



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 31 MARCH 2022

SUBJECT: REVENUE BUDGET 2022/23 AND MEDIUM TERM FINANCIAL FRAMEWORK 2022/23 – 2026/27.

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

1.1. To agree the Moray Integration Joint Board's (MIJB) revenue budget for 2022/23 and consider the updated Medium Term Financial Framework 2022/23 to 2026/27.

2. RECOMMENDATION

2.1. It is recommended that the MIJB:

- i) note the funding allocations proposed by NHS Grampian and Moray Council, detailed at 4.2.1;**
- ii) note the anticipated budget pressures detailed in detailed in 4.5.1;**
- iii) approve the 2022/23 proposed savings plan at 4.7;**
- iv) formally approve the uplift to social care providers as set out in 4.5.2 as part of the policy commitment made by Scottish Government in November 2021;**
- v) approve the request to establish a temporary Operational Support Manager post as set out in 4.6.2;**
- vi) consider and approve the updated Medium Term Financial Framework as set out in 4.10 and APPENDIX 2 and agree that a full review be carried out and presented to the MIJB before 31 March 2023.**
- vii) formally approve the Revenue Budget for 2022/23 as detailed at APPENDIX 1 following consideration of the risks highlighted in 4.11; and**
- viii) approve Directions for issue as set out at APPENDICES 3 and 4 respectively to NHS Grampian and Moray Council.**

3. BACKGROUND

- 3.1. On 9 December 2021 following the announcement of the Scottish Government's indicative budget for 2022-23 by the Cabinet Secretary for Finance, the Director of Health Finance and Governance wrote to Health Board Chief Executives providing details of the funding settlement for Health Boards. In Parliament on 9 December, the Cabinet Secretary set out that 2022/23 was to be a transitional budget, paving the way for a full resource spending review that would take place in May 2022 in taking the next steps to deliver the Health and Social Care commitments outlined in the Programme for Government.
- 3.2. The letter outlined that NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over the 2021/22 agreed recurring budgets and make appropriate provision for increased employer national insurance costs.
- 3.3. In addition and separate to Health Board funding uplifts, the health and social care portfolio will transfer additional funding of £554 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay and on winter planning arrangements. This recognises the range of costs associated with certain elements of the winter planning commitment and that some flexibility in allocation of funding may be required at a local level.
- 3.4. The overall transfer to Local Government includes additional funding of £235.4 million to support retention to begin to embed improved pay and conditions for care workers, with Scottish Government considering that this funding requires local government to deliver a £10.50 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy. The additional funding will also support the uprating of Free Personal and Nursing Care and the Carers Act.
- 3.5. Scottish Government stipulated that the funding allocation to Integration Authorities should be additional and not substitutional to each Council's 2021/22 recurring budgets for social care services and therefore, Local Authority social care budgets for allocation to Integration Authorities should be £554 million greater than 2021/22 recurring budgets.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

MIJB BUDGET

- 4.1 The MIJB is required to consider its budget in the context of economic uncertainty in relation to the ongoing pandemic. It is fair to say that the impact of these circumstances remains a challenge and cannot as yet be fully assessed.
- 4.2 Following the announcement of the Scottish Budget, NHS Grampian and Moray Council have notified the MIJB Chief Officer and Chief Financial Officer of the funding allocation for the forthcoming financial year.

- 4.3 On 22 February 2022, a special meeting of Moray Council agreed its 2022/23 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 is required to be passed through from the Council to the MIJB. This is the Moray share of the reported investment in health and social care of £554 million and equates to £6.745 million for Moray. This funding combines both recurring and non-recurring elements of the £300 million investment Scotland-wide that was announced at the latter end of 2022 to maximise capacity, ensure system flow and improve outcomes.
- 4.4 The NHS Grampian budget setting process is based on the principle that funding allocations to the 3 Grampian IJB's will be uplifted in line with the increase in baseline funding agreed through the Scottish Government budget settlement, with the total to each IJB being made on the National Resource Allocation Committee (NRAC) share. The draft Scottish Government budget was announced on 9 December 2021. It provides for a minimum baseline funding uplift of 2.0% to all Health Boards. The 2.0% uplift is based on an assessment of the Public Sector Pay Policy published by the Scottish Government. It should be noted that this policy does not apply in the NHS which is subject to Agenda for Change (AfC). Negotiations on the AfC pay deal are continuing and Scottish Government have indicated that funding arrangements for Health Boards will be revisited in line with the outcome of the negotiations. The 2.0% uplift provides MIJB with an increased funding allocation on the recurring budget of £1.262 million. Formal agreement of the 2022/23 NHS Grampian financial plan will be sought at its Board on 7 April 2022.
- 4.5 The table below summarises the additional funding provided to Integration Authorities by Scottish Government that is passported through both Moray Council and NHS Grampian

	Route	Moray Share	Scotland Wide Allocation
		£'000	£m
£10.02 – uplift for Adult Social Care Staff	Council (full year effect)	2,690	144.0
Care at Home	Council (recurring)	2,306	124.0
Interim Care	Council (non-recurring)	372	20.0
Real Living Wage	Council (baseline)	642	30.5
Additional Investment (£10.50)*	Council (recurring)	3,740	200.0
Carers Act	Council	381	20.5
Free Personal & Nursing Care	Council	354	15.0
Total via Council		10,485	554.0
Additional Health Care Support Workers	NHS Grampian (recurring)	740	30.0
Multi-Disciplinary working	NHS Grampian (recurring)	560	40.0

Total via Health Board		1,300	70.0
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*this is yet to be distributed and as such is not included in the Moray Council contribution

MIJB FUNDING 2021/22

- 4.6 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 2022/23)	81,970
NHS Grampian 2.0% uplift on Core	1,317
NHS Grampian – Set Aside Services	12,620
NHS Grampian – SG Multi-Disciplinary Team Funding	740
NHS Grampian – SG MDT Health Care Support Workers	560
Moray Council - Core	46,555
Moray Council – Improvement Grants*	940
Moray Council – SG additional funding (share of £554M)	6,745
Moray Council – Care package full year effect	106
Moray Council – to be distributed via MC – agreed nationally in support of investment and pay uplifts	3,740
PARTNER MIJB FUNDING 2022/23	155,293

* Improvement Grants includes £0.440 million which requires to be ring-fenced as it relates to council house tenants.

- 4.7 On 25 February 2022, Scottish Government health finance confirmed additional funding to support the remainder of the 2021/22 financial year. It is anticipated that a significant sum will be carried forward to the 2022/23 financial year in an earmarked reserve to support any continuing pressures due to the pandemic

HOSTED SERVICES

- 4.8 Within the scope of services delegated to the MIJB are hosted services. Budgets for hosted services are primarily based on NRAC. 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.
- 4.9 The 2022/23 budget for Moray's share of all hosted services is £4.476 million as detailed below.

	£'000
Hosted by Aberdeen City IJB	
Intermediate Care	861
Sexual Health Services	440
Hosted by Aberdeenshire IJB	

Marie Curie Nursing	139
Heart Failure Service	55
Continence Service	122
Diabetes MCN including Retinal Screening	193
Chronic Oedema Service	46
HMP Grampian	466
Police Forensic Examiners	294
Hosted by Moray IJB	
GMED Out of Hours	1,750
Primary Care Contracts	110
TOTAL MORAY HOSTED SERVICES	4,476

LARGE HOSPITAL SERVICES (SET ASIDE)

- 4.10 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. The table below details the areas included as part of the large hospital services.

	£'000
General Medicine	6,359
Geriatric Medicine	992
Rehabilitation Medicine	81
Respiratory Medicine	203
Palliative Care	26
A & E Inpatient	56
A & E Outpatient	4,173
Learning Disabilities	43
Psychiatry of Old Age	91
General Psychiatry	596
TOTAL SET ASIDE BUDGET	12,620

BUDGET PRESSURES

- 4.11 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 be required to support expected budget pressures arising for pay inflation of local authority staff in addition to the adult social care uplift of £10.50 for externally commissioned services. In previous years, Moray Council would have supported some elements of inflation through their budget setting process, taking cognisance of the budget setting protocol agreed by the MIJB on 14 December 2017 (para 15 of the minute refers). Given the difficult budget settlement for Local Authorities, there has been no additional funding aligned to MIJB from Moray Council in addition to the requirement to transfer the share of the additional investment as determined by Scottish Government. There is also an expectation as we continue to re-mobilise and transform, there will be budget pressures arising in relation to what is described as the

recurring deficit. It is important that any investment in building capacity is viewed in the context of historical cost pressures. The identified cost pressures below are based on estimates and remains an ongoing consideration in the 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 & NI Levy	1,742
Contractual Inflation & Scottish Living Wage	3,180
Prescribing & Community Pharmacy	813
High Cost Individuals	641
Children in Transition	1,000
Recurring Deficit	2,330
Other	12
TOTAL BUDGET PRESSURES	9,718

- 4.12 In November 2021 following agreement at COSLA Leaders, the Scottish Government wrote to Integration Authorities providing details of the pay uplift that would apply to staff providing direct care within Adult Social Care in commissioned services. The funding was designed to enable pay for these workers to be uplifted from at least £9.50 per hour to at least £10.02 per hour. This was effective from 1 December 2021. Across Scotland funding of up to £48 million was provided to cover the four month period. £144 million funding has also been provided Scotland-wide to ensure the full year effects of the £10.02 uplift can be maintained during 2022/23. In addition, the Scottish Government settlement for 22/23 includes funding to support retention and to begin to embed improved pay and conditions for care workers, requiring local government to deliver a £10.50 minimum pay settlement for adult social care workers in commissioned services. This combined will cost in the region of £2.4 million and is included within the budget pressures for the forthcoming year. This pressure is included within the table above.

