

# REPORT

Finance update

Integration Joint Board

28<sup>th</sup> February 2023

## Executive Summary

The report provides the Integration Joint Board with an update on the financial performance of delegated services for the first 9 months of the year. The level of assurance provided of a break even position for 2022/23 remains at **moderate**.

## Recommendations

It is recommended that the board notes the:

- a) financial position for delegated services to 31<sup>st</sup> December 2022;
- b) moderate assurance provided by the Chief Finance Officer.

## 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 positions highlighted within this report have been considered through the appropriate governance structures of our partners, the City of Edinburgh Council (the Council) and NHS Lothian.

## Main Report

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### Background

2. 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.
3. 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 position was monitored as the year progressed and, at its December meeting, the Chief Finance Officer provided the board with moderate assurance of a break even position for the financial year 2022/23. This was predicated on the value of vacancies across Council and NHS services, slippage on investment funding and the use of reserves. It was further noted that the recurring financial position remains of major concern as we move into 2023/24.

### Overview of financial position

4. 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.

5. The information in this report is based on the period 9 (December 2022) monitoring reports from the Council and NHS Lothian. This shows a projected year end overspend of £2.7m as per table 1 below. It represents a deterioration from the position reported to the board in December, driven by an increase in externally purchased care costs (linked to the recent improvement in performance) and prescribing expenditure (with both unit prices and volumes continuing to increase). 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 December 2022			Year end forecast £k
		Budget £k	Actual £k	Variance £k	
NHS services					
Core	299,564	166,408	166,062	346	780
Hosted	105,577	75,141	74,483	658	1,281
Set aside	103,866	77,345	79,670	(2,326)	(4,742)
<b>Sub total NHS services</b>	<b>509,007</b>	<b>318,894</b>	<b>320,215</b>	<b>(1,321)</b>	<b>(2,681)</b>
<b>CEC services</b>	<b>290,706</b>	<b>218,030</b>	<b>218,030</b>	<b>(0)</b>	<b>(0)</b>
<b>Total</b>	<b>799,713</b>	<b>536,924</b>	<b>538,245</b>	<b>(1,321)</b>	<b>(2,681)</b>

Table 1: financial position for delegated services to December 2022

### NHS Lothian

6. Delegated health services are reporting an overspend of £1.3m for the 9 months to December 2022, or £2.7m by the end of the financial year. The Chief Finance Officer is in active discussion with NHS Lothian to explore whether additional support might be available if this position does not improve in the last quarter. On the basis that NHS Lothian itself reaches financial balance, assurances have been received that further resource will be made available to offset the set aside position.
7. 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 (£1.2m), district nursing (£1.4m), mental health (£1.6m), therapies (£0.8m including hosted services) and rehabilitation (£0.8m). In all these areas vacancy levels are higher than those experienced in the previous financial year despite ongoing efforts of operational staff prioritising recruitment;

- *Prescribing (£3.3m over)* – prescribing costs have been particularly volatile this year and the latest forecast shows a deterioration. As previously highlighted, volumes and unit costs are both increasing. These elements are being closely monitored but it is difficult to predict if they will continue longer term at this time;
- *Hosted services (£1.3m under by year end)* – although the net position has not changed materially since the last finance report, this masks a couple of material movements. Specifically, funding has been released on a pan Lothian basis to reflect the increased issue of community equipment, resetting the budget. This is offset by an adverse movement in the psychology position, caused by a reduction in the mental health recovery and renewal fund (MHRRF) nationally. NHS Lothian received £1m less funding than had been anticipated; and
- *Set aside services (£4.7m 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); 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 now reporting a break even position for the year, after the application of £3.6m of slippage. There are 3 components to the operation position (ie before considering the impact of covid and system pressures). Taking these factors together gives an underlying in year overspend of £4.5m, and they can be described as follows:
  - *Employee costs (forecast net underspend of £5.3m)* – reflecting the level of vacancies across the services, but mostly in homecare, residential and day care services. This is despite the ongoing efforts to recruit and reflects the position nationally; and

- *Purchasing (net projected overspend of £11.5m)* – with particular pressures in residential services (due partly to challenges in securing placements at national care home contract rates and the timing of invoicing) and care at home, direct payments and individual service funds (c£5m of which is reflective of recent upturn in performance).
9. The combination of the above factors leaves a residual in year gap of £3.6m. Working with service leads, the finance team carried out a review of planned investments (from a combination of the non recurring winter funding received in 2021/22 and funds received via the Scottish Government's (SG) budget for 2022/23). This focussed on the likely timing of implementation and this exercise identified that the recruitment challenges previously highlighted to the IJB mean there is a degree of slippage in the associated funding. It has therefore been assumed that this will offset the residual gap in the budget for the year.

