



## INTEGRATION JOINT BOARD

<b>Date of Meeting</b>	9 June 2020
<b>Report Title</b>	Mobilisation Plan and Medium-Term Financial Framework
<b>Report Number</b>	HSCP.20.011
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer
<b>Consultation Checklist Completed</b>	Yes
<b>Directions Required</b>	No
<b>Appendices</b>	A. Integration Scheme Extract B. Mobilisation Costs

### 1. Purpose of the Report

- 1.1. To update the Integration Joint Board (IJB) on the impact of COVID-19 on the IJB Medium Term Financial Framework and budget.

### 2. Recommendations

- 2.1. It is recommended that the Integration Joint Board:
- a) Notes the report and the estimated cost scenario's contained in Paragraph 3.10 and the potential impact on the IJB budget if additional funding is not provided to cover these estimated additional costs.
  - b) Notes the additional financial risk to the IJB budget and instructs the Chief Finance Officer to notify Aberdeen City Council and NHS Grampian of the increased risk in relation to their financial exposure to funding a shortfall in the IJB budget, subject to confirmation of funding not being received from the Scottish Government by 17 June 2020,
  - c) Instructs the Chief Officer and Chief Finance Officer, if required, to develop options to close any financial shortfall as per the Integration Scheme and report these to an IJB meeting to be held by the end of the second week in



## INTEGRATION JOINT BOARD

August, once the quarter one financial position is finalised and there is more certainty on Scottish Government funding levels.

### 3. Summary of Key Information

3.1 On 10 March 2020 the IJB agreed the Medium-Term Financial Framework (MTFF) covering the next five financial years. This framework is updated annually and identifies the additional costs and savings required to deliver a balanced budget and support delivery of the Strategic Plan. The MTFF did not take consideration of the developing COVID-19 situation and the impact this would have on the IJB's budget, as this pandemic was just starting to develop. This report seeks to update the IJB on the potential financial impact of COVID-19 and the work undertaken by the Partnership during this period.

3.2 On 24 March 2020, the Cabinet Secretary for Health and Sport, Jeane Freeman and Councillor Currie (COSLA Health & Social Care Spokesperson) indicated in a letter '*In light of the current emergency which has been declared in the NHS in Scotland, there is an immediate and urgent requirement to increase the support and staff capacity in the social care sector, which includes nursing homes, care homes and care at home. The move aims to help the care system adapt to increased pressure placed on it by COVID -19, with many people requiring continued support for daily living, even if they have not contracted the virus.*

*In light of this, and subject to any additional expenditure being fully aligned to local mobilisation plans, including the IJB responses, reasonable funding requirements will be supported. This is on the basis that a process can be developed for these to be accurately and immediately recorded and shared with the Scottish Government. The basis of this reporting will be drawn up and agreed with COSLA and Health and Social Care Partnerships.'*

3.3 The Scottish Government requested that IJBs produce a mobilisation plan and submit these by 3 April 2020. This plan contained a list of actions that the Partnership was undertaking to manage the impact of COVID-19 on our communities and in the wider Health & Social Care System. Initial costings were placed against each action and the estimate at this date was £15.6m, these costings are being refined as further information becomes available.

3.4 On the 9 April the Cabinet Secretary wrote in reference to the Mobilisation Plans '*I am now approving your plans in principle for the activities identified, however I have asked my officials to follow up with Partnerships to fully*



## INTEGRATION JOINT BOARD

*understand the additional expenditure already incurred and future expenditure so that appropriate funding can be allocated.'*

- 3.5 NHS Grampian continue to submit weekly returns to Scottish Government in relation to the estimated costs of the COVID-19 response including the costs in relation to the three IJBs. In the latest return submitted to Scottish Government on the 18 May the costs relating to Aberdeen City Health and Social Care Partnership (ACHSCP) was £14.6m (£774,000 for financial year 2019/20).
- 3.6 NHS Grampian (NHSG) have submitted their latest re-mobilisation plan to Scottish Government on 25 May setting out the plans for the next phase of the COVID-19 response. This plan states that it is assumed that funding will be provided by the Scottish Government to cover the financial impact of COVID-19. NHSG have put appropriate measures and governance in place to monitor the finance impact/cost of actions taken to response to COVID-19.
- Aberdeen City IJB – Financial Exposure
- 3.7 There is significant variation in terms of what is included in the Mobilisation Plans across Scotland and work is being undertaken at a national level to benchmark costs. The variations will reflect the different decisions taken and the different services delegated in each area. The benchmarking of costs is useful in that it creates some consistency in approach, however, there is a risk if funding levels are reduced on this basis, that the funding doesn't reflect the actual financial exposure of the individual IJBs.
- 3.8 It must be stressed that the financial information included in this report is based on estimates at this stage, as the financial implications are only just starting to materialise in actual costs and many of the costs are currently being managed by the Social Care Providers, given the majority of our social care provision is commissioned externally. There could also be variations of the level of costs depending on how long the new service conditions remain in place and there may be other budgets where pressure may start to materialise. A good example of this would be the staffing budgets and whether staffing turnover savings will be generated this financial year.
- 3.9 There are three types of costs that we have identified during the process on establishing the mobilisation plan,
- 1) Direct Costs Locally Agreed – Where decisions have been made locally to incur additional costs in order to support the work undertaken in relation to the Pandemic, a good example of this would be additional



## INTEGRATION JOINT BOARD

residential care home places where additional capacity was purchased to reduce the number of people delayed for discharge from hospital.

