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**REPORT TO: MORAY INTEGRATION JOINT BOARD ON 25 MARCH 2021**

**SUBJECT: REVENUE BUDGET 2021/22**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

1.1. To agree the Moray Integration Joint Board's (MIJB) revenue budget for 2021/22.

**2. RECOMMENDATION**

**2.1. It is recommended that the MIJB:**

- i) note the funding allocations proposed by NHS Grampian and Moray Council, detailed at 4.5;**
- ii) note the underlying underspend forecast for the 2020/21 financial year in 4.6 and the financial risks detailed in 4.19;**
- iii) formally approve the Revenue Budget for 2021/22 as detailed at APPENDIX 1 following consideration of the risks highlighted in 4.19; 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. On 28 January 2021 following the announcement of the Scottish Government's Budget for 2021-22 by the Cabinet Secretary for Finance, the interim Director of Health Finance and Governance wrote to Health Board Chief Executives providing details of the indicative allocation through the funding settlement for Health Boards. The announcement made on 28 January 2021 highlighted the immediate priority of the budget being to support the continuing response to the pandemic. There has been no subsequent communication following the UK Government's budget on 3 March. The Scottish Government budget is a one year budget for 2021/22 only.

- 3.2. The letter outlined that NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 1.5% over the 2020/21 agreed recurring budgets.
- 3.3. In addition and separate to Health Board funding uplifts, the health portfolio will invest a further £72.6 million to be routed through Local Authorities for investment in adult health and social care integration. This additional £72.6 million is designed to support delivery of the Living Wage, the continued implementation of the Carers Act and the uprating of free personal care. The £72.6 million was presented as being additional and not substitutional to each Local Authority's 2020/21 recurring budget for adult social care services that are delegated.
- 3.4. The correspondence from Scottish Government on 28 January 2021 also indicated additional Scotland-wide funding for Primary Care (£45 million, taking the Government commitment to its target of investing an additional £250 million over the term of the Parliament) and Drug Deaths (£50 million). There is also additional funding for Community Mental Health (£22.1 million), the detail and timing of this funding is not yet known but will be reported as this information becomes available.
- 3.5. An additional £869 million has been announced to support the ongoing response to the pandemic. The approach to allocating this funding continues to develop and is based on the regular submission of remobilisation plans.

#### **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 and the impact of Brexit. It is fair to say that the impact of both these extreme circumstances 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 3 March 2021, a special meeting of Moray Council (para 5 of the draft minute refers) 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 is required to be passed through from the Council to the MIJB. This equates to £1.383 million and is made available to support the continued commitment to the initiatives as set out in 3.4 above. Funding is also provided to support the full year effect of an additional care package (£0.267 million) that was approved by Moray Council on 1 December 2020 (paragraph 7 of the minute refers) and also a contribution supporting transitions from children to adult services (£0.2 million). No funding is provided to meet the costs of the 2021/22 pay award.
- 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 Scottish Government budget correspondence received on 28 January 2021 announced that all health boards would receive a baseline uplift of 1.5%. The 1.5% 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 1.5% uplift provides MIJB with an increased funding allocation on the recurring budget of £0.940 million. NHS Grampian presented its budget to its System Leadership Team on 22 March 2021 and will go to its Board in April.

## **MIJB FUNDING 2021/22**

- 4.5 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:

	<b>£'000</b>
NHS Grampian (recurring 2020/21)	79,070
NHS Grampian 1.5% uplift on Core	940
NHS Grampian – Set Aside Services	12,252
Moray Council - Core	44,071
Moray Council – Improvement Grants*	940
Moray Council – SG additional investment	1,383
Moray Council – Care package previously approved	267
Moray Council – Transitioning Children	200
<b>PARTNER MIJB FUNDING 2021/22</b>	<b>139,123</b>

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

- 4.6 For the 2020/21 financial year, MIJB is forecasting a small underspend of £0.036 Million as at 31 December 2020. More recent indications are that this underspend will increase by 31 March 2021. Additionally, on 5 February 2021 notification was received from Scottish Government regarding additional Covid-19 funding that would provide cover for the under-delivery of savings. This is a welcome confirmation and will support a significant underspend in 2020/21. This will be required to be carried forward as a general reserve to support a balanced budget for 2021/22.
- 4.7 Also announced on 5 February 2021 was additional Covid-19 related funding for the financial year 2020/21. Confirmed funding across Scotland is £491 million and a further £40 million for the second tranche of the £112 million announced in November 2020 to support the Adult Social Care Winter Plan. A further £20 million of Community Living Change Funding is allocated to support discharge from hospital of people with complex needs, to support the return to Scotland of those placed in care in the rest of the UK and costs associated with the redesign of service provision in order to avoid future

hospitalisation and inappropriate placements. For Moray, the cumulative total of the funding outlined in this paragraph is £3.2 million. Any funding that remains unspent at the end of the 2020/21 financial year will be carried forward through earmarked reserves for future use.

## 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 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.
- 4.9 The 2021/22 budget for Moray's share of all hosted services is £4.407 million as detailed below.

