

Integration Joint Board

Date of Meeting: 29 November 2023

Title of Report: Budget Monitoring – 7 months to 31 October 2023

Presented by: James Gow, Head of Finance

The IJB is asked to:

- Note that there is a relatively small forecast revenue overspend of £847k as at the end of month 7.
- Note that savings of £6.8m have been delivered, 76% of target.
- Note that reserves of £6m 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 seven. The HSCP is reporting a small forecast overspend of £847k against its budget of £356m. 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 from reserves. This report also updates on the delivery of the savings programme and use of reserves. It has also been considered by the Finance & Policy Committee earlier in November.

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 is now starting to impact favourably on pay rates but usage of agency staff remains high. Overspending on Older Adult services is also of concern, this is due to increasing demand and use of agency staff to cover service gaps and address increased delayed discharges. 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 relate to the impact of continued inflation, additional funding being passed through to the HSCP and pay settlement funding.

2. INTRODUCTION

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

3. DETAIL OF REPORT

3.1 7 Months to 31 October 2023

The table below provides the year to date for the first seven 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
COUNCIL SERVICES TOTAL	45,622	45,616	-6	0.0%
HEALTH SERVICES TOTAL	148,639	147,910	-729	-0.5%
GRAND TOTAL	194,261	193,526	-735	-0.4%

3.1.1 For Social Work budgets, the area of concern is pressure on older adults budgets, now £1.1m overspent. This is due to increasing demand for residential care, care at home and on-going use of agency staff. These pressures are being largely offset by savings in other services.

3.1.2 Health Service budgets continue to be under pressure and an overspend of £729k is reported. Concerns relate to:

- Medicines – national tariffs have been increased and the current overspend is estimated at £1.7m or 14% of the budget. The national systems data issue is continuing, this is making it difficult to analyse the drivers for this overspend and limits confidence in the reported spend;
- 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 per hour but utilisation of agency staff remains high due to vacancies.

3.2 Forecast Outturn

3.2.1 The forecast outturn is summarised below, a small improvement on the previous month, detail is provided in appendix 2. A deficit budget was set and the actual year end deficit will be funded by the 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 NHS Highland have been allocated £2.3m based on the Argyll & Bute NRAC formula allocation. 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. For the purposes of managing the revenue budget, it is assumed that the HSCP will receive its allocation. The HSCP will return funding through a reserves adjustment. This issue is subject to further discussion by the Finance & Policy Committee.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	91,089	91,086	3	0%
HEALTH SERVICES TOTAL	264,977	265,827	-850	-0.3%
GRAND TOTAL	356,066	356,913	-847	-0.2%

3.2.2 Within Social Work, the older adult budget is under pressure and a forecast overspend of £1.8m is forecast. This is as a result of increasing demand for care home placements and care at home demand and costs. Additionally, use of agency staffing in HSCP operated homes and care at home services is adding to the overspend. This 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 £620k will balance the position:

Social Work	£'000
Assumed reliance on reserves	623
Forecast revenue budget variance	3
Forecast reserves funding requirement	620

The Local Authority pay settlement has been resolved and will be paid to staff in November. The exact funding allocation to the HSCP for this has still to be confirmed by the Scottish Government and Argyll & Bute Council.

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, as noted above, there is limited confidence in spend figures at present due to a national systems issue. Spend on agency and locum medical staff remains high to ensure service continuity, this is contributing to the overspend.

NHS Services	£'000
Budgeted reliance on reserves	3,500
Add forecast overspend	850
Less new NRAC parity and sustainability funding (TBC)	(2,297)
Potential reserves funding requirement	2,053

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 in the current year.

3.2.4 The financial position will continue to be challenging to manage, it is hoped that the Scottish Government will provide further funding towards the end of the year for drug costs and other pressures across the NHS, however there are a number of Boards who require significant additional support. Action on agency staffing is now having a positive impact on costs. 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 7, £6.8m (76%) of the £8.9m target has been declared:

2023/24 Savings	Target £' 000	Year to 31 October 2023		
		Achievement	Balance	%
		£' 000	£' 000	
Fully Achieved	6,026	6,026	0	
Partially Complete	2,584	448	2,136	
Non-recurring	300	300	0	
Total	8,910	6,774	2,136	76%

3.3.2 Appendix 4a lists the projects that have been fully delivered and 4b provides detail on the remaining balance of £2.1m, risk rated:

Savings regarded as low risk	£631k	
Savings unlikely to be achieved in full in 2023/24	£835k	
Savings unlikely to be deliverable at all in 2023/24	£670k	

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 in partnership with NHS Highland and has been subject to delay and additional costs. The project is now underway and progress is reported in detail 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 but this has been incorporated in the forecast.

3.4 Reserves

3.4.1 Earmarked reserves of £17m were carried forward. To date £6m has been committed to spend, summarised in Appendix 5. This includes the £4.1m initially allocated to fund the deficit and return to NHS Highland.

3.4.2 The IJB holds significant general reserves and is in the process of allocating these to projects. A separate report detailing the commitments and forecast cash flow is provided to the Finance & Policy Committee, the main projects being taken forward are:

- £600k for the Prevention project over 3 years;
- £1.5m to support the Cowal Community Hospital project;
- £220k to replace hospital beds;
- £160k to remodel the medical records space in LIH;

- £300k match funding to support the Islands Programme bid to facilitate the remodelling of the Tigh a Rudha Care Home on Tiree; and
- £105k match for energy efficiency and the empty homes project.

Additionally, strategic development work is on-going and it is anticipated that £300k will be needed to fund business case development over 3 years. There are further business cases and proposals 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 balance its budget and ensure this is aligned to the Strategic Plan. It is required to ensure that financial decisions are consistent with strategic priorities.

6 GOVERNANCE IMPLICATIONS

6.1 Financial Impact – the forecast outturn position is an overspend of £0.8m. 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 is being considered by the 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;
- Funding for the pay settlements;
- Recovery of reserves; and

- Delivery of the balance of the savings programme.

The risk is therefore that the HSCP will be required to utilise more of its reserves than planned to balance the current year financial position if the overspend cannot be managed in year.

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 seven months of the year. A relatively small overspend, 0.2%, 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. The national work on agency staff is helping to manage agency staffing costs down but use of expensive supplementary staff is continuing at a high level. 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. Increasing spend on services to support Older Adults is a further cost pressure.

12.2 Good progress has been made with 76% 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 3a and 3b – Savings Programme
- Appendix 4 – Earmarked Reserves

AUTHOR NAME: James Gow, Head of Finance and Transformation
 EMAIL: james.gow@argyll-bute.gov.uk