

**Scottish Borders Health & Social Care  
Integration Joint Board**



Scottish Borders  
Health and Social Care  
PARTNERSHIP

Meeting Date: 15 June 2022

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<b>INTEGRATION JOINT BOARD 2022/23 FINANCIAL PLAN</b>	
<b>Purpose of Report:</b>	The purpose of this paper is to present the Joint Financial Plan for 2021/22 to the IJB for approval.
<b>Recommendations:</b>	The Health & Social Care Integration Joint Board is asked to: <ul style="list-style-type: none"> <li>a) Approve the 2022/23 budget in line with resources agreed with the partners.</li> <li>b) Endorse the approach to development of an HSCP Recovery plan to address savings targets and the status of work towards this plan.</li> <li>c) Note the risks described in the paper.</li> </ul>
<b>Personnel:</b>	There are no resourcing implications beyond the financial resources identified within the report. Any significant resource impact beyond those identified in the report that may arise during 2022/23 will be reported to the Integration Joint Board.
<b>Carers:</b>	N/A
<b>Equalities:</b>	The equalities impact of the contents of this report are not known at this stage. As the detailed outcomes of the settlements become apparent equalities impact assessments will be carried out.
<b>Financial:</b>	No resourcing implications beyond the financial resources identified within the report.  The report draws on information provided in the finance reports presented to NHS Borders and Scottish Borders Council. Both partner organisations' Finance functions have contributed to its development.
<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>	To be reviewed in line with agreed risk management strategy. The key risks outlined in the report form part of the draft financial risk register for the partnership.
<b>Direction required:</b>	No Direction required.

## IJB FINANCIAL PLAN 2022/23

### 1 Introduction

- 1.1 The paper presents the IJB financial plan and budget settlement for 2022/23 for approval. The draft budget was presented at the IJBs meeting on 2<sup>nd</sup> March 2022. There are no changes to the final budget presented below.
- 1.2 The budget settlement outlines resources of £189.5m in relation to functions delegated to the Health & Social Care Partnership. Of this, £70.2m is in relation to Social Care functions and £119.3m is in relation to NHS functions. Further resources of £28.1m are *Set Aside* for Large Hospital functions. The overall settlement represents an increase of 7.7% over baseline recurring budgets.
- 1.3 The plan includes a requirement for savings of £7.1m required to deliver a balanced financial plan for the IJB. Savings plans remain in development and an outline timescale for development is included within the paper.
- 1.4 Delivering a balanced financial plan for 2022/23 requires a number of assumptions to be made in relation to the level of resource provided, notably in relation to public sector pay policy and inflationary pressures. In both cases the assumptions made are based on partner bodies planning assumptions and consistent with Scottish Government advice, however economic forces at a national and international continue to present challenge to these planning assumptions.
- 1.5 The risks relating to assumptions made within the plan are highlighted within the paper and the IJB must be clear that it accepts these risks in approving the budget allocations from both Partners.
- 1.6 Regular reporting will ensure the IJB is kept informed of any changes affecting the assumptions made.

### 2 Background

#### 2.1 General Principles

- 2.1.1 The Scheme of Integration (SOI) for Scottish Borders Integrated Joint Board requires that the IJB agree its budget annually with Scottish Borders Council and NHS Borders in line with joint financial planning arrangements.
- 2.1.2 Resources available to the IJB are based on historic agreed budgets amended for items agreed through the financial plans of partner organisations, including share of local government financial settlement and the uplift to the NHS Board Revenue Resource Limit, as well as any further items directed as a result of national policy or otherwise agreed by partner bodies.

