



Date	21 March 2023
Agenda Item	09

Report to West Lothian Integration Joint Board

Report Title: 2022/23 Quarter 3 Finance Update

Report By: Chief Finance Officer

Summary of Report and Implications	
Purpose	This report: (tick any that apply).
	- seeks a decision <input type="checkbox"/>
	- is to provide assurance <input checked="" type="checkbox"/>
	- is for information <input type="checkbox"/>
	- is for discussion <input checked="" type="checkbox"/>
The purpose of this report is to provide an update on the 2022/23 budget forecast position for the IJB delegated health and social care functions reflecting the outcome of the latest monitoring process.	
Recommendations	It is recommended that the Board: <ol style="list-style-type: none"> 1. Considers the forecast outturn for 2022/23 taking account of delivery of agreed savings 2. Notes the currently estimated financial implications of Covid-19 on the 2022/23 budget and the latest position on funding provided for costs associated with the pandemic 3. Notes the current position in terms of year end management, consistent with the approved Integration Scheme, to allow the IJB to achieve a breakeven position for 2022/23
Directions to NHS Lothian and/or West Lothian Council	A direction is not required.
Resource/ Finance/ Staffing	The 2022/23 budget resources relevant to functions delegated to the IJB are £272.315 million.
Policy/Legal	None.

Risk	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.
Equality, Health Inequalities, Environmental and Sustainability Issues	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.
Strategic Planning and Commissioning	The 2022/23 budget resources delegated to the IJB will be used to support the delivery of the Strategic Plan.
Locality Planning	None.
Engagement	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 and growing inflationary pressures 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 Covid-19 and sets out the latest position in respect of the return of unused IJB Covid funding at 31 March 2023 to be redistributed across the wider health and social care sector to meet Covid costs.
2.	Responsibility for In Year Budget Monitoring
2.1	Budget monitoring of IJB delegated functions is undertaken by Finance teams within the council and NHS Lothian who have responsibility for working with budget holders to prepare information on financial performance. This is in line with the approved West Lothian Integration Scheme which

notes that when resources have been delegated via Directions by the IJB, NHS Lothian and West Lothian Council apply their established systems of financial governance to the delegated functions and resources. This reflects the IJB's role as a strategic planning body who does not directly deliver services, employ staff or hold cash resources.

2.2 Both NHS Lothian and West Lothian Council then provide the required information on operational budget performance from their respective financial systems, under the co-ordination of the IJB Section 95 officer, to provide reports to the Board on delegated health and social care functions.

2.3 In terms of in year operational budget performance, the approved West Lothian Integration Scheme notes that the council and NHS Lothian are ultimately responsible for managing within budget resources available. However, it is important that the IJB has oversight of the in year budget position as this influences the strategic planning role of the Board and highlights any issues that need to be taken account of in planning the future delivery of health and social care services. As a result, the Board has agreed that regular reports should be provided on financial performance of health and social care functions.

3. 2022/23 Summary Forecast Outturn for IJB Delegated Functions

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

2022/23 Forecast Outturn Position	Budget £'000	Forecast £'000	Variance £'000
Core West Lothian Health Services	117,366	116,712	(654)
Share of Pan Lothian Hosted Services	24,352	23,587	(765)
Adult Social Care	92,052	92,052	0
Payment to IJB - Total	233,770	232,351	(1,419)
Share of Acute Set Aside	38,545	41,908	3,363
Total Delegated IJB Functions	272,315	274,259	1,944

3.3 The table above shows a currently forecast overspend of £1.944 million against IJB delegated functions for 2022/23. This position assumes that the costs of Covid-19 will be fully funded by IJB earmarked reserves and reflects pay awards provided for staff in 2022/23 are anticipated to be fully funded via Partner / Scottish Government funding.

3.4 The 2022/23 year end overspend forecast has increased by £445,000 since the previous position reported to the Board in January 2023. This is mainly due to additional prescribing costs and additional pressures in acute services. It should also be noted that the main overspend area within the IJB is acute services, which is forecasting a year end overspend of £3.363 million.

3.5 Appendix 1 provides a further breakdown of the forecast outturn position and more detail is provided around Covid-19 costs and funding in section 4 below.

4. Covid-19 Costs and Funding

4.1 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 3 submission to the Scottish Government. At 1 April 2023, the IJB held 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 the 2022/23 Covid costs will be fully funded from these reserves.

4.2 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.

