

## **Adult Care and Health Budget Setting 2016-17**

### **Report by Eibhlin McHugh, Joint Director, Health and Social Care**

#### **1. Purpose of the Report**

- 1.1** The purpose of this report is to explain the new arrangements for budget setting for adult care services in light of the establishment of the Integration Joint Board. The report goes on to outline the commitments and plans for the new Social Care monies allocated to the IJB and the savings proposals to reduce expenditure in Adult Care in 2017-18.

#### **2. Background**

##### **Integration Joint Board**

- 2.1** The establishment of the Midlothian Integration Joint Board (IJB) took full effect on 1<sup>st</sup> April 2016 when this new body became responsible for the utilisation of the budgets delegated to it by Midlothian Council and NHS Lothian, a combined budget of approximately £111 million per annum.
- 2.2** The IJB is required to publish a three year Strategic Plan and determine how best to use these delegated resources to meet the health and care needs of the Midlothian population.

##### **Allocation of Budgets to the IJB**

- 2.3** While the delegation of the Council budget to the IJB has been relatively straightforward there are significant challenges in agreeing the budget from NHS Lothian. This is in part because the allocation by Scottish Government is not confirmed until June which makes clear financial planning more difficult. In addition the framework for agreeing how budgets are delegated across the four Lothian IJBs is still being determined. Whilst in theory it could be argued that Midlothian should receive a pro rata allocation on a population basis this does not reflect how services are currently used; Midlothian has a higher use of some services and a lower use of others. There is agreement across the IJBs that it is important the financial allocation process is managed in a way which ensures stability for patients.

## **Managing Efficiencies**

- 2.4** These new arrangements raise questions about how best to manage the process for designing and agreeing measures to reduce expenditure in line with the reduction in - Local Authority grant settlements by Scottish Government. It is clearly the role of the IJB to decide how to meet the needs of the local population. This is laid out in its Strategic Plan although it must be acknowledged that in some areas this is outlined as a direction of travel rather than a very specific set of plans-partially because of the continuing uncertainty of the budget available but also because much more work is required to plan in detail how to bring about the desired changes. Nevertheless it is clearly the role of the IJB rather than the Council to determine at a strategic level how services should be delivered.
- 2.5** Having delegated the Adult Care functions to the IJB, the Strategic Planning (and financial planning) for these functions is now the responsibility of the IJB. The Council will decide the totality of the budget to be allocated to the IJB for Adult Care functions, and it is clear that these budgets will be reduced from their current level in line with the overall reduction in resources available to the Council. However, the governance around the planning of the efficiencies to be applied to these budgets rests with the IJB and discussions are underway with the IJB as to how this process will be managed. Of course, on an operational level, where the Council is able to design and deliver more efficient ways of delivering services in line with Best Value and Financial Discipline it should do so if this is also in line with the IJB Strategic Plan.

## **Efficiencies 2016-17**

- 2.6** Adult Care has, over a number years, sought and achieved significant efficiencies through redesign, re-commissioning and Best Value reviews. The savings generated between the years 2011-12 and 2015-16 totalled £3,417,078 per annum. The efficiencies being implemented within Adult Care during 2016-17 will generate a further £291,000 savings per annum.

Alongside these efficiencies Adult Care has a recovery plan to ensure it achieves financial balance, having had an underlying overspend at the end of 2015-16 of around £1m.

## **Proposed Efficiencies 2017-18**

- 2.7** The efficiencies proposed for Adult Care in 2017-18 are:

- Review care/support packages in context of new models of care: £1,000,000
- New Complex Care Service £500,000
- Management Review in light of Integration: £55,000

Further areas which will be assessed for savings include:

- Review of Learning Disability Day Services

- Reductions in sickness absence
- Efficiencies in travel
- Reduction in the use of agency staff
- Review of Homecare provision

These planned efficiencies if delivered successfully will result in people's needs continuing to be fully met. As such they represent more efficient service delivery and therefore remain within the delegated authority of the Council.

### **Social Care Fund**

- 2.8 Scottish Government allocated IJBs additional recurrent funding to enhance Social Care services in 2016-17. An element of this was to recognise pressures already existing with social care and also to support the costs of providing the living wage to all involved in social care. The Scottish Government was also clear that an element of this additional funding should also be used to provide 'additionality' and to support the overall redesign of social care services. In Midlothian the allocation is £3.6m.

