

# REPORT

## Finance update

Edinburgh Integration Joint Board

17 August 2021

### Executive Summary

The purpose of this report is to update the Integration Joint Board on the financial performance of delegated services for the first 3 months of the year.

### Recommendations

It is recommended that the committee note:

1. the financial position for delegated services to 30 June 2021;
2. that additional funding will be recognised once the Scottish Government has considered the mobilisation plans submitted; and
3. the ongoing tripartite discussions, led by the Chief Officer, to deliver financial balance.

### 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

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1. The information contained within this report was considered by the Performance and Delivery Committee on 28 July 2021.

## Main Report

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### Background

2. In March 2021, the Integration Joint Board (IJB) agreed the 2021/22 financial plan and associated savings and recovery programme. Recognising that the additional measures 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, following the allocation of £2.5m of additional funding from the City of Edinburgh Council (the Council), this has reduced to £7.8m. The Chief Office and Chief Finance Officer are continuing tripartite efforts with colleagues in the Council and NHS Lothian to bridge this remaining shortfall.
3. 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.
4. Financial reporting throughout 2020/21 highlighted the challenges inherent in providing meaningful, consistent and relevant financial information in the context of prevailing uncertainty arising from the Covid pandemic. Whilst much work has been undertaken, this remains an issue for 2021/22 due to the ongoing uncertainty around Covid including mobilisation plans, timelines to continue Covid services, Covid exit planning and the fact that identifying Covid specific costs is not straightforward.

## Overview of financial position to June 2021

5. The information in this report is based on the period 3 (June 2021) monitoring reports from the Council and NHS Lothian. These show an overall **deficit of £4.6m** for the first 3 months, as summarised in table 1 below. The main drivers of this position are slippage in the delivery of the purchasing related savings and the year to date impact of the budget deficit discussed above. Further detail is included in appendices 1 (NHS Lothian) and 2 (the Council), with narrative explanations in paragraphs 6 to 11.

	Annual Budget £k	To June 2021		
		Budget £k	Actual £k	Variance £k
NHS services				
Core	295,475	47,073	46,526	547
Hosted	97,600	22,455	22,220	235
Set aside	98,607	20,908	21,835	(927)
<b>Sub total NHS services</b>	<b>491,682</b>	<b>90,436</b>	<b>90,581</b>	<b>(145)</b>
<b>CEC services</b>	<b>239,197</b>	<b>59,799</b>	<b>64,260</b>	<b>(4,460)</b>
<b>Total</b>	<b>730,879</b>	<b>150,235</b>	<b>154,840</b>	<b>(4,605)</b>

Table 1: financial position for delegated services to June 2021

## NHS Lothian

6. Delegated services operated by NHS Lothian are reporting a small overspend of £0.1m for the 3 months to June 2021. As for last financial year, interpretation is complicated by the impact of Covid costs, offsets and funding. On 2 July 2021, the Scottish Government (SG) confirmed to health boards that additional Covid resources will be made available following the submission of mobilisation (LMP) returns for the first quarter of the financial year. Based on this assurance, NHS Lothian's Corporate Management Team agreed to pre-fund anticipated Covid costs for the year, in lieu of additional SG resource release in future months. This approach allows for better reporting of core pressures and easier budget management across services and is considered low risk given the SG's strong indication that there will be sufficient resources available to meet costs incurred in year.
7. NHS Lothian's quarter 1 review, which is the first opportunity in the year to forecast the year end position, is currently being finalised. This exercise

contrasts the forecast with the financial plan assumptions and includes a detailed analysis of the key drivers of expenditure and variance.

8. Pending the forecast being available, the key variances evident in the month 3 position remain largely as previously reported and include:
- *Vacancies* - across, particularly in nursing which are driving the underspends in a number of services, including community hospitals (£0.2m), district nursing (£0.1m), mental health (£0.3m) and rehabilitation (£0.1m);
  - *Prescribing* (£0.2m over) – an element of this will refer to the impact of Covid. At the time the overall financial position was finalised the analysis to quantify this was underway. Once completed, the budget will be increased in line with the approach discussed in paragraph 6 above, thereby reducing the variance;
  - *Hosted services* (£0.2m over) – increased issues of community equipment, potentially linked to Covid, continues to be a material pressure. This service is hosted by the Edinburgh Partnership and is the subject of an ongoing review, supported by the sustainability and value team from NHS Lothian; and
  - *Set aside services* (£0.9m over)- continues to be the main financial issue facing NHS delegated services. Key drivers include staffing (mainly at the acute hospital's front doors and in therapies) and drugs (in gastrointestinal and cystic fibrosis services).

