



<b>Meeting of East Renfrewshire Health and Social Care Partnership</b>	Integration Joint Board								
<b>Held on</b>	5 <sup>th</sup> October 2016								
<b>Agenda Item</b>	11								
<b>Title</b>	Budget Update								
<p><b>Summary</b></p> <p>The report provides updates on 2016/17 budget, progress on achieving existing savings, implications of the costs of living wage, budget pressure areas and the proposed process for finalising the 2017/18 budget, including work to identifying potential new savings.</p>									
<b>Presented by</b>	Lesley Bairden, Chief Financial Officer								
<p><b>Action Required</b></p> <p>That the Integration Joint Board note:</p> <ul style="list-style-type: none"> <li>• The progress to date against existing and new savings targets</li> <li>• Progress with the implementation of the living wage and financial implications of fair work practices</li> </ul> <p>That the Integration Joint Board agree;</p> <ul style="list-style-type: none"> <li>• To receive detailed proposals at the November meeting of the IJB to achieve recurring financial balance for 2016/17 and 2017/18</li> <li>• To receive an analysis of the impact the proposed funding reductions will have on the delivery of outcomes per our strategic plan.</li> </ul>									
<p><b>Implications checklist – check box if applicable and include detail in report</b></p> <table style="width: 100%; border: none;"> <tr> <td><input checked="" type="checkbox"/> Financial</td> <td><input checked="" type="checkbox"/> Policy</td> <td><input type="checkbox"/> Legal</td> <td><input checked="" type="checkbox"/> Equalities</td> </tr> <tr> <td><input checked="" type="checkbox"/> Staffing</td> <td><input type="checkbox"/> Property</td> <td><input type="checkbox"/> IT</td> <td><input type="checkbox"/> Efficient Government</td> </tr> </table>		<input checked="" type="checkbox"/> Financial	<input checked="" type="checkbox"/> Policy	<input type="checkbox"/> Legal	<input checked="" type="checkbox"/> Equalities	<input checked="" type="checkbox"/> Staffing	<input type="checkbox"/> Property	<input type="checkbox"/> IT	<input type="checkbox"/> Efficient Government
<input checked="" type="checkbox"/> Financial	<input checked="" type="checkbox"/> Policy	<input type="checkbox"/> Legal	<input checked="" type="checkbox"/> Equalities						
<input checked="" type="checkbox"/> Staffing	<input type="checkbox"/> Property	<input type="checkbox"/> IT	<input type="checkbox"/> Efficient Government						

# **EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

**5 October 2016**

**Report by Lesley Bairden, Chief Financial Officer**

## **BUDGET UPDATE 2016/17 and FUTURE YEARS FINANCIAL STRATEGY**

### **PURPOSE OF REPORT**

1. This report provides an update on the budget for 2016/17 and 2017/18.

### **RECOMMENDATION**

2. It is recommended that:

That the Integration Joint Board note:

- The progress to date against existing and new savings targets
- Progress with the implementation of the living wage and financial implications of fair work practices

That the Integration Joint Board agree;

- To receive detailed proposals at the November meeting of the IJB to achieve recurring financial balance for 2016/17 and 2017/18
- To receive an analysis of the impact the proposed funding reductions will have on the delivery of outcomes per our strategic plan.

### **BACKGROUND**

3. This report follows from the previously reported budget updates to the IJB from March 2016 to date.
4. The report provides updates on 2016/17 budget, progress on achieving existing savings, implications of the costs of living wage, budget pressure areas and the proposed process for finalising the 2017/18 budget, including work to identifying potential new savings.
5. A number of appendices support this report:

Appendix	Purpose
1	Funding Directions 2016/17
2a	ERC 2016/17 existing savings
2b	NHS 2016/17 existing savings
3	ERC 2017/18 existing savings

