

- 1.6 The IJB will continue to work to identify potential savings to help reduce the projected funding gap in 2024/27. Officers have already started this process by identifying a package of potential recurring savings / budget adjustments for consideration by the IJB. This will be further developed over the coming months through our IJB Budget working group, followed by a report to the IJB for discussion and approval. The IJB will also hold a development session in late January / early February where the IJB Budget Working Group proposals will be presented in detail.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Integration Joint Board:

1. Note the proposed approach to the 2024/25 Budget
2. Notes the key timelines and Budget Announcements to the preparation of the 2024/25 Budget
3. Notes the Funding pressures identified and that officers have developed initial savings proposals which will be reported to a future meeting of the IJB and IJB Audit Committee.

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3.0 BACKGROUND AND CONTEXT

- 3.1 From 1 April 2016 the Health Board and Council delegated functions and are making allocations to the IJB in respect of those functions as set out in the integration scheme. The Health Board also “set aside” an amount in respect of large hospital functions covered by the integration scheme.
- 3.2 The IJB makes decisions on integrated services based on the strategic plan and the budget delegated to it. The 2023/24 Budget was agreed in March 2023 and the IJB issued relevant directions to the Health Board and Local Authority for delivery of the services in line with the Strategic Plan.
- 3.3 The IJB are expecting to set a 3 year budget based on the information currently available. This is in view of the anticipated reduced costs in relation to pension contributions and the 3 year impact this will have. The IJB are keen to set a multi-year budget in order to give a more medium-term certainty to the IJB and also allow officers time to develop a range of multi-year savings initiatives and maximize the expected use of the non-recurring pension costs to our advantage.
- 3.4 Inverclyde Council will set their 2024/26 budget in March 2024 and then confirm a proposed funding allocation for the IJB for the year. Greater Glasgow & Clyde Health Board will also confirm an indicative funding allocation for 2024/25 in March 2024. An indicative budget will be kept under review until such time as the final budget pressures and non-recurring settlements are formalised

4.0 PROPOSALS

4.1 PROPOSED BUDGET APPROACH

The IJB currently receives a resource allocation from both Inverclyde Council and Greater, Glasgow and Clyde. At present we expect to receive a similar Resource Allocation from the Health Board as the IJB did for 2023/24. The IJB expect the Health Board to continue to fund the 2024/25 pay award in addition to the general % inflation increase. At present the IJB have had no indication or discussion around a potential reduction in funding allocation from the Health Board.

- 4.2 The IJB in line with the recent Council Policy & Resources report in September 2022 is now operating with more financial independence of the Council. The IJB approach to the Social Care element of the budget is as follows:
 - The start point for the 2024/25 Council contribution to the IJB is the 2023/24 current approved contribution.
 - No new pressures funding to be allocated.
 - We anticipate that the Council will allocate any recurring pay award funding for the 2024/25 budget.
 - The Social Care savings proposals continue to be included in the overall savings review with the IJB Budget Working group.
 - Any new 2024/25 Scottish Government funding for Social Care be passported to the IJB
 - Any increase in funding due to the increase in the Social Care Worker rate will be passported to the IJB
 - Any reduction in costs in the IJB will not have any impact upon the funding we receive from the Council

5.0 CURRENT TIMELINES

- 5.1 Inverclyde Council are expected to produce a 2 year budget for their elected members consideration. Greater Glasgow & Clyde Health Board are expected to produce a 1 year budget in line with the Scottish Government settlement.
- 5.2 Inverclyde IJB will review estimated 2024/25 cost pressures and anticipated savings required during October 2023 – December 2023. Officers will work with The IJB Budget Working Group during this time period on potential savings options which will be considered by the IJB at a development session late January / Early February. Once agreed by the IJB any potential savings requiring public consultation will go to consultation shortly after.
- 5.3 The Scottish Government will set its proposed budget Mid December 2023.
- 5.4 The IJB expect both Inverclyde Council and Greater Glasgow & Clyde Health Board to confirm indicative funding in March 2024.
- 5.5 The IJB 2024/25 Budget will be set Mid / Late March with approval from both IJB and IJB Audit Committee.

