

Integration Joint Board

Date of Meeting: 30 March 2022

Title of Report: Budget 2022/23

Report by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that the HSCP has developed a proposed balanced budget in line with the timetable.
- Approve the proposed budget for 2022/23.
- Approve the Budget Proposals / Savings Plan.
- Note Equality Impact Assessments have been completed and will be published on the website in respect of relevant savings proposals;
- Note the outcome of the public consultation process and note that this has been considered in the amendments to the savings plan.
- Approve the implementation of contract uplifts to ensure that all care staff receive a minimum of £10.50 per hour from 1st April and note that this is fully funded.
- Note the intention to repay the debt to Argyll & Bute Council early and establish a reserve for capital investment and service transformation as funding allows.
- Instruct the Chief Officer to accept Funding Offers from NHS Highland and Argyll & Bute Council and issue formal directions (draft at appendix 5).

1. EXECUTIVE SUMMARY

1.1 This report provides a proposed budget and associated savings plan for 2022/23 for approval by the IJB on 30 March 2022. It has been considered by the Finance & Policy Committee on 18 March 2022. The budgeting process for next year has been underway since October 2021, this report follows on from a range of related reports considered in recent meetings which provided the Budget Outlook, a summary of the Scottish Budget, set the savings target, outlined draft budget proposals and the consultation process.

1.2 The overall context in respect of the funding for Health and Social Care is outlined in the Scottish Government Budget and subsequent letters issued to NHS Highland and Argyll & Bute Council. As reported previously, the funding environment is more favourable than anticipated. This has provided some scope for growth in the budget, investment in services and a reduced savings target. Savings plans still require to be implemented in order to ensure financial targets are met and that the HSCP operates on a financially sustainable basis in the longer term. Funding allocations have been agreed

with partners and formal letters and directions will be issued by the Chief Officer once the budget is approved by the IJB.

- 1.3 This report focuses primarily on the development of a budget for the HSCP for 2022/23. It is based on the mid-range scenario outlined in previous planning documents. The Scottish Government currently intend to publish a full Spending Review in May 2022, this will inform longer term planning.
- 1.4 The financial context facing the HSCP is also more favourable, the outturn for 2020/21 was an underspend of £1.1m, repaid to Argyll and Bute Council to offset previously carried forward overspends. Additionally, it is now anticipated that a further £2.0m of the debt will be repaid in 2021/22 with the balance now expected to be fully repaid in early 2022/23. This enables the HSCP to consider better its longer term financial objectives and its investment and transformation plans. Further to the one-year budget outlined in this report, the development of a longer term planning framework is a priority which will sit alongside the refreshed HSCP Strategy, Transformation and investment priorities.

2. INTRODUCTION

2.1 The purpose of this report is to seek formal approval for the budget and savings plan for 2022/23, in advance of the start of the new financial year. The report has a number of key interlinked sections:

- Financial context
- Proposed Budget 2022-23
- Summary of the Budget Consultation
- Savings Programme
- Medium Term Financial Planning

2.2 The development of the budget has been underway from October 2021. The Finance and Policy Committee and IJB have been kept informed of progress through a number of Budget Outlook reports, the agreement of the savings target, development of proposed savings plan and the budget consultation. The government has prioritised investment in the Health and Social Care Sector through its budgeting process and as a consequence the overall financial position is more favourable than expected. This report seeks endorsement for a balanced budget and a slightly reduced savings plan in the context of the improved financial position.

2.3 Longer term financial planning is now a priority for the HSCP, this will seek to take into account the Scottish Government's Spending Review (when published), the development of the National Care Service and the requirement for investment.

3. DETAIL OF REPORT

3.1 Context

3.1.1 The environmental context in respect of financial planning for 22/23 is relatively favourable. The Scottish Budget and subsequent funding

announcements and allocation letters provide a welcome increase in resourcing for the Health and Social Care Sector. Whilst much of this funding is allocated for specific purposes, it does enable some opportunity for growth and investment in services as long as the savings targets are achieved.

