

Scottish Borders Health & Social Care
Integration Joint Board



Scottish Borders
Health and Social Care
PARTNERSHIP

Meeting Date: 25 February 2019

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DRAFT SCOTTISH GOVERNMENT FINANCIAL SETTLEMENT FOR 2019/20

Purpose of Report:	The purpose of this paper is to present the IJB with an indication of the outcome of the draft financial settlements for the public sector for 2019/20 and any stated implications for the IJB.
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Recommendations:	<p>The Health & Social Care Integration Joint Board is asked to:</p> <ul style="list-style-type: none"> a) Note the impact of the financial settlements on the financial outlook for the IJB statutory organisations. b) Note that further work is required to provide the IJB with indicative provision of resources figures for 2019/20 and beyond.
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Personnel:	There are no resourcing implications beyond the financial resources identified within the report. Any significant resource impact beyond those identified in the report that may arise during 2019/20 will be reported to the Integration Joint Board.
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Carers:	N/A
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Equalities:	The equalities impact of the contents of this report are not known at this stage. As the detailed outcomes of the settlements become apparent equalities impact assessments will be carried out.
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Financial:	<p>No resourcing implications beyond the financial resources identified within the report.</p> <p>The report draws on information provided in the finance reports presented to NHS Borders and Scottish Borders Council. Both partner organisations' Finance functions have contributed to its development.</p>
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Risk Implications:	To be reviewed in line with agreed risk management strategy. The key risks outlined in the report form part of the draft financial
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risk register for the partnership.

Background

- 2.1 The Scottish Government (SG) draft budget was presented to the Scottish Parliament on the 12th of December 2018. The budget set out the key planning assumptions for Health and Local Government for 2019/20.
- 2.2 Following further debate in parliament on the 31st January 2019, the Scottish Government announced a package of further measures covering local taxation and local government finance to further support the 2019/20 Local Government Finance Settlement.
- 2.3 The key aspects of the budget and the implications for NHS Borders (NHSB) and Scottish Borders Council (SBC) on their respective Financial Plans are summarised below.

Impact of Scottish Government Settlement for 2019/20 on NHS Borders

- 3.1 The budget announced an additional investment of £430m (4.2%) for frontline Health Boards (HB). The implications for NHSB are summarised in the table below.

	£m	%
2018/19 Recurring Allocation	200.7	
2018/19 Pay Award (recurring)	1.9	
2018/19 Revised Recurring Baseline	202.6	
2019/20 Base Uplift	5.1	2.6
2019/20 Recurring Allocation	207.7	

- 3.3 NHSB is currently deemed above NRAC parity so receives uplift to its baseline funding from the £243.4m allocated to Territorial HBs. This equates to £5.1m. The planned use of the funding available to NHSB is based on the principles of
 - Patient safety and the provision of safe services.
 - Budgets will be set and resources provided based on the level of funding available.
 - The financial challenge will be shared across all areas of the organisation.

The key financial challenges facing NHSB relate to an ongoing forecast financial deficit for 2019/20 which incorporates pressures relating to:

- Pay uplift
- National and regional service developments
- Agreed activity pressures
- Drugs increases
- The revenue impact of the capital programme
- Non recurring funding issues

The current financial plan for NHSB shows a deficit of £13.8m which will be carried forward into 2019/20. The impact of the SG budget settlement and the ongoing and new pressures identified are resulting in an estimated gap of between £15m and

£20m for NHSB for 2019/20. The recurring gap is estimated to be between £10m and £15m.

Implications for IJB

- 3.4 The SG stated that in 2019/20 NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018/19 cash levels. This implies that Boards should apply their baseline uplifts to budgets for IJB delegated functions. Doing so would result in an uplift of 2.6% being applied to the budget delegated to the IJB.

It should also be noted that £7.3m social care funding will continue to be allocated to NHS Borders to be provided to the IJB to support social care.

However the financial challenges facing NHSB will be reflected in the provision of resources to the IJB and the non delegated services. Work is underway to produce a detailed financial plan for revenue and capital expenditure for 2019/20. This will seek to identify actions to address the pressures and identify savings to offset the gap. The outcome of this work will provide clarity on the proposed level of funding for the functions delegated to the IJB.

Impact of Scottish Government Settlement for 2019/20 on Scottish Borders Council

The initial level of grant funding allocated to SBC represented a reduction of 2.3% which equated to £4.604m. However, the parliamentary debate of 31 January resulted in a range of additional measures being identified which affected local government favourably and reduced the adverse impact by 1% to £2.614m for SBC. The table below summarises the position.

	£m	%
Initial Funding Letter	(4.604)	(2.3)
Additional Funding agreed	1.990	1.0
Revised SBC Settlement	(2.614)	(1.3)

The initial settlement included a number of specific elements. The main ones are summarised below:

- Baseline of the £170m funding announced in 2018/19
- An additional £210m revenue to support the expansion of Early Learning & Childcare entitlement
- A further £40m for the expansion of Free Personal Care and Nursing Care for the under 65s
- £120m to be transferred from the Health portfolio to Local Authorities for investment in integration – this includes £12m for school counselling services
- A new £50m Town Centre fund

The subsequent agreement added the following key elements:

- An increase of £90m in the core local government settlement - £1.990m for SBC
- The ability for Local Authorities to offset their adult social care allocations to Integration Authorities in 2019/20 by 2.2% compared to 2018/19.

- The ability to increase council tax by 3% in real terms – which equates to 4.79% in 2019/20
- The ability to introduce a workplace parking levy
- Bring forward a 3 year funding settlement for local government to 2020/21 budgets.

Overall these elements result in a reduction in funding for SBC of £2.614m against a requirement to address pay and price inflation, demographic pressures and national and local developments. However there is increased flexibility around the ability to raise funds through council tax and a workplace levy which will be discussed at the budget setting meeting. The financial plan reflects the requirement for the Council to deliver savings of £8.5m for 2019/20 to balance the budget.

Implications for IJB

- 3.2 The impact of the additional funding streams of £120m and £40m will result in increased funding of circa £3.3m for the IJB in 2019/20. However the subsequent decision to allow Local Authorities to offset their adult social care allocations by 2.2% means efficiency savings of £1.02m from H&SC budgets have been included in the Council's financial plan to be delivered in 2019/20.

In addition, there will be a requirement to deliver recurring solutions to the 2018/19 savings targets for delegated functions, and identify additional savings for 2019/20 to contribute to the financial plan gap will also impact on the resources allocated to the delegated function.

Risk

- 5.1 There is a risk that the Scottish Government budget may not be passed in parliament and that further changes arise which may impact on the level of resources allocated to NHS and council bodies and in turn to IJBs

Summary

The contents of this paper reflect draft positions within SBC and NHSB. The Scottish Parliament will debate its budget on 21st February 2019 and if passed the budget will be laid in March 2019.

The SBC will debate its financial plan on 28th February, and NHSB will present a final financial plan to its Board on 4th April 2019.

Thereafter the IJB will have greater clarity on the impact of these settlements on the funding proposed for delegated functions.

Appendices:

Appendix 1 – Scottish Government Settlement Letter – Health

Appendix 2 - Scottish Government Settlement Letter – Council

Appendix 3 – Scottish Government Revised Settlement Letter - Council