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Agenda Item: 7.

Integration Joint Board

Date of Meeting: 3 October 2018.

Subject: Funding Allocations for 2018/19.

1. Summary

1.1. This report illustrates the baseline funding allocations to the Integration Joint Board (IJB) from NHS Orkney (NHSO) and Orkney Islands Council (OIC) within which the Joint Strategic Commissioning Plan 2018/19 should be delivered.

2. Purpose

2.1. To present the updated funding allocation from NHSO and OIC for financial year 2018/19.

3. Recommendations

The Integration Joint Board is invited to:

3.1. Note that, in order to achieve a break-even position for financial year 2017/18, NHSO and OIC made additional payments of £478K and £184K respectively to the IJB.

3.2. Note that the set aside budget approved has further work needing to be undertaken to assess compliance with the six steps as detailed at section 5.6.11 of this report.

3.3. Note that a savings target from both partners has been applied which amounts to a total of £1.4m for financial year 2018/19, of which £1.1m is classed as recurring.

3.4. Determine whether to approve the budget for financial year 2018/19 as illustrated at section 7 of this report, taking into consideration sections 4.8 to 4.10 which will be taken as necessary in relation to a recovery plan.

4. Background

4.1. Within the Integration Scheme it states that OIC and NHSO shall establish a core baseline budget for each function and service that is delegated to the IJB to form an integrated budget.

4.2. The budgets shall be based on recurring baseline budgets plus anticipated non-recurring funding for which there is a degree of certainty for each of the functions delegated to the IJB and shall take account of any applicable inflationary uplift, planned efficiency savings and any financial strategy assumptions.

4.3. Inpatient hospital services/budgets provided within the Balfour Hospital and capacity in the designated specialities used in hospitals located in other Health Boards will form the set-aside portion of the hospital budget.

4.4. The funding available to the IJB shall be dependent on the funding available to NHSO and OIC and the corporate priorities of both.

4.5. The IJB will produce a Strategic Commissioning Plan (SCP) for the use of these resources and give direction and payment to NHSO and OIC for delivery of services in line with the SCP.

4.6. The total budgets for the functions delegated to the IJB should be allocated prior to the start of each financial year, including the budgets for acute services advised as a set aside sum.

4.7. Individual revenue expenditure monitoring reports (REMRs) are circulated as briefing reports every month to inform board members of the up to date financial position, and the Board receives a formal report on a quarterly basis.

4.8. Any potential deviation from a breakeven position should be reported to the IJB, OIC and NHSO at the earliest opportunity.

4.9. Where it is forecast that an overspend shall arise a financial recovery plan is prepared setting out how a breakeven position will be achieved. This requires to be approved by the IJB. Where an in-year recovery cannot be achieved then a recovery plan that extends into the next year should be presented, effectively carrying forward the overspend and setting out how a breakeven position will be achieved over a period of time beyond the current year. This requires the approval of OIC and NHSO in addition to the IJB.

4.10. Where such recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the IJB. Any additional payments by OIC and NHSO may then be deducted from future years' funding/ payments. OIC and NHSO may opt to make any additional payments to the IJB at any time, as they see fit and need not require repayment.

5. Current Position

5.1. The proposals support the IJB's vision, aims and strategic objectives as set out in the Integration Scheme and SCP 2018/19. However, with an anticipated unidentified savings target still to be applied there are decisions required on how this shortfall will be managed.

5.2. Demand is rising significantly whilst in real terms, available public spending is reducing. Over the next few years the IJB will require to balance its ambitious commissioning decisions to support change alongside a decommissioning strategy

that enables NHSO and OIC to deliver year on year efficiencies to sustain priority services.

5.3. Due to financial constraints there is limited scope to try new ways of working or transformation of services without additional investment, whilst still ensuring existing services are maintained.

