

# REPORT

Item No: \_\_\_\_\_

<b>SUBJECT:</b>	IJB Financial Plan 2019/2020
<b>TO:</b>	Integration Joint Board
<b>Lead Officer for Report:</b>	Chief Accountable Officer
<b>Author(s) of Report</b>	Chief Financial Officer
<b>DATE:</b>	26 March 2019

## 1. PURPOSE OF REPORT

1.1 This paper is coming to the Integration Joint Board (IJB)

For approval	<input checked="" type="checkbox"/>	For endorsement	<input type="checkbox"/>	For noting	<input type="checkbox"/>
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1.2 This report:-

- (1) Provides an update on the implications of the 2019/2020 grant settlement for each partner and outlines the IJB's indicative Financial Plan for 2019/2020 including details of the budget pressures facing each partner, the key financial assumptions and key risks;
- (2) Outlines the indicative 2019/2020 contributions from each partner and the proposed approach to address the funding gap;
- (3) Notes the provisions set out in the IJB Financial Regulations in respect of the management of overspends and budget recovery plans;
- (4) Notes the position with regard to the projected IJB reserves, based on the financial monitoring reports as at February 2019 and subject to the year-end process; and
- (5) Notes the requirement to agree directions with each partner for 2019/2020;

## 2. ROUTE TO THE INTEGRATION JOINT BOARD

2.1 This paper has been:

Prepared By; Chief Financial Officer	Reviewed By; Chief Accountable Officer
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## 3. RECOMMENDATIONS

3.1 The IJB is asked to agree the following recommendations:

- (1) Note the contents of the report and the cost pressures identified by North Lanarkshire Council (NLC) and NHS Lanarkshire (NHSL) as set out at section 8;
- (2) Accept the offer of the financial contributions from NLC and NHSL to the Integrated Joint Board (IJB) for the financial year 2019/2020 as set out at section 9;
- (3) Approve the overall IJB Financial Plan for 2019/2020 as set out at section 10 including the base budget adjustments and savings recommended to the IJB by each partner totalling £4.763m which will be re-allocated on a recurring basis to address in part the funding gap of £7.323m;
- (4) Approve the proposed allocation of £2.560m of the projected contingency reserve as highlighted at paragraph 10.6 and appendix 6, to address in part the funding gap of £7.323m;
- (5) Note the requirement to consider the sufficiency of reserves and to take action to manage future volatility;
- (6) Note that further local work is needed to develop planning and risk arrangements on the set aside services;

### 3. RECOMMENDATIONS (CONT.)

- (7) Endorse the implementation of a programme to identify future savings in consultation with both partners as highlighted at paragraph 6.4.4; and
- (8) Note the requirement to vary the directions to each partner in respect of the financial year 2019/2020 which is the subject of a separate report to the IJB.

### 4. VARIATIONS TO DIRECTIONS

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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As part of the requirements set out in the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB is required to direct NLC and NHSL to deliver integrated service provision in line with the IJB's Strategic Plan. Following approval, the directions to each partner will be varied to reflect the IJB Financial Plan for 2019/2020. The variations to the existing directions are detailed in a separate report to the IJB.

### 5. BACKGROUND/SUMMARY OF KEY ISSUES

- 5.1 As a result of the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB has a responsibility to set a balanced budget for 2019/2020.
- 5.2 The funds for the IJB are delegated from NLC and NHSL for the purpose of delivering the delegated functions as set out in the Integration Scheme and the IJB's strategic plan. Additionally, the Health Board will also, 'set aside' an amount in respect of large hospital functions covered by the Integration Scheme.
- 5.3 As the delegated funds come from NLC and NHSL, the level of funding available to the IJB is heavily influenced by these organisations' grant settlements from the Scottish Government. Both NLC and NHSL continue to face challenges balancing their respective budgets due to budget pressures exceeding the provisional level of funding available.
- 5.4 The IJB Financial Plan for 2019/2020 is comprised of the partner contributions from NLC and NHSL to the IJB. The 2019/2020 financial planning assumptions which relate to the IJB are detailed at sections 8 to 10.

### 6. CONCLUSIONS

- 6.1 Consistent with the majority of public sector organisations, the IJB has a number of demographic growth and inflationary cost pressures which it needs to address during its financial planning process. These pressures exceed the indicative level of funding available to the IJB for the in-scope services and a strategy to close the funding gap in 2019/2020 is required.
- 6.2 The IJB Financial Plan for 2019/2020 is based upon the current assessments by NLC and NHSL of their respective financial landscapes taking into consideration the Scottish Government's 2019/2020 financial settlement.
- 6.3 The NLC and NHSL recurring funding contributions for 2019/2020 from each partner will be adjusted to remove non-recurring and in-year funding allocations that relate only to 2018/2019.
- 6.4 The key highlights of the IJB Financial Plan for 2019/2020 are as follows:
  - 6.4.1 Cost pressures are projected to total £25.017m in 2019/2020. Both NLC and NHSL have confirmed that the same level of base cash resources would continue to be provided to the IJB. In addition to this, additional funding totalling £17.694m will be passed to the IJB by NHSL and NLC. This includes the inflation uplift of 2.5% on the health services delegated to the IJB and the additional funding to implement the agreed national priorities. The funding gap is therefore £7.323m.