- 2.1.3 Savings targets are determined based on any shortfall against the level of resources available to the IJB and its agreed investments, including historic baseline expenditure.
- 2.1.4 The IJB is expected to deliver the outcomes identified within its strategic commissioning plan from within the totality of resources available. In some cases additional resources may be made available during the year to meet strategic priorities not included within the original plan. This includes allocation of additional resources by Scottish Government through partner bodies, where resources are directed at functions delegated to the IJB. Partners are expected to pass on these resources in full.
- 2.1.5 The IJB has the ability to hold ring-fenced reserves to retain planned underspends. Within Scottish Borders IJB there are significant accumulated reserves held on a ring fenced basis in relation to COVID recovery, Scottish government health portfolio commitments, and legacy balances retained from historic transformation funds. The COVID recovery reserve is held on a whole system basis (including non-delegated functions) in line with Scottish Government guidance. These reserves are discussed further in section 6 of the report.
- 2.1.6 Where there is a forecast overspend across the budgets set for delegated functions “the Chief Officer and the Chief Financial Officer of the Integration Joint Board must agree a recovery plan to balance the overspending budget” (Scottish Borders Scheme of Integration, Section 8.6).
- 2.1.7 The Scheme of Integration (SOI) makes provision for partner organisations to provide additional resources to the IJB where its recovery plan has been unsuccessful in a given year. Under the terms of the SOI amounts provided to meet this gap are repayable to the partners in future periods. This issue is discussed further in section 7, below.

## **2.2 Financial Planning Context**

- 2.2.1 The Scottish Government (SG) announced its budget on the 9th December 2021, notifying Health Boards and Local Authorities of their resource allocations for 2022/23. The budget was approved by parliament on 10<sup>th</sup> February 2022.
- 2.2.2 The SG budget outlined resource commitments for a single year pending the medium term spending review in May 2022. The Integration Joint Board (IJB) budget is therefore presented on a one year basis in line with SG planning assumptions.
- 2.2.3 Both NHS Borders (NHSB) and Scottish Borders Council (SBC) have incorporated the impact of the 2022/23 resource allocations as notified by SG within their budget allocations to the IJB for the delegated functions.
- 2.2.4 Scottish Borders Council approved its budget at its meeting on 22<sup>nd</sup> February 2022.
- 2.2.5 NHS Borders approved its budget at its board meeting on 7th April 2022.

- 2.2.6 A draft budget was presented to the IJB at its meeting on 2<sup>nd</sup> March. Following approval of the budget by each partner this budget is now presented to the IJB for final approval.
- 2.2.7 There are no changes to the draft budget presented in March 2022.
- 2.2.8 The IJB will work with partners to develop its medium term financial plan aligned to the revised IJB strategic commissioning plan in line with Scottish Government and local authority planning timescales.

### 3 Delegated Resources 2022/23

- 3.1 Table 1, below, summarises the funding agreed with partner bodies for the functions delegated to the IJB for 2022/23.

Table 1 – Allocations to the IJB from partner bodies 2022-23

Proposed Resources	Council	Health		TOTAL
	£m	IJB Delegated £m	Set Aside £m	£m
Recurring Base Budgets	61.9	120.3	26.9	209.2
Recurring Savings Targets	(1.3)	(4.7)	(1.0)	(7.1)
<i>Net Baseline</i>	60.6	115.6	25.9	202.1
Additional Recurring Resources	9.6	3.7	1.4	14.6
Additional Non-Recurring Resources	0.0	0.0	0.8	0.8
<b>Proposed Resource Allocations</b>	<b>70.2</b>	<b>119.3</b>	<b>28.1</b>	<b>217.5</b>
<b>Uplift</b>	<b>15.8%</b>	<b>3.2%</b>	<b>8.4%</b>	<b>7.7%</b>

- 3.2 The 2021/22 budget approved by the IJB in March 2021 identified total resources of £194.4m. Since this time, the overall budget has increased as a result of additional in year allocations not included within the budget approved at March 2022. This has resulted in a revised (net) baseline of £202.1m.
- 3.3 The additional resources allocated to the delegated functions are above the level of uplift received by partner bodies and represent their commitment to funding the pressures and statutory commitments which will impact on the delegated functions in 2022/23. They include uplift to the Social Care Fund, the Transformation Fund and Resource Transfer.
- 3.4 Any further increase to allocations in relation to delegated functions which are received by partner bodies during 2022-23 will be passed on. This will include elements of the Programme for Government (PfG) resource to NHS Boards as described in Appendix 2 to this report.

