



MORAY INTEGRATION JOINT BOARD

MEDIUM TERM FINANCIAL FRAMEWORK

2023/24 – 2027/28

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Introduction

Moray Integration Joint Board (MIJB) has been operating since April 2016 following the introduction of new legislation - the Public Bodies (Joint Working) (Scotland) Act 2014. The legislation was developed with the aim of reshaping the health and care system in Scotland to ensure sustainability of good quality services through a time of change where demand continues to grow, our population is ageing and our budgets are reducing. It changed the way in which health and social care services were planned and delivered by introducing a single integrated system in creating Integration Authorities. The MIJB is funded through allocations made by NHS Grampian and Moray Council.

MIJB has set out its approach for transforming the health and care system over the long term in its Strategic Plan 2022-32 and has defined its priorities for the next ten years through its Transformation Plan. The Strategic Plan is underpinned by three Strategic Outcomes

BUILDING RESILIENCE – Taking greater responsibility for our health and wellbeing

HOMEFIRST – Being supported at home or in a homely setting as far as possible

PARTNERS IN CARE – Making choices and taking control over decisions

This Medium Term Financial Framework (MTFF) is designed to assist the MIJB from a planning perspective based on the totality of its financial resource across health and social care in meeting the needs of the people of Moray. It will support the delivery of the Strategic Plan within the context of the significant financial challenge being faced and the continuing pressure being driven by growing demand and complexity, higher costs and increasing expectations.

Context

There are 31 Integration Authorities established between 14 health boards and 32 councils across Scotland. 30 of the Integration Authorities are separate legal entities and operate through a body corporate (Integration Joint Boards) and one area operates a Lead Agency model.

Scottish Government has been clear in that health and social care integration remains a key priority. From the outset of integration, the aim has been to shift the balance of care from large hospital settings into community based care.

In May 2018, before the pandemic, the Institute for Financial Studies and the Health Foundation reported that UK spending on healthcare would require to increase in real terms by an average of 3.3% per year over the next 15 years in order to maintain NHS provision at current levels and that social care funding would require to increase by 3.9% per year to meet the needs of a population living longer and an increasing number of younger adults living with disabilities. These projections did not take into account the impact of COVID-19 pandemic, including long-COVID. The rate of inflation has also rose to 10%.

There are numerous measures being used to monitor the local and national progress of Integration. The Scottish Government's Ministerial Strategic Group for Health and Community Care have identified six priority areas against which progress against integration is being measured:

- Acute Unplanned Bed Days
- Emergency Admissions
- A&E Attendances
- Delayed Discharge Bed Days
- End of Life Spent at Home or in the Community
- Percentage of 75+ Population in a Community or Institutional Setting

Purpose

MIJB is focussed on improving the health and wellbeing of the people in Moray. It seeks to reduce health inequalities and drive transformational change through innovative approaches.

Medium term financial planning is an essential part of the strategic planning process that supports the MIJB to develop plans which consider the financial climate and broader economic impacts. A robust medium term financial framework will provide transparency and support informed decision making.

Inherent within the MTFF is a significant degree of uncertainty. Scottish Government funding settlements to our funding partners, Moray Council and NHS Grampian are currently on a one year only basis and have a direct impact on the funding to the MIJB. The MTFF sets out anticipated cost pressures and future funding projections based on planning assumptions and advice from our funding partners. This is an evolving model and it will be essential to refine and update at regular intervals. An in-depth review of this framework will be required during 2023/24 following the updated new Strategic Plan and the delegation of Children's Services from 1 April 2023.

