

Midlothian Integration Joint Board



Thursday 11th February 2021, 2.00 pm

Finance Update for 2020/21

Item number: 5.5

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 Quarter 3 and Month 9, with the positions yet to be formally concluded and reported but Partners. This forecast from both IJB's partners' takes into account COVID additional funding that has been confirmed. This report also acknowledges the headline content of the recent Scottish Government Budget announcement and the consequences for the IJB.

Board members are asked to:

- 1. Note the Quarter 3 and Month 9 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 included*
 - 4. Note the recent Scottish Government budget announcement*
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Finance Update 2020/21

1 Purpose

- 1.1 This report lays out the results of the partner's (Midlothian Council and NHS Lothian) Quarter 3 and Month 9 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 in 2020/21
 - Note the ongoing impact of COVID and the financial position in 2021-22
 - Note the recent Scottish Budget announcement for 2021-22

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.
- 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 Quarter 3/Month 9 financial reviews position for the IJB is a projected overspend of (£0.9m) as shown in Table 1 below. Please note that the Midlothian Council Q3 financial review is due to be formally reported to Council on the 23rd February 2021, albeit this doesn't include the IJBs position given the IJB will manage its year end position within its resources. The Health forecast is an informal update, based on Month 9, which at the time of writing hasn't yet been through the formal Q3 financial review process or reporting routes. There is £2m improvement from the previously reported position which is a direct result of significant COVID funding now being included within the position. Table 1 below shows the Quarter 3/Month 9 position and a comparison to the pre COVID funding position, our Month 6 projections.

	Annual Budget	Forecast Expenditure	Quarter 3/Month 9 Forecast Outturn	Previous Forecast Outturn
	£k	£k	£k	£k
Core	70,954	71,820	-866	-2,603
Hosted	14,799	14,688	111	4
Set Aside	17,493	18,169	-676	-859
Health	103,246	104,677	-1,431	-3,458
Social Care	44,973	44,427	546	481
Total	148,219	149,104	-885	-2,977

Table 1 IJB Quarter 3/Month 9 review forecasts

- 3.4 As noted above, funding has been received and is now reflected in the updated forecast for 2020/21. Midlothian HSCP has confirmed funding of £4.2m to cover COVID-19 costs (excluding FHS and Prescribing which will be funded separately and the recently announced winter preparedness allocation). When the funding for these outstanding areas is received the health position, within the HSCP, is expected to breakeven or to have a core under spend similar to that of previous financial years.
- 3.5 The COVID-19 funding for the Health Set Aside and Hosted budget sits with NHS Lothian and we are currently working with NHS Lothian to allocate this. For 2020/21, the financial risk has reduced accordingly and at this stage in year given the funding being allocated from Scottish Government there is moderate assurance the IJB will breakeven.
- 3.6 When looking at COVID-19 costs and the additional funding allocated, this highlights that there is a degree of budget cover already in each partner's core funding that can potentially cover some of these COVID costs in year.
- 3.7 Updated cost projections continue to be fed into Scottish Government through NHS Lothian regularly. The recent value submitted, mid January 2021, overall remains similar but the component parts change. The opening of the additional beds at Midlothian Community hospital has seen an increase in these costs, whilst the level of payments expected for sustainability has reduced.
- 3.8 As a health and social care system our ability to respond quickly remains key, this requires service plans to be altered regularly. The overall COVID costs projections for 2020/21 were projected at circa £7m. The projections of COVID-19 related expenditure, given the system volatility and uncertainty is challenging as is recruiting to and having the workforce to support these initiatives which sees the cost projections move regularly. As we continue to alter our services to deal with the 2nd COVID-19 wave many of these plans will continue beyond the end of this financial year and become a risk for 2021/22.
- 3.9 Following the recent Scottish Budget announcement and early discussions with colleagues at the Scottish Government, it is expected that additional funding for COVID-19 related costs will continue in 2021/22. Although not guaranteed to cover

the full extent of costs, the IJB should focus on the underlying cost pressures within the system that are expected.

- 3.10 At the December 2020 meeting a high level 5 year rolling financial outlook for the IJB was shared. This was based on pre-pandemic conditions and at the time of modelling was showing a £3.8m gap for 2021/22. For a future meeting an updated outlook for 2021/22 will be shared, separating core underlying pressures and those relating to COVID-19. This will allow IJB members to consider the financial forecast alongside budget offers and make an informed decision on whether the offers are fair and adequate.
- 3.11 For both NHS Lothian and Midlothian Council increases in base expenditure is inevitable due to staff pay awards, increases in National Care Home Contracts, Living Wage increases for external providers and other inflationary cost rises. So without doing anything new or extra the cost base will still rise. How much of these increases will be covered by an increased budget directly from the Scottish Government or through each partners budget process is unknown at this point. The financial consequences of the EU withdrawal also remain unknown and remain a risk.
- 3.12 The Scottish Budget announcement for 2021/22 specifically targeted Health with an additional £16 billion across Scotland. This includes continued support relating to the pandemic, increased investment in mental health and primary care services. It also includes further investment on a mission to tackle the drug deaths crisis. All of these have financial consequences for the IJB and as more is known this will be shared at further meetings with members.

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 Finance Update 2020/21 – December 2020

10.2 Scottish Budget for 2021/22

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