

Midlothian Integration Joint Board



Thursday 16th March 2023, 14:00-16:00

Finance Update – Budget Offers from Partners for 2023/24

Item number: 5.4

Executive summary

This report is to provide the IJB with the formal budget offer for 2023/24 from Midlothian Council and the principles and intentions set out by NHS Lothian on their indicative proposed budget offer to the IJB next financial year. The report also provides the IJB with an update on the IJBs medium term financial plan and the financial recovery plans and assumptions to support the IJB in delivering financial balance in 2023/24. Finally, the report updates the IJB on the IJBs reserves position reminding the IJB of its reserves policy and asks the IJB to agree to request options on how to mitigate the remaining financial gap be brought back to the IJB for consideration.

Members are asked to:

- *Agree the recommendation not to accept the IJB budget offer from Midlothian Council for 2023/24*
 - *Note the principles in the indicative NHS Lothian budget with a formal offer following in due course*
 - *Note the updated medium term financial plan projections*
 - *Note the financial recovery plans and assumptions to support the IJBs financial balance for 2023/24*
 - *Note the IJBs provisional reserves position*
 - *Agree to request further options be brought to a future IJB meeting for the remaining financial gap for 2023/24*
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Finance Update – Budget Offers from Partners for 2023/24

1 Purpose

- 1.1 This report presents the Board with confirmation on the formal budget offer to the IJB from Midlothian Council and the current indicative proposed budget offer and principles for 2023/24 from NHS Lothian.
- 1.2 The report also sets out the IJBs updated medium term financial plan projections and the financial recovery plans and assumptions to support the IJB balancing its budget in 2023/24. A position of the IJB reserves is included covering both general and earmarked reserves.
- 1.3 Finally, the reports ask the IJB to agree to request options for the remaining financial gap of £1.3m for 2023/24 be developed further and brought to April's IJB meeting.

2 Recommendations

- 2.1 As a result of this report, Members are asked to:
 - Agree the recommendation not to accept the IJB budget offer from Midlothian Council for 2023/24
 - Note the principles in the indicative NHS Lothian budget with a formal offer following in due course
 - Note the updated medium term financial plan projections
 - Note the financial recovery plans and assumptions to support the IJBs financial balance for 2023/24
 - Note the IJBs provisional reserves position
 - Agree to request options for the remaining financial gap for 2023/24 be developed and assessed and brought to the IJB at its April meeting for decision.

3 Background and main report

Budget Offers for 2023/24

- 3.1 Midlothian Council agreed their budget at Council on the 21st February 2023 following which a formal budget offer letter was issued to the IJB.

- 3.2 This position is the formal offer from Midlothian Council for 2023/24 and it should be noted is not in line with the parameters set by Scottish Government. As reported to the IJB at its February meeting these parameters were

“The funding allocated to Integration Authorities should be additional and not substitutional to each Council’s 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.”

- 3.3 Details of the budget offer are noted in the table below and a copy of the offer letter is included as Appendix 1.

	£m
2022/23	56.438
In year changes through distributional changes	0.155
Base 23/24 allocation	56.593
Scottish Government Funding Changes:	
Living wage uplift	1.436
Free personal & nursing care	0.202
End of NR interim care funding	-0.305
Total	57.926
Less	-1.333
2023/24 MIJB allocation	56.593

Fig 1: Midlothian Council budget offer to the IJB

- 3.4 Given there is no additionality in the overall budget offer from 2022/23 and the significant financial challenges facing the IJB, as reported at the December 2022 meeting when the IJBs medium term financial plan was presented, Officers are recommending the IJB do not accept this budget offer from the Council.
- 3.5 NHS Lothians Board does not meet until early April 2023 after which a formal budget offer to the IJB will be provided. NHS Lothian have provided, at this stage, an indicative budget offer to the IJB which lays out the principles they are applying. This letter is attached at Appendix 2 and the table below shows this position

	£m
Full year recurring budget	92.719
Additional resources	
Base Uplift	1.588
Other	0.663
	2.251
2023/24 Indicative allocation	94.970

Fig 2: NHS Lothian indicative budget offer to the IJB

- 3.6 The indicative budget offer from NHS Lothian does follow the Scottish Governments parameters and we await their formal budget offer for 2023/24 and

will report this back to the IJB. It should be noted the GMS budget is uplifted separately to this budget offer.

