



Date	10 January 2023
Agenda Item	09

## Report to West Lothian Integration Joint Board

**Report Title: 2022/23 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 2022/23 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 2022/23 taking account of delivery of agreed savings</li> <li>2. Notes the currently estimated financial implications of Covid-19 on the 2022/23 budget</li> <li>3. Notes the update on key financial risk areas</li> </ol>
<b>Directions to NHS Lothian and/or West Lothian Council</b>	A direction is not required.
<b>Resource/ Finance/ Staffing</b>	The 2022/23 budget resources relevant to functions delegated to the IJB are £265.543 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, an equality impact assessment has not been conducted.
<b>Strategic Planning and Commissioning</b>	The 2022/23 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.

## Terms of Report

### 1. Background

- 1.1 This report sets out the overall financial performance of the 2022/23 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.

## 2. 2022/23 Summary Forecast Outturn for IJB Delegated Functions

2.1 Taking account of the latest monitoring position, the table below reflects the current 2022/23 year-end forecast position against budget.

2022/23 Forecast Outturn Position	Budget £'000	Forecast £'000	Variance £'000
Core West Lothian Health Services	116,477	116,308	(169)
Share of Pan Lothian Hosted Services	22,612	22,195	(417)
Adult Social Care	91,915	91,915	0
<b>Payment to IJB - Total</b>	<b>231,004</b>	<b>230,418</b>	<b>(586)</b>
Share of Acute Set Aside	34,539	37,261	2,722
<b>Total Delegated IJB Functions</b>	<b>265,543</b>	<b>267,679</b>	<b>2,136</b>
Unallocated 2022/23 IJB Uplift			(637)
<b>Net Overspend on IJB Functions</b>			<b>1,499</b>

2.3 The table above shows a currently forecast overspend of £1.499 million against IJB delegated functions for 2022/23. This position is unchanged from the previous Quarter 2 monitoring report and assumes that the costs of Covid-19 will be fully funded by IJB earmarked reserves. The finalised pay award for health agenda for change staff is still subject to agreement at the time of writing. Confirmation around additional funding from the Scottish Government to meet the finalised pay award for Health staff will also be required and there remains a risk that pay costs will not be fully funded through additional Scottish Government funding which could have further impact on the current overspend forecast for 2022/23.

2.4 At this stage there is £637,000 of unallocated IJB budget uplift resources from NHS Lothian available in 2022/23 that are reflected in the overall forecast position. Discussions with NHS Lothian and other IJBs are progressing on how this remaining budget funding will be aligned to meet overall Health budget pressures which could include pay costs. This is consistent with NHS Lothian and IJB financial plan assumptions which required this funding to be used to help meet pressures within IJB Health functions.

2.5 The position takes account of a number of significant pressures across IJB functions and various management actions are being progressed within the Health and Social Care Partnership and wider NHS Lothian to manage spend within available resources. The main overspend area within the IJB is acute services, which is forecasting a year end overspend of £2.722 million. This is mainly due to cost of staff cover costs and more detail is provided in section 4.

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 £4.673 million for 2022/23, as per the Quarter 2 submission to the Scottish Government. The IJB holds earmarked reserves of £15.285 million carried forward from 2021/22 to be used against the ongoing costs of the pandemic and the forecast therefore assumes that this will be fully funded from these reserves.

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 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 Vaccination Costs – this includes local support for Flu and Covid-19 vaccinations.
- 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 Homes – this reflects additional costs to external care homes to help ensure they are sustainable. Sustainability payments cover additional provider costs linked to staff sickness, additional staffing, PPE and other costs as resulting from Covid-19. Payments for voids ended in October 2021.

3.3 The Scottish Government has noted that no further Covid-19 funding will be provided by them and that IJB Covid-19 reserves funding should be targeted at meeting all additional costs of responding to the pandemic in Integration Authorities and NHS Boards. There has been a significant scale up to meet the challenges of Covid-19 in the last two financial years and while there is clearly a requirement to continue with some areas of investment, the Scottish Government have advised that these costs now need to be managed down where possible. Significant work has been undertaken with the objective of utilising reserves to meet non-recurring Covid-19 costs and working towards managing ongoing costs within core recurring funding available, including through additional Scottish Government funding provided to meet capacity and demand challenges.

3.4 As previously reported, the Scottish Government have noted their intention to reclaim surplus IJB Covid reserves so they can be redistributed across the wider health and social care sector to meet Covid priorities. Additional information is awaited from the Scottish Government on the basis and mechanism by which they intend to recover IJB Covid reserves and further updates will be provided to the Board as further clarity is received.