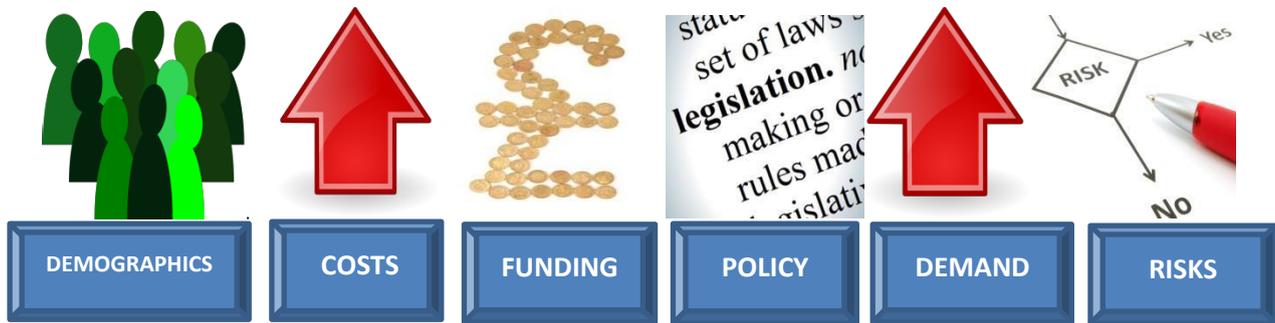
Given the level of uncertainty and potential for variability, it is essential that the MIJB plans for a range of potential outcomes, ensuring sufficient flexibility to manage in a sustainable manner over the course of this plan.

The MTFF Framework seeks to support the understanding surrounding the broader climate within which the MIJB will operate in over the medium term. There are wide-ranging factors which encompass the complexity that impacts on the financial pressures of the MIJB.

The main objectives of the MTFF are:

- To look to the longer term to help plan sustainable services, estimating the level of resources required to operate these services and deliver on the MIJB's strategic ambition.
- To estimate the level of increasing demand on services and provide a single document to communicate the financial context to all stakeholders and support partnership working.
- The MTFF includes a five-year budget forecast that will be reviewed annually to ensure our strategic priorities remain the focus in a challenging financial climate. A full review will be required following the updated Strategic Plan and delegation of Children's services during 2023.

Influencing Factors



Demographics

Moray’s population has grown significantly in the past 20 years from 87,000 in 2001 to an estimated 96,140 in 2021; an increase of 10.8%. However, the population growth in Moray is slowing and it is projected that against the 2018 baseline, Moray will be one of the 14 councils in Scotland who will have had a population decline by 2028. Between 2018 and 2028 the age group +75 is projected to see the largest percentage increase at 32.4%. The largest percentage decrease is projected to be in the 0 to 15 years age group (table 1 below). Given the most significant population growth is projected to occur amongst older adults, this will have a significant impact on demand for our services and creates a challenging environment in which to operate whilst transforming our services and delivering on national and local priorities. The table 2 below illustrates the % change across the main population groups by 2028.¹ However, the 2022 census data will provide a more accurate reflection of the current population in Moray and once published will enable more accurate projections to be calculated. The census data are expected to be available in the second half of 2023.²

¹ <https://www.nrscotland.gov.uk/files//statistics/council-area-data-sheets/moray-council-profile.html>

² <https://www.scotlandscensus.gov.uk/about/2022-census/scotland-s-census-2022-what-happens-next/>

Table 1: Moray Population by Age Group – Comparison Between 2018 Estimate and 2028 Projection (NRS data)