5.4. Within the recent Annual Audit Report by Audit Scotland one of the key messages states:

‘The Orkney IJB should review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years’ funding allocations by the current year’s additional funding (in the event of a deficit) as this will compound any funding gap because at present it is challenging to achieve in-year balanced budgets without further reductions due to previous year overspends.’

5.4.1. This is further highlighted within the internal audit on Financial Planning which states:

‘Should the partner bodies choose to deduct any additional payments which they have made from future funding allocations, this would be highly likely to compound future funding deficits. This option within the Integration Scheme should be reviewed by the Board to consider the suitability of its inclusion within the scheme.’

5.4.2. Discussions will be held with both partners on how this issue can be addressed moving forward.

5.5. A medium term financial strategy will be developed alongside the new Strategic Commissioning Plan on how services will be commissioned within the available resources.

5.6. NHS Orkney:

5.6.1. NHSO presented a financial plan to the Finance and Performance Committee on 27 March 2018 which was homologated by the NHS Board on 26 April 2018. The detail can be found at Annex 1.

5.6.2. In line with NHSO savings target of 5.67% and excluding monies such as Alcohol and Drugs Partnership and the mental health bundle this reduced the savings target to an equivalent of 5%. In money terms the savings target applied is £1.060 million.

5.6.3. The main financial pressures within NHSO are regarding pharmacy as a result of dispensing whereby work is ongoing in this area with practices.

5.6.4. In terms of delivering the required savings in 2017/18, the recovery plan did not manage to deliver a balanced budget and was utilising non-recurrent savings to minimise the overspend through vacancies.

5.6.5. The Strategic Planning Group is investigating alternative models of care within primary care in the long term so that this service can aim to become affordable and sustainable.

5.6.6. The financial planning assumptions are validated through the Corporate Financial Network and the inflationary uplifts are:

	2018/19
Pay	3.00%
Incremental Drift	0.50%
Prescribing inflation / growth	4.75%
Hospital drug inflation / growth	8.75%
Specialist drug inflation / growth	16.75%
Prices	1.50%
General Medical Services (GMS)	1.50%
Commissioning	1.50%
Resource Transfer	1.50%

Applying the above percentages provides an uplift of £0.406m for pay and inflation.

5.6.7. The baseline transfer from NHS Boards to Integration Authorities in support for health and social care has been maintained at £350m (Orkney's allocation £1.504m). This funding is transferred from NHSO to OIC.

5.6.8. NHSO's approved budget is subject to change during the year as additional allocations are made available by Scottish Government. Areas where further allocations are anticipated are:

- A National Transformational Change Fund of £126m will provide support to the regional delivery plans for implementation of new service delivery models, improved elective performance and investment in NHS's digital capability.
- Primary care will gain an additional £50million in addition to the £60m (£107k Orkney's 2017/18 allocation) provided in 2017/18 for the transformation by enabling the expansion of multidisciplinary team for improved patient care and a strengthened and clarified role for GPs as expert medical generalists and clinical leaders in the community.
- Mental health will gain an additional investment of £17m in addition to the continue share of £30m (£165k Orkney's 2017/18 allocation) in regard to the Mental Health Strategy. There is a shift in the balance of care towards mental health, increasing the level of investment in mental health services and improving support in the crucial period from birth to young adulthood. The additional investment will go towards the commitment to increase the national workforce by an extra 800 workers over the next 5 years.
- The Alcohol and Drugs Partnership will receive an additional investment of £82k in addition to the £427.1k Orkney's anticipated 2018/19 allocation.

- As these new allocations become known to Orkney all resources received that relate to the delegated functions will be passed to the IJB as an additional allocation.

5.6.9. Regarding the Set Aside Budget there was an indicative figure of £7.3m within the Finance and Performance Report on 26 April 2018 and it was reported that further work would need to be undertaken.

5.6.10. The National Integration Finance Development Group (FDG) have spent time understanding the types of information that is available to enable local systems to manage set aside budgets for planning, monitoring and shifting resources.

