

REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
22 JUNE 2022

REPORT ON: 5 YEAR FINANCIAL FRAMEWORK

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB17-2022

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 sections 4.1.9 and 4.1.10 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 £25.189m being required over the next five financial years.

4.0 MAIN TEXT

4.1 Background

4.1.1 The first 6 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 the pre-Covid19 pandemic 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 at this stage and how this could undermine the IJB's ability to improve and deliver vital health and social care services in the future (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 6 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 |
| 2021/22 | 2,042 |
| Total | 24,524 |

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 £280m per annum.

4.1.4 The Scottish Government published its Scottish Fiscal Outlook – The Scottish Government’s Medium-Term Financial Strategy in December 2021 alongside the 2022/23 Scottish Budget. It states that *“The Scottish economy has continued to recover across 2021 as restrictions on economic activity have largely been lifted. However, the recent emergence of the Omicron COVID-19 variant and associated uncertainty will weigh on consumer and business confidence. The Organisation for Economic Co-operation and Development’s (OECD) latest assessment from 1st December 2021 is that it could intensify imbalances that are slowing growth, raising costs, and could delay the world economy’s return to pre-pandemic levels.”*

A further update report was published by the Scottish Fiscal Commission on 31st May 2022 which noted that *“Global events have continued to move quickly with the Russian invasion of Ukraine and the cost of living crisis closer to home which have also led to significant and rapid changes in the economy and the data on which we base our forecasts.”* These forecasts have been used to inform the Scottish Government’s Medium-Term Financial Strategy 2022 and Resource Spending Review 2022.

This latest report notes the following anticipated growth rates in the Scottish economy:

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|----------------|---------|---------|---------|---------|---------|---------|
| GDP Growth (%) | 2.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 |

Resource funding outlook for the Scottish Government (Excluding (£m))

| Resource Funding | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|------------------|---------|---------|---------|---------|---------|---------|
| Upside | 38,434 | 38,249 | 38,715 | 39,492 | 41,008 | 41,992 |

Source: Scotland’s Economic and Fiscal Forecast May 2022

As noted in the above table, the Scottish Government’s resource funding is broadly flat after allowing for inflation. Although the final year of the Resource Spending Review is considerably higher than the baseline 2022/23 year, it is only 3% higher in real terms. Therefore, this overall Scottish Government funding position 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.

The Scottish Government set out its spending priorities in the Resource Spending Review at the end of May 2022. This included specific investment to deliver on national goals including delivering on the commitment to increase year on year funding for the National Health Service to a total of £73 billion over the period of the review with 50% of this invested in community health services. Furthermore, investment is to be made in social care and integration over the spending review period, laying the groundwork for the National Care Service, bringing social care into parity of esteem with healthcare and transforming the provision of social care services. The health and social care portfolio will increase from £17.106m in 2022/23 to £19.029m in 2026/27. It is not clear

at this stage what impact Scottish Government commitments such as fair work in social care will have on this funding and what proportion will be available for investment to meet demographic growth.

The funding available to Local Government however will see a flat cash settlement of £10.616m from 2022/23 until 2026/27 where it increases to £10.716m. With pay awards and other inflationary pressures expected over that period this will pose a significant financial challenge to local authorities and is likely to impact on the availability of funding from Dundee City Council to Dundee Integration Joint Board.

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. This includes assumptions around increasing staff pay awards, increases in demographic demand and increases in costs experienced by external care providers such as through the National Care Home Contract. The financial model does not fully 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. Indeed, the Dundee Health and Social Care Partnership's Strategic Needs Assessment Report presented to the IJB at its meeting of the 15th December 2021 (Article IX of the Minute refers) "*data and modelling information about the impact of the pandemic beyond acute hospital settings is limited and a full understanding of the short, medium and long-term impact of the pandemic on health and social care needs will not be ascertained for some time to come*" Further information on population health, including an updated population needs assessment is required to provide a basis for potential cost estimation for these factors.

4.1.9 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.
- Embed new ways of working implemented as a response to the Covid-19 pandemic and where possible ensure service delivery does not automatically revert to a pre-pandemic state
- Maximise use of the IJB's earmarked and non-earmarked reserves to provide short term investment which will support longer term sustainability of services.
- Continue to work with statutory partners 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 3rd and independent sector.
- Increase the pace of major transformation programmes, ensuring these are properly resourced with supporting infrastructure.
- Explore opportunities to develop a change fund from IJB reserves 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.

4.1.10 The IJB's transformation programme currently consists of the following established projects:

- Reshaping Non-Acute Care Programme
- Unscheduled Care
- Living Life Well – Tayside Mental Health and Wellbeing Strategy (Tayside Mental Health Alliance)
- Drug Death Action Plan for Change (Dundee Partnership)
- Transforming Public Protection (Dundee Partnership)
- Dundee HSCP Covid19 Re-mobilisation Programme
- Digital Transformation (with NHS Tayside and Dundee City Council)

The progression of these are critical to the IJB in terms of improving services, reducing risk (reflected in the current Strategic Risk Register), providing assurance to stakeholders and ensuring best value is achieved in the allocation of resources. While progress on these issues are reported to the IJB on a regular basis, consolidated Transformation Programme progress reports will be provided to the IJB.

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

| | |
|---|--|
| 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) | Additional Scottish Government Funding provided 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. Application of IJB's reserves. |
| Residual Risk Level | Likelihood 3 x Impact 4 = 12 (High) |
| Planned Risk Level | Likelihood 3 x Impact 4 = 12 (High) |
| Approval recommendation | 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
Chief Finance Officer

DATE: 20 May 2022

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5 Year Financial Framework 2022/23 – 2026/27

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Estimated Baseline Budget | 258,902 | 280,088 | 281,615 | 283,606 | 286,302 |
| Estimated additional Cost Pressures | 23,257 | 10,169 | 8,654 | 7,547 | 7,782 |
| Estimated Funding Required | 282,159 | 290,257 | 290,269 | 291,153 | 294,084 |
| Estimated Funding Provided | 282,159 | 281,615 | 283,606 | 286,302 | 289,051 |
| Estimated Funding Gap | 0 | 8,642 | 6,663 | 4,851 | 5,033 |
| Total Funding Gap Over 5 Years | | | | | 25,189 |

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