

To: Renfrewshire Integration Joint Board

On: 20 March 2020

Report by: Chief Finance Officer

Heading: 2020/21 Delegated Health and Social Care Budget

1. Purpose

- 1.1 This report describes the financial allocation and budgets made available to the Integration Joint Board (IJB) for 2020/21 by Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC), and, outlines the main financial pressures on health and adult social care services.

2. Recommendation

It is recommended that the IJB:

- Agree to accept the delegated Adult Social Care Budget for 2020/21;
- Agree to delegate responsibility to accept the 2020/21 delegated Health Budget, to the Chief Officer and Chair of the IJB, subject to:
 - The expected uplift of 3% reflecting the Boards uplift for 2020/21 including any final adjustments in relation to recurring budget adjustments at month 12; and
 - The final budget offer including a budget for Set Aside for 2020/21.
- Approve a drawdown of reserves, if required, in order to fund any shortfall in funding for 2020/21.
- Note that, as highlighted in section 10 of this report, the 2020/21 budget proposals assume “business as usual”. The potential financial and economic impact of COVID-19 represents a significant additional risk to the IJB, and the wider public sector going forward.

3. Introduction

- 3.1. Renfrewshire IJB is a legal entity in its own right created by Parliamentary Order, following ministerial approval of the Integration Scheme between Renfrewshire Council and NHSGGC. It is accountable for the stewardship of public funds and ensuring that its business is conducted under public sector best practice governance arrangements, including ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The budget delegated by our two partner bodies, is used by the IJB to commission services, which are delivered by Renfrewshire Health and Social Care Partnership (HSCP). The principles of the funding allocated by the two partner organisations is set out in the Integration Scheme, however, utilisation of this funding is delegated to the IJB.
- 3.2. Under the terms of the Integration Scheme, partner organisations should make appropriate arrangements to fund pay awards, contractual uplifts, the impact of demographic changes and determine efficiency targets as part of their respective budget setting processes.

- 3.3. The role of the Section 95 Officer (Chief Finance Officer) for the IJB includes both the adherence to professional standards as well as compliance with “The Local Government (Scotland) Act 1973 section 95, which clearly states that:

“...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”

for the IJB this includes the requirement to ensure a balanced budget is set.

4. 2020/21 Context

- 4.1. This report sets out the implications of the Scottish Government budget for 2020/21 which was approved on 5 March 2020 and provides members with an overview of the IJB’s anticipated budget allocation for 2020/21.
- 4.2. IJB Members will be aware of the disruption to the budget setting timetable, following the unscheduled General Election on 12 December 2019. As a direct consequence, the UK Government comprehensive spending review, which had been scheduled for November 2019, and, the Scottish Government draft budget scheduled for 12 December 2019 were both postponed.
- 4.3. Despite the above delay, the Scottish Government chose to publish its own draft budget ahead of the UK, based on announcements already made by the UK Government, as well as ongoing engagement with the UK Government and HM Treasury.
- 4.4. The publication of the Scottish Government Budget in advance of the UK Budget for 2020/21 being published on 11 March 2020, was unprecedented. There was, therefore, a degree of uncertainty regarding the spending commitments outlined within the Scottish Budget. In addition, the timing of the UK Budget and Scottish Budget also reduced the time available for Parliamentary scrutiny of the Draft Scottish Government budget; with the Budget Bill Stage 1 debate in the Scottish Parliament having taken place on 27 February 2020 and stages 2 and 3 on 4^h and 5th March. It was however recognised by the Scottish Government, that, if the UK budget announcement differed materially from the assumptions made by the Scottish Government, the funding and spending commitments set out in their budget may have to be reconsidered.
- 4.5. In 2018, the Scottish Government published its first Medium Term Financial Strategy (MTFS) with a commitment to provide three-year funding settlements from 2020/21 onwards. The MTFS set out the Government’s financial assessment of the funding required to deliver on its key policies over this parliamentary period. It also highlighted that the overall outlook is for little growth through to 2022/23. Based on this, it is therefore likely that in the medium term, public finances in Scotland are likely to remain challenging and subject to further year on year reductions.
- 4.6. However, similar to 2019/20, the Scottish Government has not provided detailed spending plans beyond their budget for 2020/21. Their intention to provide multi-year finance settlements from 2020/21 has been delayed due to the postponement of the UK Government comprehensive spending review, which is unlikely to happen until later this year. It is therefore unlikely that the Scottish Government will commit to multi-year budgets until a similar forecast is provided at a UK level. This clarity would enable the IJB to plan over the medium term with a greater degree of financial certainty in respect of annual uplifts etc. and, adopt a more strategic approach to service re-design and transformation.
- 4.7. As highlighted in previous budget updates to the IJB, as a large proportion of the Scottish Budget is now driven by devolved tax powers, this brings additional

