



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 28 MARCH 2019

SUBJECT: REVENUE BUDGET 2019/20

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

- 1.1. To agree the Moray Integration Joint Board's (MIJB) revenue budget for 2019/20.

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 2018/19 financial year and the financial risk inherent in the Recovery Plan detailed at 4.6;
- iii) agree to the proposals to conduct a series of service reviews during the year to ensure priorities are aligned to the Strategic Plan and within the available funding;
- iv) formally approve the Revenue Budget for 2019/20 as detailed at APPENDIX 1; and
- v) 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. The Scottish Government announcement made on 12 December 2018 made reference to NHS payments to Integration Authorities needing to deliver a real terms uplift in baseline funding, before the provision of funding for pay awards, over the 2018/19 cash levels. In addition, the indicative allocation for the 2019/20 budget highlighted that there should be an additional investment in social care of £160 million across Scotland. £120 million of this was to be transferred from the Health Portfolio and be routed through Local Authorities to ensure the continued commitment to the Living Wage and for the uprating of free personal care. The remaining £40 million was included directly in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65's.
- 3.4. The £160 million was presented as being additional to each Council's 2018/19 recurrent spending on social care and not substitutional. On 14 February, Scottish Government wrote to Local Authority Chief Executives following an announcement by the Cabinet Secretary for Finance, Economy and Fair Work on 31 January, regarding a further package of funding measures which provided Local Authorities with the flexibility to offset their adult social care allocations to Integration Authorities by up to £50 million (2.2% of social care allocations) in 2019-20 compared to 2018/19, based on local needs. The budget approved by Moray Council on 27 February 2019 does not include the option to utilise this flexibility and accordingly the core budget remains at the 2018/19 level. This supportive approach highlights the growing strength in partnership working between the MIJB and Moray Council.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

4.1 BUDGET SETTLEMENT

- 4.1.1 On 27 February 2019, Moray Council approved its revenue budget for the forthcoming financial year based on a one year settlement. The Moray Council budget has had to be considered in a continued period of reduced funding from Scottish Government. Cuts to local government funding had been anticipated and the 2019/20 budget had been considered over an extended period of time. In total, Moray Council has approved savings amounting to £10 million against the 2019/20 revenue budget. Moray Council has made savings totalling £42 million since 2010/11.
- 4.1.2 The report presented to the special meeting of Moray Council on 27 February highlighted the new burdens arising from legislation in relation to the Carers' Act and Free Personal Care (FPC) for the under 65's although at the time of reporting, FPC allocations at authority level had not been announced. In addition to this, the Scottish Government settlement also made provision for growth in health and social care services, which translated to a potential additional allocation for Moray of £1.942 million. Moray Council took the decision to fund MIJB at this level on the basis that inflationary growth (pay award, National Care Home Contract and transitioning children) is covered by this sum. Members will note that in previous years, whilst reductions in

funding to the MIJB had been applied by Moray Council, there had been agreement through a budget protocol where certain elements of inflation had been financially supported.

- 4.1.3 At a meeting of NHS Grampian's Budget Steering Group on 25 February 2019, a balanced revenue budget was approved for submission to the NHS Grampian Board, agreeing contributions to the 3 Grampian IJB's. Funding the 3 Grampian IJB's accounts for around 40% of the total NHS Grampian revenue budget.
- 4.1.4 The NHS Grampian baseline uplift for 2019/20 is 2.6%. Previously, budget uplifts to IJB's were based on historic budget share, however, the proposal going forward is that this has changed and will now be 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 2.6% uplift based on the NRAC share provides an increased funding allocation on the recurring budget of £1.524 million.

4.2 MIJB FUNDING 2019/20

- 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 2018/19)	73,888
NHS Grampian 2.6% uplift on Core	1,524
NHS Grampian – Set Aside Services	10,593
Moray Council*	39,376
Moray Council – Improvement Grants**	925
Moray Council – Additionality per SG settlement	2,632
TOTAL MIJB FUNDING 2019/20	128,938

* Moray Council will, prior to the end of the 2018/19 financial year be increasing the base budget to take account of the additional impact of the recently agreed pay award.

** Improvement Grants includes £0.425m which requires to be ring-fenced as it relates to council house tenants.

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 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 2019/20 budget for Moray's share of all hosted services is £3.842m as detailed below.

