

**Borders NHS Board**

Meeting Date: 7 May 2020

<b>Approved by:</b>	Andrew Bone, Director of Finance
<b>Author:</b>	Andrew Bone, Director of Finance
<b>COVID-19 LOCAL MOBILISATION PLAN – FINANCIAL COSTS/GOVERNANCE</b>	
<b>Purpose of Report:</b>	
<p>The purpose of the report is to provide board members with a briefing in relation to the expenditure associated with the Covid-19 mobilisation plans, the impact on financial planning, monitoring and governance, and the attendant risks arising from the issues as described.</p>	
<b>Recommendations:</b>	
<p>The Board is asked to:</p> <ul style="list-style-type: none"> <li>• <u>Note</u> the contents of the report.</li> <li>• <u>Acknowledge</u> the impact on reporting timescales, including Annual Accounts.</li> <li>• Take <u>limited assurance</u> that actions are in place to mitigate the risks identified in the paper.</li> </ul>	
<b>Approval Pathways:</b>	
<p>Financial monitoring returns are submitted weekly to Scottish Government as part of the Local Mobilisation Planning process.</p> <p>Governance issues described in this report were included in a separate paper to BET on 21<sup>st</sup> April. Subsequent issues highlighted at weekly Director of Finance briefing have been subject to ongoing discussion at BET huddle.</p>	
<b>Executive Summary:</b>	
<p>Guidance issued to Directors of Finance on 20<sup>th</sup> March outlines the expected process for reporting and monitoring costs associated with the Covid-19 local mobilisation plan.</p> <p>Boards are expected to submit a weekly financial return detailing their forecast expenditure to March 2021. This submission incorporates health and social care costs.</p> <p>The forecast submitted on 30<sup>th</sup> April shows a projected cost to end June 2020 of £7.6m (net of offsets) and a further estimate of £13.4m to end March 2021.</p>	

Within this forecast is an estimate for the non-delivery of savings schemes due to disruption to normal activities. This is assessed as £3.0m NHS and a further £1.6m Social Care.

There remains a degree of uncertainty over future costs and the resources available to offset these costs. Scottish Government remain in discussions with UK treasury however it is likely that existing board financial plans will need to be revised. This will ensure that prioritisation of available resources is considered in recognition of the current operating environment. This exercise is expected to be undertaken in conjunction with recovery planning and as part of the Quarterly review cycle.

In addition to the costs of Covid-19 there are a number of other areas where the pandemic has impacted on normal business of financial reporting and governance, including:

- **Monthly reporting** – timescales expected to be disrupted for finalisation of March and April, including reduced reporting outputs. Normal business is expected from May (month 2).
- **Annual Accounts** – expected delay of three months to agreed timetable, with potential impact to IJB accounts still to be evaluated.
- **Turnaround programme** – temporarily suspended to allow key personnel to be redeployed in support of pandemic response. It is likely that this will impact on savings delivery in 2020/21 as described above; in addition, consideration is being given to the approach and phasing of activities as they are reintroduced.
- **Financial Plan/Annual Operational Plan** – the continued uncertainty over the total cost of Covid-related activities across the public sector in Scotland means that existing plans are unlikely to be implemented in 2020/21. It is unlikely that all issues relating to availability of funding and service business-as-usual planning will be resolved in advance of quarter one review.
- A **process of assurance** has been initiated by in order to validate cost submissions relating to local mobilisation plans. This includes national benchmarking of acute wards and H&SC costs, as well as regional peer reviews, and Scottish government led review of H&SC plans.

The board should note that initial feedback from benchmarking and review of plans has not highlighted any significant concerns.

There are a number of risks relating to financial performance arising as a result of the matters described above. In summary, the key risks relate to:

- Uncertainty of forecasts
- Availability of resources
- Potential shift in management focus (from ‘turnaround’)
- Impact of social distancing on normal finance department business
- Lack of available management information arising from delays to reporting timescales.

<b>Impact of item/issues on:</b>	
<b>Strategic Context</b>	The financial plan will underpin the Annual Operational Plan.
<b>Patient Safety/Clinical Impact</b>	No issues identified within the report but this will be kept under review and will be highlighted through the mandate process.
<b>Staffing/Workforce</b>	Implications will be highlighted through the mandate process.
<b>Finance/Resources</b>	Finance/Resources are detailed throughout the report.
<b>Risk Implications</b>	The Board has a statutory requirement to remain within its funding limits and currently has a plan to achieve this but only with the support of additional revenue funding in the form of brokerage.
<b>Equality and Diversity</b>	Relevant issues should be addressed through the mandate process.
<b>Consultation</b>	The assumptions in the plan have been reviewed by the SGHSCD and shared across the NHS Scotland Corporate Finance Network. Regular briefings on the financial outlook are provided through the financial turnaround governance process and include the IJB, SGHSCD, the Finance & Resources Committee, Board Executive Team, Strategy Group, Clinical Boards and other senior groups throughout the year.
<b>Glossary</b>	<p>SGHSCD - Scottish Government Health Social Care Directorates</p> <p>NRAC - NHS Scotland Resource Allocation Committee</p> <p>IJB - Integration Joint Board</p> <p>AOP - Annual Operational Plan</p> <p>PMO - Programme Management Office</p>

## COVID-19 LOCAL MOBILISATION PLAN – FINANCIAL COSTS/GOVERNANCE

### 1 Purpose of Report

- 1.1 The purpose of the report is to provide board members with a briefing in relation to the expenditure associated with the Covid-19 mobilisation plans, the impact on financial planning, monitoring and governance, and the attendant risks arising from the issues as described.

### 2 Recommendations

- 2.1 The board is asked to:

2.1.1 **Note** the contents of the report.

2.1.2 **Acknowledge** the impact on reporting timescales, including Annual Accounts.

2.1.3 Take **limited assurance** that actions are in place to mitigate the risks identified in the paper.

### 3 Background

3.1 On 11<sup>th</sup> March, Scottish Government wrote to NHS Board Chief Executives requesting submission of Local Mobilisation Plans (LMP) in response to the Covid-19 pandemic. Following this request further guidance was issued to Directors of Finance on 20<sup>th</sup> March outlining the anticipated approach to financial planning and arrangements for reporting and monitoring costs associated with the LMP.

3.2 It should be noted that this letter acknowledged that the impact of Covid-19 is expected to cause significant disruption to board performance and will – in effect – require review of financial planning assumptions in relation to both source and application of available funding. The Annual Operational Plan, as submitted in March, is to be regarded as a “baseline” against which future plans will be established.

3.3 In addition, there is recognition that implementation of savings plans may be delayed as a result of the reprioritisation of management resource.

3.4 All NHS Boards are required to submit a weekly financial return outlining their projected expenditure for both 2019/20 and 2020/21 in relation to Covid-19. A single submission is required which incorporates the full estimated impact on both Health and Social Care for their region.

3.5 Cost estimates in the template submission are aligned to the LMP and incorporate direct expenditure on covid-related activities, as well as offsetting releases where identified; templates also request submission of estimated non-delivery of savings.

## 4 Projected Expenditure

- 4.1 The estimated financial impact of the actions identified within this report remains subject to significant uncertainty, particularly in respect of the phasing of actions beyond the initial “first wave”.
- 4.2 The consolidated forecast for both health & social care to end June 2020 is £7.6m with a further £13.4m projected to end March 2021. This forecast assumes that service levels, including hospital bed numbers, remain at the level agreed for the pandemic peak as described in the LMP.
- 4.3 Table 1, below, summarises the current forecast as at end April by host organisation:

**Table 1 – Summary expenditure forecast by host organisation**

Org/Function	2019/20	2020/21				Total £000s	Cum. Total £000s
	£000s	Q1 £000s	Q2 £000s	Q3 £000s	Q4 £000s		
NHS - non delegated	532	4,513	2,485	2,557	3,786	13,340	13,872
NHS – delegated functions	440	500	387	123	104	1,114	1,554
Social Care	171	1,498	1,442	1,261	1,219	5,421	5,591
<b>Total</b>	<b>1,143</b>	<b>6,511</b>	<b>4,314</b>	<b>3,941</b>	<b>5,110</b>	<b>19,875</b>	<b>21,018</b>

- 4.4 The most significant elements of the plan include expansion of Acute beds (£7.8m) and Social care bed capacity (£1.5m), as well as increases to temporary workforce (£2.0m) and potential costs for deferred annual leave (£1.4m) and for social care staff absence (£1.4m).
- 4.5 Within this position, an estimate has been included for non-delivery of savings. This represents £3.0m NHS and a further £1.6m Social Care plans. Further work is ongoing to evaluate this impact and identify any mitigating actions.
- 4.6 The expenditure forecast excludes costs of nationally procured Personal Protective Equipment (PPE) and diagnostic testing undertaken via national laboratories. Additional investment in Contact Tracing activities is being discussed at national level and no financial assessment has yet been undertaken to identify the local impact of this programme.
- 4.7 Further detail describing the key elements of the plan is provided in Appendix 1 to this report.
- 4.8 It should be noted that work is ongoing to refine the categorisation of costs against standard categories required for Scottish government template submission. This may result in reallocation of costs between categories in future reporting.

## 5 Resourcing the plan

- 5.1 Scottish Government continue to discuss the financial impact and availability of additional resources with UK Treasury. There remains a risk that resources made available to Scottish budget as a result of consequential will be insufficient to fully fund the cost of Covid-19 mobilisation plans. Implications for existing financial plans will be considered as further clarity is achieved.
- 5.2 Any resource allocations made to the board will be net of any offsetting reduction in non-covid-19 related expenditure.
- 5.3 An allocation for costs incurred in 2019/20 is currently being agreed and it is expected that this will fully offset any impact on the outturn financial performance. On this basis it is anticipated that the board's financial performance will remain in line with previous forecast (i.e. breakeven after receipt of agreed brokerage). This position is described in detail in a separate report.
- 5.4 For 2020/21 it is likely that the impact of covid-19 related activities will require reprioritisation of existing board financial plans in order to mitigate this financial impact.
- 5.5 Scottish government have established an interim financial framework to manage financial risks around this uncertainty. This is described further under *Financial Governance*, below.

## 6 Financial Governance

- 6.1 In order to develop its response to the Covid-19 pandemic a number of measures have been taken which have impacted on the business of the board, resulting in significant disruption to normal operations in March and April.
- 6.2 These include the general impact of social distancing measures as well as the specific reallocation of core resources, including PMO, from turnaround activities in order to support the development and implementation of the Local Mobilisation Plans. In particular, the number and frequency of meetings requiring multiple attendees has been reduced, with virtual options being implemented wherever possible.
- 6.3 In terms of financial governance, the board's scheme of delegation and systems of internal control remain fully in operation. The main areas where there has been impact on financial governance are as follows:

Financial Reporting	Preparation of year end accounts, including annual accounts; ongoing financial reporting arrangements.
Financial Turnaround programme	Temporarily suspended in order to release key staff to support mobilisation plans
Financial Planning & Budget Setting	Continued uncertainty around the impact and resourcing of LMP.
Oversight & Assurance	Introduction of a national approach to review of LMP finances through the Directors of Finance and

Corporate Finance Networks.
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6.4 Each of these is discussed in turn, below.

## 6.5 Financial Reporting

6.5.1 All issues described below have been discussed through national DoF networks and with Scottish Government. Although there may be areas of specific concern to NHS Borders, the general themes are consistent across all NHS Boards.

