

REPORT

Financial Update

Edinburgh Integration Joint Board

22 June 2021

Executive Summary

This report confirms the out turn position for 2020/21 and provides the Integration Joint Board with an update on progress with balancing the 2021/22 financial plan.

Recommendations

It is recommended that the Board:

1. Note that, subject to audit, a surplus of £1.0m is reported for financial year 2020/21; and
2. Agree that the additional funding of £2.5m agreed by the Council is applied to reduce the 2021/22 budget deficit.

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 2020/21 outturn report (attached as appendix 1) was discussed by the Performance and Delivery Committee on 9th June 2021.

Main Report

2020/21 outturn

2. The Integration Joint Board (IJB) is reporting an overall **surplus of £1.0m** on delegated services for 2020/21. This position is summarised in table 1 below with more detail in the paper on this subject presented to the Performance and Delivery Committee included at appendix 1.

	Budget £k	Actual £k	Variance £k
NHS services			
Core	329,721	329,197	524
Hosted	102,380	101,701	678
Set aside	100,576	100,754	(178)
Other	67,285	67,285	0
Reserves	21,679	21,679	0
Sub total NHS services	621,642	620,618	1,025
CEC services	228,157	228,157	0
Total	849,800	848,775	1,025

Table 1: IJB year end outturn 20/21

3. Included in the above are net additional costs of £40.5m which were incurred as a direct result of Covid-19. The main categories of associated expenditure being: sustainability payments made to support providers during the pandemic; purchase of additional capacity; slippage in savings delivery; additional staffing and reimbursement of independent contractors; increased prescribing costs; and slippage in the delivery of the savings and recovery programme. As above, further information is included in appendix 1.
4. In line with their commitment, Covid-19 related costs were met in full by the Scottish Government (SG) via the mobilisation planning (LMP) process in 2020/21. Reflecting that such costs will span across financial years, we received funding of £2.9m in excess of the costs incurred. This will be transferred to an earmarked reserve and carried forward to 2021/22. This sum will be added to the reserves which the IJB will carry forward to next financial

year. These are detailed in the paper attached at appendix 1 and summarised in table 2 below:

	£k
Earmarked reserves	
Balance of Covid funding	2,909
Further integration authority support	8,724
Community Living Change Fund	1,925
Action 15	157
Seek keep and treat/drug death taskforce	1,929
PCIF/P	2,814
Unscheduled care	2,223
Transformation	1,736
Other	1,967
Total earmarked reserves	24,385
General reserve	1,025
Total reserves	25,410

Table 2: IJB reserves as at 31st March 2021

5. These reserves fall into the following categories:
- Funding received in 2020/21 for Covid pressures. As well as the monies discussed in paragraph 4 above, the IJB received a share of £100m provided nationally to support ongoing Covid costs, including new ways of working developed in year, and additional capacity requirements;
 - Edinburgh's share of a £20m investment in a community living change funding to facilitate discharge from hospital of people with complex needs. This fund will support the return to Scotland of those placed in care in the rest of the UK and costs associated with the redesign of service provision in order to avoid future hospitalisation and inappropriate placements;
 - Funding for specific initiatives (e.g. action 15, primary care improvement funding) in full. In previous years funding was released to match only the actual costs incurred in year;
 - Unscheduled care monies which would historically been carried forward by SG on behalf of NHS Lothian;
 - Other balances including the provision for transformation previously agreed by the IJB; and

- The surplus for the year discussed in paragraph 2 above.
6. These sums will be carried forward to 21/22 via the board's reserves and, with the exception of the in year surplus, will all be treated as earmarked (or ring fenced) reserves. On behalf of the IJB and, in the context of the unbalanced financial plan, the Chief Officer and Chief Finance Officer are actively seeking to influence partners to maximise flexibility in the application of these monies in the current financial year.

