



INTEGRATION JOINT BOARD

Date of Meeting	10 March 2022
Report Title	Medium Term Financial Framework (MTFF)
Report Number	HSCP22.017
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author Details	Alex Stephen, Chief Finance Officer
Consultation Checklist Completed	Yes
Directions Required	Yes
Appendices	Appendix 1 - Financial Strategy Appendix 2a - Direction to Aberdeen City Council Appendix 2b - Direction to NHS Grampian Appendix 3 – Leadership Team Objectives 2021/22 Appendix 4 - Leadership Team Objectives 2022/23

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 2022/23 and to seek final approval of the medium-term financial framework.

2. Recommendations

- 2.1. It is recommended that the Integration Joint Board:

- a) Note the anticipated financial out-turn for 2021/22 and the impact on the Reserves position of the IJB;



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- b) Note the financial allocations proposed to be allocated by the partner organisations;
- c) Approves the 2022/23 budget and the Aberdeen City IJB Medium Term Financial Framework included as appendix 1 of this report;
- d) Note that £2.5 million is held in a risk fund;
- e) Approve the Bon Accord Contract level for 2022/23 of £32,835,266 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 the amount calculated using the national guidance;
- g) Instruct the Chief Finance officer to apply the national guidance to calculate the level of increase on non-National Care Home Contract services and pass this increase across to providers, on the proviso that funding is available to cover the costs.
- h) 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 23 March 2021, the IJB agreed its budget for 2021/22. In March 2021, details about COVID-19 funding to be provided to support service provision were still being finalised and high-level assumptions were made where necessary. The Partnership has continued to work 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 and to adopt new service models to protect service



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delivery from additional demand likely to be incurred over the winter of 2021/22.

- 3.2. From a financial perspective the additional costs of COVID-19 on the IJB\Partnership budget have been funded by additional funding from the Scottish Government over the last two financial years. These amounts have been received as the Local Mobilisation Plan costings have been updated. At the end of December 2021, the IJB was forecasting an underspend of £3.7 million, after accounting for the additional funding required for the cost of COVID-19. This underspend will rise in the last quarter as some of the funding received by the IJB to support the response to winter pressures will not be spent by the end of the financial year. Also, additional funding is expected to support the pandemic response in the last quarter of the financial year.
- 3.3. Aberdeen City IJB holds a financial reserve and it is likely this will increase at the end of the financial year. A significant amount of this reserve 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. It is also likely that COVID-19 funding received in the last quarter will require to be earmarked in the IJB reserve to accommodate some of the costs of COVID-19.
- 3.4. The IJB previously holds a risk fund of £2.5 million. It is not anticipated that this risk fund will require to be used in the financial year 2021/22 given the forecast underspend and it is not recommended that this is increased above £2.5 million.
- 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 the savings agreed by the IJB on 23 March 2021 all have been delivered although perhaps not in the way originally intentioned and the Leadership Team will work to deliver these savings on a recurring basis.



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- 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-19, such as additional care at home costs to keep people in their own homes and lost income through client contributions. There is a risk as the whole health and social care system has become increasingly reliant on the additional funding provided to cover the costs of COVID-19. Some of these additional costs such as those incurred on PPE and enhanced cleaning practices are likely to be recurring and will require additional recurring funding to support. This position will need to be managed carefully over the next financial year.
- 3.7. 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. This links to one of the Leadership Team objectives highlighted in Appendix 4. No additional costs or funding have been added to MTFF in respect of the transition towards the National Care Service.
- 3.8. 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-19. Appendix 3 provides an update on the Leadership Team Objectives for 2021/22.



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Funding Context

3.9. In terms of the respective grant settlements:

- NHS Grampian received an increase in their financial allocations of 2%, which will be allocated to the IJBs in line with the methodology used in the current financial year. In 2022/23, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 2% over 2021/22 agreed recurring budgets. Additional funding will be provided for Multi-Disciplinary Teams, Additional Recruitment of band 3 and 4s, mental health services, primary care and the increase in national insurance costs.
- 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 £18m, however a like for like decrease in core revenue funding of £0.8m, or -0.2%. ACC are required to generate £34.2 million savings in 2022/23 to balance their budget.
- Included within the financial settlement of both Councils and the NHS is additional funding for Integration Joint Boards.

