

# **Agenda Item 7**

## **Budget Report 2022-2023**



## Falkirk Integration Joint Board

18 March 2022

Budget Report 2022-2023

For Decision

### 1. Executive Summary

- 1.1 This report provides an update to the Business Case previously approved by the IJB in November 2021 and confirms the opening budget for 2022/23.

### 2. Recommendations

The Integration Joint Board is asked to:

- 2.1 approve the opening budget for 2022/23;
- 2.2 note the budget gap of £5.155m and associated financial risk;
- 2.3 approve the efficiency savings plan to enable a balanced budget to be set for 2022/23.

### 3. 2022/23 Revenue Budget

- 3.1 Following confirmation of funding settlements and further negotiation with partners, the total opening budget proposed for 2022/23 is £255.922m as summarised in table 1 below.

<b>TABLE 1. 2022/23 Revenue Budget</b>	<b>Opening Budget £m</b>
Large Hospital Services	31.017
Primary Healthcare Services	77.033
Social Care Services	109.050
Community Healthcare Services	38.822
<b>Total</b>	<b>255.922</b>
Set Aside	31.017
Integrated Budget	224.905
<b>Total</b>	<b>255.922</b>
<b><u>Funding contribution per partner</u></b>	
Falkirk Council	85.069
NHS Forth Valley	170.853
<b>Total</b>	<b>255.922</b>

- 3.2 The opening budget reflects the required uplifts to Integration Authorities as advised by the Scottish Government. Note that the budget is comprised of £253.555m of recurring funding plus £2.367m of non-recurring funding. The non-recurring element reflects £0.567m provided by the Scottish Government in respect of interim care and £1.800m provided by Falkirk Council in recognition of the ongoing pressures faced by the health and social care sector and impact this has on our ability to deliver savings at this time. Falkirk Council will revisit the provision of this funding for financial year 2023/24.
- 3.3 All 2022/23 financial planning assumptions have also been updated to reflect the latest position in terms of known inflationary pressures and a range of confirmed national policy commitments. As a result, a revised total funding gap of £5.155m is now estimated for 2022/23 as summarised in tables 2 and 3 below.
- 3.4 This represents an improvement compared to the £6.091m gap forecast in the original business case, largely due to the non-recurring funding provided by Falkirk Council referred to in section 3.2 above.

<b>TABLE 2: 2022/23 Financial Planning Assumptions</b>	<b>Falkirk Council £m</b>	<b>NHS Forth Valley £m</b>	<b>TOTAL £m</b>
<b><u>Estimated funding uplift</u></b>			
Recurring base budget uplift from partners		2.920	2.920
Non-recurring funding from partners	1.800		1.800
Transfer from the Health portfolio (recurring)	15.169		15.169
Transfer from the Health portfolio (non-recurring)	0.567		0.567
Social Work workforce	0.622		0.622
	<b>18.158</b>	<b>2.920</b>	<b>21.078</b>
<b><u>Estimated expenditure</u></b>			
Pay awards	0.618	1.180	1.798
Employer National Insurance Contributions	0.196	0.428	0.624
Primary Care Prescribing		1.702	1.702
Hospital Prescribing		0.163	0.163
Social Care Provider uplifts	6.677		6.677
FHS independent contractor uplifts			0.000
General price inflation	0.127	0.693	0.820
National policy developments	9.857		9.857
21/22 recurring pressures c/f	2.183	2.409	4.592
	<b>19.658</b>	<b>6.575</b>	<b>26.233</b>
<b>ESTIMATED SHORTFALL</b>	<b>(1.500)</b>	<b>(3.655)</b>	<b>(5.155)</b>

<b>TABLE 3. 2022/23 Revenue Budget</b>	<b>Opening Budget £m</b>	<b>Forecast Expenditure £m</b>	<b>Underspend/ (Overspend) £m</b>
Large Hospital Services	31.017	31.900	(0.883)
Primary Healthcare Services	77.033	79.750	(2.717)
Social Care Services	109.050	110.550	(1.500)
Community Healthcare Services	38.822	38.877	(0.055)
<b>Total</b>	<b>255.922</b>	<b>261.077</b>	<b>(5.155)</b>
Set Aside	31.017	31.900	(0.883)
Integrated Budget	224.905	229.177	(4.272)
<b>Total</b>	<b>255.922</b>	<b>261.077</b>	<b>(5.155)</b>

- 3.5 Note that the total budget remains subject to change given the range of outstanding Health related funding allocations which don't form part of the recurring base and continue to be allocated separately, including Primary Medical Services, Alcohol and Drug Partnership, Primary Care Improvement Fund, Mental Health Recovery and Renewal Fund, Winter Pressures, Mental Health and Wellbeing in Primary Care and the national drug mission monies.

