



<b>Meeting of East Renfrewshire Health and Social Care Partnership</b>	Integration Joint Board
<b>Held on</b>	29 March 2017
<b>Agenda Item</b>	10
<b>Title</b>	Budget 2017/18
<b>Summary</b> This report provides the Integration Joint Board (IJB) with the proposed partner contributions to East Renfrewshire's Health & Social Care Partnership for Financial Year 2017/18.	
<b>Presented by</b>	Lesley Bairden, Chief Financial Officer
<b>Action Required</b> That the Integration Joint Board: <b>In relation to the East Renfrewshire Council revenue contribution:</b> <ul style="list-style-type: none"> <li>▪ Accept the East Renfrewshire Council 2017/18 budget contribution of £45.057m</li> <li>▪ Accept the additional non-recurring funding of £0.425 million to allow further work to progress deferring the Bonnyton House saving for 1 year</li> <li>▪ Approve the allocation of £0.186 million on a non-recurring towards the Bonnyton cost pressure</li> <li>▪ Note the demographic pressure funding of c£2 million and proposed treatment</li> <li>▪ Note the existing and new savings targets included within the budget contribution</li> <li>▪ Note the update on Living Wage and Fair Work practices</li> <li>▪ Agree to issue directions to East Renfrewshire Council for the current revenue budget of £50.992 million and direct that the budget is spent in line with the strategic plan of the Integration Joint Board</li> </ul> <b>In relation to the NHSGGC revenue contribution:</b> <ul style="list-style-type: none"> <li>▪ Agree to the Chief Financial Officer's recommendation not to accept the 2017/18 proposed budget contribution for the reasons outlined in this report.</li> <li>▪ Note the required 2017/18 revenue budget contribution be no less than £65.178m to comply with Scottish Government direction of maintaining contribution at 2016/17 cash levels (subject to FHS / Prescribing / other agreed adjustments)</li> <li>▪ Note the potential cost pressures of up to £1m which need to be funded through new savings</li> <li>▪ Note the savings proposals to close this gap</li> </ul> <b>In relation to reserves:</b> <ul style="list-style-type: none"> <li>▪ Note the reserves position reflecting agreed strategy</li> </ul>	
<b>Implications checklist – check box if applicable and include detail in report</b>	
<input checked="" type="checkbox"/> Financial	<input checked="" type="checkbox"/> Policy
<input type="checkbox"/> Staffing	<input type="checkbox"/> Property
<input type="checkbox"/> Legal	<input type="checkbox"/> IT
<input type="checkbox"/> Equalities	<input type="checkbox"/> Efficient Government

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**EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

**29 March 2017**

**Report by Lesley Bairden, Chief Financial Officer**

**BUDGET 2017/18**

**PURPOSE OF REPORT**

1. The purpose of this report is to provide the Integration Joint Board (IJB) the IJB with the proposed partner contributions to East Renfrewshire's Health & Social Care Partnership for Financial Year 2017/18.

**RECOMMENDATION**

**BACKGROUND**

2. This report is a continuation in the series of budget update reports to the IJB and in particular the last update on 15 February 2017 which provided a detailed update on the likely implications from the Scottish Government budget announcement of 15 December 2016, appendices 1A and 1B provide letters of notification.
3. The IJB will recall the key messages from the budget announcements were :
  - a. A further £107 million Social Care Funding (in addition to the £250 million now included in the 2016/17 base budget).
  - b. Local Authorities are able to adjust allocations to IJB by up to £80 million below the level of budget agreed for 2016/17 in recognition of the above.
  - c. NHSGGC budget contribution to IJBs will be maintained at 2016/17 cash levels
  - d. A list of 9 priorities for each IJB were set out by the Scottish Government in a letter of 15 December to Chief Officers (Appendix 1C)
4. The implications and impacts from each of those key messages, along with the associated impact on budget contributions from each partner was discussed in detail at the IJB seminar on 23 January 2017 and the IJB meeting on 15 February 2017. This report will not repeat that detail but will provide update on the key issues and any areas of change.

**REPORT**

5. This report will consider the proposed partner revenue contributions to the HSCP and associated revenue impacts and directions, along with:
  - a. application of the Social Care fund
  - b. housing and adaptation budgets delegated to the IJB
  - c. the set aside budget and our commissioning plan
  - d. our reserves
  - e. the IJB directions to our partners

6. The report includes a number of appendices providing supporting information:

Appendix	Description
Letters from Scottish Government:	
1A	Letter of 15 December to COSLA / Council Leaders 2017/18 settlement
1B	Letter of 15 December to NHSGGC Draft Budget 2017/18
1C	Letter of 15 December the 9 priorities
1D	Letter of 18 January 2017 further detail on cash levels and Social care Fund
1E	Letter of 18 January 2017 Draft Budget Social Care Fund and £80m adjustment
Letters from and to NHSGGC relating to the proposed revenue contribution to East Renfrewshire HSCP:	
2A	Letter of 11 January 2017 from NHSGGC – 2017/18 Financial Allocation to Partnerships
2B	Letter of 9 February 2017- East Renfrewshire response to above
2C	Letter of 23 February 2017 – NHSGGC response to above
Financial Information	
3	ERC revenue budget contribution summary
4	NHS revenue budget contribution summary
5	Social Care Fund
6	Directions to Partners
7	Fit for The Future change programme summary

#### East Renfrewshire Council

7. The Council set its budget on 9 February 2017 and approved a recurring revenue contribution to the IJB of £45.057 million, which meets the Scottish Government settlement requirements. This is unchanged from the indicative budget as reported on 15 February 2017.
8. The IJB will recall that whilst this is a net budget reduction of £1.08 million the Council recognised the challenges to the HSCP relating to pay and inflation uplifts and demographic pressures facing the partnership.
9. Appendix 3 sets out a summary of the budget, identifies cost pressures, inflationary uplifts and savings targets. This budget will inform the basis of revenue reporting, by service area during 2017/18. The demographic pressure funding within the budget will be held centrally and allocated as demand is evidenced in each area. This will ensure robust review of evidence relating to client numbers and package costs and ensure resources are allocated to the relevant service budgets.
10. As part of the settlement compliance check to ensure the recurring revenue budget is no less than the 2016/17 adjusted cash level the sum of £0.186 million is currently allocated. The IJB is asked to approve that this funding is used on a non-recurring basis in 2017/18 to offset the cost pressure resulting from the delay in implementing the existing saving from the sale of Bonnyton House. The IJB should note that action is being taken to mitigate this cost pressure as far as possible and work is ongoing to refurbish the 6 respite beds and review staffing structures and shift patterns.

11. It is gratefully acknowledged that in addition to the recurring revenue contribution the Council has allocated £0.425 million on a one off basis to allow the partnership to continue work to implement the original saving proposals for Bonnyton House.
12. The new savings challenge to the HSCP is £1.338 million, as previously reported, with a longer term change programme “Fit for the Future” underway, encompassing a number of change programmes across the partnership as detailed in Appendix 7. A financial framework will be developed to support the programme and ensure the inter dependencies and relationships between the elements is clear with no ambiguity or double counting of resources. The IJB will recall this level of savings was anticipated and endorsed the phased savings approach, supported by our reserves strategy (currently £0.9 million) to allow phased implementation of savings.
13. Work remains ongoing to
  - a. Assess and model the implications as they arise from Fit for the Future, including review of all vacant posts as they arise
  - b. A review of care packages will be undertaken to identify any scope for reduction, including redesign of sleepovers
  - c. Shared service opportunities continue to be explored
  - d. Review of all non-pay and non-care package budgets
  - e. Self-directed support resource allocation methodology including review of charging (2017/18 charges held at current levels until this work is complete).
  - f. Income generation potential from use and hire of buildings
  - g. Review all grant and non-recurring fund opportunities
  - h. Review use of all support recharges to ensure we understand all activity drivers and cost implications
14. We continue to progress delivery of the existing savings of £2.64 million, previously agreed as part of the 2015-18 budget set by the council. With the exception of Bonnyton House other savings areas are broadly to target, with some early achievement of Learning Disability commissioning savings in 2016/17.
15. The IJB should note that the DMT will monitor on a monthly basis the progress being made against all savings, the allocation of pressure funding and will focus on the key budget areas where client demand and other demand will result in volatility of activity and costs. This monthly information to the DMT will also include the same level of information relating to the NHS revenue budget as discussed in the next section of this report.

#### NHS Greater Glasgow and Clyde

16. As previously reported the NHSGGC Board budget is unlikely to be approved before June 2017, so in order for the IJB approve its budget in March this would always have been an indicative budget subject to final approval.
17. However the direction by the Scottish Government that the contribution to IJBs be maintained at 2016/17 cash levels means that our recurring base budget can be no lower than £65.178 million, subject to agreed adjustments for prescribing, FHS, LD RAM etc., as summarised in Appendix 4.

