



## INTEGRATION JOINT BOARD

<b>Date of Meeting</b>	28 March 2023
<b>Report Title</b>	Medium Term Financial Framework (MTFF)
<b>Report Number</b>	HSCP23.020
<b>Lead Officer</b>	Paul Mitchell, Chief Finance Officer
<b>Report Author Details</b>	Paul Mitchell, 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 – Leadership Team Objectives 2022/23 Appendix 4 – Year 2 Delivery Plan Appendix 5 – Delivery Plan Projects not carried forward to future years

### 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 2023/24 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 2022/23 and the impact on the Reserves position of the IJB (*para 3.4*);



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- b) Note the financial allocations proposed to be allocated by the partner organisations (*para 3.9*);
- c) Approves the 2023/24 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 (*para 3.22*);
- e) Approve the Bon Accord Contract level for 2023/24 of £35,625,000 and budget assumptions (*para 3.25 and 3.26*);
- f) 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 (*para 3.28*);
- g) 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 (*para 3.29*);
- 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.
- i) Approve the Year 2 Delivery Plan at Appendix 4 and note that budget monitoring information from June 2023 will be linked to each project.

### 3. Summary of Key Information

#### Current Context

- 3.1. On 10 March 2022, the IJB agreed its budget for 2022/23. In September 2022, details regarding the reclaiming of the surplus COVID-19 reserves held and the redistribution across the sector to meet current Covid priorities was received. The Partnership 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 and to maximise the use of the reserve within the strict funding criteria.



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- 3.2. From a financial perspective, the additional costs of COVID-19 on the IJB\Partnership budget for 2022/23 have been funded from the balance held on the Covid Reserve. These amounts have been reported monthly to the Scottish Government on a Financial Performance Return. At the end of December 2022, the IJB was forecasting the total spend remaining to claim against the Reserve at £10,057,000. This would leave a balance on the Reserve of £9,684,000 to be returned to the Scottish Government for redistribution to the Health and Social Care system. This was actioned in February 2023. As there are uncertainties over the current winter period, including the demand on sustainability payments, a reconciliation will take place during April 2023 to confirm the final outturn and any adjustment required to ensure that the funding to the IJB will not be adversely affected.
- 3.3. Aberdeen City IJB holds a financial reserve that is earmarked for the Primary Care Improvement Fund, Action 15 of the Mental Health Strategy and Alcohol and Drugs Partnership Funds which are underspent. In 2022/23, the balance carried forward on these Reserves was reclaimed by the Scottish Government and withheld from the allocations during the year. It is anticipated that the same will happen in 2023/24, therefore, no commitments have been earmarked to be funded from these Reserves if the accrue at the year end.
- 3.4. The IJB 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 2022/23 given the forecasted balanced budget position 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 a financially balanced budget, 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.
- 3.6. The social care budget has gone through a significant period of change, and it is important to establish whether these changes will be sustained in the longer term, as this exposes the IJB to the risk of new recurring costs, without there being a funding source. Future year inflationary pressures have been accounted for, as detailed in Appendix 1. To maintain a prudent approach to future budgets, the level of assumed funding has remained at 2023/24 levels. No additional costs or funding



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have been added to the MTFE in respect of the transition towards the National Care Service.

- 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. The changes put in place by the IJB through its previous transformation activities, along with the good 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 MTFE were delivered at pace, Appendix 3 provides an update on the Leadership Team Objectives for 2022/23.

### Funding Context

- 3.8. 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 2023/24, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 2% over 2022/23 agreed recurring budgets.
- The Scottish Government published its Resource Spending Review in May 2022 that stated that Local Government should expect to receive a “flat cash” settlement for the period 2023/24 to 2025/26, and that following the publication of the Local Government Financial Settlement for 2023/24, on a like for like basis, this position is borne out with a 0.2% increase to revenue funding being awarded for the financial year 2023/24. Aberdeen City Council are therefore required to generate £46.6 million savings in 2023/24 to balance their budget.
- Included within the financial settlement of both Councils and the NHS is additional funding for Integration Joint Boards.



