

**Integration Joint Board**

**Agenda item:**

**Date of Meeting: 15 September 2021**

**Title of Report: Financial Recovery Plan 2021/22**

**Presented by: James Gow, Head of Finance and Transformation**

**The Integrated Joint Board is asked to:**

- Note that the HSCP is required to prepare a Financial Recovery Plan for the current year as a consequence of the forecast deficit, currently £0.8m.
- Approve the Recovery Plan.
- Note that the Recovery Plan will be shared with Argyll and Bute Council and NHS Highland.
- Note that financial performance will continue to be monitored closely.

**1. EXECUTIVE SUMMARY**

- 1.1 This report provides a Financial Recovery Plan for the HSCP for the current financial year. The Recovery Plan is required to ensure that the HSCP is compliant with the Scheme of Integration.
- 1.2 The HSCP forecast an overspend of £1.6m for quarter one of 2021/22. £1.4m of this related to Social Work Budgets and was reported to Argyll and Bute Council. Since the quarter one report, additional analysis and modelling has been completed and the level of forecast overspending has reduced to £0.8m. This is a relatively small adverse position in the context of the total HSCP budget of £302m, it is intended that the situation will be addressed through management action during the remainder of the year.
- 1.3 The Recovery Plan outlines the intended management action that will be taken to ensure that the HSCP operates within budget. It seeks to be proportionate to the level of overspending currently forecast. Management are mindful of the current operational pressures and action that will result on a detrimental impact on services will only be taken if required. A summary of the intended actions that will be taken as necessary to balance the financial position is provided below:

Action	Indicative Financial Impact £'000	Implementation Date
Implement new process for approval of Social Work Care Packages	50	October 2021
Vacancy Management	260	1 November (if required)
Allocation of Income	200	On-going
Delay Planned Projects	220	November (if required)
Non-essential spend	150	1 November (if required)
<b>Total</b>	<b>880</b>	

1.4 The financial position is now a standing item on the Senior Leadership Team agenda and will be reviewed in detail each month, the actions described in the Recovery Plan will be implemented as required.

## 2. Introduction

2.1 The purpose of this report is to outline a Financial Recovery Plan for the Argyll and Bute HSCP for 2021/22 in order to address forecast financial pressures in the current year and deliver a balanced financial position by the end of the year. The HSCP is acutely aware of the requirement to deliver financial balance and consequences for future budgeting and service delivery in the event that it is not able to operate within the resources available.

2.2 The Financial Recovery Plan is required to ensure compliance with the Scheme of Integration and once approved by the IJB it will require to be submitted to both Argyll and Bute Council and NHS Highland.

2.3 The plan seeks to outline actions that will be taken to manage the financial position. A degree of flexibility is required at present as it must be recognised that efforts to reduce costs will increase operational pressure upon staff and services which, in many cases, are already under severe pressure. It is also likely that the introduction of cost saving measures will impact on the quality and volume of care services delivered.

2.4 The forecast overspend is £0.8m against a full year budget of £302m, this level of potential overspend has been identified early in the year and management action will be taken to manage within budget in 2021/22.

## 3. Current Position

3.1 The financial monitoring and forecasting processes within the HSCP have identified a number of emerging financial pressures. The financial reporting at the end of quarter 1 forecast an overall overspend totalling £1.6m. Of this total overspend, £1.4m was identified as relating to Social Work budgets and has been reported to Argyll and Bute Council. The scale of this reported overspend is such that the HSCP is required to develop and implement a Financial Recovery Plan to seek to recover the forecast overspend position within the current financial year.

3.2 Further detailed analytical review has taken place in respect of the Social Work Budget position. This has resulted in improved modelling of expected spend to the end of the year and, as at 31 August 2021, the HSCP is forecasting an overall overspend of £752,000, equivalent to 0.2% of the annual budget. The main drivers of the forecast overspend are:

- Forecast slippage in respect of the savings programme;
- Cost and demand pressures relating to Social Work Budgets, (Learning Disability and Looked After Children Residential Care in particular).

Non-recurring savings are partially offsetting identified cost pressures. The current forecast represents a significant improvement in comparison with the quarter 1 report. The budget monitoring reports provide a detailed analysis of the financial position, the table below provides a summary:

	<b>Annual Budget (£m)</b>	<b>Forecast Outturn (£m)</b>	<b>Forecast Variance (£m)</b>	<b>Explanation</b>
Health Services	225.1	225.3	(0.2)	Forecast slippage with savings and overspending on community hospital services offset by vacancies and additional funding.
Social Work Services	77.1	77.7	(0.6)	Overspending due to cost and demand pressures and slippage with savings programme. Partly offset by non-recurring vacancy and other cost savings.
<b>Total</b>	<b>302.2</b>	<b>303.0</b>	<b>(0.8)</b>	

3.3 The forecast assumes that services continue to be delivered as they are at present. Additionally, there are some significant risks in respect of financial performance, particularly in respect of pay awards for Local Authority employed staff, inflationary increases on commissioned SLA's and slippage in respect of the delivery of savings.

3.4 Services are under pressure in a number of areas and for a variety of reasons, many of which are related to the on-going impact of covid. This particularly relates to staffing and recruitment challenges, both within the HSCP and with delivery partners. Managing the savings programme and financial position is challenging in these circumstances.

#### 4. Recovery Plan

4.1 The forecast position will continue to be monitored in detail each month to ensure that the management response is proportionate. The following sections outline the actions that will be taken in order to deliver a balanced position by the end of 2021/22.

