Health and Sport Committee: Integration Authorities Survey 2018

As part of its ongoing scrutiny of integration authority budgets, the Scottish Parliament’s Health and Sport Committee would like to gather some basic information on IA budgets. We would therefore be grateful if you could complete the attached short proforma and return by 2 May 2018. Please email your responses to HealthandSport@parliament.scot.

If you require any further information regarding this survey please contact:

Rebecca Macfie, Senior Assistant Clerk, Health and Sport Committee, Tel: 0131 348 5247 rebecca.macfie@parliament.scot
Budget Scrutiny: Integration Authorities

1. Which integration authority are you responding on behalf of?
   West Lothian

2. Please provide details of your budgets for each of the last three years:

<table>
<thead>
<tr>
<th></th>
<th>2016-17 £m</th>
<th>2017-18 £m</th>
<th>2018-19 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health board</td>
<td>104.380</td>
<td>110.637</td>
<td>117.302</td>
</tr>
<tr>
<td>Local authority</td>
<td>66.685</td>
<td>69.396</td>
<td>72.879</td>
</tr>
<tr>
<td>Set aside budget</td>
<td>29.191</td>
<td>31.769</td>
<td>32.812</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200.256</strong></td>
<td><strong>211.802</strong></td>
<td><strong>222.993</strong></td>
</tr>
</tbody>
</table>

3. Please provide a broad breakdown of how your integration authority budget has been allocated across services over the last three years.

<table>
<thead>
<tr>
<th></th>
<th>2016-17 £m</th>
<th>2017-18 £m</th>
<th>2018-19 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospital</td>
<td>31.391</td>
<td>34.828</td>
<td>34.993</td>
</tr>
<tr>
<td>Community healthcare</td>
<td>44.209</td>
<td>44.961</td>
<td>50.871</td>
</tr>
<tr>
<td>Family health services &amp; prescribing</td>
<td>57.971</td>
<td>62.617</td>
<td>64.250</td>
</tr>
<tr>
<td>Social care</td>
<td>66.685</td>
<td>69.396</td>
<td>72.879</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200.256</strong></td>
<td><strong>211.802</strong></td>
<td><strong>222.993</strong></td>
</tr>
</tbody>
</table>

4. Has your budget for 2018-19 been finalised? (YES/NO)
   Yes. Budget for 2018/19 has been agreed and Directions issued on this basis to ensure governance is in place from 1 April 2018. However, budget will be updated on an ongoing basis as confirmation on additional funding streams is provided.

5. If YES, please provide link to relevant board paper:
   See attached report

6. If NO, please indicate when you would expect the budget to be finalised and highlight any particular issues that remain to be resolved:

   Thank you for your assistance
WEST LOTHIAN INTEGRATION JOINT BOARD

IJB FINANCIAL PLAN UPDATE

REPORT BY CHIEF FINANCE OFFICER

A  PURPOSE OF REPORT

The purpose of this report is to set out the outcome of the financial assurance process on the contributions that West Lothian Council and NHS Lothian have identified to be delegated to the IJB for 2018/19 and provide an update on progress with medium term financial planning for IJB delegated functions.

B  RECOMMENDATION

It is recommended the IJB:

1. Notes the financial assurance work undertaken to date;

2. Agrees that council and NHS Lothian 208/19 budget contributions to Partners, via Directions, to operationally deliver and financially manage IJB delegated functions from 1 April 2018;

3. Agrees that the Directions attached in Appendix 3 to this report are issued to West Lothian Council and NHS Lothian respectively;

4. Notes the update to medium term financial planning in respect of IJB delegated functions

5. Agrees the updated IJB Annual Financial Statement attached in Appendix 4.

C  TERMS OF REPORT

C.1  Background

A key aspect in the ability of the IJB to deliver its Strategic Plan and improve health and social care outcomes is the level and adequacy of resources available. This report considers the level of 2018/19 resources delegated to the IJB by West Lothian Council and NHS Lothian.

As previously reported to the IJB, this process will also consider assumptions, risks and budget saving plans incorporated within the 2018/19 resources set out for IJB delegated functions.

An update on work undertaken and progressing in respect of the medium term financial plan for IJB delegated functions is also set out in this report.
C.2 Purpose and Approach to Financial Assurance

As noted in the Scottish Government guidance and approved IJB Financial Regulations, the purpose of undertaking financial assurance is to allow the IJB to understand the assumptions and risks associated with the annual resources allocated by West Lothian Council and NHS Lothian. The council and NHS Lothian are, in accordance with legislation, responsible for agreeing the functions delegated to the IJB and setting their respective budgets including the level of payments and set aside resources to the IJB.

