

Midlothian Integration Joint Board



Thursday 16th June 2022, 1.00pm

Current Financial Position (21/22 financial out-turn) and Future Outlook

Item number: 5.6

Executive summary

This paper lays out the final financial position for the IJB for 2021/22 and the impact this position has on the IJB reserves. The IJB is underspend by c. £10.5m most of which is a reflection of the funds allocated to the IJB in 21/22 which it has not spent in year and has carried forward to 22/23. As a result of this position the IJB's reserves have increased from c. £13m to c. £23.5m.

The paper further reviews the 22/23 financial position and has an initial look at the 23/24 position.

Board members are asked to:

- To note the final 21/22 out-turn position for the IJB
 - To note the impact of that position on the IJB's reserves
 - To note the review of the 22/23 financial position
 - To note the initial look at the 23/24 financial position
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Report

Current Financial Position (2021/22 financial out-turn) and Future Outlook

1 Purpose

1.1 This paper has the following objectives: -

- To lay out the final out-turn position for the IJB for 2021/22
- To lay out the movements in the IJB's reserves
- To further review the financial projections for 2022/23
- To take an initial review of the financial position in 2023/24

2 Recommendations

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

- To note the final 21/22 out-turn position for the IJB
- To note the impact of that position on the IJB's reserves
- To note the review of the 22/23 financial position
- To note the initial look at the 23/24 financial position

3 Background and main report

3.1 2021/22 Out-turn position.

The IJB has now received the final out-turn position from its partners (Midlothian Council and NHS Lothian). This shows an underspend of £10.5m for the financial year 2021/22 as follows :-

	Health £000's	Social Care £000's	IJB £000's
Income	127,825	50,598	178,423
Expenditure	121,552	46,352	167,904
Surplus	6,273	4,246	10,519

Clearly this is an extraordinarily favourable position and this has been generated by three main drivers :

- i) Additional funds to support the costs of the Covid pandemic were received from the Scottish Government in March 2022. This was reported to the IJB at its March meeting. It was clear that there was an expectation that a considerable element of this allocation was to be carried forward by the IJB to support the costs of the Covid pandemic in 2022/23 given that no further funds were currently expected to be available in that year. The income and expenditure on Covid related costs for the IJB in 2021/22 was as follows :-

	£'000
Covid Carry Forward from 20/21	5,491
Covid Allocation 21/22	9,699
Total Available	15,190
21/22 Spend	
Health	4,695
Social Care	792
Total Spend	5,487
To be carried forward	9,703

It can be seen, therefore, that c. £9.7m is to be carried forward to support Covid costs in 22/23. That said, only £4.2m of this reserve has come from 21/22 underspend with the remaining element of the total above being the unused element of the reserve from 20/21. A detailed breakdown of the utilisation of the Covid funds in 21/22 is attached as Appendix 1.

- ii) Further, the health element of the IJB has been in receipt of a range of funds for various projects which it has not been able to spend in year. These funds will be carried forward into 22/23 as part of the IJB's earmarked reserves. These total c.£4.4m.
- iii) Additional allocations were made to the IJB (through the Council and therefore in the social care elements of the budget) in November 2021 to support Winter Planning, these was reported to the IJB at its December 2021 meeting. In summary the following funds were received :-

Winter Funding	£000's
Interim care	603
Care at Home	934
RLW* Investment	751
RLW to Housing	<u>(35)</u>
	<u>2,253</u>

*RLW – Real Living Wage

It should be noted that the November allocation was initially indicated to cover funding delegated to the IJB only. The guidance did, however, allow RLW payments to be made to providers of housing service which were not delegated to the IJB. The Scottish government issued a further guidance letter on 5th April

2022 which specifically allowed local authorities to retain funding for such services even though they were not allocated to the IJB.

Although the payments for the RLW were made in 21/22, the remaining funds have not been used in year and will be carried forward by the IJB as part of their earmarked reserves. Additional funds to support the Carers strategy were given to the IJB as part of the 21/22 financial settlement and currently these ring-fenced funds are held as a separate budget – the IJB will carry forward c. £700,000 of these funds into 22/23. A further report on the use of the various strands of the carers strategy funding (additional funds were also made available as part of the 22/23 settlement) will be presented to a later meeting of the IJB. Further allocations to support the provision of MHO and other mental health were received in year and these have also been carried forward.

In summary, c. £5.7m of social care funds (excluding Covid) will be carried forward by the IJB in addition to the health funds discussed above.

3.2 Underlying Financial Position.

Having excluded the carry forwards from the 21/22 out-turn position, this leaves the following underlying position :-

Underlying Position	NHSiL £000's	MLC £000's	IJB £000's
Declared position	6,273	4,246	10,519
Less carry forwards	5,520	3,850	9,370
Surplus	753	396	1,149

NHS Lothian.

NHSiL are reporting an underspend (having excluded all carry forwards) of c. £0.8m. This is broken down as follows :-

	Annual Budget £'000	YTD Actual £'000	YTD Variance £'000
Core	80,715	80,103	612
Hosted	15,167	14,877	290
Non Cash Limited	11,393	11,393	
Acute	20,549	20,698	(150)
NHS Services	127,825	127,072	753

This is largely in line with the projected position reported to the IJB at its February meeting although the Core and Set Aside positions have improved. The underspend will go to the IJB's general reserve and thus be carried forward into 22/23

Midlothian Council.