### 4 Funding Requirement

- 4.1 The impact of known and expected costs and pressures has been modelled across the partner's services to identify the level of funding the IJB requires for 2022/23 to fully fund commissioned services.
- a) Pay pressures have been calculated on the basis of SG pay policy guidelines for 2022/23 although it should be noted that pay negotiations continue.

- b) Non pay inflation has been estimated in line with partner body and national guidance. Inflationary increases are modelled at 2.0% except where separately identified. This is in line with partner body and national planning guidance. The impact of macro-economic factors on general inflation will remain a risk to partner organisations and will be considered further via quarterly reviews.
- c) Prescribing costs are assumed to be in line with estimates provided by NHSB.
- d) Known increases relating to the Scottish Living Wage, the uprating of Free Personal and Nursing Care payments, and the ongoing implementation of the Carers Act have also been built into the funding required.
- e) The impact of known and expected pressures relating to demographic increases in demand for services are also reflected as budget growth within the Council budget – specifically in relation to Older People and Learning Disability Social Care services.

- 4.2 The financial implications of additional costs and pressures included in the plan are summarised below in comparison to the resources NHSB and SBC have provided for 2022/23:

Table 2 – Scottish Borders IJB - Forecast Outturn 2022-23

Forecast Outturn	Council	Health		TOTAL
	£m	IJB Delegated £m	Set Aside £m	£m
<b>Expenditure Commitments</b>				
Baseline	61.9	120.3	26.9	209.2
Projected Increase	9.6	3.7	2.2	15.5
<b>Total Expenditure Commitments</b>	<b>71.5</b>	<b>124.0</b>	<b>29.1</b>	<b>224.6</b>
<b>Resources Provided</b>	<b>70.2</b>	<b>119.3</b>	<b>28.1</b>	<b>217.5</b>
<i>Required Savings</i>	<i>(1.3)</i>	<i>(4.7)</i>	<i>(1.0)</i>	<i>(7.1)</i>
Delivery of Financial Balance	1.3	4.7	1.0	7.1
<b>Forecast (Over)/Under spend</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 4.3 Table 2 identifies the gap that exists between the anticipated expenditure commitments and the resources provided, which totals (£7.1m). Actions required to address this gap are discussed in section 5, below.
- 4.4 It should be noted that the savings target delegated by NHSB is based on accumulated non-delivery of prior year savings targets allocated to the IJB. The Health Board has deferred any consideration of increased savings targets to offset new investments pending development of its medium term (three year) financial plan in summer 2022.
- 4.5 A summary of the budget by service is provided in Appendix 1.

## 5 Delivering Savings

- 5.1 As identified in Table 2 there is a projected requirement for £7.1m of savings delivery during 2022/23. A detailed HSCP Recovery plan has been commissioned by the Chief Officer and timescales for preparation of this plan are outlined below:

<b>Milestone(s)</b>	<b>Date</b>
Confirm individual business unit targets for in year delivery	31 <sup>st</sup> May
Draft Recovery plan	30 <sup>th</sup> June
Phase I implementation (early implementers)	1 <sup>st</sup> July+
Final Recovery Plan	31 <sup>st</sup> July
Phase II implementation (full implementation)	30th September

- 5.2 Whilst the plan remains in development it is clear that focus will be required to establish increased grip & control on existing budgets, as well as implementation of service reviews of those areas where spend is out of alignment with benchmarked performance. The IJB will require support from partners to ensure that there is efficient contracting across goods & services, as well as to drive programmes such focussed on improvement and realistic medicine/prescribing.
- 5.3 The Strategic commissioning plan will give opportunity to align financial improvement with the IJBs overall strategic direction and it is expected that transformational change will provide a significant component of the financial recovery actions. This will take time and it is unlikely that significant savings will be achieved in 2022/23. To deliver this change the IJB will seek to establish a transformation fund to support transitional costs and project support across programmes of work.
- 5.4 The HSCP Recovery plan will also need to align to individual savings plans developed within partner organisations and much of what is achieved in 2022/23 will be reliant on the delivery of these workstreams.
- 5.5 **Scottish Borders Council.** Within Social Care services transformational change and resultant savings is being supported through the Council's Fit for 2024 programme. 2022/23 will continue to see significant focus on digital transformation in line with the Council's Digital Strategy.
- 5.6 **NHS Borders.** The Health Board is currently developing its transformation programme approach under the overarching NHS Borders Quality & Sustainability programme. Within this, financial savings are expected to be delivered through a combination of local improvement plans and whole system workstreams. Further detail is awaited on how this will be delivered.
- 5.7 The key actions required to deliver financial balance will be managed operationally through the Health & Social Care Partnership (HSCP), with accountability for performance aligned to the partner bodies.

