

Integration Joint Board

Agenda item:

Date of Meeting: 15 September 2021

Title of Report: Budget Monitoring – 4 months to 31 July 2021

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that the P4 forecast outturn position is a forecast overspend of £1.4 m.
- Note that subsequent analysis and modelling of Social Work Forecasts has reduced the forecast overspend to £0.8m.
- Note that actions are currently being progressed to manage spend and recover the position by the year end.
- Note that there is a year to date overspend of £0.1m as at 31 July 2021.
- Note the Financial Risks analysis for 2021/22.

1. EXECUTIVE SUMMARY

- 1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 July 2021 and an updated financial forecast for the year. The period 4 figures outlined in this report were considered by the Finance and Policy Committee at its meeting on 27th August 2021.
- 1.2 The position for the first 4 months of the year is a small year to date overspend totalling £0.1m. The overall position consists of overspending totalling £105k relating to Social Work budgets and £42k relating to Health budgets. As normal, it should be noted that the Social Work figures are prepared on a cash basis whilst the Health figures are prepared on a full accruals accounting basis.
- 1.3 The forecast position for the current year is more concerning. A forecast overspend totalling £1.4m was reported as at 31 July 2021. Much of the forecast overspend relates to Social Work Budgets. Subsequent detailed analysis has taken place in respect of Social Work Budgets and the forecast has been updated during August, a £0.8m overall overspend is currently forecast.
- 1.4 At this stage in the year the forecast is based on a significant number of assumptions and therefore there are material risks associated with it. However, the forecast overspend position is of concern and management action is now being taken to seek to manage the delivery of services and the savings

programme within the envelope of resources available in 2021/22. There is sufficient time left in the current year for the position to be recovered by the year end, as outlined in the Financial Recovery Plan.

- 1.5 The financial position is now a standing item on the Senior Leadership Team agenda and is reported and discussed in detail every month in addition to the routine monitoring carried out by service managers in partnership with the Finance and Service Improvement teams.

2. INTRODUCTION

- 2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 July 2021. Information is provided in respect of the year to date position and the forecast outturn. Summary information is provided in the detail of the report with further analysis provided within the appendices.

3. DETAIL OF REPORT

3.1 Year to 31 July 2021

In respect of the year date position for the four months to 31 July 2021 the partnership is reporting a relatively small overspend totalling £147k against the budget for the 4 months of £92.97m. As stated above, it should be noted that for the Council services the year to date figure is reported on a near cash basis whereas the Health figures are reported on an accruals basis. Appendix 1 provides an analysis of the variances against budget by service.

- 3.1.1 In respect of the Social Work budgets the adverse variance for the period is £105k (0.5%) against the budget of £19.6m. There are a number of areas where overspending against budget has been identified:

Service	Overspend Value (%)	Explanation
Looked After Children	£0.13m (7%)	High levels of demand and cost for Residential Placements
Learning Disability	£0.67m (20%)	Demand for Supported Living and Residential Services and on-going slippage against the savings target for the service.
Mental Health	£0.15m (26%)	Demand for Supported Living and Residential Services.

These cost pressures are partly offset by some underspending on other services and in particular there is a £0.7m favourable variance reported in respect of the Chief Officer budget. This relates to advance funding received in respect of covid-19 costs (£0.3m) and an over-recovery of budgeted vacancy savings (£0.3m).

- 3.1.2 In respect of Health Service budgets, a small overspend of £42k is reported. There are a number of emerging budget pressures as at 31 July:

Cost Pressure	Value £'000
Medical Locum Costs - Dunoon	111
Transcatheter aortic valve implantations – Golden Jubilee	95

Lorn & Islands Hospital surgical services agency staffing	74
Prescribing Costs – McLachlan Practice Helensburgh & Bute Practice	96
Oban, Lorn & Islands Maternity Staffing	52
Campbeltown Hospital Nursing regradings and agency staff	40
Psychiatric in-patients in New Craigs	39
GP Locum Cover	74
Cowal & Bute CMHT bank and agency staffing	30
Physiotherapy agency staffing	58
Mull PCC regradings	28

These overspends are being largely offset by savings elsewhere in the Health budget including higher levels of staff vacancies and additional income.

3.2 Forecast Outturn

The current forecast outturn position is of some concern in respect of the financial performance of the HSCP in 2021-22. There are a number of services where material overspends are forecast.