3.1.2 The Scottish Government published its draft budget on 9th December, the key contextual aspects of this, as they impact on the Health and Social Care sector include:

- significant additional investment in Health and Social Care;
- re-statement of the commitment to the implementation of a National Care Service;
- commitment to £10.50 per hour wage floor for social care staff and a tiered approach to public sector pay increases;
- National Insurance increase is fully funded within the NHS but not within the Local Government settlement; and
- Local Authorities expected to pass on additional funding to HSCPs.

In respect of our workforce, the budget specifically allows for increases in pay rates (to a minimum of £10.50 per hour) for those we depend upon to deliver services, particularly for workers within the care sector. This will not fully address the strategic workforce challenge that we face but it does enable some improvement to terms and conditions.

3.1.3 Whilst the purpose of this report is to set out a proposed budget for next year, the anticipated financial position of the HSCP at the end of the current year is important. At the time of writing the HSCP expects to operate within its budget in 2021/22. It also expects to repay around £2m of the debt it owes to Argyll and Bute Council (£1.8m more than planned). Additionally, the government have allocated further non-recurring covid-19 related funding which is to be carried forward into 2022/23 and beyond. This, along with other earmarked reserves, can be used to supplement the revenue expenditure outlined in the budget. It is anticipated that reserves carried forward will be substantial, these will need to be managed in a way that ensures that the HSCP does not fund recurring spend with non-recurring funding and create a future funding shortfall.

3.1.4 The funding allocations contained within this report have been agreed with Argyll and Bute Council and NHS Highland. It is the case that there may be some small additional funding streams still to be allocated and these will increase budgeted resource as the year progresses, as normal. The Chief Officer will issue directions in line with the budget, once approved.

3.2 NHS Highland

3.2.1 NHS Highland have confirmed their intention to allocate a full NRAC share of funding to the Argyll & Bute HSCP, this restores a fair funding allocation. However, due to population changes within the Argyll & Bute area, our share has reduced from 28.92% to 28.77%. This small reduction has a financial consequence of circa £1m in revenue funding and therefore budgeted funding has reduced in comparison with the January outlook. The table below outlines expected funding from NHS Highland for 2022/23:

	2022-23 £m
Baseline funding	194.2
Resource Transfer	7.2
Funding uplift	7.5
Other Recurring Funding	37.9
Total Funding NHS	246.8

3.3 Argyll & Bute Council

3.3.1 In respect of funding, allocations have been firmed up and an additional funding stream has confirmed. This provided £22m for additional social work capacity in Adult Services on a recurring basis. Our share is £0.4m and plans are currently being developed, for the purposes of the budget this amount has been added to income and expenditure.

3.3.2 Regarding the debt owed to the Council, it is anticipated that an additional £1.8m will be repaid in 2021/22 (total repayment £2m). This is from the use of some underspending and additional funding. The Integration Scheme requires any underspending to be used for this purpose while a debt to one of the partners exists. The early repayment (once confirmed) will result in an anticipated debt balance of circa £750k. On this basis the debt will be repaid early in 2022/23 and the HSCP will, from that point onwards, be able to establish a general reserve. In the first instance, a requirement for a Capital Investment Reserve is a priority to facilitate transformation and the development of an investment plan. For the purposes of the budget it has been assumed that £900k will be required to repay the remainder of the debt in 2022/23, it is proposed that any excess will be used to create a Capital Investment Reserve. For ease of reference the current agreed debt repayment schedule is provided below:

	Repayment 18-19 Overspend £000	Repayment 19-20 Overspend £000	Total £000
2021-22	200	0	200
2022-23	900	0	900
2023-24	493	407	900
2024-25	0	759	759
Total	1,593	1,166	2,759

The table below outlines agreed funding from Argyll and Bute Council:

	2022-23 £m
Baseline funding	62.8
Less current planned repayments	(0.9)
New Funding	11.4
Net Funding from Council	73.3

It is anticipated that there are some smaller funding streams to be confirmed and these will be added to the budget as the year progresses as normal.