4.3 The Scottish Government have 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.

4.4 The Scottish Government Director of Health Finance and Governance wrote on the 16 January 2023 to provide a further update on IJB Covid reserves and the arrangements to enable Covid reserves to be returned. This letter is attached in Appendix 2 and notes the reserves refund values for IJBs but also that a reconciliation exercise will take place at the year end to ensure final 2022/23 Covid-19 costs are funded.

5. Summary of Key Budget Pressures and Risks

5.1 Appendix 3 sets out the key 2022/23 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.

5.2 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 pressure for core services is in Prescribing (£1.514 million overspend) due to a number of issues such as increased unit costs, short supply, and increased volumes. Prescribing is a volatile area and monthly data will continue to be closely monitored.

5.3 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, the main pressure relates to Rehabilitation Medicine (£291,000 overspend) and UNPAC (£263,000 overspend).

5.4 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. The main pressure is in internal Care Homes and Housing with Care (£722,000 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.

5.5 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 £3.363 million. The main pressures are mostly due to the cost of staff cover at St John's Hospital and also reflect higher drug costs, which has affected ED & Minor Injuries (£923,000 overspend), Gastroenterology (£605,000 overspend) General Medicine (£1.183 million overspend), Geriatric Medicine (£280,000 overspend) and Junior Medical staff (£439,000 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. 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.

5.6 A number of strategic financial risks are also included in Appendix 3 which will continue to be updated as the financial year progresses and into the next five-year period.

6. Approved Savings Relating to IJB Delegated Functions

6.1 As part of the 2022/23 budget contribution to the IJB from the council and NHS Lothian there are £6.797 million of budget savings identified. At this stage, the monitoring undertaken estimates that this will be over achieved by £193,000. The overall forecast position for the IJB takes account of the position on savings noted.

The summary split of these savings is shown in the table below along with the actual level of savings considered to be achievable at this stage.

2022/23 Budget Savings	2022/23 Budgeted Savings £'000	2022/23 Forecast Achievable £'000	2022/23 Variance £'000
Core West Lothian Health Services	2,045	2,375	(330)
Share of Pan Lothian Hosted Services	319	248	71
Adult Social Care	4,179	4,179	0
Share of Acute Set Aside	254	188	66
Total Savings	6,797	6,990	(193)

6.3 Appendix 4 provides further detail on the areas in which these savings are being delivered. This represents good progress on the delivery of 2022/23 savings. NHS Lothian and West Lothian Council have established processes in place for monitoring and reporting on the delivery of savings and regular updates will be provided to the Board on progress with delivery of savings. To ensure a joined up overall health and social care approach to financial planning and the delivery of savings, the Chief Officer, Chief Finance Officer and other key officers will continue to review progress on delivery of overall West Lothian saving proposals.

7.	Summarised Budget Position for 2022/23
7.1	<p>The monitoring position for IJB delegated functions delivered by the council and NHS Lothian is an overspend of £1.944 million. This is made up of a £1.419 million underspend on integrated functions and a £3.363 million overspend relating to acute set aside functions.</p> <p>The West Lothian Integration Scheme agreed with partner bodies and the Scottish Government sets out the action to be taken in the event of overspends and underspends against resources delegated to the IJB by partners. Taking account of this, actions are being progressed by the IJB and partner bodies with the objective of achieving a balanced IJB budget position for 2022/23 and these are set out below.</p>
7.2	<p>Health Functions</p> <p>NHS Lothian Finance and Resources Committee have previously agreed the key principles underpinning the year end arrangements for IJBs, based on the content of agreed Integration Schemes.</p> <p>Based on latest discussions with NHS Lothian finance colleagues, it is anticipated that NHS Lothian will achieve an overall breakeven position for 2022/23. Taking account of this, and in line with the Integration Scheme, this will enable NHS Lothian to make an additional payment to the IJB to meet the final IJB year end overspend, currently £1.944 million, which would mean a breakeven position is achieved in both the IJB and NHS Lothian.</p> <p>The next meeting of Finance and Resources Committee on 20 March 2023 will provide a further update on the NHS Lothian budget position for 2022/23.</p>
7.3	<p>Social Care Functions</p> <p>At this stage a breakeven position is forecast against social care resources. This will continue to be reviewed and monitored with any movement in the forecast position being subject to consideration by Council Executive taking account of the agreed Integration Scheme.</p> <p>Various management actions continue to be progressed within the West Lothian Health Social Care Partnership and at a wider NHS Lothian level to manage spend within available resources, and, taking account of this, it is anticipated that a breakeven position can be achieved in 2022/23.</p>

