



ANGUS HEALTH AND SOCIAL CARE
INTEGRATION JOINT BOARD – 24 OCTOBER 2018
BUDGET SETTLEMENTS WITH ANGUS COUNCIL AND NHS TAYSIDE
REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER

ABSTRACT

The purpose of this report is to update the Integration Joint Board (IJB) regarding the proposed Budget Settlements between Angus IJB and both Angus Council and NHS Tayside for 2018/19.

1. RECOMMENDATIONS

It is recommended that, with respect to the proposed Angus Council budget settlement, the Integration Joint Board:-

- (i) formally approves the proposed budget settlement with Angus Council for 2018/19.
- (ii) notes its concerns to Angus Council that a larger share of the £1.5645m was not passed on.
- (iii) supports the IJB Chief Officer and Chief Financial Officer with any further reasonable representation to national forums about increased budget settlement guidance.

It is further recommended that, with respect to the proposed NHS Tayside budget settlement, the Integration Joint Board:-

- (iv) formally approves the 1.5% uplift in budget settlements with NHS Tayside for core and Prescribing budgets for 2018/19.
- (v) formally approves the additional c£400k uplift in budget settlements with NHS Tayside to support pay agreements for 2018/19.
- (vi) notes the additional c£200k uplift in budget settlements with NHS Tayside to support Prescribing for 2018/19.
- (vii) supports the IJB Chief Officer, Chief Finance Officer, Clinical Director and Pharmacy Leads continue to develop dialogue with NHS Tayside regarding incremental annual adjustments to the IJB's prescribing allocation to deliver a realistic and fair long term prescribing allocation settlement.
- (viii) supports the IJB Chief Officer and Chief Finance Officer reach agreement with NHS Tayside to devolve a budget commensurate with current commitments re Complex Care to Angus IJB.
- (ix) notes concern about the lack of progress regarding the Large Hospital Set Aside issue to NHS Tayside, supports the IJB Chief Officer develop discussions with NHS Tayside to take this issue forward and request an update from the Chief Officer at the February 2019 Board meeting.

2. BACKGROUND

On an annual basis, Angus IJB has to reach a budget settlement with both Angus Council and NHS Tayside regarding resources that will be devolved from both Partners to the IJB to support the delivery of local Health and Adult Social Care Services. The formal process for agreeing the budget settlements is set out in the Integration Scheme and involves Angus IJB requesting a budget from both Partners (a 'budget requisition'). This 'budget requisition' is submitted to Partners and would then be subject to discussion between both parties in line with locally agreed timescales.

For 2018/19, budget discussions with Angus Council were well developed prior to mid-February 2018. This paper provides an update on the status of those budget settlements which were previously described in report 22/18.

Budget discussions with NHS Tayside have been more incremental but to a large extent the likely outcomes of the budget settlements discussion were available by the time report 25/18 (Angus IJB Financial Plan 2018/19-2020/21) was presented to the April 2018 IJB Board meeting.

This paper seeks to finalise agreements regarding 2018/19 budget settlements with both Partners.

3. BUDGET SETTLEMENT WITH ANGUS COUNCIL

- 3.1 A previous report to the February 2018 IJB (report 22/18) set out the proposed 2018/19 Budget Settlement with Angus Council. This reflected the outcomes of earlier discussions with Angus Council. The proposed settlement had already been accepted by Angus Council (Angus Council meeting of 15 February 2018) in advance of the IJB meeting and then required Angus IJB approval. At the IJB meeting of 21 February 2018, it was agreed to only 'note' the proposed budget settlement and not to formally accept the budget settlement.

This paper now recommends the Board formally accept the budget settlement, as per the recommendations of report 22/18, rather than just note the proposed settlement as was the case in February 2018. This will allow the IJB to confirm the status of the budget to Angus Council and allow the IJB to move its focus to future budget discussions.

Report 22/18 set out the scope of the proposed budget settlement. That proposal was for an increase of £510k on a 2017/18 budget of £44.2m (an increase of c1%). This proposal was put forward noting the challenging budget setting environment faced by Angus Council but also noting additional Local Government settlements made by the Scottish Government. As per report 22/18, the IJB Chief Officer and Chief Financial Officer still recommend this budget settlement proposal be accepted by IJB members.

