



Dumfries and Galloway  
Integration Joint Board

3<sup>rd</sup> December 2020

This Report relates to  
Item 7 on the Agenda

# Financial Performance Update – Quarter Two

*Paper presented by Katy Lewis*

*For Noting*

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<b>List of Background Papers:</b>	Not required
<b>Appendices:</b>	<b>Appendix 1</b> – Summary of Quarter Two 2020/21 Position <b>Appendix 2</b> - Quarter Two Covid-19 Cost Template

<b>Direction Required to Council, Health Board or Both</b>	<b>Direction to:</b>	
	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 Quarter Two 2020/21.

## 2. Recommendations

### 2.1 The Integration Joint Board is asked to note:

- The Quarter Two projected forecast of a £11.916m overspend.
- The update on the Covid-19 costs and the impact on the financial position.
- The update on the 2021/22 Financial Plan 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 provides an update of the projected financial position for 2020/21 based on the forecast outturn position as assessed at Quarter Two.

### 3.3 Executive Summary

- 3.4 The Quarter Two review of the financial position has now been concluded with the IJB's forecast revenue position a £11.916m overspend. In reaching this forecast position, the key assumption is that funding is received to support the additional costs of the Covid-19 crisis. This is in addition to funding provided at Quarter One.

- 3.5 The overall position and movement from Quarter One is summarised in the table below.

**Table 1 - Summary Quarter Two Position**

Summary Position (£'000s)	IJB
Forecast Position at Q1	(14,868)
Movement in directorate forecasts assessed for Q2	2,534
<b>Opening Position for Q2 as per Appendix 1</b>	<b>(12,334)</b>
<i>Central Adjustments</i>	
Re-assessment of unallocated budgets being held	418
<b>Adjusted Q2 Position</b>	<b>(11,916)</b>

- 3.6 The overall position has improved since Quarter One by £2.952m with an improvement in directorate forecasts and central review of unallocated budgets shifting the position closer to a break-even position.

- 3.7 Although this is positive, it needs to be recognised that many of the measures which have brought us closer to a balanced position for 2020/21 continue to be non-recurring solutions and bring us no closer to closing the recurring financial gap. The entirety of the in-year gap is within the NHS delegated budget with discussions ongoing with the NHS Board around management of this overspend and whether further in-year support will be provided.

- 3.8 An overall summary of the Quarter Two position including the forecast position by directorate is included in **Appendix 1**.
- 3.9 A further meeting is scheduled to take place between Scottish Government and the NHS Board on 10 December 2020 which will scrutinise the financial forecasts in advance of any additional allocations being confirmed by Scottish Government in January 2021.
- 3.10 Covid-19 Costs
- 3.11 The NHS Board continues to be required to submit regular information to Scottish Government through the Local Mobilisation Plan (LMP) (Covid-19 costs template) and this remains the main route for confirming the funding required in supporting the Covid-19 response, and includes costs for the entirety of the Health and Social Care Partnership.
- 3.12 Scottish Government have advised that funding will be allocated to cover all LMP categories including unachieved savings, therefore, this remains the underlying assumption within the forecast and therefore the forecast position of £11.916m reflected in this report assumes that funding is received on that basis.
- 3.13 The final Quarter Two Covid-19 cost template was submitted to Scottish Government on 30 November 2020 with costs estimated at £30.737m for the year. These costs will be reviewed by Scottish Government to inform funding allocations in November 2020 (for Social Care) and January 2021 (Health and Social Care). The allocation in January 2021 will be based on the Quarter Two position to cover the rest of the financial year (subject to final a review at period 12).
- 3.14 The detailed schedule of costs for Quarter Two as compared to the submission for Quarter One is included as **Appendix 2**.
- 3.15 The key changes in financial estimates from Quarter One are as follows:
- The inclusion of the costs of delivering the Covid-19 Vaccination Programme, currently estimated at £2m.
  - The impact of the four nations infection control guidance, which impacts on cleaning regimes and has an estimated financial impact for 2020/21 of £0.621m.
  - An increase in costs for contact tracers, testing capacity and the public health response to £1.143m (as compared to Quarter One cost of £0.8m).
- 3.16 The Partnership is planning an investment in additional Care at Home staff over the winter period to increase overall capacity from the additional winter planning resources. These costs have been reflected in the overall Covid-19 costs template with the assumption they will be funded from the Adult Social Care Winter Plan funding.
- 3.17 In line with the emerging service models, the Finance team have been supporting the Tactical leads to develop costed financial models for all of the new services and programmes of work. The work on these models will be an iterative process as we are able to firm up costs and workforce plans are finalised to support the services. Current estimates in most cases reflect a prudent assessment of cost.
- 3.18 Savings Plan Review

3.19 In the opening Financial Plan a savings target of £22.6m was identified with savings of £9.6m identified against this target leaving a projected deficit position of £15.5m. It was recognised very early in the year that the identified savings would be significantly impacted by the pandemic and these savings were reviewed in both quarterly reviews with the total savings estimated to be delivered for 2020/21 closer to £2.6m. The slippage of savings has been incorporated into the Covid-19/LMP returns based on our original identified savings, gives a saving slippage to be funded through the LMP of £7.244m.

3.20 A full update on the Sustainability and Modernisation Programme is being presented to the IJB as a separate paper.

### 3.21 Allocations Update

3.22 In the Quarter One report, an update was provided on the risk associated with a number of allocations due to the Partnership. The overall risk around allocations has reduced this quarter as a number of allocations which were outstanding have now been confirmed including the first tranche of Covid-19 funding, Primary Care Improvement Fund, Mental Health Action 15 funding, Winter Planning monies as exemplified.