6.0 KEY BUDGET ANNOUNCEMENTS

- 6.1 The main budget announcement from the Scottish Government is due Mid December 2023. This will highlight the core funding available for both NHS and Council in determining the IJB's core Resource Allocation. The IJB assume that any pay award in 2024/25 continues to be fully funded by the Health Board. The IJB expect to have to pay for the Social Care element of the 2024/25 pay award via any new passported funding or from a savings exercise.
- 6.2 At this point the IJB are only aware of the potential Scottish Government commitment to increase the Social Care worker rate to a minimum of £12 per hour from the start of April 2024. At present no further information has been cascaded. The IJB should note at this point we currently pay a rate internally which is higher than £12 in line with the recent review of care and support at home. Any additional funding received would be reported to the IJB with a relevant recommendation of actions available.
- 6.3 The IJB should also be aware of the recent actuarial review conducted by Strathclyde Pension fund. The current employer contribution rate for Council employees is 19.3%. The rates paid by employees varies according to the salary level but equates to around 6.5%. Employee rates are set by regulations not the actuarial valuation. A report on the outcome of the actuarial review was presented to the Pension Fund Trustees on 13 September and recommended a 12.8% reduction in contribution for 2024/25 and 2025/26 before reverting to a sustainable long-term rate of 17.5% from 2026/27. The impact of this to the IJB is an expected non-recurring reduction in costs of £2.86m for years 2024/25 and 2025/26 and a recurring reduction in costs of £0.469m. This will be factored into our budget strategy for approval in March 2024.
- 6.4 An indicative timeline based on the proposed approach set out is shown below:-

Action	Indicative dates
SMT identification of proposals to close budget gap	Aug - Nov 2023
Budget approach paper to IJB	Nov 2023
Budget Working group (BWG) convened	Nov 2023
Budget gap proposals considered and reviewed by BW	Oct - Dec 2023
Scottish Government settlement announcement	Mid Dec 2023
IJB Budget Development session	late Jan/early Feb 2024
Consultation on budget gap proposals begins	From Feb 2024
Funding confirmations from partners	Mar 2024
Budget agreed	Mar 2024

7.0 CURRENT EXPECTED BUDGET GAP

7.1 The Below table shows the anticipated budget funding gap over the next 3 financial years based on our approved 5 year budget strategy:

IJB position	2024/25	2025/26	2026/27
	£000s	£000s	£000s
Pressures			
Payroll uplift 2%	1,278	1,303	1,329
Inflationary uplifts	2,580	2,712	2,851
Prescribing - 2% each year	405	413	421
Demographic pressures - 1.5% on client packages	735	746	757
23/24 amount funded from reserves	802		
Total budget requirement	5,799	5,174	5,359
Funding available/assumed same as 23/24 uplifts	(3,153)	(3,218)	(3,285)
Budget gap	2,646	1,956	2,074
Cumulative budget gap	2,646	4,601	6,675

7.2 Additional Pressure: Children and Families Package costs £1.6m

In addition to this there are estimated current costs pressures in Children and Families of £1.6m relating to care packages which were previously funded from Covid monies. A review is currently being carried out by officers with the aim of being able to reduce these costs and streamline these into the overall budget. We also have a £1.5m smoothing reserve to help with this process. For the purpose of the budget these costs are now going to be included in the overall pressures for the next 3 years.

7.3 Additional Pressure: Homelessness Redesign £0.4m

We also expect as part of the Homelessness redesign to have to incur additional recurring costs. As this is still very much a work in progress it is difficult to put an exact cost on this. An indicative estimate of £0.4m additional recurring costs has been included in our plans until this full exercise is complete.

7.4 Potential Pressure: Safe Staffing levels

The Health and Care (Staffing) (Scotland) Act 2019 was passed in the summer of 2019 and the Scottish Government are working on a programme of work that will see the Act come into force from April 2024. This is likely to have an impact on our staffing levels and the potential to have to create new posts in the future. At present the impacts of this are still unclear along with any funding streams. However, this will also potentially have an impact on our ability to delete any long-term vacancies especially in the Health side. Updated financials will be included when the likely impact is clearer.

