

REPORT

Item No: 12

SUBJECT:	IJB Medium to Long Term Financial Plan
TO:	Performance, Finance and Audit Committee
Lead Officer for Report:	Chief Officer
Author(s) of Report	Chief Financial Officer
DATE:	17 February 2021

1. PURPOSE OF REPORT

1.1 This paper is coming to the Performance, Finance and Audit (PFA) Committee:

For approval	<input type="checkbox"/>	For endorsement	<input type="checkbox"/>	To note	<input checked="" type="checkbox"/>
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1.2 The purpose of the report is to provide an overview of the approach to the preparation of the IJB Financial Plan for 2021/2022 and highlight the key financial planning assumptions underpinning the budget setting process for both partners and the IJB at this stage.

2. ROUTE TO THE PERFORMANCE, FINANCE AND AUDIT COMMITTEE

2.1 This paper has been:

Prepared By; Chief Financial Officer	Reviewed By; Chief Officer
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3. RECOMMENDATIONS

3.1 The PFA Committee is asked to agree the following recommendations:

- (1) Note the contents of the report;
- (2) Note the progress being made in respect of the development of the IJB Financial Plan 2021/2022 in consultation with both North Lanarkshire Council and NHS Lanarkshire; and
- (3) Note that the IJB Medium to Long Term Financial Plan will be updated to reflect the revised financial planning assumptions.

4. VARIATIONS TO DIRECTIONS

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
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The directions to each partner will be issued on conclusion of the budget setting process for 2021/2022 before the statutory deadline of 31 March 2021.

5. BACKGROUND/SUMMARY OF KEY ISSUES

5.1 The development of the IJB Financial Plan 2021/2022 will allow the IJB to take informed decisions about the priorities to be set out in the strategic commissioning plan and the directions to each partner whilst ensuring financial sustainability across the partnership. The development of a three to ten year financial plan is also recognised as good practice. The aim of this report is provide an overview of the key highlights of the budget setting process at this stage. This will take into consideration the uncertainty as a result of the ongoing Covid-19 pandemic and the recent withdrawal from the European Union.

6. CONCLUSIONS

- 6.1 Following the announcement of the 2021/2022 Scottish Budget, the financial planning assumptions for 2021/2022 are currently being updated. Further work is required. The indicative costs and funding projections are therefore still subject to change. The IJB Financial Plan 2021/2022 also requires to take into consideration the projected financial implications of the ongoing Covid-19 pandemic and the potential availability of further Scottish Government funding through the Remobilisation Plan 2021/2022 process to meet Covid-19 related costs.
- 6.2 Following confirmation of the potential funding gap in 2021/2022, the options to address the gap will be discussed with both partners and proposals will be presented to the IJB for approval in March 2021. These options are being developed. The PFA Committee is asked to note however that reliance may need to be placed on the use of non-recurring reserves funding while the impact of the Covid-19 pandemic is ongoing and transformational change programmes are rescheduled.
- 6.3 The PFA Committee is asked to note that the IJB Financial Plan 2021/2022 will continue to be developed, in consultation with both partners.

