

## **West Lothian Integration Joint Board**

Date: 23/08/2016

Agenda Item: 7

### **IJB 2016/17 BUDGET UPDATE**

### **REPORT BY CHIEF FINANCE OFFICER**

#### **A PURPOSE OF REPORT**

The purpose of this report is to provide an update on the IJB's 2016/17 delegated resources taking account of NHS Lothian's submission of the 2016/17 Local Delivery Plan and resulting updated level of delegated resources to the IJB.

#### **B RECOMMENDATION**

It is recommended the IJB:

1. Notes the updated financial assurance position on resources delegated to the IJB
2. Agrees that Directions are updated and re-issued to NHS Lothian based on the updated resources allocated to the IJB taking account of the NHS Lothian budget plans submitted to the Scottish Government
3. Notes that financial assurance and monitoring of financial performance will be ongoing during the year and reported on a regular basis to the IJB

#### **C TERMS OF REPORT**

##### **C.1 Background**

The previous report on 2016/17 financial assurance presented to the IJB on 31 May 2016 reflected the approved council contribution to the IJB and an indicative NHS Lothian contribution. It was agreed that a further update on financial assurance would be brought to the Board upon NHS Lothian updating their 2016/17 budget and submitting their Local Delivery Plan to the Scottish Government.

This report updates the financial resources position based on the budget assumptions contained in the submitted Plan. This report also provides an update on the West Lothian Council contribution and an initial indication of key financial risks emerging in 2016/17.

##### **C.2 NHS Lothian Resources**

###### **Overall Position**

NHS Lothian's Local Delivery Plan, containing 2016/17 budget plans, was submitted to the Scottish Government on 31 May 2016. The Local Delivery Plan set out a funding gap of over £20 million.

However, since then the Scottish Government have agreed to provide NHS Lothian with an additional £6 million of recurring funding to recognise NHS Lothian's unfavourable position in relation to NRAC funding. This will reduce the overall NHS Lothian gap to approximately £14 million, against an overall budget of almost £1.5 billion. The use and distribution of this funding has still to be agreed and will take account of NHS Lothian Quarter 1 forecasts for 2016/17 which will be reported to Finance and Resources Committee on 14 September 2016.

### West Lothian Position

Based on the 2016/17 budget plans submitted to the Scottish Government, an updated allocation of resources to the IJB for delegated functions was provided in writing by the NHS Lothian Director of Finance, on 14 June 2016. This letter is shown in Appendix 1 and notes an updated allocation of £140.586 million and a funding gap of £2.935 million, of which £1.249 million relates to the payment to the IJB. The split of the funding and gap between the three elements of the NHS Lothian contribution is set out in the table below.

<b>NHS 2016/17 Contribution to WL IJB</b>		
	<b>2016/17</b>	<b>2016/17</b>
	<b>Funding £'000</b>	<b>Gap £'000</b>
Core West Lothian Health Services	92,070	627
Share of Pan Lothian Hosted Services	17,577	622
<b>Payment to IJB - Total</b>	<b>109,647</b>	<b>1,249</b>
Notional Share of Acute Set Aside	30,939	1,686
<b>Total Contribution</b>	<b>140,586</b>	<b>2,935</b>

The revised allocation of £140.586 million reflects further significant work on refining allocations to IJBs and updating overall NHS Lothian funding and spend assumptions with the objective of managing 2016/17 spend within budget resources available. This represents an increase of £7.015 million for West Lothian IJB compared to the indicative contribution reported to the Board on 31 March of £133.571 million. Appendix 2 sets out a reconciliation of the movement in the contribution over the period. It is important to note that the level of budget funding will continue to move throughout the year as a result of normal accounting adjustments across budget lines and, for example, additional funding awarded during the year.

In respect of the NHS Lothian payment (excluding the notional share of acute set aside) the revised allocation assumes that £2.292 million of low to medium risk savings will be achieved. In addition, further measures of £1.249 million are also anticipated to be required to manage within current funding assumptions of £109.647 million. This gap of £1.249 million reflects an improvement compared to the equivalent gap of £2.519 million previously reported to the Board on 31 March 2016.

In terms of acute services, the amount set aside for strategic planning purposes as notionally representing the share of resources for West Lothian acute delegated functions is £30.939 million. Acute services do not form part of the payment to the IJB and responsibility for operational management and delivery are part of NHS Lothian's Acute Business Unit arrangements.