#### **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 forecast outturn is an underspend of £169,000.

The main pressures for core services are in Mental Health (£499,000 overspend) due largely to locum staff being utilised to cover medical staffing vacancies, and in Prescribing (£1.372 million overspend) due to a number of issues such as increased unit costs, short supply, and increased volumes. The forecast for Prescribing reflects in particular, an increase in volumes which is a significant factor in the overspend position. Prescribing is a volatile area and monthly data will continue to be closely monitored.

##### **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. The forecast outturn is an underspend of £417,000.

	<p>Within hosted services, the main pressure relates to Mental Health (£190,000 overspend) due largely to increased staffing costs due to use of agency staff to cover vacancies.</p>
4.4	<p><b>Adult Social Care</b></p> <p>These functions and resources relate fully to service areas directly under the operational management of the West Lothian Health and Social Care Partnership. The forecast outturn is a breakeven position.</p> <p>The main pressure is in internal Care Homes and Housing with Care (£884,000 overspend), which is partly linked to the ongoing impact of the pandemic and reflects use of agency staffing, locum and overtime costs to cover vacancies and sickness absence. In Housing with Care there is also a pressure from sleepover costs.</p>
4.5	<p><b>Acute Set Aside Services</b></p> <p>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 for the West Lothian share of acute services is an overspend of £2.722 million.</p> <p>The main pressures are largely due to the cost of staff cover at St John's Hospital and also reflect higher drug costs, which has affected ED &amp; Minor Injuries (£743,000 overspend), Gastroenterology (£724,000 overspend), General Medicine (£551,000 overspend), and Junior Medical staff (£349,000 overspend).</p> <p>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. High activity levels and increased acuity of patients is also impacting on staffing requirements across St John's and other acute hospital sites in Lothian.</p>
4.6	<p>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 2023/24.</p>
<b>5.</b>	<p><b>Summarised Budget Position for 2022/23</b></p>
5.1	<p>Based on information available at this point, and taking account of current Covid-19 funding and expenditure assumptions, an overspend of £1.499 million is currently forecast for 2022/23. The West Lothian Integration Scheme sets out the action to be taken in the event of overspends and underspends against resources delegated to the IJB by partners. Based on this and subject to ongoing monitoring, the pressure on Health IJB functions may, as in a number of previous years, be met through the achievement of an overall NHS Lothian breakeven position. This, however, will require close management of risks and costs and these areas will form part of discussions with NHS Lothian over the coming months on how overall Health related pressures can be managed within available budget.</p>
5.2	<p>Particular risks include the financial implications of the 2022/23 pay award for health agenda for change staff is still to be confirmed and may impact on this position. The impact of inflationary pressures is also a key concern. 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. Further work will be undertaken with partner bodies and the Scottish Government to refine and update estimates of the ongoing costs of Covid-19 and seek clarity on the position with IJB Covid reserves.</p>

<b>6.</b>	<b>Quarter 3 Budget Monitoring</b>
6.1	The Quarter 3 budget monitoring exercise is currently progressing for health and social care services. Given the current overspend against IJB functions, the outcome of this exercise will be key in identifying how the overspend will be managed this year.
6.2	Following the Quarter 3 monitoring, it is intended that the Chief Officer and Chief Finance Officer will discuss the forecast year end position with partner bodies and seek to agree any actions required to offset any overall overspend against Partner budget contributions. Based on this, a comprehensive Quarter 3 update on the 2022/23 budget position will be presented to the next meeting of the Board on 21 March 2023.

<b>Appendices</b>	<ol style="list-style-type: none"> <li>1. IJB 2022/23 Budget Update</li> <li>2. IJB Finance Risk Update</li> </ol>
<b>References</b>	<ol style="list-style-type: none"> <li>1. West Lothian Integration Scheme</li> </ol>
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**WEST LoTHIAN INTEGRATION JOINT BOARD - 2022/23 MONTH 8 BUDGET UPDATE**

