

Integration Joint Board

Date of Meeting: 27 September 2023

Title of Report: Budget Monitoring – 5 months to 31 August 2023

Presented by: James Gow, Head of Finance

The IJB is asked to:

- Note that there is a relatively small forecast revenue overspend of £900k as at the end of month 5.
- Note confirmation that savings of £6.3m have been delivered, 70% of target.
- Note that earmarked reserves of £5.3m have been committed to date.
- Note that additional formula funding has been allocated to Health Boards to improve financial sustainability and that NHS Highland intend to recover this funding from the IJB (£2.3m).

1. EXECUTIVE SUMMARY

1.1 This report provides a summary financial position as at the end of month 5. The HSCP is reporting a small forecast overspend of £900k against its budget of £354m. Some additional NHS funding has been allocated by the Scottish Government and this improves the underlying position by £2.3m. However, NHS Highland have confirmed that they intend to recover this to assist with the overall deficit. This report also updates on the delivery of the savings programme and use of reserves.

1.2 Key cost pressures identified relate to medicines, agency nursing and locum medical costs. Some additional funding has been announced to assist 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. This report is also included on the agenda of the Finance & Policy Committee on 29th September for further consideration.

2. INTRODUCTION

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

3. DETAIL OF REPORT

3.1 5 Months to 31 August 2023

The table below provides the year to date for the first five months. 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	31,550	31,390	-160	-0.5%
HEALTH SERVICES TOTAL	103,995	103,307	-688	-0.7%
GRAND TOTAL	135,545	134,697	-848	-0.6%

3.1.1 For Social Work budgets, the area of concern is pressure on older adults budgets. This is due to increasing demand for residential care and on-going use of agency staff. There are also cost pressures being experienced with care at home services at present. These cost pressures are being largely offset by savings in other budgets.

3.1.2 Health Service budgets are however under increasing pressure and an overspend of £688k is reported. Concerns relate to:

- Medicines – national tariffs have been increased and the current overspend is estimated at £1.5m or 17% of the budget. There is also a national systems data issue relating to prescribing costs at present;
- Spend on agency staff also continues above budget, particularly relating to Lorn & Islands Hospital medical staffing; and
- Slippage on the savings programme.

The national initiative to end the use of non-framework providers to reduce agency nursing spend is starting to have a positive impact on cost but utilisation of agency staff remains high due to on-going vacancies.

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 and the actual year end deficit will be funded by the allocation of reserves earmarked for this purpose. 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. However, NHS Highland have communicated that they are expected to improve their

overall position by the full value of this allocation and have requested the return of these funds on a non-recurring basis. The allocation is worth circa £2.3m to the HSCP. For the purposes of managing the revenue budget, it is assumed that the HSCP will receive its allocation. In the event that the HSCP is required to return funding it would seek to do this through a reserves adjustment. 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	91,087	91,087	0	0%
HEALTH SERVICES TOTAL	263,305	264,205	-900	-0.3%
GRAND TOTAL	354,392	355,292	-900	-0.3%

- 3.2.2 Within Social Work, the older adult budget is under pressure and a forecast overspend of £1.2m is forecast. This is as a result of increasing demand for care home placements and care at home. Additionally, use of agency staffing in HSCP operated homes is adding to the overspend. This overspending is being offset by savings in other areas including Children's services and Learning Disability budgets. Overall the Social Work budget is forecast to balance by the year end. The Social work budget includes an assumption that reserves totalling £623k will be used to balance the position:

Social Work	£'000
Assumed reliance on reserves	623
Forecast revenue budget variance	0
Forecast reserves funding requirement	623

One of the biggest risks at this stage in the year is uncertainty regarding pay settlements for Council staff, these continue to be under negotiation and industrial action appears likely. The national care home contract has now been agreed which reduces uncertainty relating to residential care costs.

- 3.2.3 Within the NHS, 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. A £2.5m overspend is currently projected on Prescribing. 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	900
Less new NRAC parity and sustainability funding (TBC – see appendix 3)	(2,297)
Potential reserves funding requirement	2,103

The additional sustainability funding improves the underlying position within the NHS budget, however the HSCP is not operating in a sustainable way and expects to have to use reserves to cover service spend.

3.2.4 The financial position is expected to continue to be challenging to manage, it is anticipated that the Scottish Government will be required to provide further 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 5, £6.3m (70%) of the £8.9m target has been declared:

2023/24 Savings	Target £' 000	Year to 31 August 2023		
		Achievement	Balance	%
		£' 000	£' 000	
Fully Achieved	5,643	5,643	0	
Partially Complete	2,947	302	2,645	
Non-recurring	320	320	0	
Total	8,910	6,265	2,645	70%

3.3.2 Appendix 4a lists the projects that have been fully delivered and 4b provides detail on the remaining balance of £2.6m, risk rated:

Savings regarded as low risk	£888k	
Savings unlikely to be achieved in full in 2023/24	£1,217k	
Savings unlikely to be deliverable at all in 2023/24	£540k	

It is not proposed that projects are removed from the plan at present. The finance teams have projected savings delivery in the forecasts.

3.3.3 The biggest challenge 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 to the Transformation Board and 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 represent a financial risk in the current year.

3.4 Reserves

3.4.1 Earmarked reserves of £17m were carried forward. To date £5.3m has been committed to spend, summarised in Appendix 5. This includes the £4.1m initially allocated to fund the deficit.

3.4.2 The Scottish Government has also written to IJB's asking them to consider where additional flexibility may be helpful (NHS only). It is intended that older earmarked reserves will be reviewed. In the event that £2.3m is to be returned to NHS Highland, this exercise may enable some older unused reserves to be returned. 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 Tìree; and
- £100k match for energy efficiency and the empty homes project.

Additionally, there are business cases currently under consideration which have still to be approved and spend committed.

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 £0.9m. 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. The request for a return of funds from NHS Highland requires consideration by the IJB and / or its Finance & Policy Committee.

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:

- Continuing impact of high inflation and service demand;
- Outcome of pay negotiations and funding for these;

- Recovery of reserves; and
- Delivery of the balance of the savings programme.

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 and NHS Highland have confirmed that they wish to recover the value of this funding. It is hoped that the national work on agency staff will help manage agency staffing costs down in the coming months. It is expected that the financial position overall will require to be managed through additional funding allocations and reduced spend on controllable costs and agency staffing.

12.2 Good progress has been made with 70% of the savings programme delivered. However, there are a number of projects that still need to be completed. Detailed reporting on these is provided to the Finance & Policy Committee.

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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