

West Lothian Integration Joint Board Strategic Planning Group

Date: 19 Jan 2017

Agenda Item: 8

2017/18 BUDGET UPDATE

REPORT BY CHIEF FINANCE OFFICER

A PURPOSE OF REPORT

The purpose of this report is to provide an update on the 2017/18 Scottish Draft Budget, including an initial assessment of the implications for NHS Lothian and West Lothian Council and resulting contributions to West Lothian IJB.

B RECOMMENDATION

It is recommended the IJB Strategic Planning Committee:

1. Notes the provisional impact assumed on NHS Lothian and West Lothian Council funding taking account of the 2017/18 Scottish Draft Budget and proposed timescales for budget setting
2. Notes the 2017/18 Health and Social Care funding included in the settlement and the make up of this funding
3. Notes the Scottish Government letter to IJBs in respect of expectations around the 2017/18 budget settlement
4. Notes the proposed next steps regarding the IJB 2017/18 budget contributions from NHS Lothian and West Lothian Council, and future year budget planning

C TERMS OF REPORT

C.1 Background

The Cabinet Secretary for Finance and the Constitution announced the Scottish Draft Budget 2017/18 on 15 December 2016. Scotland's total proposed spending plans, as set out in the Draft Budget 2017/18, amount to £38,048 million, an increase of £923.8 million compared to the 2016/17 Scottish budget. In terms of IJB delegated services, the relevant portfolio movements are shown below.

Portfolio	2016/17 Budget £m	2017/18 Draft Budget £m	Movement £m
Health and Sport (Health)	12,900.7	13,168.2	267.5
Communities, Social Security & Equalities (Local Government)	10,094.4	9,786.7	(307.7)
Total	22,995.1	22,954.9	(40.2)

As can be seen, the two Scottish Government portfolios representing funding for NHS Boards and Local Government make up £22,995 million (60.4%) of the £38,048 million total 2017/18 Draft Budget. Taking account of the movement in SG funding across both portfolios, there is a cash reduction compared to 2016/17 funding levels of over £40 million.

C.2 Initial NHS Lothian 2017/18 Funding Position

The draft budget settlement position for NHS Lothian provided a 1.5% funding uplift equivalent to £19.6 million. However, £14.2 million of this uplift relates to NHS Lothian's share of the additional Health and Social Care funding, leaving a £5.4 million base uplift to NHS Lothian.

Additional NRAC monies of £19 million have also been confirmed for NHS Lothian and it is also anticipated that NHS Lothian will receive a share of additional in year allocations for NHS Boards totalling £74.2 million. Further information is still required on these in year allocations which include funding in relation to Primary Care, Mental Health and Transformational Change.

At this stage, taking account of baseline pressures, forecast additional 2017/18 costs and efficiency savings identified, there is an initial financial gap of £56 million assumed in the overall NHS Lothian 2017/18 budget. This is very much an initial position and various options are being considered to improve this position.

C.3 Initial West Lothian Council 2017/18 Funding Position

The provisional distributable revenue grant allocation for West Lothian Council in 2017/18 is £300.215 million. This is subject to confirmation of the share of a number of grant allocations for specific funding streams, and as noted earlier, the share of the additional Health and Social Care Fund.

Subject to the above clarifications, it is estimated that the cash reduction in revenue grant funding for West Lothian Council in 2017/18 is in the order of £10.6 million, which is £9.1 million worse than the level of grant assumed when agreeing the balanced council budget for 2017/18. It is estimated that the council will receive additional council tax income from the Scottish Government council tax rebanding in 2017/18, which leaves a net revenue budget gap of approximately £6.3 million. It is important to note that this remains an initial position with confirmation on various funding streams still required, including the Health and Social Care Fund

C.4 Health and Social Care Fund

The draft 2017/18 Scottish Budget included an additional £100 million to be transferred from NHS Boards to Integration Authorities in order to protect investment in social care. This £100 million has been allocated to support the continued delivery of the Living Wage, sleepovers and help ensure sustainability in the care sector. A further £7 million is being provided directly to Integration Authorities towards disregarding the value of war pensions from social care financial assessments and for pre-implementation work in respect of the new carers legislation. A breakdown of the additional £107 million is shown below.

- **£50 million** – To provide for the full year effect of the 2016/17 Living Wage implemented from 1 September 2016
- **£20 million** – To provide for an increase in the Living Wage hourly rate to £8.45 for all social care staff supporting adults in care homes and care at home / housing support settings including adult day care workers and personal assistants
- **£10 million** – To meet the financial impact of delivering the living wage for sleepover care provision (this will be reviewed in year to consider its adequacy with a commitment to discuss and agree how any shortfall should be addressed)

- **£20 million** – To ensure the commitments made in relation to the Living Wage can be sustained going forward (takes account of limited provider contributions in 2016/17 and assuming no provider contribution to increased Living Wage staff costs in 2017/18)
- **£5 million** – To provide for the lost income to councils resulting from the removal of war veteran pensions from social care financial assessment calculations
- **£2 million** – Relates to additional funding to prepare for the implementation of the Carers' Bill

It should be noted that this £107 million is additional to the £250 million included in the 2016/17 Scottish Budget and the full £357 million has been baselined as recurring funding from 2017/18.

As part of the conditions of the 2017/18 Draft Scottish Budget NHS contributions to Integration Authorities are to be maintained at least at 2016/17 cash levels. To reflect the additional support provided through the Fund, local authorities will be able to adjust their allocations to Integration Authorities in 2017/18 up to their share of £80 million below the level of budget provided in 2016/17 (as adjusted for any one-off items of expenditure which should not feature in the 2016/17 baseline).

