



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

**MEETING DATE:** 21 September 2023

**BY:** Chief Finance Officer

**SUBJECT:** Quarter 1 Financial Forecast for 2023/24

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## **1 PURPOSE**

- 1.1 This report lays out the results of the partner's (East Lothian Council and NHS Lothian) quarter one financial reviews and considers how these impact on the projected financial position of the IJB for 2023/24. Plus reports on the quarter 1 monitoring of the IJB financial recovery plans and the current reserves position.

## **2 RECOMMENDATIONS**

- 2.1 As a result of this report, Members are asked to:
- i. Note the quarter one financial review undertaken by partners.
  - ii. Note the update on financial recovery plans.
  - iii. Note the IJBs general reserve position.

## **3 BACKGROUND**

- 3.1 At the IJB meetings during March and May 2023, the IJB considered its budget offers from Partners which resulted in the IJB not accepting the East Lothian Council offer due to a reduction of £0.250m in funding included within it. There has been no movement from this position and subsequently the IJB has noted the further recovery actions required to balance the IJBs budget.
- 3.2 The Budget Offers made by Partners at the start of the financial year are shown below:

<b>IJB Opening Budget 2023/24</b>	<b>£m</b>	<b>£m</b>
East Lothian Council		<b>69.447</b>
Baseline Budget	67.788	
New Scottish Government Monies	1.909	
Reduction to Budget	<b>-0.250</b>	
NHS Lothian		<b>113.112</b>
Baseline Budget	110.483	
Uplift & Other	2.629	
<b>Total</b>		<b>182.559</b>

*Fig 1: East Lothian IJB combined budget to the IJB*

- 3.3 Both partner organisations have now completed their quarter one (Q1) financial reviews which provides a forecast financial outturn for 2023/24. The East Lothian Council and NHS Lothian Q1 financial reviews are based on information to the end of June 2023 and should be noted in the context of challenging financial climate and the timing of financial recovery plans being agreed.
- 3.4 The Q1 financial review position for the IJB is a projected overspend of £8.5m and a breakdown is shown below:

	<b>Q1 Forecast</b>		
	<b>Annual Budget as at end of June 2023</b>	<b>Forecast Expenditure</b>	<b>Under/ (Over) Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Core	88.083	88.678	<b>-0.595</b>
Hosted	13.735	13.849	<b>-0.114</b>
Set Aside	24.000	26.347	<b>-2.348</b>
<b>Health</b>	<b>125.817</b>	<b>128.874</b>	<b>-3.057</b>
Social Care	69.447	74.894	<b>-5.447</b>
<b>Total</b>	<b>195.264</b>	<b>203.768</b>	<b>-8.504</b>

*Fig 2 : IJB Quarter 1 review forecast*

- 3.5 The budget movements from the partners' budgets offers at the start of the financial year to the budget position at Q1 are additional funding allocations from Scottish Government. Further detail of the Q1 position is shared at appendix 1
- 3.6 The forecast position reflects the projections for both partners. NHS Lothian have presented their overall Q1 financial projections to their Finance & Resources Committee on the 9<sup>th</sup> August 2023. East Lothian Council presented their Q1 financial projections to their Council meeting on the 29<sup>th</sup> August 2023.

- 3.7 The forecast highlights a significant overspend for the IJB, within the health IJB budgets there is £1.8m projected overspend relating to prescribing and £2.3m relating to set aside budgets. The set aside position within the IJBs financial plan included a £1.9m predicted overspend so a deterioration in the position from budget setting to Q1. This is made up of Gastroenterology drugs, the drugs pressure across acute is significant and has been growing due mainly to new medicines. Within Medicine of the Elderly there are overspends in medical pays predominantly at the RIE. Similarly General Medicine facing increased costs in medical staffing.
- 3.8 NHS Lothian received additional funding from Scottish Government to support sustainability and new medicines, they have yet to allocate the new medicines funding or the sustainability funding to services and for forecast purposes it has been retained centrally. It is likely that some new medicines funding will be allocated to delegated services given the pressures reported on drugs budgets within set aside services. Further to this and as in previous years, NHS Lothians Director of Finance and the Chief Finance Officers continue to have a shared ambition that providing that NHS Lothian can achieve a breakeven position for 2023/24 then an additional payment will be made to the IJB to meet the final IJB year-end overspend within health services.
- 3.9 The Social Care overall forecast is reporting a £5.5m projected overspend a significant swing from the 2022/23 year end position to Q1. The areas of concern reporting an overspend are the commissioned services particularly care homes placements and within the social care learning disability budgets. There is also a recognition though that this social care forecast is a pessimistic forecast and with more data the forecasting assumption will be refined.
- 3.10 To support the financial position the IJB has a challenging financial recovery plans programme which was part of the budget setting of the IJB, you'll see below the recovery plans totalling £6.3m.

