

REPORT

2021/22 Financial Plan Update

Edinburgh Integration Joint Board

27 April 2021

Executive Summary

This report updates the Integration Joint Board on progress with the 2021/22 financial plan.

Recommendations

It is recommended that the Board:

1. Note progress;
2. Homologate the decision made under urgency arrangements to implement the nationally agreed 2.2% contract uplift at an estimated cost of £4.7m; and
3. 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.

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 & NHS Lothian	

Report Circulation

1. This report has not been presented elsewhere.

Main Report

Background

2. In March 2021 the Integration Joint Board (IJB) agreed the 2021/22 financial plan and associated savings and recovery programme.
3. Recognising that the impact of the additional measures which would be required to balance the plan would have a significant negative impact on performance gains and, ultimately on outcomes for people, the board made the difficult decision to support a budget which did not deliver financial balance. At this point the plan had a deficit of £9.3m.
4. Factors which influenced this decision included:
 - the 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;
 - the potential to revisit some of budgetary decisions made to date. For example the Council will be considering an updated budget in May and the Cabinet Secretary for Finance has indicated that further, in year, budgets are likely in the current climate;
 - detailed scrutiny and monitoring, via existing mechanisms, of the financial position for delegated; and
 - the agreement and support of our partners who agree that the remaining budget gap is at a level where it is feasible to identify means to address as the year progresses.
5. This paper provides the board with an update on progress.

IJB reserves

6. The financial plan paper presented to the board in March 2021 (attached [here](#)), included information on Covid related funding provided by the Scottish Government (SG) towards the end of financial year 20/21. Overall, the funding

received was significantly above the level requested via the mobilisation planning process. Additionally, and contrary to practice in previous years, the SG passed on funding for specific initiatives (eg action 15, primary care improvement funding) in full. In previous years funding was released to match only the actual costs incurred in year. Finally, monies which would historically been carried forward by SG on behalf of NHS Lothian, have been passed to integration authorities. Taking these together, the IJB will be in possession of funding at the end of financial year 20/21, which would normally be held by other parties. These sums will be carried forward to 21/22 via the board's reserves. Final guidance is awaited on how the associated budgets should be applied in 21/22. On behalf of the IJB and, in the context of the unbalanced financial plan, the Chief Officer and Chief Finance Officer are actively seeking to influence partners to maximise flexibility.

7. Finance teams in the Council and NHS Lothian are currently finalising the year end outturn and, following this, the level of reserves to be carried into 21/22 will be confirmed. The latest estimates are included in table 1 below with further detail in appendix 1:

	£m
Covid related allocations	14.8
Other funding allocations	7.0
Other reserves	4.9
Total	26.7

Table 1: Estimated IJB reserves carried forward to 21/22

Fair pay and contract uplifts

8. In agreeing the plan in March 2021, the board also noted that the position on contract uplifts for 21/22 was fluid, with discussions on a standard uplift taking place nationally. Accordingly, the board agreed to delegate to the Chair, Vice Chair and Chief Officer the decision on implementation of any nationally agreed uplift to contacts to reflect the living wage, assuming sufficient funding was available.
9. Since then, the position nationally has now been confirmed and a 2.2% uplift agreed to support providers to pay staff the real living wage, currently £9.50 per hour. In line with the board's agreement the Chair, Vice Chair and Chief Officer have now agreed this, based on the advice of the Chief Finance Officer. Given

the timescales involved this decision required to be made in advance of this meeting and the paper is attached at appendix 2.

10. As the contracts themselves are between the Council and providers, this decision will have to be ratified by the Council's Finance and Resources Committee.
11. Members will note that the shortfall in the funding provided by the SG is £0.6m and this will be met from the IJB's reserves.

Update on tripartite discussions

12. The Council's Head of Finance is in the process of reviewing the level of COVID-related provision currently assumed within the budget framework beyond 2022/23, making an element of these monies available for alternative service investment in 2021/22 and 2022/23. At this stage, the sums available have been estimated to be of the order of £13m over the two years and bids have been sought from services for appropriate investments. On behalf of the IJB, the Chief Officer has taken this opportunity to submit a bid to secure additional budget for the IJB which, in turn, would reduce the in year financial deficit.
13. We understand that our 'bid' has been supported in principle at officer level in the Council and will now be presented to the budget coalition group for consideration.
14. As outlined in the report attached at appendix 2 (paragraph 15), the Chief Officer and Chief Finance Officer have opened a dialogue with Scottish Government officials to explore an in year resolution to the element of the financial gap caused by the 20/21 fair pay contract uplift.
15. Each of the actions referenced in paragraphs 12 to 14 above has the ability to impact on the budget deficit for 21/22. At this point, it is too early to be definitive on the quantification of this and, as agreed, an update will be provided to the IJB at each meeting. This will be supplemented by a separate briefing in between meetings in the event of any material change in the position.

Implications for Edinburgh Integration Joint Board

Financial

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

Legal/risk implications

17. 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.

Equality and integrated impact assessment

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

Environment and sustainability impacts

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

Quality of care

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

Consultation

21. Issues raised in this report are the subject of ongoing discussion with partners and other stakeholders.

Report Author

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Appendices

Appendix 1	Estimated IJB reserves carried forward to 2021/22
Appendix 2	Fair work and the living wage in adult social care

ESTIMATED IJB RESERVES CARRIED FORWARD TO 2021/22

	£m
<i>Covid related allocations</i>	
Further IA support	8.7
COVID-19 and winter plan	6.1
<i>Other funding allocations</i>	
Community living change fund	1.9
Drugs deaths	0.4
Action 15	0.3
Seek, keep and treat	1.5
Primary care improvement plan	2.8
<i>Other reserves</i>	
Transformation	1.7
Unscheduled care	2.2
Other	1.0
Total	26.7

REPORT

Fair work and the living wage in adult social care

Integration Joint Board – for decision by Chair, Vice Chair, Chief Officer

6th April 2021

Executive Summary

The purpose of this report is to recommend that the Integration Joint Board agrees to implement the nationally agreed contract uplifts for 21/22.

Recommendations

It is recommended that the Chair, Vice Chair and Chief Officer on behalf of the Integration Joint Board:

- a. agree to implement the nationally agreed 2.2% contract uplift at an estimated cost of £4.8m;
- b. issue the direction attached at appendix 1 to this report to the City of Edinburgh Council; and
- c. support the Chief Officer and Chief Finance Officer in discussions with partners.

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 considered elsewhere.

Main Report

Background

2. At its meeting in March the Integration Joint Board (IJB) agreed the 2021/22 financial plan recognising it was not balanced. The board further agreed that officers continue tripartite efforts with colleagues in the City of Edinburgh Council and NHS Lothian to bridge the remaining anticipated in year shortfall.
3. In agreeing the plan, the board also noted that the position on contract uplifts for 21/22 was fluid, with discussions taking place nationally on a standard uplift. Accordingly, the board agreed to delegate to the Chair, Vice Chair and Chief Officer the decision on implementation of any nationally agreed uplift to contacts to reflect the living wage, assuming sufficient funding was available.
4. The position nationally has now been confirmed and a 2.2% uplift agreed to support providers to pay staff the real living wage, currently £9.50 per hour.

Fair pay and contract uplifts

5. On 26th March 2021 the Cabinet Secretary for Health and Sport and the COSLA Health and Social Care Spokesperson published a joint statement of intent. This outlined how they will work together to deliver the key foundation pillars set out in the recently published Independent Review of Adult Social Care in Scotland (IRASC). One early action was a pledge of £64m '*to ensure that adult social care workers in Scotland will be paid at least the real living wage of £9.50 per hour*'. The full statement can be found [here](#)
6. Further details were included in a joint letter from the Scottish Government's Director of Mental and the COSLA Health and Social Care Chief Officer which instructed a standard national percentage uplift of 2.2% on the contract hourly rate. The letter went on to say '*the national uplift is intended to reduce the time required for individual contract negotiations, ensuring there is no delay in the workforce receiving their pay increase*'.

7. Finally, correspondence from the Scottish Government's Director of Health Finance and Governance (SGDoFG) confirmed an additional funding allocation of £30.5m to meet this commitment.

The position in Edinburgh

8. When preparing the financial plan for 21/22 it was assumed that, in total, contract uplifts agreed would not exceed the funding available. The Local Government settlement for the year included £34m to meet the additional costs of the real living wage. Of this £34m, £8m was making good the additional funding provided non recurrently in 20/21 for the nationally agreed 3.3% uplift. Allowing for this left Edinburgh Integration Joint Board with funding of £1.7m to pay for contract uplifts in 21/22. Edinburgh's share of the additional £30.5m (see paragraph 7) is £2.5m, bringing the total money available for 21/22 uplifts to £4.2m.
9. The cost of a standard 2.2% uplift (plus an estimate for the national care home contract) would be £4.8m, leaving a shortfall of £0.6m.
10. In his letter, the SGDoFG recognised that, as a result of the methodology used to allocate the funding, there may be some local authorities/IJBs that still faced a shortfall. In these cases it is expected that reserves held locally will be used to fund this. The 21/22 [financial plan](#) presented to the IJB on March included an update on the funding provided by the Scottish Government to meet the financial consequences of the pandemic. It also indicated that not all of this money would be spent in 20/21 and would therefore be carried forward to the new financial year. Finance teams in the Council and NHS Lothian are currently working through their year end procedures. When this work is complete the quantum of reserves will be finalised and an update will be provided to the board at its meeting in April 2021. Whilst we do not, at this point, have absolute clarity over the level of reserves, it is clear that the IJB will have material sums in reserves.
11. On this basis, discussions have taken place with Scottish Government officials who have confirmed that the £0.6m shortfall identified in paragraph 9 above

