



Date	13 January 2022
Agenda Item	8

## Report to West Lothian Integration Joint Board

**Report Title: 2021/22 Finance Update**

**Report By: Chief Finance Officer**

Summary of Report and Implications	
<b>Purpose</b>	This report: (tick any that apply).
	- seeks a decision <input type="checkbox"/>
	- is to provide assurance <input checked="" type="checkbox"/>
	- is for information <input checked="" type="checkbox"/>
	- is for discussion <input type="checkbox"/>
	The purpose of this report is to provide an interim update on the 2021/22 budget forecast position for the IJB delegated health and social care functions. This will be updated further following the outcome of the Quarter 3 monitoring exercise.
<b>Recommendations</b>	<p>It is recommended that the Board:</p> <ol style="list-style-type: none"> <li>1. Considers the forecast outturn for 2021/22 taking account of delivery of agreed savings</li> <li>2. Notes the currently estimated financial implications of Covid-19 on the 2021/22 budget</li> <li>3. Notes the update on key financial risk areas</li> <li>4. Notes the update on new funding announced by the Scottish Government for 2021/22 to help protect health and social care service delivery over the winter period</li> </ol>
<b>Directions to NHS Lothian and/or West Lothian Council</b>	A direction is not required.
<b>Resource/ Finance/ Staffing</b>	The 2021/22 budget resources relevant to functions delegated to the IJB are £263.316 million.
<b>Policy/Legal</b>	None.

<b>Risk</b>	There are a number of risks associated with health and social care budgets, which will require to be closely managed. The financial risks resulting from Covid-19 will require to be closely monitored on an ongoing basis.
<b>Equality, Health Inequalities, Environmental and Sustainability Issues</b>	The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted.
<b>Strategic Planning and Commissioning</b>	The 2021/22 budget resources delegated to the IJB will be used to support the delivery of the Strategic Plan.
<b>Locality Planning</b>	None.
<b>Engagement</b>	Consultation with relevant officers in NHS Lothian and West Lothian Council.

<b>Terms of Report</b>	
<b>1.</b>	<b>Background</b>
1.1	This report sets out the overall financial performance of the 2021/22 IJB delegated resources and provides a year end forecast which takes account of relevant issues identified across health and social care services.
1.2	Reporting on the performance of delegated resources is undertaken in line with the IJB's approved financial regulations and Integration Scheme. Increasing demands coupled with constrained funding means that a partnership working approach through the IJB, NHS Lothian and West Lothian Council will be vital in ensuring health and social care functions are managed within available budget resources.
1.3	This will require ongoing changes to current models of care delivery over the coming years as it is widely acknowledged that continuing with all existing models of care provision will not be sustainable going forward. The IJB as a strategic planning body for delegated health and social care functions is responsible for working with the council and NHS Lothian to deliver services taking account of its Strategic Plan and funding resources available for health and social care functions.
1.4	This report also provides the latest estimate on additional cost pressures for the year as a result of the current pandemic. This continues to impact across the whole range of services and work on the disaggregation of Covid-19 costs, particularly across Health functions continues to be refined to ensure accurate information is provided at an IJB level.
<b>2.</b>	<b>2021/22 Summary Forecast Outturn for IJB Delegated Functions</b>
2.1	Taking account of the latest monitoring position, the table below reflects the current 2021/22 year-end forecast position against budget.

2.2	2021/22 Forecast Outturn Position	Budget £'000	Forecast £'000	Variance £'000
	Core West Lothian Health Services	119,452	117,790	(1,662)
	Share of Pan Lothian Hosted Services	30,029	30,104	75
	Adult Social Care	78,833	78,833	0
	<b>Payment to IJB - Total</b>	<b>228,314</b>	<b>226,727</b>	<b>(1,586)</b>
	Share of Acute Set Aside	35,002	36,090	1,088
	<b>Total Delegated IJB Functions</b>	<b>263,316</b>	<b>262,817</b>	<b>(498)</b>

2.3 The table above shows that the current forecast is an underspend of £498,000 against core IJB delegated budgets for 2021/22. This position assumes that the costs of Covid-19 will be fully funded by the Scottish Government as in 2020/21. The forecast position in respect of Health functions includes the impact of the additional Health pay award and Scottish Government funding for medical and dental staff. In terms of social care staffing, the outturn forecast reflects the recently agreed 2021/22 pay uplift for council staff.

