

To: Renfrewshire Integration Joint Board

On: 30 June 2023

Report by: Chief Finance Officer

Heading: 2023-24 Delegated Health and Social Care Budget - Due Diligence report on Support Service Recharges

Direction Required to Health Board, Council or Both	Direction to:	
	1. No Direction Required	X
	2. NHS Greater Glasgow & Clyde	
	3. Renfrewshire Council	
	4. NHS Greater Glasgow & Clyde and Renfrewshire Council	

1. Purpose

- 1.1 This report provides the Integration Joint Board (IJB) with an update on the outcome of the due diligence process carried out by the Chief Finance Officer in respect of the proposed additional recharge for Support Services delivered by Renfrewshire Council of c£1.5m for the financial year 2023/24. As agreed by members at the meeting of 31 March 2023 this work has been undertaken to support the 2023-24 Delegated Health and Social Care Budget report approved on 31 March 2023.

2. Recommendation

It is recommended that the IJB:

- Note the financial due diligence work completed by the Chief Finance Officer in relation to the proposed additional recharge for Support Services delivered by Renfrewshire Council of c£1.5m for the financial year 2023/24;
- Approve the increased recharge in respect of Property related costs totalling £358k
- Approve the increased recharge in respect of Business Support related costs totalling £153k
- Approve the increased recharge in respect of Transport related costs totalling £284k
- Approve the increased recharge in respect of Soft Facilities Management (Soft FM) related costs totalling £543k
- Approve the CFO's recommendation per Section 6.6.4 that the Head of Health and Social Care (HSCP) work with the Head of Facilities and Property Services Environment, Housing, and Infrastructure (Renfrewshire Council) to review Soft FM services currently delivered to identify where efficiencies can be made in order that these services remain financially sustainable or identify alternative routes for delivery.

3. Introduction

- 3.1. At its meeting of 2 March 2023, Renfrewshire Council, following the Director of Finance and Resources recommendations, approved the delegated Adult Social Care budget for 2023/24. As highlighted by the Chief Finance Officer in the “2023-24 Delegated Health and Social Care Budget” report approved on 31 March 2023, the delegated Adult Social Care budget for 2023/24 included an additional recharge for HSCP support costs of c£1.5m.
- 3.2. As agreed by the IJB at the meeting of 31 March 2023, in order to provide the IJB with assurance that the proposed recharges for 2023/24 are supported by robust financial back up / supporting documentation, a detailed due diligence exercise has now been completed for each of the proposed additional recharges. A summary of the outcome of this exercise is included in Section 6 of this report along with associated recommendations.

4. Context

- 4.1. The CIPFA document ‘The Role of the Chief Finance Officer in Local Government’ sets out the requirements and professional standards which should be fulfilled by the Chief Finance Officer (CFO) in carrying out their role as well as the role of the organisation in meeting these requirements.

Included in the key responsibilities of the CFO’s role is:

- ***Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.***

Financial due diligence is one means of providing an organisation with the above.

- 4.2. Due diligence is an investigation, audit, or review performed to confirm facts or details of a matter under consideration. For example, in terms of financial transactions, due diligence requires an examination of financial records / supporting documentation ensuring that all members are aware of the details before agreeing to it. It is also a systematic way to analyse and mitigate risk.
- 4.3. Every public sector entity has a duty to manage resources responsibly and achieve value for money. Due diligence should not be seen as a ‘tick-box exercise,’ but a key decision-making process. It is fundamental when considering proposals from external parties and should be proportionate to the risk and value of the transaction.

5. 2023-24 Delegated Health and Social Care Budget - Requirement for Financial Due Diligence on Proposed Support Service Recharges

- 5.1. As previously highlighted in the CFO’s “IJB Financial Sustainability and Outlook 2023/24” report which was approved by the IJB on 25 November 2022, in addition to the ongoing and legacy impact of COVID-19 across all service areas, similar to 2021/22, demographic and socio-economic factors will continue to drive significant demand and cost pressures for 2023/24. This includes the impact of Future funding allocations from Partner Organisations: Similar to 2022/23, the Scottish Government 2023/24 budget was for one year only. The core local government revenue settlement for 2023/24 reflected a flat cash position, and therefore a real terms reduction meaning their ability to further support the HSCP is limited. Questions remain regarding the expected funding and governance arrangements for the National Care Service, and the impact of

this on future funding allocations from partners remains unclear. It follows then, that the continuation of single-year settlements at this time is challenging for the IJB and continues the uncertainty for our future medium-term financial planning, as well as that of our partner organisations.

