Edinburgh Integration Joint Board

REPORT

Finance update

Integration Joint Board

9th February 2024

Executive Summary	The report provides the Integration Joint Board with an update on the financial performance of delegated services. Following increased, demand driven costs in social care services, the level of assurance provided of a break-even position for 2023/24 has reduced to **limited**.

Recommendations	It is recommended that the board: a) **notes** the financial position for delegated services to 30th December 2023 and associated year end forecast; b) **notes** the recovery plan designed to address the financial deficit by 31st March 2023; c) **recognises** the risks inherent in the recovery plan; d) **agrees,** as part of the recovery plan, to use slippage in carers funding to offset the increased costs of replacement care; e) **recognises** that the recovery plan remains insufficient to deliver in year financial balance based on current projections; and f) **notes** the limited assurance provided by the Chief Finance Officer.

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. The financial positions highlighted within this report have been considered through the appropriate governance structures of our partners, the City of Edinburgh Council (the Council) and NHS Lothian.

Main Report

Background

2. In March 2023, the Integration Joint Board (IJB) considered the 2023/24 financial plan and agreed the first phase of the associated savings and recovery programme (SRP). The second phase of the SRP, along with further mitigating actions, was subsequently agreed in June 2023. At this point the plan remained unbalanced with a deficit of £14.2m. The board accepted the recommendation from officers that bridging this residual budget gap would require a series of measures which would have significantly negative in-year and future year consequences for people and performance more generally.

3. On 2nd November 2023 the Council considered and agreed to make additional budget delegated to the IJB by £14.5m to meet the budget deficit and fund remedial works in two Council owned care homes. Despite this welcome contribution, most recent projections indicate that the underlying operational financial position has further deteriorated. This is discussed in more detail in the following sections.

Overview of financial position

4. In line with the integration scheme, the IJB "directs" budgets back to our partner organisations who provide the associated services. Most of these services are delivered through the Edinburgh Health and Social Care Partnership (EHSCP), 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. Budget monitoring is undertaken by the finance teams within the Council and NHS Lothian who have responsibility for working with budget holders to prepare information on financial performance. Both partners provide the required information on operational budget performance from their respective financial systems, under the co-ordination of the IJB Chief Finance Officer, to provide reports to the board on delegated health and social care services.

6. The information in this report is based on the period 9 (December 2023) monitoring reports from the Council and NHS Lothian. A potential year end overspend of £12.7m is forecast, as summarised in table 1 below. This is an improvement of £14.4m over the position reported to the IJB in October 2023. Additional funding from the Council (to support the in-year budget deficit) and NHS Lothian (sustainability monies to offset prescribing pressures) offset by a deterioration in the Council position are the main reasons for the change.

	Annual Budget £k	To December 2023 Budget £k	Actual £k	Variance £k	Year end forecast £k
NHS services					
Core	344,320	251,520	250,501	1,020	450
Hosted	108,553	78,995	77,652	1,342	1,258
Set aside	118,315	87,929	93,511	(5,582)	(8,469)
Pay award funding	2,423	2,423	2,427	(4)	(4)
Sub total NHS services	**573,612**	**420,867**	**424,091**	**(3,224)**	**(6,765)**
CEC services	**294,943**	**221,207**	**225,687**	**(4,479)**	**(5,973)**
Total	**868,555**	**642,075**	**649,778**	**(7,703)**	**(12,738)**

Table 1: financial position for delegated services

NHS Lothian

7. Delegated health services are forecasting a £6.8m overspend for the year, an improvement of £3.7m from the previously reported position. As reported to the Board in August, the Scottish Government (SG) allocated £18m of NRAC parity/sustainability funding to NHS Lothian for 2023/24. Areas with existing budget pressures where management action could not address the overspend were prioritised for funding. In total, £72m of structural budget pressures were identified as part of the quarter one review process. Following the agreement of the corporate management team, the monies have now been distributed to operational business units, with 50% of the £18m allocated to services that are delegated to the 4 Lothian IJBs. Of this, Edinburgh received a contribution of £3m towards prescribing pressures as well as the benefitting from investments in set aside services. The impact of this funding is the primary driver for the improvement in the forecast year end position.

8. Underlying drivers of the financial position within delegated health services remain as previously reported to the board, namely:

Core health services

9. Services which are operationally managed by the EHSCP and are projecting a small underspend of £0.5m.

10. Even after the allocation of the parity/sustainability funding described above, prescribing remains the major financial pressure in core services with a current projected year end overspend of £2.7m. Although data remains limited, the information which is available indicates increases in both prices and volumes compared to previous years. NHS National Services Scotland (NSS) has now provided a clear timetable for clearing the backlog of data validation, processing and payment and are reporting weekly on progress to Health Boards. Until this backlog is addressed, the prescribing position will remain highly uncertain and may be overstated or understated.

