



INTEGRATION JOINT BOARD

Date of Meeting	12 March 2019
Report Title	Medium Term Financial Framework
Report Number	HSCP.18.142
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author Details	Alex Stephen, Chief Finance Officer
Consultation Checklist Completed	Yes
Directions Required	Yes
Appendices	a. Financial Strategy b. Direction to Aberdeen City Council c. Direction to NHS Grampian

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 2019/20 and to provide final approval of the medium-term financial framework.

2. Recommendations

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

- a) Note the financial allocations proposed to be allocated by the partner organisations;
- b) Approve the Bon Accord Contract level for 2019/20 of £27,233,000 and budget assumptions noted in section 3.8;
- c) Formally approve the 2019/20 budget and the Aberdeen City IJB Medium Term Financial Strategy included as appendix 1 of this report;



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- d) 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 Framework;
- e) Instruct the Chief Officer to uplift the direct payments for clients with a staffing element included in their payment by 2.8% from the 1 May 2019 to cover the increase in the Scottish Living Wage;
- f) Instruct the Chief Officer to negotiate uplifts for those Social Care providers not covered by the National Care Home Contract; and
- g) Make the budget directions contained in appendix 2 of this report and instruct the Chief Officer to issue these directions to the constituent authorities.

3. Summary of Key Information

The Final Grant Settlement

3.1. In terms of the respective grant settlements:

- NHS Grampian received an increase in their financial allocations of 2.6%. The NHS Budget Steering Group has agreed a change in how it will pass this uplift over to the IJBs. Previous uplifts were calculated on the individual IJBs' historic budget share, however, this financial year it has been agreed that the NHS Scotland Resource Allocation Committee (NRAC) formula should be used to calculate the budget uplift to be transferred to each IJB. This change means that some of Aberdeen City IJB's uplift which would have previously been received will now be transferred to Aberdeenshire IJB. The rationale for this change being the Scottish Government use NRAC as their preferred method of transferring funds and due to Aberdeen City's greater use of the hospital services and being funded above their NRAC share of mainstream budget. This means that the level of increase proposed to be transferred to Aberdeen City IJB will be reduce to 2.4% at a cost of £150,000. It is important that Aberdeen City IJB understand that this change has happened, as it sets a potential direction of travel for future budget discussions with NHS Grampian which could have an impact on future budgets.



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- Aberdeen City Council (ACC) received a reduced financial settlement and are transferring over a share of this reduction to the IJB, as allowed for in the letter from Derek Mackay, which indicates Councils can reduce their contributions to IJB by 2.2% or their share of £50 million. ACC are also transferring the IJB's share of the £160 million identified for Scottish Living Wage, Free Personal Care to under 65s, School Counselling and the Carers Act.
- 3.2. These positions were agreed by the Council on 5 March 2019 and NHSG Budget Steering Group.

	ACC £'000	NHSG £'000
Base Budget (including HRA) 2018/19	86,855	219,000
Reduction in allocation (IJB share of £50 million)	(1,870)	0
Increase in allocation (IJB share of additional NHSG grant income to cover pay awards etc)	0	3,437
Additional Funding (Aberdeen IJB share of £160 million)	6,268	0
Provisional Funding 2019/20	91,253	222,437

Medium Term Financial Framework

- 3.3. 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. This strategy is based on the current 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 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 is updated annually to reflect any changes to the baseline assumptions.
- 3.4. The Audit & Performance System Committee have requested information on the financial sustainability of the IJB longer term. The issues of rising



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demand, increasing level of complexity of clients' need and rising prescription costs are well documented. The MTFE 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, then tough choices will need to be made about what the IJB wants to deliver. For example, without the additional funding being made available it is very unlikely that the IJB would be able to maintain the commitment to the Scottish Living Wage.

