

# REPORT

## Financial Framework 2021-2024

Edinburgh Integration Joint Board

1 December 2020

### Executive Summary

The purpose of this report is to present the board with the medium term 3 year financial outlook for the Integration Joint Board (IJB).

### Recommendations

It is recommended that the Board:

1. Support the development of an Integration and Sustainability Framework as set out in this paper; and
2. Note the initial financial outlook for 2021-2024.

### 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

1. This report has not been presented elsewhere.

### Main Report

#### Background

2. In October 2019 the IJB considered the draft financial outlook for 2020-23 which set out the projected financial gap for the 3 year period. This recognised that both our funding partner organisations face significant financial constraints and would require sizeable savings programmes to balance their budgets.
3. This paper builds on that work, and introduces our Integration and Sustainability Framework which has been developed in response to the longer

term financial challenges facing the IJB. This new approach recognises that, to address sustainability in the longer term and avoid the need to relentlessly develop savings programmes that lead to inefficient "salami slicing", there is an acknowledged requirement to evolve our thinking and approach.

### **Integration and Sustainability**

4. Integration Authorities (IAs) were established to transform health and care across Scotland in response to the challenges faced across the system. This transformation is happening against a backdrop of sustained real terms reductions in funding, coupled with a demand for health and social care services which is projected to increase significantly and at a faster rate than the wider economy.
5. One of the key levers available to the IJB to support transformation is that NHS and Local Authority budgets are no longer separate. The IJB can move resources between the partners in order to deliver new models of care and ensure the health and care system for Edinburgh is high quality, sustainable and effective. This premise underpins the Integration and Sustainability Framework, which considers how the IJB directs the totality of its resources in a manner which best serves the people of Edinburgh.
6. Our current approach to financial planning focuses firstly on quantifying the in-year shortfall between projected income and expenditure. Subsequently we identify, and then deliver, savings and recovery schemes to address the gap. Each year, developing savings proposals which will have limited impact on performance, quality and outcomes becomes more difficult.
7. The existing and agreed Transformation Programme sets out ambitious and clear actions that aim to develop and deliver tailored solutions to make sure that people get the services that are right for them. However, even with this programme and the innovations seen more broadly within the organisation, it will not realise efficiencies sufficient to address the financial challenges that will be faced in the next 3-5 years.
8. In this context an alternative approach is proposed – an Integration and Sustainability Framework, aligned to/ underpinned by the EIJBs Strategic Plan, which looks at how we work with our staff and the people of Edinburgh to shape and reimagine, the delivery of services within communities within the funding available to us.
9. To help us look towards the future, it is important to understand exactly what the health and social care service currently looks like in Edinburgh. The first phase is to build a clear baseline understanding of the current system, services and how they are provided now.
10. The project is being led by an experienced senior manager from the Partnership, with support from the transformation team, to ensure relevant and appropriate linkages are made. Work has commenced by carrying out research to understand the statutory obligations of the IJB as well as benchmarking across Scotland which has helped to shape questions for a wider range of staff as part of a month long series of engagement sessions. A full analysis of the engagement sessions and the benchmarking exercise is ongoing and there will follow a report detailing the themes identified and the suggested areas for consideration that could have the greatest impact for the organisation and the outcomes of the population of Edinburgh. It is anticipated that the Executive

Management Team will have this information alongside the organisation map/blueprint by early in the new year 2021.

11. It is important to recognise that this is a long term approach, and that we still have a requirement to deliver savings in the short term. Therefore a savings and recovery programme will be required to bridge the transition to this new approach.

### Transformation programme

12. The transformation programme was formally established in early 2020, as the main mechanism by which we will deliver the ambitions set out in the EIJBs strategic plan 2019/2022. Transformation will deliver a wide ranging programme of change, focused on improving quality and performance and delivering better outcomes for the people of Edinburgh resourced by a £2m investment, agreed by the IJB, to develop and deliver. In common with many other strands of work, progress was impacted by COVID-19 and a “Return to Transformation” paper was approved by the EIJB in July 2022. Each of the programme boards are now meeting regularly and good progress is now being made. An update on progress is planned for the Feb 2021 IJB meeting.