## 6. CONCLUSIONS (CONT.)

- 6.4.2 Base budget adjustments of £1.005m and savings of £3.758m are required in 2019/2020. The budgets released will be retained by the IJB and re-allocated to address the funding gap. The balance of cost pressures remaining is £2.560m. Until further savings are identified, reliance will require to be placed on contingency reserves.
- 6.4.3 The projected balance on reserves at 1<sup>st</sup> April 2019 is £16.424m (Ear-marked £12.929m; Contingency £3.495m). The 2019/2020 Financial Strategy proposes to commit £2.560m of this contingency balance with a further £0.559m also highlighted leaving a contingency balance of £0.376m. Action therefore requires to be taken to increase the reserves balance for future years in order to manage future volatility.
- 6.4.4 The medium to long term financial plan for the IJB will be presented to the Performance, Finance and Audit Committee meeting on 28 May 2019. In consultation with both partners, a programme to identify future savings will be agreed as part of this financial framework.
- 6.5 The Director of Finance of NHSL and the Head of Financial Solutions of NLC have both contributed to the development of the IJB Financial Plan for 2019/2020.

## 7. 2018/2019 FINANCIAL PLAN OVERVIEW

- 7.1 In respect of the financial year 2018/2019, as at February 2019, partner contributions total £621.077m. The allocation of this funding is outlined at appendix 1.
- 7.2 The 2018/2019 partner contributions also include funding from NHSL which is recognised as being non-recurring. Some of this funding may be received again in 2019/2020 however this will not be confirmed until after April 2019. Expenditure incurred in relation to non-recurring funding is managed on a year-to-year basis, as appropriate.
- 7.3 The financial position as at February 2019 is summarised as follows:
- an underspend of £4.270m on health care services
  - an overspend of £2.133m on social care and housing services
- 7.4 The position to 31 March 2019 for health care services is not yet reported. The underspend of £4.270m at February 2019 is partly related to the time lag in recruiting to new specific funding and partly related to general underspends. NHSL have confirmed the underspend can be added to the IJB reserves at the year-end. It should be noted that part of the health care services underspend will require to be ring-fenced and this will be confirmed during the year-end process.
- 7.5 In respect of social care and housing services, an overspend of £2.520m is projected to 31 March 2019. The main factors contributing to the projected outturn continue to be as follows:
- An increase in care home placements, home support services and the provision of adaptations in private homes (net £1.670m) reflecting the demographic changes in line with the increasing population of older people. Across the year, this relates to an estimated additional 2,000 hours per week of support and an estimated increase of 44 care home placements. The demand for equipment and adaptations to maintain people at home is also increasing. The demand for family placements has increased as a result of additional kinship and external fostering placements. The projected outturn is also based the revised pay award for 2018/2019.
  - Timing of achieving planned savings (£0.850m) mainly as a result of the time taken to finalise HR processes and procedures for affected staff. This is a non-recurring cost pressure and these savings will be achieved in full during 2019/2020.

## 7. 2018/2019 FINANCIAL PLAN OVERVIEW (CONT.)

- 7.6 In line with the IJB Financial Regulations, a budget recovery plan is being implemented to address the cost pressures which have emerged during the year across the health and social care partnership. As part of this plan, the IJB will be asked to approve a draw down from the IJB contingency reserve.
- 7.7 In addition to this, a funding gap had already been identified at the start of 2018/2019. This gap was partly addressed in-year through management action to identify recurring funding solutions. Reliance however required to be placed on the non-recurring use of reserves and an additional non-recurring contribution from NHSL. The recurring impact of this original funding gap has been taken into consideration in the 2019/2020 Financial Plan through the inclusion of a projected cost of £2.025m.
- 7.8 For the purposes of agreeing the IJB Financial Plan for 2019/2020, the reserves position is projected to be as follows:

<b>2019/2020 Projection</b>	<b>Ring-fenced / Ear-marked £m</b>	<b>Contingency £m</b>	<b>Total £m</b>
<b>Reserves As At 28th February 2019</b>	<b>11.168</b>	<b>3.506</b>	<b>14.674</b>
Adjusted For: Budget Recovery Plan 2018/2019		(2.520)	(2.520)
Projected Underspend NHSL <i>(Indicative to be confirmed at the year-end)</i>	2.738	1.532	4.270
Earmarked reserves transferred to contingency <i>(Subject to IJB approval)</i>	(0.977)	0.977	0.000
<b>Reserves Projected Position As At 31 March 2019</b>	<b>12.929</b>	<b>3.495</b>	<b>16.424</b>

- 7.9 The proposals for 2019/2020 in respect of the reserves contingency balance of £3.495m are further detailed at paragraph 10.5.

## 8. 2019/2020 FINANCIAL PLANNING ASSUMPTIONS

### 8.1 Employee Cost Pressures

- 8.1.1 Employee cost pressures totalling £10.157m have been identified.
- 8.1.2 In respect of NLC, the 2018/2019 revised pay offer is now 3.5% for Local Government non teacher employees, capped at £80,000, on or above which a flat rate of £1,600 will apply. This equates to an increase in cost of £0.519m, compared to the previous pay uplift assumption of an average of 2.71%.
- 8.1.3 In respect of the 2019/2020 pay offer, the financial planning assumption for Local Government employees reflects a 3% award. A provisional increase in cost in 2019/2020 of £2.620m is therefore included within the financial plan. A further increase in the cost of incremental progression and living wage differentials of £1.488m also requires to be accounted for.