## **6 IJB Reserves**

- 6.1.1 The IJB holds significant non-recurring reserves in relation to balances committed not spent on ring-fenced allocations.
- 6.1.2 The reserves balance as at 31<sup>st</sup> March 2022 will be finalised following completion of the IJB Annual Audit, however draft figures suggest that this balance will be c.£30m, of which the majority will be held in relation to NHS allocations.

- 6.1.3 A full review of the reserves balance will be undertaken in advance of Quarter One review with a view to identifying any flexibility available to the IJB to support its strategic commissioning plan, and to offset non-delivery of savings.
- 6.1.4 The Scottish Government has indicated that it is reviewing its portfolio commitments in light of current economic pressures. It is likely that slippage on prior year investments against some areas of SG priority will be expected to be utilised to address current year commitments before any additional funding is made available. An assessment of the risk against this position will be undertaken as part of the Q1 review.
- 6.1.5 COVID reserves are held by the IJB in relation to additional SG funds made available in February 2022 and with expectation that these funds will be ring-fenced to offset ongoing COVID expenditure. No further COVID funds are expected to be available to SG through UK government consequentials and therefore this is the only resource available to support COVID plans. Further advice is awaited from SG on how this funding can be utilised.
- 6.1.6 Given the significant financial challenges faced by the IJB and its partners, consideration will need to be given to how the IJB reserves may contribute to the overall financial balance of the IJB in 2022/23. This issue is discussed further in section 7, below.

## **7 Delivering Financial Balance**

- 7.1 Should the HSCP recovery plan be unable to identify or deliver savings to the value required, the IJB will be unable to present a balanced financial position in 2022/23.
- 7.2 The IJB Chief Finance Officer will be expected to develop a financial strategy for how the IJB manages any gap on delivery in 2022/23 as quickly as possible following their commencement in post.
- 7.3 The conditions under which support from partner bodies may be available are described below. Any support may be conditional and it will be essential that the IJB explores all possible options to mitigate this gap before seeking support from partners.
- 7.4 A potential mitigation to address in year shortfall may include consideration of how the IJB can release funds held as ring-fenced by reviewing phasing of commitments, i.e. borrowing from its own reserve in current year with expectation that this will be paid back through release of savings in future periods. This strategy presents significant risk and deployment of this approach will need agreement of partner organisations and the IJB.
- 7.5 In line with the Scheme of Integration, the IJB can request additional contributions from partner bodies to offset any gap in proportion to their share of this gap. Partner bodies are required to provide this support, however the Scheme of Integration sets out the conditions under which this support is provided as follows:

“The Integration Joint Board should make repayment in future years following the same methodology as the additional payment. If the shortfall is related to a recurring issue the Integration Joint Board should include the

issue in the Strategic Commissioning Plan and financial plan for the following year”.

- 7.6 NHS Borders and Scottish Borders Council have not exercised this condition in relation to financial support issued in previous years. Total support to the IJB in 2021/22 is expected to be c.£4m (subject to final audit). No conditions have been advised by partners in relation to this support.
- 7.7 It should be noted that NHS Borders holds a commitment to repay £8.3m brokerage to Scottish Government in relation to support received in 2019/20. This figure includes support made available to the IJB. The IJB has not been advised of any expectations that it will contribute to the repayment of this brokerage.

