



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD – 25 FEBRUARY 2020**

**REPORT ON: DUNDEE IJB 20/21 BUDGET DEVELOPMENT UPDATE**

**REPORT BY: CHIEF FINANCE OFFICER**

**REPORT NO: DIJB7-2020**

**1.0 PURPOSE OF REPORT**

1.1 The purpose of this paper is to provide the Integration Joint Board (IJB) with an overview of the potential implications of the Scottish Government's Draft Budget 2020/21 and updated anticipated cost pressures on the IJB's Delegated Budget 2020/21.

**2.0 RECOMMENDATIONS**

It is recommended that the IJB:

2.1 Notes the content of this report including the potential implications to the delegated budget of the impact of the Scottish Government's Draft Budget on Dundee City Council and NHS Tayside's financial settlements as set out in sections 4.2 and 4.3 of this report;

2.2 Notes the potential implications of these in relation to funding settlements to Dundee Integration Joint Board's delegated budget against the range of increased costs and cost pressures anticipated in 2020/21 as set out in section 4.3 and Appendix 1 to this report.

2.3 Remits to the Chief Finance Officer to present a proposed budget for 2020/21 for consideration by the IJB at its meeting on 27<sup>th</sup> March 2020.

**3.0 FINANCIAL IMPLICATIONS**

3.1 The net anticipated financial shortfall within the IJB's delegated budget 20/21 is around £3.5m prior to the identification and application of any financial savings. This position will continue to be refined as the Scottish Government's budget passes through the parliamentary process and Dundee City Council and NHS Tayside set their respective budgets.

3.2 The Chief Finance Officer will present a proposed budget to the IJB at its meeting on 27<sup>th</sup> March 2020 for consideration.

**4.0 MAIN TEXT**

4.1.1 Dundee Integration Joint Board was presented with an initial outlook of the likely cost pressures to impact on the delegated budget 2020/21 at its meeting of the 29<sup>th</sup> October 2019 (Article VI of the Minute refers). This was the first in a series of budget development reports to ensure the IJB was fully informed of the financial environment impacting on Dundee City Council, NHS Tayside and ultimately the IJB's delegated budget.

4.1.2 As a result of the UK General Election being called in December 2019, the UK and Scottish Budget announcements were delayed therefore the budget processes of Dundee City Council and NHS Tayside have also been impacted. The Scottish Government issued its Draft Budget on the 6<sup>th</sup> February 2020 with a view to completing the final stages of the Budget Bill during the week beginning 2<sup>nd</sup> March 2020, with the UK Government due to announce its budget on the 11<sup>th</sup> March 2020. Given these timescales and the legislative

requirement that local authorities must set their budgets for council tax purposes by the 11<sup>th</sup> March, Dundee City Council plans to set its budget on the 5<sup>th</sup> March 2020. The Director of Finance of NHS Tayside has indicated that he will lay a budget paper before the NHS Board at its meeting of the 27<sup>th</sup> February 2020.

- 4.1.3 Given at this stage the Scottish Government's Budget is still in draft, there remains the possibility that there could be changes to the budget settlements to local authorities and NHS Boards as the Budget Bill is passed in the Scottish Parliament. Furthermore, the Scottish Government has advised that it has taken a cautious approach in estimating the likely outcome of the UK Budget but if the settlement from the UK Government is significantly different from these assumptions then the Scottish Government may have to revisit allocations made to councils. Therefore the figures noted below are subject to change.

## 4.2 Draft Scottish Budget Implications

### 4.2.1 Dundee City Council

The local government settlement at a national level includes a cash increase of £495m however COSLA has highlighted that this includes Scottish Government commitments of £590m which local authorities are expected to deliver on therefore the position is a real terms cash reduction of £95m. Dundee City Council's equivalent position is a net cash reduction in funding (after taking into account Scottish Government commitments) of around 0.5% however this is a slightly better position than had been anticipated. Dundee City Council is in a position of requiring significant financial savings in 2020/21 to balance its budget.

### 4.2.2 NHS Tayside

All Territorial Health Boards in Scotland will receive a baseline uplift of 3% with some Boards receiving a further increase as part of arrangements to ensure all Boards funding is maintained within 0.8% of NRAC parity (the national allocation formula). NHS Tayside will not receive any additional funding for NRAC parity in 2020/21 therefore its share of the 3% uplift is an additional £23.5m of baseline funding. The total increase to baseline funding to NHS Boards will be £333m in 2020/21. Given NHS Tayside remains in financial recovery, the Board will also require to make significant savings during 2020/21 to meet its financial recovery targets. NHS Boards have been instructed by the Scottish Government to deliver an uplift of at least 3% over 2019/20 agreed recurring budgets to Integration Authorities in relation to delegated health functions.

In addition to this uplift, further investment in reform in the following areas will see an additional £121m available to NHS Boards:

Improving Patient Outcomes	2019/20 Investment in Reform (£m)	2020/21 Investment in Reform (£m)	Increase for 2020/21 (£m)
Primary Care	155	205	50
Waiting Times Improvement	106	136	30
Mental Health and CAMHS	61	89	28
Trauma Networks	18	31	13
<b>Total</b>	<b>340</b>	<b>461</b>	<b>121</b>

Within these allocations, Primary Care and Action 15 Mental Health funding (as part of the Mental Health and CAMHS additional investment) will flow through to Integration Joint Boards and are at the level anticipated.

