

REPORT

2021/22 Financial Plan

Edinburgh Integration Joint Board

24 March 2021

Executive Summary

This report presents the 2021/22 financial plan for the Integration Joint Board. The paper sets out the latest available information, including the budgets which will be delegated from our partners and compares these to projected costs based on the current forecast outturn, anticipated growth and assumptions around additional resources.

The modelling indicates that, assuming the proposed savings and recovery programme as well as the further mitigations identified are agreed, the plan would remain unbalanced. This position has been the subject of urgent tripartite talks led by the Chief Officer with officers from NHS Lothian and the City of Edinburgh Council. All involved in these discussions recognise and accept a number of complex inter related factors, namely: the ongoing improvements in performance; the likely negative impact on outcomes for people and performance more generally of any further savings initiatives; the ongoing uncertainty as we emerge from the Covid pandemic; and the Integration Joint Board's (IJB) structural deficit. In this context, partners are supportive of the proposed approach and committed to working with IJB officers to identify options to bridge the financial gap as the year progresses.



Recommendations

It is recommended that the Board:

1. Note the 2021/22 budget offers from the City of Edinburgh Council and NHS Lothian and the resultant financial plan based on the revised delegated budgets, expenditure forecasts and proposed savings and recovery programme;
2. Recognise that the level of uplift provided in the Scottish Government's budget falls short of the estimated costs of uplifting contracts to reflect the increase in the living wage;
3. Agree to reduce the recurring investment in community mobilisation by £1m recurrently and to delay agreeing commitments against the remaining £1m until the quarter 1 review is completed;
4. Consider the assumed financial impact of Covid, whilst recognising the constraints impacting on the ability of all partners to commit financial resources;
5. Agree that officers continue tripartite efforts with colleagues in the City of Edinburgh Council and NHS Lothian to bridge the remaining anticipated in year shortfall; and
6. Agree to receive an update on progress on a regular and appropriate basis throughout the year.

Directions

Direction to City of Edinburgh Council, NHS Lothian or both organisations	No direction required	
	Issue a direction to City of Edinburgh Council	
	Issue a direction to NHS Lothian	
	Issue a direction to City of Edinburgh Council and NHS Lothian	✓

Report Circulation

1. This report has not been presented elsewhere.

Main Report

Background

2. Immediately after the agreement of the IJB's 2020/21 financial plan in July 2020, work started on the 2021/22 budget. The Chief Finance Officer liaised closely with senior colleagues in the finance teams of NHS Lothian and the City of Edinburgh Council (the Council) as the financial plans for the respective organisations were developed. As it has always been clear that a significant savings and recovery programme would be required to support a balanced budget, this programme was developed in parallel to the financial plan. A series of officer led savings workshops and discussions was held to explore options and ideas. These, in turn, informed subsequent IJB workshops and Budget Working Group sessions.
3. In December 2020 the IJB considered the draft financial outlook for 2021-24 which set out the projected financial gap for the 3 year period. This can be found [here](#) and recognised that both our funding partner organisations face significant financial constraints and would also require sizeable savings programmes to balance their budgets. The paper also introduced the Integration and Sustainability Framework (ISF), developed in response to the longer term financial challenges we face. This new approach recognises that,



to address sustainability in the longer term and avoid the need to relentlessly develop savings programmes that lead to inefficient "salami slicing", we need to evolve our thinking and approach. Accordingly, the ISF will be aligned to and underpinned by the EIJB's strategic plan, and will focus on how the totality of our funding is used to commission services which will deliver the best outcomes for the people of Edinburgh. It must be recognised however that this is a long term approach, and that we still have a requirement to deliver savings in the short term. Therefore a savings and recovery programme will be required to bridge the transition to this new approach.

4. At this point the budget deficit for 2021/22 was estimated at c£30m. Since then the City of Edinburgh Council (the Council) has set its budget and confirmed the allocation delegated to the IJB. Although NHS Lothian has not yet finalised its financial plan for 21/22, an update was presented to their Finance and Resources Committee on 10th March and an indicative budget for the IJB proposed in line with this.