7. Financial Planning Assumptions 2021/2022

- 7.1 The indicative 2021/2022 Scottish Government Budget was announced on 28 January 2021. The immediate priorities of the budget are to support the ongoing response to the Covid-19 pandemic and also to continue to take forward the delivery of the key ambitions set out in the Programme for Government. The key financial planning assumptions in respect of the financial year 2021/2022 are highlighted below.
- 7.2 NHSL will receive a baseline uplift of 1.5% on recurring budgets. Other Health Boards furthest from NRAC parity also received a share of £30.2m to ensure they continued to be within 0.8% of NRAC parity. Although NHSL did not require a share of the £30.2m, the PFA Committee is asked to note that NHSL's total funding continues to be 0.8% below their NRAC share. Notwithstanding this, subject to Health Board approval, NHSL payments to Integration Authorities for delegated health functions will increase by at least 1.5% over 2020/2021 agreed recurring budgets.
- 7.3 Consistent with previous years, pay costs will be modelled in line with the Scottish Public Sector Pay Policy for planning purposes. 2020/2021 is the final year of the current Agenda for Change pay agreement. The Scottish Government have given a commitment to revisit the financial settlement for 2021/2022 on conclusion of the outcome of the current pay negotiations. The PFA Committee is therefore advised that the IJB Financial Plan 2021/2022 is being prepared on the basis that the increase in funding will be sufficient to meet the increase in pay costs. It is also assumed that if the increase in pay costs exceed the current funding available, additional funding will be made available by the Scottish Government. For context, pay costs within the NHSL element of the IJB budget total £169.560m. For completeness, the PFA Committee is advised that the employee costs within the NLC element of the IJB budget also total £70.046m. The total amount of £239.606m therefore represents 37% of the total budget delegated to the IJB.
- 7.4 There has been slippage in the achievement of each partner's planned savings in 2020/2021. The under-achievement of planned savings was addressed by the additional Scottish Government funding announced on 5 February 2021 in recognition of the impact of the Covid-19 pandemic. The PFA Committee is asked to note that the impact of slippage in the 2020/2021 savings on the IJB Financial Plan 2021/2022 is being updated by each partner.
- 7.5 The operational and financial challenges of the Covid-19 pandemic will continue in 2021/2022. It is assumed that funding provided by the Scottish Government which is not fully utilised in 2020/2021 will be transferred to IJB reserves to be available to sustain the ongoing emergency response to the Covid-19 pandemic. The PFA Committee is asked to note that the reconciliation of the funding confirmed on 5 February 2021 and actual costs incurred in respect of the current financial year 2020/2021 is progressing and will be finalised at the year-end.

7. Financial Planning Assumptions 2021/2022 (Cont.)

- 7.6 The Scottish Government has also included additional funding to support the ongoing response to the Covid-19 pandemic in 2021/2022. The IJB and both partners are currently preparing the Lanarkshire Remobilisation Plan for 2021/2022 which will be submitted to the Scottish Government on 26 February 2021. On receipt of these plans, the Scottish Government will confirm the indicative allocation of the additional 2021/2022 funding. The PFA Committee is asked to note that the Scottish Government continue to be committed to providing sufficient funding for the key programmes of work, such as vaccinations and Test and Protect.
- 7.7 The Scottish Government remains committed to improving patient outcomes and shifting the balance of care to support more people to live longer, healthier lives at home or in a homely setting. The South Lanarkshire IJB has lead responsibility for the hosted service Primary Care Services. A Primary Care Improvement Plan has been developed to support this work and additional Primary Care Improvement Funding has been made available to develop sustainable services going forward. The investment in the Primary Care Fund will increase nationally by £45m from £205m in 2020/2021 to £250m in 2021/2022. The allocation of the Primary Care Fund for both North Lanarkshire HSCP and the South Lanarkshire HSCP will increase by £5.8m in 2021/2022. This additional funding will support the delivery of the new GP contract and the wider Primary Care reform and continued development of new models of primary care. Covid-19 funding will be maintained to support Community Hubs while they are still required. This will be alongside the continued support for multi-disciplinary teams which are supporting GPs to fulfil their role as expert medical generalists in the community.
- 7.8 The North Lanarkshire IJB has lead responsibility for the hosted service Mental Health and Learning Disability Services. Mental Health and CAMHS funding will increase nationally by £22.1m from £89m in 2020/2021 to £111.1m in 2021/2022. This funding will underpin the continued approach to improving mental health services and support for children, young people and adults.
- Part of the increase will be provided to support the continued establishment of new Community Mental Health and Wellbeing Services. While the pandemic has had an impact on the planning and development of those services, the Scottish Government is working with local authorities to ensure they are ready to start supporting children, young people and their families as soon as possible, with support available across all 32 local authorities in 2021. The Mental Health Transition and Recovery Plan outlines the Scottish Government's response to the mental health impacts of COVID-19 and it is intended that further funding will be provided from the COVID-19 funding to support Health Boards and Integration Authorities in meeting these challenges.
 - The commitment to support the employment of 800 additional mental health workers is ongoing. This will improve access in key settings such as Accident and Emergency departments, GP practices, police station custody suites and prisons. The next tranche of the Mental Health Action 15 funding of £11.2m nationally is being implemented to improve a wide range of mental health services, of which £2.1m is being allocated for both North Lanarkshire HSCP and the South Lanarkshire HSCP in 2021/2022.
- 7.9 The 2021/2022 portfolio budget provides an additional £50m nationally targeted towards reducing drugs deaths. This forms part of the total funding of £250m over the next five years and will support further investment in a range of community-based interventions, including primary prevention and expansion of residential rehabilitation.

