

The background of the slide features a large, light blue crest of the University of Alberta. The crest is a shield divided into four quadrants. The top-left quadrant shows a cross with a chevron. The top-right quadrant shows a stag's head with antlers. The bottom-left quadrant shows a sailing ship on waves. The bottom-right quadrant shows an eagle with spread wings. Above the shield is a crown with four floral motifs. Below the shield is a banner with the motto "ANNE FOR A".

## **Agenda Item 9**

**IJB Business Case 2023/24**

**Falkirk Council**

**Title:** IJB Business Case 2023/24  
**Meeting:** Falkirk Council  
**Date:** 14 December 2022  
**Submitted By:** Director of Transformation, Communities & Corporate Services

**1. Purpose of Report**

- 1.1. It has been normal practice for Council to gain early sight of the IJB's Business Plan and savings options before concluding deliberations at the Budget meeting in February/March. These are set out in the attached papers from the IJB.

**2. Recommendations**

- 2.1 Council is invited to note the position set out in the attached papers and the savings options identified by the IJB.

**3. Background**

- 3.1. The submission from the IJB is due to be considered by the Financial Strategy Group at its meeting on 6 December 2022.

**4. Considerations**

- 4.1 In line with the previous years Local Government Financial Settlement, the anticipated service payment to the IJB for 2023/24 is based on the Scottish Government's requirement that the current budget plus any new social care funding will be passed on in full to the IJB. Within the Business Case, the IJB has identified an overall budget shortfall of £10.4m, of which £5.5m relates to services paid by Falkirk Council.
- 4.2 The IJB has identified saving options to a value of £7.8m, with £3.7m relating to Adult Social Care, although £1.4m are flagged red under their RAG rating.
- 4.3 The IJB's financial plan also assumes that funding for the 2022/23 pay award will be passed on to the IJB. This is still under review and discussions with the IJB are ongoing.

## **5. Implications**

### **Financial**

- 5.1 The IJB in common with Council Services will have to identify savings options in order to balance the budget. The Council will make its decision regarding the funding to be provided to the IJB at the Budget meeting in March 2023.

### **Resources**

- 5.2 There are no resource implications arising from this report.

### **Legal**

- 5.3 There are no legal issues arising from this report.

### **Risk**

- 5.4 There is a risk that savings options which may be approved by the IJB may not in practice be delivered, impacting negatively on the financial position of the IJB.

### **Equalities**

- 5.5 Equalities issues could arise dependent on the savings options approved by the IJB. Preparation of Equality & Poverty Impact Assessments (EPIA's) are prepared to help manage this and mitigate risks where possible.

## **6. Conclusions**

- 6.1 The attached papers give Members an early opportunity to see the IJB savings options and to explore the impact of those savings options with senior IJB officers.

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Director of Transformation, Communities & Corporate Services

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Date: 02 December 2022

**List of Background Papers:**

No papers were relied on in the preparation of this report in terms of the Local Government (Scotland) Act 1973.

**Appendices**

Appendix 1 – Integration Joint Board 2023/24 business case

# **Business Case**



## **Falkirk Integration Joint Board**

**18 November 2022**

**Business Case**

**For Decision**

### **1. Executive Summary**

- 1.1 This report presents the 2023/24 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 2023/24.

### **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 2023/24.

### **3. 2023/24 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 2023/24 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 UK and Scottish Government budgets which won't be announced until later this year. The UK government's medium term fiscal plan and updated forecast from the Office of Budget Responsibility (OBR) has been further delayed from an expected date of 31 October 2022. This may impact the Scottish Government 2023/24 budget which was due to be published on 15 December 2022. 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 forthcoming UK budget and spending review and the Scottish budget are not expected to be known until January 2023. In the meantime, it is assumed that all recurring in scope Health budgets will be uplifted by 2% and that external provider inflationary uplifts in respect of the national living wage commitment will be fully funded.

