



INTEGRATION JOINT BOARD

Date of Meeting	11 August 2020
Report Title	Quarter 1 Financial Monitoring and Mobilisation Plan Update
Report Number	HSCP.20.024
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author Details	Alex Stephen, Chief Finance Officer
Consultation Checklist Completed	Yes
Directions Required	No
Appendices	<ul style="list-style-type: none">a) Finance Update as at end June 2020b) Variance Analysisc) Mobilisation Plan Costings Updated) Progress in implementation of agreed savings – June 2020e) Budget Reconciliationf) Budget Virementsg) Summary of risks and mitigating action

1. Purpose of the Report

- a) To summarise the current year revenue budget performance for the services within the remit of the Integration Joint Board as at Period 3 (end of June 2020).
- b) To highlight the current forecast in relation to the additional costs of COVID-19 to be reclaimed from the Scottish Government.
- c) To advise on any areas of risk and management action relating to the revenue budget performance of the Integration Joint Board (IJB) services.
- d) To approve the budget virements so that budgets are more closely aligned to anticipated income and expenditure (see Appendix F).



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2. Recommendations

2.1. It is recommended that the Integration Joint Board:

- a) Notes this report in relation to the IJB budget and the information on areas of risk and management action that are contained herein.
- b) Agrees to the Chair calling a special meeting of the IJB, in accordance with Standing Order 9, should the funding position confirmed by the Scottish Government in October not cover the requirements of the Integration Joint Board.
- c) Approve the budget virements indicated in Appendix F.

3. Summary of Key Information

Background

3.1 At the end March 2020 an adverse position of £283,000 (£2,488,000 in December 2019) was reported on mainstream budgets for the financial year 2019/20. This improved financial position was largely a result of the additional costs of prescribing reducing and an increased underspend on community health services.

3.2 As a result of these movements the IJB was able to maintain a small balance in its reserves as a risk fund. At the end of the financial year 2019/20 the IJB had £2.6 million held in its reserves. A breakdown is shown below of the reserves position at the start of the financial year.

	01/04/20
	£'000
Risk fund	1,271
Primary Care Improvement Fund*	73
Earmarked External Funding*	682
Alcohol and Drugs Partnership*	576
	2,602

* These amounts are ring fenced and need carried forward to next financial year, per the instructions issued with the funding.

3.3 On the 10 March 2020 the IJB agreed its Medium-Term Financial Framework (MTFF). This framework contained a requirement to make £5.7 million of savings in the financial year 2020/21. At the time of drafting and approving this framework the implications of COVID-19 were just starting to emerge and therefore no account for any of the financial implications of COVID-19 were made within the MTFF.



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- 3.4 The IJB considered a report on the 9 June 2020, which highlighted the estimated costs of the mobilisation plan and the risk that particularly the indirect costs of COVID-19 on the IJB budget may not be funded by the Scottish Government. The IJB resolved to note the financial risks, write to the Chief Executives of both partners highlighting the increased financial risk and instruct the Chief Officer and Chief Finance Officer to report back to the IJB if required with options to close any financial shortfall once the quarter 1 financial position is known and there is more certainty over the level of funding to be provided from the Scottish Government.

New Information on COVID-19 Costs since 9 June 2020

- 3.5 The main area of movement has been in regard to the requirement of the ACHSCP to contribute towards a re-mobilisation plan which will help bring services back-up and be cognisant of the possibility of a second wave and how health and social care services will be managed during winter. Due to social distancing requirements there will be a reduced bed base across the Inpatient Services, and this, combined with increased seasonal demand, will require to be managed. The re-mobilisation plan is required to be costed and is currently not factored into any of the forecasts or budgets contained in this report.
- 3.6 In relation to certainty over funding there has been no further information about what level of funding the IJB will receive in total to cover the implications of COVID-19 on its budgets. However, on the 3 August 2020 a letter was received announcing that another tranche of funding totalling £50 million will be passed through to the IJBs to cover the ongoing costs of social care. At the time of writing confirmation on what level of funding Aberdeen will receive from this £50 million is not available. The letter indicates that financial support for social care providers should continue to the end of September, however, there will be a tapering of the support provided and a review of the principles.
- 3.7 There have been requests for cashflow information and this has been passed back to the Scottish Government and is being considered. It is likely that the Scottish Government will wait to see what the quarter 1 projections look like across Scotland before releasing any further information and this means that we will be unlikely to receive confirmation on funding until the end of September.
- 3.8 During the quarter 1 review the IJB has been able to obtain more certainty over the level of funding it might require. Supported by colleagues in the Social Care Contracts Team, information has been collated from social care providers on the additional costs they have incurred due to COVID-19 during the first two months. Work is still required to firm up some of these figures and we have started to make some of the payments. It should be noted that we have held back some payments in order to obtain evidence of the costs being incurred as highlighted by the IJB at the last meeting, and the process



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and evidence requirements are now much clearer, which will make the second round of requests more efficient.

