

REPORT

Finance update

Edinburgh Integration Joint Board

18 October 2022

Executive Summary

The report provides the Integration Joint Board with an update on the financial performance of delegated services for the first 4 months of the year.

Recommendations

It is recommended that the board notes the:

1. financial position for delegated services to 31st July 2022;
2. position with covid reserves outlined in paragraphs 10 and 11 below; and
3. 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

1. The financial position highlighted within this report has been considered through the appropriate governance structures of our partners, the City of Edinburgh Council (the Council) and NHS Lothian. A more detailed version of

this report and a separate report on progress with the savings and recovery programme were scrutinised by the Performance and Delivery Committee on 14th September 2022.

2. An update of the position with the Integration Joint Board's covid reserves is included in paragraphs 10 and 11.

Main Report

Background

3. In March 2022, the Integration Joint Board (IJB) agreed the 2022/23 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 £16.9m.
4. An update was provided to the IJB meeting in August 2022 which reported that the budget deficit had been reduced to £10.8m. At this point, the board noted that officers were continuing tripartite efforts with colleagues in the City of Edinburgh Council and NHS Lothian to bridge this remaining gap. This report presents the IJB with the first assessment of the in year financial position.

Overview of financial position

5. As members are aware, the IJB "directs" budgets back to our partner organisations who provide the associated services. The majority of these services are delivered through the Edinburgh Health and Social Care 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. The information in this report is based on the period 4 (July 2022) monitoring reports from the Council and NHS Lothian. This shows a projected year end overspend of £7.9m as per table 1 below. At a high level the underlying overspend can be described in 4 component parts: the deficit described above; increased spend on externally purchased social care services; ongoing pressure on set aside budgets; offset by vacancies across some key Council and NHS services. Further detail is included in appendices 1 (NHS Lothian) and 2 (the Council), with narrative explanations in paragraphs 6 and 7.

	Annual Budget £k	To July 2022			Year end forecast £k
		Budget £k	Actual £k	Variance £k	
NHS services					
Core	293,095	42,876	41,589	1,288	7,187
Hosted	91,620	29,892	29,637	255	387
Set aside	100,088	30,835	31,820	(985)	(5,734)
Sub total NHS services	484,804	103,604	103,046	558	1,840
CEC services	285,461	95,154	98,416	(3,262)	(9,786)
Total	770,265	198,757	201,461	(2,704)	(7,947)

Table 1: financial position for delegated services to July 2022

NHS Lothian

7. NHS Lothian has now completed its first financial forecast for the year, the quarter 1 review. Delegated health services are reporting a small underspend of £0.6m for the 4 months to July 2022. This rises to a projection of £1.8m by the end of the financial year. The key drivers of this position are well rehearsed and include:

- *Vacancies* – continue to drive projected year end underspends in a number of services, including community hospitals (£1.6m), district nursing (£1.7m), mental health (£1.1m), therapies (£1.1m including hosted services) and rehabilitation (£0.5m). In all these areas vacancy levels are higher than those experienced in the previous financial year despite ongoing efforts of operational staff prioritising recruitment. We have engaged with Capital City Partnership (who are the anchor delivery body for Edinburgh’s employment strategy) to further target these efforts;

- *Prescribing (£0.3m over)* – as anticipated in the savings and recovery plan the average cost per item has reduced. A 5.8% increase in volumes for the first 4 months of the financial year is driving the overspend. Due to timing of the information being available, the full extent of this increase has not yet been reflected in the forecast;
- *Hosted services (£0.4m under by year end)* – the increased issue of community equipment continues to be a material pressure. This service is hosted by the Edinburgh Partnership and is the subject of an ongoing review. One element of this work is the proposed reset of the budget by utilising an element of the unallocated uplift. Offset this pressure are underspends across a number of services impacted by staff vacancies (see above).
- *Set aside services (£2.9m over)*- continues to be the main financial issue facing NHS delegated services and the key drivers remain as previously reported. These include: staffing (mainly at the acute hospital's front doors and in therapies); drugs (in gastrointestinal and cystic fibrosis services); adult insulin pumps within diabetes & endocrinology; therapy services at the Royal Infirmary of Edinburgh (both occupational therapy and physiotherapy; and junior medical costs. The deterioration of the position in the last part of the financial year is linked to an expected increase in the distribution of insulin pumps and recruitment to allied health professional (AHP) vacancies within the acute sector.

