



## INTEGRATION JOINT BOARD

<b>Report Title</b>	Budget 2017/18
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author</b>	Alex Stephen, Chief Finance Officer
<b>Date of Report</b>	22 December 2016
<b>Date of Meeting</b>	31 January 2017

### 1: Purpose of the Report

- i) To update the Integration Joint Board on the provisional grant settlement and the implications to the Integration Joint Board Budget resulting from the announcements on the 15 December 2016.
- ii) To advise on the budget pressure facing the Integration Joint Board in 2017/18 and the budget savings identified by officers to close the provisional funding gap.
- iii) To highlight to the Integration Joint Board the position with regard to the Board's reserves and future year budget projections along with budget risks and assumptions underpinning the provisional budget.

### 2: Summary of Key Information

#### 2.1 Funding for 2016/17

The Integration Joint Board (IJB) has a responsibility to set a balanced budget for 2017/18 as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The funds for the Integration Joint Board are delegated from Aberdeen City Council and NHS Grampian with the purpose of delivering the IJB's strategic plan. In 2016/17 the level of funding delegated at the start of the financial year was as follows:

	<b>£'000</b>
Aberdeen City Council	88,160
NHS Grampian	152,930
Integration and Change Funds (from Scottish Government via NHSG)	14,375
	<b>255,465</b>

The financial position for 2016/17 has remained relatively stable with the only major budget issue identified to date being an increase in prescribing costs. At the 30 November, the position shown is an overspend on mainstream budgets of



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£1,226,000, which is more than offset by an underspend on the integration and change funds of £10,590,000, providing a net underspend of £9,364,000 (further information is provided in section 2.5 of this report). These funds have largely been committed in principle by the IJB, in order to further integrate and transform the services provided by the Partnership.

As the delegated funds come from Aberdeen City Council and NHS Grampian the level of funding available to the IJB is heavily influenced by these organisations' grant settlements from the Scottish Government.

### **2.2 The Provisional Grant Settlement**

The Cabinet Secretary for Finance and the Constitution announced the draft Scottish Government budget on the 15 December 2016. As a result of this announcement the provisional grant settlement figures were provided to both local government and the national health boards. These figures remain provisional at the time of writing this report, as the local government settlement is subject to a checking process and the budget bill still requires formal approval by the Scottish Parliament in March 2017.

Both Aberdeen City Council and NHS Grampian face challenges balancing their respective budgets due to budget pressures exceeding the provisional level of funding available. This is consistent with most public sector organisations with inflationary pressures for pay and non-pay exceeding the level of funding available and budget reductions being required to close the funding gap.

The settlement information from Scottish Government to both organisations make mention of the IJB.

The Council Grant Settlement letter indicated the following:

- The additional £250 million support for health and social care provided by NHS through the Integration Fund in 2016-17 will be base-lined from 2017-18 and in addition, this will be increased by a further £107 million to meet the full year costs of the joint aspiration to deliver the Living Wage for social care workers, sleepovers and sustainability (£100m) and removal of social care charges for those in receipt of war pensions and pre-implementation work in respect of the new carers' legislation pressures (£7m);
- To reflect this additional support local authorities will be able to adjust their allocations to Integration Authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Taken together these measures will enable Integration Authorities to ensure the collective overall level of funding for social care is maintained at £8 billion.



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The NHS Grampian budget information, indicated the following:

- An acknowledgement that their share of the £107 million identified above had been included in their settlement.
- An expectation that the IJB budget allocations should be maintained at minimum of 2016/17 levels, less any one off adjustments.
- The Alcohol and Drugs Partnership funding to be baselined in the IJB budget.
- An extra £500 million to be invested in Primary Care by end of the parliament with £72 million identified in 2017-18. This is not included in the NHSG settlement figures at present and more information on how this will be made available, what it can be spent on and the arrangements for accessing the funds are expected in due course.
- An extra £30 million of funding identified in 2016-17 for mental health, some of these funds may come to the IJB in due course.

