

**Integration Joint Board                      Agenda item:**

**Date of Meeting:    31 March 2021**

**Title of Report:        Budget Monitoring as at 28 February 2021**

**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 underspend of £2.016m as at 28 February 2021 and that there is a year to date underspend of £4.055m as at the same date.
- Note the above position includes provision for Scottish Government assistance with non-delivery of savings due to Covid-19.
- Note that £2.65m is included in Social Work annual budget and forecasted expenditure which relates to funding from Scottish Government and is intended to be carried forward into next year. Also there is £0.8m in Health reserves similarly expected to be carried forward in relation to Covid funding, as well as £1.6m new allocations received this month for Primary Care Improvement Fund (PCIF - £1.418m) and Action 15 of the Mental Health Strategy (£217k).

**1. EXECUTIVE SUMMARY**

- 1.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 28 February 2021. It should be noted that this now includes the Covid-19 funding announced on 5 February for both Health and Social Work.
- 1.2 There is a year to date underspend of £4.055m as at 28 February 2021 (an improvement of £2.539m in the month). This consists of an underspend of £1.592m within Social Work delivered services (mainly improved due additional Covid funding for undelivered savings) and a year to date underspend of £2.463m within Health. The underspends are mainly where there has been reduced activity and spend due to suspension of some services, along with vacancies in Community & Hospital Services, Mental Health & Learning Disability, and Dental. 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 February.

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 February as these schemes have been extended. Overall the year to date position is still fluid as Covid-19 funding allocations will continue to be revised later in the year. Any excess funding received has to be earmarked for use against Covid costs in next financial year.

- 1.3 The forecast outturn position for 2020-21 is a forecast underspend of £2.016m (an improvement of £1.560m in the month). This consists of an underspend of £295k within Social Work delivered services (improved by £1.329m since last month) and an underspend of £1.721m within Health (improved by £231k since last month). The forecast outturn for social work takes into account the planned early repayment of £1m to the Council which will reduce the amount due to be paid back next financial year.
- 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. 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) and vaccination clinics across our area.
- 1.5 We have received approval in principle for these additional costs and 12 tranches of funding have been announced for social work costs – totalling £7.656m. £7.635m is reflected in the year to date position and forecast outturn where we have assumed that all funding is matched by expenditure in full. Health has received funding of £7.377m (including a GP allocation of £409k, and for elective / planned care of £479k) all of which is reflected in the revised year to date and forecast positions – unchanged since last month. £2.65m of this funding for Social Care is intended for next year, but has not yet been created as an earmarked reserve. Currently the forecast outturn budget and expenditure are both “inflated” by this amount.
- 1.6 The changes in the forecast outturn and year to date positions are mainly due to Covid funding.

## **2. INTRODUCTION**

- 2.1 This report provides a summary of the financial position of the Health and Social Care Partnership as at 28 February 2021. 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 28 February 2021 – 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 underspend of £1.592m (2.5%) as at 28 February 2021 which is improved by £2.205m in the month – mainly by the Covid funding for undelivered savings. Further information is provided within Appendix 1.
- 3.1.3 The largest overspend is £1.141m on Learning Disability due to service demand in supported living and residential care and due to non-delivery of savings where work paused due to Covid (£682k) and reduced income from paused services. The next biggest overspend is Physical Disability £700k mainly due to supported living. The third biggest area of overspend is on Looked after children - £366k driven by an increased demand for residential placements. The overspend on Older People of £71k is due to non-delivery of savings where work paused due to Covid (£1m), which is offset by reduced spend on care home placements, care at Home packages and transport, and over recovery of income.
- 3.1.4 The main area of underspend is under Chief Officer (£3.232m) where we are capturing vacancy savings which are well above budget. Vacancy savings increased by £169k in the month to £1.129m. This cost centre is also used for Covid costs and related income, including for loss of income £160k and undelivered savings £2.228m.
- 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 now processed 96 contract variations to 11 March totalling £1.080m.
- 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 28 February 2021 – Health**

- 3.2.1 Within Health, there is a year to date underspend reported of £2.463m which is an increase of £334k in the month. The biggest change has been prescribing where the position has improved by £222k in the month as we are seeing lower volumes due to Covid offsetting non-delivery of savings.
- 3.2.2 The underspend is primarily caused by Covid-19 related funding exceeding Covid related expenditure along with underspends due to suspension of services which has caused a noticeable drop in routine service delivery costs, and the prior year rates rebate reported last month. This is offset in part by shortfalls against savings targets of £500k forecast (net of non-recurring underspends). There is also a shortfall in income from charges to other health boards, again largely due to the Covid-19 pandemic, and a small number of budget overspends arising from cost pressures.
- 3.2.3 The most prominent budget overspends are:
- unfunded costs for long stay in-patients in New Craigs and Fife
  - locum costs for medical staffing in Dunoon
  - sickness absence medical locum cover at Lorn & Islands Hospital
  - agency staffing in Lorn & Islands Hospital surgical services
  - unfunded pay costs for three displaced staff

