

Integration Joint Board
17 December 2020

Subject: IJB 2021-22 BUDGET OUTLOOK

Purpose: To update the IJB on the budget outlook for the partnership for 2021-22.

Recommendation: That the Board notes the potential budget outlook for 2021-22 for North Ayrshire HSCP noting the work ongoing to develop plans to allow a balanced budget to be presented to the IJB in March 2021.

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
IJB	Integration Joint Board
NAHSCP	North Ayrshire Health and Social Care Partnership
NAC	North Ayrshire Council
ADP	Alcohol and Drugs Partnership
NRAC	NHS Resource Allocation Committee

1.	EXECUTIVE SUMMARY
1.1	<p>The report outlines the budget outlook for 2021-22 to provide the IJB with information in relation to the scale of any potential budget gap prior to the budget being submitted to the IJB for approval in March 2021. The information includes three different scenarios for the potential budget gap, based on different funding assumptions and service pressures and services will develop potential plans to address the budget gap with further detail on any savings proposals being shared with the IJB in January 2021. The report also provides an updated position in terms of reserves, highlights the associated risks and the timetable for setting next year's budget.</p> <p>The potential budget gap is estimated to be between £2.3m and £7.6m for next year. Savings plans are being developed by the HSCP in line with these estimates and progress with this will be shared at the IJB budget briefing in January 2021.</p>
1.2	<p>The potential ongoing additional costs in relation to the response to the Covid pandemic have not been included in the position as this stage, as estimates are being developed but are very much dependant on Scottish Government policy directives and the position in terms of the pandemic response as we move into the new financial year. At this stage it is assumed that these additional costs will be funded, further information will be provided to the IJB in the coming months.</p>
2.	BACKGROUND
2.1	<p>The Integration Scheme outlines a process of planning for budgets in future years where the Chief Officer and the Chief Finance Officer develop the funding requirements for the</p>

	<p>Integrated Budget based on the Strategic Plan and present it to the Parties for consideration as part of the annual budget setting process. This includes consideration of pay awards, contractual uplifts, resource transfer and ring-fenced funds. The IJB are then required to balance the overall resource provided by funding partners to deliver a balanced budget. The North Ayrshire IJB have approved a balanced budget for the last two years and work is ongoing to develop proposals to address any potential budget gap for next year.</p>
3.	PREVIOUS FUNDING PRINCIPLES AND CONDITIONS
3.1	<p>The process as outlined in the Integration Scheme has been eroded in recent years with Scottish Government directives and expectations in relation to funding levels to be passed on to IJBs. Whilst the IJB are required to engage with the partner bodies in relation to budget pressures and savings the overall funding allocation could reflect an element of protection and ring fencing of funds for IJBs.</p> <p>The 2020-21 Scottish Government finance settlement set out a number of conditions and requirements for Health Boards and Councils in relation to funding delegated to Integration Authorities, building on similar conditions introduced in 2019-20. There is potential for similar requirements to be included in the 2021-22 finance settlement.</p> <p>The specific requirements in 2020-21 were as follows:</p> <ul style="list-style-type: none"> • In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 recurring budgets, representing a pass through of the baseline uplift for Territorial Health Boards. • In addition to this and separate from the Board Funding uplift, the Health Portfolio will invest a further £100m in Local Authorities for investment in health and social care integration, and continued support for school councillors. • The additional £100m for local government includes funding to continue the delivery of the Living Wage (£25m), uprating of free personal and nursing care payments (£2.2m), the implementation of the Carer's Act (£11.6m), along with further support for school counselling support (£4m). • The funding allocated from Councils should be additional and not substitutional to the 2019-20 recurrent budgets for social care services that are delegated. Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100m greater than 2019-20 recurring budgets. • In addition to the baseline funding uplift, a total of £461m will be invested to improve patient outcomes during 2020-21 including in Primary Care, Waiting Times Improvement, Mental Health and CAMHS and Trauma Networks. • An additional £12.7m being made available nationally to tackle the harm associated with drugs and alcohol. In addition to this, investment by Health Boards and Integration Authorities will increase by 3% over and above the 2019-20 agreed recurring budgets for alcohol and drugs services. • On 28 February 2020 the Scottish Government announced that similar to 2019-20, flexibility would again be available to Local Authorities to offset their adult social care allocations to Integration Authorities by up to £50m in 2020-21 based on local need (a reduction of up to 2% of adult social care allocations). <p>The financial settlement for 2020-21 for the North Ayrshire IJB was in line with these conditions and resulted in the following funding increases and budget gap:</p>

	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Funding Increase *	1.612	2.894	4.506
Funded Pressures	(4.657)	(3.710)	(8.367)
Budget Gap	(3.045)	(0.816)	(3.861)
% Baseline Budget	3.1%	0.6%	1.6%

For 2020-21 the IJB approved a savings plan for £3.861m to fully address this budget gap.

