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Agenda Item: 11

## **Integration Joint Board**

**Date of Meeting: 30 August 2023.**

**Subject: Financial Assurance Review of Actual Expenditure and Budget Allocations.**

### **1. Purpose**

1.1. The purpose of this report is to inform the Board of the Chief Finance Officer's review of the Integration Joint Board's (IJB) current rate of expenditure compared to its budget allocations and the extent to which assurance can be provided as to whether the IJB will achieve a break-even position at the 2023/24 financial year end.

### **2. Recommendations**

The Integration Joint Board is invited to note:

2.1. That the IJB is projected to be in an overspend position for non-Set Aside services by £3,493K as at 31 March 2024.

2.2. That the IJB is projected to be in an overspend position for Set Aside services by £2,605K as at 31 March 2024.

2.3. That the projected overspend positions are based on current levels of activity, expenditure and commitments. There is a risk that, should demands on service and commitments increase, the projected year end overspend positions will also increase.

2.4. That, in recent years, the IJB has received additional allocations at the year end from the partners and has utilised reserves to reach annual break-even positions. Reliance cannot be placed on additional year end funding or reserves being available in 2023/24 or future years to bring the IJB back to a balanced position.

2.5. That the Chief Finance Officer is unable to provide assurance that the IJB will achieve a break-even position for financial year 2023/24 and that it is almost certain that the IJB will not be in a balanced financial position as at 31 March 2024.

2.6. That, if additional funding cannot be committed to by the partners, the extent of the projected overspend year end position requires a recovery plan to be developed by the Chief Officer and the Chief Finance Officer, which shall be presented to a future meeting of the Board.

### 3. Background

3.1. In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014 (the “Act”, the Board has a legal personality distinct from the Parties and is responsible for allocating and managing the delegated budget in accordance with the Strategic Plan.

### 4. Orkney Health and Social Care Partnership Budget

4.1. The budget for the IJB is derived from funding allocated from NHS Orkney and Orkney Islands Council. The 2023/24 budget allocations have been compared to the IJB’s actual spend for 2022/23.

4.2. In total the IJB’s budget allocations for 2023/24 is £3,387K less than its annual expenditure for 2022/23.

	<b>2023/24 Budget Allocation.</b>	<b>2022/23 Actual Spend.</b>	<b>Difference.</b>
	<b>£000's.</b>	<b>£000's.</b>	<b>£000's.</b>
NHS Orkney (non set-aside)	26,860.	27,204.	-344.
NHS Orkney (set aside)	7,953.	10,370.	-2,417.
Orkney Islands Council	26,460.	27,086.	-626.
<b>Total</b>	<b>61,273.</b>	<b>64,660.</b>	<b>-3,387.</b>

4.3. In June 2023, consumer price inflation in the United Kingdom dropped to 7.9%. As an indicative figure, 7.9% of the 2022/23 annual net expenditure spend equates to £5,108K.

### 5. Quarter 1 Financial Review

5.1. The projected overspend for IJB commissioned services, excluding set aside for 2023/24 is £3,493K.

5.2. At the meeting of the IJB on 19 April 2023, it was reported to the Board that “NHSO prepared a five-year financial recovery plan which was approved by the NHSO Board in-committee meeting on 23 February 2023 and submitted to the Scottish Government in March 2023. Although the IJB did not deliver any of the £2.4 million savings target set in the previous three years against the delegated budgets, no additional recurring savings target have been set. It is anticipated the IJB will deliver as a minimum £2.4 million of recurring savings for NHSO commissioned services over the next 5 years commencing in 2023/24 on its delegated budgets. In addition, there will be a separate recurring savings target set against the set aside budget for 2023/24” (section 5.6 of Item 10 - Annual Budget 2023/24).

5.3. Recurring savings of £800K were applied to the IJB budget in financial year 2020/21, £1,000K in 2021/22 and £600K in 2022/21, totalling £2.4M of annual recurring savings being applied to the annual IJB budget for NHS Orkney commissioned savings which are to be delivered over the next five years.

