

Integration Joint Board

Date of Meeting: 25 May 2022

Title of Report: Provisional Year End Finance Position 2021-22

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that the provisional financial outturn for 2021/22 is an underspend of £682k against available resources.
- Note that the full debt balance of £2.8m owed to Argyll & Bute Council has been settled during the year.
- Note that the IJB is expecting to carry forward £21.2m as earmarked reserves.
- Note that the figures contained within this report are provisional and subject to external audit.
- Request the Finance & Policy Committee to consider a reduced frequency of meetings now the IJB no longer holds a debt liability due to the council.

1. EXECUTIVE SUMMARY

- 1.1 This report provides a provisional year-end financial position for 2021/22. Members of the IJB should be aware that the figures contained within this report are being finalised at the time of writing and are subject to independent external audit review.
- 1.2 The revenue position for the year is a favourable one. The HSCP expects to be reporting that it operated within the resources available to it and that all of its outstanding debt to Argyll and Bute Council was repaid. Additionally, the HSCP expects to be reporting a small surplus, totalling £682k for the year, which it intends to carry forward for use in future years to facilitate service transformation.
- 1.3 In respect of reserve balances, the HSCP will also be reporting a significant increase in its earmarked reserves, this is due to additional funding announced late in the year and some slippage on projects due to the pandemic. These reserves total £21.2m are being carried forward for specific purposes.

- 1.4 Overall the financial position of the HSCP significantly improved during 2021/22, building on the positive outturn the year before. The HSCP no longer has any liability for debt and can now establish its own general reserves. It is suggested that this improved position provides a basis for the Finance & Policy Committee to re-consider the frequency of its meetings which are currently held on a monthly basis.

2. INTRODUCTION

- 2.1 This report provides a provisional financial outturn for the 2021/22 financial year. The figures presented are subject to further review and external audit. The unaudited accounts are scheduled to be published by the end of June and the final audited accounts by the end of November 2022. This report also summarises the final position in respect of the savings programme for the year and provides an analysis of the reserves the HSCP is carrying forward into future years.

3. DETAIL OF REPORT

3.1 Year to 31 March 2022 - Provisional

- 3.1.1 A small underspend totalling £682k against the budget of £307m is reported for the year. The figures below are prepared on a full accruals basis and Appendix 1 provides further analysis:

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	75,150	75,832	682	0.9%
HEALTH SERVICES TOTAL	231,575	231,575	-	0%
GRAND TOTAL	306,725	307,407	682	0.2%

- 3.1.2 In respect of Social Work budgets, the reported position is an underspend against allocated resources of £682k. This is better again than forecast as non-recurring underspends continued through to the end of the year and new funding was used to support cost pressures.
- 3.1.3 Appendix 1 provides the service analysis in the usual format, however, there are two main service variances of note. Firstly Older people services reported a £1.3m underspend due to reduced demand and higher fee income. Conversely, the Learning Disability Budget was overspent by £1.2m due to higher levels of demand and slippage with savings.
- 3.1.4 The key issue in respect of Social Work services relates to budget adjustments which have been made in respect of the repayment of the outstanding debt to Argyll and Bute Council. This is analysed in section 3.2.3.
- 3.1.5 For Health Service budgets, the revenue position is that spend is in line with the budget allocated. There are a number of offsetting variances against budget and an analysis of these is provided in appendix 1. The main area of overspending relates to some additional year end charges from NHS Greater Glasgow and Clyde, particularly relating to oncology drugs. Non-recurring savings relating to

vacancies have offset slippage on the Health Service savings programme, this has not been funded. The position also needs to be considered in the context of the earmarked reserves which have been carried forward into 2022/23, further information on this is provided below and in appendix 2.

3.2 Consolidated Position

3.2.1 Revenue Position

The consolidated revenue position for 2022/23 is summarised below:

	£'000
Allocated Resources	307,407
Total Expenditure	306,725
Surplus for year	682

Overall, the HSCP is therefore reporting that it spent slightly less than the resources available to it during the year. It is anticipated that the underspend will be carried forward. It is intended this will be used to support spend on Transformation projects, notably Older Adults programmes and the Learning Disability Day Services restructuring costs.

3.2.2 Reserves

At the year end, the IJB is able to carry forward resources which have been allocated to it and not spent within the year. The table below summarises the reserves brought forward into 2021/22 and those that are being carried forward into 2022/23. A large proportion of the new reserves allocated during the year were confirmed late in the year, as reported at the time, and could not be spent by 31 March. It is anticipated that HSCPs in general will not have spent large proportions of the in-year allocated funding and reserves are expected to have therefore increased. Each reserve has an allocated service manager with responsibility for the associated work. Appendix 2 provides a full listing of the year end reserves and a brief description of the purpose for which they are currently earmarked. The IJB will be formally asked to approve these as part of the process of finalising the year end accounts and a full disclosure of these will be published in the Annual Accounts.

