



Dumfries and Galloway
Integration Joint Board

23rd September 2020

This Report relates to
Item 11 on the Agenda

Financial Performance Update – Quarter One

Paper presented by Katy Lewis

For Noting

Author:	Katy Lewis, Chief Finance Officer, Integration Joint Board
List of Background Papers:	Not required
Appendices:	Appendix 1 – Remobilisation Costs Appendix 2 – Key Financial Risks

Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	X
	2. Dumfries and Galloway Council	
	3. NHS Dumfries and Galloway	
	4. Dumfries and Galloway Council and NHS Dumfries and Galloway	

1. Introduction

- 1.1 This report presents an update on the financial performance for the budgets delegated to the Integration Joint Board (IJB) based on the position at the end of June 2020, Quarter One of financial year 2020/21.

2. Recommendations

2.1 The Integration Joint Board is asked to note:

- The Quarter One projected forecast of a £14.868 overspend.
- The impact of Covid-19 crisis costs on the financial position and the level of Year to Date (YTD) and forecast cost assumed in the position.
- The reassessment of the deliverable savings for 2020/21 and the ongoing level of unidentified savings.
- The risk on assumed allocations and overall risk in the financial position.

3. Background and Main Report

3.1 Background

- 3.2 This report consolidates for the IJB the financial reporting for those services delegated to the IJB. The report at Quarter One provides an update of the projected financial position for 2020/21 based on the forecast outturn position as assessed at Quarter One.

Executive Summary

- 3.3 The IJB Financial Plan for 2020/21 was approved at the IJB on 21st May 2020 recognising that the draft Financial Plan was prepared prior to the Covid-19 crisis and was presented as a “business as usual” paper but recognising that significant additional work was required to update the financial estimates for 2020/21. The emergency planning crisis faced not just in the UK and around the world impacted on our ability to undertake business as usual and that the additional risks arising from this crisis would impact on our savings delivery and our overall financial framework. It was assumed that the significant extraordinary costs incurred through our operational response to the pandemic under direction from Scottish Government would be funded separately. The additional costs are being reported and monitored through the financial framework to the local mobilisation plan and it is currently assumed these will be funded by government. At the end of July 2020, the Partnership set out its remobilisation plan for re-establishing services and also the management of winter; the costs associated with this are also now captured within the Covid-19 costs returns.

- 3.4 This latest update provides a summary of the latest forecast position based on the Quarter One financial review including setting out the position as follows:

- YTD variance position
- YTD Covid-19 expenditure
- Quarter One Forecast
- Proposed Remobilisation costs
- Update on savings/Sustainability and Modernisation plans
- Update of key financial risks

Quarter One Financial Review

- 3.5 The Quarter One review of the financial position has now been concluded with the IJB's forecast revenue position a £14.868m overspend. This assumes that funding is received to support the additional costs of the Covid-19 crisis, remobilisation and the impact of slippage on savings plans as a result of Covid-19. This compares to a level of unidentified savings in the opening plan of £13.064m.
- 3.6 Covid-19 costs mainly reflect the costs of managing the initial Covid-19 crisis with most of those costs incurred in the four months of 2020/21. These are projected to increase to £14.323m by March 2021. Costs primarily relate to equipment, IT, additional staffing costs, Community Assessment Hubs and payments to FHS contractors and payments to external organisations. Costs are also net of any offsets which total £3m in the forecast position which mainly relate to the reduction in elective work and switching off of services during the crisis period.
- 3.7 The financial impact of the remobilisation plan was set out in the submission to Scottish Government at the end July 2020. This has been further updated to reflect the latest position and indicates that £8.435m is required to deliver the plan, reflecting the priorities directed by Scottish Government. This includes re-establishment of elective services, strengthening the Public Health service to respond to the ongoing challenges of the crisis, establishment of an Urgent Care Hub and planning for the winter period.
- 3.8 The overall Covid-19 costs submission includes costs for the Health and Social Care Partnership.
- 3.9 In the opening Financial Plan, savings of £9.559m had been identified with a projected deficit position of £13.064m reflected as an unidentified savings target. This has been reassessed through the Quarter One review with savings of £2.6m identified for the year. An assessment has been undertaken of the slippage on savings due to Covid-19 and this has been classified as savings slippage because of the re-prioritisation of our resources to tackle Covid-19 and incorporated into the Covid-19 costs return. The estimated level of slippage on savings is currently estimated at £5.5m.
- 3.10 The underlying financial position hasn't shifted materially with any savings resulting from Covid-19 either set aside to support the increased activity expected through the remobilisation of services, included as an offset cost or reflected in CRES plans. However, this plan makes significant assumptions around the level of additional funding anticipated to support Covid-19 and remobilisation with a further update required once allocations have been clarified. This remains a critical risk. The shift from the £13.064m to £14.868m reflects a number of operational overspends within directorate which are only partially offset by staffing underspends.
- 3.11 The overall Social Work position is currently a £6,983k overspend position split into £6.8m of Covid-19 related expenditure and an underlying £139k overspend. It should be noted that initial monitoring is particularly difficult with several assumptions being made around care at home expenditure, income and Covid-19 related costs especially around provider financial sustainability. This overspend can be somewhat offset by the allocations we have received for Social Care (£2.2m to date).

