



Finance Arrangements

Edinburgh Integration Joint Board

17 July 2015

Executive summary

1. The purpose of this report is to advise the Edinburgh Integration Joint Board (IJB) of the financial management arrangements for the shadow year (2015-16).
2. The paper and its appendices set out the financial dimensions of the partnership and its constituents, and introduces the major issues that will shape the financial governance arrangements of the IJB going forward from April 2016; the likely date that resources are delegated to the IJB under the strategic plan under development.

Recommendations

3. That the IJB;
 - Note the developing financial arrangements for the shadow period 2015-16.
 - Note the current estimated values of the delegated resource (subject to due diligence)
 - Note that a report on the due diligence process will be provided to the IJB at a future meeting.

Background

4. On the date specified in the IJB strategic plan that services are delegated to the IJB, the total financial resource to be directed by the IJB will consist of the following elements;
 - The budget relating to delegated City of Edinburgh Council Health & Social Care services
 - The associated budget relating to delegated Community Health Partnership services
 - The IJBs specific share of budget relating to delegated Hosted services
 - Budget set aside by NHS Lothian for delegated Unscheduled Care services
5. The IJB is required under sections 18 and 22 of the Public Bodies (Joint Working) Scotland Act to direct the resources it receives from the Health Board and Local Authority in line with the Strategic Plan. These

directions will be in accordance with IJB financial regulations and related contractual standing orders; which will subject of separate papers to the IJB in due course.

Shadow Period 2015-16 Budget Setting

6. Work is on-going to finalise the budgets that are to be delegated to the IJB. The following section sets out the progress for each element.
7. A number of actions are required to fulfil the requirements of the joint working legislation and will form part of the due diligence process for the IJB:
 - Agreement of the functions to be delegated and set out in service mapping
 - Agreement of current baseline, modelling and target/monitoring for finance and activity relevant to the directions
 - Agreement of risk sharing protocols across all the IJBs in Edinburgh and the Lothians and between the delegating partners

City of Edinburgh Council- Health & Social Care

8. The City of Edinburgh Council budgets on a single year basis. At the Council meeting of 12th February 2015 the Council approved its revenue budget for 2015-16 and Capital Investment Programme from 2015 to 2020.
9. Council managed budgets will amount to £200.1m for 2015-16; a £3.2m (-1.6%) decrease from the approved 2014-15 budget. This budget includes investment of £8.9m for pay and purchasing inflation and demographic investment. It also incorporates savings of £7.5m and the end of Council funding for the Change Fund of £2.6m replaced by an increase in the Integrated Care Fund and £2m in one-off funding provided in 2014-2015 to increase care at home capacity and assist with the shifting the balance of care from hospital to the community.
10. The savings agreed by the Council for 2015-16 and incorporated into the net budget of £200.1m total £7.5m. In common with all other service areas of the Council a savings assurance exercise was undertaken in late March and a number of specific proposals were prioritised for the finalisation of delivery plans. Progress on the delivery of savings will be monitored closely during the year and any significant issues reported to committee
11. The movement in the total approved Health & Social Care budget from 2014-15 to 2015-16 can be analysed as follows.

2014-15 Approved Net Budget	£m	Notes
	203.342	
Demographic Investment	5.745	Funding for estimated demand in Older People, Learning and Physical Disabilities and Mental Health services
Pay Award	0.885	1% assumed
Purchasing/Care Home Fees Inflation	1.968	1.5% assumed
Reversal of non recurrent funding	-2.000	One off funding in 2014-15 to help build capacity in Care at Home market.
Reversal of CEC Change Fund	-2.652	Council change Fund contribution ceased in March 2015 as Change Fund ended. Replaced by additional £2.2m funding from Scottish Government for new Integrated Care Fund.
Other	0.323	Residual provision for modernising pay
Savings	-7.515	Total of early approved savings £1.4m, 13/14 budget decisions £0.7m and those that went out to public consultation £5.4m
2015-16 Approved Net Budget	200.096	
% Change in Budget	-1.60%	

