



Dumfries and Galloway
Integration Joint Board

18th November 2021

This Report relates to
Item 9 on the Agenda

Financial Performance Update – Quarter Two

Paper presented by Katy Kerr

For Discussion and Noting

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List of Background Papers:	Not required
Appendices:	Appendix 1 - Financial Risks not included in In-Year Position or Financial Plan

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 September 2021, Quarter Two of financial year 2021/22. This position assesses the forecast financial performance for 2021/22 as compared to the original Financial Plan which was approved by the IJB in April 2021.

2. Recommendations

- 2.1 **The Integration Joint Board is asked to note the following recommendations:**
- Assurance – The IJB is asked to take assurance in relation to the update on the financial position, however, recognise the significant challenge faced in delivering the in-year gap which there are no plans currently identified. The worsening of the recurring position moving into future years with the increased reliance on non-recurring funding also requires to be recognised.
 - Discussion – The IJB is asked to discuss the issues contained within this paper.

3. Background and Main Report

3.1 Opening Plan for 2021/22

- 3.2 The Financial Plan was approved at the IJB in April 2021 and set out an estimated financial gap of £27.646m. The plan identified savings and additional funding of £14.716m (split £4.7m recurring and £10m non-recurring) which reduced the underlying in-year gap to £12.930m.

- 3.3 This was subsequently reviewed at the Quarter One review and was presented to IJB in September 2021 and presented a slight worsening of the overall position and an increased reliance on non-recurring savings. Following the completion of the Quarter One review, all relevant savings targets and remaining reserves have been allocated to delegated budgets for delivery. The review of the position at Quarter One is restated and set out in the table below.

Table 1 - Opening Financial Plan at Q1

Split of Financial Plan at Q1	2021/22		
	NHS Delegated Services	Council Delegated Services	Total
	£000s	£000s	£000s
Overall Financial Gap	(24,160)	(3,486)	(27,646)
Funded by recurring savings identified	2,884	0	2,884
Funded by non-recurring savings identified	7,803	3,486	11,289
Savings Identified	10,687	3,486	14,173
Estimated Closing Financial Gap	(13,473)	0	(13,473)
Non-recurring movement on directorate forecasts	185	0	185
Estimated Closing Financial Gap adjusted for forecasts	(13,288)	0	(13,288)

3.4 Winter Planning Funding

3.5 On 5th October 2021, the Health and Social Care Partnership (HSCP) and NHS Board were notified of a range of measures and new investment being put in place nationally to help protect Health and Social Care services over the winter period and to provide longer term improvement in service capacity across our Health and Social Care systems. The new investment of more than £300m in recurring funding covers the following areas:

- Multi-Disciplinary Working, including the recruitment of 1,000 Health and Care Support Staff
- Providing interim care
- Expanding Care at Home capacity
- Social Care Pay Uplift
- Covid-19 Financial Support for Social Care Providers
- Nationally Coordinated Recruitment in Specialist Areas of Need
- International Recruitment
- Professional Regulators' Emergency Covid-19 Registers
- Healthcare Students
- Wellbeing

3.6 Further detail on the specific of the allocations have been provided on most elements of the allocations during October 2021 with detail on the funding flows and allocations now available in most cases. The overall impact of this new resource has not been factored into this Quarter Two assessment, however, it is envisaged that most of the resource be targeted at additional recruitment and workforce for the Partnership. Plans are currently being developed to implement the use of this resource. Further detail of this will be included in the update to the December 2021 Performance and Finance Committee and into IJB as required.

3.7 To date, specific allocations from the Winter Plan funding have been confirmed as set out in Table 2. Whilst the recurrency of some of this funding has been implied, this has yet to be confirmed. It is anticipated further detail will flow following the Scottish Government budget on the 9th December 2021.

Table 2 – Winter Plan Funding Confirmed

	D&G 2021/22 £k
Measures to reduce delayed discharge	1,306
Multi Disciplinary Teams	653
Increasing care at home capacity	2,025
Dental access	141
Recruitment support	45
Total	4,170

3.8 The winter funding set out plans to uplift pay rates for Adult Social Care staff from 1st December 2021 to £10.02 per hour. Discussions are currently ongoing around how this will be implemented through existing contractual arrangements both nationally and locally once the funding has been confirmed to the Partnership.