For Aberdeen City IJB, of the £107 million identified above an additional £4.130 million is being made available for the living wage, sleepovers, sustainability, war pensions and preparation for the carers' bill. Of this, the following detail applies:

- The living wage funding is required to fund the full year effect of 6.4% (previously agreed by the IJB for six months) and the increase in the living wage from £8.25 to £8.45 from 1 May 2017.
- The funding for sleepovers is to provide funds to ensure that the providers pay at a minimum HMRC rates for staff providing sleepover cover, rather than a 'per night' payment. The Scottish Government has indicated that the sleepover funding will be reviewed during the year to establish the level of need, as most IJBs are looking at ways to redesign sleepover arrangements to reduce costs.
- The 'sustainability' element is for providers who have historically paid low rates to bring them up to the levels paid by other providers.
- The war pension element of funding will allow this income to be disregarded for financial assessment purposes – this will have an effect of reducing potential income from Charging Policies.
- The final element of funding will allow IJBs to start making preparations for the forthcoming carers' bill.

Should Aberdeen City Council decide to remove its share of the £80 million from the IJB's budget then mainstream budgets will be reduced by £3,090,000. This will



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mean a cash reduction for the IJB of £3,090,000 along with the accommodation of budget pressures amounting to £895,000, resulting in a total savings figure of £3,985,000.

A flat cash settlement on the NHS Grampian side, adjusted for the one off additional funding will require savings or budget reductions to be identified to cover the budget pressures identified of £4,034,000.

### **2.3 Budget Pressures**

Consistent with the majority of public sector organisations, the IJB has a number of budget pressures which it needs to consider during its budget process. One of the principles used in this budget process is that we should only be budgeting for the current level of service, no more and no less. All the budget holders have been involved in collating the budget pressures which they feel will be incurred during 2017/18 and some of these have been reviewed and discounted by the IJB Executive Team. The budget pressures amount to approximately £8 million and are summarised below:

	<b>£'000</b>
Staff Increments and Pay Awards	2,206
Apprenticeship Levy (0.5%)	415
Bon Accord Care (pay and non-pay Inflation)	255
Prescribing	1,500
Hosted Services Budget Pressures	522
Energy and Business Rates increases	31
Aberdeen City Council (share of £80m)	3,090
<b>Total Budget Pressure</b>	<b>8,019</b>

### **2.4 Budget Savings**

The extended management team of Aberdeen City Health and Social Care Partnership have been reviewing their budgets to establish where savings can be made.

It is extremely difficult to identify savings in social care and health given that demand is likely to increase due to demographic movements. Also, a large proportion the budget is either:

- Contractual,
- Uncontrollable – Prescribing,
- Hosted – requires all three IJBs to agree to an adjustment.

This combined with some historical efficiency savings which have not been achieved on the health side of the budget makes finding further savings extremely



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difficult.

However, following this process it has been possible to identify budget savings amounting to £4,837,000 which are detailed in Appendix A of this report. These savings will not have a material impact on the delivery of the strategic plan. Should the IJB be minded to agree these budget savings then the level of budget gap will reduce to £3,182,000.

### **2.5 Integration and Change Funding**

The Integration and Change funding available to the IJB to help transform the services provided will play an important part in the financial strategy of the IJB over the next few years. The focus of these funds is about improving services for clients, however, the IJB also needs to be mindful that these funds will play an important role in allowing financial benefits and savings to be achieved in future years. All transformation projects of this scale require time to implement, as officers want to make sure that the projects will deliver the required benefits before rolling out across the city. This is one of the reasons that the spend accounted for against the integration and change fund has been slow to materialise.

