

# Midlothian Integration Joint Board



**10<sup>th</sup> December 2020 2pm**

## **Finance Update for 2020/21 and 5 Year Financial Plan**

**Item number: 5.9**

### **Executive summary**

---

This report provides an update to the IJB on its updated projected year end out-turn, undertaken by both the IJB partners Midlothian Council and NHS Lothian at Month 6.

Please note that since this forecast both IJB's partners have had confirmation on the COVID additional funding, this is not included in these forecasts as this had not been confirmed at that point, and therefore an illustrative adjustment has been made to the pre COVID funding positions.

This report presents the Board with a medium term rolling 5 year financial plan (2020/21 to 2024/25) for noting which was prepared in a Business as Usual, pre COVID scenario and will be refined when clarity on future service provision is known.

#### **Board members are asked to:**

- 1. Note the Month 6 financial reviews undertaken by partners*
  - 2. Note the impact COVID has had on the IJB financial position.*
  - 3. Note the COVID funding that has been confirmed since this review*
  - 4. Note the pre-pandemic medium term rolling 5 year financial plan*
-

## Finance Update – Month 6 2020/21

### 1 Purpose

- 1.1 This report lays out the results of the partner's (Midlothian Council and NHS Lothian) Month 6 financial reviews and considers how this impacts on the projected financial position for the IJB for 2020/21.

### 2 Recommendations

- 2.1 As a result of this report Members are being asked to:-
- Note the position as laid out below
  - Note the impact COVID has had on the IJB financial position
  - Note the confirmed COVID funding not yet showing in these positions
  - Note the 5 year Financial Plan which was prepared pre COVID on a Business as Usual basis

### 3 Background and main report

- 3.1 The COVID-19 pandemic is ongoing 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 and should be read in the context of these unpredictable times.
- 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 Month 6 financial review position for the IJB is a projected overspend of (£3.4m) at the year end and is shown below. This position should be read in the context that no additional funding for COVID-19 was assumed at this stage. Table 1 below shows the Month 6 position.

	Annual Budget	Forecast	Month 6 Forecast Outturn
	£k	£k	£k
Core	65,879	68,482	(2,603)
Hosted	15,075	15,071	4

Set Aside	17,298	18,157	(859)
Health	98,252	101,710	(3,458)
Social Care	44,985	44,504	481
<b>Total</b>	<b>98,252</b>	<b>101,710</b>	<b>(3,458)</b>

*Table 1 IJB Month 6 review forecast*

- 3.4 Since the above forecast, Midlothian HSCP has confirmed funding of £4.2m to cover COVID-19 costs. The allocation was based on the outputs of the mobilisation and remobilisation plans submitted to Scottish Government (SG) but does not cover all gross costs incurred (see table 3). The £4.2m is made up of £1.2m of funding to support additional social care costs which was reported at the last IJB and an allocation based on the financial return to SG of which Midlothian HSCP share was £3m. Funding allocations to date exclude any for GP Prescribing and FHS contractors. Funding for FHS contractor additional costs has been received by the Health Board during November 2020, the basis of allocation is being reviewed therefore as yet not allocated to a partnership level.
- 3.5 At a high level this Month 6 forecast should be adjusted to take account further COVID-19 costs not included in this outturn, the funding now confirmed and operational underspends across the system, although many of these elements are difficult to predict due to the volatility of the situation.

	Adjusted Month 6 Forecast Outturn
	£k
Month 6 Forecast Outturn	-3,458
Additional COVID costs projected but not included above	-2,500
COVID Funding for Midlothian Health & Social Care	4,178
Underlying operational underspends to offset COVID costs	1780
Additional costs for GMS and Prescribing	-1312
Additional funding for GMS and Prescribing	1312
<b>Adjusted Forecast after COVID Funding</b>	<b>0</b>

*Table 2 Midlothian adjusted out turn after COVID funding*

- 3.6 Although the overall COVID costs were projected at £7.4m at Quarter 2, it is important to note that forecasts are volatile and change regularly as we continue to alter our services to deal with the 2nd COVID-19 wave. Updated cost projections are fed into Scottish Government through NHS Lothian regularly. A summary of projected costs at Quarter 2 is shown below.

