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**Report To:** Inverclyde Integration Joint Board      **Date:** 18 August 2016

**Report By:** Brian Moore  
Corporate Director (Chief Officer)  
Inverclyde Health & Social Care Partnership      **Report No:** IJB/43/2016/LA

**Contact Officer:** Lesley Aird      **Contact No:** 01475 712744

**Subject:** HEALTH BOARD FINANCIAL ALLOCATION 2016/17

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to provide the Board with an update on the financial allocation agreed for Inverclyde Integration Joint Board (IJB) by the Health Board for 2016/17.

## **2.0 SUMMARY**

- 2.1 The IJB agreed an interim Health budget on 20 June 2016. This interim budget was based on assumed Health Board funding to the IJB of £76.935m (including £4.449m for Social Care) for 2016/17.
- 2.2 The Health Board budget for 2016/17 was subsequently agreed on 28 June 2016. The Chief Executive of the Health Board wrote to the Chief Officer on 5 July 2016 confirming an Inverclyde financial allocation for the year of £76.313m, £0.622m less than previously anticipated. A copy of that letter is enclosed at Appendix A.
- 2.3 The main movement relates to an additional £0.587m savings target applied to Inverclyde as part of the Board wide Partnership savings target of £20m. Half of the £20m was identified through system wide projects, the remainder has been shared across Partnerships on a pro-rata basis

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Integration Joint Board notes the contents of this report.

**Brian Moore**  
Corporate Director (Chief Officer)

**Lesley Aird**  
Chief Financial Officer

## **4.0 BACKGROUND**

4.1 The Health Board approved the 2016/17 Financial Plan for NHS Greater Glasgow and Clyde on 28 June 2016. As part of that Financial Plan assumed savings of £20m had been applied to Health and Social Care Partnerships. Of this £20m, less than half had already been identified through whole system projects. The Health Board has split the remaining balance across Partnerships on a pro rata basis as an additional savings target. The Inverclyde IJB financial allocation for 2016/17 has been confirmed as £76.313m, £0.622m less than previously anticipated. A copy of the funding letter from the Health Board Chief Executive is enclosed at Appendix A.

## **5.0 BUDGET IMPACT 2016/17**

5.1 The Health Board has recognised that Partnerships may not be able to release the full value of their targeted savings in 2016/17 and the enclosed letter confirms that limited non-recurring relief is available to offset the full year effect of savings delivered in year. No funding is being released to Partnerships to cover this at this stage.

5.2 Partnerships had an unachieved savings balance from 2015/16 of £7.8m. The Health Board has advised that it will endeavour to cover this from non-recurring sources.

5.3 The Health Board budget had a further balance of £10m of Board wide savings still to be identified for 2016/17. We have been advised that further savings schemes may need to be identified as part of the Board's overall plan should the national programme of work fail to identify sufficient savings to cover this gap.

### **5.4 Inverclyde Savings Target**

The Inverclyde share of the unidentified Partnership savings balance has been calculated by the Health Board at an additional £0.587m of savings to be delivered in 2016/17, bringing the total savings target to £0.911m, or around 2% of influenceable spend. Influenceable spend for the purpose of this exercise is everything excluding the Prescribing, Change Fund and Resource Transfer budgets. The full savings are to be identified and agreed by January 2017. It is not known what portion of the further £10m savings (outlined in 5.3 above) might be apportioned against Inverclyde.

5.5 The detail of the calculation methodology splitting the savings target between Partnerships has been requested but not yet received.