### **City of Edinburgh Council**

9. Council delegated services are reporting an overspend for the year to date of £4.5m, equating to a projected year end outturn of £17.8m. This position includes direct Covid related costs of £0.2m (with a full year impact of £0.9m) and it has been assumed these will be funded in full. As happened in 2020/21, where possible Covid costs have been captured separately and reported on the appropriate expenditure lines. Beyond this, no additional Covid related funding has been assumed at this point, this is discussed in more detail in paragraph 13 below.

10. The position is summarised in table 2 below with detail included in appendix 2:

	Variance at June 2020	Projected variance for the year
	£k	£k
Externally purchased services	(2,896)	(11,584)
Services delivered internally	603	2,412
Income	(486)	(1,944)
Service wide Covid costs	(99)	(396)
Funding for Covid costs	236	943
<b>Sub total</b>	<b>(2,642)</b>	<b>(10,569)</b>
<b>Sub total operational position</b>	<b>(2,642)</b>	<b>(10,569)</b>
<b>Budget deficit</b>	<b>(1,818)</b>	<b>(7,273)</b>
<b>Net position</b>	<b>(4,460)</b>	<b>(17,841)</b>

Table 2: Variance on Council run services

11. As with the NHS Lothian position, interpretation is complicated by the impact of Covid costs, offsets and funding. Nonetheless, the headline issues are in line with those reported throughout last year, namely:

- External services* (£2.9m over ytd) – also referred to as ‘purchasing’, which was a key element of the 20/21 savings and recovery programme. A full year target of £7.2m was agreed and removed from the budget. As with other savings schemes, delivery was adversely impacted by the pandemic and the outturn for the year was an overspend of £7.3m. Reflecting the non delivery in 20/21, the £7.2m was included in the 2021/22 savings and recovery programme and the target rolled over. A further £4m was agreed as part of the 2021/22 programme, increasing the overall target to £11.2m. Based on the first quarter’s financial monitoring information, delivery against this is currently assessed as red, which is the main contributor to the current forecast overspend of £11.6m. Further work has been commissioned to understand the extent to which any of the associated costs are linked to the pandemic and are therefore recoverable and the SROs for the savings scheme are agreeing recovery and mitigating actions with the Partnership’s Executive Management Team as a matter of urgency. This will remain subject to close scrutiny as the plans to recovery the position are developed, agreed and implemented.

- *Internal services* (£0.6m under) – for the full year, this equates to £2.4m, an increase on the 2020/21 underspend of £1.7m. In the main this can be attributed to employee costs across a number of services but mostly in homecare and residential services. Difficulties in recruiting to the sector and low rates of occupancy in care homes are the likely factors behind this favourable variance. There will also be a link between the consequent reduction in capacity in internally run services and increases in purchasing costs.
- *Income* (£0.5m over) – in line with the experience in 2020/21 we are continuing to see pressure in residents recoveries and day services income budgets, reflecting low occupancy rates in care homes and day services remaining closed due to Covid. Last year this reduction in income was classified as an impact of the pandemic and the funding recovered via the mobilisation planning process. Although it is likely that a similar approach will be agreed for 2021/22 this has not been reflected at this point.
- *Budget deficit* (£1.8m over) – being the year to date impact of the annual budget shortfall.

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

12. In 2020/21 Covid related costs were met in full by the SG via the LMP process, with funding released by the Government at various points during the year. Reflecting the fact that pandemic related costs will span financial years, elements of funding received last year were held in reserve by integration authorities and carried forward to 2021/22. For this financial year, the SG will release additional funds when these reserves, which for Edinburgh total £11.6m, are exhausted.
13. As described above the SG will allocate the next tranche of funding following their consideration of the mobilisation returns (made via health boards) which were submitted at the end of July. Whilst they have provided assurance that sufficient funding will be available to meet the associated costs in full this remains a risk until confirmed. Of particular note is the approach which will be taken nationally on unachieved savings and whether this will be consistent with

the treatment in 2020/21 when slippage on delivery was recognised in the LMPs.

