

**Integration Joint Board**

**Date of Meeting: 23 November 2022**

**Title of Report: Budget Monitoring – 6 months to 30 September 2022**

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

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

- Note that there is a relatively small forecast revenue overspend of £737k as at 30 September 2022 and that it is anticipated that the HSCP will be able to operate within available resources in the current year.
- Note progress with the savings programme and confirmation of £3.3m in savings delivered, 55% of target.
- Note that earmarked reserves of £4.7m have been committed.
- Note that the net cost of the revised local authority pay offer is not confirmed but will add a further cost pressure to Social Work Budgets.
- Note that the Scottish Government are in the process of clawing back Covid Reserves (circa £2.5m) and have reduced the Primary Care Improvement allocations by £2.8m as a consequence of reserves held.

**1. EXECUTIVE SUMMARY**

- 1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 30 September 2022 and provides a forecast. It updates on the delivery of savings programme and reserves. This report was considered by the Finance and Policy Committee at its meeting on 28 October.
- 1.2 The forecast is a relatively small overspend of £737k, it is anticipated that this can be managed through the use of unallocated resources, slippage on growth projects and vacancies. The forecast is based on a number of assumptions and there are risks associated with it. Financial Risks are reported in detail to the Finance and Policy Committee and are summarised in this report.
- 1.3 The Scottish Government have indicated that they intend to clawback Covid reserves and have reduced Primary Care Improvement Programme funding. This reduces the resource previously understood to be available to the HSCP (by over £5m). At the time of writing, emergency budget announcements are expected and these may have further consequences for the financial position of the HSCP in the current year.

## 2. INTRODUCTION

2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 30 September 2022. Information is provided in respect of the year to date position and the forecast outturn.

## 3. DETAIL OF REPORT

### 3.1 6 Months to 30 September 2022

The table below summarises the position for the first half of the year. The temporary issues associated with the implementation of the new ledger system within the Council are now resolved. 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.

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	34,635	36,619	1,984	5.4%
HEALTH SERVICES TOTAL	114,530	114,267	-264	-0.2%
<b>GRAND TOTAL</b>	<b>149,165</b>	<b>150,886</b>	<b>1,720</b>	<b>1.1%</b>

3.1.1 For Social Work budgets the main area of concern continues to be high demand and spend on the Learning Disability budget and the implications of the pay offer.

3.1.2 For Health Service budgets, a small overspend of £264k is reported. The main drivers include slippage in delivering savings and:

- agency medical staffing LIH £457k
- agency Nursing & Physio LIH £364k
- non-pay inflation on GGC SLA £229k
- agency medical staff OLI out of hours £151k
- increased PFI interest charges £121k
- out of area eating disorders patient £114k

The overspends are partly offset by non-recurring savings, mainly vacancies.

### 3.2 Forecast Outturn

3.2.1 The forecast is summarised below, with further detail provided in appendix 2.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	88,470	88,734	-264	-0.3%
HEALTH SERVICES TOTAL	232,929	233,402	-473	-0.2%
<b>GRAND TOTAL</b>	<b>321,399</b>	<b>322,136</b>	<b>-737</b>	<b>-0.2%</b>

The forecast adverse variance is of some concern, however, at present the HSCP has unallocated resource available and slippage on some funding streams which can be used to cover the overspend and no immediate further actions are proposed. There is concern in respect of pay increases and the level of any additional funding support to cover the winter period. The main focus at present is delivery of the exiting savings programme. However, the approach may need to change should the forecast deteriorate further.

### 3.2.2 Within Social Work there are three areas of concern:

1. Learning Disability - overspend of £1.4m forecast. This is due to increasing demand and costs of care packages and is now subject to detailed analysis. For example, the number of individuals requiring support at a cost of over £100k has increased from 57 in February to 64 and the cost of such packages has increased by £1.5m to £9.3m. There is a process underway to recruit a specialist member of staff to undertake a review of these, this process is not realistically expected to address the issue in the current year. Additional funding was allocated in the 2022/23 budget and some previous savings targets were also removed.
2. Sustainability of Providers – in addition to the issue with the Kintyre Care Centre (KCC), we are in a position whereby Care at Home services are coming under increasing financial pressure and providers are requesting additional support. The HSCP is currently working on plans to provide this by using some of its winter pressure funding on the basis that failure to support care at home services will result in increased delayed discharges and pressures on the NHS more widely. The proposals are aimed at reducing reliance on agency staff and reducing levels of unmet need. Changes to working practises are also planned to ensure that resources are deployed more efficiently and effectively. The impact of these proposals is provided for in the forecast.
3. Local Authority Pay – the cost of the revised offer is estimated at £1.4m over and above the public pay policy assumption made when the budget was prepared. The funding arrangements are uncertain at the time of writing but there will be a gap for HSCPs and Councils, this is highlighted in the financial risks report at around £400k net of the small advantage associated with the reversal of the employer national insurance increase and the impact of vacancies. This is not yet incorporated in the above forecast.