3.3.3 The following table below provides total anticipated funding from partners:

	2022-23 £m
Funding NHS	246.8
Funding A&B Council	73.3
Covid Reserve	0.8
Total Funding	320.9

The new funding total represents a significant increase in recurring funding although much of this is earmarked for specific cost and demand pressures and new investments to deliver on Government priorities. It is planned to use £0.75m of carried forward covid reserves to support some of the cost pressures identified in 2022/23. Separate plans for the management of other reserve balances are being reviewed.

3.4 Existing Savings Cancelled

3.4.1 Following the review of the savings programme, the IJB agreed to cancel or reduce historic savings deemed as undeliverable. The impact of this, as described at the time, is that it adds to the budget gap. £1,470,000 has been added into budgeted spend to allow for un-delivered savings previously removed from the baseline budget.

3.4.2 The consultation on the budget proposals are based on a savings target at £4.8m. The budget presented in this paper now incorporates a reduced savings target set at £3.9m as described later in this report.

3.5 Revenue Budget 2022/23

3.5.1 The table below provides a summary of the Argyll & Bute HSCP proposed revenue budget for 2022/23:

	2022-23 £m
Base Budget	302.0
Employee Cost Changes	3.9
Non-Pay Inflation	8.8
Cost and Demand Pressures & Investment	8.6
Cancellation of Savings	1.5
Total Estimated Expenditure	324.8
Estimated Funding	320.9
Estimated Budget Gap	(3.9)
Savings Programme	3.9
Budgeted Surplus / Deficit	0

The budget makes significant allowance for inflation, cost and demand pressures and investment. Appendix 1 provides further detail in respect of these. The employee cost budget assumes a 2% increase, in line with public pay policy, and covers the increase in employer national insurance. It also allows for expected increases in utilities and drug costs, however, inflation and higher pay increases (where these are not funded) are significant risks.

It also allows for the impact of anticipated increases in commissioned service pay rates and the national care home contract. Service budgets have been considered in detail and appropriate allowances have been made for known or agreed increases in spend.

3.6 Budget Consultation

3.6.1 The budget consultation process was approved at the IJB meeting in January. As planned, it went live on the 31st Jan and closed on the 28th February. The consultation was highlighted by the communications team in a number of different ways, including social media, contact lists and in a podcast by the Chief Officer. The consultation was supported by the Argyll and Bute Council Web Team. An interim summary was provided to the Finance & Policy Committee at its meeting in February.

3.6.2 In total, 124 people took the time to respond to the consultation. Appendix 2 provides a series of charts and tables which summarise the demographics of those who responded and their responses in respect of savings and the acceptability of service changes. Overall 101 responses came from people aged between 31 and 65 and 96 (77%) were from females. There was a reasonable spread of responses across the area although relatively few were from the Helensburgh and Lomond area. 20 of the respondents (16%) said they had a disability.

3.6.3 Additionally, there were opportunities within the consultation for people to provide their thoughts in their own words. There were 94 such responses and a number of common themes within these. There were also some conflicting views expressed. Appendix 3 seeks to provide a summary of the responses with an indication of the number of times a particular view was expressed. Some of the most common themes include:

- criticism of management numbers, layers, duplication and salaries within the HSCP;
- request for better technology and better use of technology to improve patient services, reduce patient and staff travel;
- we should develop better data sharing to help deliver joined up services focussed on the patient experience;
- we should improve the range of services available within communities to reduce travel and out of area contract costs; and
- we should not be cutting spend or services at this time.

3.6.4 It is accepted that the survey does not provide an indication of strength of feeling and that attempts to summarise and group individual responses can result in some loss of nuance within the responses. The full responses have been shared within the management team to provide all managers with the opportunity to consider these as worded by the respondents. It is acknowledged that the budget consultation process should be improved in future.

