building on the investments made through the Integrated Care Fund, the Delayed Discharge fund and the Social Care Fund. Those investments are now starting to deliver new models and additional capacity.
- Fundament service redesign based on a wholly integrated, locally delivered and managed multi-disciplinary team model. All the available resources across the whole of the system will be brought together to support this new model. For example within Learning Disabilities services there are several different budgets managed in disparate parts of both NHSiL and MLC, work is already underway to identify the IJB's share of these total resources and the Partnership will be directed to deliver a new model based on these resources.
- Further reduction in the provision of institutional care and the transfer of these resources into the community provision. For example the plan is to have no Midlothian patients in Liberton hospital by April 2017 and to transfer the associated resources into the Partnership to support the delivery of a community based model

3.8 Financial Plan

2017/18

Having received the final detail of the budgetary settlements from the Partners and having completed the development of the recovery plans, a financial plan for 2017/18 will be presented to the IJB. This plan will capture the issues discussed above and support the IJB's own Strategic Plan.

Three year plan

The IJB should have a three year financial plan which articulates how it will finance the delivery of its Strategic Plan. The Scottish Government's 2017/18 settlement is largely a one year position. However, it is recognised that longer term financial planning is essential and both NSH Lothian and Midlothian Council are developing longer term plans. Midlothian Council already produces indicative values for year's two and three. The IJB will also develop a long term plans which will be based on the 2017/18 plan.

In order to develop such a plan the IJB will have to agree a proper financial baseline with both partners, especially NHS Lothian wherein the share of the total delegated resource across the four Lothian IJB remains in active dialogue.

3.9 Financial Management

Work continues to agree a system of financial management and governance with the partners for 2017/18. What is required is a clear agreement around reporting timescales and, in the case of deviation from the budget, what actions will be delivered by the Partners and what actions will be directed by the IJB. A detailed proposal will be brought back to the April meeting.

3.10 Financial Assurance

The IJB undertook a detailed financial assurance process in relation to its 2016/17 budget. However, financial assurance is a continuing process – a review of the financial risks inherent in the budgetary position and a detailed consideration of how these risks can be mitigated. Reports were presented to the IJB to continue the 2016/17 work and to roll it forward into 2017/18. These reports were :-

- June '16 – Financial Planning 2017/18
- October '16 – Financial Strategy
- December '16 – Adult Social Care and Health Budget pressures
- February '17 - Budget Setting, Financial Planning and Financial Management 2017/18 – Outline and approach

This report is therefore the most recent part of the financial assurance process and builds on the reports laid out above.

It is clear that the acceptance of the budget propositions from the partners contains a significant element of risk. At this time there are not fully developed recovery plans which will allow the IJB to achieve a break-even position in 2017/18.

That said, it is important to continue this process and the IJB will wish to continue to action and deliver its Strategic Plan and therefore to accept the budget as laid out above.

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 implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper. However, as services are redesigned as discussed above equalities impacts will require to be undertaken.

6. Resource Implications

- 6.1 The resources implications are laid out above.

7 Risks

- 7.1 The issue of financial sustainability is already identified 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.

9 Background Papers

- 9.1 Financial reports to previous IJB meetings, Midlothian Council Budget and NHS Lothian Financial Plan

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DATE	10/03/2017

Appendices.

1. Financial Summary – budget movements and efficiency targets
2. Letter to Midlothian IJB – Budget Proposition
Letter from Midlothian Chief Officer to Midlothian Council

Summary IJB Budget movements - 2016/17 to 2017/18

	2016/17 Budget Agreed £000's	2017/18 Budget Propositions £000's	Movements £000's	Estimated Pressures £000's	Plans Available £000's	Plans to be developed £000's
Midlothian Council	37,085	37,510	425	2,900	1,400	1,500
NHS Lothian						
Core	49,513	51,321	1,808	1,103	1,103	0
Hosted	11,156	11,253	97	10	54	-44
Set Aside	18,021	18,499	478	834	244	590
Social Care Fund						
2016/17	3,590	3,590	0			
2017/18		1,555	1,555			
Total IJB Budget	119,365	123,728	4,363	4,847	2,801	2,046

Notes

1. Budget Agreed - per the letter from MLC of 10/3/16 and NHSiL letter of 14/6/16
2. Estimated Pressures - hosted. This suggest that there will be an underspend in hosted, this is a function of the model but is not material

