



## INTEGRATION JOINT BOARD

<b>Date of Meeting</b>	23 March 2021
<b>Report Title</b>	Medium Term Financial Framework (MTFF)
<b>Report Number</b>	HSCP21.025
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	Yes
<b>Appendices</b>	Appendix 1 - Financial Strategy Appendix 2a - Direction to Aberdeen City Council Appendix 2b - Direction to NHS Grampian Appendix 3 - Transformation Programme Update 2020/21 Appendix 4 - Leadership Team Objectives 2021/22

### 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 2021/22 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 2020/21 and the impact on the Reserves position of the IJB;



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- b) Notes the financial allocations proposed to be allocated by the partner organisations;
- c) Approves the 2021/22 budget and the Aberdeen City IJB Medium Term Financial Framework included as appendix 1 of this report;
- d) Notes the intention to earmark £2.5 million in a risk fund at the end of the financial year;
- e) Approve the Bon Accord Contract level for 2021/22 of £30,304,000 and budget assumptions noted in sections 3.17 and 3.18;
- f) Instruct the Chief Finance Officer to uplift the direct payments for clients with a staffing element included in their payment by 2.2% from the 1 May 2021 to cover the increase in the Scottish Living Wage;
- g) Instruct the Chief Finance Officer to negotiate uplifts for those Social Care providers not covered by the National Care Home Contract;
- h) Instruct the Chief Finance officer to apply a higher uplift should a higher national inflationary rate be agreed for direct payments and contracts not covered by the National Care Home Contract, on the proviso that additional funding is provided to cover any shortfall.
- i) Make the budget directions contained in appendix 2 of this report and instruct the Chief Finance Officer to issue these directions to the constituent authorities.

### 3. Summary of Key Information

#### Current Context

- 3.1 On the 10 March 2020, the IJB agreed its budget for 2020/21. In March 2020, no provision was made for the impact of the pandemic on the IJB Budget, as at that stage the impact on the finances and operation of the IJB



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were unknown. Since then the Partnership has been working with its partners, Aberdeen City Council, NHS Grampian and the third and independent sectors to support the health and social care system within Aberdeen. In the response to the pandemic the Partnership moved at pace to deliver the IJB's Strategic Plan, as many of the ambitions of this plan were beneficial in a context where social distancing made face to face contact difficult due to potential infection spread.

- 3.2 From a financial perspective the additional costs of COVID on the IJB\Partnership budget have been funded by additional funding from the Scottish Government. These amounts have been received throughout the financial year as the Local Mobilisation Plan was updated. At the end of December 2020, the IJB was forecasting an overspend of £3.4 million, however, this was largely in relation to funding which was still to be received from the Scottish Government. In January 2021 confirmation of additional funding was received from the Scottish Government to fully fund the requirements indicated on the Local Mobilisation Plan.
- 3.3 It is now forecast that Aberdeen City IJB will have an underspend and financial reserve at the end of the financial year. The reason for this being additional funding received which had not been factored into the financial monitoring position on 31 December 2020. A significant amount of this funding requires to be earmarked for the Primary Care Improvement Fund, Action 15 and Alcohol and Drugs Partnership Funds which are underspent but are needed in future financial years.
- 3.4 The IJB previously held a risk fund of £2.5 million and on the 10 March 2020, it was agreed that this level would be lowered, as an overspend was being forecast on the budget at that point. An improved financial position at the end of the financial year 2019/20 was reported and the risk fund was therefore reduced to £1.3 million. It is not anticipated that this risk fund will require to be used in the financial year 2020/21.
- 3.5 In terms of our medium term financial framework and delivering financial balance our focus was to 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. Of



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the savings agreed by the IJB on 10 March 2020, it is forecast that in the current year only those savings on commissioning and prescribing will not be achieved. The remainder of the savings have been delivered although perhaps not in the way originally intended and the Leadership Team will work to deliver these savings on a recurring basis. Any unachieved savings were funded through the Local Mobilisation Plan in 2020/21, as delivery of some of these savings would have had a significant impact on the response to the pandemic.

- 3.6 During the year additional costs have been incurred, largely in relation to providing supplier sustainability payments to social care providers, purchasing additional surge capacity, additional staffing and Personal Protection Equipment (PPE). These costs were all funded through the Local Mobilisation Plan. There were also indirect costs of COVID, such as additional care at home costs to keep people in their own homes and lost income through client contributions. The social care budget has gone through a significant period of change and it is important to establish whether these changes will be sustained longer term, as this exposes the IJB to the risk of new recurring costs, without there being a funding source.
- 3.7 To date the IJB has undertaken all of its activities, whether that be operational service delivery or transformation of services without having to approach either NHSG or Aberdeen City Council for additional funding, unlike many of the other Integration Joint Boards within Scotland. The changes put in place by the IJB through its previous transformation activities, along with good the cross-system relationships in Aberdeen, greatly helped in the response to the pandemic. Many of the projects in The Programme for Transformation updated in the last MTFF were delivered at pace during the first response period and further system transformation was taken forward to help prepare for the second wave of COVID. Appendix 3 provides an update on the transformation programme and a number of these projects are now categorised as business as usual.



