

Midlothian Integration Joint Board



Thursday 11 March 2021, 2.00pm

Financial Update – Budget Offers 2021/22 from Partners

Item number: 4.1

Executive summary

This report is provided to keep the IJB informed about the formal budget offer for 2021/22 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.

Board members are asked to:

- *Consider and agree Midlothian Council's formal offer for 2021/22*
 - *Consider and support the principles in the indicative NHS Lothian budget with a formal offer following in due course*
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Financial Update - Budget Offers 2021/22 from Partners

1 Purpose

- 1.1 This report presents the Board with confirmation on the formal offer from Midlothian Council and the current indicative proposed budget offer and principles for 2021/22 from NHS Lothian.

2 Recommendations

- 2.1 As a result of this report Members are being asked to:-
- Agree and accept the formal Midlothian Council budget offer for 2021/22
 - Support the principles of the indicative budget from NHS Lothian based on an iteration of their Financial Plan reported to their Finance & Resources Committee on 20th January 2021 and recent correspondence

3 Background and main report

- 3.1 Midlothian Council issued a draft budget offer letter on 10th February which was subsequently agreed at Council committee on the 23rd February 2021, following which a formal budget offer letter was issued to the IJB.
- 3.2 This position is the formal offer from Midlothian Council and although no changes are expected we will monitor any further national budget outcomes. In particular discussions are ongoing between Scottish Government and COSLA regarding the Living Wage funding increase and if any additional funding is subsequently agreed this would be passed through to the IJB.
- 3.3 Details of the budget offer are noted in table below and a copy of the offer letter is included as Appendix 1 and confirmation letter in Appendix 2.

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 1: Budget Offer from Midlothian Council

- 3.4 The additional Scottish Government funding represents Midlothian’s share of the national budget increase of £72.6m. This increase is for the uplift in Living Wage, Carers’ Act and uprate of Free Personal Care. This is highlighted in the Scottish Government letter on the 28th January 2021 the 2021/22 Indicative Budget. The Pay Uplift represents an estimated 2.3% increase in the pay bill for the Council workforce.
- 3.5 As a reminder, the Council budget settlement for 2020/21 indicated that it was not to be assumed that the same level of funding would continue on a recurring basis into 2021/22 and the £1.04m uplift for demographic pressures should not be considered recurring funding. The budget offer now presented for 2021/22 is showing this demographic funding to continue next year.
- 3.6 Following the indicative allocation letter issued to NHS Boards on 28th January from Scottish Government, NHS Lothian has issued an indicative budget offer on 25th February to the IJB. NHS Lothian has for 2021/22, received uplift to its baseline funding of 1.5%.
- 3.7 The indicative budget offer from NHS Lothian to the IJB is shown below and a copy of the letter is included in Appendix 3. Recurrent budget is based on budget used in the January 2021 iteration of the NHS Lothian Financial Plan. This excludes General Medical Services (GMS) which is uplifted in a separate allocation. The formal offer will not be notified until early April 2021 after sign off by the NHS Lothian Board. The proposed Midlothian IJB budget offer from NHS Lothian is :

NHS Lothian Indicative Budget Offer to Midlothian Integration Joint Board	2021/22
	£000's
Midlothian IJB baseline recurrent (excluding GMS)	76,877
1.5% uplift on baseline	1,153
	78,030

Table 2: Indicative Offer from NHS Lothian

- 3.8 NHS Lothian is to pass through the 1.5% uplift in full to Midlothian IJB but at this stage their financial plan is not in balance for 2020/21 and the level of uplift is insufficient to meet all cost pressures in the system. We will monitor any further national budget outcomes also on the Health Board in particular the funding arrangements for Boards will be revisited by the Scottish Government in line with the outcome of the pay negotiations.
- 3.9 When comparing the NHS Lothian baseline recurring budget in 2020/21 with 2021/22 a reminder that £800k of recurring budget was transferred back to East Lothian HSCP which represented the repatriation of East Lothian patients and funding within the Rossbank ward in Midlothian Community Hospital.
- 3.10 The combined offers are shown below and represent a 3.2% increase in base budgets from 2020/21.

Midlothian Integration Joint Board Combined Budget	2021/22
	£000's
Midlothian Council	47,724
NHS Budget offer excluding GMS	78,030
Midlothian IJB baseline recurrent (excluding GMS)	125,754

Table 3: Overall IJB Indicative Budget for 2021/22

- 3.11 Both budget offers should be considered in context of the challenging financial climate both partners face, forecasted expenditure and the resulting financial gap. Similarly in line with the integration scheme the board should consider this offer in terms of “fair and adequacy” and respond to partners.
- 3.12 As reported to the IJB in February, it is expected that additional funding for COVID-19 related costs will continue in 2021/22.
- 3.13 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. These initiatives are also included in the letter from Scottish Government mentioned above and a copy of this is included at Appendix 4.

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 The “business as usual” risks raised by this report are already included within the IJB risk register.

8.2 Of particular note are:

- the extent to which COVID-19 costs will be met by the Scottish Government through the mobilisation planning process;
- delivery of the savings and recovery programme in line with projections; and
- That there will be no further waves of COVID-19;
- The impact of the EU withdrawal is unknown – and assumed to be cost neutral in our financial plans. Any additional related costs have no additional funding allocations attached to them at this stage.

The risks associated with the above 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 None

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Appendices:

Appendix 1 – Draft Letter from Midlothian Council indicating 2021/22 Allocation to Midlothian IJB

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

Appendix 3 – Letter from NHS Lothian confirming indicative budget offer to Midlothian IJB

Appendix 4 – Letter from Scottish Government on Budget 2021/22 – Indicative Allocation