2.4 It should be noted that following the finalisation of 2021/22 pay costs and funding, NHS Lothian have confirmed a further £614,000 of budget uplift will be allocated to the IJB in 2021/22, being the finalised pass through of uplift for 2021/22. This funding will be available to meet pressures in Health functions which is consistent with NHS Lothian and IJB financial plan assumptions on the use of this funding.

2.5 In core operating budgets, excluding the additional costs and funding related to Covid-19, significant assurance can be provided that expenditure can be managed within budget resources available. This reflects assumptions made on Covid-19 funding and costs and also offsets in some areas of expenditure due to the pandemic.

2.6 Appendix 1 provides a further breakdown of the forecast outturn position and more detail is provided around Covid-19 costs and funding in section 3 below.

### 3. Covid-19 Costs and Funding

3.1 The current estimated full year additional expenditure linked to the West Lothian Mobilisation Plan is £9.111 million for 2021/22, as per the Quarter 2 submission to the Scottish Government. The IJB holds reserves of £5.471 million carried forward from 2020/21 to be used against the ongoing costs of the pandemic and the Quarter 2 forecast therefore assumes that the Scottish Government will provide additional funding for the remaining £3.640 million.

It should be noted that acute costs resulting from the pandemic are included in the overall NHS Lothian Mobilisation plan, rather than the West Lothian plan, but part of the funding received for acute will be applied to meet acute costs delegated to the IJB.

3.2 The Quarter 3 Mobilisation Plan submission is currently being prepared and an update on the forecast spend will be provided to the next meeting of the Board. A summary of the key areas of additional anticipated costs included in the West Lothian plan are as below.

- Additional Staffing Costs – this includes the recruitment of additional Homefirst / REACT staff to help prevent hospital admission and facilitate supported discharge, additional costs of social care staff to help ensure services are maintained across internal care at home and care homes, and additional support in the community for mental health concerns and to reduce the backlog of service referrals.
- Additional Prescribing Costs – this includes the impact of increased volumes and price increases directly due to the pandemic. The pandemic has had a significant impact on unit price and volume and this area will continue to be subject to close monitoring.

- Additional Support to Care at Home providers – this relates to increased hourly rate payments based on commissioned hours to cover costs resulting from COVID-19, such as staffing and PPE, and ensure providers are supported to remain financially sustainable.
- Additional Support to Care Homes – this reflects additional costs to external care homes to help ensure they are sustainable during the pandemic. Sustainability payments will cover additional provider costs linked to reduced bed occupancy, staff sickness, additional staffing, PPE and other costs as resulting from Covid-19.
- Reduced Care Income – non-residential care contributions are under budget in 2021/22 due to reduced capacity in day care and other chargeable services. Contributions from care home residents are also lower than budget this year.
- Unachievable Savings – delays due to Covid-19 in a number of savings and recovery plans have resulted in extra costs for 2021/22 which can be claimed through the Mobilisation Plan process.

3.3 As part of the Quarter 2 Mobilisation Plan return, a review was undertaken to assess the recurring costs associated with the pandemic. Based on this it is estimated that ongoing recurring costs could be in the region of £5.5 million for West Lothian health and social care services. This includes costs relating to vaccinations, prescribing and increased staffing. Information on estimated ongoing costs has been provided to the Scottish Government and dialogue is ongoing around the continuation of funding to meet these costs.

#### 4. Summary of Key Budget Pressures and Risks

4.1 Appendix 2 sets out the key 2021/22 budget risk areas that have been identified as a result of the budget monitoring undertaken to date and the current budget position in each. Highlights from each area are listed below.

##### 4.2 Core West Lothian Health Services

These functions and resources relate fully to service areas directly under the operational management of the West Lothian Health and Social Care Partnership.

The main pressures for core services are in Mental Health (£181,000 overspend) due largely to locum staff being utilised to cover consultant vacancies, and in Prescribing (£101,000 overspend) due to a number of issues such as increases in unit costs, short supply, and increased volumes.

