

Title/Subject: Budget Position
Meeting: Integration Joint Board
Date: 5 February 2016
Submitted By: Chief Finance Officer & Director of Finance
Action: For Noting

1. INTRODUCTION

- 1.1 A report was previously provided to the Board in September which outlined the process underway by both partners to determine the budget resources which would be made available to the Integration Joint Board. The purpose of this report is to provide an update on where this exercise sits and give more detailed content on the elements making up the Budget. This will also give the Board a realistic sense of the overall resources likely to be made available to it, subject to the Budget processes of the Partners which will be concluded by March.

2. RECOMMENDATION

- 2.1 The Integration Joint Board is invited to consider the content of the report.

3. SCOTTISH GOVERNMENT BUDGET AND FINANCIAL SETTLEMENT

- 3.1 Following the Chancellor's Spending Review on 25 November, the Scottish Government Budget was presented on 16 December including the Financial Settlement for Local Government and Health. The Budget remains to be approved by the Scottish Parliament in February.
- 3.2 Budget proposals were restricted to one financial year (2016/17). The expectation is that the Scottish Government's next Budget in the Autumn of 2016 will provide content for two and possibly three years forward. This will materially facilitate forward medium term planning, notably to inform the Board's Strategic Plan.

3.3 The block grant from Westminster for resource spending will fall by 5% in real terms over the period to 2019/20. At the national level, Health received a 3.3% increase from 2015/16 whilst Local Government faces a -3.5% (£350m) reduction in revenue support. A large part of the £400m increase in Health is accounted for by the £250m directed, via Health, to the Integrated Joint Boards. The treatment of this large sum is fundamental to the Budget setting processes of the two Partners and the Board and clarification is urgently awaited from the Scottish Government. The implications of this funding Settlement for the two Partners is set out below.

3.4 **Falkirk Council**

3.4.1 The Council had projected a Budget Gap of £18.4m and this reflected an assumed grant loss of £3m. In the event, a further £7m grant was lost resulting in an extremely challenging Budget Gap in 2016/17 both in terms of quantum (circa £25m) and the compressed timeframe within which a statutory balanced Budget is to be achieved.

3.4.2 The circa £10m loss of grant equates to more than the combined assumptions across both financial years 2016/17 and 2017/18. It is noteworthy that the Council's extra loss of grant i.e. £7m, exactly matches the Integration Board's expected population based share of the £250m.

3.4.3 The Council is vigorously working to achieve a balanced Budget in time for the scheduled Budget setting meeting on 17 February. In large measure, this will be achieved by bringing forward savings options already identified for 2017/18. As noted at para 3.3, the conditions applicable to the £250m channelled to the Integration Boards via Health will feature in these deliberations.

3.4.4 Given the overall frame of the Spending Review and the indications within the Scottish Government 2016/17 Budget, notably the protection afforded to Health in particular and Police, against a real terms cut in the Westminster grant, suggests that the financial prognosis for Local Government looking forward is indeed grim. The Council will need to revisit its projections of the scale of future years' Budget Gaps.

3.4.5 In addition to revenue grant support, the Council also receives Capital grant to support its General Services Capital Programme (i.e. all Services other than council housing). This Programme averages circa £30m p.a. Due to reprofiling of this grant, the Council will receive £10.6m grant in 2016/17, a 15% reduction. The Scottish Government has advised that this will be balanced in future years.

3.5 **Forth Valley Health Board**

3.5.1 The key messages and planning parameters for Health and specifically NHS Forth Valley for 2016/17 are as follows :-
Indicative Budget Uplift on Baseline of 1.7%
Indicative Social Care Allocation 2.9%
Indicative Baseline Change 4.6%

As indicated earlier in the paper national dialogue regarding the £ 250m investment (the 2.9% identified above) is ongoing.