7. Financial Planning Assumptions 2021/2022 (Cont.)

7.9 Cont.

- The Alcohol and Drug Partnership (ADP) is a multi-agency group tasked by the Scottish Government with tackling alcohol and drug issues through partnership working. Right's, Respect and Recovery is Scotland's strategy to improve health by preventing and reducing alcohol and drug use, harm and related deaths. This sets out the vision and principles for working towards recovery-focused outcomes in alcohol and drugs services throughout Scotland.
- The ADP funding allocation for both North Lanarkshire HSCP and the South Lanarkshire HSCP will increase by £2m in 2021/2022. Part of the additional non-recurring funding of £1.092m for 2020/2021 to implement the Programme for Government Local Improvement Funding will also be available in 2021/2022 to progress opportunities for communities.

7.10 The Health Portfolio will also invest a further £72.6m nationally in Local Authorities for investment in adult social care and integration. This takes the total funding transferred from the health portfolio to £883m in 2021/2022. The additional £72.6m will support delivery of the Living Wage (£34m), the continued implementation of the Carers Act (£28.5m) and uprating of free personal care (£10.1m). The funding allocated to Integration Authorities should be additional and not substitutinal to each Council's 2020/2021 recurring budgets for adult social care services that are delegated. Therefore, Local Authority adult social care budgets for allocation to Integration Authorities must be £72.6m greater than 2020/2021 recurring budgets.

- Fair work practices, including the Scottish Living Wage, impact on the costs of the services commissioned from the independent sector. The Scottish Living Wage is reviewed annually. The 2021/2022 Scottish Government Budget includes a part contribution to the increase in the cost of the in-house and externally commissioned services as a result of an increase of £0.20 per hour (2.15%) in the Scottish Living Wage from £9.30 per hour in 2020/2021 to £9.50 per hour in 2021/2022. COSLA are currently negotiating additional funding with the Scottish Government in order to fully fund the increase in cost. The funding allocation to the North Lanarkshire HSCP in 2021/2022 is currently £2.043m.
- Effective from the 1 April 2018, the Carers Act (Scotland) Act 2016 was implemented to support carers' health and wellbeing and help make caring more sustainable. This Act places a duty on local authorities to provide support for carers, based on the carer's identified needs which meet the local eligibility criteria. This is supported by adult carer support plans and a young carer statement to identify carers' needs and personal outcomes. Funding has been provided to meet the additional costs of this policy development. It was originally estimated that total costs nationally would increase from £19.4m in year 1 (2018/2019) to a recurring level of £88.521m by year 5 (2022/2023). 2021/2022 is therefore the fourth year of implementation. The financial implications are being monitored. The funding allocation to the North Lanarkshire HSCP in 2021/2022 is £1.712m.
- Effective from 1 April 2019, free personal care was extended to all under 65s who require it regardless of condition. This represented a significant change to how personal care is funded. Funding has been provided to continue to support this policy. The funding allocation to the North Lanarkshire HSCP in 2021/2022 is currently £0.128m.

7.11 A significant cost pressure relates to the National Care Home Contract (NCHC) which is currently negotiated annually. The 2021/2022 NCHC rate negotiations commenced in January 2021. Discussions are therefore ongoing between the Care Home Sector, COSLA and the Scottish Government.