	<b>23/24 Base Target</b>	<b>23/24 Revised Target</b>
	<b>£m</b>	<b>£m</b>
Financial Recovery Plans		
core	3.110	3.110
hosted	0.298	0.316
set aside*	1.959	1.959
social care	0.536	0.916
<b>Total</b>	<b>5.903</b>	<b>6.301</b>

*Fig 3 : IJB Financial Recovery Plans 2023/24*

- 3.11 Performance against these plans is detailed in appendix 2.

- 3.12 Given the forecast and the notes above particularly around the assumption regarding set aside breaking even and the new medicines and sustainability funding received by NHS Lothian there is potential improvements in the forecast position, and these are noted in figure 4 below. The table also notes that there may be additional benefit from where financial recovery plans performance improves.

	Q1 Forecast		
	Annual Budget as at end of June 2023	Forecast Expenditure	Under/ (Over) Spend
	£m	£m	£m
Core	88.083	88.678	-0.595
Hosted	13.735	13.849	-0.114
Set Aside	24.000	26.347	-2.348
<b>Health</b>	<b>125.817</b>	<b>128.874</b>	<b>-3.057</b>
Social Care	69.447	74.894	-5.447
<b>Total</b>	<b>195.264</b>	<b>203.768</b>	<b>-8.504</b>
<i>assumption on set aside budgets breaking even</i>			2.348
<i>new medicine and sustainability funding</i>			tbc
<i>further delivery on financial recovery plans</i>			tbc
<b>Revised Total Range</b>			<b>tbc - -6.156</b>

Fig 4 : IJB Quarter 1 revised position

- 3.13 Due to the financial position projections, it is worth reviewing the IJBs general reserve position again and the below table shows this position.

	23/24	24/25	25/26	26/27	27/28
General Reserves	£m	£m	£m	£m	£m
Closing balance 2022/23	5.030	4.660	4.290	4.290	4.290
Analogue to Digital	0.370	0.370			
DRAFT closing balance	4.660	4.290	4.290	4.290	4.290
<b>Reserve Policy @ 2%</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>	<b>4.000</b>
Position against Policy		0.290	0.290	0.290	0.290

Fig 5 : IJBs DRAFT general reserve projections

- 3.14 The IJB has made commitment against its general reserve during 2022/23 at its March 2023 meeting the IJB agreed to support the purchase of analogue to digital alarms.
- 3.15 The outturn projections will continue to be refined throughout the year, and regular updates will be brought back to the IJB. The main outstanding risk included in the above projections is the settlement of the local authority pay award. We await clarity to assess the impact of this

with Partner East Lothian Council. Currently the above projections assume 5% in line with Council, we require early dialogue with East Lothian Council regarding the pass through of any additional funding for a pay award higher than the assumed 3% to the IJBs delegated budgets.

#### **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 There is no implication for Direction at this stage.

#### **8 RESOURCE IMPLICATIONS**

- 8.1 Financial – 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.
- 8.2 Personnel – None
- 8.3 Other – None

