



**REPORT TO:** HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –  
26 MARCH 2021

**REPORT ON:** 5 YEAR FINANCIAL FRAMEWORK

**REPORT BY:** CHIEF FINANCE OFFICER

**REPORT NO:** DIJB10-2021

**1.0 PURPOSE OF REPORT**

1.1 The purpose of this report is to provide the Integration Joint Board (IJB) with a forecast of the medium to longer term financial challenges which are likely to impact on the IJB's future delegated budget and sets out the framework within which these challenges will be mitigated to enable the IJB's strategic priorities to be delivered within a balanced budget.

**2.0 RECOMMENDATIONS**

It is recommended that the Integration Joint Board (IJB):

- 2.1 Notes the potential financial challenges which may impact on the IJB's delegated budget over the medium to longer term as set out in sections 4.1.1 to 4.1.8 and Appendix 1 to this report.
- 2.2 Approves the framework and range of principles under which the IJB will approach these challenges to ensure the IJB is able to deliver its strategic and commissioning priorities while delivering a balanced budget as set out in section 4.1.9 of this report.

**3.0 FINANCIAL IMPLICATIONS**

3.1 This report sets out the potential financial gaps within the IJB's delegated budget over the coming years. Based on a range of current assumptions, this could potentially result in savings totalling £18.2m being required over the next five financial years.

**4.0 MAIN TEXT**

**4.1 Background**

4.1.1 The first 5 financial years of the delivery of integrated health and social care services have been set within a context of severe financial restrictions to the United Kingdom's public spending and continued increases in demographic demand. This position has been exacerbated initially by the uncertainty of the impact of the UK's withdrawal from the European Union but even more so as a result of the response to the Covid19 pandemic and subsequent impact on the UK's public finances, pressures on the economy and further increased demand on health and social care services.

4.1.2 In relation to Dundee Integration Joint Board's delegated budget, these funding pressures and the impact of demographic demand have resulted in year-end overspends being incurred in each of the last three financial years (£403k in 2017/18, £1,794k in 2018/19 and £2,274k in 2019/20) with concerns being raised by Audit Scotland about the ongoing financial sustainability of the IJB and how this could undermine the IJB's ability to improve and deliver vital health and social care services (as set out in the Annual External Auditors Report – Item V of the meeting of the Performance and Audit Committee held on 24 November 2020 refers).

- 4.1.3 The scale of the budgetary challenges faced by the IJB over the last 5 financial years in terms of budgeted cost pressures and the level of funding received from partner bodies can be illustrated by the level of annual savings the IJB has been required to make to balance the delegated budget as follows:

Financial Year	Level of Savings Required to Balance Delegated Budget £000
2016/17 (baseline budget)	6,578
2017/18	2,840
2018/19	4,787
2019/20	5,936
2020/21	2,341
Total	22,482

This position is net of any additional funding provided by the Scottish Government over that time and has clearly had a significant impact on the ability of the IJB to continue its aim of transforming health and social care services from within the delegated budget which is around £250m per annum.

- 4.1.4 The public sector funding outlook for the medium to longer term was set out by the UK Chancellor as part of the March budget statement and published in the Office of Budget Responsibility's (OBR) Economic and Fiscal Outlook. The impact of the Covid Pandemic and other economic factors on the state of the UK's public finances are projected as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Public Sector Net Debt as a %ge of UK Gross Domestic Product	100.2%	107.4%	109.0%	109.7%	106.2%	103.8%
Public Sector Net Debt (£billion)	2,198	2,503	2,631	2,747	2,761	2,804

(Source – OBR Economic and Fiscal Outlook – March 2021)

While the OBR noted the roll out of the vaccination programme does offer some hope of a swifter and more sustained economic recovery, albeit from a more challenging point than previously forecast, nevertheless the pandemic is still expected to lower the supply capacity of the economy in the medium term by around 3% relative to pre-virus expectations. This will continue to put a strain on public funds for the foreseeable future and is likely to filter down to all levels of the public sector locally in some form over that period.

- 4.1.5 Dundee Health & Social Care Partnership's (DHSCP) own financial modelling to establish the potential financial impact of both the range of cost pressures and the estimated funding from partners and the Scottish Government is set out in Appendix 1 to this report. This model makes a range of assumptions which are subject to change however represents the most up to date information DHSCP has in terms of future financial planning, including those from its statutory partner bodies. Neither the UK or Scottish Government's are in a position to outline 3-5 year financial plans to assist in this process at this time. The financial model does not include at this stage an estimate of the increased demand for health and social care services as a result of the Covid19 pandemic as distinct from underlying increases in demographic demand. Further information on population health, including an updated population needs assessment is required to provide a basis for potential cost estimation for these factors.
- 4.1.6 The estimates also do not take into account any impact of recommendations of the Independent Review of Adult Social Care should these be implemented in full or part. The Independent review recognises a lack of funding in the social care sector to date and sets out a financial estimate to implement the recommendations of the report in the future and highlights that spending on adult social care should be regarded as an investment in the Scottish economy. The report notes that based on Personal Social Services Research Unit (PSSRU) research a reasonable starting point for projections is a 3.5% per annum (p.a.) real increase in social care expenditure every year to 2035 in Scotland, but more specific Scottish projections will be vital in the future.