There are expected to be further non-recurring vacancy savings, slippage on spend programmes and the current forecast is a small overspend. It is anticipated that this can be managed by use of reserves and funding not yet allocated to services.

### 3.2.3 The Health forecast is a small overspend of £473k. Appendix 2 provides details at service level. The key area of concern relates to spend on hospital services, driven by the steps that are being taken to stabilise 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.

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.

	Annual Budget (£'000)	Forecast Outturn (£'000)	Forecast Variance (£'000)	Explanation
Health Services	232,929	233,402	(473)	Hospital staffing, inflation and expected slippage with savings.

3.2.5 In summary, with six 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 the resources available to it, delivers on the savings programme and increases capacity where it can within its growth funding. Further UK and Scottish Budget announcements are anticipated in the coming weeks, these announcements may change our understanding of the resource available this year and it is therefore possible that the approach taken to financial management may need to change as a result.

### 3.3 Savings Delivery

3.3.1 The service improvement Team, finance teams and management continue to progress, monitor and report on savings projects. As at the end of September, £3.3m (55%) of the £6m target has been achieved, an increase of £548k in September:

2022/23 Savings	Target £' 000	Year to 30 September 2022		
		Achievement £' 000	Balance £' 000	Achieved %
Fully Achieved	2,629	2,629	0	
Remaining Programme	3,373	695	2,678	
<b>Total</b>	<b>6,002</b>	<b>3,324</b>	<b>2,678</b>	<b>55%</b>

3.3.2 Appendix 3a lists the projects that have been fully delivered. 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 detail on the remaining balance of £2.7m, risk rated:

Savings Perceived as Low Risk	£229k	
Savings anticipated to be difficult to achieve in full in 2022/23	£1,733k	
Savings unlikely to be deliverable in 2022/23	£716k	

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.

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. Currently the best outcome will be for construction work to start in January for May completion. Engagement with the local community also requires to be progressed in the coming months. Further, we are working with Argyll and Bute Council to identify additional resource to support the work on catering, cleaning and hotel services. Slippage with these projects is expected to continue in the meantime.

- 3.3.5 Overall good progress has been made in delivering savings programmes. Slippage will be covered by non-recurring savings and 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 6 months £4.7m has been committed to specific projects.

- 3.4.2 The Scottish Government recently confirmed that they intend to claw back the balance of the Covid Reserve that will not be spent by the end of the year. This is estimated at £2m. Further, they have confirmed that our 22/23 allocation of Primary Care Improvement Funding (PCIF) has been reduced by the totality of our reserves. This has reduced the funding available to the HSCP to progress as intended and delays / cancellation of some planned aspects of the programme are the consequence of this. The HSCP has written to officials in the Scottish Government to express our disappointment with their formulaic approach to this, which has been applied to all HSCPs.

- 3.4.3 Plans are in place in respect of the majority of the remaining reserves. The General Reserve (£682k) for service transformation is fully allocated:

- LD Restructuring £220k (spent)
- Purchase of KCC £300k; and
- Completion of Lochgilphead staff accommodation £150k.

Appendix 4 provides a summary of the firm commitments funded by reserves.

## **4 RELEVANT DATA AND INDICATORS**

- 4.1 Information is derived from the financial systems of both partners.

## **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 £737k. It is anticipated that the HSCP will be able to manage this during the remainder of the year. There are governance implications for the IJB relating to the clawback of previously earmarked reserves and the implications for planned spend and service development.

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 – the in-year reduction in resources to support Primary Care Improvement may have Clinical Governance implications.

## 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, reported separately. There is a high 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. Additionally, there is risk associated with the stability of the public finances, further emergency budget announcements are expected which may have implications for the current year. The table below summarises the most recent review of financial risks:

Likelihood Range /	Remote	Unlikely	Possible	Likely	Almost certain	Total
£100k - £300k			1	1		2
£300k - £500k		1		1	2	4
£500k - £1.5m			1	1	1	3
>£1.5m						0
<b>Total</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>9</b>

By applying the likelihood weightings, there are currently two risks quantified at £500k or more, these relate to the potential for pay agreements in 2022/23 not being fully funded and the risk that costs will continue to escalate beyond budget due to on-going inflationary pressure. The total potential value of the identified risks sits at £2.5m.

## 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 6. A relatively small overspend against budget is forecast, it is anticipated that the position can be managed during the remainder of the year. However, significant risks are highlighted and these include the funding of known pay increases for Social Work staff, the NHS pay award and funding along with anticipated emergency budget announcements. The HSCP may be required to take action to manage its financial position in the current year in the event that these impact further (unfavourably) upon our understanding of the resources available to us and the cost pressures we face.
- 12.2 Good progress has been made in delivering 55% of the savings programme although challenges have been identified. Progress has also been made in moving forward with projects which are funded by reserves. However, the approach taken by the Scottish Government to clawback and substantially reduce previously allocated funding has significant strategic, operational and financial implications. At present these primarily relate to the Primary Care Improvement programme and the availability of Covid funding beyond the end of the current year. Continued action to address delayed discharges, the 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, no new funding has been confirmed to date.

## 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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