Based on the methodology agreed by NHS Lothian for allocating resources, it is considered that the revised contribution represents a fair share of resources to the IJB, albeit that there remains a gap to be addressed.

In terms of this, a number of areas are being considered by NHS Lothian to identify options to manage within both the overall NHS Lothian budget and the West Lothian IJB budget resources. A key element of this is the additional £6 million NRAC funding confirmed by the Scottish Government which is still to be allocated and will potentially reduce the current budget gap.

In addition, in year flexibility funds and ongoing review of existing financial recovery plan assumptions, in conjunction with robust budget management are anticipated by NHS Lothian to help in achieving a balanced position.

### **Key Risks**

There are a number of risks around the NHS Lothian contribution to the West Lothian IJB, the key risk being that NHS Lothian as yet does not have a balanced budget position, although the extent of the budget gap has reduced significantly over recent months. In addition, the following specific risks will require to be closely monitored.

- Prescribing. A key change to the budget setting arrangements for this year relates to the move to a 'PBSG' based budget setting approach. The result of this change means that additional resources of just under £3.2 million is transferred to Edinburgh's prescribing budget from East, Mid and West Lothian Business Units. In order to support transition to PBSG, and giving due recognition to concerns expressed by IJBs on this issue, it was agreed that a principle of nil detriment will be applied from 2016/17 and on a recurring basis. As previously reported, this will be achieved through the use of £3.163 million of recurrent NRAC funding of which West Lothian IJB received £1.771 million. In addition, a further £1.6 million has been provided in the revised contribution from NHS Lothian to help meet prescribing cost pressures. However, even allowing for this, prescribing will remain a key risk as inflation and demands continue to indicate pressures in this area
- Delayed Discharge. Pressures in this area continue to be a budget risk and will require continued joint working to reduce bed days lost
- Delivery of savings required to ensure spend is managed within available 2016/17 resources. Meetings are taking place across all NHS Business Units to discuss the saving proposals and seek reassurance that work is progressing with the objective of achieving a balanced budget position

### **C.3 Alcohol Drug Partnership Funding**

The Scottish Government wrote to NHS, Local Authority and IJB senior officers on 4 July to confirm the funding allocation for the Lothian Alcohol and Drug Partnership (ADP). The Lothian wide funding for 2016/17 of £8.887 million represents a 23% reduction compared to 2015/16.

Given the late confirmation of funding for 2016/17 and the contractual agreements in place, it is anticipated that existing funding commitments on West Lothian IJB delegated ADP services will require to be met for the current year within overall resources available. This will require close monitoring during 2016/17 to ensure the one off pressure is managed.

It is proposed a separate strategic commissioning approach will be used to prioritise investment to revised funding available from 1 April 2017. A separate report to the Board sets out further detail on ADP plans for this year and future years.

#### **C.4 West Lothian Council**

As previously reported to the Board, the council's budget contribution to the IJB was approved by Council on 23 February 2016. While the council's budget contribution represented a balanced budget position, there remain a number of risks as noted below.

##### Key Risks

- Increasing demands in social care capacity. West Lothian has the fastest growing elderly population in Scotland and while the budget resources assume £2.275 million to meet growth in demand and help meet delayed discharge targets, there is a risk that demand will outstrip the assumptions and resources available.
- The introduction of the Living Wage for all independent and third sector providers. This will require significant discussion and negotiation with a range of care providers. A sum of £2.240 million has been estimated but there remains uncertainty over the actual cost of introduction which will not be known until contractual uplifts have been agreed
- Delivery of 2016/17 Savings. Substantial saving totalling £1.604 million will be required to be achieved. Ongoing monitoring of progress towards delivery will be required on a regular basis.

#### **C.5 Additional Funding**

West Lothian IJB will benefit from successful bids for Scottish Government funding that has recently been confirmed and as a result has not yet been taken account of in IJB resources included in this report.

This relates to £515,000 for Technology Enabled Care (TEC) and £351,000 for Primary Care and Mental Health, awarded in line with the investment plans submitted within the successful bids. More details on the TEC funding award is contained in separate report to the Board which contains proposed Directions on use of the funding.

Discussions with the Scottish Government have now been finalised around the use of Primary Care and Mental Health funding and a further report will be submitted to the next meeting of the Board.