## **8 Risk**

- 8.1 There is a high degree of uncertainty within the current operating environment across Health & Social Care delegated functions, with significant volatility in relation to financial planning assumptions.
- 8.2 The impact of global events (e.g. Russia-Ukraine war) on macro-economic factors has introduced rapid inflationary pressures on fuel, utilities and general costs of living. Variation from planning assumptions will be closely monitored during 2022-23.
- 8.3 Public sector pay deals have not yet been finalised for key staff groups and any increase above estimates will result in cost pressure unless accompanied by additional allocation following the May 2022 spending review.
- 8.4 Financing of ongoing expenditure on the local COVID response plans is likely to reduce during 2022-23 and will require reduction in additional services on a phased basis in order to manage within available resources. New variants or other drivers for increased outbreaks may cause disruption to these plans.
- 8.5 The transition from pandemic to remobilisation of services is likely to be slow and there are significant challenges within the operating environment across Health & Social Care. These challenges will include pressure on staff and providers which will limit the pace of change and have already manifest in disruption to services during the early part of 2022.
- 8.6 The financial plan which underpins the level of resources provided by NHSB to the IJB has not yet been approved by Scottish Government. This plan identifies an in year shortfall of £12.2m. There is a risk that the SG requires NHSB to take additional actions to reduce the projected deficit and that this in turn impacts on the level of resource available to delegated functions. It is likely that any support available to offset this deficit will be made available on a repayable basis (i.e. brokerage).
- 8.7 As in previous years, there is a risk that new pressures will emerge during the course of 2022-23. This will require identification of mitigating actions by the HSCP and partner bodies.



## 9 Recommendations

9.1 The Integrated Joint Board is requested to:-

9.1.1 **Approve** the 2022/23 budget in line with resources agreed with the partners.

9.1.2 **Endorse** the approach to development of an HSCP Recovery plan to address savings targets and the status of work towards this plan.

9.1.3 **Note** the risks described in the paper.

### Author(s)

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### Appendices

Appendix 1 – Scottish Borders IJB Budget 2022/23

Appendix 2 – Key Messages from SG Budget Announcements

## Appendix 1

<b>IJB FINANCIAL PLAN</b>				
<b>Summary</b>		<b>2022/23</b>		
	<b>HSCP Social Care £'000</b>	<b>HSCP NHS £'000</b>	<b>Hospital Set Aside £'000</b>	<b>Total Budget £'000</b>
<b>Joint Learning Disability Service</b>	18,146	3,599	0	21,745
<b>Joint Mental Health Service</b>	1,803	18,910	0	20,713
<b>Joint Alcohol &amp; Drugs Service</b>	150	423	0	573
<b>Older People Services</b>	27,303	0	0	27,303
<b>SB Cares</b>	14,519	0	0	14,519
<b>Physical Disability Service</b>	2,491	0	0	2,491
<b>Prescribing</b>	0	23,132	0	23,132
<b>Generic Services</b>				
Independent Contractors		31,708	0	31,708
Primary Care Improvement		1,053	0	1,053
Community Hospitals		6,254	0	6,254
Allied Health Professionals		7,507	0	7,507
District Nursing		4,102	0	4,102
NHS directed funds (social care)		12,960	0	12,960
Generic Other	7,106	14,375	0	21,481
	<b>7,106</b>	<b>77,958</b>	<b>0</b>	<b>85,064</b>
<b>Large Hospital Functions</b>				
Accident & Emergency			3,366	3,366
Medicine & Long-Term Conditions			18,012	18,012
Medicine of the Elderly			6,932	6,932
Winter Planning			800	800
			<b>29,110</b>	<b>29,110</b>
<b>Targeted Savings</b>	<b>(1,339)</b>	<b>(4,739)</b>	<b>(1,046)</b>	<b>(7,124)</b>
<b>Total</b>	<b>70,179</b>	<b>119,284</b>	<b>28,063</b>	<b>217,527</b>