3.9 Directorate Position

3.10 Following the review of the latest monthly position in September 2021 (month 6), each directorate has reviewed their forecast outturn position for the year and the revised forecast overall remains at £0.185m of an underspend across all of the directorates (unchanged from the Quarter One position).

3.11 Whilst the delegated Social Work services budget is due to return a balanced budget, through the planned use of Social Care Fund, Winter Plan reserves and Covid-19 funding. Within the budget there are some underlying over and underspends which are contributing to their position. There are staffing vacancies across in-house Learning Disabilities (LD) services of £515k which are offsetting budget pressures in LD care at home spend of £627k. Older people residential and nursing vacancies are contributing £663k towards under achievement of income targets and overspends in older people's Care at Home budgets of £640k. There are underlying financial risks associated with Singleton Park and discussions are ongoing around how this risk can be mitigated through the potential of additional Scottish Government funding.

3.12 The NHS delegated budget presents a more significant challenge in-year which continues to be seen as a result of the relentless activity pressures, the impact of the additional funding is yet to be factored in. At the same time there are also increasing underspends in some pay areas with ongoing workforce and recruitment challenges.

3.13 Covid-19 costs

3.14 Covid-19 and remobilisation costs have been reviewed and at this time, it is not anticipated that there will be any material change that requires to be reflected and no amendments which require Scottish Government approval.

3.15 The total anticipated funding for Covid-19 costs remains at £17.2m as presented at Quarter One, of which £12.8m related to the NHS; all funding has been released to directorate budgets.

3.16 The £17.2m required to cover the costs of Covid-19 is anticipated through two sources; the release of £7.8m from ring fenced Covid-19 IJB reserves and direct SG allocations for the balance. The funding requirements will be further reviewed at the next quarterly position and there are likely to be some shifts across budget headings as more detail on actual costs emerges.

3.17 Allocations

3.18 Allocations are held centrally for assessment of likely utilisation before being distributed to directorates. At the end of September 2021 £6.8m was being held centrally.

3.19 The Board has received a significant amount of allocation notifications during the last few months as well as the letter announcing the flow through of the £300m national allocation recently announced by Scottish Government.

3.20 A large part of the work carried out during the quarterly reviews is the assessment of how these allocations will be used and therefore what slippage may require to be managed between financial years. Early indications from the work completed so far is that there is likely to be allocations unable to be used in-year and will require to be

re-provided for in future years to complete the delivery of the service plan. The impact of this has not been factored in to the Quarter Two position.

- 3.21 As a result of the recent £300m announcement and the large volume of allocations still to be assessed by the service, the piece of work on allocations which was due to be presented to Performance and Resource Committee at the October 2021 meeting has been deferred to December 2021. This will allow time to consolidate all the elements of allocations and also reflect on the requirements of the Scottish Government Quarter One feedback received. As part of this paper, a summary of all allocations received and anticipated will be included.
- 3.22 Delivery of savings already identified
- 3.23 The opening Financial Plan identified a savings target of £14.716m; this was reduced to £14.173m at Quarter One and all targets were delegated to budgets. There is a small increase in Quarter Two in schemes added to the pipeline of £81k.
- 3.24 The monitoring against target and potential risk of non-delivery is overseen by the Financial Recovery Board which is now operational and meeting weekly, therefore, the savings target for Quarter Two has been reset to align to the most recent information available as per the table below.

