

# REPORT

## Finance update

Edinburgh Integration Joint Board

7 December 2021

### Executive Summary

The report provides the Edinburgh Integration Joint Board (EIJB) with an update on the financial performance of delegated services for the first 7 months of the year. It confirms that the Chief Finance Officer is now in a position to offer the board significant assurance of a break even position for 2021/22.

The paper also considers the projected costs associated with the Covid pandemic and sets out a proposal to uplift contract rates to allow providers to pay all frontline staff a minimum of £10.02 per hour.

### Recommendations

It is recommended that the board:

1. note the financial position for delegated services to 31 October 2021;
2. agree to transfer £1m from IJB reserves to partially offset the in year deficit;
3. note that, based on the Scottish Government's confirmation of support, that the Chief Finance Officer can offer **significant assurance** of a break even position for 2021/22;
4. recognise that, despite this assurance, the underlying financial deficit will be carried into 2022/23; and

	5. agree to uplift contracts to allow frontline staff working in social care to be paid a minimum of £10.02 per hour and issue a direction to the City of Edinburgh Council.
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## 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 considered elsewhere.

## Main Report

### Background

2. In March 2021, the IJB agreed the 2021/22 financial plan and associated savings and recovery programme. Recognising that the additional measures 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 which has subsequently been reduced to £5.5m.
3. Previous finance reports to the Performance and Delivery Committee and the board itself highlighted a projected overspend for the financial year. At a high level this overspend could be described in 3 component parts: the deficit described above; slippage on the savings and recovery programme; offset by vacancies across some key services in both the Council and NHS Lothian. When the last finance report was presented to the board (in October 2021), the Scottish Government (SG) had reserved its position on how slippage in the

delivery of the savings programme would be treated, specifically whether this would be a legitimate claim against funding provided for Covid. This has now been clarified by SG officials and, discussed in more detail in paragraph 12 below, Integration Authorities (IAs) will be supported to break even in 2021/22. As a result of this announcement, the Chief Finance Officer is now in a position to offer **significant assurance** on the in year financial position. This is clearly a very positive and welcome step and allows us to focus on the underlying financial deficit and the budget setting process for 2022/23.

4. This commitment by the SG has been made on the basis that IAs take all reasonable efforts to minimise the support required. To this end the Chief Finance Officer has reviewed the IJB's general reserves. The IJB has a current balance of £1m on its general reserve (generated from the 2019/20 underspend) and it is recommended that this is used to offset the deficit of £5.5m referred to above. If agreed, this would be a one off contribution as the reserve in question is non recurring.

### **Overview of financial position**

5. As members are aware, the IJB "directs" budgets back to our partner organisations, the Council and NHS Lothian, who in turn provide the associated services. The majority of these services are delivered through the Partnership, with the balance being managed by NHS Lothian under the strategic direction of the IJB. Management of financial performance is undertaken through the governance arrangements in the 2 partner organisations and the Partnership.
6. The information in this report is based on the period 7 (October 2021) monitoring reports from the Council and NHS Lothian. These show an overall **projected deficit of £13.1m** (£6.5m for the first 7 months) as summarised in table 1 below. The main drivers of this position are outlined in paragraph 3 above. Further detail is included in appendices 1 (NHS Lothian) and 2 (the Council), with narrative explanations in paragraphs 6 to 10.

	Annual Budget £k	To October 2021			Year end forecast £k
		Budget £k	Actual £k	Variance £k	
NHS services					
Core	306,126	158,982	157,771	1,210	1,887
Hosted	102,729	55,652	55,090	562	294
Set aside	100,744	56,008	57,045	(1,037)	(2,868)
<b>Sub total NHS services</b>	<b>509,599</b>	<b>270,642</b>	<b>269,906</b>	<b>736</b>	<b>(687)</b>
<b>CEC services</b>	<b>239,197</b>	<b>139,531</b>	<b>146,724</b>	<b>(7,193)</b>	<b>(12,331)</b>
<b>Total</b>	<b>748,796</b>	<b>410,173</b>	<b>416,630</b>	<b>(6,457)</b>	<b>(13,018)</b>

