



INTEGRATION JOINT BOARD

7.Date of Meeting	26 March 2024
Report Title	Medium Term Financial Framework (MTFF)
Report Number	HSCP24.012
Lead Officer	Paul Mitchell, Chief Finance Officer
Report Author Details	Paul Mitchell, Chief Finance Officer
Consultation Checklist Completed	Yes
Directions Required	Yes
Exempt	No
Appendices	<p>Appendix 1 - Financial Strategy</p> <p>Appendix 2a - Direction to Aberdeen City Council</p> <p>Appendix 2b - Direction to NHS Grampian</p> <p>Appendix 3 – Year 3 Delivery Plan</p> <p>Appendix 4 – Delivery Plan Projects not carried forward to future years</p> <p>Appendix 5 – Initial Impact Assessment of savings included in the MTFF:-</p> <ul style="list-style-type: none"> Appendix 5a – IIA Interim Beds Appendix 5b – IIA Tech Enabled Care Appendix 5c – IIA Review of Premises Appendix 5d – IIA Mental Health Commissioning Appendix 5e – IIA Charging Policy
Terms of Reference	1 – Any functions or remit which is, in terms of statute or legal requirement, bound to be undertaken by the IJB itself.



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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 2024/25 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 2023/24 and the impact on the Reserves position of the IJB (*para 3.1*);
 - b) Note the financial allocations proposed to be allocated by the partner organisations (*para 3.9*);
 - c) Having regard to the integrated impact assessment at Appendix 5, approves the 2024/25 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 3.35*);
 - e) Approve the Bon Accord Contract level for 2024/25 of £34,921,000 and budget assumptions (*para 3.38 and 3.39*);
 - 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 3.41*);
 - 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 3.42*);
 - 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 3 Delivery Plan at Appendix 3.



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3. Summary of Key Information

Current Context

- 3.1. On 28 March 2023, the IJB agreed its budget for 2023/24. Throughout the year, the IJB has continued to deal with significant financial pressures. This has resulted in a forecast yearend overspend and the IJB agreed at the committee meeting on 5 December 2023 to allow for the use of reserves to balance the yearend position.
- 3.2. 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.
- 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 previous years, 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 2024/25, 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. As stated in the [Reserves Policy](#), the purpose of this reserve is to cushion the impact of uneven cashflows and impact of unexpected events or emergencies. It is not anticipated that this risk fund will require to be used in the financial year 2023/24 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. 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



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has remained at 2023/24 levels. No additional costs or funding have been added to the MTFF 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. Due to the challenging financial climate across Scotland, several IJBs have requested additional support from their Boards and Councils to balance 2023/24 overspends and 2024/25 budgets. We do not anticipate a requirement from our partners to do so in the near future.

Funding Context

- 3.8. In terms of the respective grant settlements:

- NHS Grampian did not receive an increase in their financial allocations, therefore the funding allocated to the IJB has remained at the current budget. Given the rate of inflation in the UK is currently 4.2% ([Office of National Statistics at January 2024](#)), this contributes to the challenging financial settlement. The Scottish Government has underwritten the full cost of the pay increase as a result of the Agenda for Change, therefore, zero inflation has been included in the IJB as any increase in staff costs will be fully funded by an additional allocation.
- 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. As the IJB cannot receive funding directly from the Scottish Government, funding is received by Aberdeen City Council and passed over to the IJB as part of the annual budget setting process.
- Included within the financial settlement of Aberdeen City Council is additional funding for Integration Joint Boards.



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		Scotland Allocation (£m)	Aberdeen Allocation (£'000)
Adult social care <i>(incl the increase in the Real Living Wage to £12.00)</i>	Council (Recurring)	230	7,393
Inflationary uplift on Free Personal Nursing Care	Council (Recurring)	11.5	449
Funding for Local Government Pay award	Council (Recurring)	266.2	696
		507.7	8,538

The funding allocated to Integration Authorities should be additional and not substitutonal to the 2024/25 recurring budgets for services that are delegated.

