

Agenda Item 7

Business Case



Falkirk Integration Joint Board

19 November 2020

Business Case

For Decision

1. Executive Summary

- 1.1 This report presents the 2022/23 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 2022/23.

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 2022/23.

3. 2022/23 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 2022/23 business case reflects the most up to date information available at the time of publication, however it is recognised that there are a number of key uncertainties at this stage, not least the outcome of the Scottish budget which won't be announced until 9 December. As a result, the financial planning assumptions included in the business case are subject to change and are heavily caveated as outlined below:
- 3.3 **Funding uplifts** – funding settlements for Adult Health and Social Care following the UK autumn budget and spending review published on 27 October and the forthcoming Scottish budget on 9 December are not expected to be known until January. In the meantime, it is assumed that all recurring in scope Health budgets will be uplifted by 2%.
- 3.4 In terms of the Local Authority position, it is assumed that any ongoing integration funding transfers from the Health Portfolio to Local Government will be passed on in full to the IJB in line with Scottish Government guidance. Note that Falkirk Council have advised that due to the scale of their anticipated funding shortfall for 2022/23, any further uplift relating to

residual in scope adult social care budgets outwith the health portfolio pass is unlikely. As a result no funding contribution over and above the Health portfolio transfer has been assumed from Falkirk Council at this stage. This will be a key negotiating point.

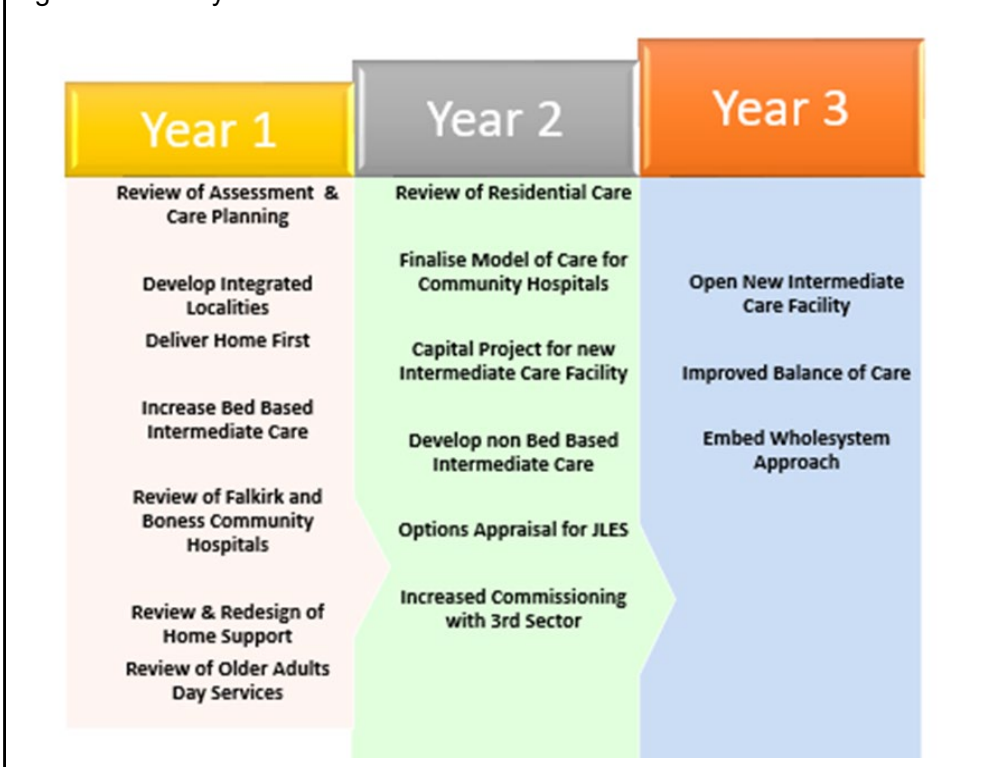
- 3.5 **Pay costs** – a 2% pay rise is estimated for all NHS and Local Authority employees on Agenda for Change (AfC) and Scottish Joint Council (SJC) terms and conditions pending conclusion of the pay negotiation process. Note that at the time of writing the 21/22 pay award for SJC staff has yet to be confirmed which represents a significant financial risk. In addition, it is assumed that funding will be provided in 2022/23 to offset the 1.25% increase in employers national insurance contributions for all adult Health and Social Care staff.
- 3.6 **Inflation** – price inflation on general consumables and supplies is estimated at 3.5% (excluding pharmaceutical products) which is a prudent estimate reflecting a range of supply issues which have recently emerged. Note that the inflation estimate in respect of drugs routinely prescribed by Primary Care Clinicians and dispensed via the Community Pharmacy network is higher and is currently estimated at 5.5%.
- 3.7 **Contractual uplifts** – External Social Care Provider uplifts are estimated at 3.6%, reflecting ongoing living wage commitments and increasing demand. The living wage element is expected to be fully funded through the health portfolio pass through as referred to in paragraph 3.3. No allowance is included in respect of contractual uplifts for independent Family Health Service (FHS) Practitioners at this stage. This remains subject to national negotiation between the Scottish Government and the respective professional bodies and is expected to be fully funded via separate Primary Medical Services and FHS non-discretionary allocations.
- 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 in 2022/23.
- 3.9 **National policy developments** – the full year effect of all recurring investments implemented during the current financial year as part of the £300m winter pressures funding announcement are expected to be fully funded by the Scottish Government in 2022/23.
- 3.10 Note that no allowance is made in respect of the potential financial implications arising from the independent review of Adult Social Care or the outcome of the National Care Service consultation at this stage.
- 3.11 In addition, it is assumed that the Primary Care Improvement Plan (PCIP) which is a key element of the 2018 General Medical Services (GMS) contract is also fully funded. The PCIP was originally intended to be fully implemented by 31 March 2022, however this has subsequently been delayed until 2023. Significant funding gaps have been consistently reported by all IJB's in relation to the full implementation of the PCIP (the local recurring shortfall is currently estimated at £1.075m however this could increase significantly depending on assumptions in relations flu vaccinations and allowances for staff time out which have not been

