

Integration Joint Board

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Due Diligence Process on Budget Allocation to IJB

Purpose of Report:	To advise the IJB of the due diligence undertaken in respect of the 2015/16 revenue budget based on current and previous two years financial information.
Recommendations:	<p>The IJB is asked to:</p> <ul style="list-style-type: none"> i) Note the due diligence work undertaken. ii) Note the budgets allocated for 2015/16 by the Council and Health Boards. iii) Agree to consider a report on the budget for the IJB for 2016/17 which includes all budget areas that is part of the Integration Scheme, including the set aside budget, before the go live date of 1st April 2016.
Implications for IJB:	
Financial:	To provide the IJB with assurance in relation to the due diligence process for the 2015/16 budget (excluding the set aside budget for large hospitals). The 2015/16 budget will be the starting point for the budget allocation to the IJB in 2016/17 which will be subject to the impact of the Financial settlement from the Scottish Government and other adjustments.

Personnel:	There are no personnel implications
Legal:	The budgets reviewed are those identified in the Integration Scheme.
Economic Impact:	Not applicable
Sustainability:	Not applicable
Sustainable Procurement and Article 19:	Not applicable
Equalities:	Not applicable
Implications for Glasgow City Council:	Budget for 2016/17 to be allocated to the IJB once the budget is set by the Council.
Implications for NHS Greater Glasgow & Clyde:	Budget for 2016/17 to be allocated to the IJB once the budget is set by the NHS Greater Glasgow & Clyde Board.

1. Introduction

- 1.1 This report provides details of the due diligence process applied to the revenue budget for the Glasgow City Integrated Joint Board (IJB) for the financial year 2015/16.

2. Background

- 2.1 The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. This established the framework for the integration of Health & Social Care in Scotland.
- 2.2 The IJB is a legal entity in its own right, created by Parliamentary order, following Ministerial approval of the Integration Scheme. NHS Greater Glasgow and Clyde (NHSGGC) and Glasgow City Council have delegated functions to the IJB which has the responsibility for strategic planning, resourcing and ensuring delivery of all integrated services.
- 2.3 The IJB is required to allocate the resources it receives from NHSGGC and Glasgow City Council in line with the Strategic Plan. As previously agreed, the formal delegation of resources will commence on 1st April 2016 allowing for a clean and transparent transfer of resources, including those budgets set aside for large hospital services and for services hosted on behalf of the IJB.
- 2.4 Due diligence work, as recommended in the guidance provided around the formation of IJBs, has been undertaken to consider the sufficiency of the revenue budget for Glasgow City IJB.
- 2.5 A key element of the due diligence process is an assessment of budget against actual expenditure for 2013/14, 2014/15 and 2015/16 against probable outturn. This process will be repeated following the setting of the 2016/17 budget to ensure consistency in approach, allow the identification of continuing pressures, demands and associated risks, and enable relevant and necessary management action to be taken.
- 2.6 Part of the resources for which the IJB will have responsibility for planning are held within NHSGGC for acute services, as defined in the Integration Scheme. This is known as the set aside budget. During 2015/16, NHSGGC will work with the partnerships to develop an agreed methodology to calculate the set aside budget.
- 2.7 The IJB is responsible for the production of a Strategic Plan setting out the services for their population over the medium term (3 years). To support the medium term financial process, NHS GG&C and Glasgow City Council will be required to provide indicative 3 year funding allocations to the IJB. In future

years it is the responsibility of the IJB's Chief Officer and Chief Finance Officer to develop a business case for the integrated budget based upon the Strategic Plan and to present this business case for consideration and agreement within the budget setting processes of NHS GG&C and Glasgow City Council. As noted below at 5.2, projections of future years' budgets must be considered to be indicative.

3. Due Diligence

3.1 The due diligence process relates to the partnership's revenue budget previously for NHS Community Health Partnership (CHP) and Social Work Services for Glasgow. Revenue monitoring reports have been regularly reported to the Shadow IJB during 2015/16. The table below shows the year end position for both the NHS and Council for financial years 2013/14 and 2014/15 and probable outturn for 2015/16.

Year	Budget £m	Outturn/PO £m	Net (Under)/Over £m
2013/14			
Social Work	418.4	423.8	5.4
NHS (CHP)	668.4	668.3	(0.1)
TOTAL	1,086.8	1,092.1	5.3
2014/15			
Social Work	406.6	410.3	3.7
NHS (CHP)	692.1	692.0	(0.1)
TOTAL	1,098.7	1,102.3	3.6
2015/16			
Social Work	395.8	399.5	3.7
NHS (HSCP)	646.7	646.6	(0.1)
TOTAL	1,042.5	1,046.1	3.6

3.2 As well as reporting to the shadow IJB, the budgets continue to be reported to NHSGGC Board and the Executive Committee of the Council along with appropriate scrutiny at Audit Committees.

3.3 During 2015/16, budgets for Board-wide Specialist Children's services and Forensic services were transferred out of Glasgow City to be hosted elsewhere within the NHS Board.

4. Due Diligence Process 2015/16 Health Budgets

4.1 The Health Board has completed the Glasgow CHP's budget for 2015/16 in line with the overall NHS Greater Glasgow & Clyde Health Board financial

plans. Glasgow City HSCP have finalised their savings adjustments as part of the financial planning process, based on productivity and efficiency proposals and were approved by the Health Board.