5.6 The movement in anticipated funding allocation from the interim budget at 20 June till now is £0.622m. This is comprised of:

- Additional savings target applied to Inverclyde £0.587m
- Other budget minor adjustments and realignments totalling £0.035m

## 5.7 Inverclyde Savings Proposals

Of the total £0.911m savings for Inverclyde, the Partnership had already identified savings of £0.324m which are in the process of being delivered. These are:

Saving	Saving released in 2016/17 £000	Full Year Saving £000
Workforce savings through removal of vacancies and other initiatives	80	200
Savings within the Alcohol & Drug Partnership as part of GG&C wide initiative	40	75
Health Visiting as part of GG&C wide initiative	21	21
Public Health – removal of 0.5 WTE vacant post	28	28
<b>TOTAL</b>	<b>169</b>	<b>324</b>

5.8 Savings options for 2016/17 to address the £0.587m balance of the £0.911m are being developed by officers and will be brought to the IJB for approval later in the year. The allocation letter from confirms that the Health Board has some limited non-recurring relief available in year to offset the full year effect of savings delivered in year.

5.9 Work is also underway to identify options for savings for 2017/18. While actual savings targets for 2017/18 have not been confirmed at this time officers are working out scenarios based on initial advice from the Health Board Finance team.

## 6.0 IMPLICATIONS

### 6.1 Finance

Additional savings of £0.587m need to be identified from within Health Budgets in 2016/17.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

### Legal

6.2 There are no specific legal implications arising from this report.

### Human Resources

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

### **Equalities**

6.4 There are no equality issues within this report.

## **7.0 CONSULTATION**

7.1 The Chief Officer, the Council's Chief Financial Officer and Director of Finance NHSGGC have been consulted.

## **8.0 BACKGROUND PAPERS**

8.1 None.

**Greater Glasgow and Clyde NHS Board**

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Date: 5<sup>th</sup> July 2016  
 Our Ref: RC/BOB

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Dear Brian

**2016/17 Financial Allocation to Inverclyde Health & Social Care Partnership**

The Board approved the 2016/17 Financial Plan for NHS Greater Glasgow and Clyde on 28 June 2016.

The attached paper outlines the main assumptions as they apply to HSCPs and Appendix I gives specific details for your partnership including some recently agreed adjustments to Facilities budgets. Some further adjustments are required for telecoms, property maintenance and rates budgets. The prescribing out-turn figures for 2015/16 which form the basis for setting the current year budget have only recently become available and therefore the net uplift to your current prescribing budget will be applied during July.

The adjustments in the attached schedule will be processed in the Health Board ledger in time for the closure of the June reporting period and should be reflected in the out-turn you report to your HSCP Board for the first quarter of 2016/17.

Yours sincerely

**Robert Calderwood**  
 Chief Executive

## Summary

The Board's Financial Plan was approved by the Board on 28 June 2016.

This paper provides details of uplifts for pays, non-pays and prescribing growth in 2016/17. This will form the basis for updating budgets for 2016/17.

### Salaries Inflation

#### (1) Agenda for Change

A provision has been made for an increase of 1.0%. In addition, a provision has been made for a flat rate increase of £400 for staff earning less than £22,000.

#### (2) Medical & Dental

A provision has been made for a general increase of 1.0%.

#### (3) Other Staff Groups

A provision has been made for a general increase of 1.0%.

#### (4) Employers' National Insurance

A provision has been made for the abolition of the contracted out rebate of 3.4% in employers' national insurance contributions in respect of staff who are members of the superannuation scheme.

For paragraphs (1) to (4), this gives a composite uplift of 2.98% with the following recurring uplift:

Salaries Inflation	<u>£9,583,168</u>
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#### (5) Incremental Pay Progression – AfC

The experience of monitoring Agenda for Change (AfC) related pay trends has helped the Board develop a detailed understanding of the effect of incremental pay progression. This has enabled us to carry out a detailed forecast of pay growth for 2016/17, using current staff turnover ratios by staff category. The pay modelling has indicated incremental pay progression will not be a cost pressure in 2016/17, so no provision has been made for additional costs.

#### (6) Incremental Pay Progression – Consultants

The pay modelling has indicated incremental pay progression will not be a cost pressure in 2016/17, so no provision has been made for additional costs.

(7) Auto-enrolment to Superannuation

A provision has been made for the estimated cost of additional staff remaining within the Superannuation scheme following automatic re-enrolment on 1 April 2016. This will be applied to budgets as the actual costs are confirmed.

