



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

**MEETING DATE:** 25 February 2021

**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 updated projected year end out-turn, undertaken by both the IJB partners East Lothian Council and NHS Lothian at Quarter 3 and Month 9, with the positions yet to be formally concluded and reported but Partners. This forecast from both IJB's partners' takes into account COVID additional funding that has been confirmed.
- 1.2 This report also acknowledges the headline content of the recent Scottish Government Budget announcement and the consequences for the IJB.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is asked to:
  - i. Note the financial forecasts provided by our partners;
  - ii. Note that additional COVID-19 funding that has been included; and
  - iii. Note the recent Scottish Government budget announcement.

## **3 BACKGROUND**

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

- 3.1 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. 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. The financial position for the IJB remains a challenge to report.
- 3.2 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 continues to be reviewed. 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 Quarter 3/Month 9 financial reviews position for the IJB is a projected overspend of (£1.3m) as shown in Table 1 below. Please note that the East Lothian Council Q3 financial review is due to be formally reported to Council on the 23<sup>rd</sup> February 2021, and assumes the IJB will manage its year end position within its resources. The Health forecast is an informal update, based on Month 9, which at the time of writing hasn't yet been through the formal Q3 financial review process or reporting routes. There is £3.3m improvement from the previously reported position which is a direct result of significant COVID-19 funding now being included within the position. Table 1 below shows the Quarter 3/Month 9 position and a comparison to the pre COVID-19 funding position, our Month 6 projections.

	Annual Budget	Forecast Expenditure	Quarter 3/Month 9 Forecast Outturn	Previous Forecast Outturn
	£k	£k	£k	£k
Core	84,497	85,286	-789	-3018
Hosted	16,475	16,528	-52	-90
Set Aside	20,086	20,893	-807	-1010
Health	121,058	122,706	-1,648	-4,118
Social Care	53,757	54,150	-393	-923
Private Sector Housing Grant	256	28	228	63
HRA (Disabled Adaptations & Garden Aid)	1,238	760	478	305
Social Care	55,251	54,938	313	-555
Total	176,309	177,644	-1,335	-4,673

*Table 1 IJB Quarter 3/Month 9 review forecasts*

- 3.4 As noted above, more funding is now reflected in the updated forecast, a total of £3.8m COVID-19 funding is included within this 2020/21 forecast; £1.3m within Health and £2.5m within Social Care.
- 3.5 At the time of preparing the above forecasts, East Lothian HSCP had confirmed funding of £6.3m to cover COVID-19 costs (excluding prescribing which will be funded separately). Since then further funding has been announced and when the funding for these outstanding areas is received the position, within the HSCP, is expected to breakeven.
- 3.6 The COVID-19 funding for the Health Set Aside and Hosted budget sits with NHS Lothian and we are currently working with NHS Lothian to allocate this. For 2020/21, the financial risk has reduced accordingly and at this stage in year given the funding being allocated from Scottish Government there is moderate assurance the IJB will breakeven.
- 3.7 When looking at COVID-19 costs and the additional funding allocated, this highlights that there is a degree of budget cover already in each

partner's core funding that can potentially cover some of these COVID costs in year.

- 3.8 Updated cost projections continue to be fed into Scottish Government through NHS Lothian regularly. The recent value submitted, mid-January 2021, overall remains similar but the component parts change. The opening of the additional beds at East Lothian Community Hospital has seen an increase in these costs, whilst the level of payments expected for sustainability has reduced.
- 3.9 As a health and social care system our ability to respond quickly remains key, this requires service plans to be altered regularly. The overall COVID-19 costs projections for 2020/21 were projected at circa £7.3m. The projections of COVID-19 related expenditure, given the system volatility and uncertainty is challenging as is recruiting to and having the workforce to support these initiatives which sees the cost projections move regularly. As we continue to alter our services to deal with the 2nd COVID-19 wave many of these plans will continue beyond the end of this financial year and become a risk for 2021/22.
- 3.10 Following the recent Scottish Budget announcement and early discussions with colleagues at the Scottish Government, it is expected that additional funding for COVID-19 related costs will continue in 2021/22. Although not guaranteed to cover the full extent of costs, the IJB should focus on the underlying cost pressures within the system that are expected.
- 3.11 Local planning for 2021/22 is showing that some of these additional costs will continue beyond March 2021 although we have not yet received any indication of how much funding may be available in 2021/22.
- 3.12 At the October 2020 meeting a high level 5 year rolling financial outlook for the IJB was shared. This was based on pre-pandemic conditions and at the time of modelling was showing a £6.7m gap for 2021/22. For a future meeting an updated outlook for 2021/22 will be shared, separating core underlying pressures and those relating to COVID-19. This will allow IJB members to consider the financial forecast alongside budget offers and make an informed decision on whether the offers are fair and adequate.
- 3.13 For both NHS Lothian and East Lothian Council increases in base expenditure is inevitable due to staff pay awards, increases in National Care Home Contracts, Living Wage increases for external providers and other inflationary cost rises. So without doing anything new or extra the cost base will still rise. How much of these increases will be covered by an increased budget directly from the Scottish Government or through each partners budget process is unknown at this point. The financial consequences of the EU withdrawal also remain unknown and remain a risk.
- 3.14 The Scottish Budget announcement for 2021/22 specifically targeted Health with an additional £16 billion across Scotland. This includes continued support relating to the pandemic, increased investment in

mental health and primary care services. It also includes further investment on a mission to tackle the drug deaths crisis. All of these have financial consequences for the IJB and as more is known this will be shared at further meetings with members.

#### **4 ENGAGEMENT**

- 4.1 The IJB makes its papers and reports 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;

- The impact of Brexit is unknown – and assumed to be cost neutral in estimates to the year end. Any additional Brexit-related costs have no additional funding allocations attached to them at this stage

## 10 BACKGROUND PAPERS

- 10.1 Financial Update – October 2020 IJB meeting
- 10.2 Scottish Budget for 2021/22

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