

REPORT

Finance update

Edinburgh Integration Joint Board

9 August 2022

Executive Summary

This report confirms the out turn position for 2021/22. A separate paper to this meeting provides the Integration Joint Board with an update on progress with balancing the 2022/23 financial plan.

Recommendations

It is recommended that the Edinburgh Integration Joint Board note that, subject to audit, a surplus of £3.2m is reported for financial year 2021/22.

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. This report has not been considered elsewhere.

Main Report

Background

2. In March 2021, the 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. The initial plan had a deficit of £9.3m.
3. Scottish Government (SG) officials confirmed in October 2021 that Integration Authorities (IAs) would receive sufficient funding for Covid related costs to support them to break even in 2021/22. As a consequence, the Chief Finance Officer gave the board **significant assurance** on the in year financial position at its meeting in December. This was clearly a very positive and welcome step and allowed us to focus on the underlying financial deficit and the budget setting process for 2022/23.

2021/22 outturn position

4. 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.

5. The Integration Joint Board (IJB) is reporting an overall **surplus of £3.2** on delegated services for the year. This is after the application of £42.3m to meet the additional in year costs of Covid. Underlying drivers remain as previously reported to the board, namely: pressure on the purchasing budget; slippage on the savings and recovery programme; offset by vacancies across some key Council and NHS services. Table 1 below summarised the position with further detail in appendices 1 (NHS Lothian) and 2 (the Council):

	Budget £k	Actual £k	Variance £k
NHS services			
Core	401,026	397,731	3,295
Hosted	102,667	101,833	833
Set aside	108,530	109,507	(976)
Non cash limited services	64,942	64,942	0
Sub total NHS services	677,165	674,013	3,151
CEC services	252,238	252,238	0
Total	929,403	926,251	3,151

Table 1: financial position for delegated services to March 2022

Savings and recovery programme

6. Whilst the COVID-19 pandemic has clearly impacted on the ability to deliver and realise associated or recurring savings for some projects within the 2021/22 Savings and Recovery Programme (SRP), it can be confirmed that financial balance has reached across the 2021/22 SRP.
7. High level details of the individual projects statuses can be found in appendix 3, based on the Savings Governance Board (SGB) Programme Dashboard for June 2022 (covering actions up to and including March 2022), which indicates the end of year position for all savings projects. It includes: RAG statuses of progress against plan and savings; mitigations where risks or issues have been identified and highlights projects that will have financial implications for the 2022/23 SRP.
8. Projects approved as part of the 2021/22 SRP having a financial impact on the 2022/23 SRP and Financial Plan, were included in the Budget papers approved by the EIJB at their meeting on the 22nd of March 2022.

9. Where the pressures created by COVID-19 on capacity across the system led to slippages in the delivery of savings, financial balance has been achieved through under spends or slippage in other budget areas and through Scottish Government (SG) funding for unachieved savings.

Financial implications of the pandemic

10. Included in the above are net additional costs of £42.3m which were incurred as a direct result of Covid. The main categories of associated expenditure being: sustainability payments made to support providers during the pandemic; purchase of additional capacity; additional staffing; reimbursement of independent contractors; increased prescribing costs; and slippage in the delivery of the savings and recovery programme.
11. As in 2020/21, these related costs were met in full by the Scottish Government (SG) via the mobilisation planning process (LMP). Funding was provided in 2 tranches during the year with the second of these confirmed by the SG's Director of Health Finance and Governance in February 2022. The accompanying letter highlighted that the £619m provided for integration authorities included funding for a range of Covid-19 measures. The letter went on to say:

'The significant disruption to services has created a backlog of demand as well as increasing unmet need and frailty of service users. Investment is needed across day care services, care at home and to support unscheduled care, to keep people within the community, where possible and safe to do so, to avoid unplanned admissions and impacts on delayed discharges. Alongside this is the impact on mental health and services have been stepped up through, for example, Mental Health Assessment Units. This funding will also cover sustainability payments to social care providers and additional staff costs across Health & Social Care. Where funding remains at year end 2021-22, this must be carried in an earmarked reserve for Covid-19 purposes in line with usual accounting arrangements for Integration Authorities, and I expect that this funding to be used before further allocations are made through the Local Mobilisation Planning process. This can be used to support continuation of costs which were funded in 2021-22 as a direct result of Covid-19.'