	£'000
Hosted by Aberdeen City IJB	
Intermediate Care	774
Sexual Health Services	363
Hosted by Aberdeenshire IJB	
Marie Curie Nursing	123
Heart Failure Service	46
Continence Service	113
Diabetes MCN including Retinal Screening	162
Chronic Oedema Service	38
HMP Grampian	397
Police Forensic Examiners	148
Hosted by Moray IJB	
GMED Out of Hours	1,576
Primary Care Contracts	102
TOTAL MORAY HOSTED SERVICES	3,842

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 Information Services Division (ISD) has recently provided health boards with 2017/18 activity data for use in updating set aside budgets. At the time of writing this report this information is being processed to provide updated set aside figures. The current Set Aside budget is detailed below:

	£'000
General Medicine	6,974
Geriatric Medicine	32
Rehabilitation Medicine	86
Respiratory Medicine	266
Palliative Care	22
A & E Inpatient	92
A & E Outpatient	2,428
Learning Disabilities	218
Psychiatry of Old Age	77
General Psychiatry	398
TOTAL SET ASIDE BUDGET	10,593

4.5 BUDGET PRESSURES AND NEW BURDENS

- 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 go some way to address the expected growth and inflation 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. 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	1,598
Transitioning Children	738
Contractual Inflation & Scottish Living Wage	1,085
Prescribing (increased costs)	45
NEW BURDENS	
Continuation of Carers Act Implementation	189
Free Personal Care <65's	501
TOTAL BUDGET PRESSURES	4,156

- 4.5.2 In addition to the pressures highlighted above, The Scottish Public Pension Agency, who administer the NHS superannuation and pension schemes have proposed increases to employer pension contribution rates effective from 1 April 2019. The Scottish Government have expressed to Chief Financial Officers through the national network that planning for this should be based on an increase in funding levels to meet the additional costs.

4.6 CORE OVERSPEND AND RECOVERY PLAN

- 4.6.1 As the 2019/20 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.
- 4.6.2 When the 2018/19 MIJB budget was presented to this Board on 29 March 2018 it presented a budget shortfall of £4.596m (para 8 of the minute refers). At this point £1.060m savings had been identified. The MIJB accepted this indicative position and tasked the Chief Officer, Chief Financial Officer and Senior Managers with identifying further savings, continuing to pursue alternative methods of service delivery in driving the pace of change, whilst ensuring safe levels of care for the people of Moray. An improved position was subsequently presented to the Board for approval on 28 June 2018 (para 6 of the minute refers) where the budget shortfall had been reduced to £3.293m based on further efficiencies that had been identified and the utilisation of all remaining reserves.

- 4.6.3 The financial reporting position has remained consistent and in a separate report to this meeting, is the quarterly budget monitoring as at end December 2019 (quarter 3), the MIJB is forecasting an overspend on core services for the 2018/19 financial year of £3.1m which is reduced to £1.5m following consideration of strategic funds.
- 4.6.4 The MIJB Integration Scheme sets out the requirement for the Chief Officer and Chief Financial Officer of the MIJB to agree a recovery plan with the Director of Finance, NHS Grampian and Section 95 Officer of Moray Council where an overspend is being forecast and corrective action is unlikely to resolve the position. This was developed and a report outlining the position was presented to the Board on 29 November 2018 (para 18 of the minute refers). Half way through the 2018/19 financial year, the forecast to the end of the year was reported as an overspend of £3.024m on core services, this being reduced to £1.438m following the consideration of slippage on strategic funds.
- 4.6.5 The recovery plan sets out the high level proposals to address the core overspend, together with the inherent risks in relation to dependency on non-recurring slippage of strategic funds. In addition, it refers to the challenge around the longer term service sustainability whilst striving for major system redesign. The MIJB have considered the major themes of the recovery plan and will closely monitor progress during the next financial year. The themes are presented below:

	2019/20
	£ 000's
Projected Overspend 2018/19 (Forecast)	(3,100)
Projected Savings 2019/20	
Mental Health Strategy – Phase 4	300
In-House Provided Care	500
Community Hospital Redesign	100
Externally Commissioned Services	350
GP Prescribing – Medicines Management	200
Slippage on Strategic Funds	1,500
Accountancy driven efficiencies	150
Total Projected Savings	3,100

- 4.6.6 In order to address the financial challenge with regard to the increasing demand on services and the legacies that exist from previous funding settlements, it is essential to consider the recovery plan and total financial resource in conjunction with the prioritisation of the services we deliver to achieve the required financial savings whilst continuing to prioritise outcomes for the Moray population ensuring services continue to meet their needs.
- 4.6.7 For the MIJB to fully address the underlying challenges it is facing, it is necessary to conduct a series of service reviews. A service review is a process of determining whether the existing means for delivering a service remains the most efficient, effective and appropriate means of delivering that service. Conducting service reviews successfully can realise benefits from financial cost savings and more efficient use of resources in addition to

improved services and relationships with partner bodies, service users, patients and wider stakeholders. There is opportunity to build trust and confidence and create a better understanding of available options by identifying alternative means for service delivery.

