

Integration Joint Board

Date of Meeting: 30 August 2023

Title of Report: Budget Monitoring – 4 months to 31 July 2023

Presented by: James Gow, Head of Finance and Transformation

The IJB is asked to:

- Note that there is a relatively small forecast revenue overspend of £423k as at the end of month 4.
- Note confirmation that savings of £6.2m have been delivered, 70% of target.
- Note that earmarked reserves of £0.9m have been committed to date.
- Note that additional formula funding has been allocated to Health Boards to improve financial sustainability.

1. EXECUTIVE SUMMARY

1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at the end of month 4. The HSCP is reporting a small forecast overspend of £423k against the current budget of £352m. Some additional NHS funding has been allocated by the Scottish Government to assist the financial sustainability of Boards, if passed through to the HSCP this will improve the underlying position. This report also provides an update on the delivery of the savings programme and use of reserves.

1.2 Key cost pressures identified at this point in the year relate to medicines costs, agency nursing and locum medical costs. Some additional funding has been announced to help with drugs costs and the process of moving agency nursing away from non-framework contracts should impact favourably in the coming months. The HSCP planned to utilise reserves to cover its budget gap and the reported position is broadly in line with the approved budget in this regard. The main risks at present relate to the impact of continued high inflation, additional funding being passed through to the HSCP and uncertainty with pay settlements and their funding.

2. INTRODUCTION

2.1 This report provides a summary of the financial position of the HSCP as at end of July 2023. Information is provided in respect of the year to date position, the forecast outturn, progress with the savings plan and reserves.

3. DETAIL OF REPORT

3.1 4 Months to 31 July 2023

The table below summarises the year to date for the first four months of the year. Council services report 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	23,644	23,776	132	0.6%
HEALTH SERVICES TOTAL	82,881	82,446	-435	-0.5%
GRAND TOTAL	106,525	106,222	-303	0.3%

3.1.1 For Social Work budgets, there are no significant concerns, the underspend is largely due to budget profiling and timing related variances.

3.1.2 Health Service budgets are however under some pressure and, an overspend of £435k is reported. The main concerns relate to:

- Medicines – national tariffs have been increased by circa 7% per item and additional funding allocated so far does not cover this increase which is largely outwith the control of the HSCP;
- Spend on agency staff has increased further, particularly relating to Lorn and Islands Hospital medical staffing and out of hours provision; and
- Slippage on some of the savings projects.

The national initiative to end the use of non-framework providers should reduce agency nursing spend in the coming months.

3.2 Forecast Outturn

3.2.1 The forecast outturn is summarised below, with detail provided in appendix 2. Members will be aware that a deficit budget was set as additional funding was anticipated. Any actual year end deficit will be funded by the allocation of reserves earmarked for this purpose. As outlined in the budget for the current year, it was expected that the Scottish Government would be under pressure to provide additional funding for NHS Boards due to systemic deficits, this has happened and appendix 3 provides a copy of the correspondence. Discussions are on-going with NHS Highland in respect of this funding. A normal formula allocation is worth circa £2.3m to the HSCP, this would in turn reduce the reliance on reserves in the current year. Additional non-recurring funding for drugs costs is also outlined in the letter.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	91,088	90,711	377	0.4%
HEALTH SERVICES TOTAL	260,881	261,681	-800	-0.3%
GRAND TOTAL	351,969	352,392	-423	-0.1%

3.2.2 Within Social Work, no significant adverse variances are forecast. The small forecast underspend is largely due to high levels of vacancy savings and operational savings across a number of services. There is however an emerging projected overspend relating to care home placements. The Social work budget includes an assumption that reserves totalling £623k will be used to balance the position. Reserves have been earmarked for this purpose, the forecast is therefore:

Social Work	£'000
Assumed reliance on reserves	623
Forecast Underspend @ Month 4	(377)
Forecast reserves funding requirement	246

It is not proposed that the HSCP reallocate the use of reserves at this early stage in the year given the uncertainty with pay settlements for staff. The national care home contract has now been agreed which reduces uncertainty on residential care costs, however, this does not necessarily mean service sustainability risks are reduced as there are deeper issues in the sector.