12. Consequently, the funding received was significantly above the level requested via the LMP process, a position which is replicated across Scotland. The surplus of £44.9m will be transferred to an earmarked reserve and carried forward to 2022/23 as per the requirement outlined in the paragraph above.
13. The SG's current indication is that no new funds will be available in 2022/23 (or beyond) to support further costs generated by the pandemic. This position is also reflected in the Resource Spending Review, published in June 2022. Thus, across the health and social care sector in Scotland, the non recurring monies currently sitting in integration authority reserves is the only funding available to meet the additional and ongoing costs of Covid. Recognising this the SG is working with the partners to develop an exit strategy.
14. The allocations received in 21/22 and associated costs are summarised in table 2 below with the detail provided in appendix 4:

	£k
<i>Funding</i>	
IJB reserves (cfwd from 20/21)	11,634
LMP funding allocated in year	75,675
Total funding available	87,309
<i>Costs</i>	
Costs incurred in NHS delegated services	10,910
Costs incurred in Council delegated services	31,462
Total net additional Covid costs	42,372
Balance carried forward	44,937

Table 2: Delegated Covid funding and costs – 2021/22

Integration Joint Board Reserves

15. 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 5 and, at £82.2m, are clearly considerable with the vast majority (£79.0m) being earmarked for specific purposes. These reserves fall into the following categories:
 - Funding received in 2021/22 for Covid pressures. This is discussed in paragraphs 10 to 14 above;

- The unspent portion of winter funding announced in November 2021 and discussed in a paper to the board in December 2021;
 - Funding for specific initiatives (e.g. action 15, primary care improvement funding, drugs death task force, community living change fund);
 - 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 5 above.
16. These sums will be carried forward to 2022/23 via the board's reserves and, with the exception of the in year surplus, will all be treated as earmarked (or ring fenced) reserves.

Implications for Edinburgh Integration Joint Board

Financial

17. Outlined elsewhere in this report.

Legal/risk implications

18. The position outlined in this report are subject to year end audit process. The key risk associated with the contents of this report relates to the application of the Integration Joint Board's reserves in 2022/23 in the context of no further funding being available centrally to meet the additional and ongoing costs being incurred as a result of the pandemic.

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

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

Report Author

Judith Proctor
Chief Officer, Edinburgh Integration Joint Board

Contact for further information:

Moira Pringle, Chief Finance Officer
Email: moira.pringle@nhslothian.scot.nhs.uk

Appendices

Appendix 1	Financial outturn for NHS delegated services for 2021/22
Appendix 2	Financial outturn for Council delegated services for 2021/22
Appendix 3	Savings and recovery programme 2021/22
Appendix 4	2020/21 Covid funding and costs
Appendix 5	Integration Joint Board reserves carried forward to 2022/23

