

14th October 2021, 2.00pm

Financial Position August 2021, financial out-turn 2021/22 and financial planning 2022/23 – 25/26

Item number: 5.4

Executive summary

The IJB has a budget for the current financial year of c. £150m . This report lays out the current (August 2021) expenditure against this budget by the IJB partners (an overspend of c. £ 429k), lays out the projected out-turn for the financial year 2021/22 (projected to be break-even) and considers the use of the IJB's general reserve in year. The IJB is required to prepare a balanced financial plan and this report then considers the current position and examines the progress in driving this work forward

Board members are asked to:

1. *Note the financial position at August 2021*
 2. *Note the projected out-turn position for 2021/22*
 3. *Note the deployment of the earmarked reserves in 2021/22*
 4. *Agree the applications of the general reserve*
 5. *Support the further development of the IJB's five year financial plan*
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Financial Position August 2021, financial out-turn 2021/22 and financial planning 2022/23 – 25/26

1 Purpose

1.1 This paper has six objectives :-

- Update the IJB on its current (month 5) financial position
- Inform the IJB of the current projected out-turn for 2021/22
- Note the deployment of the earmarked reserves in 2021/22
- Agree the applications of the general reserve
- Consider the current issues and the future the financial challenges in 22/23 and beyond
- Discuss the current progress towards the production of a five year, balanced financial plan

2 Recommendations

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

- Note the financial position at August 2021
- Note the projected out-turn position for 2021/22
- Note the deployment of the earmarked reserves in 2021/22
- Agree the applications of the general reserve
- Support the further development of the IJB's five year financial plan

3 Background and main report

3.1 Background and Context

At August 2021, the IJB has a budget of c. £149.6m for 21/22. This position has moved on from the opening balances that were agreed by the IJB at its March 2021 meeting. Appendix 1 reconciles the opening budget for 21/22 to the current position. Further resources, if required to support Covid pressures will be made available by the Scottish Government.

3.2 August 2021 Position

Although the IJB is not a board of management and relies on its partners to manage the operational delivery of the services that have been delegated to the IJB, its useful to have an update on the current financial position as that is the baseline for the forecast for the current financial year and also an indication of financial pressures within the system. That said, Midlothian Council do not provide

a monthly YTD financial position (although detailed information is available to the management teams) instead they update their year-end forecast. NHS Lothian have provided the following position for month 5 –

	Mid Lothian IJB Annual Budget '000	Mid Lothian IJB YTD Budget £'000	Mid Lothian IJB YTD Actual £'000	Mid Lothian IJB YTD Variance £'000
NHS Services				
Core	69,202	23,611	24,001	(390)
Hosted	13,724	5,407	5,316	91
Acute	19,009	7,382	7,513	(130)
NHS Services	101,935	36,400	36,829	(429)

That is an overspend of £439k at the end of August 2021. There being three main pressures within that position –

- An overspend within the MLCH (Rossbank Ward) – management action is underway to resolve this pressure
- An overspend within the prescribing budget – an element of the IJB’s uplift (the current use of which has still to be agreed) will support this position
- Pressures within the Set Aside budget – largely within the Junior Doctors budget lines. Discussions are on-going with Acute colleagues to understand this position and to action a resolution.

3.3 Projected out-turn position 2021/22

Both partners have provided the IJB with an updated outturn forecast. Midlothian Council have forecast an overspend of c. £88k for Adult Social care and NHS Lothian (having taken account of the IJB’s uplift as discussed above) are projecting an overspend of c. £165k on delegated services . Both these positions make the assumption that additional costs incurred by the IJB as a result of the Covid pandemic will be covered by the Scottish Government.

However, the current out-turn projection by the partners for the IJB (c. £253k of an overspend) is, based on previous experience, manageable by the operational management teams and, at this time, a break-even position for the IJB is forecast for 2021/22. Neither Midlothian Council nor NHS Lothian has made any provision to increase the resources allocated to the IJB - that is they expect a breakeven position to be secured.

3.4 Use of the IJB’s Reserves

At the end of March 2021, the IJB had c. £12.9m of reserves of which c. £5.5m was the Covid reserve. The Covid reserve will be used to support the partners as appropriate in 21/22 with the reserves available to the IJB operationally being c. £7.4m of which £4.7m is held in the general reserve with the remainder being funds carried forward from previous periods for agreed projects.

Appendix 2 shows the reserves balances as 31/3/21 and lays out the in year use of the carried forward balances (the earmarked reserves).