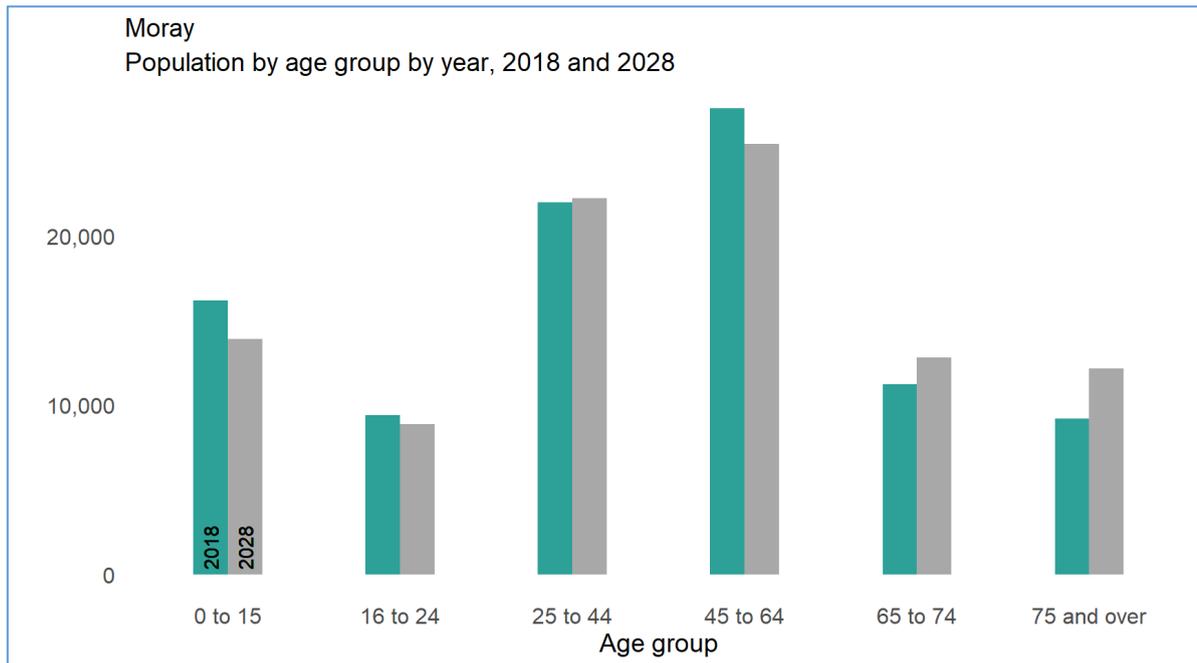
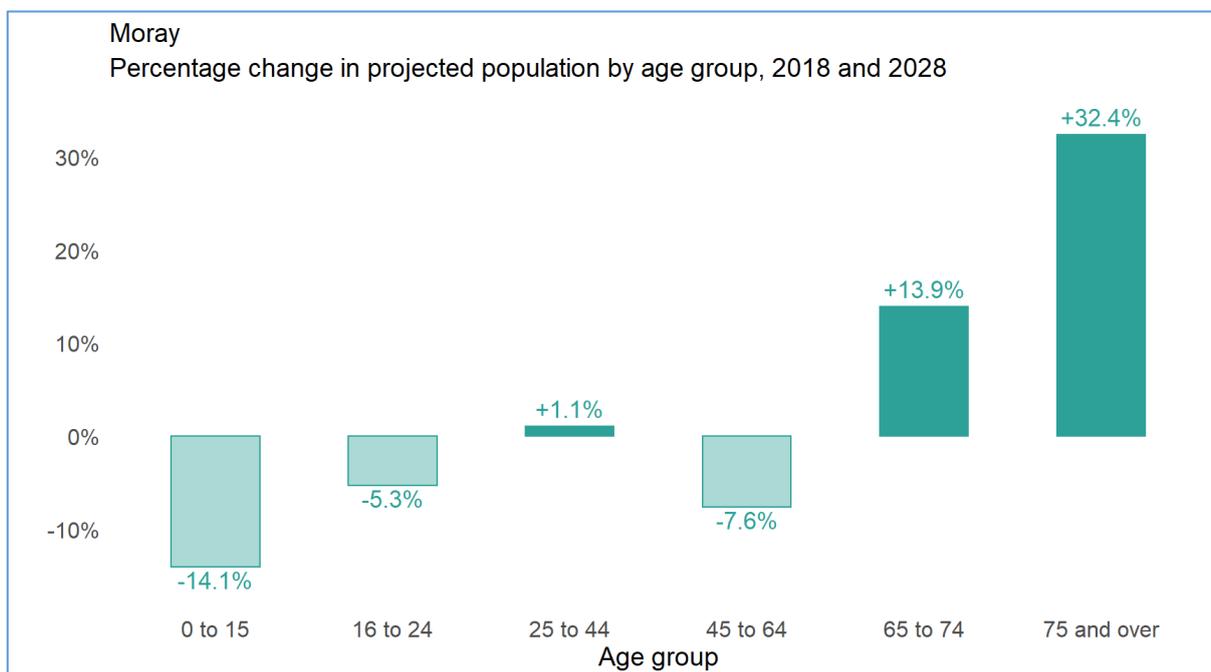