- 2) Direct Costs Nationally Influenced – Particularly with regard to Social Care Providers and approaches to sustainability, uplifts and reconciliation of additional costs for items such as PPE. National approaches have been recommended via COSLA and SG for these costs.
- 3) Indirect Costs – Where COVID-19 and the response to it has potentially changed our profile of costs or income. A good example, of this would be the prescribing costs incurred at the very end of last financial year and the delivery of the savings which were agreed by the IJB on the 10 March.

3.10 A summary of the range of costs is shown below and more information is contained in the appendix 2 to this report.

	<b>Low Range Scenario</b>	<b>Medium Range Scenario</b>	<b>High Range Scenario</b>
	<b>Up to £m</b>	<b>Up to £m</b>	<b>Up to £m</b>
Direct Costs Locally Agreed	£1m	£4m	£5m
Direct Costs Nationally Influenced	£5m	£5m	£6m
Indirect Costs	£2m	£5m	£10m
<b>Total Additional Costs</b>	<b>£8m</b>	<b>£14m</b>	<b>£21m</b>

3.11 As can be seen from the table above in any of the scenarios it is likely that the IJB will face additional costs. The mobilisation plan submitted to the Scottish Government is based on the medium range scenario. At this point, confirmation has not been received as to the level of funding which the Scottish Government will provide to cover these additional costs, although £50 million was distributed nationally to IJBs, via the NHS, on the 12 May 2020 using the NRAC\GAE formula. For Aberdeen City this amounts to £1.856 million. The funding letter from the Cabinet Secretary for Health and Sport indicates that these funds *'will support sustainability across the sector and ongoing provision of social care, while further work is undertaken to provide me with the necessary assurance for further allocations of funding to support additional costs'*. Funding has also been distributed and included in the final accounts in relation to additional costs incurred for prescribing and social care in the financial year 2019/20.



## INTEGRATION JOINT BOARD

3.12 The Integration Scheme (extract Appendix A) for the IJB indicates that should the Chief Officer and Chief Finance Officer be unable to implement corrective actions to recover the financial position, that a recovery plan should be developed. If an overspend still remains at the end of the financial year, then once reserves have been used, the likelihood is that the overspend would be split between the NHS and the Council based on the amount of funding they initially transferred to the IJB. For indicative purposes, it is estimated that Aberdeen City Council would be required to fund approximately 35% of any overspend, with the remaining 65% being funded by NHS Grampian. For illustration purposes the table below estimates the level of financial exposure should for example, the indirect costs mentioned in paragraph 3.10 not be funded:

	<b>Low Range Scenario</b>	<b>Medium Range Scenario</b>	<b>High Range Scenario</b>
	<b>Up to £m</b>	<b>Up to £m</b>	<b>Up to £m</b>
Aberdeen City Council	0.7	1.75	3.5
NHS Grampian	1.3	3.25	6.5
<b>Total Indirect Costs</b>	<b>2.0</b>	<b>5.0</b>	<b>10.0</b>

3.13 Work is beginning on the recovery from COVID-19 and this is highlighted in another report on today’s agenda. At this stage it is unknown what the creation of the ‘new normal’ will cost and what if any savings will be generated.

3.14 Until clarification is provided by the Scottish Government on the level of funding likely to be received by the IJBs, there is a risk that some of the additional costs will not be funded and the delay in notifying the IJBs of the funding reduces the amount of time available to recover any adverse financial position. Given that there are still 10 months left to the end of the financial year, the uncertain conditions and the impact that COVID-19 has had and continues to have on services, it is not recommended that the IJB reserves are used to cover any shortfall. This recommendation aligns with the approved IJB Reserves Strategy given the uncertainty over the level of any financial shortfall.

3.15 Aberdeen City Council (ACC) has instructed officers to come back to their Urgent Business Committee on the 30 June with a revised budget. NHSG in their financial planning arrangements are maintaining the position advised in paragraph 3.6, that it is assumed that funding will be provided by the Scottish Government to cover the financial impact of COVID-19. The IJB is asked to consider the information contained in this report and advise whether in the absence of confirmation on funding levels they wish to inform ACC and NHSG





## INTEGRATION JOINT BOARD

that there is an increased risk of there being a shortfall in funding on the IJB budget. In order to support ACC in their financial planning arrangements it is recommended that we wait to the 17 June to see whether funding confirmation is received from the Scottish Government before approaching the partners.