The matters to be taken into account as part of this assurance process are:

- Assessment of prior year expenditure on IJB functions
- Information on assumptions regarding estimated budget to be delegated to the IJB for 2017/18 and comparison against previous year spend and anticipated 2018/19 demands
- Information on key budget risks associated with functions that will be delegated to the IJB
- Information on the value of approved budget savings for 2018/19 that relate to IJB functions
- Details of any non-recurring funding included in the budget resources delegated to the IJB

The above approach will form the basis of reviewing the 2018/19 resources identified in this report by West Lothian Council and NHS Lothian. In addition, the approved West Lothian IJB Integration Scheme will also inform the approach taken on financial assurance.

C.3 West Lothian Council Resources

West Lothian Council approved its 2018/19 budget on 13 February 2018, including the 2018/19 level of resources associated with functions delegated to the IJB of £72.879 million. This took account of additional Scottish Government funding in the Scottish Local Authority settlement of £66 million specifically for social care.

For West Lothian, the share of this funding has been confirmed as £1.855 million. This was provided as part of the uplift to the IJB and will be used to meet additional costs associated with the following:

- Additional Living Wage uplift for adult social care workers
- Additional costs of extending the Living Wage to sleepover staff
- Additional costs associated with the introduction of the Carers Act
- Additional costs associated with Free Personal Care and Nursing Care payments

It should be noted that this funding is additional to the £10.190 million included in the previous Scottish Budgets in 2016/17 and 2017/18 and in total £12.045 million has been baselined as specific recurring funding from 2018/19 and has been allocated to the IJB. West Lothian IJB’s total share of this national funding is taken account of in the council’s budget planning and contribution given it relates to council provided services.
Financial Assurance

The table below shows the 2018/19 budget, compared to the equivalent 2017/18 and 2016/17 budget contributions reported as part of prior year financial assurance reports.

| West Lothian Council – Resources Associated with Delegated IJB Functions |
|-----------------------------|-----------------------------|-----------------------------|
|                            | 2016/17 Budget £'000 | 2017/18 Budget £'000 | 2018/19 Budget £'000 |
| WLC Delegated Functions     | 66,156                  | 69,396                  | 72,839                  |
| Growth in Resources         | 3,240                   | 3,443                   |                         |

Appendix 1 shows further details on the split of the above resources against the various adult social care functions/services in each year.

2017/18 Budget Position for Social Care Delegated Functions

A breakeven position is forecast against the 2017/18 budget contribution for social care IJB delegated functions. However there continues to be a number of pressure areas throughout the service due to increasing demands for social care services.

Increased numbers of older people in residential care are causing a pressure of £287,000. This reflects an increasing frail elderly population and West Lothian’s growth in the over 75 age group being the highest in Scotland. Other key risk areas include staffing pressures in council operated care homes and the increasing numbers and costs associated with adult complex care. The pressures noted are being offset against savings elsewhere in the budget including staffing underspends which are in part due to the early delivery of 2018/19 budget savings.

2018/19 Budget

The 2018/19 budget resources total £72.839 million. This level of resource provides for the estimated additional costs associated with staff pay awards, demographic and demand led pressures and contractual inflation, including the estimated costs of continuing to meet the Living Wage commitment.

The 2018/19 budget also reflects savings of £2.562 million which will require to be delivered to manage within the resources of £72.839 million delegated to the IJB. While comprehensive budget planning has been undertaken to realistically assess the additional cost demands to be budgeted for in 2018/19, and savings required as a result, there are a number of key risks and uncertainties that will require to be closely monitored during 2018/19.

Key Risks and Uncertainties

- **Pay Award** – The current pay award assumptions for council staff are based on the Scottish Government’s pay award proposal of 3% for staff earning up to £36,500, and 2% for other staff. In terms of local government employed staff, trade unions have submitted pay claims and negotiations are ongoing to agree the pay award.

- **Increasing demands and inflationary pressures in social care capacity.** West Lothian has the fastest growing elderly population in Scotland and while the budget resources assume additional net growth £5.696 million to meet growth in direct care demands and additional policy commitments, there is a risk that demand and cost increases will outstrip the assumptions and resources available. Particular risk areas include learning disability care and elderly care at home and care home spend.
• Increasing demand to shift the balance of care from a hospital setting to a community / social care setting and reduce delayed discharges. As well as elderly clients this also particularly relates to high cost adult complex care clients and developments progressing around the Royal Edinburgh Hospital
• The continuation of the Living Wage for all independent and third sector providers as well as wider inflationary demands. Although the National Care Home Contract uplift has been agreed for 2018/19, further discussion and negotiation is required to agree uplifts to non-residential care providers.
• Carers Act. The new Carers Act will be fully implemented on 1 April 2018. Funding for 2018/19 has been provided by the Scottish Government for this new legislative requirement and the actual costs of implementation will require to be closely monitored in the new financial year
• Delivery of 2018/19 Savings. Substantial saving totalling £2.562 million will be required to be achieved. Ongoing monitoring of progress towards delivery will be required on a regular basis.