Table 2: Percentage Change in Projected Population for Moray, by Age Group, (NRS data)



This MTFF will be updated following the revised Strategic Plan; allowing our local systems to develop plans within the overall, agreed financial position and alongside service and workforce considerations.

During 2018/19, a Strategic Needs Assessment (SNA) was produced to inform and support the production of the Strategic Plan for 2019 and beyond. The SNA was developed through a short-life working group comprising of representatives from Health and Social Care Moray, The Moray Council, the Moray Health and Wellbeing Forum, NHS Information Services Division Scotland, and NHS Grampian. The SNA focused on the collation and analysis of data from a range of sources to inform the identification of priorities, and subsequent decision-making regarding service provision, ensuring the views of wider stakeholders were captured through the Moray Health and Wellbeing Forum. Through the development of locality planning, locality profiles have been identified for Moray to aid the strategic priorities. The nine areas continue to be relevant areas for Moray.

The SNA highlighted nine areas to be considered:

- **Health Inequalities** - there are continuing inequalities in health status across Moray, with an evident association between level of neighbourhood affluence and morbidity and mortality.
- **Ageing Population** - the population is predicted to continue ageing, with a growing proportion represented by adults over the age of sixty-five, and growing numbers of adults aged over eighty, with implications for increasing morbidity.
- **Chronic Disease & Multi-Morbidity** - Significant demand for health and social care services arise from chronic diseases and a growing proportion of the population is experiencing more than one condition (“multi-morbidity”).
- **Mental Health** - there is significant morbidity and mortality due to mental health related issues.
- **Lifestyle** - there is significant morbidity and mortality due to lifestyle exposures such as smoking, alcohol and drug misuse
- **High Resource Individuals** - a small number of individuals require the largest proportion of spend.
- **Access** - Moray is characterised as remote and rural, and there are significant access challenges for some in the population to access health services.
- **Carers** - care activity is highly demanding of informal carers, and there is evidence of distress in the informal carer population.
- **Military and Veteran Population** - Moray’s military and veteran population constitute a significant group, requiring both general health services and specific services.

In response to the SNA, the MIJB Strategic Plan was developed and set the direction and approach to prevention in addressing what is required in order to build resilience in individuals and communities to be able to maximise their health and wellbeing potential whilst ensuring services are available and fit for purpose when required.

Costs

There is a predicted rise in costs over the term of this framework of over £44 million. The key elements are in relation to pay and price inflation and the increasing number of complex care packages and the pressures on the prescribing budget.

Budget Pressures	2023/24	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's	£000's
Pay	1,364	1,392	1,419	1,448	1,477
Contractual	2,746	1,635	1,706	1,777	1,849
Demographics	293	296	299	302	305
Learning Disability – High Cost	440	300	300	300	300
Transitioning Children	979	750	750	750	750
Prescribing	1,924	816	849	883	918
Other	142	-	-	-	-
Recurring Deficit	2473				
Total Budget Pressures	10,361	5,189	5,323	5,460	5,599

Assumptions embedded within Budget Pressures:

Pay – 2%, in each year for both Council and NHS. Funding will be provided for health staff over and above this percentage and the assumption is that this will continue to be the case.