- 3.5.2 There are a range of other factors which are contained within the draft Spending review and others which are outwith which impact on financial planning for Health. One example is funding for Alcohol and Drug Partnerships which will now solely be managed via Health (currently Health and criminal Justice). In 2015/16 resources totalled £ 69.2m across health and justice – for 2016/17 £ 53.8m has been indicated as funding to be distributed – a reduction of £ 15.4m. Another includes ring-fenced allocations which the NHS currently receives some of which are within services within scope of IJBs – these funds will in total be reduced by 7.5% although details have not yet been received including the outcomes which are expected to be delivered in future from these resources.
- 3.5.3 Based on estimated costs for workforce costs (pays, pensions changes etc), prices, prescribing and demographic impacts and on the estimates of funding availability NHS Forth Valley is planning for real cash savings of approximately 6% (£27m) in 2016/17.
- 3.5.4 As outlined the draft Spending Review covers a single year however indications are that savings of a similar level will continue to be required in future years.

4. FIRST YEAR PAYMENT TO THE INTEGRATION JOINT BOARD

- 4.1 The September report outlined the due diligence process being applied by both partners. The framework guidance was also provided at that time. As noted in that report, once the due diligence exercise has been completed, the content will require to be reviewed through the corporate governance process of the partners and then brought before the Integration Joint Board.
- 4.2 The major undertaking of Due Diligence has been successfully completed, with four areas as highlighted in Section 5 where further discussion was required.
- 4.3 Previous reports to the Board have highlighted that allocating the Forth Valley Health Board's in-scope budget to the two partnerships would be challenging, particularly in relation to the allocation of budgets for strategic planning including relevant elements of hospital services.
- 4.4 The process for determining the 2016/17 payments by the partners to the Board is set out in section 8 of the Integration Scheme. Paragraph 8.2.6 of the Scheme is particularly relevant:-

“The Parties shall determine and agree their respective Payment to the Integration Joint Board for the delivery of the Integration Functions in advance of the start of each financial year and shall formally advise the Integration Joint Board by no later than 28 February each year, subject to Scottish Government confirmation of NHS funding for the forthcoming year”.

- 4.5 The table below provides an update on the provisional figures currently agreed based on 15/16 Budget. As noted in section 3, they will be subject to the 16/17 Budget processes of the Partners, adjustment for inflation and assessment of 15/16 Budget versus projected outcome. Further update will be required to reflect agreements reached in respect of Section 5 components.

	£'m
Forth Valley Health Board	133
Falkirk Council	<u>62</u>
	<u>£195</u>

The Health Board contribution is broken up into 3 parts as shown below:

	£'m
Set Aside (Large Hospital Services)	31
Operational (excluding Family Health Services)	35
Family Health Services (mainly contracted)	<u>67</u>
	<u>£133</u>

It should be noted that services included within Family Health Services are for the total population and not solely for adults.

Details of the Budget components making up these indicative figures are appended.

5. DUE DILIGENCE AREAS TO BE AGREED

- 5.1 There are four areas where further discussion was required between the partners. The key issues are listed below:
- a) Mental Health Officer (MHO) posts have been treated as out of scope by Falkirk Council, but in scope by both Stirling and Clackmannanshire Council. There had been a general principle of retaining similarity between both Partnerships from an NHS perspective however a different approach has been agreed in this area.
 - b) Medical staffing budgets have been excluded from costings to date. There are two components to Medical Staffing costs
 - Junior Medical Staffing : training posts where funding is provided from National Education Scotland (NES) as part of training agreement on a posts by post basis. This is not appropriate for inclusion as funding control of this resource rests with NES
 - Senior Medical Staffing : medical staffing budgets have been excluded where staff work across more than one service, rota or geographical locality. They have been included where they are fully embedded into the services in a particular locality

- c) Inpatient services delivered in Community Hospitals have been subsumed under Large Hospital services and associated budgets therefore treated as set aside.

Discussions have concluded that the direct budgets for these services for Bo'ness Hospital and Falkirk Community Hospital will be moved from the 'set aside' to 'operational oversight' subject to a number of clear principles being agreed across the Board area. 2015/16 Budget information will be updated to reflect this change.

