

REPORT

Finance update

Edinburgh Integration Joint Board

8 February 2022

Executive Summary

The report provides the Integration Joint Board with an update on the financial performance of delegated services for the first 9 months of the year. It also confirms the significant assurance of a break even position for 2021/22.

Recommendations

It is recommended that the board:

1. note the financial position for delegated services to 31st December 2021;
2. note the **significant assurance** of a break even position for 2021/22;
3. recognise that, despite this assurance, the underlying financial deficit will be carried into 2022/23; and

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 £4.3m for this financial year.
3. Following clarification by Scottish Government (SG) officials that Integration Authorities (IAs) will be supported to break even in 2021/22, the Chief Finance Officer gave the board **significant assurance** on the in year financial position at its meeting in December. 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.

Overview of financial position

4. 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.
5. The information in this report is based on the period 9 (December 2021) monitoring reports from the Council and NHS Lothian. As reported above, a breakeven position is forecast for the year, after the application of support totalling £14.6m from the SG. At a high level the underlying overspend can be described in 3 component parts: the deficit described above; slippage on the savings and recovery programme; offset by

vacancies across some key Council and NHS services. Further detail is included in appendices 1 (NHS Lothian) and 2 (the Council), with narrative explanations in paragraphs 6 and 7.

	Annual Budget £k	To December 2021			Year end forecast £k
		Budget £k	Actual £k	Variance £k	
NHS services					
Core	306,126	203,125	200,904	2,221	1,887
Hosted	102,729	72,837	72,284	553	294
Set aside	100,744	74,477	75,104	(627)	(2,868)
Sub total NHS services	509,599	350,439	348,292	2,147	(687)
CEC services	252,387	189,290	199,698	(10,408)	(13,878)
Total	761,986	539,730	547,991	(8,261)	(14,565)
Further LMP support					14,565
Net position					0

Table 1: financial position for delegated services to December 2021

NHS Lothian

6. Based on their latest published financial forecast, NHS Lothian continues to project an overspend of £0.7m for delegated health services. The key drivers were reported to the IJB in December 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

7. Council delegated services are reporting an overspend of £13.9m for the year. With the exception of projected undelivered savings, this position assumes Covid funding in line with the quarter 1 local mobilisation plan (LMP) submission as well as elements of the SG winter funding. The headline issues driving this position remain in line with previous reports, namely:

- *External services (net projected overspend of £14.2m)* – also referred to as 'purchasing'. Slippage on the delivery of savings is the main factor, with continuity of care and the safety of people using our services taking priority. 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. Where appropriate, winter funding has been recognised to offset the costs of agreed investments and growth in capacity.

- *Internal services (forecast net underspend of £4.7m)* - can mainly be attributed to employee costs across the services, but mostly in homecare, residential and day care services.
- *Budget deficit (£4.3m over)* – reflecting the fact that the budget remains unbalanced.

Funding for the financial impact of Covid-19

8. 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. Reserves carried forward by integration authorities were the first call against pandemic costs in 2021/22, with further monies released by the SG once these reserves were exhausted. Returns for the first 2 quarters of the year have been submitted to the SG with the quarter 3 return being finalised at the time of writing.
9. Through the LMP process, the SG has 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’.
10. Based on this, the board has been given a **significant** level of assurance associated with in year break. It should, however, be noted that the IJB continues to run with a material underlying financial deficit which will increase further in 2022/23.

Implications for Edinburgh Integration Joint Board

Financial

11. Outlined elsewhere in this report.

Legal/risk implications

12. 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

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

Environment and sustainability impacts

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

Quality of care

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

Consultation

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

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Appendices

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| Appendix 1 | Financial outturn for NHS delegated services to December 2021 |
| Appendix 2 | Financial outturn for Council delegated services to December 2021 |
| Appendix 3 | Glossary of terms |

FINANCIAL POSITION FOR NHS DELEGATED SERVICES TO DECEMBER 2021

	Annual Budget £k	To December 2021				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
Core services						
Community Hospitals	13,599	10,076	9,287	788	6%	654
District Nursing	12,770	9,571	9,028	542	4%	435
Geriatric Medicine	2,978	2,140	2,136	5	0%	4
GMS	96,780	71,676	71,748	(72)	0%	(411)
Learning Disabilities	1,246	939	791	148	12%	130
Mental Health	8,625	6,450	5,571	878	10%	1,166
PC Services	8,044	4,852	4,879	(27)	0%	0
Prescribing	79,302	58,606	58,866	(260)	0%	(454)
Resource transfer and reserves	66,221	28,289	28,491	(201)	0%	(170)
Substance Misuse	4,574	3,542	3,298	244	5%	125
Therapy Services	11,138	6,424	6,269	156	1%	253
Other	848	561	541	20	2%	155
Sub total core	306,126	203,125	200,904	2,221	1%	1,887
Hosted services						
Community Equipment	1,862	1,396	2,505	(1,108)	-60%	(1,318)
Complex Care	1,156	678	659	18	2%	31
Hospices & Palliative Care	2,559	1,879	1,913	(34)	-1%	14
Learning Disabilities	8,607	5,703	5,673	30	0%	(52)
LUCS	7,498	5,215	5,186	29	0%	(85)
Mental Health	31,977	23,061	23,161	(99)	0%	(90)
Oral Health Services	10,552	7,878	7,720	159	2%	140
Pharmacy	4,571	3,112	3,112	0	0%	18
Primary Care Services	2,994	2,245	2,228	17	1%	34
Psychology Services	5,777	3,951	3,848	104	2%	212
Public Health	1,080	643	553	90	8%	94
Rehabilitation Medicine	5,013	3,641	3,267	374	7%	398
Sexual Health	3,985	2,842	2,778	64	2%	100
Substance Misuse	2,217	1,578	1,529	49	2%	1
Therapy Services	8,565	6,474	5,934	540	6%	498
UNPAC	3,746	2,019	1,699	320	9%	342
Other	572	521	520	1	0%	(43)
Sub total hosted	102,729	72,837	72,284	553	1%	294
Set aside services						
Acute management	3,577	2,540	2,595	(54)	-2%	(106)
Cardiology	4,220	3,089	2,994	95	2%	159
Diabetes & endocrinology	2,203	1,774	1,799	(25)	-1%	(322)
ED & minor injuries	10,838	7,957	7,880	77	1%	176
Gastroenterology	8,308	6,364	6,794	(430)	-5%	(823)
General medicine	27,451	20,869	21,439	(570)	-2%	(1,177)
Geriatric medicine	17,711	13,163	13,181	(18)	0%	(34)
Infectious disease	4,747	2,469	2,225	243	5%	219
Junior medical	3,764	2,778	2,685	93	2%	95
Other	644	446	395	51	8%	101
Rehabilitation medicine	1,728	1,294	1,327	(34)	-2%	(58)
Respiratory medicine	6,130	4,715	4,735	(20)	0%	(644)
Therapy services	9,421	7,019	7,054	(35)	0%	(454)
Sub total set aside	100,744	74,477	75,104	(627)	-1%	(2,868)
Net position	509,599	350,439	348,292	2,147	0%	(687)

FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES TO DECEMBER 2021

	Annual Budget £k	To December 2021				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
External						
Assessment and care management	42	31	31	0	0%	0
Care and support	59,102	44,327	46,386	(2,059)	-5%	(2,746)
Care at home	33,411	25,058	27,992	(2,934)	-12%	(3,911)
Day services	11,936	8,952	9,048	(96)	-1%	(128)
Direct payments/individual service funds	39,576	29,682	32,846	(3,164)	-11%	(4,219)
Other/generic/universal services	15,113	11,335	11,291	44	0%	59
Residential services	69,708	52,281	54,710	(2,429)	-5%	(3,238)
Transport services	904	678	727	(49)	-7%	(65)
Total external services	229,792	172,344	183,031	(10,686)	-5%	(14,249)
Internal						
Assessment and care management	14,777	11,083	10,664	419	4%	559
Care and support	7,276	5,457	5,727	(270)	-5%	(360)
Care at home	25,319	18,989	17,679	1,310	7%	1,747
Day services	10,632	7,974	6,894	1,080	14%	1,439
Equipment services	9,917	7,438	8,336	(899)	-12%	(1,198)
Management	2,440	1,830	1,724	106	6%	141
Other operating costs	5,704	4,278	4,795	(516)	-12%	(688)
Other services	5,919	4,439	4,102	337	8%	449
Residential services	27,670	20,753	18,996	1,757	8%	2,342
Strategy/contract/support services	4,020	3,015	3,114	(99)	-3%	(132)
Therapy services	3,656	2,742	2,716	26	1%	35
Pension costs	439	329	329	0	0%	0
Digital transformation	800	600	338	263	44%	350
Analogue to digital	67	50	49	1	1%	1
Winter pressures	9,097	6,823	6,823	0	0%	0
Total internal services	127,733	95,800	92,287	3,513	3%	4,684
Total service wide COVID costs			17,612	(17,612)		(23,482)
Total costs	357,525	268,144	292,929	(24,785)	-7%	(33,047)
Income and funding						
Government grants	818	613	613	0	0%	0
Funding and cost recovery	80,049	60,036	60,006	(30)	0%	(40)
Customer and client receipts	19,999	14,999	14,999	0	0%	0
COVID LMP funding	0	0	17,612	17,612	N/A	23,482
Total income and funding	100,865	75,649	93,231	17,582	17%	23,442
Budget gap	(4,273)	(3,205)	0	(3,205)		(4,273)
Net position	252,387	189,290	199,698	(10,408)	-4%	(13,878)

GLOSSARY OF TERMS

TERM	EXPLANATION
ASSESSMENT AND CARE MANAGEMENT	Predominantly social work, mental health and substance misuse teams
CARE AT HOME	Services provided to over 65s in their homes.
CARE AND SUPPORT DAY SERVICES	Services provided to under 65s in their homes.
DIRECT PAYMENTS	Option 1 of self-directed support where the client has chosen to be responsible for organising their care.
GMS	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.
HOSTED SERVICES	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).
INDIVIDUAL SERVICE FUNDS (ISF)	Option 2 of self-directed support where the client has chosen for a 3rd party (not the Council) to organise their care.
LUCS	Lothian Unscheduled Care Service – provides out of hours GP services
RESIDENTIAL SERVICES	Services provided to clients in care homes.
SET ASIDE SERVICES	Acute hospital based services managed on a pan Lothian basis by NHS Lothian
THERAPY SERVICES	Mainly occupational therapy teams.