



<b>Meeting of East Renfrewshire Health and Social Care Partnership</b>	Integration Joint Board
<b>Held on</b>	29 November 2017
<b>Agenda Item</b>	12
<b>Title</b>	Budget Update 2017/18 and Financial Planning 2018/19 to 2020/21
<b>Summary</b>	
<p>This report provides the Integration Joint Board (IJB) with an update on the 2017/18 budget and the financial planning process for 2018/19 to 2020/21.</p>	
<b>Presented by</b>	Lesley Bairden, Chief Financial Officer
<b>Action Required</b>	
<p>That the Integration Joint Board note:</p> <ul style="list-style-type: none"> <li>▪ The current position on the 2017/18 budget</li> <li>▪ The key issues and approach to planning for 2018/19 to 2020/21</li> </ul>	
<b>Implications checklist – check box if applicable and include detail in report</b>	
<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****29 November 2017****Report by Chief Financial Officer****BUDGET 2017/18 and FINANCIAL PLANNING 2018/19 to 2020/21****PURPOSE OF REPORT**

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an update on the 2017/18 budget and the financial planning process for the year 2018/19 to 2020/21.

**RECOMMENDATION**

2. That the Integration Joint Board note:
  - The current position on the 2017/18 budget
  - The key issues and approach to planning for 2018/19 to 2020/21

**BACKGROUND**

3. This report is a continuation in the series of budget update reports to the IJB with the last report to the IJB on 16 August 2017 and the last seminar on 8 September 2017.
4. The issues relating to the 2017/18 budget remain the delivery of savings, including the implementation of the Fit for the Future change programme and identifying a recurring solution to the £3.6 million HSCP wide shortfall in the NHSGGC contribution.
5. The report identifies a range of funding scenarios for the period 2018/19 to 2020/21 and sets out the approach to financial planning for this period.

**REPORT****2017/18 Budget**

6. The issues relating to the 2017/18 budget (currently £112.9 million, with a recurring base budget of £111.2 million) are delivery of savings, including Fit for the Future and the NHSGGC funding shortfall. These are discussed further below:
7. The existing savings target totals £4.4 million for the current year of which £2.64 million relates to specific proposals previously agreed and £1.74 million from the Fit for the Future redesign. The budget monitoring report shows progress against all savings at Appendix 8, so the detail will not be replicated here. In summary:

2017/18 Savings	Target £'m	Achieved to Date £'m	Over / (Under) Recovery £'m
Specific Proposals from 2015-18 budget	2.640	2.756	0.116
Fit for the Future Change Programme	1.740	0.786	(0.954)
Total	4.380	3.542	(0.838)

8. The existing savings are overall on target with some degree of over recovery in the current year, however £106k may be used, subject to review of the test of change, to invest in Inclusive Support. The remaining £10k will be offset against the Fit for the Future programme full year in 2018/19.
9. There is however one saving relating to Bonnyton House of £600k which is being supported by £425k non-recurring funding from our partner ERC. This is discussed in a separate report on the agenda.
10. The remaining Fit for the Future savings of £0.954 million need to be achieved from the implementation of a new staffing structure, as well as continued review of all budget lines, the implementation of an individual budget module and reduced referrals through a signposting and preventative approach. A number of other budget saving potential areas, as identified in the last report continue to be progressed including:
  - Ongoing 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)
11. The changes to the staffing structure will be implemented in a phased approach. All other progress will be reported to the IJB via the budget update and revenue monitoring reports, or by separate report as required.
12. The IJB will recall we had planned to use a maximum of £1.74 million bridging finance per our agreed strategy and to date have achieved £0.786 million so will utilise £0.954 million in the current financial year. This will leave us with £1.5 million to bridge any shortfall in the full year effect in 2018/19 and should allow some bridging of 2018/19 pressures.
13. The shortfall of £212k in the NHSGGC contribution, represents our HSCP share of the £3.6 million partnership funding gap, is being met on a one off contribution basis in the current financial year, funded from the in-year pressure reserve. A recurring solution remains to be agreed and is still being worked on.
14. The historic pension liability currently at £70k for the current year is included in the Fit for the Future savings target, this should diminish over time so will give some (albeit not material) scope for future savings.
15. There is an unallocated saving of £600k HSCP wide relating to the expected redesign of continuing care beds, of which our share is £42k. This is being managed within the bottom line until the redesign is undertaken.

Financial Planning 2018/19 to 2020/21

16. As previously reported a number of funding scenarios have been modelled to identify the impact of a range of cost pressures and potential funding contributions to the IJB. These are discussed later in this report.
17. The Chief Financial Officer and the Head of Strategic Services have agreed that rather than a stand-alone document the forward financial planning should be an integral element of the strategic plan. The Strategic Planning Group has commenced work on the 2018/19 to 2020/21 plan which will be agreed by March 2018. The financial implications within the plan will include all components expected of a medium term financial strategy, including:
- Detailed budgets by service, by locality and by outcomes
  - Scenario planning
    - i. Funding levels
    - ii. Service redesign and market position
    - iii. Workforce planning
  - Prioritisation for budget savings and investment
  - Reserves and bridging strategies
  - Consultation
18. The IJB will continue to receive separate budget update reports, covering the immediate and short term issues. This will also include the due process and timetables, settlement implications, risks and will maintain the growing “library” of budget update reports. This will also provide the IJB with information on the progress and / or any specific issues with our funding partners.
19. The CFO will also develop a longer term financial strategy covering a ten year period and any significant changes to the medium term plan will be brought to the IJB as required.
20. In addition to our local work there are two working groups currently looking at the funding mechanism for the set aside budget and the reporting arrangements for hosted services.
21. The last report confirmed that the CFO section planning assumptions were between a 3% to 5% reduction per annum over the coming 3 years. This has subsequently been considered optimistic and the modelling below extends this to 7%. The overriding view remains that 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.
22. The table below shows the likely level of cost pressures and potential savings impact.