- 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. The 2022/23 budget settlement from Falkirk Council included a non-recurrent contribution of £1.8m. This funding is not available in 2023/24. It is assumed that Falkirk Council will pass on the social care element of the 2022/23 SJC pay award contribution from the Scottish Government. Beyond that, a flat cash settlement is anticipated from Falkirk Council, consistent with previous Scottish Government guidance to local authorities.
- 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 2023/24 pay negotiation process.
- 3.6 At the time of writing, all 2022/23 pay awards remain outstanding and while funding is anticipated to match the final AfC uplift, this will be achieved through reprioritisation of funding from other commitments and not through additional funding – further details are awaited from Scottish Government. The uplift for SJC staff represents a significant financial risk. The Scottish Government funding contribution towards the SJC pay award includes provision for social care staff and Scottish Government has issued a letter confirming their expectation the social care element is passed through to IJBs by local authorities. The IJB's share of funding, on this basis has been calculated locally to be £1.173m and this represents a shortfall of £0.572m compared to the total estimated unbudgeted cost of £1.745m, based on a 7.5% pay settlement.
- 3.7 **Contractual uplifts** – External Social Care Provider uplifts are estimated at between 4.7% and 6%, reflecting ongoing living wage commitments and a non-pay inflationary uplift in line with the current consumer price index (CPI). The range of uplift reflects the differing impact, by care sector, of non-pay inflation, with residential care providers having greater non pay liabilities than care at home providers. The living wage element is expected to be fully funded through the health portfolio pass through as referred to in paragraph 3.3.
- 3.8 Increases in commissioning costs of healthcare and voluntary sector services are estimated at 2%, reflective of the 2% increase in health funding.
- 3.9 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.
- 3.10 **Other Inflation** – Drug inflation has been set at 2% in line with the expected health funding increase for 2023/24. 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%, including both price and volume estimated increases. Other inflation for areas such as consumables, transport and general inflation has been

minimised; while the consumer price index is currently running at 10.1%, services are asked to work within existing budgets, the alternative being higher savings requirements.

- 3.11 **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. 2022/23 covid costs are being met from earmarked reserves however it is anticipated that Scottish Government will reclaim excess covid reserves during 2022/23. A large proportion of current covid expenditure is in respect of Provider Relief and expenditure is now reducing, in line with government policy changes. Expenditure on covid related bank and agency costs also continues and requires to be phased out.
- 3.12 **National policy developments** – A number of 2021/22 winter pressure funding announcements had a recurring impact in 2022/23 and beyond. However funding in respect of interim care was non-recurring and the £0.569m funding in 2022/23 is not expected to continue in 2023/24. To date, this funding has been used alongside brought forward earmarked reserves to contract interim care and short term assessment beds from care providers. These contractual arrangements will require to end once funds are depleted.
- 3.13 **Business case earmarked investment** – A number of cost pressures and new developments have been funded within the business case from earmarked funds, in particular winter pressures funding, as outlined in paragraphs 3.14 – 3.18 below.
- 3.14 Scottish Government has provided recurring funding of £0.622m for social work workforce. Plans are in progress to invest this resource and will be separately reported to the IJB at a future Board meeting.
- 3.15 Plans are also in progress to utilise recurring winter pressure funding in respect of Care at Home (£3.506m), Multi Disciplinary Teams (£1.131m) and Healthcare Support Workers (£0.850m). Together with realignment of former Falkirk Community Hospital wards budgets, these funds will be used to develop critical community services in line with the new Strategic Plan. It should be noted that funds in respect of MDTs and HCSWs have yet to be received in 2022/23 and there is a risk that funding commitments could be compromised by the need to fund increased 2022/23 pay awards. Proposed developments will progress in line with confirmed funding, once received.
- 3.16 An element of the recurring winter pressure funding announced in 2021/22 was provided to support 2022/23 living wage increases and general social care investment. After funding the national living wage increase, £2.908m remained and was set aside to cover the following cost pressures:
- £1.800m has been set aside to support services that have been funded non recurrently in 2022/23 through Falkirk Council's financial contribution and this is reflected in the savings table in section 6.2 of the business case. The winter pressure funding was not committed in 2022/23 due to the need to meet this future funding gap in 2023/24 and beyond, however, the Finance report to the November IJB Board meeting does recommend the creation of

a “Cost of Living” earmarked reserve from this unutilised 2022/23 funding.

- The balance of £1.108m has been set aside to support increased strategic planning capacity and business support requirements, through additional posts within the health and social care structure. The revised structure is progressing, including staff-side engagement, however the additional posts are unlikely to be in place until late 2022/23 so the main impact will be 2023/24 onwards.

3.17 Note that no allowance is made in respect of the potential financial implications arising from the National Care Service bill.

3.18 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 fully funded. Significant funding gaps have been consistently reported by all IJB's in relation to the full implementation of the PCIP and work continues to define final delivery expectations. Locally, any gap has been managed through staff turnover and incremental drift. An inflationary uplift is expected in respect of 2023/24 PCIP funding but this has yet to be confirmed.

