

ANGUS COUNCIL

ANGUS COUNCIL – 3 MARCH 2022

**DEVOLVED BUDGET TO ANGUS HEALTH AND SOCIAL CARE PARTNERSHIP
INTEGRATION JOINT BOARD FOR 2022/23**

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 2022/23 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 2022/23 Revenue Budget allocation from the Council as set out in Section 5 of this report subject to recommendation c);
- c. Agree that the 2022/23 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 2022/23 revenue budget allocation for the Angus IJB will, if any changes to the proposals in the report are necessary, be brought to an appropriate Committee as soon as possible after the Local Government Finance Order is approved by the Scottish Parliament.

2. ALIGNMENT TO ANGUS COUNCIL PLAN / LOCAL OUTCOME IMPROVEMENT PLAN (LOIP)

This report contributes as a whole to the Council Plan / LOIP.

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 prepares 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. 2022/23 DEVOLVED BUDGET PROCESS

This section details the individual elements comprising the movement in the IJB's proposed devolved revenue budget between 2021/22 to 2022/23.

Scottish Government Integration Funding

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

- Confirmation of a cash increase of 0.5% in the Council's core government grant allocation after taking into account new responsibilities and ring-fenced sums, leaving the Council with a significant funding gap as outlined in the Provisional Revenue and Capital Budgets 2022/23 – Background Report (Report 62 / 22). This highlights the context within which discussions on the IJB's devolved budget have taken place.
- The inclusion of £575.9m nationally in recognition of specific pressures affecting IJBs and to facilitate investment and expansion of health & social care provision. It is highlighted that the funding consists of the following specific elements:-
 - Free Personal and Nursing care (£15.0m) – for the uprating of free personal and nursing care payments. 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 (£20.4m) – for the ongoing extension of the provisions within the Carer's Act. The majority of this funding relates to adult services and a nominal element related to children's services. The IJB makes provision for the children's service element through its overall contract and it is thus appropriate for the funding to be wholly devolved;
 - Living Wage (£174.5m) – for the delivery of the Living Wage within the provision of Health & Social Care Services. This is to fund an uplift to £9.50 / hour from April 2021 (£30.5m) and to £10.02 / hour from December 2021 (£144.0m). The impact of this is within resources devolved to the IJB and it is therefore appropriate for the funding to be devolved;
 - Interim Care (£20.0m) – for the delivery of interim care for health and social care clients. This is non-recurring funding provided for 2022/23 only. The impact of this is within resources devolved to the IJB and it is therefore appropriate for the funding to be devolved;
 - Care at Home (£124.0m) – for the expansion of delivery of health & social care services in the client's home. The impact of this is within resources devolved to the IJB and it is therefore appropriate for the funding to be devolved;
 - Social Work Capacity (£22.0m) – for the provision of additional social work capacity to support the adult social care sector. Scottish Government correspondence indicates that an element of this funding is for oversight of care homes by the Chief Social Work Officer. Therefore, while the majority of the impact of the funding provision is within resources devolved to the IJB, there may be a proportion that is relevant to the Children, Families and Justice service. However, in light of the late notification of this additional funding (9th February) all of the funding has been assumed to be devolved at present but it should be noted that this may change following dialogue between the two services;

- Health & Social Care investment (£200.0m) – this is to fund a further uplift in the Living Wage to £10.50 / hour from April 2022 (circa £144m) and for general investment in the delivery of health & social care services (circa £56m). 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 £575.9m funding provision is wholly applicable to the IJB 2022/23 revenue budget. It is highlighted that correspondence from the Cabinet Secretary for Finance notes that this funding “should be additional and not substitutional to each Council’s 2021-22 recurring budgets for adult social care services that are delegated”. It is noted that the final funding element of £200.0m for health & social care investment has been held back at present by the Scottish Government and is thus not yet in the grant totals distributed to individual local authorities. While, therefore, the Angus allocation of most of the funding streams is known from the Finance Settlement an assumption has required to be made in respect of this £200.0m undistributed sum.

