



INTEGRATION JOINT BOARD

Report Title	Medium Term Financial Strategy
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Report Author	Alex Stephen, Chief Finance Officer
Date of Report	8 February 2018
Date of Meeting	13 February 2018

1: Purpose of the Report
<ul style="list-style-type: none"> i) To update the Integration Joint Board (IJB) on the provisional levels of funding delegated by Aberdeen City Council and NHS Grampian for health and social care activities in 2018/19. ii) To advise and seek comment on the budget pressure facing the Integration Joint Board in 2018/19 onwards and the budget savings themes identified to potentially close the funding gap which are included within the Medium Term Financial Strategy. iii) To request approval of the Bon Accord Care provisional 2018/19 contract value. iv) To note the risk fund levels contained within the Medium Term Financial Strategy.

2: Summary of Key Information								
<p><u>2.1 Funding for 2017/18</u></p> <p>The Integration Joint Board (IJB) has a responsibility to set a balanced budget for 2018/19 as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The funds for the Integration Joint Board are delegated from Aberdeen City Council and NHS Grampian with the purpose of delivering the IJB's strategic plan. In 2017/18 the level of funding delegated at the start of the financial year was as follows:</p> <table border="1" data-bbox="268 1818 1083 1973"> <thead> <tr> <th></th> <th>£'000</th> </tr> </thead> <tbody> <tr> <td>Aberdeen City Council</td> <td>85,170</td> </tr> <tr> <td>NHS Grampian</td> <td>155,071</td> </tr> <tr> <td>Integration and Change Funds (from</td> <td>18,222</td> </tr> </tbody> </table>		£'000	Aberdeen City Council	85,170	NHS Grampian	155,071	Integration and Change Funds (from	18,222
	£'000							
Aberdeen City Council	85,170							
NHS Grampian	155,071							
Integration and Change Funds (from	18,222							



Scottish Government via NHSG)	
	258,463

The financial position for 2017/18 mainstream budget is forecasting to overspend due to financial pressures in prescribing, hosted services and out of authority placements. At the 31 December, the position shown is an overspend on mainstream budgets of £3.5 million which is more than offset by an underspend on the integration and change fund.

As the delegated funds come from Aberdeen City Council (ACC) and NHS Grampian (NHSG) the level of funding available to the IJB is heavily influenced by these organisations' grant settlements from the Scottish Government.

2.2 The Provisional Grant Settlement

The Cabinet Secretary for Finance and the Constitution announced the draft Scottish Government Budget on the 14 December 2017. As a result of this announcement the provisional grant settlement figures were provided to both local government and the national health boards.

Both Aberdeen City Council and NHS Grampian face challenges balancing their respective budgets due to budget pressures exceeding the level of funding available. This is consistent with most public sector organisations with inflationary pressures exceeding the level of funding available and budget reductions being required to close the funding gap.

There were two important changes in the information circulated with the Provisional Scottish Budget which impacts on the IJB.

- 1) Last financial year the conditions accompanying the grant settlement indicated that the Council could reduce their contribution to the IJB by its share of £80 million, for ACC this amounted to £3.090 million. The NHS grant settlement indicated that they should provide the same amount of money in 2017/18 as provided in 2016/17 (flat cash). The grant information for 2018/19 no longer provides conditions on the amount of funding the IJBs should receive and the amount of funding allocated by the partners is now to be agreed through local negotiations.

- 2) In the last two financial years additional funds have been allocated to the IJBs via the NHS for the Scottish Living Wage increases. In the 2018/19 settlement additional funding of £66 million has been allocated through the Local Government Budget. This amounts to £2.519 million for Aberdeen City and is to be used for paying the Scottish Living Wage and for the implementation of the carers act.

In terms of the respective provisional grant settlements



- NHSG received an increase in their financial allocations which they are proposing to transfer over to the IJB.
- ACC received a reduced financial settlement and are proposing transferring over a share of this reduction to the IJB. ACC are also proposing transferring the IJB's share of the £66 million discussed above.

These positions need to be formally agreed by the Council and NHSG before the final level of funding available to the IJB can be agreed and therefore may change over the next month. However, the positions outlined below highlight the financial impact to the IJB of the local negotiations undertaken to date:

	ACC Provisional £'000	NHSG Provisional £'000
Reduction in allocation (IJB share of Council's provisional grant budget cut)	832	0
Increase in allocation (IJB share of additional NHSG grant income to cover pay awards etc)	0	(2,998)
Additional Funding (Aberdeen IJB share of £66 million)	(2,519)	0
Provisional (Increase)\Decrease	(1,687)	(2,998)

Once the partners have confirmed their financial allocations to the IJB then a further financial strategy report will be brought back to the IJB on 27 March 2018 confirming the final position.

2.3 Medium Term Financial Strategy

In order to support the delivery of the IJB's Strategic Plan a Medium Term Financial Strategy (MTFS) has been developed and is attached as appendix 1 of this report. This strategy is based on the current funding assumptions which have arisen as a result of the current Scottish Budget process. The MTFS identifies the budget pressures which the IJB will face over the next five financial years 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 will be updated annually to reflect any changes to the baseline assumptions.