##### Care Packages

4.2 The process and structure relating to the approval of social work care packages will be reviewed and modified. This will ensure that all new, high cost care packages are reviewed with additional rigour prior to authorisation. This action is anticipated to result in a reduction in forecast spend totalling £50,000 between October 2021 and March 2022. Spend in this area is the main driver of the adverse variance reported.

##### Workforce Management

4.3 The management of vacancies through actions such as delays to recruitment and a freeze on recruitment to all non-essential posts will be implemented from 1 November, following review of the 6 month position. Additionally, a review of vacant posts and the non-renewal of fixed term contracts will be undertaken. The HSCP has on-going recruitment issues and vacancy saving targets are currently being exceeded. Whilst cover for vacant posts in some services results in additional costs or reduced capacity

to deliver services, non-recurring savings are anticipated to continue throughout the year. This action is anticipated to deliver an additional £260,000 in vacancy savings in the second half of the year if required. This saving would be achieved by increasing the number of un-filled posts by circa 10 FTEs.

#### Allocation of Income

- 4.4 The HSCP will seek to ensure that available funding is fully utilised. This applies particularly in respect of covid related funding and in respect of additional funding allocations to support service demands such as mental health and winter pressure related funding. The allocation of additional income is expected to result in £200,000 of already identified cost pressures being addressed in this way.

#### Delay to Improvement Projects

- 4.5 Again, subject to on-going monitoring of financial performance, there are planned projects that could be delayed. Whilst this will have a detrimental impact on some of the transformation and service improvement plans, and consequently the ability to deliver future savings, it will contribute up to £220,000 towards the in-year recovery plan.

#### Non-Essential Spend

- 4.6 A moratorium on non-essential spend will be introduced in November if required. This action is likewise undesirable but would be expected to contribute £150,000.

#### Savings Programme

- 4.7 Current forecast slippage in the savings programme is one of the major contributors to the financial challenge. The position as at the end of the July was:

Total Savings Target	£9.3m
Delivered as at 31 July	£4.0m
Forecast 2021/22	£7.1m
Forecast Slippage	£2.2m

The forecast slippage is built into the current forecast. This is being partly offset through non-recurring and un-planned savings. Management action in respect of the savings programme will focus on delivering the forecast level of savings in 2021/22. It is not realistic to assume that the forecast slippage in the savings programme can be addressed in the current year.

#### Summary

- 4.8 The table below provides a summary of the proposed actions and indicative financial impact:

Action	Estimated Financial Impact £'000	Implementation Date
Implement new process for approval of Care Packages	50	October 2021
Vacancy Management	260	1 November (if required)
Allocation of Income	200	On-going
Delay Planned Projects	220	November (if required)
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The estimated financial impact of the above actions slightly exceed the forecast requirement to balance the budget. As stated previously, the intention is to implement some of these actions only if necessary. In particular, current difficulties with recruitment for both the HSCP and partners may continue. This will result in sufficient reductions in forecast spend to avoid the requirement for further action. Action to review the process for the approval of care packages is underway and the HSCP finance teams are working hard to ensure that cost pressures are funded where possible. On-going monitoring of the financial position will remain a priority throughout the remainder of the year.

## **5 Risk**

- 5.1 The HSCP has a detailed process in respect of identifying, monitoring and reporting financial risks. Financial risks will continue to be monitored and reported and will be recognised in the forecast position as they become certain. Due to the level of uncertainty, the recovery plan is flexible at present. This approach also ensures that actions taken to balance the financial position do not adversely impact on services to a greater extent than necessary.
- 5.2 There is a risk that the actions outlined in the recovery plan will result in some additional operational pressures and impact upon the ability to deliver services and planned service improvements.

## **6. RELEVANT DATA AND INDICATORS**

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

## **7. CONTRIBUTION TO STRATEGIC PRIORITIES**

- 7.1 The Integrated Joint Board has a responsibility to set a balanced budget and operate within the resources available to it. It is required to ensure that financial decisions are in line with Strategic Priorities and the delivery of high quality services.

## **8. GOVERNANCE IMPLICATIONS**

- 8.1 Financial Impact – the forecast outturn position is currently an overspend of £0.8m and the recovery plan outlines how management intend to address the forecast overspend and operate within budget.
- 8.2 Staff Governance – None directly from this report but there is a strong link between HR management and delivering a balanced financial position.
- 8.3 Clinical Governance – None.

## **9. PROFESSIONAL ADVISORY**

- 9.1 Professional Leads have been consulted with in respect of the management of the financial position.

## **10. EQUALITY AND DIVERSITY IMPLICATIONS**

- 10.1 None directly from this report, however consideration of equality and diversity issues will be required as the actions outlined in the recovery plan are implemented.

**11. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE**

11.1 None directly from this report.

**12. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT**

12.1 None directly from this report, however any proposals to address the forecast deficit will need to take into consideration impacts upon stakeholders.

**13. CONCLUSIONS**

13.1 This report seeks approval for a Financial Recovery Plan which is intended to be proportionate to the financial overspending currently forecast. It also seeks to provide reassurance to partners that the HSCP is committed to operating within its approved budget during 2021/22.

**14. DIRECTIONS**

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

AUTHOR NAME: James Gow, Head of Finance and Transformation

EMAIL: james.gow@argyll-bute.gov.uk