

Integration Joint Board

Agenda item: 9b

Date of Meeting: 16 June 2021

Title of Report: Budget Outlook 2022-23 to 2024-25

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 2022-23 to 2024-25.

1. EXECUTIVE SUMMARY

- 1.1 This report summarises the budget outlook covering the period 2022-23 to 2024-25 taking into consideration the budget decisions taken at the Integrated Joint Board (IJB) on 31 March 2021. The budget outlook presented to the IJB on that date has been rolled forward for a further year and all assumptions have been updated as per the latest information.
- 1.2 The outturn for 2020/21 was an underspend of £1.089m. This has to be repaid to Argyll and Bute Council to offset previously carried forward overspends. This then reduces the future planned repayments – this is being considered by Council’s Policy & Resources committee on 13 May 2021.
- 1.3 A number of minor changes have been to update the estimates for NHS payroll inflation where these have been aligned to Council future pay projections, non-pay inflation, and for some new future cost and demand pressures, mainly for Health. Additional allowances has been made for new high cost care packages, growth in cystic fibrosis patient numbers, a new dementia pathway to NHS GG&C, additional staffing following the remaining establishment reviews, and for additional Social work emergency out of hours service costs.
- 1.4 The usual best, mid-range and worst case scenarios are presented for the next three years. In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2022-23 to 2024-25 is £10.695m with a gap of £2.371m in 2022-23.
- 1.8 In contrast, the budget gap in the best case scenario over the three years is a surplus of £3.878m and in the worst case scenario, the budget gap

over the three years is £28.367m. A summary of all three scenarios is included within Appendix 1.

- 1.9 The budget gap over 2022-23 to 2024-25 across each scenario is summarised in the table below (surplus shown as negative):

Budget Gap	2022-23 £000	2023-24 £000	2024-25 £000	Total £000
Best Case	(2,196)	(831)	(851)	(3,878)
Mid-Range	2,371	3,945	4,378	10,695
Worst Case	9,181	9,419	9,767	28,367

2. INTRODUCTION

- 2.1 This report summarises the budget outlook covering the period 2022-23 to 2024-25. The outlook is based on three different scenarios, best case, worst case and mid-range. The detail of all three scenarios is provided at Appendix 1.

- 2.2 The updates include new funding estimates and a review of inflation and cost and demand pressures.

3. DETAIL OF REPORT

3.1 Funding Estimates

NHS Highland

- 3.1.1 The assumptions for funding from NHS Highland has been amended for 2022/23 to include the further NRAC uplift of £2.85m offered for this year as part of the 2021/22 funding offer. To this, we have added the expected allocations for Primary Medical Services and other recurring funding. For future years, the mid-range forecast still assumes a 2.5% uplift p.a..

- 3.1.2 The table below outlines the updated estimated funding from NHS Highland over the next three years within the mid-range scenario. All figures have been updated and rolled forward for another year.

	2022-23 £000	2023-24 £000	2024-25 £000
Baseline funding incl £2.9m NRAC	191,384	191,384	191,384
Resource Transfer baseline	7,242	7,242	7,242
Baseline & RT funding uplift (2.5%)	5,339	10,368	15,523
Other Recurring Funding	35,815	35,815	35,815
Reduction in New Medicines Funding	-550	-550	-550
Further NRAC uplift offered £2.85m +inflation	2,921	2,994	3,069
Total Funding NHS	242,222	247,396	252,699

Council Funding

- 3.1.3 The estimates for Council funding are rolled forward for another year. All scenarios now assume a flat cash position as per the settlement for 2021/22.

3.1.4 The Council's Policy & Resources Committee considered the repayment profile at its meeting in May 2021 when the 2020/21 underspend was confirmed. The Council previously agreed that "in the event of the HSCP underspending in 2020/21 or any future years, the Council will seek earlier repayment of outstanding debts. Notes that the level of future years funding is subject to the level of Scottish Government funding and the Council's overall financial position in future years." As there was an underspend at the end of 2020/21, this will be used to make further repayments to the Council as required by the scheme of integration.

3.1.5 The new repayment schedule is presented below:

	Repayment 2018-19 Overspend £000	Repayment 2019-20 Estimated Overspend £000	Total Repayment £000	Status
2021-22	200	0	200	agreed
2022-23	900	0	900	agreed
2023-24	493	407	900	agreed
2024-25	0	759	759	agreed
Total	1,593	1,166	2,759	

3.1.6 The table below outlines the funding from Argyll and Bute Council expected over the next three years. It includes an additional £552k re Scottish Living Wage uplift which was announced after the previous budget outlook was prepared.

	2022-23 £000	2023-24 £000	2024-25 £000
Baseline funding	62,763	62,763	62,763
Less 2018-19 and 2019-20 overspend payment	(900)	(900)	(759)
Net Payment from Council	61,863	61,863	62,004

3.1.7 The table below summarises the total estimated funding over the next three years within the mid-range scenario. It includes an estimated additional £700k from Scottish Government p.a. in line with additional unearmarked funding made available for 2021/22. Actual funding is subject to much uncertainty following the Independent Review of Adult Social Care and announcements are likely post election.

	2022-23 £000	2023-24 £000	2024-25 £000
Funding NHS	242,222	247,396	252,699
Funding A&B Council	61,863	61,863	62,004
New SG funding for social work	700	1,400	2,100
Total Funding	304,785	310,659	316,803

3.2 Savings Measures Already Approved

3.2.1 One of the savings for 2021-22 agreed at the IJB on 31 March 2021 as part of setting the 2021/22 budget was one-off and has to be removed from future years. Others have increased values in 2022/23 and beyond. These are as follows:

Ref	Description	£000s
2122-04	Bring back urology services from NHS GG&C	111
2122-08	Care home placements paid at national rates	70
2122-09	Cap on 24 hour care packages	40
2122-54	Reduction in supported living packages through improved commissioning	30
2122-71	Remove non-recurring vacancy saving	(1,000)
	Total	(749)

3.2.2 This reduces the agreed savings for future years from £4,134k in 2021/22 to £3,385k for 2022/23 onwards.

Base Budget

3.3.1 The base budget is the approved budget from 2021-22 and includes the third year of the agreed investment in financial sustainability extended into 2022/23 only as agreed by IJB on 31 March 2021.

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

	2022-23 £000	2023-24 £000	2024-25 £000
Base Budget NHS	220,680	220,680	220,680
Base Budget Council	74,826	74,826	74,826
Investment in financial sustainability – 3rd year	330	0	0
Base Budget	295,836	295,506	295,506

3.4 Employee Cost increases

3.4.1 For Health staff and Council staff, for 2022-23 to 2024-25, it has been assumed that the 1% p.a. increase will be the best case, 2% mid-range scenarios, and a 3% increase in the worst case scenario. No agreements have yet been made for 2021/22 so there is still considerable uncertainty. Any increases above provisions for Health staff will be met in full for the current year by Scottish Government, but there is no such undertaking for social care staff so there is a possibility that the baseline for social care staff may have to be adjusted.

3.4.2 There are also additional costs in relation to incremental drift and an estimate has been built into all three scenarios.

3.4.4 The increases to the employee budgets estimated over the next three years within the mid-range scenario are summarised in the table overleaf.

	2022-23 £000	2023-24 £000	2024-25 £000
Health pay award	1,371	2,779	4,210
Health pay increments	185	370	555
Social Work pay award	685	1,384	2,097
Social Work pay increments	87	174	261
Total Employee Cost Changes	2,328	4,707	7,123

3.5 Non-pay Inflation

3.5.1 The non-pay inflation calculations have been updated, and the main changed assumption has been to increase the inflation applied to hospital drugs where we now assume best 2.5%, mid-range 5% and worst 7.5% increase.

3.5.2 The table below summaries the updated non-pay inflation estimated over the next three years within the mid-range scenario. Further information is included within Appendix 1.

