

Integration Joint Board

Date of Meeting: 31 March 2021

Title of Report: Budget Outlook 2021-22 to 2023-24

Presented by: Judy Orr, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Consider the current estimated budget outlook report for the period 2021-22 to 2023-24
- Note that there is a separate report on the agenda detailing savings options to deliver a balanced budget in 2021-22.

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the budget outlook covering the period 2021-22 to 2023-24. The budget outlook presented to the IJB on 27 January has been updated.
- 1.2 The main change has been to update the funding for health and social care following Scottish Government budget announcements, pay inflation following the public sector pay policy announcement, consequential impacts on uplifts for other NHS boards and Carers Act expenditure, updated dated estimates for workforce establishment reviews, cystic fibrosis, some funding for Knapdale works, CAMHS staffing pressures and potential investment in transformation which is subject to budget approval. There have been a number of other small adjustments to estimates.
- 1.3 The funding from the Council has now been approved. The main changes from the previous outlook are that there is a 0.39% increase (previously assumed a flat cash position) for 2020/21 along with a share of national additional funding which amounts to £1.398m. This includes Carer's Act extension, further funding for free personal care Scottish Living Wage uplift and Criminal Justice funding. The Council has also agreed to reduce repayment of previous year's overspend by £1m but this is dependent on outturn for the current year. The intention is to repay this in the current financial year.
- 1.4 The funding from NHS Highland is still under negotiation. This paper reflects the interim funding offer detailed at 3.1.1. This includes 50% of the share of NHS Highland's NRAC uplift of £16.4m in the Scottish Government

settlement, which is worth £2.9m. This is the main reason for the improvement in the outlook since this last one presented to the Board.

- 1.5 A single scenario is now presented for 2021/22 with a budget gap before new savings of £4.134m. The usual best, mid-range and worst case scenarios are presented for the next two years. In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2021-22 to 2023-24 is £9.446m with a gap of £4.134m in 2021-22.
- 1.6 The budget gap in the best case scenario over the three years is £5.514m and in the worst case scenario, the budget gap over the three years is £30.571. A summary of all three scenarios is included within Appendix 1.
- 1.7 The budget gap over 2020-21 to 2022-23 across each scenario is summarised in the table below:

Budget Gap	2021-22 £000	2022-23 £000	2023-24 £000	Total £000
Best Case	4,134	(8,632)	(1,116)	(5,614)
Mid-Range	4,134	1,576	3,736	9,446
Worst Case	4,134	15,574	10,863	30,571

2. INTRODUCTION

- 2.1 This report summarises the budget outlook covering the period 2021-22 to 2023-24. The outlook is based on three different scenarios, best case, worst case and mid-range. A single scenario is presented for 2021-22. The detail of all three scenarios is provided at Appendix 1.
- 2.2 The updates include new funding estimates following the Scottish Government budget on 28 January and reflect draft funding offers received from NHS Highland and the funding offer from the Council approved at the Council meeting on 25 February 2021. The Council has agreed a further deferral of the repayments in respect of previous years' overspends and revised details for this are presented below.

3. DETAIL OF REPORT

3.1 Funding Estimates

NHS Highland

- 3.1.1 The assumptions for funding from NHS Highland for 2021/22 has been amended to a 1.5% mid-range increase (the national uplift) plus an NRAC uplift of £2.9m based on their interim funding offer. This is 50% of our share of the total NRAC uplift of £16.4m. To this, we have added the expected allocations for Primary Medical Services and other recurring funding. The Other recurring funding figures are based on allocations as at month 9 which are matched by equivalent expenditure. For future years, the mid-range forecast still assumes a 2.5% uplift. We have been advised that New Medicines funding will be decreased by c £550k but this should be offset in cost reductions. Following discussion of this through the relevant networks,

we are reflecting the loss of funding in the mid-range scenario, and in worst case.

- 3.1.2 The table overleaf outlines the estimated funding from NHS Highland over the next three years within the mid-range scenario.

