



**Dumfries and Galloway  
Health and Social Care Partnership  
Integrated Budget Report 2016/17**

## OVERVIEW

### Introduction

1. This paper brings together the joint resources that are to be included within the scope of the Public Bodies (Joint Working) (Scotland) Act 2014, with specific reference to the draft regulations pertaining to the Act.
2. It provides a summary of the associated outturn financial positions of the services both within NHS Dumfries and Galloway Health Board as well as Dumfries and Galloway Council that have previously been agreed to be delegated to the Integration Joint Board (IJB).
3. The primary purpose of this paper is to set out the position for Dumfries and Galloway Health and Social Care Partnership, confirming the 2015/16 outturn position for the shadow IJB and the budgets for 2016/17 which represents the budgets delegated to the IJB by the partners to provide the services delegated to the partnership to deliver, under the leadership of the Chief Officer.

### Executive Summary

4. NHS Dumfries and Galloway's and Dumfries and Galloway Council's budgets relating to the shadow IJB reported a combined overspend against plan of £2.9m for the financial year 2015/16. The position is summarised in the table below:

Table 1

	Forecast Outturn £k Budget	Forecast Outturn £k Actuals	Forecast Outturn £k Variance
<b>NHS DELEGATED BUDGETS</b>			
Acute & Diagnostics Directorate	95,783	96,709	(926)
Facilities & Clinical Support	18,970	19,076	(106)
Mental Health Directorate	20,074	19,560	514
Primary & Community Care	57,697	59,671	(1,973)
Women & Children's Directorate	20,063	20,011	52
<b>TOTAL NHS BUDGETS</b>	<b>212,587</b>	<b>215,026</b>	<b>(2,440)</b>
<b>COUNCIL DELEGATED BUDGETS</b>			
<b>Social Work Services</b>			
Adult Social Work Services	5,607	5,778	(171)
Adults Services Substance Misuse	291	263	28
Children & Families	103	98	5
Older People	23,499	23,977	(478)
People with a LD	17,150	17,239	(89)
People with Mental Health Need	2,316	2,400	(84)
People with PD	5,933	5,874	59
<b>TOTAL SOCIAL WORK DIRECTORATE</b>	<b>54,899</b>	<b>55,629</b>	<b>(730)</b>
<b>NON SOCIAL WORK BUDGETS</b>	<b>8,067</b>	<b>7,815</b>	<b>252</b>
<b>TOTAL COUNCIL BUDGETS</b>	<b>62,966</b>	<b>63,444</b>	<b>(478)</b>
<b>TOTAL IJB RESOURCES</b>	<b>275,553</b>	<b>278,470</b>	<b>(2,918)</b>

5. Both Council and NHS balanced their overall position for 2015/16 and the overspends in the IJB budgets by either use of reserves or offsetting underspends from elsewhere within their organisation.
6. The total joint delegated budget proposed for the IJB for the financial year 2016/17 is identified as £287,047 as summarised below:

Table 2

<b>Summary IJB Budgets 2016/17</b>	<b>£k</b>
NHS Delegated Budget	213,465
Council Delegated Budget	60,524
Social Care Fund (included within the council budget figures)	7,598
<b>Subtotal</b>	<b>281,587</b>
Delayed Discharge	640
Integrated Care Fund	3,040
New Medicines Fund	1,780
<b>Subtotal</b>	<b>5,460</b>
<b>TOTAL</b>	<b>287,047</b>

7. It has to be recognised that both the Local Authority and NHS have had extremely challenging financial settlements for 2016/17 and there were delays in both organisations agreeing their individual organisations budgets for 2016/17, hence delaying agreement of the IJB budget. As a result, only a one year budget can be proposed for the partnership with any certainty. This report focuses on the 2016/17 position but also highlights risks which will remain into 2017/18.
8. It is anticipated that potentially a 5 year budget will be agreed by the Scottish Government in the September 2016 spending review but this will impact on budget settlements for 2017/18 and beyond and the detail of this is uncertain at this stage.
9. **Appendix 2b (ii)** sets out the detail by service as well as by category of budget for each area.

