

Integrated Joint Board

Agenda item:

Date of Meeting: 27 November 2019

Title of Report: Budget Outlook 2020-21 to 2022-23

Presented by: Judy Orr, Head of Finance and Transformation

The Integrated Joint Board is asked to:

- Note the current estimated budget outlook report for the period 2020-21 to 2022-23.

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the budget outlook covering the period 2020-21 to 2022-23 taking into consideration the budget decisions taken at the Integrated Joint Board (IJB) on 27 March 2019. There has been a full update of the budget outlook presented to the IJB on 25 September 2019. The assumptions will continue to be updated and refined as the year progresses.
- 1.2 The assumptions for funding from NHS Highland and Council continue on the same basis as previously reported. Whilst additional NHS in year allocations have been received since the last report, all are non-recurring and are matched by planned expenditure so do not change the outlook.
- 1.3 The position for funding of employers superannuation has now largely been agreed and funding of £4.575m received. The outlook assumes expenditure of £5m, fully matched in best case, and funding restricted to £4.575m in mid and worst case scenarios.
- 1.4 The main changes have been to update the estimates for non-pay inflation and for future cost and demand pressures. New health cost pressures have been added for cystic fibrosis drugs, asbestos removal, and LIH clinical lead. In social work, the cost pressure for Throughcare has been removed for all scenarios, and decreased slightly for the Scottish Living Wage. This has been offset by increases across all scenarios for growth in older people, and younger adults services to reflect current demand levels and new inflation allowances for carers allowance and utilities and increased inflation on catering.
- 1.5 In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2020-21 to 2022-23 is £21.063m with a gap of £8.837m in 2020-21. This allows for additional costs from the

dispute with Greater Glasgow & Clyde of £2m.

- 1.6 In contrast, the budget gap in the best case scenario over the three years is £7.488m with a gap of £2.724m in 2020-21 and in the worst case scenario, the budget gap over the three years is £32.561m with a gap of £12.523m in 2020-21. A summary of all three scenarios is included within Appendix 1.

2. INTRODUCTION

- 2.1 This report summarises the budget outlook covering the period 2020-21 to 2022-23. This is full update of the budget outlook presented to the IJB on 25 September 2019. The financial recovery programme agreed on the same date does not change the forward budget outlook as it primarily about reducing overspends back to currently budgeted levels. The assumptions will be updated and refined as the year progresses.

- 2.2 As previously, the budget outlook has been prepared using three different scenarios, best case, worst case and mid-range. Relatively small variations in assumptions can lead to fairly significant changes in the outcome. In the paragraphs that follow, the mid-range outlook is shown. The detail of all three scenarios is provided at Appendix 1.

3. DETAIL OF REPORT

3.1 Funding Estimates

NHS Highland

- 3.1.1 The funding from NHS Highland in 2019-20 included an uplift of 2.5%. The budget was set for 1 year only. The future estimates have been based on a 1.5% uplift for worst case, 2.5% best case and 2.0% mid-range. There have been no changes since the last budget outlook.
- 3.1.2 The increase in public sector pensions' schemes employers' contribution from 14.9% to 20.9% is meant to be fully funded. A&B HSCP has received £4.575m to date and costs are estimated at £5.0m. The expectation is that this will be distributed on NRAC shares for future years. Best case assumes that we will receive the full funding at £5.0m and mid range and worst case that we will receive the same amount as this year at £4.575m.
- 3.1.4 The table below outlines the updated estimated funding from NHS Highland over the next three years within the mid-range scenario. The highlighted figures are the ones which have changed below:

	2020-21 £000	2021-22 £000	2022-23 £000
Baseline funding	175,886	175,886	175,886
Baseline funding uplift	3,423	6,914	10,475
Other Recurring Funding	30,327	30,327	30,327
Resource Transfer baseline (net)	7,181	7,181	7,181
Resource Transfer uplift	238	481	729

Pensions Increase	4,575	4,575	4,575
Total Funding NHS	221,630	225,364	229,173

Council Funding

3.1.5 The estimates for Council funding remain unchanged from the previous Budget Outlook. The mid-range position is as per the indicative allocation agreed by Council in February 2019 on the basis of current year funding less 1%. The best case scenario assumes a flat cash position and the worst case assumes a 2% decrease in line with the estimate reduction from Scottish Government.

3.2 Savings Measures Already Approved

3.2.1 A number of additional savings for 2019-20 were agreed at the IJB on 7 August 2019 as part of a Financial Recovery Plan. These new savings totalled £700k. These are expected to provide continuing savings in future years, reducing the future budget gap. The further savings agreed at the IJB on 25 September 2019 are measures to bring back spending within existing budgets and are not expected to impact on the future budget outlook.

