

Midlothian Integration Joint Board



10th February 2022, 2.00pm

Financial Update - Out-turn 2021/22 and outline 22/23 financial position.

Item number: 5.5

Executive summary

This report updates the IJB on its out-turn position for 2021/22 and considers an outline financial projection for 22/23.

In 21/22 NHS Lothian (NHSL) is forecasting an underspend in the IJB's delegated functions and social care services delivered by Midlothian Council, having considered the impact of the additional winter allocations (reported at the December IJB,) will also show an underspend. These underspends will be taken to the IJB reserves either as earmarked reserves or to the general reserve as appropriate. This will increase the IJB's reserves from the 2020/21 balance (excluding the Covid-19 reserve).

The 22/23 forecast position is, however, very challenging and the IJB will have to consider how to develop a breakeven position in 22/23 using its reserves as appropriate to underpin operating pressures. The 22/23 financial settlement from the Scottish Government was discussed at the IJB's workshop in January 2022 and this is detailed further below.

The broad plan for 22/23 will be to consider how any additional resources from the 22/23 settlement plus the use of reserves as appropriate can support financial balance in year and allow the IJB to continue to deliver the objectives of its strategic plan.

Board members are asked to:

- 1. Note the projected out-turn position for 2021/22**
 - 2. Note the projected impact on the IJB's reserves**
 - 3. Note the Scottish Government's 22/23 financial settlement**
 - 4. Note the projected financial forecast for 2022/21**
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Report

Financial Update - Out-turn 2021/22 and outline 22/23 financial position.

1 Purpose

1.1 This paper has the following objectives: -

- To update the IJB on the projected 21/22 out-turn position.
- To update the IJB on the projected impact of this position on its reserves
- To inform the IJB of the Scottish Government's 22/23 financial settlement for the IJBs
- To provide the IJB with an outline financial position for 2022/23

2 Recommendations

2.1 As a result of this report Members are asked to: -

1. Note the projected out-turn position for 2021/22
2. Note the projected impact on the IJB's reserves
3. Note the Scottish Government's 22/23 financial settlement
4. Note the projected financial forecast for 2022/21

3 Background and main report

3.1 Update on the 2021/22 Out-turn

At its December meeting, it was reported that the IJB was projecting a break-even position overall in 2021/22 although additional 21/22 Winter funds from the Scottish Government would mean that the social care position would be underspent.

NHS Lothian has updated its out-turn forecast for the IJB as follows:-

NHS Services	Annual	YTD	YTD	YTD	Forecast
	Budget	Budget	Actual	Variance	Out-turn
	£000's	£000's	£000's	£000's	£000's
Core	72,386	47,663	47,623	40	453
Hosted	15,330	10,127	9,944	183	205
Set Aside	19,365	14,188	14,283	(94)	(278)
	107,081	71,979	71,850	128	380

Based on the position at Month 9 (December 2021). This includes budgetary provision for the additional costs of supporting the Covid-19 pandemic.

Midlothian Council has also updated its year-end forecast to take account of its revised provider contracts. Currently and including funding for Covid pressures and having taken account of the revised cost arising from the Care at Home recommissioning programme the Council are now forecasting a broadly break-even position for social care services. However, that is before the application of the additional winter support allocations made by the Scottish Government in November 2021.

3.2 Additional Winter funding

As was reported to the IJB in December 2021, a letter was received on 4/11/21 from the Scottish Government detailed the values which would be allocated to each IJB in 2021/22 for additional Winter Funding. For Midlothian IJB the allocations are as follows: -

Winter Allocations	£000's	Note
Council		
Interim Care	603	
Care at Home	934	
Pay provision to providers	741	Real Living Wage - £9.5 to £10.02
Health Board		
Multi-Disciplinary Teams	302	Was through the Council, now moved to HB
Add'n 1,000 band 3 and 4	tbc	Under discussion
	2,580	

Apart from the payment of the Real Living Wage to the providers – which is currently in the process of being paid – the expenditure in 21/22 against these additional allocations above is still being finalised. However, it is clear that not all of these funds will be utilised in 21/22 and, as was described above, unused funds will be carried into 2022/23 through the IJB's reserves.

3.3 Impact on IJB Reserves

At the end of 20/21, the IJB reserves stood at c. £13m, of which c. £5.5m was the Covid-19 reserve, a further £2.8 of reserves for earmarked programmes and a general reserve of c. £4.7m. Work is underway to confirm the utilisation of these reserves in year and it can be assumed that the Covid-19 reserve will be fully utilised. However, given the impact of the 21/22 Winter Pressures allocation and the overall underspend within health it's clear that the IJB's reserves (excluding Covid-19) will increase at the end of 21/22. Work is underway to establish the final balances and a further projection will be brought back to the IJB for its March 2022 meeting, but the IJB now needs to consider how these funds can be utilised to support the 22/23 financial position and how that can support the development of the balanced multi-year financial plan.