These are being fully offset by savings in District Nursing and other core services resulting in an overall underspend within core health services of £1.662 million.

##### 4.3 Hosted Services

These functions and resources represent a share of Lothian Hosted services delegated to the IJB, the majority of which are operationally managed outwith West Lothian Health and Social Care Partnership.

Within hosted services, there is a small overall overspend forecast of £75,000 for the year.

##### 4.4 Adult Social Care

These functions and resources relate fully to service areas directly under the operational management of the West Lothian Health and Social Care Partnership. At this stage, a breakeven position is forecast for 2021/22.

The main pressure is in Internal Care Homes (£297,000 overspend), which is partly linked to the pandemic and reflects use of agency staffing, locum and overtime costs to cover vacancies and sickness absence, as well as lower than anticipated income from resident recoveries.

## 4.5 Acute Set Aside Services

These functions and resources represent a share of acute hospital services which although delegated to the IJB, are operationally managed outwith the West Lothian Health and Social Care Partnership. The forecast overspend for the West Lothian share of acute services is £1.088 million.

The main pressures are mostly due to the cost of staff cover and drug costs, which has affected General Medicine (£498,000 overspend), Gastroenterology (£303,000 overspend), and Respiratory Medicine (£237,000 overspend).

Nursing pressures around recruitment difficulties, sickness / absence and resulting requirement for bank and agency staff continue to be a key contributing factor. The ongoing use of medical locum and agency staff to provide necessary rota cover is also a key factor.

## 4.6 A number of strategic financial risks are also included in Appendix 2 which will continue to be updated as the financial year progresses and into 2022/23.

**5. Scottish Government Funding - Winter Planning for Health and Social Care**

## 5.1 As previously reported, new investment in funding for winter planning and systems pressures across health and social care was announced by the Cabinet Secretary on 5 October 2021. This funding was provided in recognition that collectively across health and social care there has been very significant demand and that this is resulting in significant challenges over the winter period. The key additional funding streams at a national level are summarised below along with recently confirmed shares of funding for West Lothian IJB.

5.2 **Multi-Disciplinary Working** – Additional funding of £570,000 has been confirmed for 2021/22 to help develop capacity through integrated teams bringing together members of different health and social care groups to improve person centred planning and increase efficiency in assessment, review and resource allocation. Recurring funding will be provided for this from 2022/23,5.3 **Providing Interim Care** - £1.140 million has been confirmed for 2021/22 to enable patients currently in hospital to move into care homes and other community settings, on an interim basis, to ensure they can complete their recovery in an appropriate setting.5.4 **Expanding Care at Home Capacity** – For 2021/22, £1.767 million has been confirmed for building capacity in care at home community based services. It has also been confirmed that this will be recurring funding to help meet unmet needs, deal with demands and enhance capacity in care at home.5.5 **Social Care Pay Uplift** – Funding of £1.044 million has been confirmed for 2021/22 which is to enable employers to update the hourly rate of adult social care staff to at least £10.02 which will be backdated to take effect from 1 December 2021. Full year recurring funding will also be provided from 2022/23.

## 5.6 Actions are progressing to maximise the utilisation of these resources in line with the purpose of the funding and to help manage the significant pressures across the health and social care system. However, the timing of the funding confirmation along with staffing recruitment timescales and the current national challenges in terms of staffing and care capacity will inevitably result in some degree of underspend against this funding in 2021/22. The Scottish Government have acknowledged this and provided assurance to IJB Chief Finance Officers that any unspent monies can be carried forward through IJB reserves to be used in 2022/23.

<b>6.</b>	<b>Summarised Budget Position for 2021/22</b>
6.1	Based on information available at this point, and taking account of Covid-19 funding and expenditure assumptions, an underspend of £498,000 is currently forecast for 2021/22. The forecast outturn reflects the current position across Covid-19 costs and funding, and in the core operating functions of both adult social care and combined health services.
6.2	As noted, the financial implications of additional 2021/22 Scottish Government funding recently confirmed for IJBs is likely to result in an increased underspend for the current year. It is intended that year end underspends resulting will be retained within IJB reserves for use in future years.
6.3	This position will continue to be closely monitored over the remainder of the financial year. Further work will be undertaken with partner bodies to refine and update estimates of the ongoing costs of Covid-19 and remobilisation.
<b>7.</b>	<b>Q3 Monitoring</b>
7.1	The Quarter 3 budget monitoring exercise is currently progressing for health and social care services.
7.2	Consistent with previous years, discussions are ongoing with partner bodies and the Scottish Government around year end actions required in respect of treatment of Covid -19 spend and funding, and additional Scottish Government referred to in Section 5 above. Based on this a comprehensive Quarter 3 update on the 2021/22 budget position will be presented to the next meeting of the Board.