- 3.7 Overall, this would make the IJB total indicative budget for 2023/24 £151.6m

Midlothian Integration Joint Board	2023/24
	£m
Midlothian Council	56.593
NHS Budget offer excluding GMS	94.970
Midlothian IJB	151.563

Fig 3: Indicative combined IJB budget

Medium Term Financial Plan

- 3.8 The IJBs medium term financial plan was presented back in December to the Board highlighting the financial challenges facing the IJB in 2023/24 and beyond. For 2023/24 the IJB was projecting a £4.5m financial gap. The IJBs financial plan has been refined as partners refine their financial plans.
- 3.9 The current IJB projections based on February 2023 iteration of partners financial plans is £4.3m, this iteration was still assuming the same IJB income assumptions based on the Scottish Governments parameters of budget offers being flat cash plus the uplift or additional funding provided for IJBs. In Figure 4 below there are 2 items within the table highlighted as changes, these are a movement regarding prescribing expenditure (recent data has informed that prescribing expenditure is likely to increase above the NHS Lothians February financial plan assumptions) and to take account of the reduction of £1.3m to the IJB budget from Midlothian Council. This moves the IJBs projected gap for 2023/24 to £6m before any recovery plans.

	23/24	24/25	25/26	26/27
	£m	£m	£m	£m
Total Income	152.896	152.223	153.109	154.012
Total Expenditure	157.202	158.719	162.451	166.285
Gap before savings plans	(4.306)	(6.497)	(9.343)	(12.273)
Gap (%)	3%	4%	6%	8%
Changes				
increase in prescribing expenditure	(0.397)			
MLC budget offer	(1.333)			
Updated Gap before savings plans	(6.036)	(6.497)	(9.343)	(12.273)
Updated Gap (%)	4%	4%	6%	8%

Fig 4: IJBs February iteration of financial plan with amendments

Financial Recovery Plans

- 3.10 Since the December financial plan position was reported the HSCP Officers along with other budget managers across delegated services have been building up a range of financial recovery plans to try and get back to financial balance. You'll see for Midlothian IJB the plans and some working assumptions which assumes financial recovery plans of £4.7m as the planning of financial recovery plan was

working to ensure the £4.3m projected gap and the £0.4m prescribing change could be managed next year.

	23/24	24/25	25/26	26/27
	£m	£m	£m	£m
Financial Recovery Plans				
core	1.846			
hosted	0.221			
set aside*	1.678			
social care	0.953			
Total	4.698	0	0	0

Fig 5: IJBs financial recovery plans 2023/24

- 3.11 Within the financial recovery assumptions above, even after the identification of financial recovery plans there was still a financial gap within set aside services. The Chief Finance Officer has discussed this with NHS Lothian's Director of Finance. Both have agreed a shared ambition to work collaboratively to deliver a balanced outturn. On that basis the working assumption built into the financial plan is that set aside services will break even. A fuller table of financial recovery plans and assumptions is attached at Appendix 3.

Reserves position

- 3.12 The IJB does hold both general and earmarked reserves and has a reserves policy with a minimum level of general reserves to be held being 2%. This equates to circa £3.2m. Given the financial sustainability challenges reported above it is vital we hold the general or contingency reserves at this minimum level.
- 3.13 A summary of the reserves position is shared at Appendix 4 and worth noting that through our earmarked reserves all COVID funding has been utilised or reclaimed, moving into 2023/24 the IJB does not hold any COVID funding.
- 3.14 Planned utilisation of the earmarked reserve in year is currently projected to be £14.7m and similarly there is planned utilisation of the general reserve of £0.5m to support decisions made by the IJB previously. For the general reserve there is also a longer-term projection included within the appendix and this should be noted and considered in line with the medium term financial plan projections above.

Final Financial Recovery Actions to mitigate remaining gap

- 3.15 With a £6m projected overspend next year and only £4.7m of financial recovery plans there remains a £1.3m financial gap that the IJB requires to decide how this is mitigated. The options are included below:
- 3.16 It is recommended the IJB request that Officers come back to the IJB in April with further financial recovery actions to aim to mitigate the additional financial gap. These actions should be developed further, and an assessment of the actions undertaken.

- 3.17 This would mean at this stage the IJB does not have a balanced budget and the CFO will ensure both Partners are aware of this. The IJB at its April meeting will consider the formal budget offer from NHS Lothian and the financial recovery actions to balance the IJBs budget. Any delay to decisions on the actions will impact of the financial impact they will deliver in year.

4 Policy Implications

- 4.1 There are no policy implications from this report.

5 Directions

- 5.1 There is no implication for Direction at this stage.

6 Equalities Implications

- 6.1 There are no equalities implication from this report at this stage.

7 Resource Implications

- 7.1 The resource implication are laid out above.

8 Risk

- 8.1 The risks raised by this report are included within the IJB risk register

9 Involving people

- 9.1 The IJB papers are publicly available.

10 Background Papers

- 10.1 None

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Appendices:

Appendix 1 – Midlothian IJB Letter 2023/24 from Midlothian Council

Appendix 2 – Midlothian IJB Indicative Budget Letter 2023/24 from NHS Lothian

Appendix 3 – Financial Recovery Plans Summary

Appendix 4 – Draft IJB Reserves Position