

Meeting:	Shetland NHS Board
Date:	15 th December 2020
Report Title:	Budget Setting 21-22 and medium term plan
Reference Number:	Board Paper 2020/21/45
Author / Executive Lead/ Job Title:	Colin Marsland, Director of Finance

Decisions / Action required:

The Board were also asked to note:

- the UK Government has not published the budget for 2021-22 but however on 25 November 2020 the Chancellor of the Exchequer made a public spending [statement](#) to the UK Parliament and published a [report](#) on indicative planning assumptions for expenditure;
- the Scottish Government has not published yet the budget for 2021-22 but has advised a one year budget will be presented to the Scottish Parliament on 28 January 2021;
- 2020-21 was the last year of a 3 year pay settlement for Agenda for Change staff and discussions on future pay awards have not begun;
- Board set a five year medium term plan on 18 August 2020, [Appendix A](#), that current planning assumptions are based upon for core non Covid-19 issues; and
- High level Covid-19 draft planning guidance has been issued for 2021-22 planning cycle

High Level Summary:

The Board is required to agree a financial plan that takes account of our statutory obligations and reflects both the priorities of the Scottish Government as [set out](#) in the Health and Social Care Medium Term framework and our local objectives in the Joint Strategic Commissioning Plan for 2021-22.

The board [agreed](#) the 2020-21 budget and a five year financial plan on 18 August 2020. The assumptions made in that five year financial plan, outlined in [Appendix B](#), are still the basis upon which planning for core services is based.

In the Chancellor of the Exchequer public spending [statement](#) to the UK Parliament and published a [report](#) on page 30 identified that £21.2 billion for NHS in 2021-22 in respect of Covid-19 response. The indication of a public sector pay freeze made in this statement does not apply to the NHS as Chancellor of the Exchequer promised “taking account of the pay review bodies advice, we will provide a pay rise to over a million Nurses, Doctors and others working in the NHS”.

The Scottish Government will not formally announce financial planning guidance until 28 January 2020. The Scottish Government will be addressing a pay award settlement for Scotland in partnership with Trade Unions but funding for this will need to be provided from within the allocation Board receives. The Scottish Government expects to receive consequential funding that provides funding in-line with agreement reached by NHS England for Agenda for Change staff.

Planning for Covid-19 to continue vaccination campaigns and the local Test and Protect Services will not be funded from core Board allocation and await further guidance on other elements. Current local Covid-19 consequences from 2020-21 plan in to 2021-22 total £2.8m.

Corporate Priorities and Strategic Aims:

This paper address two of the Boards corporate objectives:

- To provide quality, effective and safe services, delivered in the most appropriate setting for the patient
- To ensure sufficient organisational capacity and resilience
- To provide best value for resources and deliver financial balance

Key Issues:

The budget setting process for 2021-22 started on commenced on 2 October 2020 when all budget holders were issued with their respective pack for constructive discussions on their core budgets for 2021-22 planning cycle.

The out-come of these discussions will be presented to EMT during December 2020 with the view to a budget update paper being presented to the Board Meeting on 16 February 2021.

The pay budget will be set on a zero base for the Board's approved permanent staff establishment. However the pay budget does not include additional funding to support the use of locums to fill gaps in service caused by vacancies. New posts created from redesign of pathways will normally be funded from cost savings generated.

The Plan will assume £1.2m in respect of additional funding for Primary Care that Scottish Government is still to confirm for 2020-21 but funded in 2018-19 and 2019-20. The draft budget retains £250k investment reserve for use on a non recurrent basis to support pathway redesign proposals.

The contingency reserve held centrally by the Board will be rebased in value in 2021-22 in-line with policy to 0.5% of planned income.

Covid-19 may also have an impact upon the delivery of the Board's performance targets in 2021-22 and patient activity levels including non Shetland residents treated by the Board. The planning implications for Covid-19 and submissions to the Scottish Government in 2021-22 will be reviewed in the final quarter of 2020-21 and reflect the anticipated consequences in our 2021-22 plans.

The five year plan in year 2 (2021-22) to 5 assumptions are set out in Appendix A and B. It makes provision for local investment fund each year to address either agreed service developments or underlying costs pressures. In respect of 2021-22 there is one pre-commitment already made by the Board to fund local Forensic Service that the Scottish Government has provided initial 2 year funding to support. The service is part of the obligation of the Board under the Islands (Scotland) Act 2018 via the National Islands Plan [published](#) in December 2019.

