

Integration Joint Board

Date of Meeting: 30 March 2022

Title of Report: Budget Monitoring – 11 months to 28 February 2022

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that the forecast outturn position is an underspend of £250k.
- Note the additional funding allocation by the Scottish Government and the terms associated with it (appendix 4).
- Note that unspent funds will be carried forward as earmarked reserves.
- Note that the HSCP now expects to repay debt owed to Argyll and Bute Council early, estimated at an additional payment totalling £1.8m.
- Note that there is a year to date underspend of £224k at 28 February 2022.

1. EXECUTIVE SUMMARY

- 1.1 This report provides a summary of the financial position of the HSCP for the 11 months to 28 February 2022 and an updated forecast. The year to date position is an underspend totalling £224k against a budget to date of £272m.
- 1.2 A year end underspend of £250k is now forecast. This is a significant improvement and is due to on-going non-recurring savings, some improvement in savings delivery and additional funding. It is anticipated that an additional debt repayment will be made, estimated at £1.8m (in addition to the already budgeted £200k). As a result it is now expected that the debt to Argyll & Bute Council for historic overspending will be cleared in full in 2022/23, two years earlier than planned.
- 1.3 An additional allocation totalling £11.9m has been made by the Scottish Government in late February 2022 for covid related costs, with any unspent balance expected to be carried forward in an earmarked reserve.

2. INTRODUCTION

- 2.1 This report provides a summary of the financial position of the HSCP for the eleven months to 28 February 2022. Information is provided in respect of the year to date position and the forecast outturn. Additionally, the report provides

an update on the savings programme and additional in-year funding allocated to help manage winter pressures. Summary information is provided in the report and detail in the appendices.

3. DETAIL OF REPORT

3.1 Year to 28 February 2022

3.1.1 A small underspend totalling £224k against the budget of £272m is reported. For Council services, the year to date figure is on a cash basis whereas the Health figures are reported on an accruals basis. Appendix 1 provides further analysis:

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	63,610	63,610	-	0%
HEALTH SERVICES TOTAL	208,137	208,361	224	0.1%
GRAND TOTAL	271,747	271,971	224	0.1%

3.1.2 For Social Work budgets, the position is balanced, the approach in the latter part of the year is to assume that any overall underspending will be allocated to an additional repayment of debt to Argyll & Bute Council.

Service	Overspend Value (%)	Explanation
Looked After Children	£0.16m (3%)	High demand and cost for Residential Placements.
Physical Disability	£0.18m (7%)	Demand levels and overspending on equipment purchases.
Learning Disability	£1.2m (11%)	Demand for Supported Living and Residential Services and slippage against the savings target.
Mental Health	£0.1m (4%)	Demand for Supported Living and Residential Services.

These pressures are offset by underspending on other services. There is a £0.7m favourable variance in respect of the Chief Officer budget. This relates to funding received for covid-19 costs and an over-recovery of vacancy savings. Additionally, there is now a £0.8m saving on Older Adult services, this underspend continues to increase monthly.

3.1.3 For Health Service budgets, a small favourable variance of £224k is reported. Cost pressures identified, particularly in respect of commissioned services and prescribing, are now offset by the receipt of additional funding, which we have not been able to spend fully, and on-going vacancy savings.

3.2 Forecast Outturn

3.2.1 The forecast outturn continues to be favourable and a small underspend against budget is projected. This reflects the additional in-year funding and now includes an allowance for an additional £1.8m of debt repayment within Social Work Budgets. The additional planned debt repayment has been made possible as a result of confirmation that savings slippage (social work only) has been funded by Scottish Government. This, along with other non-recurring underspending, is enabling a significant additional repayment which materially improves the financial position of the IJB. Members will be aware that the integration scheme

requires that the debt is repaid before the IJB can establish its own general reserves.

