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| Meeting of East Renfrewshire Health and Social Care Partnership | Integration Joint Board |
| Held on | 16 August 2017 |
| Agenda Item | 11 |
| Title | Budget Update 2017/18 and 2018/19 |
| Summary | |
| This report provides the Integration Joint Board (IJB) with an update on the current year budget position and the 2018/19 budget process. | |
| Presented by | Lesley Bairden, Chief Financial Officer |
| Action Required | |
| That the Integration Joint Board note: <ul style="list-style-type: none"> ▪ The current position on the 2017/18 NHS budget contribution ▪ The approach to 2018/19 funding scenario planning | |
| Implications checklist – check box if applicable and include detail in report | |
| <input checked="" type="checkbox"/> Finance/Efficiency | <input checked="" type="checkbox"/> Policy |
| <input checked="" type="checkbox"/> Risk | <input checked="" type="checkbox"/> Staffing |
| <input type="checkbox"/> Legal | <input type="checkbox"/> Property/Capital |
| <input type="checkbox"/> Equalities | <input checked="" type="checkbox"/> Directions |

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EAST RENFREWSHIRE INTEGRATION JOINT BOARD

16 August 2017

Report by Lesley Bairden, Chief Financial Officer

BUDGET 2017/18 and 2018/19

PURPOSE OF REPORT

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an update to the NHSGGC partner contributions to East Renfrewshire's Health & Social Care Partnership for Financial Year 2017/18 and the budget setting process for 2018/19.

RECOMMENDATION

2. That the Integration Joint Board note:
 - The current position on the 2017/18 NHS budget contribution
 - The approach to 2018/19 funding scenario planning

BACKGROUND

3. This report is a continuation in the series of budget update reports to the IJB with the last update to the IJB reported on 29 March 2017.
4. The main issues relating to the 2017/18 budget remain the confirmation of the NHSGGC revenue budget contribution and the implementation of the Fit for the Future change programme.
5. The report will also set out the proposed approach to planning for different funding scenarios for the 2018/19 budget for the HSCP.

REPORT

NHSGGC Revenue Budget Contribution 2017/18

6. We are close to a solution to agreeing the 2017/18 NHSGGC budget contribution for the current year. This reflects partnership working and will provide a pragmatic solution to stabilising the current year and allowing time to ensure a recurring solution for 2018/19 and beyond. For reference ERHSCP pro rata share of £3.6m is £0.2m. The IJB will be asked to approve the proposal once the proposal has been agreed between the HSCPs.
7. The savings requirement is now estimated at £0.3m, needed to fund the pay award, apprenticeship levy and pension contribution. The pay award and apprenticeship levy are included in the current revenue monitoring at £0.235m as these are known costs. The pension contribution implication to the HSCP is yet to be quantified (our pro rata estimate of the total cost is £0.07m).
8. This is a significant reduction in the expected level of savings since last reported in March as the Prescribing cost pressure, previously estimated at £0.4m has been mitigated through the work of the short life Prescribing Working Group tasked to review this area and deliver recurring savings by March 2018 .

9. The 2017/18 savings of c£0.3m will be met, in the main, from the Fit for the Future change programme.
10. We also need to consider an unallocated saving relating to Mental Health continuing care beds. This saving was proposed and agreed by HSCPs, recognising that the budget for continuing care is within the hospital set aside budget. Our share of the £0.6m saving is £42k which we will hold as unallocated until the redesign being led by Glasgow is complete.
11. The Scottish Government are providing support to NHSGGC to establish a local working group to review the funding mechanism for the set aside budget and an update will be provided to the next IJB. The HSCPs will initially be represented by two CFOs.
12. It should be noted that the finance team is now fully integrated with our senior management accountant (NHS) transferred to and located within the HSCP. A line by line review of all budgets is being undertaken to realign budgets as required and identify any further savings options.
13. A short life working group is being established to review the monitoring and reporting arrangements for hosted services, to allow a better understanding of activity and costs for each HSCP.