2.4 Bon Accord Care

Bon Accord Care is an Arms Length External Organisation of the Council. As the majority of the funding for Bon Accord Care comes from the IJB a breakdown of the provisional 2018/19 contract value is shown below

	£'000
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2017/18 Contract Level	26,289
Pay Inflation	680
Incremental Drift	164
General Inflation	55
Employers Pension Contributions	395
Savings required	(600)
2018/19 Contract Level	26,983

The Senior Officers in Bon Accord Care are currently working on efficiency savings to be delivered and these will be reported to the IJB in March 2018. The employers' pension contribution rate is based on new figures provided as a result of the recent actuarial valuation. Work is progressing with the Aberdeen City Pensions Team to look at the profiling of this change across the financial years and potentially reduce the level of increase in 2018/19. An update will be provided to the March IJB meeting and the figure adjusted accordingly.

2.5 Clinical & Care Governance

The savings options identified are not anticipated to have an impact on clinical or care governance. Should any clinical or care issues arise the Executive Team will attempt to put mitigations in place to reduce these issues. Should this not be possible, then the matter will be reported to the Clinical & Care Governance Committee and then the IJB should they deem appropriate.

2.6 Staff Involvement and Engagement

Budget discussions and proposals have been led by the Executive and Senior Operational Management Team, including lead clinicians and professionals. A discussion on the budget will take place at the Partnership's staff forum on the 5 March 2018 and staff briefings and further discussions are planned to take place in early March. In addition both our partner organisations – NHS Grampian and Aberdeen City Council have developed communication and engagement strategies for staff.

2.7 Budget Process

The process to be followed with regard to setting the budget is detailed below:

- 27 March 2018 – final budget report after confirmation of the funding levels, along with approval of the directions to the partners.

3: Equalities, Financial, Workforce and Other Implications



The equalities implications of the budget and budget savings have been reviewed and some may have an impact on the protected characteristics groups. In terms of the services provided by the partnership many of our clients/patients will be older and in some cases disabled. A full equalities impact assessment will be undertaken on the budget saving themes once the final funding levels from the partners are confirmed.

There are no workforce implications associated with the budget, except that the staff 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 financial implications are detailed throughout the report and appendix 1.

4: Management of Risk

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

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

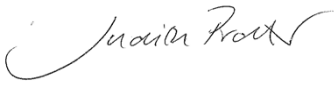

5: Recommendations for Action

It is recommended that the Integration Joint Board:

1. Note the provisional financial allocations proposed to be allocated by the partner organisations;
2. Agree the provisional Bon Accord Contract level for 2018/19 of £26,983,000 and budget assumptions noted in section 2.4;
3. Comments on and endorses the Aberdeen City IJB Medium Term Financial Strategy included as Appendix 1 of this report;
4. Notes that the IJB previously agreed to earmark £2.5 million in a risk fund and this is included in the Medium Term Financial Strategy; and
5. Instructs the Chief Finance Officer to bring back a report to the IJB on the



27 March 2018 detailing the final financial allocations from the partners and updating the Medium Term Financial Strategy.

6: Signatures	
	Judith Proctor (Chief Officer)
	Alex Stephen (Chief Finance Officer)



ABERDEEN CITY IJB

MEDIUM TERM FINANCIAL STRATEGY

2018/19 – 2023/24



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Executive Summary

The five-year financial plan sets out the forecasted income and expenditure for the Integration Joint Board. Whilst the funding levels contained in this budget have only been set for one year (2018/19) we have based future projections on historic trends and planning assumptions on advice from our key partners.

An overview of five year financial plan is set out below:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Budget Pressures	4,206	6,300	6,597	6,152	6,471
Efficiency Savings	(900)	(1,150)	(1,650)	(1,650)	(1,650)
Transformation Programme	0	(1,458)	(1,487)	(1,517)	(1,547)
Medicines Management	(200)	(1,000)	(1,000)	(1,000)	(1,000)
Service Redesign	0	(2,692)	(2,460)	(1,985)	(2,274)
Funding - Integration & Change Fund	(3,106)	0	0	0	0
Shortfall	0	0	0	0	0

Based on the projected income and expenditure figures the IJB will require to achieve savings between £6.2m and £6.6m from 2019/20 onwards. The aim of the strategic financial plan is to set out how the IJB would take action to address this financial challenge across the key areas noted overleaf:



Key areas identified to close the financial gap



Efficiency savings

- Implementing a range of actions which will achieve efficiency saving in terms of the delivery of core and mainstream services



Transformation

- Implementing an ambitious programme focused on reducing demand on services and enabling demographic pressures to be delivered without increased capacity



Medicines Management

- Implementing a range of alternatives to prescribing medicines and engaging patients in self-management and prevention measures



Service redesign

- Identifying and implementing opportunities to redesign services using alternative models of care in line with the ambitions of the IJB strategic plan.



1. Introduction

The Aberdeen City Health and Social Care Partnership (ACHSCP) has now been operating for almost two years. During this time significant progress has been made in terms of integrating the services delegated from its partners Aberdeen City Council and NHS Grampian.

The Aberdeen City Integrated Joint Board (IJB) is the governing body of the ACHSCP and in March 2017 agreed its first budget following the delegation of funding from its partners. This budget included a draft five-year budget showing the financial pressures likely to be incurred over this period. No solutions to close the funding gap were identified at this stage as the organisation had been in operation for less than a year.

This medium-term financial strategy (MTFS) aims to pull together in one place all the known factors affecting the financial position and sustainability of the organisation over the medium term. For the purposes of this financial strategy the medium term is defined as five years, given the organisation has only been operating since April 2016 and the current uncertainty in public sector funding levels due to the continuing period of financial constraint.