Appendices	<ol style="list-style-type: none"> 1. West Lothian IJB 2022/23 Budget Update 2. Update on IJB Covid Reserves – Letter from Scottish Government 16 January 2023 3. IJB Finance Risk Update 4. Delivery of 2022/23 Budget Savings
References	<ol style="list-style-type: none"> 1. West Lothian Integration Scheme
Contact	<p>Patrick Welsh, Chief Finance Officer, West Lothian Integration Joint Board Email: patrick.welsh@westlothian.gov.uk Tel. No: 01506 281320</p>

WEST LOTHIAN INTEGRATION JOINT BOARD - 2022/23 MONTH 9 BUDGET UPDATE

	2022/23 Budget	2022/23 Forecast	2022/23 Variance
Core West Lothian Health Services	£'000	£'000	£'000
Community Equipment	1,068	1,164	96
Community Hospitals	1,532	1,691	159
District Nursing	4,484	4,185	-299
General Medical Services	33,128	33,112	-16
Mental Health	18,473	18,361	-112
Other Core	6,775	4,864	-1,911
Prescribing	37,691	39,205	1,514
Resource Transfer	8,609	8,609	0
Therapy Services	5,606	5,521	-85
Core West Lothian Health Services - Total	117,366	116,712	-654
Share of Pan Lothian Hosted Services			
Hospices	961	966	5
Learning Disabilities	2,832	2,724	-108
Lothian Unscheduled Care Service	2,664	2,708	44
Mental Health	580	598	18
Oral Health Services	2,632	2,492	-140
Other Hosted Services	3,105	3,132	27
Psychology Service	2,949	3,084	135
Rehabilitation Medicine	1,872	1,581	-291
Sexual Health	1,495	1,529	34
Substance Misuse	946	858	-88
Therapy Services	2,936	2,798	-138
UNPAC	1,380	1,117	-263
Share of Pan Lothian Hosted Services - Total	24,352	23,587	-765
Adult Social Care			
Learning Disabilities	23,207	23,301	94
Physical Disabilities	7,435	7,187	-248
Mental Health	4,871	4,990	119
Older Peoples Assessment and Care Management	43,860	43,210	-650
Care Homes and Housing With Care	8,087	8,790	703
Occupational Therapy	1,459	1,485	26
Support and Other Services	3,133	3,089	-44
Adult Social Care - Total	92,052	92,052	0
PAYMENT TO IJB - TOTAL	233,770	232,351	-1,419
Acute Set Aside			
Acute Management	1,311	1,375	64
Cardiology	1,505	1,499	-6
Diabetes	929	1,092	163
ED & Minor Injuries	6,773	7,696	923
Gastroenterology	2,952	3,557	605
General Medicine	10,789	11,972	1,183
Geriatric Medicine	6,179	6,459	280
Infectious Disease	1,110	809	-301
Junior Medical	1,489	1,928	439
Outpatients	232	233	1
Rehabilitation medicine	639	613	-26
Respiratory Medicine	2,617	2,667	50
Therapies	1,250	1,238	-12
Release of Corporate Covid Reserves	770	770	0
Acute Set Aside - Total	38,545	41,908	3,363
TOTAL DELEGATED IJB FUNCTIONS	272,315	274,259	1,944

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Health Finance, Corporate Governance and
Value

Richard McCallum, Director



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HSCP Chief Officers
HSCP Chief Finance Officers
NHS Directors of Finance

via email

16th January, 2023

Colleagues

UPDATE ON IJB COVID RESERVES

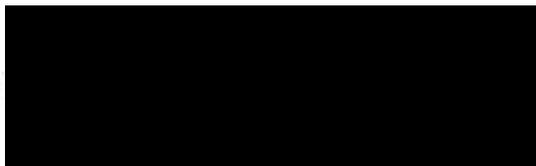
Following my letter dated 12 September 2022, setting out an update on IJB Covid reserve balances, I am writing to provide further detail on the arrangements we will put in place to enable Covid reserves to be returned. A breakdown of the figures by Integration Joint Board is shown at **Annex A** and is based on Month 8 FPR data. This will be carried out through a negative allocation to the value of the agreed return from the relevant NHS Board back to Scottish Government with local arrangements to be agreed with regards to the transactions between the IJB and NHS Board.

We are aware of the uncertainties over the current winter period, including demand led sustainability payments and IJBs are working on the principle of Covid being funded in 2022-23. It is on this basis that the reserve adjustment is taking place. We will work with CFOs in April 2023 to complete a reconciliation exercise between the Month 8 position and final outturn.