		Scotland Allocation (£m)	Aberdeen Allocation (£'000)
£10.02 Per Hour Adult Social Care	Council (Full Year)	144	5,340
Care at Home	Council (Full Year)	124	4,670
Interim Beds	Council (Non-recurring)	20	750
Real Living Wage Additional	Council (21/22 funding)	30.5	1,130
Additional Investment (£10.50 Per hour adult Social Care)	Council (Recurring)	200	7,410



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Social Work Workforce	Council (Three years – Still to be distributed)	22	830
Additional Band 3 and 4s	Health (recurring)	30	1,140
Multi-Disciplinary Teams	Health (recurring)	40	1,500
		610.5	22,770

The funding allocated to Integration Authorities should be additional and not substitutional to the 2021/22 recurring budgets for services that are delegated. Please note some of these values still require to be finalised.

3.10. These positions were agreed by the Council on 7 March 2022 and NHSG Budget Steering Group on 22 March 2022.

	ACC £'000	NHSG £'000
Base Budget (including HRA) 2021/22	97,327	243,433
Increase in allocation (IJB share of additional NHSG grant income to cover pay awards etc)	0	2,889
Additional Funding (Aberdeen IJB share of £610.5 million)	20,130	2,640
Provisional Funding 2022/23	117,457	248,962

Medium Term Financial Framework

3.11. 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	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Budget Pressures	27,809	12,993	13,338	13,693	14,059
Funding Estimates	(26,634)	(8,145)	(8,145)	(8,145)	(8,145)
	1,175	4,848	5,193	5,548	5,914
Programme for Transformation:					
Aim – Caring Together:	0	(2,584)	(2,736)	(3,243)	(3,405)
Aim – Improving Quality of Life:	0	0	0	0	0
Aim - Safe at Home:	0	(350)	(350)	0	0
Aim – Preventing ill health:	(350)	(750)	(750)	(750)	(750)
Enabler – Infrastructure:	(825)	0	0	0	0
Future Service Redesign	0	(1,164)	(1,357)	(1,555)	(1,759)
Shortfall	0	0	0	0	0

3.12. This framework is based on the funding assumptions which have arisen as a result of the current Scottish Budget process. The MTF 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 £36 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. The framework is linked to the high-level aims included in the draft IJB Strategic Plan and will be updated if necessary following final approval of the IJB Strategic Plan in June.

3.13. The issues of rising demand, increasing level of complexity of clients' need and rising prescription costs are well documented. The MTF 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



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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.

- 3.14. The IJB considered a report on 24 March 2020 on the hosting of the Grampian-wide inpatient and specialist Mental Health and Learning Disabilities (MHL) 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 Services for up to two financial years (from 1st of April 2020 to 31st of March 2022). Work continues on the transformation of these services and identifying options to seek financial balance. Given resources have been diverted elsewhere in response to the pandemic, it is recommended that this transitional period be extended to March 2023, to allow the impact of the additional funding, transformation activities and COVID-19 on mental health services to be quantified. High level discussions have taken place with senior officers in NHS Grampian to discuss this approach and a report will be brought back to the IJB should the position change.

Programme of Transformation\Leadership Team Objectives

- 3.15. 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 to the draft Strategic Plan. The financial aspects of the Leadership Team Objectives are described more fully in the MTF 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 2022/23.

Reserves

- 3.16. It is recommended that the risk fund reserve should be set at £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.



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Bon Accord Care

3.17. Bon Accord Care (BAC) 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 2022/23 contract value is shown below

	£'000
2021/22 Contract Level	30,304
Inflation	1,250
Additional funding	1,750
Rosewell variations	(469)
Total – 2022/23 Contract Level	32,835

3.18. The contract level has previously 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. To reflect the additional pressure being placed on social care and BACs role in supporting social care provision across the City, it is recommended that the contract value be increased in 2022/23 as highlighted above.

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, however, this is still under negotiation.

3.20. For those providers not covered by the NCHC the IJB is required to agree its position. Recently guidance has been developed nationally which indicates what value of the total contract value should be inflated and by



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what percentage. It is recommended that this guidance be used to transfer over the funding required to facilitate the requirement to pay adult social care staff a minimum of £10.50 per hour. It is recommended that authority be provided to the Chief Finance Officer to apply the uplifts using the national guidance, on the proviso that funding is available to cover any additional cost.

- 3.21. Finally, it is recommended that those clients who receive direct payments and employ their own support staff should see their packages increase by the same level as calculated in the national guidance highlighted in the preceding paragraph.

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. No major service reductions or changes are recommended in this MTF for 2022/23 and the IJB will receive reports throughout the year on the leadership team objectives which will consider any equality implications in detail. 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.



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- 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 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

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:**





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Strategic Risk 2:- Cause-IJB financial failure and projection of overspend;
Event-Demand outstrips available budget; and Consequence-IJB can't
deliver on its strategic plan priorities, statutory work, and projects.

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)