This MTFS will establish the estimated level of resources required by the ACHSCP to operate its services over the next five financial years and also estimate the level of demand pressures likely to be experienced by these services. It will take cognisance of the IJB's Strategic Plan 2016-19 and the Aberdeen City Health & Social Care Integration Scheme (December 2015) as well as any other strategies agreed by the IJB since it became operational. It will also take cognisance of the strategies, plans and policies of its partners where relevant to the operation of the delegated services.

The MTFS will assist in delivering the strategic plan, further improve strategic financial planning and maximise the use of resources across the medium term.



2. Key Principles

In both its shadow and live form the IJB has established some key principles which it has been working to in relation to its financial planning:

- 1) The use of its resources must be aligned and help in the delivery of the priorities contained in the strategic plan.
- 2) Spending should be contained within the original budgets set during the budget setting process; where this is not possible recovery plans will be required to cover any overspends to protect the partners' budget positions.
- 3) Should the recovery plans developed have a severe detrimental impact on the services being provided to citizens, then the IJB may agree to cover the overspend on a temporary basis by using reserves whilst a permanent solution to the overspend is identified.
- 4) The transformation programme and activities approved by the IJB will seek to either manage increasing demand or generate financial savings.
- 5) Given the type of services provided and the reliance placed on these by service users the IJB may agree to fund 'double running costs' whilst the proof of concept and benefits are established of the transformation projects.
- 6) There is a clear preference towards the delivery or recurring savings and that budgets should be balanced on a recurring basis, the use of one-off savings only being used where part of the overall MTFS.
- 7) The creation and maintenance of a risk fund to provide protection to both service users and partners should, in year budget movements, not be able to be contained within the originally agreed budgets,
- 8) A preference for working in partnership with ACC, NHSG, the third sector and the other two Grampian IJBs to deliver the best and most efficient services possible within the financial allocations delegated.

Information on the services provided by ACHSCP is shown in further detail in Appendix 1



3. Context (National and Local)

Legislation Context

The Board's role and function is set out in the underpinning legislation – the *Public Bodies (Joint Working) (Scotland) Act 2014*. The purpose of the integration policy can be summarised as being necessary in order to reshape our whole health and care system in Scotland to enable us collectively to sustain good quality services at a time of unprecedented change and challenge – budgets are reducing, our population is ageing and we are contending with a reducing working age population and a reducing workforce supply – more than in any other time in recent memory. The system must change and adapt to the new pressures it faces and health and social care integration is seen as a key mechanism toward that.

Integration Joint Boards (IJBs) were set up in order to change the patterns of behaviour, planning and delivery across health and social care and, in large part, to achieve change through an approach which challenges the status quo; deliberately setting strategy, planning and then, utilising delegated budgets directing and commissioning the NHS and Local Authority Partner organisations to delivering more joined-up, community-based models and in doing so, utilising resources 'locked' in traditional silos.

Scottish Government Context

The Scottish Government has been clear that the integration of health and social care is one its priorities. It has stated its intention to shift the balance of care from large hospitals into community settings and committed that more than half of front line spending will be incurred in community health services by the end of this parliament.

The Scottish Government has also indicated that one of its priorities is the adoption of the Scottish Living Wage across the care sector. In this regard additional funding has been allocated to the IJBs in each of the last two financial years to fund this policy commitment.

The General Practitioners (GP) Contract is negotiated between the British Medical Association (BMA) and the Scottish Government and has now been agreed for implementation from 1 April 2018.



National Demand Context

The demand for services is increasing as is evidenced by the following statistics:

- 1 in 4 adults has a long-term illness or disability;
- Around 2 million people in Scotland have at least one long-term condition;
- People in Scotland are living longer, but more of those people over the age of 75 are living with a long-term condition and/or significant frailty; and
- Overall the population of people over the age of 75 is expected to increase by 63% over the next 20 years.

The Scottish Government estimates that the need for health and care services will rise by between 18% and 29% between 2010 and 2030. Coupled with a shrinking working age population and the known workforce supply challenges, it is clear that the current model of health and care cannot be sustained and that it must change.

Audit Scotland undertook an early review into the changes being brought about through the integration of health and social care in its paper of March 2016. The report, *Changing Models of Health and Social Care*, set out the challenge of increasing demand for services and growth over the next 15 years in Scotland. Among the pressures identified in this were:

- 12% increase expected in GP consultations;
- 33% increase in the number of people needing homecare and a 31% increase in those requiring 'intensive' homecare;
- 35% increase in demand for long-stay care home places; and
- 28% increase in acute emergency bed days and a 16% increase in acute emergency admissions.

The Audit Scotland report went on to say that on the basis of these estimated increases in demand, there would need to be an increased annual investment of between £422 and £625 million in health and social care services in order to keep pace.

Local Context

As with all public sector bodies our partners from whom the majority of our funds are received are facing financial challenges as a result of this period of financial constraint, with demand for budget outstripping the resources available and savings having to be identified annually to balance budgets. Aberdeen City Council is the lowest funded council per head of population in Scotland and has a savings target of



£125 million over the next five financial years. NHSG has an estimated savings target of £20 million per annum over the next five years.

The amount of funding available to both organisations is largely driven by the level of funding received from the Scottish Government through the grant settlement process.

In Aberdeen City the majority of the Adult Social Care Services are commissioned externally, either through third/independent sector providers or from Bon Accord Care, an ACC subsidiary. Aberdeen City has one of highest average property prices in Scotland. This can impact on the commissioned services by making the costs of financing their assets more expensive than elsewhere in Scotland and by making it difficult for these organisations to recruit and sustain staffing levels due the high cost of living in the city.