Funding - IJB delegated budget 2021/22

5. The Scottish Parliament approved a 1 year budget on 9th March 2021 which informs the budgets delegated to the IJB from its 2 partners, the Council and NHS Lothian. Details are discussed in paragraphs 6 to 13 below.
6. For **local authorities**, the Scottish Government (SG) budget provided an additional £72.6m to be transferred from the health portfolio for investment in adult social care and integration. The additional funding was to support delivery of the living wage (£34m), continued implementation of the carers act (£28.5m) and the uprating of free personal care (£10.1m). Local authorities were required to pass this additional funding on in full to integration authorities.
7. In contrast to recent years, this SG budget resulted in no change to the overall level of core resources available to integration authorities. As well as being entirely hypothecated (ie any increases in funding would be fully matched by additional costs), this level of uplift was below that of recent years. Further, IJBs have expressed concern over the level of funding included in the settlement to support delivery of the living wage. The £34m provided in the

budget (£8m of which makes recurring the money allocated in 20/21 for the nationally agreed 3.3% contract uplift to support payment of the living wage) is well below the costs of implementation and discussions are continuing nationally in this regard. For Edinburgh, the in year shortfall is estimated at £1.9m, adding to the £3.5m shortfall brought forward from 20/21. An initial response to this growing gap is proposed in paragraph 26 below.

8. Edinburgh’s share of the £72.6m is £6.9m, and represents an increase of 3% over the 2020/21 recurring baseline. As required by the Scottish Government, this funding has been passed on in full by the Council to the IJB. It is offset by a reduction of £2m, reflecting the non recurring nature of an element of the 20/21 budget (a share of the £95m provided nationally following the initial budget announcement that year). These adjustments bring the total budget delegated by the **Council** to £234m as summarised in table 1 below:

	£m
2020/21 delegated budget	229.1
Less: non recurring element	(2.0)
21/22 opening recurring budget	227.1
<i>Local Authority Settlement:</i>	
Living wage	2.9
Carers and respite care	2.4
Free personal and nursing care	1.6
Total increase via settlement	6.9
Total delegated budget 2020/21	234.0

Table 1: Council delegated budget 2021/22

9. Territorial **NHS boards** received a baseline uplift of 1.5% via the SG budget. A condition of the settlement was that boards must deliver an uplift to integration authorities of at least 1.5% over 2020/21 agreed recurring budgets. The 1.5% uplift included initial funding allocated in line with the Scottish Public Sector Pay Policy. This will be used as an anchor point in the forthcoming Agenda for Change pay settlement and funding arrangements for Boards will be revisited by the SG in line with the outcome of the pay negotiations.

10. In addition, those boards furthest from NRAC parity received a share of £30.2m. NRAC is the formula used to assess each board's fair share of the overall NHS Scotland resource.
11. The NHS Finance and Resource Committee considered the third and final update of its financial plan on the 10th March 2021. With a gap of £25m projected in the plan and a further estimated £66m of COVID related costs, the Director of Finance provided the board with limited assurance that a balanced outturn would be achieved in 21/22. The plan was endorsed by the committee and will now be presented to the NHS Lothian board for approval and submission to the SG.
12. Based on this plan, we have now received formal confirmation of the budget offer to the IJB. In line with the other 3 Lothian IJBs this reflects a 1.5% uplift on the recurring baseline budget excluding general medical services, giving a delegated budget of £458.3m for 2021/22. A breakdown of the indicative offer from **NHS Lothian** is shown below in table 2:

	£m
2020/21 delegated budget	451.8
NHSL pass through of 1.5% uplift	5.7
Other funding adjustments	0.8
Total delegated budget 2021/22	458.3

Table 2: Indicative NHS Lothian delegated budget 2021/22

13. The combination of both budget offers would give the IJB a **delegated budget** of £692.6m at the beginning of financial year 2021/22 as shown below in table 3:

	£m
City of Edinburgh Council	234.0
NHS Lothian	458.3
Total delegated budget 2021/22	692.2

Table 3: Indicative delegated budget 2021/22

Expenditure - IJB projected costs for 2021/22



14. In conjunction with the City of Edinburgh Council and NHS Lothian finance teams, the estimated costs of delegated services for the coming financial year have been modelled. The following assumptions were used in completing this task:

- Council pay costs will rise as per the assumptions set out in the council budget (2%);
- The impact of demographic growth on Council purchasing costs has been assumed at a further £8m. This assumption is in line the increase experienced in recent years and this approach will continue to be refined in line with the development of the joint strategic needs assessment (JSNA);
- National care home inflation cost estimates have been provided by the Council finance and contracting teams and are based on an assumed outcome from the ongoing national negotiations;
- Other contractual inflation is currently assumed at 1.5% (to allow for the 20p increase in the living wage). As discussed above, the current settlement does not provide sufficient funding to agree uplifts at this level. In this context it is **recommended** that the IJB considers the position it would wish to take;
- Free personal and nursing care will increase in line with the allowance in the budget settlement;
- An assumed pay award (upon which the current uplift to boards is based) is measured at 1% for Agenda for Change (AfC) and other staff, adjusted for lower and higher earners. At this stage, the final outcome of the pay award is not known with negotiations ongoing, however the SG has agreed to fund any differential arising from this. Accordingly our planning assumption is that NHS Lothian will reflect the relevant funding in the budget delegated to the IJB;
- The costings also allow for the adjustment to pay scales between bands 5 and 7 in 21/22 incorporated in the three year NHS Scotland pay deal;



- Prescribing costs will increase by 4%;
 - Hospital medicines costs will increase by 5%; and
 - NHS Lothian non pay costs will increase by 2%.
15. The financial impact of Covid is not reflected in the plan at this stage. This is discussed in more detail in paragraphs 18 to 21.
16. The impact of these assumptions is that the cost of delivering delegated services will rise by £24.7m to £723.5m, a breakdown is shown below in table 4:

	21/22 £m
Baseline spend	698.8
Projected increases in spend:	
<i>Pay inflation</i>	7.1
<i>Purchasing inflation</i>	4.0
<i>Non pay inflation</i>	1.4
<i>Medicines growth</i>	0.2
<i>Prescribing growth</i>	2.8
<i>Demographic growth</i>	8.0
<i>Other</i>	1.2
Total increases	24.7
Total projected spend	723.5

Table 4: projected delegated expenditure 2021/22

17. Taking the indicative budget offers from the City of Edinburgh Council and NHS Lothian and the projected costs for delegated services gives the IJB an £31.3m savings requirement going into 2020/21 as shown in table 5 below:

	21/22 £m
Baseline budget	678.9
Uplift	13.3
Total budget	692.2
Baseline expenditure	698.8
Cost increases	24.7



Total expenditure	723.5
Savings requirement	(31.3)

Table 5: projected IJB savings requirement 2021/22

Financial impact of COVID-19

18. In the current financial year (ie 20/21) Covid related costs have been met in full by the Scottish Government via the mobilisation planning process. Funding was released by the Government at various points during the year with the final allocation confirmed in February 2021. As well as the money specifically requested in the mobilisation returns, a further £160m was allocated to integration authorities, broken down as follows:
- A second tranche (£40m) of the social care winter plan to be utilised to meet on-going sustainability payments and staff restriction policies, as set out in the winter plan;
 - In view of the ongoing financial pressures in relation to Covid, along with the need to ensure ongoing financial sustainability across the social care sector, £100m to support ongoing Covid costs, including new ways of working developed in year, and additional capacity requirements; and
 - Investment of £20 million in a community living change funding to facilitate discharge from hospital of people with complex needs. This fund will support the return to Scotland of those placed in care in the rest of the UK and costs associated with the redesign of service provision in order to avoid future hospitalisation and inappropriate placements.
19. Edinburgh's share of this funding is £13.1m and is additional to the monies requested through the mobilisation plan. Finance teams in both the Council and NHS Lothian are finalising the in year Covid costs and this exercise will confirm the extent of any carry forward to 21/22 via the IJB's reserves.
20. For next financial year (21/22) the potential financial impact of Covid was assessed as part of the financial planning process. Appendix 1 summarises the estimated costs. This includes investments approved by NHS Lothian gold command and any expenditure required to enact SG commitments (for