Contractual –7.4% in 2023/24 and 3% in each of the following years for non pay external purchasing and 3.8% in 2023/24 and 2% in each of the following years for Real Living wage and free personal and nursing care.

Demographics – 1% in each of the following years in relation to Older Peoples' services. Demand will require to be managed over the next two years.

High Cost Individuals – beyond 2023/24 we will need to consider different care models in order to ensure we can manage the related budget pressure

Transitioning Children – we know 2023/24 is expected to increase costs significantly for clients coming into the service. In the past Moray Council has provided budget at the level of £0.2 million which is not thought to be adequate going forward. For the 2023/24 financial year, no financial support is being provided by Moray Council.

Funding

The two main sources of funding for the MIJB are provided by NHS Grampian and Moray Council. In recent years, additional investment for health and social care has been provided by the Scottish Government and this is passported through either the local authority or the health board. Any future funding will be impacted by the respective financial planning processes of both organisations and the funding settlements they receive. The MTFE makes assumptions regarding future funding contributions from both Partners based on information which is currently available. Outlined below is the potential funding that will be provided over the term of this plan.

Funding Forecast	2023/24	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's	£000's
NHS Grampian Recurring	84,135	85,525	86,863	88,227	89,619
NHS Grampian Uplift (2%)	1,390	1,338	1,365	1,392	1,420
NHS Grampian non recurring	1,784	1,784	1,784	1,784	1,784
Moray Council Recurring	59,041	61,295	62,638	64,042	65,508
Moray Council MHO funding	69	69			
Additional SG investment	2,254	1,343	1,404	1,466	1,528
Set Aside	13,466	13,466	13,466	13,466	13,466
Total Funding Estimated	162,139	164,820	167,520	170,377	173,325

*assumes budget protocol principles are reinstated

Summary Position	2023/24	2024/25	2025/26	2026/27	2027/28
	£000's	£000's	£000's	£000's	£000's
Estimated Budget Requirement	163,507	168,636	173,830	179,230	184,769
Total Funding	162,139	164,820	167,520	170,377	173,325
Budget Surplus/(Deficit)	(1,368)	(3,816)	(6,310)	(8,853)	(11,444)

The summary position tabled above highlights that the MIJB will be required to continue to closely observe the financial constraints within which it is operating. Future funding assumes a low level of savings will be achieved each year, together with transformational redesign that we know we need to make in order to provide affordable sustainable services within the resources available. It assumes that the existing financial pressure will be addressed through the use of recurring investment provided by Scottish Government with the aim of maximising capacity and ensuring system flow as we transform the way we provide services across our whole system in an innovative way. With this in mind and assuming this can be achieved over the short-term, there still remains a deficit that will require to be addressed, again reinforcing the need to review this framework on a regular basis, updating it with the most current information available and creating a focus on the period ahead.

Risk and Sensitivity Analysis

The MTFF is a financial model based on the best available planning assumptions at the time and accordingly, has related risks associated with it. The main risks associated with this framework are:

- Impact of MIJB decisions on Partner bodies and Vice-versa
- Failure to identify a future budget pressure
- Under estimation of the cost pressures
- Under estimation of demand pressures
- Public expectation of delivered services
- Over /under estimated impact of local and national factors
- Failure to accurately forecast income sources

It is important that the MIJB is aware of these risks in determining its appetite to risk as it considers its Strategic Plan. The MIJB recognises strategic risks through its Risk Register. This is used to ensure that significant risks are identified and mitigating actions are effective in reducing these risks to an acceptable level.

Sensitivity Analysis is used to test the major assumptions being made and what the implications would be, should those assumptions change. The Financial Projections outlined in this framework are based on what is determined to be a medium case scenario for future funding. In addition to the funding element, there are risks aligned to other assumptions made in the framework around future budget pressures for the MIJB. It is important that the MIJB regularly reviews this framework, noting this is an interim review and a full refresh will be required following the new Strategic Plan that was published in 2023.