	2021-22 £000	2022-23 £000	2023-24 £000
Baseline funding	185,699	185,699	185,699
Baseline funding uplift (1.5%/2.5%)	2,707	7,286	11,979
Other Recurring Funding	35,815	35,815	35,815
Reduction in New Medicines Funding	-550	-550	-550
Resource Transfer baseline	7,057	7,057	7,057
Resource Transfer uplift (1.5%/2.5%)	185	372	562
NRAC uplift offered	2,900	5,821	5,967
Total Funding NHS	233,813	241,500	246,529

Council Funding

- 3.1.3 The estimates for Council funding are also changed from the previous Budget Outlook and reflect the additional funding in the Scottish Budget on 28 January and a funding uplift of 0.39% from the Council agreed in their budget setting. A total of £1.398m new funding was announced including above inflation uprating for free personal and nursing care of £253k; Scottish Living Wage uplift of £616k; Carers Act funding of £516k and £13k for Criminal justice. There are a number of consequential impacts for expenditure.

- 3.1.4 The Council also agreed that “With reference to the HSCP request for a deferral of £1m of the £1.2m that is due to be paid in 2021-22, agrees this in principle, subject to the proviso that the amount to be deferred be reduced by the amount of any HSCP underspend in 2020-21.” The intention is to repay this early in 2020-21. Based on that assumption, the agreed repayment schedule is presented below:

	Repayment 2017-18 Overspend £000	Repayment 2018-19 Overspend £000	Repayment 2019-20 Estimated Overspend £000	Total Repayment £000	Status
2020-21	1,055	445	0	1,500	Indicative subject to underspend
2021-22	0	200	0	200	Agreed as above
2022-23	0	1,255	0	1,255	indicative
2023-24	0	1,227	0	1,227	Not yet agreed
2024-25	0	0	1,166	1,166	Not yet agreed
Total	1,055	3,127	1,166	5,348	

- 3.1.6 The table overleaf outlines the funding from Argyll and Bute Council expected over the next three years in the mid-range scenario.

	2021-22 £000	2022-23 £000	2023-24 £000
Baseline funding	62,211	62,211	62,211
Total Funding Council	62,211	62,211	62,211
Less 2018-19 overspend payment	(200)	(1,255)	(1,227)
Net Payment from Council	62,011	60,956	60,984

3.1.7 The table below summarises the total estimated funding over the next three years within the mid-range scenario.

	2020-21 £000	2021-22 £000	2022-23 £000
Funding NHS	233,813	241,500	246,529
Funding A&B Council	62,011	60,956	60,984
New SG funding for social work	0	1,000	2,000
Total Funding	295,824	303,456	309,513

3.2 Savings Measures Already Approved

3.2.1 A number of additional savings for 2021-22 were agreed at the IJB on 27 March 2019 as part of setting the 2019/20 budget. These new savings totalled £520k and comprise a further £500k on prescribing and £20k for criminal justice.

3.2.2 Saving 2021-65 of £50k, review of support payments to GP practices, was deferred to 2021/22 at the budget meeting on 25 March 2020. There is no change to this position from that reported in the previous budget outlook.

3.3 Base Budget

3.3.1 The base budget is the approved budget from 2020-21 and includes the second year of the agreed investment in financial sustainability for 2021/22. In view of the impact of Covid-19, a request is being made to extend this for a third year, and this is subject to approval in the budget paper. An adjustment has been made to the base budget for the uplift in other recurring funding from Health of £1.978m to reflect the Month 9 funding position. There are no changes from the base budget previously presented.

