

Integration Joint Board Agenda item:

Date of Meeting: 16 September 2020

Title of Report: Budget Monitoring as at 31 July 2020

Presented by: Judy Orr, Head of Finance and Transformation

The Integration Joint Board is asked to:

- **Note** the forecast outturn position for 2020-21 is a forecast overspend of £2.964m as at 31 July 2020 and that there is a year to date overspend of £2.117m as at the same date.
- **Note** the above position excludes any provision for Scottish Government assistance with non-delivery of savings due to Covid-19, or for the on-going dispute with NHS Greater Glasgow & Clyde.
- **Approve** the proposed settlement of the dispute with NHS Greater Glasgow & Clyde on the basis set out at 3.4.2

1. EXECUTIVE SUMMARY

- 1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 July 2020. It should be noted that there is still considerable uncertainty around the financial impact of the Covid-19 pandemic at this point.
- 1.2 There is a year to date overspend of £2.117m as at 31 July 2020 which is 2.3% of the year to date budget. This consists of an overspend of £555k within Social Work delivered services and a year to date overspend of £1.562m within Health. The overspends are on Covid-19 related expenditure where funding from Scottish Government has not yet been received nor accrued, and savings targets not yet being delivered – again progress has been impacted by Covid-19 pandemic. The Social Work figures are presented on a cash basis, showing the value of actual transactions processed to date, rather than on an accruals basis, which include adjustments for costs incurred but not yet paid for, and therefore do not reflect the full cost of activity to the end of July. There has been reductions in care home placements and care at home packages due to Covid-19, and whilst providers are encouraged to invoice for additional costs and loss of income through under occupancy, these were still in progress at end of July. Overall the year to date position is still fluid.

- 1.3 The forecast outturn position for 2020-21 is a forecast overspend of £2.964m. This consists of an overspend of £2.064m within Social Work delivered services (relatively unchanged since last month) and an overspend of £900k within Health (improved by £900k since last month due to some increasing areas of underspend).
- 1.4 The forecast outturn is significantly impact by the Covid-19 pandemic. All work on delivery of savings was halted for 2 months at end of March as resource was put onto mobilising for the pandemic. Covid-19 cases have now fallen in number, and we are re-starting services that were stopped in the context of continuing to need to comply with social distancing. Additional costs are being incurred for staffing (to cover for people off with symptoms or in households with symptoms, or shielding or with child care issues), and for PPE, additional cleaning, additional provider costs, and running Covid Assessment Centres (CACs) across our area. (More details are given in a separate report on the agenda.)
- 1.5 We have received approval in principle for these additional costs and four tranches of funding have been announced – all for social work costs – totalling £1.569m. £1.092m is reflected in the year to date position and forecast outturn where we have assumed that all funding is matched by expenditure in full. We have also assumed that Health Covid costs are covered in full, however we have not assumed that funding will cover undelivered savings or shortages in income although these are being claimed on our Covid mobilisation cost tracker returns. We are aware that there is inadequate funding nationally to cover all claims.
- 1.6 It should be noted that the dispute with NHS Greater Glasgow & Clyde continues. The proposal is to charge for 2020/21 based on a straight uplift pending a fuller review of the methodology for future years. In order to settle the dispute and avoid the need to go to mediation with Scottish Government, they are prepared to agree a recurring reduction of £650,000 in the base SLA value. The IJB is asked to approve settlement on this basis.

2. INTRODUCTION

- 2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 31 July 2020. Information is provided on both the year to date position and the forecast outturn position and is summarised at a service/activity level.

3. DETAIL OF REPORT

3.1 Year to Date Position as at 31 July 2020 – Social Work

- 3.1.1 As previously advised, accrual accounting is not in place for Social Work and self-billing, although planned, is not in place yet. We have however implemented a new interface between CareFirst and payables for non-residential care payments to speed up the processing of these which supplements the previous interface for residential care invoices.
- 3.1.2 There is a year to date overspend of £555k (2.8%) as at 31 July 2020 which is reduced by £50k in the month. Further information is provided within Appendix 1.