18. The letters included at Appendices 2A to 2C set out the correspondence relating to the indicative allocation to partnerships. As set out in the 15 February report we raised a number of issues relating to the indicative offer (at that time Appendix A), detailed in our response at Appendix 2B namely:
  - a. £7.8 million unallocated savings relating to 2015/16
  - b. Removal of prescribing risk share
  - c. Treatment of rates uplift
  - d. Treatment of historic pension costs
19. With our long standing history of integration and partnership working we fully understand and acknowledge the pressure that NHSGGC Board is under. However the latest budget contribution offer (Appendix 2C) incorporating a reply to issues raised by all partnerships, still means the budget contribution is not compliant with the Scottish Government expectation that budgets will not be less than the 2016/17 cash equivalent. The revision of the historic pressure from 2015/16 from £7.8 million to £3.6 million, as part of this response and following a meeting of the NHS Board on 21 February does not change this, the offer remains non-compliant.
20. The potential cost pressure to the partnership, as last reported (excluding the historic 2015/16 savings of £7.8 million) was £0.898 million. This assumed a prescribing uplift for all partnerships at £6.5 million, however subsequent discussions have identified this could be £8.5 million so on a proportionate basis our cost pressure would increase by a further £0.125 million to a total £1.024 million. Appendix 4 summarises the NHS budget position. The cost pressures have to be funded from new savings in 2017/18.
21. Were the historic 2015/16 unachieved saving to be allocated to partnerships our cost pressure would be £0.202 or £0.438 million of the £3.6 or £7.8 million respectively. The application of this saving will reduce the 2017/18 budget below the 2016/17 recurring base budget and therefore, in the opinion of the Chief Officers and Financial Officers of all partnerships, is not compliant with the conditions of the Scottish Government settlement. An extract from Scottish Government letter of 18 January 2017 (Appendix 1D) *“In simple terms, this means that budgets for allocation from NHS Boards to Integration Authorities for 2017/18 must be at least equal to the recurrent budgeted allocations in 2016/17. The allocation should include the total of the set aside for hospital services.”*
22. In addition to the compliance issue detailed above the IJB should note that the historic undelivered savings, which pre date the IJB, did not feature in the financial due diligence work reported to the IJB in October 2015 nor in the NHSGGC report of September 2015, by the NHS auditors (PWC).
23. Since last reported in February a Chief Officer workshop session with has been scheduled for 15 March to review all implications relating to the prescribing and future operation of prescribing budgets; effective from 2018/19, following agreement that the current risk share approach will remain in place for 2017/18. A verbal update will be included at the IJB meeting in 29 March.
24. We had questioned the allocation of £1.3 million pressure to partnerships from the reversal of an historic provision for pension costs, this being an accounting adjustment prior to the HSCP and IJB existence. Our partnership share is £0.07 million; as yet we do not have any estimate of the actual likely costs.

25. The IJB can decide on whether to approve uplifts and were supplies and resource transfer held at 2016/17 levels this would reduce the potential cost pressure by £0.136 million. It is the recommendation of the Chief Financial Officer that this uplift is not applied and approval will be sought to confirm this once the NHSGGC budget contribution is agreed.
26. In order to fund the cost pressure the partnership need to identify savings proposals of the same value. As previously reported it is increasingly difficult to see how service redesign from the Fit for the Future change programme can be fully implemented without significant change to employee terms & conditions, given that this remains the real area of flexibility within the budget, however the change programme is partnership wide and will look at the NHS operation structures as part of the overall change programme.
27. Whilst the recommendation is that the NHSGGC funding contribution cannot be approved, based on the current offer we continue to explore options to deliver savings to meet the cost pressure we anticipate. This includes:
  - a. Further review of Integrated Care Fund / Delayed Discharge / Social Care Fund uncommitted balance (if any) to seek alternative funding sources for activity to release resource
  - b. Increase turnover targets - there is a risk that this may under deliver and needs to reflect impact of Fit for the Future service reviews
  - c. Review of all agency and bank staff usage
  - d. Moratorium on non-pay expenditure
  - e. A working group has been established to review the purchasing, storage, and recycling of equipment
  - f. Resource Transfer – could be reduced, reflecting commissioned service savings within council purchased care
  - g. Learning Disability inpatient service redesign continues with savings release required to meet savings and resource transfer not only reflect policy but to improve the outcomes for individuals
  - h. Opportunities for shared services are being explored
  - i. As we have previously reported we are not starting on a like for like basis so many savings opportunities from management and support staff have already been taken – however these will be reviewed again
28. There remains no update on the set aside budget, for large hospital services. As previously discussed a significant change in approach is required in order for the IJB to deliver the Scottish Government priorities without achieving savings and reinvestment to community based services. The Unscheduled Care Commissioning Plan is included elsewhere on the agenda and sets out our commissioning intentions.
29. Financial reporting is being developed to allow us to quantify and monitor the financial implications resulting from our commissioning plan This needs to include a system wide approved mechanism to transfer resource between partnerships and acute reflecting the results of agreed actions.
30. Locality reporting will also be developed and will recognise areas of both direct and allocated costs across localities. This will allow us to review the use of financial resource across localities.
31. We continue to progress delivery of the £1.159 million, full year effect of savings agreed as part of the 2016/17 budget, which is on target.

32. The impact on our partnerships use of services hosted by others is unknown at this time.
33. We will continue to pursue a review of NRAC funding allocations.
34. No further detail is available on the allocation of Scottish Government funding for the Mental Health and Primary Care funds. This gives us a potential conflict when looking at immediate decisions needed in order to balance budgets.

#### Social Care Fund

35. The £107 million increase to the Social Care Fund (£100 million of which is from NHS recurring budget) is to fund the following:

	National £m	East Renfrewshire £m
Full Year Effect of Living Wage to £8.25	50	0.724
Living Wage £8.25 to £8.45	20	0.290
Sleepovers*	10	0.145
Sustainability	20	0.290
Implementation of Carers Legislation	2	0.029
Veterans Pension Disregard	5	0.072
<b>Total</b>	<b>107</b>	<b>1.550</b>

\* Scottish Government will review adequacy in-year

36. In recognition of the above East Renfrewshire Council reduced the IJB budget contribution by up to the proportionate share of £80 million below the level of budget agreed for 2016/17. The basis for this adjustment is on the same allocation methodology of the Social Care Fund, being £1.152 million.
37. The IJB will recall that we agreed and committed the full year cost of the Living Wage at £8.25 in conjunction with our Care at Home and Care and Support framework agreements, as agreed in October 2016, which resulted in a residual cost pressure of up to £0.175 million. This cost will be met within the 2017/18 budget.
38. Whilst the increase from £8.25 to £8.45 equates to 2.4% this needs to be considered in the wider context recognising the significant rate increases agreed as part of the implementation of the Care at Home and the Care and Support framework agreements. Work is ongoing to quantify and assess options for implementation. The National Care Home Contract uplift has not yet been agreed for 2017/18. Any cost increases need to be funded from the 2017/18 budget and the sustainability monies from the Social Care Fund.
39. Work is ongoing to reconfigure sleepover services as previously reported recognising it will take some time to move from the current service level to a reconfigured service, with a resulting cost pressure in the interim. This will be routinely reviewed during the transition period where costs will be monitored and contained within existing resources.
40. We need to identify the proposed activities, over and above those already within IJB budget, required to implement the Carers legislation and thereafter agree the allocation of the £0.029 million funding.



41. As previously agreed the £0.072 million to disregard veteran pensions within financial assessments will not be allocated until the full cost implications of the living wage and sleepovers are confirmed. This is currently unallocated as veteran pensions are already disregarded through existing policy.
42. Updates on these issues and the associated allocation of resources will be brought to future IJB meetings.

#### Housing Related Budgets

43. In addition to the social care budgets the legislation also sets out the IJB responsibility for strategic planning for some housing functions. For us the relates to aids and adaptations, held within ERC housing budgets:
- £0.345 million Private Sector Housing Grant
  - £0.230 million Housing Revenue Account (capital)
  - £0.155 million Care and Repair
44. It is acknowledged that the day to day operation of these budgets remain unchanged the IJB must ensure strategic direction reflects demographic changes, the shift in the balance of care, the preventative agenda and influence the related funding decisions for this function. Work remains ongoing with our Housing colleagues to ensure fit with strategic planning.

#### Reserves

45. The existing reserves to carry forward to 2017/18 are:

<b>Earmarked Reserves:</b>	<b>£'000</b>
Integrating L&D Function	70
Community Capacity Building	40
Children & Families	117
Learning Disability Specialist Services	374
<b>Total Earmarked Reserves</b>	<b>491</b>
<b>Budget Phasing Reserve</b>	<b>900</b>
<b>General Reserves</b>	<b>224</b>

46. The reserves position will be updated as part of the year end accounts process and will identify allocation of any available funds between existing and new reserves, including a new earmarked reserve for Children's Residential Purchased places as previously agreed.

