

Public Document Pack

HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD WEDNESDAY, 30TH MARCH, 2016

An Extraordinary MEETING of the HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD will be held in the COUNCIL CHAMBER, SCOTTISH BORDERS COUNCIL on WEDNESDAY, 30 MARCH 2016 at 10.00 am

AGENDA		
1.	ANNOUNCEMENTS & APOLOGIES	3 mins
2.	DECLARATIONS OF INTEREST	2 mins
3.	Health & Social Care Partnership Financial Statement 2016/17 and assurance over the sufficiency of resources (Pages 1 - 46)	50 mins
4.	ANY OTHER BUSINESS	5 mins
5.	DATE AND TIME OF NEXT MEETING Monday 18 April 2016 at 2.00 pm in Committee Room 2, Scottish Borders Council	

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HEALTH AND SOCIAL CARE PARTNERSHIP FINANCIAL STATEMENT 2016/17 AND ASSURANCE OVER THE SUFFICIENCY OF RESOURCES

Aim

This report aims to set out the Financial Statement for the Scottish Borders Health and Social Care Partnership for the period 2016/17 – 2017/18 (years 2 and 3 indicative only).

In addition, it intends to provide assurance to Integration Joint Board members over the sufficiency of resources within the statement (those delegated to the partnership for 2016/17 and those retained by NHS Borders and set-aside) through:

- Summarising the outcome from due diligence over the historic performance of the functions delegated
- Outlining the approach to identification of the level of resources delegated
- Identification of financial risks inherent within the delegated functions and the level of overall resources supporting them
- Summarising the actions taken by NHS Borders and Scottish Borders Council to mitigating/eliminating the risks identified
- Detailing the peripheral mechanisms through which financial governance will be preserved going forward
- Ensuring compliance with all legislation, guidance and the partnership's Scheme of Integration which thereby allows the board to form a view that the level of resources delegated in 2016/17

Background

The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the framework for the integration of health and social care in Scotland. This legislation requires that the Integration Joint Board produces a Strategic Plan which sets out the services for the population over the medium-term. It also stipulates that the Strategic Plan incorporates a medium-term Financial Plan (3-years) for the resources within its scope comprising of:

- The Delegated Budget: the sum of payments to the Integration Joint Board (IJB)
- The Notional Budget: the amount set-aside by NHS Borders, for large hospital services used by the IJB population

Full transparency of the use of these resources by the IJB population is paramount and the Scottish Borders Council Health and Social Care Partnership is required to publish an annual Financial Statement setting out absolute level of these resources and their planned use.

A premise of the underlying legislation is that through the Strategic Plan, the Integration Joint Board will be able to plan and agree transfers between the notional budget and the delegated budget, based on the capacity required to deliver agreed performance on outcomes and the existing constraints on the use of resources by NHS Borders and Scottish Borders Council. In time, it is fully expected that the relative proportions of partners' contributions to the resources within the scope of the plan will not influence the

proportion of services that will be directed by the IJB through the plan, although it is more than likely and is the basis of the proposed plan for 2016/17, that they are similar.

NHS Borders' Director of Finance and Scottish Borders Council's Chief Financial Officer discharge their responsibilities, as they relate to the resources that are delegated to the IJB, by setting out in the Scheme of Integration the purposes for which the resources are used and the systems and monitoring arrangements for financial performance management. The IJB Chief Financial Officer will establish financial governance systems for the proper use of resources, ensure that the Strategic Plan meets the requirement for best value in the use of the IJB's resources and most prevalently, ensure that directions to NHS Borders and Scottish Borders Council provide for the resources that are allocated in respect of the directions are spent according to the plan. In particular, a fully funded financial plan is required, with clear definition of the assumptions on which it is based, noting any risks inherent and what mitigations may be in place for their management. This is based on the provisions within the Scheme of Integration that set out the method of determining the amounts made available and payments to the IJB both initially and in future years.

This will enable a judgement to be made over the sufficiency of resources available to the IJB to deliver its Strategic Plan and the identification of any risks or further actions that require to be managed and delivered to ensure the IJB is on course to deliver its plans in an affordable and sustainable way.

The Scottish Borders Health and Social Care Partnership's 2016/17 medium-term Financial Statement is detailed in the report appended. The overall levels of resources which are planned to be made available to the partnership in 2016/17 are:

- The Delegated Budget: **£139.150m**
- The Notional Budget: the amount set-aside by NHS Borders, for large hospital services used by the IJB population: **£18.128m**

A total of £157.278m will be made available to the partnership in 2016/17 therefore.

Executive Summary

Financial Statement 2016/17

A full financial statement for 2016/17-2018/19, together with a comprehensive report on assurance over the sufficiency of resources integrated is attached to this covering report.

In general terms, the process of determining the total level of resources to be delegated to the partnership has complied fully with the provisions contained within its Scheme of Integration. The 2016/17 delegated budget therefore is based on previous years' budget levels, adjusted incrementally to reflect:

- Partners' absolute level of funding by the Scottish Government
- Past performance and known areas of financial pressure arising due to cost, demand, legislative and other factors
- Efficiencies and other required savings delivery to ensure overall affordability

- New priorities as expressed within partners' plans and the Integration Joint Board's Strategic Plan
- Other emerging areas of financial impact

A summary of the overall level of proposed Integrated Budget (directly delegated budget plus % notional budget for large hospitals) is detailed below:

	2016/17	2017/18	2018/19
	£'000	indicative £'000	indicative £'000
Budget Delegated from NHS Borders	92,619	92,539	92,952
Budget Delegated from Scottish Borders Council	46,531	46,583	47,083
Total Delegated Budget	139,150	139,122	140,035
NHS Borders Large Hospital Budget Set-Aside	18,128	18,160	18,325
Total Integrated Budget	157,278	157,282	158,360

The proposed level of resources provided in the integrated budget by NHS Borders will remain provisional until the Local Delivery Plan is approved by the Scottish Government following submission in May 2016. Additionally, both NHS Borders' and Scottish Borders Council's funding settlements with the Scottish Government are for 2016/17 only and will be subject to change in absolute terms for future financial years. Future year figures should therefore be considered indicative only at this point in time.

There are considerable efficiency / savings assumptions requiring delivery within both NHS Borders and Scottish Borders Council's respective financial plans for 2016/17, on which the proposed levels of delegated and notional resources above are based. Whilst the majority of these savings have been identified and plans have been or are in the process of being developed, the majority remain high risk and in particular, there remains £793k out of total delegated or notional resources of £157.278m requiring further efficiency/service change plans to be identified.

Assurance over the sufficiency of the resources included within the Financial Statement

In order to provide the IJB with assurance over the sufficiency of the resources included within the Financial Statement, specific scrutiny has been undertaken as part of:

- Due diligence: in determining payment to the IJB in the first year (2016/17) for delegated functions, delegated baseline budgets will be subject to due diligence and comparison to recurring actual expenditure in the previous three years adjusted for any planned changes to ensure they are realistic
- Risk assessment: an assessment has been made, following due diligence, of any recurring areas of financial risk to which the IJB is exposed and where appropriate, the robustness of the arrangements put in place to mitigate them

Full analysis of the outcomes of these processes is detailed in the main report attached, but in summary terms, the key findings/conclusions from this work, through which positive assurance over the sufficiency of 2016/17 integrated resources, at this point in time, can be provided are:

Affordability

- There remains current uncertainty over the final settlement of funding in 2016/17 for NHS Borders until such times as the LDP is agreed. Additionally, assurance over future years' funding levels for years 2 and 3 of the IJB's Strategic Plan cannot be provided at this time, although within both partners' respective financial plans, assumed levels based on known factors have been forecast
- Plans to deliver £793k of efficiency / service change savings still require identification. It will be for the IJB, in discussion with its partners to determine where these savings will be made, whether it be within NHS Borders delegated budget or through direction across the functions of the wider partnership

Investment and Disinvestment

- Delivery of an ambitious efficiency and savings agenda on which the proposed budget is founded will be challenging and there are varying degrees of risk associated with many of the proposals made. This risk is mitigated in part by the governance and programme management arrangements already in place within NHS Borders and Scottish Borders Council, but regular and frequent progress over their planning and delivery will be required during 2016/17
- Both partners have invested considerably in 2016/17 across all of the areas where the due diligence process has identified sustained and increasing financial pressure over the last 3 years through a process of budget growth to meet historic gaps between the budgeted and actual activity and costs associated with key areas such as GP Prescribing, Care at Home, Residential Care, Night Support and Community-Based services
- Where investment has not been made, there are planned savings targets aimed at realigning actual spend levels to those on which budgets are predicated

Emerging Pressures

- There are a number of areas of emerging or unknown financial pressure that may come to bear during or beyond 2016/17 for which no budget provision has been made. These may potentially arise due to a number of factors including legislation changes, activity (demand) or cost increases beyond those forecast, funding arrangements and service shifts. It will be for the IJB to work with its partners to address any such pressures which may emerge in order to identify appropriate remedial action in such an event through the development of one or more appropriate solutions including the use of additional Social Care funding, further targeted in-year savings on service delivery and / or the issuing of supplementary directions over functions to be provided and the resources accompany them

