

This paper relates
to Agenda Item 7



Title/Subject: Integration Joint Board Budget
Meeting: Integration Joint Board
Date: 24 March 2016
Submitted By: Chief Finance Officer
Action: For Decision

1. INTRODUCTION

- 1.1 The purpose of this report, together with a further report providing financial information from the Health Board, is to present a proposed 2016/17 budget to the Integration Joint Board for Approval and for use as the basis for the financial statement within the Strategic Plan including the Partnership Funding Streams and the use of the Integration Fund announced within the 2016/17 Scottish Budget. This report should be read along with the report to be issued following the special meeting of the Health Board on 18 March.

2. RECOMMENDATION

The Integration Joint Board is asked to:

- 2.1. Note the proposed payment from the Council;
- 2.2. Agree that the proposed payment from the Council along with the payment from the Health Board will form the basis of the financial statement within the Strategic Plan;
- 2.3. Note the proposed utilisation of the Integration Fund linked to the terms of the Local Government Finance Settlement, including the due diligence process to be completed by the IJB Chief Finance Officer; .
- 2.4. Agree that the Council can take the decisions outlined in paragraph 3.9 in relation to garden aid and eligibility criteria; and
- 2.5. Remit the Chief Officer to set up a leadership group as outlined in section 5.3 to bring forward to the June 2016 Board meeting a Recovery Plan to mitigate the financial risk as detailed in section 5 of this report.
- 2.6. Note the significant areas of financial risk.

3. PROPOSED INTEGRATION JOINT BOARD BUDGET 2016/17

- 3.1 The process for determining the first year budget for the Integration Joint Board was agreed in the Integration Scheme, as considered by the Transitional Board on 6 March 2015. The detailed methodologies developed from that process were reported to the Transitional Board on 4 September 2015.
- 3.2 Section 8.2.24 of the Integration Scheme requires a process of due diligence to assess the adequacy of the payment made in respect of the integrated budget and the sum set aside in terms of the notional budget. It is the responsibility of Falkirk Council, NHS Forth Valley and the IJB Chief Finance Officer to conduct this due diligence exercise. The outcomes of the due diligence process were reported to the Board on 5 February 2016.
- 3.4 The Scottish Government produced guidance on Integration Financial Assurance. This guidance requires the Internal Audit teams of both the Council and NHS Board to undertake a review which provides assurance that the appropriate processes and methodologies have been followed. The report on this work is a separate item on the agenda.
- 3.5 Each partner is required to propose a budget, or payment to the IJB in line with the functions of the Integration Scheme, as part of their annual budget setting processes.
- 3.6 Falkirk Council proposed a payment to the Integration Joint Board within its revenue budget for 2016/17 at a meeting of the Council on 17 February 2016. NHS Forth Valley will propose the payment to the IJB at a Special Board Meeting to be held on 18 March 2016.

Falkirk Council

- 3.7 Falkirk Council's proposed gross expenditure payment totals £91.653m. This is offset by grants, fees and charges of £30,187m, giving a net payment of £61,466m. Appendix 1 is an extract of the relevant information that was presented to Falkirk Council as part of their budget considerations.
- 3.8 Information on the assumptions made on the Integration Funding available is detailed at Section 4 of this report.
- 3.9 In relation to the Council's budget proposals, there are two areas which require further decision making from the IJB. The first of these relates to the Council's garden aid scheme which is provided pursuant to section 24 of the Local Government and Planning (Scotland) Act 1982, which is one of the delegated functions. The Council is conducting a consultation on ending this service following on from a decision on the revenue budget. As the consultation is underway and flows directly from a Council budget decision, it is suggested that the IJB agree that the Council takes the decision on whether the service should continue to be provided following conclusion of the consultation.

- 3.10 The second relates to the Council's proposed saving from reprofiling eligibility criteria. To allow consultation to commence early in the financial year, it is suggested that the IJB agrees that the Council's Executive can agree the proposals to be consulted on, although the decision on the outcome would remain with the IJB.