The amount of integration and change funding likely to be available in 2017/18 is as follows:

	<b>£'000</b>
Integrated Care Fund – baselined	3,750
Delayed Discharge – baselined	1,125
Social Care Transformation Funds (share of £125 million- baselined)	4,750
Social Care Transformation Funds (share of £125 million- baselined)	4,750
Share of £107 million for living wage etc.	4,130
Primary Care share of £72 Million	TBC
Mental Health share of £30 Million	TBC
<b>Total 2017/18 allocation</b>	<b>18,505</b>
Plus: 2016/17 Carry Forward based on position at end of November 2016	9,364
<b>Total Funds Available</b>	<b>27,869</b>

The table above shows the level of funding available, however, this needs to be considered against the commitments likely to be required in 2017/18. The planned spend provisionally committed in 2017/18 is as follows:



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	£'000
<b>Implications of the £107 million:</b>	
Living Wage – additional 6 months of funding to the providers	1,600
Living Wage – move from £8.25 to £8.45 for 11 months	1,145
Sleepovers (under review)	1,113
National Care Home Contract Inflation (still under negotiation)	912
War Pensions Income	18
Carers Bill preparation costs	78
	<b>4,866</b>
<b>Anticipated Spend 2017/18:</b>	
Transfer to support social care re the 2016/17 settlement	4,750
Projects planned in 2017/18	7,861
<b>Total spend anticipated in 2017/18</b>	<b>17,477</b>

The financial implications of the settlement re additional £107 million have been costed on an indicative basis and are likely to reduce following discussions with the providers.

The Executive Team are in the process of reviewing all the commitments currently made and will consider ceasing the funding for projects that are unlikely to deliver financial benefits or substantially improve service provision for clients.

Given the level of integration and change funds available, and the conditions associated with the grant settlement, officers recommend that the budget be balanced by using £3,182,000 from the integration and change fund in 2017/18. This is the only way a budget gap of this level can be funded without substantially impacting on the services provided to clients. Work will however continue to generate savings in mainstream budgets and deliver our transformational plan and financial benefits.

### **2.6 Reserves**

The IJB agreed its reserve strategy earlier this year. It was agreed that the IJB's position on reserves would be considered during the budget and year-end processes. During the budget process it is important to consider the adequacy of the reserves available to the IJB. As indicated in section 2.5 of this report, the underspend on the integration and change fund is forecast to be £9,364,000 at November 2016.

Good financial governance would indicate that reserves should be allocated for a





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specific purpose aligned to the strategic plan. Therefore, it is proposed to earmark £2.5 million of the integration and change fund underspend as a risk fund. The intention of this fund is to cover the IJB should some of the budget risks identified in the setting of the budget change over the financial year. This equates to 1% of the mainstream budget and if necessary will be available to support the health and social care services indicated in the strategic plan.

During the budget process it was identified that some equipment requires to be replaced. Rather than hold a separate budget for this, it is proposed to earmark £500,000 in the general reserve to provide a provision for replacing equipment for health and safety reasons. Equipment includes items that support people to live at home such as specialist beds and mobility aids.

The remainder of the funding would be earmarked in the general reserve for integration and transformation purposes as outlined above.

### **2.7 Budget Assumptions**

Setting any budget requires an acceptance of risk and the use of assumptions or estimates. The budget risks are documented in Appendix C of this report. The major budget assumptions are detailed below:

#### **Bon Accord Care:**

Bon Accord Care is the IJB's largest service provider. Bon Accord Care is block funded by the IJB and is a wholly owned subsidiary of Aberdeen City Council. Senior Officers from Bon Accord Care have been made aware of the financial position of the IJB and the requirement to make budget savings. The IJB is asked to approve the following budget for Bon Accord Care in terms of the block funded element of their contract.

	£'000
2016/17 Contract Level	26,150
Pay Inflation	224
Incremental Drift	161
General Inflation	23
Postages	9
Apprenticeship levy	112
2016/17 Budget Gap	286
Savings required	(560)
<b>2017/18 Contract Level</b>	<b>26,405</b>

While this is a challenging budget for Bon Accord Care it does increase by £255,000 (approximately 1%) from the 2016/17 contract level and in the context of the IJB finances is a fair allocation. The Senior Officers in Bon Accord Care are currently



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working on efficiency savings to be delivered and these will be reported with the final budget to the IJB on 28 March 2017.