#### **9 BACKGROUND PAPERS**

- 9.1 Budget Offers from partners – 2023/24 – March 2023 & May 2023

**Appendix 1 – Q1 2023/24 Financial Forecasts**  
**Appendix 2 – Financial Recovery Plans**

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<b>DATE</b>	September 2023

## Appendix 1 – Q1 2023/24 Financial Forecast

Q1 Forecast					
Status	Allocation	Service	Annual Budget as at end of June 2023	Forecast Expenditure	Under/ (Over) Spend
			£m	£m	£m
Delegated	Core	Community Equipment	0.656	0.647	0.009
		Community Hospitals	12.878	11.763	1.116
		Complex Care	0.178	0.178	0.000
		District Nursing	3.335	3.176	0.159
		General Surgery	1.091	1.103	-0.012
		Geriatric Medicine	1.139	1.030	0.109
		GMS	18.760	19.231	-0.471
		Health Visiting	2.215	2.333	-0.118
		Hospital Services	0.000	0.009	-0.009
		Learning Disabilities	0.590	0.588	0.001
		Mental Health	6.520	6.441	0.079
		Other	0.171	0.219	-0.048
		PC Management	1.206	1.041	0.164
		PC Services	5.802	5.922	-0.120
		Pharmacy	0.160	0.160	-0.000
		Prescribing	20.711	22.524	-1.812
		Reserves	0.120	0.000	0.120
		Resource Transfer	4.969	4.969	0.000
		Substance Misuse	0.245	0.175	0.070
		Therapy Services	6.604	6.436	0.169
<b>Core Total</b>			<b>87.348</b>	<b>87.944</b>	<b>-0.595</b>
	Corporate	Non Consolidated Payment for AfC	0.734	0.734	-0.000
<b>Corporate Total</b>			<b>0.734</b>	<b>0.734</b>	<b>-0.000</b>
Delegated	Hosted	Community Equipment	0.285	0.285	-0.000
		Complex Care	0.209	0.199	0.010
		Diabetes & Endocrinology	0.004	0.002	0.002
		Geriatric Medicine	0.000	0.000	-0.000
		GMS	-1.938	-1.836	-0.102
		Hospices & Palliative Care	0.575	0.578	-0.002
		Learning Disabilities	1.713	1.740	-0.027
		LUCS	1.494	1.499	-0.005
		Mental Health	2.981	2.975	0.006
		Oral Health Services	1.109	1.056	0.052
		Outpatients	0.009	0.044	-0.035
		PC Services	0.831	0.982	-0.151
		Pharmacy	0.070	0.070	-0.000
		Prescribing	-0.441	-0.315	-0.126
		Psychology Services	1.091	1.204	-0.113
		Public Health	0.253	0.249	0.004
		Rehabilitation Medicine	1.198	1.055	0.143
		Sexual Health	0.916	0.936	-0.020
		Strategic Services	0.000	0.000	0.000
		Substance Misuse	0.588	0.585	0.002
Therapy Services	1.999	1.902	0.097		
UNPAC	0.789	0.639	0.150		
<b>Hosted Total</b>			<b>13.735</b>	<b>13.849</b>	<b>-0.114</b>
<b>Delegated Total</b>			<b>101.817</b>	<b>102.527</b>	<b>-0.710</b>
Set Aside	Acute	Acute Management	0.755	0.848	-0.093
		Cardiology	0.928	0.929	-0.001
		Children Therapies	0.024	0.025	-0.001
		Diabetes & Endocrinology	0.509	0.834	-0.325
		ED & Minor Injuries	2.974	3.285	-0.311
		Gastroenterology	1.841	2.488	-0.647
		General Medicine	7.359	7.905	-0.546
		Geriatric Medicine	3.935	4.107	-0.172
		Infectious Disease	0.734	0.559	0.174
		Junior Medical	0.558	0.520	0.038
		Outpatients	0.155	0.150	0.005
		Rehabilitation Medicine	0.420	0.458	-0.038
		Respiratory Medicine	1.534	1.794	-0.260
		Therapy Services	2.276	2.446	-0.170
<b>Acute Total</b>			<b>24.000</b>	<b>26.347</b>	<b>-2.348</b>

