



<b>Meeting of East Renfrewshire Health and Social Care Partnership</b>	Integration Joint Board
<b>Held on</b>	17 <sup>th</sup> February 2016
<b>Agenda Item</b>	11
<b>Title</b>	Budget 2016/17 Update
<b>Summary</b>	
<p>This report provides an update on the budget setting process for partner contributions to East Renfrewshire's Health &amp; Social Care Partnership for Financial Year 2016/17.</p>	
<b>Presented by</b>	Lesley Bairden, Chief Financial Officer
<b>Action Required</b>	
<p>That the Integration Joint Board:</p> <ul style="list-style-type: none"> <li>▪ Note the current position on setting revenue funding for 2016/17.</li> <li>▪ Agree to receive a 2016/17 proposed revenue budget at the next meeting in April, with discussion at the next IJB seminar in March.</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

# **EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

**17 February 2016**

**Report by Julie Murray, Chief Officer**

## **BUDGET UPDATE 2016/17**

### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an update on the budget setting process for partner contributions to East Renfrewshire's Health & Social Care Partnership for Financial Year 2016/17.

### **RECOMMENDATION**

2. It is recommended that the Integration Joint Board:
  - Note the current position on setting revenue funding for 2016/17.
  - Agree to receive a 2016/17 proposed revenue budget at the next meeting in April, with discussion at the next IJB seminar in March.

### **BACKGROUND**

3. 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.
4. 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 East Renfrewshire Council have delegated functions to the IJB which has the responsibility for strategic planning, resourcing and ensuring delivery of all integrated services.
5. The IJB also has delegated responsibility for strategic planning and commissioning of a range of in scope hospital based services based on the unscheduled care pathway.
6. The IJB is required to allocate the resources it receives from NHSGGC and East Renfrewshire Council in line with the Strategic Plan. This report provides an update on the process for establishing the revenue budget contribution from each partner. Once the final budget for 2016/17 has been agreed this will form the basis of future years financial planning.

### **REPORT**

7. The current position for each of our partners is identified below:
8. Whilst East Renfrewshire Council set a 3 year budget in February 2015 for financial years 2015/16 to 2017/18, it is recognised that each year would be reviewed to reflect the settlement from the Scottish Government. This report provides an update on the latest position, with the Council expected to set its budget on 9 March 2016.

9. This budget cycle has been particularly challenging given the timing and complexities of the Government's proposed settlement, including the £250 million integration fund identified for social care.
10. In his letter of 27 January 2016 to Council Leaders the Deputy First Minister and Cabinet Secretary for Finance identified a £250m integration fund, which specified a number of conditions that Councils must agree to as part of their acceptance of the overall funding package made to Councils. East Renfrewshire's share of this fund is £3.62 million. A copy of this letter is Included at Appendix A.
11. This fund will be routed through Health Boards to IJBs and the confirmed allocations and methodology are identified at Appendix B. The conditions relating to the £250 million integration fund are:
12. The first £125m is for demographic pressures, review of charging thresholds for non-residential charging policies and to expand capacity. This means that;
  - New demographic pressures for adults and older people may be met from this fund. Therefore Council do not need to include new demographic pressure funding in their contribution to the IJB.
  - The impact of increasing thresholds for non-residential care charging is being estimated, using guidance circulated from the Scottish Government. By raising the threshold from 16.5% to 25% individuals will have more of their money disregarded from charging.
  - The use of any balance will then form part of the budget decision for the IJB as part of the budget to be agreed.
13. The IJB will need to consider the use of any funds on both a non-recurring basis as well as funding recurring new activity. We will give due consideration to invest to save and change enabling options to ensure fit with our strategic plan.
14. The second £125m is to ensure that social care staff, employed by providers of care services, are paid the Living Wage of £8.25 per hour with any remaining balance to fund existing pressures. The Government have estimated that Living Wage will cost nationally £76 million, per annum; however we await detail of this estimate.
15. In the meantime work is underway to estimate the local cost of implementing the living wage including the impacts on self-directed support care packages and the impact to our equivalence model. We also need to consider how the £8.25 rate will be applied through existing frameworks and contracts. There may be potential challenge from organisations currently paying living wage losing out on increases to those not currently paying the living wage.
16. The original planned date for implementation of the £8.25 per hour was 1 April 2016, however after negotiation with COSLA this was delayed until 1 October 2016. The estimated £76 million reflects the full year cost; however as stated above the supporting calculations has not yet been circulated. Therefore for 2016/17 only we need to agree with our partners the treatment of the non-recurring balance.
17. Based on the Scottish Government's estimate of £76 million to implement the Living Wage this leaves a balance of £49 million that Councils can use to offset budget pressures.