risk to the funding available for public services in Scotland, as the performance of the Scottish economy becomes a key factor in the overall level of resources available to the Scottish Government.

- 4.8. The economic outlook provided by the Scottish Fiscal Commission (SFC), outlines economic growth in Scotland averaging around 1.0-1.2% over the next 5 years. This anticipated low level of annual growth over a prolonged period, will therefore have a detrimental impact on future tax receipts, which in turn will have an adverse impact on future budget allocations across the public sector in Scotland.
- 4.9. The revised SFC forecasts outline that: in relation to the devolution of tax and social security powers under the Scotland Act 2016; and, the fiscal framework which accompanies these powers; the block grant adjustments will require the Scottish Government to either raise taxes, cut spending or utilise reserves/borrowing to make up any shortfall. This, the SFC have warned, could result in much larger loan repayments being required, adding further pressure to the Scottish Budget position over the medium term.
- 4.10. Furthermore, there remain wider risks which could further impact on the level of resources made available to the Scottish Government including the changing political and economic environment within Scotland, the UK, and wider. This will potentially have significant implications for Renfrewshire IJB's parent organisations, and therefore the delegated Health and Adult Social Care budgets.
- 4.11. These wider strategic risks and uncertainties for the IJB include:
- The impact of Brexit, including the Scottish Government's response to Brexit, is not currently known; however, Renfrewshire HSCP is actively participating in Brexit planning being taken forward by its partner organisations in alignment with current Scottish Government direction;
 - Complexity of the IJB governance arrangements has been highlighted by Audit Scotland as an ongoing concern, in particular the lack of clarity around decision making. The Ministerial Strategic Group (MSG) Review of Integration Report acknowledges the challenging environment in which Integration Authorities are operating and makes specific proposals around governance and accountability arrangements to be implemented over 2019/20; and
 - A shortage of key professionals including General Practitioners, District Nurses, Mental Health Officers, Psychologists and Care at Home staff are a current recruitment and retention challenge for Renfrewshire HSCP. Potential impacts include negative effect on:
 - The sustainability of, access to, and quality of, services;
 - The resilience and health of our existing workforce as they attempt to provide the required level of services with reduced resources; and
 - The additional cost of using bank and agency staff.
- 4.12. Uncertainty therefore remains over the scale of the reduction in resources over the medium term. This, along with the continuation of annual cost pressures and increasing demand, will drive a need for further significant and sustained savings to ensure financial sustainability across all sectors.
- 4.13. In November 2019, the IJB approved its Medium-Term Financial Plan 2020/21 to 2024/25, and, agreed to create a transformation reserve to support a step-change in the HSCP's change activity. The Financial Plan set out a two-tiered approach to delivering savings, where Tier 1 short-term savings would be delivered in 2020/21 and Tier 2 savings would be achieved over the period

2021/22 to 2023/24 through transformational change. Tier 1 savings proposals were approved by the IJB on 31 January 2020.

- 4.14. Given the future economic uncertainty highlighted throughout this report, it is vital, that the IJB pro-actively progresses its financial planning strategy in the context of its approved Medium-Term Financial Plan through its Tier 2 Transformation Programme. This Programme now represents the principal vehicle for the IJB to address its estimated net budget gap (for the period 2021/22 to 2023/24) of £9m to £19m (based on a range of funding scenarios between 1.5 to 3 percent of annual uplifts from our partner organisations) to ensure the sustainability of our health and social care services going forward and the delivery of the right health and social care services, accessed in the right place and at the right time.