The IJB has a reserves strategy which was agreed at its February 2017 meeting. This policy discussed the use of the general reserve and set a target value of 2% of the total budget. That would be, based on the budget above but excluding the Covid funding, c. £2.9m. The balance on the general reserve at 31/3/21 was £4.7m which is clearly in excess of this target. The IJB has already agreed to use £756k of the general reserve over the winter of 2021/22 to provide an additional 20 WTE healthcare support workers and is funding further project management resource but even after this disbursement the IJB's general reserve will be in excess of its target balance. It is proposed that additional resources above the 2% target are considered to be used in future periods as required to support the production of a balanced long term financial plan.

3.5 Potential financial pressures – 22/23 onwards

There are three major areas of challenge :-

3.5.1 Further impact of the Covid Pandemic

In 20/21, the IJB used £4.5m of support from the Scottish Government to underpin the additional costs incurred by its partners due to the impacts of the Covid pandemic. There are two underlying issues which now require to be developed :-

- On the presumption that no further funds are available in 2022/23 to support Covid costs what is the financial impact on the current operations of the partners ? Appendix 3 shows the totality of this risk in financial terms, discussion are underway with partners and the Scottish Government around the management of this position.
- What is the financial impact on health and social care services for the delivery of post pandemic services ?
Both partners are considering this position but, at this time, no further financial forecasts are available and until these are available its difficult to prepare a financial forecast for the IJB

3.5.2 Pay Awards and other staff settlements

Within the NHS system, pay awards are generally recognised as part of an uplift to the Health Board's base budget. However, the uplift only applies to the base recurring budget and services funded from other allocations (for example PCIF or Action 15) do not have any uplift applied and therefore any pay award generates a financial pressure therein.

Councils do not, generally, get an uplift to recognise the full financial impact of pay awards and the Scottish Government's requirements for 'fair work' and the appropriate pay for staff employed by third party provides of social care services also has a further inflationary impact on these costs. Whilst negotiations for the 2021 pay uplifts have yet to be concluded the offers currently being discussed exceed the uplift that Councils received to their core funding as part of the 2021/22 local government settlement and may bring a further pressure to the system

As employers both NHS and the Council will face an increased NIC employer cost as a result if the 1.25% increase in employer NIC rates to fund social care

investment. This is part of the UK governments plan to provide additional resources to both Health and Social Care but will also increase the cost base of the services provided by the IJB's partners. This is discussed further below.

3.5.3 Demographic Pressures

Midlothian's population growth is the highest of any council area in Scotland and this generates additional demand on both the Health and Social Care services. While the Scottish Government distribution methods that recasts the share of the total resources available for both health and social care take account of population movements they do not react sufficiently swiftly to population increases in operational terms. For local government there is also a floor mechanism which gives a degree of protection to Councils' with reducing populations which is self funded by reducing the allocation to growing councils. There is also the question of how any additional resources are to be distributed amongst the services that the partners provide. This is not a new issue and colleagues will be aware that it has been discussed previously.

3.6 Opportunities

It should be recognised that a range of additional investments has been made available to the IJB over the past few years – Change Fund, Integrated Care Fund, additional Delayed Discharge funding, Action 15, SCF, PCIF, Carers, etc and these investments have supported the IJB's transformational model. It's worth considering if these investments have indeed delivered the benefits that was intended. This consideration has been raised with the SPG and further work is on-going to review the costs/benefits of all the investments.

There are two further pieces of work underway which should provide additional resources which can then be incorporated into the IJB's financial plans :-

- NHS Recovery plan

On 25th August 2021 the Scottish Government published its NHS recovery plan which sets out key ambitions and actions to be developed and delivered now and over the next 5 years in order to address the backlog in care and meet ongoing healthcare needs for people across Scotland.

- UK Government plans for additional resources for the NHS and Social Care in England. The Barnett consequential of which are estimated at £1.1 bn, the use of which will be decided by the Scottish Government

3.7 Further development of the IJB's Financial Plan

The IJB is required to prepare a financial plan that articulates (in financial terms) how it will achieve its Strategic Plan. In principle this plan should be multi-year (ideally over the period of the Strategic Plan) and be balanced – that is break-even year on year. For the last two financial years, the IJB's external Auditors have flagged up their concerns about 'financial stability' – by which they mean the lack of a balanced multi-year financial plan and the CO and the CFO have undertaken to progress the development of such a plan as a matter of urgency.

3.7.1 Financial Strategy

The IJB has prepared a detailed finance strategy to provide a framework for the development of the financial plan. This can be seen at https://www.midlothian.gov.uk/info/1347/health_and_social_care/200/health_and_social_care_integration under 'Finance Strategy 2019-22'. It's recommended that colleagues read this document since this document lays out, in detail, how the financial plan will be developed.

3.7.1 Most recent Financial Plan Update

At its December 2020 meeting, an updated financial projection for the next four financial years was presented to the IJB. This showed a pre-Covid forecast (extracted from both partners financial forecasts) and projected financial gaps ranging from £3.8m in 21/22 to £11.0m in 24/25. It was noted that these were pre-Covid forecasts, that the current Covid crisis was hindering development work and that actions to close these gaps were being developed.

