



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
24 JANUARY 2018**

**REPORT ON: SCOTTISH GOVERNMENT DRAFT BUDGET 2018/19 - IMPLICATIONS FOR
DUNDEE INTEGRATION JOINT BOARD**

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB1-2018

1.0 PURPOSE OF REPORT

The purpose of this paper is to provide the Integration Joint Board (IJB) with an overview of the implications of the Scottish Government’s Draft Budget 2018/19 for Dundee Integration Joint Board.

2.0 RECOMMENDATIONS

It is recommended that the IJB:

- 2.1 Notes the content of the Scottish Government’s Draft Budget as it relates to NHS Tayside and Dundee City Council;
- 2.2 Notes the additional funding of £66m included nationally in the local government settlement to support investment in social care in recognition of a range of pressures including the implementation of the Carers (Scotland) Act 2016, payment of the living wage (including extension to sleepover payments) and increase in Free Personal and Nursing Care payments;
- 2.3 Notes the potential implications of these and the range of increased costs and cost pressures to Dundee Integration Joint Board’s delegated budget and subsequent indicative level of budget requisition to Dundee City Council and NHS Tayside to enable the IJB to deliver the priorities as set out within its Strategic and Commissioning Plan;
- 2.4 Remits to the Chief Finance Officer to lay the developing Transformation Efficiencies Programme before the IJB in February 2018 to inform the budget setting process;
- 2.4 Remits to the Chief Finance Officer to bring forward a proposed budget for 2018/19 in relation to delegated services for consideration by the IJB at a special meeting of the IJB prior to the end of March 2018.

3.0 FINANCIAL IMPLICATIONS

The financial planning projections highlighted in Appendix 1 are provisional at this stage of the budget process and will continue to be refined following subsequent negotiations with Dundee City Council and NHS Tayside. An updated position will be presented to the February IJB meeting with a special Budget meeting to be called in in March 2018 with a view to finalising the delegated budget.

4.0 MAIN TEXT

- 4.1 The Cabinet Secretary for Finance and the Constitution announced the Scottish Draft Budget on 14 December 2017. Since then, the Scottish Government has sought to provide clarity to Health and Social Care Partnerships, Local Authorities and NHS Boards on the detail behind the announcements in the settlement as they relate to health and social care. This report provides an overview of these announcements and outlines the impact they are likely to have on Dundee IJB's delegated budget for 2018/19.
- 4.2 Alongside the 2018/19 Budget, the Scottish Government also published its 2018/19 Public Sector Pay Policy. This includes a 3% pay increase for those earning less than £30,000; caps the pay bill at 2% for all those earning more than £30,000; and limits the maximum pay uplift for those earning over £80,000 to £1,600. The Public Sector Pay Policy does not apply directly to local authorities, however it is noted that the Scottish Government have stated that: "This policy also acts as a benchmark for all major public sector workforce groups across Scotland." Given the significant proportion of staff within the Health and Social Care Partnership's workforce, particularly within the social care staff group who earn less than £30,000 per annum, the impact of the removal of the pay cap is likely to be considerable and proportionately higher than other services and has been factored in to the financial projections shown as appendix 1 to this report.

4.3 Impact of Local Authority Finance Settlement

- 4.3.1 The Scottish Government announcement included figures in respect of the Local Government Finance Settlement for 2018/19. These figures have subsequently been confirmed in Local Government Finance Circular 5/2017, issued by the Scottish Government on 14 December 2017. The figures are provisional at this stage and are subject to consultation between the Scottish Government and COSLA. The Local Government Finance (Scotland) Order is due to be debated by the Scottish Parliament in late February 2018, as part of the wider parliamentary process for finalising the 2018/19 Scottish Budget.

- 4.3.2 The revenue grant figures for Dundee City Council are as follows:

	<u>2018/19</u> <u>£m</u>
Updated Service Provision	313.159
2008-2019 Changes	5.602
Loan Charges & PPP Schemes Support	18.570
Main Floor	<u>(4.405)</u>
Total Estimated Expenditure (TEE)	332.926
Assumed Council Tax Contribution	<u>(47.467)</u>
85% Floor	-
Total Distributable Revenue Support	<u>285.459</u>