5. Scottish Government Budget 2020/21

- 5.1. On 6 February 2020, the Scottish Government published their draft budget for 2020/21. Included within the conditions of the draft budget was the continued prioritisation of financial support for social care and integration, with a further £100 million for investment in social care and integration allocated over:

- £57.2m to support cost and demand pressures
- £25m to support continued delivery of the real Living Wage
- £11.6m to support the ongoing implementation of the Carers Act
- £4m to support School Mental Health Services
- £2.2m to support free personal and nursing care

- 5.2. The government confirmed that taken together, the total additional funding of £100 million is to be additional to each Council's 2019/20 recurrent spending delegated to Integration Authorities and not substitutional. The Government confirmed this means that Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must nationally be £100 million greater than the 2019/20 recurrent budget.

- 5.3. Following the announcement of the Scottish Government's Draft Budget for 2020/21 on 6 February 2020, the Interim Director of Health Finance and Governance, for the Scottish Government wrote to all NHS Chairs, NHS Directors of Finance, Integration Authority Chief Officers and Integration Authority Chief Finance Officers providing details of the funding settlement for Health Boards, which includes Integration Authorities (IJBs). A copy of the letter is attached in Appendix 1.

- 5.4. The letter specifically states the following:

- In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 agreed recurring budgets.
- In addition to this, and separate from the Board Funding uplift, the Health Portfolio will invest a further £100 million in Local Authorities for investment in social care and integration, and continued support for school counsellors. This will take the total funding transferred from the health portfolio to £811 million in 2020-21. The additional £100 million for local government includes a contribution to continued delivery of the Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million).

- The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.

5.5. This letter of the 6 February 2020 from the Interim Director of Health Finance and Governance, is the basis on which NHSGGC have made their indicative budget offer to the IJB for 2020/21.

5.6. On the 6 February 2020, the then Minister for Public Finance and Digital Economy wrote to the Leaders of all Scottish Local Authorities (a copy of the letter is attached at Appendix 2), setting out the Scottish Government's draft spending and tax plans for 2020/21. Within this letter she confirmed that as part of their 2020/21 settlement, Local Authorities would be expected to deliver specific commitments, including the commitment that the allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019/20 recurrent budgets.

5.7. The Interim Director of Health Finance and Governance, for the Scottish Government and Director of Community Health and Social Care jointly issued further clarification on 28 February 2020 (Appendix 3). Similar to 2019/20:

“flexibility will be available to Local Authorities to offset their adult social care allocations to Integration Authorities by up to 2% and a maximum of £50 million in 2020-21 based on local needs”.

5.8. The letter of the 28 February 2020 from the Interim Director of Health Finance and Governance, for the Scottish Government and Director of Community Health and Social Care is the basis on which Renfrewshire Council have made their budget offer to the IJB for 2020/21.

5.9. In agreeing the 2020/21 budget, members will wish to consider the medium and longer-term financial context for the IJB and the ongoing financial pressures and significant challenges which were detailed in the HSCP's Medium-Term Financial Plan which was approved by members on 22 November 2019.

6. **Delegated Adult Social Care Budget 2020/21**

6.1. Similar to 2019/20, demographic and socio-economic factors continue to drive significant demand and cost pressures for 2020/21 in the delegated Adult Social Care budget relating to:

- Funding of the 2020/21 pay award of 3%
- Cost pressures arising from contractual arrangements which are subject to renewal;
- Financial impact of the negotiated application of the increased living wage across the sector;
- Increases associated with the National Care Home Contract;
- Ongoing pressure on the Care at Home service in relation to costs associated with shifting the balance of care, by supporting people to live safely at home for as long as possible and facilitating prompt discharge from hospital; and
- Increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community.

- 6.2. The Chief Finance Officer, using a range of informed assumptions, has estimated that the demand and cost growth for Adult Social Care in 2020/21 linked to the areas highlighted above, and in section 8 of this report, is likely to be in the region of a gross increase of circa £4.4 million.
- 6.3. At its meeting of 9 March 2020, Renfrewshire Council, following the Director of Finance and Resources recommendations, approved a recurring net uplift to the delegated Adult Social Care budget of £1.8 million. This net uplift includes an adjustment of 2% against the recurring 2019/20 budget, which equates to £1.4 million. These adjustments by the Council are in line with the conditions of the letter of the 28 February 2020 from the Interim Director of Health Finance and Governance, for the Scottish Government and Director of Community Health and Social Care (Appendix 3).
- 6.4. The following table provides a summary of the above:

Delegated Adult Social Care Budget 2020/21	Amount In £000's
2019/20 Adult Social Care Recurring Budget	70,826
<u>Add:</u>	
Renfrewshire share of £100 million for investment in social care and integration (per Appendix 3)	3,200
<u>Less:</u>	
2% adjustment against the recurring 2019/20 budget	(1,400)
= Total Adult Social Care Recurring Budget 2020/21	72,626

- 6.5. The CFO'S recommendation to the IJB is, to note and accept the delegated Adult Social Health Budget offer from Renfrewshire Council for 2020/21 (Appendix 4) . This budget offer is in line with the conditions of the letter of the 28 February 2020 from the Interim Director of Health Finance and Governance, for the Scottish Government and Director of Community Health and Social Care

7. **Delegated Health Budget 2020/21**

- 7.1. Similar to Adult Social Care, demographic and socio-economic factors continue to drive significant demand and cost pressures for our delegated Health services in 2020/21 including:
- Pay Inflation and impact of Agenda for change circa 4%;
 - Inflationary linked increases on non-pay eligible budgets;
 - Net increase of 4% for Prescribing; and
 - Additional monies to support increases to the funding of our two hospices
- 7.2. Using a range of informed assumptions, the Chief Finance Officer has estimated that the demand and cost growth for Delegated Health Services (not including Set Aside) in 2020/21 linked to the areas highlighted above, and in section 8 of this report, is likely to be in the region of a gross increase of circa £4 million.
- 7.3. As detailed earlier in this report, on 6 February 2020, the Interim Director of Health Finance and Governance, for the Scottish Government wrote to all NHS Chairs, NHS Directors of Finance, Integration Authority Chief Officers and Integration Authority Chief Finance Officers (Appendix 1), setting out the draft budget for 2020/21 for NHS Boards. This included narrative which set out the expectations that the:
- “settlement will support continued delivery of the core priorities set out in the Programme for Government, which focus on; waiting times improvement, primary care, investment in mental health and delivering further progress in the integration of health and social care, as well as continuing to shift the balance of spend towards community health

services. It also recognises the wider inflationary pressures faced by Boards and Integration Authorities”.

7.4. The key funding messages outlined in the letter of 6 February 2020 include:

- In 2020/21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 agreed recurring budgets.
- All Territorial Boards will receive a baseline uplift of 3%.
- Investment in the Primary Care Fund will increase to by £50m to £205 million in 2020/21 to support the implementation of the GP contract and development of new models of primary care, and, includes £10 million to be invested in GP premises.
- Funding of £89 million to be directed to a range of partners for investment to support mental health, and children and young people’s mental health; and
- Alcohol and drugs: an additional £12.7 million - expected investment by Boards and Integration Authorities to increase by 3% over and above 2019/20 agreed recurring budgets

7.5. The NHSGGC indicative budget offer for 2020/21 (Appendix 5), is based on an uplift of 3% reflecting the Board’s uplift for 2020/21, and, is in line with the letter of the 6 February 2020 from the Interim Director of Health Finance and Governance, for the Scottish Government. Similar to previous years, it is anticipated that the formal budget offer from the NHS Board will not be received until April 2020, following NHSGGC Board approval.

7.6. The following table provides a high-level summary of the above:

Delegated Health Budget 2020/21	Amount In £000's
2019/20 Delegated Health Recurring Budget	171,227
Add:	
Realignment of PCIF/PCIP Funds Pharmacy	288
Realignment of Historic Pharmacy Funds (Indicative Figure)	654
Revised Budget before Uplift	172,169
Add:	
3% Uplift	3,769
Revised Budget After Uplift	175,938
<u>Notional' Set Aside Budget *:</u>	
Set Aside 19-20	55,927
3 % Uplift on Set Aside Budget	1,678
Set Aside Budget 20-21	57,605
= Total Delegated Health Recurring Budget 2020/21	233,543

Note: these are high level indicative figures (which do not include any final adjustments in relation to recurring budget adjustments at month 12) which have yet to be agreed pending final receipt of the formal budget offer from NHSGGC.