4.6.8 A service delivery review should be viewed as an opportunity to improve the delivery of services to meet the continuing demands of the population whilst remaining consistent with strategic objectives and legislative requirements and within the funding available.

4.6.9 It is timely to carry out service reviews as the second iteration of the strategic plan develops. The medium term financial strategy will be aligned to the strategic plan and outline the financial framework to deliver our services. A robust process will ensure consistency with strategic priorities whilst addressing the anticipated financial challenge and demand in growth and complexity.

4.7 BUDGET OVERVIEW

4.7.1 The MIJB Revenue Budget for 2019/20 is £128.938 million (including £10.593 million Set Aside). The detail is provided in **Appendix 1** and summarised below:

	£'000
BUDGET	
Recurring Budget	112,509
Strategic Funds	1,680
Budget Pressures and New Burdens	4,156
Set Aside	10,593
TOTAL BUDGET	128,938
FUNDING	
NHS Grampian Recurring (inc Set Aside)	86,005
Moray Council (inc Improvement Grants)	40,301
Scottish Government Funding for Additionality	2,632
TOTAL FUNDING	128,938

4.8 FINANCIAL OUTLOOK AND OVERVIEW

4.8.1 Following engagement by the Chair and Vice-Chair and Chief Officer and Chief Financial Officer of the MIJB to the budget setting conversations of the Partners ahead of the 2019/20 budget being presented for approval, the financial outlook is focussed on the recurring overspend on MIJB core services. The outturn position for the 2018/19 financial year is forecast to be £3.1m. The recovery plan and proposals around service reviews have been considered by the Senior Management Team of Health and Social Care Moray and planning is underway to ensure the desired outcomes are achieved.

4.8.2 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/publication/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. The level of investment into Health and Social Care for the forthcoming year is welcomed, however the recently published Audit Scotland Report Update on Progress report (which can be found at http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_181115_health_socialcare_update.pdf) recommends that Scottish Government should commit to continued additional pump-priming funds to facilitate new ways of working which progress integration

- 4.8.3 The MIJB is acutely aware of the ongoing financial challenge it faces and is developing a Medium Term Financial Strategy that will be aligned to the new Strategic Plan and brought to a future meeting of the Board.

5 SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Commissioning Plan 2016 – 2019

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 2019/20 revenue budget (excluding Set Aside) as detailed in **Appendix 1** is **£118.345m**.

The funding allocated to the MIJB by Moray Council and NHS Grampian totals **£118.345m** (excluding Set Aside).

The notional Set Aside budget for Moray's share of the Large Hospital Services is currently **£10.593m** which is subject to change following the update of 2017/18 activity data as provided by ISD. The Set Aside budget is provided by NHS Grampian.

(d) Risk Implications and Mitigation

The revenue budget for 2019/20 is subject to the following risks:

- Existing Deficit on Core Services – at quarter 3 in the 2018/19 financial reporting cycle, the MIJB is forecast to overspend on its core services by £3.1 million. A Recovery Plan has been agreed with Partners which includes a high degree of risk in respect of timescales and dependency on non-recurring slippage on strategic funds. Failure to deliver on the Recovery Plan increases the risk of the MIJB exceeding its funding allocation.
- 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. A separate report on Prescribing is being presented to this meeting.
- 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.
- The operational management arrangements for Health and Social Care Moray are subject to a separate report of this meeting. The associated financial implications have been included within the budget pressures anticipated for 2019/20.
- This report highlights the known budget pressures at 4.5 at the time of writing this report; however, it will be necessary to note that budget pressures may exceed allocation. This will be closely monitored and reported accordingly to the MIJB.

(e) Staffing Implications

There are no staffing implications directly relating to this report other than the reference to pay awards and pension contributions.

As the MIJB continues to address the recovery plan, potential 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

An Equality Impact Assessment is not required because there are no changes to policy arising from this report.

(h) Consultations

Consultations have taken place with the Senior Management Team, the Head of Financial Services and the Legal Services Manager (Moray Council) and the Deputy Director of Finance, NHS Grampian who are in agreement with this report with regard to their respective responsibilities.

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 Recovery Plan and service review progress will be required in order to ensure the MIJB can remain within the funding allocation proposed by NHS Grampian and Moray Council.**

Author of Report: Tracey Abdy, Chief Financial Officer
Background Papers: with author
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