



Meeting(s):	Integration Joint Board	13 March 2019
Report Title:	2019/20 Budget	
Reference Number:	CC-15-19-F	
Author / Job Title:	Karl Williamson / Chief Financial Officer	

1.0 Decisions / Action required:

That the IJB:

- 1.1 APPROVES the proposed budget for the Shetland Integration Joint Board (IJB) based on the conditions stipulated in 4.30 – 4.40.
- 1.2 APPROVES the proposed application of the Scottish Government Additionality funding as detailed in Appendix 2.
- 1.3 DIRECTS Shetland Islands Council and NHS Shetland to deliver the Joint Strategic Commissioning Plan within the funding available. This will include the delivery of the Recovery Plan (4.11) and further non recurrent savings measures (4.37).

2.0 High Level Summary:

- 2.1 This report sets out the proposals for the 2019/20 payments to the IJB from Shetland Islands Council (SIC) and NHS Shetland (NHSS) and the associated budget of the Shetland IJB.
- 2.2 SIC and NHSS have proposed payments to the IJB for 2019/20 which are in excess of their 2018/19 payments and meet the requirements of the Scottish Government.
- 2.3 The IJB has responsibility for the planning, resourcing and operational delivery of all integrated services. Decisions on integrated services are made by the IJB, which produces the Strategic Plan.
- 2.4 Ideally the IJB should produce the Strategic Plan to deliver services within the funding allocation available. However, since the formation of the IJB in 2015 the payments to the IJB have not been enough to fund services as they are currently delivered.
- 2.5 This theme continues into 2019/20 where there is again a significant gap between the payments made to the IJB and the cost of services it currently directs.

- 2.6 To enable the IJB to approve its budget by the end of March 2019 and to address key audit recommendations certain conditions and low risk savings proposals have been agreed between partners which reduces the IJB's financial risk to acceptable levels.

3.0 Corporate Priorities and Joint Working:

- 3.1 The proposals support the IJB's vision, aims and strategic objectives as set out in the Integration Scheme and the Joint Strategic Commissioning Plan 2018-21.
- 3.2 The payments to the IJB and the subsequent IJB budget provide the financial framework to which the Strategic Plan must be aligned.
- 3.3 Effective budget setting across the health and social care system and shared ownership of our significant challenges will support the redesign agenda and help achieve a sustainable model of healthcare for Shetland.

4.0 Key Issues:

4.1 Payments to the IJB

- 4.2 SIC and NHSS have both proposed payments to the IJB which are in excess of their 2018/19 payments and meet the requirements of recent Scottish Government guidance.

	SIC (£m)	NHSS (£m)	Total (£m)
2018/19	20.807	23.342	44.149
2019/20	22.019	23.629	45.648
Increase	1.212	0.287	1.499
SG minimum increase permitted	0.386	0.190	0.576
Compliant Y/N	Y	Y	

- 4.3 SIC and NHSS have both determined their payments based on the current cost of delegated services and in line with their own standing financial instructions.
- 4.4 Robust planning assumptions have been made by each partner which includes anticipated government funding levels, pay awards and changes to pension contributions.
- 4.5 A review of SIC and NHSS own financial plans suggests these figures are in line with expectations and are considered to be reasonable proposals.

4.6 IJB Budget 2019/20

- 4.7 The budget should be set to deliver services within the funding allocation above and in line with the Strategic Plan. With the challenging financial climate, reflected in both SIC and NHSS medium term financial plans, there is currently a £2.533m (5.3%) shortfall between the funding on offer and the cost of the current service model.

	SIC (£m)	NHSS (£m)	Total (£m)
Proposed payment	22.019	23.629	45.648
Current cost of services	22.019	26.162	48.181

Funding shortfall	0	(2.533)	(2.533)
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4.8 IJB budgets continue to be predominately set by the funding partners based on the cost of the current service models. The IJB is kept informed through regular seminars but its influence in the process must be enhanced in future years.

4.9 The detailed 2019/20 budget is included at Appendix 1.

4.10 In addition to the operational budget the IJB has a general reserve balance of £364k going into 2019/20. Funding of £51k for a Falls Prevention Co-ordinator was approved in March 2018 so the remaining available reserve balance is £313k.

