
To: Renfrewshire Integration Joint Board

On: 15 January 2016

Report by: Chief Finance Officer

Heading: Financial Report 1st April to 30th November 2015

1. Purpose

- 1.1. The purpose of this report is to advise the Integration Joint board (IJB) of the Revenue and Capital Budget current year position as at the 13th November (Social Work) and 30th November 2015 (Health).
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2. Recommendation

- 2.1. That the Integration Joint Board:
- a) are requested to note the financial position to date.
 - b) note that the progress of the financial planning process for 2016/17
 - c) note the progress to date on due diligence
 - d) the Chief Officer is delegated responsibility for issuing directions to the Constituent bodies (Renfrewshire Council and NHS Greater Glasgow and Clyde), in consultation with the Chair and Vice Chair of the IJB, by 1 April 2016
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3. Summary

- 3.1. The overall revenue position for the HSCP at 30th September is an underspend of £28k as detailed in the table below (and appendices 1 and 2).

Division	Current Reported Position	Previously Reported Position
Social Work – Adult Services	Breakeven	Breakeven
Renfrewshire Health Services	£27k underspend	£23k underspend
Total Renfrewshire HSCP	£27k underspend	£23k underspend

- 3.2. The key pressures are highlighted in section 4 and 5.

4. **Social Work – Adult Services**

Current Position:	Breakeven
Previously Reported:	Breakeven

4.1 **Older People**

Current Position:	Net underspend of £23k
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Previously Reported:	Net underspend of £13k
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As previously reported, the net underspend within Older People services is due to an underspend in the external care home placement budget reflecting higher than anticipated turnover levels offset by significant pressures within the care at home service.

In addition to pressures within the care at home service, there continues to be an under recovery of income from the Council's residential Care Homes reflecting current occupancy levels.

4.2 **Physical Disabilities**

Current Position:	Net overspend of £53k
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Previously Reported:	Net overspend of £41k
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As previously reported, this overspend is due to increases in the purchase of equipment to support service users to stay in their own homes reflecting the shift in the balance of care to the community and their associated needs.

4.3 **Learning Disabilities**

Current Position:	Net under spend of £155k
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Previously Reported:	Net under spend of £131k
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This underspend is mainly due to the time taken to recruit to new posts within the Learning Disability day services, the majority of which have now been filled. This underspend offsets an overspend on the Adult Placement budget reflecting increased changes in the budget profile in relation to the funding of SDS packages.

4.4 **Mental Health**

Current Position:	Net overspend of £30k
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Previously Reported:	Net overspend of £29k
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This overspend is mainly due to higher than anticipated payroll costs.

4.5 **Addictions**

Current Position:	Net overspend of £94k
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Previously Reported:	Net overspend of £71k
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This overspend is mainly due to higher than anticipated payroll costs.

5. **Renfrewshire Health Services**

Current Position: £27k Underspend
Previously Reported: £23k Underspend

5.1 **Addictions**

Current Position: Net underspend of £148k
Previously Reported: Net underspend of £89k

This underspend is mainly due to lower than anticipated payroll costs reflecting the position staff are currently placed on the pay scale, along with slippage in the filling of vacant posts due to the timescales involved in the recruitment process.

5.2 **Adult Community Services**

Current Position: Net overspend of £54k
Previously Reported: Net overspend of £43k

As previously reported, this net overspend reflects: continued pressure on the community equipment budget (EQUIPU); overspends on the salaries within RES (Rehabilitation and Enablement Service) where additional physiotherapy staff have been employed to focus on the reduction of waiting list times, there is also increased pressure in relation to District Nurse travel costs due to the increase in FTE following the recent recruitment drive.

These overspends are partially offset by underspends within the podiatry service where there are a number of vacancies.

5.3 **Children's Services**

Current Position: Net underspend of £173k
Previously Reported: Net underspend of £144k

Overall, Children's Services are reporting an underspend of £173k. This is mainly due to general nursing underspends within Specialist services reflecting delays in the filling of posts associated with the service redesign, and CAMHS (Children and Adolescent Mental Health Services) due to ongoing recruitment issues for psychologists.