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		<b>Scotland Allocation (£m)</b>	<b>Aberdeen Allocation (£'000)</b>
Adult social care pay in commissioned services <i>(to fund the increase in the Real Living Wage to £10.90)</i>	Council (Recurring)	<b>100</b>	<b>3,669 *</b>
Inflationary uplift on Free Personal Nursing Care	Council (Recurring)	<b>15</b>	<b>577</b>
Interim Beds	Council (Non-recurring)	<b>(20)</b>	<b>(752)</b>
Funding for Local Government Pay award	Council (Recurring)	<b>140</b>	<b>348</b>
Capital funding	Council (Recurring)	<b>121</b>	<b>300</b>
		<b>356</b>	<b>4,142</b>

The funding allocated to Integration Authorities should be additional and not substitutional to the 2022/23 recurring budgets for services that are delegated.

\* Please note some of these values still require to be finalised.

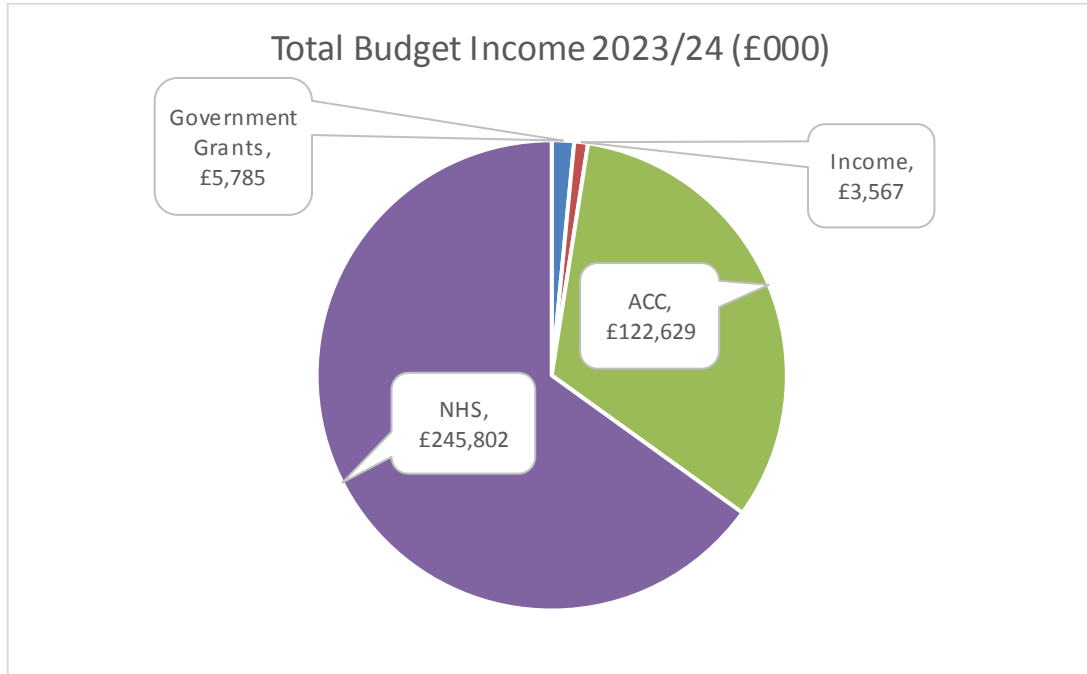
3.9. These positions were agreed by the Council on 1 March 2023 and NHSG Budget Steering Group on 23 March 2023.

	<b>ACC £'000</b>	<b>NHSG £'000</b>
Base Budget (including HRA) 2022/23	118,487	242,802
Increase in allocation (IJB share of additional NHSG grant income to cover pay awards etc)	0	3,000
Additional Funding (Aberdeen IJB share)	4,142	0
<b>Provisional Funding 2023/24</b>	<b>122,629</b>	<b>245,802</b>