INVESTMENT IN CAPACITY AND FLOW

- 4.13 On 5 October 2021, the Cabinet Secretary for Health and Social Care announced new investment of more than £300 million in recurring funding in direct response to the intense winter planning and systems pressures work that had taken place with stakeholders which included health boards, local authorities, integration authorities and trade unions. This funding outlined four key principles which were centred around i) Maximising Capacity, ii) Ensuring Staff Wellbeing, iii) Ensuring System Flow and iv) improving outcomes.
- 4.14 The continuation of this funding, together with additional elements is set out in paragraphs 4.1.3 and 4.1.5 above. Reports will continue to be brought before the Board for approval in relation to supporting effective use of this investment that is in line with the principles outlined by Scottish Government.
- 4.15 There is a request for approval for a temporary Service Business Manager post to be put in place for a 12 month period. The purpose being to identify and monitor elements of compliance associated with the Head of Service

remit and to assist in the optimisation of operational performance. During the pandemic there has been an increase in workload requiring additional scrutiny and compliance and at present these tasks are diverting senior staff members from core duties in order to ensure risk is minimised in these key areas. This is not sustainable. At mid-point, the cost of this post would be £45,609 to cover the 12 month period.

SAVINGS PLAN

- 4.16 The budget setting for 2022/23 includes a savings plan totalling £0.11 million. It is fair to say that despite continuous meetings of the Chief Officer, Chief Financial Officer and the two Heads of Service, it has been extremely challenging to identify additional savings to support the 2022/23 budget setting process. The Board are asked to consider any further investment from a broad strategic perspective, ensuring any commitment is evaluated against the backdrop of existing pressures in addition to seeking what truly builds capacity in a transformational way and has the potential to create systemic and financial efficiency. The savings being presented today are wholly realistic but the focus and commitment has to be around identifying further in-year savings that should be brought back before the MIJB for approval to ensure future years budgeting is robust. MIJB is acutely aware of the challenges it faces surrounding both its people and financial resources which remains a focus within its decision making.
- 4.17 The table below summarises the progress made by the Health and Social Care Moray management team in identifying opportunities for efficiency. Close monitoring of progress will be considered and reported during 2022/23.

	2022/23
	£ 000's
Projected Efficiencies 2022/23	
External Commissioning	110
Total Projected Efficiencies	110

BUDGET OVERVIEW

- 4.18 The MIJB Revenue Budget for 2022/23 is £155.175 million which includes £12.620 million Set Aside and £4.898 million to support commitments in relation to the Carers Act and Ring-fenced investment that is designed to support the increasing demands with respect to capacity and system flow. The detail is provided in **APPENDIX 1** and summarised below:

	£'000
BUDGET	
Recurring Budget	127,939
Inflationary and Demand Led Pressures	7,388
Recurring Deficit	2,330
Investing in Capacity and Flow	4,898
Set Aside	12,620
TOTAL BUDGET	155,175

FUNDED BY	
NHS Grampian Recurring (inc Set Aside)	95,907
Moray Council (inc Improvement Grants)	47,601
Scottish Government Additional Funding (including Ring-Fenced)	11,785
Savings Plan	110
TOTAL FUNDING	155,403
BUDGET SURPLUS	228

FINANCIAL OUTLOOK

- 4.19 Health and Social Care in Scotland continues to experience increasing demands for services in times of challenging financial settlements and the uncertainties associated with Covid-19. An additional factor that will impact on future year's budgets will be the effects of the Independent Review of Adult Social Care in Scotland report that was published in February 2021. The report can be accessed here: <https://www.gov.scot/binaries/content/documents/govscot/publications/independent-report/2021/02/independent-review-adult-social-care-scotland/documents/independent-review-adult-care-scotland/independent-review-adult-care-scotland/govscot%3Adocument/independent-review-adult-care-scotland.pdf>. As it becomes clearer on how the recommendations are to be taken forward, an assessment of the associated financial challenge will become part of future reporting.