C.4 NHS Lothian Resources

The 2018/19 financial plan assumptions in this report take account of total funding confirmed by the Scottish Government and the overall NHS Lothian budget figures that are currently being prepared for the NHS Lothian Finance and Resources Committee on the 21 March 2018. After taking account of cost pressures, additional funding, financial recovery plans and in year flexibility, there was a remaining gap across NHS Lothian of £27.8 million reported to NHS Lothian Finance and Resources Committee on 23 January 2018.

This represents approximately 1.6% of the total NHS baseline revenue budget and, as noted, further work is progressing to prepare a report for the meeting on 21 March 2018, which is anticipated to show a reduction to the overall budget shortfall.

It is important to note that NHS Lothian financial planning is undertaken at Business Unit level, rather than IJB level, and the focus of NHS Lothian is to balance its budget at Business Unit level in the first place, which will then feed through to IJBs. NHS Lothian will continue working with its Business Unit management teams and IJBs with the objective of balancing the remaining gap and achieving an overall breakeven position for 2018/19.

Two key factors around this will be the close management of expenditure during the year and scope for further funding during 2018/19. In addition, as previously reported to the Board, work is progressing within NHS Lothian on reviewing budget and cost allocations to IJBs. However, it is not anticipated that this will impact on budget resource allocations to IJBs in 2018/19.

Financial Assurance

The 2018/19 budget associated with NHS delegated functions for West Lothian is £150.114 million. This represents an increase in budget resources compared to last year’s formally advised contribution of £7.708 million. However, at this stage, based on initial spend forecasts and saving assumptions, there is a gap forecast of £1.953 million for 2018/19 compared to anticipated spend. West Lothian’s share of the 2018/19 gap is equivalent to 1.3% of the budget contribution noted, compared to the NHS Lothian overall gap of 1.6% This is summarised in the table below.
Appendix 2 shows further details on the split of the 2018/19 resources provided and forecast resources required to deliver IJB delegated functions across the NHS Lothian contribution.

### 2017/18 Budget Position for Health Delegated Functions

The latest 2017/18 monitoring position in respect of IJB delegated Health functions is a forecast overspend of £1.394 million. This is due to a forecast overspend of £1.554 million in acute services delegated to the IJB, which is being marginally offset by a favourable position in West Lothian’s share of Hosted Services. Staffing costs are the main pressure area, driven by medical staffing overspends and overspends in nursing costs. As previously reported, the position in the prescribing budget continues to demonstrate that progress is being made in controlling spend in this area through a number of initiatives that have been implemented.

As part of the financial assurance exercise undertaken last year on the 2017/18 contribution to the IJB it was highlighted to the Board and NHS Lothian that there was a substantial gap in the resources required to deliver acute functions delegated to the IJB. The overspend this year is reflective of the budget provided being insufficient to meet the costs of delivering the acute functions delegated to the IJB.

In terms of managing the overspend against IJB delegated functions, significant assurance has been provided by NHS Lothian officers that an overall breakeven position will be achieved across NHS Lothian Business Units in 2017/18, which include IJB pressures. This has been the position in previous years and based on this, it was agreed that IJB overspends in 2016/17 would be managed within this overall breakeven position achieved by NHS Lothian. The similar treatment of IJB overspends in 2017/18 will be considered by NHS Lothian Finance and Resources Committee on 21 March 2018.

### 2018/19 Budget

The 2018/19 budget contribution from NHS Lothian is £150.114 million. The budget contribution reflects additional budget to fully meet the additional 2018/19 pay award assumed as well as additional resources to meet estimated prescribing cost demands. Saving plans totalling £3.439 million for 2018/19 are taken account of in arriving at the budget contribution of £150.114 million. However, as noted, this still leaves a current funding shortfall of £1.953 million in the NHS budget contribution for 2018/19, which is associated with the acute resources. Based on the current position, there would be a requirement for additional funding or savings of this value to be identified, or a combination of both, to allow the IJB health functions to be delivered within available budget.
Based on the methodology agreed by NHS Lothian for allocating the currently assumed 2018/19 uplift in funding, it is considered that the revised contribution represents a fair share of resources to West Lothian IJB, albeit there currently remains a gap to be addressed. There has been a structural budget deficit in the Acute budget resources for a number of years. Despite this, NHS Lothian have been able to breakeven in overall terms each year and it may be that some further consideration is required of how funding, including non-recurring funding, is attributed and aligned to functions and then taken account of in IJB delegated resources. This could be considered as part of the review of budget and cost allocations to IJBs currently progressing.

