

Midlothian Integration Joint Board



Thursday 8 April 2021, 2.00pm

Financial Update - Formal Budget Offer from NHS Lothian to the IJB for 2021/22

Item number: 5.6

Executive summary

This report is provided for the IJB to consider and formally accept the budget offer for Midlothian IJB from partner NHS Lothian. The formal budget offer from partner Midlothian Council was accepted at the meeting of the IJB on the 11th March 2021.

Board members are asked to:

- *Agree and accept the budget offer from NHS Lothian*

Financial Update - Formal Budget Offer from NHS Lothian to the IJB for 2021/22

1 Purpose

- 1.1 This report presents the Board with the formal 2021/22 budget offer from NHS Lothian for consideration. The budget offer from Midlothian Council was accepted back at the March meeting of the IJB.

2 Recommendations

- 2.1 As a result of this report Members are being asked to:-
- Accept the formal budget offer from NHS Lothian for 2021/22

3 Background and main report

- 3.1 At the IJB meeting in March we reported on the NHS Lothian indicative budget offer to the IJB per their recent correspondence with the formal budget offer following after agreement at the NHS Lothian Board meeting on the 7th April 2021.
- 3.2 Following the Scottish Governments indicative allocation letter issued to NHS Boards on 28th January, NHS Lothian has issued an indicative budget offer on 25th February to the IJB detailing their assumptions and principles. NHS Lothian has for 2021/22, received uplift to its baseline funding of 1.5% plus further additional funding to support their move towards NRAC (national resource allocation formula) parity.
- 3.3 The budget offer to the IJB is shown below. Recurrent budget is based on budget used in the latest NHS Lothian financial plan and includes General Medical Services (GMS) recurrent budget. This GMS budget does not get included when calculating the value of the 1.5% uplift as GMS is uplifted in a separate allocation. This formal offer was signed off by the NHS Lothian Board on the 7th April 2021.
- 3.4 In recent years a variety of additional funding has been allocated to Integration Authorities to support for example Primary Care Improvement, increased Mental Health Workforce as part of Scottish Government's Mental Health Strategy and Alcohol and Drugs funding. These funding sources will continue, with some at an increased level, further details of increases will be confirmed when details are known.
- 3.5 The formal offer for 2021/22 is summarised below, with the full offer letter attached at Appendix 1.

NHS Lothian Budget Offer to Midlothian Integration Joint Board	2021/22
	£000's
Midlothian IJB baseline recurrent (including GMS)	89,586
3% uplift on baseline	1,153
Other	1,161
	91,900

Table 1: Formal Budget Offer from NHS Lothian

- 3.6 This budget offer is in line with the principles shared by NHS Lothian and reported to the IJB at its meeting in March. This updates reflects a more accurate use of resources between IJB's and NHS Lothian. Costs associated with these budgets have also been changed during this process therefore there will be no adverse impact.
- 3.7 In line with the integration scheme the Board should consider this offer in terms of "fair and adequacy" and respond to Partners. This offer in conjunction with the accepted Midlothian Council budget offer gives the IJB a total budget of £139m for 2020/21.

Budget Offers to Midlothian IJB	2021/22
	£000's
NHS Lothian	91,900
Midlothian Council	47,724
Total Budget	139,624

Table 2: Total IJB budget for 2021/22

- 3.8 For completeness the accepted Midlothian Councils budget offer is also below

Midlothian Council Budget Offer to Midlothian Integration Joint Board	2021/22
	£000's
Base Budget	44,982
Additional Scottish Government Funding	1,071
Pay and other inflation	676
Demographic uplift	1,040
Other adjustments	-45
	47,724

Table 3: Midlothian Council Budget Offer accepted in March 2021

4 Policy Implications

- 4.1 There are no policy implications from this report.

5 Directions

- 5.1 Directions will be issued for the budgets delegated to back to Midlothian Council and NHS Lothian. Directions for the utilisation of the IJB budget will be issued to NHS Lothian and Midlothian Council by the beginning of the new financial year.

6 Equalities Implications

- 6.1 There are no equalities implications from this report

7 Resource Implications

- 7.1 The resource implications are detailed above including best value and following the public £ considerations.

8 Risk

- 8.1 Due to the rapidly developing situation in response to the COVID 19 pandemic, there may be a need to consider emergency budget measures as part of responses. The potential financial and economic impacts of COVID-19 represents a significant additional risk to the IJB, and the wider public sector going forward.
- 8.2 COVID 19 may involve stepping down non-essential services, mobilisation plans are being developed and the Chief Officer will keep the members of the IJB informed of developments.
- 8.3 The risks associated with “business as usual” are included within the IJB risk register.

9 Involving people

- 9.1 The IJB is held in public and its papers publicly available.