3.9 At this stage in the financial year it is still very early to know what the full impact of COVID-19 will be on the IJB budget. There may be other over- or underspends which develop as we go through the financial year, and, at this stage, it is difficult to predict where these might be. A prudent approach has been taken in forecasting the level of additional income to be received from the Scottish Government for the cost implications of COVID-19 and therefore for the time being only income that has been received is accounted for in the financial monitoring. However, the position of the IJB at the 30 June is as follows:

	£'000	£'000
Overspend as at 30 June 2020 (Appendices A and B)		11,406
Represented by:		
Overspend on Mainstream Budgets (Appendix B)	352	
Direct Costs of COVID-19 – Included on Mobilisation Plan (Appendix C)	7,604	
Indirect Costs of COVID-19 – Included on Mobilisation Plan (Appendices C and D)	3,450	11,406

3.10 As highlighted in the mobilisation plan report to the IJB on the 9 June, if there is an area of spend at risk of not being covered by the additional Scottish Government funding then it is most likely to be the indirect costs which were included on the mobilisation plan from the outset. The indirect costs largely relate to the financial saving plans which have not been able to be progressed in the manner planned due to COVID-19. The Scottish Government may agree to fund all, part, or some of the indirect costs, however, they will likely consider the whole financial position of the IJB and underspends which are forecast to be delivered on other parts of the budget when doing so. At present the only area where an underspend might be developed later in the year will be in regard to the residential care homes, once the financial sustainability scheme has finished. The Scottish Government may also consider the reserves position of the IJB when finalising the level of funding to be provided.



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- 3.11 Confirmation has not yet been received on the level of funding to be provided for Action 15, Alcohol and Drugs Partnership and Primary Care Improvement Plan. Information has recently been requested on the level of spend likely to be incurred and this should help provide more certainty on the funding of the immunisations team.
- 3.12 There is a risk that the financial position might change for the prescribing budget. At this point in the financial year the forecast is based on only one months work of actual expenditure. The volume is starting to reduce, following the spike in prescriptions in late May, however, the unit cost of the drugs is increasing. Work is being undertaken at a national and regional level to understand why the price per unit has moved.
- 3.13 From an Aberdeen City IJB perspective the lack of clarity on funding means there is a greater chance of having to approach the Partners for additional resources. Aberdeen City Council has recently approved a revised budget to cover the unfunded implications of COVID-19 on their budget. NHSG continues to hold the position that the full costs of COVID-19 will be fully funded by the Scottish Government. Neither Partner has made an allowance in their financial projections for having to provide additional funding to Aberdeen City IJB.
- 3.14 Whilst the IJB does have a small risk fund held in reserve, the Chief Finance Officer does not recommend that this is used to cover any shortfall. A cost reduction programme has been developed by the Chief Officer and Chief Finance Officer at a high level and would primarily focus on delivering financial benefits from operation home-first and our transformation programme. Given the Scottish Government have confirmed that additional funding will be provided to cover the costs of COVID-19 but have not confirmed the actual amount to be received. It is recommended that a special meeting of the IJB be called for the first week in October, should the level of funding confirmed by the Scottish Government not be sufficient to cover both the direct and indirect costs of COVID-19 on the IJB budgets.

4 Implications for IJB

- 4.1 Every organisation must manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by budget holders and corporately by the Board and Risk, Audit & Performance Systems Committee. This report is part of that framework and has been produced to provide an overview of the current financial operating position.

Key underlying assumptions and risks are set out within the Appendices to this report.



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- 4.2 **Equalities** – there are no equalities implications arising from this report.
- 4.3 **Fairer Scotland Duty** – there are no Fairer Scotland Duty implications arising from this report.
- 4.4 **Financial** – the financial implications are contained throughout the report.
- 4.5 **Workforce** – there are no workforce implications arising from this report.
- 4.6 **Legal** – there are no legal implications arising from this report.
- 4.7 **Other** – there are no other implications arising from this report.

5 **Links to ACHSCP Strategic Plan**

- 5.1 A balanced budget and the medium financial strategy are a key component of delivery of the strategic plan and the ambitions included in this document.

5.2 **Management of Risk**

5.3 **Identified risks(s)**

See directly below.

5.4 **Link to risks on strategic or operational risk register: Strategic Risk #2**



There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.



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How might the content of this report impact or mitigate these risks:

Good quality financial monitoring will help budget holders manage their budgets. By having timely and reliable budget monitoring any issues are identified quickly, allowing mitigating actions to be implemented where possible.

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