5.4 **Learning Disabilities**

Current Position: Net overspend of £55k
Previously Reported: Net overspend of £31k

The overspend within Learning Disabilities is due to costs associated with speech therapy agency staff, who will be required until the current service redesign process is completed. There is also additional pressure in relation to medical agency locum fees covering long term sickness; this is likely to continue into 2016/17.

5.5

Hosted Services

Current Position:	Net underspend of £153k
Previously Reported:	Net underspend of £130k

As previously reported, this underspend reflects historical underspends within the service due to vacant administrative and special project posts.

5.6

Mental Health

Current Position:	Net overspend of £137k
Previously Reported:	Net overspend of £86k

Overall, Mental Health services are reporting an overspend of £137k. As previously reported, this overspend is due to a number of contributing factors within both adult and in-patient services which are offset by an underspend within the adult community budget due to vacancies within the service.

The main overspends within the in-patient services relate to costs associated with significant numbers of patients requiring enhanced levels of observation across all ward areas. Staffing for enhanced observations is unfunded, and as a result reliance is on the nurse bank to provide safe staffing levels to meet level of demand and activity. In addition, there are emerging pressures in relation to maintaining the recommended safe staffing and skill mix for registered nurse to bed ratios.

These areas will continue to be the subject of ongoing monitoring and review.

5.7

Other Services

Current Position:	Net overspend of £183k
Previously Reported:	Net overspend of £177k

The overspend within other services is mainly in relation to the impact of the 15/16 workforce planning savings.

5.8

Prescribing

Current Position:	Breakeven
Previously Reported:	Breakeven

Overall, for NHS GG&C the prescribing budget is currently showing an overspend of £1.4m, and it is unlikely that a year end break-even position will be achievable despite the application of non-recurring funding which is being used to partially offset the current overspend.

For HSCP's the forecast remains a breakeven as the Board's intention is to maintain the risk sharing arrangement and not to pass any overspends to the HSCPs in 2015/16. However, this will be kept under review in light of the Board's financial position.

6. 2015/16 Capital Programme

Description	Original Budget	Revised Budget	Spend to Date	Still to Spend
Anchor Centre Roof Replacement	£400k	£310k	£0k	£310k
Total SW	£400k	£310k	£0k	£310k

As previously highlighted, work on the Anchor Centre roof has been delayed until April 2016, due to potential weather difficulties over the winter months. The cost of the works which was originally estimated at £400k has now been reduced to £310k based on the results of the feasibility study. The works are currently out to tender and it is anticipated that the contract will be awarded early in 2016.

7. Due Diligence Process Update

- 7.1 The Chief Officer and Chief Finance Officer have been working with the NHS Board Finance Director and the Council's Director of Finance and Resources to carry out the required financial due diligence work, in line with Scottish Government guidance. The due diligence process is required to ensure that resources delegated on 1 April 2016 are sufficient for the Integrated Joint Board (IJB) to carry out its functions.
- 7.2 This process ensures consistency in approach, setting out continuing pressures, demands and associated risks in relation to the delegated functions and identifies relevant and necessary management action to be taken, including any baseline funding adjustments. This process will enable the Chief Finance Officer to advise the IJB whether the budgets being transferred by both partners to the IJB are acceptable and adequate to meet anticipated levels of demand to allow the HSCP to proceed on a sound financial basis.
- 7.3 It is however recognised that the budget set for any large scale, complex public sector organisation will never be free of risk and will always require careful, diligent and pro-active management throughout the financial year, to manage risk and planned and unplanned demand and pressures. The IJB will be no different in this regard. Officers within the Council, the Chief Officer and Chief Financial Officer of the IJB, and the Director of Finance from NHSGG&C will continue to develop and appropriately support the completion of the financial due diligence process by March 2016.
- 7.4 The budget setting process for both partner organisations is set against a context of emerging risks relating to:
- the uncertainty around the impact of the 2016/17 Local Government Settlement on HSCP budgets
 - the delays in the allocation of the 2016/17 health budget and its possible impact on HSCP budgets