## Budget Methodology

10. As agreed within the Integration Scheme approved by the Scottish Government, the basis of the budget setting for 2016/17 is directed by the Strategic Plan, taking into consideration the recurrent nature of the relevant budgets, uplifting for activity and inflation uplifts, identifying the required level of efficiency savings and including any additional non-recurring budgets relating to 2016/17.

## Due Diligence

11. As part of the due diligence process, the last three years' outturn position of the services included within the IJB, to demonstrate the changing position over the past three years and provide a baseline against which the 2016/17 budgets, can be compared to.
12. The table below provides a high level summary of the last three year's outturn position by service:

Table 3

	Historic Outturn		
	2013/14 Outturn	2014/15 Outturn	Forecast Outturn
	£k Actuals	£k Actuals	£k Actuals
<b>NHS DELEGATED BUDGETS</b>			
Acute & Diagnostics Directorate	84,101	89,267	96,709
Facilities & Clinical Support	19,304	19,765	19,076
Mental Health Directorate	19,065	19,348	19,560
Primary & Community Care	54,742	56,893	59,671
Women & Children's Directorate	18,545	18,739	20,011
<b>TOTAL NHS BUDGETS</b>	<b>195,757</b>	<b>204,012</b>	<b>215,026</b>
<b>COUNCIL DELEGATED BUDGETS</b>			
<b><u>Social Work Services</u></b>			
Adult Social Work Services	5,287	5,701	5,778
Adults Services Substance Misuse	315	267	263
Children & Families	103	98	98
Older People	23,309	22,688	23,977
People with a LD	16,243	17,168	17,239
People with Mental Health Need	2,584	2,637	2,400
People with PD	5,151	5,230	5,874
<b>TOTAL SOCIAL WORK DIRECTORATE</b>	<b>52,992</b>	<b>53,789</b>	<b>55,629</b>
<b>NON SOCIAL WORK BUDGETS</b>	<b>7,441</b>	<b>7,776</b>	<b>7,815</b>
<b>TOTAL COUNCIL BUDGETS</b>	<b>60,433</b>	<b>61,565</b>	<b>63,444</b>
<b>TOTAL IJB RESOURCES</b>	<b>256,190</b>	<b>265,577</b>	<b>278,470</b>

13. In accordance with the guidance issued through the Integrated Resources Advisory Group (IRAG), further due diligence and budget scrutiny has been undertaken through discussions with the finance and General Management from Council and NHS through a series of meetings led by the Chief Officer as part of the work of the Resource Workstream.
14. During 2015/16, Price Waterhouse Cooper (PWC) were jointly commissioned by the NHS and Local Authority to undertake a due diligence review of the budgets which have been delegated to the partnership. This review was in two phases with the second phase not due to complete until the partnership was fully operational which will be from 1 April 2016. The scope and context of any future reviews are still to be agreed. This initial review considered our progress as a partnership towards integration in line with the legislation, development of our integration scheme the process for the development of the baseline budgets for 2015/16. Plans for further potential additional due diligence work will be progressed early 2016/17.
15. The scope of services included within the IJB was set out in the Integration Scheme which was approved by Scottish Ministers during 2015. A review is being undertaken across the finance teams, General Manager and Strategic Planning Teams to review those services and the resources to ensure the entirety of services delegated have been captured. This specifically captures some contracts for third sector services from the NHS which are managed corporately and some minor amendments following the Strategic Plan consultation. The details of these will be updated to Board in the July IJB meeting.

## LOCAL AUTHORITY DELEGATED BUDGET 2016/17

16. This section of the report provides information on the proposed 2016/17 budget to be delegated by the Council to the IJB to support Adult Health & Social Care Services.
17. As part of the integration of Health & Social Care Services, the Council is required to identify those services and budgets to be delegated to the IJB. Given that both Councils and NHS colleagues have received only a 1 year funding settlement from the Scottish Government, this report focuses specifically on the financial year 2016/17 at this stage.
18. The information in this report, in relation to services and budgets to be delegated to the IJB, builds on the details presented to the Social Work Committee at its meeting on 24 February 2015 and reflects subsequent adjustments to take account of the clarification of services for delegation and specific issues identified over the past financial year, including changes to service and spending requirements.