14. Our partners have taken slightly different approaches to recognising Covid funding in their financial monitoring reports. This is described above – NHS Lothian has anticipated the additional budget (with the exception of prescribing which is currently being quantified) and the Council have recognised funding only for costs coded in the financial ledger as being directly attributable to the pandemic.
15. When SG has considered the LMP returns based on the first quarter's spend, the impact on budgets will be clearer. It is clear however, that the reported position of Council delegated services in particular will materially improve.
16. 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.

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

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### **Financial**

17. Outlined elsewhere in this report

### **Legal/risk implications**

18. Like any year end projection, the IJB's relies on a number of assumptions and estimates each of which introduces a degree of risk. The most material issues remain the unbalanced financial plan and the delivery of the agreed savings and recovery programme.

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

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

### **Environment and sustainability impacts**

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

## Quality of care

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

## Consultation

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

## Report Author

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**Moira Pringle**

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

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

## Appendices

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Appendix 1	Financial outturn for NHS delegated services to June 2021
Appendix 2	Financial outturn for Council delegated services to June 2021
Appendix 3	Glossary of terms

## FINANCIAL POSITION FOR NHS DELEGATED SERVICES TO JUNE 2021

	Annual Budget £k	To June 2021			
		Budget £k	Actual £k	Variance £k	%
<b>Core services</b>					
Community Hospitals	13,595	3,262	3,067	195	1%
District Nursing	12,646	3,110	2,974	136	1%
Geriatric Medicine	3,100	708	703	5	0%
GMS	85,380	21,757	21,716	41	0%
Learning Disabilities	1,246	307	270	36	3%
Mental Health	8,624	2,107	1,802	304	4%
PC Services	11,639	(586)	(607)	21	0%
Prescribing	77,945	18,335	18,565	(229)	0%
Resource transfer and reserves	65,772	(4,136)	(4,069)	(66)	0%
Substance Misuse	4,604	1,143	1,173	(30)	-1%
Therapy Services	10,140	908	814	94	1%
Other	784	157	117	40	5%
<b>Sub total core</b>	<b>295,475</b>	<b>47,073</b>	<b>46,526</b>	<b>547</b>	<b>0%</b>
<b>Hosted services</b>					
Community Equipment	1,862	465	732	(267)	-14%
Complex Care	1,156	217	231	(14)	-1%
Hospices & Palliative Care	2,505	626	626	(0)	0%
Learning Disabilities	8,432	1,647	1,663	(17)	0%
LUCS	6,941	1,710	1,725	(15)	0%
Mental Health	31,879	7,091	7,100	(10)	0%
Oral Health Services	10,437	2,465	2,389	76	1%
Pharmacy	1,181	962	962	0	0%
Primary Care Services	2,994	754	722	32	1%
Psychology Services	5,050	1,079	1,023	56	1%
Public Health	1,024	162	129	33	3%
Rehabilitation Medicine	5,365	1,249	1,148	101	2%
Sexual Health	3,959	896	851	45	1%
Substance Misuse	2,183	487	467	19	1%
Therapy Services	8,333	1,949	1,768	181	2%
UNPAC	3,746	520	503	17	0%
Other	552	177	180	(3)	-1%
<b>Sub total hosted</b>	<b>97,600</b>	<b>22,455</b>	<b>22,220</b>	<b>235</b>	<b>0%</b>