	2022/23 Budget	2022/23 Forecast	2022/23 Variance
	£'000	£'000	£'000
<b>Core West Lothian Health Services</b>			
Community Equipment	1,068	1,172	104
Community Hospitals	1,522	1,701	179
District Nursing	4,518	3,690	-828
General Medical Services	32,840	32,820	-20
Mental Health	18,470	18,969	499
Other Core	6,586	5,074	-1,512
Prescribing	37,264	38,636	1,372
Resource Transfer	8,609	8,609	0
Therapy Services	5,600	5,637	37
<b>Core West Lothian Health Services - Total</b>	<b>116,477</b>	<b>116,308</b>	<b>-169</b>
<b>Share of Pan Lothian Hosted Services</b>			
Hosted General Medical Services	589	679	90
Hospices	961	966	5
Learning Disabilities	2,880	2,743	-137
Lothian Unscheduled Care Service	2,554	2,596	42
Mental Health	580	770	190
Oral Health Services	2,599	2,458	-141
Other Hosted Services	944	885	-59
Psychology Service	2,887	2,835	-52
Rehabilitation Medicine	1,872	1,805	-67
Sexual Health	1,495	1,542	47
Substance Misuse	936	848	-88
Therapy Services	2,935	2,796	-139
UNPAC	1,380	1,272	-108
<b>Share of Pan Lothian Hosted Services - Total</b>	<b>22,612</b>	<b>22,195</b>	<b>-417</b>
<b>Adult Social Care</b>			
Learning Disabilities	23,207	23,417	210
Physical Disabilities	7,435	7,126	-309
Mental Health	4,871	5,014	143
Older Peoples Assessment and Care Management	43,861	42,871	-990
Care Homes and Housing With Care	8,087	8,971	884
Occupational Therapy	1,459	1,547	88
Support and Other Services	2,995	2,969	-26
<b>Adult Social Care - Total</b>	<b>91,915</b>	<b>91,915</b>	<b>0</b>
<b>PAYMENT TO IJB - TOTAL</b>	<b>231,004</b>	<b>230,418</b>	<b>-586</b>
<b>Acute Set Aside</b>			
Acute Management	1,296	1,558	262
Cardiology	1,505	1,479	-26
Diabetes	929	1,113	184
ED & Minor Injuries	6,775	7,518	743
Gastroenterology	2,952	3,676	724
General Medicine	7,160	7,711	551
Geriatric Medicine	6,180	6,349	169
Infectious Disease	1,108	1,025	-83
Junior Medical	1,312	1,661	349
Outpatients	232	229	-3
Rehabilitation medicine	639	613	-26
Respiratory Medicine	2,545	2,436	-109
Therapies	1,246	1,233	-13
Release of Corporate Covid Reserves	660	660	0
<b>Acute Set Aside - Total</b>	<b>34,539</b>	<b>37,261</b>	<b>2,722</b>
<b>TOTAL DELEGATED IJB FUNCTIONS</b>	<b>265,543</b>	<b>267,679</b>	<b>2,136</b>
<b>Unallocated IJB Uplift</b>			<b>-637</b>
<b>NET OVERSPEND IJB FUNCTIONS</b>			<b>1,499</b>





## Appendix 2

### IJB Finance Risk Schedule

#### 2022/23 Financial Risks

Risk Area	Value of Pressure	Impact / Description
Mental Health	£499,000	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	£1,372,000	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 on an ongoing basis.
ED and Minor Injuries	£743,000	There are significant overspends within St John's Hospital (SJH) Medical areas due to staffing costs, and additional activity levels are also contributing to this pressure.
Gastroenterology	£724,000	The forecast overspend for Gastroenterology is largely due to staffing costs, high activity levels and increased drug costs.
General Medicine	£551,000	This is linked to the SJH overspend due to staffing costs, high activity levels and increased drug costs.
Geriatric Medicine	£169,000	The pressure in Geriatric Medicine appears across all the sites and reflects staffing difficulties, high activity and high acuity.
Junior Medical	£349,000	There continues to be a significant forecast overspend for Junior Medical. This is due to ongoing pressures due to gaps in rotas and rotas requiring additional staffing to be compliant. The position also reflects higher staffing costs due to Covid-19.
Internal Care Homes for Older People	£449,000	There is a significant 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.
Internal Housing with Care	£435,000	There are staffing pressures including those related to sleepover costs in Housing with Care. Options to manage this pressure are being progressed.

## 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. Concerns around backlogs, winter demands and potential future variants 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 / Wider Economy	The UK left the European Union in January 2021. Material supplies and staffing shortages have become increasingly evident over a period of time. In addition, inflationary pressures in the wider economy have increased significantly over recent months and this position is currently very volatile. Financial implications due to wider economic pressures and government policy decisions resulting will need to be considered as part of ongoing budget monitoring and medium-term financial planning.
Pay Awards / Costs	Health agenda for change staff pay awards have not been agreed for 2022/23 so there remains uncertainty around costs for the current financial year. In addition, ongoing high inflation will create pressure for future year pay awards to be in excess of current budget and funding assumptions. Any pay awards agreed will require to be fully funded to avoid further budget pressures arising.
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 2023 Living wage of £10.90 was announced on 22 September 2022. Inflationary increases associated with this will add additional financial costs to the IJB and it will be important that living wage uplifts continue to be funded by the Scottish Government.
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. This is dependent upon capacity being available in community care and managing demands.