

Integration Joint Board

Date of Meeting: 25 January 2023

Title of Report: Budget Monitoring – 8 months to 30 November 2023

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 £657k as at 30 November 2022 and that it is anticipated the HSCP will operate within available resources.
- Note confirmation that savings of £3.6m have been delivered, 60% of target.
- Note that earmarked reserves of £5.5m have been committed.
- Note that the Scottish Government are in the process of confirming the claw back of Covid Reserves (circa £2.5m) and have reduced 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 November 2022 and provides a forecast for the year. It updates on the delivery of savings programme and use of reserves.
- 1.2 A relatively small overspend of £657k is forecast, this has reduced slightly. It is anticipated that the financial position will be managed within budget 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.
- 1.3 The Scottish Government will clawback Covid reserves and have reduced Primary Care Improvement funding to help manage the overall financial position of Health and Social Care in Scotland. In particular, pay awards and offers are well in excess of the original budget. This reduces the resources previously understood to be available to the HSCP (by over £5m).

2. INTRODUCTION

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

3. DETAIL OF REPORT

3.1 8 Months to 30 November 2022

The table below summarises the position for the first eight months of the year. For Council services this 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
COUNCILSERVICESTOTAL	50,163	49,984	-179	-0.4%
HEALTH SERVICES TOTAL	154,975	154,728	-248	-0.2%
GRAND TOTAL	205,138	204,712	-427	-0.2%

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 agency staff spend to cover vacant posts.

3.1.2 For Health Service budgets, a small overspend of £248k is reported. The main drivers include slippage in delivering savings and:

- agency medical staffing LIH £694k
- agency Nursing & Physio LIH £484k
- GGC SLA (cost per case drugs) £441k
- agency medical staff OLI out of hours £164k
- GP Prescribing – increased drug costs £303k
- out of area eating disorders patient £155k

These cost pressures total £2.2m are partly offset by non-recurring savings, mainly staffing 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
COUNCILSERVICESTOTAL	88,505	88,762	-257	-0.3%
HEALTH SERVICES TOTAL	234,038	234,438	-400	-0.2%
GRAND TOTAL	322,543	323,200	-657	-0.2%

The forecast adverse variance is of some concern, however, the HSCP has unallocated resource available and slippage on some funding streams which can be used to cover it and no immediate further actions are proposed. There remains uncertainty in respect of pay increases for NHS staff and the possibility of industrial action. At present, the main focus on managing the in-year position is the delivery of the existing savings programme, commencing work on

reviews of expensive care packages and improved management of the use of agency staff. However, the approach may need to change should the forecast deteriorate.

3.2.2 Within Social Work the key areas of concern are:

1. Learning Disability - £1.4m overspend forecast due to increasing demand and costs of care packages and is 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 has increased by £1.5m to £9.3m. A process is underway to recruit a member of staff to review these.
2. Demand for care home placements is beginning to increase again and this is resulting in an emerging forecast overspend on the Older Adults budget.
3. Sustainability of Providers – in addition to 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 has developed plans to provide this by using some of its winter 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 planned to ensure that resources are deployed more efficiently and effectively. The impact of these proposals is provided for in the forecast and are due to be implemented in January.

There are expected to be further non-recurring vacancy savings and slippage on spend programmes. It is intended the overspend will be managed by use of reserves and funding not yet allocated to services.

3.2.3 The Health forecast is an overspend of £400k, this has reduced slightly in comparison to the month 7 forecast. 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 the cost pressures outlined above. It is expected 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 the 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	234,038	234,438	(400)	Hospital staffing, inflation and expected slippage with savings.

3.2.5 In summary, the financial position in the current year is challenging to manage, however, there is sufficient scope 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 with its growth funding. Recent Scottish Government funding announcements indicate that managing the financial position nationally is proving challenging but no further in-year reductions are expected.

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 November, £3.6m (60%) of the £6m target has been achieved, an increase of £260k in November:

2022/23 Savings	Target £' 000	Year to 30 November 2022		
		Achievement	Balance	%
		£' 000	£' 000	
Fully Achieved	2,864	2,864	0	
Remaining Programme	3,138	720	2,418	
Total	6,002	3,584	2,418	60%

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 £2.4m, risk rated:

Savings Perceived as Low Risk	£191k	
Savings unlikely to be achieved in full in 2022/23	£1,534k	
Savings unlikely to be deliverable at all in 2022/23	£693k	

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 managed by NHS Highland and is subject to delay and additional costs. It is now anticipated that construction work will start in spring / summer 2023. 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 savings will continue in the meantime.

3.3.5 Good progress has been made in delivering savings programmes. Slippage will be covered by non-recurring savings and the forecast takes this into account.

3.4 Earmarked Reserves

3.4.1 Earmarked reserves of £21.2m were carried forward into the current year. During the first 8 months of 2022/23 £5.5m has been committed.

3.4.2 The Scottish Government have still to confirm the value of the clawback of the Covid Reserve but they have committed to ensuring that IJB's retain sufficient funds to cover all covid related costs in the current year. It is estimated that circa £2.5m will be returned. Government have also confirmed that our 22/23 allocation of Primary Care Improvement Funding (PCIF) has been reduced by the totality of our reserves and they are now considering the position relating to mental health funding.

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 £657k. 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. There remains a 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. 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
Total	0	1	2	3	3	9

By applying the likelihood weightings, there are currently two risks quantified at £0.5m 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. Argyll and Bute Council have offered to pass on pay award funding which limits the risk relating to unfunded pay increases for Social Work staff to £0.4m. The NHS pay increase and funding is not yet finalised for all staff groups.

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 8. A relatively small overspend against budget is forecast, it is anticipated that the position can be managed during the remainder of the year. The HSCP may be required to take action to manage its financial position in the current year in the event that NHS pay increases are not fully funded or in-year funding streams are reduced further.
- 12.2 Good progress has been made in delivering 60% of the savings programme. Progress has also been made with projects which are funded by reserves. However, the approach taken by the Scottish Government to clawback and substantially reduce previously allocated funding has 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.	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

AUTHOR NAME: James Gow, Head of Finance and Transformation

EMAIL: james.gow@argyll-bute.gov.uk