included in the latest financial modelling). A national finance group is currently being established to inform the future PCIP funding requirements in conjunction with Scottish Government Primary Care Division colleagues.

4. Strategic Priorities and Delivery Plan Actions

- 4.1 The IJB's current Strategic Plan identified the key local priority areas that required significant change, transformation or investment during 2019 to 2022 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 priorities are outlined in figure 1 below and these have been incorporated in the 2022/23 business case as appropriate.

Figure 1: Delivery Plan



- 4.3 As we enter the final year of the strategic plan, work is about to begin to develop a new 3 year plan for 2023 to 2026. It is important that the new strategic plan reflects the post Covid-19 environment and aligns with our ongoing pandemic response to remobilise, recover and redesign services. This will also require the IJB's medium term financial plan to be updated accordingly. The revised medium term financial plan will be presented at the next IJB meeting.

5. 2022/23 Financial Projection - Revenue

- 5.1 Taking into account the financial planning assumptions outlined above together with recurring pressures carried forward from 2021/22, total additional expenditure during 2022/23 is estimated to be in the region of £12.6m. This compares to the estimated available funding uplift of £5.0m resulting in a £7.6m shortfall as summarised in table 1 below:

TABLE 1: 2022/23 Financial Planning Assumptions	Falkirk Council £m	NHS Forth Valley £m	TOTAL £m
<u>Estimated funding uplift</u>			
Recurring base uplift (2% NHS + 0% LA)		2.510	2.510
Transfer from Health Portfolio	2.505		2.505
	2.505	2.510	5.015
<u>Estimated expenditure</u>			
Pay awards (2%)	0.618	1.188	1.806
Primary Care Prescribing (5.5%)		1.628	1.628
Hospital Prescribing (10%)		0.240	0.240
Demographic change	0.800		0.800
Social Care Provider uplifts (3.6%)	2.337		2.337
FHS contractual uplifts			0.000
General price inflation (3.5%)	0.127	0.314	0.441
National policy developments	2.505	0.502	3.007
21/22 recurring pressures c/f		2.332	2.332
	6.387	6.205	12.592
ESTIMATED SHORTFALL	(3.882)	(3.695)	(7.577)

5.2 The overall funding impact by service area is summarised in table 2 below.

TABLE 2. 2022/23 Revenue Projection	Forecast Budget £m	Forecast Expenditure £m	Underspend/ (Overspend) £m
Large Hospital Services	30.486	31.403	(0.917)
Primary Healthcare Services	78.083	80.707	(2.623)
Social Care Services	97.102	100.984	(3.882)
Community Healthcare Services	38.554	38.709	(0.155)
Total	244.225	251.802	(7.577)
Set Aside	30.486	31.403	(0.917)
Integrated Budget	213.739	220.399	(6.660)
Total	244.225	251.802	(7.577)

5.3 Clearly further negotiation with partners will be required in relation to the level of funding contributions for 2022/23 and the realistic application of savings targets if financial balance is to be delivered in 2022-23. In the meantime, every effort is being made to reduce costs and achieve efficiency savings where possible.