City of Edinburgh Council

8. Council delegated services are reporting an overspend of £9.8m for the year. This position assumes funding of £7.3m will be released from IJB reserves to offset the associated costs. The headline issues driving this position remain in line with previous reports, namely:

- *External services (net projected overspend of £15.8m)* – also referred to as 'purchasing'. The largest element of this relates to the £10.8m budgetary gap which has arisen from the IJB's decisions to invest to support increased capacity and the unfunded impact of demography. The balance is due to capacity issues in the external market; and

- *Internal services (forecast net underspend of £6.3m) - can mainly be attributed to employee costs across the services, but mostly in homecare, residential and day care services. On average we can see a reduction of 225 employees (or 112 full time posts) between this financial year and last. This is despite the ongoing efforts to recruit and reflects the position nationally.*

Financial impact of Covid-19

9. In both 2020/21 and 2021/22 Covid related costs were met in full by the Scottish Government (SG) via the LMP process. Over the 2 financial years the IJB received support totalling £82.8m. As reported to the board in August, the SG has confirmed that no further Covid consequentials are anticipated in 2022/23 or in future years. This is therefore the final year where costs related to the pandemic will be separately funded, with the associated budget currently sitting in IJBs' reserves.
10. On 12th September 2022 the SG Director of Health Finance and Governance wrote to integration authorities, NHS boards and local authorities to confirm that they would be seeking to recover an element of this funding. The letter stated:

'There have been a number of significant changes to Public Health policies in relation to Covid over the summer, resulting in the profile of Covid spend reducing significantly compared to when funding was provided to IJBs for Covid purposes. In response to this, the Scottish Government will reclaim surplus Covid reserves to be redistributed across the sector to meet current Covid priorities. The detail of this will follow at an IJB level and the process and timetable will follow through further communications.'
11. In Edinburgh we started the year with a covid reserve of £44.9m. Based on our latest submitted estimate, costs will be in the region of £26.8m. This projection will be updated and resubmitted to the SG by the end of October and is likely to form the basis of any recovery of monies. The Chief Finance Officer will work closely with SG colleagues in this regard, reporting back to a future meeting of the IJB.

Savings and recovery programme

12. In March 2022, the IJB agreed the 2022/23 savings and recovery programme to deliver in year savings of £5.74 million. Delivery of the programme is overseen operationally by the Savings Governance Board (SGB) with progress scrutinised by the Performance and Delivery Committee. Appendix 4 details the validated and reported progress status and associated RAG evaluation for all approved projects within the 22/23 programme up until the end of July 2023. This includes a high-level summary, outlining the current status and agreed actions, for each project. Ten (10) projects have been reported as either low, moderate or high risk.
13. Overall, the programme is moderately behind expected progress and there is a divergence between planned activities and progress across number of projects. However, where risks or issues have been identified as having financial implications for the 2022/23 savings and recovery programme, corrective actions have been agreed and documented through SGB for the purpose of audit and ongoing programme assurance.

Implications for Edinburgh Integration Joint Board

Financial

14. Outlined elsewhere in this report

Legal/risk implications

15. 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 in year issues remain the unbalanced financial plan and the delivery of the agreed savings and recovery programme.

Equality and integrated impact assessment

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

Environment and sustainability impacts

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

Quality of care

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

Consultation

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

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Appendices

Appendix 1	Financial outturn for NHS delegated services to July 2022
Appendix 2	Financial outturn for Council delegated services to July 2022
Appendix 3	Glossary of terms
Appendix 4	Progress with 2022/23 savings and recovery programme