Fit for the Future Change Programme 2017/18

14. The Fit for the Future programme has a recurring savings target of £1.6m and whilst we have sufficient reserves to meet this in full in 2017/18 we intend to deliver part year savings at the earliest opportunity. The earlier we can deliver the part year impact the greater level of reserves we will retain (subject to our 2017/18 financial performance) to allow us to similarly approach our 2018/19 savings.
15. Detailed end to end reviews of RES services (3 clusters) will conclude at the end of the summer and for the remainder of Adult services will be completed by autumn. The end to end service review has consisted of extensive mapping of key processes, completion of the "Week in the Life of" exercise (staff captured the tasks and time taken to complete tasks over 5 days), workshops held with operational staff and managers to discuss current processes and potential areas to apply small tests of change, review of demand into teams and the source of demand.
16. Potential improvement opportunities are currently being identified and scoped out including:
 - A pilot to test digital dictation software. Utilising this software would enable front line staff to capture service user/patient notes in real time and reduce the time spent by professional staff updating client/patient systems
 - Removal of paper based processes to increase professional capacity
 - Clear roles, responsibilities and process owners
 - Opportunity to ensure IT solutions are fit for purpose and are appropriate to each role
17. The output from the service reviews will help inform the development of the HSCP workforce and organisational structure. High level work to draft potential structures is underway with detailed work with human resources and the staff partnership forum expected to commence in August.
18. The Community Led Support work stream is now testing hub sites to reduce referrals through a signposting and preventative approach. The learning from this pilot will also inform workforce and service planning.

19. Work has started on the methodology to allocate individual budgets, as underpinned by SDS legislation and adopting the principle of “Just Enough Support”. This will allow us to provide individual budgets, at the right level of resource to meet the outcomes of those who require support.
20. A key work stream will be the development of a RAS (Resource Allocation System) based on the principles of: Transparency, Simplicity and Sufficiency.
21. There will be a number of other work streams which will include:
 - A review of roles, remits and responsibilities to ensure we are best using our skills mix appropriately and efficiently
 - A revised approvals process to provide appropriate governance, support and challenge
 - An appropriate and fit for purpose charging policy
 - A review of all supporting policies, processes and procedures including the treatment of uplifts and inflation
 - A single glossary of terminology to ensure consistent use of language and understanding
22. In addition to the two key areas above other ongoing work includes:
 - A review of care packages to identify any scope for reduction, including redesign of sleepovers
 - Shared service opportunities continue to be explored
 - The redesign of Learning Disability long stay beds is progressing
 - Review of all non-pay and non-care package budgets and maximising all funding sources
 - Income generation potential from use and hire of buildings
 - Review all grant and non-recurring fund opportunities and identify exit strategies and / or future cost implications
 - Review use of all support recharges to ensure we understand all activity drivers and cost implications to the HSCP (ERC support cost are delegated whereas NHS are not)
23. In addition to the Fit for the Future savings we are delivering the previously agreed social care savings programme for 2017/18 of £2.64 million, per the 2015-18 budget set by the council. With the exception of Bonnyton House other savings areas are broadly to target.

2018/19 Budget Setting





24. Audit Scotland published the Social work in Scotland report in September 2016 which looked at the challenges facing social work services, how councils are addressing the challenges and the associated governance and scrutiny arrangements. The main messages from this report were reported to the Performance and Audit Committee on 23 November 2016.

25. The relevant key message relating to the 2018/19 budget is the estimated 16% to 21% increase in social care spend by 2020 if services continue to be provided in the same way:

Exhibit 7

Potential financial pressures facing Scottish councils by 2019/20

Councils face significant cost pressures.

| Reason for cost increase | Lower limit (£ million) | Upper limit (£ million) |
|--|----------------------------|----------------------------|
|  Demographic change (older people only) | £141 | £287 |
|  The Children and Young People (Scotland) Act 2014 | £98 | £98 |
|  The Carers (Scotland) Act 2016 | £72 | £83 |
|  The Living Wage | £199 | £199 |
| Potential cost increase by 2019/20 | £510 | £667 |

