

# REPORT

## Finance update

Edinburgh Integration Joint Board

8 August 2023

### Executive Summary

The report provides the Integration Joint Board with an update on the financial performance of delegated services. Given the relatively early point in the financial year, there is further work required to refine the assumptions which underpin this initial set of results. The level of assurance provided of a break-even position for 2023/24 is **limited**, given the remaining budget deficit.

### Recommendations

It is recommended that the Integration Joint Board notes the:

- a) financial position for delegated services to 30<sup>th</sup> June 2023 and associated year end forecast; and
- b) limited 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

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1. The financial positions highlighted within this report will be 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 2023, the Integration Joint Board (IJB) considered the 2023/24 financial plan and agreed the first phase of the associated savings and recovery programme (SRP). The second phase of the SRP, along with further mitigating actions, was subsequently agreed in June 2023. At this point the plan remained unbalanced with a deficit of £14.2m. The board accepted the recommendation from officers that bridging this residual budget gap would require a series of measures which would have significantly negative in-year and future year consequences for people and performance more generally. On the request of the board, the Chair and Vice Chair have written to Scottish Ministers setting out the challenge posed by the financial position and the potential implications of delivering additional savings.

### Overview of financial position

3. In line with the integration scheme, the IJB “directs” budgets back to our partner organisations who provide the associated services. Most of these services are delivered through the Edinburgh Health and Social Care Partnership (EHSCP), 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. Budget monitoring is undertaken by the finance teams within the Council and NHS Lothian who have responsibility for working with budget holders to prepare information on financial performance. Both partners provide the required information on operational budget performance from their respective financial systems, under the co-ordination of the IJB Chief Finance Officer, to provide reports to the board on delegated health and social care services.

5. The information in this report is based on the period 3 (June 2023) monitoring reports from the Council and NHS Lothian. As this is the first consolidated financial information available for 2023/24 further work is required to fully analyse elements of the position. However, in the context of the in-year budget gap, verifying (or not) that the financial position is in line with expectations will give the board a degree of assurance. A more detailed report (including expanded narrative on the drivers of the set aside position and associated mitigating actions) will be presented to the Performance and Delivery Committee (P&D) at its meeting in September.
6. The reported forecast shows a potential year end overspend of £28.1m, as summarised in table 1 below.

	Annual Budget £k	To June 2023			Year end forecast £k
		Budget £k	Actual £k	Variance £k	
NHS services					
Core	305,807	61,219	62,846	(1,627)	(2,593)
Hosted	94,747	24,647	24,609	38	92
Set aside	111,108	24,506	27,280	(2,773)	(11,223)
Pay award funding	2,427	2,427	2,427	0	(0)
<b>Sub total NHS services</b>	<b>514,089</b>	<b>112,799</b>	<b>117,161</b>	<b>(4,362)</b>	<b>(13,724)</b>
<b>CEC services</b>	<b>294,943</b>	<b>73,736</b>	<b>77,327</b>	<b>(3,591)</b>	<b>(14,365)</b>
<b>Total</b>	<b>809,032</b>	<b>186,535</b>	<b>194,488</b>	<b>(7,953)</b>	<b>(28,089)</b>

Table 1: financial position for delegated services

7. Whilst clearly a significant figure, this position is not materially different from the financial plan for the year discussed above. The associated mitigations are demonstrated in table 2 below:

Pressure	Financial plan £m	Forecast £m	Mitigation
Budget deficit	(14.2)	(14.2)	Identification of further saving and ongoing discussions with partners, including Scottish Government
Set aside	(8.0)	(11.2)	NHS Lothian support for financial plan position and assumed reduction in overspend following application of additional funding
Core partnership	0.0	(2.6)	Anticipated funding for pay uplifts to come
Other		(0.1)	
<b>Total</b>	<b>22.2</b>	<b>28.1</b>	

*Table 2: drivers and mitigation of financial position*

8. Further detail is included in appendices 1 (NHS Lothian) and 2 (the Council), with narrative explanations in paragraphs 9 to 12.

### **NHS Lothian**

9. Delegated health services are forecasting a £13.7m overspend for the year. This compares to a gap of £8m in the financial plan which related entirely to set aside services. NHS Lothian undertook to work with the 4 Lothian integration authorities to work collaboratively to deliver a balanced outturn. On this basis, financial plan assumed that set aside services would be fully funded. Clearly this appears to be a deterioration of the position however there are a number of mitigations:

- In July, the Scottish Government (SG) issued funding for the 22/23 and 23/24 pay awards associated with baseline budgets. They are still working on the uplifts linked to in year allocations so these figures are not yet confirmed. As such, this element of the funding has not been assumed by NHS Lothian and is not yet reflected in the forecast.