FINANCIAL POSITION FOR NHS DELEGATED SERVICES FOR 2021/22 Appendix 1

	Budget £k	Actual £k	Variance £k	%
Core services				
Community Hospitals	13,633	12,489	1,144	8%
District Nursing	12,830	12,154	677	5%
Geriatric Medicine	2,845	2,854	(8)	0%
GMS	101,071	101,458	(386)	0%
Learning Disabilities	1,254	1,068	186	15%
Mental Health	8,641	7,431	1,209	14%
PC Services	8,029	8,088	(59)	-1%
Prescribing	79,537	79,834	(297)	0%
Resource transfer and reserves	157,140	157,030	110	0%
Substance Misuse	4,773	4,395	378	8%
Therapy Services	10,378	10,129	248	2%
Other	893	801	92	10%
Sub total core	401,026	397,731	3,295	1%
Hosted services				
Community Equipment	1,862	3,339	(1,477)	-79%
Complex Care	955	879	76	8%
Hospices & Palliative Care	2,559	2,592	(33)	-1%
Learning Disabilities	8,069	8,138	(69)	-1%
LUCS	7,503	7,467	35	0%
Mental Health	32,201	32,224	(23)	0%
Oral Health Services	10,567	10,389	178	2%
Pharmacy	4,185	4,173	12	0%
Primary Care Services	2,994	2,929	65	2%
Psychology Services	6,019	5,892	127	2%
Public Health	1,024	839	185	18%
Rehabilitation Medicine	5,011	4,509	502	10%
Sexual Health	3,972	3,855	117	3%
Substance Misuse	2,235	2,219	16	1%
Therapy Services	9,110	8,473	637	7%
UNPAC	3,746	3,249	497	13%
Other	656	669	(13)	-2%
Sub total hosted	102,667	101,833	833	1%
Set aside services				
Acute management	3,453	3,516	(62)	-2%
Cardiology	4,221	3,995	227	5%
Diabetes & endocrinology	3,715	4,048	(333)	-9%
ED & minor injuries	10,801	10,751	50	0%
Gastroenterology	8,560	9,479	(920)	-11%
General medicine	28,061	28,818	(758)	-3%
Geriatric medicine	17,945	17,935	9	0%
Infectious disease	8,491	8,008	483	6%
Junior medical	3,940	3,435	505	13%
Other	558	546	12	2%
Rehabilitation medicine	1,729	1,776	(47)	-3%
Respiratory medicine	7,198	7,250	(52)	-1%
Therapy services	9,857	9,948	(91)	-1%
Sub total set aside	108,530	109,507	(976)	-1%
Non cash limited services				
Dental	33,374	33,374	0	0%
Ophthalmic	9,932	9,932	0	0%
Pharmacy	21,636	21,636	0	0%
Sub total non cash limited	64,942	64,942	0	0%
Net position	677,165	674,013	3,151	0.5%

FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES FOR 2021/22

	Budget £k	Actual £k	Variance £k	%
External				
Assessment and care management			0	N/A
Care and support	60,520	66,393	(5,873)	-10%
Care at home	36,784	38,520	(1,736)	-5%
Day services	12,208	11,988	221	2%
Direct payments/individual service funds	40,294	43,959	(3,665)	-9%
Other/generic/universal services	15,591	15,038	553	4%
Residential services	73,355	76,241	(2,886)	-4%
Transport services	904	1,297	(393)	-44%
Total external services	239,656	253,436	(13,779)	-6%
Internal				
Assessment and care management	15,211	14,488	723	5%
Care and support	7,276	7,700	(424)	-6%
Care at home	25,292	23,902	1,390	5%
Day services	10,632	9,263	1,369	13%
Equipment services	10,006	10,346	(340)	-3%
Management	2,440	2,446	(5)	0%
Other operating costs	1,160	685	475	41%
Other services	5,598	5,124	474	8%
Residential services	27,779	25,681	2,099	8%
Strategy/contract/support services	4,322	3,826	495	11%
Therapy services	3,656	3,703	(47)	-1%
Pension costs			0	N/A
Digital transformation	800	244	556	70%
Analogue to digital	67	78	(12)	-18%
Total internal services	114,239	107,486	6,753	6%
Total service wide COVID costs		20,638	(20,638)	
Total costs	353,895	381,559	(27,664)	-8%
Income and funding				
Income, funding and cost recovery	101,338	101,338	0	0%
COVID LMP funding		35,261	35,261	N/A
Total income and funding	101,338	136,598	35,261	35%
Budget gap	(3,797)	0	(3,797)	
Transfer to IJB reserves	3,478	7,277	(3,799)	
Net position	252,238	252,238	0	0%