ACHSCP also has difficulty recruiting to some professions with long-term vacancies particularly in community nursing, Mental Health Consultants and GPs. Within the city many practices have unfilled GP vacancies.

The level of demand for services is anticipated to increase year on year. In terms of social care the majority of care provided is to the over 65s. The population projections from the National Records for Scotland indicate that between 2017 and 2022 they estimate the number of over 65s will increase in Aberdeen City by 3,600. This is a 10% increase in this age group from the 2017 forecast position and highlights the scale of the challenge facing the IJB in delivering services to this population group.



4. Planning Assumptions

2017/18 Budget and Outturn

During the 2017/18 budget process the IJB agreed £5 million of savings to help close the budget gap. The mainstream budget is forecast to overspend by £3.5 million.

The main areas that have contributed to the overspend are:

- 1) Prescribing – the costs of drugs is increasing due to some drugs being in short supply (and alternatives being more expensive) and also a discount expected from a drug coming off patent not materialising at the expected level. Prescribing is a budget pressure for the majority of IJBs as a result of this. The Aberdeen City GPs on average are prescribing at a lower cost per head of population than some of their counterparts elsewhere in the Scotland.
- 2) Out of Area Placements – This is the placement of patients outwith the area where for clinical reasons they require specialist treatment not available in Grampian. There has been a rise in the number of patients going out of area and a corresponding increase in costs.
- 3) Hosted Services – An increase in the running costs of the services at Woodend due to lack of budget for night time consultant cover and also an increase in the costs of running the GMED (GP out of hours service) and the Forensic Medical Examiner service.



Reserve Position

The IJB is subject to the audit and accounts regulations and legislation of a body under Section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes by the Office for National Statistics (ONS). The IJB is able to hold reserves which should be accounted for in the financial accounts of the Board.

Reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- create a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

For Aberdeen City the current reserves position is forecast to be as follows:

	2017/18	2018/19
Opening balance	£10.4m	£9.4m
New resources	£20.0m	£18.3m
	£30.4m	£27.7m
Transformation Programme commitments	(£4.4m)	(£6.3m)
Living Wage and Sleepover commitments	(£15.4m)	(£12.5m)
Operational allocations	(£1.2m)	(£3.1m)
Closing balance (including £2.5m risk fund)	£9.4m	£5.8m

5. Projected expenditure and new resources

This reflects the known commitments and income likely to be received in 2018/19. It is anticipated further additional funding will be announced during 2018/19 to support the IJB.

Each year cost pressures will arise during the financial year as service delivery moves to cope with demand. The main cost pressures which the IJB will face over the next five financial years are as follows:



	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<u>Budget Pressures</u>					
Pay Award based on new rates	1,901	1,958	2,017	2,078	2,140
Locums Mental Health	300	6	6	6	6
Transitioning Children - Learning Disabilities	575	595	616	638	660
Bon Accord Care	694	599	616	634	653
Demographics 2% uplift	0	1,458	1,487	1,517	1,547
	3,470	4,616	4,742	4,873	5,006
<u>Current Budget Pressures</u>					
Prescribing	1,900	1,076	1,119	1,164	1,211
Out of Authority Placements	512	20	21	22	23
Hosted Services	500	20	21	22	23
	2,912	1,116	1,161	1,208	1,257
<u>New Requirements</u>					
National Care Home Contract (NCHC)	1,378	1,433	1,490	1,550	1,612
Scottish Living Wage on non- NCHC	1,104	1,143	1,183	1,224	1,267
Free Personal Care Uplift	96	99	102	106	110
Sleepovers – Estimate	206	4	4	4	4
New Carers Act	725	750	776	803	831
Additional Funding for SLW(share of £66 m)	(2,519)	(2,519)	(2,519)	(2,519)	(2,519)
	990	910	1,036	1,168	1,305
Manage Budget Pressures	(500)	0	0	0	0
<u>Funding Adjustments</u>					
Cut in Council Funding	832	1,901	1,901	1,901	1,901
Earmarked funding	(500)	755	755	0	0
Uplift in NHS Funding	(2,998)	(2,998)	(2,998)	(2,998)	(2,998)
	4,206	6,300	6,597	6,152	6,471



Budget Assumptions

Pay Award – The Scottish Government indicated that the pay award for 2018/19 would be as follows: 3% for those earning less than £36,500, 2% for those earning more than £36,500 and less than £80,000 and a flat cash payment of £1,600 for those earning over £80,000. This only applies to the NHS staff within the IJB, however, the announcement sets a direction of travel and this combined with the removal of the pay award cap means it would be prudent to budget for this level of increase across the whole of the IJB staff. It is anticipated that the level of increase will be at a similar level for future years.

Mental Health Locums – Recruiting Mental Health Consultants has been a challenge across the whole of Grampian for some time. The service is looking to mitigate these costs as much as possible through service redesign and making savings in other staffing budgets. A U.K. national training scheme exists and the trainees are placed nationally through this scheme for their work experience. This makes it hard to attract newly qualified staff to the north east, as the trainees have no local connections.

Transitioning Children (Learning Disabilities) – Children transition into the adult learning disabilities section once they reach a certain age. At this point they are reassessed by the care managers from the adult learning disabilities team and a new care package is created reflecting eligibility criteria. Pressure has been experienced on this budget last financial year and the number of children transitioning has been costed at £575,000 in 2018/19. Please note, this is only an estimate based on an average care package, the care package for some transitioning children will be far higher than the average depending on the complexity of the disability.

