

**Integration Joint Board**

**Date of Meeting: 24 August 2022**

**Title of Report: Budget Monitoring – 3 months to 30 June 2022**

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

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

- Note that the transition to a new ledger system within the Council has had an impact on the Quarter 1 financial reporting as transaction processing has been prioritised.
- Note that the current position is a small overspend in respect of NHS budgets.
- Note that there is a small forecast revenue overspend of £346k as at 30 June 2021 and that it is anticipated that the HSCP will operate within budget in the current year.
- Note the summary of financial risks.
- Note progress with the savings programme and confirmation of £3.5m in savings delivered, 42% of target.
- Note that earmarked reserves of £2.6m have been committed to date for spend in 2022/23.

**1. EXECUTIVE SUMMARY**

- 1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 30 June 2022 and provides an early forecast for the year. It also updates in respect of the delivery of the savings programme and utilisation of reserves. The contents of this report have been considered by the Finance and Policy Committee on 5<sup>th</sup> August.
- 1.2 There has been an impact on the Social Work figures as a result of the transition to a new financial ledger system. It is anticipated that reporting will return to normal for the period 4 reporting cycle, the figures provided in this report are consistent with those reported to Council.
- 1.3 The forecast for the current year is a small overspend of £346k, it is anticipated that this can be managed as the year progresses. The forecast

is based on a number of assumptions and therefore there are risks associated with it. These are outlined in the Financial Risks report, inflation and pay settlements are key risks. It is assumed in the forecast that any nationally agreed pay settlement within the NHS will be fully funded.

- 1.4 The HSCP is still experiencing challenges in filling posts and as a result there remains some slippage in spend against specific allocations aimed at easing pressures within the health and care sector. The HSCP continues to be under pressure to maintain and increase capacity where possible in advance of the winter period.

## 2. INTRODUCTION

- 2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 30 June 2022. 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.
- 2.2 Unfortunately Argyll & Bute Council have experienced some issues with the introduction of the new ledger system at the start of the financial year. This has meant that the figures reported, which are consistent with those reported to Council, are not as reflective of the actual position as would normally be the case. The NHS element of the report is unaffected.

## 3. DETAIL OF REPORT

### 3.1 Year to 30 June 2022

The table below summarises the position for quarter 1. This is distorted by the temporary issues associated with the implementation of the new ledger system within the Council, this has meant that adjustments to budgets have not been processed as normal and a large underspend which is not reflective of the actual position is reported. The NHS position is a small reported overspend of £170k (0.3% of the NHS budget). For Council services the year to date figure is reported on a cash basis whereas the Health figures are on an accruals basis.

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCILSERVICES TOTAL	15,936	21,087	5,151	24%
HEALTH SERVICES TOTAL	56,170	56,000	-170	-0.3%
<b>GRAND TOTAL</b>	<b>72,106</b>	<b>77,087</b>	<b>4,981</b>	<b>6.5%</b>

- 3.1.1 Appendix 1 provides an analysis of the variances against budget by service.
- 3.1.2 For Social Work budgets the favourable variance is not representative of the actual position. As with any major ICT related project there have been some difficulties encountered with the transition to a new ledger system within Argyll & Bute Council and the focus has been on ensuring transactions systems and processes transitioned smoothly. Budget monitoring processes

have taken place but are not fully reflected in the ledger system. The only area of potential concern being investigated at present relates to the LD and PD budgets.

- 3.1.3 For Health Service budgets, a small overspend of £170k is reported. The main causes of the year to date overspend are shortfalls on savings, agency medical staffing particularly in Lorne & Islands Hospital and Oban, Lorne and the Islands out of hours services, and agency nursing costs across a number of our hospitals.

## 3.2 Forecast Outturn

- 3.2.1 The forecast outturn position is summarised below. For social work services the outturn has been set to match budget. The Social Work finance team completed an off-ledger forecast which showed that services are currently on track to come in on budget overall, but were unable to reflect the forecast in the ledger. For NHS services a small adverse variance of £346k (0.1% of budget) is forecast, further detail is provided in appendix 2.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCILSERVICES TOTAL	87,471	87,471	0	0%
HEALTH SERVICES TOTAL	235,647	235,993	-346	-0.1%
<b>GRAND TOTAL</b>	<b>323,118</b>	<b>323,464</b>	<b>-346</b>	<b>-0.1%</b>

The forecast variance is not a concern at this stage in the year as it is anticipated that spend will be managed within budget. Additionally, the HSCP carried significant levels of reserves into the current year. The main focus in respect of budget management at present is delivery of the savings programme.

- 3.2.2 Within Social Work there is one early specific area of concern regarding Learning Disability spend. This has not been reflected in the ledger position at present and work is on-going to further analyse the position as significant additional resource was allocated as part of the budgeting process. The period 4 reporting is expected to provide improved quality of forecast information.
- 3.2.3 The forecast for Health budgets is a small overspend totalling £346k. Appendix 2 provides details on a service level basis. The main area of concern at present relates to spend on Community and Hospital Services. Forecast overspending here is at £954k with some of this being offset by underspending on other services. The main driver of the projected overspend relates to the steps that are having to be taken to seek to stabilise medical staffing at Lorne and Islands Hospital. Recruitment continues to be a challenge, however, given the level of pressure on services nationally we are accepting that increased spend is likely to be required to maintain services and avoid increasing pressures elsewhere in the system.

- 3.2.4 The 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 underspends. It is assumed within the forecast that all additional costs associated with our direct response to Covid-19 and for both the Covid Booster & Flu Vaccination Programmes will be fully funded from IJB held Covid reserves and not additional funding allocations.