FINANCIAL POSITION FOR NHS DELEGATED SERVICES TO JULY 2022

	Annual Budget £k	To July 2022				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
Core services						
Community hospitals	13,687	4,494	3,953	541	4%	1,566
District nursing	13,965	4,562	4,062	500	4%	1,742
Geriatric medicine	3,160	967	967	(0)	0%	1
GMS	88,276	28,810	29,102	(293)	0%	(953)
Learning disabilities	1,255	419	383	36	3%	46
Mental health	9,295	3,124	2,548	575	6%	1,718
PC Services	9,111	3,927	3,897	30	0%	256
Prescribing	79,533	26,367	26,707	(339)	0%	(330)
Resource transfer and reserves	57,541	(35,700)	(35,814)	114	0%	2,541
Substance misuse	4,126	1,373	1,300	73	2%	160
Therapy services	12,395	4,136	4,055	81	1%	533
Other	753	397	426	(29)	-4%	(93)
Sub total core	293,095	42,876	41,589	1,288	0%	7,187
Hosted services						
Community Equipment	1,862	621	1,034	(413)	-22%	(1,280)
Hospices & Palliative Care	2,610	870	873	(3)	0%	(10)
Learning Disabilities	7,871	2,159	2,089	71	1%	238
LUCS	6,794	2,210	2,331	(121)	-2%	(114)
Mental Health	31,521	9,828	10,179	(351)	-1%	(603)
Oral Health Services	7,014	2,169	2,009	160	2%	531
Pharmacy	1,871	1,497	1,507	(10)	-1%	13
Primary Care Services	2,894	994	992	2	0%	(198)
Psychology Services	5,671	1,561	1,428	133	2%	335
Public Health	1,121	228	214	14	1%	25
Rehabilitation Medicine	5,158	1,614	1,400	213	4%	544
Sexual Health	3,992	1,344	1,381	(36)	-1%	(65)
Substance Misuse	2,482	857	822	35	1%	28
Therapy Services	8,683	2,756	2,557	200	2%	522
UNPAC	3,746	782	765	18	0%	428
Other	(1,669)	402	58	344	-21%	(8)
Sub total hosted	91,620	29,892	29,637	255	0%	387
Set aside services						
Acute management	3,525	1,156	1,150	6	0%	(793)
Cardiology	4,174	1,390	1,322	68	2%	173
Diabetes & endocrinology	2,525	781	863	(83)	-3%	(493)
ED & minor injuries	10,646	3,548	3,784	(236)	-2%	(334)
Gastroenterology	7,800	2,556	3,373	(817)	-10%	(2,511)
General medicine	27,088	9,046	9,463	(417)	-2%	(1,121)
Geriatric medicine	17,735	5,955	6,312	(356)	-2%	(1,128)
Infectious disease	3,315	(2,054)	(2,069)	15	0%	906
Junior medical	2,573	938	994	(55)	-2%	(207)
Other	730	248	209	40	5%	25
Rehabilitation medicine	1,744	576	602	(26)	-1%	(28)
Respiratory medicine	6,672	2,271	2,347	(76)	-1%	51
Therapy services	10,571	3,432	3,471	(39)	0%	(272)
Covid funding	990	990	0	990	100%	0
Sub total set aside	100,088	30,835	31,820	(985)	-1%	(5,734)
Net position	484,804	103,604	103,046	558	0%	1,840

	Annual Budget £k	To July 2022				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
External						
Care and support	63,174	21,058	21,554	(496)	-2%	(1,489)
Care at home	36,591	12,197	12,291	(94)	-1%	(281)
Day services	13,459	4,486	4,365	122	3%	365
Direct payments/individual service funds	45,507	15,169	15,395	(226)	-1%	(677)
Other/generic/universal services	16,276	5,425	5,373	52	1%	156
Residential services	78,655	26,218	27,212	(994)	-4%	(2,981)
Sustained additional community capacity	0	0	3,600	(3,600)	N/A	(10,800)
Transport services	1,316	439	475	(36)	-8%	(109)
Total external services	254,979	84,993	90,265	(5,272)	-2%	(15,815)
Internal						
Assessment and care management	15,813	5,271	5,180	91	2%	272
Care and support	7,566	2,522	2,546	(24)	-1%	(73)
Care at home	26,563	8,854	7,896	958	11%	2,875
Day services	10,597	3,532	3,438	95	3%	284
Equipment services	10,059	3,353	3,278	75	2%	226
Management	2,491	830	846	(16)	-2%	(47)
Other operating costs	10,881	3,627	3,673	(46)	-1%	(139)
Other services	6,822	2,274	2,009	265	12%	794
Residential services	25,886	8,629	8,101	528	6%	1,584
Strategy/contract/support services	4,261	1,420	1,499	(78)	-6%	(235)
Therapy services	3,784	1,261	1,206	55	4%	165
Pension costs	439	146	146	0	0%	0
Digital transformation	1,720	573	372	201	35%	603
Analogue to digital	20	7	6	1	11%	2
Winter pressures	7,356	2,452	2,452	0	0%	0
Total internal services	134,258	44,753	42,650	2,103	2%	6,309
Total service wide COVID costs			2,446	(2,446)		(7,338)
Total costs	389,237	129,746	135,360	(5,615)	-1%	(16,844)
Income and funding						
Government grants	824	275	301	27	10%	80
Funding and cost recovery	83,453	27,818	27,684	(133)	0%	(400)
Customer and client receipts	19,499	6,500	6,513	13	0%	40
COVID LMP funding	0	0	2,446	2,446	N/A	7,338
Total income and funding	103,776	34,592	36,945	2,353	2%	7,058
Net position	285,461	95,154	98,416	(3,262)	-1%	(9,786)

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. Services provided to clients in buildings owned by the Council or a third party.
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 (ISF)	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.