example provider sustainability arrangements). As discussed above, these costs are not currently reflected in the financial plan on the basis that, as in 20/21, they will be met in full - in the first instance by any monies carried forward via the IJB's reserves (as outlined in the paragraph 19) and then by the SG directly. This is a risk, and may be dependent on successful outcomes around the management of year end nationally.

21. At this stage, costs are projected to be £16.9m. These estimates will remain under close review, as Government policy and service responses to the pandemic continue to develop.

Achieving financial balance

22. We continue to face unprecedented challenges to the sustainability of our health and care system; an ageing population; an increase in the number of people living with long term condition; a reduction in the working age population which compounds the challenge in workforce supply and fundamentally resource availability cannot continue to match levels of demand. These challenges are longstanding and the recent Independent Review of Adult Social care recognises that adult social care support in Scotland requires greater investment. The full report can be found [here](#).
23. In the case of Edinburgh this is evidenced by the structural deficit which the IJB inherited from partners (particularly for social care services). Since its inception the IJB has routinely faced an underlying budget gap of between £10m and £15m which we are unable to bridge on a sustainable basis.
24. In spite of these challenges overall financial performance has improved in recent years. 2019/20 was the first year that the IJB achieved its in year financial targets without additional support from partners. This was the year we introduced the '3 horizon' (grip and control, redesign, transformation) approach to savings and recovery. As a result we both identified and delivered a challenging programme, indeed over-delivering against the target set. Similarly, and despite the additional challenges of the pandemic, we are on track to deliver financial balance for 2020/21.
25. These recent successes are underpinned by material levels of non recurring solutions with the factors outlined above directly impacting our ability to set a budget which is balanced on a recurring basis. Each year we face a discrepancy between the level of funding available and the projected costs of delivering the IJB's delegated services. A separate paper to this meeting sets out the proposed savings and recovery programme, but even this ambitious programme will not balance the 21/22 plan.

26. The financial position described above indicates a remaining gap (after savings and recovery) of £12.1m for the year, with the potential to further reduce this to £9.3m. These mitigations are:

- For a number of years now the financial plan has included provision for a £2m investment in community mobilisation. The underpinning strategy, led by the Head of Operations and supported by the third sector, will replace the existing grants programme. As we reflect upon the recent mobilisation of communities we have seen during the pandemic, we can see the enormous benefit of a community based infrastructure to support and promote independence. However in the context of our current financial position, we face a choice between limiting this investment or reducing vital services elsewhere to bridge the remaining budget gap. In the medium term, as the 3 conversations model and the Edinburgh pact are fully implemented, we will review opportunities to increase investment in the community mobilisation programme as the costs of other services reduce. It is **recommended** that the first £1m of the investment is used to support the IJB's financial plan and that the second £1m is held in reserve, pending a review of the overall financial position; and
- As discussed above, there is a material shortfall in the funding provided via the SG budget for the living wage. This issue has been raised with the SG and COSLA and urgent discussions involving both these bodies and IJB Chief Finance Officers are taking place. It is **recommended** that the IJB does not confirm its position with regard to contractual uplifts until these discussions conclude. As part of the 'route to break even' it is therefore assumed that either: additional funding is provided by the SG; or uplifts are limited to what is affordable.