## **8. 2019/2020 FINANCIAL PLANNING ASSUMPTIONS (CONT.)**

### **8.1 Employee Cost Pressures (Cont.)**

- 8.1.4 Last autumn, the Local Government Pension Committee announced that all employees will be auto-enrolled by April 2019. The implementation date was subsequently revised to 1st July 2019. The full year effect of the cost of auto-enrolment for NLC employees within the partnership is therefore estimated to be £0.703m in 2019/2020 increasing by £0.235m to £0.938m in 2020/2021. It should be noted the estimate is based on a 35% opt out rate which is yet to be tested.
- 8.1.5 At the meeting of the Council on 21<sup>st</sup> February 2019, it was agreed that the cost of the apprenticeship levy relating to the employees of the health and social care partnership will be passed to the IJB. The projected cost is expected to be £0.300m.
- 8.1.6 The increase in NLC employee costs is expected to be marginally offset by turnover and in-year vacancies. A financial planning assumption in respect of the impact of the vacancy factor is therefore expected to reduce the 2019/2020 employee cost increase by an estimated £0.240m.
- 8.1.7 In respect of NHSL, 2019/2020 is the second year of the three year Agenda For Change pay deal. This has been modelled locally at approximately 3.66%. The terms of the medical and dental pay deal are not known yet but it has been assumed that the pay award will be similar to the 2018/2019 increase of approximately 2.1%. Employee costs will also increase as a result of the new job description which has been developed and agreed for Health Visitors on a once for Scotland basis. The starting grade has therefore been re-evaluated from Band 6 to Band 7 on the NHS Agenda for Change pay scale. A provisional increase in cost in 2019/2020 of £4.767m is therefore included within the financial plan.
- 8.1.8 Projected employee costs will continue to be monitored and revised once the NHS pay negotiations for 2019/2020 are concluded. Any further increase in costs will not be known until part way through 2019/2020.

### **8.2 Inflationary Cost Pressures**

- 8.2.1 Inflationary cost pressures totalling £3.849m have been identified.
- 8.2.2 In respect of NLC, inflationary cost pressures are currently projected to range from 1% to 3.85% on externally commissioned services. This will include self-directed support providers, direct payments, personal budgets, foster carers, adoption allowances, registered social landlords and kinship care payments. In particular, the negotiations in respect of the National Care Home Contract are not yet concluded and there is a risk that the costs may be higher than expected. Detailed financial modelling of the impact of contract negotiations is being kept up-to-date as further information becomes available. The current cost projection totals £3.240m.
- 8.2.3 In respect of NHSL, general supply inflation in respect of health and social care agreements and other supplies has been modelled at the Consumer Price Index rate of 2.2%. The current cost projection totals £0.609m.

### **8.3 Policy Commitment Cost Pressures**

- 8.3.1 Policy commitment cost pressures totalling £4.662m have been identified.

## **8. 2019/2020 FINANCIAL PLANNING ASSUMPTIONS (CONT.)**

### **8.3 Policy Commitment Cost Pressures (Cont.)**

8.3.2 £40m has been included in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 (£10m) and to extend free personal care to under 65s (£30m), as set out in the Programme for Government.

- Subject to final confirmation of the agreed distribution methodology, the increase in cost in year 2 of the implementation of the Carers (Scotland) Act 2016 is projected to be £0.600m.
- The increase in cost as a result of the extension of Free Personal Care for people under 65 years of age is estimated to be £1.885m.

8.3.3 As part of the strategy to improve patient outcomes, the investment in primary care services will increase by £35m from £120m in 2018/2019 to £155m in 2019/2020. This will support the transformation of primary care services by enabling the expansion of multidisciplinary teams for improved patient care and a strengthened and clarified role for GPs as expert medical generalists and clinical leaders in the community.

- Planned investment across NHSL will increase by £3.528m from £4.239m (part year effect of 2018/2019 funding) to £7.767m (full year effect of 2019/2020 funding).
- The increase in expenditure will be contained within the overall primary care improvement fund financial envelope available which also includes an earmarked reserve held by the South Lanarkshire IJB who are the lead for this hosted service.
- The NHS Scotland Resource Allocation Committee (NRAC) allocation for North Lanarkshire is £1.799m (51%).

8.3.4 In order to support the mental health strategy, the investment in mental health and CAMHS services will increase by £14m from £47m in 2018/2019 to £61m in 2019/2020.

- Expenditure will therefore be incurred to continue to expand the number of mental health workers. This is in line with the national strategy to increase the workforce by an additional 800 workers across Scotland.
- The transformation of CAMHS and the commitment to adult and children's mental health services will also be ongoing strategic investment priorities for the partnership in 2019/2020.
- In order to maximise the contribution from this direct investment, this funding is provided on the basis that it is in addition to a real terms increase in existing 2018/2019 spending levels by NHS Boards and Integration Authorities. This means that funding for 2019/2020 must be at least 1.8% greater than the recurrent budgeted allocations in 2018/2019 plus the new investment funding of £14m.
- Directions regarding the use of the funding of £14m will be issued in year. Planned investment across NHSL will therefore increase by £0.741m from £1.358m in 2018/2019 to £2.099m in 2019/2020 and will be contained within the financial envelope available which will also include any earmarked reserve held by the North Lanarkshire IJB who are the lead for this hosted service.
- The NRAC allocation for North Lanarkshire is £0.378m (51%).

## **8. 2019/2020 FINANCIAL PLANNING ASSUMPTIONS (CONT.)**

### **8.4 Prescribing Cost Pressures**

- 8.4.1 GP prescribing data is only available in arrears, with December 2018 being the most up-to-date information available. In order to forecast prescribing expenditure for 2019/2020, an exercise is underway to consolidate pharmacy and medical cost projections and trend analysis. The Prescribing Quality and Efficiency Programme has achieved savings and avoided costs during 2018/2019.
- 8.4.2 As at February 2019, an underspend of £1.100m is reported in respect of prescribing costs. An ear-marked reserve was established in 2018/2019 totalling £2.881m to manage prescribing volatility. It has not yet been necessary to draw this reserve down to date.
- 8.4.3 Based on the ongoing programme of savings plans which continue to be effectively implemented, the financial plan for 2019/2020 assumes that total expenditure on GP prescribing can be contained within a revised financial allocation of £72.975m. This is the current financial allocation of £71.643m augmented to include an inflation uplift of 1.86% in 2019/2020 of £1.332m.
- 8.4.4 As part of the year-end process, a recommendation will be made to the IJB in respect of the sufficiency of the ear-marked reserve to manage the ongoing volatility of prescribing costs. Prescribing costs will continue to be closely monitored throughout 2019/2020.