Table 1 Movement in Approved Health & Social Care Budget 2014-15 to 2015-16

12. There are a small number of budgets that lie within the City of Edinburgh Council Health & Social Care Budget which are not in scope of the IJB. These include Criminal Justice Services and the post of the Chief Social Work officer. Due to the centralisation of property costs across the Council, these budgets have also been excluded from the resource available to the IJB. Appendix 1 sets out the value of these expected adjustments.
13. The Council currently spends £1.7m per annum from its HRA capital budget on adaptations and assistive technology. The HRA budget is developed in line with legislative guidance and involves extensive consultation with tenants. Further work is required to determine how this process can be integrated with the IJB strategic planning process. This budget is not reflected in Appendix 1.

NHS Lothian- Edinburgh Community Health Partnership (CHP)

14. The recurring budget approved by the NHS Board and currently managed by Edinburgh CHP for 2015-16 was £299m. The movement in the approved budget is summarised as follows:

2014-15 Approved Net Budget	£m	Notes
	286.615	
Recurrent Baseline expenditure pressures	4.520	£1.5m nursing pay costs, £1.2m supplies expenditure pressures, and £1.82m prescribing pressure
Pay and related on costs	2.866	1% pay uplift and employer pension contribution changes
Medicines cost pressures in year	2.600	Anticipated cost increase in 2015/16 prescribing costs from Medicines Management Team
Supplies and infrastructure developments	1.424	Anticipated non pay cost growth and PFI service cost increases
Bed Capacity and Unscheduled Care	2.981	Includes £2.457 Delayed discharge funding and support to delivery of CAMHS waiting times
Primary Care capacity	750	Pressures on GP practice capacity and enhancements to Technology enabled Care
Uplift to Integrated Care Fund	2,176	Increases former Change Fund value of £6m to £8.2m
Other Strategic Investments	684	Supporting delivery of new hospital services at REH
Savings target for 2015-16	-5.624	Includes £2m of prescribing savings and £3,6m of Hospital and Community service savings
2015-16 Approved Net Budget	298.992	
% Change in Budget	+4.3%	

Table 2: Movement in Approved CHP Budget 2014-15 to 2015-16

15. The indicative outturn budget is estimated to be £321.7m, once all recurrent and non-recurrent resources are factored therein. The approved budget is 4.3% higher than the 2014-15 recurrent baseline. The indicative 2015-16 budget is £2.8m higher (1%) than the outturn expenditure for 2014-15 and £10.5m (3.4%) higher than the 2014-15 total budget. The budgets and comparators are set out in appendix 2. The approved budget increases include

- a net £2.5m in respect of prescribing growth
- Integrated Care Fund - £2.2m new funding from the Scottish Government for 2015-16. This partly compensates for the £2.6m loss of Change Fund contribution to Integrated Care from City of Edinburgh Council. The total budget for the Integrated Care Fund is £8m.
- Delayed Discharges – The Scottish Government has allocated £2.5m to support hospital discharge. This will initially be utilised to fund 55 delayed discharge beds on the RVH site, previously funded non-recurrently, and will be released recurrently as these beds close.
- Service Pressures - £2.7m of funding in respect of expenditure pressures in respect of ward staffing (£1.5m) and service non-pay costs (£1.2m)
- £0.7m of Primary Care development funding- including £0.1m for technology enabled care.

The legacy Edinburgh CHP managed budgets are required to deliver a savings target of £3.6m against budgets for 2015-16. This is in addition to the £3.9m remaining of recurrent savings not yet delivered as part of the budgets rolled forward from 2014-15. The CHP has identified specific savings schemes that would have delivered £4.5m of recurrent savings. These schemes remain highly dependent on capital availability.

16. It is important to stress that the budget for the CHP is inclusive of three elements:

- Core services provided exclusively to Edinburgh patients
- Hosted services provided to patients across NHS Lothian as a whole
- Regional and national services that will not be delegated, but which will nonetheless be managed on behalf of NHS Lothian by the IJB management team

The overall budget for the partnership will include the first two elements set out in this paragraph with an addition of:

- a share of hosted budgets from other IJBs and,
- a share of “set-aside” acute budgets managed by NHS Lothian

This is discussed further in paragraphs 17 to 20 below.