- d) Alcohol & Drug Partnership –Given the reduction in funding to the Alcohol and Drug partnerships highlighted earlier in the report financial issues arising from due diligence have been overtaken and the funding reduction will require to be taken into account. It should be stressed that 2016/17 will be a 'settling in ' year and periodic reviews/monitoring will be undertaken during the year including a clear focus on any issues arising from the four areas highlighted above

- 5.2 A further issue has been raised as part of the Stirling/Clacks Partnership due diligence, regarding equity of resources between partnerships. The national finance guidance recognises that using historic data inevitably builds in any existing inequity of resource use indicating that it is difficult to avoid without causing immediate destabilisation. The Guidance also indicates that over time issues of equity can be considered and may, where appropriate, be addressed through allocation process in subsequent years.

6. CONCLUSIONS

- 6.1 The finances available to the Partnership will be of central and strategic interest to the Integration Joint Board. This report sets out where matters currently lie in this process and the work that is in progress to ultimately determine what the Board's 16/17 budget will be. A definitive position will not be available until March.

Approved for Submission by: Chief Finance Officer, Bryan Smail

Author: Director of Finance and Chief Finance Officer

Date: 8 January 2016

List of Background Papers: None.

Budget in Scope

In-Scope Function		2015/16 Net Revenue Budget. Excludes Central Support and Capital Charges
Core Scope		
FUNCTIONS CURRENTLY PROVIDED BY LOCAL AUTHORITY		£'000
1	Older People	2,738
2	Mental Health	583
3	Learning Disability	270
4	Physical Disability	578
5	Sensory Impairment	
6	Adult Support & Protection	208
8	Carers	206
9	Reablement	
10	Care & Support at Home	19,095
11	Residential Care	19,052
12	Respite Care	1,242
13	Day Care/Services: PD, LD, OP, MH	4,001
14	MECS/Telecare/Telehealth	150
15	Housing with Care/Sheltered Accom.	8,933
16	Shopping Service	71
17	Equipment & Adaptations	411
18	Advocacy	96
21	Substance Misuse	0
22	Sensory Team	373
23	Mental Health Team	267
24	Learning Disability Team	547
25	JLES	83
26	Day Care/Centre: MH	249
27	Sensory Resource Centre	87
28	Voluntary Organisations	395
29	Garden Aid	550
30	Housing Aids and Adaptations	1,164
31	Improvement Grants	286
32	Care & Repair Scheme	87
		61,722

		Falkirk IJB 15/16
		Budget £m
Scheme		
<u>Ref</u>	<u>Set Aside (LargeHospital Services)</u>	
2	Accident and Emergency Services	6.205
3	In patient Hospital Services Relating to :	
3a	General Medicine	3.001
3b	Geriatric Medicine	10.280
3c	Rehabilitation Medicine	1.380
3d	Respiratory Medicine	1.143
3e	Psychiatry of learning disability	1.474
4	Palliative Care (Hospital Based)	0.915
5	In patient Hospital Services Provided by General Medical Practitioners	
6	Addiction Inpatient Services	
7	Mental Health Inpatient Services	6.163
Subtotal - Strategic Planning		30.560
<u>Operational (excluding Family Health Services (FHS))</u>		
8	District Nursing Services	3.779
9	Community Addiction Services	2.996
10	Community Based AHP Services	5.856
11	Public Dental Service	1.111
17	Services provided outwith a hospital in relation to geriatric medicine	1.161
18	Palliative Care (delivered in Community)	0.054
19	Community Learning Disability Services	0.650
20	Community Mental Health Services	4.480
21	Continence Services	0.232
22	Home based Kidney Dialysis	
23	Services Provided by health professionals that aim to promote public health	1.518
	Resource Transfer	11.142
	Joint Partnership Agreements	2.567
Sub-Total - Operational (excluding FHS)		35.547
<u>Family Health Services incl FHS Prescribing & GP Out of Hours Services</u>		
12	Primary Medical Services (GMS Contract)	20.566
13	Primary Dental Services (GDS Contract)	8.236
14	Community Ophthalmic Services	2.821
15	Community Pharmaceutical Services	34.266
16	GP Out of Hours Services	1.429
Sub-Total - FHS		67.319
TOTAL		133.426