### **8.5 Demographic Growth Projections**

- 8.5.1 Having regard to the projected outturn position at 31 March 2019, extensive management action requires to be implemented on an ongoing basis to promote early intervention and prevention and to signpost people to the third sector and community supports as appropriate. Notwithstanding the management action required to manage demand, demand for self-directed support packages, care home placements, home support services and family placements is projected to continue to increase.
- A cost of £2.025m has been included in the 2019/2020 Financial Plan as a result of the recurring impact of the original funding gap at the start of 2018/2019.
  - A provision of £2.155m has also been included for a further increase in costs in 2019/2020 as a result of demographic growth in the older population and the increasing complexity of social care needs.
- 8.5.2 A cost for the demographic growth and increasing complexity of need, which will also impact on health care services, is not accounted for in the financial plan for 2019/2020. This is in line with the financial planning assumption adopted in previous years whereby the cost of the increase in demand is offset by non-recurring underspends and slippage emerging in-year across health care services.
- 8.5.3 The extent to which demographic growth can be contained within these cost projections will be closely monitored.

### **8.6 Justice Services**

- 8.6.1 Within the NLC grant allocation as detailed within the Local Government Finance Settlement 2019/2020, the Criminal Justice Social Work specific grant has reduced by £0.529m, which gives a total grant for 2019/2020 of £5.489m. This reduction will be partly offset by other funding which totals £0.267m. The balance of the reduction in funding of £0.262m will be managed by Justice Services. A cost pressure is therefore not recognised as a result of the change in the 2019/2020 financial settlement.

## **8. 2019/2020 FINANCIAL PLANNING ASSUMPTIONS (CONT.)**

### **8.7 Key Strategic Priorities**

8.7.1 Key strategic priorities are highlighted which total £0.837m.

8.7.2 Re-ablement and supporting people to live as independently as possible at home is one of the partnership's key strategic priorities. In order to support the ongoing provision of equipment and adaptations, recurring funding of £0.266m is required. This will ensure compliance with the Lifting Operations and Lifting Equipment Regulations 1998 (£0.100m) and consolidate temporary staffing arrangements within the Integrated Equipment and Adaptations Service (£0.166m). It is assumed this cost will be funded on a recurring basis.

8.7.3 The Community IT system MIDIS, long a source of frustration in terms of system speed, has a time limited future as its developer, NHS Tayside, and all other NHS Boards have moved away from it. An interim solution has been approved by NHSL Health Board that both addresses the immediate risk and also provides community staff with enhanced system performance. This IT development sits alongside a plan to accelerate the roll out of WiFi to NHSL community facilities.

- The total cost of this strategic IT development is projected to be £6.556m. NHSL will meet £5.715m (87.2%) of the total cost.
- Each IJB has been asked to make a contribution to the cost of the IT system which community staff will have access to.
- The share of the cost allocated to the North Lanarkshire IJB on a non-recurring basis totals £0.429m (6.5%) over the three year period from 2019/2020 to 2020/2021, of which £0.168m will be incurred in 2019/2020.
- The share of the cost allocated to the South Lanarkshire IJB totals £0.412m (6.3%).
- E health funding to support this development has been maximised.
- The recurring costs of maintaining the IT system from 2021/2022 will be confirmed post implementation.

8.7.4 Scottish Government funding is allocated in-year to NHS boards to help cope with added pressures over the winter period. The investment is intended to support health and social care services with staff planning over the festive bank holidays, ensuring both admission and discharge rates can be maintained particularly at the weekend. It can also improve the use of community pharmacies and provide more support to direct people to the best service for them. To date, NHSL have augmented the Winter Planning Fund with non-recurring slippage in-year. From 2019/2020 onwards, the IJB is asked to augment the fund directly. In 2019/2020, this cost pressure is estimated to be £0.403m. £0.036m can be met from recurring funding but the balance of £0.367m will require to be met from reserves with a view to identifying a recurring funding solution from 2020/2021 onwards.

### **8.8 Notional Set-Aside Allocation**

8.8.1 An update on the set-aside budget was provided to the Performance, Finance and Audit Committee on 19 February 2019 which detailed the progress made during 2018/2019.

8.8.2 Effective from February 2019, the notional set-aside budget will be re-stated to reflect the actual estimated expenditure of £58.540m, an increase of £1.663m from the previously reported notional allocation of £56.877m. This corresponds to the latest available information namely the 2016/2017 activity data at the 2018/2019 prices. This actual estimated expenditure exceeds the revised notional budget for 2018/2019 which has been determined to be £58.342m. On the basis that all expenditure incurred on the set-aside services is being met by NHSL, the total increase in expenditure of £1.663m will represent a notional increase in the NHSL partner contribution to the IJB for the purposes of the 2018/2019 IJB Annual Accounts.

## **8. 2019/2020 FINANCIAL PLANNING ASSUMPTIONS (CONT.)**

### **8.8 Notional Set-Aside Allocation (Cont.)**

- 8.8.3 Following agreement with the NHSL Director of Finance, the 2019/2020 notional set-aside allocation to be included in the budget offer for 2019/2020 will be £59.801m. This reflects the 2018/2019 notional budget of £58.342m increased by the 2.5% inflationary uplift for 2019/2020 of £1.459m.
- 8.8.4 The system reform assumptions in the Scottish Government Medium Term Health and Social Care Financial Framework which was published in October 2018 included material savings to be achieved from reducing variation in hospital utilisation across partnerships. Planning across the whole unplanned care pathway will be key to delivering this objective. Partnerships have been advised that by the start of 2019/2020, the set aside arrangements are to be fit for purpose and enable this approach.
- 8.8.5 The Scottish Government have indicated that they 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, are put into practice. This does not change the balance of risk and opportunity for this objective, which remains shared between Integration Authorities and Health Boards and can only be delivered in partnership, but it recognises the lead role of the Integration Authority in planning for the unscheduled care pathway set out in the legislation.
- 8.8.6 The calculation of the notional set-aside allocation and the confirmation of actual activity levels is a complex accounting process. The allocation will be updated on receipt of further validated 2017/2018 activity levels from ISD. This information however may not be available until November 2019, based on previous experience.