3.12 It has been indicated that a meeting will take place between Scottish Government and the Board following the submission of the Quarter One review and the Remobilisation Plan, to scrutinise and review plans during September 2020 in advance of any allocations being confirmed by Scottish Government.

Quarter One Financial Review

3.13 A more detailed review of the forecast financial position for 2020/21 has been undertaken by the Chief Finance Officer as part of the Quarter One financial review. Meetings took place with all General Managers and the Chief Officer to review the financial position after the first quarter, assess variation from plan and forecast outturn for the current financial year. This reflects the forecast outturn for the delegated services excluding the impact of Covid-19.

3.14 The review has been summarised in Table 1 below:

Table 1 - Summary Quarter One Position by Directorate

QUARTER ONE SUMMARY 2020/21	Quarter One Forecast £000's
IJB DELEGATED SERVICES	
Acute & Diagnostics	(1,547)
Facilities and Clinical Support	(265)
Mental Health	113
Community Health & Social Care (NHS)	503
Community Health and Social Care (Social Work)	(139)
Primary Care Services	(593)
Women and Children's	55
E-Health	241
IJB Strategic Services	3
Subtotal	(1,628)
SAVINGS	
IJB Planned Savings (assumed covered by Covid-19 costs)	(0)
IJB Unidentified Savings	(13,240)
Subtotal	(13,240)
IJB DELEGATED BUDGETS TOTAL	(14,868)

Covid-19 Costs to date/forecast

3.15 The total expenditure incurred in responding to the Covid-19 response to date has been identified as £8.7m. This is the total cost including the NHS Board Corporate costs which are not in the delegated budget but have been included for completeness. The table below summarises the key areas of expenditure for Covid-19 (this excludes the remobilisation costs which are reported later in the document):

Table 2 - Total Health and Social Care Covid-19 Costs (excluding remobilisation and including NHS Board Corporate)

COVID-19	YTD Costs £000s	Mth 5-12 Costs £000s	Total Costs £000s
Additional Hospital Bed capacity/costs	908	688	1,596
Equipment	1,044	80	1,124
Additional Staff Costs	0	0	
- Overtime and Enhancements	1,039	1,083	2,122
- Returning Staff	127	6	133
- Student Nurses	1,151	302	1,453
- Bank and Agency	438	100	538
- Other	106	6	112
Loss of Income	1,018	551	1,569
Digital and IT Costs	334	522	856
Community Hubs	445	131	576
Additional payments to FHS contractors	600	0	600
Additional FHS Prescribing	268	272	540
Additional costs for externally provided services	461	279	740
Cost to 3rd Parties to Protect Services	2,933	1,784	4,717
Other	264	314	577
Total	11,134	6,118	17,252
Offset Costs identified	(2,385)	(634)	(3,019)
Net Additional Covid-19 Costs	8,749	5,484	14,233
Savings Slippage	4,034	4,567	8,601
Total	12,783	10,051	22,834

Savings Plan Review

- 3.16 In the opening Financial Plan, savings of £9.559m had been identified with a projected deficit position of £13.064m reflected as an unidentified savings target. This has been reassessed through the Quarter One review with savings of £2.6m identified for the year. An assessment has been undertaken of the slippage on savings due to Covid-19 and this has been classified as savings slippage because of the re-prioritisation of our resources to tackle Covid-19 and incorporated into the Covid-19 costs return. The estimated level of slippage on savings is currently estimated at £5.5m.