- 7.7. Members should note that the set aside budget included within the 2020/21 indicative offer letter continues to be notionally uplifted for 2020/21. A separate report on the Unscheduled Care Commissioning Plan will be presented to the IJB and represents the first steps in developing strategic plans for the unscheduled care pathway as set out in legislation.
- 7.8. The CFO'S recommendation to the IJB is, to delegate responsibility to accept the 2020/21 delegated Health Budget, to the Chief Officer and Chair of the IJB subject to:
- The expected uplift of 3% reflecting the boards uplift for 2020/21 including any final adjustments in relation to recurring budget adjustments at month 12; and
 - The final budget offer including a budget for Set Aside for 2020/21.

8. **Cost Pressures and Demand**

- 8.1. The HSCP's Medium-Term Financial Plan reflects the economic outlook to 2024/25, adopting a strategic and sustainable approach linked to the delivery of priorities in our Strategic Plan. These strategic priorities will continue to provide a focus for future budget decisions, where the delivery of core services must be balanced with the resources available. Our Medium-Term Financial Plan focuses on financial sustainability, acknowledging the uncertainty around key elements including the potential scale of savings required and the need to redirect resources to support the delivery of key priorities.
- 8.2. As recommended by the CFO in previous reports to the IJB, it is important that the IJB works to create sufficient reserves to provide temporary funding to drive transformation, and, build up contingency reserves during the course of the financial year. In addition, members should note that Audit Scotland will continue to closely monitor the IJB's position to ensure unallocated general working balances remain at an appropriately prudent level.
- 8.3. Over recent months, budget assumptions have been updated to reflect the impact of new statutory obligations and, increasing demographic and demand pressures. In addition, the CFO has identified ways to redirect existing resources to mitigate the impact of current and emerging cost pressures.
- 8.4. As detailed in the HSCP's Medium-Term Financial Plan, the financial projections include a range of key assumptions for which there remains significant and real uncertainty. These include:
- **Future funding allocations from Partner Organisations:** the Scottish Government has not provided any material details of spending plans beyond 2020/21 other than high level figures which indicate low levels of cash growth.
 - **Future Pay Settlements:** the move to multi-year settlements provided a degree of certainty over pay pressures through to 2020/21. However, uncertainty will once again arise in relation to future pay pressures as the current 3-year agreement comes to an end, and a new cycle of negotiations commences. 2020/21 is also the final year of the current valuation of pension commitments, with a likely change in employer contribution rates from 2021/22. In addition, public sector pensions may also be adversely affected from the outcome of the McCloud Case, (a successful equality challenge) which could impact on all public sector pensions across the UK.

The sustainability of future pay awards at similar levels, in the context of an expectation of further reductions in resources, will be a major challenge for the IJB to manage in future years. Employee costs

represent 34% of the IJB's net budget. Inflationary pressure in this area represents a significant pressure for the IJB eg every 1 % increase to current pay rates represents an additional cost of c£810k per annum.

- **Demand led Pressures:** the scale of evolving demographic and socio-economic demand led cost pressures continue to be a key financial risk moving forward. Historically, our services have been able to manage this demand through the transformation of services, which has enabled gains in productivity and effectiveness to secure delivery of more services from the money they have received. However, our ability to continue to manage the current and projected demand levels into the future is limited.
- **Prescribing:** with the ending of the risk sharing arrangement across NHSGGC Partnerships on 31 March 2018, prescribing costs now represents one of our main financial risks, mainly due to the volatility of global markets and the impact of drug tariffs in relation to contracts with community pharmacy.
- **Inflation and Contractual Commitments:** Non-Pay inflationary pressures reflect anticipated annual increases to payments to third parties, and in the main reflect anticipated increases linked to contracts such as the National Care Home Contract and Supported Living Framework.