**Key Messages from SG Budget Announcements**

- 1 The Scottish Government published its draft budget on 9<sup>th</sup> December 2021 and approved this budget on 10th February 2022. A Resource Spending Review was published on 31<sup>st</sup> May 2022 which takes a medium term forward look over the lifetime of the parliament.
- 2 The key aspects of the SG budget announcements and their implications for NHSB and SBC are summarised below:
  - 2.1 **Health**
    - 2.1.1 NHS Health Boards will receive an uplift of 2.0% on baseline resources. This equates to £4.5m for NHS Borders.
    - 2.1.2 Additional resources are made available to offset the impact of increased national insurance employer contributions in respect of the Health & Social Care Levy. Funding equates to £1.3m to NHS Borders (share of £70m nationally).
    - 2.1.3 Adjustment of a further £2.7m to the Health Board's base budget to maintain parity within 0.8% of the NHS Scotland formula for population-weighted resource allocation (NRAC).
    - 2.1.4 Increased investment in Programme for Government (PfG) priorities expected to flow on a population-share basis during 2022/23, including:
      - a) Primary Care investment (£262.5m nationally, £12.5m increase on previous year).
      - b) Mental Health & CAMHS (£246m nationally, £14.9m increase on previous year). This delivers the £120m Recovery & Renewal fund announced in 2021/22.
      - c) Drug Deaths policy (£61m nationally, no change to previous year).
      - d) Recurring impact of £300m 'winter' funds announced in 2021/22, including additional resources for HSCPs across both NHS and Social Care.
      - e) Commitment to provide additional resources to offset the financial impact of measures taken in response to the Covid-19 pandemic.
    - 2.1.5 In line with previous years, NHS Boards are directed to provide a minimum level of uplift to IJBs in line with the Health Board's own uplift (2.0%); and to pass on this uplift in full to any funds directed to Social Care.
  - 2.2 **Local Authority**
    - 2.2.1 The Health and Social Care Portfolio will transfer a total of £554m to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay and on winter planning arrangements.

- 2.2.2 Within this total, £235.4 million is made available to support retention and improve pay terms & conditions. This includes increase to a £10.50 minimum pay settlement for adult social care workers in commissioned services, in line with the equivalent commitment being made in the public sector pay policy. Funding also includes provision for increases to FPNC and the Carers Act.
- 2.2.3 Funding is expected to be additional to each Council's recurring 2021-22 budget with the expectation that this delivers an increase of £554m above baseline budgets for Social Care in 2022-23.
- 2.2.4 Social Care fund of £7.888m (uplifted by 2.0% from 2021/22 funding) is once again transferred from NHS to the Council via the Integration Joint Board (IJB). This funding has previously been delegated on a permanent recurrent basis to the Council's Social Care function by the IJB.

### 2.3 **Update on Scottish Government Resource Spending Review**

- 2.3.1 The Scottish Government published its Resource Spending Review (RSR) on 31<sup>st</sup> May 2022. This report outlines public sector spending plans to 2026 against key priorities in relation to child poverty, the climate emergency, recovery from COVID and growing a fairer economy.
- 2.3.2 The report emphasises the impact that global factors will have on the Scottish economy, including current inflationary pressures. Despite this, it emphasises an ongoing commitment to deliver on previously announced investment priorities, including the increase to overall resources in health and social care, including establishment of the National Care Service.
- 2.3.3 In order to finance these changes the report acknowledges that there will need to be public sector reform. Key messages within this domain include the need to deliver a minimum of 3% savings per annum across all public sector organisations, and to consider how shared service infrastructure can be used to best effect, including rationalisation of the public sector estate through increased joint working.
- 2.3.4 The report does not set out any specific changes to Public Sector pay policy however it identifies a strategic aim to manage total pay costs within the levels of spend incurred in 2022/23 "while returning the overall size of the public sector to broadly pre-COVID-19 levels". This is intended to provide flexibility to support pay increases within an overall balanced position.
- 2.3.5 The RSR is not a budget; it provides a framework for government spending and outlines the economic forces which will influence this programme. It is clear that there will be increased constraints on public spending as a result of the issues described in the report and that investment will be made within the context of enhanced drive to deliver efficiencies from within existing resources in order to finance this investment.
- 2.3.6 A fuller assessment of the impact of these issues on the IJBs ability to deliver against its financial plan will be prepared through the quarterly review process.