### **Financial impact of Covid-19**

10. For the last 3 financial years Covid related costs were met in full by the Scottish Government (SG) via the Lothian Mobilisation Plan (LMP) process. Due to timing differences between funding being received and costs incurred, the IJB held £44.1m in reserve as we moved into financial year 22/23. Subsequently, the SG has confirmed that any of this funding not required to offset in year Covid costs would be recovered from integration authorities. This adjustment has now been actioned, based on the LMP returns submitted. Covid costs for Edinburgh IJB for 22/23 were estimated at £13.1m (see appendix 3 for the breakdown), and the balance of £31.0m has now been reclaimed by the SG. A reconciliation exercise will be conducted at the end of the financial year, at which point any required changes will be processed.
11. Over the 3 year period, the SG has funded £95m of pandemic related costs for Edinburgh. However, from 23/24 onwards, the SG has confirmed that, with the exception of a small number of national programmes, no further support will be available.

### **Integration Joint Board reserves**

12. In total, the IJB started the year with reserves totalling £82.2m. Appendix 4 sets out the extent to which these reserves have been applied during the year

and shows that the planned value at the end of the year is £7.1m. This will be subject to change as spending plans are finalised and we receive the final outstanding SG allocations. The remaining reserves are all 'earmarked' which means they are committed against specific projects which have been separately funded. As such there is no flexibility for alternative uses and the amounts in question will be carried forward to, and expended in, 23/24.

### **Savings and recovery programme**

13. 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 5 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 January 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.
14. Overall, the savings programme is on track, however there is a divergence between planned activities and progress across a small number of projects. Where risks or issues have been identified as having financial implications to 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**

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### **Financial**

15. Outlined elsewhere in this report

## **Legal/risk implications**

16. Like any year end projection, the IJB's relies on a number of assumptions and estimates each of which introduces a degree of risk. Taking these into account the Chief Finance Officer is in a position to give moderate assurance of a balanced position for the year. This will clearly be closely monitored as the year end approaches.

## **Equality and integrated impact assessment**

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

## **Environment and sustainability impacts**

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

## **Quality of care**

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

## **Consultation**

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20. 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 NHS delegated services to December 2022     |
| Appendix 2 | Financial outturn for Council delegated services to December 2022 |
| Appendix 3 | Summary of Covid costs 2022/23                                    |
| Appendix 4 | Summary reserves position 2022/23                                 |
| Appendix 5 | Progress with 2022/23 savings and recovery programme              |