This is a very welcome and significant increase. However there are many commitments against these new monies and this may limit the scope to undertake transformation through 'additionality'. The specific issue of funds required to implement the commitment to pay the Living Wage to all care workers in social care has entailed a great deal of detailed work with external providers and is not yet complete.

The estimates on a full year basis are as follows:

1. Review of pay and grading for Council Staff £196,000
2. Increase in National Care Home contract rates £517,000
3. Changes to role and staffing structure in Newbyres Care Home £536,000
4. Continued funding of Quality of Care services £69,000
5. Living wage including sleep over costs for care workers in social care (external providers) £940,000
6. Continued funding of hospital to home team £165,000
7. National Insurance increase (Council staff) £159,000

There are also further pressure arising from the element of the social care fund that was categorised as 'additionality' including

8. Changes to charging threshold £200,000
9. Demographic pressures (previously funded by the Council) £860,000

These are all important areas of expenditure which, without the new monies would have caused even greater pressures on the efficiency programme

required by the Council. It must be emphasised that much more work is needed with external providers regarding the cost implications of the Living Wage and in relation to the staffing structure in Newbyres so these figures are likely to change. However at this stage, on a full-year basis, this fully commits the £3.6m allocation.

This leaves no additional monies for further transformation although, due to the part-year implementation of both the Living Wage and the transformation of Newbyres in 2016-17, there should be a one off sum of approximately £504k available to help implement the Strategic Plan.

## **2.9 Financial Position in Health**

The move to integration has included an increasingly joint approach to financial planning. The financial position in adult care - must now be considered in the context of the financial pressures facing NHS Lothian. During 2016-17 the local health service must reduce its expenditure by £1.9m on a budget of approximately £47m. This very challenging target increases the necessity for Adult Care and Health to create synergies and invest in transformation to create sustainable services for the future.

## **2.8 Financial Assurance**

Since the last Financial Assurance update report in March 2016 budgets have been delegated to the IJB with effect from 1 April 2016. Directions regarding the use of the budgets were issued to the Council and NHS Lothian on 31 March 2016. Work continues to finalise the Health element of the budget, including the Midlothian share of pan-Lothian Services. The challenges facing both the Council and NHS Lothian going forward are detailed in this report and Financial Assurance will be an ongoing process as joint working through the IJB progresses.

## **3. Report Implications**

### **3.1 Resource**

There are no resource implications arising directly from this report. The report deals with the Adult Care budget in terms of the efficiencies required in 2016-17 and future years, the role of the IJB and the use of the new Social Care Fund.

### **3.2 Risk**

Without a very robust approach to financial control there is a real risk that the service will again overspend its budget in 2016-17. The plans to reduce expenditure by £1.5m on care packages whilst continuing to meet need will undoubtedly be challenging. A further risk is that the need to meet the financial targets over the next 2-3 years will reduce the capacity to develop preventative services which are critical for the long term sustainability of health and care.

### **3.3 Key Priorities within the Single Midlothian Plan**

Midlothian

- ☐ Early years and reducing child poverty
- ☐ Economic Growth and Business Support
- ☐ Positive destinations for young people.

The themes

- ☒ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☒ Business transformation and Best Value
- ☐ None of the above

### **3.4 Impact on Performance and Outcomes**

The Council can only agree changes to service delivery which are more efficient rather than a change in policy or major service redesign for which the agreement of the IJB would also be required.

### **3.5 Adopting a Preventative Approach**

As noted in the Risk Section there is a danger that services focus on addressing immediate critical need rather than the longer term approach to prevention advocated by the Christie Report.

### **3.6 Involving Communities and Other Stakeholders**

This report has been considered by senior managers and finance officers in Adult Care and Health.

### **3.7 Ensuring Equalities**

There are no immediate equalities implications arising from this report

### **3.8 Supporting Sustainable Development**

Not applicable.

### **3.9 IT Issues**

There are no IT issues arising from this report

#### **4 Recommendation**

Council is recommended to:

- i. Note this report and the need for ongoing dialogue with the IJB about efficiencies and how these are achieved as part of the budget-setting process for 2017-18.
- ii. Agree to the provision a Council seminar to consider in more depth the respective governance responsibilities of the Council and the IJB

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