2021/22 financial plan update

7. In March 2021 the IJB agreed the 2021/22 financial plan and associated savings and recovery programme. Recognising that the impact of the additional measures which would be required to balance the plan would have a significant negative impact on performance gains and, ultimately on outcomes for people, the board made the difficult decision to support a budget which did not deliver financial balance. At this point the plan had a deficit of £9.3m and the Chief Office and Chief Finance Officer were supported to continue tripartite efforts with colleagues in the City of Edinburgh Council and NHS Lothian to bridge this shortfall.
8. Following the receipt of significant additional revenue funding late in 2020/21 and after taking account of estimated Covid-related financial impacts over the next two financial years, the Council was in a position to agree a range of additional investments. Proposals were sought from officers and, on behalf of the IJB, the Chief Officer submitted a bid to secure additional budget for the IJB. At its meeting of 27th May the Council supported the proposals, including a further contribution of £2.5m for the IJB. It is **recommended** that this funding is
9. The Chief Officer and Chief Finance Officer continue their dialogue with Scottish Government officials to explore the extent to which the IJB's earmarked reserves can be applied to support the range of financial pressures and challenges we face. These discussions are fast moving and a verbal update will be given at the IJB meeting on 22nd June.

Implications for Edinburgh Integration Joint Board

Financial

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

Legal/risk implications

11. As outlined in this report, the IJB does not currently have a balanced budget for 2021/22, which clearly represents a material risk for the board. 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.

Equality and integrated impact assessment

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

Environment and sustainability impacts

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

Quality of care

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

Consultation

15. Issues raised in this report are the subject of ongoing discussion with partners and other stakeholders.

Report Author

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Appendices

Appendix 1	Finance update – financial outturn 2020/21 (report to Performance and Delivery Committee)
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REPORT

Finance update – 2020/21 outturn

Performance and Delivery Committee

9th June 2021

Executive Summary	The purpose of this report is to provide the Performance and Deliver Committee with the year end financial position.
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Recommendations	<p>It is recommended that the committee note that:</p> <ul style="list-style-type: none"> a. subject to audit, a surplus of £1.0m is reported for the 2020/21 financial year; and b. the Integration Joint Board will carry reserves totalling £25.4m into 2021/22, £24.4m of these reserves will be earmarked for specific purposes and the final £1.0m will be a general reserve.
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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

- This report has not been considered elsewhere. The figures contained within this report will be considered by the Integration Joint Board (IJB) on 22nd June 2021.

Main Report

Background

2. At its meeting in July 2020 the IJB agreed the 2020/21 financial plan, which set out how financial balance could be achieved in year. This position assumed that the financial impact of the Covid-19 pandemic would be funded in full. In August 2020, the board agreed to implement the nationally agreed contract uplift to support providers to pay all employees the Scottish Living Wage. This led to a £3.4m gap in the previously balanced financial plan.
3. During the year, the board received regular updates on the financial position and the status of any additional funding made available by the Scottish Government (SG) to meet the financial pressures brought about by the pandemic.
4. In February 2020 the Chief Finance Officer provided the IJB with moderate assurance that a breakeven position would be achieved across the range of delegated services. This paper provides an update, now that both partner organisations have closed their books for the year.

Overview of financial position

5. 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.
6. Financial reporting throughout the year, to both this committee and the IJB, highlighted the challenges inherent in providing meaningful, consistent and relevant financial information in the context of prevailing uncertainty arising from the Covid-19 pandemic.
7. The information in this report is based on the period 12 (March 2021) monitoring reports from the Council and NHS Lothian. These show an overall **surplus of £1.0m** for 2020/21, as summarised in table 1 below. Further detail is included in appendices 1 (the Council) and 2 (NHS Lothian).

	Budget £k	Actual £k	Variance £k
NHS services			
Core	329,721	329,197	524
Hosted	102,380	101,701	678
Set aside	100,576	100,754	(178)
Other	67,285	67,285	0
Reserves	21,679	21,679	0
Sub total NHS services	621,642	620,618	1,025
CEC services	228,157	228,157	0
Total	849,800	848,775	1,025

Table 1: IJB year end outturn 20/21

8. The reported position incorporates net additional costs of £40.5m as a direct result of Covid-19. A breakdown of these costs, which were funded in full by the Scottish Government, is attached at appendix 3.