Bon Accord Care – Based on the level of funding requested from Bon Accord Care

Pay Inflation	3.0%	£680,000
Incremental increase	0.7%	£164,000
Additional pension contributions		£395,000
Supplies Inflation	3%	£55,000
Savings targeted		(£600,000)
		£694,000

The additional employer's pension contribution is being investigated to see if it can be reduced or phased in. The financial projections assume BAC will be able to make additional savings of £300,000 each financial year from year two onwards.



Demographics – Before someone is provided a care package they are assessed by care managers against the eligibility criteria. In Aberdeen City care is only provided to those who are assessed as having a high or very high need. The majority of the Adult Social Care clients are over 65 and given the number of over 65s is forecast to increase year on year, a provision has been put in from year 2 onwards to cover the additional costs anticipated as a result of this. No provision is provided in year 1 as the demographics have been able to be managed recently as there is only so much care available in the city and in previous years the number of leavers has offset the number of people requiring care.

Prescribing – The cost of the drugs prescribed by GPs is increasing year on year. The IJB has limited control over this budget, as it is unable to control the prices of drugs which are set nationally and influenced by factors such as supply and demand, currency movements and patents. It is also unable to control demand as it is a clinical decision as to whether a GP decides to prescribe a medicine. Aberdeen City already performs well nationally in terms of prescribing and has one of the lowest costs per head of population. This makes trying to generate efficiencies from this budget difficult.

Out of Authority Placements – Primarily on health services for clients where a clinical decision has been made that the best form of care is provided outwith the local area. These services are typically more expensive than what could be provided in-house due to the complexity of the condition requiring treatment.

Hosted Services – The service information section provides more detail on these services. The services are managed by one lead authority on behalf of the other two IJBs. During 2017/18 the budget processes between the three IJBs were not aligned, therefore it was not possible to agree a budget position for these services. The services did not receive any additional funding to cover the pay uplift and this combined with some of these services already managing deficit positions has contributed to the financial pressure being experienced in 2017/18.

National Care Home Contract – the National Care Home Contract is currently negotiated annually. There have been a number of discussions about whether there should be a move to local negotiations. The care home market is fragile with some homes closing or changing their business models to deal with the challenging business conditions in which they operate. The majority of the costs incurred by care homes are on staffing which is influenced by the Scottish Living Wage. The level of increase is unknown at present with the care homes seeking a level of increase which is not affordable to the Councils\IJBs. An increase of 3.3% per annum has been costed.



Scottish Living Wage on non NCHC contracts – Services are also commissioned which are not governed by the NCHC. These are tendered for locally. In previous years the level of increase agreed by the IJB has been the same as the NCHC increase. However, given the level of increase requested by the NCHC this would not be possible going forward and the level of increase costed is based on the level of increase in the Scottish Living Wage (£8.45 per hour to £8.75 per hour) adjusted to reflect the staffing element of their costs.

Free Personal Care – an uplift in the Free Personal Care rates based on the Scottish Living Wage uplift. The introduction of free personal care for under 65s is assumed will be fully funded by the Scottish Government.

Sleepovers – In the learning disabilities and mental health services cover is provided through the night by way of sleepovers. This is to ensure cover is available to deal with any issues that arise during the night. Previously these were paid as a flat rate. In the last financial year we were required to pay for these at HMRC compliant rates. Funding has been provided to pay for sleepovers at Scottish Living Wage rates.

Carers Act – Additional funding has been received to fund the financial implications of the Carers Act. The cost of the implementation of this act will not be known until the eligibility criteria have been agreed. In the meantime a provisional allocation has been added based on the funding provided by the Scottish Government in the local government settlement.

Additional Funding – In previous years additional funding has been transferred to the IJB through the NHS to deal with the Scottish Living Wage increases etc. This financial year the additional money is flowing through the Council's grant settlement. The Aberdeen City share of the £66 million is £2.519 million.

Manage Budget Pressures – at the time of developing this MTFs two of the budget pressures identified above are being reviewed to determine if they can be managed down.

Funding Adjustments – In the last financial year Councils were allowed to reduce the IJB's budget by their share of £80 million, which for Aberdeen City was calculated as being £3.090 million. In 2018/19 it has been assumed that ACC will pass on its share of the cut in the grant settlement estimated at £832,000. It is assumed further cuts will be made in future years. For the NHS an uplift in funding was received of 1.5% and it is assumed this will be passed on in 2018/19 and similar adjustments will be made in future years.



Earmarked Funding – There is likely to be additional funding to support primary care, mental health, unscheduled care, transformation and winter planning. The provision of link workers, for example, is a priority for the Scottish Government and given provision is already included in the plan for this project it should be possible to recycle these funds. This is only possible as the Aberdeen City IJB's transformation plans already contain provision for improving primary care. It is therefore proposed to assume within the financial strategy that some of the £500,000 of additional funds will be made available to the IJB.



6. Options to close the financial gap

Delivery of savings in a health and social care environment is very difficult, as the services used are required by the clients to maintain their current standards of living. Reducing a service may seem like an easy option, but in reality will mean the person needs more expensive support sooner usually as a result of a crisis. For example, the Council\IJB could decide to only provide social care support for those assessed as having a 'very high' need. This would allow support for those classed as having a 'high' need to be removed. The consequence of this is that the clients currently classed as 'high' would move into the 'very high' category sooner and the level of support provided would be more expensive.

