



**REPORT TO:** East Lothian Integration Joint Board

**MEETING DATE:** 23 June 2022

**BY:** Chief Finance Officer

**SUBJECT:** 2021/22 Budget Out-turn, 22/23 Budget Review and 23/24 Initial Financial Forecast

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## **1 PURPOSE**

- 1.1 This report lays out the final out-turn position for the IJB for the financial year ending 31st March 2022 and considers the impact of the out-turn position on the IJB's reserves. The paper further considers the financial position in 2022/23 and takes an initial look at the 2023/24 position.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is 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**

### **3.1 2021/22 Out-turn position**

The IJB has now received the final out-turn position from its partners (East Lothian Council and NHS Lothian). This shows an underspend of £10.7m for the financial year 2021/22 as follows:

	NHSiL	ELC	Total
	£000's	£000's	£000's
Income	156,160	53,771	209,931
Expenditure	146,427	52,823	199,250
<b>Surplus</b>	<b>9,733</b>	<b>948</b>	<b>10,681</b>

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

- a) 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's
Covid Carry Forward	3,623
Covid Allocation 21/22	13,700
<b>Total Available</b>	<b>17,323</b>
21/22 Spend	
Health	5,208
Social Care	2,933
<b>Total Spend</b>	<b>8,141</b>
<b>Carry Forward Balance</b>	<b>9,182</b>

It can be seen from the above table that the increase in the Covid carry forward balance -the movement on the Covid reserve from £3,623,000 at the beginning of the financial year to £9,182,000 at the close- is c. £5.6m which is represents slightly more than half of the IJB's overall surplus.

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.

- b) 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. This was reported to the IJB at its December 2021 meeting. In summary the following funds were received :-

	Received	Used in 21/22	To be carried forward
	£000's	£000's	£000's
Winter Funding 2021/22			
Care at Home	1,188	769	419
Interim Care	767	347	420
Provider's uplift (RLW)	740	740	0
	<b>2,695</b>	<b>1,856</b>	<b>839</b>

As can be seen, elements of these funds were used in 21/22 and the unused element will be carried forward into 22/23 through the IJB's earmarked reserves.

### 3.1.2 Underlying Financial Position

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

Underlying position	NHS	Council	IJB
	£000's	£000's	£000's
Out-turn as above	9,733	948	10,681
To earmarked reserves	8036	918	8,954
<b>Net Position</b>	<b>1,697</b>	<b>30</b>	<b>1,727</b>

#### NHS Lothian

NHSiL are reporting an underspend (having excluded all carry forwards, these have been accrued back into the expenditure position for the sake of this analysis) of c. £1.7m. This is broken down as follows:

	Budget	Actual	Variance
	£000's	£000's	£000's
Core	101,344	99,770	1,574
Hosted	17,493	17,195	298
Non Cash Limited	13,672	13,672	0
Acute	23,652	23,825	-173
<b>Total</b>	<b>156,160</b>	<b>154,463</b>	<b>1,698</b>

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 main underspend in the Core services being unused uplift from 21/22 and slippage on the use of funds which were transferred from Midlothian Community Hospital to set up appropriate services in the HSCP. These funds will go to the IJB's general reserve and thus be carried forward into 22/23.

#### East Lothian Council

The forecast out-turn for 22/23 for the social care budget – that is excluding any additional funds which were received in November as discussed above – was an overspend. This being a result of inflationary pressures in both the external and internal provision of social care services. Clearly this position has been underpinned in year through the additional funds received from the Scottish Government in November (the Winter allocations discussed above). The projected position in social care in 22/23 – as was described in the March '22 budget paper – is supported by the use of the additional social care funds in the Scottish Government's 22/23 budget settlement.

### 3.1.3 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.

### 3.1.4 Reserves

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

Movement in Reserves	Opening	Movement in Year	Closing
	£000's	£000's	£000's
Covid	3,623	5,559	9,182
Other Earmarked	2,903	3,395	6,298
General	3,082	1,727	4,809
	<b>9,608</b>	<b>10,681</b>	<b>20,289</b>

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 adopted its reserves strategy in 2015. 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. £3.2m, the impact of the year-end underspend (excluding earmarked reserves) is to take the general reserves value to £4.8m 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.

## 3.2 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.

### 3.2.1 Health Budgets - NHS Lothian

NHS Lothian published their 22/23 initial budget forecast at their Board meeting of 6<sup>th</sup> April 2022. This forecast shows an unbalanced position with a current projected financial gap of c. £107 (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 East Lothian IJB of £205,000 which is in line with the forecast position in the March 2022 budget setting paper. That said, there is clearly a significant set of pressures within those functions that are not delegated to the IJB. 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

### 3.2.2 Social Care Budgets - East Lothian Council

The East Lothian 22/23 budget is set and was agreed by the Council. Its clear from further information now available that 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 element of the additional resources from the 22/23 settlement 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.

### 3.2.3 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.

### 3.3 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 £7.1m of covid related costs in 23/23. 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. £2.4m 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. £5.4m (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 ENGAGEMENT

4.1 The IJB makes its papers and reports available on the internet.

4.2 The issues in this report have been discussed with the IJB's partners but do not require wider engagement

## **5 POLICY IMPLICATIONS**

5.1 There are no new policies arising from this paper.

5.2 The recommendations in this report implement national legislation and regulations on the establishment of IJBs.

## **6 INTEGRATED IMPACT ASSESSMENT**

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

6.2 The issues in this report do not require an integrated impact assessment.

## **7 DIRECTIONS**

7.1 The IJB may wish to issue directions regarding the use of the reserves (especially these funds carry forward to support the Covid pandemic).

## **8 RESOURCE IMPLICATIONS**

8.1 There are no immediate resource implications from this report. Any resource implications from the outcome of the process will be highlighted in a future report if required.

## **9 RISK**

9.1 None

## **10 BACKGROUND PAPERS**

10.1 IJB February 2022 and March 2022 Finance Papers

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<b>DATE</b>	May 2022

**Appendix 1 – Use of funds to Support the increased costs of the Covid Pandemic in 21/22**

Plan	Budget	Cost	Variance
	£000's	£000's	£000's
GP Winter Investment 2 M	249	249	0
21/22 Covid Prescribing Pressures	568	568	0
Additional AHP Staffing (Rotation)	43	0	43
Additional D2A Posts	121	121	0
Additional Hospital to Home Runs	658	608	50
Additional IHTT posts	98	98	0
Additional Rehab posts	126	126	0
CMHT & PTS Posts	156	104	52
Covid Flu 21/22 Pressure	365	197	168
Des Covid Vaccination	15	0	15
Expansion of Care Home Team	458	298	160
Upgraded post due to extra responsibility (OT/PT & Vaccinations)	27	18	9
Maternity payment for GMS	38	0	38
Opening Ward 5 ELCH	2,019	1,466	553
Opening Ward 6 ELCH	1,876	1,355	521
AHP (Care Package Review)	68	0	68
Social Care	2,933	2,933	0

**Appendix 2 – List of Earmarked Reserves (Carry forward of funds into 22/23)**

	2021/22
	£000's
COVID-19 Funding	9,182
Scottish Government Mental Health Strategy - Action 15	8
Scottish Government Primary Care Improvement Plan Fund	354
Midlothian and East Lothian Drug and Alcohol Partnership	1,038
Community Living Change Fund	346
Winter - Care at Home Capacity	419
Winter - Interim Care	420
Winter - Multi-Disciplinary teams	158
Carers	79
Locally Committed Programmes	3,476
	<b>15,479</b>