

ANGUS COUNCIL

ANGUS COUNCIL – 4 MARCH 2021

**DEVOLVED BUDGET TO ANGUS HEALTH AND SOCIAL CARE PARTNERSHIP
INTEGRATION JOINT BOARD FOR 2021/22**

REPORT BY DIRECTOR OF FINANCE

ABSTRACT

This report summarises the proposed revenue budget being devolved to the Angus Health and Social Care Partnership Integration Joint Board (IJB) for 2021/22 which has responsibility for delivery of Adult Care Services.

1. RECOMMENDATION

It is recommended that the Council:

- a. Note the contents of this report;
- b. Approve the proposed 2021/22 Revenue Budget allocation from the Council as set out in Section 5 of this report subject to recommendation c);
- c. Agree that the 2021/22 Revenue Budget allocation from the Council be provisional at this time pending confirmation of the Local Government Finance Order and any associated terms of the local government grant settlement affecting the Council and the IJB;
- d. Note that a further report seeking approval of a final 2021/22 revenue budget allocation for the Angus IJB will, if any changes to the proposals in the report are necessary, be brought to the Policy & Resource Committee as soon as possible after the Local Government Finance Order is approved by the Scottish Parliament.

2. ALIGNMENT TO ANGUS COUNCIL PLAN / COMMUNITY PLAN (LOIP)

This report contributes as a whole to the Council Plan and Community Plan.

3. INTRODUCTION

The Integration Joint Board's Chief Officer has had responsibility for Adult Care Services from 1 April 2016. These arrangements are governed by the Angus Integrated Joint Board (IJB).

As part of this arrangement, the revenue budget associated with Adult Care services is devolved to the IJB. The IJB does not at present deliver services itself but instead provides these through Angus Council and NHS Tayside. To facilitate this, the IJB has prepared a Strategic Plan and supporting Financial Plan which demonstrates how it will utilise the totality of its devolved resources. The Strategic and Financial Plan identify:

- The resources associated with services that are being commissioned through each of the parent bodies, Angus Council and NHS Tayside;
- The manner in which these services are to be delivered by the parent bodies.

In the initial period of integration, resources devolved to the IJB and directed back to Angus Council and NHS Tayside did not significantly vary from historic patterns. This has changed as the IJB has developed integrated services more fully reflecting the proposals within the Angus Health and Social Care Partnership Strategic Plan.

4. 2021/22 DEVOLVED BUDGET PROCESS

This section details the individual elements comprising the movement in the IJB's proposed devolved revenue budget between 2020/21 to 2021/22.

Scottish Government Integration Funding

The Scottish Government's finance settlement announcement in February 2021 included two matters pertinent to finalisation of the IJB's devolved budget:-

- Confirmation of a cash increase of only 0.8% in the Council's government grant allocation after taking into account ring-fenced sums, leaving the Council with a funding gap as outlined in the Provisional Revenue and Capital Budgets 2021/22 Background Report (Report 68/21). This highlights the context within which discussions on the IJB's devolved budget have taken place;
- The inclusion of funding of £72.6m nationally from the Scottish Government's Health Portfolio, in recognition of specific pressures affecting IJBs. It is highlighted that the funding consists of the following specific elements:-
 - Free Personal and Nursing care (£10.1m) – the impact of this is within resources devolved to the IJB and it is therefore appropriate for the funding to be devolved;
 - Carer's Act extension (£28.5m) – the majority of this funding will relate to adult services and a nominal element related to children's services and is appropriate for the funding to be almost wholly devolved;
 - Living Wage (£34.0m) - the impact of this is within resources devolved to the IJB and it is therefore appropriate for the funding to be devolved.

In light of the above, the £72.6m funding provision is almost wholly applicable to the IJB 2021/22 revenue budget. It is highlighted that the provisional terms of the Finance Settlement are such that all of the £72.6m must be provided to IJBs by local authorities. It should be noted that details of allocations to individual IJBs has still to be provided but it is understood that these national totals will be distributed through a combination of NHS National Resource Allocation formula and local government Grant Aided Expenditure indicators.

Cost Pressures

On an annual basis the IJB faces a number of cost pressures with long term planning to address these outlined in the Angus IJB Strategic Financial Plan. These include pay inflation pressures for employees employed through Angus Council and inflation related issues for contracts delivered through third party providers (including the National Care Home Contract). The IJB also continues to see an increase in demand for adult social care services linked to demographic changes in, for example, the older people population. In addition to those pressures included in the IJB's draft Strategic Financial Plan a number of further pressures have become evident through the Finance Settlement from the Scottish Government.

The estimates of the above noted cost pressures are still subject to change, with the previously estimated impacts applicable to Angus Council, on a risk exposure basis, as follows:-

Cost Pressures	£000	2021/22 Impact £000
Inflation - employed staff		759
Inflation – Third Party Contracts		1,180
Carers Act / Complex Care		497
Demographic changes		510
Other		750
Strategic Financial Plan Total		3,696
<u>Finance Settlement Pressures</u>		
Living Wage Consolidation	190	
Free Personal & Nursing Care Uprating	215	405
Grand Total		4,101

The Council's Change Programme includes an amount equivalent to the Council's share of the exposure to Strategic Financial Plan cost pressures as a savings target attributed to the Angus Health & Social Care Partnership. Funding has been provided in the Finance Settlement for the newly evident cost pressures.