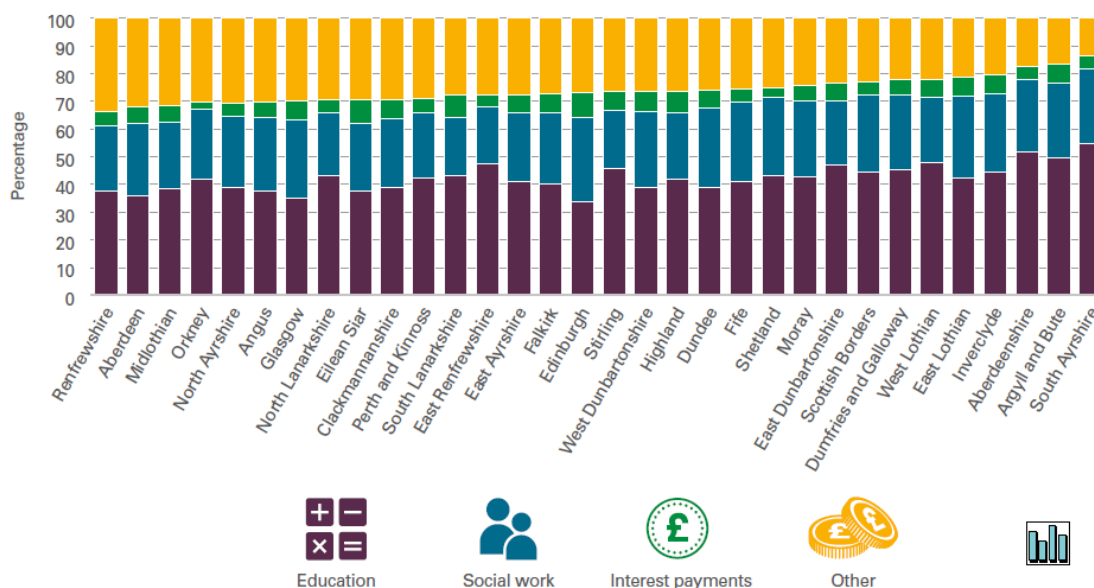
Source: Audit Scotland analysis of financial memorandums and information provided by the Scottish Government

26. The Audit Scotland report – Financial Overview 2015/16 identified that whilst the financial health of local government in Scotland was generally good there was recognition of the significant challenges ahead, with council budgets under increasing pressure from long-term decline in funding, rising demand for services and increasing costs. This report provided a useful overview that showed the percent of council's income spent on education, social work and interest payments in 2015/16:

Exhibit 17

Percentage of councils' income spent on education, social work and interest payments, 2015/16

Savings may be more difficult to identify where councils devote more spending to education, social work and paying interest on their external debt.



Notes: 1. Figures are from councils' accounts and include interest payments totalling £814 million, including annual interest costs associated with PFI/PPP/NPD projects. 2. The £1.5 billion debt servicing costs quoted elsewhere are on a funding basis and are not directly comparable for the purposes of this analysis and includes the annual repayments of debt related to PFI/PPP/NPD projects. 3. For the purposes of this analysis net spending on social work services includes money directed to and from Integration Authorities.

Source: Councils' audited accounts 2015/16

27. It can be seen from this table that proportion of East Renfrewshire council spend on social work was amongst the lowest nationally (comparable with South Lanarkshire and Stirling). When compared to our benchmark family (Aberdeen City, Orkney, Perth & Kinross, Edinburgh, Shetland, East Dunbartonshire and Aberdeenshire) the proportion of spend on social care is the lowest:
28. A recent discussion at a national CFO meeting suggested that the planning assumptions are between a 3% to 5% reduction over the coming 3 years. The overriding view was it will not be possible to deliver this through efficiencies and the sustained level savings of is now and will continue to impact on service delivery and outcomes.
29. Our local approach is threefold with the IJB being the decision making body for the HSCP budget, alongside working with our partners to inform the pressures and impact of reduced budget contribution on our services. As the IJB decision making process is in the public domain we cannot bring specific saving proposals for discussion, prior to our partners taking their budget decisions. It is therefore proposed to hold financial planning sessions for the IJB to consider the impacts of a range of funding scenarios and identify the impact and implication to service delivery. The outcome of these sessions can inform public consultation on any likely savings impacts.