Governance

- There are a number of arrangements, much of which is defined within the Scheme of Integration, now in place within both the Integration Joint Board and its partner organisations through which robust governance is discharged covering:
 - Financial management, monitoring and reporting
 - The process through which unforeseen pressures will be addressed
 - How directions will be issued and their content
 - Future financial planning requirements and process
 - Audit and risk management arrangements

Conclusions

Whilst the medium-term will be challenging and in particular, 2016/17, due to the level of funding available and the efficiencies and other savings requiring delivery in order to make the financial plan affordable, the level of integrated budget will be sufficient to deliver year 1 outcomes of the partnership's financial plan, with the assurance that:

- Known and emerging pressures have been identified within plans and where appropriate, resources have been realigned in order to meet these pressures
- The areas of historic pressure outlined in 2.6 have been addressed as part of financial planning processes
- Robust governance over and planning and management of planned savings measures will exist assuring their delivery in the required timescales
- The IJB will effectively direct the planning and delivery of a further £793k of efficiency savings through reference to the Strategic Plan, a review of current activity levels and associated costs and where appropriate, agreed service changes, including the potential to shift resource from the large-hospitals budget set-aside, should this be appropriate
- With a commitment to collective risk sharing and its joint management between the IJB and its partners and further ongoing working together on bridging the reported current affordability gap, an affordable and balanced financial plan is achievable early in 2016/17

Where variances do emerge as a result of other factors, assurance is provided within the Scheme of Integration and Financial Regulations over the agreed treatment of overspends and planned/windfall underspends. It is expected that the absolute level of resources delegated will vary in 2017/18 from year 1 of the IJB's operation, both in absolute terms and in how it is allocated across functions, as the joint financial planning process supporting the Strategic Plan between the Board and its partners is developed during 2016. This will take account of priorities, changes in activity and cost and other emerging developments / pressures, and over-time, a realignment of both delegated and notional budgets is expected in line with review of these and other factors.

It is important that 2016/17, year 1 of the IJB, is treated as a transitional year, in order to allow further clarity of understanding over budgets, activity levels, service pressures, savings programmes, etc. During this year, partners require to fully own and deliver the planned efficiencies and other savings within the financial plan supporting services which have been delegated and where there is any dispute or concern over the deliverability of any savings proposed by NHSB or SBC between the IJB and any of its partners, then there needs to be a clear process for remediation and agreement. The partnership's Scheme of Integration (section 8.6) provides clear direction as to how any further

pressures arising during 2016/17 should be treated in-year, by both the IJB and, where required its delegating partners.

Recommendations

It is recommended that the IJB:

- Notes and approves the estimated Health and Social Care partnership budget for 2016/17, including both the element delegated by NHS Borders/Scottish Borders Council and that retained by NHS Borders and set-aside, specifically:

	2016/17	2017/18	2018/19
	£'000	indicative £'000	indicative £'000
Budgets Delegated:			
Scottish Borders Council Funding Delegated	46,531	46,583	47,083
NHS Borders Funding Delegated :			
- Primary & Community Services	87,352	87,272	87,685
- Large Hospital Budget	18,128	18,160	18,325
- Social Care Fund	5,267	5,267	5,267
Total Delegated Funding	157,278	157,282	158,360

- Notes the key areas of financial risk in 16/17 and the proposed actions for mitigation
- Instructs the Chief Officer to identify, in partnership with NHS Borders and Scottish Borders Council, further proposals / directions for ensuring that the total budget delegated is fully funded by agreed levels of activity/efficiency savings across both delegated and notional areas of the integrated budget
- Notes the risks which may emerge in future years and consider them and any others which may arise as part of the wider 2017/18 financial planning process

Policy/Strategy Implications	In compliance with the Public Bodies (Joint Working) (Scotland) Act 2014 and any consequential Regulations, Orders, Directions and Guidance. The approach taken complies fully with the Partnership's Scheme of Delegation.
Consultation	The report has been reviewed by both NHS Borders Director of Finance and SBC Chief Financial Officer
Risk Assessment	A full risk assessment and risk monitoring process for the Integration Programme is in place as part of the Integration Programme arrangements.
Compliance with requirements on Equality and Diversity	An equality impact assessment will be undertaken on the arrangements for Joint Integration when agreed, including the Integrated Budget in particular. The pressures / savings proposals within the Council component element of the budget have already been subjected to Equality Impact Assessment.
Resource/Staffing Implications	The report, based on all known factors identified to date and the governance procedures already established within the IJB and its partner organisations and their financial plans, provides assurance over the level of and sufficiency of Partnership resources for 2016/17.

Author(s)

Name	Designation
Paul McMenamin	Chief Financial Officer - IJB

Background Papers

- **ATTACHED** - ANNUAL FINANCIAL STATEMENT 2016/17 AND ASSURANCE OVER THE SUFFICIENCY OF RESOURCES SUPPORTING THE STRATEGIC PLAN 2016/17-2018/19
- **REPORT TO THE IJB 07 MARCH 2016** – “PROGRESS REPORT: HEALTH AND SOCIAL CARE PARTNERSHIP DRAFT FINANCIAL STATEMENT 2016/17 AND ASSURANCE OVER THE SUFFICIENCY OF RESOURCES”

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APPENDIX A

3-Year Historic Levels of Spend Across Integrated Functions

	2015/16 (as projected at 31.01.16)					2014/15 Outturn					2013/14 Outturn				
	Projected	Base	Variance	Revised	Variance	Actual	Base	Variance	Revised	Variance	Actual	Base	Variance	Revised	Variance
	Spend	Budget		Budget		Spend	Budget		Budget		Spend	Budget		Budget	
	000	000	000	000	000	000	000	000	000	000	000	000	000	000	000
Joint Learning Disability	18,291	18,073	218	18,331	-40	17,227	17,604	-377	17,476	-249	No IJB joint financial reports were reported during 2013/14. Both NHS Borders and Scottish Borders Council's budget monitoring reports have been examined individually as part of the 3-year due diligence process however and any recurring issues identified and evaluated as part of the overall assurance process*				
Joint Mental Health	15,534	15,795	-261	15,737	-203	15,751	15,176	575	15,725	26					
Joint Alcohol & Drug	1,065	1,076	-11	1,082	-17	935	1,544	-609	960	-25					
Older People	24,465	24,148	317	24,442	23	24,156	23,003	1,153	23,647	509					
Physical Disability	3,255	3,250	5	3,258	-3	3,173	2,816	357	3,081	92					
Generic Services	75,248	73,932	1,316	74,610	638	72,080	71,813	267	71,813	267					
SB Cares Contribution	-475	-480	5	-480	5	0	0	0	0	0					
	137,383	135,794	1,589	136,980	403	133,322	131,956	1,366	132,702	620					

*“delegated budgets will be subject to due diligence and comparison to recurring actual expenditure in the previous three years adjusted for any planned changes to ensure they are realistic. There will be opportunity in the second year of operation to adjust baseline budgets to correct any inaccuracies ” - Scottish Borders Health and Social Care Partnership Scheme of Integration



**ANNUAL FINANCIAL STATEMENT
2016/17
(2017/18 - 2018/19 Indicative)**

	2016/17	2017/18	2018/19
	£'000	indicative £'000	indicative £'000
Budgets Delegated:			
Scottish Borders Council Funding Delegated	46,531	46,583	47,083
NHS Borders Funding Delegated :			
- Primary & Community Services	87,352	87,272	87,685
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- Social Care Fund	5,267	5,267	5,267
Total Delegated Funding	157,278	157,282	158,360

Expenditure Plans per 2016/17 Financial Plans:

Scottish Borders Council*

Expenditure Plans:

Adults with Learning Disabilities	14,674	14,909	15,175
Older People	28,116	27,856	27,900
Generic Services	3,659	3,663	3,762
People with Mental Health Needs	2,168	2,177	2,201
People with Physical Disabilities	3,180	3,245	3,312
	51,797	51,850	52,350

NHS Borders

Expenditure Plans:

Learning Disability	3,599	3,645	3,692
Mental Health	14,015	14,194	14,376
GP Prescribing	22,437	23,320	24,380
General Medical Services	16,933	16,933	16,933
Non-Cash Limited Service	5,524	5,524	5,524
Other Generic Primary & Community Services	24,845	23,656	22,780
	87,353	87,272	87,685

Large Hospital Budget Set Aside

Large Hospital Budget Set Aside	18,128	18,160	18,325
	18,128	18,160	18,325

Total Planned Expenditure	157,278	157,282	158,360
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* When setting the budget for 2016/17, Scottish Borders Council has assumed that £5.274m will be available from Social Care funding to support the delivery of social care services above and has included this amount within the expenditure plans above - See Page 2

Social Care Funding Investment in Pressures		2016/17 £'000	
Homecare budget		300	Historic Demographic
Older People demographic increases		234	Current Demographic
Increased young adults with learning / physical disabilities		549	
			Current Demographic
Living Wage (from 1st October 2016)		1,474	Living Wage
Health & Social Care Partnership Uncommitted		2,717	Uncommitted
		5,274 *	