7. Financial Planning Assumptions 2021/2022 (Cont.)

- 7.12 The level of increase in the NCHC rate for 2021/2022 onwards is therefore unknown at present. Across Scotland, the care home market is fragile and there will continue to be additional cost pressures experienced while the Covid-19 pandemic is ongoing. The majority of the costs incurred by care home providers is on staffing which is influenced by the Scottish Living Wage. As highlighted above, the Scottish Living Wage is reviewed each year and the new rate is announced in November during Living Wage Week. There is a risk that the care home providers are seeking a level of increase in the NCHC rate which is not affordable to Councils or IJBs. The option of moving away from a national care home contract negotiation process to a local negotiation process has not yet been pursued by any local authority. The PFA Committee is asked to note that an update will be provided as the negotiations progress.
- 7.13 At this stage, there is no confirmation of the arrangements beyond 31 March 2021 in respect of the external provider sustainability payments for social care services in response to the Covid-19 pandemic. This position will continue to be monitored.
- 7.14 There continues to be uncertainty in respect of the projected economic outlook following the withdrawal from the European Union (EU). These uncertainties are difficult to quantify, particularly during the Covid-19 pandemic. Transitional arrangements are however in place with the EU in respect of supply chains and the movement across the labour market. This significant change in the UK relationship with the EU continues to present a significant risk to the financial planning assumptions upon which the medium to long term financial plan is based.

8. IJB Financial Plan 2021/2022 - Next Steps

- 8.1 This year is unprecedented. A pragmatic approach to the development of the IJB Financial Plan 2021/2022 is required while both partners are responding to the ongoing Covid-19 pandemic.
- 8.2 Each partner is finalising the projected increase in costs for 2021/2022. The extent to which the increase in costs is as a result of the Covid-19 pandemic is being assessed. This element of the increase in costs will therefore be included in the Remobilisation Plan 2021/2022 in order to recover additional Scottish Government funding in 2021/2022 to meet these costs. This approach will require to comply with the national guidance in respect of the completion of the Remobilisation Plans as appropriate.
- 8.3 It is imperative that the IJB and both partners set balanced budgets annually and it is good practice to set these before 1 April each year. With the support of both partners, it is intended that the IJB Financial Plan 2021/2022 will be submitted to and approved by the North Lanarkshire IJB on 23 March 2021. This plan will include efficiency savings proposals to address the funding gap however a professional judgement will require to be exercised in respect of the timing of when efficiency savings can realistically be implemented. The option of including slippage in the achievement of savings in 2021/2022 in the Remobilisation Plan 2021/2022 will be discussed with the Scottish Government. The option of addressing the funding gap on a non-recurring basis through the use of IJB reserves until the planned efficiency saving can be implemented will also be assessed.
- 8.4 The Scottish Government budget is also still subject to any amendments agreed through the Scottish Parliament's Budget Bill process and may also require to be updated to reflect the UK Government's Budget on 3 March 2021. The Scottish Government plan to revisit three-year financial plans when the NHS is no longer on an emergency footing. Until then the one year financial plan will be developed following receipt of the Remobilisation Plans for 2021/2022 on 26 February 2021.

8. IJB Financial Plan 2021/2022 - Next Steps (Cont.)

8.5 Due to the high degree of uncertainty in respect of the projected increase in costs and the totality of the funding available, the IJB Financial Plan 2021/2022 will continue to include a range of variables that will require to be monitored and updated as the new financial year progresses. The IJB Financial Plan 2021/2022 will therefore be a framework within which a range of scenarios will be monitored. It is also intended that there will be regular updates to the IJB and PFA Committee throughout the financial year 2021/2022.

9. Scottish Government Financial Allocations 2020/2021

9.1 In January 2021, the Scottish Government allocated additional funding to address key strategic priorities in 2020/2021 and 2021/2022. Subject to Scottish Government approval, it is expected that part of the funding will require to be transferred to IJB reserves in order to meet the planned commitments. This will also enable further discussion with each partner in respect of the spending proposals.