30. The council budget setting process is underway which involves providing information to the Budget Strategy Group on the implications of potential savings as well as spending pressures. Whilst the decision making process to agree the HSCP budget sits with the IJB the ERC council elected members need to understand the impact that any budget reductions will have on the services delivered by the HSCP. To facilitate this and help inform the council decision on the proposed contribution to the IJB we are proactively involved and are providing the council with a number of savings templates. The council savings process identifies a savings range and departments provide savings proposals to meet that range. The cost pressures are identified separately.
31. Whilst we recognise the need to plan on a range of funding scenarios there is a balance and risk with identifying and costing specific savings proposals that may not be required as the budget settlement may include a minimum contribution to the IJB and / or include specific funding such as the Social Care fund. In the past few weeks a number of Scottish Government consultations have been conducted and included:
- 2018/19 budget call for views
 - Living wage and sleepover costs
 - Impact of carers legislation
 - Impact of extending free personal care to under 65s
32. The 2018/19 budget setting with NHSGGC will be an iterative process following agreement of the 2017/18 budget.
33. The savings and pressures information being developed will inform our partner and our own decision making process.
34. The CFO has modelled the financial impact of a range of funding scenarios from flat cash, 3% to 5% reduction and a higher level of reduction reflecting the current range of savings that are included in the council assumptions. This will include the impact on the HSCP from any savings proposals that affect other council departments and support services.
35. In addition to the above we will need to consider the likely housing budget for aids and adaptations (capital and revenue of c£0.6m) and work closely with our partners and with the other HSCPs to ensure the totality of budget decisions do not have negative impacts on our partnership.
36. We will need to further develop our future financial strategy and reporting to better allow us to quantify and monitor the financial implications resulting from our commissioning plan, to plan, budget and report on outcomes based budgets and to report at a locality level. The CFO has high level scenarios for a range of future funding impacts, however it needs to be recognised that future years need to be developed when the current year budget is confirmed and the likely funding for 2018/19 is clearer.
37. Our reserves strategy is well developed and will continue as an integral element of our financial planning. The current reserves, subject to the audit of our accounts are included within the revenue monitoring report.

2019/20 and Beyond

38. There remains a high level of uncertainty over likely levels of future funding and as with the scenario planning approach for 2018/19 we will develop a range of scenarios to demonstrate a number of “what ifs”.

Risks

39. There are a number of risks in relation to the current and future years, including:
- Agreed and approved budget contributions
 - Delivery of the Fit for the Future change programme
 - Bonnyton saving delivered and existing savings and turnover targets met
 - Redesign of sleepovers
 - Winter pressures, special observations etc.
 - Delivering targets and outcomes such as delayed discharge and waiting times
 - Managing demand and the impact of legislation changes (e.g. carers)

FINANCE AND EFFICIENCY

40. All financial implications are discussed in full in the report above.

CONSULTATION

41. The Council's Section 95 Officer and NHSGGC Assistant Director of Finance will receive copies of this report. The staff partnership and GP forums receive regular updates on the HSCP financial position.

PARTNERSHIP WORKING

42. The IJB revenue budget is determined by contribution of revenue budgets for the HSCP from East Renfrewshire Council and NHS Greater Glasgow & Clyde.

IMPLICATIONS OF THE PROPOSALS

43. The financial sustainability of the HSCP is addressed above. The Chief Financial Officer for the IJB has a statutory duty (Section 95 responsibility) to set a balanced budget. The final budget for the IJB for 2017/18 cannot be set until the NHSGGC contribution is approved.
44. As advised in the March update the IJB operates within a finite resource and the Chief Financial Officer will regularly advise the IJB on financial performance and advise on required action to operate within resource.
45. The risks, staffing and other implications are included above. At this stage there are no equality implications.

CONCLUSIONS

46. The 2017/18 budget for the IJB cannot be finalised until the NHSGGC contribution is agreed. The IJB is well placed to deal with the 2017/18 challenge with a planned reserve strategy to allow phased saving implementation in 2017/18.
47. The 2018/19 budget settlement and budget setting process will provide very significant challenge given the current financial outlook and a transparent and timely process to agree budget contributions is needed.

RECOMMENDATIONS

48. That the Integration Joint Board note:

- The current position on the 2017/18 NHS budget contribution
- The approach to 2018/19 funding scenario planning

REPORT AUTHOR AND PERSON TO CONTACT

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16 August 2017

BACKGROUND PAPERS

IJB Budget Update – 30 March 2017

Performance and Audit Committee 23 November 2016 Agenda Item 8: Audit Scotland
Report – Social Work in Scotland