4.11 Recovery Plan

4.12 Management have identified several areas where they believe savings can be achieved in 2019/20. Service Managers are confident these savings can be achieved in-year and are therefore considered low risk. It is recommended that the IJB requests and monitors SMART business plans concerning each of the main projects below.

Proposal	£m	Recurrent (R) / Non-Recurrent (NR)
Pharmacy & Prescribing	0.300	R
Primary Care Review	0.100	R
Community Nursing	0.179	R
Mental Health SLA	0.100	R
Vacancy Factor	0.100	NR
Assumption of SG Additional Funding (Island Harmonisation)	1.200	To be confirmed
Total	1.979	

4.13 Pharmacy & Prescribing

4.14 Pharmacy has a good track record of delivering savings through specific strands of work that includes tackling polypharmacy; the use of generic medicines; and supporting clinicians with prescribing decisions. A new project to reduce the costs attached to nutritional supplements has a good potential to yield savings.

4.15 Primary Care Review

4.16 There is opportunity to streamline back office functions and make improvements to the public facing administrative functions, whilst delivering efficiencies. I.T are supporting this project, which will create better access to records across primary care to facilitate these improvements.

4.17 Community Nursing

4.18 The service has been working to create sustainability and resilience through a redesign project over the last couple of years. During that time additional health centres came into the health board managed portfolio, and considerable time and effort has been focused on incorporating practice nursing into the community

nursing service. The output of this work will culminate in efficiencies being identified for the start of the 19/20 financial year.

4.19 Mental Health SLA

4.20 Significant progress has now been made to develop the adult mental health service. The health board has committed additional funding to the mental health service for consultant psychiatry. The reduction in off island transfers of patients to Cornhill hospital is one demonstrable output from the way in which the service is now operating, managing more people on-island. The reduced activity off-island has led to a commensurate decrease in the money being spent off-island.

4.21 Vacancy Factor

4.22 In the region of £0.100m has been achieved in each of the last two years and there is nothing to suggest that a similar sum cannot be achieved in 2019/20.

4.23 Assumption of SG Additional Funding (Island Harmonisation)

4.24 With the receipt of £1.2 million as a non recurrent sum in 18/19, we are assuming at least a further non-recurrent allocation in 19/20. We will also be seeking agreement on a recurrent sum for future years to fully recognise the cost of primary care.

4.25 Due Diligence

4.26 SIC has approved its budget on 26th February. NHSS approved a draft financial plan and budget at its meeting on 19th February. NHSS has been asked to submit a draft budget to the Scottish Government in March with the expectation this will be formally agreed at the Board meeting on 16th April or 21st June. No material changes are anticipated between the proposals contained in this report and the final approved budgets. Any minor budget adjustments will be detailed in the quarterly management accounts during 2019/20.

4.27 Proposed payments to the IJB from both SIC and NHSS are compliant with recent Scottish Government guidance.

4.28 The IJB currently has two outstanding key audit recommendations concerning the budget setting process.

- The IJB should 'approve' its 2019/20 budget, as opposed to 'noting' it and should do so before the start of the 2019/20 financial year.
- The IJB should take ownership and financial risk for the budget.

4.29 The current funding gap of £2.533m poses a significant risk to the IJB and therefore the 2019/20 budget can only be approved as a result of the below conditions (4.30 – 4.40).

4.30 SIC

4.31 SIC has provided a fully funded budget to the IJB with an additional £0.386m contingency budget to cover any potential overspends. During the budget setting process some further cost pressures were identified which it is proposed will be

budgeted for within the Council Cost Pressures and Contingency Budget. The cost of these items is less certain, but estimation has been made of the expected costs.

- 4.32 Should SIC delivered services require further funding in addition to the core budget plus £0.386m contingency budget the Chief Officer and Chief Financial Officer will have to prepare a Business Case, as per the IJB Financial Regulations, requesting further funds from SIC. This request will have to be considered by SIC Policy and Resources Committee.

4.33 **NHSS**

- 4.34 The NHSS allocation to the IJB is £2.533m less than the current cost of NHSS delivered services.

