

# REPORT

Finance update

Integration Joint Board

16<sup>th</sup> November 2023

## Executive Summary

The report provides the Integration Joint Board with an update on the financial performance of delegated services. Following additional support being agreed by the City of Edinburgh Council and NHS Lothian reiterating their financial commitment, the level of assurance provided of a break-even position for 2023/24 has improved to **moderate**.

## Recommendations

- It is recommended that the board notes the:
- a) financial position for delegated services to 30<sup>th</sup> September 2023 and associated year end forecast; and
  - 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

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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 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.
3. Discussions with senior officers in the Council and NHS Lothian had been taking place both in advance of, and following, the decision of the IJB in June. In parallel, a financial recovery plan was being developed in the event that no additional support from partners was forthcoming.
4. On 21<sup>st</sup> September 2023 the Council's Finance and Resources Committee (F&R) considered the projected Council-wide revenue budget position for the year. This was based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year. Following discussion, the report was referred to a special meeting of F&R where this could be scrutinised in full, with full understanding of each Directorate's pressures. The meeting took place on 23<sup>rd</sup> October 2023 where the committee considered an update on the first Council-wide in-year revenue monitoring report for 2023/24.
5. A key element of the consideration of the report was the proposal to utilise the Council's 2022/23 underspend to increase the budget delegated to the IJB by £14.2m. This in turn would address the deficit at the point in time when the Board set its budget in June 2023.

6. A recommendation was made to a meeting of the Council on 2<sup>nd</sup> November 2023. A link to the full report is [here](#). Following debate, twenty individual points were agreed, including:

*'To agree that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.'*

7. A number of the other points related to strengthening the relationships between the 3 partners: the IJB; NHS Lothian; and the Council. Officers of the organisations concerned are actively considering how best to address the individual points. Progress will be reported through the governance arrangements for the individual corporate bodies, including the IJB.

### **Overview of financial position**

8. 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.
9. 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.
10. The information in this report is based on the period 6 (September 2023) monitoring reports from the Council and NHS Lothian. A potential year end overspend of £27.2m is forecast, as summarised in table 1 below. This is an improvement of £1.8m over the position reported to the IJB in October 2023. Additional income for pay awards and new medicines (received from the Scottish Government via NHS Lothian) offset by a deterioration in the prescribing position are the main reasons for the change. This paper focuses

on how a balanced financial position by the year end can be achieved. Additional information on the underlying drivers of the financial position will be presented to the Performance and Delivery Committee on 29<sup>th</sup> November for more detailed scrutiny.

	Annual Budget £k	To September 2023			Year end forecast £k
		Budget £k	Actual £k	Variance £k	
NHS services					
Core	339,718	162,342	163,493	(1,151)	(2,642)
Hosted	106,650	49,545	49,446	98	446
Set aside	115,333	55,377	59,378	(4,002)	(8,276)
Pay award funding	2,423	2,423	2,427	(4)	(4)
<b>Sub total NHS services</b>	<b>564,124</b>	<b>269,686</b>	<b>274,745</b>	<b>(5,058)</b>	<b>(10,475)</b>
<b>CEC services</b>	<b>294,943</b>	<b>147,472</b>	<b>155,816</b>	<b>(8,345)</b>	<b>(16,690)</b>
<b>Total</b>	<b>859,067</b>	<b>417,158</b>	<b>430,561</b>	<b>(13,403)</b>	<b>(27,165)</b>

Table 1: financial position for delegated services

### Achieving break even

11. In total, the Council has now committed to additional funding of up to £14.5m. this covers the recent commitment to address the budget deficit plus the previous agreement to fund the urgent improvement work in Castle Green and North Merchiston care homes. Taking this additional budget allocation into account will leave a residual overspend of £2.2m in Council delivered services.
12. Members will recall that NHS Lothian undertook to work collaboratively with the 4 Lothian integration authorities to deliver a balanced outturn. On this basis, financial plan assumed that set aside services would be fully funded. As can be seen from table 1 above, this is currently projected at £8.3m, leaving a remaining gap for health delivered services of £2.2m. This relates largely to the predicted deterioration in the prescribing position, as can be seen across Scotland. In addition to this support for the set aside position, NHS Lothian has yet to distribute the National Resource Allocation Committee (NRAC) parity/sustainability funding of £18m. The corporate management team of NHS Lothian has agreed that the funding will be distributed to areas with existing budget pressures where management action cannot address the overspend. It had been anticipated that the funding would be allocated following the

conclusion of the quarter one review process in NHS Lothian. Due to the volume of budget pressures identified the funding is unlikely to be allocated until the quarter two review process concludes. Whilst the final decision has yet to be made it has been agreed with the Deputy Director of Finance that it is likely that an element of this funding will be made available to support the additional prescribing costs. Further, should this not be sufficient to balance the position, that the commitment to work with integration authorities remains. On this basis it has been agreed that, at this point, it is reasonable to assume the NHS Lothian will be in a position to make an additional payment to meet the final IJB year-end overspend within health services.

