

DELEGATED FUNCTIONS 2016/17 FINANCIAL PLAN LEVEL OF INVESTMENT AND SAVINGS

Aim

- 1.1 To provide Integration Joint Board (IJB) members with further detail over the level of investment and planned efficiency and savings targets within NHS Borders and Scottish Borders Council's 2016/17 Revenue Financial Plans, on which the level of resources delegated to the IJB in 2016/17 have been based.
- 1.2 All efficiency savings and additional income targets require delivery in full in order to ensure the level of resources supporting the functions delegated to the IJB for 2016/17, remains affordable and sufficient. The report also therefore provides an overview of the progress made over the planning and delivery of the targeted efficiencies and savings, since the plans were agreed, highlighting any projected challenges or identified risks.

Background

- 2.1 On the 30th March 2016, the IJB noted 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. This report enabled the Partnership to approve the 2016/17 Financial Statement, following due diligence over the budget for its first year of operation, noting key areas of financial risk and the proposed actions for mitigation.
- 2.2 It was noted within the report that both NHS Borders and Scottish Borders Council have experienced considerable challenge in delivering balanced and affordable financial plans for 2016/17 due to a number of factors including:
 - The impact of Scottish Government funding settlements on both organisations.
 - Historic or emerging pressures arising from inflationary and other cost factors.
 - Demographic-driven increases in demand for services.
 - The requirement to direct resources to deliver priority outcomes.
- 2.3 In addition, the Financial Statement agreed was considered only indicative until such time as the Scottish Government agrees NHS Borders Local Delivery Plan and all areas of funding such as ring-fenced grants are formally notified.
- 2.4 Considerable investment has been made within the 2016/17 revenue budget across both organisations in order to address the above pressures, as concluded from the due diligence work and financial assurance undertaken. At the time of approving the Financial Statement however, it was highlighted to the Board that the level of resources delegated to the IJB in 2016/17 by each organisation, to support its direction of the functions for which it is now responsible, requires to be made within a budget that is both fully funded and deliverable and as such requires assurance over not only the sufficiency of resources in absolute terms, but that investment is targeted into the areas that require additional resources and that all savings plans are realistic and deliverable.

2016/17 Investment and Prevalent Pressures

- 3.1 Within the Health and Social Care Integration Scheme for the Scottish Borders, it is defined that in the first year of operation of the IJB, 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. Specifically therefore, 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 IJB's Strategic Plan.
 - Other emerging areas of financial impact.
- 3.2 A key consideration therefore will be to ensure that the risk of pressures recurring from 2015/16 have been addressed, either through uplift and additional investment into these budget areas, permanent transfer of resource from other areas or through planned cost-reduction in 2016/17. This section of the report summarises the work both partner organisations undertook as part of setting their 2016/17 Financial Plans in addressing pressures experienced during 2015/16.

NHS Borders

- 3.3 Taking account of both (prevalent and emerging) pressures coupled to priority outcomes within the Partnership's 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.
- 3.4 Within NHS Borders draft financial plan, a range of uplifts, budget increases and targeted investment is planned over the next three years and specifically to the 2015/16 provisional outturn position, 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. In total, **£1.495m** has been further invested by NHS Borders into this budget area for 2016/17 to meet both increased demand and price increases. Whilst, prima facie, this is sufficient to meet the recurring impact of pressures experienced in 2015/16, NHS Borders has little control over the cost drivers of this service, particularly market price increases and any future volatility may result in further financial pressure being experienced.
- 3.5 NHS Borders other area of significant adverse variance evident in the provisional shadow budget outturn statement, that was experienced during 2015/16, is within *Primary and Community Management*, mainly as a result of the continued use of flex-beds, which has put considerable pressure on the budget. As part of the wider transformational plan for Health and Social Care, the ongoing provision of these beds will cease during 2016/17 resulting once again in overall affordability within budget of this service as a whole.
- 3.6 An aggregate overspend of **£1.463m** in 2015/16 in these two service areas has been offset and the bottom-line pressure reduced to **£839k** overall through the delivery of savings across other delegated services at outturn, in particular the Joint

Mental Health Service (**£203k**), Public Dental Services (**£252k**) and General Medical Services (**£105k**).

