

REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
26 FEBRUARY 2019

REPORT ON: DELEGATED BUDGET 2019/20 DEVELOPMENT – PROGRESS REPORT

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB8-2019

1.0 PURPOSE OF REPORT

- 1.1 The purpose of this paper is to provide the Integration Joint Board (IJB) with an updated overview of the delegated budget 2019/20. This paper forms phase two of a set of three budget development reports to be presented to each IJB meeting leading up to the meeting of 29 March 2019 when the delegated budget will be laid before the IJB for approval.

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 Budget on Dundee City Council and NHS Tayside's financial settlements as set out in sections 4.3, 4.4, 4.5 and Appendix 1 of this report;
- 2.2 Remits to the Chief Finance Officer to bring forward a proposed budget for 2019/20 in relation to delegated services as the final phase of the development of the budget for consideration by the IJB at its meeting on 29 March 2019.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The revised cost pressure estimate will be set against the confirmed available resources within the delegated budget once these have been agreed by Dundee City Council and NHS Tayside at their respective budget setting meetings. The resultant funding gap and transformation and efficiency savings plan will be presented to the IJB at its meeting of 29 March 2019 for approval.

4.0 BACKGROUND

- 4.1 Report DIJB72-2018 (Delegated Budget 2019/20 – Initial Outlook) presented to the December meeting of the IJB set out an initial overview of the projected financial pressures likely to be faced within the delegated budget during 2019/20 as phase one of a set of three budget reports leading to the planned finalisation of the IJB's budget at the end of March 2019. This report focussed on the totality of the potential pressures but did not at that stage identify the funding solutions which would offset these given the relative stages of the budget process within NHS Tayside and Dundee City Council and the overall Scottish Government's Budget. The identified cost pressures totalled around £14.2m.
- 4.2 Since then, officers within Dundee Health and Social Care Partnership have undertaken a further review of these cost pressures using the most up to date intelligence and assumptions and have continued to dialogue with Dundee City Council and NHS Tayside in relation to their own cost pressure assumptions and funding position including developments around the Scottish Government's Budget. This includes consideration of current and future pay award negotiations. This report provides an updated position to the IJB on these issues however it should be noted that due to the budget setting timescales for Dundee City Council and NHS Tayside, the delegated budget's position cannot be finalised until both of these have been concluded.

4.3 Scottish Government Budget Position

- 4.3.1 The Scottish Government's Draft Scottish Budget had just been issued at the time of the December IJB meeting therefore the content of the draft budget including its intentions to invest in health and social care had not been formally laid before the IJB for noting at that stage. However in the subsequent period, discussions have been held at a national level through COSLA and the Scottish Government in relation to the Local Government Settlement which has resulted in more clarity around the financial flexibility that local government can exercise over its resources and in particular in relation to delegated budgets to integration authorities.
- 4.3.2 Within the draft budget issued in December 2018 the Cabinet Secretary set out proposals for further investment to support health and social care. This consists of an additional £40m to be included in the core local government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s. A further £120m will be transferred from the Health portfolio to local government for investment in integration including delivery of the Living Wage, uprating free personal care and school counselling services (the latter national amount of £12m is not a delegated function to Dundee IJB). This funding is to be additional to each council's recurrent 2018/19 spend on social care. While the distribution of free personal care for under 65's funding has not as yet been confirmed, Dundee's share of this funding is set out as follows:

Funding	National Value £m	Dundee Share £m
Share of £108m (£120m less School Counselling £12m)	108	3.252
Carers Act	10.5	0.301
Free Personal Care for Under 65s	29.5	0.888*
Total Additional Investment	148	4.441

**Estimated figure – National Distribution of funding not yet confirmed*

- 4.3.3 At the end of January 2019, the Cabinet Secretary for Finance, Economy and Fair Work set out in his Budget Bill Part 1 a range of further measures to be made available to local authorities to support their financial position including the core local government settlement. This includes a range of additional local tax raising powers such as the "tourist tax", workplace parking levy, the ability to increase council tax by up to 4.79% and an increase to the core local government settlement of £90m.
- 4.3.4 In relation to funding to integration authorities, the Cabinet Secretary has agreed to allow local authorities the flexibility to offset their adult social care allocations by up to 2.2% compared to 2018/19 i.e. up to £50m across all local authorities to help them manage their own budgets. It is therefore within this revised financial context that Dundee City Council's financial planning framework has been developed.

4.4 Dundee City Council Budget Position

- 4.4.1 Dundee City Council's budget was set on 21 February 2019 which is after this report has been issued therefore the final delegated budget offer is not confirmed at the time of writing. A verbal update will be provided at the IJB's meeting however it is anticipated that through a combination of inflationary uplifts, allocation of Scottish Government additional funding offset by a share of the council's savings required to balance the council budget, the delegated budget will be subject to a net uplift of approximately £3.5m (inclusive of indicative allocation for free personal care for under 65s the distribution of which is still to be agreed nationally). The confirmed value of this and therefore the impact on the delegated budget and subsequent level of IJB savings required will be formally laid before the IJB at its meeting on 29 March 2019.

