

Integration Joint Board

Date of Meeting: 21 September 2022

Title of Report: Budget Monitoring – 4 months to 31 July 2022

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that there is a small forecast revenue overspend of £575k as at 31 July 2022 and that it is anticipated that the HSCP will be able to operate within budget in the current year.
- Note progress with the savings programme and confirmation of £2.8m in savings delivered, 46% of target.
- Note that earmarked reserves of £3m have been committed for spend in 2022/23.
- Note that at the time of writing the net cost of the revised local authority pay offer is not known but is expected to add a further cost pressure to Social Work Budgets.

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 2022 and provides a forecast for the year. It also updates on the delivery of the savings programme and utilisation of reserves.
- 1.2 The forecast is a small overspend of £575k, 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. The implications of the local authority pay offer and in particular how it is being funded were not confirmed at the time of writing.
- 1.3 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 sector. It 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 31 July 2022. Information is provided in respect of the year to date position and the forecast outturn. Summary information is provided with further analysis in the appendices.

3. DETAIL OF REPORT

3.1 Year to 31 July 2022

The table below summarises the position for the first 4 months of the year. The year to date position is still slightly distorted by the temporary issues associated with the implementation of the new ledger system within the Council although good progress is now being made and this will be addressed fully in the period 5 reporting cycle. The NHS position is a small reported overspend of £228k (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. Appendix 1 provides an analysis of the variances against budget by service.

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCILSERVICESTOTAL	22,295	24,363	2,068	8.5%
HEALTH SERVICES TOTAL	74,677	74,449	-228	-0.3%
GRAND TOTAL	96,972	98,812	1,840	1.9%

- 3.1.1 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 the new ledger system and the focus has been on ensuring transaction systems and processes transitioned smoothly. Budget monitoring processes have taken place but are not fully reflected in the ledger system, this will be fully corrected in the month 5 reporting. The main area of concern with the Social Work budgets relates to high demand and spend on the Learning Disability budget and the implications of the local government pay offer.
- 3.1.2 For Health Service budgets, a small overspend of £228k is reported. The main drivers of the year to date overspend are agency medical staffing costs particularly in Lorne & Islands Hospital and Oban, out of hours services, and agency nursing costs across a number of our hospitals. Additionally, inflation and supply chain issues are having an impact, particularly in respect of prescribing budgets and slippage with delivering savings in this area.

3.2 Forecast Outturn

- 3.2.1 The forecast outturn position is summarised below and a small overspend is forecast on the revenue position (0.2% of budget). Further detail is provided in appendix 2.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	88,170	88,245	-75	0.1%
HEALTH SERVICES TOTAL	235,650	236,150	-500	-0.2%
GRAND TOTAL	323,820	324,395	-575	-0.2%

The small forecast adverse variance is not in itself a concern at this stage in the year and it is anticipated that spend will be managed within budget. Additionally, the HSCP has significant reserves available and it is anticipated that additional funding for winter pressures will be allocated by Government in the coming weeks. However, the impact of increasing inflation and the costs and funding of the local authority pay settlement have the potential to place increased pressures on service budgets. The main focus in respect of budget management at present is delivery of the exiting savings programme.

3.2.2 Within Social Work there are two areas of concern:

1. Learning Disability Budget - an overspend of £1.5m is reported in the period 4 figures although further analysis has reduced this slightly. This is due to increasing demand and costs of care packages and is now the subject of a detailed analysis to better understand the drivers. Additional funding was allocated in the 2022/23 budget and some previous savings target had also been cancelled.
2. Local Authority Pay Increases – the cost of the revised offer is estimated at an increase of £1.4m on established posts, this is over and above the public pay policy assumption made at the time the budget was prepared. The funding arrangements for the improved pay offer are uncertain at the time of writing. It is likely that there will be a gap between the additional cost and the funding allocations to HSCPs. This is not incorporated in the month 4 report.

The overall forecast position for Social Work recognises that there are non-recurring vacancy savings and slippage on spend programmes and the current forecast is a small overspend.

3.2.3 The forecast for Health budgets is a small overspend totalling £500k. Appendix 2 provides details on a service level basis. The main area of concern at present relates to spend on Community and Hospital Services. Overspending here is at £1m with some of this being offset by underspending and slippage on other spend programmes. The main driver of the overspend relates to the steps that are having to be taken 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 required to maintain services and avoid increasing pressures elsewhere in the system. It is anticipated that additional resources will be allocated by Government via NHS Highland in the coming months, although at a reduced level in comparison with recent years.

- 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.

	Annual Budget (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Explanation
Health Services	235,650	236,150	(500)	Hospital staffing, inflation and expected slippage with savings.

With eight 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 within 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 savings projects. This is done in conjunction with the management accounting teams. As at the end of July, £2.8m (46%) of the £6m target has been achieved and declared, an increase of £276k in July:

2022/23 Savings	Target £' 000	Year to 31 July 2022		
		Achievement £' 000	Balance £' 000	%
Fully Achieved	2,313	2,313	0	
Remaining Programme	3,689	463	3,226	
Total	6,002	2,776	3,226	46%

- 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 £3.2m, risk rated per below:

Savings Perceived as Low Risk	£578k	
Savings anticipated to be difficult to achieve in full in 2022/23	£2,157k	
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 a brief explanation on progress and detailed service deep dive reports to the Finance & Policy Committee provide 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 and additional costs. If the funding issue is resolved quickly then the best outcome available will be for construction work to start in December 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 in delivering savings, however, slippage will require to be covered by non-recurring savings as the year progresses, the forecasts now take this into account.

3.4 Earmarked Reserves

- 3.4.1 The IJB carried forward earmarked reserves of £21.2m at the end of financial year 2022/23. During the first four months, £3m has been allocated to specific project costs. Plans are in place in respect of an estimated further £12.5m of spend. Appendix 4 provides a summary of the firm commitments to the end of period 4. This is now part of the monthly financial reporting process as there is an increasing risk that resource will be lost to the Argyll and Bute area as a consequence of unspent reserves.

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.

6 GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – the forecast outturn position is an overspend of £575k. 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.

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. These are reviewed and reported separately. 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 Month 4. A small overspend against budget is 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. Increasing inflation and the implications of the increased pay offer to local authority staff are expected to put further pressure on the management of the budget in the current year.
- 12.2 Good progress has been made in delivering 46% of the savings programme although some challenges 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.	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

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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