



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

**MEETING DATE:** 29 October 2020

**BY:** Chief Finance Officer

**SUBJECT:** Financial Update 2020/21

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## **1 PURPOSE**

- 1.1 This report provides an update to the IJB on its year to date financial position in 2020/21 (Month 5) and the updated projected year end out-turn, undertaken by both the IJB partners East Lothian Council and NHS Lothian.
- 1.2 This report presents the Board with a medium term rolling 5 year financial plan (2020/21 to 2024/25) for noting which was prepared in a Business as Usual, pre COVID scenario and will be refined when clarity on future service provision is known.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is asked to
  - i. Note the financial forecasts provided by our partners;
  - ii. Note the work ongoing to refine and understand these and
  - iii. Note that additional COVID-19 funding has been received at Health Board level but is not yet allocated to partners so is not included in these positions
  - iv. Note ongoing uncertainties of COVID-19 and the remobilisation of services for both partners and the financial impact
  - v. Note the pre-pandemic medium term rolling 5 year financial plan (2020/21 to 2024/25), the ongoing work to refine this financial plan and the requirement for significant recovery actions to bring the plan back into balance

## **3 BACKGROUND**

### **Financial Update 2020/21**

- 3.1 As previously reported, the IJB approved the final budget for 2020/21 was prepared and approved on the basis of “business as usual”. The

COVID-19 pandemic is still happening and the financial risks to Health & Social Care will continue to change over these uncertain and volatile times.

3.2 The financial position for the IJB remains a challenge to report. Understanding the results and the financial impact of COVID-19, both in terms of the impact of the actual costs incurred to date, as well as the implication for the rest of the financial year. Finance teams in both organisations continue to monitor the extent to which the projected overspend relates to: the 'core' (i.e. underlying operational) position; the impact of COVID-19 on costs incurred to date; and any (future) financial consequences of mobilisation/remobilisation.

3.3 The IJBs financial position as at the end of August 2020 is £1.8m overspent and projects a £4.8m overspend for 2020/21. This position should be read in the context that at this stage no additional funding is reflected in either position. Also that COVID-19 represents an unprecedented challenge for the delivery of health and social care services and there is significant uncertainty and additional costs arising in 2020/21.

3.4 A further breakdown of the position is shown below :

	Annual Budget	YTD Budget	YTD Actual	YTD Variance @ Month 5	Updated Forecast after Month 5
	£k	£k	£k	£k	
Core	78,411	29,424	30,690	(1,266)	(3,139)
Hosted	14,941	5,508	5,589	(80)	(305)
Set Aside	19,600	7,773	8,100	(327)	(1,018)
Health	112,952	42,705	44,378	(1,673)	(4,462)
Social Care	55,251	19,896	20,007	(111)	(337)
Total	168,203	62,601	64,385	(1,784)	(4,799)

Table 1: East Lothian IJB Year to Date Financial Position & Month 5 Forecast

Detailed Forecast Outturn for 2020/21	£k
NHS Services :	
Core	(3,139)
Hosted	(305)
Set Aside	(1,018)
NHS Services (£2m of COVID related costs have been incurred to date)	(4,462)
Council Services :	
Social Care (to date £1.5m of COVID related costs)	(705)
Private Sector Housing Grant	63
HRA TOTAL	305
Council Services	(337)
<b>Overall Total for East Lothian IJB</b>	<b>(4,799)</b>

Table 2: East Lothian IJB Outturn Forecast

Within both positions the forecast overspend reflects additional costs due to COVID-19. Main pressures include:

- NHS - Additional costs due to extra wards open in East Lothian Community Hospital, more Hospital to Home Runs and additional costs in GMS and Prescribing.
- Council - Additional resilience capacity in Care Home beds, sustainability payments to external providers, reduction in income.

3.5 Additional Funding has now been allocated by the Scottish Government which will help mitigate the additional cost implications resulting from COVID-19. NHS Lothian has received additional funding of £78m towards COVID costs across the whole Health and Social Care system. The allocation was based on the outputs of the mobilisation and remobilisation plans submitted to Scottish Government but does not cover all costs incurred. The allocation is based on a combination of actual costs, % of actual costs and NRAC shares. The Scottish Government issued methodology for allocating funding across the Health Board and between partners which is being worked through. Until this exercise is finalised we have not included this additional funding in our forecast positions.