### Future funding

47. There remains a high level of uncertainty over likely levels of future funding and a range of scenarios can be developed to demonstrate a number of “what ifs”. The IJB will recall that the November 2016 budget update set out a number of risks. Based on the 2017/18 settlement conditions reflecting to budgets being no less than 2016/17 cash levels the 2018/19 equivalent would be:

Based on 2017/18 costs	ERC Contribution £ million	NHSGGC Contribution £million
Pay & Inflation	0.6	1.0
Demographic Pressures	2.0	
Living Wage / Fair Work	?	?
Social Care Fund	?	?
Required Funding Increase	2.6	1.0
2017/18 Recurring Budget	45.057	65.178 (tbc)
Gap	2.6	1.0

48. This is illustrative and future updates to the IJB will provide detail and impacts on services, commissioning intentions etc. The scenario planning will include 2018/19 to 2020/21.

### Further Issues

49. Detailed monitoring of progress on savings implementation will continue and will be reported to each IJB, during 2017/18 allowing informed and timely decisions to be taken in the event of any under / over / early achievement against plans.
50. Scenario planning and sensitivity analysis will be undertaken to assess future impacts of funding scenarios. As set out in the conclusion to this report it is difficult to see how the partnership can deliver priorities and remain sustainable without significant change to the NHSGGC contribution and set aside funding.
51. The impacts of the Primary Care Fund and the Mental Health Fund are unknown.
52. The implications from changes to the GMS contract are unknown.
53. Reserves remain as last reported in November 2016; however we may consider adding a reserve for prescribing, depending on confirmation of cessation of the risk share agreement.

### **FINANCE AND EFFICIENCY**

54. All financial implications are discussed in full in the report above. The developments on proposed NHSGGC 2017/18 budget contribution will continue will be brought to the IJB for note and or approval.

### **CONSULTATION**

55. The Council’s Section 95 Officer and NHSGGC Assistant Director of Finance have been fully consulted on this report. The Chief Financial Officer would like to extend thanks to both colleagues for input into the budget setting process.

## **PARTNERSHIP WORKING**

56. The IJB revenue budget is determined by contribution of revenue budgets for the HSCP from East Renfrewshire Council and NHS Greater Glasgow & Clyde. The directions for the 2017/18 budget are set out at Appendix 7, with a running analysis of the Social Care Fund at Appendix 6.

## **IMPLICATIONS OF THE PROPOSALS**

57. As the Partnership will continue to operate across the two parent bodies there are currently no specific implications for
- Staffing
  - Property
  - Legal
  - IT
  - Equalities
58. The financial sustainability of the HSCP is addressed above. The Chief Financial Officer for the IJB has a statutory duty (Section 95 responsibility) to set a balanced budget. The final budget for the IJB for 2017/18 cannot be set until the NHSGGC contribution is approved.
59. As advised in the February update the IJB operates within a finite resource and the Chief Financial Officer will regularly advise the IJB on financial performance and advise on required action to operate within resource.

## **CONCLUSIONS**

60. The 2017/18 budget for the IJB will be proposed for agreement on 29 March 2017. Whilst the budget setting process for this year has been more timely and transparent as a result of the detail contained in the Scottish Government budget the scale of the challenge for East Renfrewshire IJB cannot be underestimated.
61. Without significant changes to funding and / or the operation of the set aside budget the ability of the partnership to deliver frontline services whilst achieving financial balance is questionable.

## **RECOMMENDATIONS**

### **REPORT AUTHOR AND PERSON TO CONTACT**

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29 March 2017

HSCP Chief Officer: Julie Murray

**BACKGROUND PAPERS**

IJB Budget Update - 15 February 2017

<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=19428&p=0>

**KEY WORDS**

Finance, budget, revenue, savings, pressures, integration fund, East Renfrewshire Integration Scheme, Public Bodies (Joint Working) (Scotland) Act; Due diligence report October 2015

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Copy to: The Leaders of all Scottish local authorities

15 December 2016

Dear David

Thank-you to you, Cllr Cook and the COSLA political leadership for participating in negotiations over recent weeks on the shape of the Local Government settlement for 2017-18. I have sought to engage with you and your team on the basis of openness and mutual respect and with the intention of building relationships around shared ambitions for people and communities.

As a result of these negotiations, I am able to set out the package of proposals below which I believe are a fair and reasonable offer that delivers on our shared ambitions. This letter, therefore, contains proposals for the local government finance settlement for 2017-18 resulting from the 2016 Budget process.

While the terms of the settlement have been negotiated through COSLA on behalf of its member councils, the same proposal is being offered to those councils who are represented by the Scottish Local Government Partnership. I believe this proposal opens the way for a new partnership between the Scottish Government and COSLA and, from that, the wider benefits of partnership working, including joint work on public service reform.

The Scottish Government and local government share the same ambitions for stronger communities, a fairer society and a thriving economy. This funding proposal delivers a fair financial settlement for local government, which will be strengthened by our joint working to improve outcomes for local people by improving educational attainment and through health and social care integration.

Following the work of the joint Settlement and Distribution Group, details of the indicative allocations to individual local authorities for 2017-18 are also being published today as set out in Local Government Finance Circular No. 9/2016.

I have carefully considered the representations made to me by COSLA and this is reflected in the detail of the settlement and the package of measures included in this letter.

My aim throughout our extensive discussions has been to reach an agreement with councils around the implementation of these commitments. I now invite local authorities to agree the terms of the settlement which are set out below.

Under the settlement we will look to all local authorities to work in partnership with the Scottish Government in pursuit of our Joint Priorities, including delivery of the Government's programme as set out in *A Plan For Scotland: The Scottish Government's Programme For Scotland 2016-17* published on 6 September and the *Draft Budget 2017-18*.

Renewing our partnership approach will enable close working on public service reform building on recent joint political and joint officer discussions.

On key priorities and following consideration of specific points you have raised I propose the following:

### **Public Service Reform**

As an essential partner in the delivery of public services, the Cabinet sub-committee on Public Service Reform prioritised early discussion with COSLA to explore how we might work together around our shared priorities of health & social care, education attainment & governance, tackling inequalities & inclusive growth and enterprise, innovation, skills & employability. This political engagement and the productive discussions which followed at official level, including SOLACE, is an example of what we can achieve through a re-setting of partnership working at national level.

The Cabinet sub-committee anticipates further dialogue with COSLA on these emerging themes early in the New Year.

### **Health and Social Care**

In 2017-18 an additional £107 million will be transferred from NHS Boards to Integration Authorities to protect our collective investment in social care. Of which, £100 million will support continued delivery of the Living Wage, sleepovers and sustainability in the care sector, and £7 million to disregarding the value of war pensions from financial assessments for social care and pre-implementation work in respect of the new carers legislation. This is additional to the £250 million added in the 2016-17 budget, bringing the total support available from the NHS through Integration Authorities to protect social care to £357 million. NHS contributions to Integration Authorities for delegated health functions will be maintained at least at 2016-17 cash levels. The provision included for sleepovers (£10 million) will be reviewed in year to consider its adequacy, with a commitment to discuss and agree how any shortfall should be addressed. To reflect this additional support local authorities will be able to adjust their allocations to integration authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Taken together, these measures will enable Integration Authorities to ensure the collective overall level of funding for social care is maintained at £8 billion. I am sure you would agree that that would be a significant achievement and reflects the shared priorities of local government, the NHS and the Scottish Government.

## Education (including the Attainment Fund)

I have considered the representations made on the Scottish Government proposals to adjust the local government settlement to pave the way for an additional £100 million investment per year, generated through reform of council tax, to go directly to schools to close the gap in the educational attainment of young people from Scotland's most and least deprived areas.

I can now confirm that provision for the additional funding to meet our commitments on the Attainment Fund will be met directly from the resources available to the Scottish Government at a national level, rather than from an adjustment to the local government finance settlement.

As the next step towards investing £750 million over the life of this Parliament we will go further than our manifesto commitment and will increase the additional resource to be made available directly to schools through the Attainment Scotland Fund from £100 million to £120 million in 2017-18. This will be paid as a ring fenced grant and distributed on the basis of P1 to S3 pupils known to be eligible for free school meals, as part of the local government settlement.

It is a condition of this agreement that this funding is additional to each council's individual spending on schools rather than substitutional and is to be used at the discretion of schools to close the attainment gap between children from the least and most deprived areas within their communities. This is on top of the existing £50 million Attainment Scotland funding that will continue to provide targeted support for those authorities and schools supporting children and young people in greatest need.

In addition, we will continue to require local authorities to maintain the overall pupil:teacher ratio at 2016-17 levels as reported in the Summary of School Statistics published on 13 December 2016, and secure places for all probationers who require one under the teacher induction scheme. This is supported by a continued funding package of £88 million, made up of £51 million to maintain teacher numbers and £37 million to support the teacher induction scheme.

As previously made clear, all of the additional £111 million of Council Tax income raised by the Council Tax banding reforms we have implemented will be retained by each local authority area and, as a result of these decisions, the allocation of that funding will be for councils themselves to take based on their own local needs and priorities.