3.17 The table below summarises the saving identified by directorate:

Table 3 - Savings Assessment

Savings	£000's
IJB DELEGATED SERVICES	
Acute & Diagnostics	370
Facilities and Clinical Support	265
Mental Health	100
Community Health & Social Care (NHS)	700
Community Health and Social Care (Social Work)	0
Primary Care Services	0
Women and Children's	1,150
E-Health	0
IJB Strategic Services	0
IJB SERVICES TOTAL	2,585

3.18 Included within the savings plans are prescribing savings of £750k and reduced costs associated with travel costs of £314k (where these haven't been included as a Covid-19 costs offset). There are additional savings associated with property strategy (£134k), general level of vacancies (£1,650k) and corporate savings of £400k.

3.19 There continues to be areas where further work is taking place to assess the potential of delivering more savings in-year. This includes work being taken forward on a new transport hub, investment in e-communications with patients for clinical letters and confirmation of appointments and the reductions in pharmacy tariff and associated impact.

Risk on Allocations

3.20 Funding of £2.2m has been received to date to support the Covid-19 crisis but this was directed by Scottish Government to pass directly across to the Local Authority to manage the cashflow impact of additional costs of Social Care. The Covid-19 costs return in total includes anticipated costs of £6.844m for Social Care; this is included in the Covid-19 cost reported earlier in this paper. Work is ongoing within the Partnership to make financial sustainability payments to external providers including supporting costs of staff sickness, PPE and the impact of reductions in delayed discharges.

3.21 We have been advised that the allocation for New Medicines Fund may be reduced this year due to changes in the Pharmaceutical Price Regulation Scheme (PPRS) meaning that it may not achieve previous year's levels. Latest information would suggest that this may reduce by up to a third (£0.9m impact on Dumfries and Galloway's position) with further updates provided as more information emerges.

3.22 There is also an outstanding allocation of £290k, relating to the balance of 2019/20 Alcohol and Drugs Partnership (ADP) funding returned to Scottish Government last year, where commitments have been made with third sector organisations. This anticipated allocation is expected to be received as part of the Scottish Government final allocation process of Quarter One review.

Remobilisation Costs

- 3.23 Included in the Covid-19 costs return recently submitted to Scottish Government on 14th August 2020 is a current estimate of the Remobilisation plans identified to date.
- 3.24 A summary of the costs are included in **Appendix 1**. This includes, for completeness, the estimated costs of Social Care and the assumption that payments to external providers will continue beyond the September 2020 date which has currently been agreed through COSLA negotiations.
- 3.25 The current mobilisation plan is indicating forecast expenditure of £6,844k for Social Work, two allocations have been received totalling £2.226m which leaves a potential gap still to be funded of £3,876k. The bulk of the costs relate to provider sustainability payments which are currently forecast at £4.7m. Work is ongoing to assess applications with payments made where appropriate back up evidence has been provided. This is requiring significant resource from the commissioning and finance teams to administer and process as well the providers themselves. The Social Care costs include both the initial Covid-19 costs and the costs of remobilisation.

