



CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

DRAFT BUDGET SETTLEMENT 2017/18

PURPOSE OF REPORT

1. To agree the Integration Joint Board's budget for the period 2017/18

COMPETENCE

2. The Integration Joint Board (IJB) 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. 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 5% against its baseline funding, while the Comhairle has experienced a cash reduction of 4.4%.
4. Within this context, the IJB was briefed about the significance of the financial challenge it faced when it was presented with a draft gap at the IJB budget seminar 24 January 2017. At that time, a significant funding gap of circa £2.5m existed and subsequent financial planning activity has been focused on eliminating that gap. In particular, we have been able to:
 - Undertake budget adjustments on the NHS partner's budget taking account of confirmed specific allocations and other income to be received together with minor budget amendments
 - Offset potential emerging social care needs of circa £0.500m after receiving £0.495m one off funding from Comhairle reserves. This will however mean the IJB needs to ensure the transformational work within the IJB strategy is carried out to release monies in future years to pay for continued emerging needs.
5. As of 23 March 2017, taking account of the budget adjustments described above, the budget gap is £1.494m with identified saving proposals of £1.494m (£0.460m are high risk).
6. Were the IJB unable to agree a balanced budget, there would be a need to prepare a recovery plan to show how the IJB would achieve unallocated savings.

DUE DILIGENCE

7. 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





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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.

- 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 and are subject to auditor scrutiny on an annual basis.

NHS Western Isles

- In preparing the budget proposals for 2017/18 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 29 March 2017 Board meeting.

Comhairle Nan Eilean Siar

- In February 2016, the Comhairle agreed a forward Budget Strategy that enabled it to deliver a balanced budget across the two year period 2016-2018 using a combination of workforce planning, corporate efficiencies, budget choices and balances. Whilst the Local Government Settlement for 2017/18 is less favourable than had been anticipated in February 2016, forward planning and effective financial management means that the Comhairle can still set its 2017/18 as planned. The social care budget was set by undertaking an incremental budget approach using in-year financial information, adjusted for 16/17 demand growth and any service developments.

2016/17 BUDGET PROPOSAL

Summary

- The draft 2017/18 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
Total Funding of core services	19,253	33,402	5,377	58,032
Gross cost of service	19,582	34,415	5,530	59,526
Budget Gap	(329)	(1,013)	(153)	(1,494)
Total Savings Identified	(329)	(1,114)	(51)	(1,494)
Savings Gap	0	102	(102)	0

- These functions are paid for by contributions from the Comhairle 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 16/17 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 £0.700m for health and social care will be passed to the IJB in full and used to offset anticipated cost pressures relating to the living wage.
15. The total anticipated cost of service delivery is £59.526m, which leaves a funding shortfall of £1.494m. As outlined above and detailed in the Financial Efficiency Plan and budget strategy (attached at Appendix 2 and 3 respectively), we have identified savings proposals of £1.494m.

Budget Contribution from Comhairle Nan Eilean Siar

16. The Settlement gives a £4.2m (4.4%) reduction in grant for the Comhairle. This has been offset by the £160k additional income from Council Tax reform and the agreed Council Tax of 3%. The reduction in funding now comes to £3.8m. This £3.8m, together with the deficit (funded from balances) carried over from 2016/17 of £1.5m and inflationary costs of £1.3m, contributes to a £6.6m budget gap.
17. The recommended budget for delegation to the Integrated Joint Board is in line with the Scottish Government expectation that the 2017/18 budget be reduced by no more than the Comhairle's share of the permitted £80m (£520k). This is in the context of an additional £107m for IJBs nationally (£700k for the Western Isles) and a requirement that Health Boards maintain their cash funding at 2016/17 levels.
18. The Comhairle has now presented a balanced budget proposal.