## 4. Strategic Priorities and Delivery Plan Actions

4.1 Work is progressing on the new 3-year strategic plan for 2023 to 2026. To date a strategic needs assessment has been completed and consultation and engagement has taken place throughout September and October on the outcomes and priorities identified in the strategic needs assessment. As the next stage, the following outcomes and priorities will be further reviewed:

### Outcomes:

1. Self-Management: Individuals, their carers and families can plan and manage their own health, care and well-being. Where supports are required, people have control and choice over what and how care is provided
2. Safe: High quality health and social care services are delivered that promote keeping people safe and well for longer
3. Experience: People have a fair and positive experience of health and social care, delivered by a supported workforce that are skilled, committed, motivated and valued
4. Strong sustainable communities: Individuals and communities are resilient and empowered with a range of supports in place that are accessible and reduce health and social inequalities

**Priorities:**

1. Deliver local health and social care services, including Primary Care, through enabled communities and workforce
2. Ensure carers are supported in their caring role
3. Focus on early intervention, prevention and harm reduction
4. Make better use of technology to support the delivery of health and social care services

- 4.2 The developing priorities have been incorporated in the 2023/24 business case as appropriate. Once the new strategic plan has been finalised this will require the IJB's medium term financial plan to be updated accordingly and a revised medium term financial plan will be presented at a future IJB meeting.

## 5. 2023/24 Financial Projection - Revenue

- 5.1 Taking into account the financial planning assumptions outlined above together with recurring pressures carried forward from 2022/23, total additional expenditure during 2023/24 is estimated to be in the region of £14.654m. This compares to the estimated available funding uplift of £4.280m resulting in a £10.374m shortfall as summarised in table 1 below.

<b>TABLE 1: 2023/24 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 uplift (2% NHS + 0% LA)		2.641	2.641
Uplift for Resource Transfer & Pass Through	0.509	(0.509)	0.000
Transfer from Health Portfolio	2.266		2.266
SG Pass-through: 2022/23 SJC Pay Award	1.173		1.173
2022/23 Non Recurring Funding	(1.800)		(1.800)
	<b>2.148</b>	<b>2.131</b>	<b>4.280</b>
<b><u>Estimated expenditure increase</u></b>			
2023/24 Pay awards (2%)	0.817	1.331	2.148
2022/23 Pay award - funding shortfall	1.745		1.745
Primary Care Prescribing (5.5%)		1.609	1.609
Hospital Prescribing (2%)		0.049	0.049
Demographic change	0.800		0.800
Social Care Provider uplifts (4.7% - 6%)	4.191		4.191
SJC Pension base increase	0.114		0.114
Commission of healthcare/ Vol. sector (2%)		0.133	0.133
FHS contractual uplifts			0.000
General price inflation	0.012	0.000	0.012
2022/23 recurring pressures incl set aside		3.853	3.853
	<b>7.679</b>	<b>6.975</b>	<b>14.654</b>
<b>ESTIMATED SHORTFALL</b>	<b>(5.531)</b>	<b>(4.844)</b>	<b>(10.374)</b>

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

<b>TABLE 2. 2023/24 Revenue Projection</b>	<b>Forecast Budget £m</b>	<b>Forecast Expenditure £m</b>	<b>Underspend/ (Overspend) £m</b>
Large Hospital Services	36.782	38.651	(1.869)
Primary Healthcare Services	78.566	81.577	(3.011)
Social Care Services	114.460	119.991	(5.531)
Community Healthcare Services	38.265	38.229	0.036
<b>Total</b>	<b>268.073</b>	<b>278.448</b>	<b>(10.374)</b>
Set Aside	36.782	38.651	(1.869)
Integrated Budget	231.291	239.797	(8.505)
<b>Total</b>	<b>268.073</b>	<b>278.448</b>	<b>(10.374)</b>

5.3 Clearly further negotiation with partners will be required in relation to the level of funding contributions for 2023/24 and the realistic application of savings targets if financial balance is to be delivered in 2023/24. In the meantime, every effort is being made to reduce costs and achieve efficiency savings where possible.

5.4 Specifically in respect of set aside / large hospital services budgetary pressures, NHS Forth Valley has in previous years met the costs of the set aside overspend given the IJB has had no oversight of any operational or budget decisions in that regard. It is anticipated that there will be no change to that arrangement although no confirmation has been received. There is an outstanding audit action to review the IJB Integration Scheme and to agree the risk sharing arrangement. The lack of confirmation on the treatment of set aside poses a significant financial risk to the IJB should NHS Forth Valley depart from what has been custom and practice. The Chief Finance Officer continues to work with NHS colleagues to complete the work required.

## 6. 2023/24 Efficiency Savings

6.1 Development of the 2023/24 efficiency savings programme is currently underway as summarised in table 3 below, with further detail included in appendix 1. Capacity challenges impacted on the delivery of the 2022/23 efficiency savings programme and a number of the initiatives listed in appendix 1 have continued from the previous year.

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).

<b>TABLE 3: Savings 2023/24</b>	<b>Total £m</b>	<b>Red £m</b>	<b>Amber £m</b>	<b>Green £m</b>
Adult Social Care	3.720	1.417	0.279	2.024
Primary Care Prescribing	1.952	0.700	1.152	0.100
Community Healthcare Services	0.211	0.000	0.211	0.000
Set Aside	1.869	1.689	0.180	0.000
<b>TOTAL</b>	<b>7.752</b>	<b>3.806</b>	<b>1.822</b>	<b>2.124</b>

- 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.