### **8.9 Overall Summary**

- 8.9.1 The total expenditure which is projected to be incurred by both partners in 2019/2020 is £646.094m, an overall increase of £25.017m from £621.077m as at February 2019. This projection has not yet been adjusted for non-recurring funding.

## **9. 2019/2020 PARTNER FUNDING CONTRIBUTIONS**

- 9.1 Similar to the financial support provided in previous years, the NLC partner contribution to the IJB for the financial year 2019/2020, which was approved on 21 February 2019, advised that the same level of base cash resources would continue to be provided to the IJB.
- 9.2 In addition to continuing to maintain the base recurrent budget, NHSL have agreed in principle to pass on to the IJB a 2.5% inflationary uplift based on the proportion of the delegated recurring budget. This has been calculated to be £6.516m. NHSL have also agreed in principle to pass on any specific funding relating to the IJB. This decision will be ratified at the NHSL Health Board meeting on Wednesday 27 March 2019. Of this funding, it is proposed that, on a recurring basis, £5.309m is allocated to NHSL and £1.207m is allocated to NLC in respect of the inflation uplift on resource transfer and the social care fund.
- 9.3 The 2019/2020 Scottish Government budget continues to support and focus on greater progress and pace in the integration of health and social care, investment in mental health services, investment in primary care services and evidencing a further shift in the balance of spend to mental health, primary, community and social care services. NHSL will also receive a step up in the Primary Care Improvement Fund and the Mental Health Services Fund as referred to in paragraphs 8.3.3 and 8.3.4.

## 9. 2019/2020 PARTNER FUNDING CONTRIBUTIONS (CONT.)

- 9.4 In line with current arrangements, confirmation of the additional funding for NHSL will be issued during the year. These further allocations are not included in the NHSL settlement figures at present and more information on how this funding will be made available, what it can be spent on and the arrangements for accessing the funds are expected in due course. NHSL will seek to maximise its share of additional specific funding and ensure this is passed intact to the IJB as soon as confirmation is received from the Scottish Government Health and Social Care Division.
- 9.5 For completeness, the IJB is also advised that NHSL received £2.2m to help address historic underfunding. Both the North Lanarkshire IJB and the South Lanarkshire IJB were allocated a balanced budget by NHSL on inception in April 2016. As a result, NHSL retained responsibility for managing the cost pressure relating to the historical gap in funding as a result of the NRAC differentials. Notwithstanding the additional funding, there is still a gap which requires to be managed by NHSL in 2019/2020.
- 9.6 In addition to this, NHSL also agreed to manage the inflationary and operational cost pressures across the set-aside services which are directly managed by the Director of Acute Services on behalf of the IJB. This includes Accident and Emergency Services and other unplanned care pathways. NHSL has agreed to continue to adopt this approach. The 2019/2020 NHSL uplift was 0.1% higher than 2.5%. The Chief Financial Officer and the NHSL Director of Finance have therefore both included a financial planning assumption that this funding will contribute towards these cost pressures with the balance of cost pressures continuing to be met by NHSL.
- 9.7 The total funding contributions from both partners in 2019/2020 is £638.771m, an overall increase of £17.694m from £621.077m as at February 2019. This projection has not yet been adjusted for non-recurring funding. The 2019/2020 budget allocations will be finalised as part of the detailed budget setting process undertaken by each partner in April 2019.

## 10. 2019/2020 FINANCIAL STRATEGY

- 10.1 Based on the key financial planning assumptions detailed in sections 8 and 9 and summarised at appendix 2, the total cost pressures are estimated to be £25.017m in respect of the financial year 2019/2020. Additional funding totalling £17.694m will be received in 2019/2020. The funding gap is therefore £7.323m (NLC - £5.353m; NHSL - £1.970m).
- 10.2 In order to achieve a balanced budget and address the funding gap of £7.323m, the proposed 2019/2020 financial strategy is summarised as follows:

Base Budget Adjustments	£1.005m
Savings	£3.758m
Reliance on Reserves (Non-recurring)	£2.560m
Total	£7.323m

- 10.3 The base budget adjustments, which are highlighted in appendix 3 and total £1.005m, relate to recurring underspends. These budgets will be retained by the IJB and re-aligned to address cost pressures. The IJB is asked to approve the base budget adjustments of £1.005m.
- 10.4 The IJB is asked to approve the proposed savings which are detailed at appendix 4 and total £3.758m (NHSL - £0.430m; NLC - £3.328m). Senior officers across the health and social care partnership have explained the implications of the savings to key stakeholders as part of each partner's own internal budget setting processes. The IJB is asked to approve the implementation of the proposed savings totalling £3.758m.