## 4. 2022/23 Efficiency savings

- 4.1 In order to close the budget gap, efficiency savings of £5.155m (equivalent to 2% of the total IJB budget) will require to be delivered in order to achieve financial balance.
- 4.2 Similar to previous years, a non-recurring "invest to save" fund of £250k will be made available to enable locality teams and Partners to support continuous improvement and innovation through access to dedicated resources to incentivise and implement new ways of working to deliver cash releasing efficiency savings.
- 4.3 To date savings proposals totalling £5.165m have been identified as outlined in table 4 overleaf. Key themes relate to residential care services, community hospitals, procurement and prescribing. However it is recognised that just under half of the proposed schemes (48%) are considered as high risk in terms of deliverability.
- 4.4 Note that savings proposals relating to potential income generation from the introduction of new non-residential service charges previously included in the business case were not supported by Falkirk Council. As such, these have been removed from the updated savings plan (on the basis that decisions regarding charging for non-residential fees rests with the Local Authority not the IJB).

TABLE 4: 2022/23 Savings Proposals	£m Rec	£m Non-rec	£m Total	RAG Status	Description	EPIA status
<b>Adult Social Care</b>						
Review of high cost care packages (including out of area placements in line with the coming home report and community living change fund).	0.250		0.250	Amber	Ongoing review of packages of care ≥ £1.5k per week, note the potential to reduce threshold to ≥ £1k per week which would increase the scope of the number of reviews that need to be carried out. This is currently supported by 2 FTE posts to undertake reviews, 1 of which is now vacant, recruitment underway. RAG status is amber due to risk around recruitment to the vacant post.	Complete
Ongoing review of residential care services in line with previous community bed base capacity modelling.	0.260		0.260	Red	The output of the community bed modelling work demonstrated that there is sufficient capacity within the system to reduce the bed base across Falkirk. As a result, the redesign of Community Hospitals and Residential Care budgets should continue as we work towards the anticipated reduction in the overall number of beds and care home places (offset by a corresponding increase in more investment in community and care at home services). RAG status is red given current system pressures/lack of capacity to complete the review and current Scottish Government policy in relation to the use of interim care placements.	Complete
Review of Housing with Care service	0.071		0.071	Red	Review of Housing with Care to ensure a reablement approach with a view to promoting more independence (reduced reliance on support or the potential for alternative Providers to support some elements of the service where appropriate). Further work required to fully assess this option. RAG status is red given current lack of capacity to undertake the review/assessment.	EPIA still to be registered
Digital transformation funding			0.000	Red	The Scottish Government is considering the feasibility of a national alarm receiving system as part of the analogue to digital transition for telecare services. There may be a national funding solution given representation from CFOs in relation to the significant costs attached to the digital switch over in respect of MECS. RAG status is red given the level of uncertainty around this (hence no figure provided).	N/A
Review of Day Care services	0.104		0.104	Red	Review of day services for both younger adults and older people is required to reflect the post Covid environment and procurement regulations in respect of commissioned day care services. RAG status is red given current lack of capacity to undertake the review/assessment.	EPIA still to be registered
Premises savings	0.053		0.053	Green	Relates to the Caledonia Service move from Etna Rd premises to Dollar Park and resultant savings on lease & utilities etc. Also savings generated from reduction in the frequency of waste collections at Denny Town House due to restricted opening hours of the building. RAG status is green as premises moves are complete.	Complete
MECS: review of SIM card procurement & specialist equipment budget	0.074		0.074	Amber	The ongoing transfer to digital services, means more competition in the market for mobile broadband connectivity which suggests there may be scope to get a better price on current SIM card subscriptions (current spend c£192k pa). RAG status is amber given further advice required from Procurement colleagues (and timing issues may mean any savings won't be generated until 2023/24 onwards). MECS specialist equipment is funded from other sources, propose to release revenue budget as a saving.	N/A
Release of general reserve		0.224	0.224	Green	Underspend on adult social care was transferred to general reserve at 31 Mar 2021. This will not be used in 2021/22 and is therefore available to be released in 2022/23. RAG status is green, the reserve is available for use.	N/A
Non-residential service charges inflationary uplift	0.042		0.042	Green	Annual percentage inflationary uplift will be applied to non-residential charges as is standard custom and practice. 3% confirmed for 2022/23. Anecdotally Falkirk Council appears to charge less than other Local Authority areas, however, consideration of a benchmarking exercise to formally assess this and rebase charges was not supported by the Council given that non-residential charges are likely to be abolished during 2022/23 as per the recommendations of the Feeley review. RAG status is green given that 3% increase was agreed by Falkirk Council on 2/3/22.	Falkirk Council to confirm EPIA status
General procurement benchmarking review	0.050		0.050	Amber	Benchmarking of current framework prices compared to other sources/suppliers to determine ongoing value for money and assess potential for savings in supplies budgets. RAG status is amber given current capacity challenges in the procurement team.	N/A
Zero Based Budgeting (ZBB): engagement with Falkirk Council's ZBB exercise	TBC		0.000	Red	Falkirk Council exercise to harness ZBB to identify options around which services/functions/activities could be reduced or ceased. RAG status is red given the nature of adult social care services, statutory roles and the potential conflict with IJB priorities. The potential reduction in corporate support services to the IJB is also a concern.	Falkirk Council to confirm EPIA status
Review of home care contractual arrangements & rates	0.600		0.600	Red	Invest to save proposal for an Assistant Procurement Adviser (12 months fixed term possibly increasing to 24 months) to maximise the use of our top 10 most economically advantageous tender rate providers (potential £1.6m saving as advised by procurement colleagues). Given current volatility in the market, this saving has been revised downward to £600k. RAG status is red given the current capacity pressures in the external service and the unprecedented no of people waiting for packages of care (which has meant more supplementary providers are being used at potentially higher rates) and forthcoming re-tender of the Home Support and Supported Living contract.	EPIA still to be registered
<b>Adult Social Care sub total</b>	<b>1.504</b>	<b>0.224</b>	<b>1.728</b>			