## 7. 2023/24 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 2023/24 as summarised in table 4 below. In addition a capital allocation of £3.514m is included in future years (2024/25 & 2025/26) in respect of a new intermediate care facility, as part of the Council's 5-year capital plan:

<b>TABLE 4: 2023/24 Capital Investment Proposals</b>	<b>£m</b>
<b><u>Health</u></b>	
Primary Care estate redevelopment (initial agreement)	0.265
	0.265
<b><u>Social Care</u></b>	
Ongoing upgrades to various adult social work buildings	0.185
MECS alarm replacement	0.040
Changing places toilets	0.072
	0.297
<b>Total</b>	<b>0.562</b>

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 2023/24.

- 8.2 Based on current financial planning assumptions, an overall funding shortfall of £10.374m (equivalent to 3.9% of the total IJB budget) has been identified for financial year 2023/24. As a result, additional funding and/or recurring savings will be required in order to deliver financial balance. To date savings proposals totalling £7.752m have been identified, although many of these are high risk, requiring further development before they can be delivered, leaving a residual gap of £2.622m to be addressed. The business case will be presented to Falkirk Council in December and NHS Forth Valley in early January 2023.
- 8.3 The Chief Finance Officer will continue to liaise with Falkirk Council CFO and NHS FV Finance Director on the ongoing development of the business case, adjusting this as required in response to emerging national guidance and budget settlements. In addition, the review of the Integration Scheme including the risk share arrangement requires to be concluded.
- 8.4 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. This may require a Special IJB meeting to be organised and the Board will be notified as necessary.

#### 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 2023/24. It is vital that priorities and outcomes are delivered on a 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 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 will be a requirement for an equalities assessment to be performed in relation to the proposed savings schemes.

## **9. Report Author**

9.1 Steven Kirkwood, Chief Finance Officer

## **10. List of Background Papers**

10.1 N/A

## **11. Appendices**

**Appendix 1:** 2023/24 Savings Proposals

<b>APPENDIX 1: 2023/24 Savings Proposals</b>	<b>£m Rec</b>	<b>£m Non-rec</b>	<b>£m Total</b>	<b>RAG Status</b>
<b><u>Adult Social Care</u></b>				
Change to National Insurance contributions - reduction in Employers contributions	0.196		<b>0.196</b>	Amber
Non recurring funding offset - winter pressures.	1.800		<b>1.800</b>	Green
Review of Internal and External Care At Home provision	0.868		<b>0.868</b>	Red
Review of Housing with Care service	0.071		<b>0.071</b>	Red
Review of Day Care services	0.104		<b>0.104</b>	Red
Release of general reserve		0.224	<b>0.224</b>	Green
Non-residential service charges inflationary uplift	0.083		<b>0.083</b>	Amber
Residential service charges inflationary uplift	0.374		<b>0.374</b>	Red
<b>Adult Social Care sub total</b>	<b>3.496</b>	<b>0.224</b>	<b>3.720</b>	
<b><u>Community Healthcare Services</u></b>				
Change to National Insurance contributions - reduction in Employers contributions	0.211		<b>0.211</b>	Amber
Review of the Nutrition and Dietetic Service	TBC		<b>0.000</b>	Amber
Community Residential Resources - service charge inflationary uplift.	TBC		<b>0.000</b>	Green
<b>Community Healthcare sub total</b>	<b>0.211</b>	<b>0.000</b>	<b>0.211</b>	
<b><u>Primary Care Prescribing</u></b>				
Review of non-medical prescribing	0.540		<b>0.540</b>	Amber
Change to National Insurance contributions - reduction in Employers contributions	0.029		<b>0.029</b>	Amber
Technical switches/Scriptswitch	0.100		<b>0.100</b>	Green
Formulary review (respiratory)	0.150		<b>0.150</b>	Red
Medicines Waste project/Local Enhanced Service for safe and effective repeat prescribing systems	0.550		<b>0.550</b>	Red
Care Home Pharmacy Support	0.583		<b>0.583</b>	Amber
<b>Primary Care Prescribing sub total</b>	<b>1.952</b>	<b>0.000</b>	<b>1.952</b>	
<b><u>Set Aside</u></b>				
Change to National Insurance contributions - reduction in Employers contributions	0.180		<b>0.180</b>	Amber
Various initiatives to be considered by NHS Forth Valley's Cost Improvement Oversight Group	1.689		<b>1.689</b>	Red
<b>Set Aside sub total</b>	<b>1.869</b>	<b>0.000</b>	<b>1.869</b>	
<b>Grand total</b>	<b>7.528</b>	<b>0.224</b>	<b>7.752</b>	