

Finance and Resources Committee Meeting
8th July 2015

Director of Finance

INTEGRATED JOINT BOARDS – HOSTED SERVICES - FINANCIAL ASSURANCE AND RISK SHARING PROTOCOL

1 Purpose of the Report

- 1.1 The purpose of this report is to further develop the paper 'Preparation for creation of Integrated Joint Boards' which was presented to the committee at its meeting of 5th May 2015 and to further examine the financial risks around the Hosted services delegated to the IJBs. The paper also considers the current risk sharing agreements between the CHPs around the GP Prescribing and GMS Budgets.

Any member wishing additional information should contact the Executive Lead in advance of the meeting.

2 Recommendations

The Finance and Resources Committee is asked to:

- 2.1 **Note** the updates relating to financial assurance for the Hosted services that will be delegated to the IJBs;
- 2.2 **Note** that the financial risk arrangements for Set Aside budgets will be the subject of a separate paper to the F&R committee;
- 2.3 **Support** the proposed interim arrangements for the financial risk sharing mechanism between NHS Lothian and the IJBs for Hosted Services.

3 Discussion of Key Issues

- 3.1 There are four elements of an IJB's budgets and each of these elements has a different quantum of financial risk. These elements are :-
- 3.1.1 **Adult Social Care** – this is part of the budget set by the Council and is clearly identified as part of that budget setting process.
- 3.1.2 **Core CHP budgets** – these being the IJB specific CHP budgets that are delegated to the IJB including the GMS, GP Prescribing and Resource Transfer budgets. Historically the CHPs operated a financial risk sharing mechanism between themselves to manage GMS and GP Prescribing budgets. This risk sharing model could be continued by the IJBs – although this is a decision for the IJBs themselves.

- 3.1.3 **Hosted Services budgets** – many of the functions that have been delegated to the IJBs have, until now, been managed on a pan-Lothian basis by the CHPs. The budgets for these services now require to be split over the four IJBs and the IJBs will have to agree a mechanism to manage the financial risks both with each other and with NHS Lothian. Appendix 1 lays out a list of these hosted services, the potential mechanism for sharing the budgets, and a note of the current operational management arrangements. It is proposed that the financial risk incurred as part of these hosted services be shared amongst the IJB although, as above, that is their decision, with the overall risk being shared with NHS Lothian.

A consideration of the financial assurance for the Hosted budgets is discussed below.

- 3.1.4 **Set Aside Budgets** – Acute budgets representing the Acute functions delegated to the IJB are also managed on a Pan-Lothian basis and will require a mechanism to allow these services to be shared over the IJBs. Decisions are required on an appropriate sharing and financial risk mechanism and **this will be the subject of a separate further paper.**

3.2 Hosted Budgets – Financial Assurance

3.2.1 2014/15 Out-turn

Appendix 2 lays out the 14/15 outturn for the hosted services which will be delegated to the IJBs. This shows a net overspend of c.£2.3m, with the financial pressures being within REAS with a net overspend of c.£3.3m. The pressures within REAS are driven by Nursing costs predominantly in Older People, Adult and CAMHS services as a result of increased levels of acuity for patients. Further, non delivery of efficiency savings of £962k in 2014/15 contributed significantly to the total overspend within the REAS outturn position. The underspend shown within the Public Dental Service and within Dietetics are not expected to be recurrent to the values shown.

3.2.2 2015/16 Budget Settlement

Appendix 3 provides an update on the budgets for the new financial year, based on the information at period 2. It is evident that there are movements to the baseline funding figures when comparing to the 14/15 outturn position, particularly within the Public Dental Service. This reflects the non-recurrent nature of some funding streams allocated to NHS Lothian (the budget for the Public Dental will be in place for Period 3 reporting). It is expected that budgets will continue to change throughout the year as funding is allocated.

Despite the differential in funding between years, the financial plan has provided additional resource into hosted services, and into REAS in particular. In total the Plan allocated a total of £1.450m to offset specific REAS cost pressures. Within this, £1.275m has been utilised to meet nursing costs within Older People and Adult Services, with other resources utilised to meet emergent supplies pressures. Additional costs of CAMHS is now being contained within budget by services.

The net position for all hosted services after the first two months of the year shows an overspend of £190k. Within this, REAS is overspent by £359k, of which over £300k relates to non delivery of efficiency savings.

The requirement to deliver the shortfall in efficiency savings remains with the REAS service to address in 2015/16. However, based on the current information, it is expected that a financial gap will again arise this year. The Quarter 1 review will provide a detailed review of the expected outturn financial position for hosted services which will be a key component of the financial assurance process.

Given that a number of the hosted services were underspent in 14/15 despite the adverse variance in total, it is proposed to undertake a detailed budget review in advance of full financial delegation. As part of the re-basing of the budget baseline for hosted services, full consideration will also be given to other budgetary pressures impacting IJBs, including GP Prescribing.

3.2.3 Shares across the IJBs

A mechanism requires to be agreed to attribute the hosted budgets across IJBs. There is a clear financial risk for the IJBs in that the share for that IJB will not be correct and although sharing mechanisms have been suggested in Appendix 1 these have not yet been fully developed or agreed. An interim sharing mechanism across the IJBs will mitigate this risk.

In the current financial year work is already underway to review the delegation of budgets for Complex Care, Learning Disabilities and Substance Misuse service. In all of these services there is a core element which will continue to be managed on a pan-Lothian basis but those community based elements that can be allocated to the CHPs directly (and hence specifically to the IJBs) will be. Joint Directors have agreed this principle for these services and are currently working through the budget implications with NHS Lothian. This mechanism effectively reduces the level of budgets managed on a hosted basis and will inform the mechanism to share other hosted services.

3.3 Financial Model

The effect of the financial model laid out above will mean that an IJB would share the overall financial risk within the Hosted services delegated with the other IJBs by ensuring that underspends within any services delegated to it were used to net off against any overspends within services delegated to it. On the basis the total budget is in balance, and assuming a consistent approach to the allocation of any variances on hosted services budgets, all IJBs would remain in balance for Hosted areas.

This model is different to the one that has existed within the CHPs currently (with the exception of Prescribing) which has seen the financial performance of Hosted services being reflected in the CHPs which manage these services.

3.4 Timescales

This risk sharing protocol is largely a continuation of the current financial management processes with NHS Lothian and the Council. The ambition of the

IJBs is to drive change in the delivery of functions delegated to the it and in order to do that changes in financial risk management may be required. Its clearly for initial work that some issues – for example the mechanism to share pan-Lothian budgets –will require some additional time to resolve.

It is recommended that the above risk protocols are for year one of the IJBs – that is the first year in which functions and resources are delegated to the IJBs – and that a further review of risk sharing protocols is developed.

4 Key Risks

The key risk is that the financial risk sharing protocol is either too weak and will cause financial turbulence to the parties and damage the ambitions of the IJB or too stringent which will not allow the IJB the flexibility to make changes that it may require. Any financial risk sharing protocols between either the IJB and the partners or between the IJBs should have a strict time limit and should be reviewed at the end of that period.

5 Risk Register

- 5.1 The risks inherent to NHS Lothian are already recorded in the risk register.

6 Impact on Inequality, Including Health Inequalities

- 6.1 An impact assessment has not been carried out as this proposal should not impact on inequality

7 Involving People

- 7.1 This proposal will have no impact on the staff of either NHS Lothian or the Health Board

8 Resource Implications

- 8.1 The resource implications are laid out above

David King
Business Partner – East and Midlothian
Partnerships
2 July 2015
david.king@nhslothian.scot.nhs.uk

Andrew McCreadie
Head of Management Accounting

2 July 2015
Andrew.McCreadie@nhslothian.scot.nhs.uk

List of Appendices

Appendix 1 – List of hosted services and risk share proposal
Appendix 2 – Hosted Services Outturn position within NHS Lothian, 2014/15
Appendix 3 – 2015/16 budgetary position and financial performance at Period 2

Appendix 1: List of hosted services delegated, current management arrangements and a potential risk share allocation method.

Service	Mgt Arrangements	Potential Allocation Method
Dietetics	Midlothian	PC NRAC *
Art Therapy	Midlothian	PC NRAC
LUCS	East Lothian	PC NRAC
Community Complex Care	East Lothian	See note below
Sexual Health	Edinburgh	PC NRAC
Substance Misuse Directorate	Edinburgh	PC NRAC
SMART (Excl National & Regional)	Edinburgh	PC NRAC
Community Equipment Store	Edinburgh	East, Mid and Edinburgh
Clinical Psychology	West	PC NRAC
Continence	Edinburgh	PC NRAC
Dental	West	PC NRAC
Podiatry	West	PC NRAC
REAS (Excl. National & Regional)	Edinburgh	Acute beds
Learning Disabilities	Edinburgh	Beds
Rehabilitation (Excl National & Regional) - AAH	Edinburgh	PC NRAC

- PC NRAC – this is an extension of the NRAC formula which has been developed to distribute Primary Care Investments
- Complex Care budgets are in the process of being split over Edinburgh, Eats and Mid.
- Work is underway to move the community based elements of the Learning Disabilities and Substance Misuse services into the CHPs. However, there will remain a core services which will be managed corporately.

Appendix 2

NHS Lothian - Hosted Services delegated to Integrated Joint Boards

Out-turn position 2014/15

Management Team	Service	Out-turn 2014/15		
		Budget £000's	Actual £000's	Variance £000's
Edinburgh	SEXUAL HEALTH	4,809	4,835	-26
Edinburgh	EQUALITY & DIVERSITY SUMMARY	701	642	59
Edinburgh	HOSTED AHP SERVICES	5,474	5,392	82
Edinburgh	PC CORPORATE FUNCTIONS	49	50	-1
Edinburgh	REHABILITATION MEDICINE	8,603	8,764	-161
Edinburgh	LEARNING DISABILITIES	14,330	14,386	-56
Edinburgh	SUBSTANCE MISUSE DIRECTORATE	7,735	7,534	201
Edinburgh	Royal Edinburgh and Associated Services	23,753	27,095	-3,342
East Lothian	Complex care	2,225	2,268	-43
East Lothian	Prison Services	3,963	3,917	46
East Lothian	Unscheduled Care Services	8,678	8,720	-42
Mid Lothian	ARTS THERAPIES	130	139	-9
Mid Lothian	MUSIC THERAPY	23	18	5
Mid Lothian	DIETETICS	3,295	2,993	302
West Lothian	PUBLIC DENTAL SERVICE	11,589	10,923	666
West Lothian	Orthoptics	457	434	23
West Lothian	EDIN DENTAL INS LAURISTON	4,977	5,047	-69
West Lothian	HOSTED PODIATRY SERVICE	3,121	3,085	37
West Lothian	HOSTED PSYCHOLOGY SERVICE	5,614	5,546	68
		109,525	111,785	-2,260

Appendix 3 – 2015/16 Hosted Services Budgets at period 2 and Financial Performance to the end of May 2015.

Management Team	Service	East Lothian (£000)	Edinburgh (£000)	Midlothian (£000)	West Lothian (£000)	15/16 CY Budget (£000)	14/15 Budget (£000)	M02 YTD Budget (£000)	M02 YTD Actuals (£000)	M02 YTD Variance (£000)
East Lothian	El.Chp - Hosted Services	1,841	8,743	1,534	3,221	15,338	14,866	2,622	2,641	-19
East Lothian Total		1,841	8,743	1,534	3,221	15,338	14,866	2,622	2,641	-19
Edinburgh	Equality & Diversity Summary	86	408	72	150	716	701	64	45	19
	Hosted Ahp Services	640	3,042	534	1,121	5,337	5,474	905	915	-10
	Learning Disabilities	1,635	7,766	1,362	2,861	13,624	14,330	2,429	2,428	1
	Pc Corporate Functions	6	29	5	11	50	49	8	8	0
	REAS	2,133	21,151	2,020	1,194	26,498	23,753	3,973	4,332	-359
	Rehabilitation Medicine	955	4,537	796	1,671	7,960	8,603	1,326	1,357	-31
	Sexual Health	579	2,751	483	1,014	4,827	4,809	827	826	1
	Substance Misuse Directorate	878	4,172	732	1,537	7,318	7,735	1,508	1,445	63
Edinburgh Total		6,913	43,855	6,003	9,559	66,330	65,454	11,041	11,356	-315
Midlothian	Arts Therapies	19	89	16	33	157	130	36	43	-7
	Dietetics	362	1,720	302	634	3,018	3,295	518	495	24
	Music Therapy	0	0	0	0	0	23	0	0	0
Midlothian Total		381	1,810	317	667	3,175	3,448	554	537	17
West Lothian	Edin Dental Ins Lauriston	612	2,907	510	1,071	5,101	4,977	744	653	92
	Hosted Podiatry Service	381	1,808	317	666	3,172	3,121	529	502	27
	Hosted Psychology Service	605	2,874	504	1,059	5,042	5,614	878	1,007	-129
	Orthoptics	0	0	0	0	0	457	82	78	4
	Public Dental Service	654	3,104	545	1,144	5,446	11,589	1,940	1,806	134
West Lothian Total		2,251	10,694	1,876	3,940	18,761	25,758	4,173	4,046	127
REPORT TOTALS		11,386	65,102	9,730	17,386	103,604	109,526	18,391	18,581	-190