Budget Savings

The Integration Scheme sets out the governance process for the development of the devolved budget from the Council to the IJB. Discussions have been ongoing during 2020/21 between the Council and the IJB to progress towards an agreed devolved budget for 2021/22. The development of the devolved IJB budget has also been progressed through the Council's normal budget setting arrangements and draft proposals were considered through the Policy & Budget Strategy Group (PBSG) and Shadow Budget Group.

The IJB has budget pressures to consider beyond Adult Services given its wider service delivery remit. In recognition of the respective budget pressures on the IJB and Council, the IJB is developing a number of proposals in response to the above noted cost pressures across its wider service remit in order that they can be contained within its currently devolved resources i.e. a cash flat funding proposal prior to consideration of Scottish Government Integration Funding. It will therefore be for the IJB to determine the extent of savings that are delivered specifically from the Adult Services budget. The IJB's draft Strategic Financial Plan contained projected funding shortfalls in 2021/22, and on a recurring basis. The Finance Settlement implications outlined in this paper may exacerbate those planning shortfalls.

5. 2021/22 DEVOLVED REVENUE BUDGET

Scottish Government Integration Funding

As noted above, the additional funds being provided nationally to support integration are being channelled through the Local Government Finance Settlement. In light of the funding announcements noted in Section 4 above, and the agreed approach to savings / cost pressures, the table below outlines the proposed funding to the IJB for 2021/22.

	Note	£000	£000
2020/21 Revenue Budget		49,704	
Add: Budget virement from Children, Families & Justice		21	
Revised 2020/21 Revenue Budget			49,725
Scottish Government Integration Funding			
Free Personal and Nursing Care	1	323	
Carer's Act	1	676	
Living Wage	1	806	
Total Share of £72.6m National Funding			1,805
2021/22 Proposed Revenue Budget (Provisional)			51,530

Notes:-

1. As noted in section 4 these are estimated shares at present.

In light of the above, it is proposed that the Council will provide a devolved budget of £51.530m for 2021/22, albeit this will be subject to revision for finalised grant awards from the Scottish Government.

At the time of writing this report the local government finance settlement and the conditions attached to it remain provisional and won't be confirmed until the Scottish Parliament approves the Local Government Finance Order later in March 2021. Experience from recent years suggests that changes to the settlement and conditions attached to it affecting IJBs could arise before the Order is agreed and for this reason the Council is being asked to approve the 2021/22 Devolved Revenue Budget on a provisional basis. Approval of a final Devolved Budget to the Angus IJB, if any changes to the proposals in the report are necessary, will be via a further report to the Policy & Resources Committee once the Local Government Finance Order has been agreed.

In addition to the above proposed budget, Angus Council and the IJB are in ongoing discussion to consider the possible re-alignment of some budgets currently devolved to the IJB. This may involve some resources reverting to Angus Council if it is deemed management oversight will be better or more appropriately delivered through Angus Council. Examples may include some property related resources or other shares of corporate obligations.

Approval by the Integration Joint Board

The 2021/22 budget package outlined in this report was considered by the Integration Joint Board on 24th February 2021. It is noted that the Board approved the budget package subject to caveats regarding the resolution of support service budget pressures by Angus Council and outstanding inflationary risks for 2021/22 in relation to pay awards and the National Care Home Contract.

6. RISKS

There are a number of risks to Angus Council evident in the budget provision for the IJB in this report as detailed below.

Cost Pressures

As noted above the cost pressures are estimates only and further work is required to review these in detail. It may be that such review determines that the extent of these is in excess of the current estimate.

Savings Requirement

In order for the IJB to work within a cash limited budget for 2021/22 they will continue to manage a challenging savings and cost containment programme of measures across the whole of the IJB, as noted above, to achieve this. There is also risk associated with one-off costs such as severance costs that may arise in order to deliver these savings.

Budget Risk Sharing

It should be noted that Angus Council's and NHS Tayside's financial relationship with the IJB is described in the Integration Scheme which each of the parties approved. The Integration Scheme sets out that any ultimate overall overspend (i.e. which cannot be managed through corrective action or use of available IJB reserves) in relation to devolved budgets is shared between the funding partners on the basis of their proportionate share of how the total resources available to the IJB are directed in the financial year in question. In financial year 2020/21 this risk share was 34% Angus Council and 66% NHS Tayside. This risk sharing means that Angus Council has an exposure to financial risk should an ultimate overall overspend arise across the whole IJB regardless of the IJB activity from which the overspend originates. This does of course mean that NHS Tayside is similarly exposed, but as the larger funding partner NHS Tayside bears the majority of the risk relating to ultimate overall overspends. This approach does however help support the principles of Integration such that the resources of each funding partner gradually lose their identity so that the funding package is looked at as a whole.

Should an overall underspend ultimately result at the year-end, the impact on the financial positions of both the Council and the NHS would be neutral and, per the Integration Scheme, the underspend would

be retained within IJB reserves. At 31 March 2020 the Angus IJB had a General Reserve (contingency) of £4.5m.

7. FINANCIAL IMPLICATIONS

There are no immediate financial implications arising from the recommendations of this report. The proposed devolved budget as outlined in this report is considered from a Council officer perspective to be reasonable and fair given the local government funding context it is set in but will be challenging to deliver.

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NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.