



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

Integration Joint Board – Budget Settlement 2016/17

PURPOSE OF REPORT

1. To agree the Integration Joint Board's budget for the period 2016/17

COMPETENCE

2. The Integration Joint Board is required to agree a balanced budget on the basis of the funding delegated by NHS Western Isles and Comhairle nan Eilean Siar.

SUMMARY

3. In accordance with the Western Isles Integration Scheme, the IJB is required to approve a balanced budget on the basis of funding delegated by NHS Western Isles and Comhairle nan Eilean Siar (CnES). This has been a challenging process with both of the IJB's parent bodies experiencing significant financial pressure. NHS Western Isles has experienced a real terms reduction in funding and is carrying a funding gap of 6.1% against its baseline funding, while CnES has experienced a cash reduction of 4.5% and produced a balanced budget only as a result of difficult political choices.
4. Within this context, the IJB was briefed about the significance of the financial challenge it faced when it was presented with a draft budget on 4th February 2016. At that time, a significant funding gap of circa £1.5m existed and subsequent financial planning activity has been focused on eliminating that gap. In particular, we have been able to:
 - Apply funding from the £1.64m integration fund to alleviate pressures in social care;
 - Identify a number of efficiency savings and service redesign proposals on the NHS side of the budget
5. Although we are ultimately recommending a balanced budget proposal, members should be aware that some of the savings assumed are high risk and that there is no headroom for in-year growth. This may require discussion with the parent bodies prior to year-end.

DUE DILIGENCE

6. The Integrated Resources Advisory Group (IRAG) guidance sets out the process that should be followed by councils and NHS Boards in calculating the budget allocation for their IJB for the functions that have been delegated. This includes taking into account historical patterns of spend, likely cost pressures, demographic changes and agreed service development proposals. The due diligence requirements have been followed during the preparation of the revenue budget proposals from NHS Western Isles and Comhairle nan Eilean Siar.
7. The budget setting process for the IJB is set out in the Integration Scheme. The financial processes of each partner organisation are governed by their own financial instructions



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and are subject to auditor scrutiny on an annual basis.

NHS Western Isles

- In preparing the budget proposals for 2016/17 NHS Western Isles' pay budgets were zero based and prepared in collaboration with service managers. Substantial non pay budgets, including high cost drugs, mental health placements and Out of Hours were set in collaboration with service managers and other Scottish Health Boards. Cost pressures were identified by service managers and reviewed and refined by executive leads and by NHS finance staff. The NHS Western Isles budget will be agreed at the 30th March Board meeting. While a balanced budget proposal has been put forward, it includes efficiency targets, some of which are high risk.

Comhairle Nan Eilean Siar

- CnES budgets were set in line with the Council's Medium Term Financial Plan 2015, with proposals developed within a set operating budget for 2016/17. Further work was then undertaken done in light of the Scottish Government settlement announced on 16 December 2015. The social care budget was set by undertaking an incremental budget approach using in-year financial information, adjusted for 15/16 demand growth (1.054m) and any service developments. CnES has presented a balanced budget by applying its share of the £125m integration fund, which amounts to £1.6m locally. Half of this fund (£0.82m) was made available to CnES to help meet a range of budget pressures.
- The internal and external auditors of CnES and NHS Western Isles will review the 2016/17 budget setting process with regard to the IJB allocations as part of their annual work programme.

2016/17 BUDGET PROPOSAL

Summary

- The draft 2016/17 budget for the delegated functions is in excess of £58m, as shown in table below.

	Social Care CnES £'000	NHSWI Health Care £'000	NHSWI Set Aside £'000	Total £'000
Funding Received from	(19,824)	(33,306)	(5,227)	(58,357)
Funding distributed to	20,644	32,486	5,227	58,357
Total Funding of core services	20,644	32,486	5,227	58,357
Gross cost of service	20,644	33,162	5,536	59,342
Savings Identified	-	(895)	(91)	(986)
Total Cost of Service	20,644	32,268	5,445	58,357

- These functions are paid for by contributions from CnES and NHS Western Isles. This then forms the funding that is available to the IJB and enables it to distribute it in accordance with its Strategic Plan.





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13. The anticipated cost of service delivery includes inflation and known cost pressures, including increase in 15/16 placements, transitions from children's services, drug volume increases, changes in staff terms and conditions and taxation changes. The expenditure budget also assumes that the specific funds will be fully utilised.
14. The budget also assumes that £820,000 from the Integration Fund will be used to offset anticipated cost pressures and to align with national charging thresholds.
15. The total anticipated cost of service delivery is £59.342m, which leaves a funding shortfall of £0.986m. As outlined below, we have identified savings proposals to generate a balanced budget.

