



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 28th October 2021

BY: Interim Chief Finance Officer

SUBJECT: Financial Position August 2021, Financial Out-turn 2021/22 and Financial Planning 2022/23 to 2025/26

1 PURPOSE

1.1 This paper has five 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
- 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:-

- i. Note the financial position at August 2021
- ii. Note the projected out-turn position for 2021/22
- iii. Note the deployment of the earmarked reserves in 2021/22
- iv. Support the further development of the IJB's five year financial plan

3 BACKGROUND

3.1 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, it's 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.

Both partners have provided the following position for month 5 and year-end forecasts as noted below –

	East Lothian IJB Annual Budget '000	East Lothian IJB YTD Budget £'000	East Lothian IJB YTD Actual £'000	East Lothian IJB YTD Variance £'000	East Lothian IJB Forecast Variance £'000
NHS Services					
Core	86,846	26,064	26,659	-595	385
Hosted	15,333	6,077	6,008	69	17
Acute	21,805	8,445	8,592	-147	-662
NHS Services	123,984	40,586	41,259	-673	-261
Social Care **	57,230	21,566	21,894	-328	-1762
IJB Services for East Lothian	181,214	62,480	40,931	-1,001	-2,023
**Further COVID funding agreed for Social Care position					305
Revised Out turn for IJB Services for East Lothian					-1,718

There is an overspend of £1m at end of August 2021, there being three main pressures within that position:

- Overspends within the Core NHS Services relates to prescribing, pressures in GMS and the staffing of GPs within the CWIC service. This overspend is expected to reduce as plans are in place to mitigate these pressure areas and an element of the IJB's uplift (the current use of which has still to be agreed) will also 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.
- Social Care overspends within Commissioned Services. This appears to be driven by increased activity pressures and work is underway to identify the drivers behind this to take remedial action. This is discussed further below.

3.2 Projected out-turn position 2021/22

Both partners have provided the IJB with an updated outturn forecast:

- East Lothian Council forecast an overspend of c. £1,762k at Month 5 for Adult Social care, and this has been revised to take into account further funding for costs relating to Covid, resulting in a revised forecast overspend of £1,475k. Further analysis on the projected overspend for Social Care is being carried out and a further update will be shared at the next IJB once this work is complete.
- NHS Lothian (having taken account of the IJB's uplift as discussed above) are projecting an overspend of c. £261k on delegated services. Further discussions with the HSCP management team and colleagues within NHSiL suggest that a break-even position will be achieved within the health element of the IJB's budget at the end of the financial year

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.

3.3 Use of the IJB's Reserves

At the end of March 2021, the IJB had c. £9.6m of reserves of which c. £3.6m 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. £6m of which £3.1m 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 March 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. £3.5m. The balance on the general reserve at 31/3/21 was £3.1m which is slightly below target.

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 £7.1m 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 2 shows the totality of this risk in financial

terms, discussions 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.

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 providers 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 of the 1.25% increase in employer NIC rates to fund social care investment. This is part of the UK government's 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

East Lothian's population growth is forecast to grow 7.2% (between 2018 and 2028) the second fastest growth in Scotland and this generates additional demand on both the Health and Social Care services. While the Scottish Government distribution methods that recast 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.
- Winter Planning for Health and Social Care - announcement on 5th October 2021 from John Burns, CEO of NHS Scotland that £300m additional recurring funding to be available to support lasting and sustainable recovery and improve social care support.

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. Work continues to further develop this plan although that will require the partners to provide financial forecasts to the IJB for the services which they manage on the IJB's behalf.

3.7.1 Most recent Financial Plan Update

At its April 2021 workshop, an updated financial projection for the next five 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 £3.0m in 21/22 to £22m in 25/26. 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.

3.7.3 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.

3.7.4 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.

3.7.5 Actions

The IJB has developed and continues to develop a range of transformation programmes based on the principles of increased integration of services, delivery of care close to the person being cared for and a move from institutional to community based care. Future actions 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.

3.8 Capital

The IJB does not have any assets delegated to it nor any resources for capital investments. However, in order to deliver the functions delegated to it does require the use of its Partners assets and it's worth indicating to the partners where the IJB considers that investments (capital expenditure) to support these assets is required. There are three potential capital investments that the IJB would indicate to its partners.

3.8.1 At this time the IJB is considering the future provision of Care Homes across the county and it may be that a new care home will be required to be provided by the Council

3.8.2 As part of the overall review of the GP practices, further investments are required to the infrastructure of Primary Care premises in the county and NHSiL would make these investments

3.8.3 The Social Care services are supported by a computer system (Mosaic) which is now approaching the end of its operational life and required to be replaced/updated. This may require a significant investment from the council.

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 The “business as usual” risks raised by this report are already included within the IJB risk register.

10 BACKGROUND PAPERS

None

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Appendices:

Appendix 1 – Disbursement of Reserves

Appendix 2 – Covid Exit Analysis

Appendix 1 - East Lothian Reserves Analysis

	Opening Balance	To East Lothian Council	To NHSL	Closing Balance	Notes
	£k	£k	£k	£k	
Earmarked Reserves					
COVID	3,623			3,623	Funding will be allocated to partners based on actual spend incurred
Alcohol and Drugs Scottish Government Allocation	766		- 766	-	
Locally Committed programmes	1,512		- 1,512	-	
Community Living Change Fund	346			346	Held in reserves until needed
Primary Care Improvement Fund	226		- 226	-	
Action 15 - Scottish Government Mental Health Strategy	53		- 53	-	
Committed Project Funds	6,526	-	- 2,557	3,969	
General Reserves	3,082			3,082	
Total	9,608	-	-2,557	7,051	

Appendix 2 – East Lothian Partnership COVID Exit Details for Staffing

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 Hospital to Home Runs	£658,000	18.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Additional IHTT posts	£98,000	2.00		
Additional Rehab posts	£126,000	2.00	No exit, plan to continue	
Expansion of Care Home Team	£458,000	8.15	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Opening Ward 5 ELCH	£2,019,000	39.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Opening Ward 6 ELCH	£1,872,000	36.00	Funding received from NHSL Gold or staff put on redeployment as per NHSL Gold agreement	Recommendation from NHSL Gold Command
Funding for upgraded post due to extra responsibility (OT/PT & Vaccinations)	£26,800	N/A		
CMHT & PTS Posts	£156,000	3.60		
Additional D2A Posts	£121,000	2.24	No exit, plan to continue	
Total EL Partnership Prefund Value	£5,534,800	110.99		