## **10. 2019/2020 FINANCIAL STRATEGY (CONT.)**

- 10.5 The remaining funding gap for 2019/2020 is therefore £2.560m, which represents 0.4% of the total projected expenditure. As highlighted at paragraph 7.6, subject to IJB approval, the contingency reserve is projected to be £3.495m at 31 March 2019. Until new savings proposals are brought forward, in order to achieve a balanced budget in 2019/2020, the IJB is advised that reliance will require to be placed on this contingency reserve as detailed at appendix 5.
- 10.6 The IJB can hold reserves to protect against unforeseen events, to ensure stability on cash flow management and to support the delivery of the medium term financial plan. The amount held is based on an assessment of the risk. Although the proposal at paragraph 10.5 commits the majority of the contingency reserves balances in 2019/2020, the total allocations include a proposed earmarked prescribing reserve of £3.981m and the Financial Plan 2019/2020 contingency of £2.025m, two key risk areas.
- 10.7 Notwithstanding the proposed 2019/2020 financial strategy, the IJB is advised that further management action and savings proposals require to be identified and implemented to reduce the reliance on non-recurring funding during 2019/2020 and to increase the contingency reserve balance. The Chief Financial Officer will agree with the Chief Accountable Officer the arrangements to take this forward immediately. The impact of the planned disaggregation of Child and Family Services and Justice Services will be taken into consideration as part of this process.
- 10.8 The IJB Reserves Strategy will also be updated to reflect a risk-based approach to ensure contingency reserves are built up to address four areas of high risk/volatility as follows:
- Care homes placements
  - Self-directed support
  - Prescribing
  - Out of area placements

## **11. FINANCIAL RISK**

- 11.1 In preparing the IJB Financial Plan for 2019/2020, a range of estimates have been included that contain elements of risk and uncertainty.
- 11.1.1 The most significant risks to expenditure relate to the implementation of free personal care for people under 65 years of age, the ongoing negotiations in respect of contractual arrangements, including the national care home contract, and prescribing volatility. Reliance is placed on the financial management and budgetary control processes embedded within each partner's existing reporting arrangements to monitor these risks.
- 11.1.2 The cost of demographic growth and increasing complexity of need will also impact on health care services however this is not accounted for in the financial plan for 2019/2020. This is in line with the financial planning assumptions adopted in previous years whereby the cost of the increase in demand is offset by non-recurring underspends and slippage emerging in-year across health services.
- 11.2 The IJB Financial Plan for 2019/2020 remains indicative at this stage as each partner requires to conclude on the detailed budget setting processes in relation to the IJB. Until the financial assumptions are confirmed and the actions detailed in the IJB Financial Strategy for 2019/2020 are implemented, there is a financial risk that one or both partners may overspend. The financial monitoring reports in the early part of the year will indicate the extent of this.

## **11. FINANCIAL RISK (CONT.)**

- 11.3 In relation to the proposed savings for 2019/2020 recommended to the IJB for approval, work has been carried out by each partner to assess the risks and the deliverability of each saving.
- 11.4 There are provisions within the IJB Financial Regulations which set out an agreed process to be followed in the event that an overspend is forecast on either partner's in scope budget.
- 11.4.1 The IJB Chief Accountable Officer and the IJB Chief Financial Officer will agree a budget recovery plan with the relevant partner to balance the overspending budget. (*IJB Financial Regulations Section 5.15 and 5.16*).
- 11.4.2 In exceptional circumstances, should the North Lanarkshire Council or the Health Board require the Board to identify resources to offset an in-year overspend, they (i.e. the partner) must do this by amending their contributions to the Board. (*IJB Financial Regulations Section 5.17*).
- 11.4.3 If the recovery plan is unsuccessful and there are insufficient general fund reserves to fund a year end overspend, then the overspending partner has the option to:
- (a) Make additional one-off adjustment to the resources it is making available to the Board, or
  - (b) Provide additional resources to the Board which are then recovered in future years from subsequent underspends in that Partner's contribution, (subject to scrutiny of the reasons for the overspend and assurance that there is a plan in place to address this).
- (*IJB Financial Regulations Section 5.19*).
- 11.5 Although NHSL is expected to breakeven in 2018/2019, reliance has been placed on non-recurring means to do so. As a result, NHSL will start 2019/2020 with an estimated £7.389m recurring funding gap. NHSL have agreed the IJB budget offer for 2019/2020 in principle. By allocating the inflation uplift of 2.5% to the IJB, NHSL is also accepting that the health services not delegated to the IJBs will require to make a higher level of efficiency savings in line with their greater cost pressures in the year ahead. Full solutions have not yet been identified. There is also significant uncertainty for NHSL about the likely extent of expenditure on new, very high cost, drugs and waiting times and the quantum of Scottish Government funding available to offset these. On this basis, it is highly unlikely that NHSL will be able to provide any further funding to the IJB in-year.
- 11.6 On 31 January 2019, the Cabinet Secretary for Finance, Economy & Fair Work provided flexibility to Councils to pass on savings of up to 2.2% in relation to 2018/2019 adult social care allocations to IJBs. As highlighted at paragraph 9.1, the Council's financial planning assumption is to provide the same level of base cash resources in 2019/2020. A potential significant cost pressure of approximately £3m has therefore been avoided in 2019/2020.
- 11.7 No assumptions around the potential impact of Brexit have been made at this stage. Both the U.K. and Scottish Government have indicated, in the event of a 'no-deal Brexit', it is their intention to re-visit financial settlements.

## **12. MEDIUM TO LONG TERM FINANCIAL FRAMEWORK**

- 12.1 The Scottish Government announced on 31<sup>st</sup> January 2019 that they are to bring forward a three year funding settlement from 2020/21. This will allow both partners and the IJB to set a budget for more than one year, to facilitate more integrated planning and budgeting and a more strategic approach to financial decision making. Following the recently published Scottish Government Health and Social Care Medium Term Financial Framework, guidance is also awaited on the financial assumptions to be relied upon within the local medium term financial framework for North Lanarkshire over the three years 2020/2021 to 2022/2023.

