



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 26 MARCH 2020

SUBJECT: REVENUE BUDGET 2020/21

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1. To agree the Moray Integration Joint Board's (MIJB) revenue budget for 2020/21.

2. RECOMMENDATION

2.1. It is recommended that the MIJB:

- i) note the funding allocations proposed by NHS Grampian and Moray Council, detailed at 4.2;
- ii) note the underlying overspend forecast for the 2019/20 financial year in 4.2.2 and the financial risks detailed in 4.9;
- iii) formally approve the Revenue Budget for 2020/21 as detailed at APPENDIX 1 following consideration of the risks highlighted in 4.9; and
- iv) approve Directions for issue as set out at Appendices 2 and 3 respectively to NHS Grampian and Moray Council.

3. BACKGROUND

- 3.1. Since April 2016, the MIJB has faced reductions in its financial resources whilst experiencing increasing demands for services and striving to make progress in relation to the aims of the policy objectives surrounding the Public Bodies (Joint Working) (Scotland) Act 2014.
- 3.2. The MIJB has to consider its budget in the context of the funding settlements from Scottish Government to its two funding Partners, NHS Grampian and Moray Council.

- 3.3. On 06 February 2020 following the announcement of the Scottish Government's Budget for 2020-21 by the Minister for Public Finance and Digital Economy, the interim Director of Health Finance and Governance wrote to Health Board Chief Executives providing details of the funding settlement for Health Boards. The announcement made on 06 February 2020 made specific reference to Integration Authorities in that NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019/20 agreed recurring budgets.
- 3.4. In addition and separate to Health Board funding uplifts, the health portfolio will transfer a further £100 million to be routed through Local Authorities for investment in health and social care integration and continued support for school counsellors. This additional £100 million includes a contribution to the continued delivery of the Living Wage, the uprating of free personal care and nursing payments, implementation of the Carers Act and further support for school counselling whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014. The £100 million was presented as being additional and not substitutional to each Local Authority's 2019/20 recurring budget for social care services that are delegated.
- 3.5. On 28 February 2020, Scottish Government wrote to Local Authority and NHS Board Chief Executives and Integration Authority Chief Officers, notifying them of a level of flexibility being made available to Local Authorities to offset their adult social care allocations to Integration Authorities by up to 2% and a maximum of £50 million based on local need. The budget approved at the special meeting of Moray Council on 3 March 2020 (para 3 of the Minute refers) does not include the option to utilise this flexibility and accordingly the core budget remains at the 2019/20 level.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

4.1 BUDGET SETTLEMENT

- 4.1.1 On 3 March 2020, the special meeting of Moray Council agreed its revenue budget for the forthcoming financial year. The Local Government settlement is for one year only but the budget was set in the context of longer term planning. The paper presented made reference to the Moray share of the additional funding that has been transferred from the health portfolio. This equates to £1.792m and is being made available to support the continued commitment to the initiatives as set out in 3.4 above. Moray Council has not exercised the flexibility available to them to off-set their allocations but in contrast the council contribution has not been uplifted in consideration of inflationary pressure or demand growth in health and social care services.
- 4.1.2 Following the announcement of the Scottish budget, NHS Grampian and Moray Council have notified the MIJB Chief Financial Officer of the funding allocation for the forthcoming financial year.
- 4.1.3 The NHS Grampian baseline uplift for 2020/21 is 3.0%. Previously, budget uplifts to IJB's were based on historic budget share, however, the approach is now based on the National Resource Allocation Committee (NRAC) share, which is an adjusted population based formula. The outcome of this for Moray does not present a material change and the Chief Financial Officers of

all 3 IJB's were part of the discussions leading to this change in approach. The 3.0% uplift based on the NRAC share provides an increased funding allocation on the recurring budget of £1.813 million. Funding the 3 Grampian IJB's accounts for around 40% of the total NHS Grampian revenue budget.

4.2 MIJB FUNDING 2020/21

- 4.2.1 The MIJB has a responsibility under the Public Bodies (Joint Working) (Scotland) Act 2014 to set its revenue budget by 31 March each year. The funding of the MIJB revenue budget in support of the delivery of the Strategic Plan is delegated from NHS Grampian and Moray Council. The allocated funding is summarised below:

	£'000
NHS Grampian (recurring 2019/20)	77,018
NHS Grampian 3.0% uplift on Core	1,813
NHS Grampian – Set Aside Services	11,765
Moray Council	42,257
Moray Council – Improvement Grants*	938
Moray Council – via health portfolio additional investment	1,792
TOTAL MIJB FUNDING 2020/21	135,583

* Improvement Grants includes £0.438m which requires to be ring-fenced as it relates to council house tenants.