The savings programme will be centred around the following themes:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Efficiency Savings					
Review of Pricing\Charging Policies across the Partnership	0	(300)	(300)	(300)	(300)
Review processes and ensure these are streamlined and efficient	(250)	(250)	(250)	(250)	(250)
Review of out of hours services	(400)	(100)	(100)	(100)	(100)
Review out of area placements - social care and health	0	0	(500)	(500)	(500)
Commissioning	(250)	(500)	(500)	(500)	(500)
	(900)	(1,150)	(1,650)	(1,650)	(1,650)
Medicines Management	(200)	(1,000)	(1,000)	(1,000)	(1,000)
Transformation Programme	0	(1,458)	(1,487)	(1,517)	(1,547)
Service Redesign	0	(2,692)	(2,460)	(1,985)	(2,274)
Integration & Change Fund	(3,106)	0	0	0	0
	(4,206)	(6,300)	(6,597)	(6,152)	(6,471)



Set Aside Notional Budgets

Bed Base Review	(2,300)	0	0	0	0
Transformation Programme	(4,485)	0	0	0	0
	(6,785)	0	0	0	0

Efficiency savings

Five new workstreams are moving forward with the aim of providing financial efficiencies to contribute towards closing the budget shortfall in each year. Further details on the above workstreams are included in Appendix 2.

Transformation

Transformation will not necessarily deliver savings at the level required within the timeframe and savings to close the gap in the budget will need to be identified and delivered through a wide range of measures.

The aim is to use the transformation activities to absorb costs and where possible create capacity in mainstream budgets/services. This capacity will be used

- to help support services moving from the large hospital setting to a local community setting; and
- to enable people to be taken care of for longer in their own home, reducing the reliance on the traditional residential care setting.

There are three large projects in the transformation programme – Community Link Workers who provide support to GPs, Acute Care @ Home which will seek to move some of the services currently provided in a hospital setting into the community and the INCA teams – where we will seek to establish cross-service disciplinary teams to treat people in their own homes.

In terms of the mainstream budget the purpose of the transformation fund is to manage the additional demographic pressure likely to be experienced in the city.

Medicines Management

Mitigating the risk of the rising costs of primary care medicines will remain a focus for the IJB, with a range of measures locally and regionally being developed to control prescribing volumes and reduce cost per item, where possible.



Most city GP practices are undertaking a medicine management enhanced service which supports switching patients to more cost-effective therapies. In addition work is occurring at NHSG level to look at developing a list of drugs with limited clinical value which GPs will be asked to stop prescribing.

Service redesign

While the focus of transformation comes from the integration and change funding is the major projects committed to by the IJB. All of the Partnership's senior teams have a focus on redesign of services and are constantly modifying service provision to ensure the best service is provided within the agreed budget. A workstream will be developed to determine where service redesign can happen which reduces the costs of service delivery and helps contribute towards the financial gap. There is also a possibility that some elements of locality working may allow future savings to be generated. This saving will be difficult to achieve and is therefore only estimated at this stage. Further information will be brought back to the IJB in due course.

Integration & Change Fund

A review of the commitments included in the integration and change fund has been undertaken to establish if there is any un-allocated recurring funding available to support the 2018/19 budget. This analysis has identified £1.596 million is available. It is also recommended £1.510 million be used from this funding on a one-off basis. This increases the savings targets in 2019/20 and 2020/21.

Set-Aside Notional Budget

Budgets for large hospitals are managed by acute. The IJBs have a notional budget representing the consumption of these services by residents. The IJBs are responsible for the strategic planning for these services as a result of the legislation which established the IJBs.

The services covered include:

- Accident and emergency services at ARI and Dr Gray's - Inpatient & Outpatient;
- Inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- Palliative care services provided at Roxburghe House Aberdeen and the Oaks Elgin.

The set aside budget for the three IJBs totals £83.5m. The level of large hospital resources used by the IJB is reviewed on an annual basis to inform how resources are deployed across the whole system of health and social care. For the set-aside notional budget it has been estimated that it could be possible to divert 5,680



occupied bed days (or 15 beds annualised) from the hospital as a result of the acute care @ home project. Further information on the transformation programme can be found in the transformation plan.



7. Risk Assessment

The setting of any budget is the acceptance of the assumptions and risk underpinning the figures. The IJB has its own strategic risk register and the individual services hold operational risk registers. The executive team has established that the major risks impacting on the MTFS are as follows:

- During the 2017/18 budget a significant level of turnover savings was added to the budget to reflect the current staffing levels; should these staffing levels improve then this could impact on the delivery of this saving. This is monitored during each budget monitoring and all posts are taken through a vacancy control process.
- The Scottish Government has decided to lift the pay cap in 2018/19 and the proposed increases in this financial strategy are based on the information provided. It could be that the level of pay award agreed increase above this level in future years.
- The prescribing budget is a high-risk budget for the IJB. Whilst the decisions to prescribe are made locally, the costs of the drugs and the agreement to introduce new drugs are made nationally.
- The increasing level of complexity of need for some of our clients means that major care packages might materialise during the year which we have not budgeted for. The same applies to patients who need out-of-area care and where a clinical decision has been made that this is in their best interests.
- The external care market is fragile with care providers looking for high inflationary increases to provide stability. These increases are negotiated nationally and may be higher than forecast. Should the national negotiation break down then it is likely that local agreements will need to be negotiated and given the high cost of living in Aberdeen this is likely to be more than what would be agreed nationally.
- The Carers Act eligibility criteria are being developed and may either increase or reduce the costs of the implementation of this act.

All these risks will be monitored and reviewed through the finance monitoring statements on a regular basis.