6. 2022/23 Efficiency Savings

- 6.1 Development of the 2022/23. efficiency savings programme is currently underway with c£3.8m of proposals identified at this stage, as summarised in table 3 below.
- 6.2 The vast majority of the proposals are considered high risk at this stage i.e. they may not deliver savings in year as they are subject to further feasibility analysis and/or scoping work, IJB approval or partner approval (e.g. approval by Falkirk Council in the case of income generation proposals involving non-residential charging).

TABLE 3: 2022/23 Savings Proposals	£m Rec	£m Non-rec	£m Total	RAG Status
<u>Adult Social Care</u>				
Review of high cost care packages (incl out of area placements)	0.250		0.250	Amber
Review of Housing with Care service	0.071		0.071	Red
Digital transformation funding		TBC	0.000	Red
Review of Day Care services	0.030		0.030	Red
Premises savings	0.053		0.053	Green
MECS: procurement review	0.074		0.074	Amber
Release of general reserve		0.224	0.224	Green
Income generation: Non-residential services	0.028		0.028	Amber
Income generation: telecare connectivity (MECS charges)	0.096		0.096	Red
Income Generation - introduce nominal charge for existing service users of garden aid.	TBC		0.000	Red
General procurement benchmarking review	TBC		0.000	Red
Review of home care contractual arrangements & rates	1.600		1.600	Red
Adult Social Care sub total	2.202	0.224	2.426	
<u>Community Healthcare Services</u>				
Falkirk Community Hospitals (community bed base capacity modelling)	0.500		0.500	Amber
Community Residential Resources (FYE of Erroll Road)	0.014		0.014	Green
Community Healthcare sub total	0.514	0.000	0.514	
<u>Primary Care Prescribing</u>				
Review of non-medical prescribing (dressings, catheters, stoma)	0.540		0.540	Red
Formulary review (respiratory)	TBC		0.000	Red
LES safe and effective repeat prescribing systems	TBC		0.000	Red
18 month invest to save Care Home Pharmacy Support Pilot	0.328		0.328	Red
Primary Care Prescribing sub total	0.868	0.000	0.868	
Total	3.584	0.224	3.808	

- 6.3 Further detailed work is underway to refine the proposals including

consideration of risk in terms of the realistic prospect of delivery and completion of equality and poverty impact assessments where appropriate.

7. 2022/23 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 2022/23 as summarised in table 4:

TABLE 4: 2022/23 Capital Investment Proposals		£m
Health		
Primary Care estate redevelopment (initial agreement)		0.5
		0.5
Social Care		
Ongoing upgrades to various adult social work buildings		0.2
Intermediate Care feasibility/scoping work (links to FCH master plan)		0.2
Changing places toilets		0.2
		0.605
Total		1.105

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 2022/23.
- 8.2 Based on current financial planning assumptions, an overall funding shortfall of £7.6m (equivalent to 3.1% of the total IJB budget) has been identified for financial year 2022/23. As a result, additional funding and/or recurring savings will be required in order to deliver financial balance. To date savings proposals totalling £3.8m have been identified, leaving a residual gap of £3.8m to be addressed. The business case will be presented to Falkirk Council on 8th December and NHS Forth Valley in early January 2021.

- 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 Scottish budget and confirmation of various national policy developments. The business case will be updated once further information is available.

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 2022/23. 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. However, the scale of the potential funding gap and uncertainty in relation to the ongoing impact of Covid-19 are a key risks in terms of financial sustainability and this remains high risk in the IJB's strategic risk register.

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

- 9.1 Jillian Thomson, Chief Finance Officer

10. List of Background Papers

- 10.1 N/A

11. Appendices

- 11.1 N/A