10 Background Papers

- 10.1 Financial Update – March 2021

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DATE	April 2021

Appendices:

Appendix 1 - Letter from NHS Lothian Budget Agreement 2021/22 - Midlothian IJB

Appendix 2 - Letter from Midlothian Council Confirmation of 2021/22 Allocation to Midlothian IJB

Morag Barrow
Chief Officer
Midlothian Integration Joint Board

Date 12 April 2021
Your Ref
Our Ref
Enquiries to Susan Goldsmith
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Dear Morag

Budget Agreement 2021/22 – Midlothian Integration Joint Board

I write further to the letter from Craig Marriott on the 25th February and the subsequent approval of the NHS Lothian Financial Plan by the Board of NHS Lothian on the 7th of April, which has accepted limited assurance on the achievement of a breakeven outturn for the health board next year. This letter sets out the key elements of your IJB budget for 21/22 and beyond, based on the information contained in the Plan.

Please note the budget details contained within this letter is based on the latest formal communication from the Scottish Government on the 28th January. Since that time, further information on a revised pay uplift offer has been made available, however this is still under consideration and we have yet to receive further communication on the impact this will have on the total uplift to Lothian, and the pass through implications for your IJB. Once further information is received, a final budget letter will be issued to reflect any amendments.

Due to the exceptional circumstances the health and social care sector finds itself in as we move into the new financial year, the Lothian budget as agreed will be under constant review, in particular relating to additional costs of Covid which we currently assume will be fully funded but which are not included within the figures here. At this stage, I am able to confirm baseline IJB budgets for the new financial year subject to the caveat above, and the additional allocation reflecting the current national uplift. However other budgetary amendments may not yet be known, and your contribution to the ongoing development of plans to address emerging critical issues is greatly appreciated.

Baseline Budget and Uplift

The approved Plan includes details on the anticipated additional funding sources and planned allocation of resources for 2021/22. Based on current data NHS Lothian will

receive a 1.5% uplift to baseline budgets which reflects earlier planning assumptions on a 1% pay award. Midlothian IJB's share of this base uplift is £1,153k.

In addition, NHS Lothian has received a further £5.9m of funding as a contribution to NRAC parity, maintaining Lothian at 0.8% behind the parity figure. This resource has been included in the allocation of funds within the Financial Plan.

In developing the Plan we have continued to apply key principles in the allocation of resources as noted below:

- The importance of maintaining integrity of pay budgets through an equitable application of budget uplift to meet pay awards;
- A need to use recurrent resources against recurrent costs as far as possible, particularly in relation to the baseline recurrent gap;
- A recognition that there will be certain national costs which are inevitable;
- Under the arrangements for financial planning there is an expectation that all Business Units will work to deliver financial balance against their budgets and therefore there needs to be recognition of the relative efficiency challenge across operational units;
- A reasonable balance of risk for NHS Lothian in the context of its breakeven target.

Recognising these key principles, the additional uplift of £29m (representing the 1.5% increase on baseline budget of £23.1m and a further NRAC settlement of £5.9m) has been prioritised against the following key areas across Lothian:

- £16.5m to fully fund pay awards, including Agenda for Change;
- £10.2m to support the costs of the fourth year of the previous Agenda for Change pay deal;
- £0.5m additional resource allocated to IJBs to meet their 1.5% uplift value;

The balance of funding has either been used for further cost growth in previously funded cost pressures, or to fund recurrent cost pressures which have previously been supported but with non-recurring funds.

The underlying gap of circa £25m gap in the Financial Plan assumes that each of the IJBs can agree the application of additional resource against cost pressures which feature across NHS Lothian delegated functions. In addition it would be helpful to agree a mutually acceptable position for key cost pressures impacting across IJBs and non-delegated functions. We will continue dialogue with you in this regard.

Summary Budget Adjustments

Table 1 below summarises the impact of these additions on your IJB with the percentage uplift values against your baseline included. These figures are generated from the IJB mapping table for 2021/22.

Please note that the measure of uplift provided excludes GMS - we expect to receive a separate uplift allocation for this later in the year and any incremental adjustment to your budget baseline will be made once this uplift has been confirmed. Further detail on the allocations below is provided within Appendix 1.

Table 1 – Budget adjustments for Midlothian IJB, 2021/22

	Status	Allocation	Mid Lothian IJB £'000	% uplift on base
<u>Baseline Budget</u>	Delegated	Core	47,989	
		Hosted	13,013	
	Set Aside		15,875	
			76,877	
		GMS	12,709	
Total			89,586	
<u>Additional Budget</u>				
Pay Uplift			602	0.8%
AfC Framework Change			472	0.6%
IJB Uplift @1.5%			80	0.1%
Share of Baseline Uplift			1,153	
Additional Resources			884	
Baseline budget per Financial Plan			2,037	
Additional other budget adjustments			277	
Total Budget			91,900	

As well as the 1.5% uplift, a further £0.884m of additional resources is included in the table. This resource reflects the following budget allocations to your IJB:

- Unscheduled care £801k
- Insulin Pumps £50k
- St John's Investment - Nursing £33k

Note that, whilst there is a commitment to support these cost pressures on a recurrent basis, only non-recurring resource is available at this time, consistent with previous years. We will continue to work with you to apply the principle of recurrent funding for recurring pressures as far as practicable, however at this stage we do not have a funding solution for elements of these pressures into next year.