3.6.2 Forecasting bias

Financial forecasts for future years tend to show financial gaps. Efficiency schemes are rarely sufficiently developed to project their future impact, projections are generally based on assumptions of fully staffed services and the impact of any transformation work being developed by the IJB may not be taken into account.

3.6.3 What needs to be done

The partners, having updated the financial forecasts to take account of the impact of Covid, will provide a revised set of financial forecasts to the IJB. It is accepted that building in the impact of Covid will be difficult so any forecasts will have to be clearly caveated. It's likely that this work will generate the usual set of financial gaps.

The IJB requires to be presented with a set of 'balancing actions' which will be a mixture of operational efficiency plans and the assumed impact of any transformational programmes developed through the SPG. The IJB needs to be able to make clear decisions regarding any such proposals and then issue the appropriate directions.

3.6.4 Actions

Much of this is discussed in the finance strategy document but will include:-

- Further engagement with the SPG – the SPG should be the engine of transformational change. Thus any transformational programme will have to consider what financial or resource impact it will have on the IJB's overall budgetary position.
- Engage the partners to -
 - Identify efficiency plans in Set Aside and Hosted
 - Ensure that the impacts of transformation programmes are understood by Set Aside and Hosted management teams to Identify actions that can be taken collaboratively with the other IJBs
- Identify HSCP efficiency plans both for current year and future years

- Consider current operational Overspends – action to manage current overspends and proposals to manage future overspend.

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 – link above

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Appendices:

Appendix 1 – Reconciliation – current IJB budget to offer letters agreed

Appendix 2 – Disbursement of Reserves

Appendix 3 – Covid Exit analysis

Appendix 1

Reconciliation from Budget Offer to Month 5 Budget

Midlothian IJB Budget for 2021/22	£000's	£000's	£000's
	Council	NHS	Total
Opening Offer @ March 2021 (recurrent IJB baseline)	47,724	78,030	125,754
GMS		16,810	
Scottish Government Allocations		2,115	
COVID Funding		3,598	
Additional Resources from Financial Plan		1,382	
Budget at Month 5	47,724	101,935	149,659

Appendix 2 – Reserves Analysis

	Opening Balance	Held by Midlothian Council	Held by NHSiL	Closing Balance	Notes
	£000's	£000's	£000's	£000's	£000's
COVID Funding	5,492	-4238	-1254	0	Analysis shows where reserves are being held at start of 21-22. Funding will be allocated to partners based on actual spend incurred
Local Programmes	926	-69	-857	0	
Primary Care Investment Fund	342		-342	0	
MELDAP	326	-54	-272	0	
Community Support Fund	312	-312		0	
Technology Enabled Care (SG funding)	274	-57	-217	0	
Integrated Care Fund	218	-218		0	
Wellbeing Service	189	-189		0	
Action 15	102		-102	0	
EGIERDA Project (Big Lottery funding)	79	-79		0	
Autism Strategy (SG funding)	12	-12		0	
Total Earmarked Reserves	8,272	-5228	-3044	0	
General Reserves	4,721		-577	4,144	includes £315k for 5 months of £756k FYE for Additional Carers as posts still at recruitment stage
Total Reserves	12,993	-5228	-3621	4,144	

Appendix 3 – Services in Midlothian Partnership with COVID EXIT PLANS

Covid Services /Expenditure	21/22 Est Cost £	21/22 WTE's	Exit Plan <i>(Update of arrangements to withdraw extra staff/service)</i>	Exit Trigger <i>(set out any criteria that needs to be met in order to implement the Exit Plan)</i>
Additional Care at Home posts	£345,000	10.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Discharge to asses Expansion	£880,000	19.84	No Exit plan for the local decision to enhance team (£661k) Funding received from NHSL Gold (£219k) or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Flow HUB - 7 day working	£137,000	2.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Hospital at Home expansion	£160,000	2.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Home first expansion	£158,000	5.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Opening of an additional ward in MCH	£957,500	36.20	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command

Local Flow Hub	£139,000	3.00	No exit, plan to continue	
Care Home Team Exp	£166,000	3.60	No exit, plan to continue	
Volunteer Coordinator	£46,000	1.00		
Community Respiratory Team Exp	£316,000		No exit, plan to continue. Team plan to tackle patients with respiratory issues (inc long Covid)	
Old Bonnyrigg Wards	£20,000	N/A		
MCH Works	£150,000	N/A		
Total ML Partnership Prefund Value	£3,474,500	82.64		

Note – Significant sums were also expended to support Social Care Providers in Midlothian