27. These actions would reduce the budget gap to £9.3m as outlined in table 8 below:

	NHS £m	Council £m	Total £m
Savings requirement	(5.4)	(25.9)	(31.3)
Savings & recovery programme	5.8	13.4	19.2
Updated shortfall	0.5	(12.5)	(12.1)
Route to break even			
Community mobilisation			1.0
Contract uplifts			1.8
Remaining Gap for 2021/22			(9.3)

Table 8: Remaining IJB budget shortfall 21/22

28. During the development and refinement of the IJB's financial plan, the Chief Officer and Chief Finance Officers have been working closely with the Council's Head of Finance and NHS Lothian's Director of Finance. These tripartite discussions have been productive and reflect a shared intent. This unity of purpose is further evidenced through recent Health and Social Care Partnership performance meetings with the 2 Chief Executives where system wide performance improvements were recognised.
29. A key part of the discussions has been the impact of the additional measures which would be required to balance the plan. The financial outlook facing the IJB is longstanding and Edinburgh is not in a unique position, with integration authorities across Scotland facing similar financial challenges.
30. As far as possible, the savings and recovery programme presented for approval at this meeting, has been developed to align to the strategic plan and transformation programme. However, the opportunities to deliver further efficiencies at the same time as maintain performance and improve outcomes for people have now been exhausted. Savings beyond the level currently built into the plan will have a significant negative impact on performance gains and, ultimately on outcomes for people.
31. Added to this we have the context of a country emerging from the pandemic and services remobilising and reshaping as a result. Although there is much to

be positive about, much uncertainty remains. Indeed the Cabinet Secretary for Finance has indicated that further, in year, budgets are likely in the current climate.

32. There is a clear risk that agreeing stringent additional savings at a time of significant uncertainty could lead to unnecessary public concern as well as a material deterioration in performance. We have agreed with our partners that the remaining budget gap is at a level where it is feasible to identify means to address as the year progresses. This will require the support and commitment of all 3 organisations and strong leadership to deliver. Such an approach clearly brings risk but, equally, a more aggressive savings and recovery programme will lead to reductions in services and have a detrimental impact on people.
33. In further mitigation, the financial position of the delegated services will be closely monitored. It is **recommended** that progress towards financial balance by the end the year is formally considered by the board following the quarter 1 review.
34. The draft budget is set out in Appendix 2, which will accompanies direction EIJB-22/10/2019-1. This schedule sets out the initial allocation for all delegated services.

Implications for Edinburgh Integration Joint Board

Financial

35. Are outlined in the main body of this report.

Legal/risk implications

36. As outlined in this report, the IJB does not currently have a balanced budget for 2021/22, which clearly represents a material risk for the board. However we have secured the commitment of our partners to work collaboratively to address this as the year progresses. Regular updates will be provided for the board with the quarter 1 review providing a key milestone for review.



37. Whilst every effort has been made to ensure all likely additional costs have been incorporated into the financial outlook at this time, there remain a number of inherent uncertainties and associated risks. The financial planning process is an ongoing and iterative cycle, and it is not possible to fully identify all financial risks facing individual service areas, or the wider organisation, at this stage.
38. A number of specific risks should be considered by the board, as noted below:
- The future impact of Covid, the consequences this has on service delivery and the financial support that will be required to manage this;
 - The impact of Brexit on the cost base for next year, this is being closely monitored by partners;
 - Continued management of the financial exposure facing NHS Lothian arising from the escalation of operational performance on elective, mental health and unscheduled care capacity pressures including delayed discharges; and
 - Availability of SG funding for both nationally funded programmes & initiatives and services funded annually on a non recurring basis, in particular the impact of the living wage.

Equality and integrated impact assessment

39. There are no specific implications arising from this report.

Environment and sustainability impacts

40. There are no specific implications arising from this report.

Quality of care

41. There are no specific implications arising from this report.

Consultation

42. This report has been prepared with the support of the finance teams in the City of Edinburgh Council and NHS Lothian.