Table 1: financial position for delegated services to October 2021

### NHS Lothian

7. Based on their latest financial forecast, NHS Lothian is now reporting a projected overspend of £0.7m on delegated health services. The equivalent position to the end of October is an underspend of £0.7m.
8. Key variances remain largely as previously reported and include:
  - *Vacancies* – continue to drive projected year end underspends in a number of services, including community hospitals (£0.7m), mental health (£1.2m), therapies (£0.8m including hosted services) and rehabilitation (£0.4m). Given the impact of this level of vacancy on service delivery, operational staff continue to prioritise recruitment. In some areas, for example district nursing, new staffing models have been developed and the forecast continues to assume that posts will be filled in line with this.
  - *Prescribing (£0.5m over)* – Prescribing has improved significantly over the past two months due to the release of funding linked to Covid as well as the release of the IJB uplift. Prices continue to fluctuate leading to a small degree of uncertainty about the year end position for prescribing. Covid costs continue to be monitored and further funding will be drawn down if the pressure increases.
  - *Hosted services (£0.3m under by year end)* – increased issues of community equipment, potentially linked to Covid, continues to be a material pressure. This service is hosted by the Edinburgh Partnership

and is the subject of an ongoing review, supported by the sustainability and value team from NHS Lothian. Offset this pressure are underspends across a number of services impacted by staff vacancies (see above) and the influences of Covid on the needs and delivery of these services.

- *Set aside services (£2.9m over)*- continues to be the main financial issue facing NHS delegated services and the key drivers remain as previously reported. These include: staffing (mainly at the acute hospital's front doors and in therapies); drugs (in gastrointestinal and cystic fibrosis services); adult insulin pumps within diabetes & endocrinology; therapy services at the Royal Infirmary of Edinburgh (both occupational therapy and physiotherapy; and junior medical costs. The deterioration of the position in the last part of the financial year is linked to an expected increase in the distribution of insulin pumps and recruitment to allied health professional (AHP) vacancies within the acute sector.

### **City of Edinburgh Council**

9. Council delegated services are reporting an overspend of £12.3m for the year, equivalent to £7.2m to October. With the exception of projected undelivered savings, this position assumes Covid funding in line with the quarter 1 local mobilisation plan (LMP) submission. The headline issues driving this position remain in line with previous reports, namely:

- *External services (net projected overspend of £12.0m)* – also referred to as 'purchasing'. A challenging savings target of £11.2m was agreed against this budget in 2021/22. As a result of continuing disruption caused by the pandemic and other significant system pressures, the level of savings required will not be achieved in the current financial year, with continuity of care and the safety of people using our services taking priority. Significant pressures over winter are anticipated, across both NHS and community services. These could lead to further deterioration in the reported financial position for purchasing, if the additional community capacity required and is not matched by additional funding. As detailed in a separate paper to this meeting, the SG has provided Integration Authorities with winter monies to address these issues and it is

anticipated that this will be sufficient to absorb any additional costs. Work is continuing on the detailed planning to support delivery of the savings, with a project team put in place to progress the individual workstreams which comprise the overall programme.

- *Internal services (forecast net underspend of £4.5m)* - can mainly be attributed to employee costs across the services, but mostly in homecare and residential services. Continuing difficulty in recruiting to the sector in addition to care homes with low occupancy rates are the main contributing factors. Building based day services remain closed to service users, with some outreach taking place, therefore variable costs are down leading to a favourable budget position. However it is likely that there will be a link between the consequent reduction in capacity in internally run services and increases in purchasing costs.
- *Budget deficit (£5.9m over)* – reflecting the fact that the budget remains unbalanced. This would improve by £1m if the transfer from reserves is approved by the board.

### **Funding for the financial impact of Covid-19**

10. In 2020/21 Covid related costs were met in full by the SG via the LMP process, with funding released by the Government at various points during the year. Reflecting the fact that pandemic related costs will span financial years, elements of funding received last year were held in reserve by integration authorities and carried forward to 21/22, for Edinburgh this equated to £11.6m. Additional funding would be provided by the SG once these reserves were exhausted. The financial impact of the pandemic is estimated at £38.4m for the year and these are summarised in appendix 4.
11. Following the review of the quarter 1 LMP returns submitted to the SG at the end of July, initial allocations have been confirmed. Funding will be received by NHS Lothian to cover the full costs for the first quarter and between 40% and 70% of the costs for the final 3 quarters of the year. The letter confirmed that further funding will be provided at quarter 3, if it is deemed necessary and applicable. Given the methodology used to distribute the funds to date a further allocation is anticipated and a direction will be issued at this point.

12. The communication also made the following commitment:

*'Whilst no funding is being allocated at this time to meet under-achievement of savings, support will be provided to Integration Authorities to deliver breakeven on a non-repayable basis, providing there is appropriate review and control in place. It is important that Integration Authorities take appropriate action to reduce this request for support as far as possible. This is vitally important given the uncertainty on the overall funding envelope for 2022-23, however actions should not impact on planned activity or patient safety.'*

13. This is clearly extremely positive news and has allowed the Chief Finance Officer to increase the level of assurance associated with in-year break-even to **significant**. Despite this it should be noted that the IJB continues to run with a material underlying financial deficit which is likely to increase further in 2022/23.