- 4.35 NHSS has set aside a £0.800m contingency budget for cost pressures associated with temporary staff. This will help support any in-year overspends as a result of primary care and hospital locums. This will mitigate any overspends against 2019/20 budgets which has been a significant issue in recent years.

- 4.36 The NHSS savings proposals at 4.12 should also provide a degree of assurance to IJB members. If all these proposals are achieved the 2019/20 remaining funding gap will be reduced to £0.554m.

	£m
Opening Funding Shortfall	2.533
Savings Proposals (4.11)	1.979
Gap Remaining	0.554

- 4.37 It is anticipated that the remaining gap of £0.544m will be closed by additional non-recurrent actions. The NHS has a good track record of achieving non recurrent savings and it is expected that this will continue into 2019/20.

- 4.38 Should NHSS fail to address the Recovery Plan and deliver services within budget the Chief Officer and Chief Financial Officer will have to prepare a Business Case, as per the IJB Financial Regulations, requesting further funds from NHSS. This request will have to be considered by the NHSS Board.

- 4.39 NHSS has already agreed to provide extra funding to the IJB to balance the NHSS arm of the operational budget providing NHSS as a Board can achieve overall financial balance within its 1% flexibility.

- 4.40 Should NHSS fail to achieve financial balance within its 1% flexibility a funding mechanism will have to be agreed between all three partners which will likely result in less funding being available to the IJB in future years.

4.41 **IJB Medium Term Financial Plan (MTFP)**

- 4.42 The IJB budget should contain a three year indicative funding allocation to help support the strategic planning process.

- 4.43 The MTFP will provide a longer term indicative financial envelope in which the Strategic Plan can evolve. Funding commitments over a five year timeframe will allow the IJB to move towards a truly pooled budget where funding is directed towards best value outcomes.

4.44 A draft Medium Term Financial Plan will be presented as a separate agenda item at today's meeting.	
5.0 Exempt and/or confidential information:	
None	
6.0	
6.1 Service Users, Patients and Communities:	Changes to budgets will occur as efficiency schemes are developed to address the current funding gap. Service change will require a separate process for public and user engagement in line with NHSS, SIC and IJB policies.
6.2 Human Resources and Organisational Development:	Any service development proposals or changes affecting staff will be subject to full staff engagement and consultation with staff and their representatives through the Joint Staff Forum and other consultation committees in line with the relevant agencies policies and procedures.
6.3 Equality, Diversity and Human Rights:	None arising directly from this report. Any equalities impacts will be assessed and considered as part of any proposals for change and schemes for efficiency savings.
6.4 Legal:	The proposals in this report are consistent with the Public Bodies (Joint Working) (Scotland) 2014 Act and the Integration Scheme for Shetland's IJB.
6.5 Finance:	<p>This report sets out the proposed budget for the IJB for 2019/20 of £45.648m. This is an increase of £1.499m on 2018/19 and ensures that both SIC and NHSS comply with the requirements set for them on the use of their Scottish Government funding allocations for 2019/20 as calculated at 4.2 above.</p> <p>The proposed funding allocations from the Parties include a £2.533m funding shortfall. A plan is presented at 4.12 above to address £1.979m of this shortfall, with the remaining £0.554m unidentified at this stage.</p>
6.6 Assets and Property:	None arising directly from this report as the IJB doesn't own any assets or property. Both partner organisations have policies and procedures in place which govern their assets and property.
6.7 ICT and new technologies:	None arising directly from this report.
6.8 Environmental:	None arising directly from this report.
6.9 Risk Management:	<p>Should there be year end overspends on IJB budgets and the Parties do not agree to provide additional funding there could be a financial risk to the IJB.</p> <p>Considering the fact that the SIC arm of the budget is fully funded and that NHSS has agreed to provide additional funding (4.39) the risk is considered low.</p>
6.10 Policy and Delegated Authority:	The IJB has authority from SIC and NHSS for the services delegated to it as per the Integration Scheme. The IJB must direct service delivery, within its funding allocation, to deliver the outcomes of the Strategic Commissioning Plan.

6.11 Previously considered by:	The proposals in this report have not been presented to any other committee or organisation	
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Contact Details:

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Appendices:

Appendix 1 – IJB Budget 2019/20

Appendix 2 – Proposed application of Scottish Government Additionality Funding