	<b>Annual Budget (£'000)</b>	<b>Forecast Outturn (£'000)</b>	<b>Forecast Variance (£'000)</b>	<b>Explanation</b>
Health Services	235,647	235,993	(346)	Hospital staffing, inflation and expected slippage with savings.

With nine months of the financial year remaining, there is sufficient scope for to address the modest forecast year-end overspend and deliver a break-even outturn position. The intention is to continue to ensure that the HSCP operates within budget, delivers on the savings programme and increases capacity where it can with its growth funding.

### 3.3 Savings Delivery

- 3.3.1 The Service Improvement Team and the Project Management Office, co-ordinated by NHS Highland, continue to work with managers to progress, monitor and report progress on the savings project. This is done in conjunction with the management accounting teams. As at the end of June, £2.5m (42%) of the £6m savings target has been achieved and declared:

2022/23 Savings	Target £' 000	Year to 30 June 2022		
		Achievement £' 000	Balance £' 000	%
Fully Achieved	2,213	2,213	0	
Remaining Programme	3,789	287	3,502	
<b>Total</b>	<b>6,002</b>	<b>2,500</b>	<b>3,502</b>	<b>42%</b>

- 3.3.2 Appendix 3a lists the projects that have been fully delivered and declared. The projects which are declared on a non-recurring basis will be addressed as part of the capital project at Cowal Community Hospital. Appendix 3b provides further detail in respect of the remaining balance of £3.5m, risk rated per below:

Savings Perceived as Low Risk	£784k	
Savings anticipated to be difficult to achieve in full in 2022/23	£2,227k	
Savings unlikely to be deliverable in 2022/23	£491k	

- 3.3.3 It is not proposed that the IJB are asked to consider the removal of projects from the plan at present. The appendix provides an explanation in respect of progress and the detailed service deep dive reports provided to the Finance & Policy Committee give further detail.

- 3.3.4 One of the biggest challenges relates to the Cowal Community Hospital project, this is being project managed by NHS Highland and is subject to delay as additional costs have been identified. If the funding issue is resolved quickly then the best outcome available will be for construction work to start in November for March completion. Engagement with the local community also needs to be progressed in the coming months. We are also in the process of seeking to bring in additional resource to support the work on catering, cleaning and hotel services, some slippage with these projects is expected to continue.
- 3.3.5 The medical staffing structure at LIH in Oban is not stable at present, work is on-going, with support from NHS Highland to stabilise the situation and establish a stable staffing model which is compliant with the medical staff training requirements, there is no possibility that plans to deliver additional services can be implemented in the current year.
- 3.3.6 Overall good progress has been made, however, slippage will require to be covered by non-recurring savings as the year progresses, the NHS forecast now take this into account and Social Work Forecasts will be updated for the period 4 reporting.

### 3.4 Financial Risks

A separate report on financial risks faced in the current year is provided to the Finance and Policy Committee. A summary of the August report is provided below:

Likelihood Range /	Remote	Unlikely	Possible	Likely	Almost certain	Total
£100k - £300k	0	0	0	0	1	1
£300k - £500k	0	0	1	1	0	2
£500k - £1.5m	0	1	1	2	2	6
>£1.5m	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>6</b>	<b>2</b>	<b>9</b>

These risks are quantified at £3.3m in total and the most concerning ones relate to inflation, pay increases and the likely additional costs associated with current service providers withdrawing or reducing services within the area.

### 3.5 Earmarked Reserves

- 3.5.1 The IJB carried forward earmarked reserves of £21.2m at the end of financial year 2022/23. During the first quarter, £2.6m has been allocated to specific projects / costs. Appendix 4 provides a summary. Reserves are now considered monthly as part of the SLT financial reporting process.

## 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.

## **6 GOVERNANCE IMPLICATIONS**

- 6.1 Financial Impact – the forecast outturn position is currently an overspend of £346k. It is anticipated that the HSCP will be able to manage this during the year. It is noted that it has carried forward substantial levels of reserves.
- 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 budget and savings programme.

## **8. EQUALITY AND DIVERSITY IMPLICATIONS**

- 8.1 None directly from this report at present.

## **9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE**

- 9.1 None.

## **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. There remains a small risk in respect of the financial reporting data within the Argyll and Bute Council ledger system as the new system is implemented. There is an increasing risk that funding streams will be reduced whilst significant reserves are held. NHS Highland also continue to experience a particularly challenging financial situation in 2022/23

## **11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT**

- 11.1 None directly from this report, engagement on activities relating to savings and transformation forms part of the project plans where appropriate.

## **12. CONCLUSIONS**

- 12.1 This report provides a summary of the financial position as at the end of quarter 1. A small overspend against budget is currently forecast, however it is anticipated that the position can be managed during the remainder of the year. On-going high levels of demand for services and the additional

costs associated with agency and locum cover are contributing to budget pressures.

- 12.2 Good progress has been made in delivering 42% of the savings programme in the first quarter although some challenges with savings delivery have been identified. Additionally, efforts are on-going to ensure that progress with allocating reserves continues as there is a risk that in-year allocations will be reduced until reserves are utilised. Continued action to address delayed discharges, the autumn covid vaccination programme and efforts to increase capacity in advance of the winter are likely to add to financial pressures and spend later in the year.

### 13. 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	

### APPENDICES:

Appendix 1 – Year to Date Position  
Appendix 2 – Forecast Outturn for 2022-23  
Appendix 3a – Fully Achieved Savings  
Appendix 3b – Live Savings Programme  
Appendix 4 – Earmarked Reserves

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