NHS Lothian- Hosted Services

17. The introduction of IJBs across Lothian will see a number of services currently provided by NHS Lothian being managed by one IJB for the entire Lothian population on a “hosted” basis. However the budgets for these services will be delegated across all four IJBs. Appendix 3 sets out the list of hosted services across all IJBs that form a proportion of their current managed budgets, together with a current proposed methodology with regard to their split for purposes of the IJB directions.
18. In advance of delegation to the IJB, NHS Lothian plan to undertake a review of the hosted baseline budgets, prior to financial year 2016/17.

NHS Lothian- Set Aside

19. The final element of resource available to be directed by the IJB is the set aside resource from acute hospital services. It is currently assumed that the Set Aside budget for Acute Services will be managed by the Acute Services Division of NHS Lothian. The set aside budgets include indicative direct costs of services used by Health and Social Care Partnerships for Accident & Emergency and in-patients, day cases and outpatients in the specialties General Medicine, Geriatric Medicine, Respiratory Medicine, Infectious Diseases, Palliative Care and Rehabilitation Medicine based on historic use.
20. The estimated set aside amount for the Edinburgh IJB is £91m but this is subject to further review.

Consolidated Position

21. Whilst individual social care and NHS budgets have been set out, the IJB resource will not be a simple addition of these managed budgets. The reason for this is set out in paragraph 17 above.
22. On a consolidated basis, once hosted, set aside and non-delegated services are accounted for, the estimated total resource available to the Edinburgh IJB amounts to £566m at 2015-16 prices. This total aggregate remains subject to service planning adjustments in year and to the due diligence process. A high level breakdown of this total is provided in table 3 below;

	£m
City of Edinburgh Council- Delegated Health & Social Care Budgets	198
NHS Lothian- Delegated Budgets to be managed by IJB	277*
Unscheduled Care Indicative Set- Aside Amount to be managed by NHS Lothian	91
Total Resource available to the Edinburgh IJB	566

Table 3: Breakdown of indicative Edinburgh IJB 2015-16 total resource

*Accounting for estimated share of hosted budgets and removal of non delegated services

Financial Risks/Due Diligence

23. Due diligence on the proposed delegated resource will be carried out in the shadow period. This work will be informed by review of the current financial risks facing each element of the total IJB resource and review of the historical performance of the delegated budgets.
24. A further report will be provided to the IJB setting what due diligence measures have been taken and a recommendation from the Chief Finance Officer of the IJB as to whether the risks attached to the delegated resources are clearly understood.

Financial Arrangements in the Shadow Period (2015-16)

25. The IJB will determine the frequency and content of the financial reports it receives. These will be provided by the appointed Chief Finance Officer in collaboration with City of Edinburgh Council and NHS Lothian finance teams.
26. In the shadow year (2015-16) the IJB will be provided with quarterly finance reports relating to the resource that is to be delegated. However these reports will be for information only as the resources will not be delegated until the date set out in the strategic plan.
27. As described in section 23 above, a report will be provided to the IJB setting out the due diligence process on the budgets in the shadow year and the outcome of this review. The Health Board and Council partners will be carrying out their own due diligence processes in addition to that of the IJB.
28. In response to increasing pressures in the Health & Social Care budget the Council commissioned KPMG to conduct an initial review of adult services. Following this review, KPMG have been engaged to develop cases to support transformation of adult social care services. Updates on this work will be provided to the IJB through the quarterly finance reports.
29. Updates will be provided to the IJB in year setting out the progress of City of Edinburgh Council and NHS Lothian in setting their budgets for 2016-17.
30. A report was provided to the Council Finance and Resources Committee on the 4th June 2015 setting out the Council's financial strategy. This sets out the demographic, inflationary and other assumptions which underpin the Councils overall long term financial plan. The Council element of the IJB resource for 2016-17 will be determined by applying the relevant uplifts and savings for 2016-17 to the delegated budgets. Work is on-going to identify the necessary level of savings for this period. Consultation on the proposed savings is planned to start from the end of September.
31. NHS Lothian will be carrying out its Quarter 1 review and re-forecast for 2015-16 during July and reporting the results of this to the NHS Board Finance & Resources Committee in August 2015. This process will set the

scene for the development of the NHS Board 2016-17 financial plan. The financial plan will also be informed in development by the draft Scottish Budget (September 2016).