4. 2021-22 FUNDING SCENARIOS

4.1 The draft Scottish Government will not be published until 28 January 2021, therefore three funding scenarios are considered to illustrate the potential funding position for the IJB. Currently all of these funding assumptions assume that any Scottish Government policy areas will be fully funded.

4.1.1 **Best Case Scenario** – funding increases in line with previous two years

For the social care funding this is based on the average increase amount allocated in the previous two years for general growth and demand for services. For health services this is the average NRAC percentage uplift in the previous two years.

	Social Care £'m	Health £'m	TOTAL £'m
2019-20	1.389 * ₁	2.319 (2.6%)	3.708
2020-21	1.612 * ₂	2.894 (3.0%)	4.506
Average	1.500	2.782 (2.8%)	4.282

*₁ £0.918m flexibility was retained by North Ayrshire Council & *₂ includes £1.119m of flexibility provided non-recurringly

Medium Case Scenario – flat cash social care and lower NRAC uplift

For the social care funding this is based on flat cash i.e. any pressures need to be funded by savings and there is no overall increase in funding. Currently North Ayrshire Council have asked us to plan on this basis in the absence of any information on the finance settlement. For the health funding this is based on a lower NRAC uplift of 2%.

	Social Care £'m	Health £'m	TOTAL £'m
2021-22 Increase	0	1.987	1.987

Worst Case Scenario - 1% reduction in funding for social care and flat cash for health

	Social Care £'m	Health £'m	TOTAL £'m
2021-22 Decrease	(0.983)	0	(0.983)

4.1.2 **Summary Funding Position**

The table below summarises the overall projected funding increase/(decrease) for social care, health and in total for the IJB in line with the 3 scenarios set out above:

	Social Care (NAC) £'m	Health (NHS AA) £'m	TOTAL Increase/ (Decrease) £'m
Best Case	1.500	2.782	4.282
Medium Case	-	1.987	1.987
Worst Case	(0.983)	-	(0.983)

As illustrated above the estimated funding change moving into 2021-22 is estimated to be in the range of between a £1m decrease and £4.3m increase.

5. PRESSURES

5.1 Estimated budget pressures for health and social care services total £6.627m. These have been developed in partnership with finance supporting front line services to identify current and emerging financial pressures considering historic demand and costs and potential future variations.

The provision of funding for pressures has the impact of increasing the budget gap to be addressed through savings, therefore the pressures are only included in budget plans where these are absolutely unavoidable. The pressures have been subject to a rigorous challenge process, both within the service, within the HSCP directorate, by finance and by peers. The pressures have been through this challenge process and are deemed to be unavoidable and therefore recommended for inclusion in the budget planning, the pressures will remain under review until the IJB set the budget in March 2021.

The estimated pressures are noted below with detail included in Appendix A:

Category	Social Care (NAC) £m	Health (NHS AA) £m	TOTAL £m
Pay pressures	1.915	2.113	4.028
Cost and Demand pressures	1.549	0.283	1.832
Inflation	0.767	0	0.767
TOTAL	4.231	2.396	6.627

As illustrated above the main pressure area is pay inflation (60% of the total), currently the pay award is forecast at 3% for both health and social care employees but this yet to be confirmed and will be clearer when the Scottish Government budget is published. Whilst this may change it is likely that any different pay award value will impact on the level of funding distributed in the finance settlement.

There are a number of risks in relation to cost and demand pressures which should be highlighted:

- Assumption that pressures in relation to Scottish Government policy areas will be fully funded, for example the Living Wage, Free Personal Care for under 65's;
- Inflationary increases to contracts, such as the National Care Home Contract for care homes may be put under pressure due to additional pressure on services as a result of the pandemic;
- Demand pressures for social care services are based on the best information currently available but there are a number of high risk areas of low volume / high cost services areas e.g. Learning Disability care packages, children's residential