8.5. The following table provides a high-level summary of the gross estimated budget pressures (based on medium case scenarios) in relation to the above for 2020/21:

Type of Pressure	Using Medium Case Scenarios		
	Health £000's	Social Care £000's	Overall Position £000's
Contractual	62	1,215	1,277
Pay	2,012	906	2,918
Demand	464	1,405	1,869
Living Wage		863	863
Prescribing	1,398		1,398
Total Pressures	3,936	4,388	8,324

8.6. As previously discussed with members, the delegated health budget includes a number of budget areas which cannot be considered for planned savings, namely:

- Resource Transfer from the NHS is used to directly fund social care services provided directly through the Council or commissioned from third party organisations;
- Prescribing budget has a clear clinically led approach to cost containment and volume control as part of an NHSGGC system wide approach and one that is built up from the prescribing patterns of individual GPs and informed by known costs;
- Family Health Service budgets directly fund income to contracted services such as GPs;
- Social Care Fund is passed directly through to Renfrewshire Council for allocation to the Adult Social Care Budget;
- Mental Health services protection in line with the Scottish Government's directions; and

- Health Visitors funding – this is a ring-fenced allocation from the Scottish Government in line with their priority to increase the number of Health Visitors.

8.7. The following table shows that taking all of the above into account, the remaining budget against which any savings targets need to be delivered is circa £30.3 million, (14.67%) the majority of which are employee related budgets.

Health Budget Influencable Spend	19-20 £'000's
2019/20 Budget	172,079
Add: Resource Transfer & Social Care Fund	33,250
Add: Action 15 and PCIP 19-20 Allocations	1,195
	206,524
Less:	
Set Aside	-31,242
Resource Transfer	-20,996
Prescribing	-36,721
FHS	-47,804
Social Care Fund	-12,254
Mental Health (Per SG Direction for 18-19)	-20,088
Action 15	-403
PCIP	-893
Health Visitors Money (Ring Fenced Funding)	-3,597
ADP (Ring fenced Funding)	-2,229
Non-recurring Budget	-1,389
	-176,227
= Remaining Budget Against which savings can be applied	30,297
% of budget against which savings can be applied	14.67%

8.8. Building on the long-standing approach to deliver savings and efficiencies for our delegated adult social care and health services, over the past few years, through its Change and Improvement Programme, the HSCP has successfully managed to take forward a number of programmes intended to dampen and mitigate the impact of demand led growth. However, the scope to further mitigate and reduce demand to deliver additional recurring savings through previously tried methodologies is limited.

8.9. As highlighted earlier in this report (paragraph 4.13), in November 2019, the IJB approved its Medium-Term Financial Plan 2020/21 to 2024/25. The Financial Plan set out a two-tiered approach to delivering savings, where Tier 1 short-term savings would be delivered in 2020/21 and Tier 2 savings would be achieved over the period 2021/22 to 2023/24 through transformational change. Tier 1 savings proposals were approved by the IJB on 31 January 2020.

8.10. A key element of the Tier 2 approach is the implementation of the HSCP's Transformation Programme. This programme will enable:

- A strategic approach to be taken to the prioritisation of transformational activity;
- The review of current service provision and the design of future, innovative service models to ensure the sustainability of our health and social care services going forward; and
- The delivery of, the right health and social care services, accessed in the right place and at the right time.

8.11. In its 2019/20 budget, Renfrewshire Council, in recognition that the HSCP was progressing a range of service transformation and redesign projects which take time to fully develop and implement, agreed to earmark £1.4 million of non-

recurring resources, to support the HSCP meet the costs of transformation activities.

8.12. In addition, in recognition that service transformation and redesign projects take time to fully develop and implement, the IJB at its meeting of 20 September 2019, approved the CFO's recommendations to:

- Create a 'Transformation Programme' reserve to provide resources to mitigate the risk of change, and to support the transition of HSCP services; and,
- to work towards achieving a 2% general reserve balance in recognition of the level of risk which the organisation is likely to be exposed to over the medium term.

8.13. At its meeting of 9 March 2020, Renfrewshire Council approved a motion to commit £1 million of this non-recurring resource in response to the recommendations of the Renfrewshire Alcohol and Drugs Commission. This funding is to support priorities emerging from the Alcohol and Drugs Commission, in recognition of the prevention and early intervention emphasis of the Commission's recommendations to support improving outcomes for adults. The remainder of the £1.4 million, ie £400,000, will remain available for the HSCP to draw down in support of its Transformation Programme.

8.14. As outlined in the 'Medium Term Financial Plan', and further described in this report, it is likely that from 2021/22, the budget position for IJBs will be subject to significant demand and cost led financial pressures.