### Summary Outturn Position 2015/16

19. Details of the Social Work Services financial outturn position for financial year 2015/16 will be presented to the Social Work Services Committee at its meeting on 23 June 2016. Throughout the financial year, reports to that Committee have separately identified those services that are being delegated to the IJB and the year-end outturn position (an overspend of £478k) for these services can be summarised as follows:

Table 4

	Forecast Outturn	Forecast Outturn	Forecast Outturn
	£k Budget	£k Actuals	£k Variance
Adult Social Work Services	5,607	5,778	(171)
Adults with Addict/Sub Misuse	291	263	28
Children & Families	103	98	5
Older People	23,499	23,977	(478)
People with a LD	17,150	17,239	(89)
People with Mental Health Need	2,316	2,400	(84)
People with PD	5,933	5,874	59
Non Social Work Budgets	8,067	7,815	252
<b>TOTAL</b>	<b>62,966</b>	<b>63,444</b>	<b>(478)</b>

20. The two main areas that are overspent are Older People Services and Adult Social Work Services. The Older People Services overspend is the result of an increase in number of Residential Placements and Care at Home hours being provided due to an increase in number of service users needing care. The Adult Social Work Services overspend is mainly due to the non-delivery of the General Efficiencies saving of £241k which has been offset slightly by underspends within Occupational Therapy and Sensory Impairment teams.

## Social Care Fund

21. As part of their 2016/17 budget, the Scottish Government provided £250 million through the NHS funding settlement to support social care services. The funding allocation to Dumfries & Galloway from this national total is £7.598 million.
22. The Scottish Government provided supporting guidance on the use of this funding as follows:
  - £125 million (D&G share £3.799 million) for additionality, including the impact of growth in demand as a consequence of demographic change and to allow progress on charging thresholds for all non-residential services to address poverty.
  - The remaining £125 million (D&G share £3.799 million) *'to help meet the range of cost pressures local authorities need to address in order to deliver effective health & social care services, including to offset the reduction in council budgets and the joint aspiration to make progress towards the living wage'*. Part of the requirement is that all social care workers are paid £8.25 per hour from 1 October 2016.
23. In line with this guidance, the Council's budget process recognised that the inflationary and growth increases in respect of social care budgets would be met from the above funding source.

## Inflationary and Growth Funding

24. An estimate of the inflationary increases impacting on budgets to be delegated to the IJB can be summarised as follows:

Table 5

	£k	Notes
Staff Pay Award	£157k	1.05% of Staff Costs of £14.9 m
Staff NI Rate Increase	£232k	1.56% of Staff Costs of £14.9m
National Care Homes Contract	£1,189k	4.43% of Placement Costs of £26.8m
Non-NCHC Care Homes	£212k	4.43% of Placement Costs of £4.7m
Recurring 2015/16 Pressure	£154k	
<b>Total</b>	<b>£1,944k</b>	

25. The required inflationary increases reflected above (which include the impact of the application of the £8.25 Living Wage from 1 October 2016 in the Care Homes Sector), total £1.944 million. This leaves a balance of £1.855 million from the £3.799 million non-growth element of the Social Care Fund to address the impact of cost increases for the Care at Home sector (including the impact of the Living Wage). There are concerns regarding the adequacy of this amount, given the requirement that all social care workers are paid £8.25 per hour from 1 October 2016, and the approach to implementing this measure and the associated costs are currently subject to detailed review.

26. The Council's Social Work Committee, at its meeting on 31 March 2016, agreed to increase care at home rates by 70p per hour from 1 April 2016 in recognition of the impact on providers of the 50p increase in the National Minimum Wage (plus on-costs) which came into effect at that date. The full year cost of this increase is estimated at £600k.
27. The National Minimum Wage is now £7.20 per hour and is therefore well below the rate of £8.25 per hour that all Social Care Workers are to be paid from 1 October 2016. Detailed work is currently being progressed to meet this requirement and to assess the associated service and financial implications.
28. While the Scottish Government have advised that the impact of the increase in rates from 1 October 2016 is to be met from the Social Care Funding made available, it is important to recognise that there is significant concern amongst local authorities, IJBs and the providers themselves regarding the implications of this requirement and the adequacy of the funding available. In addition, the Scottish Government has not yet given any undertaking to provide additional funding from 2017/18 to address the full year impact of this increase or to meet any further uplifts to the Living Wage. This represents a significant service and financial risk.