- 3.16 The IJB can be assured that the Chief Officer and Chief Finance Officer will seek to continue to refine and where possible reduce both the direct and indirect costs of COVID-19 and balance the 2020/21 budget. During the recovery phase we will be:
- reviewing all the services which were stopped to meet the COVID response and stay at home restrictions and determining whether these should be brought back,
  - considering the work currently being undertaken on the strategic planning of the large hospital services as agreed via operation home first,
  - reviewing the yearend position and any reduced costs on budgets as a result of COVID,
  - reviewing the original savings plans and determining how much of these can still be delivered over the remainder of the financial year.
- 3.17 It is recommended that these options are brought back to a meeting of the IJB once the Quarter 1 financial information is available.

### 4 Implications for IJB

- 4.1 **Equalities** – There are no equality implications arising as a result of this report.
- 4.2 **Fairer Scotland Duty** – there are no direct implications for the Fairer Scotland Duty.
- 4.3 **Financial** – The financial implications are detailed throughout the report.
- 4.4 **Workforce** - There are no workforce implications as a result of this report.
- 4.5 **Legal** – there are no legal implications arising as a result of this report.

### 5 Links to ACHSCP Strategic Plan



## INTEGRATION JOINT BOARD

5.1 The Medium-Term Financial Framework has been drafted in order to support the IJB to deliver on its strategic plan.



### 6 Management of Risk

#### 6.1 Identified risk(s) and link to risk number on strategic register:

A risk of IJB financial failure with demand outstripping available budgets (risk #2).

#### 6.2 How might the content of this report impact or mitigate the known risks:

This report seeks to highlight to the IJB the level of financial exposure the IJB budget is currently exposed too as a result of the COVID-19 pandemic and prompt the direction of remedial activity where relevant.

Approvals	
	Sandra Macleod (Chief Officer)
	Alex Stephen (Chief Finance Officer)



## INTEGRATION JOINT BOARD

### Appendix 1

#### 12.5 The process for addressing in year variations in the spending of the IJB

##### 12.5.1 Increases in payment by Parties to the IJB

The Parties may increase in-year the payments to the IJB for the delegated services with the agreement of the IJB.

##### 12.5.2 Reductions in payment by Parties to the IJB

12.5.2.1 The Parties do not expect to reduce the payment to the IJB in-year unless there are exceptional circumstances resulting in significant unplanned costs for the Party. In such exceptional circumstances the following escalation process would be followed before any reduction to the in-year payment to the IJB was agreed:-

- a) The Party would seek to manage the unplanned costs within its own resources, including the application of reserves where applicable.
- b) Each Party would need to approve any decision to seek to reduce the in-year payment to the IJB.
- c) Any final decision would need to be agreed by the Chief Executives of both Parties and by the Chief Officer of the IJB, and be ratified by the Parties and the IJB.

##### 12.5.3 Variations to the planned payments by the IJB

12.5.3.1 The Chief Officer is expected to deliver the agreed outcomes within the total delegated resources of the IJB. Where a forecast





## **INTEGRATION JOINT BOARD**

overspend against an element of the operational budget emerges during the financial year, in the first instance it is expected that the Chief Officer, in conjunction with the Chief Finance Officer of the IJB, will agree corrective action with the IJB.

- 12.5.3.2 If this does not resolve the overspending issue then the Chief Officer, the Chief Finance Officer of the IJB and the Director of Finance of NHS Grampian and the Section 95 Officer of the Council must agree a recovery plan to balance the overspending budget.

### **12.5.4 IJB Overspend against payments**

- 12.5.4.1 In the event that the recovery plan is unsuccessful and an overspend is evident at the year-end, uncommitted reserves held by the IJB, in line with the reserves policy, would firstly be used to address any overspend.
- 12.5.4.2 In the event that an overspend is evident following the application of reserves, the following arrangements will apply for addressing that overspend:-
- 12.5.4.3 In the first complete financial year of the IJB – the overspend will be met by the Party to which the spending Direction for service delivery is given i.e. the Party with operational responsibility for the service.
- 12.5.4.4 In future years of the IJB, either:



## **INTEGRATION JOINT BOARD**

a) A single Party may make an additional one off payment to the IJB,

or

b) The Parties may jointly make additional one off payments to the IJB in order to meet the overspend. The split of one off payments between Parties in this circumstance will be based on each Party's proportionate share of the baseline payment to the IJB, regardless of in which arm of the operational budget the overspend has occurred in.

12.5.4.5 The recovery plan may include provision for the Parties to recover any such additional one off payments from their baseline payment to the IJB in the next financial year.

12.5.4.6 The arrangement to be adopted will be agreed by the Parties.