Share of pan Lothian hosted services

11. Represented by the element of services ran on a pan Lothian basis and delegated to the Integration Joint Board. The majority of these services are

operationally managed out with EHSCP. Overall hosted services are underspend by 2% or £1.3m. As for core services, vacancies are a key factor in the financial position especially across rehab medicine where the establishment gaps for nursing and AHPs combined remains high. This is offset by a range of pressures (mainly in general medical services, primary care and psychology). Costs associated with locum cover for maternity leave and sickness are driving GMS expenditure. The primary care pressure mainly relates to community continence services where we have seen a sharp increase in prices linked to a new national contract. Psychology has been impacted by the reduction of funding from SG for the mental health outcome framework which has left some specialist, supervision and support posts unfunded.

Share of acute set aside services

12. The IJB's share of acute hospital services which although delegated, are operationally managed by NHS Lothian. The main pressures result from the use of high-cost agency and locum staff and new medicines and increases in use of these medicines within gastroenterology. General medicine services are forecast to be £2.2m overspend whilst gastroenterology is anticipated to be £2.0m overspent. The emergency department and minor injuries forecast has improved slightly as a result of parity/sustainability funding being allocated to address a historic shortfall on staffing budget.

City of Edinburgh Council

13. After taking account of the additional contribution agreed by the Council in November, delegated services are forecasting an overspend of £6.0m. Although this is a slight improvement (£0.2m) from the last report, the underlying operational position has deteriorated by £3.8m from the month 6 forecast.

14. Financial reporting to Council committees happens routinely at month 3, 6 and 9 and then outturn (month 12). Given the risks associated with, in particular, the purchasing forecast the social care finance team reviews the position on a monthly basis. Month 8 monitoring highlighted the following key impacts on the forecast:

- a further £2.4m increase in forecast care at home expenditure. This builds on the 14% increase recently reported to the Performance and Delivery Committee, with expenditure sustaining performance improvement, albeit at a significant financial cost;
- increase in other (ie non care are home) externally purchased services, totalling £1.7m;
- additional vacancies with an estimated financial impact of £1.6m; and
- slippage of £1.5m on approved savings for review and assessment and agency spend.

15. The Chief Officer has commissioned a review from internal audit which is currently underway. This will be reported through the IJB's Audit and Assurance Committee and the Council's Governance Risk and Best Value Committee in due course.

16. Key drivers of the £6.0m projected shortfall are set out below.

Employees

17. Underspend due to previously reported recruitment challenges. These are mainly in disability services, but also assessment and care management and homecare and reablement teams.

Transport

18. Following previous reports of a lack of available data, the Council's finance team is now receiving monthly updates on the progress of the saving and is able to forecast the position more accurately. The corporate transport unit has also confirmed that H&SC will only be charged for the routes utilised and the forecast has been amended to reflect this. Transport savings have been achieved however, a 20% increase in taxi costs has offset this and the 23/24 forecast at month 9 is in line with the 22/23 outturn.

Purchasing

19. The financial plan assumed growth in purchasing of 3%. In practice we have seen the actual increase exceed this by some distance (7% on average). Care

at home provision has seen the most marked increase, with the number of hours increased by 14% since this time last year. There is a direct correlation between this increase in cost and ongoing performance improvements. Given the prevailing financial position, this level of improvement cannot be sustained.

Income

20. An over-recovery of residential client receipts is forecast, as a result of achieving gross funding targets.

Achieving break even

21. Members will recall that NHS Lothian undertook to work collaboratively with the 4 Lothian integration authorities to deliver a balanced outturn. On this basis, financial plan assumed that set aside services would be fully funded. The Deputy Director of Finance has agreed that, at this point, it is reasonable to assume the NHS Lothian will be in a position to make an additional payment to support the IJB to break even within health services. It has therefore been assumed the NHS Lothian will make an **additional payment to the IJB of £6.8m** to fulfil this commitment.

22. This therefore leaves the estimated £6m overspend on Council run services to be addressed. In mid December, when the updated projections were available, the Chief Officer immediately instructed a number of initial actions. Paragraph 23 to 27 of this report gives further detail of the recovery plan, including an indicative quantification. Most elements are covered by existing IJB decisions or fall within the operational responsibility of the Chief Officer. One is recommended for approval as part of this paper and another is recommended in a separate paper to this meeting.