- 3.7 The majority of these savings have arisen either as a result of staff turnover/vacancy management or are attributable to a number of smaller temporary causes. As a result therefore, it is clearly not assured that similar flexibility to offset pressures arising elsewhere across delegated budgets will be available during 2016/17 and any further emerging financial pressures which may arise, particularly in the GP Prescribing budget, will require a plan of remedial action to be agreed between the Partnership and NHS Borders.
- 3.8 Finally, in terms of other expected cost increases, 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.
- 3.9 A summary of all additional investment made within NHS Borders draft 2016/17 Financial Plan is detailed below:

	16/17
	£'000
Drugs & GP Prescribing	1,495
Total	1,495

Scottish Borders Council

- 3.10 During 2015/16, there were a number of service areas where cost and demand factors drove increased total spend pressures. Within *Older People's services*, the level of care at home hours commissioned during 2015/16 continued to exceed the level of budget available, compounded by factors including the transfer of homecare contracts to SB Cares, provider of last resort, and night support sleep-in wage costs. These pressures in totality were met temporarily in-year by a range of actions including a managed underspend in the Joint Learning Disability service (**£176k**) vacancy freeze across a number of service areas (**84k**), targeted locality savings (**£181k**) and a residual adverse variance of **£84k** has been delivered at provisional outturn.
- 3.11 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 (Social Care funding conditions), have been assumed to be funded from the additional resources transferring from health care to social care, whilst other elements are as a result of direction by the Council to meet historic or current pressures and can be summarised as follows:

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

*these figures were based on likely estimates at the time of approval of Scottish Borders Council's financial plan and relate entirely to assumed use of social care funding which has subsequently been updated as detailed work has been undertaken during the period since.

- 3.12 The above investment includes specific provision to permanently resource the transfer of homecare contracts to SB Cares and night support sleep-in wage costs that were met only temporarily from reserves during 2015/16. It also includes the assumed application of approximately half of the social care funding allocation from the Scottish Government to directly fund the additional costs associated with demand/capacity pressures (both current and projected demographic increases) and the living wage and specifically to 2015/16, to addressing the 2015/16 pressure in care at home outlined above.
- 3.13 Similar to NHS Borders, provision has been made within Scottish Borders Council's financial plan to ensure that pressures associated with pay inflation are fully funded.

2016/17 Financial Plan Proposed Efficiency and Other Savings

- 4.1 This budget is predicated therefore on the planning and delivery of a considerable programme of efficiency, other savings and additional income measures within both NHS Borders' and Scottish Borders Council's Financial Plans and where required, the identification of additional efficiency measures or other funding options, in order to address the remaining gap reported at the time the Financial Statement was approved in March. In relation to the efficiency and other savings measures specifically, it was reported that the majority of proposals had been identified and plans were, or were in the process of being, developed for their delivery, noting the high level of risk attached to the majority of these.
- 4.2 At the time of approving the 2016/17 Financial Statement, the IJB was asked to consider the basis on which the level of resources delegated was made, in terms of the absolute level of funding, the areas of targeted increased investment through uplift and other service pressures/growth and the proposed targets for efficiency and other recurring revenue savings. Within the Statement, the proposed programme of efficiency and other savings for both partners on which their financial

plans and ultimately, the level of resources delegated to IJB, was based was summarised as follows:

Table 1: NHS Borders Planned Efficiencies/Savings 2016/17

NHS Borders 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)
Required Savings	3,261	979	4,239
Net (deficit)/surplus	(125)	(198)	(322)
Ring-fenced Allocations	(471)	0	(471)
Total savings (deficit)/surplus on delegated budget	(596)	(198)	(793)

Table 2: Scottish Borders Council Planned Efficiencies/Savings 2016/17

Scottish Borders Council 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)

- 4.3 Across both organisations therefore and wholly within the **£139.150m** of budget delegated to the IJB in 2016/17 is the requirement to plan and deliver **£6.902m** (£4.239m+£2.663m) of efficiency and further savings measures in 2016/17. Additionally, as identified in Table 1 above, **£793k** of proposals for the delivery of efficiency savings remained unidentified at 30th March 2016.