3.6 As out-turn projections continue to be refined throughout the year, an updated position will be brought to the next IJB, by which time we will have clarity on the additional funding available to East Lothian IJB.

#### **East Lothian IJB 5 year rolling financial plan 2020/21 to 2024/25**

3.7 As in previous years, the IJB produces a longer term financial outlook and updates the IJB members on this throughout the financial year. Following acceptance of the formal budget offers for 2020/21 from both partners and indicative budget values for future years the IJBs rolling 5 year financial plan was developed in early 2020/21. Please note this was prepared before the significance of the pandemic was known and was based on “business as usual” planning assumptions. With the uncertainty attached to these extraordinary times the 5 year rolling financial plan should be viewed in the context of this volatile landscape.

3.8 The overall position for the IJB is summarised in Table 3 below. A detailed breakdown is included in Appendix 1.

	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Total income	168,203	161,585	162,357	163,400	164,463
Total Expenditure	173,002	168,320	172,365	176,525	180,789
<b>Gap before savings plans</b>	<b>(4,799)</b>	<b>(6,735)</b>	<b>(10,008)</b>	<b>(13,125)</b>	<b>(16,326)</b>
<b>% gap</b>	<b>(3%)</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(8%)</b>	<b>(10%)</b>

*Table 3: IJB rolling five year financial plan*

3.9 The Scottish Government published its medium term financial framework for Health and Social Care in October 2018 and this has supported the development of the rolling 5 year financial plan for the IJB. The rolling 5 year financial plan is based on formal budget offers

for 2020/21, and indicative budget offers for the remaining years. East Lothian Council budget letter for 2021-20 included indicative offers for 2021/22 to 2023/24 only, therefore flat budget for the last 2 years has been used. Table 4 summarises total anticipated delegated budgets over the next 5 years.

	20/21 £k	21/22 £k	22/23 £k	23/24 £k	24/25 £k
NHSL delegated base budget	102,134	105,582	106,584	107,606	108,649
Additional contributions	10,818	1,002	1,022	1,043	1,063
<b>Total NHS income</b>	<b>112,952</b>	<b>106,584</b>	<b>107,606</b>	<b>108,649</b>	<b>109,712</b>
ELC delegated base budget	53,450	55,251	55,001	54,751	54,751
Additional contributions	1,801				
ELC savings target	-	(250)	(250)	0	0
<b>Total ELC income</b>	<b>55,251</b>	<b>55,001</b>	<b>54,751</b>	<b>54,751</b>	<b>54,751</b>
<b>Total income</b>	<b>168,203</b>	<b>161,585</b>	<b>162,357</b>	<b>163,400</b>	<b>164,463</b>

Table 4: Indicative IJB delegated budget 2020/21-2024/25

3.10 The projected costs of delegated services across the same period are shown below in Table 5. The modelling assumptions used to estimate future costs are described below.

	20/21 £k	21/22 £k	22/23 £k	23/24 £k	24/25 £k
Base expenditure	166,511	164,370	168,311	172,365	176,525
Price effects	3,681	2,326	2,382	2,437	2,491
Demographic change	1,576	1,623	1,672	1,722	1,774
Non demographic growth	1,234	0	0	0	0
<b>Total expenditure</b>	<b>173,002</b>	<b>168,320</b>	<b>172,365</b>	<b>176,525</b>	<b>180,789</b>

Table 5: Projected cost of delegated services 2020/21-2024/25

3.11 Future NHS Lothian costs within the financial plan are based on the detailed financial planning exercise conducted by NHS Lothian. Non-recurring base expenditure for 2020/21 has been adjusted for the additional COVID costs incurred.

3.12 For East Lothian Council a starting position of baseline expenditure for Social Care at £175k overspent (being the out-turn for 2019/20) was assumed. Future years increased expenditure was based on a combination of sources; pay awards from the Financial Prospects report (October 2019), demographic growth at 3% and non-demographic known pressures of £1m.

3.13 East Lothian Social Care pressures of £1m represent the underlying system pressures that are often managed year to year through slippage in staffing budgets from vacancies or lower uptake on new funding streams. Although £1.8m additional budget was added to East Lothian Social Care in 2020/21, the increases in 2020-21 costs from pay awards, Care Home and Care at Home contracts exceeded this new funding, adding an estimated £400k pressure.

