



Thursday 15 June 2017 at 2.00pm

Financial Update – 2016/17 and 2017/18

Item number: 5.7

Executive summary

This report lays out the IJB's final out-turn position for 2016/17, considers what lessons can be learnt from that position and continues to reflect and refine the financial planning and management for 2017/18. It should be noted that the IJB is required to break-even in 2017/18

Board members are asked to:

- 1. Note the IJB's financial position at the end of 2016/17*
 - 2. Accept the financial budget proposition from NHS Lothian*
 - 3. Note the further update on the financial planning and management process for 2017/18.*
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Financial Update 2016/17 and 2017/18

1. Purpose

- 1.1 This report lays out the financial out-turn for 2016/17 and updates the financial projections and planning for 2017/18

2. Recommendations

The IJB is asked to :-

- 2.1 Note the financial out-turn for 206/17
- 2.2 Accept the final budget proposition from NHS Lothian for 2017/18
- 2.3 Note the funds carried forward on behalf of the IJB by Midlothian Council from 2016/17 to 2017/18.
- 2.4 Note the financial update for 2017/18 and the expectation that the IJB will break-even.

3. Background and main report

2016/17 Out-turn

- 3.1 During the financial year 2016/17, the IJB had a financial risk sharing agreement with its partners – Midlothian Council and NHS Lothian. In essence this agreement was that any overspends against the IJB's budgets would be covered by the appropriate partner. That is that Midlothian Council would support overspends in social care services and NHS Lothian would support overspends in health services.
- 3.2 NHS Lothian wrote to the IJB on 22nd April 2017, laying out the charges to the IJB for the delivery of the IJB's functions that had been incurred by NHS Lothian in 2016/17. The charges being a net cost to the IJB of £96.3m which included a charge for the non-cash limited functions (General Ophthalmic Services, General Pharmaceutical Services and General Dental Services) of £8.7m. As agreed, NHS Lothian have made income available to the IJB to cover this charge.
- 3.3 At its May 2017 meeting, a report was agreed by Midlothian Council laying out the net charge from Midlothian Council to the IJB of £38.2m. Again, as agreed, Midlothian Council have made income available to cover this charge.

- 3.4 The NHS budget charge for 2016/17 included £8.7 m for what are called non cash limited functions (General Ophthalmic Services, General Pharmaceutical Services and General Dental services) These non-cash limited functions do not have budgets as such and the cost of delivering these functions is met in full by the Scottish Government. Therefore the IJB has no budgets for these services although they are delegated functions to the IJB and require to be reported as part of the 2016/17 out-turn. NHS Lothian has, accordingly, assumed income to cover the costs of these services.
- 3.5 The charge made by Midlothian Council to the IJB are the net direct costs incurred in the delivery of social care services in Midlothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the Core services are based on the net direct actual costs incurred in Midlothian but charges for hosted and set aside services are based on the total actual costs for these service shared across the IJBs per the budget setting model. Midlothian's share of the total actual costs incurred in 2016/17 for hosted services is 10% and, generally, 10% of the Lothian element of the set aside budgets.
- 3.6 That said, and as reported in previous finance paper to the IJB, the IJB has broken even in 2016/17. However that breakeven position has been delivered through additional support from the partners as follows :-

	MLC	NHSIL
	£m	£m
Opening Budget	37.25	78.69
Social Care Fund		3.59
Add'n budget in year	0.41	4.41
2016/17 budget	37.66	86.69
NCL		8.70
Additional n/r Support	0.74	0.86
Net charge to IJB	38.24	96.25

In total the partners have allocated additional non-recurrent support to the IJB of £1.6m.

It should be noted that the additional budget in year from MLC came from funds that MLC had carried forward on behalf of the IJB from 2015/16. In NHS Lothian the additional resources came from Scottish government in year allocations and further revisions to the health budget setting model. Much of the apparent increase in budget was an improvement in the quality of the mechanism to derive the health budget.

- 3.7 The out-turn forecast for 2016/17 reported during the financial year projected that the IJB's budget would be overspent. However the actual out-turn position is better than both the NHS and MLC quarter three forecasts. This is especially significant in the case of the social care element of the budget wherein the quarter three forecast showed a projected overspend of c. £1.4m where as the out-turn position was actually an overspend of £0.74m.

- 3.8 The pressures driving these overspends fall into three broad areas :
- Significant cost pressures in the delivery of social care for adults.
 - Significant overspends against the GP prescribing budget
 - A lack of recurrent delivery of efficiency schemes and recovery plans both within those services managed by the partnership and the services managed by other management teams within NHS Lothian.
- 3.9 These matters are addressed in the 2017/18 financial planning process in that the Partnership is considering a fundamental redesign of the delivery of social care services for adults and the budget for GP prescribing has been reset at the closing position for 2016/17 with a more prudent financial model for 17/18. There remains a significant pressure from efficiency and recovery plans and this will be a key issue that the IJB will have to take assurance on during this financial year.

2017/18 Update

- 3.10 At its March 2017 meeting the IJB accepted an indicative budget proposition from NHS Lothian in order to progress the issuing of Directions for 2017/18. NHS Lothian wrote to the IJB on 2nd May 2017 finalising its budget proposition for 2017/18. This indicated a total budget of £84.8m plus an additional £1.45m for the opening element of the 2017/18 social care fund. This is c. £0.14m greater than the indicative number and reflects some minor late changes to the NHSiL budget model.
- The letter from NHS Lothian along with a proposed reply is attached as appendix 1 and 2 to this report and the IJB is asked to support this response
- 3.11 The report to the IJB in March 2017 also laid out the financial pressures that the financial assurance process had identified for 2017/18 It was noted that the total pressures identified were c. £5.0m of which plans had been developed for c. £3.0. This left c. £2.0m of pressures for which plans had not, at that time been identified. These pressures being c. £0.5m in the set aside services and c. £1.5m in social care services.
- 3.12 The letter responding to NHS Lothian's 2017/18 budget offer seeks further clarity around the set aside services. Roughly half the pressure within social care services was driven by an underlying overspend, reflected in the quarter 3 projected out-turn of c. £1.4m. Given the improved out-turn in social care – although not all of that is recurrent, see below - it is likely that the underlying pressure in social care is now c. £1.0m and this has the potential to improve the 17/18 position.
- 3.13 A report was presented to the IJB in April indicating the projected out-turn within the social care fund in 2016/17. This showed c. £0.26m of slippage which, it was agreed, would support the social care position in year and that has been actioned. Further work is required to finalise the Social Care Fund position but its clear that the slippage was greater than originally planned and Midlothian Council has agreed to carry forward £0.2m of slippage in the social care fund on behalf of the IJB from 2016/17 to 2017/18.

- 3.14 In total, as laid out in the report to the Council meeting of May 2017, Midlothian Council is carrying forward funds on behalf of the IJB from 2016/17 of £.1.18m. This is made up as follows :-

3.15

Committed Project Funds	£000's
SG Self directed support	316
MELDAP	278
SG Funding TEC	85
SG (via NHS) Dementia	77
7 Pillars (MH)	27
Criminal Justice	39
Other	73
NHS Funding	895
SCF	200
Integrated Care Fund	34
Resource Transfer	51
	1180

Much of these funds are earmarked for individual projects however there may be an element of flexibility. That flexibility will be used to enhance the social care delivery allowing improvements in delayed discharge and admission avoidance as laid out in the IJB's Strategic Plan. These funds will be available to the IJB in 2017/18.

- 3.16 The IJB continues to work with its partners to develop a multi-year financial plan which will support the delivery of the Strategic Plan and also the redesign and transformation of services that underlie that plan.
- 3.17 In the longer term this will entail finalising the redesign of a new delivery model for the delegated functions and thus creating a 'future service model'. This model then requires to be fully costed to allow the IJB to compare the costs of its redesigned services against the budget that will be available to it.
- 3.18 In the short term, and as a key part of the path to that future position, the following areas require to be further developed :-
- Services directly managed by the Partnership should continue to move towards a fully integrated, multi-disciplinary team model. This has already been started and work continues.
 - The 'our share' model for hosted services requires to be further developed. This would mean that the IJB's fair share of the hosted services' budget becomes available to the IJB and the IJB will use that resource to transform the delivery model for these services. Where appropriate a locally managed delivery model will be used and where a continuation of a pan lothian model is the agreed model, the IJB will work with partners to ensure that the service is sensitive to local needs and

supports the delivery of the Midlothian Strategic Plan. In many areas Work is already underway to transform both pan lothian Learning Disability and of Substance Mis-use Services.

- The IJB needs to further understand the set aside services and to explore how these services could be delivered in a different way that is more community based. The IJB is working closely with NHS Lothian in this area and has indicated this in its directions.

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 Previous finance reports to the IJB discussed above.

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Appendices

1. Budget for 2017/18 from NHS Lothian
2. Reply to Budget proposition from NHS Lothian