

# REPORT

## 2020/21 Financial Plan

Edinburgh Integration Joint Board

21<sup>st</sup> July 2020

### Executive Summary

The purpose of this report is to present the 2020/21 financial plan and provide an update on the potential financial implications of COVID-19.

### Recommendations

It is recommended that the Board:

- a. Agree the 2020/21 financial plan as presented in this paper;
- b. Note that, whilst financial balance can be achieved in year, this relies heavily on one off measures;
- c. Agree to receive a first draft of the 2021/22 budget in line with our partners financial planning timescales;
- d. Note that both partners have commissioned work to further understand the financial impact of COVID-19.

### 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

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1. This report has not been presented elsewhere.

## Main Report

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### Background

2. Work on the Integration Joint Board's (IJB) 2020/21 budget and associated savings and recovery plan started in late summer of 2019. The original timetable was impacted, firstly, by delays in the UK and Scottish Government budgets and, secondly, by the emergence of COVID-19. The latter diverted management resource as well as introducing significant turbulence into the system. This has a consequent impact on our ability to model the associated costs, particularly as we ease out of lockdown and services transform and adapt.
3. In April 2020 the IJB discussed the draft financial plan, recognising the need to balance the governance requirements of scrutinising the financial plan at a time of great uncertainty and, in the knowledge that the plan presented does not address the financial challenge of the pandemic, against the risk of deferring to a time when greater assurance will be possible. At this point the plan showed a potential in year deficit of £5.2m and the board requested updates and further work in 3 specific areas:
  - Potential financial consequences of COVID-19;
  - On the assumption that the proposed savings and recovery programme is agreed what the realistic level of in year delivery would be; and
  - Identification of additional proposals to address the remaining financial plan deficit.
4. This paper focuses on the 20/21 financial plan and the associated deficit. A separate paper to this meeting presents the savings and recovery plan which outlines how financial balance could be achieved, effectively addressing points b and c above.

### Funding - IJB delegated budget 2020/21

5. The Scottish Government's budget for 2020/21 was approved by the Scottish Parliament on the 5<sup>th</sup> March 2020. In line with this, the baseline budget set for the IJB from its 2 partners, the City of Edinburgh Council (the Council) and NHS Lothian, was increased as follows:
  - *NHS Lothian* uplifted the recurring baseline budget by the 3% uplift received by all territorial Health Boards. This equated to £12.2m (excluding General Medical Services, the allocation for which will be confirmed in due course);
  - *The Council* passed on in full the health and social care monies received via the Scottish Government's (SG) budget. Nationally this amounted to

£100m, Edinburgh's share of which was £8m, representing an increase of 3.8% over the 2019/20 budget. It should be noted that, whilst this increase provided additional funds as a contribution to meeting living wage requirements, free personal and nursing care and implementation of the carers act, no allowance was made for the other pressures facing us. Accordingly, the IJB may wish to redirect elements of this funding to address other priorities; and

- Following the initial budget announcement, a further £95m across Scotland was identified for local authorities. On 30th June the Council decided that £2m of its £7.4m share would be allocated to the IJB.
6. The final element of the funding picture relates to the communication from the Cabinet Secretary for Health and Sport which indicated that funding would flow through to Integration Authorities to meet the full cost of the 3.3% living wage increase. For Edinburgh, the difference between our planning assumption and the cost of the associated contractual uplift is £4.7m. Funding of £1.2m has subsequently been confirmed, a shortfall of £3.5m. This gap has been the subject of ongoing discussion with SG officials which started when the original announcement was made. As part of this dialogue the Chief Officer has reiterated the IJB's commitment to reward the social care workforce, but cannot sanction this without the agreement of the Board if the associated contract uplift is not fully funded. Reflecting this (i.e. the IJB should not be faced with having to find additional offsetting savings) the financial plan presented assumes that the funding position will be resolved positively. Accordingly, table 1 below assumes the full £4.7m.
7. The combination of both budget offers would give the IJB a delegated budget of £684.6m at the beginning of financial year 2020/21 as shown below in table 1:

	Council £m	NHS Lothian £m	Total £m
2019/20 baseline budget	217.7	439.8	657.5
Uplift	15.0	12.1	27.1
<b>Total budget 2020/21</b>	<b>232.7</b>	<b>451.9</b>	<b>684.6</b>

Table 1: Delegated budget 2020/21

### Costs – 2020/21 expenditure forecast for delegated services

8. In conjunction with the City of Edinburgh Council and NHS Lothian finance teams the projected costs on delegated services for the coming financial year have been modelled. The underpinning assumptions were set out in the April 20 report on the financial plan which can be found [here](#)
9. Purchasing inflation and national care home inflation cost estimates have been provided by the Council finance and contracting teams and reflect national agreements where in place. As discussed above, this includes the Scotland

wide 3.3% contract uplift to reflect living wage increases. It is also assumed that this initiative is fully funded.

10. The impact of these assumptions on projected expenditure for the IJB is that 20/21 costs will rise to £706.4m, a breakdown of this increase is shown below in table 2:

	£m
Baseline expenditure	663.5
<i>Projected expenditure increases</i>	
Loss of income	5.7
Full year effect of 2019/20 pressures	6.0
Pay awards	10.4
Contract and non pay inflation	8.6
Growth and capacity	12.2
<b>Total Projected Expenditure 2020/21</b>	<b>706.4</b>

Table 2: projected delegated expenditure 2020/21

11. Taking the indicative budget offers from the Council and NHS Lothian and the projected costs for delegated services generates a £23.9m savings requirement going into 2020/21 as shown in table 3 below:

	CEC £m	NHSL £m	IJB* £m	Total £m
Indicative delegated budgets	232.7	451.9		684.6
Projected delegated costs	251.7	458.4	(3.7)	706.4
<b>Savings requirement</b>	<b>19.0</b>	<b>6.5</b>	<b>(3.7)</b>	<b>21.9</b>

Table 3: projected IJB savings requirement 2020/21

\* full year effect of savings from Gylemuir closure

12. It should be noted that the position set out in table 11 could be further impacted by the outcome of the discussions on contractual uplifts referenced above.

### Financial impact of COVID-19

13. Assessing the financial implications of the pandemic is not a straightforward exercise. At its simplest there are 2 elements to this: the net additional cost of the immediate and ongoing response to COVID-19; and the medium to longer term cost associated with reconfigured services. The following section of this report considers these 2 factors in turn.
14. At the outset of the pandemic NHS boards were required to submit mobilisation plans which outlined their response to the pandemic, with a particular focus on reducing delayed discharges, thereby increasing hospital capacity to deal with COVID-19. These mobilisation plans were developed on a system wide basis and high level estimates of the anticipated additional costs were included in the

initial submission. At that stage many of these costs were speculative, relying on a high level of estimation whilst awaiting actual costs and an increased understanding of the reshaping and rescaling of different services across the city.

15. Subsequently, Health and Social Care Partnerships (Partnerships) have been required to submit regular updates to these preliminary estimates to the Scottish Government (SG). This happened via NHS Boards who were charged by the Cabinet Secretary with coordinating the mobilisation planning efforts. Initially weekly submissions were made, as plans were firmed up and implemented. The frequency has since reduced, and returns now include a combination of actual costs and estimates of future expenditure. The latest return is summarised in table 4. A comparison between this and the original mobilisation plan is given in appendix 2:

	£k
Additional capacity	11,103
One Edinburgh	5,313
Provider sustainability	25,188
PPE	999
Miscellaneous	1,170
GPs & prescribing	3,737
Slippage on savings	6,609
Living wage uplift shortfall	4,700
<b>Total</b>	<b>58,819</b>