Basis of Assumption: "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 the Scottish Government and partners' 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."*

(Actual Allocation is £5.267m, compared to assumed £5.274m)

Reconciliation: Other SBC Investment in Pressures

Transfer of homecare to SBCares	279
Night-time support sleep-ins	280
Increase in direct payment rate	449
Revised homecare hourly rate	197
Commissioned Services General	60
Reduction in Client Charging Income	130
Other Pressures (e.g. COSLA RCH upift)	40
	1,435
	6,709

NHSB Investment in Pressures

Primary & Community Services:	
Drugs & GP Prescribing	1,495
Pay & Price Inflation	497
NI Increase	661
	2,653
Large Hospital Budgets:	
Pay & Price Inflation	296
NI Increase	301
Acute & Geriatric Model of Care	461
	1,058

SBC Savings

	2016/17 £'000 recurring	2016/17 £'000 n/recurring	2016/17 £'000 total
Supporting Independence when providing Care at Home	(316)	0	(316)
Further contribution of surplus from SB Cares	(547)	0	(547)
Reduction in the costs of Commissioning	(378)	0	(378)
Residential and Home Care Efficiencies and Income	(235)	0	(235)
Assessment and Care Management	(100)	0	(100)
Staffing	(300)	0	(300)
Adults with Learning Disabilities Efficiencies	(549)	0	(549)
Older People Efficiencies	(234)	0	(234)
Other	(4)	0	(4)
	(2,663)	0	(2,663)

NHSB Savings

	2016/17 £'000 recurring	2016/17 £'000 n/recurring	2016/17 £'000 total
Nursing Skill Mix Review	(93)	0	(93)
Non Support Service Admin	(118)	0	(118)
Supplies Uplift 2016/17	(235)	0	(235)
Travel Costs	0	(95)	(95)
Suspend Clinical Excellence Fund 2016/17	0	(186)	(186)
Clinical Productivity	(750)	0	(750)
Borders Wide Day Hospitals Review	(200)	0	(200)
Drugs & Prescribing	(600)	0	(600)
Review Step Down Facilities	(200)	(350)	(550)
Improving Pathway of Care	(640)	0	(640)
MH & LD Management Costs	(100)	0	(100)
AHP Models of Care	(100)	0	(100)
Review Public Health	0	(150)	(150)
Other Schemes	(100)	0	(100)
Total Savings Proposed	(3,136)	(781)	(3,917)
Target Savings	3,261	979	4,239
Net (deficit)/surplus	(125)	(198)	(322)
Ringfenced Allocations	(471)	0	(471)
Total savings (deficit)/surplus on delegated budget	(596)	(198)	(793)



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
YEL	Yellow	Prevalent risk, but sufficient mitigation in place for 2016/17

No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 14 1	AMB	Absolute Affordability	Scottish Government allocation to NHSB on 26 February remains provisional until final confirmation, May 2016 and may change	<ul style="list-style-type: none"> The delegated budget from NHS Borders to the IJB and the basis of provision will be reviewed following final settlement of 2016/17 funding levels and if required, there will be appropriate discussion between all partners as to how any financial impact on the level of delegated or notional budgets will be addressed through a combination of options 	3.7a
2	RED	Absolute Affordability	NHS Borders resource allocation to the IJB is not, at the current time, fully funded by the necessary value of efficiency savings, resulting in an affordability gap presently (£793k)	<ul style="list-style-type: none"> Discussions continue to calculate, identify and allocation potential efficiency savings across all NHS Borders delegated and non-delegated functions It will be the responsibility of the IJB, through the use of Directions, to identify the functions and, if required, service areas within which targeted savings will require to be made, with reference to the impact on the Strategic Plan in order to address current resource gaps within both ringfenced and non-ringfenced elements of the delegated budget 	3.7b



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
YEL	Yellow	Prevalent risk, but sufficient mitigation in place for 2016/17

No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 15 3	AMB	Existing Financial Risk	Required addressing of all historic and existing of financial risks has not been sufficiently provided for as part of partners 2016/17 financial planning processes	<ul style="list-style-type: none"> •Due diligence over budget / spend profiles 2013/14 - 2015/16 has identified historic and current areas of financial pressure within delegated budgets •Partners' financial plans 2014/15 and 2015/16 reflecting targeted investment into areas of identified risk / financial pressure •Efficiencies/Savings proposals within partners' 2016/17 financial plans target identified key areas of historic pressure e.g. GP Prescribing, Direct Payments, etc • Use of Social Care funding in line with Scottish Government's stated intentions to alleviate pressure within key areas e.g. demographic increase budget shortfalls •Other financial plan investment / uplift applied against areas of identified historic and current financial pressure 	2.6



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
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No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 16 4	AMB	Existing Financial Risk	The level of all planned efficiency and other savings required to ensure overall budget affordability is significant and there may be areas where savings are not delivered in full	<ul style="list-style-type: none"> •Provision of periodic monitoring reports to the Strategic Planning Board / IJB on a frequent basis will identify the projected financial impact of any anticipated or experienced delivery issues •Corporate governance programmes within both partner organisations will provide challenge to and assurance over the timely delivery of all required management actions and their resultant financial impact 	3.12 to 3.17
5	YEL	Emerging Financial Risk	Whilst the partnership's Strategic Plan is a medium-term document spanning 3 financial years, both NHS Borders and Scottish Borders Council will receive only a 1-year financial statement and therefore future delegated and notional budget figures are only indicative and will be subject to change as a result of these external factors	•In line with the Scheme of Integration, there is an agreed process for a fully integrated financial planning process that will enable a range of factors to be considered as part of future years' financial plans, taking full account of known or projected Scottish Government funding levels and priorities expressed within the partnership's Strategic Plan	3.7



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
YEL	Yellow	Prevalent risk, but sufficient mitigation in place for 2016/17

No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 17 6	YEL	Emerging Financial Risk	Further cost pressures may emerge during 2016/17 that are not yet projected or provided for within either partner's 2016/17 financial plan, nor the resources delegated to the IJB e.g emergence of new drugs/technology or the outcome of the current Care at Home tender process	<ul style="list-style-type: none"> •Scheme of Integration along with recommended best practice allows for partners to address emerging pressures across delegated functions in-year through the transfer of additional resources from non-delegated functions if required and available •A programme of remedial action may be agreed by the IJB and, if required, its partners in-year in order to direct the delivery of savings across delegated functions to meet any unforeseen cost pressures through supplementary Directions •Potential use of uncommitted Social Care funding to meet any specific pressures arising •Development of a medium-term financial strategy during 2016/17 will provide for meeting emerging pressures as they arise in relation to future years' impacts 	5.1-5.6



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
YEL	Yellow	Prevalent risk, but sufficient mitigation in place for 2016/17

No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 18 7	AMB	Emerging Financial Risk	<p>Waiving of Carers Charges - The Cabinet Secretary has stated that there would be no new money to support the implementation of this regulation during 2016/17. However, in recognising that Local Authorities may incur cost pressures as a result of this regulation, indicated that the £125 million provided to IJBs in this years' settlement to accommodate growth in demand for services and support the objectives of integration, could be utilised to meet any costs of waiving charges to carers should councils chose to use their powers to support carers.</p> <p>Increase in the charging threshold for all non-residential services will reduce the overall level of income from charging for non-residential care by an estimated £150k</p>	<ul style="list-style-type: none"> £2.717m of IJB Social Care funding remains uncommitted. Work is ongoing to quantify the impact of this legislative change and further funding may require allocation from this uncommitted balance, should no alternatives be identified. <p>Consideration of allocating further budget to offset the reduction in income from charging will be required, should no alternatives be identified.</p>	3.10



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
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No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 19 8	AMB	Emerging Financial Risk	Full Year Effect of Living Wage - The costing included within Scottish Borders Council is both provisional and for a part-year impact, with implementation planned from 1st October 2016. Further funding will require identification for the full-year effect from 1st April 2017, when a clearer picture of the actual financial impact will be known.	<ul style="list-style-type: none"> •As per risk 7 above •Further analysis is currently being completed following which a report fully evidencing the additional part and full-year costs of an increase to a living wage for all social care workers will be brought to the IJB 	3.10



Scottish Borders Health and Social Care Partnership

Financial Assurance Summary of Key Risks

RED	Red	Requires immediate action for 2016/17
AMB	Amber	May require further action as circumstances determine or 2017/18 and beyond impact
YEL	Yellow	Prevalent risk, but sufficient mitigation in place for 2016/17

No.	RAG	Risk Area	Risk	Mitigation / Assurance	Report Ref.
Page 20 9	YEL	Governance and Risk Management	There may be a risk of ineffective governance over the financial affairs of the IJB and ineffective financial planning, management and reporting arrangements	<ul style="list-style-type: none"> •The partnership's code of corporate governance, scheme of integration and other instruments such as financial regulations will provide assurance and direction in all financial matters •The IJB is currently implementing a range of governance arrangements including the role of the chief internal auditor, an audit plan, risk management strategy and register, etc •Periodically, frequent and regular financial performance monitoring reports will be brought to the IJB, as historically has happened during the shadow financial year 	5.8