- 3.1.3 The largest overspend is on Learning Disability - £515k. The bulk of this relates to Supported Living placements. This is due to both additional demand above budgeted levels and undelivered savings. The next biggest overspend is £344k on Older People mostly due to non-delivery of savings where work paused due to Covid. Physical Disability is the third area of overspend at £262k mainly driven by demand driven overspends.
- 3.1.4 The main area of underspend is under Chief Officer (£357k) where we are capturing vacancy savings which are well above budget. This cost centre is also used for Covid costs and related income. To the end of July the bulk of these costs were for Personal Protective Equipment (PPE) £157k, additional responder services £61k, and for supplier relief £127k where we made payments to care homes for under occupancy under the national scheme. Costs for PPE have now reduced as we have established 7 community PPE hubs across our area and have been receiving free of charge supplies for social care providers from NSS national procurement. We have issued 2.3m items of PPE free of charge to providers over the 15 weeks to 16 August.
- 3.1.5 We originally intended to implement the Scottish Living Wage increase to £9.30 per hour from Monday 26 April. We had budgeted a 3% increase for that. Nationally an agreement was made to bring this forward to 6 April and to award a 3.3% increase in order to support social care providers. The extra costs for us have been calculated at £114k. Scottish Government confirmed our share of funding for this on 8 June at £189k. This funding is being routed via NHS Highland.
- 3.1.6 We are a little behind in processing supplier relief claims. We have recruited a temporary staff member to concentrate on these claims. We have received 38 to date, 19 have had contract variations issued, and all processing of all of the remaining claims is under way.
- 3.1.7 Unlike last year, we are now showing gross Social Work expenditure before the funds flow of £12m from NHS Highland, which is in line with annual accounts presentation. This explains why the social work year to date and full year budget appears to have jumped significantly from the comparable period last year.

3.2 Year to Date Position as at 31 July 2020 – Health

- 3.2.1 Within Health, there is a year to date overspend reported of £1.562m which is an increase of £185k in the month. This is primarily caused by Covid-19 related expenditure of c £3.051m (for Covid-19 Assessment Centres, additional staffing, equipment and PPE purchases, estates and IT costs and financial sustainability payments to GP practices, chemists, dentists and opticians) which should be matched by Scottish Government funding (as we have received approval in principle), along with shortfalls against savings targets of c £600k. There is also a shortfall in income from charges to other health boards, again largely due to the Covid-19 pandemic.
- 3.2.2 Due to suspension of many services, very few budget overspends have emerged. The most prominent ones are GP locum cover on Mull, sickness absence medical locum cover at Lorn & Islands Hospital and agency staffing in Lorn & Islands Hospital laboratory, locum costs for medical staffing in Dunoon,

and unfunded pay costs for 3 displaced staff. There are also unfunded costs for two long stay in-patients in New Craigs and one in Fife. The long standing cost pressure of GP locum costs on Mull has now been resolved with the establishment of an independent GP practice on the island on 1st June 2020.

3.2.3 With Covid-19 causing interruption to delivery of a range of services, unsurprisingly a number of short-term underspends have emerged in budgets for services which have been affected. These include:

- salaried dental services
- chargeable cost per case services provided by NHS Greater Glasgow & Clyde
- patients travel costs
- staff travel costs
- Lorn & Islands Hospital theatre supplies
- delay in the opening of Bute dialysis service

3.2.4 A number of changes have been made to groupings of expenditure. Depreciation is now included along with Estates. People & Change is included within Management Services. NHS GG&C for Mental Health and Children & Families have been moved from the GG&C line into Mental Health and Children & Families respectively. Prescribing has been removed from the old Adults Services East & West and is shown separately. Adult Services East and West have been realigned to the portfolios of our two Heads of Adult Services and are now known as Community & Hospital Services; and Mental Health & Learning Disability.

3.2.5 The main areas of overspend are in Community & Hospital Services, and General Medical Services, Budget Reserves (due to savings not being achieved) and Income in the areas described above. More detail is given at Appendix 1.

3.3 Forecast Outturn Position as at 31 July 2020 – Social Work

3.3.1 The forecast outturn position for Social Work for 2020-21 is a forecast overspend of £2.064m (2.8%) very similar to last month's forecast. The main driver is a shortfall on savings delivery of £2.792m (see section 3.5 below), and overspends in the following areas due to demand pressures:

- Homecare £455k
- Physical Disability supported living £631k
- Learning Disability supported living £349k
- Learning Disability Joint Residential £376k
- External residential placements for children £341k

3.3.2 The above figures show the impact of higher demand and do not include the impact of non-delivery of savings. The main changes since last month are in Homecare due to reflected updated internal homecare unit costs, and in learning disability due to some new or increased care packages. It should be noted that homecare demand is expected to increase due to Covid as people may be reluctant to take up care home placements, and this has been factored into the forecast with the increase partially compensated for by lower spending against the care home placement budget at the moment.