City of Edinburgh Council

9. Council delegated services are reporting a break even position for the year, after the application of £29.0m of Covid-19 funding (see paragraphs 15 to 16 below and appendix 3). In line with the accounting practice adopted for all Council services, expenditure budgets were not created for these costs. Where possible, Covid costs were captured separately and reported on the appropriate expenditure lines. For other areas of expenditure, a degree of estimation was required, taking into account any offsetting cost reductions. The detail is included in appendix 1 and summarised in table 2:

	£k
Externally purchased services	(7,277)
Services delivered internally	1,697
Income	(3,612)
Sub total	(9,192)
Service wide Covid costs	(19,780)
Total Covid impact	(28,972)
Covid funding	28,972
Net position	0

Table 2: Summary outturn for Council run services 20/21

10. Headline issues are in line with those reported throughout the year, namely:
- *External services* (£7.3m over) – in the main can be attributed to spot purchasing, predominantly care at home/care and support, residential

services and direct payments. Although we have seen significant growth during 20/21 this was largely in line with assumptions. The variance therefore relates to slippage in delivery of savings as the workforce was focused on continuity of service during the pandemic. Accordingly, the in year savings target attributed to purchasing has been recognised in the 2021/22 financial plan and the savings target rolled over to 21/22.

- *Internal services* (£1.7m under) – continued vacancy levels across a range of services, predominantly homecare, and reduced costs in services which have not been fully operational (e.g. day services). These reductions offset Covid related costs which are also shown against this heading.
- *Income* (£3.6m over) – this is where the funding shortfall in relation to the living wage is shown. Also included is reduced income due to a lower use of residential and day care services during the pandemic offset by an increased recovery of income for the equipment store.

NHS Lothian

11. The outturn position for delegated services operated by NHS Lothian is a net underspend of £1.0m. This has been transferred to general reserve and will be carried forward to 2021/22 for prioritisation by the IJB.
12. As with the Council position, interpretation is complicated by the impact of Covid-19 costs, offsets and funding. Where possible NHS Lothian has distributed the Covid-19 funding allocation across the relevant expenditure budgets and, where the appropriate breakdown was not available, centralised budgets were created. Thus the variances reported generally exclude any impact of the pandemic.
13. As with the Council, the key variances remain largely as previously reported and include:
 - *Mental health* (£1.1m under) - continuing high levels of vacancies, particularly in nursing. A briefing has been provided to board members on this subject.
 - *Hosted services* (£0.2m over) – 3 main Covid-19 related pressures: increased issues of community equipment; additional costs of the pan

Lothian out of hours GP service (LUCS); and pressures in the Royal Edinburgh Hospital. Funding was not claimed for these issues as offsetting cost reductions were identified in other services.

14. Previous areas of pressure (GMS, prescribing and set aside) have benefited from in year Covid funding.

Funding for the financial impact of Covid-19

15. In 2020/21 Covid-19 related costs were met in full by the Scottish Government (SG) via the mobilisation planning (LMP) process. Funding was released by the Government at various points during the year with the final allocation confirmed in February 2021. Details were shared with the IJB via the financial plan (attached [here](#)) and financial plan update ([here](#)) papers presented to the board in March and April 2021 respectively. Specifically, the March paper highlighted that the funding received was significantly above the level requested via the LMP process. Reflecting the fact that Covid related costs will span across financial years, the surplus of £2.9m will be transferred to an earmarked reserve and carried forward to 2021/22. This position is replicated across Scotland and the SG has written to integration authorities to confirm that these funds should be carried in an earmarked reserve for Covid-19 purposes into 2021/22. Further, this funding should be used before further allocations are made through LMP returns.
16. The allocations received and associated costs are summarised in table 3 below with the detail provided in appendix 3.