- 4.2.2 For the 2019/20 financial year, MIJB is forecasting an overspend of £1.698 Million. In line with the Integration Scheme, Moray Council and NHS Grampian have agreed to finance this forecast overspend in the proportionate share of the baseline payment, 37% / 63% respectively. The level of resources required by MIJB to address the underlying overspend, together with inflation and growth pressures is estimated to be £2 Million greater than the funding uplifts being advised by the Partners. The Health and Social Care Moray wider management team has worked continuously over recent months to address the need to find further efficiencies, whilst striving to transform at a pace and ensure services remain safe. This report outlines the plans on how the underlying funding gap will be addressed in order to present a balanced budget position.

4.3 HOSTED SERVICES

- 4.3.1 Within the scope of services delegated to the MIJB are hosted services. Budgets for hosted services are primarily based on the NRAC basis. Hosted services are operated and managed on a Grampian-wide basis. Hosting arrangements mean that the one IJB within the Grampian Health Board area would host the service on behalf of all 3 IJB's. Strategic planning for the use of the hosted services is undertaken by the IJB's for their respective populations.

The 2020/21 budget for Moray's share of all hosted services is £4.183m as detailed below.

	£'000
Hosted by Aberdeen City IJB	
Intermediate Care	809
Sexual Health Services	388
Hosted by Aberdeenshire IJB	
Marie Curie Nursing	127
Heart Failure Service	50
Continence Service	118
Diabetes MCN including Retinal Screening	177
Chronic Oedema Service	40
HMP Grampian	437
Police Forensic Examiners	221
Hosted by Moray IJB	
GMED Out of Hours	1,707
Primary Care Contracts	109
TOTAL MORAY HOSTED SERVICES	4,183

4.4 LARGE HOSPITAL SERVICES (SET ASIDE)

- 4.4.1 Budgets for Large Hospital Services continue to be managed on a day to day basis by the NHS Grampian Acute Sector and Mental Health Service, however the MIJB has an allocated set aside budget, designed to represent the consumption of these services by the Moray population. The MIJB has a responsibility in the joint strategic planning of these services in partnership with the Acute Sector and Mental Health Service. The table below details the areas included as part of the large hospital services.

	£'000
General Medicine	6,466
Geriatric Medicine	519
Rehabilitation Medicine	51
Respiratory Medicine	169
Palliative Care	55
A & E Inpatient	103
A & E Outpatient	3,532
Learning Disabilities	328
Psychiatry of Old Age	54
General Psychiatry	488
TOTAL SET ASIDE BUDGET	11,765

4.5 BUDGET PRESSURES

- 4.5.1 Budget pressures are a major consideration for the MIJB and are an intrinsic part of the budget setting process. The additional funding highlighted in the Scottish Government budget for health and social care is welcomed and will address a proportion of inflation in respect of pay awards in addition to meeting the legislative commitments arising from free personal care for the under 65's, the Carers Act (Scotland) 2016 and the continuation of payment of the Living Wage, however, this funding is in-sufficient to meet the challenges

associated with population growth and increasing demand on services, which together place increasing pressure on the MIJB budget. Identified cost pressures are based on estimates and so is an ongoing consideration in financial planning. The table below outlines the anticipated budget pressure the MIJB needs to address in the forthcoming financial year:

	£'000
BUDGET PRESSURES	
Pay Inflation & Staffing	2,137
Contractual Inflation & Scottish Living Wage	1,239
National Care Home Contract Uplift	389
Prescribing & Community Pharmacy	621
High Cost Individual – Full year effect	71
TOTAL BUDGET PRESSURES	4,457

- 4.5.2 Not included in the pressures noted in 4.5.1 above is the costs associated with children transitioning into adult services. In 2019/20 the MIJB were faced with significant costs in year in the region of £0.750 Million. The full year effect of this will materialise in 2020/21 which will be a further £0.220 Million. Additionally, there will be in-year transitions, although this is not estimated to be significant.