At this stage, the Scottish Government has still to confirm each individual IJBs share of the 2017/18 Health and Social Care Fund. However, assuming it is allocated on the same basis as last year is estimated West Lothian's share of the £107 million will be approximately £3 million.

C.5 Scottish Government Priorities for IJBs – Draft Budget 2017/18

Appendix 1 sets out a letter to Lothian IJB Chief Officers regarding the Scottish Government's draft budget for 2017/18 and includes the following priorities for integration:

1. Reduce occupied hospital bed days associated with avoidable admissions and delayed discharges, focussing investment in care alternatives that can help people to continue living independently in their own homes and communities for as long as possible.
2. Increase provision of good quality, appropriate palliative and end of life care, particularly in people's own homes and communities and also, where appropriate, in hospices, so that people who would benefit from such care access it.
3. Enhance primary care provision, with particular focus on developing and expanding multi-disciplinary teams; sustainability of provision; development of GP clusters; and responsiveness to a new GP contract.
4. Reflect delivery of the new Mental Health Strategy, with particular focus on developing new models of care and support for mental health in primary care settings; improving the physical health of people with mental health problems, and improving mental health outcomes for people with physical health conditions; reducing unwarranted variation in access and assuring timely access; and developing services that focus on the mental health and wellbeing of children, young people and families, including improved access to perinatal mental health services.

5. Where children's services are integrated, continue to invest in prevention and early intervention, particularly in the early years, with the expectation that work will continue to deliver 500 more health visitors by 2018.
6. Support delivery of agreed service levels for Alcohol and Drugs Partnerships' work, in support of which £53.8m is transferring to NHS Board baselines for delegation to Integration Authorities.
7. Ensure provision of the living wage to adult care workers workers and plan for sustainability of social care provision.
8. Continue implementation of Self Directed Support.
9. Prepare for commencement of the Carers (Scotland) Act 2016 on 1 April 2018

The letter also notes that the Ministerial Strategic Group for Health and Community Care is looking to progress work on sharing objectives and progress on integration of health and social care and that this will be done in conjunction with the current review of health and social care targets and indicators.

C.6 IJB 2017/18 Budget – Next Steps

It is clear from the draft 2017/18 Scottish Budget that the 2017/18 budget process will be extremely challenging for NHS Boards, Local Authorities and Integration Authorities. Compared to the very significant growth in West Lothian expenditure demands evident in 2016/17 across areas such as elderly care at home (20%), elderly care homes (11%), learning disability care (24%) and prescribing (6%), the overall cash reduction in Scottish Government revenue funding highlighted in Section C.1 is clearly of concern.

At this stage there remain a number of uncertainties including confirmation still required on funding streams such as the individual Health and Social Care Fund allocations for IJBs. Work is currently progressing with NHS Lothian and the council to prepare a 2017/18 budget position for IJB delegated functions. As noted at this stage the council's overall budget gap is £6.3 million while NHS Lothian have a budget gap of £56 million. It is envisaged that the council will approve a balanced budget before 11 March 2017 in line with its statutory obligation. In terms of NHS Lothian, it is currently anticipated that the finalised 2017/18 Local delivery Plan will be submitted to the Scottish Government in mid March 2017, and presented to NHSL Board on 5 April 2017 for formal approval.

An update report on the position with the NHS Lothian and council budget and potential implications for the IJB 2017/18 budget will be reported to the IJB on the 31 January 2017. Following on from this is anticipated that the 2017/18 budget contributions from the council (anticipated to have been approved by council) and NHS Lothian (will still be subject to formal approval by NHSL Board) will be reported to the IJB on 14 March and the IJB will be asked to approve directions to both Partners for them to deliver delegated functions within the overall budget resources they have made available. This will take account of the confirmed Health and Social Care Fund for 2017/18.

In terms of future year budgets, it is clear from Treasury public spending plans in place that future year funding will continue to be very constrained. Taken in conjunction with increasing demands within health and social care, it is considered vital going forward that medium term financial strategy and planning is developed during 2017. Discussions are taking place with the council's Head of Finance and Property Services and the NHS Lothian Director of Finance to advance this for 2018/19 onwards.

The IJB has a statutory responsibility for the strategic planning of future health and social care delivery and its strategic plan and strategic commissioning plan should help inform decisions around prioritisation of resources, new models of service delivery and disinvestment decisions, all of which will be necessary in the medium term financial planning process around health and social care services. A further update on this will be presented to the next IJB Strategic Planning Group meeting.

D CONSULTATION

Relevant officers in NHS Lothian and West Lothian Council.

E REFERENCES/BACKGROUND

Scotland's Spending Plans and Draft Budget 2017/18 published by the Scottish Government 15 December 2016

F APPENDICES

Appendix 1 – Draft Budget 2017/18 – Scottish Government Letter to Lothian IJB Chief Officers

G SUMMARY OF IMPLICATIONS

Equality/Health	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.
National Health and Wellbeing Outcomes	The 2017/18 budget resources delegated to the IJB will be used to support the delivery of outcomes.
Strategic Plan Outcomes	The 2017/18 budget resources delegated to the IJB will be used to support the delivery of the Strategic Plan.
Single Outcome Agreement	The 2017/18 budget resources delegated to the IJB will be used to support the delivery of the Single Outcome Agreement.
Impact on other Lothian IJBs	None.
Resource/Finance	The 2017/18 budget resources relevant to functions that will be delegated to the IJB from 1 April 2017.
Policy/Legal	None.
Risk	There are a number of risks associated with health and social care budgets, which will require to be closely managed.

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