



INTEGRATION JOINT BOARD

Report Title	Medium Term Financial Strategy
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author	Alex Stephen, Chief Finance Officer
Report Number	HSCP/17/139
Date of Report	5 March 2018
Date of Meeting	27 March 2018

1: Purpose of the Report
<p>i) 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 2018/19.</p> <p>ii) To provide final approval of Medium Term Financial Strategy.</p> <p>iii) To request approval of the Bon Accord Care final 2018/19 contract value.</p> <p>iv) To note the risk fund levels contained within the Medium Term Financial Strategy.</p> <p>v) To approve the position re uplifts for contracts and direct payments not covered by the national care home contract.</p> <p>vi) To agree the formal budget directions to Aberdeen City Council and NHS Grampian.</p>

2: Summary of Key Information
<p>This report updates the IJB on the final level of funding delegated by Aberdeen City Council (ACC) and NHS Grampian (NHSG) to the IJB and the impact on the Medium Term Financial Strategy.</p> <p><u>2.1 The Final Grant Settlement</u></p> <p>In terms of the respective provisional grant settlements:</p> <ul style="list-style-type: none"> 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 transferring over a



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share of this reduction to the IJB. ACC are also transferring the IJB's share of the £66 million identified for Scottish Living Wage and the Carers Act.

These positions were agreed by the Council on 6 March 2018 and NHSG Budget Steering Group on the 21 February 2018. In terms of the NHS position, the final level of funding has been reduced by £152,000 as the provisional estimate on the level funding in relation to Agenda for Change was reduced.

	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	(2,846)
Additional Funding (Aberdeen IJB share of £66 million)	(2,519)	0
Provisional (Increase)\Decrease	(1,687)	(2,846)

2.2 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.

The assumptions included in the MTFS have been adjusted for the following reasons

- The reduction of £152,000 in the NHS funding identified above
- It had originally been assumed the costs of the services provided by the National Care Home Contract (NCHC) would increase by 3.33%. The final level of increase agreed is 3.39% and the difference between the two percentages amounts to £37,000 a year.

The prescribing saving amounting to £200,000 in 2018/19 will be difficult to achieve and require a regional approach to deliver the savings. It is proposed to maintain this saving as it expresses the direction of travel the IJB wishes to progress and cover this risk from the risk fund should the saving not materialise.



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The formal directions to ACC and NHSG are contained in appendix 2 of this report.

2.3 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 final 2018/19 contract value is shown below

	£'000
2017/18 Contract Level	26,289
Pay Inflation	680
Incremental Drift	164
General Inflation	55
Employers Pension Contributions	162
Savings required	(600)
2018/19 Contract Level	26,750

The Senior Officers in Bon Accord Care have indicated the savings will largely be delivered from their holistic review of services which they have been working on during 2017/18, general operational efficiencies and additional external income. The employers' pension contribution rate is based on new figures provided as a result of the recent actuarial valuation.

2.4 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.

2.5 Staff Involvement and Engagement

Budget discussions and proposals have been led by the Executive and Senior Operational Management Team, including lead clinicians and professionals. Information on the MTFs has been provided to the Partnership's joint staff forum and staff have been kept informed by way of a special edition of the newsletter. In addition both our partner organisations – NHS Grampian and Aberdeen City Council have developed communication and engagement strategies for staff.

2.6 Social Care Providers

Those providers covered by the national care home contract will receive the level of uplift required per the nationally agreed contract renegotiation process. As indicated previously the current position is that this should see an increase in costs of 3.39%.



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For those providers not covered by the National Care Home Contract the IJB is required to agree its position. In previous years the IJB has agreed to award an inflationary increase to these providers at the same level as the National Care Home Contract increase. The rationale for this was twofold, firstly these providers required additional funds to fund the Scottish Living Wage, secondly a number of these providers were struggling financially due to uplifts not being provided in previous financial years and the high costs of living in Aberdeen.

A number of these contracts have recently been retendered and this has updated the contracts rates. The cost profile for the majority of these suppliers is different from that assumed for care homes covered by the national care home contract. The main cost driver is the Scottish Living Wage which is due to increase by 3.5% from 1 May 2018, however, it is important to note that not all the costs incurred by the providers are driven by this cost driver. In terms of setting the budget a provision has been added for an average 2.8% annual increase.

It is proposed for this financial year that instead of providing a flat uplift across the board, negotiations take place with each supplier led by the Commissioning, Procurement and Contracts Team. The basis of these negotiations will be to provide enough funding to ensure that the providers can pay the Scottish Living Wage from 1 May 2018.

Finally, it is recommended that those clients who receive direct payments from the partnership and employ their own support staff should receive an increase of 3.5% to provide funding to allow the Scottish Living Wage to be paid from 1 May 2018.

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 has been undertaken on the budget saving themes.

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. Aberdeen City Council has a bond registered on the London Stock Exchange and should the IJB overspend and a recovery plan is not implemented timeously, then this may impact on the credit rating of Aberdeen City Council going forward.



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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.

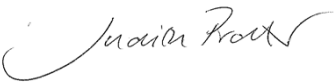

5: Recommendations for Action

It is recommended that the Integration Joint Board:

1. Note the financial allocations proposed to be allocated by the partner organisations;
2. Approve the Bon Accord Contract level for 2018/19 of £26,750,000 and budget assumptions noted in section 2.3;
3. Formally approve the 2018/19 budget and the Aberdeen City IJB Medium Term Financial Strategy included as appendix 1 of this report;
4. Note that the IJB previously agreed to earmark £2.5 million in a risk fund and that this is included in the Medium Term Financial Strategy;
5. Instruct the Chief Officer to uplift the direct payments for clients with a staffing element included in their payment by 3.5% from the 1 May 2018 to cover the increase in the Scottish Living Wage;
6. Instruct the Chief Officer to negotiate uplifts for those Social Care providers not covered by the National Care Home Contract; and
7. Make the budget directions contained in appendix 2 of this report and instruct the Chief Officer to issue these directions to the constituent authorities.



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