



<p>Meeting of East Renfrewshire Health and Social Care Partnership</p> <p>Held on</p>	<p>Integration Joint Board</p> <p>7 October 2015</p>
<p>Agenda Item</p>	<p>5</p>
<p>Title</p>	<p>Financial Due Diligence</p>
<p>Summary</p> <p>This report sets out the required due diligence process to establish that the starting budget for East Renfrewshire's Health & Social Care Partnership is sufficient to meet all objectives as identified in the Partnership's Strategic Plan.</p>	
<p>Presented by</p>	<p>Lesley Bairden, Chief Financial Officer</p>
<p>Action Required</p> <p>That the Integration Joint Board:</p> <ul style="list-style-type: none"> • Note the due diligence work undertaken • Note the 2015/16 current revenue budget and the indicative part year implications to the IJB • Agree to receive future updates as outstanding issues are clarified 	
<p>Implications checklist – check box if applicable and include detail in report</p> <p> <input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Policy <input type="checkbox"/> Legal <input type="checkbox"/> Equalities <input type="checkbox"/> Staffing <input type="checkbox"/> Property <input type="checkbox"/> IT <input type="checkbox"/> Efficient Government </p>	

EAST RENFREWSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP

INTEGRATION JOINT BOARD

7 October 2015

Report by Julie Murray, Chief Officer

FINANCIAL DUE DILIGENCE

PURPOSE OF REPORT

1. The purpose of this report is to provide the Integrated Joint Board (IJB) with the partnership starting budget for 2015/16 (excluding set aside budgets for large hospital and hosted services) and the associated due diligence process undertaken to arrive at this budget.

RECOMMENDATION

2. It is recommended that the Integration Joint Board:
 - Note the due diligence work undertaken
 - Note the 2015/16 original revenue budget and the indicative part year implications to the IJB
 - Agree to receive future updates as outstanding issues are clarified

BACKGROUND

3. The Public Bodies (Joint Working)(Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. This established the framework for the integration of Health & social Care in Scotland.
4. The IJB is a legal entity in its own right, created by Parliamentary Order, following Ministerial approval of the Integration Scheme. NHS Greater Glasgow and Clyde (NHSGGC) and East Renfrewshire Council have delegated functions to the IJB which has the responsibility for strategic planning, resourcing and ensuring delivery of all integrated services.
5. The IJB will have delegated responsibility for strategic planning and commissioning of a range of in scope hospital based services based on the unscheduled care pathway. During 2015/16 the Health Board will work with all Partnerships to develop an agreed methodology to calculate the appropriate budget to represent consumption of unscheduled care services by Integrated Joint Boards. Set aside budgets will be agreed during the autumn of this year and made available to partnerships from that point.
6. The IJB is required to allocate the resources it receives from NHSGGC and East Renfrewshire Council in line with the Strategic Plan. The delegation of resources commences upon agreement of the Strategic Plan with an indicative part year impact, based on a start date of 7 October 2015, shown at point 16 below. Whilst it will not impact on the part year budget it should be noted that clarification is being sought from the Scottish Government on the status of the part-year go live, given that a number of issues remain outstanding, namely:

- Treatment of VAT
 - Calculation and operation of the Set Aside budget for large hospital services
 - Statutory Accounts guidance
7. Due diligence work, as recommended in the professional guidance provided relating to the formation of IJBs, has been undertaken to consider the sufficiency of the revenue budget for East Renfrewshire Health and Social Care Partnership for 2015/16.
8. East Renfrewshire operated as an integrated CHCP from 2006, with aligned financial reporting as a standing item on each sub-committee agenda. The historic reports are available via the Council website.