Table 3 – Revised Savings Plan

2021/22 Savings Target	Total Revised Plan at Q1	Added to Pipeline during Quarter	Total Revised Plan at Q2	Area of Risk
	£000s	£000s	£000s	£000s
Workforce	2,230	221	2,451	0
Non-Pays	409	0	409	0
Agency	500	(140)	360	(875)
Prescribing	1,850	0	1,850	0
Travel	375	0	375	0
Non-recurring Flex	5,323	0	5,323	0
NHS Delegated Services	10,687	81	10,768	(875)
Non-recurring Flex	3,486	0	3,486	0
Council Delegated Services	3,486	0	3,486	0
Total IJB	14,173	81	14,254	(875)

By Type	Total Revised Plan at Q1	Added to Pipeline during Quarter	Total Revised Plan at Q2	Area of Risk
	£000s	£000s	£000s	£000s
Recurring	2,884	81	2,965	(875)
Non-recurring	11,289	0	11,289	0
Total	14,173	81	14,254	(875)

- 3.25 The pipeline is currently highlighting a potential delivery concern/risk of £0.9m against the savings plan. At this stage, this has not been brought into the forecast outturn on the basis that this will be recovered.

3.26 Quarter Two Outcome

3.27 The Quarter Two assessment has concluded that there is no material movement on the forecast presented at Quarter One and the in-year gap currently sitting at £13.2m as per the table below:

Table 4 – Quarter 2 Financial Plan

Financial Plan at Q2	Approved Plan	Q1 Review	Q2 Review	Change
	£000s	£000s	£000s	£000s
Opening Financial Gap Identified	(27,646)	(27,646)	(27,646)	0
Funded by recurring savings identified	4,700	2,884	2,965	81
Funded by non-recurring savings identified	10,016	11,289	11,289	0
Savings Identified	14,716	14,173	14,254	81
Estimated Closing Financial Gap	(12,930)	(13,473)	(13,392)	81
Offset by non-recurring movement on directorate forecasts	0	185	185	0
Estimated Closing Financial Gap adjusted for forecasts	(12,930)	(13,288)	(13,207)	81

3.28 The closing financial gap remains at an estimated £13.2m, this continues to be based on a number of assumptions:

- All Covid-19 costs requested from Scottish Government are fully funded and there are no further Covid-19 risks identified beyond those assessed and quantified in our position.
- Any additional Personal Protective Equipment (PPE) required for Covid-19 will be funded through Scottish Government and the arrangements with National Services Scotland (NSS).
- The organisation has capacity to deliver the revised in-year savings programme whilst managing the considerable service and operational risks which continue to be faced.
- All anticipated allocations which have been notified are received.
- No further significant cost pressures present themselves.
- Directorate forecast positions are maintained, overspends across directorates, particularly in Acute and Mental Health which relate to the busyness of the system, and ongoing service pressures are being offset by forecast underspends elsewhere.
- Any slippage on delivery of departmental savings plans can be offset by other non-recurring savings during the year.

3.29 The split between NHS and Council Delegated Services is set out below:

Table 5 - Savings IJB

Split of Financial Plan at Quarter 2	NHS Delegated Services	Council Delegated Services	Total
	£000s	£000s	£000s
Opening Financial Gap Identified	(24,160)	(3,486)	(27,646)
Funded by recurring savings identified	2,965	0	2,965
Funded by non-recurring savings identified	7,803	3,486	11,289
Savings Identified	10,768	3,486	14,254
Estimated Closing Financial Gap	(13,392)	0	(13,392)
Non-recurring movement on directorate forecasts	185	0	185

Estimated Closing Financial Gap adjusted for forecasts	(13,207)	0	(13,207)
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3.30 In addition to the assumptions noted above, there are also a number of significant risks which have not been included in the forecast position and could impact positively or negatively as the year progresses. These are detailed in the next section.

3.31 In discussions with Scottish Government around the NHS position, they have requested that we progress savings work to close the in-year gap as much as possible but recognise the ongoing service and operational pressures which are impacting on this and that NHS Scotland remains in emergency measures until March 2022 at least.

3.32 Whilst no funding is being allocated at this time to meet under-achievement of savings, in line with the 2020/21 approach, support will be provided to NHS Boards and Integration Authorities to deliver breakeven on a non-repayable basis, providing there is appropriate review and control at a Board level.