4.5 NHS Tayside Budget Position

- 4.5.1 The Scottish Government's Draft Budget set out that all Health Boards would receive a minimum funding uplift of 2.5% to their baseline budgets with some boards also receiving a further share of £23m to ensure NRAC (national resource allocation committee funding formula) parity. NHS Tayside will receive a 2.6% uplift and will also receive a share of the additional NRAC resource by £2.1m giving a total uplift of 2.8%.
- 4.5.2 The Scottish Government has stated that NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018-19 cash levels. The NHS Tayside Director of Finance has indicated that subject to the NHS Board approving its Financial Plan on 28 February 2019, the delegated budgets for the three Tayside IJB's will receive a 2.6% uplift in line with NHS Tayside core uplift. This is likely to result in a funding uplift of approximately £2.8m. Discussions continue regarding potential share of the additional £2.1m NRAC funding.
- 4.5.3 The 2.6% overall uplift to the delegated budget is likely to fund the majority of the inflationary pressures within the health expenditure element of the budget. Any resultant funding shortfall will be as a result of existing funding pressures and the replacement of non-recurring savings from previous years. This is anticipated to be around £2m.

4.6 Large Hospital Set aside

- 4.6.1 A key component of the overall funding of health and social care is in relation to progressing the arrangements to release resources through the Large Hospital Set Aside mechanism. The system reform assumptions in the Scottish Government's Health and Social Care Medium Term Financial Framework include material savings to be achieved from reducing variation in hospital utilisation across partnerships. Planning across the whole unplanned care pathway is key to delivering this objective and the Scottish Government has set out that partnerships must ensure that by the start of 2019-20, the set aside arrangements are fit for purpose and enable this approach. The Scottish Government will work with Integration Authorities, Health Boards and Local Authorities to ensure the legislation and statutory guidance on hospital specialties delegated to Integration Authorities, particularly in relation to set aside budgets, is put into practice. This will continue to be a focus of financial planning in conjunction with NHS Tayside.

4.7 Primary Care and Mental Health Action 15 Funding

- 4.7.1 The Scottish Government's Draft Scottish Budget sets out the continued additional planned funding for Primary Care transformation and Mental Health Action 15 Funding. Primary Care funding will increase from £120m to £155m in 2019/20 while Mental Health and CAMHS funding will increase from £47m to £61m.
- 4.7.2 Dundee core share of the Primary Care Funding for 2019/20 is £1,630k which will be enhanced through a transfer from Angus and Perth and Kinross to recognise GP practice boundaries and patient flow. The share of Mental Health funding is £504k. Both of these funding streams are subject to strong governance arrangements through the Scottish Government and come with high expectations of delivering increased capacity and improvement within the respective areas.

4.8 Dundee IJB Revised Financial Planning Assumptions 2019/20

- 4.8.1 The revised estimated financial impact of the range of factors likely to affect the level of delegated budget, including current year's pressures and moving from non-recurring savings for 2018/19 to recurring savings (given the high usage of reserves in 2018/19), inflationary pressures, the cost of new legislation and national policies is set out in Appendix 1.
- 4.8.2 While the projected additional costs to the delegated budget in total of £14.317m are similar in value to the previous December Budget Outlook report (£14.237m), the make up of these costs are different as the latest report includes commitments for Primary Care and Mental Health for which funding is provided, additional funding for posts for Protecting People Transformation and changes to assumptions such as pay awards, third sector funding, the cost of the national care home contract, legislation and national policies, current year budget pressures and anticipated demographic pressures.

4.9 Savings and Transformation Programme

- 4.9.1 While significant levels of additional funding are anticipated to be provided by both NHS Tayside and Dundee City Council as part of their respective delegated budget offers, these will not be sufficient to balance the cost pressures set out above. Therefore a range of service savings and Transformation Programme savings are currently being developed to be presented to the IJB at its meeting in March in order to set a balanced budget. Given the potential scale of savings required, there will be a number of challenging decisions for the IJB to make.
- 4.9.2 The IJB will be provided with comprehensive reports of the implications of any savings proposal put forward to ensure members are fully informed when making budget decisions at the IJB's meeting on 29 March.

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 2019.

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 DIRECTIONS

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	

8.0 BACKGROUND PAPERS

None.

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DATE: 19 February 2019

DUNDEE HEALTH AND SOCIAL CARE PARTNERSHIP		
REVENUE BUDGET 2019/20		
Anticipated Cost Pressures:		Total Delegated Budget Cost Pressures
		£000
<i>Current Year Non-Recurring Savings / Budget Pressures</i>		
2018/19 Legacy Savings Gap		2,837
Current Year Budget Pressures		1,100
Total Current Years Funding Requirements		3,937
<i>New Pressures 2019/20 - Inflationary Pressures/Demographic Growth</i>		
Staff Pay Increases (includes impact of 18/19 additional 0.5%)		3,179
Increased Costs of Externally Provided Services (including living wage)		1,527
Anticipated Demographic Demand Growth		1,500
Prescribing Growth		667
Total Inflationary / Demographic Pressures		6,872
<i>National Policy / Legislative Costs:</i>		
Carers Act Implementation - Year 2		301
Free Personal Care for Under 65s*		888
Free Personal & Nursing Care Rate Increases		65
Primary Care Improvement Plan		1,630
Mental Health Action 15		504
Total National Policy / Legislative Costs		3,389
Dundee City Council Additional Commitments (Additional Public Protection Posts)		119

Total Anticipated Cost Pressures 2019/20		14,317
Anticipated Net Funding Increase:**		
Dundee City Council (including share of £160m for social care)*		3,519
NHS Tayside		2,786
Scottish Government Funding - Primary Care / Mental Health		2,134
Total Anticipated Additional Funding		8,439
Net Anticipated Residual Funding Shortfall		5,878
* Distribution of Scottish Government national funding for Free Personal Care for Under 65s has not yet been announced		
** Final Figures to be confirmed		