3.4 Scottish Government 22/23 budget settlement

The Scottish Government published its 22/23 budget on 9th December 2021. This contained the 22/23 financial settlements for the NHS, the Local Authorities and the IJBs. The budget is for one year only, the Scottish Government is developing a Medium-Term Financial Plan as are NHS Lothian and Midlothian Council.

The settlement, in terms of the IJB can be summarised as follows: -

1. Health – general uplift of 2% plus the costs of the employers NI increase. In principle this should cover the pay awards but there is no provision for the increased costs of drugs and the pressures of demography. Overall health inflation tends to run above general inflation, and, at this time, general inflation is considerably more than 2%.
2. Council – there is no uplift available for the Local Authorities and no support will be given for the impact of the employers NI increase. In absolute terms, this is a reduction in the resources available to the Councils.
3. Additional resources have been made available by the Scottish Government to support Social Care and these funds must be passed on, in full, to the IJBs. Nationally an amount of £554m is available – Appendix 1 details this – although a considerable element of this money is to support payments to providers to implement the Real Living Wage (to move the baseline from £9.5 to £10.02 and then from £10.02 to £10.5) and much of the rest is, in effect, the recurrency of the Winter Plan investments discussed above.
4. The Scottish Government are clear that the minimum budget proposals from partners to the IJBs should be as follows: -
 - From health the opening recurrent baseline plus 2% + NI cost increase. There are other Mental Health, PCIF and MDT (multidisciplinary team) allocations to be made. These are still to be finalised, but these funds will be passed onto the IJB as appropriate
 - From the Council, the opening recurrent baseline plus the share of the £554m discussed above.

3.5 Outline of 22/23 financial position

3.5.1 Covid-19

In 20/21, c £6.5m of financial support for the additional costs incurred by the Covid-19 pandemic were used to underpin the financial position. Appendix 2 lays out how these funds were used. In its briefings the Scottish Government are clear that it's unlikely that they will have a similar amount of resources to support Covid-19 pressures in 22/23 than they had previously. The management teams are discussing exit strategies for these projects but it is clear that pressures on the health and social care system will continue. NHS Lothian have taken the view that any Covid-19 financial pressures in their 22/23 position will be fully funded by the Scottish Government. As a working planning assumption, the health Covid-19 costs will be assumed to be funded through NHSL whilst those costs incurred by social care services will be considered in detail with exit strategies drawn up as appropriate. This may seem to be a position that is prejudicial to social care but given that the largest element of the social care support is the sustainability programme to the providers and PPE (PERSONAL PROTECTIVE EQUIPMENT), and these elements will have to be underpinned by the Scottish Government the impact is manageable. As dialogue with the Scottish Government around financial support continues this position will be revised.

3.5.2 Recurrency of the 21/22 Winter support funds

As was noted in 3.2 above, additional allocations were made by the Scottish Government in November 2021 to support winter Pressures. It was clear from the letter that elements of this would be recurrent and the recurrency was considered in the finance paper presented to the IJB in December. The recurrency of these funds is captured in the additional £554m.

3.5.3 Midlothian share of the £554m additional funds

Appendix 1 also shows the projected Midlothian share of the £554m. As was discussed above, perhaps half of these funds are to deliver the Real Living Wage for the providers with the remainder being available to support pay awards, the costs of the employers NI increase and demographic pressures. An estimate of the commitments against these allocations is included in the appendix.

3.5.3 NHS

NHS Lothian has provided an initial forecast of the 22/23 position for the health elements of the IJB. This is

NHSL Projected 22/23 position

	Gross £000's	Covid- 19 £000's	Net £000's
Core	(6,259)	5,759	(500)
Hosted	(303)	149	(154)
Set Aside	(1,400)	562	(838)
Total	(7,962)	6,470	(1,492)

Where 'Gross' are the costs without any additional covid-19 budgets and net then being the position after assuming in support for the costs of the Covid-19 projects in 2022/23. A figure in brackets bring an overspend.