## FINANCIAL POSITION FOR NHS DELEGATED SERVICES TO DECEMBER 2022

	Annual Budget £k	To December 2022				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
<b>Core services</b>						
Community hospitals	13,689	10,225	9,128	1,097	8%	1,273
District nursing	13,779	10,162	9,202	961	7%	1,241
Geriatric medicine	3,020	2,202	2,203	(1)	0%	(1)
GMS	94,916	71,051	72,096	(1,045)	-1%	(1,417)
Learning disabilities	1,255	944	875	69	5%	88
Mental health	9,282	6,896	5,805	1,091	12%	1,406
PC Services	14,544	8,834	8,809	25	0%	59
Prescribing	80,693	60,459	62,785	(2,326)	-3%	(3,327)
Resource transfer and reserves	50,662	(18,252)	(18,419)	167	0%	978
Substance misuse	4,175	3,127	2,974	153	4%	219
Therapy services	12,517	9,800	9,586	214	2%	336
Other	1,031	960	1,018	(58)	-6%	(76)
<b>Sub total core</b>	<b>299,564</b>	<b>166,408</b>	<b>166,062</b>	<b>346</b>	<b>0%</b>	<b>780</b>
<b>Hosted services</b>						
Community Equipment	3,296	2,311	2,311	0	0%	(0)
Hospices & Palliative Care	2,609	1,957	1,968	(11)	0%	(15)
Learning Disabilities	7,686	5,304	5,178	126	2%	294
LUCS	7,230	5,073	5,327	(254)	-4%	(119)
Mental Health	32,006	23,535	24,612	(1,076)	-3%	(438)
Oral Health Services	7,143	5,160	4,921	239	3%	380
Pharmacy	3,798	3,440	3,442	(2)	0%	(0)
Primary Care Services	2,893	2,182	2,154	29	1%	(22)
Psychology Services	5,993	4,869	4,554	315	5%	(730)
Public Health	1,050	632	624	8	1%	23
Rehabilitation Medicine	5,082	3,767	3,149	618	12%	790
Sexual Health	4,057	3,043	3,111	(68)	-2%	(92)
Substance Misuse	2,840	2,219	2,088	131	5%	219
Therapy Services	9,135	6,837	6,396	441	5%	433
UNPAC	3,746	2,547	1,952	594	16%	713
Other	7,013	2,264	2,696	(432)	-6%	(154)
<b>Sub total hosted</b>	<b>105,577</b>	<b>75,141</b>	<b>74,483</b>	<b>658</b>	<b>1%</b>	<b>1,281</b>
<b>Set aside services</b>						
Acute management	3,560	2,619	2,672	(53)	-1%	(175)
Cardiology	4,093	3,093	3,001	92	2%	16
Diabetes & endocrinology	2,519	1,799	1,979	(180)	-7%	(443)
ED & minor injuries	10,739	8,078	8,784	(706)	-7%	(568)
Gastroenterology	8,011	5,937	7,475	(1,538)	-19%	(1,642)
General medicine	27,658	20,676	22,184	(1,508)	-5%	(1,597)
Geriatric medicine	18,472	13,870	14,475	(605)	-3%	(759)
Infectious disease	3,008	1,012	874	137	5%	815
Junior medical	3,149	2,373	2,566	(193)	-6%	(256)
Other	728	563	495	68	9%	9
Rehabilitation medicine	1,735	1,298	1,343	(45)	-3%	72
Respiratory medicine	7,116	5,694	5,875	(181)	-3%	(137)
Therapy services	10,577	7,833	7,946	(113)	-1%	(80)
Covid funding	2,500	2,500	0	2,500	100%	0
<b>Sub total set aside</b>	<b>103,866</b>	<b>77,345</b>	<b>79,670</b>	<b>(2,326)</b>	<b>-2%</b>	<b>(4,742)</b>
<b>Net position</b>	<b>509,007</b>	<b>318,894</b>	<b>320,215</b>	<b>(1,321)</b>	<b>0%</b>	<b>(2,681)</b>

## FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES TO DECEMBER 2022

	Annual Budget £k	To December 2022				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
Employee costs	95,913	71,934	67,939	3,995	4%	5,327
Premises costs	702	526	646	(119)	-17%	(159)
Transport costs	3,299	2,474	3,303	(829)	-25%	(1,105)
Supplies and services	9,816	7,362	7,208	153	2%	205
Purchasing - residential and FPNC	81,629	61,222	63,663	(2,442)	-3%	(3,256)
Purchasing - day care and care at home	109,320	81,990	86,725	(4,735)	-4%	(6,313)
Purchasing - direct payments and ISF	48,410	36,308	38,065	(1,757)	-4%	(2,342)
Purchasing - grants and block contracts	45,148	33,861	33,749	112	0%	150
Purchasing - other	5,669	4,252	4,026	225	4%	300
Transfer payments	253	190	273	(83)	-33%	(111)
Income	(113,087)	(84,815)	(87,568)	2,753	-2%	3,670
<b>Sub total</b>	<b>287,071</b>	<b>215,303</b>	<b>218,030</b>	<b>(2,726)</b>	<b>-1%</b>	<b>(3,635)</b>
Slippage on investment funding	3,635	2,726		2,726		3,635
<b>Net position</b>	<b>290,706</b>	<b>218,030</b>	<b>218,030</b>	<b>(0)</b>	<b>0%</b>	<b>(0)</b>

## SUMMARY OF COVID COSTS 2022/23

	£k
<b><i>Costs incurred by City of Edinburgh Council</i></b>	
Staff costs	1,115
PPE	365
Provider sustainability payments	5,801
Loss of income	1,000
Shortfall on funding for interim care beds	2,900
<b>Total earmarked reserves</b>	<b>11,181</b>
<b><i>Costs incurred by NHS Lothian</i></b>	
GP prescribing	1,867
Additional FHS contractor costs	70
<b>Total general reserve</b>	<b>1,937</b>
<b>Grand total reserves cfwd to 22/23</b>	<b>13,118</b>

