

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

**MEETING DATE:** 14 December 2023

**BY:** Interim Chief Finance Officer

**SUBJECT:** Financial Update – Q2 review 2023/24

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## 1 PURPOSE

1.1 This report discusses the following –

- i. The output from the quarter two financial reviews by the IJB's partners
- ii. A review of the IJB reserves.

## 2 RECOMMENDATIONS

2.1 Members are asked to:

- i. Note the output from the Q2 financial reviews; and
- ii. Note the projected position for the IJB's Reserves.

## 3 BACKGROUND

### 3.1 Quarter 2 Review

Both partners have now completed their quarter 2 financial reviews which include a projected out-turn for the financial year 2023/24. It is important to remember that this work is based on the financial position at month 6 (September) and that any unfavourable positions have already attracted management actions by the partners' management teams.

3.2 The output is as follows – Values are variances, favourable/(unfavourable)

Quarter 2 Review	
	£000's
Health Core	(558)
Hosted	53
Set Aside	<u>(1,812)</u>
Total Health	(2,317)
Social Care	(2,805)
<b>Total</b>	<b>(5,122)</b>

Note – the value for Social Care above includes an additional £400,000 of budget which is the IJB's share of pay award funding provided to the Council by the Scottish Government. This was agreed by the Council after the completion of the Q2 review.

This is an improvement on the forecast out-turn reported in the October IJB paper (based on the month 5 position) which showed an overspend of £6,779,000.

### 3.3 Health Position

Within the Core health services (that is the health services delivered locally within East Lothian and managed by the HSCP) the main pressure is an overspend within the GP Prescribing budget although this is offset by underspends within other budgets.

Set Aside health services are those functions delegated to the IJB but managed by the Acute Hospital Teams at RIE and WGH). Basically, these are all services which are not trauma, cancer or surgical. The financial model that supports the reporting of such services is currently being reviewed in order to both ensure that the correct budgets are available to the IJB (and the correct charges against those budgets) and that reporting of the Set Aside position is improved.

### 3.4 Social Care Position

Unlike health services which are almost entirely delivered by a range of directly employed staff (or very clearly defined contracts in the case of GMS) many social care services are delivered by commissions through third parties – for example most care home places and most of care at home. It is difficult to forecast over the longer period (in this case six months) the value of the commitments made by the Council against the provider contracts as the future delivery of services to clients may change as client needs change. Finance colleagues are continuing to review the forecast along with further input from social care management.

### 3.5 Management and recovery actions

#### Health

NHS Lothian had received additional funds to support in-year financial pressures from the Scottish Government. It has decided that GP prescribing pressures should be supported by these funds and an additional £1.2m is being made available to the IJB. This will improve the health position above. NHS Lothian is keen to continue its model of providing financial support to the IJBs assuming that it can itself break-even in year.

#### Social Care

Given that the forecast for 23/24 is a significant overspend and the out-turn position in 22/23 was a modest underspend, it's worth noting that an additional £8.6m was allocated to the IJB by the Scottish Government through ELC as part of the 2022/23 budget settlement. These funds were largely absorbed during the financial year by pay awards and other inflationary pressures although there were some resources left over to contribute towards an element of demographic pressures. The budget settlement for 2023/24 has been discussed in detail and created additional

financial challenges. The HSCP management team has been addressing the financial pressures and has created a series of recovery plans. For example, work is underway to review the use of care home beds given that currently the HSCP is commissioning care home beds above its current budgeted number.

3.6 The IJB's scheme of Integration provides for the challenge of in-year budget pressures. As was described in the October finance paper to the IJB in the first instance the parties management teams must prepare a recovery plan. This work is underway – and has been during the financial year – and further financial updates for 23/24 out-turn forecast will be brought back to the IJB at its next meeting.

3.7 Impact of 2023/24 financial position on 2024/25

The IJB set a balanced budget at the start of 2023/24. This was based on a series of efficiency plans ('savings') being achieved to balance the budget having considered the projected pressures in the system and the budget offers from the partners. As described above, an overspend is forecast at quarter 2 which consists of both new pressures and challenges in delivering the efficiency programmes build into the opening budgetary process. The key here is to understand the recurrency of these financial pressures and to ensure that this is included in the 2024/25 budget setting process. Work continues with the partners' management teams to develop this analysis and to ensure that this will clearly form part of the budget setting process in March 2024.

3.8 IJB Reserves

As was discussed in the October 2023 paper, the IJB has two 'classes' of reserves. Earmarked reserves which held for a specific purpose and elements of which are being used to support the 2023/24 position, and the general reserve which sits currently at £4,200,000. The general reserve has two purposes - it allows the IJB to support programmes non-recurrently and it provides support (if required) to underpin the year-end position.

## **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 IJB Finance Update – presented to the IJB in October 2023

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