*Table 4: mobilisation plan costs as reported to SG*

16. Both the UK and Scottish Governments have recognised that the response to the pandemic will require a range of additional funding to be made available. The Scottish Government (SG) published an exceptional summer budget revision which was laid before parliament on 27<sup>th</sup> May 2020. This detailed additional spending across the 8 SG portfolios, with an additional £620m allocated for health and sport. This has since risen to c£780m, the total funding currently available to support both the range of national initiatives (e.g. the creation of the Louisa Jordon hospital) and to fund the mobilisation plans.
17. To bolster the monies available for the COVID-19 response, the SG has indicated that they will also take account of: redirection of resources within boards to address COVID-19; and wider spending reprioritisation across the Scottish Government and NHS Boards. In this context it has been made clear to both Health Boards and Integration Authorities that only net additional costs will be met. In other words, any underspends attributable to COVID-19 will be redirected to offset additional costs. Making this distinction requires a degree of judgement and will be closely scrutinised by SG colleagues.
18. An early assessment of the mobilisation plan financial returns highlighted that, across Scotland, the funding available was some distance short of the total estimated costs. Although the SG has not confirmed the magnitude of the



shortfall it is understood to be significant, thus increasing the risk that additional costs will not be met in full.

19. As the mobilisation planning process developed, differences in approach across the country became evident. In response, a significant amount of work has been done through national finance networks to ensure that financial submissions to the SG are as clear and consistent as possible. A 'peer review' process has been established for Health Boards and a benchmarking group set up for Partnerships. It is intended that these mechanisms will ensure robustness and consistency of costs set out in mobilisation plans and provide the necessary assurance for funding to be allocated. Health boards have been asked to undertake a detailed quarter 1 review with an emphasis on quantifying the actual costs associated with COVID-19. This will provide greater certainty over the actual implications as opposed to earlier estimates. As part of the process, the SG will undertake some further detailed scrutiny of areas where there are significant differences in approach reflected in local mobilisation plan submissions. This includes unachieved savings and areas such as IT/Telephony costs. Using this information they will then further consider the most appropriate next steps in addressing financial implications.
20. To date only limited funding has been agreed. An initial allocation of £50m to Integration Authorities was confirmed by the SG on 12<sup>th</sup> May 2020. Edinburgh's share of this allocation is £4.1m. Although the SG has provided assurance that this is an initial advance only whilst further work to ensure the robustness of costs is undertaken, this assurance needs to be considered in the context of the overall shortfall in resources available.
21. The ongoing financial implications of COVID-19 are far less clear. The impact will crystallise as we progress our 'route map planning' and consider the joint impact of transformation and what we have learned during the pandemic. This work is being led by the Head of Strategy and any associated financial consequences will be captured as part of the decision making processes.
22. Based on the conclusions derived from the information set out in paragraphs 13 to 21 above, the financial plan has been prepared on the basis of no net impact from COVID-19 i.e. assuming that any additional costs will either be funded or otherwise mitigated. Although NHS Lothian has now produced its financial results for April, the Director of Finance has advised the board that further work is required to accurately determine the financial impact of the pandemic. The Council will produce its first monitoring information (based on the first quarter) in July. Both organisations are in the process of updating their financial projections for the year. In the absence of further clarity in this area it is anticipated that the costs incurred as a result of mobilisation activities will be met in full. Further work is required on the ongoing financial implications and this cannot be quantified until our commissioning intent is clearer.
23. Whilst it is recognised there is risk inherent in this approach, it is a necessary one given the prevailing level of complexity and turbulence caused by COVID-19 on financial performance and the further work being undertaken by our partners and colleagues at the SG. Working through this detail required will

take some time but and will require a degree of interpretation. However the outcome of this exercise will be needed in order to provide the IJB with an appropriate degree of assurance on the financial plan.