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Appendices

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| Appendix 1 | Estimated impact of Covid on costs of delegated services – 2021/22 |
| Appendix 2 | Initial financial schedule to accompany directions – 2021/22 |

ESTIMATED IMPACT OF COVID ON COSTS OF DELEGATED SERVICES – 2021/22

	£m
<i>Costs for health delegated services</i>	
Acute services medicines	0.5
Flu vaccination programme	1.4
GP prescribing	2.2
Mental health capacity	0.9
Staffing	1.2
Sub total	6.1
<i>Costs for Council delegated services</i>	
Equipment and maintenance	0.8
Loss of income	1.0
Other	0.4
PPE	0.7
Provider support	7.5
Staffing	0.4
Sub total	10.8
Grand total	16.9

INITIAL FINANCIAL SCHEDULE TO ACCOMPANY DIRECTIONS – 2021/22

Direction from Edinburgh Integration Joint Board
 Financial Schedule 2021/22
 Direction ref: EIJB-22/10/2019-1

	Delegated budget £k	Proposed savings £k	%age	Savings plan reference
CEC Delegated Budget 2019/20				
External Services				
Assessment and care management	517	0		
Care at home	32,304	1,795		7, 17
Care and support	57,739	3,853		1, 3, 7, 16, 17
Day services	13,417	896		7, 12, 17
Direct payments/individual service funds	38,845	2,055		7, 17
Other services	10,889	495		7, 17
Residential services	70,883	3,126		7, 17
Transport services	1,039	0		
Total External Services	225,633	12,220	5%	
Internal Services				
Assessment and Care Management	14,479	0		
Care at Home	25,816	0		
Care and Support	7,223	0		
Day Services	10,903	130		2
Equipment Services	8,535	0		
Management	4,312	0		
Other Services	7,262	30		8, 11, 15
Residential Services	27,586	990		14
Strategy/contract /support services	2,776	0		
Therapy Services	3,724	0		
Pension Costs	439	0		
Total Internal Services	113,056	1,150	1%	
Gross Expenditure	338,689	13,370	4%	
Income and Funding				
Total Income and Funding	(104,655)	0	0%	
Net Delegated Budget - CEC	234,034	13,370	6%	

	Delegated budget £k	Delegated budget £k	%age	Savings plan reference
NHSL Delegated Budget 2019/20				
Delegated - Core				
Community Hospitals	13,319	820		14
District Nursing	12,385			
Geriatric Medicine	2,822			
GMS	72,144			
Learning Disabilities	1,213			
Mental Health	8,432			
PC Management	42,481			
PC Services	6,608			
Prescribing	78,088	2,200		10
Resource Transfer	26,215			
Substance Misuse	3,702	100		11
Therapy Services	9,704			
Other	778			
Total Delegated - Core	277,890	3,120	1%	
Delegated - Hosted				
Community Equipment	1,861	250		6
Complex Care	1,097	150		13
Hospices & Palliative Care	2,505			
Learning Disabilities	7,969	513		13
LUCS	6,648			
Mental Health	30,546	80		13
Oral Health Services	7,111			
Other hosted	1,082	7		13
Primary care services	2,978			
Psychology Services	3,881			
Public Health	1,110			
Rehabilitation Medicine	5,151	140		4
Sexual Health	3,902	110		5
Substance Misuse	1,617			
Therapy Services	7,903	34		9
UNPAC	3,746			
Total Delegated - Hosted	89,107	1,284	1%	
Set Aside - Acute				
Acute Management	2,623	11		13
Cardiology	4,040	56		13
Diabetes & Endocrinology	2,207			
ED & Minor Injuries	8,785	253		13
Gastroenterology	2,792			
General Medicine	24,773	99		13
Geriatric Medicine	16,015	217		13
Infectious Disease	5,710	64		13
Junior medical	2,740	364		13
Other set aside	5,606	314		13
Rehabilitation Medicine	1,649			
Respiratory Medicine	5,552	34		13
Therapy Services	8,768			
Total Set Aside - Acute	91,261	1,412	2%	
Net Delegated Budget - NHSL	458,258	5,817	1%	
Total Net Delegated Budget (CEC + NHSL)	692,292	19,160	3%	