

CLACKMANNANSHIRE COUNCIL

Report to Council

Date of Meeting: 13th August 2015

Subject: Health and Social Care Integration: Finance workstream update

Report by: Depute Chief Executive

1.0 Purpose

- 1.1. The purpose of this report is to provide some background information and an update on the progress with work being undertaken by the Finance Workstream group in preparation for the implementation of Health and Social Care Integration (HSCI), and pending more detailed discussions on proposed resource transfer.

2.0 Recommendations

It is recommended that Council notes:

- 2.1 those services prescribed for the purposes of HSCI (paragraph 3.4)
- 2.2 the use of professional and statutory guidance to develop and prioritise the work undertaken within the Finance workstream (paragraph 4.1)
- 2.3 Methodologies for allocating budgets to prescribed services as prepared by NHS Forth Valley and Clackmannanshire, Stirling and Falkirk Councils (Appendices A and B respectively)
- 2.4 the common principles adopted within each methodology (paragraph 4.4)
- 2.5 the relative complexity of the allocation process for NHS compared with local government (paragraph 4.5)
- 2.6 ongoing work to develop the indicative resource transfer figures (paragraph 4.8)
- 2.7 the proposed approach to due diligence work (paragraph 4.9)
- 2.8 the need to align Council Budget preparation and Strategic Plan development prior to agreeing the amount to be paid to the Board (paragraphs 4.11 and 4.12)
- 2.9 ongoing work within the Finance workstream project plan (paragraph 4.13).

3.0 Background

3.1 Council has received six reports over the last 12 months detailing arrangements and progress with the preparatory work for implementation of HSCI. The most recent reports have focussed on the preparation and submission of the Clackmannanshire and Stirling Health and Social Care Integration Scheme to Scottish Government. Once this Scheme has been approved by Scottish Ministers, the Transitional Board (TB) will be superseded by the Integration Joint Board (IJB).

3.2 A core group of chief officers from the Forth Valley councils and NHS Forth Valley has been co-ordinating the activity of six workstreams covering:

- Governance
- Finance
- Human Resources and Organisational Development
- Consultation and Engagement
- Clinical and Practice Governance
- Planning and Operational.

The key tasks being progressed within each of the workstreams was reported to Council in August 2014.

3.3 During 2014, prior to the establishment of the Finance workstream group, Directors of Finance from the three Forth Valley councils and from NHS Forth Valley were meeting regularly with a view to establishing the remit and programme of activity for the Finance Workstream. The Finance Workstream Group was subsequently established with a wider membership drawn from across the four partner finance teams. The initial focus of work was primarily contributing to the preparation of the relevant sections of the draft Integration Scheme. Latterly the activity of the group (and its technical methodologies sub group) has been supported by the project managers appointed by each of the Forth Valley TBs.

3.4 The scope of the functions to be integrated is prescribed by Scottish Ministers. These functions are:

Council

- Social work services for adults and older people
- Services and support for adults with physical disabilities, learning disabilities
- Mental health services
- Drug and alcohol services
- Adult protection and domestic abuse
- Carers support services
- Community care assessment teams
- Support services
- Care home services
- Adult placement services
- Health improvement services
- Housing support services, aids and adaptations
- Day services

- Local area co-ordination
- Respite provision
- Occupational therapy services
- Re-ablement services, equipment and telecare

Health

- Unplanned inpatients (medical care for the treatment of urgent or emergency conditions that require an unplanned admission to hospital)
- Outpatient accident and emergency services (services provided within a hospital for the treatment of urgent or emergency conditions)
- Care of older people (medical care for older people when not covered by unplanned inpatients)
- District nursing
- Health visiting services
- Clinical psychology services
- Services provided by Community Mental Health Teams (services delivered in the community for those with mental health problems)
- Services provided by Community Learning Difficulties Teams (services delivered in the community for those with learning difficulties)
- Services for persons with addictions
- Women's health services
- (services providing the assessment, diagnosis care, planning and treatment of women's health, sexual health and contraception services)
- Services delivered by allied health professionals
- GP out-of-hours services
- Public Health Dental Service
- Continence services
- Dialysis services delivered in the home
- Services designed to promote public health
- General Medical Services (Full range of services provided by general medical practitioners and their teams)
- GP pharmaceutical services (prescribing and dispensing of medicine and therapeutic agents by GPs, nurse prescribers, and prescribing pharmacists working in GP practices.)

