

HSPC INITIAL BUDGET 2023/24

1 INTRODUCTION

- 1.1 The paper presents the initial 2023/24 HSCP budget for approval by the IJB.
- 1.2 NHS Borders is preparing a 3 year Financial Recovery Plan for approval by Scottish Government. The impact of this on the HSPC budget is not yet known. This means that the medium term (three year) Financial Plan is not yet developed, and the initial budget is likely to be subject to change.
- 1.3 The Integrated Joint Board is requested to:-

Approve the SBC 2023/24 budget in line with resources agreed with the Council.

Note that further information is required from NHS Borders. This has been requested and the intention is to seek approval at the IJB in April.

Endorse the approach to development of an HSCP Recovery plan by May 2023 to address savings targets and alignment with the Strategic Framework.

Note the risks described in the paper.

2 SCOTTISH GOVERNMENT GUIDANCE

- 2.1 Richard McCallum, Director of Health Finance and Governance provided planning guidance on 15 December 2022. The settlement sets out the next steps to deliver the Health and Social Care commitments in the Programme for Government. As in previous years this will be subject to any changes agreed through the Bill process.
- 2.2 Compared to 2022-23 budgets, Boards will receive a total increase of 5.9% for 2023-24. This includes recurring funding for pay in 2022-23 and a baseline uplift of 2% for 2023-24. Within this total, those Boards furthest from NRAC parity will receive a share of £23.2 million, which will continue to maintain all Boards within 0.8% of parity.
- 2.3 In terms of pay, given the challenging and uncertain outlook for inflation, the need to conclude some pay deals for the current year and the associated implications for spending baselines, the Government has not set out a public sector pay policy alongside the 2023-24 Budget and we will say more on 2023-24 pay (covering Agenda for Change and other staff groups) at an appropriate point in the new year. As part of Boards recurring adjustments for 2022-23, amounts have been included based on pay offers for Agenda for Change and Medical and Dental staffing in 2022-23. The Agenda for Change pay deal remains subject to agreement, and we will work with Directors of Finance to finalise this position once the outcome is known. He will

write to Boards in 2023 to confirm finalised baseline budgets following the conclusion of this work

- 2.4 With respect to Health & Social Care Levy Funding the £69.1 million allocated in 2022-23 to support Boards with the costs of the additional National Insurance levy in 2022-23 will remain with Boards. Following the change in policy by UK Government, this funding is not ringfenced and it is to be determined locally how this resource is utilised.
- 2.5 Whilst the scale of Covid-19 costs has reduced significantly in 2022-23 and projected to reduce further in 2023-24, we recognise that there are specific legacy costs that will require additional funding support in the new financial year. This includes funding for: - Vaccinations staffing and delivery; - Test & Protect activities including Regional Testing facilities; - Additional PPE requirements; and - Some specific Public Health measures. Following today's budget we will seek to provide early clarity as to the total funding to be provided to support these costs. However, beyond the above, NHS Boards and Integration Authorities should expect to meet remaining costs from baseline funding and should continue to drive these costs down as far as possible.
- 2.6 Policy Funding In addition to the baseline uplift outlined, funding aligned to policy commitments and recovery of health and social care services will be allocated to Boards and Integration Authorities in 2023-24. It is our intention to provide early indication of allocations, where possible, and to align this to the planning guidance that will be issued in relation to Annual Delivery Plans, setting out the priorities for health and social care in the coming year. Recognising the level of funding that is provided through in-year non-recurring allocations, and to maximise flexibility in delivery, we intend to review funding arrangements ahead of 2023-24. As part of this work, we will seek to bundle and baseline funding where this is appropriate. We will work closely with both Territorial and National Boards to establish a suitable approach.
- 2.7 Health and Social Care Integration In line with previous years, 2023-24 NHS payments to Integration Authorities for delegated health functions must deliver an uplift of 2% over 2022-23 agreed recurring budgets and make appropriate provision for 2022-23 pay. The Health and Social Care Portfolio will transfer net additional funding of £95 million to Local Government to support social care and integration, which recognises the recurring commitments on adult social care pay in commissioned services (£100 million) and inflationary uplift on Free Personal Nursing Care rates (£15 million). This is offset by non-recurring Interim Care money ending (£20 million). The overall transfer to Local Government includes additional funding of £100 million to deliver a £10.90 minimum pay settlement for adult social care workers in commissioned services, in line with Real Living Wage Foundation rate.
- 2.8 The funding allocated to Integration Authorities should be additional and not substitutonal to each Council's 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.

