

# REPORT

## Finance update

Edinburgh Integration Joint Board

2 February 2021

### Executive Summary

The purpose of this report is to provide the Integration Joint Board with an update on projected in year financial performance. At this stage an assessment of moderate assurance over in year break even is provided.

### Recommendations

It is recommended that the committee note:

1. the current year end forecasts provided by our partners;
2. the funding allocations received to date to meet the additional costs of COVID-19;
3. that a further and final allocation will be agreed following information submitted in January 2021; and
4. the moderate assurance given by the Chief Finance Officer on the year end outturn for delegated services.

## 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. Figures included in this report were considered at the Performance and Delivery (P&D) Committee on 20<sup>th</sup> January 2021. P&D also considered a report on the financial position of set aside services and debated the methodology used by NHS Lothian to attribute costs and budgets. Following this, the committee is proposing a board level discussion at a suitable point in the future.

## Main Report

---

### Background

2. At its meeting in July the IJB agreed the 2020/21 financial plan, which set out how financial balance could be achieved in year. In August, the board agreed to implement the nationally agreed 3.3% contract uplift to support providers to pay all employees the Scottish Living Wage. This in turn led to a £3.4m gap in the previously balanced financial plan.
3. Previous reports to both the Performance and Delivery (P&D) Committee and the IJB, highlighted the challenge of interpreting the finances in the context of prevailing uncertainty as arising from the COVID-19 pandemic. Consequently it was recognised that the Chief Finance Officer was not, at that point, in a position to give the IJB assurance on the likely final impact on the IJB's finances.
4. Throughout the pandemic Scottish Government (SG) officials have emphasised the intention to fully fund the financial impact of COVID-19. This was reinforced

by the Cabinet Secretary's announcement of £1bn of funding at the end of September 2020 and a number of smaller specific allocations as discussed in paragraphs 12 and 15 below.

- Although the majority of this funding has not yet been reflected in the updated financial projections provided by partners, all indications are that there is sufficient funding in the system to fully address the financial impacts of Covid-19.

### Overview of financial position

- 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.
- The information in this report is based on the period 8 (November 2020) monitoring reports from the Council and NHS Lothian. Table 1 below summarises the projected year end operational position for delegated services, before the application of the next tranche of SG funding. Further detail is included in appendices 1 (the Council) and 2 (NHS Lothian).

	Budget £k	Annual Forecast actual £k	Variance £k	Variance to end August £k
NHS services				
Core	310,327	312,895	(2,568)	(739)
Hosted	104,597	105,291	(694)	(447)
Set aside	91,718	96,516	(4,798)	(2,592)
<b>Sub total NHS services</b>	<b>506,642</b>	<b>514,702</b>	<b>(8,060)</b>	<b>(3,778)</b>
<b>CEC services</b>	<b>228,494</b>	<b>236,250</b>	<b>(7,756)</b>	<b>(5,171)</b>
<b>Living wage</b>		<b>3,400</b>	<b>(3,400)</b>	<b>(1,417)</b>
<b>Total</b>	<b>735,136</b>	<b>754,352</b>	<b>(19,216)</b>	<b>(10,366)</b>

Table 1: IJB year end forecast 20/21

8. Overall, the latest projections indicate a year end overspend of £19.2m before the application of additional Covid-19 funding. This is a deterioration in the position (£17.9m) reported to the IJB in October, largely due to increasing purchasing costs. Financial forecasts and remobilisation plans will continue to be updated and refined as we enter the final quarter of the financial year.

### **City of Edinburgh Council**

9. The Council has just completed its period 8 monitoring report which shows a projected overspend for the year of £7.7m excluding the impact of the living wage payments agreed in August. Including this will increase the year end position to £11.2m. Headline pressures include the increasing costs of externally purchased services and reductions in income as a result of the pandemic. These are offset by continued vacancy levels in internal services, predominantly homecare.
10. As described elsewhere in this paper, the SG has committed to fully funding the financial impact of the pandemic. The Chief Finance Officer and key officers from the Council's finance team are working closely to finalise the mobilisation submission to the SG which is due on 15 January 2021. Evidence to date strongly supports that the overspend associated with Council delegated services reflects either: increased costs; or slippage in the delivery of savings, both as a direct result of the pandemic.