- 3.5.** Should demand continue to increase, the IJB may need to further prioritise services to those in greatest need. The types of services that the Partnership provides are difficult to transform or reduce demand as the clients and patients are dependent on these services to support their daily living.
- 3.6.** It will be extremely difficult for the IJB to continue to generate the level of savings year on year to balance its budget. The IJB and Partnership only has limited control and influence over major parts of its budget. For example, in regard to prescribing we cannot control the prices of the medicines, the majority of the primary care budget is transferred directly across to the independent GP practices per the nationally agreed formula, for the set aside budget we only have strategic planning responsibility and the mental health budget is protected at a national level. Of the £300 million budget available to the IJB only 50% is fully under our direct control and the majority of this is required for services which we have a statutory obligation to provide.
- 3.7.** Progress has and continues to be made by Aberdeen City IJB to influence and transform the services which it is responsible for, however, financial sustainability longer term is largely dependent on the level of funding it receives from the partners, which in-turn is influenced by the allocations agreed by the Scottish Parliament. In previous years reserves have been used to protect our partners from having to provide additional funding to deal with in year movements. There will be limited opportunities to do this in future financial years. The Leadership Team are committed to driving out efficiencies, encouraging self management and moving forward the prevention agenda to help manage future demand for services. The scale of the challenge to make the IJB financially sustainable should not be underestimated.



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Bon Accord Care

- 3.8. 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 2019/20 contract value is shown below

	£'000
2018/19 Contract Level	26,750
Pay Inflation	693
Incremental Drift	167
General Inflation	84
Employers Pension Contributions	86
Savings required	(431)
Subtotal - 2019/20 Contract Level	27,349
Horizons (TUPE)	(116)
Total – 2019/20 Contract Level	27,233

- 3.9. 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, general operational efficiencies and additional external income.

Clinical & Care Governance

- 3.10. The savings options identified are not anticipated to have an impact on clinical or care governance. Should any clinical or care issues arise the Leadership Team will attempt to put mitigations in place to reduce these issues. 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.



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Staff Involvement and Engagement

- 3.11.** Budget discussions and proposals have been led by the Leadership Team, including lead clinicians and professionals. Information on the MTFP has been provided to the Partnership's joint staff forum. In addition, both our partner organisations – NHS Grampian and Aberdeen City Council have developed communication and engagement strategies for staff.

Social Care Providers

- 3.12.** 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%, however, this is still under negotiation and providers will be looking for more than this amount.
- 3.13.** 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.
- 3.14.** 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 2.8% from 1 May 2019, however, it is important to note that not all the costs incurred by the providers are driven by this cost driver. Also, the providers are likely to face additional pension costs, with the employers' pension obligations rising from 2% to 3%. In terms of setting the budget a provision has been added for an average 2.8% annual increase.
- 3.15.** 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, Aberdeen City Council. 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 2019. This may involve the providers having to make efficiencies themselves.



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3.16. Finally, it is recommended that those clients who receive direct payments from Aberdeen City Council and employ their own support staff should receive an increase of 2.8% to provide funding to allow the Scottish Living Wage to be paid from 1 May 2019.

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. The assessments identify any protected characteristics which are likely to be impacted and any associated mitigating actions. The Council have undertaken an assessment in regard to the funds coming across to the IJB.
- 4.2. Fairer Scotland Duty** – there are no direct implications for the Fairer Scotland Duty. The Fairer Scotland Duty will be engaged as this report relates to the allocation of resources. The onward impact to the client will be mitigated through fair and equality-based commissioning, based on need.
- 4.3. Financial** – The financial implications are detailed throughout the report and appendix 1. Aberdeen City Council has a bond registered on the London Stock Exchange which requires the Council to have a credit rating that is reviewed annually. Management of budgets is a component of this assessment. Overspends and lack of recovery plans may have an impact on the credit rating.
- 4.4. Workforce** - 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 impact on the workforce is something which will be continue to be considered by the IJB as it develops and updates its strategic planning and commissioning plans after consultation with its Partners
- 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.



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4.6. Other - NA

5. Links to ACHSCP Strategic Plan

5.1. This report and the Medium-Term Financial Framework have been drafted in order to support the IJB to deliver on its strategic plan.


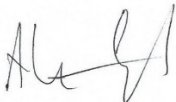
6. Management of Risk

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

A risk of IJB financial failure with demand outstripping available budgets (risk #2).

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

This report seeks to set a provisional budget for the IJB, which will provide the budget managers with time to start work on delivering savings and services within their allocated budgets.

Approvals	
	Sandra Ross (Chief Officer)
	Alex Stephen (Chief Finance Officer)