3 SCOTTISH BORDERS HSCP BUDGET SETTLEMENT

3.1 The budget settlement outlines resources as shown below and compared to budgets at April 2022 and December 2022.

	2022/23 April	2022/23 Dec	2023/24 Initial
Social Care	£70.2m	£70.6m	£74.992m
NHS	£119.3m	£127.4m	£122.997m
Total delegated	£189.5m	£198.0m	£197.989m
Set aside	£28.1m	£29.0m	£28.759m

Additional in year allocations will be recognised when notified by Scottish Government.

Audit Scotland have identified that we are not compliant with guidance in relation to Set Aside. This will be addressed within the first quarter.

4 SAVINGS TARGETS

4.1 The budget includes a requirement for savings of £11.767m to deliver a balanced financial plan for the IJB. Savings plans for health delegated functions remain in development. The IJB CFO will join the NHS Border Financial Improvement Group. We may take an approach to overview of savings across the Partnership. This is an increase from £7.1m last year.

	Health delegated functions	Social care delegated functions	Set Aside	Total
Savings target b/f	4.553	1.32	0.944	6.817
Agreed plans		0,42		0
Unallocated gap	3.632		1.318	4.95
Total target	8.185	1.32	2.262	11.767
Of total budget	7%	2%	8%	5%

4.2 In addition to identifying savings plans there will be a need to start using the Best Value for Every Pound approach to ensure that we invest in services that have greatest impact relative to the amount invested.

5 BALANCED FINANCIAL PLAN

5.1 Delivering a balanced financial plan 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.

- 5.2 The three year Financial Plan will be presented to the IJB before end June.
- 5.3 Regular reporting will ensure the IJB is kept informed of any changes affecting the assumptions made.

6 GENERAL PRINCIPLES

- 6.1 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.
- 6.2 Resources available to the IJB are based on historic agreed budgets amended for items agreed through the financial plans of partner organisations, including a 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.
- 6.3 Savings targets are determined based on any shortfall against the level of resources available to the IJB and its agreed investments,
- 6.4 The IJB is expected to deliver the outcomes identified within its strategic framework 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.
- 6.5 The IJB has the ability to hold ring-fenced reserves to retain planned underspends.
- 6.6 Where there is a forecast overspend across the budgets set for delegated functions “the Chief Officer and the Chief Finance Officer of the Integration Joint Board must agree a recovery plan to balance the overspending budget” (Scottish Borders Scheme of Integration, Section 8.6).
- 6.7 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.

7 FINANCIAL PLANNING CONTEXT

- 7.1 Both NHS Borders (NHSB) and Scottish Borders Council (SBC) have incorporated the impact of the resource allocations as notified by SG within their budget allocations to the IJB for the delegated functions.
- 7.2 Scottish Borders Council approved its budget at its meeting on 23 February 2023.
- 7.3 NHS Borders is expected to approve its budget at its board meeting on 31 March 2023..

- 7.4 The initial budget is presented to the IJB for approval of the SBC budget, and noting the NHS Budget pending clarification of the proposal. The NHS Budget is also pending any changes identified at the NHS Board meeting on 31 March 2023 and agreement to the NHSB Financial Recovery Plan with Scottish Government
- 7.5 The IJB will work with partners to develop its medium term financial plan and long term financial strategy, aligned to the new IJB strategic framework and in line with Scottish Government and local authority planning timescales.

8 DELEGATED RESOURCES 2023/24

- 8.1 The table below, summarises the funding agreed with partner bodies for the functions delegated to the IJB for 2023/24.

Financial Framework 2023 - Initial Service budgets							
	NHS Borders £m		SBC £m		HSCP £m		
	Budget	Savings	Budget	Savings	Budget	Savings	TOTAL
Set Aside	31.021	(2.262)			31.021	(2.262)	28.759
Delegated functions							
Older People			24.733	(0.050)	24.733	(0.050)	24.683
Adult social care			16.341	(0.942)	16.341	(0.942)	15.399
Prescribing	25.754				25.754	-	25.754
Learning Disability	4.059		20.404	(0.548)	24.463	(0.548)	23.915
Mental Health	20.398		2.177		22.575	-	22.575
ADP	0.439				0.439	-	0.439
Physical Disability			2.698		2.698	-	5.396
Primary and Community Care					-	-	-
Independent Contractors	31.487				31.487	-	31.487
Public Dental Services	4.360				4.360	-	4.360
Sexual Health	0.793				0.793	-	0.793
Community Hospitals	6.714				6.714	-	6.714
Allied Health Professionals	8.166				8.166	-	8.166
Leadership in Care Homes	-				-	-	-
District Nursing	4.592				4.592	-	4.592
Home First	-				-	-	-
Out of Hours Service	2.609				2.609	-	2.609
PCIP	2.160				2.160	-	2.160
Community Based Services	3.035				3.035	-	3.035
Generic Other	13.653		8.639		22.292	-	30.931
Resource Transfer	2.776				2.776	-	2.776
IJB Reserves	0.186				0.186	-	0.186
					-	-	-
Financial Improvement/ Recovery Plan		(8.185)		(1.540)	-	(9.725)	(9.725)
Total	162.202	(10.447)	74.992	(3.080)	237.194	(13.527)	223.667
		151.755		71.912		223.667	

- 8.2 The savings target delegated by NHSB is based on accumulated non-delivery of prior year savings targets allocated to the IJB, and an increase to reflect unallocated targets..
- 8.3 Any further increase to allocations in relation to delegated functions which are received by partner bodies during the year will be passed on. This will include elements of the Programme for Government (PfG) resource to NHS Boards.

9 ASSUMPTIONS

- 9.1 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 2023/24 to fully fund commissioned services.
- a) Pay pressures have been calculated on the basis of SG pay policy guidelines although pay negotiations continue.
 - b) Non pay inflation has been estimated in line with partner body and national 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 been built into the funding required.
 - e) The impact of known and expected pressures relating to increases in demand for services are also reflected as budget growth, specifically in relation to Older People and Learning Disability Social Care services.
 - f) NHS Borders have identified a range of cost pressures for funding.

10 DELIVERING SAVINGS

- 10.1 There is a projected requirement for £13.5m of savings delivery during 2023/24, an increase of £6.4m. This includes a share of historical targets not previously identified for NHS delegated services.
- 10.2 A HSCP Recovery plan has been commissioned by the Chief Officer. This will come back to the IJB in May after discussion with the partner bodies.
- 10.3 Whilst the plan is 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, as well as to drive programmes focussed on improvement and value based medicine/prescribing.
- 10.4 The Strategic Framework gives an 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 the full value of savings will be achieved in 2023/24. To deliver this change the IJB will seek to establish a transformation fund to support transitional costs and project support across programmes of work.

- 10.5 The HSCP Recovery plan will also need to align to individual savings plans developed within partner organisations..
- 10.6 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.

11 DELIVERING FINANCIAL BALANCE

- 11.1 The IJB will not be in a position to approve any additional spend until the Recovery Plan is implemented.
- 11.2 Immediate actions could include a recruitment freeze, and any commitments from SG that have not been funded will be stopped.
- 11.3 We will bring a paper back on cost pressures and the considerations for funding.
- 11.4 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 2023/24.
- 11.5 The IJB Chief Finance Officer will be expected to develop a financial strategy for how the IJB manages any gap on delivery.
- 11.6 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.
- 11.7 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.
- 11.8 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”.

NHS Borders and Scottish Borders Council have not exercised this condition in relation to financial support issued in previous years.

- 11.9 It should be noted that NHS Borders holds a commitment to repay brokerage to Scottish Government in relation to support received. This 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.

12 RISK

- 12.1 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.
- 12.2 The impact of global events 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 the year.
- 12.3 The NHS Borders financial recovery plan which underpins the level of resources provided by NHSB to the IJB is still to be approved by Scottish Government. 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 and set aside functions. It is likely that any support available to offset this deficit will be made available on a repayable basis (i.e. brokerage).

13 RECOMMENDATIONS

- 13.1 The Integrated Joint Board is requested to:-

Approve the SBC 2023/24 budget in line with resources agreed with the Council.

Note that further information is required from NHS Borders. This has been requested and the intention is to seek approval at the IJB in April.

Endorse the approach to development of an HSCP Recovery plan by May 2023 to address savings targets and alignment with the Strategic Framework. .

Note the risks described in the paper.

Author(s)

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