4. INTEGRATION FUND

- 4.1 A very significant component of the IJB's finances relates to the £250m identified in the Scottish Government's 2016/17 Budget which is to be made available to the IJB via the Health Board. The £250m has been split into two tranches of £125m, the Falkirk Partnership's share of each tranche being £3.54m (a total of £7.07m). NHS Boards have recently received a letter from the Scottish Government Directorate for Health Finance that confirms that Health Boards are required to delegate the full sum of Integration Funding to the IJB. The Government has also indicated that Ministers will direct IJBs to use the sum for social care
- 4.2 With respect to the first tranche, The Cabinet Secretary for Finance, Constitution & Economy's letter states, "this is provided to support additional spend on expanding social care" and "this additionality reflects the need to expand capacity to accommodate growth in demand for services as a consequence of demographic change". This tranche is also expected to support making progress on charging thresholds (the income level at which social care charging is applied) for non-residential services. The Scottish Government has very recently confirmed its expectation that the threshold should rise from 16.5% (the level currently applied by the Council) to 25%. At this stage, the extent of the reduction in charging income is not known but it will require to be met by the IJB's share of this tranche. In its budget, the Council has assumed that £1m of the funding available from the first tranche will be used in the 2016/17 budget.
- 4.3 The second tranche of funding is to be used to help meet a range of existing costs faced by Local Authorities including delivery of the Living Wage for social care workers from 1st October 2016. The Council's estimate of the costs flowing from this is c£3.5m.
- 4.4 In total therefore the Council has assumed that £4.5m of Integration Funding will be made available to it and this is reflected in the figures provided at paragraph 3.7 of this report. This leaves a balance of Integration Funding of £2.5m.
- 4.5 The terms of the Local Government Finance settlement set out by the Deputy First Minister include the requirement for Chief Finance Officers of IJBs to sign off the use of this funding by means of a due diligence process. This due diligence process will be fully completed by 31 March 2016; however, the proposed utilisation of the Fund detailed in the Falkirk Council Revenue Budget is consistent with the terms of the Local Government Finance settlement.

5. AREAS OF SIGNIFICANT FINANCIAL RISK

- 5.1 The challenging financial climate for 2016/17 and beyond, current financial pressures, ongoing demand growth linked to changes in the demography of the population and advancements in medical, pharmaceutical and technology enabled care will present significant risks in delivering services and the priorities identified with the Strategic Plan going forward.
- 5.2 In addition to the generic risks stated above the following specific significant financial risks should be noted.
- current projected overspend within in-scope in social care services which are projected in the region of £2m;
 - delivery of 16/17 and beyond savings programmes;
 - the full year effect of implementing the Living Wage;
 - delivery of the relevant elements of NHS Scotland Outcomes Framework within reduced resources;
 - continued uncertainty relating to some Scottish Government allocations where the delivery of outcomes will lie within functions delegated to the IJBs;
 - delivery of Alcohol and Drugs services within a significantly reduced financial envelope and changing accountability arrangements;
 - the potential recurrent shortfall relating to investment of Partnership Funding as previously reported to the Board; and
 - implementation of major service redesign and service change.
- 5.3 The chief officer is required to develop a Recovery Plan for the Board to mitigate the financial risks as outlined above. It is proposed that the Chief Officer set up a leadership group of senior managers, including finance, operations and governance from the partnership to develop a recovery plan for the June 2016 Board meeting.

Impact on IJB Outcomes, Priorities and Outcomes

The content of the report details the Falkirk Council resources available to deliver the priorities identified within the Strategic Plan.

Legal & Risk Implications

Per Strategic Plan

Consultation

The Chief Finance Officer of Falkirk Council, the Director of Finance of NHS Forth Valley and the Chief Officer have been consulted in compiling this report.

Equalities Assessment

Per Strategic Plan

Approved for Submission by: Chief Officer

Author – Chief Finance Officer

Date: 16th March 2016

List of Background Papers: The papers that may be referred to within the report or previous papers on the same or related subjects.