Assuming funding is provided in line with the actual costs then this will improve the position for core services by c£2m and is likely to impact on hosted services as well, albeit to a lesser extent;

- In June 2023, the SG allocated further funding to boards to support the 2023/24 financial position. There are two parts to the funding - new medicines and NRAC parity/sustainability. NHS Lothian received £15m for new medicines funding and £18m for NRAC parity/sustainability. This has proved a key driver in reducing the overall NHS Lothian forecast to an overspend of £27m for the year. The allocation of these additional resources still has to be decided and at this point no impact has been reflected in the IJB's forecast. However, the clear expectation is that an element of new medicines funding will be allocated to delegated services given the pressures reported on drugs budgets within set aside services. It is also likely that a proportion of the sustainability funding will also be allocated to delegated services given the impact of demographic growth and corresponding demand pressures on health services. The process to allocate this additional funding should have concluded by September at which point the impact of any additional funding will be reflected in the updated year end forecast position for delegated services.
  - The primary driver of the initial forecast overspend is the IJB's share of acute set aside services where the forecast budget outturn is an £11.2m overspend. As discussed above, this is shift from the position built into the financial plan. However, it is anticipated that this will reduce at the next monitoring update once the additional SG funding for new medicines and sustainability has been allocated.
10. Notwithstanding the issues raised above, the underlying drivers remain as previously reported to the board, namely:
- *Core health services* - operationally managed by the EHSCP and projecting an overspend of 1% or £2.6m. This is driven by prescribing which is the main financial pressure facing our core services. However it should be noted that no 23/24 prescribing data was available to inform the quarter 1 review, hence the current forecast is based on the financial

plan. This is a national issue and a resolution is being pursued via the NHS Scotland Directors of Finance group. Boards have now received data for April, this is currently being analysed and will allow forecasts to be updated. Given the volatility of the prescribing position this lack of information on which to base estimates presents a risk. This overspend is offset by high levels of vacancies across a number of services - including community hospitals, district nursing, mental health, and therapies;

- *Share of pan Lothian hosted services* – this represents the element of hosted services delegated to the IJB, the majority of which are operationally managed out with EHSCP. As for core services, vacancies are a key factor in the financial position, offset by a range of pressures (mainly in primary care and psychology); and
- *Share of acute set aside services* - a share of acute hospital services which although delegated to the IJB, are operationally managed by NHS Lothian. This is an area where both the board and P&D committee members have asked for further detail and this will be provided in the first instance to P&D in September.

### **City of Edinburgh Council**

11. Council delegated services are forecasting an overspend of £14.4m. This is the first available monitoring and is based on the actual results to June, in arriving at this position two key assumptions have been agreed:

- *Purchasing* – further growth for the remainder of 23/24 has been assumed in line with the financial plan;
- *Transport* – given the lack of available data for 23/24 spend has been assumed in line with last year's levels (less savings delivery); and
- *Savings* – for schemes which are still in the planning stage, full achievement has been assumed in line with the plan. Where projects have started, actual delivery is reflected in the forecast. It should be noted that no material variance from plan has been identified at this point in the financial year.

12. Overall, the overspend is effectively equivalent to the budget shortfall referenced at paragraph 2 above. Further work to realign budgets and understand the key drivers of the position will take place over the coming weeks but points to note in the current position include:

- *Employees* – underspend due to previously reported recruitment challenges. These are mainly in disability services, but also assessment and care management and homecare and reablement teams;
- *Purchasing* – projected in year overspend is partly related to timing issues, which a combination of last year's costs coming through the financial ledger this year and some provisions created pre April 23 not yet invoiced. The Council's finance team is working with locality leads and customer colleagues on a data cleansing exercise; and
- *Income* – over-recovery of residential client receipts is forecast, potentially as a result of achieving gross funding targets.

## **Conclusion**

13. This paper sets out the initial, high level financial forecast for 23/24. For the reasons set out in this paper there is further work to be done by both the NHS Lothian and Council finance teams to continue to refine the underpinning assumptions. Whilst the forecast represents a deterioration of the financial position, no material deviation from the financial plan has been identified at this point. Ongoing monitoring arrangements are in place and the position will continue to be reviewed as the year progresses.
14. Whilst discussions with partners on proposals to bridge the remaining £14.2m budget deficit have been positive, no solution has yet been identified. On this basis the Chief Finance Officer can give limited assurance at this point in the year.

## **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. These assumptions will be closely monitored as the year progresses, in particular in those areas which present the highest risk. These include:
  - Delivery of the agreed savings and recovery programme. This will be governed via the newly established EHSCP change board with further scrutiny undertaken by P&D;
  - External purchasing costs, with a particular focus on the built in level of growth;
  - Prescribing which is the area of greatest financial pressure in EHSCP core services and where there has been a delay with the availability of data to inform the position. Both prescribing and purchasing expenditure



will be closely monitored via the newly introduced performance meetings and scrutiny from P&D; and

- Additional funding for outstanding pay uplifts. It is anticipated that the SG position will be confirmed in the coming weeks and updates will be included in future finance reports.

