

Midlothian Integration Joint Board



Thursday, 21st March 2024, 14:00-15:00

Midlothian IJB 2023/24 Out-turn Projection

Item number:4.2

Agenda number

Executive summary

This paper considers the IJB's projected out-turn position for 2023/24. The final financial position for the IJB will be supplied by the IJB's partners by the end of May 2024. This projected out-turn is therefore remains an estimate, but Midlothian IJB must note this position for two key reasons

1. The significant recurrent overspend in the IJB's social care budget in 2023/24 means that a recovery programme is necessary. A financial recovery programme alongside the requirement to find additional efficiencies to support further financial pressures in 2024/25 will result in a very challenging savings target for 2024/25.
2. The IJB has reserves. These reserves are required to be used in 2023/24 to allow the IJB to break-even. The result is that the IJB will not have any uncommitted reserves in 2024/25 with which to support the savings programmes in that year.

Members are asked to:

- Note the projected financial out-turn for 2023/24.
 - Note that the IJB's available reserves will all be used in 23/24 (based on the current forecast).
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Midlothian IJB 2023/24 Out-turn Projection

1 Purpose

- 1.1 This report sets out the projected out-turn for the IJB for the financial year ending 31st March 2024. The report notes that supporting the overspend year-end position will utilise all of the IJB's available reserves.

2 Recommendations

- 2.1 As a result of this report, Members are asked to:
- Note the projected financial out-turn for 2023/24.
 - Note that the IJB's available reserves will all be used in 23/24 (based on the current forecast).

3 Background and main report

- 3.1 Midlothian IJB's partners (Midlothian Council and NHS Lothian) provide regular updates which provide estimated financial out-turns for the current financial year (2023/24). The quarter 1 position was reported to the IJB on 24th August 2023. This projected an out-turn position of an overspend of c. £7.9m consisting of an overspend of £3.4m within the IJB's health budgets, and £4.5m within the IJB's social care budget.
- 3.2 The quarter 2 reported to Midlothian IJB on 21st December 2023. This showed a projected overspend of c. £8.7m consisting of c. £3.2m in the IJB's health budgets, and £5.5m within the IJB's social care budgets.
- 3.3 Quarter 3 information is now available. This shows an overspend of £6.6m, consisting of £2.6m in the IJB's health budgets, and £4.0m in the IJB's social care budgets. The variances in each budget line are shown below (brackets are overspends)

	£000's
Health	
Core	(1,267)
Hosted	376
Set Aside	(1,686)
Social Care	(4,012)
Total	(6,590)

- 3.4 The Midlothian HSCP management team and partners who deliver the IJB's services have been working on improving this financial position. It is possible that this position may see some improvement when finally reported in May 2024.
- 3.5 The main drivers of the overspend within the IJB's health budgets are within the Set Aside Budgets. These are the budgets for those functions delegated to the IJB which are managed by the Acute Management Teams at the Royal Infirmary of Edinburgh and the Western General Hospital. The major overspends being within Diabetes & Endocrinology, ED & minor injuries, Gastroenterology and General Medicine.
- 3.6 It should be noted that the Set Aside budget model has been revised and a new budget model has been applied to the 2024/25 budgets. This is discussed further as part of the IJB's 2024/25 budget offers.
- 3.7 The main financial pressures with Midlothian IJB's health community services are the IJB's prescribing budget, driven by increased demand and demographic pressures.
- 3.8 Previous finance papers presented to Midlothian IJB have discussed the difficulty in forecasting the social care costs however, it is clear that there is a very significant overspend in the current financial year. There are three main drivers behind this position.
- a. **Unfunded inflationary pressures:** These are unfunded pay awards and unfunded inflationary costs which are incurred by the third party service providers who provide the majority of adult social care. Midlothian IJB members will recall the budget settlement for 2023/24 which generated a significant financial pressure.
 - b. **Unfunded demographic pressures:** Midlothian has the fastest growing population in Scotland. This will be exacerbated in coming years with the planning housing developments required by the National Planning Framework. Additionally, Midlothian's ageing population will create an additional pressure through the increased demand on health and social care support alongside rising absolute population numbers and increasing overall pressures on health and social care services
 - c. **Covid-19:** The increased delivery costs of managing Covid in the general population and associated service changes remain considerable. However, the funding to manage these costs has since been withdrawn.

Work continues to quantify the costs above to ensure that further financial planning takes these pressures into consideration.

- 3.10 Midlothian IJB had £13.2m of reserves at the start of the financial year. These were split into the two elements of earmarked reserves (funds held for specific purposes), and general reserves (funds available to be utilised by the IJB). The earmarked reserves are being utilised during the current financial year and it is estimated that by 31/3/24 only c. £1.0m will remain. This residual value will be carried forward into 2024/25 but can only be used for the purpose for which the funds were allocated initially. This was detailed in the finance paper presented to Midlothian IJB on 8th February 2024.

- 3.11 The IJB has agreed that it will fund some of the Planning, Performance, and Programme service from its general reserves. The costs to Midlothian of its contribution to this team in 2023/24 are estimated at £413,000 and therefore by 31/3/24 the balance in the IJB's general reserve will be c. £5.8.
- 3.12 Midlothian IJB is governed by its Integration Scheme. This scheme described the agreements between Midlothian Council and NHS Lothian as to how the IJB should manage any year-end overspends. Section 9.14.1 lays out that '*where an overspend occurs at the end of the financial year end, and there are insufficient available reserves to meet the overspend then the Parties may make additional payment to the Board [IJB]*'. Given that the projected overspend is currently in excess of the available reserves then it is now presumed that all reserves will be utilised to underpin the year end position.
- 3.13 Both partners have been approached laying out this position. The partners are currently discussing the disbursement of the IJBs reserves and any further allocations that they may need to make to support the 23/24 position. Once this work has been completed, the position will be reported to the IJB.
- 3.14 Midlothian IJB has, as a matter of good practice, a reserves policy. This states that the IJB should endeavour to hold a general reserve of 2% of its turnover (c. £3.5m). Although this is the ambition of Midlothian IJB, there is no statutory requirement to hold such reserves. These reserves are part of the financial risk management of the IJB and, given that the reserves are no longer available, this additional financial risk is now part of the IJB's future financial planning.

4 Policy Implications

- 4.1 There are no new policy implications in this report.

5 Directions

- 5.1 This report does not impact on any of the IJB's current Directions nor require an additional Direction

6 Equalities Implications

- 6.1 This report has no implications on equalities. However, the any reduction in funding to the Planning, Performance and Programme service funding may result in a reduced ability for Midlothian IJB to meet statutory duties in relation to Mainstreaming Equalities, the Equality Duty, and Community Engagement activity that may include people with protected characteristics.

7 Resource Implications

- 7.1 Resource implications are set out above in relation to the IJB's projected in-year financial position.

8 Risk

- 8.1 Financial risks are already recorded on the IJB's risk register.

9 Involving people

- 9.1 This report has been written following a range of consultations with Midlothian IJB members, the Boards partners, and the HSCP management team.

10 Background Papers

- 10.1 IJB Financial Reports, December 2023 and February 2024. IJB financial workshop 29/2/24.

AUTHOR'S NAME	David King
DESIGNATION	Interim Chief Finance officer
CONTACT INFO	David.king4@nhslothian.scot.nhs.uk
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Appendices:

None.