### Local Taxation

2016-17 was the ninth consecutive year of the Council Tax freeze. As we have made clear this will be lifted from 2017-18, when Councils will have greater flexibility and may choose to increase Council Tax by up to a maximum of 3%. This local discretion will preserve the financial accountability of local government, whilst also potentially generating up to £70 million to support services.

Our reforms of Council Tax are only the first steps, and the Scottish Government is fully committed to further engagement with COSLA as we seek to make local taxation as a whole fair and progressive. We will work with COSLA to consider your objectives for local tax reform as set out in the Local Government Funding Review.

We will also deliver our commitment for local government to retain the net incomes from the Crown Estate for the benefit of island and coastal communities. In addition we will explore with authorities other opportunities for the development of fair and equitable local taxation that supports economic growth and public services.

## Overall Settlement

As a result of the measures above, the total revenue funding for 2017-18 will be £9,496.4 million, which includes non-domestic rates incomes in 2017-18 of £2,605.8 million.

Capital funding is set at £756.5 million and delivers on our agreed commitment to maintain the local government share of the overall Scottish Government capital budget. I can also reaffirm the commitment to repay £150 million of re-profiled 2016-17 capital with an additional allocation in the period 2018-20.

The total funding which the Scottish Government will provide to local government in 2017-18 through the settlement, including the £120 million of additional support for educational attainment, is £10,252.9 million.

This is a fair settlement for Local Government.

With the addition of the real spending power that comes from the opportunity to raise up to an additional £181 million from Council Tax plus an additional £107 million to support the integration of Health and Social Care, the total spending power available to local authorities from the Scottish Government, and through local taxation will be up to £10,541 million, a total of £241 million more than was available in 2016-17, an increase of around 2.3%.

The difference between the figures reported in the Draft Budget in 2016-17 and 2017-18 will be potential spending on local government services of an increase of £266.8 million, or 2.6%.

In return for this settlement and in pursuit of our Joint Priorities, individual local authorities will deliver the specific commitments set out above.

## Engagement

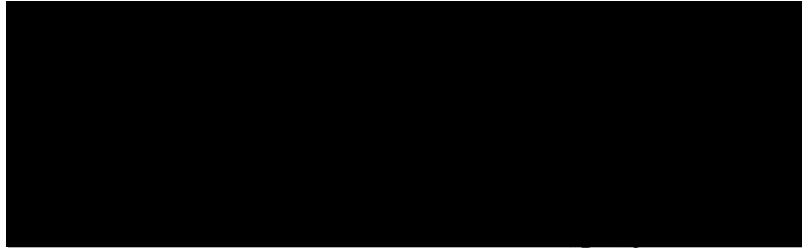
In line with our partnership approach we will work jointly with local government to support delivery of these commitments and undertake a review to monitor progress at an agreed mid-point in the year.

The measures set out in the settlement offer must be viewed as a package to protect our shared priorities and intensify a journey of reform. In order to access all of the benefits involved, including those priorities supported by specific financial benefits, local authorities must agree to deliver all of the measures set out in the package and will not be able to select elements of the package.

Any individual authority not intending to agree the offer and accept the full package of measures and benefits should write to me by no later than **Friday 13 January 2017**. For those authorities not agreeing the offer a revised, and inevitably less favourable, offer will be made.



Local government is essential to the health, wellbeing and prosperity of every community in Scotland. The Scottish Government are committed to work together in partnership with local authorities to do all that we can to support local authorities to ensure that the full package of agreed measures is delivered.



DEREK MACKAY

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Christine McLaughlin, Director



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Robert Calderwood  
Chief Executive  
NHS Greater Glasgow and Clyde

Copy to: Chair  
Director of Finance

***Issued via email***

Our Ref: A16253777

15 December 2016

Dear Mr Calderwood

**Draft Budget 2017/18 – Indicative Allocation**

**Following the Scottish Government's Draft Budget for 2017/18 as set out by the Cabinet Secretary for Finance and the Constitution in Parliament today, baseline allocations for NHS Greater Glasgow and Clyde for 2017/18 total £2,123.3 million. A breakdown of the total is provided in the annex to this letter.**

Letters have also been sent to Local Authorities and Integration Authorities (copies attached) covering the Scottish Government's expectations of those organisations in relation to the budget; therefore please take this and the other two letters into account to ensure a full understanding of the financial position and its implications for your responsibilities for the coming year.

In addition to this investment within NHS Greater Glasgow and Clyde we will be investing a further £128 million across NHSScotland in reform of our services. This includes investment in primary care and mental health care, which are delegated to Integration Authorities, and cancer services. This is a significant investment in our NHS, taking our total resource spend to £10.7 billion.

The Board's Local Delivery Plan (LDP) for 2017/18 should set out your plans to deliver the priorities contained in the Draft Budget. Full LDP guidance will follow shortly and this will incorporate guidance on a Regional planning and delivery approach.

**Integrated Services**

Unscheduled hospital care, primary and community healthcare and social care are delegated to Integration Authorities, as covered in the attached letter. In relation to specific aspects of these services (Supporting Social Care; Enhancing Primary Care and Mental Health Provision; Prevention and Early Intervention; and Alcohol and Drugs Partnerships), you will wish to note:

Supporting Social Care

£107 million will be transferred from NHS Boards to Integration Authorities to support continued delivery of the Living Wage, sustainability in the care sector, disregarding the value of war pensions from financial assessments for social care and pre-implementation work in respect of

the new carers' legislation. This is additional to the £250 million added in the 2016/17 budget, bringing the total support available for social care from the NHS to £357 million. NHS contributions to Integration Authorities for delegated health functions **will be maintained at least at 2016/17 cash levels**. The £10 million included for sleepovers will be reviewed in-year to consider its adequacy with a commitment to discuss and agree how any shortfall should be addressed. To reflect this additional support provided through the NHS, local authorities will be able to adjust their allocations to integration authorities in 2017/18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016/17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). Financial flows to Integration Authorities should be provided in time to allow budgets to be developed by March 2017. We will be working with Integration Authorities and Health Boards over the next few months to better understand the effectiveness of current arrangements with respect to hospital budget delegation to Integration Authorities, including "set aside" budgets.

### Enhancing Primary Care and Mental Health Provision

Expenditure in Primary Care and Mental Health should be maintained at 2016/17 levels of expenditure, with any investment provided in-year to be additional to this expenditure. For Primary Care, particular focus should be given to developing and expanding multi-disciplinary teams; sustainability of provision; development of GP clusters; and responsiveness to a new GP contract. For Mental Health, particular focus should be given to developing new models of care and support for mental health in primary care settings; improving the physical health of people with mental health problems, and improving mental health outcomes for people with physical health conditions; reducing unwarranted variation in access and assuring timely access; and developing services that focus on the mental health and wellbeing of children, young people and families, including improved access to perinatal mental health services. This is part of our commitment to shift the balance of care, so that by 2021/22 more than half of the NHS frontline spending will be in our Community Health Service.

### Prevention and Early Intervention

Continue to invest in prevention and early intervention, particularly in the early years, with the expectation that work will continue to deliver 500 more health visitors by 2018.

### Alcohol and Drugs Partnerships

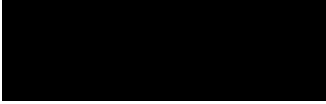
Support delivery of agreed service levels for Alcohol and Drugs Partnerships' work, in support of which £53.8 million is transferring to NHS Board baselines for delegation to Integration Authorities.

### **Sustainability & Value**

In achieving greater sustainability & value from our NHS, the Board should produce detailed plans to minimise waste, reduce variation, to standardise and to share including:

- Implementation of the Effective Prescribing programme;
- A quality and cost assessed improvement plan to respond to Productive Opportunities identified from benchmarked performance;
- Reducing medical and nursing agency and locum expenditure as part of a national drive to reduce this spend by at least 25% in-year; and
- Implementation of opportunities identified by the national Shared Services Programme.

Your plan should be supported by a Financial Strategy for the next three years, setting out plans for investment, sustainability and reform, to ensure best use of available resources.



**CHRISTINE MCLAUGHLIN**  
Director of Health Finance  
Scottish Government

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Ms Susan Manion – Chief Officer – East Dunbartonshire  
Integration Authority  
Ms Julie Murray – Chief Officer – East Renfrewshire  
Integration Authority  
Mr David Williams – Chief Officer – Glasgow City  
Integration Authority  
Mr Brian Moore – Chief Officer – Inverclyde Integration  
Authority  
Mr David Leese – Chief Officer – Renfrewshire Integration  
Authority  
Mr Keith Redpath – Chief Officer – West Dunbartonshire  
Integration Authority

15 December 2016

## Draft Budget 2017/18

Dear Colleagues

We are writing to you regarding the Scottish Government's draft budget for 2017/18, as set out by the Cabinet Secretary for Finance and the Constitution in Parliament today. Letters have also been sent today to Local Authorities and the NHS regarding the budget. This letter lays out how these financial arrangements relate to Integration Authorities. Please take account of all three letters to ensure a full understanding of the financial position and its implications for your responsibilities for the coming year.