5.2. In addition, it remains clear from Renfrewshire Council's Revenue Budget and Council Tax 2023/24 report of 2 March 2023 that it continues to anticipate significant financial pressure over the medium term with a risk of ongoing constraint and reduction in core funding for local governments in Scotland. In recent years, the IJB has noted an increasing risk that any future uplifts in funding to the IJB, similar to that provided in previous years, may not be deliverable; this risk has now materialised with increased support charges from Renfrewshire Council in 2023/24 of £1,476k as highlighted in Section 3 of this report.

5.3. In order to provide the IJB with assurance that the proposed recharges for 2023/24 are supported by robust financial back up / supporting documentation, a detailed due diligence exercise has now been completed for each of the proposed additional recharges.

6. 2023/24 Financial Due Diligence Process

6.1. This section provides a summary of the process adopted for the review of each strand of the proposed recharge.

6.2. The due diligence process has been informed by a comprehensive review of actual expenditure extrapolated from the financial ledger along with a comparison of the current budget and budgets originally transferred from the Adult Social Care budget to the relevant departments.

6.3. *Review of Proposed Property Costs Recharge*

6.3.1. The proposed property cost recharge from Renfrewshire Council of £502k was based on the projection at period 6 2022/23 (September 2022) versus the baseline budget for 2022/23. An inflationary increase was added on to the projected gas and electricity charges and non-domestic rate charges for 2023/24.

6.3.2. In order to verify the proposed recharge, the following checks were undertaken as summarised in the following table:

Check	Differences Found	Value of Difference £000's
All property recharges were checked to our internal property register and with relevant service managers to ensure the costs related to Adult Social Care premises.	A few properties were identified as not being Adult Social Care and have therefore been removed from the calculation	(12)
Gas & Electricity inflationary increases for 2023/24 were reviewed and checked with the Council Energy Management Unit to confirm the % increase	The council energy management unit have now revised their inflationary uplifts for 2023/24 with electricity increasing from the original figure of 50% to 58%, and gas reducing from 17% to 1%.	(36)
Identification in the ledger of relevant budget applied to each property.	The budget reconciliation exercise identified that the actual budgets to be applied are higher than those originally used to quantify the recharge.	(27)

The projection for property costs used in the recharge calculation were in line with the final outturn.	The outturn for 2022/23 was significantly lower than originally projected	(67)
Non-domestic rate inflationary increases were checked against the relevant non-domestic rate letter issued for 2023/24.	The NDR notices issued for 2023/24 were lower than the original recharge.	(2)
TOTAL		(144)

6.3.2 Following the checks undertaken the recharge should be reduced by £144k from £502k to £358k.

6.4. **Review of Proposed Business Support Costs Recharge**

6.4.1. The proposed recharge for Business Support services from Renfrewshire Council of £117k was based on the projection at period 6 2022/23 (September 2022) versus the baseline budget for 2022/23.

6.4.2. In order to verify the proposed recharge, the following checks were undertaken as summarised in the following table:

Check	Differences Found	Value of Difference £000's
Details of those employees (grades / location / role) being recharged reviewed to ensure the costs relate to Adult Social Care.	A small number of employees were identified where their roles were not in Adult Social Care and have therefore been removed from the calculation.	(29)
Review of the projection at P6 22/23 used by the Council compared to the actual costs of providing the service.	The budget reconciliation exercise carried out showed that the Council's original projection of £117k did not take account of the full year costs of vacancies to be filled in 23/24.	65
TOTAL		36

6.4.3. Following the checks undertaken the recharge should increase by £36k from £117k to £153k.

6.5. **Review of Proposed Transport Costs Recharge**

6.5.1. The proposed recharge of £314k for Transport costs from Renfrewshire Council was based on recharging the running costs associated with 22 vehicles for Adult Social Care Day Centres at an annual cost of £14k per vehicle.