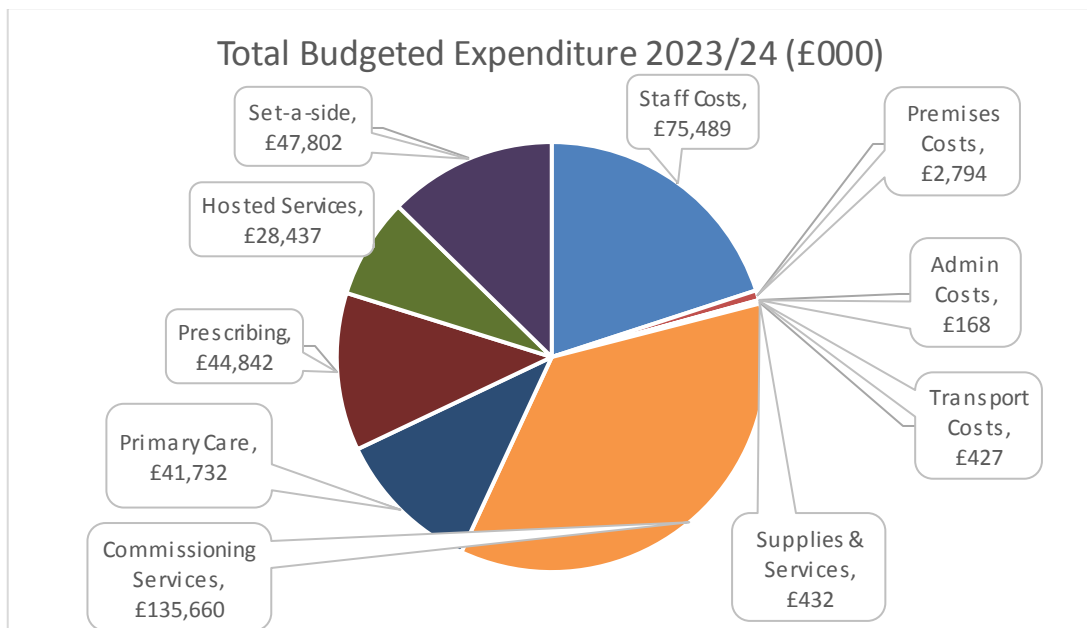


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3.10. The total budgeted income available for the IJB is £377.783m :-



3.11. The budgeted expenditure for the IJB that matches the income above is provisionally allocated as:-





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3.12. The breakdown for every £1 of expenditure within the IJB can be attributed as follows: -

Commissioning Services	£0.36
Staff Costs	£0.20
Set-a-side	£0.13
Prescribing	£0.12
Primary Care	£0.11
Hosted Services	£0.07
Premises Costs, Supplies & Services, Transport and Administration Costs	£0.01

3.13. From this we can see that 100% of the Income is utilised, with no uncommitted funding available in 2023/24.



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### Medium Term Financial Framework

3.14. 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:

Summary	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Pressures	16,565	12,453	12,958	13,484	14,030
Additional Funding	(7,142)	(7,142)	(7,142)	(7,142)	(7,142)
	9,423	5,311	5,816	6,342	6,888
<b>Programme for Transformation:</b>					
Aim - Caring Together	(3,084)	(2,736)	(3,243)	(3,405)	(3,571)
Aim - Achieve Fulfilling, Healthy Lives	-	-	-	-	-
Aim - Keeping People Safe at Home	(600)	(350)	-	-	-
Aim - Preventing Ill Health	(1,350)	(750)	(750)	(750)	(750)
Enabler - Workforce	(1,000)	-	-	-	-
Enabler - Finance	(1,888)	-	-	-	-
Future Service Redesign	(1,501)	(1,475)	(1,823)	(2,187)	(2,567)
<b>Shortfall</b>	-	-	-	-	-

3.15. This Framework 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 £49 million and provides potential solutions





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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 IJB Strategic Plan.

- 3.16. The issues of rising demand, increasing level of complexity of clients' need and rising prescription costs are well documented. The MTFP 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.
- 3.17. 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 the 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), this has now been extended to March 2024. Work continues on the transformation of these services and identifying options to seek financial balance, a working group having been established to take this forward.

### Programme of Transformation \ Year 2 Delivery Plan

- 3.18. 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 a review of the Year 2 Delivery Plan has been completed through consultation and engagement with the Senior Leadership Team as lead officers for the plan and with project teams, supported by the Strategy and Transformation Team. Many of the projects in the Delivery Plan were scheduled to be delivered over the three-year lifespan of the Strategic Plan and so would be carried forward to the second year of the plan. Following a more robust scoping, some projects that were originally scheduled to be completed by the end of the first year of the plan have had their timescales revised. The revisions were agreed following discussion and challenge at dedicated Senior Leadership Team meetings. The review also highlighted a number of projects that were not "start and finish" tasks but more ongoing "business as usual", and others that were being led mainly by partners where the ACHSCP had a contribution to make, rather than a task to complete.