REPORT

9. The due diligence process set out below relates to the Health & Social Care Partnership revenue budget for 2015/16 for Primary Care Services. Part of the resources for which the IJB will have a responsibility for planning are held within NHSGGC for acute hospital services, as defined in the Integration Scheme, this is known as the set aside budget. During 2015/16 NHSGGC will continue to work with partnerships to develop an agreed methodology to calculate the set aside budget.
10. The due diligence process relates to the partnership's revenue budget for NHS Primary Care and Social Work services. As stated above East Renfrewshire CHCP has regularly reported an aligned financial position since 2006. The table below shows the year end position for both the NHS and the Council for financial years 2012/13 to 2014/15:

	Budget £'000	Outturn £'000	(Over)/Under £'000
2012/13			
Social Work	44,367	44,459	(92)
NHS	49,202	49,157	45
Total	93,569	93,616	(47)
2013/14			
Social Work	43,171	43,190	(19)
NHS	50,891	50,887	4
Total	94,062	94,077	(15)
2014/15			
Social Work	43,637	43,476	161
NHS	50,033	50,019	14
Total	93,670	93,495	175

11. In addition to financial reporting to each CHCP committee since 2006 to March 2015, financial monitoring reports covering the Council's CHCP (Social Work) Services have been presented to the Council's Cabinet six times per year as part of the regular consolidated budget monitoring. The NHS position was reported to the Board periodically as part of the total partnership position. A financial position was also reported, with appropriate challenge, as part of the biannual Organisational Performance Review process.

12. The total annual net revenue budget for 2015/16 is £111,075,000 comprising £63,275,000 NHSGGC and £47,800,000 Social Work. It should be noted that the Social Work budget is net of £0.5 million external funding for Criminal Justice Services.
13. The annual budget is identified by service area:

2015/16 Annual Revenue Budget	Health £'000	Council £'000	Total £'000
Strategy / Planning & Health Improvement	597	810	1,407
Children & Families	1,596	8,071	9,667
Older Persons / District Nursing & Community	3,833	21,476	25,309
Physical & Sensory	*	3,293	3,293
Learning Disabilities – Community	112	6,541	6,653
Learning Disabilities – In Patients	10,862	0	10,862
Mental Health	1,566	1,662	3,228
Addiction / Substance Misuse	794	274	1,068
Criminal Justice	0	18	18
Service Support and Management	1,178	5,655	6,833
Resource Transfer	5,512	0	5,512
Integrated Care Fund	1,448	0	1,448
Family Health Services	21,159	0	21,159
Prescribing	14,618	0	14,618
HSCP NET EXPENDITURE	63,275	47,800	111,075
Less:			
Central Support		(2,340)	(2,340)
Capital Charges	(446)	(581)	(1,027)
HSCP DIRECT EXPENDITURE**	62,829	44,879	107,708

*Included in District Nursing and Community

** Per reporting conventions this identifies the expenditure controllable by the HSCP

14. The main issues relating to the budget are:
15. **Social Work**
- a) The annual budget includes assumptions relating to pay award and inflationary uplifts; these will require adjustment in the event that the budget is over funded, with surplus budget to return to the Council.
- b) The savings challenge in the current year of £1.228 million is on target and it should be recognised that this being achieved on top of £1.42 million in 2014/15 and £1.043 million in 2013/14, with £1.885 million in 2012/13. The savings have been achieved through a transformation programme including redesign of services, commissioning activity and supporting processes.

- c) It should also be recognised that the Council approved a supplementary estimate of £1million in 2013/14 recognising demand pressures upon services, particularly within Services for Older People.
- d) On-going demographic pressures, particularly within Community Care and Health, will require to be addressed in future years, reflecting the national position.