### Financial Outlook 2021-2024

13. The 3 year financial outlook for the IJB has been updated, based on the current planning assumptions from partner organisations. This remains subject to material change, as we and partners continue to develop detailed financial planning for 2021, but does provide the IJB with the scale of the financial challenge it faces. It should also be noted that many of the assumptions will remain indicative until the Scottish Government’s 2021 budget, scheduled for publication on 28<sup>th</sup> January 2021.
14. Even with the commitments of the financial framework around redesign and transformation of IJB services the outlook remains extremely challenging as can be seen in tables 1-3 below:

	21/22 £m	22/23 £m	23/24 £m
NHS delegated base budget	451.9	455.8	459.8
Additional contributions	3.9	4.0	4.0
<b>Total NHS income</b>	<b>455.8</b>	<b>459.8</b>	<b>463.8</b>
CEC delegated base budget	227.1	229.7	232.4
Additional contributions - SG settlement	7.3	7.3	7.3
Additional contributions - 'efficiency target'	(4.7)	(4.6)	(4.6)
<b>Total CEC income</b>	<b>229.7</b>	<b>232.4</b>	<b>235.1</b>
<b>Total income</b>	<b>685.5</b>	<b>692.2</b>	<b>698.9</b>

Table 1: Anticipated income 2021-2024

	21/22 £m	22/23 £m	23/24 £m
Baseline spend	692.8	715.8	739.0
Projected increases in spend:			
<i>Pay inflation</i>	6.8	6.9	6.9
<i>Purchasing inflation</i>	4.4	4.4	4.4
<i>Non pay inflation</i>	1.4	1.4	1.4
<i>Medicines growth</i>	0.9	0.9	1.0
<i>Prescribing growth</i>	1.6	1.6	1.7
<i>Demographic growth</i>	8.0	8.0	8.0
<b>Total increases</b>	<b>23.0</b>	<b>23.2</b>	<b>23.4</b>
<b>Total projected spend</b>	<b>715.8</b>	<b>739.0</b>	<b>762.4</b>

Table 2: Projected expenditure 2021-2024

	21/22 £m	22/23 £m	23/24 £m
Baseline budget	679.0	685.5	692.2
Uplift	6.5	6.7	6.7
<b>Total budget</b>	<b>685.5</b>	<b>692.2</b>	<b>698.9</b>
Baseline expenditure	692.8	715.8	739.0
Cost increases	23.0	23.2	23.4
<b>Total expenditure</b>	<b>715.8</b>	<b>739.0</b>	<b>762.4</b>
<b>Savings requirement</b>	<b>(30.3)</b>	<b>(46.8)</b>	<b>(63.5)</b>

Table 3: Projected financial outlook 2021-2024

15. The projected savings requirement of £30.3m for 21/22 is clearly a significant target. It encompasses a brought forward shortfall, or structural deficit, of £13.8m which is carried forward from 20/21. This in turn is compounded by increased costs of £23m in 21/22 which are significantly less than the projected budgetary uplift of £6.5m. This is summarised in table 4 below:

	NHS £m	Council £m	Total £m
Financial plan gap 20/21	(6.5)	(18.9)	(25.4)
20/21 savings and recovery	5.3	9.0	14.3
Non recurring funding	(0.6)	(2.0)	(2.6)
<b>Opening recurring position</b>	<b>(1.9)</b>	<b>(11.9)</b>	<b>(13.8)</b>
21/22 - budget uplift	3.9	2.6	6.5
21/22 - cost increases	(8.0)	(15.0)	(23.0)
<b>21/22 additional pressure</b>	<b>(4.1)</b>	<b>(12.4)</b>	<b>(16.5)</b>
<b>Savings requirement</b>	<b>(6.0)</b>	<b>(24.3)</b>	<b>(30.3)</b>

Table 4: Breakdown of financial gap 2021/22

16. The UK Government's spending review was announced on 24<sup>th</sup> November and the Chief Finance Officer is actively working with the NHS Lothian Director of Finance and the Council's Head of Finance to model the likely impact on finances.

### **2021/22 savings and recovery programme**

17. As outlined above, although the Integration and Sustainability Framework will support the longer term strategy, in the short term the requirement to identify a savings and recovery programme for 2021/22 remains.
18. Work to develop this has started and the intention is to structure the programme in the following 4 categories:

1. **Previously approved proposals** from 2019/20 & 2020/21

2. **Operational/ Grip & Control projects** that do not need IJB approval (e.g. prescribing)

3. **Projects under the Transformation Programme** that will realise efficiencies

4. **New proposals** – that which will be presented for approval by IJB as part of financial plan in March 2021

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

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### **Financial**

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

### **Legal/risk implications**

20. Legal / risk implications are outlined in the main body of this report.
21. 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**

22. There are no specific implications arising from this report. Integrated impact assessments will be undertaken for all savings and recovery proposals being presented for approval.

### **Environment and sustainability impacts**

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

### **Quality of care**

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

## Consultation

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25. 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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