

Scottish Borders Health & Social Care  
Integration Joint Board



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**JOINT FINANCIAL PLAN – BUDGET PLANNING ASSUMPTIONS 2020/21**

<b>Purpose of Report:</b>	This paper provides the IJB with an initial high level assessment of the budget planning assumptions underpinning the 2020/21 Joint Financial Planning process.
<b>Recommendations:</b>	The Health & Social Care Integration Joint Board is asked to: <ul style="list-style-type: none"> <li>a) <b>Note</b> the budget planning assumptions being made for the 2020/21 Financial Planning process</li> </ul>
<b>Personnel:</b>	There are no resourcing implications beyond those identified within the report.
<b>Carers:</b>	N/A
<b>Equalities:</b>	There are no equalities impacts arising from the report.
<b>Financial:</b>	No resourcing implications beyond the financial resources identified within the report.
<b>Legal:</b>	Supports the delivery of the Strategic Plan and is in compliance with the Public Bodies (Joint Working) (Scotland) Act 2014 and any consequential Regulations, Orders, Directions and Guidance.
<b>Risk Implications:</b>	The key risks are highlighted within the report

## 1 Context

- 1.1 The paper sets out these assumptions and an initial insight into their potential implications for the Revenue Resource allocations the IJB will receive from the Council and NHS Borders in 2020/21. The intention is to bring the draft Joint Financial Outlook for 2020/21 to the IJB in January and a final Joint Financial Plan for approval in March. These timescales are dependent on confirmation of budget allocations from the Scottish Government (SG) in December 2019.
- 1.2 Whilst this paper focuses on the Joint Financial Plan (FP) for 2020/21 the intention is to present a medium term (3 year) Joint FP in future papers. However, currently NHS Borders is in the process of developing a 3 year FP and the Council is preparing its 5 year FP so further work is required to produce a Joint FP covering the next 3 years.

## 2 Background

- 2.1 The UK Government's Spending Review in September announced a range of funding proposals for public services. Scotland's share of these proposals has not been confirmed at this stage, nor is the breakdown of any increase over the different public sectors. The assumptions presented in this paper therefore reflect the most recent guidance from SG for Health and Local Government and the high level internal estimations by each Partner organisation.

## 3 Assumptions

### 3.1 NHS Borders

- 3.1.1 The Health Board is assuming an overall uplift of 2.6% on its base funding for 2020/21. This would equate to £5.2m. This increase is allocated by the SG to fund nationally agreed pay awards and initiatives as well as to cover inflationary increases such as contractual uplifts. The Health Board's (HB) planning process has identified a number of areas of spend highlighted below which will be commitments against the uplift received in the coming year.
- Pay – 2020/21 will be the third year of the 3 year reform of the AFC pay scales relating to non medical staff pay and its not clear if the uplift will cover the final year increase. Detailed modelling will be undertaken to identify the expected cost for the coming year.
  - Supplies uplift has been assumed at 2% however this may not be sufficient to fund contractual increases from external providers. This is especially relevant for Learning disabilities and Mental Health services where some patients are placed outwith the Borders.
  - Drugs – the HB is forecasting an increase of 6.3% on its drugs budget, driven by the impact of new drugs, the implementation of new protocols, and the expected increase in Prescribing spend.
  - National and Regional investments – some of which are driven by legislation. Further work is required to confirm the HBs commitments to National and Regional developments.

- General demographic and activity growth
- Non recurring commitments linked to Financial Turnaround and the Winter programme.

3.1.2 As part of its FP process NHS Borders is working to produce robust estimates of these elements of spend. Any adverse outcomes arising from a comparison of the levels of income and expenditure assumed will increase the financial gap forecast for 2020/21.

3.1.3 The HB is working on a 3 year financial recovery plan which will propose ways in which it can deliver a balanced financial position at the end of 2022/23. Any increase in the overall financial gap arising from the 2020/21 planning process will have an adverse impact on that 3 year plan.

### 3.2 Scottish Borders Council

3.2.1 The Scottish Borders Council (SBC) is again developing a 5 year revenue and 10 year capital financial plan from 202/21. The broad planning assumptions reflected in the existing plan have been reviewed and updated to provide detailed planning assumptions for the coming financial year and indicative plans for the following 4 years.

3.2.2 The overall assumptions underpinning the Council's 2020/21 FP are set out below, including any specific implications for the IJB delegated function within the Health & Social Care Partnership. The assumptions presented reflect the latest guidance and information from COSLA where appropriate. The Council's main sources of funding are:

- Local Government Financial Settlement – overall SBC are assuming a flat cash settlement in core grant funding for next year. Whilst this is an improvement on the 1% reduction previously assumed, it still presents financial challenges, not least in addressing the impacts of inflation.
- Council Tax – the 2020/21 FP assumes an increase of 3% in line with the rate approved in 2019/20.

3.2.3 The implications of these income assumptions have been assessed in relation to the main areas of expenditure, including specific assumptions relating to the IJB delegated services:

- Pay – Council staff are moving into the 3<sup>rd</sup> year of a 3 year pay agreement which will award all staff and increase of 3%. It has been assumed that the SG will continue to fund any differential increase for teaching staff as part of their separate agreement.
- Non Pay – based on recent trends the council has assumed RPI will be 2.8% and CPI will be 2%. These indices form the basis of contractual uplifts imposed by providers in the coming year.

### 3.2.4 H&SC Services

- As a result of budget work confirmed by COSLA the Council has assumed that the £2.496m allocated directly to Integrated Services in 2019/20 will be baselined in 2020/21. The plan assumes that the budget increases funded from that uplift will also be recurring.
- The SBC FP assumes that the Social Care Fund balance of £7.397m will continue to flow from Health to Social Care.
- The Council FP recognises that ongoing pressures, particularly relating to demographic growth and Scottish Living Wage increases may not be funded directly by the SG and has therefore assumed that any planned increases in these areas will be funded by the Council. Work is underway to produce robust estimates of growth that will inform the plan.

## 4 Delivering a Balanced FP

- 4.1 Both organisations' FPs assume the need for a level of savings to be delivered in 2020/21 to address existing gaps in funding. NHSB, through their Turnaround savings process acknowledges there is a requirement for significant additional year on year savings to bring the organisation back into financial balance.
- 4.2 Similarly, the Council has a medium term savings scheme Fitfor2024 which is expected to deliver substantial savings over the coming years.
- 4.3 Both organisations recognise that any unfunded pressures identified in 2020/21 which cannot be mitigated against will result in the need to deliver additional savings.
- 4.4 The impact of all of the above for the IJB will be reflected in the initial resource allocations proposed by the partner organisations in December.

## 5 Risks

- 5.1 Apart from an element of uncertainty inherent in considering information based on assumptions there are further risks external to the FP process which may impact on its outcomes.
- 5.2 There is a risk that Brexit may result in significant disruption and availability of resources (goods and staff) for a sustained period of time. The impact of this is likely to be adverse for both partner organisations.
- 5.3 A further risk may arise in relation to national events linked to Brexit.