16. **Health**

- a) The opening NHS budget reflects, in the main, the recurring budget, whereas the prior year budgets and outturns include resources relating to a number of non-recurring initiatives, project funding and resource allocation adjustments (RAM). This is standard practice within the Board and similar budget revisions will be made throughout 2015/16.
- b) The budget now includes £10,862,000 for Learning Disability in-patient services to be hosted, NHSGGC Partnership wide, by East Renfrewshire. This includes an inherited overspend of £38,000 at period 5 with a full year effect of approximately £91,200. This will be funded on a non-recurring basis for 2015/16 to allow actions to bring the costs in line with budget.
- c) The Health budget includes £0.275 million saving for 2015/16 and plans are in place to deliver this. This saving is East Renfrewshire's local target, part of the collective Partnership's overall target of £15 million, which includes a number of service wide proposals and use of one off resources. There are unallocated savings within the NHS budget however this appears to be a housekeeping matter where savings were agreed but the budget adjustments were held centrally rather than being allocated to specific services. This is currently being addressed.
- d) Funding allocations for inflation and pay award are added to the budget as individual areas are agreed.
- e) The main areas of volatility within the Health budget are;
 - I. Equipment cost pressures continue to increase linked to demographics and demand for community based equipment.
 - II. Prescribing remains a complex area of cost with numerous factors that will result in cost implications. The Partnership wide risk sharing agreement on prescribing remains in place, recognising the volatility of the nature of the service.

17. All issues identified above will be reported on, as a matter of course, through the normal revenue monitoring position to the IJB.

Part Year Implications

18. The position above relates to the Partnership's annual budget for 2015/16, part of which relates to pre IJB (1 April to 6 October) with the IJB effective from 7 October onwards. Whilst this does no impact on the total resource available to the Partnership for the formal delegation of resources to the IJB (for the period 7 October 2015 to 31 March 2016), an indicative part year budget, based on a pro-rata of dates, is shown below:

2015/16 Indicative Part Year Revenue Budget	Health £'000	Council £'000	Total £'000
Strategy / Planning & Health Improvement	289	392	681
Children & Families	772	3,903	4,675
Older Persons / District Nursing & Community	1,854	10,386	12,240
Physical & Sensory	*	1,593	1,593
Learning Disabilities – Community	54	3,163	3,217
Learning Disabilities – In Patients	5,253	0	5,253
Mental Health	757	804	1,561
Addiction / Substance Misuse	384	133	517
Criminal Justice	0	9	9
Service Support and Management	570	2,735	3,305
Resource Transfer	2,666	0	2,666
Integrated Care Fund	700	0	700
Family Health Services	10,233	0	10,233
Prescribing	7,069	0	7,069
HSCP NET EXPENDITURE	30,601	23,118	53,719
Less:			
Central Support	0	(1,132)	(1,132)
Capital Charges	(216)	(281)	(497)
HSCP DIRECT EXPENDITURE**	30,385	21,705	52,090

19. This pro-rata approach has been and will be adopted by those other IJBs co-terminus with NHGGC who will go live part way through 2015/16. It is recognised that this resource split, shown above, is based on a high level, relatively simplistic approach; however this provides an indicative budget, in the interim, whilst;
- Resolution is awaited for the outstanding issues identified above;
 - Budget allocations for pay award assumptions, inflation, seasonal variations etc. are reviewed in detail
20. Accordingly the split of budgets pre and post IJB will be revised following detailed analysis and discussion. In the interim the full year budget position will be reported to the IJB.
21. It should also be recognised that a realignment of budgets is required to move from an historic allocation to a position that reflects current service delivery. This will provide a robust basis for budget delegation, decision making and accountability.

Future Considerations

22. The Council has set an indicative budget for 2016/17 and 2017/18 with the savings challenge for Social Work being £1.142 million and £3.046 million respectively. The savings targets are predicated on submissions from the Service identifying how such savings will be delivered.

23. Within NHSGGC financial planning it is recognised that the savings challenges will be in excess of the targets from recent years, in part due to changes in the NHS Superannuation Scheme and National Insurance changes in 2016/17 and work has been ongoing within the Board to mitigate the funding gap. At a Partnership wide level the planning assumption for 2016/17 is a further £15 million to be achieved from local and system wide proposals and work remains ongoing to identify savings proposals.
24. Both East Renfrewshire Council and NHSGGC will be at risk from the impacts of continued austerity measures, loss of Scottish Government funding, impacts of population demographic pressures within Older Peoples Services and by the wider Welfare Reform agenda, to name a few factors.
25. The factors outlined above, the identification and inclusion of set aside budgets for hospital services along with existing financial planning will be reflected in a financial strategy 2016/17 and beyond to be developed for East Renfrewshire Health & Social Care Partnership.
26. It is recognised that these challenges are unprecedented in recent economic times and that the East Renfrewshire HSCP are not alone in the scale of the challenge. Close working with other HSCPs and the Acute Services will be a fundamental requirement for long term sustainability across the system as a whole.

