

# Midlothian Integration Joint Board



**17<sup>th</sup> March 2022**

## **Midlothian IJB - 2022/23 Budget Setting**

**Item number: 4.3**

### **Executive summary**

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*The IJB is required to set a balanced budget before the start of the financial year. This paper lays out the budget proposals and the challenges therein for the IJB's budget for the financial year 2022/23. The paper lays out the budget offers from the partners, considers if these meet the Scottish Government's guidelines and the IJB's own tests of fair and adequate. The paper then considers, using the indicative information currently available, the financial projection for the IJB in 22/23 and reflects if this will allow the IJB to set a balanced budget. It is important, as part of the process, that the IJB considers the impact of the 21/22 position on the IJB reserves (which are estimated to increase significantly from the position at the end of 21/22) and then supports a plan to utilise these reserves both to underpin the 22/23 financial position and also to support (non-recurrently) further transformational work.*

#### **Board members are asked to:**

- 1. Agree that the budget offer from Midlothian Council meets the Scottish Government criteria.**
  - 2. Agree that the budget offer from NHS Lothian meets the Scottish Government criteria.**
  - 3. Note the projected movement in the IJB's Reserves**
  - 4. Note the projected financial position for 2022/23**
  - 5. Agree that the 2022/23 budget proposal is, at this time, balanced and therefore agree to the IJB's outline 22/23 budget**
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## Midlothian IJB – 2022/23 Budget Setting

### 1 Purpose

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1.1 This paper has the following objectives: -

- To seek agreement to the 22/23 budget offers from the IJB's partners – Midlothian Council and NHS Lothian
- To lay out the projected financial position for the IJB in 22/23, and to consider the projected increase in the IJB's reserves and the utilisation of these reserves.
- To consider if the IJB can set a balanced budget for 22/23

### 2 Recommendations

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

- Agree that the budget offer from Midlothian Council meets the Scottish Government criteria.
- Agree that the budget offer from NHS Lothian meets the Scottish Government criteria.
- Note the projected movement in the IJB's Reserves
- Note the projected financial position for 2022/23
- Agree that the 2022/23 budget proposal is, at this time, balanced and therefore agree to the IJB's outline 22/23 budget

### 3 Background and main report

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#### 3.1 Background and process

The IJB is required to set a balanced budget before the start of the financial year as laid out in the local authority regulations that govern the IJB. Midlothian Council have set a budget but NHS Lothian will not formally set a budget until its April Board meeting. NHS Lothian is required to break-even at the end of the financial year and therefore its April paper generally does not show a balanced position but shows a potential overspend position and therefore reflects the financial challenge that requires to be managed in year.

Both partners are required to make formal budget offers to the IJB prior to the start of the financial year and both have, although NHS Lothian's offer is indicative in that it has not yet been formally agreed and there will be further allocations made to the Board (which will then become part of the IJB's budget, for example the GMS uplift) in year.

The IJB's practice is to subject the partners' budget offers to 3 tests :-

- Does the offer meet the guidelines laid down by the Scottish Government as part of its budget setting process ?
- Is the offer 'fair' – that is a fair and reasonable amount given the overall resources available to the partner ?
- Is the offer 'adequate' – that is will this offer allow the IJB to set a balanced budget?

As part of the 22/23 budget setting process, the IJB had a finance workshop in January (at which the partners' CFOs reflected on the impact of the Scottish Governments settlement on their respective organisations) and a paper was presented to the IJB in February providing further financial analysis and further detail.

The final part of the process is for the IJB to consider the partners budget offers as above and then, having considered the projected financial position in 2022/23 to set (if possible) a balanced budget.

### **3.2 Budget Offers from the partners**

The budget offer letters from the partners are attached.

Midlothian Council.

The Scottish Government's guidelines for Councils are that the budget offer should be at least the base recurring budget plus the appropriate share of the additional allocations made available for social care in the 22/23 budget settlement. Midlothian council has met those guidelines. It's clear both from examining the Scottish Government's 22/23 budget and the briefing given to the IJB by the Council's CFO that the 22/23 settlement was very challenging. On that basis, the offer can certainly be seen as fair. In terms of adequacy, it seems that the base position (that is before any further 22/23 allocations), although underpinned by a considerable amount of support for Covid pressures will break-even. Without additional resources in 22/23 this position would probably not be sustainable but the additional funding from the 22/23 settlement should resolve any pressures. The Midlothian Council offer meets the IJB acceptance criteria.

NHS Lothian

The Scottish Government's guidelines for Health Boards are that the offer should be at least the recurrent baseline plus a 2% uplift on that baseline plus cover for the increased costs of the employers NI contributions that will come into force after April. The offer meets that criteria. It should be remembered that the baseline on which the 2% is calculated is less than the operational baseline which contains elements of funding which are not uplifted through the baseline. That is why multiplying the apparent baseline by 2% produces a slightly different value. Given previous discussions the offer can be seen as a fair share of the resources available to the Health Board. The issue of adequacy is slightly more challenging given that the projection shows an overspend position for the IJB. However, and this is discussed further below, actions are in train to manage this position and the NHS Lothian offer meets the IJB's acceptance criteria.

