

HEALTH AND SOCIAL CARE PARTNERSHIP OVERSPEND 2019/20

1. EXECUTIVE SUMMARY

- 1.1 At the Council's budget meeting on 27 February 2020 the Council approved a base allocation to the Health and Social Care Partnership (HSCP) of £60.577m for 2020/21, with net payment of £60.077m once the debt repayment schedule requested by the HSCP was taken into account. The schedule, including future years indicative payments, was also approved with an agreement that the profile for repayment would be reconsidered by the Policy and Resources Committee at its May 2020 meeting, when the HSCP's 2019/20 overspend was confirmed. The May 2020 Policy and Resources Committee meeting has been replaced by the 14 May Business Continuity Committee due to the Council's response to the COVID-19 outbreak.
- 1.2 It has been clear throughout 2019/20 that the HSCP has financial challenges and regular financial updates to the Policy and Resources Committee throughout 2019/20 have reported a projected overspend.
- 1.3 A financial recovery plan was approved by the Integrated Joint Board (IJB) on 7 August 2019 with a further recovery plan including further savings options approved by the IJB in September 2019. A report to the IJB at the end of January 2020 noted that £6.962m of the target £10.877m savings had been delivered, 64% of the total and it was clear at this point that HSCP would not be able to deliver financial balance within 2019/20.
- 1.4 On 19 December 2019, the Chief Officer of the HSCP wrote to the Council Chief Executive to provide written assurance to the Council that the HSCP has implemented emergency financial controls and that they continue to put in place appropriate measures to restrict spending and assist in the delivery of savings.
- 1.5 The final outturn for the HSCP overall is a £2.445m overspend and the breakdown of this overspend is £1.165m for Social Work related services and £1.280m for Health related services. The health relates services figure includes a £1.324m accrual for disputed charges from Greater Glasgow and Clyde Health Board which has been added in accordance with NHS accounting rules. The IJB expect this to be covered by brokerage from the Scottish Government with that brokerage repaid at a future date after 2022/23. NHS Highland expect to agree a repayment schedule next year.
- 1.6 My recommendation is that the repayment of the 2017/18, 2018/19 and 2019/20 Social Work overspends are deducted from the Council's payment

to the HSCP over a five year phased basis.

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2. INTRODUCTION

- 2.1 A formal request has been received from the Chief Financial Officer of the IJB to request that consideration is given to payback arrangements relating to the overspend on Social Work services within the HSCP for 2019/20. The final year end outturn for Social Work is an overspend of £1.165m.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Business Continuity Committee approve that the repayment of the 2017/18, 2018/19 and 2019/20 Social Work overspends are deducted from the Council's payment to the HSCP on a five year phased basis.

4. DETAIL**Health and Social Care Partnership Financial Position**

- 4.1 The IJB approved a balanced budget for 2019/20 at its 27 March 2019 meeting. Savings proposals of £6.794m were approved, £5.058m of management/operational savings and £1.736m of policy savings. This was a positive step forward for the HSCP and the Senior Leadership Team were confident that all the proposals agreed were deliverable.
- 4.2 However by the end of the first quarter of 2019/20 the IJB were forecasting an estimated overspend of £2.806m for 2019/20 (£2.307m Social Work and £0.500m Health). In terms of the Social Work element of the overspend, the forecast was based on the current commitments and spending patterns at that date in addition to an adjustment to the estimated delivery of the savings targets. The shortfall in savings for Social Work at that point was estimated to be £1.1m as very little of the remaining planned savings from 2018/19 had been delivered, nor were there detailed plans in progress to deliver them.
- 4.3 A financial recovery plan was approved by the IJB on 7 August 2019 with a further recovery plan including further savings options approved by the IJB in September 2019.
- 4.4 On 19 December 2019, the Chief Officer of the HSCP wrote to the Council Chief Executive to provide written assurance that the HSCP has implemented emergency financial controls and that they continue to put in place appropriate measures to restrict spending and assist in the delivery of savings.
- 4.5 A report to the IJB at the end of January 2020 noted that £6.962m of the target

£10.877m savings had been delivered, 64% of the total.

- 4.6 The forecast outturn for Social Work has improved on a month by month basis over 2019/20. The month end positions are noted in the table below:

Month End	Social Work Forecast Overspend
June	£2.307m
July	£1.931m
August	£1.712m
September	£1.669m
October	£1.480m
November	£1.376m
December	£1.310m
January	£1.186m
February	£1.334m
March (Actual Outturn)	£1.165m

- 4.7 This improvement month on month gives some assurance that actions by management and those agreed within the recovery plan have had a positive effect on the HSCP's financial position however the final outturn for the HSCP overall is a £2.445m overspend. The breakdown of this overspend is £1.165m for Social Work related services and £1.280m for Health related services.

The health related services figure includes a £1.324m accrual for disputed charges from Greater Glasgow and Clyde Health Board which has been added in accordance with NHS accounting rules. The IJB expect this to be covered by brokerage from the Scottish Government with that brokerage repaid at a future date after 2022/23. NHS Highland expect to agree a repayment schedule next year.

- 4.8 The IJB agreed a balanced budget for 2020/21 at their meeting on 25 March 2020. Any savings options previously agreed that were considered to be undeliverable were removed from the savings plan. Management / operational savings of £4.242m and policy savings of £1.463m were agreed to help deliver the balanced budget. The budget paper also highlighted in year budget gaps of £5.086m in 2021/22 and £4.963m in 2022/23.
- 4.9 Whilst the HSCP's financial position is steadily improving with robust monitoring and reporting processes in place they, like most public sector bodies, are now dealing with the impact of COVID-19 which will create further challenges to the delivery of financial balance.