### **NHS Lothian**

11. NHS Lothian has now published the financial results to the end of November and finalised the mid year review. The impact on the IJB is estimated to be an overspend of £8.0m by the end of the year.
12. As with the Council position, interpretation is complicated by the impact of COVID-19 costs, offsets and funding. The Scottish Government allocated £78m of funding to NHS Lothian in December for COVID-19 costs. Of this, £60m for was for Health Board costs and £18m for health and social care partnerships (HSCPs). Subsequently funding has been issued for GMS costs (£3.0m) and a further £8m for the adult social care winter plan. Including the

£111m received earlier in the year, gives total funding to date of £111m. Where appropriate, funding has passed from NHS Lothian to the Council.

13. At a Lothian level, elements of this funding have been released to offset costs incurred since April and information continues to be worked through relating to the IJB position, particularly for hosted and set aside services. NHS Lothian has reported to its Finance And Resources Committee that *'the nature of disaggregating costs at cost centre level makes IJB financial performance reporting more complex with COVID-19 costs incurred across set aside, hosted and core areas, and this is compounded by the centralisation of significant cost elements. It is likely that a proper assessment of the IJB financial variances will only be possible once the COVID-19 funding allocation has been distributed accordingly across areas'*.
14. Key variances remain largely as previously reported and include pressures in: GMS (largely increased payments made to GPs during the pandemic - the funding received to date to offset these costs has not yet been reflected in the forecast); prescribing (national discussions are taking place to agree the extent to which the prescribing overspend can be been classified as a COVID-19 related cost pressure); and set aside services (complexities inherent in the methodology used to translate financial performance on a business unit basis to the implications for the IJB via the mapping table requires further analysis).

### **Funding for the financial impact of COVID-19**

15. On 29 September 2020 the Cabinet Secretary announced in parliament funding totalling £1.089bn to support health and social care. This was followed by a letter from the SG Director of Planning for Health and Social Care confirming NHS Lothian's allocation of £78.3m. As discussed at paragraph 4 above, NHS Lothian has received £111m to date, although the majority of this money has not yet been reflected in year end forecasts.
16. Senior Officers from NHS Lothian, the Council continue to work alongside the IJB's Chief Finance Officer and officers from the SG to address the financial impacts of COVID-19. Financial estimates are under constant review with the

next key submission to SG made on 15 January. This return will be used as the basis for a further substantive funding allocation in January. Based on these returns the SG will fund **all** additional costs of the pandemic **including** non delivery of savings and offsetting cost reductions.

17. This certainty supports the moderate assurance the Chief Finance Officer is now in a position to provide.

### **Savings and Recovery Programme**

18. Delivery of the EIJB's Savings and Recovery Programme is overseen by the Savings Governance Board (SGB), chaired by the Chief Officer. This group meets monthly with all project leads submitting progress reports which inform the overall dashboard prepared by the Programme Manager. As part of this process all reports are signed off by finance colleagues to ensure accurate and appropriate reporting.
19. At their meeting on the 16 October 2020 the P&D Committee was provided with a presentation by the Programme Manager, outlining the Savings Programme Governance Framework to provide assurance that appropriate checks and balances were in place, to both monitor and scrutinise the Savings and Recovery Programme projects and manage associated risks and impacts. It was agreed that a quarterly update report would be provided for P&D with the first such report presented to the committee at its January 2021 meeting.
20. Progress has been made across all projects within the programme, as summarised in appendix 3. Despite the challenges posed by COVID-19 highlighted above, overall, it is expected that financial balance will be reached across the 2020/21 Savings and Recovery Programme. This will be achieved through under spends or slippage in other budget areas and through Scottish Government (SG) funding for unachieved savings via mobilisation plans.

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

---

### **Financial**

21. Outlined elsewhere in this report

### **Legal/risk implications**

22. Like any year end projection, the IJB's relies on a number of assumptions and estimates each of which introduces a degree of risk. At this stage the final SG allocation in respect of the financial impact of COVID-19 is awaited.