5.6.11 The six key steps in the statutory guidance are as follows:

1. A group should be established comprising the hospital sector director and finance leads, and the Chief Officers and Chief Finance Officers of the Integration Authorities, whose populations use the hospital services, including those with a material level of cross boundary flow. The purpose of the group is to develop an understanding of the baseline bed capacity used by Integration Authority residents in the delegated specialties and the resource affected; to develop projections and agree a plan for the capacity that will be needed in future; and to monitor implementation of the plan.
2. The baseline bed days used by Integration Authority residents in the ten specialties should be quantified and the relevant budgets mapped to the bed capacity. The resulting amounts would then be the baseline sum set aside.
3. A method should be agreed for quantifying how the sum set aside will change with projected changes in bed capacity. This should be at two levels of detail: one allowing for the development of outline plans, giving an initial indication of the potential resource implications; and a more comprehensive analysis of agreed changes in capacity, that takes into account cost behaviour and timing of resource changes. Although ultimately left to local decision, the guidance recommends that a similar process to the one successfully used for Learning Disability Same As You (LDSAY) should be used for the more detailed modelling.
4. A plan should be developed and agreed that sets out the capacity levels required by each Integration Authority (taking into account both the impact of redesign and of demographic change) and the resource changes entailed by the capacity changes.
5. Regular information should be provided to the group to monitor performance against the plan.
6. As the plan for hospital capacity is a joint risk held by the Integration Authorities and the Health Board an accountability framework should be agreed that clarifies relevant risk sharing arrangements.

There has been delays progressing the detail, at least partly due to turnover in the Chief Officer Role. This work will commence in October.

5.7. Orkney Islands Council (OIC):

5.7.1. OIC presented the Budget and Council Tax Level for 2018/19 to the Policy and Resources Committee on 13 February 2018, which was subsequently approved by Council on 22 February 2018.

5.7.2. The savings target applied for Social Care was £388.1k which represents 2.2% of the agreed baseline budget for 2017/18. Further information is available at Annex 2.

5.7.3. The budget uprating assumptions are:

Staff Costs	3.00%
Apportioned Costs	3.00%
Sales	3.00%
Fees and Charges	4.00%
Other Income	4.00%

Applying this inflationary uplift amounts to £368,200 regarding staffing and apportioned costs.

5.7.4. There has been a baseline growth £264,000 in regard to the Intensive Fostering service.

5.7.5. The baseline transfer from NHS Boards to Integration Authorities in support for health and social care has been maintained at £350 million (Orkney's allocation £1.504 million). This funding is transferred from NHSO to OIC.

5.7.6. An additional £66m (Orkney's allocation £289k) to support additional investment in social care in recognition of a range of pressures local authorities are facing, including support for implementation of the Carers (Scotland) Act 2016, maintaining Scottish Government's joint commitment to the Living Wage (including Scottish Government's agreement to now extend it to cover sleepovers).

5.7.7. There is also an allocation of £9k regarding Kinship Care as per the Council's budget setting process.

5.7.8. It is proposed to allocate any General Fund contingency from financial year to the following provisions regarding social care if required at year end:

- Outwith Orkney Placements to the level required, as indicated in the service pressure bids (£731k for Social Care and Education).

5.7.9. There is the ongoing issue of direct payments (an option of self-directed support) whereby resources cannot be released from in house services. This was managed within 2017/18 from savings identified from other sources but this is a cost pressure for financial year 2018/19 of £254k based on current demand.

6. Contribution to quality

Please indicate which of the Council Plan 2018 to 2023 and 2020 vision/quality ambitions are supported in this report adding Yes or No to the relevant area(s):

Promoting survival: To support our communities.	Yes.
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Promoting sustainability: To make sure economic, environmental and social factors are balanced.	Yes.
Promoting equality: To encourage services to provide equal opportunities for everyone.	No.
Working together: To overcome issues more effectively through partnership working.	Yes.
Working with communities: To involve community councils, community groups, voluntary groups and individuals in the process.	No.
Working to provide better services: To improve the planning and delivery of services.	Yes.
Safe: Avoiding injuries to patients from healthcare that is intended to help them.	Yes.
Effective: Providing services based on scientific knowledge.	Yes.
Efficient: Avoiding waste, including waste of equipment, supplies, ideas, and energy.	Yes.