### Achieving financial balance

24. 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. As highlighted in the discussions above, and notwithstanding COVID-19, these factors influence our ability to set a balanced budget. Each year we face a discrepancy between the level of funding available and the projected costs of delivering the IJB's delegated services.
25. A separate paper to this meeting sets out the proposed savings and recovery programme. However this paper does cover some additional mitigating actions to achieve financial balance. These are set out in table 5 below:

	£m
Financial plan gap	21.9
<i>Potential actions</i>	
Phase community investment strategy	2.0
Older peoples reserve	1.0
<b>Total potential actions</b>	<b>3.0</b>
<i>Potential additional contributions</i>	
NHSL (set aside deficit)	3.0
<b>In year savings requirement</b>	<b>15.9</b>

Table 5: projected in year savings requirement

26. The financial position described above indicates a remaining gap of £21.9m for this financial year, with the potential to further reduce this to £15.9m. This includes:
  - For a number of years now the financial plan has included provision for a £2m investment in community capacity. Work on the underpinning strategy, led by the Head of Operations and supported by the third sector, is a key component of our transformation programme. As we reflect upon the recent mobilisation of communities we've seen during the COVID-19 pandemic, we can see the enormous benefit of a community based infrastructure to support and promote independence. The strategy (as was being developed prior to COVID-19) was scheduled to come to the Board in April 2020 for implementation from April 2021. Understandably, it was postponed and will be rescheduled for the board at a later date taking on-board lessons learned from this last period. In view of this current review of the direction of the investment to take account of the

lessons, it is unlikely that any meaningful spending plans will be in place for this financial year. Accordingly it is proposed that the 20/21 investment is used, on a one off basis, to support the overall in year financial position;

- An older peoples reserve was established some years ago, funded from the social care fund. Recognising that demographic related increases in costs feature prominently in the £21.9m gap (table 5), it is proposed to offset this on a recurring basis with the £1m provision; and
  - NHS Lothian's Director of Finance has indicated that, as in previous years, an agreement on set aside pressures is a reasonable planning assumption. This will be monitored as the year progresses in conjunction with health colleagues.
27. A separate paper to this meeting sets out the associated savings and recovery programme. This proposes a number of elements or 'phases' and, if agreed in full, will allow the IJB to set a balanced budget for the 20/21.
28. The resultant budget is set out in Appendix 2, which will accompany direction EIJB-22/10/2019-1. This schedule sets out the initial allocation for all delegated services.
29. As in previous years, this position relies heavily on one off or non recurring measures. Like many other public sector organisations, we face significant financial challenges and, due to the continuing difficult national economic outlook, further uncertainty in the light of COVID-19 and increasing demand for services, will need to operate within tight fiscal constraints. Whilst many things are uncertain, it is clear that achieving recurring financial balance will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders. To address this we are developing our financial strategy. This will build on the financial framework and be closely aligned to the strategic plan. Progress with this strategy has stalled as we have redirected our energies to dealing with COVID-19. This work is now being reinvigorated and prioritised and we are aiming to present it by the end of the financial year. We would also intend to present an early draft of the budget for 2021/22 by this autumn.

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

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### **Financial**

30. Financial impacts are outlined in the main body of this report.

### **Legal/risk implications**

31. Legal / risk implications are outlined in the main body of this report.

32. The financial plan set out in this paper assumes that all COVID-19 costs will be met by the Scottish Government through the mobilisation planning process and the regular financial returns associated with this.

**Equality and integrated impact assessment**

33. There are no specific implications arising from this report. Integrated impact assessments have been undertaken for all savings and recovery proposals being presented for approval.

**Environment and sustainability impacts**

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

**Quality of care**

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

## Consultation

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36. 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	Comparison of original mobilisation plan with original submission
Appendix 2	Financial schedule to accompany direction

## Appendix 1

### *Comparison of original mobilisation plan with original submission*

Cost heading	Description	Cost per mob'n plan £k	Update per latest submission £k
Additional bed capacity	Purchase of 'safehaven' care home beds	5,822	5,861
Additional care at home capacity	Planned increase in capacity	5,242	5,242
One Edinburgh	Scheduling software for care at home under a 'One Edinburgh' approach	5,100	5,313
Home First		200	200
Provider sustainability	Payments to reflect additional COVID-19 costs incurred by providers in line with the	0	25,188
PPE	Personal protective equipment	200	999
Miscellaneous		45	291
<b>Sub total</b>		<b>16,609</b>	<b>43,094</b>
<i>Included on pan Lothian basis in original submission</i>			
Ophthalmology	Payments to opticians		28
GPs & prescribing	Payments to GPs (for example Easter opening) and projected increase in prescribing costs		3,737
Community hubs	Centres set up to deal with COVID-19 related issues from members of the public		652
Slippage on savings	Potential shortfall on delivery as management resource diverted		6,609
<i>Now being dealt with separately by SG</i>			
Living wage uplift shortfall	3.3% contract uplift to reflect the living wage	5,000	4,700
<b>Grand total</b>		<b>21,609</b>	<b>58,819</b>

