



REPORT TO: MORAY INTEGRATION JOINT BOARD ON 27 JANUARY 2022

SUBJECT: BUDGET UPDATE AND FINANCIAL OUTLOOK

BY: CHIEF FINANCIAL OFFICER

1. REASON FOR REPORT

1.1 To provide the Moray Integration Joint Board (MIJB) with a budget update in preparation of the 2022/23 financial year.

2. RECOMMENDATION

2.1 It is recommended that the MIJB considers and notes:

- i) the expected financial position at the end of the current financial year;**
- ii) the early indicators surrounding the potential budget and funding for 2022/23; and**
- iii) the action being taken to consider savings plans and the impact on the 22/23 budget and beyond.**

3. BACKGROUND

3.1 The Chief Financial Officer (CFO) has a duty to provide regular reporting to the MIJB on financial performance, on a quarterly basis. In addition to programmed routine reporting, the CFO, supported by the Chief Officer will bring forward before the MIJB financial reports aimed to support wider decision making and assist in the strategic planning considerations.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

2021/22 – Financial Position Update

4.1 On 25 November 2021, the quarter 2 finance position was reported (para 8 of the minute refers). At this point a forecast to the end of the financial year was provided. The forecast highlighted a provisional overspend at the end of the financial year of £2.37 million. It was also reported that through further forensic analysis of the financial ledgers, opportunities would be sought to extract Covid related spend from core budgets and utilise the Covid earmarked reserve which would alleviate some of the pressure. Finance has

worked with operational teams effectively to ensure this work has been carried out providing an effective audit trail.

- 4.2 At the time of writing, core expenditure has been reduced by £0.865 million taking account of two additional contracts for Care at Home services that were entered into to support the 2020/21 winter period and have remained in place due to increased demand arising from the pandemic. The other area of increased expenditure attributable to Covid has been respite care, which has increased as a result of more usual routes of support breaking down as a result of Covid. This has improved the position and forecast to the end of the financial year and a focus will remain within this area.
- 4.3 The public sector pay award has now been agreed with one of the key aims being to ensure that the lowest paid workers are prioritised. This resulted in those earning below £25,000 receiving a flat payment of £850. In addition, the agreement includes an additional three months, dating the award back to January 2021. This has resulted in the provision taken as part of the budget setting process of 2% being inadequate and is further enhanced by the fact that 50% of the social care workforce are on the lower salary grades, where they received in excess of 2%. For example, 22% of staff received an increase of 4.2%. This additional pressure on the financial position is £0.477 million.
- 4.4 In October 2021, the Scottish Government Director of Health Finance and Governance wrote to health board Directors of Finance stating that support will be provided to NHS Boards and Integration Authorities to deliver a break even position for 2021/22. The focus for the MIJB remains on close scrutiny of budgets so that dependence on this support is not required.

2022/23 Scottish Government Budget Settlement

- 4.5 Following the announcement of the Scottish Government's Draft Budget for 2022/23 by the Cabinet Secretary for Finance and the Economy on 9 December 2021, the Director of Health Finance and Governance wrote to Integration Authorities outlining the funding settlement for Health Boards. The correspondence included specific intentions around IJB's. The draft budget will require to proceed through the Parliamentary approval process. The 2022/23 budget is a transitional budget and for one year only. The commitment is to return to three year financial planning in 2022/23
- 4.6 The headline announcements are as follows:
- NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2021/22 agreed recurring budgets and make appropriate provision for increased employer national insurance costs.
 - The health and social care portfolio will transfer additional funding of £554 million to Local Government to support social care and integration, recognising the recurring commitments on adult social care pay and on winter planning arrangements. It should be noted that the £554 million includes elements of funding already announced as part of the additional £300 million investment and is a continuation of this. This will be detailed in the revenue budget paper that will be brought before the MIJB on 31 March 2022.

- That the overall transfer to Local Government includes additional funding of £235.1 million to support retention and to begin to embed improved pay and conditions for care workers, with the 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. Additional funding is also intended to support the uprating of Free Personal and Nursing Care and the Carers Act.

2022/23 Budget Planning

- 4.7 The current Medium Term Financial Framework covers the period 2019/20 – 2023/24 and is due for review. Work is currently being undertaken to ensure a revised interim financial framework can be brought before the MIJB on 31 March 2022.
- 4.8 The Audit Scotland annual audit report, presented to the Board on 25 November 2021 (para 10 of the minute refers) 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. Whilst a broad overview will be brought before the Board in March 2022, 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.
- 4.9 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.
- 4.10 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 on 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 related to the financial implications of the National Care Service / Independent Review of Adult Social Care whilst the findings from the consultation period are awaited. The consultation documents outlined that the Scottish Government had committed to increase investment in social care but recognises that public resources are increasingly limited.

- 4.11 The review of the MIJB Medium Term Financial Framework will take account of all currently available information 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). Any available additional information on the National Care Service / Independent Review of Adult Social Care will be considered where available. Given the current uncertainty, it is therefore considered necessary to review the medium term financial framework on a regular basis.

5. **SUMMARY OF IMPLICATIONS**

- (a) **Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan “Moray Partners in Care 2019 – 2029”**
Financial planning is key to the successful delivery of health and social care services in Moray and in meeting the strategic objectives of 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 (ONS). Financial planning is a key element to this process.
- (c) **Financial implications**
Considered throughout this report
- (d) **Risk Implications and Mitigation**
The key risk to the MIJB is to deliver fully on the Strategic Plan in the context of the prevailing financial position. The financial climate remains extremely challenging for the MIJB and its funding partners. Regular reporting on financial matters provides clarity on the risks being faced and supports the development of mitigation actions and decision making.
- (e) **Staffing Implications**
None arising directly from this report
- (f) **Property**
None arising directly from this report
- (g) **Equalities/Socio Economic Impact**
None arising directly from this report
- (h) **Consultations**
Consultations have taken place with the Chief Officer, finance teams supporting health and social care of both Moray Council and NHS Grampian, Corporate Manager, HSCM and Tracey Sutherland, Committee Services Officer, Moray Council who are in agreement with the report where it relates to their area of responsibility.

6. CONCLUSION

- 6.1 This paper provides an update in relation to the situation on the current year budget and a forward look into the expected position surrounding the financial challenge for the 2022/23 financial year.**

Author of Report: Tracey Abdy – Chief Financial Officer

Background Papers: with author

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