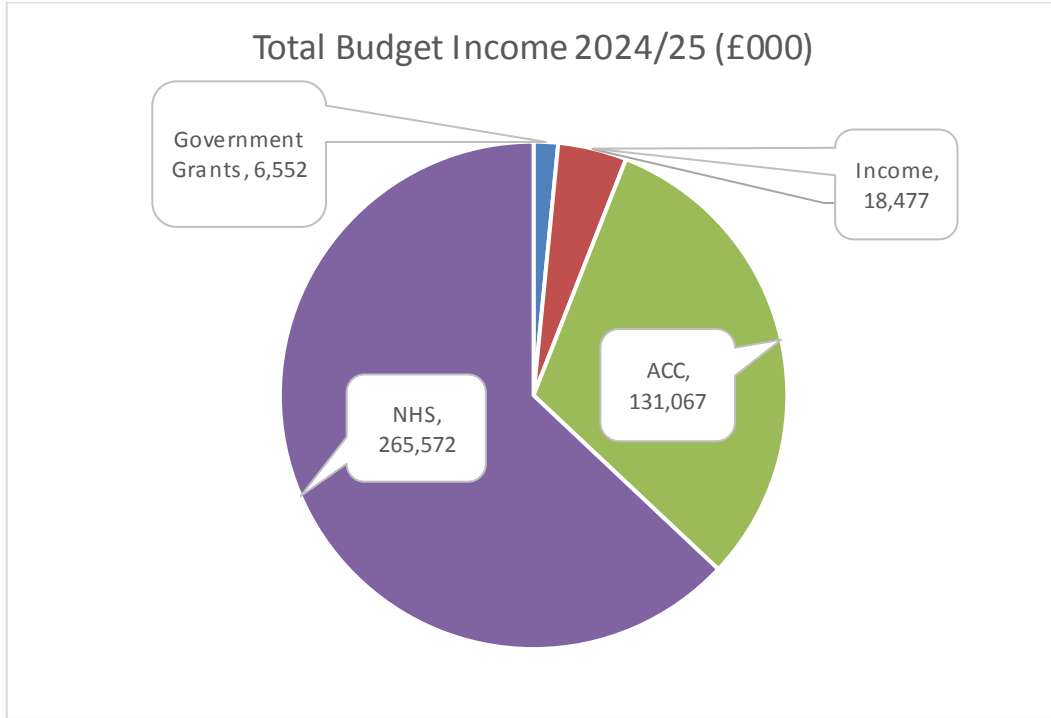
3.9. These positions were agreed by the Council on 6 March 2024 and NHSG Budget Steering Group on 25 March 2024.

	ACC £'000	NHSG £'000
Base Budget (including HRA) 2023/24	122,529	265,572
Additional Funding (Aberdeen IJB share)	8,538	0
Provisional Funding 2024/25	131,067	265,572