Integrated Resources Advisory Group Financial Guidance
Report to Transitional Board⁴ September 2015 – Finance Budget Methodology

Budget in Scope of Integration Joint Board

In Scope Function	2016/17 Net Revenue Budget Excludes Central Support and Capital Charges
Core Scope	
FUNCTIONS CURRENTLY PROVIDED BY LOCAL AUTHORITY	£'000
Older People	3,025
Mental Health	598
Learning Disability	298
Physical Disability	639
Adult Support & Protection	209
Carers	208
Care & Support at Home	20,264
Residential Care	19,871
Respite Care	1,268
Day Care/Services: PD, LD, OP, MH	3,710
MECS/Telecare/Telehealth	439
Housing with Care/Sheltered Accommodation	6,836
Shopping Service	12
Equipment & Adaptations	415
Advocacy	96
Sensory Team	440
Mental Health Team	264
Learning Disability Team	552
JLES	152
Day Care/Centre: MH	160
Sensory Resource Centre	90
Voluntary Organisations	393
Housing Aids and Adaptations	1,200
Improvement Grants	327
	61,466
Funded by:	
General Fund payment to IJB	58,939
HRA payment to IJB	1,200
Demographic Pressures (Integration Funding)	1,000
Capital	327
	61,466

2016/17 Integration Joint Board Budget

Service - Objective Analysis

	2015/16 Budget Outturn Price: £	2016/17 Budget September 2015 Prices £	2016/17 B Outturn Price: £
<u>SERVICE</u>			
Community Care	58,493,010	56,548,630	58,046,040
Mental Health	915,770	882,980	892,600
NET EXPENDITURE	59,408,780	57,431,610	58,938,640

2016/17 Integration Joint Board Budget

Service - Subjective Analysis

	2015/16 Budget Outturn Prices <u>£</u>	2016/17 Budget September 2015 Prices <u>£</u>	2016/17 Budget Outturn Prices <u>£</u>
EXPENDITURE			
<u>EMPLOYEE EXPENSES</u>			
SJC Employees	27,505,480	27,112,810	27,449,280
Indirect Employee Expenses	<u>362,470</u>	<u>351,740</u>	<u>351,740</u>
Total Employee Expenses	<u>27,867,950</u>	<u>27,464,550</u>	<u>27,801,020</u>
<u>PROPERTY EXPENSES</u>			
Rents	63,540	63,540	64,830
Water Services	780	780	790
Fixtures and Fittings	<u>200</u>	<u>200</u>	<u>200</u>
Total Property Expenses	<u>64,520</u>	<u>64,520</u>	<u>65,820</u>
<u>TRANSPORT EXPENSES</u>			
Transportation Costs	<u>278,620</u>	<u>278,620</u>	<u>282,590</u>
Total Transport Expenses	<u>278,620</u>	<u>278,620</u>	<u>282,590</u>
<u>SUPPLIES & SERVICES</u>			
Equip, Furniture and Materials	751,860	726,530	726,530
Training Materials	9,520	9,220	9,220
Services	51,730	50,470	51,420
Catering	472,050	470,050	478,470
Clothing, Uniforms & Laundry	40,430	40,430	40,430
Printing, Staty & Gen Off Exps	20,970	19,390	19,520
Client Amenities	32,950	32,950	32,950
Communications & Computing	71,070	69,770	70,370
Miscellaneous Supplies	<u>74,000</u>	<u>67,000</u>	<u>67,000</u>
Total Supplies & Services	<u>1,524,580</u>	<u>1,485,810</u>	<u>1,495,910</u>
<u>THIRD PARTY PAYMENTS</u>			
Health Authorities	395,140	395,140	405,020
Internal Recharges	744,740	696,780	744,740
Other Local Authorities	83,950	83,950	86,470
Private Contractors	13,430,420	13,105,420	13,422,070
Other Agencies	8,330,280	11,648,240	11,815,240
Residential/Long Term Paymnt	<u>30,942,310</u>	<u>31,117,310</u>	<u>31,724,750</u>
Total Third Party Payments	<u>53,926,840</u>	<u>57,046,840</u>	<u>58,198,290</u>

