



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 28 March 2019

BY: Chief Finance Officer

SUBJECT: Financial Update

1 PURPOSE

- 1.1 This report updates the IJB on its current financial performance for 2018/19, including the projected year end outturn. Provides the Board with the indicative budget proposals by Partners East Lothian Council and NHS Lothian to East Lothian IJB for 2019/20 and further to this provides the financial outlook facing the IJB next financial year.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to
- Note the current financial position
 - Note the projected year end outturn of 2018/19
 - Agree the principle of transferring resource from any underspend in one arm of the IJB to offset the overspend in the other arm
 - Support that slippage in earmarked funds being carried forward by the creation of an earmarked reserve
 - Note the principles of the indicative proposed budget offers for 2019/20
 - Note the financial outlook for 2019/20

3 BACKGROUND

- 3.1 At its meeting in February 2019, the IJB received an update on its quarter three financial forecast for 2018/19. This highlighted a

projected underspend within the health budget of the IJB and an overspend within the social care budget of the IJB.

Year to date financial position as at February 2019 and latest financial forecast

- 3.2 The IJBs financial position as at the end of February 2019 is £715k overspent, a small improvement from the December reported overspend of £764k.

East Lothian IJB Financial Performance – February 2019

	Year to Date Outturn		Forecast Outturn
	£k		£k
Social Care	-959		-1,145
Health			
Core	676		1,154
Hosted	43		151
Set Aside	-475		-471
	-715		-310

- 3.3 The Chief Officer and Chief Finance Officer continue their dialogue with partner NHS Lothian regarding the IJBs projected underspend within the health delegated budgets. We look for the IJB to retain this underspend to support balancing the overall financial position this year. As such NHS Lothian at their Finance & Resources committee on 23rd January 2019 laid out principles for the management of year end positions for each of their four IJB.
- 3.4 In line with the integration scheme; where in the event that there is an underspend in one ‘arm’ of the IJB’s budget and an overspend in the other, the IJB may move resources from one ‘arm’ to the other, this requires the support of the underspent partner. We therefore ask the IJB to support the principle, when year end positions are finalised and if the projected underspend within the health budget is confirmed, to moving funding from the underspent part of the IJB (health) to East Lothian Council to reduce the financial pressures within the social care budget of the IJB.
- 3.5 Even after the above the projected position for 2018/19 remains unlikely to break even as the social care delegated functions overspend is larger than any underspend likely to be achieved from our health delegated functions. As reported previously we have raised this risk with partner East Lothian Council and have looked for further financial support to balance off any remaining overspend from them. A decision has not yet been taken but the issue has been raised at Council and we await the finalised year end position.

- 3.6 Further to the general position of the IJB during 2018/19 a variety of new funding was allocated to Integration Authorities to support for example Primary Care Improvement and increased Mental Health Workforce as part of Scottish Government's Mental Health Strategy. As these funding sources were received part way through the financial year there has been slippage in spending against them and as such we would look for the IJB's support to the transfer of any unspent funding into a reserve as earmarked to carry forward for spending in future financial years.

Indicative Proposed Budget Offers from East Lothian Council and NHS Lothian

- 3.7 The indicative proposed budget from partners East Lothian Council and NHS Lothian were reported at the February IJB. The positions are noted below and the most recent correspondence from NHS Lothian attached at Appendix 1.
- 3.8 East Lothian Council agreed their 2019/20 budget on the 12th February 2019. Although no formal correspondence as yet to the IJB the indicative position is as follows

Proposed Allocation to East Lothian Integration Joint Board for 2019/20	2019/20	
	£000's	£000's
Previous Years Allocation	50,772	
<u>Uplifts:</u>		
Share of £160 million new monies investment in integration	2,768	
carers act		2,032
franks law		188
	53,540	548
<u>Less:</u>		
share of savings	-488	
	53,052	

- 3.9 NHS Lothian will not formally communicate the budget offer to the IJB until agreed at their Board meeting on the 3rd of April. They provided indicative budget correspondence back in October 2018 and recently in February. This recent letter lays out the principles of the 2019/20 budget offer. NHS Lothian has, for 2019/20, received uplift to its baseline funding of 2.6% plus further additional funding to support their move towards NRAC (national resource allocation formula) parity. Therefore it presents the proposed East Lothian IJB budget offer from NHS Lothian as follows:

Indicative Allocation to East Lothian Integration Joint Board	2019/20
	£000's
Recurring Budget	100,410
Base Uplift	2,611
	103,021