## REPORT

### 2016/17 Revenue Budget

6. The IJB will recall that previous reports have set out in detail our 2016/17 revenue budget contributions from our partners, including the application of the Integration, Integrated Care and Delayed Discharge Funds. Appendix 1 Funding Directions provides information.
7. The 2016/17 ERC revenue budget contribution of £46.137 million is net of existing savings of £1.575 million, with progress summarised at Appendix 2a. The savings for the current year will be achieved in full.
8. The 2016/17 NHS revenue budget contribution of £65.178 million is net of the £1.152 million new savings target applied by NHSGGC for the current year. The August budget report confirmed the NHS approach to savings allocations, the associated issues and impact on our Partnership and the required savings will need to be met from the £20.2 million controllable elements of the budget, progress is summarised at Appendix 2b. Given the timing of the NHS 2016/17 financial plan and associated budget notification to the IJB a full year saving will not be achievable in 2016/17 and NHSGGC have confirmed non-recurring support in the current year, on the basis that we achieve the saving on a recurring basis in 2017/18.
9. At its last meeting the IJB approved the review of the application of all funding streams to maximise uncommitted resource to help avoid cuts to frontline services. Further work has been undertaken and we can potentially re-align £0.5 million social care activity to be met from the Integration Fund, therefore releasing savings potential within the NHS budget. Detailed proposals will be included in the November report.

### Living Wage and Fair Work Practices

10. We have recently concluded the tender for a new Care and Support framework which includes the costs of fair work practices. This market test has enabled us to update our equivalence rate to reflect the impact of living wage. The new framework will come into operation for all new care and support packages as of 1 October 2016. It is our intention to migrate existing packages to the new framework over the remainder of the financial year.
11. As an interim measure we will increase pre-existing provider rates by 5% up to the level of the new equivalence rate. A similar uplift will be offered to Care at Home providers, on our new Care at Home Framework, which was tendered prior to Scottish Government issuing final living wage guidance.
12. Based on the above the impact of the cost of living wage has now been quantified with a potential full year cost pressure of up to £175k to in 2017/18, reflecting framework rates and interim arrangements. This cost pressure is after the additional allocation from the Integrated Care Fund of £250k agreed in August. It is our intention to manage this pressure through migration of pre-existing support packages to the new framework.

13. As a result of the fair work practices, an additional cost pressure will arise from existing sleepovers / waking nights arrangements. The potential impact could be as much as £250k. It is our intention to continue to work with providers to review the use of this time and explore alternative methods of delivery.
14. We will mitigate the cost pressures outlined above from reserves, funded by investment of the part-year effect in the current year, as previously agreed.
15. The impact of the Living Wage on future years is being modelled and will be included in the November report.

#### 2017/18 Revenue Budget

16. We have an indicative ERC budget contribution of £45.77m for 2017/18 as part of the council budget agreed in February 2016, inclusive of £2.8 million savings. As previously advised the contribution is likely to be in the range of £43.4m to £45.4m dependant on the final settlement. Current indications are the budget contribution is likely to be at the lower end of this range. Any additional savings on top of the existing 2017/18 savings programme will be very challenging, particularly given the increasing demand and pressure on our services.
17. At this stage for the NHS budget contribution we need to plan for a similar level of savings for 2017/18 i.e. £1.2 million. Assuming this reduces the controllable budget of £20.2 million to £19 million. The NHS financial planning timetable for 2017/18 is being brought into line with council timetables and we expect to have an indicative position for our November report. The only tangible way to meet this level of saving challenge will be through a reduced workforce, potential reduction / cessation of some services.
18. There are a number of budget pressures we are reviewing:

Pressure	Potential treatment
Older People Demographics	Discuss with partners
Living Wage – next tranche 2017/18 and beyond	
Learning Disability complex packages	
Unaccompanied Asylum Seekers	
Adult Transition Cases	
Fostering / Adoption / Kinship rates	
Premises (time limited)	
School Based Social Workers	
Sleepover / Waking Nights – Fair Work Practices	
Shift in the Balance of Care	
Living Wage – 2016/17	Contain through review of packages
Equipment (contract and CM2000)	Discuss equip-u with NHS, contain CM2000 against saving
SDS (increase in monitoring & support)	Include cost increase in new saving proposal
Clinical Director Sessions	Contain within existing resources