### 4.2.3 Health and Social Care Integration

The Scottish Government's budget makes further provision for the transfer of resources from the Health Portfolio to Local Authorities for investment in social care and integration to the value of £100m. This funding includes a contribution to the continued delivery of the living wage to all adult social care staff of £25m, uprating for free personal and nursing care payments (£2.2m), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill of £11.6m in addition to further support for school counselling services (£4m) (the latter services not delegated to Dundee IJB).

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities must be £96 million greater than 2019-20 recurring budgets.

In addition, the Health portfolio also includes an additional £12.7 million to tackle the harm associated with the use of illicit drugs and alcohol. The investment plans around this will be made clearer following discussions between The Minister for Public Health, Sport and Wellbeing and his officials and Health Boards and Integration Authorities in the coming months. It is expected investment by Boards and Integration Authorities will increase by 3% over and above 2019-20 agreed recurring budgets to address these issues.

The Scottish Government has highlighted that in 2020-21 integration will bring together, under the direction of Integration Authorities, more than £9.4 billion of expenditure previously managed separately by NHS Boards and Local Authorities for social care, community health care and some hospital services. Integration Authorities must be empowered and supported by their Local Authority and NHS Board partners to use the totality of these resources, including any targeted investment already committed for specific purposes, to better meet the needs of their local populations.

### **4.3 Potential Impact on Dundee Integration Joint Board Delegated Budget**

- 4.3.1 The previous report presented to the IJB at its meeting of 29 October 2019 set out a range of additional costs which are likely to result in pressures to the IJB's delegated budget in 2020/21. This was based on a range of assumptions at the time and these continue to be updated as clearer information is received around the nature and scale of these pressures. These updated pressures are set out in Appendix 1. In particular, assumptions around demographic growth across services and consideration of emerging current year cost pressures likely to be recurring have been adjusted for. These additional commitments total £11.025m.
- 4.3.2 Following the publication of the Draft Scottish Budget, the likely changes to funding allocations to the IJB's Delegated Budget from Dundee City Council and NHS Tayside have now been included in the IJB's financial planning framework and are set out as funding sources to contribute to the cost pressures in Appendix 1. These are subject to further discussion, clarification and agreement with the partner bodies and Scottish Government.
- 4.3.3 The Scottish Government's funding allocations for additional investment in Health and Social Care Integration to support cost pressures such as the living wage and increases to free personal and nursing care payments in addition to the implementation of the Carers Act is welcome given these would have become pressures the IJB would be required to meet from savings elsewhere. The balance of the share of the £96m for investment in social care (nationally £57.2m) will be required locally to offset inflationary and other cost pressures within the delegated budget. The 3% funding uplift for delegated NHS budgets which Boards have been instructed to pass on to IJB's is anticipated to cover the majority of inflationary cost pressures arising from NHS expenditure.
- 4.3.4 Clarity is still required on the nature of the additional commitment for tackling harm associated with the use of illicit drugs and alcohol of £12.7m however this will provide an opportunity to support the response to the Dundee Drugs Commission Report. Details of this will be presented to the IJB once known.
- 4.3.5 A range of savings options required to meet the funding gap will be presented to the IJB at its meeting of the 27<sup>th</sup> March 2020 for consideration as part of the IJB's budget setting process.

### **5.0 POLICY IMPLICATIONS**

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

## 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 and NHS Tayside 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>	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 2020.

## 7.0 CONSULTATION

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

## 8.0 BACKGROUND PAPERS

8.1 None.

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**DATE:** 12 February 2020

<b>DUNDEE HEALTH AND SOCIAL CARE PARTNERSHIP</b>			Appendix 1
<b>REVENUE BUDGET 2020/21</b>			
<b>Anticipated Cost Pressures:</b>		<b>2020/21 Total Delegated Budget Cost Pressures</b>	
		<b>£000</b>	
Non-Recurring Savings 2019/20		200	
Current Year Budget Pressures		2,304	
<b>Total Current Years Funding Requirements</b>		<b>2,504</b>	
<b>New Pressures 2020/21 - Inflationary Pressures</b>			
Staff Pay Increases		2,733	
Increased Costs of Externally Provided Services (incl living wage)		1,437	
Prescribing Growth		823	
<b>Total Inflationary Pressures</b>		<b>4,994</b>	
<b>National Policy Costs</b>			
Carers Act Implementation - Year 3		291	
Free Personal & Nursing Care Rate Increases		33	
Primary Care Improvement Funding		1,629	
Action 15 Mental Health Funding		207	
<b>Total National Policy Costs</b>		<b>2,161</b>	
<b>Demographic Pressures</b>		<b>2,171</b>	
<b>Total Anticipated Cost Pressures 2020/21</b>		<b>11,829</b>	
<b>Less: Scottish Government Specific Funding Previously Announced</b>			
<b>Primary Care</b>		<b>(1,629)</b>	
<b>Action 15 Mental Health</b>		<b>(207)</b>	

<b>Less: Implications of Scottish Draft Budget</b>			
<b>NHS Tayside Assumed Uplift @3%</b>		<b>(3,691)</b>	
<b>Estimated Share of Additional £96m:</b>			
<b>Living Wage</b>		<b>(743)</b>	
<b>Carers Act</b>		<b>(291)</b>	
<b>Free Personal Care</b>		<b>(33)</b>	
<b>Additional funding for Investment in social care</b>		<b>(1,699)</b>	
<b>Net Anticipated Funding Shortfall 2020/21</b>		<b>3,536</b>	