As set out in my letter of 15 December, from 2023-24 onwards there is no additional Covid funding and costs for programmes such as Test and Protect and Vaccinations will be agreed in the coming weeks.

I appreciate the ongoing work across the sector and your ongoing collaboration.

Yours faithfully



Richard McCallum
Director of Health Finance and Governance

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Annex A – IJB M8 Covid Reserve Position

IJB	HSCP Forecast Spend at M8 (£000s)	Reserve Balance at 31 March 2022 (£000s)	Balance to be Returned (£000s)
East Ayrshire	4,362	11,363	7,001
North Ayrshire	5,058	13,321	8,263
South Ayrshire	2,989	11,713	8,724
Scottish Borders	1,662	11,048	9,386
Dumfries and Galloway	11,282	16,346	5,064
Fife	14,506	35,993	21,487
Clackmannanshire and Stirling	4,901	13,153	8,252
Falkirk	4,583	16,265	11,682
Aberdeen City	10,057	19,741	9,684
Aberdeenshire	8,844	20,405	11,561
Moray	2,777	9,016	6,239
East Dunbartonshire	3,823	9,963	6,140
East Renfrewshire	4,766	9,266	4,500
Glasgow City	20,741	65,602	44,861
Inverclyde	3,206	8,130	4,924
Renfrewshire	3,120	17,242	14,122
West Dunbartonshire	3,358	9,213	5,855
Argyll and Bute	6,899	10,489	3,590
Highland*	5,764*	16,270*	10,506*
North Lanarkshire	7,570	31,621	24,051
South Lanarkshire	15,458	33,256	17,798
Edinburgh	12,618	44,937	32,319
East Lothian	5,549	9,182	3,633
Midlothian	3,864	9,703	5,839
West Lothian	4,673	15,285	10,612
Orkney Islands	1,357	2,363	1,006
Shetland Islands	2,375	2,283	- 92
Angus	3,376	15,759	12,383
Dundee City	5,246	15,595	10,349
Perth and Kinross	5,718	15,366	9,648
Western Isles	1,299	3,388	2,089
Total	191,801	523,277	331,476

* The figures shown for Highland are notional, given the Highland HSCP has adopted a Lead Agency Model.

Appendix 3

IJB Finance Risk Schedule

2022/23 Financial Risks

Risk Area	Value of Pressure	Impact / Description
Prescribing	£1,514,000	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	£923,000	There are significant overspends within SJH Medical areas due to staffing costs, and additional activity levels are also contributing to this pressure.
Gastroenterology	£605,000	The forecast overspend for Gastroenterology is largely due to staffing costs, high activity levels and increased drug costs.
General Medicine	£1,183,000	This is linked to the SJH overspend due to staffing costs, high activity levels and increased drug costs.
Geriatric Medicine	£280,000	The pressure in Geriatric Medicine appears across all the sites and reflects staffing difficulties, high activity and high acuity.
Junior Medical	£439,000	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	£312,000	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	£391,000	There are staffing pressures including those related to sleepover costs in Housing with Care. Options to reduce costs are being progressed.

Appendix 3

Strategic Risks

Risk Area	Impact / Description
Covid Activity	The Covid pandemic impacted across the whole of Health and Social care with very significant implications for service delivery and associated financial consequences. Concerns around backlogs and increased activity resulting means there remains a great deal of uncertainty over the longer-term effects, including financial effects.
Wider Economy	Material supplies and staffing shortages have become increasingly evident over a period of time. In addition, inflationary pressures in the wider economy continue to be significant 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	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.
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 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 and the additional costs of this for social care contracts have been funded by the Scottish Government. It will be important that future 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.

WEST LOTHIAN INTEGRATION JOINT BOARD - 2022/23 MONTH 9 UPDATE ON DELIVERY OF SAVINGS

	2022/23 Budgeted Savings £'000	2022/23 Forecast Achievable £'000	2022/23 Variance £'000
Social Care Savings			
New Models of Adult care	1,106	1,106	0
Eligibility Assessment / Technology	1,960	1,960	0
Income and Contributions	389	389	0
Staffing Efficiencies	724	724	0
	4,179	4,179	0
Health Savings			
GP Prescribing	945	945	0
District Nursing	100	30	70
Homefirst	1,000	1,400	-400
Hosted Services Redesign	319	248	71
Acute Services Redesign	254	188	66
	2,618	2,811	-193
Total	6,797	6,990	-193

Note

Although a small number of savings have been impacted in the current year, the above reflects that savings delayed are anticipated to be achievable on a recurring basis