3.3 Updated Budget Outlook

3.3.1 The updated budget outlook for the mid-range scenario, taking into consideration all the factors noted within this report, is summarised in the table below. Changed figures are highlighted.

	2020-21 £000	2021-22 £000	2022-23 £000
Base Budget	276,925	277,168	277,416
Employee Cost Changes	2,866	5,785	8,756
Non-Pay Inflation	5,581	9,272	13,139
Cost and Demand Pressures	3,758	6,328	8,723
Q&F Plan Savings	(139)	(139)	(139)
Management/Operational Savings agreed March 2019	(500)	(1,020)	(1,020)
Policy Savings agreed March 2019	(198)	(198)	(198)
Recovery Plan agreed Aug 2019	(700)	(700)	(700)
Total Estimated Expenditure	287,593	296,496	305,977
Estimated Funding	278,756	281,253	284,914
Estimated Budget Surplus / (Gap) Cumulative	(8,837)	(15,243)	(21,063)
Estimated Budget Surplus / (Gap) In Year	(8,837)	(6,406)	(5,821)

3.3.2 In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2020-21 to 2022-23 is £21.063m with a gap of £8.837m in 2020-21.

3.3.3 In contrast, the budget gap in the best case scenario over the three years is

£7.488m with a gap of £2.724m in 2020-21 and in the worst case scenario, the budget gap over the three years is £32.561m with a gap of £12.523m in 2020-21. A summary of all three scenarios is included within Appendix 1.

- 3.3.4 The changes from the previous anticipated outlook to 2021-22 (as noted at the IJB meeting on 25 September 2019) are summarised in the table below based on the mid-range scenario:

	2020-21 £000	2021-22 £000	2022-23 £000
Previous Reported Budget Gap (mid-range)	(8,249)	(14,365)	(19,915)
Change to NHS Funding estimates	75	75	75
Change to non-pay inflation	(141)	(457)	(845)
Change to cost & demand pressures	(522)	(496)	(378)
Revised Budget Gap (mid-range)	(8,837)	(15,243)	(21,063)

- 3.3.5 All the Social Work assumptions for **non-pay inflation** have been updated. The main change are for the national care home contract where we are now assuming a 4% increase for mid-range scenario. The assumption for Scottish Living wage increase has been decreased to 3.5% based on the uplift for 2019/20. New or increased allowances have been made for food (as a result of EU exit), inflation on carers allowances, and on utilities. These assumptions are in line with those in Budget Outlook presented to the Council's Policy & Resources Committee on 17 October 2019.
- 3.3.6 In terms of **cost and demand pressures**, a one-off adjustment has been made for demand growth for older people and younger adults reflecting increased demand in 2019/20 and then 1.5% p.a. growth thereafter for mid-range. The National Care Home Contract has been increased by 4% p.a., reflecting the 2019/20 agreed increase. The Throughcare cost pressure has been removed as it has not materialised so far. The cost pressure for new out of hours GP contracts has increased to allow for 3 practices as this is looking more likely. New cost pressures have been added for cystic fibrosis drugs due to new patients being prescribed for this. There is also an allowances for asbestos removal works in the next 2 years and for an additional day per week of clinical lead work.

4. RELEVANT DATA AND INDICATORS

- 4.1 The budget outlook is based on a number of assumptions, using a best, worse and mid-range scenario. These assumptions will be regularly reviewed and updated as appropriate.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The Integrated Joint Board has a responsibility to set a budget which is aligned to the delivery of the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery.

This needs to be considered when options are developed to balance the budget.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – There is a significant budget gap for future years that requires to be addressed.
- 6.2 Staff Governance – None directly from this report but there is a strong link between HR and delivering financial balance.
- 6.3 Clinical Governance - None

7. PROFESSIONAL ADVISORY

- 7.1 There are no recommendations from this report which require to be consulted on with Professional Advisory leads.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None directly from this report but any proposals to address the estimated budget gap will need to consider equalities.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

- 9.1 None directly from this report.

10 RISK ASSESSMENT

- 10.1 There is a risk that sufficient proposals are not approved in order to balance the budget in future years. Any proposals will need to consider risk.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

- 11.1 None directly from this report but any proposals to address the estimated budget gap will need to take into consideration local stakeholder and community engagement.

12. CONCLUSIONS

- 12.1 A budget outlook covering the period 2020-21 and 2022-23 has been prepared. In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2020-21 to 2022-23 is £21.063m with a gap of £8.838m in 2020-21. The assumptions will be updated and refined as the year progresses.

13. DIRECTIONS

Directions required to	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	

Council, NHS Board or both.	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

APPENDICES:

Appendix 1 – Budget Outlook Best, Worst and Mid-Range Scenarios

AUTHOR NAME: Judy Orr, Head of Finance and Transformation

judy.orr@argyll-bute.gov.uk