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

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

### **Environment and sustainability impacts**

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

### **Quality of care**

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

### **Consultation**

---

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

### **Report Author**

---

**Moira Pringle, Chief Finance Officer, Edinburgh Integration Joint Board**

Contact for further information:

Name: Moira Pringle

Email: [moira.pringle@nhsllothian.scot.nhs.uk](mailto:moira.pringle@nhsllothian.scot.nhs.uk)

Telephone: 0131 469 3867

### **Appendices**

---

- |            |                                                  |
|------------|--------------------------------------------------|
| Appendix 1 | Year end forecast for Council delegated services |
| Appendix 2 | Year end forecast for NHS delegated services     |
| Appendix 3 | Progress with savings and recovery plan          |
| Appendix 4 | Glossary of terms                                |

## YEAR END FORECAST FOR CITY OF EDINBURGH COUNCIL DELEGATED SERVICES

Service	Annual				Variance to end November £k
	Budget £k	Forecast actual £k	Variance £k	%	
<b>External</b>					
Assessment & care management	519	519	0	0%	0
Care at home	32,588	33,711	(1,123)	-3%	(748)
Care and support	57,711	59,822	(2,111)	-4%	(1,407)
Day services	13,877	13,877	1	0%	0
Direct payment/individual service funds	37,333	38,605	(1,271)	-3%	(847)
Other services	11,085	10,878	208	2%	138
Residential services	65,822	69,018	(3,196)	-5%	(2,130)
Transport services	1,044	791	253	24%	169
<b>Total external services</b>	<b>219,979</b>	<b>227,218</b>	<b>(7,239)</b>	<b>-3%</b>	<b>(4,826)</b>
<b>Total internal services</b>	<b>111,124</b>	<b>109,639</b>	<b>1,485</b>	<b>1%</b>	<b>990</b>
<b>Total costs</b>	<b>331,103</b>	<b>336,857</b>	<b>(5,754)</b>	<b>-2%</b>	<b>(3,836)</b>
<b>Income and funding</b>					
Customer and client receipts	20,115	18,288	(1,827)	-9%	(1,218)
Cost recovery	26,846	26,628	(218)	-1%	(145)
Funding (SCF/ICF/RT)	55,649	55,691	43	0%	28
<b>Total income and funding</b>	<b>102,609</b>	<b>100,607</b>	<b>(2,002)</b>	<b>-2%</b>	<b>(1,335)</b>
<b>Net position</b>	<b>228,494</b>	<b>236,250</b>	<b>(7,756)</b>	<b>-3%</b>	<b>(5,171)</b>



## PROGRESS WITH SAVINGS AND RECOVERY PROGRAMME

Service	Annual				Variance to end November £k
	Budget £k	Forecast actual £k	Variance £k	%	
<b>Core services</b>					
Community Hospitals	12,905	12,825	80	1%	130
District Nursing	12,044	12,042	2	0%	246
Geriatric Medicine	2,786	2,810	(23)	-1%	(89)
GMS	87,072	89,355	(2,283)	-3%	(486)
Learning Disabilities	1,185	1,087	98	8%	91
Mental Health	8,217	7,193	1,023	12%	771
PC Management	59,889	59,751	137	0%	(39)
PC Services	7,701	7,793	(92)	-1%	(496)
Prescribing	76,117	77,919	(1,802)	-2%	(1,054)
Resource Transfer	25,536	25,536	(0)	0%	1
Substance Misuse	4,483	4,240	243	5%	96
Therapy Services	11,448	11,552	(104)	-1%	20
Other	943	791	152	16%	70
<b>Sub total core</b>	<b>310,327</b>	<b>312,895</b>	<b>(2,568)</b>	<b>-1%</b>	<b>(739)</b>
<b>Hosted services</b>					
Community Equipment	1,860	2,748	(889)	-48%	(655)
Complex Care	1,555	1,331	223	14%	17
Hospices & Palliative Care	2,956	2,961	(5)	0%	(5)
Learning Disabilities	7,912	7,997	(85)	-1%	117
LUCS	6,263	7,375	(1,112)	-18%	(908)
Mental Health	31,057	32,207	(1,150)	-4%	(511)
Oral Health Services	10,002	9,825	178	2%	120
Primary Care Services	2,957	2,850	106	4%	116
Psychology Services	5,270	5,217	53	1%	57
Public Health	1,064	996	68	6%	31
Rehabilitation Medicine	5,062	4,537	525	10%	357
Sexual Health	3,788	3,626	162	4%	149
Substance Misuse	2,193	2,178	15	1%	(3)
Therapy Services	8,134	7,539	595	7%	441
UNPAC	3,746	3,447	299	8%	(85)
Other	10,780	10,457	323	3%	313
<b>Sub total hosted</b>	<b>104,597</b>	<b>105,291</b>	<b>(694)</b>	<b>-1%</b>	<b>(447)</b>
<b>Set aside services</b>	<b>91,718</b>	<b>96,516</b>	<b>(4,798)</b>	<b>-5%</b>	<b>(2,592)</b>
<b>Total</b>	<b>506,642</b>	<b>514,702</b>	<b>(8,060)</b>	<b>-2%</b>	<b>(3,778)</b>

