



INTEGRATION JOINT BOARD

Date of Meeting	10 March 2020
Report Title	Medium Term Financial Framework
Report Number	HSCP.19.106
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author Details	Alex Stephen, Chief Finance Officer
Consultation Checklist Completed	Yes
Directions Required	Yes
Appendices	1.Financial Strategy 2.Direction to Aberdeen City Council 2.Direction to NHS Grampian

1. Purpose of the Report

- 1.1. To update the Integration Joint Board (IJB) on the final levels of funding delegated by Aberdeen City Council and NHS Grampian for health and social care activities in 2020/21 and to seek final approval of the medium-term financial framework.

2. Recommendations

- 2.1. It is recommended that the Integration Joint Board:
- a) Notes the anticipated financial out-turn for 2019/20 and the impact on the Reserves position of the IJB;
 - b) Notes the financial allocations proposed to be allocated by the partner organisations;
 - c) Approves the 2020/21 budget and the Aberdeen City IJB Medium Term Financial Framework included as appendix 1 of this report;



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- d) Note that the IJB previously agreed to earmark £2.5 million in a risk fund and it is not proposed to replenish this fund;
- e) Approve the Bon Accord Contract level for 2020/21 of £30,304,000 and budget assumptions noted in sections 3.14 and 3.15;
- f) Instruct the Chief Officer to uplift the direct payments for clients with a staffing element included in their payment by 3.33% from the 1 May 2020 to cover the increase in the Scottish Living Wage;
- g) Instruct the Chief Officer to negotiate uplifts for those Social Care providers not covered by the National Care Home Contract; and
- h) Make the budget directions contained in appendix 2 of this report and instruct the Chief Officer to issue these directions to the constituent authorities.

3. Summary of Key Information

Current Context

- 3.1 Over the last financial year the Partnership has worked across the whole health & social care system to improve performance with regards to some of our key performance indicators. Worthy of particular note is the work undertaken to reduce the number of people kept in hospital when they are fit for discharge (delayed discharge) and during this winter we have not only reduced the number of bed days lost to delays, but we have also seen improvements in our ranking against the other Partnerships in Scotland. In terms of our medium term financial framework and delivering financial balance our focus will be on redesign to make services more sustainable with a key enabler being the re-commissioning of the care at home contract and the strategic redesign and commissioning of the large hospital services for which the IJB has strategic planning responsibility.



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- 3.2 The IJB has invested its reserves in previous financial years to fund the transformation of services which are now delivering benefits to the IJB and wider system. For example, the acute care at home service costing £700,000 is now fully operational and taking patients away from the large hospital services by allowing people to be looked after in their own homes. Reserves have also been used to initially fund some of the infrastructure required to support the transformation journey and undertake some tests of change, which are now largely mainstreamed within core budgets.
- 3.3 However, additional costs have had to be borne by the Integration Joint Board at short notice as a result of risks which have emerged within our current model of care, as well as coping with the ongoing levels of demand within the system. For example, the additional costs required to support Kingswells Care Home to remain open and maintain the care home capacity within Aberdeen City. The challenges in the local marketplace have been reflected in the change in approach we have agreed regarding future commissioning and we anticipate that this will enable us to establish a more resilient model for the IJB and service providers.
- 3.4 During this financial year there have been financial challenges particularly with the use of locums and agency staff and increases in the costs and volume of medicines being prescribed. The use of locums and agency staff has allowed services to continue to be delivered safely and work is now being undertaken to redesign these services. With regards to prescribing, a group has been commissioned to ensure the most cost and clinically effective medicines are being prescribed.
- 3.5 All of this has been undertaken without having to approach either NHSG or Aberdeen City Council for additional funding, unlike many of the other Integration Joint Boards within Scotland. In addition to meeting our transformation priorities, the IJB's reserves have also had to be used to cover the levels of demand in the current system. This is clearly not ideal, and it is essential that the pace and scale of transformation envisaged within the Programme for Transformation (agreed by the IJB at its meeting on the 3 September 2019) is delivered because the gains we're securing from current transformation activities are necessary to address the ongoing pressures in the system.



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- 3.6 At the 31 December 2019, the IJB is forecasting an overspend of £2.5 million on its mainstream budgets, due to the financial pressures highlighted in paragraph 3.4. As required by the Integration Scheme and in order to achieve financial balance the risk fund will be used to cover this overspend in 2019/20. Based on the forecast outturn for 2019/20 it is very unlikely the IJB will have any reserves remaining which are not restricted for specific purposes.

Funding Context

- 3.7 In terms of the respective grant settlements:
- NHS Grampian received an increase in their financial allocations of 3%, which will be allocated to the IJBs in line with the methodology used in the current financial year.
 - For each Council the settlement and distribution mechanism results in a variation from the Scotland picture. For Aberdeen City Council (ACC) the impact was a cash increase in funding of £1m, however a like for like reduction in core revenue funding of £2.6m, or 0.8%. ACC are required to generate £37.9 million savings in 2020-21 to balance their budget.
 - Included within the local government financial settlement is £100 million of additional funding to be 'passported' across to the relevant IJBs. Within this £100 million is £4 million for School Counselling Services and as with previous years this funding will be kept by the Council to fund these services. This is allowable per the financial settlement as it states in the health settlement letter 'The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.'



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- Following publication of the initial financial settlement letters, on the 28 February 2020 the Scottish Government sent a further letter relaxing some of the protection previously provided to the IJBs. The letter states that ‘Similar to last year, flexibility will be available to Local Authorities to offset their adult social care allocations to Integration Authorities by up to 2% and a maximum of £50 million in 2020-21 based on local needs.’
- For Aberdeen City this would amount to a reduction of approximately £1.7 million. The Council agreed on 3 March 2020 not to reduce the IJB’s contribution and pass through the full amount of £3.531 million.

3.8 These positions were agreed by the Council on 3 March 2020 and NHSG Budget Steering Group.

	ACC £’000	NHSG £’000
Base Budget (including HRA) 2020/21	90,798	231,812
Increase in allocation (IJB share of additional NHSG grant income to cover pay awards etc)	0	4,184
Additional Funding (Aberdeen IJB share of £96 million)	3,531	0
Provisional Funding 2020/21	94,329	235,996

Medium Term Financial Framework

3.9 In order to support the delivery of the IJB’s Strategic Plan, a Medium-Term Financial Framework (MTFF) has been developed and is attached as appendix 1 of this report. A summary is shown below:



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Summary	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Budget Pressures	13,405	11,871	10,993	11,288	11,505
Funding Estimates	<u>(7,715)</u>	<u>(5,774)</u>	<u>(5,774)</u>	<u>(5,774)</u>	<u>(5,774)</u>
	5,690	6,097	5,219	5,514	5,731
Programme for Transformation:					
Managing Demand	(2,050)	(2,597)	(2,143)	(2,191)	(2,191)
Conditions for Change	(2,640)	(1,000)	0	0	0
Accessible and responsive infrastructure	(500)	0	0	0	0
Data and Digital\Prevention	(500)	(500)	(500)	(500)	(500)
Future Service Redesign	<u>0</u>	<u>(2,000)</u>	<u>(2,576)</u>	<u>(2,823)</u>	<u>(3,040)</u>
Shortfall	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

3.10 This strategy is based on the funding assumptions which have arisen as a result of the current Scottish Budget process. The MTFF identifies the budget pressures which the IJB will face over the next five financial years amounting to over £60 million and provides potential solutions which will be worked on during this timeframe to generate budget savings to close the forecast funding gaps in each year. The document is updated annually to reflect any changes to the baseline assumptions.

3.11 The issues of rising demand, increasing level of complexity of clients' need and rising prescription costs are well documented. The MTFF shows a direction of travel to reducing the financial pressures it is likely to face and balance the budget over the medium term. However, should the levels of funding identified not be made available to the IJB in future years from either or both partners, then more radical and robust choices will need to be made. Without the additional funding being made available significant reform is required to ensure health and social care is financially sustainable and able to meet its statutory duties.



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Programme of Transformation

- 3.12 Given the IJB will not have a risk fund in 2020/21 it is essential not only that financial pressures which arise during the financial year are managed, but also that the financial savings required are delivered. During this budget process the Leadership Team have worked collaboratively to develop 'Five Leadership Team Objectives' which are aligned to our Programme of Transformation. Not only will these reduce the level of resource required, but they will also contribute towards the delivery of the IJB Strategic Plan. The financial aspects of the Programme for Transformation are described more fully in the MTFF. The Risk, Audit and Performance Committee will receive monitoring information quarterly on progress towards achieving the savings required to deliver a balanced budget in 2020/21.

Reserves

- 3.13 In future financial years the creation and maintenance of a risk fund will be re-considered with the intention of potentially re-establishing the risk fund and (or) creating a digital and technology fund in 2021/22.

Implications and Funding Assumptions for Care Providers:

Bon Accord Care

- 3.14 Bon Accord Care is an Arm's Length External Organisation (ALEO) of the Council. As the majority of the funding for Bon Accord Care comes from the IJB a breakdown of the final 2020/21 contract value is shown below

	£'000
2019/20 Contract Level	30,304
Pay Inflation	790
General Inflation	49
Employers Pension Contributions	90
Savings required	(929)
Total – 2020/21 Contract Level	30,304



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- 3.15 The contract level has been increased by £3.1 million to include Kingswells Care Home which is now fully operational. The contract level has been maintained at the 2019/20 level as the new contract indicates that the contract value will be flat cashed over the life of the contract. The Senior Officers in Bon Accord Care have indicated the savings will largely be delivered from reviewing their services which they have been working on for some time, general operational efficiencies and additional external income.