3.23 Funding for Covid-19 to date has been provided on the basis of a review of the Quarter One Covid-19/LMP template submission in determining year to date allocation shares, mostly provided on an actual basis of costs submitted so far.

3.24 As noted above, the second tranche of Covid-19 funding is expected in November 2020 and January 2021 and will be based on the Quarter Two position to cover the rest of the financial year (subject to a final review at period 12) and will be based on a combination of the following:

- 70% of forecast costs submitted Quarter Two to Quarter Four (mainly Test and Protect and loss of income).
- 70% of NRAC (National Resource Allocation Formula) share of total costs submitted nationally (including hospital scale up costs, equipment and maintenance, digital transformation and remobilisation costs).
- 50% of costs provided to Social Care for payments to third parties.
- No funding for slippage in CRES plans related to Covid-19 pandemic so far.
- Funding withheld for winter pressure and Unscheduled Care Hub plans at this stage (to be allocated separately).
- Further allocations expected for payments to GP's (now received).

3.25 Work is still ongoing through the Peer Review Group and Health and Social Care Partnership Group in December 2020 to agree allocations, with further opportunity for final revisions to take account of ongoing Mid Year Reviews with Boards. Separate allocations have already been confirmed for Urgent Care Hubs, Winter Plans and Unscheduled Care, with additional resource due to be confirmed for Adult Social Care Winter Plans, in line with the £112m additional investment announced by the Cabinet Secretary for Health and Sport.

### 3.26 Key Financial Risks

The key financial risks for the 2020/21 financial year are as follows:

- Delivery of a breakeven position

- Effective management and financial control of any Covid related expenditure
- The specific risks highlighted in the Quarter One review have either been mitigated or reflected into this overall assessment of the position and present no greater or lesser risk than in normal times.
- The financial models aligned with the tactical priorities are either fully funded through SG commitments or present low risk at this point. Monitoring spend in this area will continue to be the key area of focus for the finance team.
- The financial risks as we move into the new financial year are significant and should be the focus of the Board moving forward.

### 3.27 2021-22 Budget and Financial Plan

3.28 The UK Spending Review date has been confirmed as the 25 November 2020, with the Scottish Budget for 2021/22 due to be announced on 28 January 2021 and will be a single year budget, with the Scottish Government Spring Budget Revision due late January/early February 2021.

3.29 Moving into 2021/22, significant financial challenges are anticipated with the programme for Government commitments focusing on pay settlement, recurring Covid-19 pressures and allowance for funding some uncertainties. Boards will be required to prepare financial plans assessing the ongoing risks associated with Covid-19 in addition to their underlying position.

3.30 Chief Finance Officers have been asked to review their key risks and assumptions locally to work with Scottish Government Finance to develop budgetary assumptions for 2021/22 with planning estimates submitted during December 2020.

3.31 Whilst the focus of this report has been on the 2020/21 financial position, many of the issues highlighted will impact into future years. The cost 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.

3.32 It also remains unclear what our future allocation uplifts will be, given the detrimental impact on the economy that the crisis has had, and this will need to be assessed as we develop future financial plans.

### **Next Steps**

3.33 This paper provides an update on the position for the Quarter Two financial review, however there are still a number of actions outstanding which must be progressed prior to the year end.

- Meeting with SG to confirm management of current year financial deficit and agree any relevant actions required.
- Review any further measures identified to close the in year financial gap.
- Release Covid funding and allocations to budget.
- Continue to support the service in facilitating delivery of the tactical priorities whilst maintaining effective financial control.
- Further detailed review of the financial position for Quarter Three.
- Draft financial plan for 2021/22, based on current knowledge of financial risks in relation to both core service delivery and the impact of Covid-19 into future financial years.

<b>4.</b>	<b>Conclusions</b>												
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.												
<b>5.</b>	<b>Resource Implications</b>												
5.1	Funding implications are considered as part of the overall Financial Plan and budget setting for the IJB.												
<b>6.</b>	<b>Impact on Integration Joint Board Outcomes, Priorities and Policy</b>												
6.1.	The Financial Plan has a key role in supporting the delivery of the Strategic Plan.												
<b>7.</b>	<b>Legal and Risk Implications</b>												
7.1	None identified.												
<b>8.</b>	<b>Consultation</b>												
8.1	Graham Stewart, Deputy Director of Finance, NHS Dumfries and Galloway, Susan Thompson, Deputy Director of Finances 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.												
<b>9.</b>	<b>Equality and Human Rights Impact Assessment</b>												
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.												
<b>10.</b>	<b>Glossary</b>												
10.1	All acronyms must be set out in full the first time they appear in a paper with the acronym following in brackets.												
	<table border="1"> <tr> <td>CRES</td> <td>Cash Releasing Efficiency Savings</td> </tr> <tr> <td>FHS</td> <td>Family Health Services</td> </tr> <tr> <td>IJB</td> <td>Integration Joint Board</td> </tr> <tr> <td>LMP</td> <td>Local Mobilisation Plan</td> </tr> <tr> <td>NRAC</td> <td>National Resource Allocation Formula</td> </tr> <tr> <td>YTD</td> <td>Year To Date</td> </tr> </table>	CRES	Cash Releasing Efficiency Savings	FHS	Family Health Services	IJB	Integration Joint Board	LMP	Local Mobilisation Plan	NRAC	National Resource Allocation Formula	YTD	Year To Date
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## 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	