4.6 RECOVERY AND TRANSFORMATION PLAN

- 4.6.1 As the 2020/21 financial year approaches, the financial challenge continues, and whilst a balanced budget is being presented, this is not without significant risk in relation to sustainability and achievement in meeting the objectives as set out in the strategic plan. MIJB is acutely aware of the challenges it faces surrounding both its people and financial resources which remains a focus within its decision making.
- 4.6.2 Risks have been identified during the budget preparation period which have been considered by the wider Health and Social Care Moray management team. The risk implications and potential mitigation have been duly considered prior to this budget being proposed.
- 4.6.3 When the 2019/20 MIJB budget was presented to this Board on 28 March 2019 (para 9 of the Minute refers) it was presented as a balanced budget that was heavily dependent on the successful delivery of its recovery plan. Progress against the plan has been reported during 2019/20 as part of the quarterly financial reporting. Heading into 2020/21, with a new Strategic Plan it is important to consider finance in relation to the programme of transformation. At its meeting of 31 October 2019, the MIJB agreed to adopt the MIJB Strategic Plan and its supporting Transformation Plan (para 13 of the minute refers). Recognising it is unlikely that the MIJB will see significant increases in funding that will address funding cuts and flat cash settlements that have been experienced in recent years, MIJB will strive to transform its services in an efficient manner whilst continuing to recover the financial deficits within pressurised budget areas.

4.6.4 The financial reporting position has remained consistent. The quarterly budget monitoring as at end December 2020 (quarter 3), the MIJB is forecasting an overall overspend for the 2019/20 financial year of £1.698 Million.

4.6.5 The table below summarises the progress made by the Health and Social Care Moray management team in identifying opportunities for efficiency through recovery and transformation. Close monitoring of progress will be considered and reported during 2020/21. It is likely this will evolve during the year as the Strategic Planning and Commissioning Group begin to develop and embed the transformation plans that underpin the Strategic Plan 2019-29 'Partners in Care'.

	2020/21
	£ 000's
Projected recurring overspend 2019/2020 (Forecast adjusted for 100k. An element already included within efficiencies below)	1,798
Projected Efficiencies through Recovery & Transformation 2020/21	
Accountancy Driven Efficiency	223
External Commissioning	249
Increased Income from Charging	261
In-house Provided Care	157
Transformational Change	341
Prescribing – Medicines Management	206
Prescribing – National Reduction in Drug Tariff *	500
Other	7
Total Projected Efficiencies	1,944

*this figure relates to national negotiations recently presented to the national Primary Care Finance group resulting in a recurring reduction in the drug tariff for Scotland.

4.7 BUDGET OVERVIEW

4.7.1 The MIJB Revenue Budget for 2020/21 is £135.583 million (including £11.765 million Set Aside). The detail is provided in **Appendix 1** and summarised below:

	£'000
BUDGET	
Forecast recurring overspend 2019/20 (inc additional 100k)	1,798
Recurring Budget	118,468
Strategic Funds	1,039
Inflationary Pressure and Growth	4,457
Set Aside	11,765
Efficiency through Recovery & Transformation	(1,944)
TOTAL BUDGET	135,583
FUNDING	

NHS Grampian Recurring (inc Set Aside)	90,596
Moray Council (inc Improvement Grants)	43,195
Scottish Government Funding for Additionality	1,792
TOTAL FUNDING	135,583

4.8 FINANCIAL OUTLOOK

- 4.8.1 Health and Social Care in Scotland continues to experience increasing demands for services in times of challenging financial settlements. This was the focus of the Scottish Government Medium Term Financial Framework which can be found at <https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2018/10/scottish-government-medium-term-health-social-care-financial-framework/documents/00541276-pdf/00541276-pdf/govscot%3Adocument> published in October 2018 where it was highlighted that the health and social care system would require expenditure of £20.6 billion across Scotland if the system did nothing to change using 2016/17 as the starting point with costs of £14.7 billion.
- 4.8.2 The MIJB is acutely aware of the ongoing financial challenge it faces and has approved a Medium Term Financial Framework that supports its new Strategic Plan 2019-29 (Partners in Care). This will develop and evolve continuously during the initial phase of the transformation plan implementation and will be updated and reported back to MIJB during 2020/21.