	<b>£'000</b>
<b>Hosted by Aberdeen City IJB</b>	
Intermediate Care	838
Sexual Health Services	435
<b>Hosted by Aberdeenshire IJB</b>	
Marie Curie Nursing	131
Heart Failure Service	52
Continence Service	120
Diabetes MCN including Retinal Screening	184
Chronic Oedema Service	41
HMP Grampian	450
Police Forensic Examiners	283
<b>Hosted by Moray IJB</b>	
GMED Out of Hours	1,763
Primary Care Contracts	110
<b>TOTAL MORAY HOSTED SERVICES</b>	<b>4,407</b>

## 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.

	<b>£'000</b>
General Medicine	6,174
Geriatric Medicine	963
Rehabilitation Medicine	79
Respiratory Medicine	197
Palliative Care	25

A & E Inpatient	54
A & E Outpatient	4,051
Learning Disabilities	42
Psychiatry of Old Age	88
General Psychiatry	579
<b>TOTAL SET ASIDE BUDGET</b>	<b>12,252</b>

## 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, however, will not address the expected budget pressures arising from contractual inflation and pay awards. There is also an expectation as we continue to re-mobilise, an element of budget pressure experienced prior to the 2020/21 financial year will return and so an estimate has been included for this. The identified cost pressures below are based on estimates and remains an ongoing consideration in financial planning. The table below outlines the anticipated budget pressure the MIJB needs to address in the forthcoming financial year:

	<b>£'000</b>
<b>BUDGET PRESSURES</b>	
Pay Inflation & Staffing	1,151
Contractual Inflation & Scottish Living Wage	1,018
Prescribing & Community Pharmacy	484
High Cost Individuals – full year effect	425
Home First Delivery – D2A	497
Children in Transition	200
Re-mobilisation Pressures	1,063
Other	75
<b>TOTAL BUDGET PRESSURES</b>	<b>4,913</b>

- 4.12 Not included in the pressures noted in 4.11 above are the anticipated inflationary costs of the National Care Home Contract. Through the previously established budget setting protocols, the Moray Council Chief Financial Officer has made a provision within the council budget and has confirmed support to the MIJB for the increase, at the time of writing the costs are still unknown.

## SAVINGS PLAN

- 4.13 The budget setting for 2020/21 included a savings plan totalling £1.944 million. Members will note through in-year reporting that the progress falls short of the plan. Whilst the attention now needs to be turned to transformational change to support budget recovery, there is a need to continue to identify a level of efficiency. The starting point for the 2021/22 budget has been to consider what realistically could be achieved, that proved difficult to deliver in 2020/21. The Senior Management Team have considered and agreed on a small element from 2020/21. The newly identified savings have in the main arisen through accountancy scrutiny of budgets. MIJB is acutely aware of the challenges it faces surrounding both its

people and financial resources which remains a focus within its decision making. A focus on savings will be provided through reporting during 2021/22.

- 4.14 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 2021/22.

	<b>2021/22</b>
	<b>£ 000's</b>
<b>Projected Efficiencies 2021/22</b>	
Accountancy Driven Efficiency	150
External Commissioning	122
Increased Income from Charging	110
Transformational Change	25
<b>Total Projected Efficiencies</b>	<b>407</b>

- 4.15 Members will note that a budget pressure has been built into the table at 4.11 in respect of the Discharge to Assess project (D2A) that was a focus of the MIJB development session on 25 February 2021 and is the subject of a separate paper on this agenda. Should the decision be made to progress with the continuation of this Home First initiative, it will be necessary to identify areas of disinvestment to enable D2A to be fully embedded beyond the 2021/22 financial year. To support this process further reports will be brought before the MIJB to outline progress and provide direction on budget movements. As more Home First initiatives are progressed, this will form part of regular reporting on transformational change.

## **BUDGET OVERVIEW**

- 4.16 The MIJB Revenue Budget for 2021/22 is £140.677 million (including £12.252 million Set Aside). The detail is provided in **APPENDIX 1** and summarised below:

	<b>£'000</b>
<b>BUDGET</b>	
Recurring Budget	123,485
Strategic Funds	434
Inflationary Pressure and Transformation	4,913
Savings Plan	<b>(407)</b>
Set Aside	12,252
<b>TOTAL BUDGET</b>	<b>140,677</b>
<b>FUNDED BY</b>	
NHS Grampian Recurring (inc Set Aside)	92,262
Moray Council (inc Improvement Grants)	46,861
Forecast Underspend & General Reserves 2020/21	1,554
<b>TOTAL FUNDING</b>	<b>140,677</b>

## FINANCIAL OUTLOOK

- 4.17 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.
- 4.18 The MIJB is acutely aware of the ongoing financial challenge it faces and has approved a Medium Term Financial Framework (MTFF) that supports its Strategic Plan 2019-29 (Partners in Care). During 2021/22 as the MIJB remobilises, transforms and emerges from the pandemic, there will be a need to review and update the MTFF.

## FINANCIAL RISKS

- 4.19 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 2021/22 financial settlement is based on one year only and the increased level of funding does not meet the arising budget pressures from pay awards and inflationary increases. 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.
  - 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 underspend forecast in 2020/21, has been factored into the 2021/22 position.
  - The budget pressures identified in paragraph 4.11 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. The 2021/22 financial year will be particularly challenging as the continued support to providers is maintained through sustainability payments and supporting the remobilisation of services.
  - The risk associated with Covid-19 remains in place. There is the commitment from Scottish Government to continue to support the ongoing associated costs as outlined in paragraph 4.7 which helps

mitigate this risk. Any unused funding will be held appropriately in reserves.

## 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 2021/22 revenue budget (excluding Set Aside) as detailed in **Appendix 1** is **£128.425 million**.

The funding allocated to the MIJB by Moray Council and NHS Grampian totals **£126.871 million** (excluding Set Aside).

The notional Set Aside budget for Moray’s share of the Large Hospital Services is currently **£12.252 million**. The Set Aside budget is provided by NHS Grampian.

A balanced budget is presented based on the use of anticipated general reserves arising from 2020/21 of **£1.554 million**.

### **(d) Risk Implications and Mitigation**

The revenue budget for 2021/22 is subject to the following risks:

- GP Prescribing – represents around 13% 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 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 4.11. 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 no staffing implications arising directly from this report.

As the MIJB continues to address the financial balance, 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.

**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 the savings plan 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

Ref: