

Agenda Item 7

Business Case



Falkirk Integration Joint Board

20 November 2020

Business Case

For Approval

1. Executive Summary

- 1.1 This report presents the 2021/22 business case which summarises the IJB's funding requirements and financial planning assumptions for the forthcoming financial year.
- 1.2 The business case aligns with the IJB's strategic priorities and delivery plan actions and forms the basis of initial negotiations with Falkirk Council and NHS Forth Valley regarding the level of payments for 2021/22.

2. Recommendations

The Integration Joint Board is asked to:

- 2.1 Approve the business case to inform initial negotiations with Falkirk Council and NHS Forth Valley in respect of the level of payments for financial year 2021/22.

3. 2021/22 financial planning assumptions and caveats

- 3.1 The preparation of a business case to determine future funding contributions from Partner organisations is a key requirement of the IJB's Integration Scheme (section 8.3).
- 3.2 The 2021/22 business case reflects the most up to date information available, however it is recognised that there are a number of key uncertainties at this stage. The financial planning assumptions and caveats incorporated in the business case at this point are summarised below (further detail is provided in appendix 1):
- 3.3 **Funding uplifts** – the Chancellor will publish a single year spending review on 25 November which will set out the Scottish block grant for 2021/22. The outcome, in terms of funding settlements for Adult Health and Social Care, is not expected to be known until January. In the meantime, it is assumed that recurring Health base budgets will be uplifted by 2.5% (excluding additional NRAC parity funding). In terms of the Local Authority position, in previous years, Local Authorities have been granted flexibility to reduce funding contributions to IJB's by up to 2%. It is not clear if a similar arrangement will be in place for 2021/22, however for the purposes of the business case, it is assumed that Falkirk Council will pass on the full funding uplift to the IJB. At this point, the Local Authority base budget increase is estimated at 2%.

- 3.4 **Pay awards** – a 3% pay rise is estimated for all NHS and Local Authority employees on Agenda for Change (AfC) and Scottish Joint Council (SJC) terms and conditions pending conclusion of the pay negotiation process. Note that SJC grading structures are currently under review by Falkirk Council linked to ongoing implementation of the Scottish Living Wage and the Council's wider workforce strategy and "Council of the Future" vision. Any changes to SJC pay scales arising from the review are assumed to be cost neutral.
- 3.5 **Inflation** – whilst the UK Consumer Price Index has been consistently reported at less than 2% over the last year, a prudent estimate of 2.5% is included in the business case in respect of general price inflation on consumables and supplies, with the notable exception of pharmaceutical products. The inflation adjustment for price and volume increases in respect of drugs routinely prescribed by Primary Care Clinicians and dispensed via the Community Pharmacy network is estimated at 5.5%. An additional 1.6% is included in terms of the impact of new drugs/medical devices.
- 3.6 **Contractual uplifts** – External Social Care Provider uplifts are estimated at 3.5% (including ongoing living wage commitments). No allowance is included in respect of contractual uplifts for independent Family Health Service (FHS) Practitioners, this remains subject to national negotiation between the Scottish Government and the respective professional bodies and is expected to be fully funded via the separate Primary Medical Services and FHS non-discretionary allocations.
- 3.7 **Brexit** – potential additional costs associated with the UK's withdrawal from the European Union on 1st January are not incorporated in the 2021/22 business case at this stage.
- 3.8 **Covid-19** – the ongoing financial impact of Covid-19 is not included in the business case and will continue to be tracked and monitored separately. All additional costs associated with the pandemic are expected to be fully funded by the Scottish Government. Further detail in relation to specific 2021/22 national financial planning assumptions in relation to Covid-19 are expected to be announced in December.
- 3.9 **National policy developments** – in line with previous years anticipated funding to support the Carers Act and ongoing investment in integration (via funding transfers from the Health portfolio to Local Government) is included in the business case.

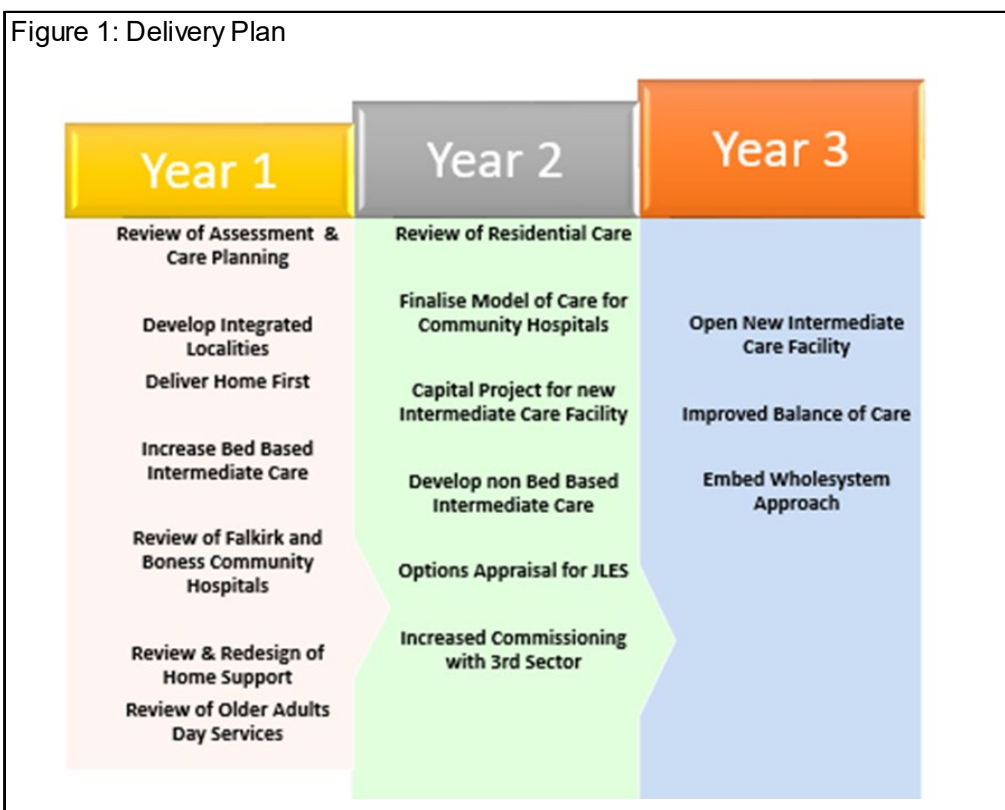
However no allowance is made in respect of potential financial implications arising from the independent review of Adult Social Care. The outcome of the review is expected to be published in January; further updates will be presented to the IJB in due course.

In addition, confirmation is awaited from the Scottish Government regarding the outcome of discussions with the British Medical Association regarding the current status of the General Medical Services (GMS) contract. The GMS contract was expected to be fully implemented by 1st April 2021, however recruitment and funding challenges have delayed progress nationally (exacerbated by the

impact of Covid-19). This conflicts with the position locally where good progress has been made, however additional recurring funding over and above the indicative allocation for 2021/22 will be required if the 1st April 2021 deadline remains in place. It is assumed that implementation of the GMS contract will be fully funded by the Scottish Government.

4. Strategic Priorities and Delivery Plan Actions

- 4.1 The IJB's Strategic Plan for 2019 to 2022 identifies the key local priority areas requiring significant change, transformation or investment in the next 3 years in order to deliver better care, better health and better value.
- 4.2 The specific work streams and actions required to progress the key strategic priority areas are outlined in the IJB's Delivery Plan which is summarised in the figure 1 below:



- 4.3 As previously reported to the IJB, the Delivery Plan has recently been reviewed to ensure it remains fit for purpose in a post Covid-19 environment and aligns with our pandemic response in terms of the current remobilisation, recovery and redesign of services.
- 4.4 We remain confident that the Delivery Plan continues to reflect the appropriate direction for Adult Health and Social Care Services and notwithstanding the operational disruption and financial risks arising from Covid-19, it is recognised that the pandemic presents a unique opportunity to accelerate key elements of our Delivery Plan. The 2021/22 business case therefore reflects the estimated financial impact of the agreed Delivery Plan actions.