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- the well documented demographic pressures facing Renfrewshire, and Scotland, as a result of an ageing population including: considerable growth in the older adult (65+) population and the consequent rise in people with complex health and social care needs resulting from increased life expectancy and improved treatments which enable people to live into very old age.
 - Health inequalities also continue to pose a challenge for services, with large differences in life expectancy between affluent and more deprived areas, and higher than average rates of hospitalisation for a number of chronic conditions, particularly those linked to unhealthy lifestyles such as smoking, excessive alcohol consumption and drug misuse.
- 7.5 In terms of Council adult social care budgets, over recent years Social Work services have managed a number of demographic and financial pressures within the service through a range of demand and cost mitigation measures in order to minimise the level of additional investment by the Council. The strategy for 2016/17 remains consistent with this approach, building on ongoing proactive work within the service with a focus on shifting the balance of care to community based settings.
- 7.6 The main pressures relating to adult social care services are in relation to demographics and increased demand from adult protection related issues. The impact of these, along with the anticipated inflationary increases on externally provided services, are summarised below:
- Impact of increasing demand in relation to adult protection referrals on adult protection
 - Anticipated inflationary increases on the National Care Home and Care at Home contracts
 - Impact of Demographic Growth
 - Impact of the introduction of new national insurance pressures in relation to new state pension arrangements for 2016/17
- 7.7 In addition to the above, the IJB should also be aware of potential pressures emerging from the impact of national government commitments on both the minimum and living wage.
- 7.8 As well as the adult social care budget, additional Council budgets require to be delegated for functions which have not historically sat within social care services, namely Housing Adaptations and Gardening Assistance. These functions must be delegated to the IJB by 1 April 2016 under the Public Bodies (Joint Working) (Scotland) Act 2014. It is acknowledged that there are demand pressures in relation to the housing adaptations budget, and more detailed review work is underway to quantify what risk this presents to the IJB, and what mitigating action can be taken prior to 1 April 2016.
- 7.9 In terms of the NHS budgets, similar to the Council, NHS Greater Glasgow and Clyde is facing significant financial challenges. In the current financial year NHSGG&C continue to develop proposals to

meet savings required to balance the overall current year budget for 2015/16. The NHS Board has reported significant financial pressures particularly relating to acute hospital services. Savings plans for HSCPs across NHS GGC in 2015/16 are already agreed and have been accounted for in current year budgets and this exercise includes those service budgets that will transfer into the IJB in 2016/17. Moving into 2016/17, further cost pressures from demand led growth, pension and pay pressures being experienced similar to the Council, pressures emerging from the ending of non-recurring funding sources and requirements to support the achievement of key performance standards such as 4 hour waiting targets in A&E, will continue to present significant financial challenges for the NHS Board. This could potentially have implications for the proposed IJB budgets for 2016/17. Only recently, Audit Scotland published a national report highlighting such financial risks being faced by the NHS in Scotland and the consequential need for the Scottish Government and the NHS to accelerate the delivery of change and modernisation as a key response to mitigating the impact brought about by cost pressures.

- 7.10 The approach taken to carry out this due diligence process for the 2016/17 budget is set out in *appendix 1: Due diligence process 2015/16 budgets*. A key element of this process is the 2016/17 budget being assessed against actual expenditure for the most recent three financial years including analysis of non-recurring costs and agreed efficiencies. The process covers Renfrewshire Council and NHS GGC budgets relating to the delegated functions set out in the Integration Scheme.
- 7.11 The report on the due diligence process and Chief Finance Officer recommendations will be presented to the IJB on the 18 March 2016 when the IJB will approve their strategic plan and supporting 2016/17 budget.
- 7.12 The IJB's Chief Internal Auditor will carry out an audit of the due diligence process undertaken by the Chief Finance Officer and will submit a separate report on her findings on the 18 March 2016. This paper will provide the IJB will additional, independent assurance of the process followed.

8. **Issuing of Directions to Parent Organisations**

- 8.1 The Public Bodies (Joint Working) (Scotland) Act 2014 (sections 26 and 27) requires the IJB to issue directions to the constituent bodies (Renfrewshire Council and NHS Greater Glasgow and Clyde) for each function being delegated to it as the integration authority.
- 8.2 The Act states that "where the integration authority is an integration joint board, it must give a direction to a constituent authority to carry out each function delegated to the integration authority".
- 8.3 Sections 26 and 27 of the 2014 Act contain more detail regarding what the direction should cover. This includes the method of determining payments that are to be made to the person carrying out the function,

how that payment is to be used and it may regulate the manner in which the function is to be carried out.