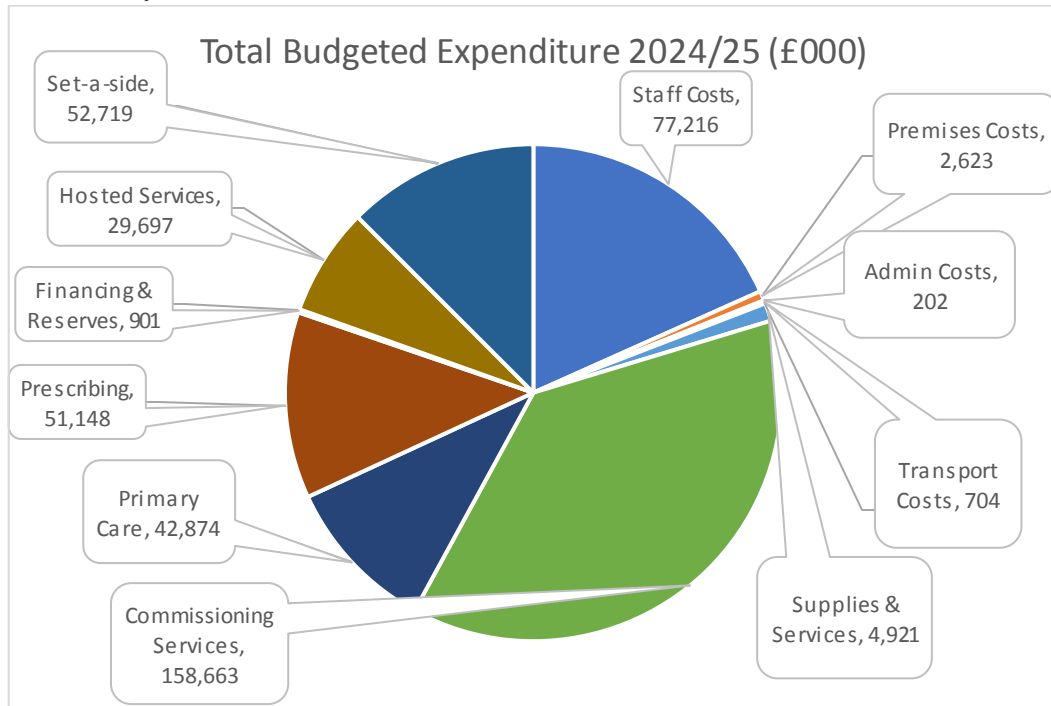


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3.10. The total budgeted income available for the IJB is £421.668m :-



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	£0.38
Staff Costs	£0.18
Set-a-side	£0.13
Prescribing	£0.12
Primary Care	£0.10
Hosted Services	£0.07
Other	£0.02

3.13. From this we can see that 100% of the Income is utilised, with no uncommitted funding available in 2024/25.

Savings

3.14. To present a balanced budget this year, significant savings have had to be allocated in 2024/25.

3.15. Throughout 2023/24, the Senior Leadership Team have held several workshops where the budget pressures were highlighted and discussed, during this process, the strategic aspirations of the Partnership and the Delivery Plan outcomes were central to any decisions taken.

3.16. The forecasted overspend for 2023/24 informed the initial discussions as it was imperative that these pressures do not continue and cause additional pressures in 2024/25.

3.17. In previous years, Future Service Redesign savings have been included to balance the Budget. Throughout the year, when projects within the Delivery Plan generated a savings, these were allocated to the Redesign balance. For 2024/25, individual projects within the Delivery Plan have been allocated specific savings, it is therefore imprudent to leave savings within Future Service Redesign this year.

3.18. It was agreed at SLT meetings that any budget savings required to balance the budget would be allocated to individual budgets, this has resulted in a savings target of 1.48% being allocated to base.



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- 3.19. Budget holders have been allocated saving targets and these will be monitored throughout the year. There is a risk that the allocated savings will not be met. To give budget holders maximum time to account for the savings, it was decided that it would be more beneficial to allocate the savings at the start of the year, rather than during the year.
- 3.20. The level of savings have been reviewed and an Initial Impact Assessment carried out (*Appendix 5*)
- 3.21. To highlight the level of budget commitment allocated to Prevention, the budget this year has been apportioned to 3 Tiers.
- 3.22. Following the same allocation method as adopted by Aberdeen City Council, the JIB budget has been split on the following 3 Tier categories:-

1 - Prevention	Taking action to prevent the occurrence of harm through universal measures
2 - Early Intervention	Intervention that ward off the initial onset of harm and create empowered resilient communities and staff (human demand) Intervening before further harm takes place in a way that avoids the later costs on both human and financial terms of handling the consequences of that harm (resource demand)
3 - Response	Significance harm has occurred or is assessed as being imminent, significant resource is required to provide specialist and / or intensive support to reduce harm and demand

The total budget expenditure is allocated at follows:-

	Budget 24/25	
	£000	%
1 - Prevention	301,803	72%
2 - Early Intervention	111,991	27%
3 - Response	7,873	1%
	<u>421,668</u>	



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Medium Term Financial Framework

3.23. 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:

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Budget Pressures	18,147	9,308	10,872	11,225	11,592
Additional Funding	(8,538)	(4,142)	(4,142)	(4,142)	(4,142)
Estimated Funding Gap	9,609	5,166	6,730	7,083	7,450
<u>Options to close the gap</u>					
Reshaping our approach to commissioning services	(2,586)	(3,093)	(3,405)	(3,571)	(3,743)
Whole system and connected remobilisation	(300)	-	-	-	-
Digital Transformation	(250)	-	-	-	-
Primary Care	(150)	(150)	-	-	-
Superannuation Contributions	(1,400)	-	-	-	-
Clear back-log in Financial Assessments will generate increased income	(1,500)	-	-	-	-
Saving targets allocated to Services	(3,423)	(1,923)	(3,325)	(3,512)	(3,707)
Shortfall	-	-	-	-	-

3.24. 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 £52 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 IJB Strategic Plan.