This letter also sets out our plans to ensure the Ministerial Strategic Group for Health and Community Care, which is chaired by the Cabinet Secretary for Health and Sport, is well-briefed to fulfil its remit to provide joint political oversight between COSLA and the Scottish Government on progress with implementation of integration.

## Priorities

Integration Authorities are responsible for planning and provision of social care, primary and community healthcare, and unscheduled hospital care, for, at least, adults. Integration priorities are to:

1. Reduce occupied hospital bed days associated with avoidable admissions and delayed discharges, focussing investment in care alternatives that can help people to continue living independently in their own homes and communities for as long as possible.

2. Increase provision of good quality, appropriate palliative and end of life care, particularly in people's own homes and communities and also, where appropriate, in hospices, so that people who would benefit from such care access it.
3. Enhance primary care provision, with particular focus on developing and expanding multi-disciplinary teams; sustainability of provision; development of GP clusters; and responsiveness to a new GP contract.
4. Reflect delivery of the new Mental Health Strategy, with particular focus on developing new models of care and support for mental health in primary care settings; improving the physical health of people with mental health problems, and improving mental health outcomes for people with physical health conditions; reducing unwarranted variation in access and assuring timely access; and developing services that focus on the mental health and wellbeing of children, young people and families, including improved access to perinatal mental health services.
5. Where children's services are integrated, continue to invest in prevention and early intervention, particularly in the early years, with the expectation that work will continue to deliver 500 more health visitors by 2018.
6. Support delivery of agreed service levels for Alcohol and Drugs Partnerships' work, in support of which £53.8m is transferring to NHS Board baselines for delegation to Integration Authorities.
7. Ensure provision of the living wage to adult care workers workers and plan for sustainability of social care provision.
8. Continue implementation of Self Directed Support.
9. Prepare for commencement of the Carers (Scotland) Act 2016 on 1 April 2018.

### **Ministerial Strategic Group for Health and Community Care**

As you know, the Ministerial Strategic Group for Health and Community Care provides the forum for joint political oversight of progress with integration by Scottish Ministers and COSLA. The Group has recently considered its requirements in terms of understanding progress on integration. We will take forward work involving Scottish Government officials, COSLA, Chief Officers, and colleagues at NHS NSS leading on the Source and LIST data projects, to establish a suite of appropriate metrics for the Group's routine consideration. This will include agreeing data definitions and an appropriate methodology via which Integration Authorities can share their objectives for progress in 17/18 and beyond; we will also ensure the work is tied in with Sir Harry Burns' review of health and social care targets and indicators.

You will see from Christine McLaughlin's letter to Health Boards on the budget that we also intend to give some consideration to the efficacy of current arrangements for delegating appropriate hospital budgets, including set aside budgets, to Integration Authorities. We will report on that to the Ministerial Strategic Group in due course as well.



I trust this letter is helpful to you, and look forward to continuing to work with you as we embed integration across health and social care in Scotland.

Yours faithfully



**GEOFF HUGGINS**  
Scottish Government



**PAULA McLEAY**  
COSLA

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To: NHS Board Directors of Finance

CC: Chief Officers, Integration Authorities  
Chief Finance Officers, Integration Authorities  
Chief Executives, Local Authorities  
Directors of Finance, Local Authorities

18 January 2017

Dear Colleagues

Following discussion at the recent NHS Directors of Finance meeting and Chief Finance Officer network, this letter provides some further detail in relation to budgets for health and social care for 2017-18.

The allocation letter of 15 December (copy attached) stated that 'NHS contributions to Integration Authorities for delegated health functions **will be maintained at least at 2016-17 cash levels**'. In simple terms, this means that budgets for allocation from NHS Boards to Integration Authorities for 2017-18 must be at least equal to the recurrent budgeted allocations in 2016-17. The allocation should include the total of the sum set aside for hospital services.

The £107 million funding from health budgets for supporting social care is to be treated as an additional allocation to this minimum budget. The individual shares of the additional £107 million for each partnership are set out in the attached annex.

As stated in the Draft Budget, £100 million of the £107 million is provided for in NHS Boards baseline allocation. The £7 million relating to war pensions and pre-implementation work for the Carers Act, will be allocated separately.

A separate letter (attached) has been sent to Local Authorities, setting out their shares of up to £80 million potential flexibility for Local Authority allocations to Integration Authorities.

Yours sincerely

**GEOFF HUGGINS**  
Director for Health & Social Care Integration

**CHRISTINE MCLAUGHLIN**  
Director of Health Finance

	GAE/NRAC share	Baseline Share £m	Additional allocaton (Veterans/Carers) £m
East Ayrshire	2.46%	2.46	0.17
North Ayrshire	2.92%	2.92	0.21
South Ayrshire	2.31%	2.31	0.16
<b>Ayrshire &amp; Arran</b>	<b>7.70%</b>	<b>7.70</b>	<b>0.54</b>
<b>Borders</b>	<b>2.11%</b>	<b>2.11</b>	<b>0.15</b>
<b>Dumfries &amp; Galloway</b>	<b>3.02%</b>	<b>3.02</b>	<b>0.21</b>
<b>Fife</b>	<b>6.68%</b>	<b>6.68</b>	<b>0.47</b>
Clackmannanshire/Stirling	2.49%	2.49	0.18
Falkirk	2.84%	2.84	0.20
<b>Forth Valley</b>	<b>5.33%</b>	<b>5.33</b>	<b>0.38</b>
East Dunbartonshire	1.72%	1.72	0.12
East Renfrewshire	1.44%	1.44	0.10
Glasgow City	13.24%	13.24	0.93
Inverclyde	1.76%	1.76	0.12
Renfrewshire	3.48%	3.48	0.24
West Dunbartonshire	1.95%	1.95	0.14
<b>GG&amp;C</b>	<b>23.58%</b>	<b>23.58</b>	<b>1.65</b>
Aberdeen City	3.86%	3.86	0.27
Aberdeenshire	3.88%	3.88	0.27
Moray	1.63%	1.63	0.11
<b>Grampian</b>	<b>9.37%</b>	<b>9.37</b>	<b>0.65</b>
Argyll & Bute	1.82%	1.82	0.13
Highland	4.34%	4.34	0.30
<b>Highland</b>	<b>6.16%</b>	<b>6.16</b>	<b>0.43</b>
North Lanarkshire	6.51%	6.51	0.46
South Lanarkshire	6.03%	6.03	0.42
<b>Lanarkshire</b>	<b>12.54%</b>	<b>12.54</b>	<b>0.88</b>
East Lothian	1.76%	1.76	0.12
Edinburgh City	8.15%	8.15	0.57
Midlothian	1.45%	1.45	0.10
West Lothian	2.86%	2.86	0.20
<b>Lothian</b>	<b>14.22%</b>	<b>14.22</b>	<b>0.99</b>
<b>Orkney</b>	<b>0.43%</b>	<b>0.43</b>	<b>0.03</b>
<b>Shetland</b>	<b>0.42%</b>	<b>0.42</b>	<b>0.03</b>
Angus	2.13%	2.13	0.15
Dundee City	3.04%	3.04	0.21
Perth & Kinross	2.62%	2.62	0.18
<b>Tayside</b>	<b>7.79%</b>	<b>7.79</b>	<b>0.54</b>
<b>Western Isles</b>	<b>0.65%</b>	<b>0.65</b>	<b>0.05</b>
<b>Total</b>	<b>100.00%</b>	<b>100.00</b>	<b>7.00</b>

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Chief Executives, Local Authorities

Copied to:  
Chief Officers, Integration Authorities  
Directors of Finance, Local Authorities  
Chief Finance Officers, Integration Authorities  
NHS Board Directors of Finance

18 January 2017

Dear Colleagues

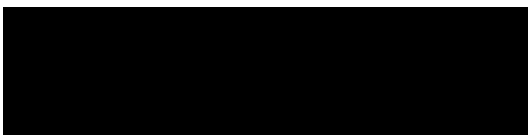
### **Draft Budget 2017-18**

As you know, as part of the 2017-18 draft budget additional provision of £107 million will be transferred from NHS Boards to Integration Authorities to support social care.

To reflect this additional support from Health Boards to Integration Authorities, Local Authorities will be able to adjust their allocations to Integration Authorities in 2017-18 by up to their share of £80 million below the level of budget agreed with their Integration Authority for 2016-17 (as adjusted where agreed for any one-off items of expenditure which should not feature in the baseline). This approach provides each Local Authority with flexibility on how best to use their resources, with no presumption on how this flexibility will be exercised locally - the decision will be a matter for local determination based on local needs and requirements.

Annex A provides the share of this £80 million per Local Authority area. Shares have been calculated on the basis of GAE/NRAC, as they also have for shares of the £107 million due from Health Boards to Integration Authorities.