<b>Appendices</b>	<ul style="list-style-type: none"> <li>1. IJB 2021/22 Budget Update</li> <li>2. IJB Finance Risk Update</li> </ul>
<b>References</b>	<ul style="list-style-type: none"> <li>1. West Lothian Integration Scheme</li> </ul>
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**WEST LoTHIAN INTEGRATION JOINT BOARD - 2021/22 MONTH 8 BUDGET UPDATE**

	2021/22 Budget £'000	2021/22 Forecast £'000	2021/22 Variance £'000
<b>Core West Lothian Health Services</b>			
Community Equipment	1,140	1,224	84
Community Hospitals	1,940	1,965	25
District Nursing	4,732	3,863	-869
General Medical Services	32,362	32,312	-50
Mental Health	18,804	18,985	181
Other Core	16,944	15,810	-1,134
Prescribing	36,809	36,910	101
Resource Transfer	6,721	6,721	0
<b>Core West Lothian Health Services - Total</b>	<b>119,452</b>	<b>117,790</b>	<b>-1,662</b>
<b>Share of Pan Lothian Hosted Services</b>			
Hosted GMS	5,907	5,976	69
Hospices & Palliative Care	943	948	5
Learning Disabilities	3,172	3,191	19
Lothian Unscheduled Care Service	2,762	2,793	31
Mental Health	487	557	70
Oral Health Services	4,035	3,983	-52
Other Hosted Services	633	637	4
Psychology Service	3,914	4,012	98
Rehabilitation Medicine	1,843	1,796	-47
Sexual Health	1,475	1,438	-37
Substance Misuse	719	712	-7
Therapy Services	2,759	2,707	-52
UNPAC	1,380	1,354	-26
<b>Share of Pan Lothian Hosted Services - Total</b>	<b>30,029</b>	<b>30,104</b>	<b>75</b>
<b>Adult Social Care</b>			
Learning Disabilities	20,665	20,755	90
Physical Disabilities	7,407	7,421	14
Mental Health	4,258	4,267	9
Older Peoples Assessment and Care Mangement	33,333	33,170	-163
Care Homes and Housing With Care	8,333	8,630	297
Occupational Therapy	1,692	1,445	-247
Support and Other Services	3,145	3,145	0
<b>Adult Social Care - Total</b>	<b>78,833</b>	<b>78,833</b>	<b>0</b>
<b>PAYMENT TO IJB - TOTAL</b>	<b>228,314</b>	<b>226,727</b>	<b>-1,586</b>
<b>Acute Set Aside</b>			
Acute Management	1,326	1,365	39
Cardiology	1,552	1,493	-59
Diabetes	813	932	119
ED & Minor Injuries	6,688	6,756	68
Gastroenterology	3,106	3,409	303
General Medicine	7,380	7,878	498
Geriatric Medicine	6,042	6,070	28
Infectious Disease	1,678	1,597	-81
Junior Medical	2,165	2,151	-14
Outpatients	202	168	-34
Rehabilitation medicine	637	658	21
Respiratory Medicine	2,286	2,523	237
Therapies	1,127	1,090	-37
<b>Acute Set Aside - Total</b>	<b>35,002</b>	<b>36,090</b>	<b>1,088</b>
<b>TOTAL DELEGATED IJB FUNCTIONS</b>	<b>263,316</b>	<b>262,817</b>	<b>-498</b>