3.2.3 Within the NHS, early indications are that medicine costs have materially increased. This is being investigated with national agencies as drug tariffs have been amended with costs increasing substantially and in excess of new funding. Additionally, spend on agency and locum medical staff remains high to ensure service continuity, this is contributing to the overspend. If additional funding is passed through by NHS Highland, the forecast is currently:

NHS Services	£'000
Budgeted reliance on reserves	3,500
Add forecast overspend	800
Less new NRAC parity and sustainability funding (TBC – see appendix 3)	(2,288)
Potential reserves funding requirement	2,012

While the additional sustainability funding will improve the underlying position with the NHS budget, it is however the case that the HSCP is not currently operating in a sustainable way and expects to have to use reserves to cover service spend.

3.2.4 There remains uncertainty in respect of pay awards, potential for industrial action and contract uplifts. While not unusual at this time in the year, the high inflation rate is increasing the probability and potential impact associated with these risks. The delivery of the savings programme and management of agency staffing remain priorities.

3.2.5 In summary, the financial position is expected to be challenging to manage, it is anticipated that the Scottish Government will be required to provide additional funding for drug costs and other pressures across the NHS. It is hoped that action on agency staffing will start to have a positive impact on costs in the short term. The severe financial pressures facing NHS Highland remain a risk to the HSCP and the availability of resources for local spend or investments.

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 Month 4, £6.2m (70%) of the £8.9m target has been declared:

2023/24 Savings	Target £' 000	Year to 31 July 2023		
		Achievement	Balance	%
		£' 000	£' 000	
Fully Achieved	5,633	5,633	0	
Partially Complete	2,957	282	2,675	
Non-recurring	320	320	0	
Total	8,910	6,235	2,675	70%

3.3.2 Appendix 4a lists the projects that have been fully delivered and 4b provides detail on the remaining balance of £2.7m, risk rated:

Savings regarded as low risk	£898k	
Savings unlikely to be achieved in full in 2023/24	£1,386k	
Savings unlikely to be deliverable at all in 2023/24	£391k	

It is not proposed that projects are removed from the plan at present.

3.3.3 One of the biggest challenges relates to the Cowal Community Hospital project, this is being managed with NHS Highland and has been subject to delay and additional costs. The project is now underway and progress is reported within the Transformation Programme reporting to the Finance & Policy Committee. Resource has also been allocated to support the work on catering, cleaning and hotel services on a shared service basis with Argyll & Bute Council. The amber and red rated savings projects do however remain a financial risk in the current year.

3.4 Reserves

3.4.1 Earmarked reserves of £17m were carried forward. To date £0.9m has been committed to spend, summarised in Appendix 5.

3.4.2 Of the remaining reserves, £4.1m has been provisionally allocated to fund the budgeted deficit. It is of note that the Primary Care Improvement Fund reserve has reduced from £3.1m in March 2022 to £0.2m. This is in line with the approach taken by Scottish Government to reduce funding until reserves are exhausted, new funding has now been allocated for recurring costs within the programme. Priorities for reserves held for Transformation include:

- £600k for the Prevention project over 3 years;
- £1m to support the Cowal Community Hospital project;
- £200k to replace hospital beds;
- £170k match funding to support the Islands Programme bid to facilitate the remodelling of the Tigh a Rudha Care Home on Tiree; and
- £100k match for energy efficiency and the empty homes project.

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 £0.4m. It is anticipated that the HSCP will be able to manage this during the remainder of the year and that additional funding will be confirmed.

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:

- Continuing impact of high inflation and service demand;
- Outcome of pay negotiations and funding for these; and
- Delivery of the balance of the savings programme.

NHS Highland also continue to be in a challenging financial situation. With the HSCP being in a relatively favourable position, this creates a risk in respect of future funding and/or reserves balances.

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 the first four months of the year. A relatively small overspend against budget is forecast. Additional financial sustainability and drugs funding has been announced with allocations to HSCP still to be confirmed by NHS Highland. It is also hoped that the value work on agency staff will also help manage agency staffing costs down in the coming months. It is expected that the financial position overall will be managed in line with the budget with reliance on reserves being at a lower level than initially planned.

12.2 Good progress has been made with 70% of the savings programme delivered. However, there are a number of projects carried forward into the current year that still need to be completed. Focus on these and consideration of transformation priorities and savings for future years can now be prioritised.

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 2023-24

Appendix 3 – Sustainability Funding

Appendix 4a and 4b – Savings Programme

Appendix 5 – Earmarked Reserves

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