

HSCP 2023/24 INITIAL BUDGET UPDATED



1 INTRODUCTION

- 1.1 The paper presents the initial 2023/24 HSCP budget for full approval by the IJB. It includes updated and additional information in relation to the NHS offer. The paper also includes further information on risk around the uplift on care home contracts. It provides the Direction to accompany the budget and the Strategic Commissioning Framework. Finally, the paper discusses the next steps in recovery planning, medium and long term financial planning.
- 1.2 **General Requirements**
- 1.2.1 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 through joint financial planning arrangements.
- 1.2.2 The HSCP is expected to deliver the outcomes identified within the Strategic Commissioning Framework from within the totality of resources available. In some cases additional resources may be made available during the year to meet strategic priorities. This includes allocation of additional resources by Scottish Government through partner bodies, where resources relate to functions delegated to the IJB. Partners are expected to pass on these resources in full.
- 1.2.3 The IJB operates under local government based Financial Regulations. Chief Finance Officer's duties in Scotland require a balanced budget to be set. This is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992.
- 1.2.4 CIPFA produced the statement 'The Role of the Chief Finance Officer in Local Government'. This sets out how the legislative requirements that should be fulfilled by the Chief Finance Officer and the role of the IJB in meeting these requirements:
- Development of medium-term financial strategy to meet strategic objectives and ensure financial sustainability
 - A robust annual budget process that ensures in year financial balance
 - Consideration of relevant, timely and clearly explained financial information
 - Receiving professional advice on financial implications, which is considered and recorded as part of decision making.
- 1.2.5 Audit Scotland have identified that we are not compliant with guidance in relation to Set Aside. The main issue to be addressed is to ensure that funds set aside for use by Borders residents reflect the impact of any agreed plans in relation to unscheduled care. This will be addressed in time for reporting on the first quarter.

1.3 Overview of the budget process

- 1.3.1 Resources are based on historic agreed budgets amended for items agreed through the financial plans of partner organisations, including a share of the local government financial settlement and the NHS uplift, as well as any further items directed as a result of national policy or agreed by partner bodies.
- 1.3.2 Savings targets are based on any shortfall against the level of resources available to the IJB and its agreed investments, including baseline expenditure.
- 1.3.3 The IJB has the ability to hold general reserves to retain planned underspends.
- 1.3.4 Where there is a forecast overspend in delegated functions “the Chief Officer and the Chief Finance Officer of the IJB must agree a recovery plan to balance the overspending budget” (SOI, Section 8.6).

1.4 Strategic financial planning

- 1.4.1 The financial pressures facing the HSCP are growing and reflect both cost and demand pressures. The budget offer does not fully meet these pressures. Savings targets total £9.725m for delegated services and £2.262m for set aside. Within delegated health services there is £3.632m of unidentified savings.
- 1.4.2 NHS Borders has prepared a 3 year Financial Plan and a 3 year Financial Recovery Plan for approval by Scottish Government. NHS Borders has previously required brokerage to break even. There is no requirement to repay brokerage, until NHS Borders returns to a balanced financial position. Brokerage has not been provided in the last two years, instead financial support has been through Covid response plans.
- 1.4.3 Scottish Borders Council has an agreed 10 year financial strategy.
- 1.4.4 The IJB does not have general reserves to call upon. There is some flexibility within earmarked reserves however this is not sufficient to meet the level of unidentified savings. This reduces the IJBs ability to deal with volatility from cost pressures and any further risks in 2023-24 and poses a risk for longer term sustainability.
- 1.4.5 The level of financial risk in the budget requires a Financial Recovery Plan to be prepared. Given the scale of risk, this recovery process will need to be considered not just for the current year but over the medium – long term.
- 1.4.6 Further work on financial recovery and planning will be undertaken in time for the May IJB meeting. In the meantime it is recommended that development plans, recruitment processes including use of bank, agency and locum cover, and non-essential contract awards be slowed down.

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.
- 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, funding is assumed to match pay agreements for Agenda for Change and Medical and Dental staffing.
- 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 will remain with Boards. Following the change in policy by UK Government, this funding is not ring-fenced 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. 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 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).
- 2.8 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. National contract negotiations have not yet concluded. The budget offer is based on the Scotland Excel negotiating position. Any increase in this negotiating position will require further budget prioritisation. An update will be provided to the IJB meeting in April and May if required.

- 2.9 The funding allocated to Integration Authorities should be additional and not substitute 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 Offer

3.1 The budget offer provides resources as shown below and compared to last years budgets at April 2022 and December 2022.

	2022/23 April 2022	2022/23 Dec 2022	2023/24 Initial
Social Care	£70.2m	£70.6m	£79.326m
NHS	£119.3m	£127.4m	£122.466m
Total delegated	£189.5m	£198.0m	£201.972m
Set aside	£28.1m	£29.0m	£28.759m

Additional in year allocations will be recognised when notified by Scottish Government. Where these relate to specific services, funding will be managed through earmarked reserves.

3.2 Earmarked reserves and allocations

Anticipated earmarked reserves brought forward from 2022/23 are set out below. There has been a significant reduction in earmarked reserves in 2022/23 due in the main to significant spend from Covid reserve and a reduced level of in year allocations. There has also been some clawback eg PCIP. These figures are subject to final reconciliation as part of annual accounts.

Estimated Opening Reserves	£
Mental Health	1,648,648
ADP	712,546
PCIP	601,142
PC Digital	445,280
Urgent & unscheduled care	394,563
Regional diabetes	384,640
PC Other	294,436
Public health	259,459
Other	238,114
PC Premises	221,478
Workforce	95,228
BBV	45,520
Winter	29,509
Total Estimated Opening Reserves	5,370,563

Anticipated funds in 2023/24 include 'earmarked' recurring and non-recurring allocations which relate to health delegated functions including Set Aside. Figures include elements incorporated within service base budgets.

	Revenue Resource Allocation Description	Type	2023-24 '000s	Assumption
*	Primary Care	Non-Rec	21,227	Per 2022/23 allocation (100%)
*	Primary Care Improvement Programme	Earmarked	3,486	Per 2022/23 allocation (100%)
	Public Dental Service	Non-Rec	2,645	Per minimum spend profile 2022/23
*	Outcomes Framework	Earmarked	1,398	Per 2022/23 allocation
*	Alcohol and Drug Partnerships (ADPs)	Earmarked	1,022	Per 2022/23 allocation (100%)
	HSCP - Multi Disciplinary Teams	Earmarked	948	Per 2022/23 allocation (100%)
	Urgent and Unscheduled Care Collaborative	Non-Rec	760	Per 2022/23 allocation
	District Nurses	Non-Rec	204	
	Primary Care OOH	Non-Rec	107	
*	Mental Health Funding	Earmarked	TBC	Awaiting confirmation of 2022/23 allocations
			31,799	

* includes elements incorporated within base budget

3.3 Savings targets

3.4 The budget includes a requirement for savings of £10.855m to deliver a balanced position for delegated services. Savings plans for health delegated functions remain in development.

£m	Health	Social care	Total delegated	Set Aside	Total
Savings target b/f	4.553	1.32	5.873	0.944	6.817
Agreed plans		0.42	0.42		0.42
Unallocated gap	3.632	0.93	4.562	1.318	0.42
Total target	8.185	2.67	10.855	2.262	13.117

Of total budget

7%

3%

8%

6%

3.5 We plan to take an approach to overview of savings across the HSCP, to ensure no unintended consequences. The IJB CFO will join the NHS Borders Financial Improvement Oversight Board. This will provide for close alignment between the NHS Borders Recovery Plan and the HSPC Recovery Plan.

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

4 HSCP Budgets 2023/24

4.1 The table below summarises budgets agreed with partner bodies for the functions delegated to the HSPC for 2023/24.

	NHS Borders £m		SBC £m		HSCP £m		
	Budget	Savings	Budget	Savings	Budget	Savings	TOTAL
Prescribing	25.754				25.754	-	25.754
Older People			27.116	(0.050)	27.116	(0.050)	27.066
Learning Disability	3.629		21.152	(0.748)	24.781	(0.748)	24.033
Mental Health	20.298		2.177		22.475	-	22.475
Adult social care			20.212	(1.870)	20.212	(1.870)	18.342
Physical Disability			2.698		2.698	-	5.396
ADP	0.439				0.439	-	0.439
Primary & Community Care							
Independent Contractors	31.487				31.487	-	31.487
Allied Health Professionals	8.166				8.166	-	8.166
Community Hospitals	6.714				6.714	-	6.714
District Nursing	4.592				4.592	-	4.592
Public Dental Services	4.360				4.360	-	4.360
Out of Hours Service	2.609				2.609	-	2.609
Primary Care Improvement	2.160				2.160	-	2.160
Community Based Services	3.035				3.035	-	3.035
Sexual Health	0.793				0.793	-	0.793
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)			-	(8.185)	(8.185)
Total Delegated	130.651	(8.185)	81.994	(2.668)	212.645	(10.853)	201.792

* Generic other includes discharge programme (home first), social care fund

Set Aside	31.021	(2.262)					28.759
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- 4.2 Any further increase to allocations in relation to delegated functions which are received by partner bodies will be passed on. This will include elements of Programme for Government resource.
- 4.3 The IJB performance report is also being updated, to ensure that the measures and targets are also in alignment with the Strategic Commissioning Framework.
- 4.4 The budget is supported with a direction to partners to jointly implement the budget and the Strategic Commissioning Framework. The direction is in part behavioural and in part outcomes based. It requires teams to work together in clustered groups, to comply with financial regulations, operate within budget and develop and implement plans to address the strategic commissioning priorities. Significant deviations from plan should be reported to the IJB. This represents a new method of setting out annual directions. Work is ongoing across NHSB and SBC to coordinate year one plans and the direction will be reissued once this information is available

5 Assumptions

- 5.1 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 delegated services.
- 5.2 Pay pressures have been calculated on the basis of SG pay policy guidelines although pay negotiations continue.
- 5.3 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 monitored via quarterly reviews.
- 5.4 Prescribing costs are assumed to be in line with estimates provided by NHSB.
- 5.5 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.
- 5.6 Scottish Government funding has been provided to meet the uplift to the National Care Home Contract linked to the uplift in the Scottish Living Wage from £10.50 to £10.90. The national contract offer is not yet agreed and an interim uplift is being applied. Negotiations have escalated from Scotland Excel to Scottish Government. It is possible that national negotiations will not reach an agreed conclusion and local negotiation will be required.
- 5.7 The impact of known and expected pressures relating to increases in demand for services are reflected as budget growth, specifically in relation to Older People and Learning Disability Social Care services.

6 HSPC Recovery Plan

- 6.1 There is a projected requirement for £10.855m of savings delivery for delegated services during 2023/24.
- 6.2 A HSCP Recovery plan has been commissioned by the Chief Officer for presentation to the IJB in May. The Strategic Commissioning Framework gives an opportunity to align financial improvement with the IJBs overall strategic direction (it is one of the six strategic priorities). The Workforce Plan will also be a key enabler. Implementation of this scale of recovery will take time and it is unlikely that the full value of savings will be achieved in 2023/24.
- 6.3 The CFO has commenced a series of strategic conversations across the HSCP to generate ideas for inclusion in the Recovery Plan. Integrated Impact Assessment will be required. The HSCP team away day on 28 April presents an opportunity to discuss the draft plan and agree next steps.
- 6.4 We intend to take a cross system approach to the review of savings delivery. Success criteria will include:
- the HSCP Recovery plan will align to savings programmes and plans within partner organisations.
 - effective alignment of financial and workforce planning and management
 - teams will require to work together across the partnership to identify and deliver agreed actions and minimise unintended consequences.
 - rapid and inclusive decision making processes to make necessary changes.
 - increase grip & control on existing budgets,
 - service reviews where spend is out of alignment with benchmarked performance.
 - drive programmes focussed on improvement and value based health and care
 - support from partners for efficient contracting across the partnership for goods & services.
- 6.5 Key actions will be managed operationally through the HSCP, with accountability for performance aligned to the partner bodies.
- 6.6 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 reserves in the current year with the expectation that this will be paid back through release of savings in future years. This strategy presents significant risk and deployment of this approach will need agreement of partner organisations and the IJB.
- 6.7 If the recovery plan does not result in a breakeven position, and one or other partner is not able to return a balanced position, 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.
- 6.8 In line with the SOI, the IJB can request additional contributions from partner bodies to offset their share of this gap. In the case of joint services any additional payment will be agreed pro rata in line with the original budget level.