### 6.5.2 2019/20 Outturn

6.5.3 The preparation of management reports for March 2020 (Month 12) is likely to be delayed by up to one month, with final outturn position now expected to be confirmed at end of May. Interim figures will be advised when available.

### 6.5.4 Annual Accounts

6.5.5 Scottish Government has agreed that boards have the facility to agree with their External Auditors an extension of up to three months for completion of Annual Accounts. This would extend the final completion of audit activities and sign-off of accounts to end September.

6.5.6 There are no major concerns around the ability of NHS Borders to meet this revised timescale. At this time it is expected that the full extended period will be required however this will be reviewed following discussions between Director of Finance and our External Auditors and a revised programme will be confirmed shortly.

6.5.7 There are three main areas where preparation of accounts will reflect a variation from expected activities:

- Stock takes – it has not been possible to undertake physical stock takes at 31<sup>st</sup> March. The stock valuation in accounts will therefore be estimated based on previous reported valuations.
- Asset valuation - A full asset revaluation, including on-site inspection of properties, was planned as part of the normal five year cycle. This has been deferred with asset valuation undertaken as a desk top exercise.
- Agreement of balances with other public sector bodies - Scottish government have agreed a revised threshold for agreement of balances increasing to £500k from £100k.

6.5.8 In addition to the issues outlined above, it is expected that there will be a further delay (beyond September) to the submission of the NHS Scotland Costs Book. Scottish Government has indicated that this will be agreed with ISD colleagues. At this stage, we do not anticipate this will be materially delayed for NHS Borders beyond the timescales already agreed for Annual Accounts.

6.5.9 The impact of the delay to NHS Board Accounts on partner organisations continues to be subject of discussions between Scottish Government and COSLA, with potential issues for both Local Authority and Integrated Joint Board accounts still to be fully evaluated.

#### **6.5.10 2020/21 Monthly Reporting**

6.5.11 The Scottish Government have paused normal financial reporting arrangements recognising that disruption to normal business will mean that finance teams are required to focus on core activities, including payment of staff and suppliers. It is expected that a first monitoring return will be required in July, based on the three month position to end of June.

6.5.12 The impact of delays to year end reporting - in tandem with the uncertainty around how resources identified within the Annual Operational Plan (AOP) and Financial Plan will now be reprioritised - will mean that normal monthly management reporting is unlikely to be available for the April (Month 1) financial performance. It should be noted that full management reporting is not ordinarily available in April, although this position represents a step change from April 2019 reporting.

6.5.13 An interim report based on key indicators of financial performance will be prepared; this will highlight broad expenditure trends but is unlikely to be a full reflection of the actual financial performance at that point.

6.5.14 At this stage it is expected that normal reporting will be available from May (month 2) position onwards, notwithstanding other factors described in this report.

#### **6.6 Financial Turnaround Programme**

6.6.1 The submission of weekly progress reports to Scottish Government has been suspended by agreement of SG colleagues. The board does, however, remain on *Stage Four* of the Performance Escalation Framework and it is anticipated that this reporting requirement will be reintroduced later in the calendar year.

6.6.2 As noted above, it is recognised that savings plans will be impacted as a result of health board response to the pandemic.

6.6.3 Submission of weekly LMP financial templates to Scottish Government highlights an indicative £3.0m reduction in available savings releases in 2020/21; a further £1.6m impact on IJB savings plans is identified in relation to Social Care.

6.6.4 The £3.0m NHS figure is a high level assessment and work to refine this assumption, and identify mitigating actions, is now underway. The outcome of this work is expected to be reported as part of the board's emerging *Recovery and Renewal* workstream.

6.6.5 The business activities of the Turnaround programme have been suspended entirely at this time. This includes ongoing work to identify, develop and implement savings plans



for 2020/21 and beyond. It also includes enhanced arrangements for Grip & Control, including vacancy authorisation controls.