There are a number of funding streams still to be allocated to the IJB further to work progressing within NHS Lothian. These include a further £2 million identified across Lothian for efficient prescribing in 2018/19 and a share of funding for Acute drug pressures. Subject to agreement on the basis of allocation, West Lothian IJB will receive further funding from this source as a means of managing GP prescribing demands and acute drug pressures in 2018/19.

In line with the 2018/19 Scottish Budget announcement, additional 2018/19 funding of £175 million for NHS Boards is still to be allocated by the Scottish Government for investment in reform. Scope for this to meet existing pressures is still to be determined but this will potentially assist in increasing resources available for NHS Lothian and IJBs for investment in priority areas such as primary care and mental health.

In addition, further detail is required from the Scottish Government on the allocation of an additional £20 million of investment for Alcohol and Drug services. Close management and monitoring of expenditure through NHS Lothian and IJBs working in partnership will be important in meeting the objective to breakeven for 2018/19.

Key Risks and Uncertainties

The following specific risks will require to be closely monitored during 2018/19.

- Pay Award - The current pay award assumption built into the funding allocation is based on the Scottish Government’s pay award proposal of 3% for staff earning up to £36,500, 2% for other staff earning up to £80,000 and a £1,600 increase for staff earning more than £80,000. However, this is still subject to consultation and agreement with Independent Review Bodies.
- Acute Services – based on the current funding contribution to the IJB, there is a significant shortfall in the level of resources provided by NHS Lothian to deliver acute services. Close monitoring and liaison will be required with NHS Lothian colleagues during the year to identify how this funding shortfall can be mitigated.
- Prescribing. As set out above, additional funding has been provided to meet estimated prescribing costs. However, even allowing for this and the improvement in managing prescribing spend achieved in 2017/18; this area will remain a key risk going forward.
- Delayed Discharge. Pressures in this area continue to be a budget risk and will require continued joint working to reduce bed days lost and increase community capacity.
- New GP Contract. The financial implications of the new GP contract are subject to ongoing assessment and will require to be taken account of in future financial planning updates.
- Delivery of savings required to ensure spend is managed within available 2018/19 resources. There is a substantial savings target and this will require to be closely monitored during the year.
C.5 Financial Assurance and Issue of Directions – Key Points

As noted the purpose of the financial assurance process is to set out the assumptions and risks associated with the contributions provided by NHS Lothian and the council. The council and NHS Lothian are, in accordance with legislation, responsible for agreeing the functions delegated to the IJB and setting their respective budgets including the level of payments and set aside resources to the IJB.

The IJB is then responsible for allocating the resources it has been provided to partners to operationally deliver services. For governance, responsibility for delivery of delegated functions is through Directions issued to the council and NHS Lothian who remain operationally responsible for delivering services within the resources available. The Directions to both bodies are appended to this report and set out the functions covered and the required actions on partner bodies. This includes for example, the requirement for the council to progress the revisions to the eligibility threshold for direct care provision as approved by the Board on 23 January 2018.

As noted in the approved West Lothian Integration Scheme in respect of financial assurance, ‘if any such (financial assurance) review indicates that the projected expenditure is likely to exceed the initial payments to the Board, then the relevant party will be notified. The relevant party, will be required to take action to ensure that services can be delivered within the available budget.’ Such action will be in partnership with the IJB taking account of the various joint forums established in relation to delivery and management of delegated functions.

Based on the financial assurance undertaken to date, the NHS Lothian budget and resulting IJB contribution is showing a material gap compared to forecast spend. This will require to be closely monitored during the year and through partnership working the objective will be to achieve a breakeven position for 2018/19. This has been reflected in the Directions to NHS Lothian.

Similarly, the council, whilst approving a balanced budget position, will also be responsible for managing within the resources available. Significant savings and risks have been identified with council functions which will require to be closely monitored during 2018/19 to control spend within available resources.

Taking account of the budget resources identified in this report the table below shows the indicative level of 2018/19 resources associated with IJB functions.