Points to note include the following:-

- Since February 2018, there has been a degree of debate about £1.565m of funding Angus Council received from the Scottish Government to support the delivery of Social Care. At the time this was not fully passed on to Angus IJB. However the Scottish Government did not stipulate this funding had to be passed on to IJBs, only that that funding be used to support Local Authorities reach budget settlements with IJBs (rather than funding requiring to be directly passed on to IJBs). Ultimately the IJB needs to consider its overall settlement with Angus Council (which requires to assist the IJB meet the impacts of inflation, including the Living Wage, sleepovers costs and the Carers Act) rather than a narrower focus on the £1.565m.
- Relating to the issues regarding interpreting the budget settlement, the IJB has already made representation nationally for increased clarity regarding guidance for future year budget setting.
- In April 2018, the IJB presented a financial plan that described a way that the IJB could balance its Adult Services budget for 2018/19. This would suggest that the IJB could sustain services (albeit after redesign) within the proposed budget settlement.

- In 2018/19 to date the financial reports suggest the IJB is managing to contain costs within the operating (i.e. linked to the proposed budget settlement) budget framework.
- As it is now more than half way through the financial year, it could be argued that the best focus for debate would most usefully be placed on budget settlements for 2019/20 and beyond.
- Given Angus Council accepted the proposed budget in February 2018, there will be limited room for manoeuvre in further challenging this proposed 2018/19 budget settlement.

Taking all the above into account it is recommended that the IJB now:-

- Formally approves the proposed budget settlement with Angus Council for 2018/19.
- Formally notes its concerns to Angus Council that a larger share of the £1.565m was not passed on.
- Supports the IJB Chief Officer and Chief Finance Officer with any further reasonable representation to national forums about increased budget settlement guidance.

4. BUDGET SETTLEMENT WITH NHS TAYSIDE

4.1 BACKGROUND

This is the first paper presented to the IJB specifically regarding the NHS Tayside proposed budget settlement. However report 25/18 captured a series of working assumptions that have continued to be used and now largely form the basis of the proposed budget settlement for 2018/19 for consideration at this meeting.

4.2 CORE BUDGET

While it has taken longer to reach a final budget settlement with NHS Tayside, large parts of the proposal have been available for some time and have allowed the IJB to plan accordingly.

NHS Tayside's proposed core budget settlement is directly linked to funding it receives from the Scottish Government and can be summarised as follows:-

1. An across the board uplift of 1.5% on all relevant budgets reflecting the general uplift NHS Tayside has received from the Scottish Government. This is a transparent and fair proposed settlement and results in a proposed net increase to IJB budgets of c£800k.
2. An additional uplift that is directly linked to the Scottish Government pledge to fund the additional costs of pay awards in excess of 1%. Again this uplift reflects the uplift NHS Tayside has received from the Scottish Government for this purpose. This is a transparent and fair proposed settlement and results in a proposed net increase to IJB budgets of c£400k.

Based on the fairness and transparency of these proposed budget settlements and their consistency with previous IJB budget planning assumptions, the Chief Officer and Chief Finance Officer recommend these proposals for approval.

It is important to note that due to the evolutionary nature of Health Service budgets (e.g. more national, regional and local decisions made in year rather than all at the start of the financial year), NHS budgets will continue to evolve during the financial year.

4.3 PRESCRIBING

It is important to note that in previous years the IJB has not formally accepted the proposed Prescribing budget devolved to the IJB – this in turn is reflective of that budget being deemed inadequate to support the costs of Prescribing since the inception of the IJB. However the IJB can still consider the incremental annual proposed change in the budget and this is set out below.

Prescribing budgets will be subject to the 1.5% uplift noted above. This is a transparent and fair proposed settlement and results in a proposed net increase to IJB budgets of c£300k. The Chief Officer and Chief Finance Officer recommend this proposal for approval.

However NHS Tayside is also proposing to increase Prescribing funding by an additional £200k (potentially recurrently but for 2018/19 only in the first instance). NHS Tayside is able to pass on additional funds to support prescribing to all Tayside IJBs because it received a slightly increased 2018/19 funding settlement from the Scottish Government regarding adjustments to its formula–driven resource allocation (the formula being linked to population size and characteristics and is commonly known as ‘NRAC’ formula – NHS Scotland Resource Allocation Committee formula).

This proposed increase, while helpful, is more complicated to assess in terms of its fairness. There are a number of competing factors including acknowledging NHS Tayside has pressure from other local IJBs who have seen changes to their formula–driven weightings, the existing pressures that Angus IJB faces regarding prescribing, and an underlying and long term uncertainty about the merits of the formula used and that formula’s ability to reflect overall use of NHS (Tayside) resources.

These debates are long standing, complicated and have been subject to much dialogue with NHS Tayside during 2018. The Chief Officer and Chief Finance Officer recommend that the Board note the proposed budget increase of £200k regarding prescribing for 2018/19. However the IJB should also support the IJB Chief Officer, Chief Finance Officer, Clinical Director and Pharmacy Leads to continue to develop dialogue with NHS Tayside regarding incremental annual adjustments to the IJB’s prescribing allocation to deliver a realistic and fair long term prescribing allocation settlement.

