

Integration Joint Board

Date of Meeting: 27 March 2024

Title of Report: Budget Monitoring – 11 months to 29 February 2024

Presented by: James Gow, Head of Finance

The Integration Joint Board is asked to:

- Note that a small underspend of £151k is forecast.
- Note that savings of £7.4m have been delivered, 83% of target.
- Note that reserves of £7m have been committed to date.

1. EXECUTIVE SUMMARY

1.1 This report provides a summary of the financial position as at the end of month eleven. The HSCP is reporting a forecast underspend of £151k against its budget of £357m. Funding streams have been confirmed and expenditure has reduced in some areas, this has contributed to the improving forecast. 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 impacting favourably on rates but usage remains high. Overspending on Older Adult Social Care services is an area of concern due to increasing demand and use of agency staff to cover service gaps.

1.2 The HSCP planned to utilise reserves to cover its budget gap and the reported position is slightly better than the approved budget in this regard. The main financial risks now relate to the impact of the draft budget for 2024/25, including the impact of the withdrawal of capital funding. This report has been considered by the Finance & Policy Committee at its meeting in March 2024.

2. INTRODUCTION

2.1 This report provides a summary of the financial position of the HSCP as at end of February 2024. 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 11 Months to 29 February 2024

The table below provides the year to date to month eleven. 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	78,673	78,778	105	0.1%
HEALTH SERVICES TOTAL	238,087	238,479	392	0.2%
GRAND TOTAL	316,760	317,257	497	0.2%

3.1.1 For Social Work budgets, older adults spend is of concern with a £2.2m overspend to date 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 and centrally managed budgets.

3.1.2 Several NHS budgets continue to be under pressure, the overall position is improving and a small underspend is reported.

- Medicines – national tariffs have increased and the current overspend is estimated at £1.7m or 8% of the budget. The national systems issue is being addressed but reporting is not fully up to date. Detailed analysis has been undertaken and will be reported separately;
- Spend on agency staff continues above budget, particularly relating to Lorn & Islands Hospital medical staffing; and
- Slippage on savings delivery is creating a further cost pressure.

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. Additionally, general spending in the later part of the year has reduced slightly, this may be related to expenditure control measures implemented in recent months.

3.2 Forecast Outturn

3.2.1 The forecast has shifted from a small overspend to a small underspend in recent months. This means the HSCP expects to be slightly less reliant on its reserves to balance its finances than budgeted. The forecast is summarised below with detail in appendix 2. Members will recall that a deficit budget was set and any 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 resulted in the allocation of £2.3m. However, NHS Highland have clawed these funds back on a non-recurring basis from reserves.

Service	Annual Budget £000	Forecast Outturn £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	92,438	92,348	90	0.1%
HEALTH SERVICES TOTAL	264,309	264,248	61	0.0%
GRAND TOTAL	356,747	356,596	151	0.0%

3.2.2 Within Social Work, the older adult budget is overspending with a £2.4m adverse variance. This is as a result of increasing care home placements and care at home demand and costs. Use of agency staffing in HSCP operated homes and care at home services is adding to the overspend. The budgets that are of most concern are:

Adult Services	Budget	Forecast Spend	Forecast Overspend
External Residential Placements – demand led @ national care home contract rate	£10.0m	£11.2m	£1.2m
Care @ Home Service	£18.3m	£19.7m	£1.4m
Internal Care Home Placements	£7.3m	£7.5	£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. This includes 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. The service has recently taken on the direct staffing and management of care at home services in Kintyre. This includes the TUPE transfer of staff and adds slightly to the overspend. Overall the Social Work budget is forecasting a small underspend which means that the use of reserves to balance will be slightly less than planned:

Social Work	£’000
Assumed reliance on reserves	623
Forecast revenue budget variance	(90)
Forecast reserves funding requirement	533

3.2.3 Within the NHS the position has likewise improved as funding allocations have been confirmed and there has been some slow down in the rate of spend. Medicine costs continue to be the single biggest pressure at present, reviewing mechanisms for managing and reporting this area of spend is a local and national priority, a more detailed report will be separately provided. 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
Less forecast revenue underspend	(61)
Less new NRAC parity and sustainability funding	(2,297)
Other reserves adjustments	(500)
Forecast reserves funding requirement	642

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

3.2.4 Overall the HSCP is managing in line with the approved budget. It expects to end the year with a reduced level of reserves as service delivery has been protected to some extent by allocating reserves to cover revenue spend and progress projects.

