

Integration Joint Board

Date of Meeting: 29 March 2023

Title of Report: Budget Monitoring – 11 months to 28 February 2023

Presented by: James Gow, Head of Finance and Transformation

The Integration Joint Board is asked to:

- Note that there is a forecast revenue underspend reported of £4.3m as at 28 February 2023
- Note that it is anticipated the HSCP will be able to carry any underspend forward in its general reserve to fund essential projects and contribute to the budget shortfall in 2023/24.
- Note confirmation that savings of £4.1m have been delivered, 68% of savings plan.
- Note that earmarked reserves of £12.8m have been allocated including £3.3m clawed by the Scottish Government.

1. EXECUTIVE SUMMARY

1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 28 February 2023 and provides a year end forecast. The risk associated with the forecast is limited at this stage in the year. The report also updates on the delivery of savings programme and use of reserves.

1.2 An underspend totalling £4.3m or 1.3% of budget is forecast, the position has improved as centrally held funds have been allocated to offset overspends and additional funding confirmed. It is anticipated the underspend will be carried forward in general reserves into 2023/24. Proportionately this is small but nonetheless will help manage the financial challenge in 2023/24 and enable transformation projects to progress. Underlying service overspends, inflation on key supplies and services and reliance on agency staffing remain concerns.

2. INTRODUCTION

2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 28 February 2023. Information is provided in respect of the year to date position and the forecast outcome.

3. DETAIL OF REPORT

3.1 11 Months to 28 February 2023

The table below summarises the position for eleven 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	72,165	74,153	1,988	2.7%
HEALTH SERVICES TOTAL	219,244	221,094	1,850	0.8%
GRAND TOTAL	291,409	295,247	3,838	1.3%

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. The overall position has improved as centrally held budgets have now been allocated and slippage against growth funding has continued.

3.1.2 The Health position has also improved significantly due confirmation of additional non-recurring funding, slippage against investments, vacancies and new medicines funding. These favourable variance mask some significant service overspends:

- agency medical staffing LIH - £1.1m
- agency and bank nurse use LIH – 0.2m
- GP prescribing - £1.1m, due to increased drug costs and short supply of specific drugs

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	89,085	87,051	2,034	2.3%
HEALTH SERVICES TOTAL	247,955	245,655	2,300	0.9%
GRAND TOTAL	337,040	332,706	4,334	1.3%

3.2.2 The forecast has improved further and a relatively small but sizeable favourable variance against available budget is now expected. This means that the HSCP will have some general reserves to carry into 2023/24. The improved position is due to confirmation of additional funding late in the year, on-going vacancies, slippage on growth and investments along with the allocation of centrally held budgets.

Within Social Work adverse variances forecast include:

1. Learning Disability - £1.3m overspend forecast due to increasing demand and costs of care packages. Unfortunately attempts to recruit a member of staff to commence reviewing these care packages has been unsuccessful and alternatives ways of resourcing this work are being considered.
2. Use of agency staffing remains a concern, it is intended that the new approach to commissioning care at home will start to have an impact upon this in the coming months. Additionally, a new staffing and resourcing group has been established and agency spend will be further scrutinised.

Vacancy savings and slippage on investments is continuing and this is contributing to the favourable year end position. The HSCP will be required to make a case to Council for the carry forward of general reserves into 2023/24, some of this may be required to be held to balance the financial position next year.

3.2.3 The Health forecast has also improved overall as additional funding has been allocated by Scottish Government for high cost drugs. This was not anticipated and improved the position by £0.9m. A key area of concern continues to be spend on hospital services, driven by the steps that are being taken to stabilise staffing at Lorne and Islands Hospital. Additionally a significant overspend is forecast on the prescribing budget due to difficulties in achieving efficiency savings and significant increases in drugs prices.

3.2.4 The forecast takes account of anticipated shortfalls against recurring savings targets and cost pressures outlined above. These are offset by additional funding, allocation of earmarked reserves and non-recurring underspends.

