

Integration Joint Board

Agenda item:

Date of Meeting: 25 November 2020

Title of Report: Budget Monitoring as at 30 September 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 £2.561m as at 30 September 2020 and that there is a year to date overspend of £2.883m 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 and the recently announced Covid funding via NHS Highland.
- Note the progress against the Financial Recovery Plan agreed by the IJB on 16 September 2020

1. EXECUTIVE SUMMARY

1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 30 September 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 £2.883m as at 30 September 2020 which is 2.1% of the year to date budget. This consists of an overspend of £931k within Social Work delivered services and a year to date overspend of £1.952m within Health. The overspends are mainly on Covid-19 related expenditure where funding from Scottish Government has not yet been received nor accrued, and on 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 September. 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 September. Overall the year to date position is still fluid.

- 1.3 The forecast outturn position for 2020-21 is a forecast overspend of £2.561m. This consists of an overspend of £2.060m within Social Work delivered services (changed by just £1k since last month) and an overspend of £501k within Health (improved by £184k since last month due to some increasing areas of underspend).
- 1.4 The forecast outturn is significantly impacted 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.
- 1.5 We have received approval in principle for these additional costs and five tranches of funding have been announced – all for social work costs – totalling £1.969m. £1.943m is reflected in the year to date position and forecast outturn where we have assumed that all funding is matched by expenditure in full. The additional CSWO funding of £25k is still to be invoiced to NHS Highland. Initial funding has been announced for NHS Highland but has not yet been split out to us – this will be done in month 7. We have continued to assume that all expenditure on 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 and the latest announcement on funding does include income losses. We are aware that there is inadequate funding nationally to cover all claims.

2. INTRODUCTION

- 2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 30 September 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 30 September 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 £931k (3.0%) as at 30 September 2020 which is increased by £112k in the month. Further information is provided within Appendix 1.
- 3.1.3 The largest overspend is £686k on Learning Disability mostly due to non-delivery of savings where work paused due to Covid (£522k). The next biggest overspend is on Older People - £582k mostly due to non-delivery of savings

where work paused due to Covid (£810k), but also due to increased demand for homecare which is offset to some extent by reduced spend on care home placements and over recovery of income. This has improved by £265k since last month offsetting some of the previous month's adverse movement. Physical Disability is the third area of overspend at £425k mainly driven by demand driven overspends. This has worsened in the month by £93k due to increased spending on the Integrated Equipment Store.

- 3.1.4 The main area of underspend is under Chief Officer (£525k) where we are capturing vacancy savings which are well above budget. Vacancy savings increased by £112k in the month to £683k. This cost centre is also used for Covid costs and related income. To the end of September the bulk of these costs (totalling £883k and all matched by income) were for Personal Protective Equipment (PPE) £174k, additional responder services £61k, and for supplier relief £534k where we made payments to care homes for under occupancy and additional costs under the national scheme. Costs for PPE have now reduced as we established 7 community PPE hubs across our area in May and have been receiving free of charge supplies for social care providers from NSS national procurement. We have issued just under 3.8m items of PPE free of charge to providers over the 23 weeks to 11 October. The hubs will now continue to end of March 2021.
- 3.1.5 We are catching up in processing supplier relief claims. We have recruited a temporary staff member to concentrate on these claims. We have received 72 up to 14 October, 50 have had contract variations issued, and processing of all of the remaining claims has been started.
- 3.1.6 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 30 September 2020 – Health

- 3.2.1 Within Health, there is a year to date overspend reported of £1.952m which is an increase of £434k in the month. The movement is caused by an increase in Covid expenditure and uplifts to General Medical Services contracts backdated in September to April (both of which should be covered by additional funding).
- 3.2.2 The overspend is primarily caused by Covid-19 related expenditure of c £3.370m which significantly exceeds the year to date overspend. This is 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 £750k. There is also a shortfall in income from charges to other health boards, again largely due to the Covid-19 pandemic.
- 3.2.3 Due to suspension of many services, few budget overspends have emerged. The most prominent ones are GP locum cover on Mull (till end of June only), sickness absence medical locum and overnight A&E nurse staffing cover at Lorn & Islands Hospital and Mull PPC, 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.

3.2.4 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

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

3.3 Forecast Outturn Position as at 30 September 2020 – Social Work

3.3.1 The forecast outturn position for Social Work for 2020-21 is a forecast overspend of £2.060m (2.8%) very similar to last month's forecast. In the main forecasts have not been updated in the month as work has been concentrated on estimating salaries for next financial year, and there had been a thorough review of all forecasts last month. The main driver is a shortfall on savings delivery of £2.609m (see section 3.5 below), and overspends in the following areas due to demand pressures (unchanged from last month):

- Homecare £384k
- Physical Disability supported living £682k
- Learning Disability supported living £469k
- Learning Disability Joint Residential £490k
- External residential placements for children £785k

3.3.2 The above figures show the impact of higher demand and do not include the impact of non-delivery of savings. Further information is provided within Appendix 2.

3.3.3 Children and Families overall has a forecast outturn overspend of £297k, driven mainly by an overspend on Looked After Children in residential placements of £807k, unchanged from last month. The management restructure saving of £150,000 has not been delivered in full this year as the new structure was implemented from end of August.

3.3.4 Chief Officer forecast positive variance is £1,745k reflecting some central provisions and unallocated sums held centrally, as well as forecast over-recovery of vacancy savings of £795k based on the first 6 months. This is a conservative forecast as we have a year to date variance of £683k. This cost centre budget includes £1,830k Covid funding received to date from Scottish Government. This is shown as fully matched by expected expenditure with a

zero variance. The £25k CSWO funding announced for us has not yet been invoiced to NHS Highland and is therefore not yet included here. Total Covid funding for social work of £1,969k has been allocated to us to date.