	£k
Covid funding	43,386
Additional costs	
City of Edinburgh Council	28,972
NHS Lothian	11,505
Total	40,477
Net position (transferred to reserves)	2,909

Table 3: Summary Covid-19 funding and costs - 20/21

Integration Joint Board Reserves

17. The final piece of the financial jigsaw is the reserves which the IJB will carry forward to next financial year. These are summarised in appendix 4 and, at £25.4m, these are clearly considerable. Of the total the vast majority (£24.4m) are earmarked for specific purposes. These reserves fall into the following categories:
- Funding received in 2020/21 for Covid pressures. As well as the monies discussed in paragraph 15 above, the IJB received a share of £100m provided nationally to support ongoing Covid costs, including new ways of working developed in year, and additional capacity requirements;
 - Edinburgh's share of a £20m investment in a community living change funding to facilitate discharge from hospital of people with complex needs. This fund will support the return to Scotland of those placed in care in the rest of the UK and costs associated with the redesign of service provision in order to avoid future hospitalisation and inappropriate placements;
 - Funding for specific initiatives (e.g. action 15, primary care improvement funding) in full. In previous years funding was released to match only the actual costs incurred in year;
 - Unscheduled care monies which would historically been carried forward by SG on behalf of NHS Lothian;
 - Other balances including the provision for transformation previously agreed by the IJB; and
 - The surplus for the year discussed in paragraph 7 above.
18. These sums will be carried forward to 21/22 via the board's reserves and, with the exception of the in year surplus, will all be treated as earmarked (or ring fenced) reserves. On behalf of the IJB and, in the context of the unbalanced financial plan, the Chief Officer and Chief Finance Officer are actively seeking to influence partners to maximise flexibility in the application of these monies in the current financial year.

Savings and recovery programme

19. Progress against the programme is the subject of a separate report to this committee.

Implications for Edinburgh Integration Joint Board

Financial

20. Outlined elsewhere in this report

Legal/risk implications

21. The key risk associated with the position as set out in this paper is that the figures quoted are subject to audit.

Equality and integrated impact assessment

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

Environment and sustainability impacts

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

Quality of care

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

Consultation

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

Report Author

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Appendices

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| Appendix 1 | Financial outturn for Council delegated services for 2020/21 |
| Appendix 2 | Financial outturn for NHS delegated services for 2020/21 |
| Appendix 3 | Covid funding and related expenditure for 2020/21 |
| Appendix 4 | Edinburgh Integration Joint Board reserves as at 31 st March 2021 |
| Appendix 5 | Glossary of terms |

FINANCIAL OUTTURN FOR COUNCIL DELEGATED SERVICES FOR 2020/21

	Budget £k	Actual £k	Variance £k	%
External				
Assessment and care management	410	410	(1)	0%
Care at home	57,608	59,157	(1,549)	-3%
Care and support	32,473	33,542	(1,069)	-3%
Day services	13,736	12,823	913	7%
Direct payments/individual service funds	37,238	39,430	(2,192)	-6%
Other services	12,260	12,027	233	2%
Residential services	65,743	69,615	(3,872)	-6%
Transport services	1,044	783	260	25%
Total external services	220,511	227,788	(7,277)	-3%
Internal				
Assessment and care management	14,375	14,390	(16)	0%
Care and support	7,177	7,650	(473)	-7%
Care at home	25,394	24,185	1,209	5%
Day services	10,657	8,925	1,732	16%
Equipment services	8,380	10,292	(1,911)	-23%
Management	2,409	1,916	494	20%
Other operating costs	519	367	152	29%
Other services	5,527	4,547	980	18%
Residential services	28,006	27,948	58	0%
Strategy/contract/support services	2,821	3,468	(646)	-23%
Therapy services	3,655	3,537	119	3%
Pension costs	439	438	1	0%
Total internal services	109,360	107,662	1,697	2%
Service wide COVID costs				
Additional care home beds	0	2,957	(2,957)	N/A
Additional care at home packages	0	367	(367)	N/A
Personal protective equipment	0	308	(308)	N/A
Provider sustainability payments	0	16,033	(16,033)	N/A
Other community care costs	0	32	(32)	N/A
Additional travel costs	0	1	(1)	N/A
Digital, it & telephony costs	0	83	(83)	N/A
Total service wide COVID costs	0	19,780	(19,780)	N/A
Total costs	329,870	355,231	(25,360)	-8%
Income and funding				
Government grants	496	496	0	0%
Funding and cost recovery	81,103	79,406	(1,697)	-2%
Customer and client receipts	20,115	18,200	(1,915)	-10%
COVID LMP funding	0	28,972	28,972	N/A
Total income and funding	101,713	127,074	25,360	25%
Net position	228,157	228,157	0	0%