19. There are working assumptions that we will be funded for normal levels of inflation, pay award and other similar uplifts such as auto-enrolment.
20. We are currently reviewing the Audit Scotland publication "Social Work in Scotland" which sets out the challenges facing social work services and how councils are addressing these challenges to support our budget setting.
21. The UK budget settlement for 2017/18 is expected on 23 November, with the Scottish settlement on 14 December, however at this stage we are not clear what level of detail this will contain.
22. We have confirmation that the 2016/17 Integration Fund is included in the base budget funding, however do not yet have any confirmation of additional funding for 2017/18.
23. ERC budget strategy group will meet on 27 October and consider spending pressures and savings. NHSGGC Board will meet on 18 October and consider a budget update.

#### Integration Fund

24. The £3.62 million Integration Fund is fully committed, reflects previous decisions and is allocated:

£'000	Application
928	To fund adult demographic pressures
100	To fund aids and adaptations increases relating to increased demographics
710	East Renfrewshire Council pressures
165	Living wage already in ERC contribution
1,185	Living wage (£935k original plus £250k agreed allocation). Agreed part year contribution to reserves to smooth savings.
30	Charging Threshold revision
502	Agreed contribution to reserves in 2016/17 to smooth savings, reallocate to meet savings for 2017/18
3,620	Total Fund

#### Work stream activity

25. As previously discussed we are looking at a number of work streams across the partnership to support the deliver savings in the medium to longer term to ensure our ongoing viability. The work streams currently being developed are:

Work stream	Description
Data and Analytics	We are developing management information to support devolved budgets and associated savings targets. Higher level analytical work will support strategic commissioning, locality planning and financial modelling.

Capacity Building	Community led support work is underway. It is anticipated that over time this will support the HSCP to manage demand (shift to an early intervention/preventative model). Alongside this will review our Self Directed Support (SDS) equivalence model considering alternative options including resource allocation models.
Workforce Planning & development	We need to review our processes and ensure the right level of resources and appropriate use of skill mix to meet demand. Discussions will commence within Community Care at the beginning of October to agree a way forward and Staff Partnership will be fully involved.
Change Programme Capacity & Facilitation	We have agreed to invest in the short term over a number of change programmes and projects to achieve existing savings, identify new savings, meet capacity demands and inform new ways of work. Additional short term capacity will be required to support the migration to the new care and support framework maximising the opportunities for savings and efficiencies.

### Reserves

26. Our previously agreed strategy to create a fund to smooth savings over the period 2016/17 to 2018/19 this now sits at approximately £0.9 million representing the £0.5 million current year investment and a potential £0.4 million part year effect of fair work practices – however we will need to call on this to manage transition pressures. Our agreed investment strategy allows us to buffer the 2017/18 and 2018/19 savings targets until full year effect is achieved and as such these funds are fully committed.

### Housing Related Budgets

27. We have previous identified £0.6 million which relates to housing aids and adaptations. We will consider the impact of demographic pressures, the shift in the balance of care, the preventative agenda on this budget. Work remains ongoing with our Housing colleagues to agree process for future reporting and budget implications.

### Set Aside Notional Budget

28. There have been no further updates since last reported.

### Process and Timescale

29. The mechanism for our partners identifying the budget contribution to the IJB remains an active discussion, with recognition that the individual partner's process for budget setting now needs to reflect the IJB responsibility for negotiating pressures, agreeing savings and setting directions. As detailed above our partners

will meet in October to consider their budgets and associated impacts on contributions to the IJB.

30. We are working on a protocol to agree in-year changes to our funding directions, recognising that directions will vary both to and from each partner, reflecting in-year decisions and associated budget adjustments.
31. We will bring a detailed budget paper including detail of savings proposals, pressures, funding reallocations to the November meeting of the IJB and will also hold a seminar in advance of the meeting.
32. We will work with Trade Union colleagues through our staff partnership forum and separate meetings to follow best practice and due process for all proposals.
33. The IJB need to ensure that we secure non-recurring support from NHSGGC, as discussed in August. This is not yet confirmed and discussions remain ongoing.
34. The Chief Officer and the Chief Financial Officer will continue to work closely with the Director of Finance of NHSGGC to closely monitor our own progress as well as that of other partnerships, acute and corporate services.
35. The IJB must also continue to consider, monitor and influence NHSGGC basis of funding allocations. There is acknowledgement that East Renfrewshire is not funded on a like for like basis, given our long history of integration, historic resource transfer settlements and the non-use of NRAC funding place undue burden on us given the demographics of our population.