18. In summary the Scottish Government offer to Local Government allows Councils to;
  - reduce their planned contributions to IJBs by demographic pressures from the first £125 million and;
  - reduce their planned contribution by an element of cost pressures of circa £49 million, as long as the Living Wage can be funded from the second £125 million.
19. However as part of the funding settlement the Government have put a limit on the reduction that the Council can make to its contribution to the IJB budget i.e. the final 2016/17 contribution cannot be less than the 2015/16 budget, less share of £125 million plus the cost of living wage. In practice this means that the reduction in contribution from the Council for demographic pressures cannot be more than the difference between the planned 2016/17 budget and the actual 2015/16 budget on a comparative basis.
20. Work is ongoing with Council colleagues to agree on the proposed allocation of £3.62 million towards demographic and cost pressures, which will require sign off by the IJB's Chief Financial Officer.
21. NHSGGC historically agreed the revenue budget for partnerships around June of each year, which was due to the timing of the funding settlement from government. There is recognition that this timetable needs to be brought into line with Council budget setting in order that IJBs can undertake appropriate financial planning and budget setting.
22. NHSGGC is actively working on revenue budgets for IJB funding and we expect updates and discussions during February. However the draft savings target for 2016/17 is circa £69 million based on the latest funding gap.
23. It is also recognised that previous system wide approaches to budget savings combined with local savings targets and Resource Allocation Models (RAM) are not consistent with IJB financial planning requirements, so part of the 2016/17 budget setting process will need to include individual savings targets for each IJB. However the magnitude of savings means that these will need to be identified and delivered, in the main, by collective working from partnerships. The total partnerships savings target is expected to be in the range of £18 million to £23 million.
24. The set aside, or notional budget, for large hospital services will be included in the budget for 2016/17 and work is ongoing to refine the allocation, expected during February.
25. There is an acceptance that whilst the notional budget is important the focus of monitoring will be on activity, with a funding transfer mechanism to be agreed.
26. Hosted services notional allocation will follow, along the same principles as the set aside budget.

### **Future Considerations**

27. The 2016/17 budget will form the basis of year one of the three year HSCP financial strategy, which will be developed and incorporated in our strategic plan.
28. There will be significant challenges for 2017/18 with existing savings of £2.64 million already agreed as part of the existing Council budget cycle, with further increased savings targets expected.

29. The NHSGGC funding contribution and savings target will be equally challenging.
30. The final budget to be proposed to the IJB will include proposals for investment now to reshape services, build community capacity, fund existing pressures such as the homecare framework and ensure we are able to set a sustainable financial strategy for future years.
31. A reserves policy will be taken to the next Performance and Audit Committee for approval.

## **FINANCE AND EFFICIENCY**

32. All financial implications are discussed in full in the report above, however it should be noted that this is a progress update only. The final budget for IJB decision will be taken to the next meeting of the board.

## **CONSULTATION**

33. The Council's Section 95 Officer and NHSGGC Director of Finance have been fully consulted on this report.

## **PARTNERSHIP WORKING**

34. The IJB revenue budget is determined by contribution of revenue budgets for the HSCP from East Renfrewshire Council and NHS Greater Glasgow & Clyde.

## **IMPLICATIONS OF THE PROPOSALS**

35. As the Partnership will continue to operate across the two parent bodies there are currently no implications for
  - Staffing
  - Property
  - Legal
  - IT
  - Equalities
36. The financial sustainability of the HSCP is addressed above.

## **CONCLUSIONS**

37. The 2016/17 revenue budget, once confirmed will inform development of the HSCP Financial Strategy for 2016/17 to 2018/19, as well as the basis of service planning and financial monitoring for 2016/17.

## **RECOMMENDATIONS**

38. It is recommended that the Integration Joint Board:
  - Note the current position on setting revenue funding for 2016/17.
  - Agree to receive a 2016/17 proposed revenue budget at the next meeting in April, with discussion at the next IJB seminar in March.

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

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17 February 2016

## **BACKGROUND PAPERS**

None, however previous budget reporting to the CHCP sub-committee (as was, pre IJB) is available via the East Renfrewshire Council website.

## **KEY WORDS**

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

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Copy to: The Leaders of all Scottish local authorities

27 January 2016

Dear David

I write now to confirm the final details of the Local Government Finance settlement for 2016-17, following the conclusion of our partnership discussions to consider the package of measures contained in my initial letter of 16 December 2015.

This funding package is focussed on delivery of our joint priorities to deliver sustainable economic growth, protect front-line services and support the most vulnerable in our society.

I have 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 invite local authorities to agree the terms of the settlement.

The measures set out in the settlement offer must be viewed as a package to protect shared priorities and intensify a journey of reform. In order to access all of the funding involved, of £408 million, local authorities must agree to deliver all of the measures set out below and will not be able to select elements of the package.