ANNUAL FINANCIAL STATEMENT 2016/17
AND
ASSURANCE OVER THE SUFFICIENCY OF RESOURCES
SUPPORTING THE STRATEGIC PLAN
2016/17-2018/19

AIMS OF REPORT

This report aims to set out the Financial Statement for the Scottish Borders Health and Social Care Partnership for the period 2016/17 – 2017/18 (years 2 and 3 indicative only). In addition, it intends to provide assurance to members over the sufficiency of resources delegated to the partnership for 2016/17 by:

- Summarising the outcome from due diligence over the historic performance of the functions delegated
- Outlining the approach to identification of the level of resources delegated
- Identification of financial risks inherent within the delegated functions and the level of overall resources supporting them
- Summarising the actions taken by NHS Borders and Scottish Borders Council to mitigating/eliminating the risks identified
- Detailing the peripheral mechanisms through which financial governance will be preserved going forward

ASSURANCE

1. The Requirement for Financial Assurance

- 1.1 On an annual basis, the Integration Joint Board requires to seek assurance from NHS Borders and Scottish Borders Council over the financial arrangements and resources through which it will discharge its responsibilities and deliver its required performance outcomes within the Strategic Plan. An effective assurance process should enable the Board to identify the resources delegated to it and the financial, legal or organisational risks involved; it should also help the delegating partners to quantify the risks to their respective operations. If planned and implemented in a logical sequence, it should allow NHS Borders and Scottish Borders Council to maximise the benefits and minimise the risks from integration.
- 1.2 Typically, an assurance process covers three main areas:
 - Legal
 - Operational
 - Financial
- 1.3 At present, the prime focus of this report is on Financial Assurance and in particular, assurance over the sufficiency of resources available to support the delivery of the Strategic Plan over the next 3 years.
- 1.4 This process of assurance is grounded on principles of mutual trust and confidence between NHS Borders and Scottish Borders Council, working in partnership with a complete open-book approach, information-sharing and clear cross-referencing of impacts across all former-NHS and Council service areas.
- 1.5 There are primarily two areas over which financial assurance is required by the IJB:
 - Financial Governance
 - Financial Assurance and Risk Assessment for Delegated Resources

- 1.6 In terms of the former, the IJB has already received a report in early March on progress made in establishing robust financial governance arrangements, together with a number of specific areas of focus within member development sessions during 2015/16. Going forward, assurance will be provided through further progress reports, including a view from the Board's Chief Internal Auditor. The remainder of this report focusses on the latter area of assurance over the sufficiency of resources and any risks inherent. This will enable a view to be formed by the Board as to whether the resources delegated to the IJB are adequate for it to carry out its functions, including the large hospitals budget set-aside for the population of the Scottish Borders.

2. 2015/16 Shadow Year and Preparation for Delegation of Resources

Scheme of Integration

- 2.1 Within the **Health and Social Care Integration Scheme for the Scottish Borders**¹, specific provision has been made to ensure that the IJB receives the assurance it requires over the sufficiency of resources to carry out its delegated functions, following which it will approve the initial amount delegated to it, on an annual basis. These arrangements cover the determination of the amounts paid to it by partners (or set-aside) and their variation and are specifically set out in sections 8.3-8.6 of the Scheme. They primarily cover:
1. **Payment to the IJB for delegated functions in the first year of operations (2016/17)**
 2. **Payment to the IJB for delegated functions in subsequent years**
 3. **Method for determining hospital services set-aside amount**
 4. **How in-year variations will be dealt with by the IJB and partners**
- 2.2 When agreeing the level of delegated resource the following points have been considered:
- The need for transparency through a clear audit trail, understood and accepted by all parties, detailing how the resources have been calculated
 - As important as the absolute value of delegated and notional resources is the requirement to fully understand how services will be delivered within the delegated financial envelope
 - How the delegated resources align with both locality management arrangements and programmes
 - A clear, shared understanding of inherent risks and opportunities
- 2.3 The Scheme of Integration specifically states that **the baseline payment will be established by reviewing recent past performance and existing plans for NHS Borders and Scottish Borders Council for the functions to be delegated, adjusted for material items**. On this basis, the delegated budget will follow both partners' respective financial planning processes and be formed by their combined outcomes, based on a range of factors including 2015/16 base budget for functions delegated, Scottish Government funding, cost and demand pressures and efficiency and other savings targeted. In terms of assurance, it is important that these plans are tested against recent actual expenditure levels and that the assumptions used in developing them and any associated risks are identified and assessed. Of equal importance is the requirement for transparency over how partners' budgets have been calculated and the sharing of key assumptions with each other and both partners will continue to ensure full disclosure and where possible consultation over any material proposed changes to the level of resources delegated to the IJB.

¹ All direct references from the Scheme of Integration throughout this report have been highlighted in bold

2015/16: Actual and Projected Position for the Shadow Year / 3-Year Due Diligence

2.4 The partnership's Scheme of Integration states that, in determining payment to the IJB in the first year (2016/17) for delegated functions, **delegated baseline budgets will be subject to due diligence and comparison to recurring actual expenditure in the previous three years adjusted for any planned changes to ensure they are realistic**. On completion of this work, the following conclusions have been drawn:

- A number of key areas of financial pressure from previous financial years, which have recurred in 2015/16, have been identified in-year (as part of the ongoing monthly monitoring process) with appropriate remedial action put in place (within both delegated and non-delegated functions). Both the temporary and permanent remedial action taken is outlined later in this report (sections 2.6 and 3.18 – 3.22)
- All such pressures (see Table 1 below for those of a significant, recurring nature) have been factored into the 2016/17 financial planning process e.g. as recurring efficiency targets, new savings proposals, or as identification of an ongoing pressure. Where possible, the impact of these have been addressed by both partners through a range of uplift and targeted investment into the areas as part of the 2016/17 financial planning process
- Where any residual pressures not yet addressed remain, these have been clearly identified within 2016/17 financial plans and any associated risks acknowledged within the process of assurance over the sufficiency of resources proposed for delegation with the expectation of an in-year remedial position being delivered

As per the Scheme of Integration, **there will be an opportunity in the second year of operation to adjust baseline budgets to correct any inaccuracies**. *A summary of 3-year outturn positions against base and revised budget for delegated services is detailed in Appendix A to this report.*

2.5 Against a base budget of £135.8m for resources aligned under the Integration Joint Board during 2015/16 (which will form the basis of the delegated budget from 1st April 2016), projected spend at 31 March 2016 is £137.4m, a projected outturn overspend of £1.6m. This additional pressure will be met by savings planned and delivered across NHS Borders and Scottish Borders Council within areas of non-delegated budget, temporary drawdown of reserves (for 2015/16 only) and the resultant transfer of resources into the delegated budget. The revised budget for 2015/16 therefore currently stands at £137.0m, with a revised projected outturn pressure of £400k as a result. For complete affordability, permanent proposals to address the pressures temporarily funded this year will be required for 2016/17, in addition to addressing of the residual projected outturn pressure.

2.6 Beyond this, a considerable number of management actions have been implemented in year across integrated services in order to deliver savings to offset pressures within the integrated budget. Permanent resolution of these pressures is therefore required going forward, either by additional investment directly into these budget areas, transfer of resources from non-integrated areas, or efficiency proposals to deliver the same level of services, in a more affordable way – all 3 mechanisms of which form partners' strategy for delegating a fully affordable budget for 2016/17, further detail of which is

detailed in section 3. A summary of the key pressures across baseline budgets for 2015/16 is detailed in Table 1 below:

Table 1 – Summary of 2015/16 Key Areas of Pressure within Delegated Budget

GP Prescribing	During 2015/16, the GP Prescribing budget has been subject to significant financial pressures due to considerable volatility in the cost of certain drugs which have become in short supply globally £1.0m.
Older People Residential Care	Demand for Residential Care beds continues to exceed available resources and the number of beds provided has exceeded the baseline budget position historically. At present, there are over 640 residential care beds being commissioned from providers, around 12 more than historic base budgets sufficiently resource although the exact net cost of each bed varies depending on the level of client contribution. Actual additional cost is around £178k.
Older People Homecare	Care at Home for Older People is an area which historically has exceeded available budget and required remedial action in-year, primarily due to demand and the number of hours provided increasing above forecast levels. Additionally, the cessation of 2 large homecare contracts and their transfer to SB Cares as provider of last resort placed a further additional strain on this service financially. These two factors cost an additional £300k and £279k respectively during 2015/16, a total of £579k.
AWLD Night Support	Considerable work has been undertaken over the last 18 months to review services and commissioning arrangements and previous significant financial pressures have been resolved. An Employment Appeal Tribunal recently ruled that where a care worker was required to work 'sleep in' night shifts at a designated site, and be available to carry out duties during these sleep-in sessions, such shifts constitute 'time work' for the purposes of National Minimum Wage legislation. The EAT found that the care worker was entitled to be paid at the rate of the National Minimum Wage for hours worked including those during these sleep-in shifts. The projected cost to SBC of increases in the rate paid to providers to accommodate this is £280k.

PWPD Community Based Services

Whilst there are a relatively small number of clients in this service area, their complexity of need results in any additional clients receiving services putting considerable strain on the budget. Currently, there are budget pressures in this area of £50k per annum.

- 2.7 A key point of assurance over the 2016/17 level of delegated resources is the degree to which inherent pressures experienced within 2015/16 have been resolved and if so, whether this has been by temporary or permanent means (either in-year or within the 2016/17 financial process).
- 2.8 NHS Borders financial plan for 2016-17 makes provision for uplift on GP Prescribing budgets of £1.5m which is included in the integrated budget for the IJB. This is based on funding of current pressures and horizon scanning for new drugs, protocols and demographic change, undertaken by the Director of Pharmacy. However it should be noted that price volatility is difficult to predict and projections are based on the best information available at this time.
- 2.9 In the case of the other pressures, a number of measures have been put in place. In-year, the Council drew down reserves to provide a temporary solution to the additional costs of Night Support and Care at Home contracts transferring to SB Cares. This position has now been permanently addressed as part of the growth invested within the 2016/17 (as outlined in 3.18-3.22) Financial Plan. During 2015/16, a remedial action plan was put in place to deliver savings, temporarily in the main, in order to meet the projected pressure across the other areas, including the deferral of the Dementia Care team implementation, a whole-scale freeze on recruitment and cash savings targets across locality offices. As part of the 2016/17 financial planning process, permanent increased investment has been made within these areas, in addition to other areas of emerging pressure.
- 2.10 In conclusion, both partners have taken significant steps to address the recurring impact of 2015/16 and other historic pressures experienced across delegated functions, with much of the 2016/17 financial plan investment targeted at addressing them. Whilst other ad-hoc pressures in these areas may arise in future, as outlined in section 3, with the levels of investment into these budget areas in 2016/17, then the budget is believed to be sufficiently affordable to meet current levels of activity / cost. Given the benefit of a shadow financial year and the ability to develop familiarity with the budgets supporting functions which are delegated, this view should concur with that of IJB members who will be aware from frequent and regular monitoring reports of the recurring pressures experienced during 2015/16 and recognise their treatment as part of the 2016/17 financial planning processes within NHS Borders and Scottish Borders Council, resulting in the investment and uplift areas outlined in the financial statement and section 3 of this report.

3. 2016/17: The Initial Sums calculated for the First Year of operation of the IJB

Proposed Integrated Budget 2016/17 – 2017/18 (years 2 and 3 indicative)

- 3.1 Under the legislation, NHS Borders and Scottish Borders Council must make payment to the Integration Joint Board for the delegated functions at the start of each financial year. In addition, NHS Borders must calculate and present the notional budget for large hospitals set-aside for the population of the Scottish Borders. These two elements together, form the overall “integrated budget”.
- 3.2 Within the Health and Social Care Integration Scheme for the Scottish Borders, **it is defined that in the first year of operation of the Integration Joint Board, the baseline payment made to it for delegated functions will be established by reviewing past performance and existing plans for NHS Borders and Scottish Borders Council for the functions delegated, adjusted for material items.**
- 3.3 The 2016/17 delegated budget therefore is based on previous years’ budget levels, adjusted incrementally to reflect:
- Partners’ absolute level of funding by the Scottish Government
 - Past performance and known areas of financial pressure arising due to cost, demand, legislative and other factors
 - Efficiencies and other required savings delivery to ensure overall affordability
 - New priorities as expressed within partners’ plans and the Integration Joint Board’s Strategic Plan
 - Other emerging areas of financial impact
- 3.4 A summary of the overall level of proposed Integrated Budget (directly delegated budget plus % notional budget for large hospitals) is detailed in Table 2 below. This summary, as outlined in 3.2, is shown based on the proposed/agreed budget for former NHS Borders’ and Scottish Borders Council functions delegated to the IJB from 1st April taking account of the adjustment factors in 3.3 above, together with the large hospitals budget set aside for the population of the Scottish Borders. In reality however, whilst this is the basis for the calculation of the Integrated Budget, the relevance is in the absolute value of the delegated and notional budgets and not on the component elements of how or within which organisation they were calculated. i.e. this represents the total level of funding coming across to the IJB and not commitments to expenditure levels within respective organisations, the most obvious example being the Social Care Fund which although of NHS Borders baseline allocation, is intended, at least in part, to fund existing and new service pressures within Social Care.

Table 2 – Summary of total IJB Delegated / Notional Resources 2016/17 – 2018/19 (Years 2 and 3 indicative)

2016/17:	£m
Total funding delegated by NHS BORDERS	92.619
Total notional resources retained by NHS BORDERS and set-aside	18.128
Total NHS BORDERS	110.747
 TOTAL funding delegated by SCOTTISH BORDERS COUNCIL	 46.531
 TOTAL INTEGRATED BUDGET (DELEGATED + NOTIONAL SET-ASIDE)	 157.278

	2016/17	2017/18	2018/19
	£'000	indicative £'000	indicative £'000
Budgets Delegated:			
Scottish Borders Council Funding Delegated	46,531	46,583	47,083
NHS Borders Funding Delegated :			
- Primary & Community Services	87,352	87,272	87,685
- Large Hospital Budget	18,128	18,160	18,325
- Social Care Fund	5,267	5,267	5,267
Total Delegated Funding	157,278	157,282	158,360

Within the proposed delegated budget above, £5.267m of funding is shown within the total delegated from NHS Borders to the IJB. This relates to the Scottish Government's allocation of Social Care funding. Whilst it is for the IJB to direct the use of this funding, Scottish Borders Council's financial plan includes use of this funding towards meeting demographic pressures and the costs of introducing a Poverty Alliance living wage for Social Care staff, with the residual amount of funding shown as yet-to-be allocated, under Social Care. This increases the total planned spend on Scottish Borders Council delegated functions (within the Council's financial plan 2016/17) from £46.531m as per the table above to £51.798m, pending direction from the IJB. (See Appendix B)

- 3.5 *A full detailed analysis of the breakdown of the calculation of the Integrated Budget for 2016/17 and indicatively for 2017/18 and 2018/19 is detailed in Appendix B to this report – the Detailed Financial Statement.*
- 3.6 Based on a range of factors, it is for the IJB to ascertain whether this proposed level of resourcing is sufficient to deliver both the functions delegated to it and its first year of progressing towards delivery of its medium-term Strategic Plan. These factors are primarily those outlined in 3.3 above and the remainder of this report attempts to quantify and assess their impact, in addition to providing assurance over how any inherent risks arising from them in financial terms, will be mitigated.
- 3.7 Whilst a number of areas of potential risk are outlined later in this report, along with the mitigations which are or will be in place aimed at ameliorating them, it is worth noting at this point, the two immediate key areas of potential uncertainty and risk at the current time of reporting:
- Health Board Directors of Finance received confirmation on 26 February of Health Board budget allocations for 2016-17. The Local Delivery Plan (LDP), which includes NHS Borders financial plan, is the contract between Scottish Government and NHS Borders. This is due for submission on the 31st May 2016 therefore the proposed level of resources provided in the integrated budget will remain provisional until the LDP is approved. For the purpose of effective strategic commissioning from 2016-17, it is important that Integration Authorities have as much clarity as soon as possible regarding their financial allocations.

- b) There are considerable efficiency / savings assumptions requiring delivery within both NHS Borders and Scottish Borders Council's respective financial plans for 2016/17, on which the proposed levels of delegated and notional resources are based. Whilst the majority of these savings have been identified and plans have been or are in the process of being developed the majority remain high risk. In addition, there remains a proportion as-yet-unidentified amounting to £793k. Work is ongoing to address this. It will be for the IJB to consider how to adjust the strategic plan if this is not addressed. This will be a key consideration in its commissioning planning for the forthcoming financial year.

Additionally, it should be noted that both NHS Borders' and Scottish Borders Council's funding settlements with the Scottish Government are for 2016/17 only and will be subject to change in absolute terms for future financial years. Future year figures should therefore be considered indicative only at this point in time.

Directions

- 3.8 Each Integration Authority is required to produce a Strategic Plan that sets out how services will be planned and delivered over the medium-term using the integrated budgets under its control. To action these, a mechanism is required by partnerships, as laid out in the Act, taking the form of binding directions from the IJB to one or both partners. A direction must be given in respect of every function that has been delegated to the IJB, setting out how each function is to be exercised and the budget associated with that. In relation to area b) above, the partnership should use Directions to NHS Borders and Scottish Borders Council in order to ensure actions are undertaken in order to make its overall 2016/17 financial plan fully funded and affordable.
- 3.9 Such direction can be as detailed, if required, as requiring a particular service to be provided and the detailed financial resources that will be made available to do so and how it should be used. Directions are therefore an important tool to the IJB, not just in planning the delivery of its Strategic Plan, but, specific to the current financial planning issue of overall affordability coupled to the risks of non-delivery of savings plans and other emerging pressures, can ensure that fully robust and effective financial planning and management is in place at the start of the financial year, in addition to throughout it, when directions can be revised, varied, superseded or revoked at any time, in response to changing requirements or emerging developments.

Local Government Settlement 2016/17 – "Integration Funding"

- 3.10 The Scottish Government has distributed £250 million to IJBs, via their annual allocations to NHS Boards. Individual allocations to Integration Joint Boards based on a distribution methodology the same as was applied to the Integrated Care Fund have been calculated and the Scottish Borders Partnership will receive £5.267m in 2016/17.

"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. (£2.6335m)

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 the Scottish Government and partners' 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." (£2.6335m)

- 3.11 The Integration Scheme sets out the process of due diligence via which the Health Board and Local Authority will determine their financial allocation to the Integration Joint Board, for the first year of integration and for subsequent years. Scottish Borders Council's Chief Financial Officer will be accountable to the Local Authority for ensuring that the allocation to the IJB, in full, is in line with its agreed process of due diligence; the Director of Finance of NHS Borders will be accountable for the same assurance to the Health Board; and the Chief Financial Officer of the IJB will provide assurance to the IJB that the respective budgets have been appropriately delegated to the IJB.

Delegated Budget: Affordability and Investment Priorities

Efficiencies, Other Savings and Increased Income

- 3.12 Both NHS Borders and Scottish Borders Council have experienced considerable challenge in delivering balanced and affordable financial plans for 2016/17 as a result of a combination of further additional pressures arising from inflationary and other cost pressures or demographic increases in demand. In particular, the extent of the impact of Scottish Government funding settlements to both organisations has resulted in unprecedented resource gaps requiring to be addressed and the achievement of a balanced budget. In order to enable this, a number of areas of efficiency and other savings / additional income have had to be identified and require delivery over the next 3 financial years and the life of the Strategic Plan. For each partner organisation, these can be summarised in Tables 3 and 4 below:-

Table 3a – Summary of Proposed / Agreed Efficiencies and Savings 2016/17-2018/19 by NHS Borders

NHSB Savings	2016/17 £'000 recurring	2016/17 £'000 n/recurring	2016/17 £'000 total
Nursing Skill Mix Review	(93)	0	(93)
Non Support Service Admin	(118)	0	(118)
Supplies Uplift 2016/17	(235)	0	(235)
Travel Costs	0	(95)	(95)
Suspend Clinical Excellence Fund 2016/17	0	(186)	(186)
Clinical Productivity	(750)	0	(750)
Borders Wide Day Hospitals Review	(200)	0	(200)
Drugs & Prescribing	(600)	0	(600)
Review Step Down Facilities	(200)	(350)	(550)
Improving Pathway of Care	(640)	0	(640)
MH & LD Management Costs	(100)	0	(100)
AHP Models of Care	(100)	0	(100)
Review Public Health	0	(150)	(150)
Other Schemes	(100)	0	(100)
Total Savings Proposed	(3,136)	(781)	(3,917)
Target Savings	3,261	979	4,239
Net (deficit)/surplus	(125)	(198)	(322)

- 3.13 The level of cash releasing efficiency challenge to be delivered in 2016/17 for NHS Borders as a whole is £11.451m or 6% of its baseline Revenue Resource Limit. The proportionate share associated with services delegated under the Scheme of Integration is £4.239m. For 2016/17, discussions have been progressing for a number of months to identify schemes against the overall savings requirement. However, at this time, for 2016/17, there remains an unidentified element within the efficiency plan for both recurring and non recurring targets and at present the majority of identified schemes remain high risk. *For delegated budgets the unidentified element against the overall savings requirement stands at £0.322m of which £0.125m is required on a recurring basis. Work is ongoing to ensure that the outstanding element is addressed and to increase the level of assurance against savings schemes identified.*
- 3.14 In addition to the above, a number of specific ring fenced allocations within delegated budgets have been subject to a reduction in funding as part of this year's financial settlement. The assumption made within the financial plan is that costs will be reduced accordingly within areas impacted in line with revised funding allocations. *This represents a further shortfall of £0.471m against these specific ring fenced allocations compared to funding received in 2015-16 and a total shortfall required efficiency targets attached to delegated functions of £0.793, (£793k) at the current time.*

Table 3b – Summary of Proposed / Agreed Efficiencies and Savings 2016/17-2018/19 by NHS Borders (Ringfenced Allocations)

	2015/16 Current £000	2016/17 Revised £000	Reduction £000
Programme Allocation - Confirmed			
Mental Health Bundle	279	258	(21)
Dental Services Bundle	330	305	(25)
ADP Funding	1,352	1,082	(270)
Public Dental Services	3,091	2,936	(155)
Total	5,052	4,581	(471)

3.15 In addition to the above, work continues to agree the full range of efficiency measures within the allocation of large hospital set-aside budget allocated to the IJB. Many of these are part of wider initiatives and at this point in time, it has been assumed that this will be met in full by savings proposals across NHS Borders to the required value of £1.088m.

Table 4 – Summary of Proposed / Agreed Efficiencies and Savings 2016/17-2018/19 by Scottish Borders Council

	Recurring £'000	16/17 N/Recurring £'000	Total £'000
Supporting Independence when providing Care at Home	(316)		(316)
Further contribution of surplus from SB Cares	(547)		(547)
Reduction in the costs of Commissioning	(378)		(378)
Residential and Home Care Efficiencies and Income	(235)		(235)
Assessment and Care Management	(100)		(100)
Staffing	(300)		(300)
Adults with Learning Disabilities Efficiencies	(549)		(549)
Older People Efficiencies	(234)		(234)
Other	(4)		(4)
	(2,663)	0	(2,663)

- 3.16 Despite the additional investment that will be made into the delegated budget, delivery of this efficiency agenda will be a major challenge, particularly during 2016/17 when the bulk of the savings require to be realised. To mitigate the risk of non-delivery, a number of projects have been initialised, which in aggregate form part of the Council's overall Corporate Transformation programme which will govern the planning and delivery of the actions required to both transform services provided and deliver the required financial savings during 2016/17. These are summarised in Table 4 above. It is imperative that quick progress in delivering these outcomes is made, as early in the financial year as possible however, due to the level of savings which require delivery. Underpinning the corporate programme is an Adult Services Board within the People Department of the Council and the various associated project teams, through which it is intended that rigour over the delivery of project outcomes will be exercised at a detailed level.
- 3.17 Risks inherent within the actual nature of the savings proposals and the challenges they pose also require consideration. For example, the development and implementation of a reablement approach to providing care at home will require full ownership and engagement of all key stakeholders across both partner organisations on a wide scale. Similarly a new approach to assessment and care management will require a change in approach to be adopted, cultural shift and a widespread adoption of new processes and expected outcomes. Additionally, in a context of increasing demand for services and cost pressures, delivery of efficiencies across Older People and Adults with Learning Disabilities, until clear plans to do so are developed, poses considerable risk to the affordability of services within the level of budget delegated in respect of them. These same principles of clear planning must and will be applied to all efficiency/savings proposals across both partner organisations.

Areas of Increased Investment

- 3.18 Taking account of current, prevalent and emerging pressures, as well as priority areas supporting the required outcomes of the new Strategic Plan, a number of areas of investment have been made within the 2016/17 budget delegated to the IJB, including further indicative increases for 2017/18 and 2018/19.
- 3.19 Within NHS Borders draft financial plan, a range of uplifts, budget increases and targeted investment are planned over the next 3 years and specifically, there is sustained ongoing investment into the Drugs and GP Prescribing budget, the largest area of historic and ongoing financial pressure within the delegated budget. These areas of increased investment are summarised in Table 5 below:

Table 5 – Summary of Additional Delegated Resources Invested 2016/17-2018/19 by NHS Borders

	16/17 £'000	17/18 £'000 <i>(indicative)</i>	18/19 £'000 <i>(indicative)</i>
Primary & Community Services			
Drugs & GP Prescribing	1,495	1,320	1,380
Pay & Price Inflation	497	445	444
NI Increase	661		
Other Pressures		740	740
Total	2,653	2,505	2,564
Large Hospital Budgets			
Pay & Price Inflation	296	405	527
NI Increase	301		
Acute & Geriatric Model of Care	461		
Other Pressures		190	190
Total	1,058	595	717

- 3.20 Provision has been made within NHS Borders financial plan to ensure that pressures associated with pay inflation are fully funded; this includes incremental and discretionary pay awards, and agreed low pay settlements. As noted previously NHS Borders has also made provision within its financial plan to fund both existing and anticipated future costs pressures within GP prescribing budgets. This represents a total additional recurring investment of £1.495m. A further £461k investment has been made supporting changing models of acute medical and geriatric care in the large hospital element of set aside budgets.
- 3.21 In order to recognise other pressures within the social care budget, particularly those recurring from 2015/16 as well as new and emerging pressures, Scottish Borders Council has further invested additional resources across functions delegated to the IJB on a recurring basis, in addition to meeting the costs of continuing existing service provision (e.g. manpower inflation, energy inflation, etc). Elements of this, in line with Scottish Government direction (see 3.10), are funded from the additional resources transferring from health care to social care, whilst other elements are as a result of direct planning by the Council to meet historic or current pressures and can be summarised as follows:

Table 6 – Summary of Additional Delegated Resources Invested 2016/17-2018/19 by Scottish Borders Council

	16/17	17/18	18/19
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
		(indicative)	(indicative)
COSLA RCH Contract	36	73	74
Day Services	4	0	0
Living Wage and Service Developments	1,754	42	0
Commissioned Care Arrangements	536	0	0
Demographic Increases (Older People, Other Adults)	783	487	593
Closing Historic Gap in Care at Home Budget	300	0	0
Reduction in Client Charging Income	130	0	0
Direct Payments	449	0	0
Health and Social Care Funding Uncommitted	2,717	-262	-593
	6,709	340	74

- 3.22 In addition to the above, delegated services will also have the opportunity to, where appropriate, access a corporate provision for funding to support the delivery of savings during 2016/17 through a reduction in manpower costs, primarily through the Council's Early Retirement / Voluntary Severance scheme. Overall, these areas of investment are based on a medium-term financial forecast for the delegated services and are deemed sufficient therefore to meet resource needs across these services over the duration of the Strategic Plan.

Notional Budget: Budget for Functions Retained By NHS Borders Set-Aside for the Population of the Scottish Borders

- 3.23 The partnership's Scheme of Integration specifically states that **with reference to the budget for large hospital set-aside, the absolute amount should be determined by the hospital capacity that is expected to be used by the population of the Scottish Borders**. More specifically, the Scheme states that **this capacity should be given a financial value using the data from the latest Integrated Resource Framework (IRF), a costing model which shows, where possible at a detailed level (individual, GP Practice, Locality, etc), the unit costs of health and social care provision, including all direct costs, in-direct costs and central overheads**.
- 3.24 To date, for amount set aside for hospital services for inclusion in the overall 'integrated' budget for 2016/17, focus at this point has been on direct costs only. This is believed to be an acceptable position at the present time, particularly because:

- IRF has currently not been fully updated in respect of 2014/15 expenditure and income and there have been considerable changes in spending patterns since 2013/14
- Further work is required to interrogate and interpret the Scottish Government summary tables of historic IRF information in order to determine overall relevance and usefulness in establishing the amount set-aside
- In terms of influence and therefore relevance to the IJB, direct-only costs are more likely to be, if required, increased or decreased in line with the requirements of the partnership's Strategic Plan over the medium-term of its life
- A key benefit of IRF will be to measure over time, the financial impact of changing policy decisions, delivery of strategic objectives and the degree to which resources have been realigned in their respect. At this embryonic stage however, it is believed that the direct spend supporting large hospital services under the Strategic Plan provides a more transparent measure of the resources controllable by NHS Borders which are consumed in specifically supporting the plan directly

This does not preclude further work developing IRF from being the basis of identification of large hospital budget set-aside during 2016/17 however, although its further development as a costing model, updated with current and relevant financial information and its use as an enabler to financial planning and management all require advancement before this can happen.

2016/17 Financial Plan Areas of Risk

3.25 A key area of risk associated with delegated services relates to the implementation of new Care at Home contracts for the provision of Older People services, which are due to commence on 1st May 2016. This process is currently out for tender and it is expected that there will be a further considerable increase in the costs of provision than currently due to two main factors:-

- It has been a number of years since this provision was last put out to the market and overall, current rates are believed to be substantially lower than market value, with many providers having requested a review and increase in order to meet escalating costs over the last 12 months
- Legislation and a Scottish Government intention to ensure all staff fulfilling the role of care provision are paid a living wage at a level recommended by the Poverty Alliance by 1st October 2016 will be provided for within the new contract arrangements which will have a considerable impact on the rates paid and therefore the overall cost. An estimated level of investment (£1.474m) has been made within the financial plan for 2016/17 therefore to accommodate this increase, although in likely effect, the actual cost will be considerably less due to the potential part-year impact of implementation of the new living wage next year, but this position will require review following completion of the tender process during March 2016.

3.26 Another key area of unknown at this point is the likely impact of the Scottish Government's proposal to raise the charging threshold for non-residential care services. The charging threshold represents the amount of money clients require to live on, before they can contribute to the costs of their care. By increasing it, less income will be generated and it is estimated that this will cost the Council

approximately £150k per annum of income should this policy be implemented with effect from 2016/17, requiring funding from the remaining uncommitted Social Care Funding resources earmarked for investment within the delegated budget thus reducing it further from £2.717m to £2.567m, if the IJB agree this.

- 3.27 With regard to GP prescribing due to short supply issues globally, the volatility of drugs prices will undoubtedly remain an issue. Drug tariffs are agreed nationally and the IJB has no influence over the price set therefore and any material increase from assumed price levels or those agreed currently will have a considerable impact on the sufficiency of 2016/17 delegated resources.

Other Resources: Integrated Care Fund 2016/17 – 2018/19

- 3.28 The Scottish Government has made £100m available to Health and Social Care Partnerships in each of the next 3 years to support delivery of improved outcomes from health and social care integration, help drive the shift towards prevention and further tackle inequalities. For the Scottish Border partnership, this amounts to £2.13m per annum, a total allocation of £6.39m over the 3 years of the Strategic Plan and life of the fund. The Integrated Care Fund should be used to test and drive innovative and preventative approaches in order to reduce future demand, support adults with multi-morbidity and address issues around where people who most need care are least likely to receive it.
- 3.29 It is clear that effective use of the Integrated Care Fund will only be achieved by adopting the principles of strategic commissioning and therefore the IJB is not only responsible for the effective use of the Integrated Care Fund, but that the fund itself is seen as a key enabler to the ability of the IJB to demonstrate medium-term transformation, better outcomes for the people of the Scottish Borders and in essence, the delivery of the partnership's new Strategic Plan.
- 3.30 Governance over the use of the Integrated Care Fund, the planning and management of projects its supports and the outcomes delivered is exercised through a governance structure within the responsibility of the Integration Joint Board, currently consisting of:



These governance arrangements are currently under review and a revised approach will be recommended to the IJB in due course.

4. 2017/18 and 2018/19: Indicative Sums for Future Years of the Strategic Plan

- 4.1 Over the period of the Strategic Plan, in addition to the areas of financial and wider risk inherent within it, there are potential other areas which require to be monitored and, where appropriate, managed as they arise. These can be summarised as below and if/when they become more certain (or others arise), their financial impact will require assessment and mitigating action will be required.

Political

The Scottish Government's intention to ensure the widespread implementation of a living wage of £8.25 by 1st October 2016 may be extended in terms of promoting fairer working practices across health and care workers in Scotland both in the level of pay and the terms of conditions offered. This will have a future financial impact on the resources supporting delegated and hospital services, as will the full year impact of this cost in 2017/18 and beyond.

The outcome of the Scottish Parliamentary election takes place on 5th May 2016. This may have an impact on both Scottish Government policy surrounding adult health and social care and its associated funding arrangements. Health and social care has been a particular area of policy of the current and previous administrations in government – Health and Social Care Integration being a prime example - and regardless of the outcome of the election, it is likely that there will be further impacts experienced. Additionally, again regardless of outcome, what any new government may propose in relation to funding of health boards and local authorities is also a key unknown factor presently and therefore may impact on the future years of both the Strategic Plan and the Financial Plan that supports it.

Economic

Providers of social care continue to experience financial pressures and beyond the implementation of a living wage, there will undoubtedly be ongoing risks over the sustainability of care provision, particularly residential and home care across the Scottish Borders, most prevalently in those areas of limited alternative supply, including Berwickshire specifically. Any risk of loss of service provision will also result in additional costs as alternative supply is transitioned, particularly if the option of SB Cares as the provider of last resort is exercised. The Care at Home strategy currently underway will hopefully mitigate any such risk but until the outcome of this exercise is known, this is unquantifiable.

Whilst the Strategic Plan will be delivered between the 1st April 2016 and 31st March 2019 (3 years), current Health Board and Local Authority Scottish Government funding settlements pertain only to 2016/17 and whilst indicative levels of delegated resources have been calculated for years 2 and 3 of the plan, these may be subject to variation in line with funding pressures on either or both partners.

Similarly, the plans are based on a range of demand / cost assumptions and further volatility in either area may require further efficiencies across delegated functions to be identified in order to ensure a balanced and affordable medium-term financial plan and sustainable health and social care services. For example, the introduction of new pharmaceutical products can quickly and profoundly have a financial impact and even existing drug supply costs can fluctuate considerably due to supply and demand volatility.

Strategic

Resources delegated in the first year of operation of the IJB are based on the incremental approach to budgeting across NHS Borders and Scottish Borders Council and as a result relate only to the ongoing provision of current type, level and model of care provided, adjusted by known pressures and planned efficiencies. As the delivery of the Strategic Plan develops, there may be an identified requirement to realign resources in line with priorities / demand and as a result, shifts of resource across the health and social care pathway may be planned, even across former organisational boundaries as required.

Legislative

The Scottish Government has now published consultation on options for supporting carers. These include Regulations regarding the waiving of charges which would apply to support services which the local authority has a duty to provide (subject, to local eligibility criteria), whereas they currently apply to support services which the local authority simply has a power to provide. The requirement to waive charges if the Carers Bill is commenced will apply to more cases and the local authority will not have a choice about whether it provides support (free of charge) or not as at present. Two main options have been identified, but currently, which option may be preferred, the financial impact to the authority and its timing remain unknown currently but may have a considerable impact on the level of resources available to support delegated services during the lifetime of the Strategic plan.

Demographic And Financial

Whilst demographic impacts have been reflected within the financial plans supporting resources delegated, actual trends may differ in reality from the assumptions made.

Governance

The assumed affordability of resources delegated are wholly predicated on the delivery of all required efficiency and transformation projects and savings and any failure in part will have an impact on the level of resources available to the IJB.

5. The Way Forward

Assurance, Financial Planning and Management

- 5.1 In order to provide assurance over the integrated budget and in particular, the sufficiency of resources to deliver to functions delegated to the IJB, periodic financial performance reports are and will continue to be delivered. The basis of frequency of these reports will be:
- Integration Joint Board: A full management report to each scheduled IJB (initially bi-monthly)
 - Executive Management Team: An exception report and summary on a monthly basis to each meeting of the Executive Management Team
- 5.2 This reporting arrangement will enable clear understanding of the affordability of existing service provision and where variances arise, how they will be treated or addressed, either by partners or where appropriate, by the IJB, enabled by virement provision within the Financial Regulations. These regulations and the overall Scheme of Integration provide clarity over agreement for sharing risks between the IJB and its partners and how any in-year variations will be dealt with, during the first and future years of operation of the Integration Joint Board.
- 5.3 Going forward, adjustments in respect of budget variances, where appropriate and taking account of their root causes and options to address will be made through future years' allocations to the IJB and in the Written Directions from the IJB to its partners. Furthermore, the ability to plan within the overall resource and to use budgets flexibly is one of the key objectives of integrated care and underpinning integration legislation is that through the Strategic Plan, the IJB will plan and allocate resources within the overall integrated budget, including transfers to/from the delegated and notional budgets.
- 5.4 The Scheme of Delegation specifically requires that **in calculating payment to the IJB for delegated functions in future years, a case for the integrated budget, based on the Strategic Commissioning Plan, will be presented to both partners for consideration as part of the budget setting process, evidencing with full transparency the assumptions concerning:**
- **Performance/Outcomes**
 - **Activity changes**
 - **Cost inflation**
 - **Price changes and introduction of new drugs/technology**
 - **Agreed service changes**
 - **Legal requirements**
 - **Transfers to/from hospital services**
 - **Other adjustments to ensure equity of resource allocation**
- 5.5 **When reviewing the Strategic Commissioning Plan, other considerations required are the local government finance settlement, the uplift applied to NHS Borders funding from the Scottish Government and efficiencies to be achieved.** All the considerations outlined in 5.4 and 5.5 have been taken into account as part of the 2016/17 financial planning process but will become more visible to the affordability

of the delivery of the IJB's priorities, as part of an integrated financial planning process, from 2017/18.

- 5.6 For future years, based on the Strategic Plan, the IJB will present a business case for the integrated budget to its partners for consideration and agreement as part of the annual financial process and based on clear evidence in respect of activity, costs, efficiencies, performance and other factors, NHS Borders and Scottish Borders Council will evaluate this and negotiate respective contributions to the integrated budget accordingly.
- 5.7 In summary therefore, there is robust provision going forward to ensure that where appropriate, the overall level of integrated budget relative to the requirements to deliver the Strategic Plan, when linked to activity, cost and performance and other prevalent funding factors, is sufficient and that its use is not simply linked to the relative proportions of partners' contributions in year 1. This will require further work linking financial planning to the Strategic Plan over the remainder of its duration following which further statement of assurance will require reporting to the Integration Joint Board.

Assurance, Audit and Risk Management

- 5.8 The establishment of the IJB Audit Committee has an important role to play in the assurance process going forward and its role in assessing the IJB's objectives, risks and post-integration performance results will help demonstrate the IJB's effectiveness of delivering the Strategic Plan in an affordable manner and that its activities are founded on robust and effective governance arrangements. Similarly, each partner will seek and be provided with assurance over the arrangements both prior and post-integration and the roles of Chief Internal Auditors of both NHSB and SBC will enable this on an ongoing basis. In the immediacy, key areas of governance and assurance are in place through:
 - The appointment of a Chief Internal Auditor to the IJB
 - Agreement over the establishment of the IJB Audit Committee Arrangements
 - The development of a draft IJB Local Code of Corporate Governance
 - The development of a draft IJB Risk Management Strategy

As summary of all key financial risks and their mitigation arrangements is detailed in Appendix C – Financial Assurance Summary of Key Risks

6. Conclusions and Recommendations

Conclusions

- 6.1 Functions delegated to the IJB from 1st April will be accompanied by a delegated budget of £139.150m. This delegated budget is based on current budget levels, adjusted for known current and historic performance factors relating to activity, cost and other emerging pressures such as legislative or strategic, together with required efficiency targets and absolute funding levels. Within the integrated budget, a further £18.128m has been retained for large hospitals, set-aside for the population of the

Scottish Borders. This amounts to a total of £157.278m of integrated budget supporting the delivery of the partnership's Strategic Plan during 2016/17.

- 6.2 Whilst the medium-term will be challenging and in particular, 2016/17 due to the level of funding available and the efficiencies and other savings requiring delivery in order to make the financial plan affordable, the level of integrated budget will be sufficient to deliver year 1 outcomes of the partnership's financial plan, with the assurance that:
- All known and emerging pressures have been identified within plans and where appropriate, resources have been realigned in order to meet these pressures
 - The areas of historic pressure outlined in 2.6 have been addressed as part of financial planning processes
 - Robust governance over and planning and management of planned savings measures will exist assuring their delivery in the required timescales
 - The IJB will effectively direct the planning and delivery of a further £793k of efficiency savings through reference to the Strategic Plan, a review of current activity levels and associated costs and where appropriate, agreed service changes, including the potential to shift resource from the large-hospitals budget set-aside, should this be appropriate
- 6.3 Where variances do emerge as a result of other factors, assurance is provided within the Scheme of Integration and Financial Regulations over the agreed treatment of planned and windfall over and underspends.
- 6.4 It is expected that the absolute level of resources delegated will vary in 2017/18 from year 1 of the IJB's operation, both in absolute terms and in how it is allocated across functions, as the joint financial planning process supporting the Strategic Plan between the Board and its partners is developed during 2016. This will take account of priorities, changes in activity and cost and other emerging developments / pressures, and over-time, a realignment of both delegated and notional budgets is expected in line with review of these and other factors.
- 6.5 The Integration Joint Board will receive regular finance and performance monitoring reports on all aspects of its activities including delegated functions, large hospital services set-aside and the Integrated Care Fund and where any issues are reported, can expect and will be able to instruct appropriate remedial action to be undertaken, either within the Integrated Budget or in discussions with NHS Borders and Scottish Borders Council.
- 6.6 Assurance over the sufficiency of resources is also supplemented by wider assurance over the governance arrangements for the IJB by a range of provisions including the role of the Chief Officer and Chief Financial Officer in financial planning and management matters and the arrangements for Audit and Risk Management that are in place.
- 6.7 It is important that 2016/17, year 1 of the IJB, is treated as a transitional year, in order to allow further clarity of understanding over budgets, activity levels, service pressures, savings programmes, etc. During this year, partners require to fully own and deliver the planned efficiencies and other savings within the financial plan supporting services which have been delegated and where there is any dispute or concern over the deliverability of any savings proposed by NHSB or SBC between the IJB and any of its partners, then there needs to be a clear process for

remediation and agreement. The partnership's Scheme of Integration (section 8.6) provides clear direction as to how any further pressures arising during 2016/17 should be treated in-year, by both the IJB and, where required its delegating partners.

Recommendations

6.8 It is recommended that the IJB:

- **Notes the estimated Health and Social Care partnership budget for 2016/17, including both the element delegated by NHS Borders/Scottish Borders Council and that retained by NHS Borders and set-aside**
- **Notes the key areas of financial risk in 16/17 and the proposed actions for mitigation**
- **Instructs the Chief Officer to identify, in partnership with NHS Borders and Scottish Borders Council, further proposals / directions for ensuring that the total budget delegated is fully funded by agreed levels of activity/efficiency savings across both delegated and notional areas of the integrated budget**
- **Notes the risks which may emerge in future years and consider them and any others which may arise as part of the wider 2017/18 financial planning process**

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