<b>Forecast COVID Costs for 2020/21</b>	<b>£k</b>
Additional Bed capacity cost	180
Sustainability Payments	2,025
Additional Staffing	724
Community Assessment Hub	162
Delayed Discharge Reductions	1,686
Digital	75
FHS Contractors	406
Loss of income	384
Other	279

PPE	100
GP Prescribing	906
Savings	492
<b>COVID Projected Costs</b>	<b>7,419</b>

*Table 3: Midlothian IJB COVID 2020-21 Forecast*

- 3.7 As notes above these plans and cost projections change regularly as we continue to alter our services to deal with the 2nd COVID-19 wave. An example of this is that since Quarter 2 submission an additional hospital beds at MLCH have been commissioned, resulting in an additional £400k since this Quarter 2 forecast position above.
- 3.8 For 2020/21, as additional funding has been received the financial risk has reduced accordingly and although difficult to give assurance the IJB will break even, the risk is lower.

### **Midlothian IJB 5 year rolling financial plan 2020/21 to 2024/25**

- 3.9 Future planning is required every year and always includes a number of assumptions which introduces a degree of risk. For 2021/22 of particular note is the requirement for services to continually adapt to changing remobilisation plans if further waves of COVID-19 occur. As highlighted above, regardless of COVID-19, there remains a significant financial challenge on the horizon for 2021/22 and the extent to which increased cost pressures will be met by the Scottish Government is unknown. The Scottish Budget will prioritise resources as effectively as possible to drive the country's economic recovery whilst managing the ongoing impact of the virus.
- 3.10 As in previous years, the IJB produces a longer term financial outlook and updates the IJB members on this throughout the financial year. Following acceptance of the formal budget offers for 2020/21 from both partners and indicative budget values for future years the IJBs rolling 5 year financial plan was developed in early 2020/21. Please note this was prepared before the significance of the pandemic was known and was based on "business as usual" planning assumptions. With the uncertainty attached to these extraordinary times the 5 year rolling financial plan should be viewed in the context of this volatile landscape.
- 3.11 The original financial assumptions "pre-pandemic" remain unchanged with the exception of 2020-21; at Month 6 the position is showing that a breakeven outcome is likely. This is likely to be a one-off position due to the unusual set off circumstances 2020-21 brings. Future year's financial plans will be updated when more intelligence is gathered regarding the plans for the new normal both in terms of funding and expenditure.
- 3.12 The overall position for the IJB is summarised in Table 4 below. A detailed breakdown is included in Appendix 1.

	20/21 £k	21/22 £k	22/23 £k	23/24 £k	24/25 £k
Total income	137,429	136,682	138,122	139,597	141,108
Total Expenditure	137,429	140,526	144,300	148,185	152,183
<b>Gap before savings plans</b>	<b>(0)</b>	<b>(3,844)</b>	<b>(6,178)</b>	<b>(8,588)</b>	<b>(11,075)</b>
<b>% gap</b>	<b>(0%)</b>	<b>(3%)</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(8%)</b>

*Table 4 IJB rolling five year financial plan*

- 3.13 The Scottish Government published its medium term financial framework for Health and Social Care in October 2018 and this has supported the development of the rolling 5 year financial plan for the IJB. The rolling 5 year financial plan is based on formal budget offers for 2020/21, and indicative budget offers for the remaining years. Midlothian Council budget letter for 2021-20 indicated that the demographic budget uplift of £1,040k for 2020/21 should not be assumed to be recurring. Since then there has been informal discussion that this funding will continue, and is therefore included (showing as non-recurring each year). It has also been assumed that pay awards at 3% will continue to be funded each year. Table 5 summarises total anticipated delegated budgets over the next 5 years.