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### Funding Context

3.8 In terms of the respective grant settlements:

- NHS Grampian received an increase in their financial allocations of 1.5%, which will be allocated to the IJBs in line with the methodology used in the current financial year. In 2021/22, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 1.5% over 2020/21 agreed recurring budgets. Additional funding of £869 million will be provided to support the ongoing response to the pandemic, and the approach to allocating this funding will be through the remobilisation plan.
- 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 £4.7m, however a like for like increase in core revenue funding of £1m, or 0.3%. ACC are required to generate £30.4 million savings in 2021-22 to balance their budget.
- Included within the local government financial settlement the Health Portfolio will invest a further £72.6 million in Local Authorities for investment in adult social care and integration. This takes the total funding transferred from the health portfolio to £883 million in 2021-22. The additional £72.6 million will support delivery of the Living Wage (£34 million), continued implementation of the Carers Act (£28.5 million) and uprating of free personal care (£10.1 million). The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2020-21 recurring budgets for adult social care services that are delegated.

3.9 These positions were agreed by the Council on 10 March 2021 and NHSG Budget Steering Group on 22 March 2021.



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	<b>ACC £'000</b>	<b>NHSG £'000</b>
Base Budget (including HRA) 2021/22	94,329	235,221
Increase in allocation (IJB share of additional NHSG grant income to cover pay awards etc)	0	2,100
Additional Funding (Aberdeen IJB share of £96 million)	2,700	0
<b>Provisional Funding 2021/22</b>	<b>97,029</b>	<b>237,321</b>

### Medium Term Financial Framework

3.10 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:

<b>Summary</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Budget Pressures	10,281	9,136	9,366	9,601	9,845
Funding Estimates	(4,815)	(4,400)	(4,400)	(4,400)	(4,400)
	<b>5,466</b>	<b>4,736</b>	<b>4,966</b>	<b>5,201</b>	<b>5,445</b>
<b>Programme for Transformation:</b>					
Managing Demand	(2,466)	(850)	(350)	0	0
Conditions for Change	(500)	(250)	0	0	0
Accessible and responsive infrastructure	(2,500)	(2,136)	(3,116)	(3,701)	(3,945)
Data and Digital/Prevention	0	(1,500)	(1,500)	(1,500)	(1,500)
<b>Shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



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- 3.11 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 seven financial years (although only five years are shown above) 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.
- 3.12 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.
- 3.13 The IJB considered a report on 24 March 2020 on the hosting of the Grampian-wide inpatient and specialist MHL D Services. These services are delegated, and operational responsibility transferred to Chief Officer on 1 April 2020. The report indicated that NHSG would underwrite any financial loss on inpatient and specialist MHL D Services for up to two financial years (from 1st of April 2020 to 31st of March 2022). The current forecast for these services is an overspend of £950,000. Work continues on the transformation of these services and identifying options to seek financial balance. A report will be brought back to IJB in December 2021.

### Programme of Transformation

- 3.14 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 'Leadership Team Objectives' which are aligned



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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 MTFP and appendix 4. The Risk, Audit and Performance Committee will receive monitoring information quarterly on progress towards achieving the savings required to deliver a balanced budget in 2021/22.

### Reserves

- 3.15 In last year's budget report mention was made of replenishing the risk fund back to £2.5 million in 2021/22 if possible. It is recommended that should the financial position allow at the end of the financial year that this reserve should be increased back to the £2.5 million. This will provide the IJB with funding to cover any adverse financial movements that occur and protect partners from having to provide additional funds.

### Implications and Funding Assumptions for Care Providers:

- 3.16 During the financial year 2021/22 significant levels of funding have been passported through to social care providers to support them with the additional costs of the pandemic. These arrangements are likely to continue whilst the Social Care sector continues to deal with the COVID Pandemic.

### Bon Accord Care

- 3.17 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 2021/22 contract value is shown below

	<b>£'000</b>
2020/21 Contract Level	30,304
Pay Inflation	790
General Inflation	49





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Employers Pension Contributions	90
Savings required	(929)
<b>Total – 2021/22 Contract Level</b>	<b>30,304</b>

3.18 The contract level has been maintained at the 2020/21 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

- 3.19 Those providers covered by the National Care Home Contract (NCHC) 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 3.5%, however, this is still under negotiation.
- 3.20 For those providers not covered by the NCHC 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 NCHC 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.
- 3.21 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 NCHC. The main cost driver is the Scottish Living Wage which is due to increase by 2.2% from 1 May 2021, 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 2.2% annual increase.



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- 3.22 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 of Aberdeen City Council. 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 2021. This may involve the providers having to make efficiencies themselves. The IJB continues to be committed to providing the Scottish Living Wage.
- 3.23 Finally, it is recommended that those clients who receive direct payments and employ their own support staff should receive an increase of 2.2% to provide funding to allow the Scottish Living Wage to be paid from 1 May 2021.
- 3.24 In the financial year 2020/21 the Scottish Government recommended a national inflationary rate be applied to all adult social care contracts not covered under the NCHC due to the impact of COVID on the social care sector. This also applied to direct payments. The additional cost of this uplift was funded by the Scottish Government. It is recommended that authority be provided to the Chief Finance Officer to apply a higher percentage than the 2.2% should a similar situation happen this financial year, on the proviso that additional funding is provided to cover any additional cost.

## 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



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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 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. A verbal overview of the Leadership Team objectives, which are linked to the transformation programme, was provided to the Joint Staff Forum. 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.



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### 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).

#### 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)