3.2.5 In summary, the forecast year end position is now favourable and the HSCP expects to be able to carry forward around £4.3m in total within its general reserve. This will enable key projects to proceed in 2023/24 and provides a source of bridging funding to help manage the financial challenge next year. Late confirmation of funding has contributed substantially to the improved position but unfortunately much of it is non-recurring in nature, this makes it difficult to rely on receiving it again next year for budgeting purposes.

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 February, £4.1m (68%) of the £6m target has been achieved. A further £187k was declared in February:

2022/23 Savings	Year to 28 February 2023			
	Target	Achievement	Balance	%
	£' 000	£' 000	£' 000	
Fully Achieved	3,076	3,076	0	
Remaining Programme	2,733	818	1,915	
Non recurring	253	253	0	
Total	6,062	4,147	1,915	68%

3.3.2 Appendix 3a lists projects that have been fully delivered. Those declared on a non-recurring basis will largely be addressed as part of the capital project at Cowal Community Hospital. Appendix 3b provides detail on the remaining balance of £1.9m, risk rated:

Savings Perceived as Low Risk	£102k	
Savings unlikely to be achieved in full in 2022/23	£1,346k	
Savings unlikely to be deliverable at all in 2022/23	£467k	

3.3.3 Most of the remaining savings balance will be carried into 2023/24. It is not proposed that projects are removed from the plan at present. Members are requested to note that the saving on the SLA with Glasgow that was originally intended to relate to Urology has been replaced with an alternative saving relating to hospital drugs issued by Glasgow. The HSCP is in the process of refreshing its relationship with Greater Glasgow and Clyde Health Board and any further proposals will be developed through that engagement process.

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 summer 2023. A plan to progress community engagement is also under development. Further, we are working with Argyll and Bute Council to develop a shared service approach to support the work on catering, cleaning and hotel services and a post is now in recruitment to help facilitate this. Slippage with savings will continue in the meantime, the forecast takes this into account and it adds to the challenge in 2023/24, particularly for the management of the NHS budget.

3.4 Earmarked Reserves

3.4.1 Earmarked reserves of £21.2m were carried into 2022/23, £12.8m of these have been allocated and appendix 4 provides detail.

3.4.2 The Scottish Government have clawed back £3.3m of covid reserves as reported previously. They have also confirmed that our 22/23 allocation of Primary Care Improvement Funding (PCIF) has been reduced. Plans are in place in respect of the majority of the remaining reserves. The General Reserve (£682k) for transformation is fully allocated:

- LD Restructuring £220k
- Purchase of KCC £300k plus fees; and
- Completion of Lochgilphead staff accommodation £130k.

As reported it is expected that there will be some resource available within both the NHS and Council budget allocations to carry forward into 2023/24 as a general reserve, this should be at least equivalent to the current forecast favourable variance at £4.3m. The carried forward helps contribute to the budget position in 2023/24 and will enable key projects to proceed including the investment in Dunoon, a detailed plan is being developed.

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 – an underspend is forecast and it is anticipated that the HSCP will be able to carry this forward. It may assist in managing the challenging position in 2023/24 and enabling key projects to proceed.
- 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 Financial risks in the current year are reducing as we approach the year end. An underspend is forecast and the financial risks now primarily relate to the budget for next year and beyond along with the ability of the HSCP to deliver outstanding savings.

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 11. The position has improved and an underspend against budget is now forecast as a result of additional funding confirmation and on-going slippage and vacancy savings. It is anticipated that any underspend will be carried forward by the HSCP into 2023/24 and will be used to enable key projects to progress and help manage the financial challenge next year.

12.2 Further savings progress has been made with 68% of the programme delivered. There will be a number of projects carried forward into 2023/24 and these will have to be progressed in addition to managing new savings. Progress has been made progressing projects which are funded by reserves. The approach taken by the Scottish Government to clawback and substantially reduce previously allocated funding has strategic, operational and financial implications, mainly in relation to the Primary Care programme.

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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