Legislative & Policy Changes

Integration Authorities are operating within a complex and changing environment where national issues are likely to have an impact on the services provided and how we deliver them locally. This environment has changed significantly and will continue to do so as a result of the Covid 19 pandemic and the ongoing effect of public health and the economic impact.

Some of the recent legislative changes impacting on integration authorities are:

- **Free Personal Care for the Under 65's** – the Scottish Government has committed to the extension of Free Personal Care to those under the age of 65 who require it, regardless of condition. This became effective from 1 April 2019. This represents a significant change to how personal care is funded and is likely, over time to increase demand for personal care across Scotland.
- **Carers Act (Scotland) Act 2016** – This legislation came in to effect on 1 April 2018 and is designed to support the health and wellbeing of carers by supporting sustainability. It places a duty on Local Authorities to provide support for carers, based on the carer' identified needs which meet local eligibility criteria.
- **Scottish Living Wage** – there is a continued commitment from Scottish Government to support the payment of the Scottish Living Wage to improve people's lives and help build a fairer society. Scottish Government has continued to provide funding to support this commitment. For the 2023/24 financial year, the uplift is set to increase to a minimum of £10.90 per hour.
- **Primary Care** – The Scottish Government has recognised the increasing demand and expectations being placed on our frontline services within primary care. In support of this and to ensure the current GP contract can be fully implemented, the Scottish Government has committed, through the Primary Care Transformation Fund additional investment of £250 million across Scotland by the end of this Parliament.
- **National Care Service** – the recommendations arising from the Independent Review of Adult Social Care which concluded in January 2021 are likely to have a major impact on how Integration Authorities are governed and how services are delivered. Confirmation and further detail are awaited and implementation is likely to be in 2026.

Demand

The impact of the Covid 19 pandemic continues to create increased pressure and demand on our health and social care system. The full extent of this impact remains unknown but we are acutely aware of the current impact on the citizens of Moray in respect of the level of unmet need we are experiencing in both assessment and delivery of care. We understand that in order to address increasing demand it will require the whole health and social care system to work together to redesign to create truly transformational services. The landscape is constantly changing as we progress through the recovery stage. We must ensure we have robust plans in order to maintain delivery of our strategic aims whilst being mindful of the flexibility that will be required as we continue to understand the broader impacts that we face as we recover and remobilise following the pandemic.

Risk

We are experiencing challenging economic conditions. The effects of the global economy in turn is impacting on the Moray population through taxation, inflation and level of earnings. The broader impact is on the funding being made available to support public spending. Scotland's funding is largely dependent on funding being received from the UK Government. The most recent 'State of the Economy' report³ from Scotland's Chief Economic Advisor was published in May 2022 and highlighted the following:

- Scotland's GDP has continued to recover from the pandemic, growing 0.4% in February, and is now 1.3% above its pre-pandemic level in February 2020;
- Scotland's labour market has remained robust at the start of the year with the unemployment rate falling to 3.2% and the number of payrolled employees rising to 29,000 above its pre-pandemic level. However, labour market conditions remain tight with low unemployment accompanied by persistently high vacancy rates and demand for staff;
- Levels of consumer and business sentiment have declined as cost of living challenges have sharpened and expectations of continued higher inflation and lower growth have set in. It is clear we are entering a difficult period for economic growth, household incomes and living standards.

³ <https://www.gov.scot/publications/state-economy-2022/>

The MIJB is facing new risks which may impact on its budget over the next few years:

- Covid 19 – there have been major changes to the profile of services and associated costs as a result of Covid 19. It is not yet known if these will be recurring in nature;
- Health Debt – we are acutely aware of what is being described as the health debt, resulting from services which were paused during the pandemic and in some instances have not fully resumed.
- National Care Service – this will have a major impact on services and how they are delivered in the coming years, the full extent of which is still uncertain.

It is important that the MIJB understands its appetite to risk to enable effective management and mitigation of the inherent risks.