Overview of Planned Efficiencies and Other Savings

- 4.4 At the meeting of the IJB in April, it was agreed that further detail relating to the efficiency and other savings which underpin the overall affordability of the Financial Statement would be provided. Within **Appendix 1** of this report therefore, a summary of each proposal has been provided, together with a risk rating based on a number of factors such as the financial magnitude of each saving, progress made against their planning and delivery and identified challenges faced. Additionally however, further detail over what each planned efficiency or saving or additional income proposal involves has also been provided for each of NHS Borders and Scottish Borders Council's Financial Plans (**Appendices 2 and 4 respectively**) in order to inform members in more detail of the extent of scope of each proposal and visibility over the extend of the challenge of delivery.
- 4.5 What is clear from the proposals across both organisations is that they involve a significant level of service redesign and transformation. Traditionally, these areas tend to slip and in order to mitigate against any adverse financial impact of this, both organisations must work to identify additional opportunities and actions to temporarily deliver additional savings.

Planning and Delivery - Progress to Date

- 4.6 Work was undertaken during the period leading up to the agreement of the Financial Statement in March to define and scope each of the projects that will

deliver the targeted efficiency, savings and additional income on which the level of delegated resources requires. This work has now progressed to the planning and delivery stage and an update of the progress made can be provided, together with a current overview of any identified inherent risks or projected issues (**Appendices 3 (NHSB) and 5 (SBC)**).

NHS Borders

- 4.7 There are 14 key areas within NHS Borders Financial Plan requiring a planned approach to delivering **£3.917m** of efficiency savings in 2016/17. In addition, there remains a further **£793k gap** between the level of efficiency savings allocated to the delegated budget (**£4.239m**) and the total value of the proposals brought forward above (**£3.917**) of which **£471k** relates to a reduction in ring-fenced grant funding and **£322k** relates to other functions within the delegated budget, which to resolve, requires a total of 16 project plans for the delivery of savings within the delegated budget. A number of these efficiencies form part of a wider efficiency programme across NHS Borders services that are both delegated and non-delegated but delivery in full of the proposed targets is required nonetheless to ensure the overall affordability of Partnership's budget in 2016/17.
- 4.8 **Appendix 2** provides further detail of each efficiency proposal that is in progress currently, whilst **Appendix 3** provides an update of the progress made in planning and delivering each saving, together with a high-level risk rating.
- 4.9 Of the 14 efficiency proposals identified to date, 5 have been assessed as being LOW risk, 6 as MEDIUM or MEDIUM-HIGH risk (at initial, outline stage with low to reasonable confidence) (£2.108m) and 3 as HIGH RISK (£1.043m). In addition, no proposals have been brought forward since the start of the financial year to address the remaining **£793k** funding gap and which therefore results in the highest risk level applying to this level also.
- 4.10 There is a proposal to part-address **£220k** of the funding gap relating to the Alcohol and Drug Partnership (ADP) element of the ring-fenced grant reduction of **£471k** (Social Care funding), which if approved will reduce the overall funding gap and unallocated savings to **£251k** for 2016/17, but the delivery of this residual gap will remain highest risk until options for remediation are delivered.
- 4.11 Whilst early in the financial year it is clear that further work is intensively required to plan and deliver the full value of required efficiencies in 2016/17. Given that **£3.151m** remain as Medium or High Risk then rigorous and concentrated effort is required in the short-term to develop and deliver efficiency plans as soon as possible. Given this degree of high-value risk, the longer-term nature of some proposals and timing of reviews for some, in addition to the fact that months one and two of the financial year have now passed, it is likely that additional proposals will require to be brought forward to temporarily meet cash-savings targets this year.