Social Care Providers

- 3.16 Those providers covered by the national care home contract will receive the level of uplift required per the nationally agreed contract renegotiation process. The current position is that this should see an increase in costs of 3.6%, however, this is still under negotiation and providers will be looking for more than this amount.
- 3.17 For those providers not covered by the National Care Home Contract the IJB is required to agree its position. In previous years the IJB has agreed to award an inflationary increase to these providers at the same level as the National Care Home Contract increase. The rationale for this was twofold, firstly these providers required additional funds to fund the Scottish Living Wage, secondly a number of these providers were struggling financially due to uplifts not being provided in previous financial years and the high costs of living in Aberdeen.
- 3.18 A number of these contracts have recently been retendered and this has updated the contracts rates. The cost profile for the majority of these suppliers is different from that assumed for care homes covered by the national care home contract. The main cost driver is the Scottish Living Wage which is due to increase by 3.33% from 1 May 2020, however, it is important to note that not all the costs incurred by the providers are driven by this cost driver. Also, the providers are likely to face additional pension costs, with the employers' pension obligations. In terms of setting the budget a provision has been added for an average 3.33% annual increase.
- 3.19 It is proposed for this financial year that instead of providing a flat uplift across the board, negotiations take place with each supplier led by the Commissioning, Procurement and Contracts Team, Aberdeen City Council.



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The basis of these negotiations will be to provide enough funding to ensure that the providers can pay the Scottish Living Wage from 1 May 2020. This may involve the providers having to make efficiencies themselves. The IJB continues to be committed to providing the Scottish Living Wage.

- 3.20 Finally, it is recommended that those clients who receive direct payments from Aberdeen City Council and employ their own support staff should receive an increase of 3.33% to provide funding to allow the Scottish Living Wage to be paid from 1 May 2020.

4 Implications for IJB

- 4.1 Equalities** – The IJB must have due regard to protected characteristics under the Equality Act 2010. The budget proposals presented in this report have been subject to an equality impact assessment where appropriate. The assessments identify any protected characteristics which are likely to be impacted and any associated mitigating actions. The Council have undertaken an assessment in regard to the funds coming across to the IJB.
- 4.2 Fairer Scotland Duty** – there are no direct implications for the Fairer Scotland Duty. The Fairer Scotland Duty will be engaged as this report relates to the allocation of resources. The onward impact to the client will be mitigated through fair and equality-based commissioning, based on need.
- 4.3 Financial** – The financial implications are detailed throughout the report and appendix 1. Aberdeen City Council has a bond registered on the London Stock Exchange which requires the Council to have a credit rating that is reviewed annually. Management of budgets is a component of this assessment. Overspends and lack of recovery plans may have an impact on the credit rating.
- 4.4 Workforce** - Employees will receive the national agreed pay awards and any increments due. No redundancies have been anticipated or are expected in delivery of the savings. The impact on the workforce is something which will be continuing to be considered by the IJB as it



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develops and updates its strategic planning and commissioning plans after consultation with its Partners.

Budget discussions and proposals have been led by the Leadership Team, including lead clinicians and professionals. Information on the MTFP has been provided to the Partnership's joint staff forum and at a recent workshop for third tier staff. In addition, both our partner organisations – NHS Grampian and Aberdeen City Council have developed communication and engagement strategies for staff.

4.5 Legal – The Chief Finance Officer for the Aberdeen City Health & Social Care Partnership is required to set out a balanced financial plan for services delegated to the Integration Joint Board in accordance with the integration scheme. Directions relating to this report are being issued in line with the legislation.

4.6 Clinical Safety and Effectiveness - The savings options identified are not anticipated to have an impact on clinical or care governance. Should any clinical or care issues arise the Leadership Team will attempt to put mitigations in place to reduce these issues. Our IJB Clinical Director and Leads will be involved in the redesign proposals. The objectives which the Leadership Team are working on will be reported to the next meeting of the Clinical & Care Governance Committee and regularly thereafter.

5 Links to ACHSCP Strategic Plan

5.1 This report and the Medium-Term Financial Framework have been drafted in order to support the IJB to deliver on its strategic plan.

6 Management of Risk

6.1 Identified risk(s) and link to risk number on strategic register:



A risk of IJB financial failure with demand outstripping available budgets (risk #2).



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6.2 How might the content of this report impact or mitigate the known risks:

This report seeks to set a provisional budget for the IJB, which will provide the budget managers with time to start work on delivering savings and services within their allocated budgets.

Approvals	
	Sandra Macleod (Chief Officer)
	Alex Stephen (Chief Finance Officer)