This schedule of prescribed services therefore forms the focus for the work undertaken by each of the six workstream groups including the Finance workstream.

- 3.5 The Chief Officer for Clackmannanshire and Stirling IJB took up her post in early July. Discussions in respect of the appointment of the Chief Financial Officer are ongoing. Since taking up her appointment, the Chief Officer has attended a meeting of the Finance Workstream.
- 3.6 Section 4 of this report provides an update on progress and activity within the Finance workstream. The information contained in the report has also been supplemented by an all member briefing which was held on the 10th August 2015. The aim of the briefing was to provide elected members with a more practical understanding of the due diligence work which has recently commenced.

4.0 Finance Workstream update

- 4.1 The Scottish Government established the Integrated Resources Advisory Group (IRAG) to consider the financial implications of integrating health and social care, and to help develop professional guidance. Membership of IRAG includes COSLA, Scottish Government, Audit Scotland and senior practitioners from local government and health. The IRAG guidance has been used to help direct and prioritise the range of finance development tasks and populate the workplan for the Finance workstream alongside those specific tasks required by statutory guidance.
- 4.2 The workstream has undertaken a range of activity to date, however, a distinct focus has been to prepare for the detailed work required to identify the levels of resource transfer which will be required to support the delivery of the IJB's Strategic Plan.
- 4.3 To facilitate this process, the Finance Workstream established the Methodologies Sub Group which was tasked with setting out the approach for identifying the level of operational resources deployed in delivering in scope/ prescribed services under HSCI. This approach aims to ensure transparency over the way in which the exercise is conducted for both local government and health finance professionals but also to allow appropriate due diligence activity to be undertaken once draft figures have been prepared.
- 4.4 Appendices A and B are the methodologies proposed and applied by NHS Forth Valley and Clackmannanshire, Stirling and Falkirk Councils respectively. These are primarily prepared for practitioners in the first instance, meaning that the language and acronyms used may be unfamiliar. In essence, both the Health and Local Government approaches adopt the following principles:
- confirmation of the range of prescribed services
 - distinguish strategic and operational service functions
 - in the first instance, budgets are allocated on a direct cost basis as it is considered that direct costs will be recognisable to operational managers and are more likely to reflect known activity and changes, thereby assisting operational financial management in the early years of the IJB
 - where allocation of budgets on a direct cost basis is not possible, it is necessary to use a range of management information sources to establish a basis of apportionment. This basis of apportionment needs to be transparent and understood.
- 4.5 In overall terms, the identification and allocation of local government budgets across the prescribed services is a less complex task than that for health. In local government operational budgets are more clearly aligned with functional service delivery, meaning

that a greater proportion can be allocated on a direct cost basis. In health, the delivery of prescribed services cuts across a range of directorates and budget lines with the consequence that it is less likely that budgets will be capable of allocation on a direct cost basis. Conversely there is greater use of other information sources on activity levels and costs to establish the apportionment basis. These are, therefore, matters of professional judgement supported and evidenced by the range of available data.

- 4.6 A further general consideration is that for professional staff as well as for elected members and non executive members, there is less familiarity with the approaches, information and activity levels in the respective partner organisations. This suggests an added significance for all partners in ensuring adequate assurance is obtained over the approach in the first instance, and subsequently the outcome of the due diligence work undertaken by professional staff prior to figures being submitted to each partner organisation.
- 4.7 Alongside work to clarify methodologies, work was also undertaken to agree a format for the submission of draft figures so that figures can be reviewed with relative ease and consistency between each partner organisation.
- 4.8 At its meeting on the 8th July, the Finance workstream members, shared on a confidential basis, draft figures derived from the initial application of the agreed methodologies for NHS Forth Valley and Clackmannanshire, Stirling and Falkirk Councils. This step was necessary in order that due diligence work can now commence. Following the completion of this work, it is planned that a report will be submitted to each partner organisation in the autumn, prior to submitting figures to the IJB.
- 4.9 The broad approach to due diligence adopted for Clackmannanshire and Stirling Councils and NHS Forth Valley is as follows:
- on a line by line basis, an understanding of the assumptions and basis of apportionment applied to each budget
 - testing of assumptions and bases of apportionment as applied to budgets, incorporating analysis of the underlying assumptions/evidence on activity levels and costs (and, including reciprocal interrogation of the HSCDIIP and CCIS systems in NHS and Clackmannanshire respectively)
 - reasonableness and completeness checks
 - developing an understanding, and challenging as appropriate, the impact of local performance and need across Forth Valley and its impact on budgets/proposed resource transfer
 - working with Social Services, review and analysis of service delivery and activity levels for prescribed services to ensure completeness and reasonableness of proposed apportionments and direct budget allocations
 - in the latter stages, national benchmarking of global sums to ensure that the resource transfer sums fall within anticipated parameters.