3.6.5 In respect of the budgeting process, there is some opportunity to reduce the scale of the savings target and revised proposals seek to reflect the priority for protecting front-line services outlined in many of the consultation

responses. Existing proposals to reduce management and overhead related costs have been retained within the plan.

3.7 Savings Proposals

- 3.7.1 As a result of the forecast improved financial position at the end of 2021/22, the reduced level of debt and the additional funding allocations it is suggested that the savings target be reduced from the original proposal set at £4.8m to a new target of £3.9m. This reduced target will help protect services and enable increased management time to be focused upon longer term planning, transformational change and the remobilisation of services. It also slightly reduces the financial risk associated with savings in the budget.
- 3.7.2 Appendix 4a provides a reduced savings plan for 2022/23, this also provides information on where the reductions have been applied against the initial proposals which were consulted upon. It is reiterated that on-going service demand increases and inflationary pressure result in the requirement to continually look for ways of delivering savings and increasing efficiency. Whilst the additional investment from the Scottish Government in Health and Care services helps alleviate the situation, it does not completely negate the requirement to deliver savings.
- 3.7.3 The EQIAs for relevant savings proposals are included as appendix 4b. These are provided for those projects which have been developed sufficiently and where an impact upon service users has been identified. Additionally a further report is provide in respect of the proposed Hospital budget reductions within appendix 4b.
- 3.7.4 The proposed final savings plan for 2022/23 is provided below:

Saving Type	£'000
Operational / Management Savings	3,787
Policy Savings	158
Total Savings 22/23	3,945

Additionally it is anticipated that there will be approximately £1.5m of already agreed savings plans carried forward into 2022/23. In respect of the new savings a plan, a paper outlining the approach to the reduction in hospital budgets (£0.5m) was considered by the Finance and Policy Committee in February, further work on this is underway at present, savings totalling approximately half of the target has now been identified.

3.8 Medium Term Financial Planning

- 3.8.1 The budget and savings programme described above provides a revenue budget for 2022/23 only. Medium term financial planning and the development of a financial and investment strategy are now a priority. There are a number of key areas of uncertainty that will require consideration as part of this process:

- Spending Review – the Scottish Government anticipate they will publish a spending review in May 2022. This should provide greater confidence in funding intentions for the Health & Social Care Sector;
- National Care Service – it is hoped that there will be greater clarity in respect of the NCS proposals in the coming months to provide an improved understanding of governance, funding for services within scope, assets and capital funding are crucial to the development of longer term plans;
- Repayment of Debt – it is currently anticipated that the debt owed to the council can be repaid in full early in 2022/23, once this has been confirmed the HSCP will be able to build its own reserves;
- Investment Priorities – the HSCP recognises that there is a need for capital investment, a plan outlining investment priorities is required to enable consideration of how these can be funded.

3.8.2 In the meantime, the 2022/23 budget does allow £900k for the scheduled repayment of debt to Argyll & Bute Council. In the event that not all of this is required, it is proposed that a Capital Investment reserve is established, initially this will enable the HSCP to begin work on an investment plan in the coming year. It is also envisaged that the development of a medium term financial framework will enable a more strategic approach to future savings targets and will facilitate improved consultation. Members will be aware that core capital allocations are not delegated to the HSCP at present.

3.9 Budget Timetable and Process

Approval of the Budget finalises the process for development of the 2022/23 budget. The timetable set for the budgeting process is provided below:

Agree approach with SLT	JG / FD / GM	8 September - Complete
Issue template to managers to identify undeliverable savings - drafts due by 23 September	JG	10 September - Complete
Issue template for identification of new savings and provisional targets	JG	23 September - Complete
Report Process to Finance and Policy Committee	JG	24 September - Complete
Report updated budget outlook to Finance and Policy Committee	JG	22 October - Complete
First draft of new savings templates completed by managers with SIO and Finance support	SLT	26 November - Complete
ELT Workshop to review proposals	ELT	1 December - Complete
Scottish Government Draft Budget		9 December
Finalisation of savings programme for 2022/23	ELT / Professional Leads	20 December – small number of plans outstanding
Update report to Finance and Policy	JG	21 Jan - Complete

Consultation on Draft Budget and Savings Proposals	JG/FD	Feb 2022 - Complete
Final Budget for approval by IJB	JG/FD	30 March 2022

Once approved by the IJB, final directions (drafts at appendix 5) will be issued.