## **FINANCE AND EFFICIENCY**

36. All financial implications are discussed in full in the report above. The IJB will continue to receive budget updates at each meeting and through seminars.

## **CONSULTATION**

37. The Council's Section 95 Officer and NHSGGC Assistant Director of Finance will be consulted in full on the implications from this and the detailed report to follow in November. Discussions remain ongoing with NHSGGC over the revenue budget contribution, the timing of savings and application of any board non-recurring funding and the indicative set aside budget.

## **PARTNERSHIP WORKING**

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

## **IMPLICATIONS OF THE PROPOSALS**

39. As the Partnership will continue to operate across the two parent bodies there are currently no implications for
- Staffing
  - Property
  - Legal
  - IT
  - Equalities
40. The financial sustainability of the HSCP is addressed above.
41. The detailed savings and change proposals will be subject to an equalities impact assessment as these are refined.

## **RISK**

42. The previous report to the HSCP outlined a number of risks, that we will continue to monitor:
- Sufficient future funding to deliver core services, including funding mechanisms to support shifting the balance of care, allowing implementation of new service delivery models
  - Delivery of existing savings plans, impact of shortfalls and timing delays
  - Impact of additional in year savings allocations
  - Future demographic pressures, ensuring these are identified, quantified and funded
  - Future year impacts of Living Wage and other policy decisions
  - Securing NRAC parity in future funding allocations
  - Impact reduced funding will have on performance including HEAT targets
  - Impact reduced funding will have on our ability to deliver outcomes set out in our strategic plan

## **CONCLUSIONS**

43. The 2016/17 total revenue budget, will inform development of the HSCP Financial Strategy for 2016/17 to 2018/19, as well as the basis of service planning and financial monitoring. Recurring financial balance needs to be achieved in future years to ensure financial sustainability.

## **RECOMMENDATIONS**

44. It is recommended that the Integration Joint Board note:
- The progress to date against existing and new savings targets
  - Progress with the implementation of the living wage and financial implications of fair work practices

That the Integration Joint Board agrees;

- To receive detailed proposals at the November meeting of the IJB to achieve recurring financial balance for 2016/17 and 2017/18
- To receive an analysis of the impact the proposed funding reductions will have on the delivery of outcomes per our strategic plan.



## **REPORT AUTHOR AND PERSON TO CONTACT**

45. Lesley Bairden, Chief Financial Officer

lesley.bairden@eastrenfrewshire.gov.uk

0141 577 3355 or 0141 577 4030

5 October 2016

## **BACKGROUND PAPERS**

IJB Budget report 30 March 2016

Budget update report to IJB 1 June 2016

Budget update report to IJB August 2016

ERC Budget setting report 9 March 2016

NHS Board 2016/17 financial plan paper 28 June

IJB budget report August 2016

## **KEY WORDS**

Finance, budget, revenue, savings, pressures, integration fund,

**Funding Directions Summary 2016/17**
**Appendix 1**

<b>Funding Sources in to the IJB:</b>	NHS £'000	ERC £'000	IJB £'000	Total £'000
Revenue Budget Contribution	59,627	46,137		105,764
Integration Fund	3,621			3,621
Integrated Care Fund	1,430			1,430
Delayed Discharge	500			500
Sub-Total Direct Revenue Funding	65,178	46,137	-	111,315
Housing Aids & Adaptations *		632		632
Set Aside Notional Budget	13,425			13,425
Total Funding - per Original Budget	78,603	46,769	-	125,372
<b>Subsequent Budget Adjustments</b>				
Prescribing	866			866
Family Health Services	(211)			(211)
Auto Enrolment	29			29
Early Years Change Fund		(48)		(48)
Health Improvement	31			31
Current Total Funding	79,318	46,721	-	126,039
<b>Directions to Partners:</b>				
Revenue Budget Contribution	60,342	46,089		106,431
Integration Fund - budget 30 March		1,903		1,903
Integration Fund - living wage part year effect		744	441	1,185
Integration Fund - charging thresholds		30		30
Integration Fund - agreed contribution to reserves			503	503
Integrated Care Fund	365	1,065		1,430
Delayed Discharge	165	335		500
Sub-Total Direct Revenue Funding	60,872	50,166	944	111,982
Housing Aids & Adaptations		632		632
Set Aside Notional Budget	13,425			13,425
Total Funding	74,297	50,798	944	126,039