4.10 This work will be taken forward in three main ways:

- detailed and technical analysis via the Methodologies sub group which will meet more frequently over the summer and early autumn period
- in joint Clackmannanshire and Stirling Council sessions with Social Services and finance staff
- through the Finance Workstream Group.

4.11 Once all partners have completed due diligence work, it is intended that a report will be presented to the Council which will provide the results and, if there are any, highlight any areas of unresolved difference. This will provide the indicative figure recommended for resource transfer pending more detailed consideration through the Budget process.

4.12 It is important to reiterate that in this next report, it is not intended that Council will be asked to agree the quantum of the resource transfer **to be paid**, given that the IJB has not yet prepared its Strategic Plan nor have details of individual funding settlements been provided to partners. Given the additional UK Budget announcements on the 8th July and the imminent UK Autumn Spending Review, it remains unclear what the impact might be for budget setting in 2016/17 and beyond and these are clearly significant considerations for the Council.

4.13 Alongside resource transfer work, there are a range of additional finance workstream tasks contained within the project plan. Work is currently in hand to distribute the workload over two sub-groups, one focused on governance and assurance type work and one more on financial management. Each sub group has been tasked with consolidating the tasks into fewer, themed tasks which can be allocated and monitored more easily.

5.0 Conclusions

5.1 A framework is in place to deliver the necessary inputs to HSCI in respect of finance considerations.

5.2 To date deadlines have been met.

5.3 Work is now approaching a critical phase and it is important that elected members gain sufficient assurance over the work in hand, processes and timelines.

5.4 Further reports will be presented to Council following the completion of due diligence work.

6.0 Sustainability Implications

6.1. The Council's budget and its approval will allow services to deliver against sustainable outcomes.

7.0 Resource Implications

7.1. Financial Details

7.2. Finance have been consulted and have agreed the financial implications as set out in the report. **Yes**

7.3. Staffing

as above

8.0 Exempt Reports

8.1. Is this report exempt? **No**

9.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) Our Priorities

The area has a positive image and attracts people and businesses
Our communities are more cohesive and inclusive
People are better skilled, trained and ready for learning and employment
Our communities are safer
Vulnerable people and families are supported
Substance misuse and its effects are reduced
Health is improving and health inequalities are reducing
The environment is protected and enhanced for all
The Council is effective, efficient and recognised for excellence

(2) Council Policies (Please detail)

10.0 Equalities Impact

10.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? **Yes**

11.0 Legality

11.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. **Yes**

12.0 Appendices

12.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A Health Budgets- Methodology Paper , May 2015

Appendix B Local Authority Budgets- Methodology Paper, May 2015

13.0 Background Papers

13.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Council HSCI papers June 2014-present



Finance Workstream minutes

IRAG: Professional Guidance, Advice and Recommendations for Shadow Integration arrangements

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**Health and Social Care Integration – Finance Workstream
Health Budgets – Methodology Paper****1. Purpose of Report**

- 1.1 The report sets out the key issues in calculating baseline Health budgets for the two IJBs in the Forth Valley area. It draws on and is intended to be compliant with the 'Guidance on Financial Planning for Large Hospital Services' and 'Guidance for Integration Financial Assurance' which will be incorporated in the revised Integrated Resourcing Advisory Group (IRAG) guidance which is due for publication at the time of writing. These documents are the key elements of financial guidance underpinning the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act).

2. Background

- 2.1 Schedule 3 of the Act determines the minimum range of functions and associated budgets to be devolved to IJBs for either operational management and strategic planning purposes or for strategic planning purposes only. In preparation for this NHS Forth Valley has developed and begun implementing a process to support the establishment of IJB budgets based on the extant guidance to quantify the budgetary and associated financial impact (e.g. impact on financial management and risk).
- 2.2 As well as financial impact there will be a need to understand associated activity and workforce issues.