13. Taking the funding implications outlined in the preceding paragraphs would reduce the year end overspend to £2.2m as shown in table 2 below:

	£k
Year end forecast	(27,165)
<i>Additional budget allocations</i>	
City of Edinburgh Council - in year deficit	14,136
City of Edinburgh Council - capital work in care homes	380
NHS Lothian - overall support	10,475
<b>Projected year end position</b>	<b>(2,174)</b>

Table 2: drivers and mitigation of financial position

## Conclusion

14. This paper sets out the financial forecast for 2023/24, based on the actual results for the first 6 months of the financial year. Reflecting additional funding commitments leaves the board with a residual in year gap of £2.2m. As highlighted through the financial planning process, the opportunities to deliver savings which do not impact on service delivery, and which can be realised by the end of the financial year have now been exhausted. Thus, any such recovery plan will set out proposals for service reductions which will inevitably lead to poorer outcomes for people, worsen performance and endanger delivery of the improvement plan.
15. Whilst we are clearly not yet forecasting a balanced position, the advice from officers is that the financial recovery plan should **not** be progressed at this time. Rather, officers will pursue the following mitigating actions:

- detailed review of the individual schemes in the savings and recovery programme to continue to drive delivery and, where possible, over delivery;
  - reinforcing the importance of grip and control over all elements of expenditure;
  - not entering into any additional commitments until the level of assurance over financial break-even is assured. For example, when considering spending plans for the slippage on carers funding currently held in reserves, the impact of not progressing with these would have to be balanced against the alternative of reductions to existing services; and
  - ongoing discussion and engagement with partners.
16. On the basis of the actions and assumptions set out in this report, and taking into account the risks outlined in paragraph 19 below, the Chief Finance Officer can give **moderate assurance** of in year financial balance.
17. Now that the Chief Finance Officer is reporting an improved level of assurance on the 2023/24 financial position, officers shifted their focus to developing the medium-term financial strategy for 2024/25 onwards. Financial projections will be updated and additional savings and recovery programmes scoped. Officers will continue to work closely with partners as well as IJB members as these plans develop.

## Implications for Edinburgh Integration Joint Board

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### Financial

18. Outlined elsewhere in this report.

### Legal/risk implications

19. 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 are being 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 EHSCP change board with further scrutiny undertaken by P&D;
- External purchasing costs, with a particular focus on the built in level of growth;
- Potential additional costs associated with improving performance, particularly over winter; and
- Prescribing where data availability issues remain.