### Commissioned Care Providers:

Commissioned, external care providers play an important role in providing services to the people of Aberdeen. Work is being undertaken by the Partnership to develop a market facilitation plan and commissioning plan. Both these documents will come before the IJB in due course.

As can be seen throughout this report it is anticipated care providers not covered by the national care home agreement will receive additional funding where applicable for sleepovers, the living wage full year effect and the increase in the living wage. No provision has been made in the budget for a general budget uplift given the financial position of the Partnership. Care providers covered by the National Care Home Contract will receive the nationally agreed uplift once finalised.

### Clinical & Care Governance:

The savings options identified are not anticipated to have an impact on clinical or care governance. Should any clinical or care issues arise the Executive Team will attempt to put mitigations in place to reduce these issues. Should this not be possible, then the matter will be reported to the Clinical & Care Governance Committee and then the IJB should they deem appropriate.

### Staff Involvement and Engagement:

Budget discussions and proposals have been led by the Executive and Senior Operational Management Team, including lead clinicians and professionals. A discussion on budget has taken place at the Partnership's staff forum and staff briefings and further discussions are planned. In addition both our partner organisations – NHS Grampian and Aberdeen City Council are developing communication and engagement strategies for staff.

## **2.7 Future Years Budgets**

The most recent grant settlement provides the best indication of future levels of funding likely to be available to the IJB. In order to stand still and cover estimated pay and non-pay inflation, the IJB will have to deliver £3 million savings per annum. Should there be cash cuts in the IJB or partner organisations' funding then the level of savings required is likely to increase. Work is being undertaken to finalise years 2 to 5 of the budget on a provisional basis and these will be reported to the IJB in March 2017.

## **2.8 Budget Process**

The process to be followed with regard to setting the budget is detailed below:

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- 31 January 2017 – IJB considers budget based on provisional funding levels
- 14 February 2017 – NHS Board considers total funding level to be made available to the IJB (not savings)
- 22 February 2017 – Council considers total funding level to be made available to the IJB (not savings)
- 28 March 2017 – IJB receives report indicating final budgets and seeking approval to distribute funds to providers for the living wage and sleepovers and requisitions services from the partner organisations.

### 3: Equalities, Financial, Workforce and Other Implications

The equalities implications of the budget and budget savings have been assessed and are believed to have a minimal impact on the protected groups.

There are minimal workforce implications associated with the budget, except that the staff will receive the national agreed pay awards and any increments due. No redundancies have been anticipated or are expected in delivery of the savings. The budget savings do require managers to reduce overtime and training opportunities.

The financial implications are detailed throughout the report.

### 4: Management of Risk

#### Identified risk(s):

#### Link to risk number on strategic or operational risk register:

A risk of IJB financial failure with demand outstripping available budgets.

#### How might the content of this report impact or mitigate the known risks:

This report seeks to set a provisional budget for the IJB, which will provide the budget managers with time to start work on delivering savings and services within their allocated budgets.



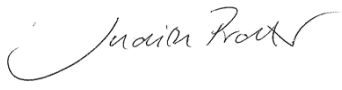

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### 5: Recommendations for Action

It is recommended that the Integration Joint Board:

1. Acknowledge the implications of the Scottish Budget and Grant Settlement on the IJB's Budget;
2. Agree the budget savings identified in Appendix A of this report;
3. Agree the use of integration and change funds amounting to £3,182,000 to close the budget gap;
4. Agree the Bon Accord Contract level for 2017/18 of £26,405,000 and budget assumptions noted in section 2.7;
5. Agree the 2017/18 provisional IJB Budget in Appendix B;
6. Agree the earmarking of £2.5 million of 2016/17 underspend into a risk provision and £500,000 for replacement of essential equipment; and
7. Request that a report be brought back to the IJB on the 28 March 2017 to detail the final 2017/18 budget for the IJB, along with a proposal for approval to release additional funding for the living wage and sleepovers.

### 6: Signatures

	Judith Proctor (Chief Officer)
	Alex Stephen (Chief Finance Officer)