Key risks

32. The key risks will be identified in the due diligence process and added to the relevant risk register.

Financial implications

33. The financial risks and proposals for risk sharing relating to this resource will be set out in a future paper to the IJB following the due diligence process.

Impact on inequalities, including health inequalities

34. The content of this report has no impact on inequalities.

Involving people

35. Finance officers across Lothian are working in partnership to address the new financial requirements of the IJB and to support the Chief Finance Officers in each of the Lothian IJBs.

36. This report has been written collaboratively by NHS and Council finance officers.

Impact on Plans of other Parties

37. The recommendations in this report have no impact on the plans of other parties.

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Appendices

1. City of Edinburgh Council- Health & Social Care- 2015-16 Approved Budget
2. NHS Lothian- 2015-16 indicative budget and comparators
3. Matrix of Hosted Services

References

[Finance and Resources Committee – 4 June 2015. Health and Social Care Integration Update.](#)

Appendix 1: Approved 2015-16 Health & Social Care Budget, comparators and estimated resource available to IJB (subject to due diligence process)

	Historical Performance*				Shadow Year		
	2013-14	2014-15		2015-16			
	Reported Outturn (£000s)	Revised Net Budget (£000s)	Reported Outturn (£000s)	Variance Fav/(Adv) (£000s)	Approved Net Budget (£000s)	Estimated adjustments for IJB (£000s)	Estimated net budget for IJB (£000s)
Older People- Care Homes (Internal)	19,011	17,852	19,720	-1,868	16,849	-702	16,146
Older People- Homecare & Reablement	26,858	27,642	27,541	101	25,338	-23	25,316
Older People- External Purchasing	59,439	61,052	64,277	-3,225	55,132	32	55,164
Older People- Day Services (Internal)	1,707	1,987	1,764	223	1,681	-127	1,554
Older People- Other Services	-3,204	-1,204	-1,867	663	2,625	0	2,625
Older People Services- total	103,811	107,330	111,436	-4,106	101,626	-819	100,806
Disabilities- Residential (Internal)	1,684	1,768	1,751	17	1,542	-40	1,502
Disabilities- Care & Support (Internal)	8,352	8,016	8,214	-198	7,922	-42	7,880
Disabilities- Day Services (Internal)	7,313	7,587	7,345	242	7,552	-177	7,375
Disabilities- External purchasing	52,386	53,366	56,043	-2,677	55,672	-23	55,649
Disabilities- Community Equipment Store	1,434	1,619	1,784	-165	1,436	-294	1,142
Disabilities- other services	3,638	4,111	3,743	368	3,934	-93	3,840
Disability Services- total	74,807	76,467	78,880	-2,413	78,058	-670	77,389
Sector Practice Teams (including Social Care Direct)	7,953	8,452	7,982	470	8,142	-10	8,131
Specialist Teams	3,592	3,668	3,540	128	3,668	-1	3,667
Emergency Social Work Services	779	834	792	42	833	0	833
Assessment & Care Management- total	12,323	12,955	12,314	640	12,643	-11	12,631
Business Services	5,502	5,427	5,541	-114	5,013	-1,697	3,316
Directorate	851	831	1,011	-180	677	-192	485
Strategic Funding and Departmental costs	-18,434	-21,417	-21,395	-22	-20,286	-5	-20,291
Mental Health- Care & Support (internal)	620	633	661	-28	631	24	655
Mental Health- Internal Day Care	40	38	37	1	38	0	38
Mental Health- External Purchasing	8,616	9,348	9,797	-449	9,152	0	9,152
Mental Health- Other	607	1,057	717	340	1,714	0	1,714
Mental Health- total	9,883	11,076	11,213	-137	11,534	24	11,558
Criminal Justice	-1,310	-1,318	-1,356	38	-1,307	1,307	0
Substance Misuse	1,306	1,411	1,215	196	1,237	0	1,237
AIDS/HIV	1,135	1,591	1,198	393	1,264	33	1,297
Vulnerable/Homeless Services	1,668	1,583	1,638	-55	1,547	0	1,547
Substance Misuse, AIDS/HIV, Vulnerable Groups- total	4,109	4,585	4,051	534	4,048	33	4,081
Quality & Standards	2,543	2,716	2,601	115	2,446	-7	2,439
Strategic Policy & Performance and Contracts Management	3,807	3,722	3,929	-207	3,717	0	3,717
Social Strategy	1,953	1,985	2,016	-31	1,927	0	1,927
Grand Total	199,845	204,359	210,240	-5,881	200,096	-2,038	198,058