3. Process and Service Categorisation

- 3.1 It is envisaged the required process has 7 key steps as follows
- Identify which NHS FV services are in scope of IJBs
 - Classify in scope health services between strategic and operational categories and sub-categories
 - Understand and test the budgetary and accounting treatment for each category
 - Allocate in-scope area-wide service budgets across the 2 IJBs
 - Consider use of indicators / information sources to allocate budgets including IRF>HSCDIIP
 - Evaluate impact on current Directorate Management Structures, NHS FV and the IJBs
 - Use as basis for Due diligence / Financial Assurance Basis
- 3.2 There are four service categories identified. These are:

- Strategic Planning Only via IJB – e.g. large hospital services and primary care services
- Strategic Planning and Operational Commissioning via IJB – e.g. Alcohol and Drug Partnerships, Advocacy, Marchglenn, Complex Care etc.
- Strategic Planning and Operational Delivery via IJB – e.g. District Nursing, Community Palliative Care Services, Partnership Funding Streams etc.
- Areas Under Query / Requiring Further Discussion / For Future Consideration e.g. CMHTs / Children's Services

4. Proposed Allocation Methodology

- 4.1 As the allocation of budgets and costs for each service category each pose their own issues it is necessary to examine the methodology for each category separately. However, as an overriding principle it is recommended that budgets and costs are allocated on a direct cost basis, at least initially. This recommendation is made on the basis that direct costs will be recognisable to managers as reflecting their operational budgets, are more likely to be reflect cost behaviour in line with service change and assist ownership of budgets therefore assisting operational financial management particularly in the early years of IJBs. Direct costs are deemed to include management costs directly attributable to devolved services but exclude overheads and support costs (e.g. shares of Finance, ICT, Human Resources etc.)
- 4.2 The principle of direct cost will, we understand the balanced by a requirement as part of IJBs annual performance statements to produce a statement of activity and costs on a fully absorbed net total cost basis. It is envisaged the HSCDIIP tool will support this requirement.
- 4.3 Where functions or services are devolved that are supported by funding allocations from SGHSCD with specific classification or restrictions these classifications or restrictions will apply to the relevant IJB as appropriate. This may include allocations for specific use (e.g. for a specific client group), specific outcome (e.g. to improve waiting times) or funding restrictions in relation to non-recurrent or time limited allocations
- 4.4 In addition to the principle direct costs it is suggested the following principles are applied to agreeing the most appropriate methodology.
- Where services can be clearly identified to IJB areas the direct cost and budget is used. E.g. GP Practices, Primary Care Prescribing, District Nursing Teams
 - For large hospital services and hosted services, where it is deemed appropriate to host a small service operationally on an FV wide basis in either an IJB or with the NHS Board, the Guidance on Financial Planning for Large Hospital and Hosted Services states the budget should be established using a mix of cost and activity either from national or local datasets. In line with this it is recommended that the budget is calculated using direct costs and activity

information where a robust dataset exists to allocated shares to IJBs. Where a robust dataset does not exist it is recommended that a weighted population basis is used using the most appropriate NRAC weighted population dataset for the service in question until a sufficiently robust dataset is available at a future point in time.

- Although the methodology to be used is for local determination the guidance recommends a consistent methodology is applied across all partnerships with a health board area. It is therefore recommended that this principle is followed locally.

5. Financial Planning Issues Arising from Methodology for Large Hospital and Hosted Services

- 5.1 Adopting a methodology for establishing budgets compliant with the guidance raises the need to consider the fact that this will effectively embed some degree of inequities in IJB budgets from the outset where service activity and therefore resource consumption materially deviate from the best estimate of relative need. It is recommended that, in establishing the operational financial frameworks for IJBs this issue is considered. There a likely to be several options to deal with this and the development of scenario's for IJBs may facilitate the required debate.

6. Conclusion and Recommendations

- 6.1 The above report details the process for scoping IJB budgets and proposed allocation methodologies to be applied for NHS Budgets.
- 6.2 The finance Workstream is asked to consider the recommendations made above and consider how this work should be incorporated in the Workstream plan including how the issues arising are reported to the core group and transitional boards.
- 6.3 Work is ongoing to quantity costs and budgets per the above in a format compliant with the Guidance for Integration Financial Assurance which will be shared in due course.

