

# REPORT

## 2022/23 Financial Plan

Edinburgh Integration Joint Board

9 August 2022

### Executive Summary

This report presents an update on the 2022/23 financial plan for the Integration Joint Board. The paper sets out the latest available information, including information on the Scottish Government's Covid Cost Improvement Programme and an update on the position with reserves.

### Recommendations

It is recommended that the Integration Joint Board:

1. Agree to transfer £3.2m from reserves to partially offset the in year deficit;
2. Note the deficit in the Integration Joint Board's budget for 2022/23 has reduced to £10.8m;
3. Note the position with reserves;
4. 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
5. Agree to receive an update on progress following publication of the financial results for quarter 1.

## Directions

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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

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1. This report has not been presented elsewhere.

## Main Report

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### Background

2. At the meeting in March 2022 the Integration Joint Board (IJB) agreed the financial plan for 2022/23. At this point the budget was out of balance by £16.9m and the board recognised that IJB officers would work with partner bodies to address the gap as the year progressed. In setting a budget with a deficit, the IJB recognised 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. Further the board acknowledged 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 adopt a longer term, strategic approach.

### Update on budget gap

3. Two factors will potentially reduce the budget gap, these are discussed in paragraphs 4 to 6 below:
  - agreement of the final NHS Lothian financial plan; and
  - the final outturn for 2021/22.

4. The financial plan approved by the IJB in March 2022 was based on a final budget offer from the City of Edinburgh Council (the Council) and, due to the timing, an indicative one from NHS Lothian. The final iteration of NHS Lothian's financial plan, which was agreed by their board on 6<sup>th</sup> April 2022, represented an improvement in both the overall position for NHS Lothian and that of the IJB. For the IJB this equates to a **net reduction of £2.9m** in the budget gap.
5. As discussed in a separate paper to this meeting, the IJB is reporting a **surplus of £3.2m** against the budget for the year. This sum was transferred to a general reserve at the end of 2021/22. As a general reserve, the utilisation can be agreed by the board and it is **recommended** that this is used to offset the 2022/23 deficit referred to above. If agreed, this would be a one off contribution as the reserve in question is non recurring.
6. Taking these two factors into account would reduce the in year budget shortfall from £16.9m (reported to the board in March) to £10.8m. These changes, which total £6.1m, are summarised in table 1 below:

	£m
Net budget gap reported to IJB in March	(16.9)
Improvement in NHS Lothian financial plan	2.9
Contribution from general reserve	3.2
<b>Remaining gap for 2022/23</b>	<b>(10.8)</b>

*Table 1: movement in budget shortfall 2022/23*

7. Comprehensive financial reporting covering all delegated services is not yet available for 2022/23. However, all indications are that the underlying position is likely to represent an improvement in the position set out in the financial plan. Clearly, this will be closely monitored by the Chief Officer and Chief Finance Officer working closely with the finance teams from the Council and NHS Lothian and will be reported through the Performance and Delivery Committee and to the board itself.

### **Financial impact of Covid**

8. In the previous 2 financial years (i.e. 2020/21 and 2021/22) Covid related costs have been met in full by the Scottish Government (SG) via the mobilisation planning process. Towards the end of 2021/22, as well as funding for the in year Covid costs, an additional tranche of funding was issued by the SG. This

was on the following basis: *'The significant disruption to services has created a backlog of demand as well as increasing unmet need and frailty of service users. Investment is needed across day care services, care at home and to support unscheduled care, to keep people within the community, where possible and safe to do so, to avoid unplanned admissions and impacts on delayed discharges. Alongside this is the impact on mental health and services have been stepped up through, for example, mental health assessment units. This funding will also cover sustainability payments to social care providers and additional staff costs across health & social care'*.

9. Edinburgh's share of this funding was £70.3m, with any balance not required to meet the costs of the pandemic in 2021/22 being transferred to reserves and carried forward. Now that the financial position for 2021/22 has been finalised it can be confirmed that the sum carried forward via reserves is £44.9m. There is further information in the separate paper to this meeting.
10. In May 2022 the Resource Spending Review (RSR, available [here](#)) was published, setting out the SG's high level financial plans for the period 2023/24 to 2026/27. This document signalled that the SG is projecting future budgetary settlements below current levels in real terms. As a consequence, the recent constraints we have seen in public sector spending will be exacerbated. Significant savings programmes will need to be identified and delivered in order to balance budgets. In this context, it is extremely unlikely that the current level of service provision can be sustained.
11. The RSR was followed by correspondence from the SG's Director of Health Finance and Governance which highlighted the financial risk and approach required in relation to Covid services in the current financial year. Specifically, it has now been confirmed that no further Covid consequentials are anticipated in 2022/23 or in future years. Further, while there is clearly a requirement in 2022/23 to continue with some areas of investment, these costs need to be managed down where possible. In this context the SG is taking forward a range of actions through the Covid Cost Improvement Programme to address the overall scale of the challenge in 2022/23 and beyond, and it is essential that activity across NHS Boards and Integration Authorities is fully aligned with this work. We have been instructed to consider how existing funding streams can