Appendix 1: Services Provided by ACHSCP

Information on the services provided by ACHSCP is shown below:

Community Health Services (£32 million)

Includes budgets for the community health services for each locality, including district nursing, health visiting, allied health professionals, public health and the Public Dental Services (PDS).

Community Nursing Services

The Community Nursing Service for Aberdeen City comprises District Nursing, Health Visiting, School Nursing and Specialist Nursing Services. The service has 474 staff (307.11wte) delivering services to the population of Aberdeen City. District Nurses provide both scheduled and unscheduled nursing interventions predominantly to the elderly population, those with a palliative diagnosis and end-of-life care. These services are delivered both in-hours and out of hours. Health Visitors provide universal services to the under-5 practice population in line with the Children and Young People's Act (2014). They also have a remit to deliver the Child Protection agenda keeping some of the most vulnerable children safe from harm. School Nurses deliver services to children and young people, including the vaccination programme under direction from the Scottish Government. Specialist Nursing Services deliver nursing interventions which require expert knowledge and they support the work of the general nursing service.

Allied Health Professionals

Allied Health Professionals (AHPs) are a distinct group of practitioners who assess, diagnose, treat and rehabilitate people of all ages, across health, education and social care, supporting many of our most vulnerable citizens across Aberdeen. They are experts in rehabilitation and enablement, supporting people to recover from illness or injury, manage pain and long-term conditions with a focus on maintaining and improving independence (including helping people to remain in work/return to work) and developing strategies for people to manage longer-term disabilities.

There are six AHP groups (200 staff) working across Aberdeen City HSCP: dietetics, occupational therapy, physiotherapy, podiatry, speech and language therapy and the prosthetics and orthotics service. These AHP services are delivered in a range of clinic, community and education settings, including in the person's own home or in care homes, and provide in-patient care to people in Specialist Older Adult and Rehabilitation services in Woodend, Horizons, Craig Court, Rosewell and Clashieknowe. This team assess, diagnose and treat over 45,000 new patients each year.



Public Health and Wellbeing

The main function of members of the public health team is to promote population and community health and wellbeing (as opposed to personal care), addressing the wider determinants of health and health inequalities. They do this by working with, and through, policies and strategies, across agencies and boundaries, providing leadership to drive improvement in health outcomes and the reduction of health inequalities. Their predominant focus is on primary prevention and the wider determinants of health at population level and the range of team members use approaches and skills that include programme development, implementation and evaluation, assessing the impact of policies on people's health; project management, community engagement, communication with a wide range of stakeholders. Whilst public health team members engage with a wide range of stakeholders many of the programmes and outcomes they seek to influence and support relate to early years, children and young people. Key national and local priorities for the public's health are alcohol, tobacco, mental wellbeing, diet, physical activity and healthy weight. Team members work in and across localities as well as with local people in communities and multi-agency environments.

The Public Dental Services (PDS)

The PDS provides NHS dental care for priority groups of patients across ten surgery sites in Aberdeen. In addition to core service delivery, the Aberdeen PDS provides the Minor Oral Surgery service for Grampian, providing sessional clinical input to the General Anaesthetic Clinic and has oversight of the Outreach provision for Dundee University undergraduates.

Hosted Services (£20.5 million)

A range of services provided on a Grampian-wide basis and managed by one lead IJB, Aberdeen City IJB being the lead for:

- Specialist Older Adult and Rehabilitation Services – comprising the Grampian Specialist Rehabilitation Service and the Specialist Older Adults Service across Aberdeen and Aberdeenshire. These services provide a range of in-patient beds (circa 200), community rehabilitation, specialist medical consultant liaison (including community consultant geriatrician alignment) and specialist services – dealing with wheelchairs, prosthetics and orthotics across Grampian. The services are all largely based at Woodend. There is also a significant medical in-reach service supporting the 85 bedded acute geriatric service within Aberdeen Royal Infirmary.
- Sexual Health Services – Based at the Health Village but providing services across seven locations in Grampian.



The Moray and Aberdeenshire IJBs are the leads for the following services: Marie Curie Nursing Service, The Continence Service, Diabetes Managed Clinical Network, Chronic Oedema Service, Heart Failure Service, HMP Grampian Health Services, Police Forensic Examiners, Primary Care Contracts Team and GMED out of hours medical services.

Learning Disabilities Services (£30.5 million)

The service is committed to integrated working and providing a range of diverse and intensive person-centred services, to promote and support independent living, underpinned by individual and family/carer involvement.

In-house services (127 staff) provide housing support, care at home (on 6 sites) and a modern specialised day service at the Len Ironside Centre. They also commission a wide range of supported living, residential, care at home, respite and day services; the current contract framework has 20 providers for Supported Living Services and 15 providers for Enhanced Supported Services.

The Care Management Team (18 staff) provide comprehensive assessment, care package commissioning and ongoing support for over 650 adults with learning disabilities and associated complex conditions and needs. This includes our Transitions Service that works closely with Children's Services in the planning and transfer of young people into adult services.

The multidisciplinary Health Team (20 Staff - Medical, Nursing, Psychology and Allied Health Professionals) provide specialist health services to over 500 adults with complex and challenging needs.

Mental Health & Addictions (£20 million)

This includes the provision of services by NHS community mental health service and adult social care services. Within adult social care there are three mental health teams and one old age psychiatry and rehabilitation team based at Cornhill Hospital. These teams provide social work, care management and a Mental Health Officer service to people with mental health difficulties and their families, in a hospital based environment and within the community. In addition to this there are integrated teams for drug and alcohol providing clinical and care management service for individuals who experience substance misuse. Across these services in adult social care there are around 1,000 service users at any one time.