## FINANCIAL POSITION FOR NHS DELEGATED SERVICES TO JUNE 2021

	Annual Budget £k	To June 2021			
		Budget £k	Actual £k	Variance £k	%
<b>Set aside services</b>					
Acute management	3,295	823	825	(2)	0%
Cardiology	4,090	1,015	1,045	(31)	-1%
Diabetes & endocrinology	2,191	608	615	(7)	0%
ED & minor injuries	10,721	2,488	2,518	(30)	0%
Gastroenterology	3,982	985	928	58	1%
General medicine	26,946	6,603	6,717	(113)	0%
General surgery	6,067	1,715	1,975	(260)	-4%
Geriatric medicine	17,045	4,179	4,226	(47)	0%
Infectious disease	3,909	(1,615)	(1,651)	36	1%
Junior medical	3,542	935	1,049	(114)	-3%
Other	409	101	88	13	3%
Rehabilitation medicine	1,728	426	449	(23)	-1%
Respiratory medicine	5,527	515	848	(333)	-6%
Therapy services	9,154	2,129	2,203	(73)	-1%
<b>Sub total set aside</b>	<b>98,607</b>	<b>20,908</b>	<b>21,835</b>	<b>(927)</b>	<b>-1%</b>
<b>Net position</b>	<b>491,682</b>	<b>90,436</b>	<b>90,581</b>	<b>(145)</b>	<b>0%</b>

## FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES TO JUNE 2021

	Annual Budget £k	To June 2021			
		Budget £k	Actual £k	Variance £k	%
<b>External</b>					
Assessment and care management	410	102	102	0	0%
Care and support	59,114	14,779	15,156	(378)	-3%
Care at home	33,411	8,353	9,846	(1,493)	-18%
Day services	12,561	3,140	3,805	(664)	-21%
Direct payments/ISFs	39,576	9,894	10,510	(616)	-6%
Other/generic/universal services	14,062	3,516	3,475	41	1%
Residential services	69,708	17,427	17,303	124	1%
Transport services	904	226	135	91	40%
<b>Total external services</b>	<b>229,746</b>	<b>57,437</b>	<b>60,333</b>	<b>(2,896)</b>	<b>-1%</b>
<b>Internal</b>					
Assessment and care management	14,697	3,674	3,531	143	4%
Care and support	7,276	1,819	1,916	(97)	-5%
Care at home	26,090	6,522	6,055	467	7%
Day services	10,632	2,658	2,312	346	13%
Equipment services	8,511	2,128	2,674	(546)	-26%
Management	2,436	609	574	35	6%
Other operating costs	1,659	415	441	(26)	-6%
Other services	5,710	1,427	1,419	8	1%
Residential services	27,490	6,873	6,554	318	5%
Strategy/contract/support services	3,936	984	1,021	(37)	-4%
Therapy services	3,656	914	921	(7)	-1%
Pension costs	439	110	110	0	0%
<b>Total internal services</b>	<b>112,531</b>	<b>28,133</b>	<b>27,530</b>	<b>603</b>	<b>1%</b>
<b>Service wide COVID costs</b>					
Additional care at home packages			99	(99)	N/A
<b>Total service wide COVID costs</b>	<b>0</b>	<b>0</b>	<b>99</b>	<b>(99)</b>	<b>N/A</b>
<b>Total costs</b>	<b>342,277</b>	<b>85,569</b>	<b>87,961</b>	<b>(2,392)</b>	<b>-1%</b>
<b>Income and funding</b>					
Government grants	703	176	172	(4)	-2%
Funding and cost recovery	75,105	18,776	18,750	(26)	0%
Customer and client receipts	19,999	5,000	4,544	(456)	-9%
Budget funding gap	7,273	1,818	0	(1,818)	-100%
COVID LMP funding	0	0	236	236	N/A
<b>Total income and funding</b>	<b>103,080</b>	<b>25,770</b>	<b>23,701</b>	<b>(2,068)</b>	<b>-2%</b>
<b>Net position</b>	<b>239,197</b>	<b>59,799</b>	<b>64,260</b>	<b>(4,460)</b>	<b>-2%</b>

## GLOSSARY OF TERMS

TERM	EXPLANATION
<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>	Option 1 of self directed support where the client has chosen to be responsible for organising their care.
<b>GMS</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>HOSTED SERVICES</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>INDIVIDUAL SERVICE FUNDS (ISF)</b>	Option 2 of self directed support where the client has chosen for a 3rd party (not the Council) to organise their care.
<b>LUCS</b>	Lothian Unscheduled Care Service – provides out of hours GP services
<b>RESIDENTIAL SERVICES</b>	Services provided to clients in care homes.
<b>SET ASIDE SERVICES</b>	Acute hospital based services managed on a pan Lothian basis by NHS Lothian
<b>THERAPY SERVICES</b>	Mainly occupational therapy teams.