#### **Fair pay and contract uplifts**

14. On 5<sup>th</sup> October 2021, the Cabinet Secretary for Health and Social Care announced a range of measures and new investment being put into place nationally to help protect health and social care services over the winter period and to provide longer-term improvement in service capacity across our health and social care systems. Included in this funding package was:

*'up to £48 million of funding will be made available to enable employers to update the hourly rate of adult social care staff offering direct care. The funding will enable an increase from at least £9.50 per hour to at least £10.02 per hour, which will take effect from 1st December 2021. This funding is critical to support retaining and recruiting staff in the sector and to alleviate the immediate pressures in social care and NHS/community based health services.'*

15. Members will remember that, previous nationally mandated contractual uplifts were not funded in full by the SG. Indeed c£4.1m of the current budget gap is a direct result of this shortfall in funding. Accordingly, the Chief Officer and Chief Finance Officer have been working with SG and COSLA officials to influence the methodology used to allocate the funding. These discussions have now concluded and the SG's Director of Health Finance and Governance has now

written to Integration Authorities to confirm individual allocations. The letter states:

*‘This additional funding will be distributed to Local Authorities on the basis of calculated costs of implementation based on the value of commissioned services provided by Integration Authorities and Local Authorities.’*

and goes on to say:

*‘This funding will be provided on a recurring basis. More work will be undertaken to review the full year effect of this pay uplift to ensure it continues to be fully funded.’*

16. This confirmation is extremely welcome as it marks a move away from the GAE formula routinely used to allocate funding to local authorities. This alternative methodology recognises the proportionately higher burden of costs faced by Edinburgh. Our 21/22 allocation is £4.3m which is sufficient to fund the uplift from 1<sup>st</sup> December.
17. As these contracts are held by the Council, implementation will require to be agreed through the appropriate governance process. The IJB Chair, Vice Chair and Chief Officer are committed to ensuring that this uplift reaches the workforce as quickly as possible. Therefore, if supported by the IJB, it is proposed to request that the Council invokes the appropriate ‘urgency’ procedures to minimise any further delay.
18. The other elements of these measure are the subject of a separate paper to this meeting.

## **Implications for Edinburgh Integration Joint Board**

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### **Financial**

19. Outlined elsewhere in this report

## **Legal/risk implications**

20. Like any year end projection, the IJB's relies on a number of assumptions and estimates each of which introduces a degree of risk. The most material issues remain the unbalanced financial plan and the delivery of the agreed savings and recovery programme.

## **Equality and integrated impact assessment**

21. There is no direct additional impact of the report's contents.

## **Environment and sustainability impacts**

22. There is no direct additional impact of the report's contents.

## **Quality of care**

23. There is no direct additional impact of the report's contents.

## **Consultation**

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24. There is no direct additional impact of the report's contents.

## **Report Author**

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**Moira Pringle**

**Chief Finance Officer, Edinburgh Integration Joint Board**

[moira.pringle@nhslothian.scot.nhs.uk](mailto:moira.pringle@nhslothian.scot.nhs.uk)

## **Appendices**

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Appendix 1	Direction
Appendix 2	Financial outturn for NHS delegated services to August 2021
Appendix 3	Financial outturn for Council delegated services to August 2021
Appendix 4	Estimated Covid costs and funding 2021/22
Appendix 5	Glossary of terms

## 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"> <li>• All purchased services</li> <li>• All direct payments, individual service funds and payments to personal assistants</li> </ul>		
Full text of direction	Implement a contractual uplift to allow frontline staff delivering frontline social care services in the third and independent sector to be paid a minimum of £10.02/hour with effect from 1 <sup>st</sup> December 2021		
Direction to	The City of Edinburgh Council		
Link to relevant EIJB report			
Budget/finances allocated to carry out the detail		<i>NHS Lothian</i>	<i>City of Edinburgh Council</i>
	2021/22		£4.260m
Performance measures	Uplift to be actioned		
Date direction will be reviewed	April 2022		