8.15. In addition, it is clear from Renfrewshire Council's own Medium-Term Financial Outlook, that it anticipates it will be subject to significant pressure over the medium term which is likely to constrain the level of funding uplift it can realistically provide to the HSCP.

8.16. Over the past couple of years, the HSCP has benefited from resources passed through from Health as part of the local government settlement arrangements. This has been a key factor in maintaining the current financial stability of the Partnership. However, it should be recognised that the Scottish Government is likely over the medium term to face an increasingly challenging financial position which may place the ability for a pass through of resources from Health to HSCP's under increasing pressure. On this basis, the IJB should continue to plan for a range of potential outcomes, ensuring sufficient flexibility to manage in a sustainable manner the position which emerges over the next few years. The likely scenario is that a significant level of further recurring savings will be required. At the same time, we need to deliver sustainable and modern services which meet the needs of service users and their families.

8.17. It is therefore essential that the IJB continues to focus on the need to pro-actively progress its transformation and modernisation agenda, maintaining a medium-term perspective of the financial challenges and where appropriate generate reserves to help to:

- Address medium-term pressures on the assumption that the financial position is more than likely to get more pressured;
- To provide temporary funding to drive transformation; and,
- Build up contingency reserves in line with Audit Scotland's recommendations.

8.18. The decision by the IJB in September 2019 to create a transformation reserve, and, work towards achieving a 2% general reserve is therefore crucial in ensuring the financial sustainability of the partnership in the medium term.

9. **Summary of 2020/21 Budget Position**

2019/20 HSPC Budget Rolled Forward to 2020/21	Total
	265,672
Add: HSCP Estimated Budget Pressures for 20/21:	
Contractual	1,277
Pay	2,918
Demand	1,869
Living Wage	863
Prescribing	1,398
	8,325
Add: Notional Set Aside increase	1,678
	1,678
Less:	
Savings approved by IJB in previous years (to be delivered in 2020/21)	-685
Tier 1 Savings (approved by IJB on 31 January 2020)	-1,934
Recurring prescribing	-137
	-2,756
HSCP Budget Requirements for 20/21:	272,919
Additional Funding Requirement for 20/21	-7,247
Funded By:	
20/21 Health Budget Uplift	5447
20/21 Adult Social Care Uplift	1800
Total Increase in Partnership Funding	7,247
= 2020/21 HSCP Opening Budget	272,919

9.1. The table above, summarises the overall anticipated budget position for the IJB for 2020/21 reflecting:

- The pressures highlighted in section 8 of this report
- Savings approved by the IJB in previous years to be delivered in 2020/21
- Tier 1 savings approved by the IJB on 31 January 2020
- Recurring Prescribing underspend
- Increase in Partnership funding in line with the conditions of the Scottish Government Budget for 2020/21.

9.2. Based on the above table, it is the CFO's recommendation that there are sufficient resources included within the proposed budgets set out in this report to meet our current anticipated budget pressures for 2020/21, thereby enabling members to agree our partnership budget offers for 2020/21 and set a balanced budget for 2020/21.

10. COVID-19

10.1. IJB Members should note that the 2020/21 budget proposals are presented on the basis of "business as usual", however, ongoing and developing COVID-19 issues highlight that this is not the case. It should be recognised that extraordinary costs are being incurred and will continue to be incurred for the foreseeable future. For accounting purposes, these costs will be recorded separately, with the assumption that costs will be covered by partners, and ultimately by government

Implications of the Report

1. **Financial** – Financial implications are discussed in full in the report above.
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – This is in line with Renfrewshire IJB's Integration Scheme
5. **Property/Assets** – none.
6. **Information Technology** – none
7. **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.
8. **Health & Safety** – none
9. **Procurement** – Implementation of the living wage impact on existing contracts with providers and their ability to deliver within the allocated funding package
10. **Risk** – Delays in setting the budget may impact on the IJBs ability to achieve financial balance in 2020-21. In addition, as highlighted in section 10 of this report, the 2020/21 budget proposals assume "business as usual". The potential financial and economic impacts of COVID-19 represents a significant additional risk to the IJB, and the wider public sector going forward.
11. **Privacy Impact** – none.

List of Background Papers – none

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