SAVINGS AND RECOVERY PROGRAMME 2021/22

3.1 2021/22 Savings and Recovery Programme Year End Summary

Project Number	Project Name	In year savings target (£m)	End of Programme Status	End of Programme Progress RAG*	End of Programme Savings RAG**	Progress update at end of Programme / Commentary
1	Ex Housing Support - Older People	0.5	Closed	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-07.
2	Day Centres & BeAble	0.13	Closed	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-05.
3	Learning Disabilities	0.02	Closed	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-01.
8	Positive Steps	0.03	Closed	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-02.
12	OP Day Opportunity	0.16	Closed	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-08.
16	LD Overnight Services	0.08	Closed	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-09.
15	BBV Service Review	0.05	Closed	5	10	Project has been closed under CLR-04. Full savings have been confirmed, however, the project did not progress as expected. Lessons learnt have been logged in alignment with programme governance.
11	Substance Misuse	0.15	Closed	6	9	The project has been closed under CLR-11 following the full (non-recurring) realisation of the savings target (£150k), through changes to pharmacy dispensing practices during the COVID-19 pandemic. Assurance has been given that the change in pharmacy dispensing practices during the pandemic have not had any negative unintended consequences.
17	Policy Development (Social Care)	4.0	Closed	4	1	The project has been closed under CLR-12. Following significant work in this area it became clear that policy review and development should not sit in isolation, rather to be effective, the process of policy and procedure review must be embedded into projects and programmes to ensure it is meaningful and impactful. For example, through the ongoing

SAVINGS AND RECOVERY PROGRAMME 2021/22

Project Number	Project Name	In year savings target (£m)	End of Programme Status	End of Programme Progress RAG*	End of Programme Savings RAG**	Progress update at end of Programme / Commentary
						<p>work being undertaken within SDS which will incorporate the review of any appropriate policies or procedures.</p> <p>The planned savings for 2021/22 was £4m; however, only partial savings of £400k have been achieved through this project. Savings that have been realised, have come from reviewing processes associated with Direct Payment reclaims as a result of this project. Despite the only partial realisation of savings, financial balance has been reached across the programme in 2021/22 via mitigation through the SG funding plan and identified slippage across the system. As with purchasing this saving target was reviewed as part of the 22/23 budget setting process.</p>
10	Prescribing 21-22	2.2	Closed	10	8	<p>The project has been closed under CLR-10. Year to date (10/05/22) EHSCP has delivered £2,060k savings (94% of EHSCP agreed total of £2,202k). The project is expected to deliver on the targeted saving of £2,202k but cannot be confirmed at this point due a 3-month data lag).</p> <p>Efficiencies were derived from multiple sources, including embedded working practices and specific targeted projects.</p> <p>Prescribing projects were underpinned by quality improvement methodology aimed at improving clinical effectiveness. Operational delivery was reported monthly and overseen by the NHS Lothian's Health and Social Care Partnership Prescribing Forum.</p>
13	Hosted Service & Set aside	2.16	Closed	9	8	<p>The project has been closed under CLR-12 this is following the almost total delivery (£2,154k) of the £2,162k savings target for the 2021/22 financial year, with COVID-19 having impacted on the ability to deliver fully on all agreed projects and therefore all planned savings. Financial balance has been reached across the programme in 2021/22 via mitigation through the SG funding plan and identified slippage across the system.</p>
4	Review Rehabilitation Services	0.14	Recurrent project 22/23	6/ 4	9	<p>Under spend in vacancies and non-pay budgets supported the delivery of financial balance in year. Further work to understand the impact of these on the model of care is expected to be completed in the next 2</p>