Yours faithfully



**GEOFF HUGGINS**

Share of up to £80 million available to local authorities to offset their allocations to Integration Authorities.

Local Authority	Composite Shares	Share of up to £80m
Aberdeen City	3.9%	3.09
Aberdeenshire	3.9%	3.10
Angus	2.1%	1.70
Argyll & Bute	1.8%	1.45
Clackmannanshire	1.0%	0.77
Dumfries & Galloway	3.0%	2.42
Dundee City	3.0%	2.44
East Ayrshire	2.5%	1.97
East Dunbartonshire	1.7%	1.37
East Lothian	1.8%	1.41
East Renfrewshire	1.4%	1.15
Edinburgh City	8.1%	6.52
Eilean Siar (Western Isles)	0.7%	0.52
Falkirk	2.8%	2.27
Fife	6.7%	5.34
Glasgow City	13.2%	10.59
Highland	4.3%	3.48
Inverclyde	1.8%	1.41
Midlothian	1.5%	1.16
Moray	1.6%	1.30
North Ayrshire	2.9%	2.34
North Lanarkshire	6.5%	5.21
Orkney Islands	0.4%	0.35
Perth & Kinross	2.6%	2.09
Renfrewshire	3.5%	2.78
Scottish Borders	2.1%	1.69
Shetland Islands	0.4%	0.34
South Ayrshire	2.3%	1.85
South Lanarkshire	6.0%	4.83
Stirling	1.5%	1.23
West Dunbartonshire	1.9%	1.56
West Lothian	2.9%	2.29
<b>Total</b>	<b>100.0%</b>	<b>80.00</b>

**Greater Glasgow and Clyde NHS Board**

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Julie Murray  
 Chief Officer  
 East Renfrewshire Health and Social Care  
 Partnership  
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Date: 11<sup>th</sup> January 2017  
 Our Ref: RC/BOB

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Dear Julie

### **2017/18 Financial Allocation to Health and Social Care Partnerships**

Following the publication of the draft Scottish budget on 15<sup>th</sup> December 2016, I am writing to advise you of the Board's proposed approach to confirming allocations to Health and Social Care Partnerships for 2017/18 and to outline some initial planning assumptions to help you to prepare your financial plans for next year.

You will appreciate that this information remains indicative at this stage and may change as further specific details of the settlement are finalised.

It has been confirmed that the Board will receive a general uplift of 1.5% (£31.1m) which is the general uplift available to fund all cost increases in pay, supplies and GP prescribing budgets. Scottish Government has confirmed that £23.7m of this uplift will pass directly through to HSCPs and some of this may be available to offset cost pressures within NHS budgets. The balance of the uplift will be fully consumed by the increase in the Board's rates costs as a result of the recent revaluation and as a result there will be no uplift available to current service budgets. The Scottish Government letter to me as Accountable Officer for NHS Greater Glasgow and Clyde has stated that for 2017/18 the Board's expenditure on services delegated to HSCPs should be maintained at least at current year levels and therefore 2017/18 allocations to HSCPs will remain at the value of the 2016/17 recurring base supplemented by any specific 2017/18 non recurring allocations from Scottish Government. However, in 2016/17 the Board has provided non recurring relief of £7.8m for unachieved savings from 2015/16 and approximately £8.0m for the in year shortfall against 2016/17 savings plans. The 2015/16 savings were not allocated to specific Partnerships but this will be adjusted in establishing the opening position for 2017/18. The Board will continue to work with HSCPs to identify how this gap can be closed from Partnership funds such as prescribing rebates and discounts.

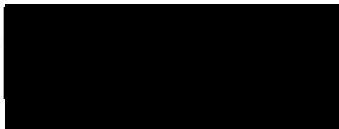
Family Health Services 'cash limited' budgets receive a separate annual uplift which will be passed on to Partnerships in full. We will also pass on in full any specific allocations for Health and Social Care. Family Health Services budgets will continue to be managed centrally in 2017/18.

During 2016/17 it was possible for the Board to provide non recurring relief to HSCPs for the in year shortfall against 2016/17 savings plans. The Board will require all of its non recurring funding sources to achieve breakeven in 2016/17 and as a result will not be in a position to offer any in year relief for 2017/18. HSCPs will therefore be required to cover any in year shortfalls internally from underspends within their integrated budgets or from reserves carried forward from prior years.

As you know HSCPs are now responsible for planning and commissioning unscheduled care services. As you are well aware the service has been under significant pressure due to increases in demand and acuity. The Board expects HSCPs and the Acute Division to determine an appropriate activity level that reduce demand, improve patient flows and ensure more consistent achievement of performance targets including delayed discharge. This should include a financial framework to describe the financial flows arising from increases or reductions in demand and cost.

I hope this enables you to start to develop your financial plans for 2017/18 and we will continue to monitor the overall position and provide you with regular updates as the position becomes clearer in the coming weeks

Yours sincerely



**Robert Calderwood**  
**Chief Executive**  
**NHS Greater Glasgow and Clyde**



## Board Position

The estimated overall position for NHSGGC is set out below.

Description	£m
<b>Additional Funding</b>	<b>Board</b>
General Funding Uplift of 1.5%.	31.1
Less Specific HSCP Funding (Share of National £100.0m)	(23.7)
less Rates Revaluation	(11.0)
less Board Contingency	0.0
<b>Additional Funding</b>	<b>(3.6)</b>
<b>Inflation, Pressures &amp; Investments</b>	<b>HSCPs</b>
Salaries inc Discretionary Points & ACT Offset	(4.3)
Supplies exc PPP & Contracts	(0.7)
PPP & Contracts	(0.2)
Drugs Uplift	(6.5)
Resource Transfer	(1.8)
Apprenticeships Levy	(1.8)
Pensions Cost - RRL Cost from AME Provision	(1.3)
<b>Inflation, Pressures &amp; Investments</b>	<b>(16.6)</b>
add Specific HSCP Funding	23.7
<b>Net Uplift / (Reduction)</b>	<b>7.1</b>
<b>Net Uplift / (Reduction)</b>	<b>0.9%</b>
<b>Note</b>	
In addition, HSCPs are expected to deliver £7.8m of 2015/16 recurring savings, If possible, prescribing rebates may contribute to in-year delivery.	

## Possible Pay Uplift

Based on 2016/17 pay policy (1% general uplift with £400 for those earning less than £22,000), it is likely that the additional pay cost to HSCPs in 2017/18 will be around 1.2%. In addition, HSCPs will be expected to meet the cost of the new Apprenticeships Levy at 0.5% of pay costs.

## Possible GP Prescribing Costs

The Prescribing Management Finance Group met on 8 December 2016 to consider projections for 2017/18. Current indications are that the likely net prescribing uplift for 2017/18 will be circa £6.5m however this may change before prescribing budgets are finalised in June 2017. As indicated earlier the first call on rebates and discounts will be to cover prior year unachieved/unallocated savings.

## Possible Price Inflation

The UK's rate of inflation is expected to rise in the coming months. As at November 2016 the RPI was 2.2%.

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East Renfrewshire Health and Social Care Partnership  
HSCP Headquarters, Eastwood Health & Care Centre, Drumby Crescent, Clarkston, G76 7HN

Your Ref:  
Our Ref: JM/MB  
Email: Julie.murray@eastrenfrewshire.gov.uk  
Phone: 0141 451 0746

Date: 9<sup>th</sup> February 2017

Robert Calderwood  
Chairman  
NHS Greater Glasgow and Clyde  
JB Russell House  
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G12 0XH

Dear Robert

Thank you for your letter of 11 January 2017 outlining the Board's proposed approach to confirming the revenue budget allocation to Health & Social Care Partnerships. In addition I have also received a schedule of HSCP pressures from James Hobson, which estimates the impact of pressures at an individual HSCP level.

I have also received further clarification on performance expectations from Geoff Huggins in his letter of 15 December 2016.

I have discussed the Health Board's proposed approach with the Integration Joint Board for East Renfrewshire, as part of a budget seminar held on 23 January 2017 and my Chief Financial Officer and I intend to take a formal budget proposal to the Integration Joint Board on 29 March 2017, confirming the proposed allocations of both the Health Board and Council at that date.

Both your letter and supplementary information from James Hobson provide us with a starting point for discussion on the proposed budget contribution; however, there are a number of points where clarification and further information and /or discussion are required:

1. Health Board uplift – as you point out the general uplift to the Board of £31.1m includes the Social Care Fund of £23.7m which will pass to HSCPs, as stated in the conditions set out by the Scottish Government. Your letter states that "some of this may be available to offset cost pressures within NHS budgets".

It needs to be recognised that this funding comes with cost commitments relating in the main to living wage and fair work practices. You will also be aware that the Scottish Government settlement "allows Councils to adjust their allocations to integration authorities in 2017/18 by up to their share of £80m below the level of budget agreed with their Integration Authority for 2016/17. Locally this means that whilst East Renfrewshire HSCP gain £1.55m (with full cost commitment) £1.15m is reduced from the Council budget contribution. Therefore I do not see where there is capacity to offset NHS cost pressures.