- 3.2.2 The overall forecast position has improved substantially, at the end of quarter 1 a forecast deficit of £1.6m was projected. This has gradually reduced as the year has progressed and it is now anticipated the HSCP will underspend. It is also likely that significant resources allocated in the current year will be carried forward as earmarked reserves. Due to the timing of the additional allocations it was not feasible to recruit staff and increase services to the extent funded.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	78,742	78,742	0	0%
HEALTH SERVICES TOTAL	244,606	244,356	250	0.1%
GRAND TOTAL	323,348	323,098	250	0.1%

- 3.2.3 The forecast for Social Work Services is now a balanced position. As stated above, this makes allowance for an additional £1.8m of debt repayment. This is possible following confirmation from the Scottish Government of their intention to provide funding to offset in year slippage on budget savings. This, combined with over-recovery of vacancy savings (£0.7m), underspends on centrally held funds (£0.6m) and underspends across Care Home Placements and Homecare budgets has enabled the additional debt repayment (provided for centrally under the Chief Officer budget).

- 3.2.4 Some of the improvement is also due to the allocation of winter pressures funding to help manage cost pressures within services and specifically cover additional care at home costs to manage delayed discharges. There are areas where overspending is continuing due to higher demand for social services and slippage in achieving savings:

Service	Annual Budget (£m)	Forecast Outturn (£m)	Forecast Variance (£m)	Explanation
Looked After Children	7.1	7.3	(0.2)	Demand for external residential placements
Physical Disability	3.1	3.3	(0.2)	Demand for supporting living services
Learning Disability	15.5	16.9	(1.4)	Demand and costs of commissioned services and slippage with savings
Mental Health	2.9	3.0	(0.1)	Demand for Residential Placements
Chief Officer	1.9	1.4	0.5	Additional funding, vacancy savings and centrally held funding
Older People	40.0	39.0	1	Reduced care home placement costs and higher income
Other	8.2	7.8	0.4	
Total	78.7	78.7	0	

3.2.5 Health budgets are forecasting that spend will be around £250k below budget. Whilst there are a number of cost pressures and slippage in the savings programme, these are expected to be fully offset through underspending and the additional funding. Appendix 2 provides further detail in respect of the forecast, it is hoped that any underspending will enable some additional spend on equipment (including a review of hospital beds) in the new year:

	Annual Budget (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Explanation
Health Services	244,606	244,356	250	In-year funding and vacancy savings offsetting pressures

3.2.6 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. There are a number of allocations made during the year that have not been fully spent, the intention is to carry these forward into the new year.

3.2.7 The approved Recovery Plan outlined a series of actions to be implemented proportionately and as required. The table below summarises progress:

Action	Progress
Implement new process for approval of Social Work Care Packages	New process designed and implemented in respect of high cost care packages
Vacancy Management	No action to delay recruitment has been taken or is planned
Allocation of Income	Additional income allocated
Delay Planned Projects	No delays for financial management reasons
Non-essential spend	No additional controls beyond existing savings programme

3.2.8 In summary, there is a high degree of confidence that the HSCP will operate within budget and deliver a surplus. This will be retained by Argyll & Bute Council as an early repayment of debt. The Government provided increased funding for this winter and some of this money will not be spent by the year end, funding that is unspent will be carried forward as earmarked reserves, this is likely to be a national issue.

3.2.9 It should be recognised that the HSCP has worked extremely hard to ensure that delayed discharges were minimised throughout the winter and as many people as possible were cared for outwith the hospital environment. The HSCP performed very well when benchmarked against other areas. This was the main objective of the funding allocations (in addition to funding the pay increase for care staff). Prior to the announcement of additional funding the focus was directed towards delivering savings and careful budget management.

3.3 Savings Delivery

- 3.3.1 As at the end of February, £6.5m (70%) of the £9.3m savings target has been achieved. A further £0.1m was declared in February. This is in line with forecasts and the year end position is not expected to change. The Scottish Government have now provided funding for slippage on the Social Work related savings with the rest of shortfall compensated for by non-recurring savings. The slippage creates additional pressure next year as a number of projects, considered to be deliverable, require to be actioned. Forecast achievement is 70%, a shortfall of £2.7m. Of this, £1.5m has been approved for removal from the programme.
- 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, monitoring and reporting. This is done in conjunction with the management accounting teams. Each Head of Service provides a detailed savings update report on a rotational basis.
- 3.3.3 The on-going prioritisation of the savings programme is an important strand of the steps being taken by the Strategic Leadership Team to improve efficiency. The impact of the omicron Covid-19 wave resulted in further delay as some of the work on savings was stood down in the last quarter. Appendix 3 provides detail on the savings programme summarised below:

2021/22 Savings	Target	Year to 28 February 2022			Forecast		
		Achievement	Shortfall	%	Achievement	Shortfall	%
	£' 000	£' 000	£' 000		£' 000	£' 000	
Fully Achieved	5,059	5,059	0	100%	5,059	0	100%
At Risk	2,572	641	1,931	25%	641	1,931	25%
Cancelled / Reduced	1,704	108	1,596	6%	108	1,596	6%
Additional Non-Recurring		726	-726		726	-726	
Total	9,335	6,534	2,801	70%	6,534	2,801	70%

Around £1.5m of the current saving programme will be carried forward for delivery in 2022/23. Many of these projects are proving difficult and add to the challenge associated with the new savings projects.

3.4 Additional Funding

- 3.4.1 The Scottish Government made a series of announcements in November 2021 in respect of winter funding. As highlighted at the time, it proved challenging to quickly recruit staff and increase services. There is not the spare capacity in the area to do this in a very short timeframe, either within the HSCP or with partners (particularly in the context of years of savings and reductions). The table below provides a summary of forecast spend against the main funding streams. It is anticipated that the unspent funding will be carried forward.

Winter Pressures	Argyll & Bute 2021/22 (£)	Forecast Spend 2021/22 (£)
Interim Care	728,000	285,000
Care at Home Capacity	1,129,000	563,000
Multi Disciplinary Teams	364,000	151,000
Pay Rate Increases - contractors	783,000	783,000
Support Staff Recruitment	285,000	30,000
Winter Pressures	184,928	184,928
Total	3,473,928	1,996,928

3.4.2 In addition the Scottish Government allocated substantial additional funding to the Health and Social Care Sector in February 2022. The letter outlining this is attached as appendix 4 and confirms that any unspent funds are to be carried forward as a covid reserve. It is assumed that the final quarter covid spend will be funded from this allocation, it is therefore likely that £8.9m of the £11.9m allocated to the IJB will be carried forward into 2022/23, this is non-recurring funding, spend plans are currently being developed.

3.5 Financial Risks

3.5.1 As the year is now nearing completion, material risks to the financial position are allowed for in the projections. Emerging financial risks continue to be considered as part of routine financial management processes.

3.6 Earmarked Reserves

3.6.1 The IJB approved earmarked reserves of £6.6m at the end of 2020/21 as below. To date £3.9m has been spent, mainly to fund covid and Primary Care Transformation. A number of projects require to be delivered locally to ensure these are spent as intended. Reserves carried into 2022/23 will enable some investment in services and transformational change and has helped enable a slight reduction in the savings target for next year.

Reserve	Opening Balance £'000	Allocated £'000	Remaining Balance £'000
Covid-19 support & re-mobilisation	2,748	2,456	292
Primary Care Transformation Fund	1,793	912	881
Community Living Change Fund	300		300
ACT Aros Residences Upgrade	250		250
Mental Health Action 15 Fund	239	210	29
Alcohol & Drugs Partnership	160	160	0
Best start maternity services	146		146
Technology Enabled Care	144		144
Other reserves individually <£100k	806	184	622
Total	6,586	3,922	2,664

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 Integration 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.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – the forecast outturn position now allows for an additional repayment of debt totalling £1.8m. Additional funding and non-recurring underspending has enabled this.
- 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 are engaged in financial planning and reporting.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None directly from this report.

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.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

- 11.1 None directly from this report.

12. CONCLUSIONS

- 12.1 This report provides a summary of the financial position as at 28 February 2022. The HSCP is now underspending against budget and is forecasting a year end underspend. This will enable an early repayment of debt, estimated at an additional £1.8m. It is also anticipated that there will be an increase in the year end reserves carried forward due to the scale of funding announced late in the current year. This is anticipated to facilitate investment in services and transformation and some easing of savings targets. Recruitment, staffing vacancies and a general lack of capacity in some areas continue to constrain the level of services provided by the HSCP at present.

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 28 February 2022

Appendix 2 – Forecast Outturn for 2021-22 as at 28 February 2022

Appendix 3a – Savings fully achieved

Appendix 3b – Savings At Risk / Carry Forward

Appendix 3c – Savings Cancelled / Reduced

Appendix 4 – New Funding Allocation

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