23. The proposed recovery program involves the following range of actions. These are summarised below with further detail available in appendix 3.

    a) ***Contribution to increased costs of replacement care*** – utilising slippage in carers funding to offset increases in the cost of replacement care.

    b) ***Community living change fund*** – offsetting funding against costs incurred to support hospital discharge.

c) ***Accelerating reviews*** – supplementing the resource supporting reviews thereby increasing the number of reviews undertaken.

d) ***Managing demand*** – introducing increased authorisation of packages of care, targeting support at adult support and protection cases and hospital discharges.

e) ***Housing based support*** – reducing support provided to people for a range of aspects relating to independent living.

24. Each of these proposals comes with a degree of risk, either to the people for whom we support, our ability to meet statutory obligations, reductions in public confidence, decreased hospital flow, deteriorating performance, provider sustainability and the opportunity cost of alternative investments. With the exception of housing based support which is the subject of a separate report to this meeting, these are articulated in appendix 3. The Chief Officer and his team will, wherever possible, identify suitable mitigation but it should be recognised that this will not entirely eliminate the risk.

25. As described above there are a number of governance route for these proposals. The recommended contribution from carers funding to the increased cost of replacement care (item a) is a recommendation in this paper. Proposals relating to the community living change fund and managing demand (items b and d) are operational matters which lie within the authority of the Chief Officer to progress. The introduction of a review team (item c) was agreed as part of the 2023/24 savings programme and the current proposal represents an operational change. As such, this also sits within the authority of the Chief Officer. Housing based support (item e) requires board approval and is the subject of a separate paper on today's agenda.

26. The estimated minimum and maximum financial impact of these actions is summarised in table 2 below. This evidences that, even delivery towards the maximum for each of the items, will not be sufficient to break even, leaving a remaining shortfall of **£2.4m**.

	Min £m	Max £m
a contribution to increased costs of replacement care	0.00	1.20
b community living change fund	0.00	0.90
c accelerating reviews	0.25	0.50
d reducing demand	0.00	0.60
e housing based support	0.20	0.40
Total	**0.45**	**3.60**

Table 2: 2023/24 recovery plan

Conclusion

27. This paper sets out the financial forecast for 2023/24, based on the actual results for the first 9 months. Reflecting additional funding commitments from both partners leaves the board with a residual in year gap of **£6.0m**. Plans to recover this position are included in this report, albeit full implementation will still leave the IJB short of the required break-even position. The recovery plan incorporates service reductions which will inevitably lead to poorer outcomes for people, worsen performance and endanger delivery of the improvement plan. Associated risks have also been highlighted.

28. On the basis of the actions and assumptions set out in this report, and taking into account the risks outlined, the Chief Finance Officer can give **limited assurance** of in year financial balance.

Implications for Edinburgh Integration Joint Board

Financial

29. Outlined elsewhere in this report.

Legal/risk implications

30. The key risk associated with this paper is the impact of the recovery plan on the people we support. Whilst every attempt has been made to mitigate this it is not going to be entirely possible to do so.

31. Like any year end projection, the IJB's relies on a number of assumptions and estimates each of which introduces a degree of risk. These assumptions are being closely monitored as the year progresses, in particular in those areas which present the highest risk. These include:

- Delivery of the agreed savings and recovery programme. This is governed via the EHSCP change board with further scrutiny undertaken by P&D;
- External purchasing costs, with a particular focus on the built in level of growth;
- Potential additional costs associated with improving performance, particularly over winter; and
- Prescribing where data availability issues remain.

Equality and integrated impact assessment

32. As described elsewhere in this report, the actions included in the recovery plan will have a negative impact on the people we support.

Environment and sustainability impacts

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

Quality of care

34. As described elsewhere in this report, the actions included in the recovery plan will have a negative impact on the people we support.

Consultation

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

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Appendices

Appendix 1	Financial position for NHS delegated services
Appendix 2	Financial position for Council delegated services
Appendix 3	Recovery plan proposals