2. The proposed approach allocates the balance of the uplift to fund rates pressures and whilst I fully understand the rationale and appreciate the cost pressure, in particular given our new premises, this does not seem an equitable approach. The decision to transfer all premises budgets to the Facilities Directorate included the rationale that any risk and reward would also transfer. I would suggest that the balance of the uplift should be allocated across all services.
3. The NHS contribution to be maintained at least at the 2016/17 cash level means the East Renfrewshire HSCP will expect the minimum budget to be no less than £65.177m as the 2016/17 recurring base budget per your letter of 5<sup>th</sup> July 2016, subject to any revisions to FHS and Prescribing recurring budgets. This is inclusive of the full savings target of £1.152m for 2016/17 for which we acknowledge non-recurring support in year of £0.843m on the basis of our proposal to achieve the savings on a recurring basis in 2017/18.

This recurring budget of £65.177m as approved by East Renfrewshire IJB does not include any adjustment for the historic £7.8m unallocated saving you refer to in your letter, which was never allocated to partnerships. As East Renfrewshire HSCP went live part way through 2015/16 the required due diligence exercise to establish that opening budgets were sufficient to deliver our strategic plan made no inclusion of, nor reference to any share of this £7.8m, with both partners fully consulted was part of the process. Following discussion with my IJB I would argue that any such allocation at this stage is not a valid approach, this was pre HSCP, was not part of the 2015/16 or 2016/17 recurring budget and as a moot point, if allocated, would take the proposed budget contribution below the 2016/17 recurring budget.

4. Similarly the same argument applies to the £1.3m proposed pensions cost adjustment. This is pre HSCP.
5. Thank you for confirmation that the FHS cash limited budgets will be uplifted and that any specific allocations will be passed on in full.
6. I look forward to receiving the updated information relating to unscheduled care as discussed in December.

Cont'd/.....

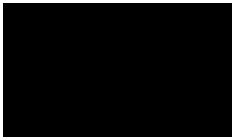
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East Renfrewshire, as a long standing integrated partnership has always looked at resources as a whole and found solutions as flexibly and as creatively as regulations and legislation allow. We are well placed to continue to deliver integrated services in this challenging climate; however our success and performance to date brings with it its own set of challenges; we are not in the same place as newly formed HSCPs and therefore do not have the same scope to achieve savings from integrating management structures and make savings through co location. We continue to develop our financial strategy based on the funding information provided by the Scottish Government.

In addition my IJB wish to fully understand the impact of funding Partnerships on the basis of NRAC, both on the revenue budget contribution and on the set aside budget allocation. I will pursue this with my fellow Chief Officers; however I do think it is a Health Board decision to ensure fair allocation of funding to each IJB.

I would hope to take a balanced budget proposal to the IJB in March and look forward to your response and any subsequent discussion, along with any further implications as the settlement is finalised.

Yours sincerely



Julie Murray  
Chief Officer

c.c. Lesley Bairden, Chief Financial Officer, ER HSCP

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**Greater Glasgow and Clyde NHS Board**

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Date: 23<sup>rd</sup> February 2017  
Our Ref: RC/LL014

**Chief Officers**

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Dear Colleagues

**2017/18 Financial Allocation to HSCPs**

Further to my letter of 11<sup>th</sup> January 2017, subsequent correspondence and meetings with Chief Officers, and the discussion at the Board meeting on 21 February 2017, I am writing with an updated budget proposal for 2017/18. This includes some updated financial planning assumptions and reflects the agreement we reached on a number of matters at my meeting with Chief Officers on 17<sup>th</sup> February 2017. Subject to any final clarification this should allow you to prepare your financial plans for next year.

In responses to my letter of 11<sup>th</sup> January 2017 Chief Officers raised specific points in relation to;

- Unallocated and unachieved historic savings of £7.8m;
- The treatment of the annual charge resulting from the release of the pensions accrual in 2016/17;
- The Board's proposed approach to managing prescribing budgets for 2017/18; and
- Funding of rates pressures.

Each of these areas were discussed at our recent meetings. With the exception of the rates funding, which we agreed, each are outlined below.

You will appreciate that this information remains indicative at this stage and may change as further specific details of funding are finalised and assumptions are refined.

**General Uplift/IJB Allocations**

It has been confirmed that the Board will receive a general uplift of 1.5% (£31.1m) which is the general uplift available to fund all cost increases in pay, supplies and GP prescribing budgets. Scottish Government has confirmed that £23.7m of this uplift will pass directly through to HSCPs. The balance of the uplift is likely to be fully consumed by the proposed increase in the Board's rates costs as a result of the recent revaluation and as a result there will be no uplift available to current service budgets whether in HSCPs or the Board's Acute and Corporate Directorates.

The Scottish Government letter to me as Accountable Officer for NHS Greater Glasgow and Clyde has stated that for 2017/18 the Board's expenditure on services delegated to HSCPs should be maintained at least at current year levels and therefore 2017/18 allocations to HSCPs will remain at the value of the 2016/17 recurring base budget supplemented by any specific 2017/18 non recurring allocations from Scottish Government.

### **GP Prescribing**

Included in the budgets that roll forward to 2017/18 is a budget allocation for GP prescribing which contains £3.6m of non recurring support from the Board to supplement the prescribing budgets set for HSCPs in 2016/17. This will be removed at the year end and replaced by a recurring allocation to bring each HSCP's budget into balance so the HSCP's starting allocations for 2017/18 for prescribing will exactly equal the cash expenditure in 2016/17. However the value of this adjustment cannot be confirmed until the final out-turn for the current year is known in May 2017.

At my meeting with Chief Officers on 17<sup>th</sup> February 2017 we discussed how prescribing budgets should be managed now that HSCPs have become established. It was agreed that the current arrangements would continue in 2017/18 where the Board continues to manage the budget collectively on behalf of all partnerships. However, the Board has no requirement or capacity to provide funding to uplift the budget for net growth. This is currently estimated at £8.5m for 2017/18 but may change and as the Board cannot reduce the budget allocation to HSCPs to recover this cost each HSCP will require to generate savings plans to meet its share of the required budget uplift. The Board's Prescribing Management Group will continue to provide advice to HSCPs to assist them to set the budget at an appropriate level for 2017/18.

### **Family Health Services**

Family Health Services "cash limited" budgets receive a separate annual uplift which will be passed on to partnerships in full. We will also pass on in full any specific allocations for Health and Social Care. Family Health Services budgets will continue to be managed centrally in 2017/18.

### **Annual Pension Cost Adjustment and Historical Savings**

The annual pension cost adjustment will be recharged to service areas because the one off benefit from reversing the original provision has been used in 2016/17 as a source of funds to enable the Board and HSCPs to reach a balanced position and the Board therefore considers it is reasonable to recover it from those areas that have benefited. Chief Officers have subsequently accepted this adjustment.

During 2016/17 it was possible for the Board to provide non recurring relief to HSCPs for the in year shortfall against 2016/17 savings plans. The Board will require all of its non recurring funding sources to achieve breakeven in 2016/17 and as a result will not be in a position to offer any in year relief for 2017/18. HSCPs will therefore be required to cover any in year shortfalls internally from underspends within their integrated budgets or from HSCP reserves carried forward from prior years.

In 2016/17 the Board has also provided non recurring relief of £7.8m for unachieved savings from 2015/16. The treatment of how this shortfall should be allocated has been discussed with Chief Officers and was debated by the Board at its meeting on 21<sup>st</sup> February 2017. The Board has mandated the Chief Executive to deduct a proportional amount of £3.6m from HSCP allocations and you will be advised of the relevant amounts for each HSCP by the Director of Finance. The Board will confirm with Scottish Government that it is appropriate to make this adjustment and should that be confirmed we will work with you to identify how it can be managed in a way that does not put further pressure on service budgets.



**Unscheduled Care**

As you know HSCPs are now responsible for planning and commissioning unscheduled care services. As you are well aware the service has been under significant pressure due to increases in demand and acuity. The Board expects HSCPs and the Acute Division to determine an appropriate activity level that reduce demand, improve patient flows and ensure more consistent achievement of performance targets including delayed discharge. This should include a financial framework to describe the financial flows arising from increases or reductions in demand and costs.

I hope this enables you to further develop your financial plans for 2017/18 and we will continue to monitor the overall position and provide you with regular updates as the position becomes clearer in the coming weeks.

Yours sincerely



**Robert Calderwood**  
**Chief Executive**  
**NHS Greater Glasgow and Clyde**

## Board Position

The estimated overall position for NHSGGC is set out below.