	2022-23 £000	2023-24 £000	2024-25 £000
<u>Health:</u>			
Prescribing	1,000	2,000	3,000
Hospital Drugs	150	308	465
Main GG&C SLA	1,405	2,845	4,321
Other SLAs	756	1,531	2,506
Energy Costs	167	335	504
<u>Social Work:</u>			
Catering Purchases	21	44	68
National Care Home Contract	576	1,174	1,797
NHS Staffing Recharges	70	144	220
Purchase and Maintenance of Equipment	11	22	33
CPI Essential increases	10	21	33
Scottish Living Wage	650	1,314	1,993
Free personal & nursing care	44	89	134
Carers Allowances	32	64	97
Utilities	9	19	28
Audit fee	8	8	8
Total Non-Pay Inflation	4,909	9,918	15,206

3.6 Cost and demand pressures

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

- Additional staffing following completion of workforce establishment reviews of £200k p.a. in 2022/23
- An allowance made for Health new high cost care package of £100k in 2022/23

- New dementia care pathway to NHS GG&C estimated at £50k in 2022/23
- Additional cystic fibrosis patients – growth of £150k p.a.
- Additional spend on CAMHS of £85k in 2022/23 recognising much funding from Scottish Government in 2021/22 is non-recurring
- Estimate for increase in Social Work Emergency standby payments
- The allowance for unknown cost and demand pressures has been reinstated at £1m p.a. as we are at the start of a new financial year.

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
Health:			
LIH Laboratory	50	100	150
Additional NMAHP staffing	200	204	208
New high cost care packages	100	102	104
New dementia pathway	50	51	52
Other NSD developments	50	100	150
Oncology medicines demand	450	900	1,350
Cystic fibrosis drugs	150	300	450
Additional HR staffing	41	0	0
CareFirst replacement	80	80	80
Depreciation	25	50	75
CAMHS staffing	85	87	89
Social Work:			
Older People Growth	387	780	1,180
Care Services for Younger Adults - MH and LD	335	677	1,026
Care Services for Younger Adults – Physical disability	56	113	171
Continuing Care demand pressure in Children & Families	250	500	750
Social Work Emergency standby	25	51	78
Allowance for Unknown Cost and Demand Pressures	1,000	2,000	3,000
Total Cost and Demand Pressures	3,334	6,095	8,913

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 overleaf:

	2021-22 £000	2022-23 £000	2023-24 £000
Base Budget	295,836	295,506	295,506
Employee Cost Changes	2,328	4,707	7,123
Non-Pay Inflation	4,909	9,918	15,206
Cost and Demand Pressures	3,334	6,095	8,913
Savings agreed March 2021	749	749	749
Total Estimated Expenditure	307,156	316,975	327,497
Estimated Funding	304,785	310,659	316,803
Estimated Budget Surplus / (Gap) Cumulative	(2,371)	(6,316)	(10,695)
Estimated Budget Surplus / (Gap) In Year	(2,371)	(3,945)	(4,378)

3.7.2 In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period 2022-23 to 2024-25 is £10.695m with a gap of £2.371m in 2022-23.

3.7.3 In contrast, the budget gap in the best case scenario over the three years is a surplus of £3.878m and in the worst case scenario, the budget gap over the three years is £28.367m. A summary of all three 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 31 March 2021) are summarised in the table below based on the mid-range scenario:

	2022-23 £000	2023-24 £000
Previous Reported Budget Gap (mid-range)	(5,710)	(9,446)
Savings agreed 31 March 2021	3,385	3,385
Additional transformation investment agreed March 21	(12)	(12)
Adjusted Reported Budget Gap (mid-range)	(2,336)	(6,072)
Increase in NHS Funding estimates	722	867
Increase in Council funding estimates	607	279
Employee cost decrease	282	568
Increase in non-pay inflation	(134)	(302)
Increase in cost & demand pressures	(1,511)	(1,655)
Revised Budget Gap (mid-range)	(2,371)	(6,316)

3.7.5 The budget gap over 2022-23 to 2024-25 across each scenario is summarised in the table overleaf:

Budget Gap	2022-23 £000	2023-24 £000	2024-25 £000	Total £000
Best Case	(2,196)	(831)	(851)	(3,878)
Mid-Range	2,371	3,945	4,378	10,695
Worst Case	9,181	9,419	9,767	28,367

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.

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 2022-23 to 2024-25 has been prepared rolling forward the previous outlook by a further year. In the mid-range scenario, the Health and Social Care Partnership budget gap estimated over the three year period is £10.695m with a gap of £2.371m in 2022-23. This has deteriorated from the outlook previously presented by just £35k due to a range of changes summarised at 3.7.4.

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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