These pressures are _

Core (health element of the HSCP (Health and Social Care Partnerships)) - £500,000 - this is largely prescribing, and work is underway to identify efficiency schemes to close this gap
Set Aside – £838,000 - dialogue is underway with Acute colleagues both to understand the drivers behind this pressure and the planned actions to manage it
Hosted - £154,000 – as with set aside above

3.5.4 Social Care (Council)

Work continues with Council colleagues to identify the pressures in the social care budget and to consider which of the new resources discussed above can be used to support them. The obvious pressures (excluding Covid-19) being pay awards, the cost of the employers NI increase, increases in the National Care Home Contract and the pressing issue of demographic change include the costs of transitions of clients from children's services to adult services. This work continues with the HSCP management team and will be detailed further in the report to the March 2022 IJB

3.6 Broad outline for the 22/23 financial plan

Work will continue to develop a more detailed financial projection for 22/23 and this will include a consideration of the use of additional resources and uplift available as discussed above. It's important that the IJB has a balanced financial position laid out for 22/23 although this will depend on discussions with Acute colleagues in terms of the forecast set aside position and further dialogue with NHSL colleagues who manage the hosted services. A key

element of this will be funding for the Covid-19 pressures and the IJB will adopt the NHSL planning assumption that these pressures will be funded for health services and the sustainability payments.

If necessary, in order to develop balanced financial position in 22/23 the IJB will use its reserves. Reserves that are not earmarked for specific projects – for example carry forwards of unused winter allocation for Care at Home or Interim Care – will be used to provide financial support in these services during the financial year. In addition, further work will take place to develop a range of efficiencies both in 22/23 and thereafter to support the delivery of a balanced, multi-year financial plan for the IJB.

3.7 Further Development of the Financial Plan

The setting of a budget for 22/23 will be further considered at the IJB's March meeting and the IJB is required to set a balanced budget at the start of the financial year. This budget will be used to support the IJB's directions for 2022/23 and the delivery of the IJB's Strategic Plan in that financial year. Budget setting for 22/23 is part of the longer-term process of developing the IJB Strategic Financial Plan and this work will continue into 22/23.

4 Policy Implications

- 4.1 There are no policy implications from this report, however policies may require to be revised arising from any operational or transformation proposals to balance the IJB's financial plan.

5 Directions

- 5.1 There are no implications on directions from this report.

6 Equalities Implications

- 6.1 There are no equalities implications from this report

7 Resource Implications

- 7.1 There are no resource implications from this report.

8 Risk

- 8.1 The risks raised by this report are already included within the IJB risk register, any further risks arising from any proposals will be included in the register as required.

9 Involving people

- 9.1 The IJB's meetings are recorded and available to the public and all of its papers are available on the internet.

10 Background Papers

10.1 IJB's Financial Strategy.

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Appendices:

Appendix 1 – 22/23 Settlement – Additional £554m for social care (including Midlothian share)

Appendix 2 – Covid-19 Financial Support in 2021/22

Appendix 1 – 22/23 Settlement - £554m for additional social care, Midlothian share (estimate) and estimated commitments

Item	Value Nationally £m	Mid Share £000's	Committed	
Carers	20.4	306	306	Ring fenced, but available for investment
FPNC	15.0	225	225	Pass through
20/21 RLW	30.5	457	457	Funding for payment already made
21/22 RLW	144.0	2,276	1,950	Funding for payment made - estimate
Care at Home	124.0	1,891		
Interim Care	20.0	305		Non recurrent
Social Care Investment	200.0	3,020	1,950	Estimate of cost of £10.02 to £10.50
Sub total	553.9	8,480	4,888	

NB – the Mid Share and the committed columns are working estimates at this time.

Appendix 2 – Covid-19 Support in 21/22 (projected out-turn)

Description of Cost	Projected Spend £k (Sept 21)	Recurrency: Y/N	Comments
Sustainability Payments	825	N	
PPE	165	Y	
Additional Carers	300	Y	
Loss of Service User Income	150	N	
Increased staff cover in frontline services due to Covid response	500	Y	
Cowan Court: Respite Agreement	84	Y	
Wellbeing Post	31	N	
Social Care Total	2,055		
Opening Glenlee Ward	958	TBC	Full year cost £1.6m
Care at Home posts	345	Y	
Care Home Team Expansion	166	Y	
Community Respiratory Team Expansion	316	Y	
Discharge to Assess Expansion	1,132	Y	Only £252k factored in for new posts - £756k total for full year
Hospital at Home Expansion	160	Y	
Flow Hub 7 day working	276	Y	
Home first expansion	158	Y	
MCH Works	150	N	
Old Bonnyrigg Wards	20	N	
Volunteer Coordinator	46	N	
GMS	64	N	
Prescribing	523	Y	
Covid FLU	66	Y	
GP Funding	212	N	
Health Total	4,592		
Midlothian Total	6,647		