- 3.14 At this stage limited assurance can be given around the IJBs ability to break even in 2021/22 and there is a significant financial challenge on the horizon. The IJB should ask officers within the partnership to develop a financial recovery plans and update the IJB on progress against this plan at a future meeting.
- 3.15 On a general observation, as the Scottish Government continues to consider its response to changing circumstances, taking into account the whole of society and its needs. It is highly unlikely that all additional costs will be met with additional funding and increased pressures on public spending is inevitable. The IJB has to mitigate the challenges of this increased financial pressure of providing fit for purpose and value for money services for the people of East Lothian.

#### **4 ENGAGEMENT**

- 4.1 The IJB 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 DIRECTIONS**

- 7.1 There are no Directions implications arising from this paper

#### **8 RESOURCE IMPLICATIONS**

- 8.1 Financial – discussed above
- 8.2 Personnel – none
- 8.3 Other – none

#### **9 RISK**

- 9.1 Like any year end projection, the IJB relies on a number of assumptions and estimates each of which introduces a degree of risk. Of particular note are:

- forecasts will vary as service driven mobilisation and remobilisation plans are developed and financial impacts crystallised;
- the extent to which COVID-19 costs will be met by the Scottish Government through the mobilisation processes;
- that there will be no further waves of COVID-19.

## 10 BACKGROUND PAPERS

10.1 Financial Update – September 2020 IJB meeting

10.2 Scottish Government Medium Term Health and Social Care Financial Framework – October 2018

10.3 East Lothian Council Financial Prospects October 2019

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### Appendix 1 - East Lothian IJB 5 Year Rolling Plan 2020/21- 2024/25

East Lothian IJB 5 Year Rolling Financial Plan	2020/21			2021/22			2022/23			2023/24			2024/25		
	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k
<b>Income</b>															
Recurring budget	154,090	0	154,090	159,089	0	159,089	159,841	0	159,841	160,863	0	160,863	161,906	0	161,906
Uplifts	5,198	0	5,198	1,002	0	1,002	1,022	0	1,022	1,043	0	1,043	1,063	0	1,063
Other adjustments	51	8,864	8,915	0	1,494	1,494	0	1,494	1,494	0	1,494	1,494	0	1,494	1,494
<b>Total Income</b>	<b>159,339</b>	<b>8,864</b>	<b>168,203</b>	<b>160,091</b>	<b>1,494</b>	<b>161,585</b>	<b>160,863</b>	<b>1,494</b>	<b>162,357</b>	<b>161,906</b>	<b>1,494</b>	<b>163,400</b>	<b>162,969</b>	<b>1,494</b>	<b>164,463</b>
<b>Expenditure</b>															
Baseline expenditure	157,562	7,454	165,016	162,876	0	162,876	166,817	0	166,817	170,871	0	170,871	175,031	0	175,031
<i>Anticipated cost increases:</i>															
Pay awards	2,389	0	2,389	1,416	0	1,416	1,447	0	1,447	1,475	0	1,475	1,501	0	1,501
Demographics	1,576	0	1,576	1,623	0	1,623	1,672	0	1,672	1,722	0	1,722	1,774	0	1,774
SG social care commitments	1,108	0	1,108	0	0	0	0	0	0	0	0	0	0	0	0
Housing grant; disabled adaptations and garden aid	0	1,494	1,494	0	1,494	1,494	0	1,494	1,494	0	1,494	1,494	0	1,494	1,494
Non pay inflation	306	0	306	313	0	313	319	0	319	326	0	326	332	0	332
Medicines and prescribing growth	986	0	986	597	0	597	616	0	616	636	0	636	657	0	657
Investment decisions	97	30	126	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>164,025</b>	<b>8,978</b>	<b>173,002</b>	<b>166,826</b>	<b>1,494</b>	<b>168,320</b>	<b>170,871</b>	<b>1,494</b>	<b>172,365</b>	<b>175,031</b>	<b>1,494</b>	<b>176,525</b>	<b>179,295</b>	<b>1,494</b>	<b>180,789</b>
<b>Gross Position</b>	<b>(4,686)</b>	<b>(113)</b>	<b>(4,799)</b>	<b>(6,735)</b>	<b>0</b>	<b>(6,735)</b>	<b>(10,008)</b>	<b>0</b>	<b>(10,008)</b>	<b>(13,125)</b>	<b>0</b>	<b>(13,125)</b>	<b>(16,326)</b>	<b>0</b>	<b>(16,326)</b>

