

Integration Joint Board

Date of Meeting: 29 May 2024

Title of Report: Budget Monitoring 2023/24 and Provisional Year End

Presented by: James Gow, Head of Finance

The Integration Joint Board is recommended to:

- Note that the HSCP is reporting an improved position and a provisional year end underspend against budget of £2.6m or 0.7%.
- Note that savings of £7.4m have been delivered, 83% of target.
- Note that the HSCP holds general reserves of £7.8m and earmarked reserves of £12.1m (£19.9m total) at the end of 2023/24.

1. EXECUTIVE SUMMARY

- 1.1 This report provides a provisional summary of the year-end financial position which is subject to final accounting adjustments and external audit. The position has improved, for health services, and the HSCP is reporting an overall underspend of £2.6m against its budget of £355m. Additional funding was confirmed in the last month of the year and some favourable movements against forecast were also identified which reduced spend, particularly relating to drugs costs. Overall, this enabled the HSCP to maintain its reserves at a higher level than anticipated. Additionally, £4.7m of new non-recurring funding has been allocated to reserves to assist with future sustainability.
- 1.2 The improved performance provides funds for investment and enables the HSCP to take a longer term approach to addressing the financial challenges it faces going forward. It believes it now has resources in place to cover its budget gap for 2024/25 and to progress infrastructure and transformation projects without having to identify and implement additional savings plans. Financial risks remain high despite the favourable performance, a new spending review is expected from the Scottish Government in June 2024, this will help inform medium term financial planning.

2. INTRODUCTION

- 2.1 This report provides a summary of performance against budget for 2023/24 and provides the IJB with a provisional year end position which is subject to final accounting adjustments and external audit. The report provides the indicative outturn, final savings report and reserves balances.

3. DETAIL OF REPORT

3.1 12 Months to 31 March 2024

The table below provides a summary of performance against budget. The reported overspend on Social Work is funded through an additional allocation from general reserves and the NHS underspend is added to the general reserve and carried forward. Appendix 1 provides an analysis of the variances:

Service	Actual £000	Budget £000	Variance £000	% Variance
COUNCIL SERVICES TOTAL	91,882	91,717	-165	-0.2%
HEALTH SERVICES TOTAL	260,826	263,624	2,798	1.1%
GRAND TOTAL	352,708	355,341	2,633	0.7%

3.1.1 The position improved in month 12, mainly due to additional allocations of funding from the Scottish Government and corrections made to medicines and national services data / costs (NHS budget). The Social Work budget deteriorated slightly at the year end due to the cost of a staff termination arrangement. The overall impact is that the general reserves held by the IJB have not reduced as previously anticipated. This is analysed later in the report.

3.1.2 Social Work Outturn

As has been reported all year, several social work budgets have been under severe pressure and older people services overspent significantly (by £2.4m or 5%). This was partly offset by the planned use of reserves, underspends on other services and vacancies. The overspend was as a result of increased care home placements and higher demand and costs for care at home services. The budgets where large overspends are reported:

Adult Services	Budget	Spend	Overspend
External Residential Placements – demand led @ national contract rate	£10.0m	£11.1m	£1.1m
Care @ Home Service	£18.4m	£19.5m	£1.1m
Internal Care Home Placements	£7.3m	£7.9	£0.6

The overspending includes the additional costs relating to interim arrangements in the care at home service while the new contract 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 overspend was partly offset by savings in other areas including Children's services and Learning Disability budgets. The Older People service also took on the direct staffing and management of care at home services in Kintyre towards the end of year, this added slightly to the overspend. The Social Work budget was balanced through the increased use of general reserves which reduced by slightly more than anticipated as a result.

Social Work	£'000
Opening Social Work General Reserve	3,556
Budgeted reliance on reserves	(623)
Revenue overspend 2023/24	(165)
General Reserves Spend – Infrastructure & Transformation	(170)
General Reserves - funding requirement and spend	(958)
Closing General Reserve	2,598

The Transformation and Infrastructure spend includes spend on strategic development work with Hub North and additional costs relating to the Eclipse implementation.