	<p>placements, complex care packages where it is more difficult to project future demand with accuracy;</p> <ul style="list-style-type: none">- Ongoing additional costs in relation to the response to the Covid pandemic have not been included in the position as this stage, it is assumed that these additional costs will be funded (eg PPE, staff absence cover);- The Independent Review of Adult Social care will publish findings in January 2021, there may be significant implications for the future delivery of social care services, again at this stage it is assumed that any costs will be funded;- Potential impact on costs for goods and services following the outcome of the withdrawal from the EU.																
6.	BUDGET GAP																
6.1	<p>The table below summarises the illustrates the overall IJB budget gap for 2021-22:</p> <table><tr><th></th><th>Best Case £m</th><th>Medium Case £m</th><th>Worst Case £m</th></tr><tr><td>Funding Increase/(Decrease)</td><td>4.282</td><td>1.987</td><td>(0.983)</td></tr><tr><td>Estimated Pressures</td><td>6.627</td><td>6.627</td><td>6.627</td></tr><tr><td>POTENTIAL BUDGET GAP</td><td>(2.345)</td><td>(4.640)</td><td>(7.610)</td></tr></table> <p>The position outlined in this report considers the IJB budget on a managed basis as this is the position delegated to the North partnership to financially manage. The Ayrshire Finance Leads will work together to agree the uplift and pressures from an IJB to managed basis and any budget gap that may need addressed for lead partnership services, this includes for example separating out the lead partnership Mental Health services.</p> <p>The financial position for 2020-21, including the progress with delivering savings may potentially impact on next year's budget. During 2020-21 £1.4m of savings are estimated to be delayed due to the impact of COVID. It is anticipated that these savings can be brought back on track prior to the start of the new financial year. Further work is also being progressed to establish opening financial projections for services based on demand. The impact of this will require to be considered alongside the development of any 2021-22 savings proposals.</p> <p>The estimated budget gap is estimated to be between £2.3m and £7.6m for next year. Savings plans are being developed by the HSCP in line with these estimates and progress with this will be shared at the IJB budget briefing in January 2021.</p>		Best Case £m	Medium Case £m	Worst Case £m	Funding Increase/(Decrease)	4.282	1.987	(0.983)	Estimated Pressures	6.627	6.627	6.627	POTENTIAL BUDGET GAP	(2.345)	(4.640)	(7.610)
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7.	RESERVES																
7.1	<p>The IJB is established as a Local Government body therefore has the ability to hold reserve balances. Reserve balances are held as part of an approach to good financial management, the purpose of reserves is as follows:</p> <ul style="list-style-type: none">a) As a working balance to help cushion the impact of uneven cash flows;b) As a contingency to manage the impact of unexpected events or emergencies; andc) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities. <p>The balance of reserves should be considered as part of the budget setting process. The IJB has a reserves policy in place which outlines an optimum value of reserves to be held uncommitted in contingency, this is currently set as 2% to 4% of net expenditure, based</p>																

on the lower value this would be £5m. Given the current financial position of the partnership and the ongoing requirement to deliver significant savings this optimum reserves balance is aspirational.

The position in the North Ayrshire IJB is unique in that we hold a negative reserve balance which has accumulated from previous year overspends, the negative reserve balance is offset by a debtor on the balance sheet reflecting the debt due to North Ayrshire Council. There is currently £1.486m of resource set aside out with the IJB delegated budget to repay this debt.

The estimated position for IJB reserves is noted below:

	General Fund Reserves £m	GF Contingency £m	Earmarked Reserves £m	Total Reserves £m
Opening Balance (April 2020)	(5.293)		0.207	(5.086)
Planned repayment	1.486			1.486
Projected Underspend (at P7)		0.807		0.807
Planned Use of Reserves			(0.207)	(0.207)
Est Balance at 31 March 2021	(3.807)	0.807	0	(3.000)
Planned repayment	1.486			1.486
Est Balance at 31 March 2022	(2.321)	0.807	0	(1.514)

The earmarked reserve balances relate to ring-fenced funding for the Mental Health Action 15 and PCIF, these balances will require to be utilised in full during 2020-21.

The £0.807m noted against General Fund Contingency is the projected underspend on the IJB budget for 2020-21, when setting the IJB budget in March next year consideration will require to be given to how to utilise this reserve, whether this is placed in contingency or elements are earmarked for specific purposes, at that time there will be greater certainty of the value.

Based on the above and assuming the IJB can deliver financial balance from 2020-21 onwards the IJB will fully repay the debt owed to North Ayrshire Council during 2023-24.

8. TIMETABLE AND NEXT STEPS

8.1 A summary timetable for setting the 2021-22 budget in March 2021 is given below and will involve full engagement in both the Council and NHS budget setting processes.

Action/Event	Timescale
Council Budget Engagement: - Elected Member Sessions - Locality Sessions - Public Engagement	From 16 November to 25 February
IJB Budget Private Briefing Session	14 January 2021
Scottish Government Draft Budget Published	28 January 2021
IJB – Consider Draft Strategic Bridging Plan 2021-22	11 February 2021
Consideration of further savings if required	By 12 February 2021
NAC Budget Setting Meeting	tbc March 2021
IJB Budget Meeting – Approve Budget	18 March 2021