- 3.3.3 Further information is provided within Appendix 2.
- 3.3.4 Children and Families overall has a forecast outturn overspend of £133k, driven mainly by an overspend on Looked After Children in residential placements of £541k in line with last year's outturn. It is particularly difficult to move children from external placements due to Covid-19. In addition the management restructure saving of £150,000 has not yet been delivered as the new structure will only now be implemented from end of August.
- 3.3.5 Chief Officer forecast positive variance is £1,506k reflecting some central provisions and unallocated sums held centrally, as well as forecast over-recovery of vacancy savings of £753k based on the first 4 months. The budget for this cost centre has been increased by £978k being the funding from Scottish Government (including an element of the Scottish Living Wage funding). This is shown as fully matched by expected expenditure with a zero variance.
- 3.3.6 Adult Services overall is forecast to be overspent by £3.441m. The biggest single area of Social Work overspend continues to be on Learning Disability (£1.627m) where there has been a failure to deliver anticipated savings so far, along with higher than budgeted demand.
- 3.3.7 The next largest area of forecast overspend is Older people at £1.082m, mostly on home care £854k (savings and additional demand) and Older People Other £804k (undelivered savings). The next area of concern continues to be Physical Disability supported living £655k (mainly additional demand) due to expensive care packages.

3.4 Forecast Outturn Position as at 31 July 2020 – Health

- 3.4.1 Within Health delivered services the forecast overspend is £900k overspend reduced from last month's forecast of £1.8m, due to increasing levels of underspends in some areas. The assumption is that Covid costs (but not undelivered savings) will be fully reimbursed by Scottish Government in line with the in principle approvals which we have received. This is largely driven by undelivered savings of £1.775m, some emerging cost pressures in Community & Hospital Services, loss of income of £477k due to reduced level of patients from other health board resulting from lockdown, offset by some underspends due to suspension of services. More detail is given at Appendix 2.
- 3.4.2 We continue to have an outstanding dispute with NHS Greater Glasgow & Clyde regarding the value of the SLA for hospital services provided by them. The proposal is to charge for 2020/21 based on a straight uplift pending a fuller review of the methodology for future years. This is because there is a difficulty in updating the complexity factors for this year. In order to settle the dispute and avoid the need to go to mediation with Scottish Government, they are prepared to agree a recurring reduction of £650,000 in the base SLA value which is half of the disputed amount. Officers are of the opinion that this is the best offer that can be obtained from NHS GG&C and as it is within the available budget, it should be accepted. The agreement is for a recurring adjustment going forward, but it is not retrospective. NHS GG&C is unwilling to consider any retrospective adjustment. The 2018/19 and 2019/20 disputed amounts were covered by Scottish Government brokerage to NHS Highland. The former is not

repayable, but the latter is (£1.280m) but no repayment plan has been agreed and is unlikely to be negotiated for another year. The IJB is asked to approve settlement on the basis outlined above.

3.5 Savings Delivery

- 3.5.1 As at end of July, £3.089m of the target £10.386m savings have been delivered, 30% of the total and this includes £247k delivered on a non-recurring basis. We are now forecasting to deliver £5.819m of the savings in total by the year end, 56% of the total. Further information is provided at Appendix 3a. The highlighted lines show where savings have been declared in the month and forecasts updated.
- 3.5.2 The forecast outturn shortfall for Social Work is £2.792m. We have recently recruited 3 Service Improvement Officers to work on these savings and they started in July. This has increased our capacity and focus on savings substantially. In the meantime this assessment is based purely on current position with little activity, and recognises the difficulties in delivering many of the agreed changes due to Covid-19. We are expecting to declare a further £227k of the savings as achieved shortly.
- 3.5.3 The forecast outturn shortfall for Health is £1.775m after non-recurring savings. The Health savings are being tracked through the Project Management Office approach co-ordinated by NHS Highland which includes greater visibility of progress against agreed milestones. Good progress is now being made on producing PIDs. Overall progress is monitored through weekly Financial Recovery Board meetings. This approach is now rolled out to Social Work savings through the Finance team. There is a 4 weekly cycle of regular meetings to review both Health & Social Work savings by Head of Service.
- 3.5.4 Current progress on the unachieved savings is set out in the action tracker included at Appendix 3c.
- 3.5.5 It is clear that the failure to deliver on all savings (overall shortfall of £4.567m predicted) is the key driver in the forecast outturn overspend of £2.964m. Efforts were hampered by the need to prioritise responses to Covid-19 pandemic in March through to June, and work now on re-mobilising services where these were suspended. Where we can, we will ensure that actions for Covid-19 are aligned and capitalised on, such as increasing use of Near Me. This position is in common with most other HSCPs and our Covid-19 cost tracker returns to Scottish Government include a line for undelivered savings due to Covid-19 of this amount. Whilst there is a clear recognition that this is a cost pressure, we do not yet have assurance that these costs will be met either in part or in full.