6.9 Partner bodies are required to provide this support, however the SOI 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”.

6.10 NHS Borders and Scottish Borders Council have not required the IJB to make repayment in previous years.

6.11 NHS Borders holds a commitment to repay brokerage to Scottish Government in relation to support received in prior years. This includes support made available to the IJB. The CFO has not been advised of any expectations that it will contribute to the repayment of this brokerage in the short - medium term. It is assumed that this will not commence until NHS Borders returns to financial balance.

6.12 The CFO will provide leadership for the development of a medium – long term financial strategy for how the IJB will move towards a sustainable financial position.

7 Risk

7.1 There is a high degree of uncertainty across Health & Social Care delegated functions, with significant volatility in relation to financial planning assumptions. This is not unique to the Scottish Borders IJB, with other partnerships having difficulties setting budgets and having to put in place Recovery Plans with challenging savings targets and service reductions. The scale of the challenge is high for Borders.

7.2 The IJB must be clear that it accepts these risks in approving the budget offers from both partners.

7.3 Delivering a budget for 2023/24 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. Assumptions made are consistent with Scottish Government advice,

7.4 National care home contract rates have still to be agreed and negotiations have been escalated to Scottish Government. An interim increase is being implemented. Any further increase will require a further review of priorities and will increase savings requirements. Some IJBs are signalling the need to cap care home hours to remain within the budget envelope. Sustainability of providers is a key factor.

7.5 It is possible that we have ‘exhausted opportunities’ to deliver savings in 2023/24 without a significant detrimental impact on service delivery, within 10 months.

7.6 There is a risk that SG requires NHSB to take additional actions to reduce the projected deficit and that this in turn impacts on the in year level of resource available to delegated and set aside functions.

7.7 Failure to agree a balanced budget requires an immediate recovery plan to ensure that the IJB remains in financial balance and does not enter into expenditure which

cannot be met from available funding. This will result in a freeze on new expenditure including slowing of developments, controls over recruitment and contract awards, which would impact on all services across the HSCP.

8 Approvals process

- 8.1 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.
- 8.2 Scottish Borders Council approved its budget at its meeting on 23 February 2023.
- 8.3 NHS Borders approved its budget at its board meeting on 31 March 2023.
- 8.4 The initial delegated social care budget was approved by the IJB on 15 March 2023.
- 8.5 The initial budget for Health and Social Care delegated functions and set aside is presented to the IJB for approval on 19 April 2023.
- 8.6 Compliance with set aside guidance is targeted for completion in the first quarter.
- 8.7 The CFO will work with partners to develop the HSCP recovery plan and medium term financial plan aligned to the Strategic Commissioning Framework and Workforce Plan, and will provide an update to the IJB in May 2023.

9 Recommendations

- 9.1 The Integrated Joint Board is requested to:

Note the assumptions and risks described in the paper.

Approve the 2023/24 initial HSCP budget.

Approve the Annual Direction to work effectively across the partnership, to comply with Financial Regulations, live within budget and implement the Strategic Commissioning Framework.

Endorse the approach to development of an HSCP Recovery Plan and medium - long term Finance Plan/Strategy which will address savings targets and provide alignment with the Strategic Commissioning Framework and the Workforce Strategy.

Request a Financial Recovery Plan and an update on medium – longer term financial planning to the May IJB.

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