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

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

### **Environment and sustainability impacts**

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

### **Quality of care**

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

### **Consultation**

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23. 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 September 2023				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
<b>Core services</b>						
Community equipment	2,852	1,999	1,996	3	0%	6
Community hospitals	14,643	7,318	6,952	366	5%	708
District nursing	15,839	8,086	7,255	831	10%	1,614
Geriatric medicine	3,697	1,864	1,740	124	7%	242
GMS	97,717	50,179	50,972	(793)	-2%	(1,309)
Learning disabilities	1,451	720	627	93	13%	198
Mental health	10,299	5,162	4,810	351	7%	703
PC Services	17,663	8,732	8,502	230	3%	113
Pharmacy	6,557	3,237	2,961	275	9%	717
Prescribing	82,074	40,377	43,926	(3,549)	-9%	(7,139)
Resource transfer and reserves	63,278	21,214	21,127	87	0%	35
Substance misuse	4,770	2,381	2,040	341	14%	686
Therapy services	17,027	10,047	9,628	419	4%	729
Other	1,850	1,027	957	70	7%	56
<b>Sub total core</b>	<b>339,718</b>	<b>162,342</b>	<b>163,493</b>	<b>(1,151)</b>	<b>-1%</b>	<b>(2,642)</b>
<b>Hosted services</b>						
GMS	7,829	2,751	2,826	(76)	-3%	(411)
Hospices & Palliative Care	2,971	1,485	1,488	(3)	0%	(10)
Learning Disabilities	8,357	3,914	3,996	(82)	-2%	4
LUCS	7,643	3,354	3,367	(13)	0%	(24)
Mental Health	35,293	17,746	17,815	(69)	0%	191
Oral Health Services	5,407	1,825	1,787	38	2%	96
Primary Care Services	3,291	1,666	1,747	(82)	-5%	(362)
Psychology Services	6,952	2,689	2,929	(240)	-9%	(329)
Public Health	1,172	398	358	40	10%	30
Rehabilitation Medicine	5,729	2,730	2,351	379	14%	743
Sexual Health	4,889	2,231	2,238	(7)	0%	(32)
Substance Misuse	3,522	1,612	1,516	96	6%	82
Therapy Services	9,990	5,096	4,918	178	3%	401
UNPAC	3,775	1,428	1,005	423	30%	713
Other	(168)	620	1,105	(486)	-78%	(645)
<b>Sub total hosted</b>	<b>106,650</b>	<b>49,545</b>	<b>49,446</b>	<b>98</b>	<b>0%</b>	<b>446</b>
<b>Set aside services</b>						
Acute management	3,772	2,061	2,010	50	2%	(37)
Cardiology	4,447	2,200	2,185	15	1%	83
Diabetes & endocrinology	2,988	1,172	1,587	(415)	-35%	(866)
ED & minor injuries	12,404	6,053	6,825	(772)	-13%	(1,635)
Gastroenterology	9,980	4,891	5,571	(681)	-14%	(1,688)
General medicine	32,188	15,900	16,830	(930)	-6%	(2,180)
Geriatric medicine	21,394	10,629	10,934	(305)	-3%	(844)
Infectious disease	3,589	(238)	(398)	159	-67%	60
Junior medical	3,017	1,404	1,657	(253)	-18%	117
Other	848	419	364	55	13%	(0)
Rehabilitation medicine	1,971	980	1,074	(94)	-10%	(243)
Respiratory medicine	7,879	4,100	4,504	(404)	-10%	(439)
Therapy services	10,856	5,807	6,235	(427)	-7%	(604)
<b>Sub total set aside</b>	<b>115,333</b>	<b>55,377</b>	<b>59,378</b>	<b>(4,002)</b>	<b>-7%</b>	<b>(8,276)</b>
<b>Pay award funding</b>	<b>2,423</b>	<b>2,423</b>	<b>2,427</b>	<b>(4)</b>	<b>0%</b>	<b>(4)</b>
<b>Total</b>	<b>564,124</b>	<b>269,686</b>	<b>274,745</b>	<b>(5,058)</b>	<b>-2%</b>	<b>(10,475)</b>



## FINANCIAL POSITION FOR COUNCIL DELEGATED SERVICES

	Annual Budget £k	To September 2023				Year end forecast £k
		Budget £k	Actual £k	Variance £k	%	
Employee costs	102,081	51,040	49,483	1,557	3%	3,114
Premises costs	1,398	699	869	(169)	-24%	(339)
Transport costs	2,838	1,419	1,823	(404)	-28%	(807)
Supplies, services and transfer payments	11,036	5,518	5,271	247	4%	493
Purchasing - residential and FPNC	88,734	44,367	46,109	(1,743)	-4%	(3,485)
Purchasing - day care and care at home	123,809	61,904	63,555	(1,651)	-3%	(3,301)
Purchasing - direct payments and ISF	50,160	25,080	25,499	(418)	-2%	(837)
Purchasing - grants and block contracts	31,324	15,662	15,555	107	1%	214
Purchasing - other	4,446	2,223	1,983	240	11%	480
Grants funding and cost recovery	(87,306)	(43,653)	(43,637)	(16)	0%	(33)
Income	(19,441)	(9,720)	(10,693)	973	-10%	1,946
<b>Sub total</b>	<b>309,079</b>	<b>154,539</b>	<b>155,816</b>	<b>(1,277)</b>	<b>-1%</b>	<b>(2,554)</b>
Budget gap	(14,136)	(7,068)		(7,068)	100%	(14,136)
<b>Net position</b>	<b>294,943</b>	<b>147,472</b>	<b>155,816</b>	<b>(8,345)</b>	<b>-6%</b>	<b>(16,690)</b>