(8) Discretionary Points

A provision has been made for the on-going impact of funding additional discretionary points. This gives the following recurring uplift:

Discretionary Points	<u>£100,000</u>
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**Supplies Inflation**

(1) PPP and similar costs

Provision has been made for the following recurring uplift:

PPP Inflation	<u>£209,813</u>
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(2) General non pay uplifts – a provision of 1.0% has been made for other supplies, excluding drugs which will be separately funded. This gives the following recurring uplift:

Supplies Inflation	<u>£603,142</u>
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**Capital Charges**

It is not possible to establish allocations for capital charges costs at this stage until the effects of the revaluation are assessed and capital charge forecasts are finalised. When this is complete the funding allocations for 2016/17 will be confirmed. It has been agreed that capital charges budgets will be removed from partnerships during 2016/17 and managed on a whole system basis.

**Prescribing Growth – Primary Care**

The prescribing cost growth projection for 2016/17 is based on information from the Board's Prescribing Advisers. It includes provision for likely growth in volume / prices, based on current trends, related to drug treatments prescribed within Primary Care.

The recurring uplift for 2016/17 is:

Partnerships	
Increase in Volume	£12,200,000
New Drugs	£8,500,000
Targeted Cost Savings	(£5,000,000)
Prescribing Growth	<u>£15,700,000</u>

Allocations to individual partnerships are currently being finalised and will be applied to budgets prior to closure of the June reporting period. The Board will continue to operate the risk sharing arrangement for prescribing costs during 2016/17.

### **Resource Transfer**

A provision of 1.7% has been made for uplifts to resource transfers. This gives the following recurring uplift:

Resource Transfer	<u>£2,207,688</u>
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### **Cost Savings**

Local Cost Savings plans for 2016/17 have not yet been fully developed and quantified. An interim recurring amount of £10.4m has been identified for 2016/17 reflecting the collective cost savings programme to achieve £69.0m.

Chief Officers were advised by the Chief Executive on 14 March 2016 that further recurring local savings will be required during 2016/17 to meet the overall partnerships savings requirement of £20.0m. The allocation of the overall savings requirement is shown in appendix I.

Cost Savings	<u>(£20,000,000)</u>
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It is recognised that Partnerships may not be able to release the full £20.0m in 2016/17. Non recurring relief is limited but availability of non-recurring relief to offset the full year effect will be subject to further discussion during the year, so no funding will be released at this stage.

The Board will endeavour to cover 2015/16 unachieved savings of £7.8m from non recurring sources, however further savings schemes may need to be identified as part of the contribution to the £10m of unidentified savings in the Board's financial plan should the national programme of work fail to identify sufficient savings to cover this gap.

### **Service Commitments**

Provision has been made to fund service commitments arising from specific funding allocations. This gives the following recurring uplifts:

Integrated Care Fund	<u>£59,354,000</u>
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Funding for other service commitments will be dealt with separately.



Appendix I

Details of the specific uplifts and other adjustments are detailed in the table below.

<b>Partnership Budgets</b>	<b>Inverclyde £k</b>
<i>Rollover Budgets</i>	<i>71,253.0</i>
<b>Uplifts Applied</b>	
Pay incl low pay allowance	233.0
National Insurance rebate withdrawn	364.9
Auto Enrolment ( NR - Amounts to M2 only)	40.8
RT Uplift incl addictions RT	156.5
Non Pay Uplift	24.0
PPP	4.0
Net Prescribing adjustment tbc	
Social Care funding	4,449.0
Facilities Budget withdrawn	
Depreciation Budget Withdrawn	-295.0
<b>Savings</b>	
Savings Targets Applied ( Month 2)	-324.0
Outstanding Savings Targets to be applied ( Month 3)	-587.0
<b>2016.17 Opening Budget</b>	<b>75,319.1</b>
Anticipated Funding & Minor adjustments	994.1
<b>2016.17 budget as at 30.06.16</b>	<b>76,313.2</b>