## 12. MEDIUM TO LONG TERM FINANCIAL FRAMEWORK (CONT.)

- 12.2 The IJB financial strategy must ensure sustainability for the current and future years whilst recognising the significant challenges for both partners. Efficient, effective and affordable services fit for the future will need to be developed as part of the integration and transformational change activities. If these activities do not generate the required level of savings or if funding released from a whole system approach to IJB cost reduction activity is not passed to the IJB, then there is a risk future budgets will not be balanced.
- 12.3 The medium term financial framework envisages there are savings to be made from the IJB assuming lead responsibility for planning the unscheduled care pathway and that 50% can be used to meet rising costs and 50% reinvested. The allocation letter directs systems to put in place arrangements to achieve this by 2019/2020. To date the experience has been of rising costs, which the IJB has been insulated from. Further work is needed to agree local arrangements which balance risk, opportunity and policy directions. At present there are no local plans which look as if they could deliver savings of this magnitude. Over 5 years, the level of savings assumed in the medium term financial framework are equivalent to 33% of the local set aside budget.
- 12.4 The projected increase in demographic growth, linked to increasing vulnerability and complexity, will continue to place services under pressure. The strategic commissioning intentions in respect of service delivery models and service levels is therefore critical to future financial sustainability.
- 12.5 The sustainable medium to long term financial strategy for the IJB is being developed in consultation with each partner and will be reported to the Performance, Finance and Audit Committee on 28 May 2019.

## 13. IMPLICATIONS

### 13.1 NATIONAL OUTCOMES

The IJB Financial Plan relates to all nine national outcomes.

### 13.2 ASSOCIATED MEASURE(S)

The IJB and both partners are required to achieve a balanced budget for 2019/2020.

### 13.3 FINANCIAL

This paper has been reviewed by Finance:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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- 13.3.1 The IJB and both partners are required to achieve a balanced budget for 2019/2020. The financial implications are as detailed in sections 8, 9 and 10 of this report. The IJB Financial Plan for 2019/2020 remains indicative at this stage until the year-end outturn for the current financial year 2018/2019 is confirmed and the detailed budget setting processes in relation to the IJB are concluded.
- 13.3.2 The IJB Financial Plan for 2019/2020 continues to include the cost pressures and funding solutions for Children and Families and Justice Services. On finalisation of the changes to the Integration Scheme, the budgets will be disaggregated as appropriate.
- 13.3.3 The budget for 2019/20 will be closely monitored through the financial management and budgetary processes which are embedded within each partner's financial governance arrangements.
- ### 13.4 PEOPLE
- Savings will be evaluated in terms of clinical risk and financial risk. Equality impact assessments will also be completed as required.

**13. IMPLICATIONS (CONT.)**

**13.5 INEQUALITIES**

EQIA Completed:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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The Fairer Scotland Duty, Part 1 of the Equality Act 2010, came into force in Scotland in April 2018. It places a legal responsibility on particular public bodies in Scotland to actively consider ('pay due regard' to) how they can reduce inequalities of outcome caused by socioeconomic disadvantage, when making strategic decisions. In respect of the Fairer Scotland duties, there are no specific impacts to note. EQIAs are in progress as appropriate.

**13.6 CARBON MANAGEMENT IMPLICATIONS**

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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**14. BACKGROUND PAPERS**

None.

**15. APPENDICES**

IJB Financial Plan 2018/2019	Appendix 1
IJB Financial Plan 2019/2020	Appendix 2
Baseline Budget Adjustments 2019/2020 - NHSL	Appendix 3
Proposed Savings 2019/2020 - NHSL	Appendix 4
Proposed Savings 2019/2020 - NLC	Appendix 5
Reserves Position Statement	Appendix 6



.....  
CHIEF ACCOUNTABLE OFFICER (or Depute)

Members seeking further information about any aspect of this report, please contact Marie Moy on telephone number 01698 453709.

<b>Budget Allocations 2018/2019</b> As At February 2019	<b>2018/2019</b>	
	<b>£m</b>	<b>%</b>

<b>Directly Managed Budgets</b>		
Social Care Services	227.646	36%
Hosted Services Led By North Lanarkshire IJB	98.832	16%
Prescribing	71.643	11%
Locality Health Care and Other Services	38.111	6%
Area Wide Services	6.847	1%
Addiction Services	4.596	1%
Medical and Nursing Directorate	4.153	1%
Out of Area Services	3.931	1%
<b>Sub Total</b>	<b>455.759</b>	<b>72%</b>

<b>Non-Directly Managed Budgets</b>		
Family Health Services	93.756	15%
Set-Aside Budget	58.540	9%
Hosted Services Led By South Lanarkshire IJB	21.763	3%
Housing Services	2.270	0%
<b>Sub Total</b>	<b>176.329</b>	<b>28%</b>

<b>Total Budget Allocations</b>	<b>632.088</b>	<b>100%</b>
Gross Income (NLC)	(11.011)	
<b>Net Expenditure</b>	<b>621.077</b>	

<b>Cost Pressures</b>	<b>Paragraph</b>	<b>NLC £m</b>	<b>NHSL £m</b>	<b>Total £m</b>
<b>Financial Year 2018/2019</b>				
Recurring Impact	8.5	2.025	0.000	2.025
<b>Financial Year 2019/2020</b>				
Employee Costs	8.1	5.390	4.767	10.157
Inflationary Costs	8.2	3.240	0.609	3.849
Policy Commitments	8.3	2.485	2.177	4.662
Prescribing	8.4	0.000	1.332	1.332
Demographic Growth	8.5	2.155	0.000	2.155
Strategic Priorities	8.7	0.266	0.571	0.837
<b>Sub Total</b>		<b>13.536</b>	<b>9.456</b>	<b>22.992</b>
<b>Total Projected Increase In Costs</b>		<b>15.561</b>	<b>9.456</b>	<b>25.017</b>
<b>Financial Strategy</b>				
Scottish Government Funding				
Inflation uplift of 2.5% on recurring allocation	9.2	(1.207)	(5.309)	(6.516)
Share of £108m	9.3.1	(6.516)	0.000	(6.516)
Share of £40m	9.3.3	(2.485)	0.000	(2.485)
Share of Mental Health Fund - Action 15 Led by North Lanarkshire IJB	9.3.4	0.000	(0.378)	(0.378)
Share of Primary Care Improvement Fund Led by South Lanarkshire IJB	9.3.4	0.000	(1.799)	(1.799)
<b>Total Funding</b>		<b>(10.208)</b>	<b>(7.486)</b>	<b>(17.694)</b>
<b>Net Cost Pressure 2019/2020 - Funding Gap</b>		<b>5.353</b>	<b>1.970</b>	<b>7.323</b>
<b>Funding Gap Proposal</b>				
Base Budget Adjustments	Appendix 3	0.000	(1.005)	(1.005)
Savings	Appendices 4 and 5	(3.328)	(0.430)	(3.758)
Reliance on Reserves (Non-recurring)	10.5	(2.025)	(0.535)	(2.560)
<b>Total</b>		<b>(5.353)</b>	<b>(1.970)</b>	<b>(7.323)</b>