### Efficiency Savings

29. As part of the Council's budget process, a number of specific savings measures were identified to generate cost reductions and to help offset spending pressures. These savings measures can be summarised as follows:

Table 6

Savings Measures Agreed in February 2015	£670k
Savings Measures Agreed in February 2016	£903k
<b>Total</b>	<b>£1,573k</b>

30. Savings applied to Social Care budgets have been restricted to the amounts above against which specific measures have been identified. No additional targets for unidentified savings or efficiencies have been applied to Social Care budgets. These savings relate to a range of measures including review of management and support costs, contract management service review, review of homecare and real time monitoring which have previously been agreed through the Local Authority budgets setting process.

### IJB Proposed 2016/17 Budget Summary – Local Authority

31. Reflecting the changes outlined in the above sections, the proposed 2016/17 budget to be delegated to the IJB can be summarised as follows:

Table 7

	15/16 Baseline Budget	Inflation Uplifts	Growth/ Pressures	Identified Savings	16/17 Budget
	£k	£k	£k	£k	£k
Adult Social Work Services	5,550	83		0	5,633
Adults with Addict/Sub Misuse	291	1		(1)	291
Children & Families	103	1		0	104
Older People	23,401	1,189		(788)	23,802
People with a LD	17,135	182		(402)	16,915
People with Mental Health Need	2,316	42		(66)	2,292
People with PD	5,934	48		(167)	5,815
Non Social Work Budgets	7,367	243		(150)	7,460
Recurring 2015/16 Pressure	0	154			154
Balance of Social Care Fund	0	1,856	3,799	1	5,655
<b>Total</b>	<b>62,097</b>	<b>3,799</b>	<b>3,799</b>	<b>(1,573)</b>	<b>68,122</b>

32. The appendices to this report provide further details of the proposed 2016/17 budget summarised above.

### NHS DELEGATED BUDGET 2016/17

33. This report provides information on the proposed 2016/17 budget to be delegated by the NHS to the IJB to support the range of Health Services which have been agreed will be delegated to the IJB in the integration scheme.

### Summary Financial Position 2015/16

34. This paper provides a high level summary of the associated outturn financial positions of the services within NHS Dumfries and Galloway Health Board that have previously been agreed to be delegated to the IJB.
35. The proposed delegated IJB budgets reported a final outturn position of £2.4m overspend, as summarised in the table below:

Table 8

Directorate	15-16 Outturn Position		
	Annual Budget £k	Outturn Actuals £k	Outturn Variance £k
Acute & Diagnostics Directorate	95,783	96,709	(926)
Facilities & Clinical Support	18,970	19,076	(106)
Mental Health Directorate	20,074	19,560	514
Primary & Community Care	57,697	59,671	(1,973)
Women & Children's Directorate	20,063	20,011	52
<b>Grand Total</b>	<b>212,587</b>	<b>215,026</b>	<b>(2,440)</b>

36. The predominant reason for the scale of the overspend in 2015/16 related to the unprecedented increase in both primary care and secondary care prescribing, accounting for a £2m overspend across Primary care services (mainly GP prescribing) and £841k across secondary care services.

37. This outturn position forms part of the growth factored into prescribing for 2016/17, taking the outturn position as the baseline and building in additional growth, volume and price increases based upon current knowledge nationally.

### Inflationary funding

38. The key inflationary pressure funded in the baseline budget position reflects the 1% pay award for NHS staffing, the increased costs associated with Employers' National Insurance Contributions and increases related to lower paid staff, summarised in the table below:

Table 9

Pay Inflation	£k	Notes
Pay Uplifts - Agenda for Change	2,351	Inflation uplift of 1% plus agreed incremental uplifts
Pay Uplifts - Medical Staff	732	Inflation uplift of 1% plus agreed incremental uplifts
National Insurance Increases	2,078	Impact of changes around contracted out national insurance arrangements
Band 1 to Band 2 increases	96	Review of all staff on band 1 payscale from 1 <sup>st</sup> April 2016
<b>Total</b>	<b>5,257</b>	