2016/17 Integration Joint Board Budget

Service - Subjective Analysis

	2015/16 Budget Outturn Prices <u>£</u>	2016/17 Budget September 2015 Prices <u>£</u>	2016/17 Budget Outturn Prices <u>£</u>
TRANSFER PAYMENTS			
Payments to Individuals	<u>1,269,510</u>	<u>1,269,510</u>	<u>1,282,830</u>
Total Transfer Payments	<u>1,269,510</u>	<u>1,269,510</u>	<u>1,282,830</u>
TOTAL EXPENDITURE	<u>84,932,020</u>	<u>87,609,850</u>	<u>89,126,460</u>
<u>INCOME</u>			
Other Government Grants	337,000	4,877,000	4,877,000
Other Grants, Reimburse & Conts	11,118,450	11,218,450	11,218,450
Customer and Client Receipts	9,721,060	9,756,060	9,756,060
Internal Recharges	2,882,600	2,882,600	2,882,600
Charges to Other Bodies	1,438,540	1,418,540	1,428,120
Charges to Staff	<u>25,590</u>	<u>25,590</u>	<u>25,590</u>
TOTAL INCOME	<u>25,523,240</u>	<u>30,178,240</u>	<u>30,187,820</u>
NET EXPENDITURE	<u>59,408,780</u>	<u>57,431,610</u>	<u>58,938,640</u>

INTEGRATION JOINT BOARD BUDGET 2016/17
Summary of Movements

£' 000

2015/16 Budget		59,409
Add: Budget Changes		
1	<u>Employee Expenses</u>	
	Savings (No 4)- Shift the balance of Home Care	(38)
	Savings (No 5)- Closure of ASSET	(102)
	Savings (No 6)- Redesign of Day Centres	(230)
	Savings (No 7)- Shopping Service	(60)
	Savings (No 8)- Review of Caledonia Clubhouse	(16)
	Savings (No 10)- Reprovision of Care Homes	(300)
	National Insurance	340
	Other Movements	<u>3</u>
		<u>(403)</u>
2	<u>Supplies & Services</u>	
	Savings (No 8)- Review of Caledonia Clubhouse	<u>(19)</u>
3	<u>Third Party Payments</u>	
	Provision for Demographic Growth	350
	Savings (No 3) No Inflationary Uplift for Supporting People	(200)
	Savings (No 11) Reprofiled Eligibility Criteria	(500)
	Living Wage for Providers	<u>3,470</u>
		<u>3,120</u>
4	<u>Income</u>	
	Savings (No 1)- Increase Non-residential Charges	(35)
	Savings (No 2)- Inflationary Uplift for Services Funded by NHS	(100)
	Funding for Living Wage	(3,540)
	Share of HSCI Funding	<u>(1,000)</u>
		<u>(4,675)</u>
2016/17 Base Budget at September Prices		57,432
Add: Inflation		1,507
2016/17 Budget at Outturn Prices		<u>58,939</u>

**EXTRACT FROM FALKIRK COUNCIL REVENUE BUDGET REPORT
CONSIDERED BY FALKIRK COUNCIL ON 17TH FEBRUARY 2016****9. ADULT HEALTH & SOCIAL CARE INTEGRATION**