6.5.2. In order to verify the proposed recharge, the following checks were undertaken as summarised in the following table:

Check	Differences Found	Value of Difference £000's
Breakdown of all costs included in the recharge were reviewed to understand what was included and how the recharge per vehicle was calculated.	A breakdown of the service charge for vehicles confirmed that the charge should be £13.5k per vehicle and not £14k.	(17)
Day Centre managers were contacted to confirm the number and type of vehicles being used to ensure only those currently in use were included.	The number of vehicles being used was identified as 21 and not 22 (this reflects the current operational activity).	(13)

Identification in the ledger of relevant budget applied.	The budget reconciliation exercise carried out showed that with the above adjustments the budget applied is correct.	0
Confirmation that the vehicles being recharged are solely for the HSCP's use.	The Fleet & Transport Manager within Environment & Infrastructure confirmed that the vehicles were solely for the HSCP's use.	0
TOTAL		(30)

6.5.3 Following the checks undertaken the recharge should be reduced by £30k from £314k to £284k.

6.6. **Review of Proposed Soft FM (Facilities Management) Recharge**

6.6.1. The proposed recharge of £543k for Soft FM Care Home and Extra Care Housing from Renfrewshire Council was based on the budgeted number of fte payroll costs versus the 2022/23 baseline budget.

6.6.2. In order to verify the proposed recharge, the following checks were undertaken as summarised in the following table:

Check	Differences Found	Value of Difference £000's
Details of those employees (grades / location / role) being recharged reviewed to ensure the costs relate to Adult Social Care delivering soft FM services to our care homes and extra care housing units).	Environment & Infrastructure operational management confirmed all posts were required to operate Adult Social Care facilities.	0
That any temporarily funded posts to support the service during the pandemic and funded from the COVID-19 monies have been removed from the recharge as at 31st March 2023 as previously agreed.	Environment & Infrastructure operational management confirmed all COVID funded posts had ceased.	0
The actual outturn for Soft FM costs for 2022/23 was checked for each care home and extra care facility.	All costs were related to Soft FM and the Adult Services Care Homes and Extra Care Facilities	0
TOTAL		0

6.6.3. Following the checks undertaken the recharge remains at £543k.

6.6.4. Given the significant increase in costs and the resulting impact on the IJB's ability to continue to sustain these increases, the CFO is proposing an urgent review of these services to ensure the current model remains appropriate. It is therefore recommended that over the next few months the Head of Health and Social Care (HSCP) works with the Head of Facilities and Property Services Environment, Housing and Infrastructure (Renfrewshire Council) to carry out a detailed review of Soft FM services currently delivered to identify where efficiencies can be made in order that these services remain financially sustainable or identify alternative routes for delivery.

7. Summary Recharge Following Due Diligence Review

- 7.1. A summary of adjustments to the proposed Support Service Recharges identified in Section 6 of this report is included in the following table. Overall, the revised total which has been agreed with the Director of Finance and Resources (Renfrewshire Council) is £1,338k a reduction of £139k.
- 7.2. Members are however reminded that in his budget report to the (Renfrewshire) Council on 2 March 2023 the Director of Finance and Resources highlighted that these costs would be updated annually to reflect inflationary cost pressures and any service level changes requested by the HSCP.

Recharge Area	Renfrewshire Council Proposed Recharge	HSCP Outcome of Due Diligence Exercise	Variance
Property Costs	£502,200	£358,105	£144,095
Finance and Resources Staffing Costs	£116,816	£152,583	(£35,767)
Transport	£314,000	£283,500	£30,500
Soft FM	£543,344	£543,344	£0
TOTAL	£1,476,360	£1,337,532	£138,828

Implications of the Report

1. **Financial** – Financial implications are discussed in full in the report above.
2. **HR & Organisational Development** – none
3. **Strategic Plan and Community Planning** – none
4. **Wider Strategic Alignment** – none
5. **Legal** – This is in line with Renfrewshire IJB's Integration Scheme
6. **Property/Assets** – none.
7. **Information Technology** – none
8. **Equality & Human Rights** – The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
9. **Fairer Duty Scotland** - none
10. **Health & Safety** – none
11. **Procurement** – Implementation of the living wage impact on existing contracts with providers and their ability to deliver within the allocated funding package
12. **Risk** – Delays in setting the budget may impact on the IJBs ability to achieve financial balance in 2023/24. In addition, as highlighted in Section 10 of this report, the 2023/24 budget proposals assume "business as usual". The potential financial and economic impacts of COVID-19 represent a significant additional risk to the IJB, and the wider public sector going forward.
13. **Privacy Impact** – none.

List of Background Papers – none

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