- 3.3.5 Adult Services overall is forecast to be overspent by £3.497m. The biggest single area of Social Work overspend continues to be on Learning Disability (£1.787m – increased by £150k in month) where there has been a failure to deliver anticipated savings so far, along with higher than budgeted demand.
- 3.3.6 The next largest area of forecast overspend is Older People at £880k, mostly on home care £784k (savings and additional demand) and Older People Other £793k (undelivered savings). The next area of concern continues to be Physical Disability £737k (nearly all on supported living - mainly additional demand) due to expensive care packages.
- 3.3.7 In terms of the forecast outturn, this is being driven by the as yet undelivered savings which are being claimed from Scottish Government but as excluded from the recent funding announcement despite having been included in the earlier funding for social work. Nearly all social work Covid costs are being funded on an actuals cost basis in this allocation so the risk is restricted to the undelivered savings.

3.4 Forecast Outturn Position as at 30 September 2020 – Health

- 3.4.1 Within Health delivered services the forecast overspend is £501k overspend reduced by £184k from last month's forecast of £685k, 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. The outturn forecast is therefore largely driven by undelivered savings of £1.541m, some emerging cost pressures in Community & Hospital Services, loss of income of £420k 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 Covid costs for the rest of the year have been separated out in the forecast to provide greater consistency with NHS Highland accounting. However costs to date are still spread across the various cost centres. It is still assumed that all actual expenditure will be covered by funding, but that undelivered savings and loss of income may not be covered. This is a prudent assumption in line with many other HSCPs. The first tranche of funding in respect of the first quarter has been announced for health Boards as at end of September. Some of this is based on actuals (social care, PPE, test & protect, hospital scale up, loss of income) and some on NRAC shares (primary care, additional staffing, equipment). There is no funding for undelivered savings or reductions for offsetting underspends. The allocation is still to be split between HSCPs and we are awaiting details of our allocation from NHS Highland.
- 3.4.3 We are advised that a further substantive funding allocation will be made in January and will include realignment of funding in line with actual spend incurred. Social care allocations will be reviewed in November. More details are in the Covid report. It is clear that decisions on Covid funding will be a major influence on the outturn, in conjunction with performance on savings delivery.

3.5 Savings Delivery

- 3.5.1 As at end of September, £4.094m of the target £10.386m savings have been delivered, 39% of the total and this includes £267k delivered on a non-recurring basis. This has increased by £351k in the month. We are now forecasting to deliver £6.236m of the savings in total by the year end, 60% of the total, an increase of £284k in the month. 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 £2.609m which is unchanged from last month. 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. There is a separate report on the agenda about their work to date. In the meantime this assessment is based purely on current position, and recognises the difficulties in delivering many of the agreed changes due to Covid-19.
- 3.5.3 The forecast outturn shortfall for Health is £1.541m after non-recurring savings and this has improved by £284k in the month, mainly due to the settlement of the dispute with NHS GG&C and the resultant ability to record that saving as delivered. 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 £4.151m predicted) is the key driver in the forecast outturn overspend of £2.561m. Efforts were hampered by the need to prioritise responses to Covid-19 pandemic in March through to June, and subsequent work on re-mobilising services where these were suspended. 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. The recent funding excluded anything for savings but also excluded offsetting underspends which is helpful for Health, but has no impact for Social Work due to sustainability payments being made to all providers.
- 3.5.6 Recognising the importance of delivering these savings, at its meeting of 30 October 2020, Finance and Policy Committee considered a report entitled "Progress update – Transformation Programme investment". This is attached at Appendix 4. This sets out the progress being made on the delivery of savings as a result of this PMO investment. It describes the detailed work being undertaken.

3.6 Progress against Financial Recovery Plan

3.6.1 On 16 September 2020 the IJB agreed a financial recovery plan as required by the integration scheme when an overspend is predicted. The plan totalling £2.988m is summarised below:

Increased confidence in delivering already agreed savings	£1.000m
Additional non-recurring savings	£0.650m
Covid loss of income and undelivered savings claim	£1.338m

Delivery of savings

3.6.2 Additional savings now forecast £351k – see details at 3.5 above.

Covid claim

3.6.3 The Loss of income claim of £601k now expected to be met in full. Any funding on undelivered savings is deferred till later in year – to be considered again by Scottish Government in January.

3.6.4 In summary, progress of £952k can be recognised against the financial recovery plan to date. There remains £2.0m to deliver by the end of the financial year.

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 £2.561m as at 30 September 2020. This may be improved by Scottish Government funding towards undelivered savings but this is not yet certain.

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 uncertainty around Covid-19 funding from the Scottish Government. It is not yet known if there will be financial support for undelivered savings. We are forecasting not to deliver £4.151m 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 September 2020. The forecast outturn position for 2020-21 is a forecast overspend of £2.561m. £4.151m 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	

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APPENDICES:

Appendix 1 – Year to Date Position as at 30 September 2020

Appendix 2 – Forecast Outturn for 2020-21 as at 30 September 2020

Appendix 3a – Savings achieved and forecast as at 30 September 2020

Appendix 3b – Unachieved savings only as at 30 September 2020

Appendix 3c – Savings action tracker as at 30 September 2020

Appendix 4 – Progress update – Transformation programme Investment – report to Finance & Policy Committee 30 October 2020