Appendix 1

FINANCIAL POSITION FOR NHS DELEGATED SERVICES

	Annual Budget £k	To December 2023 Budget £k	Actual £k	Variance £k	%	Year end forecast £k
Core services						
Community equipment	2,040	2,019	2,007	12	1%	16
Community hospitals	14,664	11,009	10,461	549	5%	600
District nursing	15,902	12,020	11,016	1,004	8%	1,279
Geriatric medicine	3,705	2,788	2,689	99	4%	126
GMS	100,289	75,336	76,596	(1,261)	-2%	(1,316)
Learning disabilities	1,455	1,090	955	135	12%	183
Mental health	10,339	7,749	7,103	646	8%	834
PC Services	17,350	13,129	12,910	218	2%	428
Pharmacy	6,557	4,897	4,472	425	9%	630
Prescribing	86,539	64,727	66,597	(1,870)	-3%	(2,651)
Resource transfer and reserves	62,111	37,975	37,930	45	0%	17
Substance misuse	4,841	3,604	3,294	310	9%	422
Therapy services	16,465	13,497	12,947	550	4%	792
Other	2,064	1,680	1,524	156	9%	(909)
Sub total core	**344,320**	**251,520**	**250,501**	**1,020**	**0%**	**450**
Hosted services						
GMS	7,006	5,170	5,277	(107)	-2%	(18)
Hospices & Palliative Care	2,971	2,228	2,233	(5)	0%	(10)
Learning Disabilities	8,383	5,989	6,002	(13)	0%	23
LUCS	7,771	5,281	5,296	(16)	0%	(0)
Mental Health	36,722	27,253	27,573	(320)	-1%	(418)
Oral Health Services	5,567	3,296	3,144	152	5%	235
Primary Care Services	3,319	2,468	2,691	(223)	-9%	(295)
Psychology Services	6,849	4,797	4,966	(169)	-4%	(140)
Public Health	1,144	615	603	11	2%	(16)
Rehabilitation Medicine	5,756	4,234	3,679	556	13%	698
Sexual Health	5,160	3,439	3,409	30	1%	9
Substance Misuse	3,585	2,577	2,438	139	5%	62
Therapy Services	10,217	7,683	7,484	200	3%	257
UNPAC	3,775	2,581	1,952	629	24%	712
Other	327	1,384	906	479	35%	159
Sub total hosted	**108,553**	**78,995**	**77,652**	**1,342**	**2%**	**1,258**
Set aside services						
Acute management	4,342	3,158	3,058	99	3%	333
Cardiology	4,470	3,352	3,374	(22)	-1%	15
Diabetes & endocrinology	2,988	1,847	2,327	(480)	-26%	(716)
ED & minor injuries	12,588	9,440	10,344	(904)	-10%	(1,474)
Gastroenterology	10,057	7,491	8,747	(1,257)	-17%	(1,923)
General medicine	32,520	24,368	25,779	(1,411)	-6%	(2,178)
Geriatric medicine	21,540	16,172	16,751	(579)	-4%	(1,001)
Infectious disease	3,930	2,007	1,829	178	9%	119
Junior medical	3,330	2,504	2,817	(313)	-13%	8
Other	848	624	552	72	12%	(2)
Rehabilitation medicine	1,971	1,472	1,601	(129)	-9%	(228)
Respiratory medicine	8,666	6,727	6,941	(214)	-3%	(575)
Therapy services	11,064	8,768	9,389	(622)	-7%	(849)
Sub total set aside	**118,315**	**87,929**	**93,511**	**(5,582)**	**-6%**	**(8,469)**
Pay award funding	**2,423**	**2,423**	**2,427**	**(4)**	**0%**	**(4)**
Total	**573,612**	**420,867**	**424,091**	**(3,224)**	**-1%**	**(6,765)**

Appendix 2

FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES

	Annual Budget £k	To December 2023 Budget £k	Actual £k	Variance £k	%	Year end forecast £k
Employee costs	102,081	76,561	73,689	2,872	4%	3,829
Premises costs	1,398	1,049	1,438	(390)	-37%	(520)
Transport costs	2,838	2,129	3,295	(1,166)	-55%	(1,555)
Supplies, services & transfer payments	11,036	8,277	8,253	24	0%	32
Purchasing - residential and FPNC	88,734	66,550	67,725	(1,175)	-2%	(1,566)
Purchasing - day care and care at home	123,809	92,857	100,684	(7,827)	-8%	(10,436)
Purchasing - direct payments and ISF	50,160	37,620	38,001	(381)	-1%	(508)
Purchasing - grants and block contracts	31,324	23,493	23,126	366	2%	488
Purchasing - other	4,446	3,334	3,472	(137)	-4%	(183)
Grants funding and cost recovery	(87,306)	(65,479)	(65,511)	32	0%	42
Income	(19,441)	(14,580)	(16,497)	1,917	-13%	2,556
Sub total	**309,079**	**231,809**	**237,674**	**(5,865)**	**-3%**	**(7,820)**
Budget gap	(14,136)	(10,602)	0	(10,602)		(14,136)
Council contribution to budget gap		0	(10,602)	10,602		14,136
Contribution to care home capital costs		0	(285)	285		380
Other adjustments		0	(1,100)	1,100		1,467
Net position	**294,943**	**221,207**	**225,687**	**(4,479)**	**-2%**	**(5,973)**

Appendix 3

Proposal: Increased contribution to replacement care

Proposal summary: *(Scope)*

In recent years, the local government settlement has included funding to support the implementation of the Carers Act. A key element of this is the right of every carer to have an individual, personalised support plan.