Scheme of Integration

- 4.10 The approved Scheme of Integration outlines what should happen in the event of an overspend at the year end:

8.2.20 Where recovery plans are unsuccessful and an overspend occurs at

the financial year end, and there are insufficient reserves to meet the overspend, the Parties will consider making interim funds available. An analysis will be undertaken to determine the extent to which the overspends relate to either budgets delegated back to or activities managed by the Council or NHS Highland with the allocation of the interim funds being based on the outcome of this analysis. Any interim funds provided by the Council or NHS Highland will be repaid in future years based on a revised recovery plan agreed by both parent bodies, as required by either of the Parties. The NHS and Council will require to be satisfied that the recovery plan provides reasonable assurance that financial balance will be achieved. If the revised recovery plan cannot be agreed by the Parties or is not approved by the Integration Joint Board, the dispute resolution mechanism in clause 14 hereof, will be followed.

Options for Members to Consider

- 4.11 Members can consider a range of options in relation to the repayment schedule including writing off the overspend with no repayment required, deferring the repayment for a determinable period, phasing of repayments, or the full repayment from the next year's funding.

When considering options members should be mindful that the social work element of the HSCP has experienced overspends in each year of its existence to date and, therefore it is not considered likely it would be in a position to absorb a repayment schedule that was heavily weighted toward the front end of a repayment period.

- 4.12 My recommendation is that the repayment of the 2017/18, 2018/19 and 2019/20 Social Work overspends are deducted from the Council's payment to the HSCP on a phased basis as set out in the table below.

	Repayment 2017/18 Overspend £000	Repayment 2018/19 Overspend £000	Repayment 2019/20 Overspend £000	Total Repayment £000
2020/21	500			500
2021/22	655	545		1,200
2022/23		1,255		1,255
2023/24		1,327		1,327
2024/25			1,165	1,165
Total	1,155	3,127	1,165	5,447

Impact on HSCP Budget Outlook

- 4.13 Following acceptance of the balanced budget for 2020/21 the budget outlook for the IJB over the next two years (mid-range scenario) is a budget gap of £5.136m in 2021/22 and a further gap of £5.282m in 2022/23. Those budget gaps already include the appropriate elements of the repayment of the 2017/18 and 2018/19 overspends which are noted in the table above.

Impact on the Council Unallocated General Fund Balance

- 4.14 The estimated unallocated General Fund Balance as at the end of 2019/20 when the Council's 2020/21 budget was agreed in February was £0.388m. At this time the Social Work overspend was estimated to be £1.310m overspend with the year end position now being a £0.145m improvement. This will increase the unallocated General Fund Balance to £0.533m (this figure will change again once the Council outturn for 2019/20 is finalised). If the repayment arrangements set out at paragraph 4.12 are approved, the estimated unallocated General Fund balance, not accounting for any other movements, would be as follows:

Financial Year	Opening Balance (£,000)	Repayment 2017/18 Overspend (£,000)	Repayment 2018/19 Overspend (£,000)	Repayment 2019/20 Overspend (£,000)	Closing Balance (£,000)
2020/21	533	500			1,033
2021/22	1,033	655	545		2,233
2022/23	2,233		1,255		3,488
2023/24	3,488		1,327		4,815
2024/25	4,815	0	0	1,165	5,980

5. CONCLUSION

- 5.1 The HSCP is £2.445m overspent in 2019/20 (£1.165m Council and £1.280m Health). The health related services figure includes a £1.324m accrual for disputed charges from Greater Glasgow and Clyde Health Board which the IJB expect to be covered by brokerage from the Scottish Government with that brokerage repaid at a future date after 2022/23. The HSCP are seeking a payback arrangement from the Council in relation to the 2019/20 overspend in line with the approved Scheme of Integration.
- 5.2 It is recommended that the repayment of the 2019/20 Social Work overspend is deducted from the Council's payment to the HSCP in year five of a five year phased repayment period. The repayments for 2017/18 and 2018/19 being paid off in years 1-4 of the period.
- 5.3 There remains a risk to the Council that the HSCP are not in position to repay their 2017/18, 2018/19 and 2019/20 overspends however the HSCP's financial position is steadily improving with robust monitoring and reporting processes in place. Like most public sector bodies the HSCP are now dealing with the impact of COVID-19 which will create further challenges to the delivery of financial balance.

6. IMPLICATIONS

- 6.1 Policy – In line with the Scheme of Integration

- 6.2 Financial – The overspend on Social Work will directly impact on the General Fund balance until it has been repaid.
- 6.3 Legal - None from this report but savings options considered by the IJB could have legal implications.
- 6.4 HR - None from this report but savings options considered by the IJB will likely have HR implications.
- 6.5 Fairer Scotland Duty - None from this report but savings options considered by the IJB will likely have equalities and socio-economic implications that will be assessed.
 - 6.5.1 Equalities – None
 - 6.5.2 Socio-Economic Duty – None
 - 6.5.3 Islands Duty - None
- 6.6 Risk – There is a risk that any additional payment to the Health and Social Care Partnership will not be recoverable.
- 6.7 Customer Service - None from this report but savings options considered by the IJB will likely have customer service implications.

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