### **3.3 Reserves**

The finance paper presented to the IJB at its February meeting noted that there would be an underspend position for the IJB at the close of 21/22. The position won't finally be known until the end of April when the partners declare an out-turn 21/22 position, but NHS Lothian is forecasting an underspend and the impact of the additional Winter funding received by the IJB in November (this was reported to the IJB at its December '21 meeting) will generate a significant carry forward. This will mean that, excluding Covid, the IJB's reserves will increase significantly (perhaps by c. £3.0m) although much of that will be earmarked funds.

As was discussed in the February Finance paper, there has been a significant financial pressure caused by the impact of the Covid pandemic and that has been underpinned by additional funds from the Scottish Government. That pressure will continue into 22/23. The Scottish Government has made a further allocation (letter of 25<sup>th</sup> February 2022 – attached) to Health Boards and Integration Joint Boards to cover the costs of Covid in 21/22 with the clear assumption that an element of these funds will be carried forward into 22/23 to cover the costs of Covid in that financial year. Work is currently underway to finalise the value of the amount to be carried forward but it is expected to provide cover for the majority of the currently projected 22/23 Covid costs.

In summary, the value of the IJB's reserves (both general and earmarked) will be greater at the end of 21/22 than they were at the end of 20/21. Clearly this allows the IJB a considerable level of comfort when setting its 22/23 budget, however there are two key points :

1. That funding from reserves is non-recurrent and therefore if non-recurrent funding is being used to support recurrent expenditure then further plans need to be developed to support the 23/24 position. This work is already underway and is discussed further below,
2. That the IJB's general reserve is more than adequate to meet the target in its reserves policy and it is proposed that elements of these funds should be used to drive forward transformational work to support the delivery of the strategic plan. That has already happened with the appointment of the performance team but further developments could be considered.

### **3.4 Financial Projection for 22/23.**

This was discussed in detail in the February paper and the projections have not materially changed. In summary the key elements are :-

Core health and Social Care budgets – these are the local health budgets and the social care budgets managed by the HSCP. A detailed exercise has been undertaken by the HSCP management team and its finance support to examine the pressures in their budgets and the ambitions to invest elements of the new funding to develop improved services. This exercise has now resulted in balanced position for 22/23 albeit with an element of non-recurrent support (earmarked funds for Care at Home and Interim Care being brought forward from 21/22 as described above). Once this exercise is finalised – having agreed the 21/22 out-turn position – further work will consider the 23/24 position.

Set Aside and Hosted – the February paper indicated a net (net of Covid funding) pressure of c. £1.0m of which c. £830,000 was Set Aside. Management of pressures in the hosted services will be supported by the HSCP management team but the key concern at this time is the projected pressures within the Set Aside budget. Work has started with Acute colleagues to understand these issues more fully and for the IJB, if possible, to support the delivery of recovery plans. NHS Lothian has an excellent record of achieving financial balance and further assurance will be sought as to the management of this pressure.

Covid – the above is all predicated on the assumption that the continuing financial pressures generated by the Covid pandemic can be supported. As was discussed above, much of this will be delivered through the carry forward of the unused 21/22 Covid funding and the Scottish Government is clear that its ambition is to support all health and social care Covid pressures in 22/23 if this is achievable. The planning assumption at this time is that the Covid pressures will be covered in 22/23 but, as has been stated before, the management teams must now develop exit strategies for these Covid generated costs because funds will not be available in 23/24.

### 3.5 Setting a balanced budget

Based on the information available at this time, the IJB is able to set a balanced budget for 22/23 albeit with financial risks around its Set Aside budget and financial pressures generated by the continuing Covid pandemic.

It is proposed, therefore, that the IJB accepts the budget offers from the partners and sets a balanced budget in 22/23 based on these assumptions.

This budget being :-

Midlothian Integration Board

Indicative Budget 2022/23

|                        | Midlothian Council<br>£000's | NHS<br>Lothian<br>£000's | Total<br>£000's |
|------------------------|------------------------------|--------------------------|-----------------|
| Base Budget            | 47,752                       | 91,446                   | 139,198         |
| Uplifts & Add'n Allocs | 8,934                        | 1,480                    | 10,414          |
| 2022/23 Base Budget    | 56,686                       | 92,926                   | 149,612         |

Notes

NHS Lothian Offer is indicative. The GMS uplift will be available post April 2022  
Of the MLC Uplift, £8.7m is part of the Scottish Government's 22/23 settlement for social care

### 3.6 Next Steps

Having set a budget for 22/23, the IJB can move forward and incorporate the appropriate budgets into its 22/23 directions. Work will continue with the HSCP management team and other colleagues to refine the operational budgets and further reports will come back to the IJB during the financial year as to the performance of

the partners against its budget and an analysis of those elements that are being funded non-recurrently. Further work is also underway to sketch out the financial position for 23/24 and this will be part of the further development of the IJB's financial plan.

## 4 Policy Implications

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- 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

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

## 6 Equalities Implications

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- 6.1 There are no equalities implications from this report

## 7 Resource Implications

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- 7.1 The resources implications of this report are laid out in the body of this report.

## 8 Risk

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- 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

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- 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

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- 10.1 Finance Report to the IJB in February 2022.

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| <b>DATE</b>          | March 2022                         |

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### Appendices:

- Appendix 1 - Full Year Recurring Expenditure
- Appendix 2 - Offer from Midlothian Council and response
- Appendix 3 - Offer from NHS Lothian and response
- Appendix 4 - Further Covid Funding 2021-22.