NHS Western Isles

19. The Western Isles Health Board has experienced increasing activity levels, inflationary pressure, and the new apprentice levy to fund. This has only been partially offset by a 0.53% increase on the base allocation (£0.349m) resulting in a real terms reduction of c. £2m. The funding gap for NHS Western Isles is 5% of its baseline funding. NHS Western Isles is not permitted to have reserves, although the IJB is.
20. NHS Western Isles had gross £1.406m savings to find, £0.241m budget adjustments were made (the budgets were adjusted as these were not deemed efficiencies under NHS guidelines) which left £1.165m net, of efficiency savings. The Western Isles Health Board has now presented a balanced budget proposal.



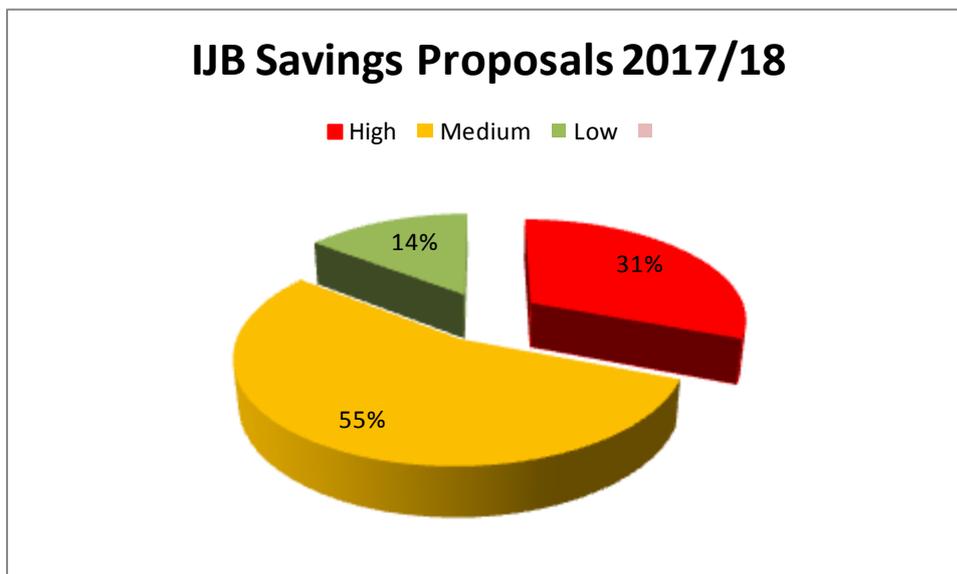


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SAVINGS PROPOSALS

21. The IJB savings plan totals £1.494m. The draft savings proposals are detailed in Appendix 2 with a high level risk rating. The savings proposals are shown below by their financial risk status. As part of the monthly monitoring a full risk appraisal will be available on a monthly basis with detailed comments on the financial risk to the proposal, risk mitigation and risk score. As shown in Appendix 2, 14 proposed savings need an Equality Impact Assessment, which will be undertaken ahead of service reforms. Budget decisions are therefore made on the assumption that any equalities and human rights issues will be fully addressed.



RECOMMENDATIONS

22. It is recommended that members of the IJB:

- Agree to the overall budget settlement outlined at paragraph 11, and the associated Budget Strategy at Appendix 3;
- Agree to the financial efficiencies set out in Appendix 2;
- Note that within the budget proposal there are a number of high risk savings to realise and we continue to anticipate intense financial challenges moving forward;

Debbie Bozkurt
Chief Finance Officer
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APPENDIX 1 – FINANCIAL RISKS

There are many potential financial risks in achieving the financial plan for 2017/18, 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, **£460k** are currently rated as **high risk**.
- The high levels of sustained delayed discharges experienced during 2016/17, and all of whom are awaiting care home placement or social home care packages) may continue. The potential impact in 2017/18 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 **£170k** in terms of providing backfill for absent staff. Given the increasing levels of sickness absence experienced in 2016/17 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.
- New tax regulation from April 2017 (IR35) could result in the rates for agency and locum staff employed through their own limited company, increasing. The potential impact is **£100k** and this risk is rated as **medium**
- Further reduction in GP numbers could put increasing pressure on the GP Out of Hours services, potentially leading to increased use of locums. 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**





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- 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**.



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