6.6.6 The phased reintroduction of turnaround activities is presently being discussed. The Board Executive Team have endorsed the reintroduction of vacancy control measures during the month of May and it is anticipated that work-streams not impacting directly on key clinical staff will wherever possible be re-established by the end of the first quarter (June).

## 6.7 Financial Planning & Budget Setting

6.7.1 As noted above, the AOP submitted in March 2020 will require review in light of the issues described, including additional costs for covid-19 response, availability and reprioritisation of funding, and the emerging recovery and renewal workstream, linked to non-covid service delivery.

6.7.2 The expected impact on budgeting is largely in relation to identification of covid-related costs, for which measures have been implemented to ensure these costs are separately identified and reported wherever possible; and ongoing uncertainty around how the NHS Scotland mobilisation plan will be reflected in both direct allocations and adjustment to non-covid allocations assumed within the financial plan.

6.7.3 No indication has yet been given around any timescales for revision to Annual Operational Plan, however it is anticipated that a review of the board's financial plan will be undertaken at Quarter One Review as per normal annual planning cycle.

## 6.8 Oversight and Assurance

6.8.1 Health boards have been set a delegated financial limit for local decision making. For NHS Borders this is £250k. Guidance makes clear that this limit applies to any single element of the plan and for the full duration (i.e. to March 2021).

6.8.2 Directors of Finance have been requested to consider "appropriate financial governance arrangements and audit trail associated with decisions made at your Board - recognising the unique situation in which we are operating". Decisions are expected to be tracked within a separate template in the weekly submission.

6.8.3 As at 24<sup>th</sup> April, Scottish Government had confirmed that it is content with the plans implemented by NHS Borders to date; the Chief Officer for the IJB has received similar agreement "in principle" in relation to the Health & Social Care elements of the plan.

6.8.4 Scottish government have indicated that allocations will only be made following validation of actual costs via an assurance process.

6.8.5 This process includes national benchmarking of board plans for hospital beds (covering ITU and general bed costs) and of total costs related to delegated functions (H&SC) on a population basis. This benchmarking is updated on a weekly basis, and continues to reflect variation across boards as mobilisation plans and actual costs are refined. Detailed benchmarking is redacted, however the most recent information

indicated that NHS Borders is within expected cost range for general acute beds, slightly below the mean for ITU costs, and exactly at the median average for H&SC costs. There are no significant indicators which suggest that local plans are out of alignment with other regions.

- 6.8.6 Further to the benchmarking review, there are two parallel processes to provide further assurance in relation to cost models.
- 6.8.7 Firstly, the Director of Delivery for Health & Social Care has established a process for regular reporting and monitoring of costs in relation to delegated functions. The first meeting for Borders IJB was on 30<sup>th</sup> April; no significant issues were highlighted in this discussion. Further meetings are to be scheduled from end of May onwards.
- 6.8.8 Secondly, the Interim Director of Finance for Health Directorate at Scottish Government has instructed that DoFs establish a peer review process for individual health boards within each of the three planning regions. Initial discussions have taken place within East region with a view to establishing this process from end May.
- 6.8.9 As at 30<sup>th</sup> April, the requirement for weekly financial forecast submission is paused, resuming on 18<sup>th</sup> May in order to allow modelling to reflect information relating to actual costs incurred in April. Thereafter this process will move to a fortnightly submission.

## 7 Risks

- 7.1 A number of risks have been identified in relation to the matters discussed in the paper. The following table summarises these risks and provides high level assessment of their current status.