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 11, £7.4m (83%) of the £8.9m target has been declared:

2023/24 Savings	Target	Achievement	Balance	%
	£' 000	£' 000	£' 000	
Fully Achieved	6,585	6,585	0	
Partially Complete	1,750	263	1,487	
Non-recurring	575	575	0	
Total	8,910	7,423	1,487	83%

3.3.2 Appendix 3a lists the projects that have been fully delivered and 3b provides detail on the remaining balance of £1.5m, risk rated:

Savings regarded as low risk	£42k	
Savings unlikely to be achieved in full in 2023/24	£416k	
Savings unlikely to be deliverable in 2023/24	£1,029k	

3.3.3 Scottish Government funding for the Cowal Community Hospital / GP relocation project has been withdrawn / paused. Therefore the savings associated with the project are not achievable in the way that was envisaged. The delay/cancellation creates a number of issues in respect of the medical model in the area and these will require to be addressed differently. It is intended that some of the savings will still be deliverable, for example in respect of the Forensic Medical Service contracts. The cancellation of the project means that the HSCP contribution from reserves is not required in the short term and can be re-purposed. The amber and red rated savings projects represent a financial risk and have been incorporated in the forecast.

3.4 Reserves

3.4.1 Earmarked reserves of £17m were carried forward. To date £7m has been committed to spend, summarised in Appendix 5. This includes an allowance for up to the £4.1m initially allocated to fund the deficit and return resource (£2.3m) to NHS Highland.

3.4.2 The IJB holds general reserves and is in the process of allocating these to projects. However the budget for 2024/25 puts some of these plans at risk as capital spend is likely to be severely restricted in the coming years. The main projects that were to be funded from general reserves are listed below, some of these are now subject to review or re-consideration:

- £600k for the Prevention / Wellbeing project;
- £220k to replace hospital beds (complete);
- £160k to remodel the medical records space in LIH - complete;
- £500k match funding to support the Islands Programme bid to facilitate the remodelling of the Tigh a Rudha Care Home – contract in place;
- Renovation of empty properties on Coll and Islay part funded by the Strategic Housing Fund.
- £800k for the Kintyre Care Centre improvement plan; and
- £105k match for energy efficiency and the empty homes project.

Additionally, some of the strategic development work has been paused due to capital funding constraints, the Care Homes and Housing element of this is expected to continue. Reserves are reducing and plans are not yet in place to balance the budget in 2024/25, this means all investment is subject to review as the use of reserves presents an opportunity to address the budget gap on a non-recurring basis. A revised plan for the use of reserves will be finalised once the budget is approved and agreed with partners.

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 and the priorities therein.

6 GOVERNANCE IMPLICATIONS

6.1 Financial Impact – the forecast outturn position is a small underspend, this will enable the HSCP to reduce the use of its reserves in the current 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 on the implications of the 2023/24 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.

At this point in the year financial risks are reducing, it is expected that reliance on reserves will be lower than planned.

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 eleven. The forecast has improved and a relatively small underspend against budget is forecast. The HSCP expects to use slightly less of its reserves to balance its finances in the current year. Several cost pressures are of concern and budgeting for these is contributing to the budget gap next year.
- 12.2 Good progress has been made with 83% of the savings programme delivered. However, there are a number of projects that will not be completed in the current year. The cancellation of the project in Dunoon puts several of these at longer term risk. Further progress has been made in committing earmarked reserves to spend, the reserves balance remains a risk in terms of resources being recovered due to the public sector wide financial challenge.

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 – Reserves

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