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. It is highlighted, however, that the most recent Strategic Plan was reported to the Integration Joint Board in April 2021. It is thus relatively dated and does not reflect latest data regarding inflation and newly emerged cost pressures such as the 1.25% National Insurance increase from April 2022. It is however, the latest available cost pressure data from which to give context to the proposed IJB budget increase for 2022/23.

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.

An assessment of the cost pressures arising for the IJB is therefore set out in the table below.

Cost Pressures	£000	2022/23 Impact £000
Inflation - employed staff		570
Inflation – Third Party Contracts		1,335
Home Care Growth		200
Demographic changes		1,250
Strategic Financial Plan Total		3,355
<u>Finance Settlement Pressures</u>		
Living Wage		
- Increase to £9.50	727	
- Increase to £10.02	3,434	
- Increase to £10.50	3,434	
Free Personal & Nursing Care Uprating	484	8,079
Grand Total		11,434

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 pressures recognised and funded by the Scottish Government.

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 2021/22 between the Council and the IJB to progress towards an agreed devolved budget for 2022/23. 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 (SBG).

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 progressing and 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 increased Scottish Government funding. It will therefore be for the IJB to determine the extent of savings that are delivered specifically from the Adult Services budget. This includes the increases in charges proposed by officers in the "Review of Angus Council Charges for Support and Care Services and Residential Fees 2022/23 report on this Agenda. The IJB's Strategic Financial Plan from April 2021 contained projected funding shortfalls in 2022/23, and on a recurring basis. The Finance Settlement implications outlined in this paper on to those planning shortfalls will need to be considered by the IJB.

5. 2022/23 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 2022/23.

	Note	£000	£000
2021/22 Revenue Budget		51,530	
Less: Budget virement to Children, Families & Justice		(11)	
Less: Budget virement to Vibrant Communities		(10)	
Revised 2021/22 Revenue Budget			51,509
Scottish Government Funding Distributed:			
Free Personal and Nursing Care	1	484	
Carer's Act	1	486	
Living Wage	1	727	
- Increase to £9.50		3,434	
- Increase to £10.02			
Interim Care (one off 2022/23 only)	1	480	
Care at Home	1	2,978	
Social Work Capacity	1	528	
Distributed Funding			9,117
Scottish Government Funding To Be Distributed:			
Health & Social Care Investment	2	3,434	
- Living Wage increase to £10.50		1,246	
- Other investment			4,680
Total Share of £575.9m National Funding			13,797
2022/23 Proposed Revenue Budget (Provisional)			65,306

Notes:-

1. Based upon the Angus Council share of pertinent Grand Aided Expenditure.
2. As noted in section 4 this has not been distributed yet and is an estimated share at present.

In light of the above, it is proposed that the Council will provide a devolved budget of £65.306m for 2022/23, albeit this will be subject to revision for finalised grant awards from the Scottish Government and consideration of any share of resources which should be targeted at Children, Families and Justice Services. The position detailed in the various budget papers reflects this proposal noting the IJB Board still requires to approve the devolved budget package from Angus Council at a future IJB Board meeting.

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 in late February 2022. 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 2022/23 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 an appropriate Committee once the Local Government Finance Order has been agreed.

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 2022/23 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.

Approval by the Integration Joint Board

The 2022/23 budget package has been accepted at an officer level for progressing to seek formal approval by the IJB. This will not, however, be formally presented to the IJB Board until 23rd February, prior to the Council Tax setting meeting. There is risk that the IJB does not approve the proposed devolved budget and seeks to reopen dialogue with the Council. A verbal update will be provided in this regard at the Council Tax Setting meeting if required.

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. Although it is under review the current 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 2021/22 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, and 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 2021 the Angus IJB had a General Reserve (contingency) of £4.75m.

7. FINANCIAL IMPLICATIONS

There are no additional 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.