9.2 The Community Living Change Fund is to be transferred to Integration Authorities to deliver the redesign of services for people with complex needs, including intellectual disabilities and autism, or who have enduring mental health problems. This includes the discharge of those that have encountered lengthy hospital stays or who might have been placed outside of Scotland and who could now more appropriately be supported closer to home. This fund should ensure that, going forward, assessment and treatment beds are used only for that purpose and that people do not endure long, unnecessary stays in hospital. This will require disinvestment in institutional care as more individuals with complex needs are supported in the community. As plans will need to be developed with the support of housing colleagues, there may be a lead in time. The funding can therefore be held for a period of up to three years. The funding allocation for the North Lanarkshire HSCP totals £1.298m. The basis of the allocation was GAE learning disabilities, mental health and averages.

9.3 Funding is being allocated to Integration Authorities in respect of the ongoing financial pressures in relation to the Covid-19 pandemic. These include supporting financial sustainability across the social care sector, new ways of working developed in-year and additional capacity requirements across health and social care services. The funding allocation for the North Lanarkshire HSCP totals £6.076m. This basis of the allocation was GAE for social care.

9.4 Funding to implement the actions set out in the Adult Social Care Winter Preparedness Plan has been made available. This funding will support social care users in residential, community and home settings over the winter period. It will also support the people who provide that care, including unpaid carers. Actions outlined in the plan include the following:

- Prioritise the 'home first' approach to care.
- Enhance infection prevention and control measures.
- Support the arrangements necessary to restrict staff movement across care settings.
- Review daily residents and staff in care homes for Covid-19 symptoms to promote early testing and pre-emptive infection control measures.
- Expand testing access for the care at home workforce and designated visitors.
- Continue to the end of March 2021 the Social Care Staff Support Fund, the winter sustainability funding and free PPE emergency top-ups.
- Promote access to wellbeing services across the workforce.
- Support the additional administration costs associated with the pandemic and outbreak management and work with care homes to provide access to digital devices and improve connectivity.

The first tranche of funding for the North Lanarkshire HSCP totalling £3.190m was received previously in December 2020. The second tranche of £1.944m was received in January 2021. This basis of the allocation was a hybrid of GAE and sustainability claims.

9. Scottish Government Financial Allocations 2020/2021 (Cont.)

9.5 Additional funding for the Primary Care Improvement Fund, Mental Health Action 15 and ADP has also been received in January 2021. This funding allocation includes the funding balances previously retained by the Scottish Government. Confirmation of the total funding available will contribute to the medium financial plan. A reconciliation of the amounts received to date, the costs incurred to date and the cost of proposed future plans, taking into consideration the ongoing Covid-19 pandemic, is ongoing.

9.6 The PFA Committee is asked to note that the balance of the Scottish Government funding transferred to IJB reserves will be included in the IJB Financial Plan 2021/2022 for approval, following consultation with both partners as appropriate.

10. IMPLICATIONS

10.1 NATIONAL OUTCOMES

This relates to all nine national outcomes.

10.2 ASSOCIATED MEASURE(S)

The PFA and both partners are required to establish effective financial governance arrangements across the partnership.

10.3 FINANCIAL

This paper has been reviewed by Finance:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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The IJB Chief Financial Officer will continue to work with finance colleagues across the partnership to develop the financial strategy for 2021/2022 and beyond.

10.4 RISK ASSESSMENT/RISK MANAGEMENT

The financial risks associated with the IJB Financial Plan 2021/2022 and also the IJB Medium to Long Term Financial Plan are currently being re-assessed. The IJB and each partner's risk registers will be updated as appropriate.

10.5 PEOPLE

None

10.6 STAKEHOLDER ENGAGEMENT

There continues to be ongoing consultation with the NHSL Director of Finance and the NLC Head of Financial Solutions in respect of the development of the IJB Financial Plan 2021/2022.

10.7 INEQUALITIES & FAIRER SCOTLAND DUTY

EQIA Completed & Fairer Scotland Impact Assessment Form Completed:

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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10.8 CARBON MANAGEMENT IMPLICATIONS

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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11. BACKGROUND PAPERS

None.

12. APPENDICES

None.



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CHIEF OFFICER (or Depute)

Members seeking further information about any aspect of this report, please contact Marie Moy on telephone number 01698 453709.