

Health and Social Care Integration – Due Diligence

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide details of the due diligence processes that have been applied to the creation of the overall Argyll & Bute Health and Social Care Partnership proposed budget for the 2015/16 financial year and the process for identifying finances to be allocated to the partnership.
- 1.2 The due diligence process is required to ensure that the resources delegated are sufficient for the Integrated Joint Board (IJB) to carry out its functions. A key element of the due diligence process is the 2015/16 budget being assessed against actual expenditure for the most recent three financial years (11/12, 12/13 and 13/14)
- 1.3 A Finance work stream is in place which comprises representatives from both Argyll & Bute Council and NHS Highland. The purpose of the Finance work stream is to manage all finance related issues, in respect of health and social care, up to and including the establishment of an integrated budget. The work stream will ensure that all financial management and reporting systems are in place in accordance with Section 8 of the Integration Scheme
- 1.4 The Audit committee to note the content of the report and conclusion in respect of the due diligence process that has been followed.

Health and Social Care Integration – Due Diligence

2. INTRODUCTION

- 2.1 The purpose of this report is to provide details of the due diligence processes that have been applied to the creation of the overall Argyll & Bute Health and Social Care Partnership proposed budget for the 2015/16 financial year and the process for identifying finances to be allocated to the partnership. The due diligence process will apply to partnership arrangements.
- 2.2 The Scottish Government established the Integrated Resources Advisory Group (IRAG) to consider the financial implications of integrating Health and Social Care and to help develop professional guidance. The report provides detail on the process for analysing Argyll & Bute Council and health budgets.

3. RECOMMENDATIONS

- 3.1 Audit committee notes the content of the report and due diligence process that has been followed.

4 DETAIL

- 4.1 The due diligence process is required to ensure that the resources delegated are sufficient for the IJB to carry out its functions. A key element of the due diligence process is the 2015/16 budget being assessed against actual expenditure for the most recent three financial years (11/12, 12/13 and 13/14).
- 4.2 With the postponement of the go live date for the Integrated Joint Board, financial management responsibilities for health and social care budgets will remain with NHS Highland and Argyll & Bute Council respectively for 2015/16.
- 4.3 A Finance work stream is in place which comprises representatives from both Argyll & Bute Council and NHS Highland. The purpose of the Finance work stream is to manage all finance related issues, in respect of health and social care, up to and including the establishment of an integrated budget. The work stream will ensure that all financial management and reporting systems are in place in accordance with Section 8 of the Integration Scheme.

A number of key deliverables are noted including:

- Liaise with the Programme Lead Integration and other work stream leads in relation to cross work stream issues,
- Share details of associated financial resource,
- Apply due diligence,

- Link with North Highland or other Health and Social Care Partnership's in terms of lessons learned and integration plans,
- Draft financial regulations for the IJB,
- Achieve consolidated financial reporting for budget managers and the IJB, and
- Develop a training programme for finance staff and budget managers

4.4 The finance work stream of the Integration Project prepared an analysis of the budget likely to have transferred to the IJB had it gone live on 1st April 2015. It must be noted that the budget proposal did not reach approval stage due to the postponement of the go live date and, as such, the budget figures should be regarded as indicative and not as approved. The draft budget for 2015/2016 was a total of £250.4m. The contribution from health was estimated to be £188.7m and £61.7m from Social Care Budgets.

It should be noted that to operate within budget in 2015/16, health requires to achieve recurring savings of £4.0m and social care requires to achieve savings of £0.56m (this is the amount of savings required to be found across the Council to balance the budget for 2015/16. The target was agreed as part of the budget setting process for 2014/15). Plans have been developed for these savings however it will be a significant challenge to deliver fully on them. There are a number of financial risks associated with these budgets, although not an exhaustive list these include demographics, growth and demand pressures, cost and inflation pressures.

4.5 It is important that a process of due diligence is undertaken to ensure that the budget provided for the Partnership is sufficient, identifies current and historical pressures and demands and allows the Partnership to proceed on a sound financial basis.

4.6 As per IRAG guidance due diligence will be informed by an overview, for both Council and Health aspects, of the following:

2011/12 actual expenditure
 2012/13 actual expenditure
 2013/14 actual expenditure
 2014/15 budget
 2015/16 estimated budget

Due Diligence Process 2015/16 Social Work Budgets

4.7 The financial climate for health and social care budgets is likely to remain challenging across Scotland for several years to come. This will have a significant impact on the availability of funding.

Argyll and Bute Council, like many other Scottish local authorities, is facing a challenging financial outlook. In Argyll & Bute, the position will be made more difficult due to forecast demographic changes which will result in both an ageing and a decreasing population. This will result in Argyll and Bute Council receiving a reduced settlement.

In response to the financial outlook and also to ensure that the Council is playing its part in delivering on the Single Outcome Agreement for Argyll and Bute, the Council is taking a strategic approach to providing services now while also investing in the future. The Council has initiated a programme of service reviews entitled "Service Choices" to deliver on the savings required over the next five years, but with the focus on the savings required over 2016-17 and 2017-18.