4.9 FINANCIAL RISKS

- 4.9.1 The budget assumptions made within this report carry a degree of financial risk, meaning that variations that may arise will impact on financial performance. Acceptance of risk is a necessary part of the budget setting process. The main risks are summarised:
- Financial Settlement – the 2020/21 financial settlement is based on one year only. Whilst the benefits of longer-term financial planning are well documented in assisting the delivery of strategic priorities, at this stage, financial planning is subject to continuous change. The Medium Term Financial Framework will be updated regularly to reflect the changing landscape.
 - In considering the financial requirement for the forthcoming financial year, it is necessary to take into account the financial performance of the previous financial year. In doing so, the underlying overspend forecast in 2019/20, has been factored into the 20/21 position. It should be noted that this includes the assumption that the current underspend within the In-house provided care services will continue.
 - The budget pressures identified in 4.5 are based on continued discussion and assessment and through monitoring, this process is reasonably accurate. However, the risk lies, in the main within commissioned services and the required negotiation with providers.

- A new financial risk would be the potential costs related to the impact of dealing with the Covid 19 virus. It is very early days, and new guidance is emerging daily at the time of writing this report. For the purposes of this report it has been assumed that any additional costs related to Covid 19 will be funded in full by specific Scottish Government funding, however there has been no confirmation of this at this point and clarity will be sought following the UK and subsequent budget announcements. Additional costs may materialise across a number of areas, including plans to significantly reduce the number of Delayed Discharges, increased supplementary staffing costs as a result of staff absences and an increased requirement for medical supplies and protective equipment.

4.9.2 In addition to the financial risks outlined, it needs to be recognised that there is a potential increased risk in relation to performance of delayed discharge. In a letter circulated to Health Board and Local Authority Chief Executives and IJB Chief Officers at the end of February there was notification of agreement of joint political oversight to drive improved performance in health and social care through a combination of joint accountability measures. The detail is yet to be shared but the ambition is proposed to be achieved through joint working with Local Government and NHS Boards to agree a shared national and local approach to accountability for delivery. It is believed that agreement has already been reached with a number of IJB's. Moray, at the time of writing has not been contacted directly.

5 **SUMMARY OF IMPLICATIONS**

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan 2019 – 2029, 'Partners in Care'

The approval of a balanced budget for the MIJB is key to the delivery of health and social care services in Moray in accordance with the Strategic Plan.

(b) Policy and Legal

In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, MIJB 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.

(c) Financial implications

The 2020/21 revenue budget (excluding Set Aside) as detailed in **Appendix 1** is **£123.818 Million**.

The funding allocated to the MIJB by Moray Council and NHS Grampian totals **£123.818 Million** (excluding Set Aside).

The notional Set Aside budget for Moray's share of the Large Hospital Services is currently **£11.765 Million**. The Set Aside budget is provided by NHS Grampian.

Additional risks for consideration are set out in 4.9 above.

(d) Risk Implications and Mitigation

The revenue budget for 2020/21 is subject to the following risks:

- GP Prescribing – represents around 14% of the total MIJB budget. It is well documented that the Prescribing budget can be extremely volatile in nature with volume and price increases potentially leading to substantial adverse variances. .
- Growth and demand in the system, together with service users with complex care needs are attracting additional financial challenge. These issues require to be managed within the overall resource of the MIJB.
- This report highlights the anticipated budget pressures at paragraph 4.5. It will be necessary to note that budget pressures may exceed allocation. This will be closely monitored and reported accordingly to the MIJB as part of the budget monitoring reports.

(e) Staffing Implications

There are staffing implications relating to this report in respect of the efficiencies required to present a balanced budget position. Associated reductions in staffing will be addressed using the appropriate policies of the employing organisation.

As the MIJB continues to address the financial balance, further impacts on staffing will be kept under close review and reported back to this Board as appropriate.

(f) Property

None arising directly from this report

(g) Equalities/Socio Economic Impact

None arising directly from this report as there is no change to policy. Any subsequent changes to policy arising from proposals made within this paper will be considered appropriately.

(h) Consultations

Consultations have taken place with the Senior Management Team and System Leadership Group of Health and Social Care Moray, the finance teams of both Moray Council and NHS Grampian and the Legal Services Manager and Katrina McGillivray, Senior HR Adviser (Moray Council), comments received have been considered in writing the report.

6 CONCLUSION

- 6.1 Legislation requires the MIJB to set its Revenue Budget for the forthcoming year by 31 March each year. The budget presented displays a balanced position. The Section 95 Officer as Chief Financial Officer to the Board recommends the budget as presented at Appendix 1.**
- 6.2 Close monitoring of the efficiencies identified through recovery and transformation will be required in order to ensure the MIJB can remain within the funding allocation proposed by NHS Grampian and Moray Council.**

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Background Papers: with author
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