TABLE 4: 2022/23 Savings Proposals	£m Rec	£m Non-rec	£m Total	RAG Status	Description	EPIA status
<b>Community Healthcare Services</b>						
Falkirk Community Hospitals (community bed base capacity modelling)	0.500		0.500	Green	The output of the community bed modelling work demonstrated that there is sufficient capacity within the system to reduce the bed base across Falkirk. As a result, the redesign of Community Hospitals and Residential Care budgets should continue as we work towards the anticipated reduction in the overall number of beds and care home places (offset by a corresponding increase in more investment in community and care at home services). RAG status is green given current system pressures/lack of capacity to complete the review and current Scottish Government policy in relation to the use of interim care placements.	Complete
Review of the Nutrition and Dietetic Service	TBC		0.000	Amber	Review of the nutrition and dietetics service across Acute, Community, Learning Disabilities and Health Improvement to ensure the service is fit for purpose, sustainable, shares best practice and consistency of clinical practice, improves access and develops new and innovative ways of working. Savings may be generated in the prescribing budget or through productivity etc. RAG status is amber as dedicated project management resource has been requested for a 2 year period to support the review which has still to be confirmed and agreed by NHS FV, FIJB and C/SIJB.	EPIA still to be registered
Community Residential Resources (FYE of Ercall Road)	0.014		0.014	Green	Full year effect of income generation linked to the de-registration of Ercall Road Community Residential Resource. RAG status is green as the deregistration was completed part way through 2021/22.	Complete
<b>Community Healthcare sub total</b>	<b>0.514</b>	<b>0.000</b>	<b>0.514</b>			
<b>Set Aside</b>						
Various initiatives currently being considered by NHS Forth Valley's Cost Improvement Oversight Group	0.883		0.883	Red	6 workstreams are currently being reviewed including medicines management, innovation, patient flow and demand management, workforce efficiencies including e-rostering and job planning. RAG status is currently red given current operational pressures within set aside services and likely impact on savings delivery.	EPIAs still to be registered