<b>Set Aside Total</b>			<b>24.000</b>	<b>26.347</b>	<b>-2.348</b>
<b>Health Total</b>			<b>125.817</b>	<b>128.874</b>	<b>-3.057</b>
Social Care	Health & Social Care	Adult Social Work	28.033	29.585	-1.552
		Acute & Ongoing Care	11.619	11.470	0.149
		Rehabilitation	2.211	2.563	-0.352
		Learning Disability & MH Community services	17.803	19.827	-2.024
		Head of Operations	3.302	5.083	-1.781
		Business & Performance	4.985	4.872	0.113
<b>Health &amp; Social Care Total</b>			<b>67.953</b>	<b>73.400</b>	<b>-5.447</b>
	Development	PSHG	0.256	0.256	0.000
<b>Development Total</b>			<b>0.256</b>	<b>0.256</b>	<b>0.000</b>
	HRA Capital	Disabled Adaptations	1.000	1.000	0.000
<b>HRA Capital Total</b>			<b>1.000</b>	<b>1.000</b>	<b>0.000</b>
	HRA	Garden Aid - HRA Community Housing (East)	0.068	0.068	0.000
	HRA	Garden Aid - HRA Community Housing (Musselburgh)	0.067	0.067	0.000
	HRA	Garden Aid - HRA Community Housing (Prestonpans)	0.049	0.049	0.000
	HRA	Garden Aid - HRA Community Housing (Tranent)	0.054	0.054	0.000
<b>HRA Total</b>			<b>0.238</b>	<b>0.238</b>	<b>0.000</b>
<b>Social Care Total</b>			<b>69.447</b>	<b>74.894</b>	<b>-5.447</b>
<b>IJB Total</b>			<b>195.264</b>	<b>203.768</b>	<b>-8.504</b>



## Appendix 2 – Financial Recovery Plans

Grouping	Financial Recovery Plans	Base Target: March 2023 £m	Revised Target: 23/24 £m	Q1 Target £m	Q1 Saving £m	Q1 Variance: Over/(Under) £m
Core	Workforce	0.140	0.140	0.035	0.035	0.000
Core	GP Prescribing	1.000	1.000	0.250	0.059	-0.191
Core	Procurement and Contracts	0.415	0.415	0.104	0.100	-0.004
Core	Capacity/Service Redesign	0.400	0.400	0.000	0.000	0.000
Core	NHS Lothian Thematic Programmes	0.022	0.022	0.006	0.000	-0.006
Core	Other	1.133	1.133	0.000	0.000	0.000
<b>Core sub total</b>		<b>3.110</b>	<b>3.110</b>	<b>0.394</b>	<b>0.194</b>	<b>-0.200</b>
Hosted	Workforce	0.104	0.104	0.026	0.022	-0.004
Hosted	GP Prescribing	0.000	0.000	0.000	0.000	0.000
Hosted	Procurement and Contracts	0.039	0.057	0.014	0.006	-0.008
Hosted	Capacity/Service Redesign	0.150	0.150	0.038	0.038	0.000
Hosted	NHS Lothian Thematic Programmes	0.005	0.005	0.001	0.000	-0.001
<b>Hosted sub total</b>		<b>0.298</b>	<b>0.316</b>	<b>0.079</b>	<b>0.066</b>	<b>-0.013</b>
Set Aside	Workforce	0.236	0.236	0.059	0.031	-0.028
Set Aside	Acute Medicines	0.067	0.067	0.017	0.000	-0.017
Set Aside	Capacity/Service Redesign	0.030	0.030	0.008	0.008	0.000
Set Aside	NHS Lothian Thematic Programmes	0.007	0.007	0.002	0.002	0.000
Set Aside	Other	1.619	1.619	0.000	0.000	0.000
<b>Set Aside sub total</b>		<b>1.959</b>	<b>1.959</b>	<b>0.085</b>	<b>0.041</b>	<b>-0.045</b>
Social Care	Workforce	0.100	0.100	0.025	0.000	-0.025
Social Care	Procurement and Contracts	0.315	0.315	0.079	0.010	-0.069
Social Care	Capacity/Service Redesign	0.121	0.501	0.464	0.451	-0.013
<b>Social Care sub total</b>		<b>0.536</b>	<b>0.916</b>	<b>0.567</b>	<b>0.461</b>	<b>-0.106</b>
<b>Grand Total</b>		<b>5.903</b>	<b>6.301</b>	<b>1.125</b>	<b>0.761</b>	<b>-0.364</b>