#### Integration Fund

The offer being made is that £250 million will be provided from the Health budget to integration authorities in 2016-17 for social care:

That of the £250 million, £125 million is provided to support additional spend on expanding social care to support the objectives of integration, including through making progress on charging thresholds for all non-residential services to address poverty. This additionality reflects the need to expand capacity to accommodate growth in demand for services as a consequence of demographic change.

That of the £250 million, £125 million is provided to help meet a range of existing costs faced by local authorities in the delivery of effective and high quality health and social care services in the context of reducing budgets. This includes our joint aspiration to deliver the Living Wage for all social care workers as a key step in improving the quality of social care. The allocation of this resource will enable councils to ensure that all social care workers including in the independent and third sectors are paid £8.25 an hour. This assumes that private and third sector providers will meet their share of the costs. The Government would prefer implementation on the 1 April but we accept COSLA's point that preparatory work will be required to ensure effective implementation. We therefore agree to an implementation date of 1 October. In 2016-17, Councils can allocate up to £125 million of their 2015-16 costs of providing social care services to Integrated Joint Boards including the uprating of staff to the Living Wage. This will ensure an overall benefit to the provision of health and social care of £250 million. To ensure transparency for the flow of funding support for local authorities and delivery of the Living Wage commitment the arrangements will be signed off at a local level by the appropriate Integration Authority Section 95 Officer.

### Teacher Numbers

The Scottish Government has been consistent that the protection of teacher numbers is a central part of our priority to raise attainment. Following our discussions and the further representations COSLA has made, the Scottish Government have agreed that the measure for the implementation of that target, against a forecast that pupil numbers will increase over the coming academic year, will be the maintenance at a national level of the pupil teacher ratio.

The objective will be to maintain the pupil teacher ratio nationally at a value of 13.7 (the same level as in 2015) in local authority schools as shown in the Teacher and Pupil Census published in December 2016 and the teacher and probationer commitments in 2016-17. In order to support delivery, the Scottish Government will continue to monitor these commitments throughout the year.

### Council Tax Freeze

The Scottish Government was elected on a commitment to freeze the council tax for the entirety of this Parliamentary session and is committed to delivering this policy. Many local authorities have a commitment to freeze the Council Tax over a similar timescale. Against the questions of the wider revenue-raising challenges raised in the Budget the Scottish Government believes that it is important to provide protection for household incomes in what has been a very financially challenging period for many households.

The Scottish Government has now received the report from the Commission on Local Tax Reform and the Government believes now is not the time to dispense with the protection the freeze offers. Looking ahead we will be bringing forward plans for reform of the present Council Tax, reflecting the principles of the report, and we are committed to working in partnership with local government on the implementation of that.

For 2016-17 individual local authorities will again require to agree to work with the Scottish Government to deliver a council tax freeze for the ninth consecutive year.

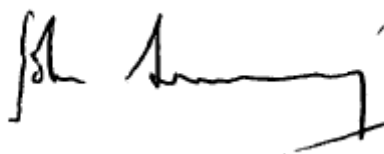


Any council that does not sign up to the complete package will not receive their share of the Integration Funding (£250 million), support for teachers (£88 million) and the council tax freeze support (£70 million). Should that be the case, steps will be taken to recover the latter two elements that have been distributed from the individual council's allocations in the local government finance settlement in-year.

If in the event, however, a council that does sign up then does not deliver any of the remaining specific commitments on council tax freeze, social care spend, including delivery of the £8.25 per hour Living Wage or national teacher targets then the Scottish Government reserves its position to take action to remove access to or recover that element of the additional funding support earmarked to deliver each of the remaining specific measures. In the case of pupil teacher ratio not being maintained nationally then the Scottish Government reserves its position to recover monies allocated to individual authorities whose pupil teacher ratio rises. This action will be proportionate and apply only to that element of the funding for a specific measure that a local authority subsequently does not deliver as set out in the paragraph above.

I will require those Council Leaders who intend to take up the offer and agree the full package of measures to write to me to set out their position, including on the council tax. Given that I am setting out changes to the proposals we previously discussed, I want to give local authorities every opportunity to consider these issues in full. Leaders should therefore provide their response to me by no later than Tuesday 9 February 2016.

I fully understand the pressures on budgets, which is being felt across the whole of the public sector, but I firmly believe that the funding proposals I have set out for local government protects our shared priorities and delivers practical financial support to intensify the pace of reform. I hope you and your fellow Council Leaders can agree that in the circumstances the proposals deliver a strong but challenging financial settlement. The key to addressing this challenge is reform and local government is a key partner in our programme to reform and improve public services.

A handwritten signature in black ink, appearing to read 'John Swinney', with a stylized flourish at the end.