Midlothian Council are reporting an underspend (having excluded all carry forwards) of c. £0.4m. This is a function of the inability of the providers to deliver services due to their own staffing constraints – largely within respite care.

3.3 Covid Costs in 2021/22

It is important to note that both the social care and the health position were underpinned by additional funds to support the financial pressures generated by the Covid pandemic. As was discussed above this is analysed further in Appendix 1.

3.4 Reserves

The table below shows how the IJB's reserves have moved between 31st March 2021 and 31st March 2022.

Movement in Reserves	Opening £000's	Movement £000's	Closing £000's
Covid	5,492	4,211	9,703
Other	2,780	5,158	7,938
General	4,721	1,149	5,870
Total	12,993	10,518	23,511

The largest element of these reserves is the element to support the additional costs to the IJB's delegated functions caused by the Covid pandemic. Current estimates suggest that this reserve will be adequate to cover the costs in 22/23, this is discussed further below. The IJB may wish to consider making a specific direction to its partners as to the use of these funds.

The next largest element represents the funds carried forward for specific projects from 21/22. These are detailed in Appendix 2 and the IJB should now direct the partners as to the use of these funds in 22/23.

The IJB revised its reserves strategy in 2019. This established that a general reserve of 2% of the IJB's total turn-over (its annual budget) should be built up. Two percent of the 22/23 budget is c. £3.0m, the impact of the year-end underspend (excluding earmarked reserves) is to take the general reserve value to £5.9m which is clearly in excess of the policy position. These funds can be used in 22/23 either to underpin any financial pressures and/or the IJB has the opportunity to make non-recurrent investments in projects that can help the IJB to both develop and deliver its Strategic Plan.

3.5 Review of 22/23 Financial Position.

The IJB set a balanced budget for 22/23 at its March 2022 meeting. Simply this means that the estimated income will cover the estimated expenditure in year. Since then further information has become available.

3.5.1 Health Budgets - NHS Lothian

NHS Lothian published their 22/23 initial budget forecast at their Board meeting of 6th April 2022. This forecast shows an unbalanced position with a current projected financial gap of c. £107m (across all of NHSiL) of which c. £79m related to the costs of supporting the Covid Pandemic leaving net gap of c. £28m. This gap is then analysed over the delegated and non-delegated functions and shows a gap for Midlothian IJB of £175,000 which is in line with the forecast position in the March 2022 budget setting paper. That position does include Covid costs of £6.1m which will be covered from the IJB's reserve. That said, there is clearly a significant set of pressures within those functions that are not delegated to the IJB will wish to consider, as part of the on-going development of its Strategic Plan how the delegated functions can support pressures on the other non-delegated functions. It should be noted that the NHS Lothian budget remains indicative as further allocations for delegated functions will be received from the Scottish Government in year

3.5.2 Social Care Budgets - Midlothian Council.

Although a further adjustment to the Midlothian budget is required to take account of the non-delegated housing services as above this is not material to the IJB's budget setting process as Midlothian Council's budget offer would still have met the IJB's criteria. However, it is clear from further information now available that the pressures on the social care budgets – especially the uplifts now being requested by the providers – may be greater than was originally estimated as part of the budget setting process. This may impact on the ability of the IJB to further develop social care services as resources are used to manage increased financial pressures. The HSCP is considering this position and this will be part of the financial reporting to the IJB in 22/23.

3.5.3 Earmarked Reserves

The two 'operational' budgets above do not currently include the considerable element of earmarked reserves (including the Covid reserve) which have been carried from 21/22 to 22/23 and the IJB will wish to consider how the earmarked reserves are used by the partners and may wish to amend its directions to take this into account.

3.6 Initial out-line of 23/24 Financial Projection

The key financial challenge in 23/24 is the non-availability of any additional funds to support the additional costs of the Covid pandemic. The Scottish Government's current indications are that no new funds will be available in 22/23 (or beyond) to support further costs generated by the Covid pandemic and the current forecast projects £6.0m of covid related costs in 22/23. Recognising this the Scottish Government is working with the partners to develop an exit strategy.

Further to this NHSiL's forecast shows a pressure of c. £2.1m in the health part of the IJB although this is an early indication and requires further analysis and development. This will be examined further in the IJB's multi-year financial plan.

Within the social care budget, inflation and demand increases (through population growth) will continue to create financial pressures. It should be noted that the impact of these pressures in 22/23 was resolved through the injection of c. £4.3m (net of the RLW payments for 20/21 and 22/23) of additional funds from the Scottish Government. The financial planning assumption for 23/24 will be that no additional funds are available.

4 Policy Implications

- 4.1.1 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 The IJB should consider issuing a direction regarding the use of the Covid reserve and amending other directions to appropriately utilise its other reserves.

6 Equalities Implications

- 6.1 There are no equalities implications from this report

7 Resource Implications

- 7.1 The resources implications of this report are laid out in the body of 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 available to the public and all of its papers are available on the internet.

10 Background Papers

- 10.1 Finance Report to the IJB in March 2022.

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Appendices:
Appendix 1 – Covid Funding and Spend in 21/22