### **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 position for NHS delegated services     |
| Appendix 2 | Financial position for Council delegated services |

## FINANCIAL POSITION FOR NHS DELEGATED SERVICES

	Annual Budget £k	To June 2023				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
<b>Core services</b>						
Community hospitals	14,642	3,660	3,617	43	0%	323
District nursing	15,772	4,150	3,750	401	3%	1,769
Geriatric medicine	3,666	917	898	19	1%	92
GMS	94,612	23,014	23,403	(388)	0%	(1,182)
Learning disabilities	1,424	357	319	38	3%	148
Mental health	10,277	2,583	2,378	206	2%	807
PC Services	5,585	3,245	3,309	(65)	-1%	(680)
Prescribing	78,878	19,603	21,668	(2,064)	-3%	(5,028)
Resource transfer and reserves	61,775	(1,218)	(1,230)	12	0%	662
Substance misuse	4,710	1,194	1,131	63	1%	189
Therapy services	12,819	3,246	3,161	85	1%	332
Other	1,646	467	443	24	1%	(26)
<b>Sub total core</b>	<b>305,807</b>	<b>61,219</b>	<b>62,846</b>	<b>(1,627)</b>	<b>-1%</b>	<b>(2,593)</b>
<b>Hosted services</b>						
Community Equipment	2,282	(0)	0	(0)	0%	(1)
GMS	(9,205)	1,205	1,310	(105)	1%	(483)
Hospices & Palliative Care	2,733	683	686	(3)	0%	(11)
Learning Disabilities	8,345	1,940	1,992	(52)	-1%	(126)
LUCS	7,097	1,474	1,477	(3)	0%	(24)
Mental Health	35,104	8,801	8,903	(102)	0%	534
Oral Health Services	5,266	480	484	(4)	0%	248
Pharmacy	6,503	1,386	1,441	(55)	-1%	(211)
Primary Care Services	3,240	830	886	(56)	-2%	(566)
Psychology Services	5,766	970	1,042	(72)	-1%	(384)
Public Health	1,200	179	171	8	1%	18
Rehabilitation Medicine	5,689	1,365	1,192	173	3%	679
Sexual Health	4,353	1,130	1,152	(22)	0%	(94)
Substance Misuse	3,087	697	690	8	0%	12
Therapy Services	10,585	2,607	2,569	37	0%	501
UNPAC	3,746	729	560	169	5%	713
Other	(1,043)	170	54	116	-11%	(711)
<b>Sub total hosted</b>	<b>94,747</b>	<b>24,647</b>	<b>24,609</b>	<b>38</b>	<b>0%</b>	<b>92</b>
<b>Set aside services</b>						
Acute management	3,584	858	950	(92)	-3%	(444)
Cardiology	4,383	1,090	1,101	(11)	0%	(5)
Diabetes & endocrinology	2,414	390	501	(111)	-5%	(1,544)
ED & minor injuries	12,119	2,949	3,398	(448)	-4%	(1,309)
Gastroenterology	8,745	2,132	2,797	(665)	-8%	(3,073)
General medicine	31,621	7,901	8,621	(720)	-2%	(2,823)
Geriatric medicine	21,317	5,275	5,481	(206)	-1%	(799)
Infectious disease	3,477	(2,060)	(2,267)	207	6%	826
Junior medical	2,545	614	740	(126)	-5%	147
Other	848	216	187	30	4%	18
Rehabilitation medicine	1,993	483	529	(45)	-2%	(182)
Respiratory medicine	7,248	1,835	2,111	(276)	-4%	(1,228)
Therapy services	10,812	2,823	3,133	(310)	-3%	(808)
<b>Sub total set aside</b>	<b>111,108</b>	<b>24,506</b>	<b>27,280</b>	<b>(2,773)</b>	<b>-2%</b>	<b>(11,223)</b>
<b>Pay award funding</b>	<b>2,427</b>	<b>2,427</b>	<b>2,427</b>	<b>0</b>	<b>0%</b>	<b>(0)</b>
<b>Total</b>	<b>514,089</b>	<b>112,799</b>	<b>117,161</b>	<b>(4,362)</b>	<b>-1%</b>	<b>(13,724)</b>

## FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES

	Annual Budget £k	To June 2023				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
Employee costs	101,762	25,441	24,522	919	1%	3,676
Premises costs	1,427	357	430	(73)	-5%	(293)
Transport costs	2,837	709	874	(165)	-6%	(661)
Supplies, services and transfer payments	11,011	2,753	2,689	64	1%	256
Purchasing - residential and FPNC	86,058	21,515	21,674	(159)	0%	(636)
Purchasing - day care and care at home	127,613	31,903	32,949	(1,046)	-1%	(4,185)
Purchasing - direct payments and ISF	49,162	12,291	12,418	(128)	0%	(510)
Purchasing - grants and block contracts	30,901	7,725	7,733	(8)	0%	(33)
Purchasing - other	4,258	1,064	1,018	46	1%	185
Grants funding and cost recovery	(86,397)	(21,599)	(21,644)	45	0%	179
Income	(19,441)	(4,860)	(5,337)	477	-2%	1,907
<b>Sub total</b>	<b>309,192</b>	<b>77,298</b>	<b>77,327</b>	<b>(29)</b>	<b>0%</b>	<b>(116)</b>
Budget gap	(14,249)	(3,562)		(3,562)	25%	(14,249)
<b>Net position</b>	<b>294,943</b>	<b>73,736</b>	<b>77,327</b>	<b>(3,591)</b>	<b>-1%</b>	<b>(14,365)</b>