- 4.1.7 The Scottish Government's Health and Social Care Medium Term Financial Framework includes an assumption of nominal growth rates for social care of 4% p.a. gross and 3% p.a.net of savings until 2023/24. Assuming 1.8% p.a. inflation, the growth rate in the Medium Term Financial Framework is currently 1.3% p.a. lower than the rate recommended by PSSRU. The review recommends that future planning for investment in adult social care must factor in demographic change.
- 4.1.8 The report lays out the additional cost to meet current estimated unmet need and the new recommendations in the report as being £0.66bn per annum which is about 0.4% of Scottish GDP. This is a 20% increase in real terms over 2018/19 levels and twice the total real terms increase in adult social care expenditure over the whole of the previous ten years (£0.3bn). Even allowing for a phased introduction, an investment on these lines will require a long-term and substantial uplift in adult social care funding. Dundee IJB's financial framework will evolve as further information and any further funding commitments are made by the Scottish Government as a result of the review.
- 4.1.9 Appendix 1 sets out an early indication of the scale of the financial challenge facing the IJB over the coming years. By setting this out now, the IJB can start to consider how it can mitigate the effect of the difficult projected funding position in terms of its forward planning. This will require the IJB to focus on the need to change and transform services and not rely on short term measures to balance the budget. The following range of principles set within an overarching financial framework is recommended to be adopted which will support the IJB in balancing demand and improving health and social care outcomes for Dundee citizens while delivering a balanced budget.
- Ensure the delegated budget is targeted towards areas of spend which contribute to delivering the IJB's strategic priorities.
  - Continue to shift the balance of care for bed based models of care to community based health and social care services.
  - Prioritise investment in early intervention and prevention for longer term impact on demand for health and social care services.
  - Maintain investment in services which contribute to the continued good local performance around delayed discharge.
  - Ensure community based health and social care services are as efficient and effective as possible without compromising on the quality of services.
  - Continue to develop the use of technology to enhance direct service user/patient contact and to support staff in the community to work in a more mobile way.
  - Set out clearly the eligibility criteria under which the local population can access the range of health and social care services available, including signposting to the most appropriate services where applicable.
  - Ensure a best value approach to service provision at all times and identify and eliminate waste and inefficiency.
  - Identify further partnering opportunities with the 3<sup>rd</sup> and independent sector.
  - Explore opportunities to develop a change fund to enable the IJB to commission tests of change and support the transition of old models of care to new.
  - Pursue opportunities to access external funding to support specific initiatives (e.g. private, public and charitable funding).
  - Develop an effective workforce plan which sets out clearly the future shape of the required workforce to ensure there are no gaps, reducing the risk of incurring more expensive staff costs (e.g. use of agency staff).
  - Work with statutory partners, including neighbouring IJB's to identify wider transformation programmes within which health and social care services can benefit.

## **5.0 POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of Equality Impact Assessment. An impact assessment is available.

## 6.0 RISK ASSESSMENT

<b>Risk 1 Description</b>	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.
<b>Risk Category</b>	Financial
<b>Inherent Risk Level</b>	Likelihood 4 x Impact 4 = 16 (Extreme)
<b>Mitigating Actions</b> (including timescales and resources)	Developing a robust and deliverable Transformation Programme. Negotiations with Dundee City Council, NHS Tayside and the Scottish Government to agree the most advantageous funding package as part of the development of the IJB's delegated budget.
<b>Residual Risk Level</b>	Likelihood 3 x Impact 4 = 12 (High)
<b>Planned Risk Level</b>	Likelihood 3 x Impact 4 = 12 (High)
<b>Approval recommendation</b>	Although the risk levels remain high, the range of interventions identified generally have a medium to low risk of delivery in 2019/20 therefore it is recommended that the risks be accepted. Risks around the Prescribing budget will be continually monitored and reported to the IJB throughout the year.

## 7.0 CONSULTATIONS

7.1 The Chief Officer and the Clerk were consulted in the preparation of this report.

## 8.0 DIRECTIONS

8.1 The Integration Joint Board requires a mechanism to action its strategic commissioning plans and this is provided for in sections 26 to 28 of the Public Bodies (Joint Working) (Scotland) Act 2014. This mechanism takes the form of binding directions from the Integration Joint Board to one or both of Dundee City Council and NHS Tayside.

Direction Required to Dundee City Council, NHS Tayside or Both	Direction to:	
	1. No Direction Required	✓
	2. Dundee City Council	
	3. NHS Tayside	
	4. Dundee City Council and NHS Tayside	

## 9.0 BACKGROUND PAPERS

9.1 None.

Dave Berry  
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**DATE:** 17 March 2021

## 5 Year Financial Framework 2021/22 – 2025/26

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
<b>Estimated Baseline Budget</b>	248,614	254,476	256,883	259,338	261,842
<b>Estimated additional Cost Pressures</b>	8,520	6,110	6,288	6,472	6,595
<b>Estimated Funding Required</b>	257,134	260,586	263,171	265,810	268,437
<b>Estimated Funding Provided</b>	254,476	256,883	259,338	261,842	264,397
<b>Estimated Funding Gap</b>	2,658	3,703	3,833	3,968	4,040
<b>Total Funding Gap Over 5 Years</b>					18,202