## PROGRESS WITH SAVINGS AND RECOVERY PROGRAMME

Savings Project	Progress against plan			Progress against savings			Commentary
	Oct 20	Nov 20	Trend	Oct 20	Nov 20	Trend	
1. Adult Sensory Impairment Services	10	10	→	10	10	→	Savings fully realised. New contracts from October 2020 were 10% less than previously as per agreement at EIJB in Dec 2019.
2. Learning Disability Services (A)	10	10	→	10	10	→	Savings fully realised. Work completed during 2019/20 to ensure that savings would be realised from 1 <sup>st</sup> April 2020
3. External Housing Support	7	7	↑	6	7	↑	Savings and project on track. Change Report approved by SGB in Oct 20 agreeing to risk share proposal with providers which saw an adjustment to project timelines. Project still anticipated to realise in year savings target. Monthly monitoring of implementation costs in place. Savings also anticipated from project in 2021/22.
4. Day Centres & Be Able	6	6	→	8	8	→	Delay in implementing plan because of suspension of Day Centre services due to COVID-19. However savings on track because of resulting reduced costs. Planned savings from project in 2021/22 also still on track.
5. Vacancy Control	6	6	→	6	6	→	Project has been progressed with vacancy control process approved by EMT. COVID-19 second wave and winter pressures have meant that roll out has been paused. However, currently vacancies are at such a level that there is no risk associated with this and as a result of our staffing position we will still reach financial balance.
6. Savings from Hosted Services	8	8	→	8	8	→	Savings and project on track. Governance and management responsibility for these projects sit across the HSCPs or business

## PROGRESS WITH SAVINGS AND RECOVERY PROGRAMME

Savings Project		Progress against plan			Progress against savings			Commentary
							units within NHS Lothian.	
	<b>7. NHS Lothian Set Aside Savings</b>	5	5	→	5	5	→	COVID-19 has impacted on the ability to deliver fully on all agreed projects and therefore planned savings. Governance and management responsibility for these projects sits within existing NHS Lothian acute mechanisms. However, financial balance will be reached across the programme via identified slippage.
Phase 1	<b>8. Home First</b>	10	10	→	10	10	→	Savings fully realised. Through the use of the Home First model the reprofiling of Ward 71 at the Western General and Ward 120 in the Edinburgh Royal Infirmary was enabled. A Close Report (CLR1) was submitted and approved by SGB on 16/09. The associated direction <i>EIJB-22/10/2019-11</i> has also been closed following approval by EIJB on 15/12/20
	<b>9. Purchasing</b>	4	4	→	4	2	↓	Project behind plan and savings at risk due to the impact of COVID-19, which has led to increased demand in some areas and reduced capacity to make planned changes. Work is ongoing to implement changes where possible. It is anticipated that in 2020/21 a break even position will be reached, with additional purchasing costs claimed through the Local Mobilisation Plan by identifying the impact of COVID-19 on the overspend and to slippage in savings. Savings leads and finance are undertaking work to understand the drivers of purchasing forecast to support work in 2021/22, however this is a complex process. <i>(Monitored as a joint project with Additional Purchasing Project #17)</i>
	<b>10. Learning Disability Services (B)</b>	4	5	↑	4	5	↑	Delay in implementing elements 1 (review internal housing support) and 3 (Transfer to shared support) of this proposal due to COVID-