*Includes out of scope elements

Appendix 2: Legacy CHP Managed Budgets (2015-16 figures are indicative)

Service	2013-14		2014-15		2015/16
	Reported	Annual	Estimated	Variance	Annual
	Outturn	Budget#	Outturn	Fav/(Adv)	Budget
	£'000	£'000	£'000	£'000	£'000
Level One Core Managed Budgets					
Community Nursing	17,410	18,180	17,783	397	17,046
Community Mental Health Teams	9,010	9,190	9,211	(21)	8,767
Older People Services	18,428	16,232	17,334	(1,102)	19,066
Community Therapy Teams (AHPS)	4,565	5,393	5,296	97	3,964
Health Centres and Clinics	2,155	2,175	2,089	86	2,910
Pharmacists	549	573	518	55	518
Home Support (Continence, Equipment, LT Conditions etc)	6,471	5,815	5,613	202	9,054
Prescribing	69,346	68,514	72,478	(3,964)	70,974
General Medical Services (GMS)	68,984	68,069	67,654	415	68,046
Resource Transfer	24,910	25,879	25,879	0	29,180
	221,828	220,020	223,855	(3,835)	229,525
Level Two Hosted Managed Budgets					
Rehabilitation Services	18,089	16,668	17,697	(1,029)	15,269
Sexual Health	4,201	4,809	4,835	(26)	4,218
Hospital Based Mental Health Services (inc. OPMH)	37,004	36,785	40,143	(3,358)	37,859
Substance Misuse Services	8,065	7,735	7,534	201	7,968
Mental Health AHPs	5,339	5,605	5,521	84	5,942
Equality and Diversity	663	701	642	59	693
Learning Disabilities	14,384	14,330	14,386	(56)	16,333
	87,745	86,633	90,758	(4,125)	88,282
Level Three Direct Overhead and Managed Service Support					
Development Managers	535	617	571	46	425
Health Inequalities	880	934	808	126	755
Community Premises Team	20	78	23	55	78
CHP Management Team	694	997	924	73	862
AHP Administration	2	4	0	4	4
Clinical Director	472	359	454	(95)	322
Primary Care Facilities	47	49	50	(1)	49
REAS Facilities	809	754	887	(133)	856
REAS management / Admin	529	553	544	9	293
REAS Projects	(32)	(1)	(1)	0	258
Other	106	274	0	274	0
	4062	4618	4260	358	3,902
Edinburgh CHP Level total	313,635	311,271	318,873	(7,602)	321,709

The 2014/15 budget included the following non-recurrent allocations

Allocation	Value £m
Winter Beds/D-Discharge	3.2
Integrated Care fund	6.0
Junior Medical training	2.9
Keep Well	1.2
Forensic Med. Exam.	1.1
CAMHS W/Times	0.4
SMD Drug treatments	1.9
Dietetic Income	1.0
Other	0.6

Prescribing	2.1
GMS	1.2
LTC, Orthopaedic transfer etc	3.0
Total	24.6

Appendix 3: Hosted Services' configuration across NHS Lothian

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, East and MidLothian.
- 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.