MEDIUM TERM FINANCIAL FRAMEWORK

- 4.20 The current Medium Term Financial Framework covers the period 2019/20 – 2023/24 and is due for review. A commitment was made to ensure a revised framework would be before the MIJB on 31 March 2022.
- 4.21 The Audit Scotland annual audit report, presented to the Board on 25 November 2021 as part of the report for those charged with governance made a recommendation that the MIJB's medium-term financial plan should be reviewed due to the impact of Covid-19 and EU withdrawal alongside the suite of supporting documents that support the Strategic Plan. Today, a broad overview is being presented at **Appendix 2**, however, it will be imperative to carry out a further review once the current Strategic Plan has been reviewed to ensure alignment with this key MIJB document.
- 4.22 In October 2018, the Scottish Government published its medium term financial framework for health and social care <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/00541276.pdf?forceDownload=true>. This framework outlined the future shape of demand and expenditure for health and social care services and included cost and demand projections from work undertaken by the Institute of Fiscal Studies which outlines that UK expenditure on healthcare would require to increase by an average of 3.3% per annum over the next 15 years to maintain NHS levels at 2018 levels. The report also set out that spending on social care services would require to

increase by 3.9% per annum to meet the needs of an increasingly elderly population and an increasing number of younger adults living with disabilities.

- 4.23 The requirement to update the Medium Term Health and Social Care Financial Framework has been discussed with Scottish Government representatives at recent Chief Finance Officers' Network meetings. It is recognised that there have been significant developments since the original Framework was published in October 2018, most notably the ongoing impact and future implications of the Covid-19 pandemic. In addition to the impact of the pandemic, there is at present uncertainty relating to the financial implications of the National Care Service / Independent Review of Adult Social Care. The consultation documents outlined that the Scottish Government had committed to increase investment in social care but recognises that public resources are increasingly limited.
- 4.24 The review of the MIJB Medium Term Financial Framework takes account of information currently available, however it is recognised that assumptions and applied methodology will be subject of ongoing review and refinement as additional information becomes available (notably the updated Scottish Government Medium Term Health and Social Care Financial Framework) and information relating to the National Care Service / Independent Review of Adult Social Care. Given the current uncertainty, it is therefore considered necessary to review the medium term financial framework on an annual basis. The updated Medium Term Financial Framework is included at **Appendix 2**.

FINANCIAL RISKS

- 4.25 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 2022/23 financial settlement is based on one year only and the increased level of funding is required to meet policy commitments as determined by Scottish Government. There is no inflationary increase provided by Moray Council to meet pay inflation. Whilst a provision has been made for Local Authority pay increases, the Public Sector Pay Policy has not yet been agreed and there is a risk that this will exceed the provision. 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 and there is a need to adapt to the changing landscape.
 - The budget pressures identified in paragraph 4.5 are based on continued discussion and assessment and through monitoring, this process is reasonably accurate. However, there remains the risk in the event that inflationary increases and demand driven pressures may exceed the anticipated cost.
 - The risk associated with Covid-19 remains in place. Whilst the MIJB will hold an earmarked reserve for Covid purposes at the beginning of the 2022/23 financial year, there has been no commitment by Scottish Government to continue to support the ongoing costs of the pandemic into 2022/23. There will need to be a continued challenge to services to

generate savings, through transformational change, to meet the medium term financial plan.

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 2022/23 revenue budget (excluding Set Aside) as detailed in **Appendix 1** is **£142.555 million**.

The funding allocated to the MIJB by Moray Council and NHS Grampian and through the Partner bodies from Scottish Government totals **£142.673 million** (excluding Set Aside). In addition, the savings plan for the forthcoming year totals **£0.110 million**

The notional Set Aside budget for Moray’s share of the Large Hospital Services is currently **£12.62 million**. The Set Aside budget is provided by NHS Grampian.

A balanced budget is presented displaying an expected surplus/contingency of **£0.228 million**.

(d) **Risk Implications and Mitigation**

The revenue budget for 2022/23 is subject to the following risks:

- GP Prescribing – represents around 14% of the MIJB core 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 need to transform at pace and drive forward opportunities arising through changes to working practice experienced through the pandemic. The risk being the ability to capture and embed in a timely manner.

- 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

Staffing implications relate to the request for approval of a temporary additional post as outlined in 4.6.3 utilising Scottish Government investment.

(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) Climate Change and Biodiversity Impacts

There are no direct climate change and biodiversity implications as there has been no change to policy.

(i) 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, Tracey Sutherland, Committee Services Officer and the Legal Services Manager (Moray Council).

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 continuing effects of the pandemic and increasing demands on services will be required in order to ensure the MIJB can remain within the funding allocation provided by NHS Grampian and Moray Council.

Author of Report: Tracey Abdy, Chief Financial Officer

Background Papers: with author

Ref: