

To: Chair of West Lothian Integration  
Joint Board

cc: Chief Officer and Chief Financial Officer  
of West Lothian Integration  
Joint Board

Date 14 June 2016  
Your Ref  
Our Ref SG/AWW  
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Dear Colleague

## **RESOURCE ALLOCATION TO THE INTEGRATION JOINT BOARD (IJB) IN RELATION TO FUNCTIONS DELEGATED BY NHS Lothian**

Further to my letter of 15 January 2016 and the submission of NHS Lothian's Local Development Plan to the Scottish Government on 31<sup>st</sup> May 2016, I am now in a position to provide you with an updated financial proposal for your IJB.

This year NHS Lothian financial plans were developed at business unit level, in part to support the financial assurance process for the IJB. However, NHS Lothian remains out of financial balance by over £20m and has submitted a plan which includes this gap to the Scottish Government as part of the LDP submission on the 31<sup>st</sup> May. The schedule presented for your IJB (see appendix 1) shows your delegated budget for 16/17. For the West Lothian IJB, the estimated gap is £2,935k based on the NHS Lothian Financial Plan.

NHS Lothian recognises that a number of outstanding issues require resolution, such as final confirmation of reduced values for the ADP and a number of bundles. Budgets have been prepared based on the latest available information, recognising that confirmation of some values may impact on the total budget identified in your IJB. As part of an ongoing reporting process, we will provide you with reconciled updates to your budgetary position.

By way of reminder the methodology for apportioning budgets and allocating uplift is summarised in sections 1 to 4 below:

### **1. Core Services (Specific IJB services and GMS budgets)**

The budgets that are held for the services that represent functions delegated to the IJBs by NHS Lothian are held at cost centre level and a detailed model has been developed to allocate these budgets by cost centre to the IJBs. These cost centres will be allocated to IJBs based on the historic core budgets held by the CHPs.

## 2. GP Prescribing budgets

It is proposed to allocate the current prescribing budget for NHS Lothian across the 4 IJBs using the Prescribing Budget Setting (PBSG) model. The PBSG model is specifically designed for GP Prescribing and is based at GP Practice level. However, in recognition of the distortion to a number of IJB prescribing budgets arising from the move to a PBSG based approach, additional funding has been allocated on the principle of nil detriment from the PBSG adjustment. Further, uplift has been provided to budgets based on anticipated growth estimates from Lothian's Medicines Management Team. This is shown in Table 1 below

**Table 1: Prescribing Budget**

	<b>East Lothian £'000</b>	<b>Edinburgh £'000</b>	<b>Mid Lothian £'000</b>	<b>West Lothian £'000</b>	<b>Total £'000</b>
<b>Opening Budget</b>	17,857	74,365	15,250	30,154	137,626
<b>NRAC</b>	554	-	838	1,771	3,163
<b>MMT Growth</b>	900	3,600	800	1,600	6,900
<b>Total Budget</b>	19,311	77,965	16,888	33,525	147,689

Any risk sharing arrangements relating to the management of the financial gap within Prescribing across Lothian will be a matter for IJBs.

## 3. Share of pan-Lothian Services (Hosted and Set Aside)

Generally, budgets for services that represent functions delegated to the IJBs by NHS Lothian currently managed on a pan-Lothian basis have been split on a PCNRAC basis with certain exceptions as appropriate.

This model has been agreed by the Chief Finance Officers on behalf of the IJB. The full mapping table containing all cost centre allocations will be sent under separate cover.

## 4. 2016/17 Additional Funding

NHS Lothian has received 3 elements of additional uplift resource in 2016/17, including pay and price uplift, NRAC parity funding and Social Care funding.

1. Pay and Prices - The general uplift of 1.7% available to NHS Lothian in 2016/17 is calculated on NHS Lothian's baseline funding of £1.2bn and therefore equates to circa 1.4% when shared across all budget. This is distributed on a pro rata basis with the exception of GMS which receives a separate nationally determined uplift.

2. NRAC - NHS Lothian has agreed to distribute NRAC resources totalling £14m on the following basis:
  - In order to ensure all pay awards can be funded across NHS Lothian; NRAC resources have been prioritised within this area. In total, to ensure the affordability of all pay awards, a total of £5.4m has been allocated from the NRAC resource;
  - GP prescribing has received an additional £3.1m based on the principle of nil detriment from the move to a PBSG based budget (as noted under section 2 earlier);
  - Additional funding of £5.4m has been allocated to cover the cost pressures from Acute Medicines, principally arising from anticipated SMC decisions. This additional resource is likely to feature in part within set aside budgets and will be highlighted to the IJB as part of ongoing budgetary updates.
3. Social Care Fund - This Fund has been distributed as directed by the Scottish Government and does not form part of this budget proposal.

## 5. Efficiency

Partnerships have been provided with a summary financial plan for 16/17 which identifies the forecast cost pressures within their services for 16/17 and we've included the uplifts as referred to above. Chief Officers in their capacity as managers of NHS Lothian services have developed financial recovery plans to demonstrate how financial balance can be achieved for these services. IJBs will need to be assured that those recovery actions identified do not impact on their ability to deliver strategic direction. As plans are agreed this may result in the reallocation of budgets to reflect the consequent service change. This will be agreed with IJBs.

Although the budget offer does not demonstrate balance at this stage, I expect that Partnerships and acute services will work with IJBs to reduce estimated expenditure to deliver a balanced position this year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Susan Goldsmith', written in a cursive style.

**Susan Goldsmith**  
**Director of Finance**

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