



INTEGRATION JOINT BOARD

Report Title	Budget 2017/18 - Update
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author	Alex Stephen, Chief Finance Officer
Date of Report	24 February 2017
Date of Meeting	7 March 2017

1: Purpose of the Report

- i) To update the Integration Joint Board (IJB) on the funding delegated by Aberdeen City Council and NHS Grampian for health and social care activities in 2017/18.
- 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 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 budget.
- iv) To seek approval of a budget protocol to be used in future financial years for the creation and approval of the IJB 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:

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



INTEGRATION JOINT BOARD

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 31 December, the position shown is an overspend on mainstream budgets of £1,480,000, which is more than offset by an underspend on the integration and change funds of £10,630,000, providing a net underspend of £9,150,000. The figures to the end of January are still being finalised, however, they show a reduction of almost £200,000 in the prescribing forecast.

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.

Both Aberdeen City Council and NHS Grampian face challenges balancing their respective budgets due to budget pressures exceeding the 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.

The NHS Grampian budget information, indicated the following:



INTEGRATION JOINT BOARD

- 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.

Aberdeen City Council agreed to remove its share of the £80 million from the IJB's budget on 22 February 2017, as indicated in the grant settlement. This will mean a cash reduction for the IJB of £3,090,000 along with the accommodation of budget



INTEGRATION JOINT BOARD

pressures amounting to £895,000, resulting in a total savings figure of £3,985,000.

NHS Grampian officers are recommending to their Board a flat cash settlement (adjusted for any one off additional funding), which will require savings or budget reductions to cover the budget pressures identified of £3,093,000. Note the initial prescribing budget pressure of £1,500,000 has been reduced by £941,000 as indicated in the prescribing report.

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 £7 million and are summarised below:

	£'000
Staff Increments and Pay Awards	2,206
Apprenticeship Levy (0.5%)	415
Bon Accord Care (pay and non-pay Inflation)	255
Prescribing	559
Hosted Services Budget Pressures	522
Energy and Business Rates increases	31
Aberdeen City Council (share of £80m)	3,090
Total Budget Pressure	7,078

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 challenging 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,
- Subject to Limited Control – 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 difficult.



INTEGRATION JOINT BOARD

However, following this comprehensive 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 £2,241,000. It is the view of the Executive Team that any further savings identified at this point would impact on clients, and the delivery of services and the strategic plan and would need to be agreed by the IJB before being implemented.

2.5 Integration and Change Funding

The Integration Joint Board has an ambitious strategic plan which seeks to transform the health and social care services under its remit within Aberdeen City. In order to facilitate this additional funding has been provided by the Government which can be used to help transform services, support integration and reduce delayed discharges. This additional funding is now all mainstreamed and recurring. It is important to note that whilst the allocation of this funding is extremely useful in terms of delivery of the strategic plan, other services are being transformed from within mainstream budgets on a continual basis. A good example of this is the public health and wellbeing team who are now undertaking new duties linked to the delivery of the strategic plan. In reality the whole budget is available to integrate, change and transform.

All transformation projects of this scale require time to implement, as officers want to ensure 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 Executive Team have reviewed the spend commitments from the funds and the governance process for agreeing new projects. A report will come forward to an IJB meeting in due course detailing these proposed changes.

The plans for transformation are large and ambitious. Therefore, the Executive Team of the IJB have identified the following key priorities which they will seek to deliver over the financial year 2017/18:

- Develop business case for acute care @ home,
- Establish link workers in city,
- Localities shadow operation\notional budgets,
- Continue work on carers strategy,
- Develop commissioning strategy and more forward market facilitation,
- Testing the buurtzorg model.

Officers recommend that the budget be balanced by using £2,241,000 from the integration and change budget in 2017/18. The basis for this recommendation is as follows:



INTEGRATION JOINT BOARD

- The level of integration and change funds available,
- The conditions associated with the grant settlement,
- The fact that mainstream budgets are also being used for transformation purposes,
- That this transfer is on a one off basis,
- The Executive Team continues to work to identify budget efficiencies during 2017/18 which don't impact on service delivery,
- All budgets are now mainstreamed and recurring.

Further information on the level of integration and change funding is contained in Appendix C.

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.

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

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 D 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.



INTEGRATION JOINT BOARD

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
Adjustment to Childrens Services	(116)
Savings required	(560)
2017/18 Contract Level	26,289

The Senior Officers in Bon Accord Care are currently working on efficiency savings to be delivered and these will be reported 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



INTEGRATION JOINT BOARD

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 have developed communication and engagement strategies for staff.

2.8 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, along with the living wage uplift the IJB will have to deliver £6 million savings per annum, unless additional funding is provided by the Scottish Government. Should there be cash cuts in the IJB or partner organisations' funding then the level of savings required may increase.

Attached to this report in Appendix E is a budget protocol for approval which officers have been working on over the last few months. This protocol provides some formality around the budget process and behaviours expected from the IJB, Council and NHS with regard to agreeing future health and social care budgets. The protocol establishes a helpful starting point for future budget discussions and will be reviewed after the 2018/19 budget process. The protocol was agreed by Aberdeen City Council on the 22 February and will also be presented to the NHS Board for approval in due course.

2.9 Budget Process

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

- 28 March 2017 – IJB receives seeking approval to distribute funds to providers for the living wage and sleepovers.

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.



INTEGRATION JOINT BOARD

4: Management of Risk

Identified risk(s) and link to risk number on strategic register:

A risk of IJB financial failure with demand outstripping available budgets (risk #2).

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.

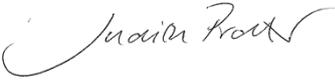
5: Recommendations for Action

It is recommended that the Integration Joint Board:

1. Agree the budget savings identified in Appendix A of this report;
2. Agree the use of integration and change funds amounting to £2,241,000 to close the budget gap;
3. Agree the Bon Accord Contract level for 2017/18 of £26,289,000 and budget assumptions noted in section 2.7;
4. Agree the 2017/18 provisional IJB Budget in Appendix B;
5. Agree the earmarking of £2.5 million of 2016/17 underspend into a risk provision and £500,000 for replacement of essential equipment; and
6. Agree the budget protocol in Appendix E;
7. Agree the directions to Aberdeen City Council and NHS Grampian contained in Appendices F and G; and
8. Request that a report be brought back to the IJB on the 28 March with a proposal to distribute additional funding for the living wage and sleepovers.



INTEGRATION JOINT BOARD

6: Signatures	
	Judith Proctor (Chief Officer)
	Alex Stephen (Chief Finance Officer)

.....