

<b>Meeting:</b>	Shetland NHS Board
<b>Date:</b>	14 December 2021
<b>Report Title:</b>	Budget Setting 22-23 and medium term plan
<b>Reference Number:</b>	Board Paper 2021/22/46
<b>Author / Executive Lead/ Job Title:</b>	Colin Marsland, Director of Finance

#### Decisions / Action required:

The Board are asked to note:

- the UK Government published the budget for 2022-23 on 27 October 2021 the Chancellor of the Exchequer made a public spending [statement](#) to the UK Parliament;
- the Scottish Government is set to present their budget for 2022-23 to the Scottish Parliament on 9 December 2021; and
- Board set a five year medium term plan on 25 June 2021, [Appendix A](#), however since then there has been material changes to planning assumptions that reflect the on-going impact of Covid-19 pandemic and UK economic position.

#### 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 with Shetland Health and Social Care Partnership (IJB).

In the Chancellor of the Exchequer public spending [statement](#) to the UK Parliament and published a [report](#). NHS in 2022-23 will receive an additional £15.7 billion in revenue funding per the table on page 41. However NHS along with all other employers will see Employers National Insurance rate increase by 1.25% as the UK Budget announced a change to increases Employers National Insurance rate from 13.8% to 15.05% from April 2022.

The Scottish Government will not formally announce financial planning guidance until 9 December 2021. There is currently no agreed pay award in place for NHS in 2022-23. 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.

Planning for Covid-19 to continue the local Test and Protect Services will not be funded from core Board allocation and await further guidance on other elements that are likely to continue in to 2022-23.

#### Corporate Priorities and Strategic Aims:

This paper address three 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 2022-23 commenced during October 2021 when all budget holders were issued with their respective pack for constructive discussions on their core budgets for 2022-23 planning cycle.

The out-come of these discussions will be presented to EMT during December 2021 with the view to a budget update paper being presented to the Board Meeting on 15 February 2022.

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 will continue as it has for the last four years.

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 2022-23 in-line with policy to 0.5% of planned income.

Covid-19 may also continue to have an impact upon the delivery of the Board's performance targets in 2022-23 and patient activity levels including non Shetland residents treated by the Board. The planning implications for Covid-19 and annual operating plan submissions to the Scottish Government for 2022-23 will be reviewed in the final quarter of 2021-22 following planning guidance issued to Boards after budget statement on 9 December 2021.

The five year plan in year 2 (2022-23) set out in Appendix A was the base starting position.

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:

<b>Service Users, Patients and Communities:</b>	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.
<b>Human Resources and Organisational Development:</b>	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
<b>Equality, Diversity and Human Rights:</b>	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.

<b>Partnership Working</b>	The budget is being set in tandem with Shetland Island Council and Shetland Islands Health and Social Care Partnership (IJB).
<b>Legal:</b>	None identified
<b>Finance:</b>	Highlights potential financial risks associated with the board's recurring revenue position.
<b>Assets and Property:</b>	None identified
<b>Environmental:</b>	None identified
<b>Risk Management:</b>	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.

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

Colin Marsland  
Director of Finance  
December 2021

## Appendix A:

### Outline Draft 5 Year Financial Plan 2021-22 to 2025-26

<b>RECURRING POSITION</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>A Recurring Financial Position at start of year</b>	0.0	0.0	0.0	0.0	0.0
<b>B Overall Total for Estimated Recurring Growth NRAC</b>	<b>(807.4)</b>	<b>(819.5)</b>	<b>(831.8)</b>	<b>(844.3)</b>	<b>(856.9)</b>
<b>C Inflation Uplifts</b>					
Pay Awards	902.3	925.4	949.2	904.5	925.9
Non-pay	172.2	176.2	180.3	184.5	188.8
Utilities	41.8	54.0	56.7	61.5	64.7
External Providers	292.4	300.4	308.6	317.0	325.6
Primary Care	<b>(82.4)</b>	<b>(84.8)</b>	<b>(87.2)</b>	<b>(89.5)</b>	<b>(91.8)</b>
External income	<b>(12.1)</b>	<b>(12.2)</b>	<b>(12.4)</b>	<b>(12.6)</b>	<b>(12.8)</b>
<b>D Pre-Commitments</b>					
New Investments	34.0	34.1	34.2	34.2	34.3
Commissioning investments	30.0	30.0	30.0	30.0	30.0
Prescribing & Hospital Drugs	422.7	454.4	488.9	526.4	567.2
E-Health					
nGMS	0.0	0.0	0.0	0.0	0.0
Cost of Capital	89.8	42.0	0.0	0.0	0.0
Reduction in Reserves Brought Forward					
<b>E Cost Pressures</b>					
Allow for new cost pressures	<b>201.8</b>	<b>202.0</b>	<b>201.5</b>	<b>222.3</b>	<b>176.0</b>
<b>F New In Year Financial Gap to Address</b>	<b>1,285.0</b>	<b>1,302.0</b>	<b>1,318.0</b>	<b>1,334.0</b>	<b>1,351.0</b>
<b>G Recurring Financial Position at end of the year</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>