- TAVI procedures at the Golden Jubilee (transcatheter aortic valve implantation)
- additional overnight nurse staffing in Mull PCC
- locum radiography costs at MACHICC
- a high cost admission to the Priory
- locum GP costs in Kintyre Medical Group
- out of hours costs on Jura
- growth in oncology drug use in Lorn & Islands Hospital Day Bed Unit
- increased charges from NHS GG&C for cystic fibrosis and oncology drugs
- loss of income arising from fewer out of area admissions to A&B hospitals

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 Income and Planning & Performance all caused by savings not achieved due to Covid, and in the areas described above. More detail is given at Appendix 1.

### **3.3 Forecast Outturn Position as at 28 February 2021 – Social Work**

3.3.1 The forecast outturn position for Social Work for 2020-21 is a forecast underspend of £295k (1.4%), improved by £1.329m from last month's forecast. This is after allowing for early repayment of £1m to the Council re previous years' overspends. The main change is from the funding from Scottish Government for undelivered savings of £2.228m. The main driver is overspends in the following areas due to demand pressures (totalling £2.649m):

- Homecare £442k (increased by £171k in month)
- Physical Disability supported living £702k (largely unchanged)
- Learning Disability supported living £270k (increased by £10k in month)
- Learning Disability Joint Residential £417k (reduced by £60k in month)
- External residential placements for children £818k (largely unchanged)

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

3.3.3 Children and Families overall has a forecast outturn underspend of £172k, reduced by £72k in the month, driven mainly by an overspend on Looked After Children in residential placements of £841k offset by underspends of fostering and adoption £357k, Child protection £201k (staffing and contact & welfare payments) and criminal justice £234k (staffing and travel).

- 3.3.4 Chief Officer forecast positive variance is £2.373m reflecting funding for undelivered savings £2.228m and income £380k along with forecast over-recovery of vacancy savings of £188k (net of early repayment of £1m to the Council). This cost centre budget includes £7.522m Covid funding received to date from Scottish Government. This is shown as fully matched by expected expenditure with a zero variance. At least £2.65m of this is to be carried forward to next year.
- 3.3.5 Adult Services overall is forecast to be overspent by £2.261m which is reduced in the month by £84k. The biggest single area of Social Work overspend continues to be on Learning Disability (£1.330m) where there has been a failure to deliver all anticipated savings so far (although this is now improving), along with higher than budgeted demand.
- 3.3.6 The next largest area of forecast overspend is Physical Disability £808kk - nearly all on supported living - mainly additional demand, but also some on the Integrated Equipment Store where planned savings have not been delivered. The overspend on Older People is now well reduced to £95k driven by Older People Other £910k (undelivered savings) offset by underspends on care home placements and on our own residential units and on homecare. Care home admissions have not yet returned to more normal pre-Covid levels and this may not now happen in the near future.
- 3.3.7 In terms of the forecast outturn, this is now improved due to the funding for undelivered savings which was announced on 5 February 2021, offset by early repayment of £1m to the Council.

#### **3.4 Forecast Outturn Position as at 28 February 2021 – Health**

- 3.4.1 Within Health delivered services the forecast underspend is £1.721m improved by £231k from last month. The assumption is now that Covid costs, loss of income and undelivered savings will be fully reimbursed by Scottish Government in line with the funding announced on 5 February and included in January allocations. The outturn forecast is therefore largely driven by undelivered savings (reduced now to £500k due to offsetting non-recurring underspends) and significant vacancies and reduced non-pay costs due to suspension of services. More detail is given at Appendix 2.
- 3.4.2 Health has received funding of £7.377m (including a GP allocation of £409k, and for elective / planned care of £479k) all of which is reflected in the revised year to date and forecast positions at the end of February.

#### **3.5 Savings Delivery**

- 3.5.1 As at end of February, £6.254m of the target £10.386m savings have been delivered, 60% of the total and this includes £615k delivered on a non-recurring basis. This has increased by £434k in the month. We are now forecasting to deliver £7.662m of the savings in total by the year end, 74% of the total, an increase of £69k 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 £2.224m which is improved by £27k in the month. This is after non-recurring savings of £115k.
- 3.5.3 The forecast outturn shortfall for Health is £500k after non-recurring savings and this is unchanged in the month. There is a 4 weekly cycle of regular meetings to review both Health & Social Work savings by Head of Service. Current progress on the unachieved savings is set out in the action tracker included at Appendix 3c.
- 3.5.4 The failure to deliver on all savings (overall shortfall of £2.724m predicted) is now offset by Scottish Government funding support of £2.728m included in January allocations. It has been recognised that 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.