3.1.3 Health Services Outturn

The health position improved markedly in the final month. This was due to additional funding allocations, central funding of some national costs which were expected to be charged to IJBs and Boards and improved nationally provided information on drug costs. The reduced actual spend on drugs has a recurring impact as a higher level of spend was assumed in the budget for 2024/25. While the overall outturn is favourable there were a number of budgets which overspent:

- Medicines – national tariffs and prescribing volumes increased during the year, the final overspend was £1.2m, less than expected but still 3% above budget. The Finance & Policy Committee is to consider a more detailed analysis of spend in June along with a proposal for a favourable adjustment to the 2024/25 budget;
- Acute Services – £0.8m overspend largely due to on-going spend on agency and locum staff; and
- Estates - overspent by £0.4m due to failure to achieve workforce related savings and the cost of reactive emergency repairs at the year end.

The national initiative to end the use of non-framework providers had some impact on reducing agency nursing rates towards the year end but utilisation of staff remained high due to vacancies. Monthly costs were circa £50k lower in the second half of the year.

NHS Services	£'000
Opening General Reserve	5,542
Allocated to Prevention Programme	(600)
Less new NRAC parity and sustainability funding returned to NHH	(2,297)
Project Spend	(227)
Underspend added to general reserve	2,798
Closing General Reserve	5,216

Due to the financial challenges within NHS Highland, the HSCP share of additional in-year resource was returned following discussions at Board level. Additionally, the HSCP spent some of its general reserve on the hospital bed replacement programme and other smaller projects.

The relatively favourable financial position achieved by the HSCP has been due to careful and prudent management of budgets and savings. It is the fourth year in succession where the HSCP has performed better than budgeted and this has provided funding for projects, such as the purchase of the Kintyre Care Centre and redesign and refurbishment of Tigh a Rudha, as well as providing some financial resilience and flexibility.

3.2 Forecasting

The finance teams have worked hard to accurately forecast expenditure to ensure financial management processes are robust and longer term planning is based upon appropriate assumptions and modelling. In recent years financial performance has been better than forecast at the year end and this is the case again, although to a smaller extent, within NHS services (1%). The main drivers for this were:

- Scottish Government confirming funding allocations late in the year, a recurring issue in recent years and not predicable by the HSCP;
- During 2023/24 there were national reporting issues relating to medicines and prescribing data which meant forecast figures were not based upon accurate information and a prudent approach was taken which resulted in an over-estimate of spend; and
- Charges from Glasgow for some specialist activity were also lower than had been expected based upon historical data.

To a large extent these factors are difficult to manage and a prudent approach has ensured that the financial sustainability of the HSCP has been maintained. The main learning point is that operational relationships with NHS Greater Glasgow and Clyde require improvement to ensure there is a better shared understanding of likely costs at touchpoints throughout the year.

With Social Services budgets the main concern has been increased spend on older people services, this exceeded budget significantly and an improved focus on budgetary control and modelling is required in this area.

3.3 Savings Delivery

Delivery of the savings programme is an important element of the financial management process. The final position for 2023/24 was that £7.4m (83%) of the £8.9m target was achieved:

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%

The remaining savings, listed in appendix 2b, will be carried into the new year. The most significant saving relates to the implementation of the new Care at Home contract, this is out to tender at present and the deliverability will be

reviewed once the tenders are evaluated and new contracts awarded. Work is underway to assess how the savings related to the medical model at Cowal Community Hospital can be delivered despite the pause in the capital project.

The 2025/26 savings plan will be reported in detail to the Finance and Policy Committee and in IJB budget monitoring report throughout the year.

3.4 Reserves

3.4.1 Earmarked reserves of £17m were carried into 2023/24. Of this, £6.2m was spent, less than planned due to the improved in year performance meaning that budgeted allocations to cover the NHS deficit were not required. The analysis in appendix 3 details reserves spend during the year.

3.4.2 In addition there are a number of funding streams that were received into reserves, these consist of specific allocations by Scottish Government which were not spent during the year, usually as a result of late confirmation of funding or inability to recruit staff. Additionally, the Scottish Government allocated the HSCP £4.7m via NHS Highland in March 2024 for Sustainability and Value. It is anticipated that the HSCP will be required to balance its budget in 2024/25 without reliance on additional funding from NHS Highland as a consequence of receiving this resource. Some of it will be required to fund elements of the Agenda for Change pay settlement and to assist with addressing waiting times.

