A partnership between

Lothian Health and Social Care Partners Community equipment Service

Finance Review Sept 2013

1. Introduction

NHS Lothian, Edinburgh City, East Lothian, and MidLothian Partners, have been working together over the last 18 months to review all aspects of the Community equipment service with the aim of systematically developing and applying service improvements.

As part of that work, a separate Finance Group has been convened to review the financial model, reporting and monitoring arrangements.

This report provides a summary of the work to date and the recommendations the Group has made to improve the transparency and partnership accountability for funding an effective community equipment service.

2. Review process and key tasks

Representatives from each of the Partners initially met for the Self-evaluation review and identified a number of areas for improvement in relation to the reporting and monitoring of the Community equipment service budgets.

The sub-group work has focused on distinct but connected aspects of the financial arrangements:

- Reviewing all aspects of the Store service running costs and agreeing a new format for annual Budget setting and ongoing Budget monitoring;
- Reviewing the recharging model and expenditure against partners' equipment budgets, to recommend improved arrangements for ongoing monitoring and reporting.
- Reviewing and implementing new reporting arrangements for Budget and Base managers, to improve accountability and ownership of budget spend.

3. Key principles

The Group has agreed that it is essential that key principles are established for future governance arrangements:

- It is the responsibility of all Partners to ensure that the service is effectively monitored and managed across all aspects of service provision, and governance arrangements must reflect this.
- Decision making on all aspects of the service costs, including Store service Running costs, must be agreed by all Partners and proactively managed in terms of achieving ongoing efficiencies. It will also be essential to consider the impact of any service changes/improvements as part of the wider strategic and policy context e.g. Reshaping Care, Integration agenda etc…and decision making should evidence this.

- There requires to be proactive management of the Store service running costs including:
    - annual Budget setting commencing each Oct/Nov for the following financial year, with a report submitted to the Management Group 3rd quarter meeting for approval;
    - Quarterly meetings of the Finance Group which will meet in advance of each Management Group meeting report to that Group;
    - ongoing review of budget pressures including opportunities for efficiencies where possible;
    - Partnership ownership of all associated costs required to deliver the service in order to ensure that funding meets the agreed levels of need.
    - Acknowledgement of the activity driven aspect of costs and the impact these have around fluctuations in service demand.
    - Budget setting to be based on actual costs e.g. including staff costs.

4. Store service running costs

The attached Appendix 1 provides a template for the annual Budget report which details all aspects of the Store service running costs for 2012/13 and the Budget for 2013/14. Appendix 2 provides a Monitoring template which confirms the expected charges for each Partner and matches these to Actuals in each Quarter. *(* Appendices removed for sharing of report out with Partnership)*

The Store service has calculated these costs and charges based on current and previous activity and year end projections. The format of Appendix 2 allows this to be extended to be used as a quarterly monitoring report to show actuals and any to date variances. This will also project the year end outturn position.

Utilising these reporting templates will provide Partners with far greater transparency around the range of costs associated with delivering the service, and ensure wider ownership and accountability for the decisions made.

Arrangements for staff costs which are still paid for by individual Partners will be brought in under the accounting process and allocated against the budget line for Store employee costs. The Store service will be invoiced for the staff employed by the Partner agencies and then the Store service will recover the costs by charging all Partners a % share of all total staff costs. This will align all relevant staffing costs in a far more transparent way and provide consistency in the share of costs that partners currently fund.

5. Equipment costs

Equipment costs are estimated based on the actual activity of Partners. These will be based on previous activity for budget setting purposes and then monitored on an ongoing basis within the reports, to reflect the actual purchasing activity. Each Partner will be expected to agree estimated equipment budgets as part of the overall annual Budget setting process.

6. Recharging model

There are no changes proposed to the current charging arrangements. The recharge model is based on the principles of fairness and accountability with the aim that costs charged to Partners will reflect the actual level of service they individually require.

The amount each Partner is charged is calculated from a range of variables, which include the value of the items delivered, the delivery costs, the wider overhead costs of running the Store service, any reductions to the equipment cost based on the % of the recycling rate for that type of item.

It has been agreed that improved reporting formats will assist in the understanding of the model and how costs to partners are calculated. A separate Briefing Note has been issued to the Finance leads to explain how this is calculated and then applied.

7. Adaptations costs

All adaptations and the costs of minor adaptations will be stripped out of the ‘Equipment’ budget lines and shown separately in a new Report to make it easier for Partners to see these separate types of pressures and the costs associated. This separate report will be developed by the Finance Group as part of ongoing work.

8. Summary

In summary, the Group has recommended the following improvements to the financial arrangements:

- An annual budget setting process that involves all Partners (Finance reps and Service managers) in agreeing the funding for the following financial year including all aspects of the Store service running costs (including actual staffing costs), as well as the equipment budgets.
- New Budget templates to support the budget setting and ongoing monitoring and reporting mechanism.
- Quarterly meetings of the Finance Group to review activity and budget pressures and report to overall Management group.

- Any proposed in-year Budget changes for the Store service or equipment budgets must be agreed and signed off by all Partners via the Finance and management Groups, prior to implementation.

Appendix 1

Appendix 2