	Health (£'000)	Social Work (£'000)	Total (£'000)
Opening Reserves	4,197	2,389	6,586
Closing Reserves as at 31 March 2022	19,049	2,201	21,250

Of the closing reserves figure, £682k relates to the underspend within Social Work budgets, this is being carried forward to fund transformation projects in the new year and a request to that effect has been made to Argyll & Bute Council.

3.2.3 Debt

Members will be aware that the HSCP has owed a substantial balance to Argyll & Bute Council. This debt related to the Council having to fund overspending by the HSCP in previous years. A significant repayment was made during 2020/21

and the remaining balance has been cleared during 2021/22. This has been possible due to non-recurring underspends against budget and as a result of the Scottish Government providing funding for slippage against the savings programme. The table below summarises the debt repayment:

Debt due to Argyll & Bute Council	£'000
Opening balance owed	2,759
Budgeted repayment	(200)
Additional Repayment – funded from forecast underspends and funding for savings slippage	(1,856)
Additional Year End Repayment – funded from additional year end underspend	(703)
Closing Balance	0

The HSCP sought to manage its year end position carefully in the context of increased in-year funding and non-recurring savings. The settlement of the debt in full now enables the HSCP to establish its own general reserves going forward. It also means that the HSCP has no longer term balance sheet liabilities to report.

3.2.4 Savings Delivery

Another key aspect of financial performance for the year is the delivery of the savings programme. A report on this was considered by the Finance & Policy Committee at its meeting in April 2022, this report provides further detail and is available on request. The table below provides a summary of performance against the savings target for the year, this is in line with recent forecasts and the figures reported below are incorporated within service budgets:

2021/22 Savings	Target £' 000	Achievement £' 000	Shortfall £' 000	%	Carry Forward
Fully Achieved	5,059	5,059	0	100%	
Carried Forward	2,572	641	1,931	25%	1,931
Cancelled / Reduced	1,704	108	1,596	6%	126
Additional Non-Recurring		725	-725		
NHS Underspend to balance		1,703	-1,703		
Total	9,335	8,236	1,099	88%	2,057

The delivery of savings has been interrupted by covid which has contributed to the delayed some projects. Overall, £5.8m of recurring savings were delivered during the year, service managers have worked hard to achieve this level of savings which has in turn contributed to the overall financial position of the HSCP. Appendices 3a, b and c provide a detailed analysis on a project by project basis. Carried forward projects will be added to the new savings target for 2022/23 and will be monitored and reported upon in line with established processes.

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 improved financial position, increased reserves and the repayment of the debt provides the HSCP with increased financial flexibility to enable it to progress its strategic priorities and transformation agenda.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – the reported position is a favourable one and indicates that the HSCP is in a much improved financial position at the end of 2021/22. This has favourable implications for 2022/23 and beyond as anticipated budgets for debt repayment are no longer required. It is also suggested in this report that the Finance & Policy Committee may wish to reduce the frequency of their meetings as the IJB no longer owes debt to Argyll & Bute Council and the current level of enhanced oversight of the financial position may not be required.
- 6.2 Staff Governance – None directly from this report but there is a strong link between HR management and delivering a balanced financial position. Difficulties experienced in recruiting to posts has contributed to the favourable 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 limited risks associated directly with the contents of this report. These include:
- Potential for changes to the position as the accounts are finalised and audited; and
 - Increased attention on levels of reserves in the context of increased waiting times and unmet health and care needs. This is likely to be a national issue.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

- 11.1 None directly from this report, the unaudited accounts will be available for public scrutiny in July.

12. CONCLUSIONS

- 12.1 This report provides a provisional summary of the financial performance of the HSCP for 2021/22. It reports a positive financial position with a small underspend against available resources, the repayment of the debt balance owed to Argyll and Bute Council and increased reserves.
- 12.2 This represents the second year in succession where the HSCP has delivered a surplus. The early repayment of debt frees up significant resource in future years which will enable it to accelerate some of its transformation and improvement plans. Recruitment, staffing vacancies and a general lack of capacity in some areas has constrained the level of service provided during the year and this has contributed to the favourable financial position.

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 – Provisional Outturn 2021/22
Appendix 2 – Earmarked Reserves as at 31 March 2022
Appendix 3a – Savings fully achieved
Appendix 3b – Savings Carry Forward
Appendix 3c – Savings Cancelled / Reduced

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