be utilised prior to the use of Covid reserves, due to the non-recurring nature of the funding for Covid.

12. Accordingly, the Executive Management Team undertook a high level review of the investments made during the pandemic and funded from centrally provided Covid monies. Where possible, it is proposed to meet any ongoing costs from confirmed recurring funding sources. This is discussed in paragraphs 14 to 15 below.
13. For those Covid costs for which there is no viable alternative funding source our planning assumption is that the remaining costs will be met in year from the £44.9m currently being carried in the IJB's reserves. These costs (which are summarised in appendix 1) total £26.8m and it should be noted that the budget gap discussed above accounts for £10.8m of this total. Given the SG's current stance on Covid exit planning it is acknowledged that there is a degree of risk around this assumption. The Chief Officer and Chief Finance Officer, supported by senior officers from our 2 partner organisations, will be reinforcing the implications of any deviation from this position with SG colleagues. Specifically, the consequential detrimental impact on performance if the board is required to identify further savings to balance the plan.
14. It should also be noted that it is possible for some of these costs (e.g. prescribing where we have seen a change in practice which is unlikely to be reversed) may continue beyond 2022/23. Where this is the case we will continue to work with partners on projections and reflect these in future financial plans.

### **Integration Joint Board reserves**

15. As referenced in a separate paper to this meeting, we started the financial year with reserves of £82.2m. Paragraphs 12 to 13 above describe the costs which be charged against the £44.9m Covid reserve. Plans for the other earmarked reserves are being progressed by the relevant strategic leads.
16. Additionally, the IJB has not yet fully committed all the sums allocated to it via the SG budget of December 2021. As set out above, officers have responded to the SG's requirement on all Integration Authorities and Health Boards to review all Covid costs with a view to meeting any recurring costs through confirmed recurring allocations (e.g. sustainable vaccination workforce) or from

existing baseline budgets. The outcome of this exercise is summarised in appendix 2, although it is recognised that these decisions will require to be reviewed in the context of the financial position for 2023/24 and beyond. This shows a total of £6.6m for prioritisation in year and £4.4m on a recurring basis.

### **Achieving financial balance**

17. 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 have been recognised on a UK and Scotland wide basis. Indeed, the Audit Scotland report 'NHS in Scotland in 2021' underscored the financial and other challenges facing health and social care services across the country. In the case of Edinburgh this is compounded 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 which we are unable to bridge on a sustainable basis. These are amongst the factors which led the board to set an unbalanced budget.
18. During the development and refinement of the IJB's financial plan, the Chief Officer and Chief Finance Officer have been working closely with the Council's Head of Finance and NHS Lothian's Director of Finance. These tripartite discussions were productive and reflected a shared intent, recognising the impact of any additional measures which would be required to balance the plan. The shared view which emerged from these tripartite discussions was that sufficient flexibility existed in the system to support the IJB to deliver financial balance by the end of the year.
19. This paper has discussed a number of key changes and issues which have come to light following the IJB's agreement of the budget in March 2021. The most material of these is the announcement that the SG is not expecting any Covid consequential from the UK Government in 2022/23 or beyond. As a result they have introduced a Covid Cost Improvement Programme with the objective of reducing Covid costs as far as possible. Whilst we have updated our cost estimates and, wherever possible, identified alternative funding

sources, the key risk is that the SG does not support the use of reserves to offset the IJB's residual financial plan deficit.