	IJB Meeting – Approve Strategic Bridging Plan 2021-22	18 March 2021
	NHS A&A Budget Setting Meeting	29 March 2021
	<p>The follow up session with the IJB in January will outline the savings proposals being considered to bridge the estimated budget gap, this will be presented to the IJB alongside the initial needs assessment developed to inform the Strategic Plan Bridging Plan for 2021-22.</p>	
8.2	<u>Anticipated Outcomes</u>	
8.2.1	The IJB and HSCP are aware of the potential challenge in setting a balanced budget for 2021-22 to inform planning for options which will ensure the IJB are able to approve a balanced budget prior to the start of the new financial year.	
8.3	<u>Measuring Impact</u>	
8.3.1	The IJB will be provided with updates on progress in line with the budget timetable.	
9. IMPLICATIONS		
Financial:		The report outlines the budget outlook using information available on cost and demand pressures and potential funding scenarios. It is estimated there may be a requirement to deliver savings in the range from £2.3m to £7.6m depending on the level of funding for 2021-22. Work is ongoing to ensure savings options can be presented to the IJB for approval in March 2021 to ensure a balanced IJB budget moving into next year.
Human Resources:		There will be full consultation with the Trade Unions as appropriate when the final savings are developed.
Legal:		The IJB has an implicit obligation to funding partners to set a balanced budget prior to the start of the new financial year.
Equality:		Equality Impact Assessments (EIAs) will be undertaken for all savings proposals.
Children and Young People		Approval of relevant pressures will allow continued and greater investment in early intervention and prevention in relation to children and young people, hence reducing the future likelihood of the need for care in institutional settings.
Environmental & Sustainability:		There are no environmental and sustainability implications.
Key Priorities:		The 2021-22 budget proposals will be developed in line with the HSCP Strategic Plan Priorities, the IJB would be advised specifically of any plans that would not be in line with the Strategic Plan outcomes and priorities.
Risk Implications:		Failure to operate within the delegated budget would delay the repayment of previous year's debts and add further to the requirement to repay any further overspends to NAC and NHA AA. This would impact on the overall financial sustainability and credibility of the partnership.

Community Benefits:	Effective delivery of services as per the 2021-22 budget and associated plans should allow key strategic priorities to be met which should maximise benefits for the North Ayrshire community as a whole, but also benefit those areas of the community most in need.
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Direction Required to Council, Health Board or Both	Direction to:-	
	1. No Direction Required	√
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

10.	CONSULTATION
10.1	The budget plans detailed in this report have been produced in consultation with relevant budget holders and the NAHSCP Senior Management Team. The report has also been shared with the NHS Ayrshire and Arran Director of Finance and North Ayrshire Council's Head of Finance after the report has been finalised for the IJB.
11.	CONCLUSION
11.1	The report outlines the potential budget outlook for 2021-22 for North Ayrshire HSCP, highlights the risks and provides an overview of the work ongoing to develop plans to allow a balanced budget to be presented to the IJB in March 2021. This report will be followed up in the new year with a budget session with the IJB in January 2021.

For more information please contact:

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COST AND DEMAND PRESSURES

1) SOCIAL CARE

Subject heading	Funding Requested			
	2021/22	2022/23	2023/24	Total
	£	£	£	£
Pay Award, Living Wage and Pension Auto Enrolment	1,914,815	1,753,279	1,732,386	5,400,480
TOTAL PAYROLL	1,914,815	1,753,279	1,732,386	5,400,480
Demographic Pressure - Older People Community Services (Care at Home)	258,381	318,393	382,008	958,782
Demand Pressure - Physical Disabilities	103,371	106,782	110,306	320,458
Demand Pressure - Mental Health	-	78,253	87,422	165,674
Transition Pressure - Mental Health	328,003	147,871	105,678	581,552
Demand Pressure - Learning Disabilities (Older Clients and Carers)	260,000	260,000	260,000	780,000
Transition Pressure - Learning Disability	527,515	577,356	512,858	1,617,729
Demand Pressure - Children	72,051	73,492	74,962	220,505
National Care Home Contract Inflationary Increase	557,856	575,319	593,399	1,726,574
Kinship Care - Impact of Universal Credit - TO BE REMOVED	-	-	-	-
Contract Inflation outwith the Living Wage and NCHC	209,408	344,643	353,259	907,309
Total	2,316,584	2,482,109	2,479,891	7,278,584
Total Pressures Including Pay	4,231,399	4,235,388	4,212,277	12,679,063

2) Health

Subject heading	Funding Requested			
	2021/22	2022/23	2023/24	Total
	£	£	£	£
Pay Award at 3%	2,113,323	2,176,723	2,242,024	6,532,070
Non-Pay Pressures:				
: Complex Care Packages	182,742	91,371	100,000	374,112
Lead Partnership Pressures				
: UnPACS and SLAs	100,000	100,000	100,000	300,000
Total	2,396,065	2,368,093	2,442,024	7,206,182