- 4.2 As part of the Financial Planning process for 2015/16, achievement of the savings target allocated by the NHS Board was achieved partly through non-recurrent funding. In addition, some of the savings were achieved on a non-recurrent basis. This leaves recurring savings to be added to those required in 2016/17. Across Partnerships, this planned value amounted to £7.8m. Glasgow City IJB's share of this is expected to be in the region of £4.2m.
- 4.3 For the purposes of comparison, the table at 3.1 details the net outturn position for the previous two financial years and the forecast outturn for 2015/16. It is expected that Glasgow City HSCP budget in 15/16 will record a full-year underspend in the region of £0.1m. In 14/15, the Glasgow CHP budget also recorded a full-year underspend of £0.1m.
- 4.4 Health Board budgets are dependent on allocation of funding from the Scottish Government, which is generally on a one year basis. It is therefore only possible to have any degree of certainty about the budget for the forthcoming financial year. Any projections of future years' budgets would therefore be based on assumptions, and must be considered to be indicative at this stage.
- 4.5 Significant effort is made to ensure that budget reductions have been obtained where ever possible through service redesign and efficiency programmes. Annual budgets take account of approved budget savings, inflation factors, impact of legislative changes and service redesign proposals that will be implemented to achieve these savings.
- 4.6 In previous years, whilst the Glasgow CHP budget was underspent, within this they were managing pressures within Mental Health Inpatient services where higher than budgeted levels of enhanced patient observations and staff sickness have necessitated the use of additional bank staffing. Cost Pressures also existed within expenditure in the community equipment service provided by Cordia, where additional spend has being incurred as a result of Integration Fund initiatives. In addition, as a result of the significance of its budget levels and its volatility, mention should be made of Prescribing expenditure. Whilst a risk sharing arrangement exists across the NHS Board partnerships (which means individual HSCPs report a breakeven position), volume increases, price increases (including as a result of a worldwide shortage in supply of certain drugs) and the level of savings taken mean that this is a high risk budget area for the HSCP. The risk sharing arrangement remains in place in the current year but the 'true' position within Glasgow HSCP is a year to date overspend of £0.6m.

5. Due Diligence Process 2015/16 Social Work Budgets

- 5.1 The Council Social Work Budget was completed in line with the overall Glasgow City Council financial forecast and budget setting process with the Council agreeing its budget on the 19th February 2015. Within the Social Work budget which forms the Council's main element of the IJB budget, the main focus will be on the 2015/16 budget. For the purposes of comparison, the table at 3.1 details the net outturn position for the previous two financial years and the forecast outturn for 2015/16.
- 5.2 Council budgets are heavily dependent on allocation of funding from the Scottish Government, which is generally on a one year basis. It is therefore only possible to have any degree of certainty about the budget for the forthcoming financial year. Any projections of future years' budgets would therefore be based on assumptions, and must be considered to be indicative.
- 5.3 In allocating its' budget across client groups, Social Work Services takes account of budget pressures which are known to exist within specific client groups, and any management actions which have been implemented to mitigate these. Annual budgets take account of approved budget savings, inflation factors, impact of legislative changes and service reform proposals that will have been implemented to achieve these savings.
- 5.4 In previous years, the main pressures in Social Work Services was in purchased services for personalisation and children's services. In the current financial year, there remains a pressure in children's services due to the number of high cost purchased placements. Homelessness continues to be a budget pressure due to DWP limits on housing benefit subsidy for B&B accommodation, mainly due to lack of suitable alternatives for temporary accommodation. Older People residential currently has a budget pressure within employee costs due to need to meet statutory minimum staffing levels and they are moving to the new residential units as construction is complete, which requires the new staffing rots to be implemented.
- 5.5 Detailed action plans have been reported to committee, to recover these positions going forward.

6. Areas of Financial Risk

- 6.1 The financial settlement announced by the Scottish Government for 2016/17 will be financially challenging for the Council and the Health Board with greater efficiency targets than expected being required by both organizations. At this stage the budget process is still to be completed by the Council and Health Board and it will be the end of February/ March before both are complete. The IJB will be notified at that point on its budget for 2016/17. The Chief Officer and the Chief Finance and Resources Officer have been

involved in discussions with both the Council and Health Board as part of the process.

- 6.2 The budget and transformation reform programme aligned to the Strategic plan, which is still to be finalized, will require close monitoring and review in 2016/17.

7. Ongoing Monitoring and Review

- 7.1 The Partnership's budget will be subject to ongoing monitoring and review, and will be reported to the IJB at regular intervals over the course of the financial year. This is a key component of financial governance as it ensures that the impact on resources as a consequence of budget pressures are reported timeously, allowing management action to be taken to mitigate any such budget pressures.

8. Assurance Statement

- 8.1 The processes outlined in this report provide information on the financial management arrangements for the preparation of the Glasgow City IJB budget in its initial and subsequent years, and highlight the procedures used to ensure that a financially sound budget has been prepared.
- 8.2 It is the opinion of the Chief Finance and Resources Officer that the initial budget allocated to the Glasgow City HSCP for 2015/16 is sufficient to deliver on the outcomes highlighted within the draft Strategic Plan, subject to effective risk mitigation and the successful delivery of the Transformation Programme and other efficiency initiatives required to be implemented by the parent organizations. The budget for 2016/17 will be reviewed once allocated by the Council and the Health Board in due course.

9. Recommendations

- 9.1 The IJB is asked to:
- iv) Note the due diligence work undertaken.
 - v) Note the budgets allocated for 2015/16 by the Council and Health Boards.
 - vi) Agree to consider a report on the budget for the IJB for 2016/17 which includes all budget areas that is part of the Integration Scheme, including the set aside budget, before the go live date of 1st April 2016.