5. 2021/22 financial projection - revenue

- 5.1 Taking into account the financial planning assumptions outlined above together with recurring pressures carried forward from 2020/21, a total funding gap of £6.4m is forecast for 2021/22, comprised of £4.5m relating to the integrated budget and £1.9m relating to set aside, as illustrated in table 1 below:

TABLE 1 2020/21 Revenue Projection	Forecast Budget £m	Forecast Expenditure £m	Underspend/ (Overspend) £m
Large Hospital Services	29.243	31.135	(1.892)
Primary Healthcare Services	80.205	82.725	(2.520)
Social Care Services	93.064	95.902	(2.838)
Community Healthcare Services	38.508	37.655	0.853
Total	241.020	247.417	(6.397)
Set Aside	29.243	31.135	(1.892)
Integrated Budget	211.777	216.282	(4.505)
Total	241.020	247.417	(6.397)

- 5.2 The overall financial impact by Partner is summarised in table 2 below:

TABLE 2 2020/21 Revenue Projection by Partner	Falkirk Council £m	NHS Forth Valley £m	Total £m
Anticipated funding	72.296	170.332	242.628
Projected expenditure	75.386	173.639	249.025
Shortfall	(3.090)	(3.307)	(6.397)

- 5.3 Additional funding and/or recurring savings of £6.4m (equivalent to 2.7% of the total IJB budget) are therefore required to deliver financial balance in 2021/22.

6. 2020/21 efficiency savings

- 6.1 Development of the 2021/22 efficiency savings programme is currently underway. The programme is supported by a £0.5m non-recurring “invest to save” fund to enable locality teams and Partners to support continuous improvement and innovation through access to dedicated resources to incentivise, develop and implement new ways of working to deliver long term cash releasing efficiency savings.
- 6.2 High level savings proposals totalling £4.5m have been identified at this stage, as summarised in table 3 overleaf. Key themes relate to the recent community bed base capacity modelling work facilitated by Buchan Associates. The output of the modelling work will inform longer term planning as we aim to shift the balance of traditional bed based services towards more care in the community and at home.

- 6.3 Other key themes relate to Prescribing where strategies are currently being developed to reduce waste. It is estimated that for every £25 spent on medicines within primary care, £1 is attributed to waste. This equates to approximately £1.165m of waste/ inappropriate medicines use in the Falkirk area.

TABLE 3	£m
2021/22 Initial Savings Proposals	
<u>Integrated Health & Social Care</u>	
Ongoing social work review & assessment	0.250
Community bed base capacity modelling	2.653
Review of day services	0.150
Review of charging arrangements	0.100
Locality planning	0.010
Community Residential Resources	0.011
Prescribing Improvement Initiative - phase 2	0.168
Medicines Waste Project	1.165
	4.507
<u>Set Aside (large hospital services)</u>	
To be confirmed	TBC
Total	4.507

- 6.4 Further detailed work is underway to refine the proposals including consideration of risk and completion of equality and poverty impact assessments where appropriate.

7. 2021/22 financial projection – capital

- 7.1 Whilst the IJB is required to identify all asset requirements necessary to deliver the strategic plan, it does not hold a capital budget and does not have the power to borrow to fund capital expenditure. Rather capital investment, together with property and asset management, remains the responsibility of Falkirk Council and NHS Forth Valley. The IJB contributes to the capital planning process of both Partners to secure capital investment and the effective use of property and assets to support health and social care integration.
- 7.2 A range of capital projects to support the IJB's strategic priorities and Delivery Plan actions are proposed for 2021/22 as summarised in table 4:

TABLE 4	£m
2021/22 Capital Investment Proposals	
Health	
Completion of minor works to the Primary Care estate	0.134
Ercall Road refurbishment	0.318
	0.452
Social Care	
Ongoing upgrades to adult social work buildings	0.222
MECS Dispersed Alarms Replacement Programme	0.046
New Intermediate Care building feasibility/scoping work	0.060
New Changing Places Toilets in various community premises	0.222
New Living well clinics East & West localities	0.111
	0.661
Total	1.113

7.3 In addition to the projects referred to in table 4 above, note that there are 3 longer term developments that are also being considered as part of Falkirk Council and NHS Forth Valley's Capital Investment Plans:

- New Intermediate Care facility (£3.9m)
- Review and redevelopment of Falkirk Community Hospital (£50.0m)
- Redevelopment of the Primary Care estate (£24.0m)

Further progress updates will be brought to future IJB meetings as appropriate.

8. Conclusion

- 8.1 The Board is asked to approve the business case as the basis of opening negotiations with Falkirk Council and NHS Forth Valley in respect of the level of payments for financial year 2021/22.
- 8.2 Based on current financial planning assumptions, an overall funding shortfall of £6.4m (equivalent to 2.7% of the total IJB budget) has been identified for financial year 2021/22. As a result, additional funding and/or recurring savings will be required in order to deliver financial balance. The business case will be presented to Falkirk Council on 2nd December and NHS Forth Valley on 15 December 2020.
- 8.3 It is acknowledged that there are a number of uncertainties in the financial planning assumptions at this stage and the position is therefore subject to change pending the outcome of the spending review and various national policy developments. In the meantime, work is underway to identify savings, with a number of efficiency proposals currently being considered in line with the IJB's strategic priorities and delivery plan.

Resource Implications

Resource implications are considered in the main body of the report.

Impact on IJB Outcomes and Priorities

The report presents the total projected integrated budget available to deliver the IJB's strategic priorities and delivery plan outcomes during 2021/22. It is vital that priorities and outcomes are delivered on sustainable financial basis.

Directions

No amendment or new Direction is required at this stage.

Legal & Risk Implications

There are no legal implications arising from the report recommendations. The scale of the potential funding gap and uncertainty in relation to the ongoing impact of Covid-19 and Brexit represent the key risks at this stage.

Consultation

This report has been drafted through engagement and information sharing with colleagues in Falkirk Council and NHS Forth Valley. Consultation in respect of the proposed new savings schemes is likely to be required.

Equalities Assessment

There are no equality implications as a direct result of the report recommendations. However there may be a requirement for an equalities assessment to be performed in relation to the proposed savings schemes.

9. Report Author

Jillian Thomson, Chief Finance Officer

10. List of Background Papers

N/A

11. Appendices

Appendix 1 – summary of financial planning assumptions

Appendix 1

2021/22 Financial Planning Assumptions	Falkirk Council £m	NHS Forth Valley £m	TOTAL £m
<u>Estimated funding uplift</u>			
Recurring base uplift (2.5% NHS + 2% LA)	1.382	3.121	4.503
Transfer from Health Portfolio	1.837		1.837
New drugs		0.500	0.500
	3.219	3.621	6.840
<u>Estimated expenditure</u>			
Pay awards (3%)	0.968	1.720	2.688
Primary Care Prescribing (5.5% + 1.6% for new drugs)		2.260	2.260
Hospital Prescribing (10%)		0.161	0.161
Demographic change	0.800		0.800
Social Care Provider uplifts (3.5%)	2.347		2.347
Other Social Care uplifts	0.871		0.871
FHS contractual uplifts			0.000
General price inflation (2.5%)	0.011	0.507	0.518
National policy developments	0.810		0.810
Brexit			0.000
Covid-19			0.000
20/21 recurring pressures c/f	0.502	2.280	2.782
	6.309	6.928	13.237
ESTIMATED SHORTFALL	(3.090)	(3.307)	(6.397)