## SUMMARY RESERVES POSITION 2022/23

	Opening £k	Planned movement £k	Projected closing £k
<b><u>Earmarked reserves</u></b>			
Balance of covid and winter funding			
COVID LMP balance	44,136	(44,136)	0
Care at home capacity	2,286	(2,286)	0
Interim care	1,189	(1,189)	0
Multi disciplinary teams	1,656	(1,656)	0
Winter	264	(156)	108
<b>Sub total covid and winter</b>	<b>49,531</b>	<b>(49,423)</b>	<b>108</b>
Unscheduled care	7,183	(7,183)	0
Primary care improvement fund	5,960	(5,788)	172
Other	5,533	(3,534)	1,999
Drugs death task force	4,170	(1,929)	2,241
Action 15 and mental health	2,938	(1,918)	1,020
Community investment		580	580
Home first	927	(927)	(0)
Community living change fund	1,925	(910)	1,015
Transformation	841	(841)	0
<b>Total earmarked reserves</b>	<b>79,008</b>	<b>(71,873)</b>	<b>7,135</b>
<b><u>General reserve</u></b>			
21/22 underspend	3,151	(3,151)	0
<b>Total general reserve</b>	<b>3,151</b>	<b>(3,151)</b>	<b>0</b>
<b>Grand total reserves cfwd to 22/23</b>	<b>82,159</b>	<b>(75,024)</b>	<b>7,135</b>

## PROGRESS WITH 2022/23 SAVINGS AND RECOVERY PROGRAMME

### 5.1 Progress RAG Scoring Guidance

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

*Note: Used across both the Savings Programme and Transformation Programme*

**PROGRESS WITH 2022/23 SAVINGS AND RECOVERY PROGRAMME**

**5.2 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

## PROGRESS WITH 2022/23 SAVINGS AND RECOVERY PROGRAMME

### 5.3 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 <sup>nd</sup> MAR 22 EIJB report	Progress RAG* as of End JAN 23	Savings RAG** as of End DEC 22	Progress update as of end January 2023
1	Review Rehabilitation Services	£140,000	6	10	Full savings have been identified - based on historical vacancies that have not been filled. However project progress status 6 as proposals for efficiencies will continue into future years
2	Sexual Health Service Review	£110,000	5	10	The Sexual Health Services review identified a number of potential options to deliver savings as part of the 2022-23 Savings and Recovery Programme, however all were likely to have a material impact on service delivery. On this basis, and as overall financial balance is predicted, these options were not pursued in year.
3	Community Equipment	£55,000	4	5	Progress has been delayed by resource challenges (both in terms of project management and within service area). Potential savings of £165k from reduction in supply of single use items have been identified.
4	LD Overnight Services	£75,000	7	9	A saving of £45k has been delivered through individual reviews. The balance will be achieved through vacancies in the internal LD Service.
5	The Works	£30,000	10	10	Full savings have been realised. Project activity has completed as planned. The project has been closed under CLR-01.  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.

## PROGRESS WITH 2022/23 SAVINGS AND RECOVERY PROGRAMME

Project Number	Project Name	Target Saving as documented in Appendix 4 of the 22 <sup>nd</sup> MAR 22 EIJB report	Progress RAG* as of End JAN 23	Savings RAG** as of End DEC 22	Progress update as of end January 2023
6	Hosted Service & Set aside	£570,000	10	10	All projects are on track and delivering beyond plan. A closure report (CLR05) was approved by Savings Governance Board in February.
7	Prescribing	£2,060,000	8	8	The Lothian-wide Prescribing Action Plan was presented and approved at the February 2022 Prescribing Forum. A template and methodology for reporting has been developed and agreed and delivery will be overseen by Prescribing Forum monthly. Reports to the SGB notes that the projects are now all on track with (85%) savings recorded for EHSCP (target £2,055,000).
8	Purchasing	£400,000	6	9	Financial Position – currently projecting that savings on Gross Funding and Direct Payments will be achieved. Continue to monitor progress through Q3/4.
9	Medical Day Hospitals	£200,000	10	10	An Integrated Community Model is progressing to deliver a consistent model across the city. This will include the delivery of services via 2 hubs and supporting community infrastructure. Through this work £200k of savings have been agreed. Close report CLR-02 submitted and approved at SGB on 11 October 22.
10	Bed Based Review	£2,100,000	4	5	The Bed Based Project is under review to identify next steps and a way forward. Saving is on track for delivery in year.