Most Council services have been asked to provide high level savings options that equate to a reduction of between 20%-25% of their service budget for consideration. No decisions have been made as yet. The Council is in the early stages of the process and the savings target is set to allow Council Members to have choice over which options need to be further developed and which options will go out to public consultation. Options will include looking at how the service could be delivered differently and being more commercial where possible. Final decisions will be made in February 2016 and this will be after the 2016-17 funding has been announced which will give more certainty on the budget gap.

The service choices target facing the Social Care services that are within the scope of integration equates to a monetary saving of between £8.9m and £11.1m, but as previously noted, this is an initial target and it may be that services will not need to deliver the full amount of savings identified.

At this stage there are no additional monies expected for Social Care in 2015-16.

Due Diligence Process 2015/16 Health Budgets

- 4.8 Within health the base funding uplift from Scottish Government which has been indicated for 2016/17 to 2018/19 is 1.8%. It is likely that this will be fully consumed by pay awards, incremental drift and price increases. There is a prospect of additional health funding coming to Argyll & Bute by way of a National Resources Allocation Committee (NRAC) parity uplift. This is by no means certain though as the demographic shifts projected for Argyll & Bute will have an impact on NRAC funding entitlement. Basically the increasing elderly population will attract more funding, while the decreasing population overall will reduce the availability of funding. It is not clear at this stage which variable will have the greater impact and further work needs to be done on this to provide a clearer understanding of the availability of health funding in the years ahead.

In addition to inflationary cost growth, there will also be service demand growth due to an increasing elderly population and the introduction of new services and medicines. This will affect costs across a range of health services, the most significant likely to be GP prescribing and acute hospital services, particularly in relation to services provided out-with the area to Argyll & Bute residents in NHS Greater Glasgow & Clyde. Overall the financial implications of demand and costs increases outstripping funding uplifts over the next three years are unclear (*source: Report to Planning Group Meeting - IJB Planning and Assumptions Report*).

Within health, the Scottish Government regularly issues funding allocations that are labelled for a specific purpose. In 2015/16, three significant allocations have been received. These are;

Integrated Care Fund (ICF)	£1.84m
Delayed Discharge Funding	£0.55m
Technology Enabled Care Funding	£0.49m

These funds will be used to stimulate service change and should also enable the release of recurring savings from existing budgets.

The Integrated Joint Board's financial plan will be developed in 2015/2016 and service plans will be aligned with the level of resources that will be available.

- 4.9 The draft proposed IJB Budget for 2015/16 is detailed in table 1 and has been reviewed by the finance work stream.

Table 1 – Draft proposed IJB budget for 2015/16		
	£m	£m
<u>Health Budgets</u>		
Locality budgets (hospital and community services)	65.1	
Services provided by NHS Greater Glasgow & Clyde	51.6	
Services provided by other providers (Health Boards & Private)	4.3	
General Medical Services (GPs)	15.8	
Prescribing	17.2	
Dentists & Chemists	11.8	
Management & Corporate Functions (incl HB provided)	6.8	
Resource Release	4.6	
Public Health/Health Promotion	1.2	
Alcohol & Drugs Partnership (ADP)	1.2	
Highlands & Islands Travel Scheme (HITS)	1.7	
Depreciation	2.4	
15/16 uplifts (inc NRAC parity uplift)	5.0	
sub-total health		188.7
<u>Social Care Budgets</u>		
Adult Care	45.1	
Children and Families	11.7	
Support Services (non-transferrable)	3.9	
Capital Charges/Depreciation	1.0	
sub-total social care		61.7
Total		250.4

ONGOING MONITORING AND REVIEW

- 4.10 The finance work stream will continue to monitor the development of the IJB budget for 2016/2017 taking into account any saving be that are required to be made and any anticipated cost and demand pressures.
The IJB will appoint a S95 officer (The Chief Financial Officer) in accordance with S95 of the Local Government (Scotland) Act 1973. The Chief Financial Officer will have a statutory duty to ensure the proper administration of the financial affairs of the IJB.

The finance work stream will develop a set of Financial Regulations, which will be approved by the Integrated Joint Board, to ensure the appropriate financial governance of the IJB budget, including due diligence in terms of the payments to the IJB from Argyll & Bute Council and NHS Highland.

5. CONCLUSION

- 5.1 Satisfactory due diligence has been undertaken. A specific finance work stream has been established and there has been processes established in respect of the allocation of resources to the Integrated Joint Board with sharing of information across Health and Social Care. Significant risks remain in relation to future funding levels together with cost and demand pressures.

6. IMPLICATIONS

- 6.1 Policy - None
- 6.2 Financial - None
- 6.3 Legal - None
- 6.4 HR - None
- 6.5 Equalities - None
- 6.6 Risk – change in resource allocation may impact on agreed budgets
- 6.7 Customer Service – None

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