Issue	Mitigating Actions	Risk
Long term forecasting of pandemic impact is not sufficiently robust to support planning and resource decision making.	<ul style="list-style-type: none"> <li>• Continued refinement of methodology and increased data availability.</li> <li>• Agreement of a 3 month rolling timeframe for pandemic response planning.</li> </ul>	L
Available funding will be insufficient to offset expenditure incurred, leading to increase to projected deficit (before brokerage) and/or impact on the board's non-financial performance outcomes.	<ul style="list-style-type: none"> <li>• Ongoing dialogue with SG colleagues in relation to financial planning/recovery.</li> <li>• Plans for recovery will incorporate scenario planning around availability of resources.</li> </ul>	H
Management focus will shift from financial turnaround to pandemic response, leading to loss of control and/or deferral of savings actions.	<ul style="list-style-type: none"> <li>• Systems of internal control established to ensure existing governance is retained.</li> <li>• Turnaround programme suspended for initial planning phase; actions for re-newal and recovery expected to be</li> </ul>	M

	developed within first quarter.	
Social distancing measures will impact on normal financial management business activities, including reporting and monitoring financial performance.	<ul style="list-style-type: none"> <li>Alternative options being evaluated, including use of MS Teams.</li> </ul>	<b>L</b>
Disruptions to timescales for reporting will result in lack of visibility of financial performance and consequential loss of control.	<ul style="list-style-type: none"> <li>Disruption is expected to be short term and interim measures will be put in place to ensure visibility of key performance metrics.</li> </ul>	<b>M</b>

### **Appendices**

Appendix 1 – Summary expenditure forecast by category of spend

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<b>Category</b>	<b>Commentary</b>	<b>2019/20 £000s</b>	<b>2020/21 £000s</b>
Hospital Beds (including Critical Care)	Includes 89 additional general beds as well as step increase to 20 ITU and 8 HDU beds. Costs include offset for repurposing of existing capacity.	152	7,801
Social Care Bed Capacity	20 residential care beds (May to Mar, Calvert Trust); 13 intermediate care beds (Apr to Sep, Whim Hall); 14 nursing care beds (May to Mar, Deanfield)	0	1,582
Delayed Discharge Reduction	124 hours homecare p/wk; increase to Home first; introduction of pulmonary rehab community support	0	482
Mental Health Services	General resilience to MH service provision plus extension to contract for Borderline; includes one LD placement (50/50).	5	336
GP & Hospital Prescribing	Based on assumptions advised by FHS Execs national modelling: 20% increase in March followed by 1% increase monthly thereafter.	448	167
Other Temporary Staff Costs	Various. Includes deployment of NHS returners; student nurses, medical trainees, etc. as well as fixed term appointments and use of bank/agency/overtime. General resilience including absence cover for staff on sick leave/covid related absence.	106	1,990
External Providers (Social Care)	Estimated impact of sickness cover for personal assistants funded by Direct Payments / Individual Service Funds. Planning assumptions advised nationally.	0	1,402
Testing Infrastructure	Test kits and laboratory costs are provided on a national basis, however infrastructure (staffing/transport, etc.) is provided locally	7	375
Infection Control	Includes cost of environmental deep cleans. PPE equipment procured nationally is funded centrally; costs for locally	99	441

Category	Commentary	2019/20 £000s	2020/21 £000s
	procured PPE kit is included here.		
Infrastructure (Estates & Facilities)	Including costs of minor works, NHS facilities support to covid wards, etc.	96	265
Equipment	Equipping covid wards, including increased ITU/HDU.	0	443
Mortuary Costs		0	68
Other Costs	Various other covid-related small projects, including community hubs.	231	430
Deferred Annual Leave Entitlement (NHS)	Estimated impact of leave deferred in 19/20 and assumed ongoing impact in 20/21.	0	1,355
Contract Rate Uplift (Social Care)	Increase from locally agreed rate (2.6%) to 3.3%	0	173
Loss of Income	Including income from catering activities, etc.	0	176
Underachievement of Savings - Social Care	Indicative impact on savings programmes. Further work ongoing to develop detailed evaluation and identify mitigating actions.	0	1,624
Underachievement of Savings - NHS		0	3,000
Offsetting Benefits (core NHS services)	Includes contribution from staff released from core-NHS responsibilities to offset requirements outlined above.	0	(2,234)
<b>Total</b>		<b>1,143</b>	<b>19,875</b>