3.3.2 The table below summarises the base budget in the mid-range scenario.

	2021-22 £000	2022-23 £000	2023-24 £000
Base Budget NHS	216,267	216,267	216,267
Base Budget Council	60,077	60,077	60,077
Investment in financial sustainability – 2 nd year	318	330	0
Resource Transfer	12,304	12,304	12,304
Base Budget	288,966	288,978	288,648

3.4 Employee Cost increases

- 3.4.1 For Health staff, the assumptions have been reduced downwards following the announcement of the Scottish public sector pay policy for 2021-22 of a flat rate £750 increase for those earning up to £25k, 1% for those earning between £25k and £80k and flat rate £800 increase for those earning above £80k p.a.. Modelling has indicated that this will cost an average of 2% for social care pay and 1.5% for health pay. Assurances have been received that for health, if actual pay award is greater, then there will be additional funding made available, but this does not extend to social care. For social care staff, for 2022-23 onwards, the best case scenario assumes a 1% increase p.a., the mid-range scenario assumes a 2% increase, and the worst case scenario assumes a 3.0% increase (similar to the 2018-19 offer). For health staff, I have assumed for 2022-23 onwards in the best case scenario a 2% increase p.a., the mid-range scenario assumes a 2.5% increase, and the worst case scenario assumes a 3.5% increase.
- 3.4.2 There are also additional costs in relation to incremental drift, and a proposed change to the Council's pay and grading structure and an estimate has been built into all three scenarios. This estimate is unchanged.
- 3.4.3 The increases to the employee budgets estimated over the next three years within the mid-range scenario are summarised in the table below.

	2021-22 £000	2022-23 £000	2023-24 £000
Health pay award	977	2,630	4,324
Health pay increments	185	370	555
Social Work pay award	672	1,357	2,056
Social Work pay increments	87	174	261
Social work change to pay structure	-2	-2	-2
Total Employee Cost Changes	1,919	4,529	7,194

3.5 Non-pay Inflation

- 3.5.1 A review of the non-pay inflation assumptions has been undertaken and all assumptions have been rolled forward with some recalculations for the Scottish Living Wage uplift, for increases in free personal and nursing care (previously included along with SLW uplift) and non-domestic rates freeze announced in budget, and for NHS board contracts now assumed to increase in line with the national funding uplift.
- 3.5.2 The table overleaf summaries the updated non-pay inflation estimated over the next three years within the mid-range scenario. Further information is included within Appendix 1.

	2021-22 £000	2022-23 £000	2023-24 £000
<u>Health:</u>			
Prescribing	1,000	2,000	3,000
Hospital Drugs	79	160	244
Main GG&C SLA	830	2,236	3,677
Other SLAs	447	1,233	2,008
Energy Costs, catering and Rates	161	328	496
<u>Social Work:</u>			
Catering Purchases	37	58	79
National Care Home Contract	530	1,082	1,655
NHS Staffing Recharges	125	180	237
Purchase and Maintenance of Equipment	11	22	33
CPI Essential increases	9	18	28
Scottish Living Wage	577	1,166	1,768
Free personal & nursing care	176	231	286
Carers Allowances	33	67	101
Utilities	26	35	45
Total Non-Pay Inflation	4,041	8,816	13,657

3.6 Cost and demand pressures

3.6.1 As with non-pay inflation, the cost and demand pressure assumptions have been rolled forward. The following assumptions have been updated:

- New cost pressure for CAMHS staff following review
- New cost pressure for NMAHP staffing following completion of establishment reviews
- New cost pressure for depreciation which has been growing each year
- Removed allowance for new high cost packages
- Increased allowance for new cystic fibrosis drugs
- Reduced cost pressure for Golden Jubilee Cardiac SLA
- Reduced costs for Knapdale refurbishment to take account of existing budget
- Added new cost pressure for one-off investment in transformation which is subject to budget approval
- All others have simply been rolled forward as per the previous outlook, but some calculations have been slightly updated to reflect current forecast where this is above budget.

3.6.2 The table below summaries the updated cost and demand pressures estimated over the next three years within the mid-range scenario. Further information is included within Appendix 1.