### Cash Releasing Efficiency Savings (CRES)

39. The NHS has a requirement in 2016/17 to achieve a break-even position. This means an overall efficiency of £12.7m for the NHS Board, equivalent to a 5% efficiency target. The element related to budgets being delegated to the IJB equates to £10.239m, £7.786m for Directorate service savings and £2.453m for Prescribing savings.
40. In identifying the total efficiency target agreed for the IJB proposed budget, a non-recurring sum of £2.56m has been set aside to provide some support to the directorates in identifying their savings schemes in full during the course of 2016/17.
41. The table below provides a summary of the efficiency savings by Directorate:

Table 10

	Directorate	Prescribing	Total Recurring Target	NR Support
	£k	£k	£k	£k
Acute & Diagnostics Directorate	(3,656)	(750)	(4,406)	1,656
Facilities & Clinical Support	(840)	0	(840)	428
Mental Health Directorate	(977)	(38)	(1,015)	0
Primary & Community Care	(1,378)	(1,644)	(3,022)	0
Women & Children's Directorate	(936)	(21)	(957)	476
<b>TOTAL CRES</b>	<b>(7,786)</b>	<b>(2,453)</b>	<b>(10,239)</b>	<b>2,560</b>

42. The scale and challenge of the Efficiency savings expected throughout the NHS has never been higher. NHS Dumfries and Galloway's efficiency requirement is £12.7m for 2016/17. This has been distributed equitably across all clinical areas, with a larger proportion being set against corporate directorates. The NHS delegated budgets' efficiency requirement is set at £10.2m.

43. Schemes identified to-date have focussed around productivity savings across clinical services, including the transformation of Elderly Mentally Ill (EMI) strategy, improved efficiency across waiting time processes, reduced reliance on medical locum costs and increased focus on prescribing protocols.
44. Other work strands are focussing on procurement efficiencies across all services, a review of patients sent outwith the Board for treatment, optimising demand and reviewing admin and clerical support services. Non-recurrent flexibility of £2.56m has been identified in 2016/17, to provide services with the necessary time to deliver recurring schemes to fulfil the efficiency target in full
45. **Appendix 2b** includes further detail on the development of CRES plans within Health including the current risk profile of delivery of schemes.

### **Growth/Cost Pressures Identified**

46. In considering the major risks around ongoing growth and cost pressures facing the NHS board has identified the following major costs associated with performance delivery:
  - Prescribing Growth – covering outturn overspend, volume and price growth - £4.347m
  - Prescribing developments – assumed growth in new and high cost drugs (mainly across secondary drugs) - £1.899m
  - General cost pressures of £9.489m, including £5.65m of medical locum costs, £490k of Access pressures, £2.333m of recurring cost pressures and £1.016m of non-recurring cost pressures. **Appendix 2a** provides a full summary of these pressures by area.

### **Central Reserves**

47. Certain budgets that have been delegated have, as yet, not been issued to Directorates. These include the following reserves:
  - Delayed Discharge - £640k
  - Integrated Care Fund - £3,040k
  - New Medicines Fund - £1,780k
  - Social Work Fund - £7,598k (included within council budget figures)
48. In addition, there is a £1.2m non-recurring budget relating to the balance of the 2015/16 Integrated Care Fund.

### **Summary NHS Delegated Budgets 2016/17**

49. After taking into consideration the recurrent budget position and building in sufficient growth and cost pressures to provide for inflationary increases, prescribing growth (including outturn position) and proposed cost pressures, proposed 2016/17 budget for the delegated services within the IJB are highlighted in the table below:

Table 11

	Recurrent 2015/16 Baseline Budget	Inflation Uplift	Efficiency Savings	NR Support	Growth/ Pressures	Total
	£k	£k	£k	£k	£k	£k
Acute & Diagnostics Directorate	86,136	2,346	(4,406)	1,656	10,742	96,475
Facilities & Clinical Support	18,552	324	(840)	428	402	18,866
Mental Health Directorate	20,247	862	(1,015)	0	720	20,814
Primary & Community Care	56,341	918	(3,022)	0	3,351	57,588
Women & Children's Directorate	19,029	807	(957)	476	368	19,722
<b>TOTAL NHS DELEGATED BUDGETS</b>	<b>200,304</b>	<b>5,257</b>	<b>(10,239)</b>	<b>2,560</b>	<b>15,583</b>	<b>213,465</b>

50. **Appendix 2a (ii)** provides further details of the build up of the 2016/17 baseline budgets proposed.

### Key Risks and Challenges for 2016/17 and beyond

51. Whilst the 2016/17 budget setting exercise has been undertaken as per the agreed methodology contained within the integration scheme, building on the recurrent budgets and funding known cost pressures and growth, before applying any efficiency requirements, there remains considerable risks and challenges across the budgeted assumptions.
52. The following list highlights the key risks and challenges associated with each one:
- Delivery of £10.239m of recurring Efficiency Savings
  - Reduction in Medical Locum expenditure (£5.65m)
  - Sound budgetary control on both Acute and Primary Care Prescribing
  - Achievement of Access Targets through existing capacity and resources
  - Increasing activity growth of complex patients treated outwith Dumfries and Galloway
  - Acute Services Redevelopment Project – the New Hospital transition

### OVERALL INTEGRATED JOINT BOARD POSITION

53. The overall budget as set out by the respective partners reflects an incredibly challenging budget settlement and will need very robust monitoring and management of the position throughout the year including ongoing engagement and discussions with the partners.
54. A key risk exists around the Social Care Fund and the direction by Scottish Government to implement the shift to the £8.25 living wage from 1st October 2016. The current financial estimates for this are based on a very tight approach to the implementation of the new arrangements and the financial modelling of this cost vary significantly dependent upon the approach taken to assessing the costs. Work is currently underway to commence the procurement process to shift contracts to the new rates and also to benchmark and reassess the costs and further information will need to be brought back to the Board around progress with this.

55. In addition, the resources identified for funding the living wage increase from the Social Care Fund are only sufficient to meet the 16/17 impact of the shift to the £8.25 per hour rate leaving the full year effect cost of at least £1.5m which is currently not funded. Negotiations are ongoing with the council around the full year funding for this shift and this has been highlighted by Local Authority Heads of Finance with COSLA and Scottish Government.
56. The balance of the Social Care Fund of £3.8m will be required to support increased demand, activity and other pressures within adult social care budgets as no allowance has been made for these in the resource transfer from the Council. Work is ongoing to quantify these and further discussions with the Chief Officer are planned.

## REPORTING TIMETABLE

57. The table below provides a summary of the proposed reporting deadlines for the IJB, taking into account both NHS and Council reporting timetables. It is generally anticipated that the reporting period will be one month behind the scheduled meeting dates and will align with council and nhs reporting timelines:

Table 12

	May-16	Jul-16	Sep-16	Nov-16
<b>IJB meeting date</b>	31-May-16	14-Jul-16	22-Sep-16	29-Nov-16
<b>Papers required</b>	17-May-16	30-Jun-16	08-Sep-16	15-Nov-16
<b>Finance reporting period</b>	Financial Plan 2016/17	May 16 (month 2)	Forecast Outturn Review Quarter 1 Jul 16 (month 4)	Forecast Outturn Review Quarter 2 Sep 16 (month 6)

## APPENDICES

The following appendices are attached to this report:

- Appendix 2a (i) – 2015/16 Budget outturn reconciliation to 2016/17 R baseline
- Appendix 2a (ii) – 2016/17 R baseline to 2017/18 R baseline with NR changes
- Appendix 2b - NHS Efficiency Plans for IJB 2016/17

## GLOSSARY

CRES	-	Cash Releasing Efficiency Savings
D&G	-	Dumfries and Galloway
EMI	-	Elderly Mentally Ill
ICF	-	Integrated Care Fund
IJB	-	Integrated Joint Board
IRAG	-	Integrated Resources Advisory Group
LD	-	Learning Disabilities
NCHC	-	National Care Homes Contract
NMF	-	New Medicines Fund
NR	-	Non-recurring
PD	-	Physical Disabilities
PwC	-	PricewaterhouseCoopers
R	-	Recurring
R&N	-	Residential and Nursing