	2018/19 £'m	2019/20 £'m	2020/21 £'m	Cumulative £'m
Cost Pressures	3.7	3.1	3.1	9.9
<b>Savings Required – Funding Scenarios</b>				
1. All costs fully funded	0	0	0	0
2. Flat Cash	(3.7)	(3.1)	(3.1)	(9.9)
3. Pressures fully funded but 3% reduction	(3.4)	(3.5)	(3.6)	(10.6)
4. Pressures fully funded but 5% reduction	(5.7)	(5.9)	(6.1)	(17.7)
5. Pressures fully funded but 7% reduction	(8.0)	(8.3)	(8.5)	(24.8)

23. The current 2017/18 budget is £112.9 million excluding the set aside and housing budgets. Within this budget the GP contract costs of £22.2 million are effectively fixed so the “available budget” to compare savings to is £90.7 million – so the potential savings

equate to a 4%, 6% and 9% reduction against the controllable budget. However this does not include the set aside budget for unscheduled care c£14.6 million and subject to appropriate governance this budget will be included in our financial planning and as such will be subject to redesign and savings proposals.

24. The cost pressures include pay award, inflation, demographic increases, prescribing cost pressures, estimated impacts of carer's legislation and extension of free personal care and fair work practices. These pressures will be subject to revision following any specific funding as part of the budget settlement.
25. 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 cost pressure details nor saving proposals for discussion, prior to our partners taking their budget decisions. Accordingly the scenarios reported above are at a summary level and give a broad indication of possible funding scenarios.
26. The consultation on the detail of the IJB budget, including identification of detailed savings options will follow consultation as part of the strategic planning process.
27. 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.
28. The council is currently undertaking a budget consultation through the "Budget Conversation" process which closes on 28 November 2017. Page 26 of the document identifies a £9.113 million or 20% reduction in funding by 2021 once demand and inflation have been taken into account. The council meeting to agree the budget is expected on 8 February 2018.
29. The Scottish settlement is currently expected on 14 December 2017.
30. The IJB will meet on 14 February 2018 where the 208/19 budget will be proposed (subject to settlement dates) and on 4 April 2018 where the Strategic Plan will be presented for approval.
31. The NHS budget setting timetable will not allow an agreed budget contribution prior to the start of 2018/19 and therefore, as in prior years, a pragmatic approach will be taken with an agreed working assumption. The continued assumption is that budgets are likely to be on a flat cash basis, so savings will be required to fund cost pressures.
32. As reported in August 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 months 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
33. We await confirmation of any funding to support the associated cost pressures.
34. Similarly the recent announcements of removal of pay caps will bring additional cost pressures if not fully funded.
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. 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.

## **FINANCE AND EFFICIENCY**

37. All financial implications are discussed in full in the report above. The Chief Financial Officer for the IJB has a statutory duty (Section 95 responsibility) to set a balanced budget.
38. As previously advised the IJB operates within a finite resource and the Chief Financial Officer will regularly advise the IJB on financial performance and also advise on required action to operate within resource.

## **CONSULTATION**

39. 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**

40. 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**

### Risk

41. There are a number of risks in relation to the current and future years, including:
- Agreed and approved budget contributions for 2018/19 and ideally a jointly agreed future year plan
  - 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, out of area placements
  - Delivering targets and outcomes such as delayed discharge and waiting times
  - Managing demand and the impact of legislation changes (e.g. carers, free personal care, fair work practices)
  - Treatment of prescribing costs without the continuation of the existing risk share agreement
  - Implications from consumption of hosted services – currently no cash impact
  - Pay cap removal – fully funded?
  - Changes to the GP contract

Policy

2. None

Staffing

3. Staffing implications will be addressed through the fit for the future programme.

Legal

4. None

Property/capital

5. None

Equalities

6. None at present. All equalities issues will be addressed through future budget decisions.

Directions

7. All implications on directions will be identified when the 2018-19 budget is agreed.

**CONCLUSIONS**

42. The 2018/19 budget settlement and budget setting process are expected to provide very significant challenges given the current financial outlook. A transparent and timely process to agree budget contributions is needed.

**RECOMMENDATIONS**

43. That the Integration Joint Board note:
- The current position on the 2017/18 budget
  - The key issues and approach to planning for 2018/19 to 2020/21

**REPORT AUTHOR AND PERSON TO CONTACT**

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29 November 2017 2017

HSCP Chief Officer: Julie Murray

**BACKGROUND PAPERS**

IJB 29.03.2017 – Item 10: Budget Update  
<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=19794&p=0>

IJB 16.08.2017 – Item 11: Budget Update  
<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=20680&p=0>

PAC 23.11.2016 - Item 8: Audit Scotland Report – Social Work in Scotland  
<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=18885&p=0>