Assurance Statement

27. It is the opinion of the Chief Financial Officer that the initial budget allocation, based on 2015/16 and subsequent assumptions, to the Partnership is sufficient to deliver the outcomes as determined in the financial plan, subject to successful delivery of agreed savings programmes and effective risk mitigation of any pressure areas.
28. Given the demand led nature of Health and Social Care Services the Partnership may need to deviate from the original budget and plans in order to flex and adapt to specific service pressures in any area. Through robust budgetary control and full and transparent financial reporting this will be appropriately managed and controlled. All significant variances and remedial actions will be brought to the attention of the IJB at the earliest opportunity and will be implicit in the standing agenda item for financial reporting.
29. The due diligence exercise will require revision upon clarification of outstanding issues, as outlined above and in particular for the Set Aside budget methodology.
30. It must be recognised that there have been a number of operational issues, as previously reported to the IJB, relating to financial performance and governance. It is the opinion of the Chief Financial Officer that these issues have not adversely impacted on the due diligence exercise, the purpose of which is to establish the sufficiency of the Partnership budget. However this opinion must be caveated, subject to;
 - a) The final outcome of the audit undertaken on financial performance and compliance with subsequent recommendations. Review of the draft report confirms issues are operational.
 - b) The implementation of the finance module within CareFirst
 - c) Implementation of an appropriate Finance staffing structure to ensure sustainable and fit for purpose financial systems and processes.
 - d) Development and implementation of an HSCP Finance Service Improvement Plan.

31. Progress reports will be brought to future IJB meetings and / or Performance & Audit Committee meeting of the IJB.

FINANCE AND EFFICIENCY

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

CONSULTATION

33. The Council's Section 95 Officer and NHSGGS Director of Finance have been fully consulted on this report.

PARTNERSHIP WORKING

34. The IJB revenue budget is a continuation of the aggregation of revenue budgets for the HSCP, as previously approved by East Renfrewshire Council and NHS Greater Glasgow & Clyde.

IMPLICATIONS OF THE PROPOSALS

35. As the Partnership will continue to operate across the two parent bodies there are currently no implications for
 - Staffing
 - Property
 - Legal
 - IT
 - Equalities
36. The financial sustainability of the HSCP is addressed above.

CONCLUSIONS

37. It is the opinion of the Chief Financial Officer that, subject to the caveats discussed above, the 2015/16 opening revenue budget is sufficient to allow the HSCP to deliver the services and outcomes per the Strategic Plan
38. The 2015/16 revenue budget, along with known assumptions on forward financial planning by both East Renfrewshire Council and by NHSGGC will inform development of the HSCP Financial Strategy for 2016/17 to 2018/19.

RECOMMENDATIONS

39. It is recommended that the Integration Joint Board:
 - Note the due diligence work undertaken
 - Note the 2015/16 original revenue budget and the indicative part year implications to the IJB
 - Agree to receive future updates as outstanding issues are clarified

REPORT AUTHOR AND PERSON TO CONTACT

40. Chief Officer, HSCP: Julie Murray

Lesley Bairden, Chief Financial Officer
lesley.bairden@eastrenfrewshire.gov.uk
0141 577 3355

7 October 2015

BACKGROUND PAPERS

None, however previous financial reporting to the CHCP sub-committee is available via the East Renfrewshire Council website.

KEY WORDS

Finance, budget, due diligence, East Renfrewshire Integration Scheme, Public Bodies (Joint Working) (Scotland) Act;