can be funded from these reserves. This would be a non recurring solution (as is the case with the additional funding outlined above). However both COSLA and Scottish Government have committed to undertaking a policy review as part of the commitment towards the fair work in social care agenda. Any future national approach will be fully considered and agreement sought by November 2021.

Implementation of 2.2% uplift

12. Accordingly, we are now in a position that full funding is available in year to implement the national uplift with the consequent uplift in workers' pay. It is therefore **recommended** that the board now directs the Council to implement the 2.2% uplift. This proposal reflects the board's recognition of the work all health and social care staff make towards keeping vulnerable people in our city safe. Further, ensuring providers are enabled to maintain a fair working regime to suitably recompense workers for the key roles they are undertaking, supports our strategic intent to build and maintain a high quality, skilled and sustainable health and social care workforce.
13. In the statement of intent there is a commitment that '*work will begin at pace to implement this commitment from May and this will be backdated to April 2021*'. These are challenging timescales and, meeting this timetable, will require accelerated governance. Specifically, the delegation of the IJB's decision to the Chair, Vice Chair and Chief Officer (as agreed at the meeting of 24th March 2021) and agreement by the Convenor and Vice Convenor of the Council's Finance and Resources Committee under urgency powers.

Future planning

14. It should be noted that the arrangements set out in this paper do not address the shortfall in funding relating to the 20/21 uplifts. This was calculated at £3.5m and is a key element of the IJB's remaining financial plan gap of £9.3m. In 20/21 this shortfall was classified as slippage on savings delivery as a result of Covid and funded accordingly. Given the anticipated level of reserves it is **recommended** that the Chief Officer and Chief Finance Officer are supported

to continue discussions with Scottish Government colleagues to seek a similar resolution for this financial year.

15. Also requiring noting is the continued reliance on one off funding solutions for contract uplifts. The combined impact on the IJB's budget of these national decisions is £6.6m. Whilst the importance placed on fair work in the IRASC is welcome, it is equally important that the full financial consequences are recognised and funded appropriately.

Implications for Edinburgh Integration Joint Board

Financial

16. Set out elsewhere in this report.

Legal/risk implications

17. Failure to implement the contractual uplift would put Edinburgh out of step with the national agreement. Further, providers would face challenges in meeting the living wage requirements and many could only do so by making offsetting efficiencies elsewhere in their operations. This in turn is likely to impact on the quality and/or volume of service with negative consequences for outcomes.

Equality and integrated impact assessment

18. As outlined in the report.

Environment and sustainability impacts

19. Enabling providers to pay the living wage supports sustainability of the workforce with consequent positive impact on outcomes for the people of Edinburgh.

Quality of care

20. As outlined in the report.

Consultation

21. Officers have had ongoing communication with a range of stakeholders during this time. As part of these discussions providers, trades unions and other interested parties have consistently highlighted the pressures at both an organisational (provider) and personal (workforce) level.

Report Author

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Appendices

Appendix 1 Direction to the City of Edinburgh Council

DIRECTION FROM THE EDINBURGH INTEGRATION JOINT BOARD

Reference number	TBC		
Does this direction supersede, vary or revoke an existing direction?	No		
Approval date	TBC		
Services/functions covered	<ul style="list-style-type: none"> • All purchased services (with the exception of residential accommodation for over 65s where the national agreement is outstanding) • All direct payments, individual service funds and payments to personal assistants 		
Full text of direction	<p>Implement a 2.2% contractual uplift in line with the requirements of the letter of 26th March 2021 from the Scottish Government's Director of Mental and the COSLA Health and Social Care Chief Officer letter to Local Authority Chief Executives and IJB Chief Officers and Chief Finance Officers.</p> <p>A further direction will be issued when a settlement for the national care home contract has been reached</p>		
Direction to	The City of Edinburgh Council		
Link to relevant EIJB report	TBC		
Budget/finances allocated to carry out the detail		<i>NHS Lothian</i>	<i>City of Edinburgh Council</i>
	Specify financial year (2021/22)		£4.001m
Performance measures	Uplift to be actioned		
Date direction will be reviewed	October 2021		