As more unpaid carers are accessing their plans, there is an associated increase in the levels of replacement care which are being provided for those people who are supported by an unpaid carer. This has led to an increase in the cost of purchased services.

Carers funding already makes a recurring contribution of £2m to support replacement care and it is recommended that this is increased by £1.2m. This amount being the slippage on progressing investments which accumulated over last year and this.

Financial Impact

Period	Financial Impact Range (£ million)
2023/24	0.00 - 1.20

Risks, Impacts and Dependencies

- "Opportunity cost" relating to loss of this investment for additional services or supports for carers.
- Insufficient funding means we cannot fully realise the intentions of the Carers Act. This risks increased carer stress and the potential to see an increase in break-down of unpaid carer arrangements, along with reputational risk if it is perceived that unpaid carers are not being appropriately supported.

Proposal:	Community Living Change Fund

Proposal summary: *(Scope)*

This funding was provided by the Scottish Government (SG) in 2021 to support discharge of people from long term hospital stays.

Edinburgh has used this funding to facilitate moves from the Royal Edinburgh Hospital (REH) to more appropriate community facilities. To date, no in year costs have been charged against the £0.9m which remains in the IJB's earmarked reserves. This position is being reviewed to ensure that all appropriate costs have been captured and matched with the funding.

Financial Impact

Period	Financial Impact Range (£ million)
2023/24	0.00 - 0.90

Risks, Impacts and Dependencies

- Risk to flow out of the Royal Edinburgh Hospital if the funding is not available in future years, with associated risk of poorer outcomes for patients.
- Risk of performance decreasing, with increased delays.

Proposal:	Accelerating Reviews of Packages of Care

Proposal summary: *(Scope)*

Slippage in establishing the review team is one of the reasons for the altered financial forecast. The original plans and arrangements have now been reviewed and the team (sourced from Pertemps) is now operational. We are beginning to see the financial impact as more reviews are completed.

This has been supplemented by a new internal review team, staffing for which has been sourced from existing assessment and care management teams. The One Edinburgh review team has also been strengthened.

As a result, we now have a number of teams undertaking reviews. The approach by all teams will be aligned, taking a strengths-based approach to assessments, ensuring eligibility criteria is being adhered to and making best use of community resources and tech enabled care. Delivery of the project will be based upon the principle that competent and evidenced professional assessment of need, risk and well-being will form the basis of providing positive outcomes and the potential for service reductions.

Further work is underway to assess the likely financial impact but this is currently estimated at between £0.25m and £0.5m for the remainder of the financial year (with significant full-year impact estimated).

Financial Impact

Period	Financial Impact Range (£ million)
2023/24	0.25 – 0.50

Risks, Impacts and Dependencies

- Risk of resistance or upset to individuals whose current support arrangements may change or reduce, though this would only be where safe ad appropriate, and in line with current eligibility criteria.
- Risk of destabilisation of provider market if commissioned services are reduced at scale and at pace, though this will be closely monitored and managed.
- Risk of duplication or lack of alignment between the various review teams, although this is mitigated through centralised reporting and oversight arrangements.
- Risk that moving experienced staff into new review team could destabilise locality teams and make it more difficult for locality teams to meet demand.

Proposal:	Managing Demand

Proposal summary: *(Scope)*

The updated forecast includes an assumption of net growth in purchasing of £1.5m from December. Managing and reducing this demand would therefore impact on the projected year end deficit.

Additional controls have been introduced at locality level, with authority levels for agreeing packages of care increased. Priority will be given to cases involving adult support and protection and hospital discharges. Out with these criteria, support will only be agreed on an exception basis. As with most of the recovery proposals this comes with an additional range of risks. Whilst every effort will be made to identify and mitigate these it is recognised that this will not be entirely possible. The maximum saving has been estimated at 50% of the estimated growth from January to March 2024.

Financial Impact

Period	Financial Impact Range (£ million)
2023/24	0.00 - 0.60

Risks, Impacts and Dependencies

- Risk to individuals who are not provided with timely assessment and support, although cases relating to adult support and protection or hospital discharge will be prioritised
- Impact on system-wide flow.
- Potential risk of increased hospital admissions.
- Risk of increased waiting lists and decreased performance.
- Risk of destabilisation of provider market if commissioned services are reduced at scale and at pace, though this will be closely monitored.
- Potential additional negative impacts on unpaid carers.