TABLE 4: 2022/23 Savings Proposals	£m Rec	£m Non-rec	£m Total	RAG Status	Description	EPIA status
<b>Primary Care Prescribing</b>						
Review of non-medical prescribing	0.540		<b>0.540</b>	Amber	Review of non-medical items currently dispensed via Community Pharmacy (dressings, catheters, stoma) and assess potential for these to be sourced by the NHS Board and provided directly to patients. RAG status is amber given current capacity challenges within pharmacy and district nursing teams to take forward the review.	EPIA still to be registered
Technical switches/Scriptswitch	0.100		<b>0.100</b>	Green	Savings generated from software which supports Prescribers to deliver cost effective, safe and effective prescribing in line with the local scriptswitch profile and formulary. RAG status is green as Scriptswitch is already fully implemented and offer and acceptance rates have improved due to dedicated work by the pharmacy team.	EPIA still to be registered
Full year effect of Prescribing Improvement Initiative (PII)	0.089		<b>0.089</b>	Green	Full year effect of savings generated through the second phase of the Prescribing Improvement Initiative (PII) implemented part way through 2021/22 in conjunction with GP practices. RAG status is green as PII phase 2 was agreed and already implemented last year.	EPIA still to be registered
Formulary review (respiratory)	0.150		<b>0.150</b>	Green	Review of the respiratory chapter of the formulary to ensure it is up to date in terms of the evidence base and listing of the most cost effective drugs and preparations. RAG status is green as a dedicated permanent formulary pharmacist is now in post to review and maintain the formulary.	EPIA still to be registered
Medicines Waste project/Local Enhanced Service for safe and effective repeat prescribing systems	0.550		<b>0.550</b>	Red	Medicines waste project was underway during 2021/22 in conjunction with GP practices which required review of the top 20 Patients who are over ordering repeat medication. Results have been analysed and the potential for a new Local Enhanced Service (LES) is being considered to streamline systems and ordering processes which would result in efficiencies and improve patient safety. RAG status is red as LES requires formal approval via GP sub group and the current lack of capacity in GP and pharmacy teams to support the work required is likely to be an issue.	EPIA still to be registered
Care Home Pharmacy Support	0.583		<b>0.583</b>	Amber	18 month test of change involving a small team of pharmacists who will work across care homes to improve residents medicines safety, to optimise medicines use and to stream line medicine management processes in order to reduce waste. RAG status is amber as funding for the pilot has not yet been agreed.	EPIA still to be registered
<b>Primary Care Prescribing sub total</b>	<b>2.012</b>	<b>0.000</b>	<b>2.012</b>			

<b><u>Savings summary</u></b>	<b><u>£m</u></b>
Adult Social Care	1.756
Primary Care Prescribing	2.012
Community Healthcare Services	0.514
Set Aside	0.883
	<b><u>5.165</u></b>

## 5. Covid-19

- 5.1 Note that the ongoing financial impact of the pandemic is not included in the current 2022/23 projections. This will continue to be will be dealt with separately in line with Scottish Government guidance.
- 5.2 Initial cost estimates for 2022/23 were submitted to the Scottish Government on 18 February, reflecting anticipated ongoing expenditure in relation to Personal Protective Equipment (PPE), financial sustainability support for external Social Care Providers and independent Primary Care Contractors, infection prevention and control and increased staffing costs to cover absence due to sickness, shielding or self-isolation. Total costs for 2022/23 are currently estimated £7.467m.
- 5.3 As highlighted in the finance report, there is expected to be excess Covid funds carried forward from 2021/22 through IJB reserves for use in 2022/23. The Scottish Government have advised that any covid funding carried forward to 2022/23 should be used to address ongoing Covid related additional costs in the first instance. However any excess can be used to support ongoing recovery to address the backlog of demand and unmet need arising from Covid related service disruption. It is proposed that we will use this locally to help reshape whole system services within the delegated accountabilities of the IJB, to support our ability to recover, reduce unscheduled care and improve outcomes. The extent of any Covid carry forward funds will not be confirmed until early April. A business case for the proposed use of any excess covid reserve balances will be brought forward to the June IJB meeting.

## 6. Conclusion

- 6.1 Based on current financial planning assumptions, an overall funding shortfall of £5.155m (equivalent to 2% of the total IJB budget) is forecast for financial year 2022/23.
- 6.2 To date, efficiency savings of £5.165m have been identified to enable a balanced budget to be set for 2022/23. However it is recognised that an element of the savings proposals are currently considered high risk in terms of in year deliverability due to the ongoing uncertainty associated with the pandemic. In addition, a significant element of non-recurring funding is also being utilised to support the financial position during 2022/23. As such, early identification of recurring savings initiatives and transformational service change is crucial as we look ahead to 2023/34.

### Resource Implications

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



### Impact on IJB Outcomes and Priorities

The report presents the total opening 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

New Directions are currently being prepared in line with statutory guidance to reflect the payments to Falkirk Council and NHS Forth Valley as part of the opening budget position.

### Legal & Risk Implications

There are no legal implications arising from the report recommendations. Financial sustainability remains high risk on the IJB's risk register. There are number of key risks pertinent to 2022/23 in particular due to:

- The scale of the funding gap and our ability to identify and deliver recurring efficiency savings.
- the use of non-recurring funding to support the financial position and/or reliance on annually negotiated risk sharing arrangements with partners (longer term risk sharing is to be addressed as part of the outstanding review of the integration scheme).
- ongoing uncertainty in relation to the ongoing impact of Covid-19.

### Consultation

This report has been drafted through engagement and information sharing with colleagues in Falkirk Council and NHS Forth Valley.

### Equalities Assessment

An equalities assessment will be required in relation to all proposed savings schemes. The current EPIA status of all savings schemes is outlined in section 4 of the report.

## 7. Report Author

Jillian Thomson, Chief Finance Officer

## 8. List of Background Papers

N/A

## 9. Appendices

N/A