As at the end of Period 4, the HSCP was forecasting an adverse variance for the year totalling £1.4m (0.5%) against the budget of £302m. The forecast improved slightly in comparison with the position reported at the end of period 3 which was a £1.6m deficit. Management action will be required throughout the remainder of the year to manage the position and seek to ensure that the HSCP operates within the resources available to it. The Financial Recovery Plan details the planned action to balance the position. Appendix 2 provides an analysis of the Period 4 forecasts against budget by service area. As outlined below, subsequent analytical work has further reduced the forecast overspend.

3.2.1 Social Work Services were forecasting an overspend of £1.2m as at 31 July. The underlying drivers of the overspending are higher than budgeted demand for social services in a number of areas and forecast slippage in achieving savings targets. The following table summarises the main forecast variances identified at the end of Period 4:

Service	Annual Budget (£m)	Forecast Outturn (£m)	Forecast Variance (£m)	Explanation
Looked After Children	7.3	7.8	(0.6)	Demand for external residential placements
Physical Disability	3.1	3.4	(0.3)	Demand for supporting living services
Learning Disability	15.4	17.2	(1.8)	Demand and costs of commissioned services and slippage with savings targets
Mental Health	2.9	3.2	(0.3)	Demand for Residential Placements
Chief Officer	2.4	1.1	1.4	Additional vacancy savings and funding for Scottish Living Wage costs.
Older People	37.6	37.3	0.3	Reduced care home placement costs and higher income offset by slippage on savings programme.
Other	8.4	8.3	0.1	
Total	77.1	78.3	(1.2)	

The forecast position in respect of Social Work has been reported to the Council Policy and Resources Committee as being of concern. As a consequence the HSCP is required to prepare a Financial Recovery Plan (considered as a separate agenda item).

Additional detailed analysis of the forecast overspend in respect of Social Work spend has been undertaken alongside the development of the Financial Recovery Plan. This has resulted in the current forecast for Social Work improving by £576k against the Period 4 forecast. This reduces the overall HSCP forecast overspend to £0.8m and this will be reported in detail to the next meeting of the Finance and Policy Committee on 24 September.

A summary of the improvement to the P4 Forecast is provided below:

Forecast Change £000s	Explanation
352	Net effect of adjustments across the Social Work budget including refinements to reflect the latest position regarding rates changes, staffing, savings delivery and income forecasts.
117	Improvements due to reduced demand and delivery of services, mainly in care at home services for older people.
107	Increase in the vacancy savings forecast for the year to reflect August savings.
576	Total Improvement to P4 Forecast

3.2.2 The position in respect of Health budgets is less concerning. Whilst there are a number of cost pressures and forecast slippage in the savings programme, these are expected to be largely offset through underspending and additional funding allocations. Appendix 2 provides further detail:

	Annual Budget (£m)	Forecast Outturn (£m)	Forecast Variance (£m)	Explanation
Health Services	225.1	225.3	(0.2)	Forecast slippage on savings and overspending on hospital services, offset by vacancies and additional funding

The Health forecast takes account of anticipated shortfalls against recurring savings targets and emerging cost pressures with an expectation that these will be largely, but not fully, offset by non-recurring savings and budget underspends. It is assumed within the forecast position that all additional costs associated with our response to Covid-19 and for both tranches of the Covid/Covid Booster & expanded Flu Vaccination Programmes will be fully funded by the Scottish Government.

3.3 Savings Delivery

- 3.3.1 As at the end of July, £4.0m of the £9.3m savings target has been achieved. This is 43% of the target. It is currently forecast that £7.1m in savings will be delivered in the current year. This is 77% of the total and leaves a forecast shortfall of £2.2m. This forecast shortfall is contributing significantly to the overall adverse variance. £1.2m of the shortfall relates to the Social Work savings targets and £1m to Health.
- 3.3.2 The Service Improvement Team and the Project Management Office, co-ordinated by NHS Highland, continue to work with managers to progress the savings projects, monitor and report progress. This is done in conjunction with the management accounting teams. As requested by the Finance and Policy Committee each Head of Service provides a detailed savings update report on a rotational basis. This ensures ongoing scrutiny and accountability for progress.
- 3.3.3 It is recognised that slippage within the savings programme is contributing substantially to the forecast overspend against budget. Ensuring the on-going prioritisation and reporting of performance in respect of the savings programme is an important strand of the steps now being taken by the Strategic Leadership Team in managing the overall financial position. Appendix 3 provides detail on the savings programme by project.

