



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

**MEETING DATE:** 27 February 2020

**BY:** Chief Finance Officer

**SUBJECT:** Financial Position for 2019/20, Quarter Three Financial Reviews and Financial Outlook for 2020/21

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## **1 PURPOSE**

- 1.1 To inform the IJB of quarter three financial reviews carried out by both its partners. East Lothian Council will present their review at the Council meeting on 25<sup>th</sup> February 2020 and NHS Lothian reported their review to their Finance and Resources Committee on the 22nd January 2020.
- 1.2 The financial reviews are used to provide forecast outturn positions. The quarter three forecasts project that the health 'arm' of the IJB will be underspent and the social care 'arm' of the IJB will be overspent.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is asked to:
  - i. Note the current financial position;
  - ii. Note the quarter three financial reviews of 2019/20; and
  - iii. Note financial forecast for 2020/21.

## **3 BACKGROUND**

- 3.1 Both the IJB's partners (East Lothian Council and NHS Lothian) have undertaken quarter three financial reviews – that is they look at the financial information available (as at the end of December) and use that to project a forecast outturn position.
- 3.2 At its meeting in December 2019, the IJB projected an outturn of £36k overspent across the whole of the IJB. As a result of the formal quarter three review a forecast of £444k underspent is now projected. The quarter

three review highlighted a projected underspend within the health budget and a small overspend within the social care budget of the IJB.

### **East Lothian IJB Financial Performance & Updated Forecast**

	<b>Year to Date Outturn at December 2019</b>	<b>Q2 Forecast Outturn</b>	<b>Q3 Forecast Outturn</b>	<b>Movement</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Social Care	-16	-241	-101	140
Health	132	205	545	340
	116	-36	444	480

3.2 The social care movement in the 2019/20 forecast is due to an anticipated reduction in demand within residential placements and care at home for the last three months of the year. Although there is evidence that both services are seeing a drop in demand there remains a risk that this does not continue to fall.

3.3 As reported previously within the health budgets these are split into core, hosted and set aside. Of the £340k improvements in the health forecast,

- £354k relates to core. This improvement is due to a combination of further slippage in usage of funding, a deterioration in prescribing of and an small improvement in GMS.
- An improvement of £35k is within set aside. This is due to a reduction in General Medicine and Junior Medical pressures.
- Hosted services forecast has deteriorated by £49k and is now projecting a £159k underspend. This deterioration relates to prescribing pressures.

3.4 The IJB forecast position as a result of the quarter three reviews will continue to be monitored as there are some volatile budgets within the IJB; those mainly being demand within social care and prescribing. As will dialogue with Partners regarding these projections.

3.5 As in 2018/19 the IJB intends to carry forward any surplus at 31 March 2020 through reserves for future years use. Reserves normally comprise funds that are for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies.

### **Financial Recovery Actions**

- 3.6 As previously reported, part of the budget setting process, included a savings target of £702k. The HSCP developed a suite of recovery actions to meet this target and these actions have supported bringing the overall financial position for the IJB in 2019/20 back into balance.
- 3.7 Some of the recovery actions remain challenging as timelines to implement new models are taking longer than originally anticipated. The HSCP will continue to monitor the progress of the recovery actions to ensure savings are made on a recurring basis.
- 3.8 Slippage in projected costs associated with the new monies allocated this financial year for Franks law and Carers, has offset timing delays in savings in year only.

### **2020/21 Financial Position**

- 3.9 As previously reported in December's report the IJB and its delegated functions will have underlying financial pressures with the challenging financial environment both Partners face.
- 3.10 On 21<sup>st</sup> January 2020 East Lothian Council reported to Cabinet on Budget Developments for 2020. This outlined the timetable of national budget announcements and the constraints this places on East Lothian Council's budget planning process. Assumptions have therefore been made in draft budget proposals to allow progress to be made within the timescales required. The key assumptions for budget proposals relating to the IJB are detailed below.
- That the final level of Scottish Government funding provided in 2019/20 will be recurring with the following additional increases
  - Further funding will be provided to offset a wide range of additional inflationary costs within the Adult Wellbeing service, including contractual commitments relating to National Care Home Contract, Non National Care Home Contract and Care at Home, and this remains consistent with the condition set within the 2019/20 budget settlement.
  - A potential £250k savings target allocated to the Adult Wellbeing services giving a net increase of budget of circa £1.55m
- 3.11 For NHS Lothian the latest iteration of the Financial Plan for 2020/21 was shared with Finance and Resources Committee on 22<sup>nd</sup> January 2020. A final version will be approved by the Board in April 2020. The latest plan highlights a gap of £31.2m for next year (East Lothian's share is £1.44m). NHS Lothian is now assuming 3% uplift for 2020/21 and that a similar 3% uplift will be passed through to IJBs.

3.12 In the context of the circumstances both partners are facing, budget forecasting and approval for the IJB will be brought to a future IJB meeting for discussion.

#### **4 ENGAGEMENT**

4.1 The IJB holds its meetings in public and makes its papers available on the Council's website.

#### **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 RESOURCE IMPLICATIONS**

7.1 Financial – discussed above

7.2 Personnel – none

7.3 Other – none

#### **8 BACKGROUND PAPERS**

8.1 East Lothian Council Budget Development 2020

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<b>DATE</b>	19 February 2020