As can be seen from table 4, the variation in estimates is significant, however it should be noted that the material differences reflect changes in reporting format and approaches as opposed to changes in costs.

We already know that we have not needed to action all the activities set out in our mobilisation plans. Other projects (for example provider sustainability payments) are

in the early stages of implementation and it is not possible to accurately estimate the costs at this point

## Appendix 2

Direction from Edinburgh Integration Joint Board  
 Financial Schedule 2020/21  
 Direction ref: EIJB-22/10/2019-1

	Delegated budget £k
<b>CEC Delegated Budget 2019/20</b>	
<b>External Services</b>	
Assessment and Care Management	539
Care at Home	35,082
Care and Support	56,398
Day Services	13,094
Direct Payments & Individual Service Fund	34,860
Other Services	11,680
Residential Services	73,320
<b>Total External Services</b>	<b>224,972</b>
<b>Internal Services</b>	
Assessment and Care Management	13,408
Care at Home	25,120
Care and Support	8,161
Day Services	10,785
Equipment Services	8,481
Management	3,169
Other Services	6,747
Residential Services	27,802
Strategy / Contract / Support Services	2,904
Therapy Services	3,502
Pension Costs	450
<b>Total Internal Services</b>	<b>110,529</b>
<b>Gross Expenditure</b>	<b>335,502</b>
<b>Income and Funding</b>	
Customer and Client Receipts	(20,576)
Cost Recovery	(20,595)
Funding (SCF / ICF / RT / NHS Recharges)	(51,725)
<b>Total Income and Funding</b>	<b>(92,896)</b>
<b>Net Delegated Budget - CEC</b>	<b>242,606</b>

	Delegated budget £k
<b>NHSL Delegated Budget 2019/20</b>	
<b>Delegated - Core</b>	
Community Hospitals	12,895
District Nursing	12,024
Geriatric Medicine	4,081
GMS	70,912
Learning Disabilities	1,165
Mental Health	10,766
Other core	687
Management and RT	33,901
PC Services	10,659
Prescribing	80,317
Resource Transfer	24,106
Substance Misuse	1,809
Therapy Services	6,702
<b>Total Delegated - Core</b>	<b>270,024</b>
<b>Delegated - Hosted</b>	
Community Equipment	1,830
Complex Care	1,250
Hospices & Palliative Care	2,369
Learning Disabilities	8,033
LUCS	6,273
Mental Health	28,607
Oral Health Services	6,627
Other hosted	1,596
Psychology Services	3,954
Public Health	1,193
Rehabilitation Medicine	4,555
Sexual Health	3,725
Substance Misuse	2,903
Therapy Services	6,507
UNPAC	3,317
<b>Total Delegated - Hosted</b>	<b>82,740</b>
<b>Set Aside - Acute</b>	
Acute Management	3,310
Cardiology	4,136
Diabetes & Endocrinology	2,278
ED & Minor Injuries	9,773
Gastroenterology	3,323
General Medicine	25,353
General Surgery	5,413
Geriatric Medicine	14,098
Infectious Disease	5,884
Other set aside	1,234
Rehabilitation Medicine	2,487
Respiratory Medicine	6,058
Therapy Services	5,805
<b>Total Set Aside - Acute</b>	<b>89,154</b>
<b>Net Delegated Budget - NHSL</b>	<b>441,917</b>
<b>Total Net Delegated Budget (CEC + NHSL)</b>	<b>684,524</b>