5.4. Should all the projected savings of £510K, detailed below, not be achieved, the overspend on commissioned services, excluding set-aside will rise to £4,003K. See table below:

	<b>Year End Projection.</b>	<b>Annual Budget.</b>	<b>Over/(Under) Spend.</b>	
<b>IJB Commissioned Services.</b>	<b>£000.</b>	<b>£000.</b>	<b>£000.</b>	<b>%.</b>
Support Services and Overheads.	4,461.	4,639.	(178).	96.2.
Alcohol and Drugs Partnership.	47.0	497.	(27).	94.6.
Children and Families.	6,527.	6,306.	221.	103.5.
Prescribing.	5,479.	5,439.	40.	100.7.
Elderly.	9,997.	9,041.	956.	110.6.
Disability.	5,622.	5,252.	371.	107.1.
Mental Health.	1,621.	1,398.	223.	115.9.
Other Community Care.	1,444.	1,444.	0.	100.0.
Occupational Therapy.	1,236.	1,240.	(4).	99.7.
Care At Home.	5,291.	5,143.	149.	102.9.
Criminal Justice.	180.	180.	0.	100.0.
Community Nursing.	1,792.	1,928.	(136).	92.9.
Primary Care.	12,002.	12,204.	(202).	98.3.
Allied Health Professionals.	1,103.	1,115.	(12).	98.9.
Rehabilitation.	260.	294.	(34).	88.4.
COVID-19.	670.	433.	237.	154.7.
Reserves.	736.	736.	0.	100.0.
Savings.	(510).	(2,400).	1,890.	
<b>Service Totals.</b>	<b>58,381.</b>	<b>54,889.</b>	<b>3,493.</b>	<b>106.4.</b>

5.5. The projected overspend for set aside for 2023/24 is £2,605K. See table below:

	<b>Year End Projection.</b>	<b>Annual Budget.</b>	<b>Over/(Under) Spend.</b>	
Set Aside Budgets.	£000.	£000.	£000.	%.
Acute Services.	2,235.	1,629.	606.	137.2.
Medical Team - Junior Doctors.	1,437.	1,053.	384.	136.5.
Medical Team – Consultants.	1,169.	785.	384.	148.9.
Assessment and Rehabilitation.	2,056.	1,910.	146.	107.6.
Hospital Drugs.	1,330.	773.	557.	172.1.
Emergency Department.	1,297.	831.	466.	156.1.
Acute Mental Health Placements (Ayr Clinic).	205.	345.	(140).	59.4.
<b>Sub Total.</b>	<b>9,729.</b>	<b>7,326.</b>	<b>2,403.</b>	
Memorandum Budget – Outwith Orkney Acute Services.				
Unplanned Activity (UNPACS) other Scottish Boards.	582.	553.	29.	105.2.
SLA Healthcare Purchasing - Grampian Mental Health.	798.	715.	83.	111.6.
SLA Healthcare Purchasing - Grampian Block Contract.	169.	169.	0.	100.0.
SLA Healthcare Purchasing – Lothian.	174.	84.	90.	207.1.
<b>Sub Total.</b>	<b>1,723.</b>	<b>1,521.</b>	<b>202.</b>	
<b>Total Set Aside.</b>	<b>11,452.</b>	<b>8,847.</b>	<b>2,605.</b>	

5.6. Explanations to major variances have been provided in the Revenue Expenditure Monitoring Report, for quarter one, which is also presented to the Board at this meeting.