- 3.10 We will continue the ongoing work with partners to enable formally agreed budget offers for the IJB which in turn will allow the development of the longer term rolling financial plan. The financial outlook for 2019/20 will be challenging for the IJB. The initial information shows a continued pressure within social care, the underlying overspend of circa £1.2m, further to this savings of £488k need to be developed as part of the indicative budget offer from East Lothian Council as agreed at their February Council meeting.
- 3.11 Within Health delegated budgets the financial plan highlights a starting position of £1.9m projected overspend next year. It's worth noting the NHS Lothian financial plan does not balance and for 2019/20 and has a £26m financial gap. This financial pressure for East Lothian is a result of the opening of new hospital which comes with additional running costs, the regrading of health visitors and the set aside functions. The set aside budgets continue to pose significant projected overspends around for example unscheduled care investments, the cost associated with the new cystic fibrosis drug Orkambi and an element of pessimism bias about the financial forecast.
- 3.12 This starting financial outlook position for health should improve, firstly through the additional uplift funding indicated by NHS Lothian which will take the uplift from £1.6m currently built into the plan to £2.6m so a further £945k to be allocated. Further to this due to a host of pressures facing unscheduled care NHS Lothian have put in additional infrastructure to the front door of the acute hospitals these additional costs are included in the IJB position. The proposal however is these additional costs will be funded, these new costs total £725k. A restated financial outlook for health therefore is shown below.

Restated Position	East Lothian IJB
	£'000s
Financial Outlook at March 2019	-1,905
Additional Uplift required to equal 2.6%	945
Funding for unscheduled care	725
	-235

- 3.13 In light of the anticipated financial challenges ahead the HSCP have requested savings and financial recovery plans from all service managers by the end of March 2019. These plans will provide actions

to support mitigating the financial pressures predicted for next year. An update of these plans will be provided to the IJB at a future meeting.

4 ENGAGEMENT

- 4.1 The IJB holds its meetings in public and makes its papers and report available on the internet.

5 POLICY IMPLICATIONS

- 5.1 There are no new policies arising from this paper.

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

7 RESOURCE IMPLICATIONS

- 7.1 Financial – discussed above
7.2 Personnel – none
7.3 Other – none

8 BACKGROUND PAPERS

- 8.1 IJB's financial strategy and out-line financial plan – February 2018 IJB meeting.
8.2 Financial Update – February 2019 IJB meeting.

AUTHOR'S NAME	Claire Flanagan
DESIGNATION	Chief Finance Officer
CONTACT INFO	claire.flanagan@nhslothian.scot.nhs.uk
DATE	21 March 2019

By Email Only

Letter to Chief Officers & Chief Financial
Officers of East Lothian IJB

Date 15 February 2019
Your Ref
Our Ref
Enquiries to Susan Goldsmith
Extension 35810
Direct Line 0131 465 5810
Email susan.goldsmith@nhslothian.scot.nhs.uk

Dear Colleague

EAST Lothian IJB – UPLIFT FOR 2019/20

Further to NHS Lothian's Finance and Resources (F&R) Committee on January 23rd, I write to update you on the position relating to uplift allocated to East Lothian IJB by NHS Lothian in 2019/20.

We have yet to conclude our financial planning process, and we will look to take a final iteration of the Plan through our F&R Committee on the 20th of March, with final sign off at our Board meeting on the 3rd April.

In total, NHS Lothian has received an uplift allocation of 2.6% from the Scottish Government for 2019/20, equating to £35.8m. In addition, we have been allocated a further £7.7m relating to our shortfall against NRAC, although we move further away from NRAC parity in 19/20 compared with the current year.

For East Lothian IJB, the current iteration of the Plan recognises a baseline recurrent budget of £100,410k. On this value, a 2.6% uplift equates to £2,611k and it is intended that this uplift will be allocated in full.

At this stage, the Plan for East Lothian IJB shows the following additional resource requirements

• Pay Uplift	£1,286k
• GP Prescribing (from 18/19)	£10k
• Primary Care 18/19	£240k
• Primary Care 19/20	£120k
• Total of above	£1,656k

Headquarters
Waverley Gate
2-4 Waterloo Place
Edinburgh EH1 3EG

Chair Brian G. Houston
Chief Executive Tim Davison

*Lothian NHS Board is the common
name of Lothian Health Board*

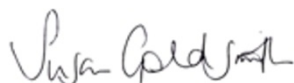
Note that the above excludes other potential resource requirements for the IJB relating to both unscheduled care, safe staffing and new drugs (Respiratory in particular) which will be reflected in additional costs in the set aside functions. Details on this are still to be confirmed.

We have also confirmed with our F&R Committee that we will not utilise the new budget and cost allocation model to attribute the full set aside costs as they relate to actual costed activity in 19/20. However we will use this methodology to run reports in parallel to inform the IJBs strategic planning intent in support of shifting the balance of care.

Given that our financial planning has indicated that the level of uplift is insufficient to meet all the cost pressures in the system, I am keen to understand from East Lothian IJB as early as possible how its Directions will shape the delivery of efficiency savings in 2019/20 and the application of resources in support of financial balance.

The final version of the NHS Lothian Plan will be concluded shortly, and I am happy to have further discussion with your IJB in advance of this final confirmation on the application of health resources in 19/20.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Susan Goldsmith'.

Susan Goldsmith
Director of Finance