4.3 NEW FUNDING – ALLOCATED FROM SCOTTISH GOVERNMENT

While the above describes the proposed changes in core budgets and Prescribing budgets, there will be a number of other changes to the IJB’s funding devolved from NHS Tayside. These other changes often reflect allocations received directly from the Scottish Government – from 2018/19 these are increasingly being allocated on an IJB-by-IJB basis (rather than to Health Boards) although funds continue to be passed through Health Boards. There is therefore little negotiation with NHS Tayside required regarding these funds and they do not form part of budget settlement discussion. Such allocations will be confirmed at various stages throughout the year and so are only referenced here rather than being actively described.

Examples of allocations include:-

- Primary Care Improvement Fund funding (c£986k in 2018/19) that was subject of report 59/18
- Action 15 (Mental Health Strategy) funding (c£237k in 2018/19), also subject of report 59/15.
- Additional Out of Hours funding (c£392k for Tayside IJBs).
- Additional Alcohol and Drug Partnership funding (to be allocated in line with Scottish Government guidance).
- Annual GMS funding to support (will be referenced in Finance reports).

4.4 While the above sets out recommendation regarding both core budgets and Prescribing budgets and notes the situation regarding new allocations, there are some underlying issues regarding the NHS devolved budgets as follows:-

Complex Care – Angus IJB has made regular representations to NHS Tayside to have the budget for Complex Care clarified with NHS Tayside. This matter remains outstanding. The IJB is

asked to support the Chief Officer and Chief Finance Officer reach agreement with NHS Tayside to devolve a budget commensurate with current commitments to Angus IJB so Angus IJB can manage these resources in an integrated context going forward.

Large Hospital Set Aside – while a figure for Large Hospital Set Aside is included in budget settlement proposals, it remains a largely notional figure. This is a fundamental shortcoming when it comes to developing the IJB’s overall strategic direction. Previous efforts to develop this mechanism via Finance channels have not proved successful. The IJB is asked to note concerns about the lack of progress regarding this issue to NHS Tayside and to support the Chief Officer develop discussions with NHS Tayside to take forward the Large Hospital Set Aside agenda.

4.5 While making annual budget comparisons from one year to the next is complicated by annual incremental changes to budgets, new Scottish Government funding streams and issues such as hosting arrangements, the proposed 2018/19 annual devolved budget settlement with NHS Tayside, as per information available at October 2018, is as follows:-

	£k ¹
Local Hospital and Community Health Services	47,170
Hosted Services (in Angus)	11,810
Hosted Services (Elsewhere)	13,116
Prescribing	21,836
General Medical Services and Family Health Services	28,994
Large Hospital Services	8,946
Total	131,872

Note 1. The above information varies from that reported in regular finance reports due to reconciling balances regarding funds within the NHS Tayside budget settlement that support Social Care activity. This information varies from that reported in financial plans due non-recurring funding and timing adjustments.

Taking all the above into account it is recommended that the IJB now:-

- Formally approves the 1.5% uplift in budget settlements with NHS Tayside for core and Prescribing budgets for 2018/19.
- Formally approves the additional c£400k uplift in budget settlements with NHS Tayside to support pay agreements for 2018/19.
- Notes the additional c£200k uplift in budget settlements with NHS Tayside to support Prescribing for 2018/19.
- Supports the IJB Chief Officer, Chief Finance Officer, Clinical Director and Pharmacy Leads to continue to develop dialogue with NHS Tayside regarding incremental annual adjustments to the IJB’s prescribing allocation to deliver a realistic and fair long term prescribing allocation settlement.
- Supports the IJB Chief Officer and Chief Finance Officer reach agreement with NHS Tayside to devolve a budget commensurate with current commitments re Complex Care to Angus IJB.
- Note concerns about the lack of progress regarding the Large Hospital Set Aside issue to NHS Tayside and to support the Chief Officer develop discussions with NHS Tayside to take this issue forward.

5. DIRECTIONS

On an annual basis Angus IJB issues ‘directions’ to both Angus Council and NHS Tayside regarding services to be delivered through both Partners. Previously it has been agreed that these will be issued by the Chief Officer, and this process will now be undertaken based on budget information at October 2018.

6. RECOMMENDATIONS

As noted above, despite the challenges presented through proposed budget settlements, it is the view of the Chief Officer and Chief Finance Officer that the proposed budget settlement with Angus Council should be accepted. It is also the view of the Chief Officer and Chief Finance Officer that the budget settlement with NHST Tayside should be accepted, with a series of caveats as noted above and reflected in the recommendations to this paper.

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