	2021-22 £000	2022-23 £000	2023-24 £000
<u>Health:</u>			
LIH* Laboratory	50	100	150
Additional junior doctor LIH	51	52	53

Additional NMAHP staffing	350	359	368
Day responder services	57	58	59
Golden Jubilee Cardiac SLA	60	62	64
New high cost care packages	0	0	0
Low secure service NHS Fife	190	190	190
New Craigs Mental health unit	150	150	150
Other NSD* developments	50	100	150
Oncology medicines demand	450	900	1,350
Bute Dialysis staffing	115	118	122
Microsoft Licence fees	0	0	0
Cystic fibrosis drugs	405	405	405
WoS* Sexual Assault & Rape Services	28	29	30
New clinical waste disposal contract	50	50	50
CareFirst replacement cost	30	75	78
Additional HR staffing	77	41	0
Gastro service at LIH*	60	62	64
Adaptation of Knapdale Ward	320	0	0
Contracted out laundry service	18	18	18
TAVI procedures	78	80	82
Additional medical director sessions	31	32	33
Depreciation	25	50	75
CAMHS additional staffing	413	421	430
Investment in transformation	517	0	0
Social Work:			
Older People Growth	380	766	1,158
Care Services for Younger Adults: Learning Disability & Mental Health	326	659	999
Care Services for Younger Adults: Physical Disability	455	520	586
Continuing Care demand pressure in Children & Families	350	600	850
Allowance for Unknown Cost and Demand Pressures	0	1,000	2,000
Total Cost and Demand Pressures	5,602	7,413	10,030

*LIH: Lorn & Isles Hospital *NSD: National Services Division

*WoS West of Scotland

3.7 Updated Budget Outlook

3.7.1 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:

	2021-22 £000	2022-23 £000	2023-24 £000
Base Budget	288,966	288,978	288,648
Employee Cost Changes	1,919	4,529	7,194

Non-Pay Inflation	4,041	8,816	13,657
Cost and Demand Pressures	5,602	7,413	10,030
Management/Operational Savings agreed March 2019	(520)	(520)	(520)
Management/Operational Savings agreed March 2020	(50)	(50)	(50)
Total Estimated Expenditure	299,958	309,166	318,959
Estimated Funding	295,824	303,456	309,513
Estimated Budget Surplus / (Gap) Cumulative	(4,134)	(5,710)	(9,446)
Estimated Budget Surplus / (Gap) In Year	(4,134)	(1,576)	(3,736)

3.7.2 In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2021-22 to 2023-24 is £9.446m with a gap of £4.134m in 2020-21.

3.7.3 In contrast, the budget gap in the best case scenario over the three years is £1.116m surplus and in the worst case scenario, the budget gap over the three years is £30.571m. A summary of all 3 scenarios is included within Appendix 1.

3.7.4 The changes from the previous anticipated outlook to 2022-23 (as noted at the IJB meeting on 27 January 2021) are summarised in the table below based on the mid-range scenario:

	2021-22 £000	2022-23 £000	2023-24 £000
Previous Reported Budget Gap (mid-range)	(6,604)	(10,218)	(14,586)
Funding increase	4,584	6,331	6,397
Change in base budget	(1,978)	(2,308)	(1,978)
Employee cost changes	959	1,299	1,655
Decrease in non-pay inflation	658	568	491
Increase in cost & demand pressures	(1,753)	(1,899)	(1,425)
Revised Budget Gap (mid-range)	(4,134)	(5,710)	(9,446)

3.7.5 The budget gap over 2021-22 to 2023-24 across each scenario is summarised in the table below:

Budget Gap	2021-22 £000	2022-23 £000	2023-24 £000	Total £000
Best Case	4,134	(8,632)	(1,116)	(5,614)
Mid-Range	4,134	1,576	3,736	9,446
Worst Case	4,134	15,574	10,863	30,571

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 Integration 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. In addition, the funding from NHS Highland is still under negotiation for next year. This paper reflects the interim offer including 50% of the NRAC uplift for next year, and the full uplift for the following year in the mid-range scenario.

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 2021-22 to 2023-24 has been updated following a review of cost and demand pressures. In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over

the three year period is £9.446m with a gap of £4.134m in 2021-22. This has improved from the outlook previously presented by £2.470m for 2021-22 mainly due to the additional NRAC uplift funding in the interim funding offer from NHS Highland.

13. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

APPENDICES:

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

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