Midlothian IJB 2021/22 – 2025/26 Budget

At this stage the Scottish Government has only provided indicative funding for 2021/22 as part of a one-year settlement. However, assumptions have been made in order to forecast forward into future years and the implications of assumed additional funding streams and their agreed application for Midlothian IJB are shown below. The element of projected uplift is a prudent assumption that future years' uplift will be sufficient only to cover the costs of the pay award, although this remains subject to confirmation and we would hope that any future uplift agreement will provide resources beyond the pay award requirement. At this stage, no further assumptions have been made around other uplift values. Table 2 shows the budget values to 2025/26.

Table 2 – Midlothian estimated budget baselines to 2025/26

	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
Baseline Budget	90,869	91,487	92,118	92,761
Additional Budget	627	639	651	664
Estimated Total Budget	91,495	92,126	92,769	93,425

A more detailed breakdown of these constituent balances is presented in Appendix 1.

I can also confirm that support services to the IJB, including Finance, will be provided on the same basis as previously. These resources are not included in the budgets set out above.

You will be aware that we have been working with CFOs to develop a revised cost and budget allocation model. This work has been delayed due to the impact of Covid but we will work with CFOs to introduce the new model in this financial year as a shadow year to support strategic planning.

We will continue to work with all IJBs as we allocate further NHS resources across services in the coming year between delegated and non-delegated functions. I would expect that further investment will be required in specific areas, and you will be updated as progress is made on these issues.

I look forward to working with you in the coming year as we continue to work together to identify and action opportunities to develop health service delivery within available resources across your IJB.

Yours sincerely

Susan Goldsmith
Director of Finance

cc Chief Finance Officer
Enc

APPENDIX 1

IJB Budgets - 21/22 to 25/26									
	Status	Allocation	2021/22			2022/23	2023/24	2024/25	2025/26
			Recurring	Mid Lothian IJB	Total	Mid Lothian IJB	Mid Lothian IJB	Mid Lothian IJB	Mid Lothian IJB
			£'000	£'000	£'000	£'000	£'000	£'000	£'000
Baseline Budget	Delegated	Core	47,989		47,989	48,510	48,750	48,994	49,242
		Hosted	13,013		13,013	13,332	13,490	13,650	13,814
	Set Aside		15,875		15,875	16,316	16,537	16,762	16,992
			76,877	0	76,877	78,159	78,776	79,406	80,049
		GMS	12,709		12,709	12,710	12,711	12,711	12,712
Total			89,586	0	89,586	90,869	91,487	92,118	92,761
Additional Budget									
Pay Uplift			602		602	614	626	638	651
AfC Framework Change			472		472	5	5	5	5
IJB Uplift @1.5%			80		80	0	0	0	0
Share of Baseline Uplift			1,153	0	1,153	618	630	643	656
Unscheduled Care (funded non rec. in 20/21)				801	801				
Insulin Pumps Adults (funded non rec. in 20/21)				50	50				
STJ Investment - Nursing (funded non rec. in 20/21)			33		33				
Baseline budget per Financial Plan			1,186	851	2,037	618	630	643	656
Unscheduled Care (from USC Reserve)				172	172				
Other			97	8	105	8	8	8	8
Additional local budget adjustments			97	181	277	8	8	8	8
Total Budget			90,869	1,032	91,900	91,495	92,126	92,769	93,425

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23 February 2021

Morag Barrow
Chief Officer
Midlothian Integration Joint Board
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Dear Morag

ALLOCATION TO MIDLOTHIAN INTEGRATION JOINT BOARD 2021-22

I wrote to you on 10 February 2021 to set out the proposed allocation to the Board for 2021-22. This amounted to £47.724 million and I indicated that this was subject to approval by Council on 23 February 2021.

Following today's Council meeting I can now confirm that the allocation of £47.724 million has been agreed.

As discussed when we met last week I would welcome the opportunity to attend the next meeting of the Board to update members on the allocation in the context of the Council budget agreed today.

I would be grateful if you could confirm in due course Midlothian Integration Joint Board's acceptance of the 2021-22 allocation.

Yours sincerely

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cc Claire Flanagan, Chief Financial Officer Midlothian IJB
Ruth Nichols, Senior Accountant

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