FINANCIAL OUTTURN FOR NHS DELEGATED SERVICES FOR 2020/21

Service	Budget £k	Actual £k	Variance £k	%
Core services				
Community Hospitals	12,925	12,699	226	2%
District Nursing	12,023	11,750	273	2%
Geriatric Medicine	2,788	3,020	(232)	-8%
GMS	95,775	95,849	(74)	0%
Learning Disabilities	1,185	1,058	128	11%
Mental Health	7,900	6,837	1,063	13%
PC Management	2,728	3,102	(374)	-14%
PC Services	8,287	8,410	(122)	-1%
Prescribing	78,835	78,467	369	0%
Resource Transfer	99,043	99,043	0	0%
Substance Misuse	4,452	4,586	(135)	-3%
Therapy Services	9,067	8,906	160	2%
Other	772	610	162	21%
Sub total core	335,780	334,336	1,444	0%
Hosted services				
Community Equipment	1,860	2,925	(1,066)	-57%
Complex Care	1,048	954	94	9%
Hospices & Palliative Care	2,504	2,507	(3)	0%
Learning Disabilities	7,754	7,708	46	1%
LUCS	6,614	7,207	(593)	-9%
Mental Health	30,645	31,177	(532)	-2%
Oral Health Services	9,966	9,786	180	2%
Primary Care Services	2,957	2,810	147	5%
Psychology Services	5,590	5,614	(24)	0%
Public Health	1,047	987	59	6%
Rehabilitation Medicine	5,051	4,399	652	13%
Sexual Health	3,807	3,554	253	7%
Substance Misuse	2,189	2,212	(23)	-1%
Therapy Services	8,014	7,416	599	7%
UNPAC	3,746	3,771	(25)	-1%
Other	3,530	3,537	(6)	0%
Sub total hosted	96,322	96,563	(241)	0%
Other				
Set aside services	100,576	100,754	(178)	0%
Non cash limited	62,856	62,856	0	0%
Staff bonus and pay award	4,429	4,429	0	0%
Sub total other	167,862	168,039	(178)	0%
Reserves	21,679	21,679	0	0%
Net position	621,642	620,618	1,025	0%

COVID FUNDING AND RELATED EXPENDITURE FOR 2020/21

INCOME

	£k
Sustainability in social care - tranche 1	4,056
Sustainability in social care - tranche 2	2,028
Adult social care winter plan - tranche 1	4,090
Adult social care winter plan - tranche 2	2,460
Covid allocation - tranche 1	10,564
Covid allocation - tranche 2	11,456
GP payments	1,629
Hospices	792
Set aside allocation	3,986
Staff bonus payment allocation	2,324
Total funding	43,385

EXPENDITURE

	£k
<i>Additional costs - Council services</i>	
Delayed discharge reduction- additional care home beds	2,957
Delayed discharge reduction- additional care at home packages	367
Personal protective equipment	1,045
Additional staff overtime and enhancements	423
Additional temporary staff spend - health and support care workers	1,398
Social care provider sustainability payments	16,033
Other community care costs	127
Loss of income	2,159
Additional travel costs	151
Digital, it & telephony costs	119
Equipment & sundries	1,224
Chief Social Work Officer	50
Underachievement of savings (net of offsets)	2,919
Sub total Council costs	28,972
<i>Additional costs - NHS services</i>	
Hospices - loss of income	792
Other NHS costs	45
Additional payments to FHS contractors	1,882
Additional FHS prescribing	2,475
Additional set aside costs	3,986
Staff bonus payment	2,324
Sub total NHS costs	11,505
Grand total additional costs	40,477
Balance transferred to reserves	2,908

EDINBURGH INTEGRATION JOINT BOARD RESERVES AS AT 31ST MARCH 2021

	£k
Earmarked reserves	
Balance of Covid funding	2,909
Further integration authority support	8,724
Community Living Change Fund	1,925
Action 15	157
Seek keep and treat/drug death taskforce	1,929
PCIF/P	2,814
Unscheduled care	2,223
Transformation	1,736
Other	1,967
Total earmarked reserves	24,385
General reserve	1,025
Total reserves	25,410

GLOSSARY OF TERMS

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