3.4 Financial Risks

- 3.4.1 A detailed report on Financial Risks is presented every 2 months to the Finance and Policy Committee. This report provides an analysis of financial risks along with details of the perceived likelihood, financial impact and current mitigations in respect of each risk. The Finance and Policy Committee, at its meeting on 27th August considered a report which described 24 risks to financial performance categorised as follows:

Likelihood / Range	Remote	Unlikely	Possible	Likely	Almost certain	Total
<£100k	0	2	3	2	0	7
£100k - £300k	0	1	9	3	1	14
£300k - £500k	0	0	1	0	0	1
£500k - £1.5m	0	0	2	0	0	2
>£1.5m	0	0	0	0	0	0
Total	0	3	15	5	1	24

Two of these risks have been quantified as potentially being over £500,000, these relate to the uplift in the service level agreement (SLA) with NHS Greater Glasgow & Clyde (GG&C) which is now under negotiation, and to the potential for further slippage with the Savings Programme. The risk in respect of funding of pay settlements now only relates to council employed staff and the value associated with this risk has therefore reduced.

- 3.4.2 Current financial forecasts now take into account those risks which were identified earlier in the year which are now reflected in actual service delivery costs. Emerging financial risks continue to be considered as part of routine financial management processes. The total financial value associated with the risks summarised above is estimated at £1.6m.

3.5 Earmarked Reserves

The JJB approved earmarked reserves of £6.586m at the end of financial year 2020/21, these are listed below. To date £2.3m has been drawn down from reserves. This is £2.0m in respect of Social Work budgets and £0.3m in respect of Health budgets, largely to fund covid related costs.

Name	£ 000
Covid-19 support	2,748
Primary Care Transformation Fund	1,793
Community Living Change Fund	300
ACT Aros Residences Upgrade	250
Mental Health Action 15 Fund	239
Alcohol & Drugs Partnership	160
Best start maternity services	146
Technology Enabled Care	144
Other reserves individually <£100k	806
Total	6,586

4. RELEVANT DATA AND INDICATORS

- 4.1 Information is derived from the financial systems of Argyll and Bute Council and NHS Highland.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The Integrated Joint Board has a responsibility to set a balanced budget which is aligned to the Strategic Plan. It is required to ensure that financial decisions are in line with Strategic Priorities and the delivery of high quality services. This needs to be considered as options are developed to ensure the HSCP operates within the resources allocated to it.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – the forecast outturn position is currently an overspend of £1.4 m as at 31 July 2021. The HSCP is required to prepare a recovery plan.
- 6.2 Staff Governance – None directly from this report but there is a strong link between HR management and delivering a balanced financial position.
- 6.3 Clinical Governance – None.

7. PROFESSIONAL ADVISORY

- 7.1 Professional Leads have been consulted with in respect of the implications of the savings programme.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None directly from this report, however proposals to address the forecast deficit will consider equalities implications.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

9.1 None directly from this report.

10. RISK ASSESSMENT

10.1 There are a number of financial risks which may impact on the forecast outturn. These are reviewed regularly and are reported separately.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

11.1 None directly from this report, however any proposals to address the forecast deficit will need to take into consideration impacts upon stakeholders and engagement with the communities served.

12. CONCLUSIONS

12.1 This report provides a summary of the financial position as at 31 July 2021. An overspend against budget was forecast at £1.4m. The overall forecast underspend has subsequently reduced to £0.8m following detailed review of Social Work Forecasts. It is based upon a detailed analysis of forecast costs and demand for services along with progress in respect of the savings programme. On-going high levels of demand for Social Work services is the key driver of the forecast overspend position at present. Forecast shortfalls in achieving recurring savings targets have also contributed to the forecast overspend position. The Strategic Leadership Team are currently taking actions to address the financial position outlined in the Financial Recovery Plan.

13. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

APPENDICES:

Appendix 1 – Year to Date Position as at 31 July 2021

Appendix 2 – Forecast Outturn for 2021-22 as at 31 July 2021

Appendix 3a – Savings achieved and forecast as at 31 July 2021

Appendix 3b – Unachieved savings only as at 31 July 2021

Appendix 3c – Savings action tracker as at 31 July 2021

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