Key Risks and Impact on Future Years

- 3.26 Within the forecast position above, there remain some significant risks that still require to be worked through. A detailed schedule has been included at **Appendix 2**.
- 3.27 Whilst the focus of this report has been on 2020/21 financial year, many of the issues highlighted will impact into future years. The cost of the impact of Covid-19 will continue into future years to include any new services which are put in place, the impact on our existing service models, the impact on our ability to deliver savings and the legacy impact of the virus. It also remains unclear what our future allocation uplifts will be, given the detrimental impact on the economy of the crisis and this will need to be assessed as we develop future financial plans.
- 3.28 There are a number of key assumptions and risks which are under review and may further impact on the position but haven't been factored into this current assessment:
- Additional costs of 5th Cath Lab Business Case at Golden Jubilee, currently assessing impact - £500 - £700k
 - New Medicines Fund Allocation risk (up to £900k)
 - Ongoing medical locum demand and nationwide shortage of locums
 - Potential slippage to new clinical waste contract implementation - £90k
 - Scale and impact of potential second surge during winter months
 - The assessment of the cost associated with remobilisation our elective activity has been difficult to assess. This will need to be reviewed to ensure resources available from Scottish Government are able match expectations and demand.
 - Office 365 and Windows 10 roll out. Whilst it is assumed that the current cost will be within the £500k identified in the Annual Operational Plan (AOP), further work is progressing on identifying the license needs of all staff across the organisation in light of the changing working environments and associated access to systems remotely.
 - A high level review of balances held in budget reserves (cost pressures, prescribing etc) but current position is that these are required to manage in year pressures and there is no flexibility to support the financial position. This will be further reviewed in the Mid Year review.

- The underlying social work position is showing an overspend of £232k which mainly relates to care at home costs across all service areas. It is being offset by underspends in house Learning disability services and external Residential and Nursing costs relating to Older people. There is an underlying financial pressure related to posts and services funded through the social care fund on a non recurring basis, which will require to be added to budget pressures for 2021/22.

4. Conclusions

- 4.1 Whilst the Financial Plan for 2020/21 was approved by the IJB the Partnership is currently projecting an overspend with significant risk in the position and awaiting confirmation of Covid-19 support by Scottish Government. The position will continue to require very close monitoring and review.

5. Resource Implications

- 5.1 Funding implications are considered as part of the overall Financial Plan and budget setting for the IJB.

6. Impact on Integration Joint Board Outcomes, Priorities and Policy

- 6.1. The Financial Plan has a key role in supporting the delivery of the Strategic Plan.

7. Legal and Risk Implications

- 7.1 None identified.

8. Consultation

- 8.1 Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway, Sean Barrett, Finance and Information Manager, Dumfries and Galloway Council, Health and Social Care Management Team, Janet Sutton, Finance Officer, Dumfries and Galloway Council.

9. Equality and Human Rights Impact Assessment

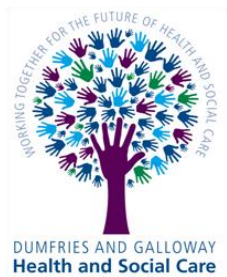
- 9.1. As this report does not propose a change in policy/strategy/plan/project, it is not necessary to complete an impact assessment. Individual savings schemes and difficult decisions will be impact assessed.

10. Glossary

- 10.1 All acronyms must be set out in full the first time they appear in a paper with the acronym following in brackets.

ADP	Alcohol and Drugs Partnership
AOP	Annual Operational Plan
COSLA	Convention of Scottish Local Authorities
CRES	Cash Releasing Efficiency Savings
FHS	Family Health Services
IJB	Integration Joint Board
PPE	Personal Protective Equipment
PPRS	Pharmaceutical Price Regulation Scheme
YTD	Year To Date

Dumfries and Galloway Integration Joint Board



DIRECTION

(ISSUED UNDER SECTIONS 26-28 OF THE PUBLIC BODIES (JOINT WORKING) (SCOTLAND) ACT 2014)

1.	Title of Direction and Reference Number	
2.	Date Direction Issued by Integration Joint Board	
3.	Date from which Direction takes effect	
4.	Direction to	
5.	Does this direction supersede, amend or cancel a previous Direction? If yes, include the reference number(s)	
6.	Functions covered by Direction	
7.	Full text of Direction	
8.	Budget allocated by Integration Joint Board to carry out Direction	
9.	Desired Outcomes	
10.	Performance Monitoring Arrangements	
11.	Date Direction will be Reviewed	