\* Includes capital spend

Existing Savings agreed as part of 2015/16 to 2017/18 ERC Budget

Appendix 2a

	2016/17	Progress
<b>Children &amp; Families / Justice</b>	<b>£'000</b>	
Children & Family Structure	90	Service restructured
Fostering & Adoption	60	Campaigns ongoing
Early Years	100	Early Years Change Fund budget revised and managed
Respite Reprovision	50	Budget reduced and being managed
C&F Youth Counselling Services	50	Service restructured
	<b>350</b>	
<b>Strategic Services</b>		
Strategic Services Business Support Workforce	97	Reviews ongoing
Strategic Services Support Services	66	Reviews ongoing
	<b>163</b>	
<b>Community Care</b>		
Care at Home	160	Target met, work ongoing for future reablement modelling
Older People Care Home trends Nursing to Residential	185	has reduced as planned, however pressures within residential
Older People Jewish Care Redesign	20	Redesign complete
Learning Disability Redesign	515	Programme of reviews in place, out of area reviews near completion, moving to wider reviews
Mental Health Redesign	50	Redesign complete
Addictions	13	Budget reduced and being managed
Respite Reprovision	100	Budget reduced and being managed
	<b>1,043</b>	
<b>System Wide</b>		
All Services Misc Suppliers & Admin	4	Budget reduced and being managed
Car Users	15	Budget reduced and being managed
	<b>19</b>	
<b>Total Existing Savings</b>	<b>1,575</b>	

**NHS New Savings as part of 2016 /17 NHS Budget**

**Appendix 2b**

	<b>2016/17 Part Year Effect £'000</b>	<b>2017/18 Full Year Effect £'000</b>	<b>Progress</b>
Alcohol & Addictions	50	100	Service redesign commenced
Community Children's Services		17	System wide redesign
PHI System Wide		22	System wide redesign
Turnover	150	150	Based on current trend
Discretionary Spend	20	50	Detailed proposal for November meeting
Reallocation of Integration Fund		500	Detailed proposal for November meeting
Accommodation (move to Eastwood)		40	Based on finance model for EHCC
Organisational Development		40	Service redesign commenced
District Nursing		43	Dependant on Year 3 RAM
School Nursing			Possible system wide approach
Mental Health CAPA			Options to be reviewed
Learning Disability Inpatients			
Blythswood Flat - Commissioned Support		25	Commissioned service being reviewed
Out of Area Placement - Commissioned Support		150	Commissioned service being reviewed
Academic Research, Support and Policy			Options to be reviewed
Academic Admin Support		20	
<b>Total Existing Savings</b>	<b>220</b>	<b>1,157</b>	

	<b>2017/18</b>
	<b>£'000</b>
<b>Children &amp; Families / Justice</b>	
Children & Family Structure	
Fostering & Adoption	60
Residential Delivery	140
Early Years	100
	<b>300</b>
<b>Strategic Services</b>	
Strategic Services Support Services	66
	<b>66</b>
<b>Community Care</b>	
Care at Home	210
Older People Day Services Review	60
Older People Bonnyton	600
Older People Jewish Care Redesign	21
Learning Disability Redesign	505
Mental Health Redesign	50
Integrated Care Fund	336
Review of Charging	220
	<b>2,002</b>
<b>System Wide</b>	
Car Users	15
Workforce Planning	417
	<b>432</b>
<b>Total Existing Savings</b>	<b>2,800</b>