4. RELEVANT DATA AND INDICATORS

- 4.1 The budget is based on a number of important planning assumptions. The assumptions used are considered carefully and are aligned with the Scottish Government Budget and sector planning guidance. These will be regularly reviewed and updated as longer term planning progresses. There are likely to be variations between the assumptions made for the purposes of developing a budget and the actual delivery costs. Financial risk management processes will identify and quantify potential variations between the budget assumptions and reality.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The Integration Joint Board has a responsibility to set a budget which is aligned to the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery. This has been taken into account when difficult options to balance the budget have been developed. Whilst the finalisation of the new Strategic Plan has been delayed due to the emergency footing status announced in December 2021, the budgetary planning process has sought to be consistent with the direction of travel and work done to date.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – This report recommends approval of a balanced budget for the HSCP for 2022/23, which assumes delivery of the savings plan. Once approved the formal directions in respect of the budget can be issued.
- 6.2 Staff Governance – None directly from this report but there is a strong link between HR management and delivering financial balance.
- 6.3 Clinical Governance - None

7. PROFESSIONAL ADVISORY

- 7.1 There are no new recommendations arising from this report which require to be consulted on with Professional Advisory leads. Savings proposals have been consulted upon extensively with all members of the HSCP management team.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 Equality impacts have been considered in respect of each of the savings proposals where a potential impact upon service users has been identified.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

9.1 None directly from this report.

10 RISK ASSESSMENT

10.1 Financial risks will continue to be identified and reported separately. The key risks relating to the Budget include:

- delivery of new and existing savings;
- general inflation and staff pay increases being higher than public pay policy;
- high levels of macroeconomic risks and uncertainty;
- costs of new treatment and demand levels for all services;
- on-going covid pandemic and likelihood that separate funding for covid related costs has ended; and
- sustainability of key providers and commissioned services.

10.2 There are number of factors which provide mitigation against financial risks, these include:

- high level of reserves carried into 2022/23 will help enable short term mitigation of financial risk on a non-recurring basis;
- planned activity and spend continues to be constrained by the available workforce increasing the likelihood that it will take time to grow into the increased budget; and
- reduced scale of the savings programme will facilitate increased focus on savings delivery and longer term transformation.

Additionally, the commitment to the development of the National Care Service poses a significant risk of disruptive structural change which is likely to divert attention from operational and strategic priorities and planning within the coming year.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

11.1 The HSCP conducted a public consultation in respect of its budget and savings proposals. This report provides a summary of the responses received. Projects will continue to take into consideration local stakeholder and community engagement as part of the project management process.

12. CONCLUSIONS

12.1 This report summarises the budget and savings plan for 2022/23. The budget is set in an improved financial context and as result incorporates some scope for growth and a reduced savings plan. The report also outlines a proposed approach to longer term financial planning and a proposal to establish a reserve specifically aimed at developing investment plans as resources allow. This approach is intended to enable much needed investment in physical infrastructure and transformation.

12.2 Once the budget is approved by the IJB, formal directions will be issued.

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 Summary

Appendix 2 – Budget Consultation Charts

Appendix 3 – Budget Consultation Written Responses

Appendix 4a – Revised Savings Plan

Appendix 4b – Equality Impact Assessments & Hospital Budget Saving

Appendix 5 – Draft Directions

AUTHOR NAME: James Gow, Head of Finance and Transformation
james.gow@argyll-bute.gov.uk