- 9.1 The Integration Joint Board (IJB) assumes responsibility from 1 April for the delivery of Adult Health & Social Care Services for a range of functions deemed by legislation to be in scope. This is a major service reconfiguration. The essence of this new partnership arrangement is that both the Council and Forth Valley Health Board (FVHB) will pass across to the IJB the budget resources for those functions in scope and the IJB will in turn direct the partners on how the in scope services should be delivered in accordance with its Strategic Plan.
- 9.2 It is challenging that this Partnership is born into a very inclement financial environment with both the Council and FVHB facing acute budget pressures. Moreover, it will be on the cusp of the new financial year before the IJB has a clear sense of its resources for 2016/17. The IJB's Strategic Plan requires to have a financial resources position for three years to reflect the expected lifetime of the plan, but this will be problematic for the latter two years as the Scottish Government has provided only a one year budget. There is, however, the promise of a 2/3 year budget picture in the next round which will materially benefit medium term planning. In future financial years, the IJB will submit a business plan bidding for resources from the two partners, similar to the current arrangement followed by Falkirk Community Trust.
- 9.3 A net sum of £61.466m (£58.939m from General Fund) is proposed to be made available to the IJB as set out in the dedicated section appended. This reflects an uplift for inflation and demographic pressures as well as reductions to reflect the savings options of c£1.6m provisionally agreed by Council in February 2015 as set out at Appendix 2. Whilst ultimately it is for the IJB to decide on how it deploys its budget, it is felt helpful that given the very compressed timeframe prior to the start of the new financial year, this advance work has been undertaken. In relation to the proposal in respect of Oakbank and Summerford residential care homes, it should be noted that consideration is being given to changing reprovision of Summerford from a direct replacement to an intermediate care facility. Proposed fees and charges for 16/17 for in scope services are set out at Appendix 1. The principal change is the move to a financial assessment model of charging for the Rowans short break service. These savings options sit within the wider framework of a strategic review of Service delivery.
- 9.4 A very significant component of the IJB's finances (and the Council's) relates to the £250m identified in the Scottish Government's 2016/17 Budget which is to be made available to the IJB via Health. As noted in Section 3 of this report, the £250m has been split into two tranches of £125m, the Falkirk Partnership's share of each tranche being £3.54m. The next two paras outline how it is anticipated each of these tranches will be treated.
- 9.5 With respect to the first tranche, The Cabinet Secretary for Finance, Constitution & Economy's letter states, "this is provided to support additional spend on expanding social care" and "this additionality reflects the need to expand capacity to accommodate growth in demand for services as a consequence of demographic change". As the Council has identified an element of uplift in the funding for the IJB to reflect demographic pressures and the IJB has had funding made available for the same purpose, it is proposed that the payment made to the IJB will be reduced to the extent of that identified element of the uplift. Engagement with the IJB will be required in

relation to this adjustment. This tranche is also expected to support making progress on charging thresholds (the income level at which social care charging is applied) for non residential services. The Scottish Government has very recently confirmed its expectation that the threshold should rise from 16.5% (the level currently applied by the Council) to 25%. At this stage, the extent of the reduction in charging income is not known but it will require to be met by the IJB's share of this tranche.

- 9.6 Turning to the second tranche, as noted in the report to Executive on 5 February, it is very difficult to assess accurately the cost of delivering the Living Wage by external contractors (the Council pays its own staff the Living Wage) but a best estimate is circa £3.5m. In terms of Mr Swinney's letter the Council should be able to, with the IJB's agreement, use the Falkirk share of this tranche to fund this additional cost.

Summary of 2016/17**Proposed Savings****Options Social Work Adult****Services**

No	Description	2016/17 Savings £'000	Em
1	Increase existing non residential charges and charging caps in line with inflation	35	
2	Inflationary uplift in income for services funded by NHS Forth Valley	100	
3	No inflationary uplift for supporting people expenditure	200	
4	Home Care - Shift the balance of internal/ external provision towards a greater proportion of external provision	38	2.0
5	Redesign of employment services to people with a disability and closure of ASSET	102	6.1
6	Potential reduction of existing buildings based day services in response to anticipated increase in demand for packages of self directed support with built in efficiencies of 20%	230	7.6
7	Switch existing shopping service to an alternative reduced service being commissioned through the voluntary sector	60	
8	Review Caledonia Clubhouse and Services provided by FDAMH with a view to achieving efficiency savings of 20%	35	
9	Property savings from ending leases	20	
10	Redesign of care home provision with closure of Oakbank and reprovision of Summerford	300	32.0
11	Reprofiled Eligibility Criteria for adult social care with a focus on provision for people whose needs are critical or substantial	500	
		1,620	73.1