Appendix 4: 22-23 Savings Programme - Project status including progress and saving RAG evaluation

Project Number	Project Name	Target Saving as documented in Appendix 4 of the 22 nd MAR 22 EIJB report	Progress RAG* as of End JUL 22	Savings RAG** as of End JUN 22	Progress update as of end July 2022
1	Review Rehabilitation Services	£140,000	4	4	<p>Project has identified circa £40k of recurring savings following the analysis of the staffing establishment which has been identified historical vacancies that have not been filled. Work is ongoing to identify further savings, this will be monitored regularly throughout Q2.</p> <p>Full savings will be delivered non recurringly in year given the current level of vacancies.</p>
2	Sexual Health Service Review	£110,000	4	0	<p>The service review identified a number of options, but these are likely to have a material impact on service delivery. Given the overall in year flexibility, with the financial position of the delighted health services, the SGB has agreed to address this under the 23/24 financial planning process. In year non-recurring savings will be actively sought, this will continue to be monitored.</p>
3	Community Equipment	£55,000	4	0	<p>Savings has been delayed by current resource challenges (both in terms of project management and within service area). Review of options to progress this savings proposal is being undertaken.</p>
4	LD Overnight Services	£75,000	4	7	<p>Project is on track despite discrepancy between project in year target (£39k) and savings target in Financial Plan (£75). Based on discussion with project manager and providers, not realistic to deliver savings in year beyond £45k via project, however mitigation of underspend against staffing budgets will provide an in-year substitution. Confidence in delivery of recurring savings remains high, however, a recommendation has been made to SGB to continue to monitor progress through Q2.</p>

Project Number	Project Name	Target Saving as documented in Appendix 4 of the 22 nd MAR 22 EIJB report	Progress RAG* as of End JUL 22	Savings RAG** as of End JUN 22	Progress update as of end July 2022
5	The Works	£30,000	10	10	<p>Full savings has been realised. Project activity has completed as planned. The project has been closed under CLR-01.</p> <p>During 2021/22 the scope of this project evolved. It has been identified that there is a need to embark on a strategic review of employability services as part of Thrive Edinburgh.</p>
6	Hosted Service & Set aside	£570,000	6	3	<p>Despite being behind forecast (due to delay in hosted projects) there is still a reasonable confidence in delivery, especially as set aside projects are delivering beyond forecast. It is expected that the progress and financial RAG will continue to improve over the next quarter, however, a recommendation has been made to SGB to continue to monitor progress through Q2.</p>
7	Prescribing 21-11	£2,060,000	5	1	<p>At the August SGB project progress (to end of July) and savings (to the end of June) were reported as behind plan, with only 12% of savings achieved (reflected in the RAG statuses) This was because primary care pharmacy team had been deployed to deliver a 7-day antiviral hub which impacted on implementation of the action plan. In addition, current vacancies are delaying progress of some workstreams. The associated risks were highlighted to Prescribing Forum in June and July and to SGB in June and August. SGB was advised to closely monitor progress through Q2</p> <p>However, Covid numbers have stabilised, and the antiviral pharmacist has commenced in post which significantly eased pressures due to the demands of this service. As a result, a further update was sought and at the end of July we had achieved at least 46% of the saving, with an expectation that further savings may be identified given that other strands are dependent on prescribing data which has a three-month lag, providing reassurance that the project and savings are now on track. This will continue to be closely monitored through Q2.</p>

Project Number	Project Name	Target Saving as documented in Appendix 4 of the 22 nd MAR 22 EIJB report	Progress RAG* as of End JUL 22	Savings RAG** as of End JUN 22	Progress update as of end July 2022
8	Purchasing	£400,000	6	1	<p>Both elements of project overall on track.</p> <p>Gross Funding - temporary reporting solution implemented to pass cases which require follow up action back to locality staff; Recruitment process ongoing for Senior Transactions Officer (Gross Funding); Project Team working with Operational staff to sign-off current Gross Funding process.</p> <p>Direct Payments – audit of AllPay high balance and ‘non-use’ accounts commenced; SDS Adviser working with Finance to develop reporting mechanisms.</p> <p>Since professional advisor commenced in post, achievement of savings has gathered pace. Project reporting 11% of savings achieved at end of M3 (equating to Rag of 1) but forecasting achievement of circa 30% by end of M4, providing reassurance that project and savings are on track.</p>
9	Medical Day Hospitals	£200,000	8	8	An Integrated Community Model is progressing to deliver a consist model across the City. This will include the delivery of services via 2 hubs and supporting community infrastructure. Saving is on track to be delivered in year.
10	Bed Based Review	£2,100,000	4	7	<p>The Bed Based Review continues to progress, but in the meantime the saving is on track for delivery in year as Drumbrae is closed.</p> <p>Continue to monitor through Q2.</p>

Appendix 4.2: 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

Appendix 4.3: 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