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- 3.25. 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.
- 3.26. 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 2025. 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 3 Delivery Plan (Y3DP)

- 3.27. 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 third year of the plan regardless of the review.
- 3.28. Reference was made to the performance data in the Delivery Plan Dashboard to understand whether the actions we were taking in the Delivery Plan to date were having the desired effect or not. In general this confirmed the actions we have already identified are the right ones particularly in relation to enhancing service provision in Care at Home, Hospital at Home and Interim Beds. The review did indicate that there should be more of a focus on rehabilitation for stroke patients and this will be built into the overall review of rehabilitation services already scheduled.



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- 3.29. Towards the end of 2023 the NHS Grampian Consultant in Public Health aligned to the Aberdeen City IJB undertook an analysis of the Population Needs Assessment (PNA) and highlighted the key messages relevant for Aberdeen City Health and Social Care Partnership. Most of the relevant areas of action required were already picked up either in the existing Delivery Plan or in projects the partnership are involved in within the Local Outcome Improvement Plan. One area that could be enhanced in the Delivery Plan was the partnership working with Aberdeen City Council Education and Children's Services (ECS) and two new lines have been added to the Y3DP within the Prevention and Strategy Programmes. The first is in relation to strengthening prevention and early intervention work, particularly in reducing local variations in health factors, and the second commits to reviewing the work being undertaken with Education and Children's Services and ensuring the Partnership is linked into all of the relevant areas.
- 3.30. Appendix 3 presents the Year 3 Delivery Plan. As last year, the projects have been grouped into programmes of work (the blue headings) but this year a description of the overall aim of the programme has been included. Arranging them this way makes the management and reporting of the projects easier. The total number of projects has increased from 64 in Year 2 to 82 in Year 3. Eleven of the Y2DP projects were closed during the year and four were completed. The main reason for the closure of projects was an amalgamation of the work with other projects although there were a couple where funding was withdrawn and therefore they could not be completed as originally envisaged, however, we are looking at other ways to deliver. There are 12 'completely new' projects (listed below). The other 'new' projects are not new pieces of work. These are projects that were already being undertaken either as business as usual or as part of the programme plan for some of the bigger programmes e.g. Frailty, H@H Expansion, and Social Care Pathways. Adding them to the Delivery Plan under the relevant programme brings more visibility to the work being undertaken and the resource being utilised to deliver.
- 3.31. The Y3DP as presented has been approved by the Senior Leadership Team with reference to the resources currently available in relation to staff capacity and budget. It should be noted that if there are any changes to resource availability a review of the plan may be required in line with changed circumstances. The SLT have also agreed that their responsibilities within the plan will translate to their personal objectives for 2024/25.



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New Projects for Y3DP

Programme	Project	Rationale
Home Pathways	Review Scheme of Assistance	To manage demand and budget reduction
Infrastructure	Rapid Review of Assets	To achieve budget savings
MHLD	Post Diagnostic Support	Early Intervention to manage future demand
MHLD	Review of NHS OOA Placements	To seek efficiencies
Prevention	Develop Public Mental Health Approach	National agenda and significant contribution to long term prevention agenda
Prevention	Reducing local variations in health factors (along with Children's Services Board)	Outcome of PNA analysis
Primary Care	Initiatives to mitigate increase in prescription costs	Response to budget pressure, ensuring future sustainability
Rehabilitation	Review of Wheelchair Services	Achieving improved outcomes for patients, efficiency, and reducing current overspend
Resilience	Explore other areas of charging	Potential to increase income offsetting increasing cost of service delivery and ensuring sustainability of services in future
Strategy	Develop new Strategic Plan	Statutory requirement for March 2025
Strategy	Review partnership working with ECS	Outcome of PNA analysis but significant early intervention activity to manage future demand
Strategy	Deliver relevant recommendations from Hosted Services Internal Audit	To confirm best value and reduce overspends

3.32. Other minor changes to note are that some projects that previously sat elsewhere in the Delivery Plan have now been brought under the Home Pathways Programme. IJB Members will recall that the Strategic Home Pathways Lead was appointed part way through Year 2 so this is the first opportunity to ensure the responsibility and accountability for these projects is accurately recorded. The Mental Health and Learning Disabilities (MHLD) Programme has been reviewed to align it with the national agenda in this area and the NHS Grampian Portfolio work. The project in relation to developing a Volunteer Protocol has been amended to take cognisance of the recently published Volunteer Charter and the new action is to arrange for Aberdeen City IJB to sign up to this and identify a Volunteer Champion. This is a specific ask from Community planning Aberdeen.