<table>
<thead>
<tr>
<th>West Lothian IJB – 2018/19 Delegated Resources</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Social Care</td>
<td>72,839</td>
</tr>
<tr>
<td>Core Health Services</td>
<td>99,226</td>
</tr>
<tr>
<td>Share of Hosted Services</td>
<td>18,076</td>
</tr>
<tr>
<td><strong>IJB Payment</strong></td>
<td><strong>190,141</strong></td>
</tr>
<tr>
<td>Acute Set Aside</td>
<td>32,812</td>
</tr>
<tr>
<td><strong>Total IJB Resources</strong></td>
<td><strong>222,953</strong></td>
</tr>
</tbody>
</table>

In addition, financial assurance will be ongoing during the year as part of regular financial reporting on the 2018/19 resources associated with IJB functions. As noted in this report, there are a number of risks across health and social care that will require to be closely managed.
Future Financial Strategy

West Lothian IJB agreed an approach to financial planning on 27 June 2017. As part of this it was agreed that the Chief Officer and Chief Finance Officer would work with West Lothian Council and NHS Lothian to take forward financial planning. In line with the agreed approach to IJB financial planning, plans have and continue to be developed across health and social care functions, and officers supporting the IJB are involved in ensuring overall health and social care implications are taken into account in the financial plans being developed which have been reported to IJB Development Sessions on 30 November 2017 and 19 February 2018.

Social Care Delegated Functions
In terms of social care functions, the financial plan and saving options were developed subject to feedback from the Transforming Your Council consultation. In terms of IJB functions, the financial planning assumptions will reflect the council’s approval of the 2018/19 IJB contribution on 13 February 2018, as well as IJB related proposals for 2019/20 and 2020/21 as part of an overall five year strategy approved. It should be noted that the IJB Chief Officer and Chief Finance Officer, as well as other officers supporting the IJB, have had substantial input and influence on the budget planning process for social care IJB delegated functions.

Health Delegated Functions
In terms of Health functions, the medium term financial plan for NHS Lothian incorporating IJB delegated functions continues to be progressed. Draft figures have been reported to IJB Development Sessions but at this stage the plan is still being worked on and has not yet been approved.

The nature of long term forecasting means it is challenging to identify with certainty expenditure and levels of funding for future years. However, it is widely accepted that an annual budgeting process is not conducive to achieving the aims consistent with planning to meet future demands and prioritising resources to achieve this. This is particularly so across health and social care given the demographic and annual increases in demand being experienced.

Further updates on medium term financial planning for IJB delegated functions beyond 2018/19 will be reported to future meetings of the Board

Future Directions and Strategic Planning

Based on the longer term strategic and financial planning frameworks and the level of transformational change required over the medium term, consideration may be required of how this is reflected in future Directions. As well as the 2018/19 Directions appended to this report, longer term strategic Directions could be considered by the IJB going forward.

The IJB is responsible for strategic planning of delegated health and social care functions. Taking account of the medium term financial planning approach set out in this report there will need to be further consideration of the current strategic plan. A key aspect of delivering future health and social care services will be strategic planning that reflects medium term changes to care delivery and the prioritisation of funding to maximise achievement of health and social care outcomes for the population of West Lothian.
C.7 Annual Financial Statement

Section 39 of the Public Sector (Joint Working) (Scotland) Act 2014 requires that each Integration Authority must prepare an Annual Financial Statement on the resources delegated to the IJB. Scottish Government guidance states that the Annual Financial Statement should include each and all of the remaining years of the published strategic commissioning plans.

The current IJB strategic commissioning plans cover the period 2016/17 to 2018/19 and accordingly the Annual Financial Statement attached in Appendix 4 reflects the 2018/19 budget contributions contained in this report.

D CONSULTATION

Relevant officers in NHS Lothian and West Lothian Council.

E REFERENCES/BACKGROUND

Public Bodies (Joint Working) (Scotland) Act 2014

Local Government (Scotland) Act 1973

F APPENDICES

Appendix 1 – West Lothian Council Delegated Resources

Appendix 2 – NHS Lothian Delegated Resources

Appendix 3 – Directions to NHS Lothian and West Lothian Council

Appendix 4 – WL IJB Annual Financial Statement

G SUMMARY OF IMPLICATIONS

Equality/Health 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. The relevance assessment can be viewed via the background references to this report.

National Health and Wellbeing Outcomes The 2018/19 budget resources delegated to the IJB will be used to support the delivery of outcomes.

Strategic Plan Outcomes The 2018/19 budget resources delegated to the IJB will be used to support the delivery of the Strategic Plan.

Single Outcome Agreement The 2018/19 budget resources delegated to the IJB will be used to support the delivery of the Single Outcome Agreement.

Impact on other Lothian IJBs None.

Resource/Finance The indicative 2018/19 budget resources relevant to functions that will be delegated to the IJB from 1 April 2018 have been estimated at almost £223 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.

CONTACT
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E-mail: patrick.welsh@westlothian.gov.uk

13 March 2018