7. Resource implications and identified source of funding

7.1. Both partners had to contribute additional payments regarding the end of financial year 2017/18. The additional payments received was £184k from OIC Council and £478k from NHSO.

7.2. The proposed baseline budgets for 2018/19 are as follows:

Partner	Budget £000
NHS Orkney	23,208
Orkney Islands Council	18,182
IJB Baseline Budget 2018/19	<u>41,390</u>

7.3. As new allocations become known to Orkney all resources received that relate to the delegated functions will be passed to the IJB as an additional allocation.

8. Risk and Equality assessment

8.1. Demand is rising significantly whilst in real terms, available public spending is reducing. Within this financial year there have been no decommissioning or transformation of services which will deliver cash savings on a recurring basis.

8.2. Over the next few years the IJB will require to balance its ambitious commissioning decisions to support change alongside a decommissioning strategy that enables NHSO and OIC to deliver year on year efficiencies to sustain priority services.

8.3. The main significant risk is that there will be a failure to deliver the outcomes of the Strategic Commissioning Plan in relation to the financial resources that are available. Failure to breakeven within the financial year means the IJB will remain dependent upon additional payments from both partners.

9. Direction Required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

10. Author

10.1. Pat Robinson (Chief Finance Officer), Integration Joint Board.

11. Contact details

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12. Supporting documents

12.1. Annex 1: NHS Orkney's Budget 2018/19.

12.2. Annex 2: Orkney Islands Council Budget 2018/19.

12.3. Annex 3: Integration Joint Board Recovery Plan 2018/19.

Annex 1: NHS Orkney's Budget 2018/19

	£000	£000
Baseline Budget 2017/18		23,129
NHS Orkney Baseline Budget Increases		
Pay and Inflation 2018/19	406	
Cost Pressures and Approved Investments 2018/19	733	
	<hr/>	1,139
Savings Recurring	-718	
Savings Non Recurring	-342.	
	<hr/>	-1,060
Approved NHS Budget 2018/19		<hr/> 23, 208 <hr/>

Annex 2: Orkney Islands Council Budget 2018/19.

	£000	£000
Baseline Budget 2017/18		17,561
OIC Baseline Budget Increases.		
Inflation	368	
Intensive Fostering Service	264	
Holiday Pay	79	
	<hr/>	711
Financial Settlement (Non Recurring).		
Kindship Care	9	
Carers Act, Living Wage, Sleepovers	289	
	<hr/>	298
OIC Baseline Budget Savings		-388
Approved OIC Budget 2018/19.		<hr/> <hr/> 18,182.

Annex 3: Budget Recovery Plan

	Proposed Savings	Recurring Savings to Date	Non Recurring Savings to Date	Total
	£000	£000	£000	£000
IJB Non – Recurring Savings Target				342
IJB Recurring Savings Target				1,106
IJB Total Savings Target				1,448
Proposed Budget Savings/Cost Reductions				
Disestablish Staffing & Summer activities	-179	-179		
Funding to support vulnerable children	-14	-14		
Children's Residential Care and Fostering	-2	-2		
Introduce Charges for Telecare	-98	0		
Increase Charges for Frozen Meals	-25	-25		
Introduce Charging for Day Care Services	-54	0		
Lunch Clubs/non- statutory Third Sector	-11	-11		
Travel	-5	-5		
Pharmacy Review	-6			
Vacant Posts	-336	0	-106	
Savings To Date		-236	-106	-342
Unidentified Savings				-1,106

Longer Term Savings Plan (2019/20 onwards)

Out of Hours	-15			
Pharmacy Review	-35			