Budget Contribution from Comhairle Nan Eilean Siar

16. The outcome of the Local Government settlement for Comhairle nan Eilean Siar is a £4.5m (4.5%) reduction in grant. Taken together with the budget deficit carried over from 2015/16 (£1.5m), inflationary pressures (£1m), and additional National Insurance and pension related costs (£1.5m), the Comhairle is faced with a budget gap of £8.5m in 2016/17 before taking account of the cost pressures arising from Health and Social Care.
17. To ensure that the IJB is funded to deliver the delegated functions, an additional £1.054m of demand growth is required from 2015/16. CnES has put forward a budget proposal which accommodates growth and makes assumptions about efficiency savings. CnES has indicated to the IJB that additional social care pressures for 2016/17 should be met from within the IJB's £820k share of the Integration Fund.
18. In addition, the Comhairle will deliver an £8.25 per hour living wage for care workers across all sectors from October 2016, provisionally estimated at £200k in 2016/17. This will be offset by its £820k share of the Integration Fund.
19. CnES has presented a balanced budget proposal.

NHS Western Isles

20. The Western Isles Health Board has experienced increasing activity levels, inflationary pressure, National Insurance increases, and a reduction in specific allocations. This has only been partially offset by a 1.7% increase on the base allocation resulting in a real terms reduction of £2.193m. The Scottish Government target for efficiencies for all Health Boards has risen from 3% to 5% for 2016/17. The funding gap for NHS Western Isles is 6.1% of its baseline funding.
21. NHS Western Isles has presented a balanced budget proposal, which will be agreed by the Health Board on the 30th March 2016, subject to Scottish Government approval in early summer.



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Specific IJB funds

22. There are a number of specific funds that have been delegated to the IJB for the purposes of meeting core pressures and supporting service redesign:-
- Integration Fund - £820k funding to be used to meet pressures within social care. £738k of pressures are already known and have been committed against this fund, leaving a contingency of £82k.
 - The Integrated Care Fund – £640k funding to support the implementation of the strategic plan. There is a further report on the agenda which explains how the funding will be used.
 - Delayed Discharge Fund - £192k of funding to address delayed discharge by delivering quality care and supporting people at home or in a homely setting.
 - Low Pay Fund for Care Homes - £73k to be used to achieve the living wage in care homes.

SAVINGS PROPOSALS

23. The NHS delegated budget includes an efficiency target of £0.986m. The proposed savings are as follows:

		IJB Gap		(986)
Saving	Service	Risk	£'000	
1% increased vacancy factor	All	M	131	
Efficiencies in Community Dental Service	Community Dental	L	76	
Incontinence product management	Community Nursing	M	10	
Community Nursing efficiencies	Community Nursing	L	12	
Vacant posts frozen for set time period	Various	L	82	
Redesign of overnight services	Community Care	H	90	
Repatriation of Mainland Placements H&SC	Community Care	H	55	
Rebanding of Vacant Posts	All	L	74	
Dental - Workforce Efficiencies	Salaried Dental	M	160	
Dental - reduction in procurement costs	Salaried Dental	M	50	
Community Equipment Stock	AHP	L	10	
Reduction in car mileage	All	M	57	
Reduction in prescribing non drug costs	Prescribing	L	42	
Financial Flexibility - pre 2010 pensions	Community Nursing	H	137	
Total identified savings			986	
Remaining Gap 10/03/2016				-

24. In addition, subsequent to the CnES budget consultation, it agreed that proposed savings on the social care side should pass to the IJB for consideration, with savings made accruing to the IJB budget. While the budget does not require the savings to be made, the high risk efficiencies that underpin the budget settlement suggest that it would be





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financially prudent to continue to explore these savings options. All of the proposed savings would be subject to individual scrutiny and agreement at a future meeting of the IJB. A summary of these proposed savings are outlined at Annex 1.

25. Finally, given that there are many potential financial risks within the budget proposal, a detailed risk assessment is presented at Annex 2.

RECOMMENDATIONS

26. It is recommended that members of the IJB:
- a) Agree to the overall budget settlement outlined at paragraph 11;
 - b) Agree that it is financially prudent to continue to explore all of the savings proposals set out in Annex 1;
 - c) Agree to the NHS financial efficiencies set out at paragraph 23;
 - d) Note that within the budget proposal there is little headroom for growth and that we continue to anticipate intense financial challenges moving forward;

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Chief Finance Officer
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ANNEX 1 – SAVINGS PROPOSALS

High Cost Care Packages

1. This savings target focuses upon a proposal to consider alternative approaches to meeting need by revising the commissioning of high cost care packages. This approach seeks to maximise efficiencies and saving opportunities within internally and externally commissioned services.
2. The savings target is a total of £70K for 2016/18. There is a high risk associated with this target saving as there are a number of transitions that are planned within this period, which require growth to budgets.

Self-Directed Support (SDS)

3. In order to achieve a reduction in the budgetary provision for SDS, this has to be approached by a programme of disinvestment in existing services/facilities, and a more proactive budget management position to be taken, with possible changes to levels of Direct Payments.
4. The savings target is a total of £50K for 2016/18. There is a medium to high risk associated with this target saving.

