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Agenda number: 17

## **Integration Joint Board**

Date of Meeting: 27 March 2019.

Subject: 2019/20 Integration Joint Board Budget.

### **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 Implementation Plan 2019/20 should be delivered.

### **2. Purpose**

2.1. To present the funding allocation from NHSO and OIC for financial year 2019/20.

### **3. Recommendations**

The Integration Joint Board is invited to:

3.1. Note that, as at 31 January 2019, there was a projected overspend of £743K to the Integration Joint Board to the end of the financial year.

3.2. Note that NHS Orkney's planning assumptions are not to seek recovery of any additional contributions that are made in 2018/19.

3.3. Note that Orkney Islands Council are unable to clarify whether any overspend will not be carried forward, as it is dependent on the overall Council's budget outturn position.

3.4. Note that the unplanned admissions has further work needing to be undertaken to assess compliance with the six steps as detailed at section 5.5.2 of this report.

3.5. Note that there has been no significant savings target applied from either partner for the forthcoming financial year.

3.6. Note that NHS Orkney are only due to approve the IJB budget on 28 March 2019.

3.7. Recommend a further paper is submitted to either a special IJB meeting or the next scheduled date of 25 June 2019, once there is clarification on any potential carry forward of overspend and NHS Orkney have approved the budget to the IJB.

## **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 Integration Joint Board (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 Implementation 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 an unplanned admissions sum.

4.7. The Board receives a formal report on a quarterly basis in regards to revenue expenditure monitoring reports (REMRs) which informs members of the up to date position.

4.8. Any potential deviation from a break even position should be reported to the Board, Orkney Islands Council and NHS Orkney 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 Board. 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 break even position will be achieved over a period of time beyond the current year. This requires the approval of Orkney Islands Council and NHS Orkney in addition to the Board.

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 Board. Any additional payments by Orkney Islands Council and NHS Orkney may then be deducted from future years funding/payments. Orkney Islands Council and NHS Orkney may opt to make any additional payments to the Board at any time, as they see fit and need not require repayment.

## 5. Current Position

5.1. 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.

5.2. 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.

5.3. 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.'*

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. It was acknowledged by the partners that there may need to be a revisit of the cost of the baseline services as some overspends are just the cost of the service and not actually an 'overspend'.

5.5. A medium term financial strategy will be developed alongside the new Strategic Plan on how services will be commissioned within the available resources. This will be submitted to the June Board meeting.

5.6. Regarding the Unplanned Admissions there is an indicative figure of £6.9m

5.6.1. 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.

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

- 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.

- 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.
- 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.
- 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.
- Regular information should be provided to the group to monitor performance against the plan.
- 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.

5.7. There have been delays in progressing this work due to other work commitments, but this will be progressed moving forward.

#### 5.8. Orkney Islands Council (OIC)

5.8.1. OIC presented the Budget and Council Tax Level for 2019/20 to the Policy and Resources Committee on 12 February 2019, which was subsequently approved by Council in March 2019.

5.8.2. The savings target applied for Social Care is £17K 2019/20. Further information is available at Annex 2.

5.8.3. 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.

## 6. Contribution to quality

Please indicate which of the Our Plan 2013 to 2018 and 2020 vision/quality ambitions are supported in this report adding Yes or No to the relevant area(s):

<b>Promoting survival:</b> To support our communities.	Yes.
<b>Promoting sustainability:</b> To make sure economic, environmental and social factors are balanced.	Yes.
<b>Promoting equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Working together:</b> To overcome issues more effectively through partnership working.	Yes.

<b>Working with communities:</b> To involve community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Working to provide better services:</b> To improve the planning and delivery of services.	Yes.
<b>Safe:</b> Avoiding injuries to patients from healthcare that is intended to help them.	Yes.
<b>Effective:</b> Providing services based on scientific knowledge.	Yes.
<b>Efficient:</b> Avoiding waste, including waste of equipment, supplies, ideas, and energy.	Yes.

## 7. Resource implications and identified source of funding

7.1. The proposed baseline budgets for 2019/20 are as follows:

<b>Partner</b>	<b>Budget £000</b>
NHS Orkney	24,927
Orkney Islands Council	<u>19,592</u>
<b>IJB Baseline Budget 2018/2019</b>	<b><u>44,519</u></b>

7.2 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 Integration Joint Board 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 Implementation 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.	Yes.

## **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 2019/20.

12.2. Annex 2: Orkney Islands Council Budget 2019/20.

## Annex 1: NHS Orkney's Budget 2019/20

	£000's	£000's
<b>Baseline Budget 2018 to 2019</b>		<b>23,208</b>
<b>Baseline Budget Increases 2018/19</b>		
<b>Non Recurring</b>		
Cost Pressures	-629	
2018/19 Savings Added Back	1,001	
Overspend Added Back	180	
Pay & Inflation (over original plan)	171	
Amended SG Allocations	214	
Additional Budgets	235	
Non Cash Limited Budget Review	102	
		1,274
Pay & Inflation Uplift 2019/20		445
<b>Approved Budget 2019 to 2020</b>		<b><u>24,927</u></b>

## Annex 2: Orkney Islands Council Budget 2019/20

	£000's	£000's
<b>Baseline Budget 2018 to 2019</b>		<b>18,182</b>
<b>Baseline Budget Increases</b>		
Inflation	545	
Adoption Allowance Payments	54	
Free Personal Care for Under 65's	26	
	<hr/>	625
<b>Financial Settlement (Non Recurring)</b>		
Whole System Approach	25	
Carers Act Extension	46	
Health and Social Care	588	
	<hr/>	659
<b>Baseline Budget Savings</b>		
Reduction in Insurance Costs	-4	
Cease Carbon Reduction Commitment Payments	-13	
	<hr/>	-17
<b>Permanent Adjustments</b>		
Reinstate 2018 to 2019 Baseline Budget Savings	155	
Childcare Partnership Contribution to Education	-12	
	<hr/>	143
<b>Approved Budget 2019 to 2020</b>		<b><u>19,592</u></b>