**Clackmannanshire and Stirling Partnership
Health and Social Care Integration – Finance Workstream**

Local Authority Budgets – Methodology Paper

Introduction

The local authority must delegate the functions prescribed under section 9 of Public Bodies Joint Working (Scotland) Act 2014 in so far as the functions that are exercisable in relation to persons of at least 18 years of age. This requires Health Boards and Local Authorities to integrate planning for, and delivery of adult care, prescribed adult health and social care services and integrate non prescribed adult care services.

The draft financial regulations list these functions as:

- Services and support for adults with physical disabilities and learning disabilities
- Mental health services
- Drug and alcohol services
- Adult protection and domestic abuse
- Carers support services
- Community care assessment teams
- Support services
- Care at home services
- Adult placement services (LTC)
- Health improvement services
- Aspects of housing support, including aids and adaptations
- Day services
- Local area coordination
- Respite provision
- Occupational therapy services
- Re-ablement services, equipment and telecare
- Intermediate Care

Local Authority functions not included are Children's Social Work, Criminal Justice Services and Mental Health Officer functions. These remain with the respective Local Authority and are out with the scope of Health and Social Care Integration.

Process and Service Categorisation

In terms of the process the required steps would be as follows:

- Identify the in scope services – These are listed above
- Classify in scope Local Authority services between strategic and operational
- Consider use of indicators / information sources to allocate budgets including GAE, POBE, LFR
- Allocate in-scope services to IJB budget

- Evaluate impact on Local Authority services that are out of scope
- Use as basis for due diligence

Proposed Allocation Methodology

The allocation of budgets from the Local Authority to IJB, is a simpler process than that of NHS. It is recommended that budgets and costs are allocated on a direct cost basis, net of VAT, as these are the budgets and costs that operational managers will be familiar with and will assist in the ownership of operational budgets.

In addition to the direct cost principle it is suggested that the following principles are applied

- Where services can be clearly identified as IJB areas the direct cost and budget is used.
- Budget will be allocated based on service demand as per GAE, POBE, LFR. However regard has to be taken to ensure a balanced budget position within each Local Authority and this may include a proportion of any associated savings targets to ensure fairness between Local Authority and IJB budgets
- Where services are Forth Valley wide and hosted by one Local Authority, these remain with the host authority for the time being as current working arrangements are appropriate and with the scale of these services it is practical to continue to operate these services as is. Budget for these services will be based on a mix of direct costs and activity information as per Guidance on Financial Planning for Hosted Services.

Finance Workstream – Glossary of Terms

SGHSCD	Scottish Government Health and Social Care Directorate
GAE	Grant Aided Expenditure the mechanism by which resources from central government are allocated through Local Authorities.
Allocation	A sum of money provided for a particular purpose (normally from Government)
Recurring Allocation	An amount of money provided on an ongoing basis i.e. year after year.
Non-Recurring Allocation	An amount of money provided for a specific timeframe e.g. for a single financial year.
Ringfenced	Term used to describe a process where a sum of money has restrictions placed on it as to the purpose(s) it may be used for (normally by Government)
Direct Cost	A cost that can be completely attributed to the provision of a service or product without the requirement to allocated or absorb indirect costs or overheads.
Overhead	The operating costs of an organisation that cannot be completely attributed to the (direct) provision of a service or product. E.g. Building Maintenance, Rates, HR, Finance, Corporate Services etc.
NRAC	National Resource Allocation Committee which devised the NRAC formula which calculates the shares of NHS Scotland resources across NHS Board.
TAGRA	Technical Advisory Group on Resource Allocation the group tasked with the future maintenance, development and review of the NRAC formula.
PMS / GMS	Primary Medical Services / General Medical Services services normally provided through GP Practices.
GDS	General Dental Services. NHS Dental Services provided by independent dental practitioners.
GOS	General Ophthalmic Services. NHS Ophthalmic Services provided by independent providers.
GPS	General Pharmaceutical Services. NHS Pharmaceutical Services provided by independent pharmacies commonly referred to as community pharmacies.
CMHT	Community Mental Health Team
IJB	Integration Joint Board

CO	Chief Officer
CFO	Chief Finance Officer
LFR	Local Financial Return (Local Authorities)
SFR	Scottish Financial Return (NHS Boards)
POBE	Projected Outturn & Budget Estimate (Local Authorities)
HSCDIIP	Health and Social Care Data Integration and Intelligence Project - an information tool developed by ISD to support strategic planning and decision making.
RRL	Revenue Resource Limit (NHS Boards)
CRL	Capital Resource Limit (NHS Boards)