- 8.4 The directions are the mechanism by which the IJB instructs the constituent authority to carry out the delegated functions. These are documents which set out how the IJB expect the Constituent bodies to deliver each function, and spend IJB resources, in line with the Strategic Plan.
- 8.5 When the IJB approve their Strategic Plan, this will allow for health and adult social care functions to be delegated from the constituent bodies to the new integrated authority. The IJB must then issue Directions for all the delegated functions as set out in the integration scheme.
- 8.6 Given the statutory timetable for the approval of the Strategic Plan, and the Scottish Government's delay issuing supporting guidance, there is insufficient time to finalise the directions and submit them for IJB approval ahead of 1 April 2016. It is therefore proposed that the IJB delegate this responsibility to the Chief Officer, who will work in consultation with the Chair and Vice Chair of the IJB.
- 8.7 The Chief Officer will prepare the directions with the Chief Finance Officer and also liaise other Chief Officers within the Greater Glasgow and Clyde (GGC) area to ensure these Directions are in line with the anticipated national guidance, from the Integrated Resource Advisory Group (IRAG) and satisfy the statutory requirements.

Implications of the Report

1. **Financial** – Expenditure will be contained within available resources.
2. **HR & Organisational Development** – none
3. **Community Planning** - none
4. **Legal** – none
5. **Property/Assets** – none.
6. **Information Technogloy** – 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** – none
10. **Privacy Impact** – none.

List of Background Papers – none

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**Social Work Revenue Budget Position
1st April 2015 to 13th November 2015**

Subjective Heading	Annual Budget £000's	Year to Date Budget £000's	Actual to Date £000's	Variance		
				£000's	%	
Employee Costs	24,415	14,495	14,627	(132)	-0.9%	overspend
Property Costs	1,014	487	521	(34)	-7.0%	overspend
Supplies and Services	1,450	845	919	(74)	-8.8%	overspend
Contractors	45,797	26,422	26,185	237	0.9%	underspend
Transport	733	415	412	3	0.7%	underspend
Administrative Costs	246	141	120	21	14.9%	underspend
Payments to Other Bodies	4,234	1,552	1,548	4	0.3%	underspend
Capital Charges	1,404	-	-	-	0.0%	breakeven
Gross Expenditure	79,293	44,357	44,332	25	0.1%	underspend
Income	(23,758)	(8,519)	(8,495)	(24)	0.3%	overspend
NET EXPENDITURE	55,535	35,838	35,837	1	0.00%	underspend

Position to 18th September is a breakeven of £0 0.00%
Anticipated Year End Budget Position is a breakeven of £0 0.00%

Client Group	Annual Budget £000's	Year to Date Budget £000's	Actual to Date £000's	Variance		
				£000's	%	
Older People	35,347	21,291	21,268	23	0.1%	underspend
Physical or Sensory Difficulties	5,057	3,123	3,176	(53)	-1.7%	overspend
Learning Difficulties	12,582	8,755	8,600	155	1.8%	underspend
Mental Health Needs	950	1,806	1,836	(30)	-1.7%	overspend
Addiction Services	949	726	820	(94)	-12.9%	overspend
Integrated Care Fund	650	137	137	-	0.0%	breakeven
NET EXPENDITURE	55,535	35,838	35,837	1	0.00%	underspend

Position to 18th September is a breakeven of £0 0.00%
Anticipated Year End Budget Position is a breakeven of £0 0.00%