- 4.3.3 When adjusted to a "like-for-like" basis, the grant settlement for the Council for 2018/19 reflects an overall year-on-year increase of 0.7% in cash terms, but a 0.8% reduction in real terms (SPICe Briefing, 18 December 2017). The Council has marginally benefited from an updating of the needs-based indicators in the grant distribution calculation for 2018/19.
- 4.3.4 Based on current assumptions, the Council will require to identify budget savings totalling around £15.7 million in order to achieve a balanced budget in 2018/19. Councils have the flexibility to increase Council Tax levels by up to 3%. A 3% increase in the local Council Tax level would generate net additional income of around £1.5 million, after allowing for the impact of additional Council Tax reductions.
- 4.3.5 At this stage of the Council's budget process, discussions are ongoing with the Chief Executive and Executive Director of Corporate Services of Dundee City Council in relation to the proposed level of funding for the delegated budget. An update will be provided to the IJB at its next meeting in February 2018. The figures noted in Appendix 1 are estimated at this stage.

4.4 Investment in Social Care

- 4.4.1 The Cabinet Secretary for Finance and the Constitution wrote to COSLA on 14 December 2017 confirming the package of measures that make up the settlement to be provided to local government in return for the provisional funding amounts for 2018/19. For 2018/19, the Scottish Government will work in partnership with local government to implement the budget and joint priorities in return for the full funding package. A significant element of this funding package is in recognition of a range of pressures around social care. The importance of this investment in relation to health and social care integration was reinforced within the Scottish Draft Budget as follows:

“Integration of health and social care is the most significant reform of the NHS since its establishment in Scotland in 1948. It brings together NHS and local government services to deliver person-centred care that supports people to retain their independence in their own homes and communities for as long as possible. In 2018/19 we will provide an additional £66m to bring the Carers (Scotland) Act 2016 into force, to continue to support the delivery of the Living Wage for adult social care workers and to increase payments for free personal and nursing care”

- 4.4.2 In addition to meeting the requirements of the new Carers Legislation, the funding is expected to support the further increase in the Living Wage from £8.45 to £8.75 per hour for all adult social care workers and extending payment of the Living Wage to sleepover arrangements. The increases in payments for free personal and nursing care have not as yet been announced by the Scottish Government.
- 4.4.3 IJB members will note that the government has allocated this funding through local government for 2018/19 which is a shift from the previous two finance settlements where investment for commitments such as the implementation of the Living Wage and other national policies such as changes to social care charging was ring fenced within health budgets, with NHS Boards instructed to pass this funding through to Integration Authorities in full. The implication of channelling the £66m through local government is that local authorities can decide on the level of funding which flows through to IJBs. It is anticipated that Dundee City Council’s share of the £66m will be around £2.004m and work is continuing to calculate the financial impact of the government’s statutory and policy commitments to inform negotiations with the Council.

4.5 Impact of NHS Finance Settlement

- 4.5.1 The finance settlement in relation to all NHS Boards will result in a baseline uplift of 1.5% in Board budgets. NHS Tayside has also benefited in 2018/19 from an increase in baseline funding due to the effect of the national funding formula (NRAC). Despite this however, NHS Tayside’s financial position remains challenging with significant transformation of services and efficiency savings to be identified and delivered to deliver a balanced budget in 2018/19. This level of efficiency savings is currently estimated to be around £44.5m or 6% of its baseline budget.
- 4.5.2 NHS Tayside’s Director of Finance has indicated that the 1.5% baseline uplift will be passed on to IJB’s in full as will a share of the NRAC uplift, linked to the prescribing budget. Discussions are ongoing between the Chief Officer and Chief Finance Officer and NHS Tayside with regards to the implications of the settlement including consideration of the various cost pressures highlighted to the IJB during 2017/18 as part of the financial monitoring process, including prescribing and hosted services. An update will be provided to the IJB at its next meeting in February 2018.
- 4.5.3 The Draft Scottish Budget also sets out an investment programme to be allocated to NHS Boards as part of investment in reform with some of this relating to delegated services to Integration Authorities and will be channelled through Health and Social Care Partnerships. This includes additional investment in Primary Care nationally of £50m, linked to the new GP contract (taking the total reform investment to £110m), Mental Health Services of £17m (taking total Mental Health Reform investment to £47m), Alcohol and Drug Partnerships of £20m (in addition to baseline allocations of £53.8m). This total investment funding has yet to be released to NHS Boards and discussions are taking place nationally and locally around the allocation of these resources. In addition, NHS Transformation Change Funding has increased by £101m to £126m, some of which may be applicable to Integration Authorities, particularly in relation to the development of digital capability. This Transformational Change Fund will be distributed regionally with discussions to be progressed by the North Region Boards on this will be allocated further. The full range of additional funding is noted as follows:

	2017/18 £m	2018/19 £m	Increase £m
Transformational Change Fund	25.0	126.0	101.0
Primary Care	60.0	110.0	50.0
Mental Health	30.0	47.0	17.0
Trauma Networks	5.0	10.0	5.0
Cancer	8.0	10.0	2.0
Alcohol and Drug Partnerships	53.8	73.8	20.0

4.6 Dundee IJB Financial Planning Assumptions 2018/19

4.6.1 The estimated financial impact of the range of factors likely to affect the level of delegated resources to the IJB is set out in the Financial Planning Summary shown at Appendix 1. These figures continue to be refined as cost implications become clearer however provide the IJB with an overview of the scale of the financial challenge ahead which in turn highlights the level of efficiency savings and transformation of services required to deliver a balanced delegated budget. This includes anticipated required investment to meet demographic pressures and growth and current cost pressures projected to continue in the short to medium term. The Financial Planning Summary applies the range of expected cost increases and pressures to the current base delegated budgets which lead to the level of "Budget Requisition" the IJB would require from the statutory bodies in 2018/19 before consideration of the bodies respective financial position. Applying provisional levels of funding uplifts and/or funding reductions to these figures then provides an estimation of the potential resources the IJB needs to find to deliver its obligations and the ambitions of the Strategic and Commissioning Plan.

4.6.2 These figures will continue to be developed over the coming weeks with a further report outlining the updated position and outline Transformation Programme to be presented at the February IJB meeting.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment. There are no major issues.

6.0 RISK ASSESSMENT

Risk 1 Description	There is a risk that the IJB will not be able to balance its resources and achieve its strategic objectives should the combination of the level of funding provided through the delegated budget and the impact of the IJB's Transformation Efficiency Programme be insufficient.
Risk Category	Financial
Inherent Risk Level	Likelihood 4 x Impact 4 = 16 (Extreme)
Mitigating Actions (including timescales and resources)	Developing a robust and deliverable Transformation Programme Negotiations with Dundee City Council and NHS Tayside to agree the most advantageous funding package as part of the development of the IJB's delegated budget.
Residual Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Planned Risk Level	Likelihood 3 x Impact 4 = 12 (High)
Approval recommendation	Despite the high level of risk, it is recommended that this should be accepted at this stage of the budget process with a reviewed position set out as the proposed budget is set out to the IJB in March 2018.

7.0 CONSULTATION

The Chief Officer, the Director of Finance - NHS Tayside, Executive Director - Corporate Services, Dundee City Council and the Clerk have been consulted on the content of this paper.

8.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 10 January 2018

Dundee Integration Joint Board												
Financial Planning Summary 2018/19												
	Baseline Delegated Budget 2017/18	Estimated Pay Inflation Pressures 2018/19	Estimated Other Inflation / Demographic Growth 2018/19	Estimated Increased Demand/National Policy Commitments 2018/19	2017/18 Efficiency Savings to be Converted to Recurring Basis	Current Year Budget Pressures	Budget Requisition 2018/19	Baseline Delegated Budget 2017/18	Add: Indicative Funding Uplift	Less: Indicative Funding Reduction 2018/19	Estimated Budgeted Resources 2018/19	Estimated Budget Shortfall 2018/19
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Dundee City Council	73,486	964	1,173	2,186			77,809	73,486	1,964	-2,900	72,550	5,259
<i>NHS Tayside</i>												
Health and Community Services	71,100	1,300	100		1,140	870	74,510	71,100	1,201		72,301	2,210
Prescribing	33,300		1,095			2,200	36,595	33,300	600		33,900	2,696
General Medical Services	44,200						44,200	44,200	0		44,200	0
Large Hospital Set Aside	21,100						21,100	21,100	0		21,100	0
Direct Partnership Funding	5,000						5,000	5,000	0		5,000	0
Total	248,186	2,264	2,369	2,186	1,140	3,070	259,215	248,186	3,764	-2,900	249,050	10,165
							%ge of 17/18 Delegated Budget					4.1%
							%ge of Revised Budget for Operational Services					5.7%
							(nb excludes FHS, Large Hospital & additional social care commitments)					