Scottish Borders Council

- 4.12 Forming the nine identified themes within the 2016/17 savings programme planned by Scottish Borders Council are 14 project plans aimed at delivering **£2.663m** of savings in 2016/17. A summary assessment of progress relating to each of the 9

themes/14 workstreams is detailed in [Appendix 5](#). Of the 14 workstreams, 7 are deemed to currently be LOW risk (established and progressing, with a high level of confidence), whilst 7 are deemed to be MEDIUM-HIGH risk (£1.877m) (At initial, outline stage with low to reasonable confidence).

- 4.13 Further planning and implementation work is clearly required urgently in relation to some projects therefore and additionally, it is again likely that temporary remedial actions will require bringing forward and delivery during 2016/17 in order to offset any delay or under-delivery in the overall planned savings programme target.
- 4.14 Partners will not only require to work thoroughly to deliver plans which are now in place and finalise the development of others, but close working and direction between the IJB and its partners to identify additional solutions to further close the remaining efficiencies gap and reduce the likelihood of non-delivery of higher-risk savings is also now required. Given the redesign nature of many of the higher value proposals (which is reflected within the risk rating currently attached to each) and the likelihood of slippage and non-delivery in financial terms during 2016/17, it is critical that both organisations and the IJB work together to identify additional options for savings delivery in order to mitigate any adverse impact.

Governance

- 4.15 In order to provide assurance over the ongoing affordability of the delegated budget and in particular, the sufficiency of resources to deliver functions delegated to the IJB, periodic financial performance reports will continue to be delivered. The basis of frequency of these reports will be:
- IJB: A full management report to each scheduled IJB (initially bi-monthly)
 - Executive Management Team (EMT): An exception report and summary on a monthly basis to each meeting of the EMT.
- 4.16 This regular and frequent reporting will provide ongoing assurance over the delivery of the planned savings targets in the context of the wider financial position of the total integrated budget supporting the delivery of functions delegated to the IJB, taking account not only the delivery of planned efficiencies and savings, but also other factors such as emerging cost or demand pressures, remedial savings actions and other factors such as service transformation or legislative change.
- 4.17 The level of savings which require to be made within both partners' revenue financial plans is considerable and as high as it has historically been in recent financial years. Clarity and assurance over progress made therefore is paramount and additionally therefore, it is proposed that a quarterly monitoring report specific to the delivery of planned efficiencies and savings is made to the IJB in order to provide specific update on the delivery of each specific proposal. This will draw heavily on the governance arrangements which are now in place within both partner organisations specific to the planning and delivery of the planned level of savings.
- 4.18 For NHS Borders, each identified scheme will be submitted to the Clinical Executive Strategy Group for discussion and agreement, operational delivery and implementation will be undertaken by local delivery groups and monitored monthly by a Quality and Efficiency Board. An Executive lead will be identified for each

project to provide appropriate oversight in terms of delivery and ensure mitigation or action is undertaken where schemes are not progressing as anticipated. A detailed report on delivery against the efficiency programme will be made to the Strategy & Performance Committee for each of its meetings during the course of the year.

- 4.19 Within Scottish Borders Council, all savings projects will be subject to monthly reporting to the Adult Services Transformation Board & Delivery Group which will have responsibility for both the oversight and delivery of planned financial targets. Additionally, specific transformation savings reports, accompanying the monthly revenue monitoring report, will be made to the Council's Corporate Management team (CMT) and where scheduled, reported onward to the Council's Executive.
- 4.20 It is anticipated that these processes provide adequate governance over the required delivery of the efficiency and savings targets on which the 2016/17 budget is predicated and will enable transparency and clarity of progress made and any associated impact of non-delivery to be reported regularly and frequently to the IJB.

Summary

- 5.1 A summary of the budget movement from 2015/16 to 2016/17 is detailed below.

Table 3: Summary Budget movement 2015/16 to 2016/17 against 2015/16 Outturn

	NHSB £000	SBC £000	Total £000
A			
2015/16 Shadow Base Budget	88,706	47,568	136,274
2015/16 Outturn Spend	90,524	48,390	138,914
2015/16 Variance against Base Budget	(1,818)	(822)	(2,640)
B Investment:			
Pay Uplift, etc	1,158	12	1,170
Uplift and Targeted Investment	1,495	6,709 *	8,204
Adjustments to Base Budget	232	172	404
* includes £5.27m social care funding assumption			
C Savings:	(4,239)	(2,663)	(6,902)
2016/17 Delegated Base Budget (A+B-C)	87,352	51,798	139,150

- 5.2 In totality, the budget has increased from a shadow budget in 2015/16 of £136.2m to a delegated budget in 2016/17 of **£139.150m**. Whilst actual outturn spend in 2015/16 was **£138.914m**, which is **£236k** less than the total budget for 2016/17, it is noted that:

- 2016/17 includes **£1.342m** of Pay Uplift which in real-terms means that overall, the budget has reduced by £1.106m when pay is excluded.
- The investment required to ensure that the pressures identified during 2015/16 are addressed require substantial efficiency and other savings to be delivered.
- All savings plans must be delivered. These include:
 - Planned savings within the 2016/17 Financial Plan.

- Planned savings to reduce 2016/17 spend to below 2015/16 outturn levels.

6 Summary

- 6.1 Both partner organisations have undertaken work as part of setting their 2016/17 Financial Plans in order to address pressures experienced during 2015/16. Key areas of financial pressure during the year and adverse outturn at 31st March have primarily been addressed, including GP Prescribing and Care at Home. This however assumes that no further pressures emerge in these areas during 2016/17. It is also worthy of note that if further pressures do arise during 2016/17, then the same level of flexibility experienced during 2015/16 to deliver savings elsewhere across delegated budgets may not exist to the same extent.
- 6.2 Across both organisations and within the £139.150m of budget delegated to the IJB in 2016/17 is the requirement to plan and deliver £6.902m (£4.239m NHS Borders / £2.663m Scottish Borders Council) of efficiency and further savings measures in 2016/17. Proposals are in place to deliver £6.109 of these savings whilst £793k of proposals for the delivery of efficiency savings remained unidentified at 30th March 2016.
- 6.3 There is currently a high degree of risk attached to many of the proposals and over £5.0m in proposal value is currently assessed as Medium or High Risk. This factor alone is of critical concern and considerable work must now be quickly progressed to ensure delivery of all financial savings where possibility exists.
- 6.4 It is imperative also that the both partners now work closely with the IJB to identify and deliver further savings opportunities with immediate effect in order to mitigate the financial impact of any non-delivery of planned opportunities during 2016/17 and bridge the remaining funding gap resulting from unidentified savings proposals.

Recommendation

The Health & Social Care Integration Joint Board is asked to **note** the the further detail provided as to the areas of targeted investment made by NHS Borders and Scottish Borders Council in relation to the 2016/17 budget for those services delegated to the IJB from 1st April 2016, specific to the summary of areas of key pressure experienced during and at the end of 2015/16. The Health & Social Care Integration Joint Board is also asked to **note** the further detail provided on each partner's 2016/17 efficiency/savings programme on which their Financial Plans are based and the full delivery of which is required in order to ensure that the 2016/17 delegated budget is fully affordable and funded, noting progress to date, associated risks of each proposal and resultant overall risk to the affordability of the delegated budget as a whole.

Policy/Strategy Implications	Supports the delivery of the Strategic Plan.
Consultation	Discussions held with key strategic leads.
Risk Assessment	To be reviewed in line with agreed risk management strategy.
Compliance with requirements on Equality and Diversity	Compliant.

Resource/Staffing Implications	No resourcing implications.

Approved by

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