## FINANCIAL POSITION FOR NHS DELEGATED SERVICES TO OCTOBER 2021

	Annual Budget	To October 2021				Year end forecast
		Budget	Actual	Variance	%	
	£k	£k	£k	£k	%	£k
<b>Core services</b>						
Community Hospitals	13,599	7,806	7,235	571	4%	654
District Nursing	12,770	7,434	7,047	387	3%	435
Geriatric Medicine	2,978	1,630	1,625	5	0%	4
GMS	96,780	52,751	52,652	99	0%	(411)
Learning Disabilities	1,246	727	626	101	8%	130
Mental Health	8,625	5,066	4,355	711	8%	1,166
PC Services	8,044	2,864	2,806	58	1%	0
Prescribing	79,302	44,740	45,517	(777)	-1%	(454)
Resource transfer and reserves	66,221	27,927	28,082	(155)	0%	(170)
Substance Misuse	4,574	2,676	2,622	54	1%	125
Therapy Services	11,138	4,952	4,824	127	1%	253
Other	848	410	382	28	3%	155
<b>Sub total core</b>	<b>306,126</b>	<b>158,982</b>	<b>157,771</b>	<b>1,210</b>	<b>0%</b>	<b>1,887</b>
<b>Hosted services</b>						
Community Equipment	1,862	1,086	1,706	(620)	-33%	(1,318)
Complex Care	1,156	525	520	5	0%	31
Hospices & Palliative Care	2,559	1,461	1,488	(26)	-1%	14
Learning Disabilities	8,607	4,334	4,344	(10)	0%	(52)
LUCS	7,498	3,972	4,052	(80)	-1%	(85)
Mental Health	31,977	17,671	17,792	(121)	0%	(90)
Oral Health Services	10,552	6,029	5,887	142	1%	140
Pharmacy	4,571	2,363	2,364	(0)	0%	18
Primary Care Services	2,994	1,765	1,715	50	2%	34
Psychology Services	5,777	2,901	2,796	105	2%	212
Public Health	1,080	497	402	96	9%	94
Rehabilitation Medicine	5,013	2,811	2,542	269	5%	398
Sexual Health	3,985	2,196	2,118	78	2%	100
Substance Misuse	2,217	1,213	1,172	42	2%	1
Therapy Services	8,565	4,957	4,541	416	5%	498
UNPAC	3,746	1,458	1,241	218	6%	342
Other	572	411	412	(1)	0%	(43)
<b>Sub total hosted</b>	<b>102,729</b>	<b>55,652</b>	<b>55,090</b>	<b>562</b>	<b>1%</b>	<b>294</b>
<b>Set aside services</b>						
Acute management	3,577	1,969	1,977	(7)	0%	(106)
Cardiology	4,220	2,387	2,332	54	1%	159
Diabetes & endocrinology	2,203	1,389	1,395	(5)	0%	(322)
ED & minor injuries	10,838	6,130	6,082	48	0%	176
Gastroenterology	8,308	4,855	5,242	(387)	-5%	(823)
General medicine	27,451	15,993	16,495	(501)	-2%	(1,177)
Geriatric medicine	17,711	10,033	10,089	(56)	0%	(34)
Infectious disease	4,747	1,323	1,140	183	4%	219
Junior medical	3,764	2,127	2,166	(39)	-1%	95
Other	644	341	296	45	7%	101
Rehabilitation medicine	1,728	1,008	1,042	(34)	-2%	(58)
Respiratory medicine	6,130	3,121	3,377	(256)	-4%	(644)
Therapy services	9,421	5,332	5,413	(80)	-1%	(454)
<b>Sub total set aside</b>	<b>100,744</b>	<b>56,008</b>	<b>57,045</b>	<b>(1,037)</b>	<b>-1%</b>	<b>(2,868)</b>
<b>Net position</b>	<b>509,599</b>	<b>270,642</b>	<b>269,906</b>	<b>736</b>	<b>0%</b>	<b>(687)</b>

## FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES TO OCTOBER 2021

	Annual Budget £k	To October 2021				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
<b>External</b>						
Assessment and care management	145	85	85	0	0%	0
Care and support	59,122	34,488	36,122	(1,634)	-5%	(2,802)
Care at home	33,411	19,490	21,710	(2,220)	-11%	(3,805)
Day services	12,600	7,350	7,540	(190)	-3%	(326)
Direct payments/individual service funds	39,576	23,086	25,117	(2,031)	-9%	(3,482)
Other/generic/universal services	14,397	8,398	8,353	45	1%	78
Residential services	69,708	40,663	41,633	(970)	-2%	(1,663)
Transport services	904	527	499	28	5%	47
<b>Total external services</b>	<b>229,862</b>	<b>134,086</b>	<b>141,058</b>	<b>(6,972)</b>	<b>-3%</b>	<b>(11,953)</b>
<b>Internal</b>						
Assessment and care management	14,678	8,562	8,281	282	3%	483
Care and support	7,276	4,244	4,379	(135)	-3%	(232)
Care at home	26,092	15,220	14,250	970	6%	1,663
Day services	10,632	6,202	5,213	989	16%	1,696
Equipment services	9,410	5,489	6,271	(782)	-14%	(1,341)
Management	2,440	1,423	1,327	96	7%	165
Other operating costs	2,008	1,171	1,222	(50)	-4%	(86)
Other services	5,923	3,455	3,121	334	10%	572
Residential services	27,670	16,141	14,885	1,256	8%	2,153
Strategy/contract/support services	3,971	2,316	2,385	(69)	-3%	(119)
Therapy services	3,656	2,133	2,106	27	1%	46
Pension costs	439	256	256	0	0%	0
<b>Total internal services</b>	<b>114,195</b>	<b>66,614</b>	<b>63,698</b>	<b>2,916</b>	<b>3%</b>	<b>4,999</b>
<b>Total service wide COVID costs</b>			<b>14,386</b>	<b>(14,386)</b>		<b>(24,661)</b>
<b>Total costs</b>	<b>344,056</b>	<b>200,700</b>	<b>219,142</b>	<b>(18,442)</b>	<b>-5%</b>	<b>(31,615)</b>
<b>Income and funding</b>						
Government grants	818	477	468	(9)	-2%	(15)
Funding and cost recovery	78,170	45,599	45,897	298	1%	511
Customer and client receipts	19,999	11,666	11,666	0	0%	0
COVID LMP funding	0	0	14,386	14,386	N/A	24,661
<b>Total income and funding</b>	<b>98,987</b>	<b>57,742</b>	<b>72,417</b>	<b>14,675</b>	<b>15%</b>	<b>25,157</b>
<b>Budget gap</b>	<b>(5,873)</b>	<b>(3,426)</b>	<b>0</b>	<b>(3,426)</b>		<b>(5,873)</b>
<b>Net position</b>	<b>239,197</b>	<b>139,531</b>	<b>146,724</b>	<b>(7,193)</b>	<b>-3%</b>	<b>(12,331)</b>

## ESTIMATED COVID COSTS AND FUNDING 2021/22

		To end Oct £k	Estimated full year £k
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## Funding sources

IJB reserves			11,634
Initial SG allocation 21/22			6,633
Estimated additional SG funding 21/22			20,172
<b>Anticipated funding</b>			<b>38,439</b>

## Estimated costs

NHS	Additional FHS contractor costs	102	177
	Additional FHS prescribing	894	1,533
	COVID-19 vaccination	546	1,387
	<b>Sub total NHS</b>	<b>1,542</b>	<b>3,096</b>
Council	Additional PPE	183	365
	Testing	0	0
	Additional care home placements	564	1,127
	Additional capacity in community	1,066	2,131
	Additional staff costs	310	619
	Social care provider sustainability payments	8,761	17,521
	Other	33	65
	Loss of income	1,408	2,816
	Net unmet savings	5,349	10,698
<b>Sub total Council</b>	<b>17,671</b>	<b>35,342</b>	

<b>Total Covid costs</b>		<b>19,214</b>	<b>38,439</b>
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## GLOSSARY OF TERMS

<b>TERM</b>	<b>EXPLANATION</b>
<b>ASSESSMENT AND CARE MANAGEMENT</b>	Predominantly social work, mental health and substance misuse teams
<b>CARE AT HOME</b>	Services provided to over 65s in their homes.
<b>CARE AND SUPPORT DAY SERVICES</b>	Services provided to under 65s in their homes.
<b>DIRECT PAYMENTS</b>	Option 1 of self directed support where the client has chosen to be responsible for organising their care.
<b>GMS</b>	General medical services – largely the costs of reimbursing GPs who, in the main, are independent contractors carrying out work on behalf of the NHS as opposed to being employees.
<b>HOSTED SERVICES</b>	Services which are operationally managed on a pan Lothian basis either through one of the 4 Health and Social Care Partnerships or Royal Edinburgh and Associated Services (REAS).
<b>INDIVIDUAL SERVICE FUNDS (ISF)</b>	Option 2 of self directed support where the client has chosen for a 3rd party (not the Council) to organise their care.
<b>LUCS</b>	Lothian Unscheduled Care Service – provides out of hours GP services
<b>RESIDENTIAL SERVICES</b>	Services provided to clients in care homes.
<b>SET ASIDE SERVICES</b>	Acute hospital based services managed on a pan Lothian basis by NHS Lothian
<b>THERAPY SERVICES</b>	Mainly occupational therapy teams.