## PROGRESS WITH SAVINGS AND RECOVERY PROGRAMME

Savings Project	Progress against plan			Progress against savings			Commentary
							19. However, 2 (Consider people using day support who live with care providers to move to a single service) and 4 (Phase out Adult Resource scheme) have been progressed and savings realised. Despite this it is anticipated that, financial balance will be reached across the programme via identified slippage.
<b>11. Review Rehabilitation Services</b>	5	6	→	6	5	→	COVID-19 has impacted on the ability to deliver agreed project and therefore planned savings. However, financial balance will be reached across the programme via identified slippage. Work is underway to ensure recurring savings will be realised in 2021/22.
<b>12. Review Sexual Health Services</b>	5	5	→	5	5	→	Project and savings behind plan due to the impact of COVID-19, which has led to redeployment of staff and reduced capacity to make planned changes. Work is ongoing to identify opportunities for recurring savings from existing core budgets whilst the review of services is ongoing. At this stage there is an under spend in vacancies and non pay budgets which could help support financial balance in year but will be recognised as part of the wider financial monitoring.
<b>13. Prescribing</b>	6	6	↑	6	6	↑	Project and savings on track. At month 8 the Edinburgh prescribing saving is sitting at £1.53m of £1.96m. Where possible the Pharmacy Team has maintained a focus on delivering prescribing efficiencies through a mixture of programmes despite the impact of COVID-19.
<b>14. Community Equipment</b>	4	4	→	4	4	→	Project and savings behind plan due to the impact of COVID-19, which has increased demand for equipment and reduced capacity to make planned changes. Work is ongoing to establish grip and control mechanisms across the service area. It is anticipated that financial balance will be reached through reclaimed COVID costs via Local Mobilisation Plan
<b>15. Carers Investment</b>	8	10	↑	8	10	↑	Savings fully realised. Identified slippage and delay in new Carers

## PROGRESS WITH SAVINGS AND RECOVERY PROGRAMME

Savings Project		Progress against plan			Progress against savings			Commentary
								contract start date to January 2021 has realised agreed savings. A Close Report (CLR2) was submitted and approved by SGB on 21/10.
Phase 2	16. Bed Based Project (Phase 1)	5	3	↓	5	2	↓	Strategic intentions associated with the BBP for 2021/22 are likely to impact on this savings project. Despite this it is anticipated that, financial balance will be reached across the programme via identified slippage.
	17. Additional Purchasing Target	4	4	→	4	2	↓	Project behind plan and savings at risk due to the impact of COVID-19, which has led to increased demand in some areas and reduced capacity to make planned changes. Work is ongoing to implement changes where possible. It is anticipated that in 2020/21 a break even position will be reached, with additional purchasing costs claimed through the Local Mobilisation Plan by identifying the impact of COVID-19 on the overspend and to slippage in savings. Savings leads and finance are undertaking work to understand the drivers of purchasing forecast to support work in 2021/22, however this is a complex process. <i>(Monitored as a joint project with Additional Purchasing Project #4).</i>
	18. Thrive – Mental Health & Wellbeing (1)	8	10	↑	8	10	↑	Savings fully realised. Slippages in recruitment to a number of posts within Mental Health (core budget) have led to a non recurring saving of £300k in 2020/21. A Close Report (CLR3) was submitted and approved by SGB on 16/12. Project work is ongoing to identify future efficiencies given EIJB future financial challenges.
	19. EADP	5	5	→	7	7	↑	Savings on track. Due to the circumstances created by COVID-19 there have been a number of delays to projects which have resulted in financial slippage within substance misuse budgets leading to a non recurring saving of £148k in 2020/21. Close report anticipated for SGB in Jan 21. Project work is ongoing to identify future efficiencies given EIJB future financial challenges.

## PROGRESS WITH SAVINGS AND RECOVERY PROGRAMME

### Detailed Project RAG Status *(Used across both the EIJB Savings Programme and Transformation Programme)*

<b>Red</b>	<b>0</b>	No confidence in delivery
<b>Red</b>	<b>1</b>	Critical issues threaten the success of the project and confidence in delivery is very low
<b>Red</b>	<b>2</b>	Significant project issues mean project is not on track and confidence in delivery is very low
<b>Amber</b>	<b>3</b>	Major problems regarding project performance and no or limited corrective actions in place
<b>Amber</b>	<b>4</b>	Major problems regarding project performance and delivery, but corrective actions are in place to improve confidence in delivery
<b>Amber</b>	<b>5</b>	Problems exist regarding project performance, delivery of corrective actions are/ have been delivered, with reasonable confidence of success
<b>Amber</b>	<b>6</b>	Minor problems exist with the project but confidence in the delivery of the project remains high
<b>Green</b>	<b>7</b>	Project on track and expected to deliver minimum outputs/ benefits
<b>Green</b>	<b>8</b>	Project on track. Progress and achievement of the project is on target
<b>Green</b>	<b>9</b>	Progress and achievement of the project is likely to exceed planned output/benefits
<b>Blue</b>	<b>10</b>	Project completed and outputs/ benefits delivered. Appropriate learning shared within and beyond Programme

## GLOSSARY OF TERMS

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