

Integration Joint Board

Date of Meeting: 31 January 2024

Title of Report: Budget Monitoring – 9 months to 31 December 2023

Presented by: James Gow, Head of Finance

The IJB is asked to:

- Note that there is a relatively small forecast revenue overspend of £442k as at the end of month 9.
- Note that savings of £6.9m have been delivered, 78% of target.
- Note that reserves of £6.3m have been committed to date.
- Note that additional funding has been allocated totalling £2.3m and that NHS Highland have recovered this from IJB reserves.

1. EXECUTIVE SUMMARY

1.1 This report provides a summary financial position, which has improved, as at the end of month nine. The HSCP is now reporting a small forecast overspend of £442k 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 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 January.

1.2 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 starting to impact favourably on pay rates but usage of agency staff remains high. Overspending on Older Adult Social Care services is a further area of concern, this is due to increasing demand and use of agency staff to cover service gaps and address 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 and the impact of the draft budget for 2024/25.

2. INTRODUCTION

2.1 This report provides a summary of the financial position of the HSCP as at end of December 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 9 Months to 31 December 2023

The table below provides the year to date for the first nine 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. The year to date position has improved since the last report.

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	60,983	60,897	-86	-0.1%
HEALTH SERVICES TOTAL	193,488	193,258	-230	-0.1%
GRAND TOTAL	254,471	254,155	-316	-0.1%

3.1.1 For Social Work budgets, the area of concern is pressure on older adults budgets, now £1.8m overspent in total across internal and external residential care and care at home services. This is due to increasing demand and on-going use of agency staff. These pressures are being offset by savings in other services.

3.1.2 Health Service budgets also continue to be under pressure, although the position has improved over November and December. An overspend of £230k is reported and concerns relate to:

- Medicines – national tariffs have been increased and the current overspend is estimated at £1.7m or 10% 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. Progress has been made in recent weeks and analytical work is underway, but accurate data is still only available for the first quarter of the financial year;
- 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 having 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 has also improved and is summarised below, detail is provided in appendix 2. A deficit budget was set and the actual 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 from HSCP reserves.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	91,088	91,087	1	0%
HEALTH SERVICES TOTAL	262,620	263,063	-443	-0.2%
GRAND TOTAL	353,708	354,150	-442	-0.1%

- 3.2.2 Within Social Work, the older adult budget is overspending with a £2.4m expected overspend. 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. Specifically, the budgets that are of concern are:

Adult Services	Annual Budget	Forecast Spend	Forecast Overspend
External Residential Placements – demand led @ national care home contract rate	£10.0m	£11.1m	£1.1m
Care @ Home Service	£15.6m	£17.1m	£1.5m
Internal Care Home Placements	£7.0m	£7.2	£0.2

Overspending reflects the additional costs relating to interim arrangements in the care at home service while the new contract process is being progressed including uplifts to improve terms and conditions for staff to assist with the sustainability of the service and reduce unmet need. The overspends are 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 but this includes an assumption that reserves totalling £620k will be allocated to balance as planned:

Social Work	£'000
Assumed reliance on reserves	623
Forecast revenue budget variance	1
Forecast reserves funding requirement	622

The Local Authority pay settlement has now been resolved, it is anticipated that the funding for this will be passed to the HSCP.

- 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 £2.2m overspend is 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		443
Less new NRAC parity and sustainability funding		(2,297)
Potential reserves funding requirement		1,646

The additional sustainability funding improved the underlying position, however it has been agreed that NHS Highland will recover existing HSCP reserves to offset the sustainability allocation for 2023/24. The level of financial pressure across the NHS is significant at present due to inflation and service pressures, the HSCP is managing its budget relatively effectively in this context although it is still likely to be reliant on its reserves in the current year.

3.2.4 It is expected that the position will improve further in the last quarter of the year. The severe financial pressures facing NHS Highland remains a significant risk to the HSCP and the availability of resources for local spend or investments. The implications of the budget for 2024/25 are also potentially serious and are more adverse than expected. The HSCP is participating in expenditure control measures which are currently in the process of being implemented by NHS Highland, although it is progressing these in a way which is locally appropriate. This includes additional scrutiny of large orders, supplementary staffing requests and vacancies. The outlook for 2024/25 is even more challenging than expected and therefore beginning to implement these measures now will help change behaviours and expectations.

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 9, £6.9m (78%) of the £8.9m target has been declared:

2023/24 Savings	Target £' 000	Year to 31 December 2023		
		Achievement £' 000	Balance £' 000	%
Fully Achieved	6,302	6,302	0	
Partially Complete	2,259	295	1,964	
Non-recurring	349	349	0	
Total	8,910	6,946	1,964	78%

3.3.2 Appendix 3a lists the projects that have been fully delivered and 3b provides detail on the remaining balance of £2.0m, risk rated:

Savings regarded as low risk	£558k	
Savings unlikely to be achieved in full in 2023/24	£340k	
Savings unlikely to be deliverable at all in 2023/24	£1066k	

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 Progressing the Cowal Community Hospital project has been challenging and progress reported in detail to the Finance & Policy Committee in November.

The project is being managed in partnership with NHS Highland and unfortunately is now subject to further uncertainty as the draft Scottish Budget for 2024/25 implies that all such projects across Scotland are currently subject to further review, even where funding has been previously agreed. It is anticipated that decisions, which rest with Scottish Government and NHS Highland, will be taken in the coming weeks, the project is therefore subject to further delay. This has a range of potential implications for the project, its cost, the delivery of the savings plan and planned use of reserves. The amber and red rated savings projects represent a financial risk in the current year, this has been incorporated in the forecast.

3.4 Reserves

3.4.1 Earmarked reserves of £17m were carried forward. To date £6.3m has been committed to spend, summarised in Appendix 5. This includes the £4.1m initially allocated to fund the deficit and return £2.3m to NHS Highland.

3.4.2 The IJB holds general reserves and is in the process of allocating these to projects. This is reported periodically to the Finance & Policy Committee. However the draft budget for 2024/25 puts some of these plans at risk as capital spend is likely to be severely restricted for the coming years. 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 (complete);
- £160k to remodel the medical records space in LIH, now nearing completion;
- £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, again the budget for 2024/25 means that the timing of this work is also subject to review. It was anticipated that £300k will be needed to fund business case development over 3 years. Reserves are reducing and this in turn limits flexibility going forward and the HSCP is seeking to balance committing funds to critical projects and retaining flexibility as it seeks to balance its budget in future years.

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 £0.4m. It is anticipated that the HSCP will be able to manage this during the

remainder of the year. The request for the return of funds from NHS Highland has been 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 has 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:

- Continuing impact of high inflation and service demand;
- Recovery of reserves held; 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. There are also a number of additional risks in the event that planned projects do not proceed.

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 nine months of the year. The forecast has improved and a relatively small overspend, 0.1%, 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 78% 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