## Appendix 2

### IJB Finance Risk Schedule

#### 2021/22 Financial Risks

Risk Area	Value of Pressure	Impact / Description
Mental Health	£181,000	The forecast overspend for Mental Health is as a result of using high cost locum staff to cover consultant vacancies along with cost pressures relating to new drugs. This will continue to be monitored going forward with the objective that this cost pressure will reduce as posts are recruited to.
Prescribing	£101,000	The prescribing overspend shown is the estimated non Covid-19 related overspend. It is driven by a number of issues including cost and volume pressures. This is a volatile area of expenditure and arrangements are in place to ensure spend is closely monitored between Covid-19 and non Covid-19 related costs.
General Medicine	£498,000	There is a significant forecast overspend for General Medicine. The overspend largely relates to nursing pressures in the main General Medicine wards within St John's Hospital driven by activity alongside nursing gaps being filled on a supplementary basis and cover for sickness. Additional staffing costs due to the pandemic along with increased drug costs are also contributing to higher costs in this area.
Gastroenterology	£303,000	The forecast overspend for Gastroenterology is resulting from increased staffing costs and higher than anticipated drug costs
Respiratory Medicine	£237,000	The Respiratory Medicine pressure reflects staffing pressures. Similar to other pressures this reflects use of agency and bank nursing and cover for sickness absence.
Internal Care Homes for Older People	£297,000	There is a recurring overspend for Internal Care Homes for Older People. This is partly due to an ongoing pressure from the requirement to cover core vacancies, staff sickness and other absences. Work is continuing to be progressed to identify a sustainable solution to this problem including review of staffing levels.



## Appendix 2

### Strategic Risks

Risk Area	Impact / Description
Covid Pandemic	The Covid pandemic impacts across the whole of Health and Social care with very significant implications for service delivery and associated financial consequences. Current concerns around the Omicron variant means there remains a great deal of uncertainty over how long the current situation will continue and how far reaching the long-term effects, including financial effects, of the pandemic will be.
Brexit	The UK left the European Union in January 2021. Material supplies and staffing shortages have become increasingly evident over recent months in the wider economy and any financial implications resulting will need to be considered as part of budget monitoring and medium-term financial planning.
Pay Awards / Costs	Health and council staff pay awards have now been agreed for 2021/22 so there is a degree of certainty around costs for the current financial year. However, staff pay awards for future years will be a key financial risk going forward. Any pay awards agreed will require to be fully funded to avoid further budget pressures arising.
Workforce Planning	Effective workforce planning will be important to ensuring health and social care services are delivered effectively and efficiently. Updates on workforce planning for health and social care functions will be considered further in future updates to the IJB.
Future Years Savings	Financial sustainability will continue to be challenging moving into future years and it is likely there will continue to be challenging savings targets for future years. Failure to identify transformation and deliver savings will put additional pressure on the sustainability of overall service provision. The process of identifying further potential efficiencies to address any funding gap in future settlements is being progressed across the Health and Social Care partnership.
Demographic Growth	Estimates have been made regarding demographic growth for adults requiring care provision. West Lothian is anticipated to have the highest growth in the elderly population, particularly for over-75s. These demographic forecasts will result in increased financial pressure and it will be important that forecast assumptions are kept under review.
Contributions Policy	Income generated by the Contributions policy is directly related to the level of service being delivered to Service Users. Some of these services have been impacted by Covid 19 and this is likely to continue in the short to medium term, which may result in an increased shortfall in the income generated.
Living Wage	The 2022 Living Wage has recently been announced at £9.90 per hour, representing a 4.2% increase on the previous rate of £9.50. The Scottish Government has also increased the minimum rate for commissioned adult social care workers to £10.02 (from 1 December 2021) and set a minimum rate of £10.50 for 2022/23. It will be important that this increase is fully matched by additional Scottish Government funding.
Prescribing	Prescribing continues to be a very volatile area with a number of significant risks. This area is particularly impacted by changes in supply and availability and will continue to be monitored closely throughout the year.
Mental Health	The demand for Mental Health services could be greater than the additional Scottish Government funding provided. Ongoing review of costs and funding in liaison with Scottish Government will be required going forward. Implications of the pandemic are being closely monitored.
Delayed Discharge	Management of the volume of delayed discharge will be essential going forward to enable new initiatives and deliver future reductions. The challenge in this area has become increasingly significant. Additional SG funding has been provided but improvements will be dependent upon capacity being available in community care and managing demands resulting from Covid-19.