9 February 2017

Eibhlin McHugh
Chief Officer
Midlothian Integration Joint Board
Fairfield House
8 Lothian Road
DALKEITH
EH22 3AA



Dear Eibhlin

**FINANCIAL RESOURCE PROPOSAL FROM MIDLOTHIAN COUNCIL TO
MIDLOTHIAN INTEGRATION JOINT BOARD – 2017-18**

This proposition derives from the Council's budget for 2017-18 which was agreed at the Council meeting of 7 February 2017. The proposed value for the 2017-18 allocation to Midlothian Integration Joint Board is £37.510 million. This represents a net increase of £0.424 million from the 2016-17 allocation.

I can confirm that the proposed allocation represents the resources available to the Council to support the functions that have been delegated by the Council to the Board.

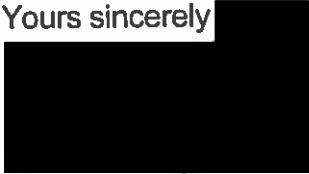
The Council were advised that the provisions set out in the local government grant settlement package would allow Council to reduce its allocation to the Board by a maximum of £1.160 million. However given the demographic and other cost pressures projected for Health and Social Care Council recognised that such a reduction may not be feasible without a reassessment of the Services delegated to the Board and as such it is unlikely that the Board would agree to such a reduction to the 2017/18 allocation.

Consequently the allowable reduction is not reflected in the allocation of £37.510 million however Council noted that the feasibility of part or all of the reduction being achieved would be raised with your and David King, Chief Financial Officer. Accordingly I would welcome the opportunity to discuss this aspect further.

You will be aware that the Social Care budget set by the Council provides for a range of cost pressures and that it is also predicated on the delivery of a total of £1.746 million of efficiencies to be delivered jointly by The Board and the Adult and Social Care Service. As Director of Health and Social Care and Chief Officer to the Board you will already have an understanding of the plans to achieve these efficiencies in 2017-18.

I would be grateful for a response to the proposed allocation set out in this letter at your earliest convenience and also look forward to the opportunity to discuss the feasibility of further reductions in 2017/18 and beyond.

Yours sincerely



Gary Fairley
Head of Finance and Integrated Service Support
gary.fairley@midlothian.gov.uk

c.c. Ruth Nichols, Senior Accountant
David King, Chief Financial Officer Midlothian IJB

Midlothian Integration Joint Board



Chief Officer: - Eibhlin McHugh

06 March 2017

Gary Fairley
Head of Finance and Integrated Service Support

Dear Gary,

Financial Resource Proposal from Midlothian Council to Midlothian Integration Joint Board – 2017/18

Thank you for your letter of 9th February 2017, may I apologise for not having replied before.

The IJB will meet on 16th March 2017 to agree its 2017/18 budget and I will recommend this proposition from Midlothian Council. I appreciate that the Council has not reduced its social care budget even though the Scottish Government's 2017/18 settlement would have supported such a proposition and I will, of course, bring this to the attention of the IJB. The proposal being a net uplift of c. £0.4m being an increase of c. £1.9m to recognise demographic growth and other cost pressures along with an efficiency target of c. £1.5m.

That said, and the Council recognised this, there remain significant pressures in the social care budget. There is an underlying financial pressures in the current financial year (2016/17) of c. £1.4m along with the proposed efficiencies as laid out above and this will mean a financial pressure of c.£2.9m assuming that the £1.9 increase above resolves the increased operational pressures forecast for 2017/18. As Director of Health and Social Care I am concerned about my services' ability to deliver such a recovery plan in one financial year and as Chief Officer I would like to discuss these pressures further with you. I have now arranged a meeting on Thursday (9/3) with yourself and the Council Chief Executive and can cover these matters there.

As you know, the Social Care funding which the IJB received in 2016/17 has now been baselined and there is a further tranche of resources available in 2017/18. The use of these resources will be agreed between the IJB and the

Council and will proceed along the lines of the early discussions we have already had.

As mentioned above, I will put this budget to the IJB at its March meeting and will let you know of the IJB's position on the budget settlement after that meeting,

Yours sincerely

Eibhlin McHugh
Chief Officer, Midlothian Integration Joint Board

Cc David King, Chief Finance officer, Midlothian IJB
Ruth Nichols, Senior Accountant, Midlothian Council