Description	£m
<b>Additional Funding</b>	<b>Board</b>
General Funding Uplift of 1.5%.	31.1
Less Specific HSCP Funding (Share of National £100.0m)	(23.7)
less Rates Revaluation	(11.0)
less Board Contingency	0.0
Uplift from Other Boards	2.4
<b>Additional Funding</b>	<b>(1.2)</b>
<b>Inflation, Pressures &amp; Investments</b>	<b>HSCPs</b>
Salaries inc Discretionary Points & ACT Offset	(4.3)
Supplies exc PPP & Contracts	(0.7)
PPP & Contracts	(0.2)
Drugs Uplift	(8.5)
Resource Transfer	(1.8)
Apprenticeships Levy	(1.8)
Share of Unachieved CH(C)P Savings b/f from 2015/16	(3.5)
Pensions Cost - RRL Cost from AME Provision	(1.3)
<b>Inflation, Pressures &amp; Investments</b>	<b>(22.1)</b>
add Specific HSCP Funding	23.7
<b>Net Uplift / (Reduction)</b>	<b>1.6</b>
<b>Net Uplift / (Reduction)</b>	<b>0.2%</b>
<b>Note</b>	
HSCPs are expected to deliver £3.6m of recurring savings to contribute towards £7.8m of 2015/16 CH(C)P unachieved recurring savings.	

## Possible Pay Uplift

Based on 2016/17 pay policy (1% general uplift with £400 for those earning less than £22,000), it is likely that the additional pay cost to HSCPs in 2017/18 will be around 1.2%. In addition, HSCPs will be expected to meet the cost of the new Apprenticeships Levy at 0.5% of pay costs.

**Possible GP Prescribing Costs**

The Prescribing Management Finance Group met on 8 December 2016 to consider projections for 2017/18. Current indications are that the likely net prescribing uplift for 2017/18 will be circa £8.5m however this may change before prescribing budgets are finalised in June 2017. As indicated earlier the first call on rebates and discounts will be to cover prior year unachieved/unallocated savings.

**Possible Price Inflation**

The UK's rate of inflation is expected to rise in the coming months. As at November 2016 the RPI was 2.2%.

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**EAST RENFREWSIRE COUNCIL  
MINIMUM PROPOSED BUDGET CONTRIBUTION**

	<b>£m</b>
Base Budget 2016/17	46,137
Early Years Change Fund	(48)
Welfare Rights Support Recharges	(342)
Criminal Justice Grant income removal	462
Restated Base Budget 2016/17	<u>46,209</u>
Agreed savings	(2,640)
New savings proposed	(1,388)
Pay, Inflation etc.	572
Pressures:	
Older People	306
Adults	410
Assessment & Care Management / Compliance Monitoring	272
Additional Support Needs / Foster Care / Kinship	155
Fair Work Practices - Sleep Overs / Waking Nights	250
Transition to Adults	294
Living Wage - Care & Support, Care at Home Service Providers	200
Property / Insurance / Other	231
Net Proposed changes	<u>(1,338)</u>
Sub Total	<u>44,871</u>
Other contribution adjustments:	
IJB Funding Adjustment	186
Proposed budget contribution	<u>45,057</u>

<b>Test</b>	<b>£m</b>
Restated Base Budget 2016/17	46,209
Less share of £80m	(1,152)
Minimum budget	<u>45,057</u>
Proposed minimum budget	<u>45,057</u>
Check	0

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## NHSGGC Proposed Budget Contribution 2017/18

	£'000		
5	Base Budget 2016/17	65,177.7	
1	Pay Award	208.1	assumed 1% pay increase
1	Supplies uplift	32.8	decision on whether to apply
1	Contractual inflation	0.0	
1	Drugs uplift	404.7	actual pressure will not be known until May 2017
1	Resource Transfer uplift	103.1	decision on whether to apply
1	Apprenticeship Levy	80.2	need further detail
1	Pensions Costs	70.0	historic adjustment - not accepted
2	Social Care Fund - 17/18	1,550.0	
3	<b>Proposed Budget 2017/18</b>	<b>67,626.6</b>	
	Less Social Care Fund	(1,550.0)	
	NHSGGC Proposed Contribution	(65,177.7)	
4	<b>Required Savings Target to fund above pressures</b>	<b>898.9</b>	1.38% of base budget

Proposed budget per above	67,626.6	
Less:		
FHS	(11,625.1)	
GMS	(9,388.8)	
Prescribing budget	(15,223.1)	
Social Care Fund	(5,171.0)	
Resource Transfer	(5,511.5)	
"Controllable Budget pre savings"	20,707.1	
Required Savings	(898.9)	-4.34% of controllable budget
"Controllable Budget post savings"	19,808.2	

1 Assumed share of total NHSGGC partnerships pressures until detailed split confirmed

2 Social Care Fund Analysis:

2016/17 - in base budget	3,621.0
2017/18	1,550.0
	5,171.0

3 Proposed budget reflects gross cost commitment assuming all uplifts accepted - IJB decision required

4	Cost pressures as estimated by NHSGGC:	898.9	
	Less:		
	Pensions costs	(70.0)	not accepted as an HSCP cost
	Supplies uplift	(32.8)	manage within 2016/17 budget levels
	Resource Transfer uplift	(103.1)	do not uplift - recognises commissioning savings
	Potential cost pressure	693.0	3.35% of controllable budget

5 Does not include adjustment for historic share of £3.6m / £7.8m unachieved savings - pre IJB and not accepted

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## East Renfrewshire HSCP Social Care Fund

	ERC £'000	IJB £'000	Total £'000
<b>2016/17</b>			
Demographic Pressures:			
Older People Care Home Placements	326		326
Older People Community Support	184		184
Case management - adults	66		66
Adult transitions	302		302
Adult caseload growth	50		50
	<u>928</u>	-	<u>928</u>
1 Living Wage - Care Service Providers	1,350		1,350
Aids & Adaptations	100		100
Council Pressures - Non Social Care	710		710
Unallocated			-
Social Care Funding Reallocation	503		503
Charging Thresholds	30		30
2 Total 2016/17	<u>3,621</u>	-	<u>3,621</u>
<b>2017/18</b>			
Living wage to £8.25 full year effect	724		724
Living wage to £8.25 to £8.45	290		290
Sleepovers	145		145
4 Sustainability		290	290
4 Carers Legislation - preparation		29	29
5 Veterans Pensions Disregard		72	72
3 Total 2017/18	<u>1,159</u>	<u>391</u>	<u>1,550</u>
Cumulative Total	<u>4,780</u>	<u>391</u>	<u>5,171</u>
1 Living Wage and impact of framework agreement			
2 Represents 1.448% of £250m			
3 Represents 1.448% of £107m			
4 To be allocated once conditions confirmed			
5 Already disregarded so decision required on utilisation			

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## Draft Funding Directions Summary 2017/18

<b>Funding Sources in to the IJB:</b>	NHS £'000	ERC £'000	IJB £'000	Total £'000
Revenue Budget Contribution	65,178	45,057		110,235
Bonnyton House Non Recurring Funding		425		425
Social Care Fund	1,550			1,550
Sub-Total Direct Revenue Funding	66,728	45,482	0	112,210
Housing Aids & Adaptations *		730		730
Set Aside Notional Budget tbc	13,425			13,425
<b>Total Funding</b>	<b>80,153</b>	<b>46,212</b>	<b>0</b>	<b>126,365</b>

<b>Directions to Partners:</b>				
Revenue Budget Contribution	65,178	45,482		110,660
Social Care Fund 16/17	(3,621)			(3,621)
ERC pressures		1,903		1,903
Living wage to £8.25		1,688		1,688
Charging thresholds		30		30
Social Care Fund 17/18				
ERC pressures		1,159		1,159
Living wage to £8.25 full year effect				0
Living wage to £8.25 to £8.45				0
Sleepovers				0
Sustainability			290	290
Carers Legislation - preparation			29	29
Veterans Pensions Disregard			72	72
Sub-Total Direct Revenue Funding	61,557	50,262	391	112,210
Housing Aids & Adaptations		730		730
Set Aside Notional Budget tbc	13,425			13,425
<b>Total Funding</b>	<b>74,982</b>	<b>50,992</b>	<b>391</b>	<b>126,365</b>

0 full year impact was committed for in 16/17  
0 needs to be funded from sustainability / ERC contribution  
0 needs to be funded from sustainability / ERC contribution  
to be allocated once conditions confirmed  
plans to be confirmed  
hold until living wage impacts confirmed

\* Includes capital spend

**NB NHS contribution not yet confirmed; indicative information only - except for Social Care Fund**

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# 2017 Fit for the Future Programme

## Fit for the Future Programme

**New Workstreams for 2017:**

- End to End Service Reviews
- Quality Assurance
- Fit for the Future Structure

### Existing Programmes of Change

Technology Enabled Care

Safe & Supported

Community Led Support

Learning Disability Redesign

Care@Home

Bonnyton House & Day Opportunities

Accommodation Governance

### Embedding Small Tests of Change

ANP Process

My Life, My Way

Resource Allocation

Data & Performance Development

Digital By Default

- Fit for the Future will be the approach HSCP will use to manage, monitor and embed key change projects
- It consists of existing programmes of work, small test of change and new workstreams

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