3.6 Reserves

- 3.6.1 There were new earmarked reserves of £555k created at the end of last year in addition to the earlier reserve of £50k for supporting the move from Analogue to Digital (A2D) for 200 telecare service users. No reserves have been drawn down so far this year. Total earmarked reserves are set out in the table overleaf:

Name	£	Comment
Primary Care Improvement Fund	102,616	Underspend on SG specific grant
Action 15 Mental Health Strategy	123,418	Underspend on SG specific grant
Alcohol & Drugs Partnership	59,517	Underspend on SG specific grant
GP Fellowship MH Funding	74,000	12 months fellowship
TEC funding	50,000 50,902 9,000	A2D 200 users Rec'd Sep 2019 Dunoon Broadband
Supporting improvements to GP premises	55,565	Rec'd Sep 2019
Best Start maternity services	60,000	New SGHD allocation
Scotgem Lochgilphead	10,000	NES funding for accommodation upgrade
ACT widen access 19-20	10,000	NES funding for Oban
TOTAL	£605,018	

4. RELEVANT DATA AND INDICATORS

- 4.1 Information is derived from the financial systems of Argyll and Bute Council and NHS Highland.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The Integration Joint Board has a responsibility to set a budget which is aligned to the delivery of the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery. This needs to be considered when options are developed to balance the budget.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – The forecast outturn position for 2020-21 is a forecast overspend of £2.964m as at 31 July 2020. This may be improved by Scottish Government funding towards undelivered savings but this is not yet certain (current value of claim is £4.593m). The continuing risk from the dispute with NHS GG&C sits outwith this forecast.
- 6.2 Staff Governance – None directly from this report but there is a strong link between HR and delivering financial balance.
- 6.3 Clinical Governance - None

7. PROFESSIONAL ADVISORY

- 7.1 Professional Leads have been consulted on implications of all savings.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None directly from this report but any proposals to address the estimated budget gap will need to consider equalities.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

9.1 No issues arising directly from this report.

10. RISK ASSESSMENT

10.1 There are a number of financial risks which may affect the outturn. These are reviewed at 2 monthly intervals by the IJB. The single biggest risk is the continuing dispute with NHS Greater Glasgow and Clyde but a settlement is proposed for approval to bring this risk to a conclusion.

10.2 The other significant risk is the effort now being prioritised on the Covid-19 response and re-mobilisation which has caused a pause on focus from delivery of savings of 2 months, and will continue to affect our ability to deliver some savings for the rest of the year. It is not yet known if there will be financial support from Scottish Government for undelivered savings. We are forecasting not to deliver £4.567m of our savings.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

11.1 None directly from this report but any proposals to address the estimated budget gap will need to take into consideration local stakeholder and community engagement.

12. CONCLUSIONS

12.1 This report provides a summary of the financial position as at 30 June 2020. The forecast outturn position for 2020-21 is a forecast overspend of £3.84m. £4.6m of this is due to undelivered savings which may be improved by financial support from Scottish Government, but this is not certain.

12.2 The Strategic Leadership Team continues to meet on a regular basis to gain grip and control of the financial position.

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	

REPORT AUTHOR AND CONTACT

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APPENDICES:

Appendix 1 – Year to Date Position as at 31 July 2020

Appendix 2 – Forecast Outturn for 2020-21 as at 31 July 2020

Appendix 3a – Savings achieved and forecast as at 31 July 2020

Appendix 3b – Unachieved savings only as at 31 July 2020

Appendix 3c – Savings action tracker as at 31 July 2020