Older People and Physical & Sensory Disabilities (£73 million)

This is a care management service for individuals who are aged 65 years and over and for those with physical and sensory disabilities who are assessed as requiring care and support. Such services include provision of day care, care at home, residential care, sheltered and very sheltered housing, occupational therapy and



provision of aids and adaptations. The service is made up of five care management teams providing services to 3,100 service users. The sensory disability services are commissioned from North East Sensory Services who have a social work team providing a statutory service to 135 people with a further 3,000 being provided support services.

Criminal Justice (£47,000 net – funded by ring fenced grant)

Criminal Justice Social Work provides statutory supervision and court reports from the age of 18. The aim of the service is to reduce the risk of reoffending and harm by those who are supervised in the community and assisting with rehabilitation and monitoring to those released from prison. The service is made up of four community teams, a throughcare team, a pre-disposal/court team, an unpaid work team, and a Women's Service. They also undertake group work programmes for those convicted of domestic abuse offences or sexual offences. At any one time around 1,500 clients are open to justice services.

Primary Care Prescribing (£40 million)

The cost of drugs prescribed by Aberdeen City GPs to patients. This expenditure covers medicines, dressings, appliances and stock order items prescribed in the community by GPs and other prescribers. Expenditure is impacted by a complex range of factors including how long drugs are patented, the availability of a drug, individual expensive drugs, and an increase in community-based care, amongst others.

Practice Pharmacists work in tandem with GP practices to ensure prescribing is efficient and effective. Prescribers are also supported with the Grampian Joint Formulary Scriptswitch software and regular guidance/input from the Lead Pharmacists.

Primary Care (£37 million)

Payments made to GPs for provision of services. The costs are largely dictated by the GPs' national terms & conditions of service from the GP contract. Aberdeen has 29 GP practices, providing general medical services to a population of 253,000 registered patients (1 Jan. 2018). Whilst different contractual models operate across the city, all GP practices provide core *general medical services* together with a range of *enhanced services*. The above expenditure is drawn from the General Medical Services contract funding stream and represents the payments made to GP practices for the services provided to their registered list of patients.

Set-Aside Notional Budget (£47 million)

Budgets for large hospitals are managed by the Acute and Mental Health sectors of NHS Grampian. The IJBs have a notional budget representing the consumption of



these services by residents. The IJBs are responsible for the strategic planning for these services as a result of the legislation which established the IJBs.

The services covered include:

- Accident and emergency services at ARI and DR Gray's - Inpatient & Outpatient;
- Inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- Palliative care services provided at Roxburghe House Aberdeen and the Oaks Elgin.

The set-aside budget for the three IJBs totals £83.5m.



Appendix 2: Mainstream Budgets – efficiency savings

Review of pricing\charging – It is not anticipated to increase fees and charges in 2018/19. A workstream has been developed to review the charges included in the IJB budget. Whilst the budget for fees & charges was delegated to the IJB, the charging policy remains with the Council. Therefore, approval will be required from the Council to increase the fees & charges. The workstream will continue to review charges throughout the year with the intention of delivering an additional £300,000 per annum.

A review of the financial assessment process is being undertaken with the use of technology to speed this process up. This will allow the assessments to be undertaken more quickly, which will allow additional income to be generated. This will have benefits to the clients as a delay in undertaking the financial assessment can result in debt being accrued.

The purpose of fees & charges for social care is to provide equity based on a financial assessment and to allow services to continue to be delivered to support the population.

Review processes and ensure these are streamlined and efficient –

Processes will be reviewed across the partnership to determine if they can be improved in order to either save money or generate more income. The first process being considered relates to the implementation of a pre-paid card for those clients receiving direct payments. By implementing these cards the time taken to undertake audits of the spend will be reduced and it will be possible to reduce the contingency currently provided in the direct payment, as with the new system there will be no delays in passing over the funds.

During the last budget process a resource allocation panel was established to review care packages. All new care packages are now being taken through this process in order to ensure consistency in terms of what packages clients receive. This process will continue to evolve during the next financial year in order to delivery further savings.

Review of out of hours services – The partnership has various out of hours services, commissioned either through Bon Accord Care or operated internally through either the nursing or adult social care team. Some of our providers may also have out hours cover or services which the partnership is paying for. Work is progressing to determine whether there would be any benefit in joining these services up and looking at a new model of delivering these services. New



technology could play an important role in any new model developed to ensure that only those who really need support receive it in person. Also, it may be possible to link with the other IJBs in the area or the Councils who may have similar services.

Review of out-of-area placements – Out-of-area placements are commissioned for both health and social care services by the partnership. The cost of these services tends to be greater than what could be commissioned locally. The reasons that some of these residents are sent to another area in some cases will be due to the services to deal with the complexity of their needs not being available locally. This workstream will review all clients sent out of area to determine, 1) whether they can obtain a service at less cost locally 2) whether there might be merit in joining up with the other IJBs to develop a local service for some of the more common conditions. The development of a local service may allow any spare capacity to be sold to other IJBs.

Commissioning – A review has been undertaken of the savings from commissioning and this has established that some of the small grants provided by the IJB don't have a strong link to the Strategic Plan. It has also been established that further savings could be identified from reviewing spend across the partnership, particularly where there are areas of duplication in the types of services being provided by health and adult social care.