## 6. Themes

6.1. The following table details key cost pressure themes to the IJB:

<b>Themes.</b>	
<b>Area.</b>	<b>Narrative.</b>
Orkney Islands Council - Agency Staff.	Expenditure on Agency Staff on Orkney Islands Council commissioned services was £487K for the three months of the financial year to 30 June 2023.
NHS Orkney - Agency and Bank Staff.	Expenditure on agency staff for NHS Orkney commissioned services (non-set aside) for the three months to 30 June 2023 was £277K and a further £47K for bank nursing services.  For the financial year as a whole, for set aside services, agency staff expenditure is projected to be £1,250K.
Residential Care Accommodation - Board and Lodgings income.	Income from board and lodgings at residential care homes was £108K under budget and £154K less than the same quarter in the previous year, despite an 11% increase in the rate of charges.
Residential Care Homes and Day Care Centre - Provisions and Supplies.	The cost of provisions and supplies at residential care homes and day care centres was £60K over budget in the first quarter and £37K more than the previous year, a year-on-year increase of 43%.
Disability Service Provider Costs.	Expenditure with external service providers was £86K over budget in the first quarter. Based on current placements expenditure with service providers is projected to be £148K over budget for the financial year as a whole.
Disability Direct Payments.	Disability Direct Payments were £34K over budget in the first quarter and are projected to be £122K over budget for the year.
Childcare Outwith Orkney.	Childcare out of Orkney placements were overspent against budget by £87K in the first quarter and are predicted to be £295K overspent at year end, based on current placements. In previous years additional funding towards out of Orkney childcare expenditure has been met by the Council at financial year end as a service pressure.
Social Care.	Insurance costs for Council delegated services have increased by £16K or 58.1% year on year.
Savings Target.	The £2,400K savings target to be achieved over the next five years is included as a deduction to the budget in full for the 2023/24 financial year.

## 7. Contribution to quality

Please indicate which of the Orkney Community Plan 2023 to 2030 values are supported in this report adding Yes or No to the relevant area(s):

<b>Resilience:</b> To support and promote our strong communities.	Yes.
<b>Enterprise:</b> To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
<b>Equality:</b> To encourage services to provide equal opportunities for everyone.	Yes.
<b>Fairness:</b> To make sure socio-economic and social factors are balanced.	Yes.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	No.

## 8. Resource and financial implications

8.1. The projected outturn position is showing an anticipated overspend in non-set aside commissioned services of £3,493K and an anticipated overspend of £2,605K for the set aside based on current commitments.

8.2. There is a risk that should service commitments increase the anticipated overspends for the 2023/24 financial year would increase.

8.3. The Orkney Integration Scheme requires that where it is forecast that an overspend shall arise then the Chief Officer and the Chief Finance Officer of the Board, in consultation with NHS Orkney and Orkney Islands Council, shall identify the cause of the forecast overspend and prepare a recovery plan setting out how they propose to address the forecast overspend and return to a breakeven position.

8.4. A recovery plan shall aim to bring the forecast expenditure of the Board back in line with the budget within the current financial year. The recovery plan shall then be approved by the Board. Where an in-year recovery cannot be achieved then any recovery plan that extends into later years should ensure that over the period of the Strategic Plan forecast expenditure does not exceed the resources made available. Any recovery plan extending beyond in year shall also require approval of NHS Orkney and Orkney Islands Council in addition to the Board.

8.5. Where a recovery plan extends beyond the current year any shortfall (the amount recovered in later years) will be charged to reserves held by the Board.

8.6. Where such recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the partners will be required to make additional payments to the Board. Such arrangements should describe additional recovery plans and a clear formal agreement by the Board and the Parties to break even within a defined timescale.

8.7. In consideration of the level of the projected year end overspend position it is almost certain that it will not be possible for forecasted expenditure to be brought back in line with budget during the 2023/24 financial year.

8.8. The Board may also consider issuing further Directions to NHS Orkney or Orkney Islands Council.

## 9. Risk and equality implications

9.1. The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded; properly accounted for; and used economically, efficiently and effectively.

9.2. The IJB projected overspend against budget at the year end, including set aside totals £6,098K. It is therefore almost certain that the IJB will be in an overspend position at the year end date of 31 March 2024. This poses a significant risk to the IJB in being able to continue current levels of service delivery.

9.3. There are no equality implications directly arising from this report. Any future reductions in service delivery will need to be risk assessed and equality implications considered.

## 10. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 11. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	Yes.
Orkney Islands Council.	Yes.

## 12. Author and contact information

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