3.33. In addition to confirmation whether a project is Business as Usual (BAU) or a Full Transformation Project (FTP) as considered last year, a further category to confirm



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whether the project has been included to deliver a budget saving, ensure future sustainability, contribute to the prevention agenda (both of the latter will help manage future demand) or whether it is delivering on a national agenda or a statutory requirement has been added. It has been noted that in order to manage the budget in future years some preparatory work will need to be undertaken in financial year 2024/25. Whilst savings will not be released during 2024/25 it is hoped the work undertaken will enable savings to be achieved in 2025/26 and beyond. The budget for those projects where a budget saving has been allocated for 2024/25 will be monitored and reported to the Risk, Audit and Performance Committee quarterly at the same time as the quarterly performance report on Delivery plan progress. The Prevention, Early Intervention, and Response tiers have also been allocated. It is difficult to make direct comparisons with Year 2 in relation to these. Firstly, the allocation of tiers came after the Delivery Plan was agreed and our first attempt at this was not based on any agreed definitions. Comparison is also skewed as we have added projects from the programme plans of some of the bigger programmes and most of these are in the Response Tier 3. Having said that we have increased our Prevention projects from seven to twelve increasing the percentage of the projects in Tier 1 from 16.7% in Year 2 to 18.3% in year 3.

- 3.34. Work is about to begin on developing the next version of our Strategic Plan from 2025 onwards. IJB will be part of the development process but the first year Delivery Plan will be submitted to IJB for approval as part of the MTFP in March 2025.

Reserves

- 3.35. 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.
- 3.36. The unallocated balance on the Integration and Change Reserve is currently £5.4m, this is after accounting for the agreed use of the reserve to balance the overspend position in 2023/24, currently forecasted to be £4.5m. At this stage there are no detailed proposals for funding from this Reserve to deliver the projects set out in Year 3 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



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scopes develop, it may prove desirable and appropriate to financially invest in projects to maximise benefit realisation (whether financial or otherwise).

- 3.37. During the budget setting process, it was felt prudent to account for the reinstatement of the Reserves utilised to fund the 2023/24 overspend. A recurring budget of £500,000 has been included to reinstate the Reserves over time.

Social Care Providers

- 3.38. 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 2024/25 contract value is shown below: -

	£’000
2023/24 Contract Level	35,625
SLA amendments	(3,754)
Pay Awards (23/24 & 24/25)	3,050
Total – 2024/25 Contract Level	34,921

- 3.39. To reflect the additional pressure as a result of the pay award for 2023/24 and the estimated effect for 2024/25, it is recommended that the contract value is increased in 2024/25 by the amount highlighted above.
- 3.40. One of the services that form part of the SLA amendments has been delayed and will now take effect from 1 June 2024. To fund this, BAC have agreed to invoice the IJB for the costs rather than amend the annual contract value.
- 3.41. 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 MTF, no formal national agreement has been arrived at, therefore, the proposed rate increases of 6.76% for Nursing Care and 8.3% for Residential Care have been included in the budget from 1 April 2024 to account for the statutory pay requirements and the Real Living Wage uplift.
- 3.42. 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



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and by what percentage. The Scottish Government allocation has been passported 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 £12.00 per hour for all adult social care staff. It is recommended that authority be given to the Chief Finance Officer to provide for this in the MTFF. Individual increases to providers will be allocated following scrutiny of financial information provided to supplement any request for an increase in their rates.

- 3.43. 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 MTFF for 2024/25 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



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delivery of the savings. The impact on the workforce is something which will be 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.

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.



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- This report seeks to set a provisional budget for the JB, 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.