#### **C.6 Financial Assurance – Key points**

The purpose of the financial assurance process is to set out the assumptions and risks associated with the contributions agreed by NHS Lothian and the council. The council and NHS Lothian are, in accordance with legislation, responsible for agreeing the functions delegated to the IJB and setting their respective budgets including the level of payments and set aside resources to the IJB.

The IJB is then responsible for allocating the resources it has been provided back to partners to operationally deliver services. This is achieved through Directions issued to the council and NHS Lothian who, in line with the approved West Lothian Integration Scheme, remain operationally responsible for delivering services within the resources available.

Given NHS Lothian have now agreed a revised 2016/17 contribution to the West Lothian representing their financial plan submitted to the Scottish Government, it is recommended that updated Directions are issued to NHS Lothian reflecting the updated financial resources. These are attached in Appendix 3.

Taking account of the updated budget resources noted in this report, the table below shows the level of 2016/17 resources associated with IJB functions.

<b>West Lothian IJB – Updated 2016/17 Delegated Resources</b>	
	£'000
Adult Social Care	66,666
Core Health Services	92,070
Share of Hosted Services	17,577
<b>IJB Payment</b>	<b>176,313</b>
Acute Set Aside	30,939
<b>Total IJB Resources</b>	<b>207,252</b>

As noted, based on the financial assurance undertaken to date, NHS Lothian have further action to take to agree a balanced budget for 2016/17 although progress has been made over recent months to reduce the extent of the budget gap.

An important part of ongoing financial assurance will be regular updates to the Board on monitoring of spend against budget and the forecast outturn for the year. While NHS Lothian and West Lothian Council are operationally responsible for the delivery of functions within resources, it will clearly be important for the Board to have oversight of the in year budget position as this influences the strategic planning role of the Board.

## **C.7 2016/17 Budget Monitoring**

Work on updating the forecast 2016/17 outturn position against IJB budget resources is currently being undertaken on an operational basis by NHS Lothian and West Lothian Council.

Initial monitoring undertaken has highlighted the following key points in relation to the 2016/17 budget position:

- The key pressure areas within Health services based on the initial mth 3 position relate to prescribing, mental health and the acute set aside areas.
- In overall terms the NHS IJB position at month 3 shows an adverse variance of £321,000 against budget
- Adult social care pressures at month 3 have been identified in elderly care homes and within care for both learning disability and physical disability clients.
- In overall terms, adult social care is forecasting a break even position at month 3

The overall position will continue to be closely monitored over the coming months and a full budget monitoring forecast for 2016/17 IJB functions will be reported to the Board at its next meeting on 18 October 2016

## **D CONSULTATION**

Relevant officers in NHS Lothian and West Lothian Council.

## **E REFERENCES/BACKGROUND**

West Lothian Integration Scheme

2016/17 Financial Assurance Report to IJB on 31 March 2016

## **F APPENDICES**

Appendix 1 – NHS Lothian 2016/17 Resource Allocation Letter 14 June 2016

Appendix 2 – NHS Lothian 2016/17 Movement in Contribution

Appendix 3 – NHS Lothian Updated Directions

## **G SUMMARY OF IMPLICATIONS**

<b>Equality/Health</b>	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted. The relevance assessment can be viewed via the background references to this report.
<b>National Health and Wellbeing Outcomes</b>	The 2016/17 budget resources delegated to the IJB will be used to support the delivery of outcomes.
<b>Strategic Plan Outcomes</b>	The 2016/17 budget resources delegated to the IJB will be used to support the delivery of the Strategic Plan.
<b>Single Outcome Agreement</b>	The 2016/17 budget resources delegated to the IJB will be used to support the delivery of the Single Outcome Agreement.
<b>Impact on other Lothian IJBs</b>	None.
<b>Resource/Finance</b>	The 2016/17 budget resources relevant to functions that will be delegated to the IJB from 1 April 2016 have been quantified at over £207 million.
<b>Policy/Legal</b>	None.
<b>Risk</b>	There are a number of risks associated with health and social care budgets, which will require to be closely managed.

## **H CONTACT**

Patrick Welsh, Chief Finance Officer, West Lothian Integration Joint Board

Tel. No. 01506 281320

E-mail: [patrick.welsh@westlothian.gov.uk](mailto:patrick.welsh@westlothian.gov.uk)

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