Ref	Proposals	2019/2020 £m	Estimated F.T.E.
1	<p><b>Review the level of Locality Support Services</b> Social work provides six locality support services for younger adults and seven integrated day services for older adults.</p> <p>A review of the range and scope of day services across the local authority identified operational efficiencies totalling £1.346m as follows:</p> <ul style="list-style-type: none"> <li>▪ Redesign current locality support services (£0.180m) using existing vacancies</li> <li>▪ Review the self-directed support service to maximise the wider community and third sector support services as appropriate and refocus the support arrangements for more complex cases (£0.422m)</li> <li>▪ Review integrated day services to release the budget linked to vacant posts (£0.138m)</li> <li>▪ Review historical spending patterns and identify opportunities to reduce costs across property, transport, activity and supplies and services across Locality Support Services (£0.179m) and Integrated Day Services (£0.077m)</li> <li>▪ Review provision across the Coatbridge locality with a view to closing the East Stewart Gardens facility and increasing the capacity at Sinclair facility (£0.350)</li> </ul>	1.346	17.75*
2	<p><b>Reduce external care home placements</b> It is proposed to implement a 2% reduction in the care home placement budget by managing demand and supporting individuals to remain in the community.</p> <p>Based on recent trends in care home placements, this proposed saving will require to be closely monitored.</p>	0.655	0
3	<p><b>Review eligibility criteria for access to supports</b> Priority 1 and 2 service provision maintains people safely in the community, preventing admission and supporting discharge from hospital or other care settings.</p> <p>Priority 3 service provision is pro-active and preventative and is required to ensure that people live in their own home safely to avoid deterioration or difficulties.</p> <p>It is proposed that the future focus of social work service delivery would be on priority 1 and priority 2 cases. Priority 3 cases therefore would not automatically be considered unless budget was available. Focus of service delivery would be for those at risk of requiring institutional care or at the end of life.</p>	0.300	0

Ref	Proposals	2019/2020 £m	Estimated F.T.E.
4	<p><b>Additional service reviews</b> The service will implement a number of additional service reviews including a reduction in the social worker secondee scheme and a reduction in administrative support across the service.</p> <p>It is proposed this would be achieved through vacancy management including the deletion of a number of vacant posts and a review of non-staff related administrative budgets.</p>	0.527	12
5	<p><b>Pool Cars</b> The service currently has a budget of circa £1m for car mileage costs. This is largely within the home support and field work areas of the service.</p> <p>The availability of pool cars varies across the service. A review of pool car availability will be undertaken to ensure more pool cars are made available and utilised efficiently.</p>	0.150	0
6	<p><b>Review of Equipment</b> A review of the equipment provided from the Integration Equipment and Adaptation Service will be undertaken and items which can be purchased over the counter, such as cutlery, tap turners etc., will be removed.</p>	0.020	0
7	<p><b>Review of Locality Flexibility payments</b> Localities each hold flexibility budgets for cases that support out of the ordinary cases outwith the planned provision until full assessments have taken place. Work has been ongoing in reduce the need for this and a further £0.020m could be removed from the budget.</p>	0.020	0
8	<p><b>Reduce supports to external providers</b> The service has contracted services with a number of external providers to provide support to communities, support representation for service users and provide training and development. This saving would remove £30k from preventative spend.</p>	0.030	0
9	<p><b>Assessment, planning and service delivery</b> Assessment and planning is a core activity through which individual needs are assessed and risks identified and support plans are determined. This is also a vehicle for the provision of information, advice and direct intervention. Pending other service reviews, this saving will be delivered during 2019/2020 by an increase in the turnover requirement for assessment, planning and service delivery staffing. As a result, the service will be required to actively manage vacancies throughout the financial year. The impact of this saving will require to be closely monitored.</p>	0.280	0
<b>SUB TOTAL – PROPOSED SAVINGS - NLC</b>		<b>3.328</b>	<b>29.75</b>

\*FTE reduction will be managed through redeployment or VRS.

## RESERVES POSITION STATEMENT

## APPENDIX 6

	£m	£m
<b>Projected Contingency Reserve Balance 1st April 2019</b>		<b>3.495</b>
<b>Proposed Allocations – Indicative</b>		
Financial Plan 2019/2020 Contingency	2.025	
Planned IT Development 2019/2020	0.168	
Winter Plan Fund 2019/2020	0.367	
<i>Note: The Winter Plan Fund 2019/2020 totals £0.403m, of which £0.036m can be met recurrently leaving a balance of £0.367m to be met from contingency reserves.</i>		
Sub Total		2.560
Planned IT Development		
2020/2021	0.168	
2021/2022	0.093	
Sub Total		0.261
Palliative Care Services 2019/2020		0.298
<i>(Subject to separate report pending IJB approval)</i>		
<b>Total Proposed Allocations</b>		<b>3.119</b>
<b>Remaining Contingency Reserve Balance Excluding Prescribing Reserve</b>		<b>0.376</b>