SAVINGS AND RECOVERY PROGRAMME 2021/22

Project Number	Project Name	In year savings target (£m)	End of Programme Status	End of Programme Progress RAG*	End of Programme Savings RAG**	Progress update at end of Programme / Commentary
						months. Activities to implement the approved option will roll over as part of the 22/23 savings programme.
5	Sexual Health Service Review	0.11	Recurrent project 22/23	5/4	6	Under spend in vacancies and non-pay budgets have supported delivery of financial balance in year. Service user engagement activities for shared service delivery of LSRHS across Lothian has completed. Preferred options are due to be presented for approval at the beginning of July 2022. Activities to implement the approved option will roll over as part of the 22/23 savings programme.
9	The Works	0.03	Recurrent project 22/23	6	9	A saving was achieved in 2021/22 through an underspend in vacancies and non-pay budgets to support delivery of financial balance in year. Assurance was given that there were no negative impact/ consequences as a result of this. During 2022/23 focus will be on embarking on a strategic review of employability services under mental health to identify a recurring saving.
14a	Medical Day Hospitals	0.2	Recurrent project 22/23	6	8	Under spend in vacancies and non-pay budgets supported delivery of financial balance in 2021/22. The financial modelling of the options, required to assess the impact on the programme and provide assurance, was delayed due to system pressures. An options paper was presented to EMT in April 2022, with activities to implement the approved option to be rolled over as part of the 22/23 savings programme.
14b	Bed Based Review	1.61	Recurrent project 22/23	5	5	Slippage in the project has meant that full savings were not realised. This was mitigated through in year savings as result of low occupancy rates in residential care. Activities to realise further savings have been rolled over into the 2022/23 savings programme
7	Purchasing	7.19	Recurrent project 22/23	5	1	Work has been ongoing to implement changes across the purchasing project that support grip and control and improve practice, despite increased demand and reduced capacity due to the impact of COVID-19. The impact of the work completed and therefore the delivery of savings has been restricted by challenges linked to staff capacity and

SAVINGS AND RECOVERY PROGRAMME 2021/22

Project Number	Project Name	In year savings target (£m)	End of Programme Status	End of Programme Progress RAG*	End of Programme Savings RAG**	Progress update at end of Programme / Commentary
						the cost and availability of affordable care and support. A break-even position has been reached across the programme in 2021/22 via mitigations through the SG funding plan and identified slippage across the system. A revised project brief has been approved as part of the 2022/23 savings programme.
6	Community Equipment	0.25	Recurrent project 22/23	4	1	<p>Delivery of 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. Financial balance has been reached across the programme in 2021/22 via mitigation through the SG funding plan and identified slippage across the system</p> <p>Project has completed a rescoping exercise, with a revised project brief and activities agreed as part of the 2022/23 savings programme.</p>

SAVINGS AND RECOVERY PROGRAMME 2021/22

3.2 Progress RAG Scoring Guidance*

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

SAVINGS AND RECOVERY PROGRAMME 2021/22

3.3 Saving RAG Scouring Guidance**

RAG Rating		% of Savings Target
Red	0	0% achieved
Red	1	<20%
Red	2	20% - 30%
Amber	3	30% - 40%
Amber	4	40% - 50%
Amber	5	50% - 60%
Amber	6	60% - 70%
Green	7	70% - 80%
Green	8	90% -100%
Green	9	>100% achieved
Blue	10	Financial balance achieved and recorded in General Ledger Appropriate learning shared within and beyond Programme

2021/22 COVID FUNDING AND COSTS

		£k
--	--	----

Funding sources

IJB reserves (cfwd from 20/21)	11,634
LMP funding allocated in year	75,675
Total funding available	87,309

Additional costs

NHS	FHS contractor costs	1,822
	Hosted and set aside service costs	3,224
	Other costs	166
	Prescribing	2,008
	Staff costs	2,710
	Vaccination programme	981
	Sub total NHS	10,910
Council	Additional community capacity	1,807
	Loss of income	1,733
	Net unmet savings	10,824
	Other costs	371
	PPE	314
	Safehaven beds	1,127
	Staff costs	598
	Sustainability payments	14,688
	Sub total Council	31,462

Total net additional Covid costs	42,372
---	---------------

Balance carried forward (via IJB reserves)	44,937
---	---------------

INTEGRATION JOINT BOARD RESERVES CARRIED FORWARD TO 2022/23

	£k
<u>Earmarked reserves</u>	
Balance of covid and winter funding	
Care at home capacity	2,286
COVID LMP balance	44,937
Interim care	1,189
Multi-disciplinary teams	1,656
Winter	264
Sub total covid and winter	50,331
Action 15 and mental health	2,938
Community investment	1,000
Community living change fund	925
Drugs death task force	4,170
Home first	927
Other	4,731
Primary care improvement fund	5,960
Transformation	841
Unscheduled care	7,183
Total earmarked reserves	79,006
<u>General reserve</u>	
21/22 underspend	3,151
Total general reserve	3,151
Grand total reserves cfwd to 22/23	82,157