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Finally, there were crossovers between projects and duplication of tasks, and a number of projects were reworded to combine these activities. In addition, 11 new projects were added, and the revised Delivery Plan cross referenced with the resources available, to ensure achievability.

- 3.19. Appendix 4 presents the Year 2 Delivery Plan. The projects are referenced, and colour coded to the four Strategic Aims. In additions, they have been grouped into programmes of work (the yellow headings) to make the management and reporting of them easier and categorised as Business as Usual (BAU) of Full Transformation Projects (FTP). The purpose of this categorisation is to identify which of the projects will utilise a full project management approach with associated documentation, and which will take a lighter touch approach as they are ongoing pieces of work that is more akin to business as usual rather than transformational activity.
- 3.20. As agreed at the RAPC on 28<sup>th</sup> February 2023, the 2023/24 budget will be allocated against each of the Projects on the Delivery Plan. This will allow for financial monitoring information to be included in the quarterly progress reports to the Risk, Audit and Performance Committee and assist in the progress towards achieving the savings required to deliver a balanced budget in 2023/24.
- 3.21. Appendix 5 lists the projects that have not been carried forward to future years and the rationale for that. It is the intention that a further review will be carried out in advance of year three using a similar process whilst also preparing for the next iteration of the Strategic Plan.

### Reserves

- 3.22. 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.
- 3.23. As mentioned in the Quarter 2 monitoring report to the IJB, a letter was received from the Scottish Government on 12 September 2022 stating that ‘the Scottish Government will reclaim surplus Covid reserves to be redistributed across the sector to meet current Covid pressures. This was actioned in February 2023.



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3.24. The unallocated balance on the Integration and Change Reserve is currently £6,600,000. At this stage there are no detailed proposals for funding from this Reserve to deliver the projects set out in Year 2 of the IJB’s Delivery Plan. However, some initiatives are at an early stage and a provisional amount has been allocated against the Reserve. As the project scopes develop, it may prove desirable and appropriate to financially invest in projects to maximise benefit realisation (whether financial or otherwise). Any such proposal will be reported to the IJB for approval as required.

### Social Care Providers

3.25. 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 draft 2023/24 contract value is shown below: -

	<b>£’000</b>
2022/23 Contract Level	32,835
Inflation	1,040
Additional funding	1,750
<b>Total – 2023/24 Contract Level</b>	<b>35,625</b>

3.26. 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 is increased in 2023/24 by the amount highlighted above.

3.27. 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. At the time of preparing the MTFF, no national agreement has been arrived at, therefore, the rates included in the budget have been increased by 3% from 1<sup>st</sup> April 2023 to account for the statutory pay requirements and the Real Living Wage uplift. Any increase over and above this level will be matched with additional Scottish Government funding.

3.28. For those providers not covered by the NCHC the IJB is required to agree its position. Recently, guidance has been developed nationally by the Scottish Government which indicates what value of the total contract value should be inflated and by what percentage. The Scottish Government allocation has been passported



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from Aberdeen City Council to the IJB to fund this, it is therefore recommended that the guidance be used to transfer the funding required to facilitate the uplift to a minimum of £10.90 per hour for all adult social care staff. It is recommended that authority be provided to the Chief Finance Officer to apply the budgeted uplift of 3% to all providers which includes the funding for the Real Living Wage.

- 3.29. 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 2023/24 and the IJB (via the Risk, Audit and Performance Committee) will receive quarterly reports on the progress of the Plan 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 on the part of the Integration Joint Board 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



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continually 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 Delivery Plan, 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. The Clinical Care Governance Group, which reports regularly into the Clinical Care Governance Committee, monitors risks, controls and mitigating actions on a regular basis.

### 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:

##### 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.



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

- The Senior Leadership Team are committed to driving out efficiencies, encouraging self-management and moving forward the prevention agenda to help manage future demand for services.
- 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.
- The Senior Leadership Team have formalised arrangements to receive monthly financial monitoring statements.