**JOHN SWINNEY**

## **INTEGRATION FUNDING**

### **Introduction**

1. The Scottish Government announced that it will go further than the annual investment of £130 million through the Integrated Care Fund (ICF) and Delayed Discharge Fund, and allocate a further £250 million per year in health and social care partnerships to support the delivery of improved outcomes in social care, help drive the shift towards prevention and further strengthen our approach to tackling inequalities.

### **Integration Funding**

2. The offer being made is that £250 million will be provided from the Health budget to integration authorities in 2016-17 for social care:

That of the £250 million, £125 million is provided to support additional spend on expanding social care to support the objectives of integration, including through making progress on charging thresholds for all non-residential services to address poverty. This additionality reflects the need to expand capacity to accommodate growth in demand for services as a consequence of demographic change.

That of the £250 million, £125 million is provided to help meet a range of existing costs faced by local authorities in the delivery of effective and high quality health and social care services in the context of reducing budgets. This includes our joint aspiration to deliver the Living Wage for all social care workers as a key step in improving the quality of social care. The allocation of this resource will enable councils to ensure that all social care workers including in the independent and third sectors are paid £8.25 an hour. This assumes that private and third sector providers will meet their share of the costs. The Government would prefer implementation on the 1 April but we accept COSLA's point that preparatory work will be required to ensure effective implementation. We therefore agree to an implementation date of 1 October. In 2016-17, Councils can allocate up to £125 million of their 2015-16 costs of providing social care services to Integrated Joint Boards including the uprating of staff to the Living Wage. This will ensure an overall benefit to the provision of health and social care of £250 million. To ensure transparency for the flow of funding support for local authorities and delivery of the Living Wage commitment the arrangements will be signed off at a local level by the appropriate Integration Authority Section 95 Officer.

### **Distribution Methodology**

3. The same methodology used to distribute the ICF in 2015-16 will be used to distribute the further £250 million Integration Fund in 2016-17.

4. For the additional £250 million Integration funding, the 1:1 ratio of National Resource Allocation Committee (NRAC) distributions and Grant Aided Expenditure distributions will be retained, which includes the following:

#### *NRAC component*

5. The extension from the population to 65+ age groups to all adults, include other care programmes in addition to the community care programme is retained.

*GAE component*

6. The composite indicator used in the GAE allocations for older people (Home Based Elderly) was constructed in accordance with the client group approach and takes into account variations in the demands for services. The components of the indicator are the same as that used in the distribution of the ICF resources.

**Allocations at Integration Authority level**

<b>Integration Authority Area</b>	<b>Composite Shares</b>	<b>Support for Growth in Social Care Spend £m</b>	<b>Support for Living Wage and other cost pressures £m</b>	<b>Total £m</b>
Aberdeen City	3.80%	4.75	4.75	9.50
Aberdeenshire	3.80%	4.75	4.75	9.50
Angus	2.14%	2.67	2.67	5.34
Argyll & Bute	1.83%	2.29	2.29	4.58
Clackmannanshire	0.96%	1.19	1.19	2.39
Dumfries & Galloway	3.04%	3.80	3.80	7.60
Dundee City	3.06%	3.83	3.83	7.65
East Ayrshire	2.49%	3.11	3.11	6.21
East Dunbartonshire	1.72%	2.15	2.15	4.31
East Lothian	1.75%	2.19	2.19	4.37
East Renfrewshire	1.45%	1.81	1.81	3.62
Edinburgh City	8.07%	10.09	10.09	20.18
Eilean Siar (Western Isles)	0.66%	0.82	0.82	1.64
Falkirk	2.83%	3.54	3.54	7.07
Fife	6.73%	8.42	8.42	16.83
Glasgow City	13.31%	16.64	16.64	33.28
Highland	4.28%	5.35	5.35	10.70
Inverclyde	1.78%	2.22	2.22	4.45
Midlothian	1.44%	1.80	1.80	3.59
Moray	1.61%	2.01	2.01	4.02
North Ayrshire	2.91%	3.64	3.64	7.28
North Lanarkshire	6.51%	8.14	8.14	16.28
Orkney Islands	0.43%	0.54	0.54	1.07
Perth & Kinross	2.62%	3.27	3.27	6.54
Renfrewshire	3.51%	4.39	4.39	8.77
Scottish Borders	2.11%	2.63	2.63	5.27
Shetland Islands	0.41%	0.51	0.51	1.02
South Ayrshire	2.33%	2.92	2.92	5.83
South Lanarkshire	6.08%	7.60	7.60	15.21
Stirling	1.52%	1.90	1.90	3.80
West Dunbartonshire	1.97%	2.46	2.46	4.92
West Lothian	2.85%	3.57	3.57	7.13
<b>Total</b>	<b>100.00%</b>	<b>125.00</b>	<b>125.00</b>	<b>250.00</b>