3.33 Financial Risks

3.34 From the paper presented, it is clear that there remains significant risk in the position; the risks recorded are attached as **Appendix 1** and are in the process of being transferred to DATIX. The following have been added during Quarter Two:

- Volume impact on utility prices if worsening weather conditions during the winter and price impact of wholesale gas which will be seen in future years
- Impact of taking on a further 2c GP practice has not yet been assessed
- Any change in costing methodology applied by Scottish Government for O365 where discussions continue nationally
- Any drug rebates due from Glasgow and Lothian for NHS Dumfries and Galloway patients which has not yet been made available

3.35 Closing the in-year gap

3.36 The Quarter Two position has concluded that £13.2m remains unidentified in the year which clearly presents a difficult financial situation for the IJB to mitigate.

3.37 Scottish Government has confirmed that all Boards will remain in emergency measures until March 2022 and that the delivery of the in-year shortfall will be managed from within overall national flexibility without the need to formally request brokerage. This was confirmed in their letter to NHS Boards for Quarter One and at a meeting during November 2021 with Scottish Government.

3.38 The action plan that will be developed to respond to the Scottish Government is a key element to setting out how the Board will attempt to close the gap. As highlighted, the Financial Recovery Board has now been established and a detailed update on the savings pipeline was presented to Performance and Finance Committee in October 2021. Further updates will be provided to Committee at future meetings and presented to the IJB as part of the 2022/23 financial plan.

3.39 As noted earlier, it is anticipated that there will be a level of flexibility remaining within allocations received during the year which may not be fully utilised in-year. As part of the allocations review, an assessment will be undertaken as to how these will be managed over the year end, potentially as an IJB reserves as was the case in

2020/21.

3.40 Recurring Financial Gap

3.41 Although in-year funding support is welcome news for the current year, this will not improve the recurring financial gap. As per the table below, the recurring deficit remains at £25m as a result of the limited progress on recurring savings during Quarter Two.

Table 6 - Recurring Deficit

Recurring Shortfall	Total
	£000s
Recurring Financial Gap Opening Plan	(27,646)
Savings identified in opening plan	4,700
Recurring shortfall identified at Q1	(1,816)
Recurring savings identified at Q2	81
Recurring Deficit carry forward	(24,681)

3.42 An exercise to review and reassess the recurring financial gap will be undertaken as part of the development of the 2022/23 Financial Plan which will commence in the latter part of the calendar year. At this stage, there are a number of known risks which are likely to increase the underlying position presented.

3.43 Reserves

3.44 A summary of all the IJB reserves carried forward into 2021/22 is set out in the table below.

Table 7 - IJB Reserves

	2020/21 £
Integrated Care Fund	288,105
Alcohol and Drugs Partnership	770,856
Primary Care Improvement Fund	380,211
Mental Health Strategy	253,247
Community Living Change Fund	496,841
Covid-19 Funding (LMP)	6,411,549
NHS	8,600,809
Social Care Fund	2,583,000
Winter Planning	3,814,491
Covid-19 Funding (LMP)	1,412,000
Council	7,809,491
Total	16,410,300

3.45 Any reserve allocated for Covid-19 activity will be the first call for use against Covid-19 costs for 2021/22. These are ringfenced allocations and are fully committed and remain set aside for the purposes they were originally allocated to. The IJB has no general reserves. It is likely, given the significant additional resources announced on the 5th October 2021, that these reserves will increase by 31 March 2022.

4. **Conclusions**

4.1 The IJB is asked to take assurance in relation to the update on the financial position, however, recognise the significant challenge faced in delivering the in-year gap which there are no plans currently identified. The worsening of the recurring position moving into future years with the increased reliance on non-recurring funding also

requires to be recognised.

5. Resource Implications

5.1 Funding implications are considered as part of the overall Financial Plan and budget setting for the IJB. Significant additional funding was confirmed by Scottish Government to support winter planning.

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, Susan Thompson, Deputy Director of Finance NHS Dumfries and Galloway, Health and Social Care Governance and Performance Group, 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.

GCH	Galloway Community Hospital
HSCP	Health and Social Care Partnership
IJB	Integration Joint Board
LD	Learning Disability
NHS	National Health Service
NSS	National Services Scotland
PPE	Personal Protective Equipment



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	