The plan assumes that new efficiency savings are required to be achieved each year which for planning purposes assume Scottish Government target of 3.0%.

Implications:	
Service Users, Patients and Communities:	The level of efficiencies required will inevitably require a significant redesign of service delivery. Direct implications for patients and service users will need to be developed as part of this redesign work. The required level of efficiencies will not be achievable without impacting on service users.
Human Resources and Organisational Development:	No specific issues identified. The delivery of individual savings schemes may impact on individual staff or teams and this impact is assessed within each scheme
Equality, Diversity and Human Rights:	No implications for the Board's overall compliance. However any significant action plans to address either short-term or underlying issues to deliver the financial plan will require an EQIA to be undertaken.
Partnership Working	The budget is being set in tandem with Shetland Island Council and Shetland Islands Health and Social Care Partnership (IJB).
Legal:	None identified
Finance:	Highlights potential financial risks associated with the board's recurring revenue position.
Assets and Property:	None identified
Environmental:	None identified
Risk Management:	Organisation has reputational damage if financial balance is not achieved at year end through the development of a fiscally sound financial plan that can be delivered.

Policy and Delegated Authority:	
Previously considered by:	
"Exempt / private" item	

Colin Marsland
 Director of Finance
 December 2020

Appendix A:

Outline Draft 5 Year Financial Plan 2020-21 to 2024-25

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000's	£000's	£000's	£000's	£000's
RECURRING POSITION					
Recurring Financial Position at start of year	998.6	0.0	0.0	0.0	0.0
Overall Total for Estimated Recurring Growth	(1,542.1)	(1,589.1)	(1,637.6)	(1,687.5)	(1,738.9)
Inflation Uplifts					
Pay Awards	1,171.3	1,144.4	1,187.3	1,231.8	1,278.0
Non-pay	171.1	173.7	177.7	181.8	184.0
Utilities	66.2	70.8	75.9	81.2	87.1
External Providers	356.3	367.6	379.3	391.3	403.8
Primary Care	0.0	0.0	0.0	0.0	0.0
External income	(23.8)	(24.5)	(25.2)	(26.0)	(26.7)
Pre-Commitments					
New Investments	44.6	45.1	45.6	46.1	46.6
Commissioning investments	72.5	30.0	30.0	30.0	30.0
Prescribing & Hospital Drugs	403.7	433.2	465.3	500.1	538.1
nGMS	0.0	0.0	0.0	0.0	0.0
Cost of Capital	0.0	90.9	66.8	39.3	10.2
Reduction in Reserves Brought Forward	(214.3)				
Cost Pressures					
Allow for new cost pressures	463.8	478.2	492.9	508.2	523.8
New In Year Financial Gap to Address	2,012.4	1,266.0	1,305.0	1,345.0	1,386.0
Projected Gap in Funding to Address 2020-25			7,314.4		

Appendix B

Planning Assumptions

Table 1: General Assumptions In 2020-2021 to2024-25 Financial Plan					
	2020/21	2021/22	2022/23	2023/24	2024/25
Uplift to Core Budget	3.00%	3.00%	3.00%	3.00%	3.00%
Uplift to Bundle Funding	0.00%	0.00%	0.00%	0.00%	0.00%
Pay Inflation	4.00%	3.75%	3.75%	3.75%	3.75%
General Prescribing Inflation and Growth Net Uplift	4.00%	4.00%	4.00%	4.00%	4.00%
High Cost Medicine Inflation and Growth Net Uplift	10.20%	10.20%	10.20%	10.20%	10.20%
General Inflation	2.00%	2.00%	2.00%	2.00%	2.00%
Non Domestic Rates	2.00%	2.00%	2.00%	2.00%	2.00%
Water	3.00%	3.00%	3.00%	3.00%	3.00%
Utilities	8.00%	8.00%	8.00%	8.00%	8.00%
Income	3.00%	3.00%	3.00%	3.00%	3.00%

Table 2: Invest Funds Assumed Within 2020-25 Financial Plan					
	2020/21	2021/22	2022/23	2023/24	2024/25
Local Investment Fund	463.8	478.2	492.9	508.2	523.8
Laboratory Managed Services Contracts	30.0	30.0	30.0	30.0	30.0
High Cost New Drugs Investment	216.0	238.0	262.3	289.0	318.5
National: Risk Share/New Developments	72.5	30.0	30.0	30.0	30.0
Total	796.7	882.8	899.0	915.1	932.5