7.5 Potential Pharmacy Impacts

The IJB should also be aware that in 2023/24 it has seen significant increases in prescribing costs. At present this is being funded within the overall Health element of the budget and we have a smoothing reserve if required to assist with any pressure. It is expected that prescribing costs fluctuate year on year but it is being highlighted to the IJB that we are currently paying some of the highest costs on record for prescribing. At present it is not being included as a pressure for future years but the budget will be updated to reflect this if costs continue on current trends.

7.6 Based on all the above information officers are working towards a £8.675m recurring budget gap over the next 3 financial years and working towards recurring savings to fund this. As a minimum the IJB need to agree proposals to produce a budgeted break-even position for 2024/25.

7.7 Within the agreed 5 year financial plan, the IJB have made the assumption that there will be a 2% increase from the Health side of the budget which will cover all the inflationary elements of that budget. This is based upon previous years' experience and any deviation from this approach would be highlighted as soon as it was known. The IJB have also assumed that the relevant pay awards in Health will be funded from Scottish Government funding. The IJB have assumed that they will receive flat cash from Inverclyde Council plus any relevant pay award funding, living wage increases and other relevant Scottish Government funding is passported to the HSCP.

8.0 POTENTIAL SAVINGS /ADJUSTMENTS

8.1 To address the anticipated 3 year funding gap a detailed savings exercise will need to take place. The IJB has commenced this process via the SMT and will present these proposals to the IJB Budget Working Group over the next few months. At this point the aim of this is to close the funding gap without the requirement for compulsory redundancies. This exercise may result in the redeployment of staff or targeted voluntary redundancies where required. All relevant staff and Trade Unions will be involved in all aspects of this process.

8.2 The IJB will aim to close some of the funding gap with the use of budget adjustments, increase in turnover targets, increase in charges and aim to minimise any impact on front line and essential services. It does have to be noted that due to the size and scale of the budget gap the IJB will also need to consider potential service redesigns and in some cases potential service reductions. The impact of the savings may also be delayed with the use of one-off reserves and the use of the pension cost reductions as highlighted above.

8.3 Any potential voluntary redundancies will be carried out in discussions with relevant staff and trade unions. Any decision on the release of employees will go through a value for money exercise with a minimum cost payback of 3 years in line with Inverclyde Council current process. All relevant redundancy costs will be paid out of IJB reserves.

8.4 Once the IJB know the full impact of the settlement in December a full debrief o will be presented to the IJB at the development session late January / early February. Due to the size and nature of the budget gap the IJB will carry out a public consultation on the relevant savings initiatives being discussed once these have been discussed with the IJB Budget working group.

9.0 IMPLICATIONS

9.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial	x		
Legal/Risk		x	
Human Resources		x	
Strategic Plan Priorities		x	
Equalities		x	
Clinical or Care Governance		x	
National Wellbeing Outcomes		x	
Children & Young People's Rights & Wellbeing			x
Environmental & Sustainability			x
Data Protection			x

9.2 Finance

All financial implications are discussed in detail within the report above.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments

9.3 **Legal/Risk**

There are no specific legal implications arising from this report.

9.4 **Human Resources**

There are no specific human resources implications arising from this report.

9.5 **Strategic Plan Priorities**

This ties in with the requirement to set a balanced budget.

9.6 **Equalities**

There are no equality issues within this report.

(a) Equalities

Equality Impact Assessments will be progressed as necessary as part of the development of the initial savings proposals.

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

	YES – Assessed as relevant and an EqIA is required.
✓	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, assessed as not relevant and no EqIA is required. Provide any other relevant reasons why an EqIA is not necessary/screening statement.

(b) Equality Outcomes

How does this report address our Equality Outcomes?

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

9.7 Clinical or Care Governance

There are no clinical or care governance issues within this report.

9.8 National Wellbeing Outcomes

How does this report support delivery of the National Wellbeing Outcomes?

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long-term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None
People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None
People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	Effective financial monitoring processes ensure resources are used in line with the Strategic Plan to deliver services efficiently

10.0 DIRECTIONS

10.1	Direction Required to Council, Health Board or Both	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

11.0 CONSULTATION

11.1 This report has been prepared by the IJB Chief Financial Officer. The Chief Officer, the Council's Chief Financial Officer and Director of Finance NHSGGC have been consulted.

12.0 BACKGROUND PAPERS

12.1 None