**Health Revenue Budget Position
1st April 2015 to 30th November 2015**

Subjective Heading	Annual Budget £000's	Year to Date Budget £000's	Actual to Date £000's	Variance		
				£000's	%	
Employee Costs	42,530	28,260	27,801	459	1.6%	underspend
Property Costs	788	409	365	44	10.8%	underspend
Supplies and Services	11,303	5,028	5,388	(360)	-7.2%	overspend
Purchase of Healthcare	44	30	36	(6)	-20.0%	overspend
Resource Transfer	16,590	11,060	11,060	-	0.0%	breakeven
Family Health Services	79,207	52,400	52,394	6	0.0%	underspend
Savings	(173)	(116)	-	(116)	100.0%	overspend
Capital Charges	1,573	1,050	1,050	-	0.0%	breakeven
Gross Expenditure	151,862	98,121	98,094	27	0.0%	underspend
Income	(4,398)	(2,891)	(2,891)	-	0.0%	breakeven
NET EXPENDITURE	147,464	95,230	95,203	27	0.03%	underspend

Position to 30th September is an underspend of **£23k** **0.03%**
Anticipated Year End Budget Position is a breakeven of **£0** **0.00%**

Client Group	Annual Budget £000's	Year to Date Budget £000's	Actual to Date £000's	Variance		
				£000's	%	
Addiction Services	2,684	1,516	1,368	148	9.8%	underspend
Adult Community Services	15,076	9,266	9,320	(54)	-0.6%	overspend
Children's Services	5,124	3,533	3,360	173	4.9%	underspend
Learning Disabilities	957	641	696	(55)	-8.6%	overspend
Mental Health	18,446	12,283	12,420	(137)	-1.1%	overspend
Hosted Services	3,442	2,326	2,173	153	6.6%	underspend
Prescribing	32,985	22,185	22,185	-	0.0%	breakeven
GMS	24,229	15,482	15,482	-	0.0%	breakeven
Other	19,897	13,240	13,240	-	0.0%	breakeven
Planning and Health Improvement	1,530	820	838	(18)	-2.2%	overspend
Other Services	3,237	1,681	1,864	(183)	-10.9%	overspend
Resource Transfer	16,590	11,060	11,060	-	0.0%	breakeven
Integrated Care Fund	3,267	1,197	1,197	-	0.0%	breakeven
NET EXPENDITURE	147,464	95,230	95,203	27	0.03%	underspend

Position to 30th September is an underspend of **£23k** **0.03%**
Anticipated Year End Budget Position is a breakeven of **£0** **0.00%**

for information:

1. Adult Community Services includes: District and Out of Hours Nursing; Rehabilitation Services, Equipu and board wide responsibility for Podiatry
2. Children's Services includes: Community Services - School Nurses and Health Visitors; Specialist Services - Children's Mental Health Team, Speech Therapy
2. GMS = costs associated with GP services in Renfrewshire
3. Other = costs associated with Dentists, Pharmacists, Optometrists
4. Hosted Services = board wide responsibility for support to GP's for areas such as eg breast screening, bowel screening
5. Other Services = Business Support staff; Admin related costs, hotel services and property related costs including rates and rental costs.

Appendix 1: Due diligence process 2015/16 budgets

The budget in the financial plan for 2015/16 has been assessed against actual expenditure reported in the management accounts for the most recent three years:

- the identification of the former Community Health Partnership budget to be delegated is clear
- the identification of the NHS GGC's budget relating to the delegated set aside (Acute Services) budget is clear
- the identification of that part of the Council's former SW and Housing budgets relating to the delegated services is clear
- the treatment of corporate support services is clear
- the prior year figures can be reconciled back to Council and NHS GGC budget papers and final management accounts, or equivalent.
- the review of prior years and into 2015/16 show adequate budget provision for the delegated functions.
- The assumptions used in rolling forward the budget from 2014/15 to 2015/16 plans and the associated risks are fully transparent.
- Material non-recurrent funding and expenditure budgets for the delegated services and related risks are transparent.
- The medium term financial forecast for the delegated services and associated assumptions and risks is reviewed
- Savings and efficiency targets and any schemes identified are clearly identified and the assumptions and risks are understood by all partners
- Corporate efficiency targets are clear from parent organisation Board papers
- Demand management activity in relation to health and adult social care services is transparent

Budget for 2015/16 to be set taking into account:

- Cost inflation
- Activity change such as demographic pressure
- Cost impact of any legislative changes
- efficiencies

Ensure the amount set aside for the IJB consumption of large hospital services to consistent with the methods recommended in the IRAG guidance on the set aside resource and that the assumptions and risks are assessed - part of NHS due diligence exercise.