	20/21 £k	21/22 £k	22/23 £k	23/24 £k	24/25 £k
NHSL delegated base budget	87,409	90,251	91,020	91,804	92,603
Additional contributions	5,035	769	784	800	816
<b>Total NHS income</b>	<b>92,444</b>	<b>91,020</b>	<b>91,804</b>	<b>92,603</b>	<b>93,419</b>
MLC delegated base budget	42,289	43,986	44,623	45,278	45,953
Additional contributions	3,195	1,676	1,695	1,715	1,735
MLC savings target	(500)	0	0	0	0
<b>Total MLC income</b>	<b>44,984</b>	<b>45,663</b>	<b>46,318</b>	<b>46,993</b>	<b>47,689</b>
<b>Total income</b>	<b>137,429</b>	<b>136,682</b>	<b>138,122</b>	<b>139,597</b>	<b>141,108</b>

Table 5: Indicative IJB delegated budget 2020/21-2024/25

- 3.14 The projected costs of delegated services across the same period are shown below in Table 6. The modelling assumptions used to estimate future costs are described below.

	20/21 £k	21/22 £k	22/23 £k	23/24 £k	24/25 £k
Base expenditure	130,670	136,843	140,519	144,300	148,185
Price effects	3,266	2,251	2,307	2,366	2,433
Demographic change	1,390	1,431	1,474	1,519	1,564
Non demographic growth	2,103	0	0	0	0
<b>Total expenditure</b>	<b>137,429</b>	<b>140,526</b>	<b>144,300</b>	<b>148,185</b>	<b>152,183</b>

Table 6: Projected cost of delegated services 2020/21-2024/25

- 3.15 Future NHS Lothian costs within the financial plan are based on the detailed financial planning exercise conducted by NHS Lothian. Non-recurring base expenditure for 2020/21 has been adjusted for the additional COVID costs incurred.
- 3.16 For Midlothian Council a starting position of baseline expenditure for Social Care at £66k overspent (being the out-turn for 2019/20) was assumed. Future years increased expenditure was based on a combination of sources; pay awards from the analysis in the budget letter of 2020/21 and 3% thereafter, demographic growth at 3% and non-demographic known pressures of £2m.
- 3.17 Midlothian Social Care pressures of £2m represent the underlying system pressures that are often managed year to year through slippage in staffing budgets from vacancies or lower uptake on new funding streams. Although £1.45m additional budget was added to Midlothian Social Care recurrently in 2020/21, the increases in 2020/21 costs from pay awards, Care Home and Care at Home contracts exceeded this new funding, adding an estimated £500k pressure.

- 3.18 At this stage limited assurance can be given around the IJBs ability to break even in 2021/22 and there is a significant financial challenge on the horizon. The IJB should ask officers within the partnership to develop a financial recovery plans and update the IJB on progress against this plan at a future meeting.
- 3.19 On a general observation, as the Scottish Government continues to consider its response to changing circumstances, taking into account the whole of society and its needs. It is highly unlikely that all additional costs will be met with additional funding and increased pressures on public spending is inevitable. The IJB has to mitigate the challenges of this increased financial pressure of providing fit for purpose and value for money services for the people of Midlothian.

## **4 Policy Implications**

---

- 4.1 There are no policy implications from this report.

## **5 Directions**

---

- 5.1 There are no implications on directions from this report.

## **6 Equalities Implications**

---

- 6.1 There are no equalities implications from this report.

## **7 Resource Implications**

---

- 7.1 The resource implications are laid out above.

## **8 Risk**

---

- 8.1 Like any year end projection, the IJB relies on a number of assumptions and estimates each of which introduces a degree of risk. The “business as usual” risks raised by this report are already included within the IJB risk register.
- 8.2 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 planning process;
  - delivery of the savings and recovery programme in line with projections; and
  - 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.

## 9 Involving people

---

9.1 The IJB papers are publically available.

## 10 Background Papers

---

10.1 Scottish Government Medium Term Health and Social Care Financial Framework – October 2018

10.2 Midlothian Council Medium Term Financial Strategy- June 2019

<b>AUTHOR'S NAME</b>	Claire Flanagan
<b>DESIGNATION</b>	Chief Finance Officer
<b>CONTACT INFO</b>	claire.flanagan@nhsllothian.scot.nhs.uk
<b>DATE</b>	December 2020

---

Appendix 1 - Midlothian IJB 5 Year Rolling Plan 2020/21- 2024/25