### **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

- 3.6.2 The above position was based on the financial forecast as at end of July. The forecast as at end of February is now improved such that an underspend is predicted. The revised claim for undelivered savings of £2.728m delivers all the requirement, along with loss of income claim of £807k. Any excess funding provided is required to be set up as an earmarked fund at the year end and carried into the new year to offset Covid pressures next year.
- 3.6.3 In summary, the financial recovery plan has been achieved and will now be covered through the Covid claims for undelivered savings, as well as through further improvements in savings delivery and additional offsetting underspends.

### **3.7 Earmarked reserves**

- 3.7.1 At 1 April 2020 earmarked reserves of £605,018 were carried forward to the new year. As previously reported £374,551 have been utilised and the carried forward balance remains unchanged at £230,447. Additional earmarkings are expected to carry forward surplus Covid funds into next year, as well as for Primary Care Improvement Fund and Action 15 of the Mental Health Strategy where we received £1.6m new allocations this month.

### **3.8 Virements over £100,000**

- 3.8.1 The IJB is requested to authorise the virements completed during the 2020/21 financial year listed below. The transfers did not create any new commitments for the IJB and were completed to either allocate new funding or to allocate the contingency balances held centrally.

<b>Nbr</b>	<b>Period Occurred</b>	<b>Amount £m</b>	<b>Adjustment Description</b>
1	May 20-21	0.359	Allocation of 2020/21 increase in Resource Release and Funds Flow income from NHS Highland to front line service budgets.
2	June 20-21	0.300	Transfer of £0.300m saving in Helensburgh and Lomond Home Care budget to the central contingency fund for allocation to cost pressures in the Social Work budget.
3	Aug 20-21	0.227	Declaration of saving 1920-42 Step up/down of care funded from the central contingency fund.
4	Aug 20-21	0.198	Transfer of LD Supported Living cost pressure for sleepovers to contingency fund for reallocation to cost pressures in the Social Work budget.
5	Nov 20-21	0.405	Declaration of saving 2021-31 & partial declaration of saving 1819-25 using funding from the contingency fund.
6	Jan 20-21	0.851	Allocation of contingency funding to cost pressures in the front line services.
	<b>Total</b>	<b>2.340</b>	

3.8.2 The opening contingency balance was £1.175m and the balance is now reduced to £14k as follows:

<b>Nbr</b>	<b>Description</b>	<b>Funds Added / (Funds Removed) £m</b>	<b>Running Balance £m</b>
	2020/21 Opening Balance		1.175
2	Transfer of £0.300m saving in Helensburgh and Lomond Home Care budget to the central contingency fund for allocation to cost pressures in the Social Work budget.	0.300	1.475
3	Declaration of saving 1920-42 Step up/down of care funded from the central contingency fund.	(0.227)	1.248
4	Transfer of LD Supported Living cost pressure for sleepovers to contingency fund for reallocation to cost pressures in the Social Work budget.	0.198	1.446
5	Declaration of saving 2021-31 & partial declaration of saving 1819-25 using funding from the contingency fund.	(0.405)	1.040
6	Allocation of contingency funding to cost pressures in the front line services.	(0.851)	0.189
Other	Total of virements processed with an individual value of less than £0.100m.	(0.175)	0.014

	2020/21 Current Balance (as at 10 March 2021)		0.014
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Members should note that the first virement shown in the virement list for £0.359m did not impact on the contingency fund balance.

### **3.9 Debt Repayment to Argyll and Bute Council**

3.9.1 As at April 2020, the IJB owed Argyll and Bute Council £5.348m towards the deficits which accrued for financial years 2017/18, 2018/19 and 2019/20. A repayment of £0.500m has already been made in 2020/21, reducing the balance to £4.848m. Under section 8 of the IJB Scheme of Integration, the IJB is required to repay any underspends at the end of a year to reduce this debt. The forecast being presented to the Board assumes a repayment of £1.0m which is consistent with the Council agreement to reduce next year's repayment from £1.2m to £200k. Should the year end outturn have a greater underspend, then the repayment will be increased in accordance with the scheme of integration.

## **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 underspend of £2.016m as at 28 February 2021.

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.

## 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 28 February 2021. The forecast outturn position for 2020-21 is a forecast underspend of £2.016m. This allows for repayment of £1m to Argyll and Bute Council.

## 13. DIRECTIONS

Directions required to Council, NHS Board or both.	<b>Directions to:</b>	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 28 February 2021

Appendix 2 – Forecast Outturn for 2020-21 as at 28 February 2021

Appendix 3a – Savings achieved and forecast as at 28 February 2021

Appendix 3b – Unachieved savings only as at 28 February 2021

Appendix 3c – Savings action tracker as at 28 February 2021 (to follow)