Redesign of Mobile Overnight Support Services (MOSS)

5. The MOSS service operates in Uists, Stornoway/Broadbay and Barvas/Ness areas. It does not operate in Barra, Harris, Lochs, Uig or Bernera. The service underwent a redesign approximately three years ago, which broadened its catchment area by 10% and resulted in a predominantly single staffed service arrangement, with coordinated care points planned for a lesser number of service users.
6. A joint review of service users has recently been completed. There were a total of 46 out of 48 planned reviews completed. Out of these 46 service user reviews, it was agreed that 41 service users had needs which could be met with a change to the care times currently being delivered. The assessment team indicated that should there be the capacity to provide care to midnight and from 7am, the needs of service users would be met. In respect of the five service users whose needs would not be met, alternative bespoke arrangements are being explored.
7. A formal review of options beyond the existing service users and consideration as to how the current delivery model of MOSS would feature within the strategic planning context of the IJB would best determine how late evening, overnight and early morning care could best be delivered.
8. The combined revenue budget for Lewis and the Uists Mobile Overnight Support Service is £422,780. The service choice target was £180K in 2016-18. There are associated risks in respect of a change to service delivery but initial indications suggest that needs could be met in a more efficient way.



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Repatriation of Mainland Placements

9. The target efficiency was to reduce the investment in out-of-area placements. The construction of the Ardseileach Core and Cluster service is an example of redesigning services that invest in new models of care, whilst providing more local packages of care from within existing revenue budgets.
10. Building upon this, there will be housing stock that remains in the community, once the second phase of housing support resettles and consideration of its future usage for the purpose of mainland repatriation and re-direction could be an option.
11. The savings target is a total of £105K for 2016/18. There is a high risk of not achieving this based upon growth requirements for emerging transitional care costs and also the demographic challenge of older carers. A number of these local factors could result in a cost to the Integration Joint Board.

Redesign of Grianan Resource Centre

12. The service proposal was founded on the principle of disinvesting in the current service provision attached to this facility, whilst creating space and capacity for a Third Sector Hub to form. There is an opportunity for the IJB to review how it funds the Third Sector agencies by utilising shared sites.
13. There has been communication with representatives of Third Sector agencies on this matter. There has been an initial interest in pursuing the opportunity that it presents.
14. The savings target is a total of £50K in 2016/18, but potentially an overall improvement in service arrangements and outcomes within a Third Sector Context.

Redesign of Laundry services

15. Laundry provision within CnES Stornoway care homes are currently serviced by a Part B contract arrangement by NHS Western Isles. It was proposed that a review of how laundry provision, currently managed internally by CnES care homes operating in Harris and the Uists, could be more financially efficient by being added to the existing Part B contract.
16. Initial meetings have taken place to consider the capacity within the existing Western Isles Hospital laundry services and also the transport arrangements to support these indicative proposals. The associated costs for this are yet to be determined.
17. The initial savings target was £50K, although additional analysis and assumptions upon cost are indicating that this target has reduced to £35K for 2016/17



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ANNEX 2 – FINANCIAL RISKS

There are many potential financial risks in achieving the financial plan for 2016/17, including:

- The challenges posed by the Financial Efficiency Plan are significant, and the proposed savings may not be achieved in their entirety. Of the cash releasing savings required to break even, **£282k** are currently rated as **high risk**.
- The high levels of sustained delayed discharges experienced during 2015/16 (occupying up to a third of medical bed capacity, and all of whom are awaiting care home placement or social home care packages) may continue. The potential impact in 2016/17 is in excess of **£200k** and the risk is currently rated as **high** although action is being taken to address this.
- Both parent bodies are experiencing challenges in respect of sickness absence. Unaddressed the potential impact is at least **£150k** in terms of providing backfill for absent staff. Given the increasing levels of sickness absence experienced in 2015/16 this risk is rated as **medium**.
- Inability to recruit to critical posts may necessitate expensive locum cover. Recruitment processes are pending. Should posts remain vacant then short term solutions will be sought in the first instance. Unaddressed the potential impact is **£250k**. Addressed this risk is rated as **Medium**, reflecting the work that has been undertaken to reduce the rate of pay for agency support through a contract for services.
- In the event of local GP practices being unable to recruit to vacant GP posts, the Board may need to employ locum staff to increase capacity in provision of GP Out of Hours services in the Uist and Barra Hospital and the Western Isles Hospital. This risk is rated as medium and the potential impact is £200k.
- Inflationary assumptions may be incorrect, although benchmarking with other partnerships indicates that our assumptions are broadly consistent. The potential impact is **£200k** and this risk is rated as **low**.
- High levels of bank and excess hours may be experienced if not controlled. Bank and excess hours usage is closely managed by the Nurse Director and performance is scrutinised at Executive level on a monthly basis. Unaddressed the potential impact is **£200k**. Addressed this risk is rated as **low**.
- There are increasing numbers of high cost cases in Health and Social Care (including mainland placements) The potential impact is £1,000k and this risk is rated as low
- Demographic growth is resulting in an increasing proportion of elderly people requiring care. The potential impact is **£1,000k** and this risk is rated as **low**.