3.4.3 The table below summarises the reserves movement, Council held reserves reduced by £1.6m to £3.4m. Total reserves increased by £2.9m, however this would have been a net decrease of around £1.8m had the additional funds referred to above not been allocated at the end of the year.

	Opening £	Spend in 2023/24 £	New Reserves £	Carried Forward to 24/25 £
Held by NHS	11,984,433	4,397,390	8,902,789	16,489,832
Held by Argyll & Bute Council	5,006,099	1,826,239	209,157	3,389,017
Total	16,990,533	6,223,629	9,111,946	19,878,850

Of the total, around £7.8m can be considered to be IJB general reserves, equivalent to 2.2% of spend (or 8 days). These reserves will be allocated to fund specific projects and will provide some degree of financial resilience going forward. The Transformation Board and Infrastructure Group will be reviewing priorities in the coming months. Commitments have already been made to:

- Tigh a Rudha remodelling
- Coll key worker accommodation refurbishment
- Kintyre Care Centre improvement plan and Care Home Maintenance
- Campbeltown X-Ray project (subject to NHSH approval)
- Care Homes and Housing Strategic Development

The use of some of the HSCP reserves to assist with Estates related works helps reduce infrastructure risk and enables important operational improvements to take place. However, it is also compensating for lack of investment by both partners over a number of years which has left the HSCP

in a position whereby essential backlog maintenance costs now exceed available funding allocated by both partners by some margin. This will be further considered by the Finance & Policy Committee and within HSCP risk management processes.

Additionally, some of the strategic development work has been paused due to capital funding constraints, the Care Homes and Housing element of this is planned to continue. Failure to continue with this work will further increase infrastructure and service risks in the longer term. A detailed revised plan for the investment of reserves is being developed and will be reported in the coming weeks. The HSCP is acutely aware that its budget for 2024/25 remains reliant upon the use of reserves and non-recurring funding and investment priorities require to take into account the need for future savings and effect service transformation.

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. The IJB has also indicated that it has a low risk appetite for financial risk.

6 GOVERNANCE IMPLICATIONS

6.1 Financial Impact – the forecast outturn position is a small underspend, this has enabled the HSCP to maintain its reserves for investment priorities and to assist with future financial challenges. The return of funds to 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 Financial Risk continues to be regarded as very high:

- Continuing impact of inflation and service demand;
- 2024/25 pay settlements and funding;
- Potential for recovery of reserves; and
- Delivery of the savings programme.

The public sector financial outlook remains concerning and financial risk is perceived to continue to be very high as reported in the Strategic Risk Register.

NHS Highland, and the Health Service more widely, continue to be under severe pressure, this is a risk to the HSCP as reserves may be clawed back or funding withheld or reduced in 2024/25.

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 project plans where appropriate. The unaudited annual accounts for 2023/24, which present financial performance in a different format, will be publicly available from the end of June 2024.

12. CONCLUSIONS

12.1 This report provides a provisional overview of financial performance during 2023/24. It outlines a better position than previously forecast and the reasons for this. The main advantage associated with the improved performance is that the HSCP has more funds for investment in projects than anticipated and expects to be able to balance its budget in 2024/25 without resorting to short term cost reductions although financial controls will continue to be increased to reflect the longer term outlook.

12.2 Good progress was made with 83% of the savings programme delivered during the year. The reserves position is also healthy as a consequence of the improved financial performance and allocation of additional funding at the year end by Scottish Government.

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	

14. PREVIOUS REVIEW OF THE REPORT

Meeting	Title of report	Date	Output (if relevant)
<i>SLT</i>	<i>Budget Monitoring 2023/24</i>	<i>15/05/24</i>	<i>N/A</i>

APPENDICES:

Appendix 1 – Provisional Year End Position

Appendix 2a and 2b – Savings Programme

Appendix 3 – Reserves

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