20. Notwithstanding this, officers will continue to work proactively with partners, including SG officials, to identify and implement any mitigating actions. Areas of further flexibility currently being considered include:
- At the time of writing the IJB has not fully committed the funding received through the SG budget (see above). When setting the budget, the board noted that this funding would be held in reserves pending the appropriate business cases coming forward. These cases are being developed and will target key areas of performance improvement although it should be recognised we are likely to be limited by the availability of staffing. Whilst we will continue to develop these cases through our usual business and governance process, there will be an element which can be used in year to support financial balance; and
  - Also noted in the financial plan paper agreed in March was that expenditure projections had assumed that the majority of existing vacancies are filled from 1<sup>st</sup> April. Given the ongoing recruitment and retention challenges and the high levels of current staffing gaps, it would be reasonable to assume that some of these vacancies will be carried for at least part of the year. This has been borne out by the financial management information received to date and will be continue to be closely monitored as the year progresses.
21. We have agreed with our partners that we will work collegiately to identify the means to address the remaining budget gap 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.
22. Work will continue across a number of fronts to provide the IJB assurance as the year progresses. 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 with further updates will be provided via the regular finance report.

## Implications for Edinburgh Integration Joint Board

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### Financial

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

### Legal/risk implications

24. This report outlines how the budget for 2022/23 could be balanced, albeit recognising that elements of mitigation are difficult to quantify at this point. This clearly presents a risk for the IJB as delivery is not certain. 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.

25. 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.

26. A number of specific risks were set out in the March financial plan paper and these are reiterated below for consideration by the board:

- The impact Covid has on service delivery, new and emerging models of care and the cessation of any specific Covid related financial support;
- The impact of material changes to the cost base, for example the financial impact of workforce shortages and rising energy costs. This is being closely monitored by partners;
- Potential costs associated with the national move from analogue to digital telecommunications systems have not been included in the plan at this stage. These are currently being quantified, particularly as they impact on the ATEC 24 alarm service;



- 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;
- Availability of SG funding for both nationally funded programmes & initiatives and services funded annually on a non recurring basis; and
- Ongoing impact of uncertainty in global markets as a result of the Russian invasion of Ukraine.

### **Equality and integrated impact assessment**

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

### **Environment and sustainability impacts**

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

### **Quality of care**

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

### **Consultation**

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

### **Report Author**

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### **Appendices**

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Appendix 1	Projected Covid related costs for 2022/23
Appendix 2	Planned use of additional funding

## PROJECTED COVID RELATED COSTS FOR 2022/23

	22/23 £k
Additional community capacity	1,129.0
Additional PPE	365.0
Additional staff costs	1,115.0
GP prescribing	2,152.0
Hosted and set aside costs	3,583.0
Interim care beds	1,439.5
Loss of income	1,126.0
Net budget gap/unachievable savings	10,835.8
Other	33.0
Provider sustainability payments	3,604.0
Vaccination programme	1,387.0
<b>Total investments</b>	<b>26,769.3</b>
<b>Funding</b>	<b>44,936.9</b>
<b>Balance</b>	<b>18,167.6</b>

## PLANNED USE OF ADDITIONAL FUNDING

22/23 £k	Recurring £k
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### Community capacity

Investments	22/23 £k	Recurring £k
One Edinburgh	1,362.7	763.0
Home first	564.0	707.17
Hospital at home	157.0	157.0
Other	92.0	
<b>Total investments</b>	<b>2,175.7</b>	<b>1,627.2</b>
<b>Total funding</b>	<b>5,514.0</b>	<b>5,514.0</b>
<b>Balance</b>	<b>3,338.3</b>	<b>3,886.8</b>

### Multi disciplinary teams

Investments	22/23 £k	Recurring £k
Home first	487.0	487.0
Hospital at home	60.0	400.0
Hospital to home	178.0	178.0
Care home support team	554.0	554.0
Transformation	922.0	949.7
Other	7.0	214.0
<b>Total investments</b>	<b>2,208.0</b>	<b>2,782.7</b>
<b>Total funding</b>	<b>3,568.0</b>	<b>3,568.0</b>
<b>Balance</b>	<b>1,360.0</b>	<b>785.3</b>

### Social workers and MHOs

Investments	22/23 £k	Recurring £k
6 social work posts	299.0	299.0
<b>Total investments</b>	<b>299.0</b>	<b>299.0</b>
<b>Total funding</b>	<b>2,199.0</b>	<b>0.0</b>
<b>Balance</b>	<b>1,900.0</b>	<b>(299.0)</b>

### Summary

<b>Grand total investments</b>	<b>4,682.8</b>	<b>4,708.9</b>
<b>Grand total funding</b>	<b>11,281.0</b>	<b>9,082.0</b>
<b>Balance</b>	<b>6,598.2</b>	<b>4,373.1</b>