

Dumfries and Galloway
Integration Joint Board

10th March 2022

This Report relates to
Item 6 on the Agenda

Financial Performance Update – Quarter Three

Paper presented by Katy Kerr

For Discussion and Noting

Author:	Katy Kerr, Chief Finance Officer, IJB katy.kerr@nhs.scot
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 December 2021, Quarter Three (Q3) 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 that the in-year gap will only be closed with the receipt of non-recurring, non-repayable funding from the Scottish Government. The recurring position moving into future years along with the increased reliance on non-recurring funding also requires to be recognised as we begin to plan for 2022/23.**
 - **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 The Quarter One (Q1) and Two (Q2) reviews which were presented to the IJB in September and November 2021 respectively did not identify any significant shift in the overall position. The review of the position at Q2 is restated and set out in the table below.

Table 1

Split of Financial Plan at Q2	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	2,965	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)

- 3.4 Scottish Government confirmed that non-recurring, non-repayable funding will be provided to deliver a balanced position in-year to NHS Boards including the anticipated underachievement of savings in-year. There is an expectation that there are appropriate measures to reduce the funding requirement moving forward. The relevant proportion of this funding will be passed to the IJB for the delegated NHS services.
- 3.5 The work undertaken for Q3 has, therefore, focussed on ensuring that all appropriate measures have been taken to reduce the in-year financial gap.
- 3.6 Q3 Review
- 3.7 All Covid-19 funding, savings targets and any allocations with approved spending plans have all been released to budgets and any movement on these has been included within the Directorate Forecast position.
- 3.8 Any budget balances being held centrally and non-recurring savings balances which were being held centrally have now been reviewed and accounted for within the forecast position presented within this paper, the budgets will be updated in Quarter 4 (Q4) to reflect this.
- 3.9 The forecast position at Q3 has improved favourably by £1m to that previously presented as per the table below:

Table 2

Directorate Forecast	Q1/2 Review	Q3 Review	Movement
	£000s	£000s	£000s
Acute & Diagnostics	(1,174)	(790)	384
Facilities & Clinical Support	0	0	0
Mental Health Directorate	139	325	186
Community Health & Social Care (NHS)	1,204	1,304	100
Community Health & Social Care (Council)	0	0	0
Primary Care Services	181	486	305
Womens & Childrens Directorate	(228)	(75)	153
E-Health	(150)	250	400
Strategic Services	213	137	(76)
Impact on Approved Financial Plan	185	1,637	1,452

Split	£000s	£000s	£000s
Savings not met in year - NHS	0	(1,000)	(1,000)
Underlying Directorate position	185	2,637	2,452
Impact on Approved Financial Plan	185	1,637	1,452

- 3.10 The delegated Social Work services forecast continues to be a balanced budget. There are underlying financial risks associated with Singleton Park and discussions are ongoing around how this risk can be mitigated through use of Scottish Government funding to support.

- 3.11 The NHS delegated budget is showing a more positive, if not fortuitous position at Q3. The underlying directorate position has moved more significantly than anticipated with the most recent response to Omicron variant having impacted on our projections making financial forecasting more complex than usual due to the volatility which it introduces. There continues to be increasing underspends in some pay areas with ongoing workforce and recruitment challenges in others.
- 3.12 The savings target allocated during the year was £14.2m and these have all been released to directorate budgets.
- 3.13 At Q2 it was highlighted that a potential £0.9m of schemes were at risk of delivery, however, this was not factored into the position as it was felt a recovery may have materialised during the second half of the year.
- 3.14 One of the assumptions around the delivery of financial forecast has always been the capacity to deliver the revised in-year savings programme whilst managing the considerable service and operational risks which continue to be faced. In November 2021, the priority of the Partnership once again shifted to tackling Covid-19 in the form of the Omicron variant. As a result, staff were re-deployed and the focus on delivery of savings was stepped back. The financial impact of this is that slippage on savings has been confirmed as £1m for Q3. This is within drugs across Acute and Diagnostics (£0.4m) and Community Health and Social Care (NHS) (£0.6m). This slippage has been included in the directorate forecasts presented above.
- 3.15 Forecast Outturn
- 3.16 Based on the Q3 reviews carried out, it is now anticipated that the IJB will overspend by £0.6m within the Council Delegated Services which will require to be balanced from release of existing reserves and NHS Delegated Services will require £11.8m of non-recurring, non-repayable funding from Scottish Government in-year to break-even.

Table 3

Split of Financial Plan at Q3	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)
Original savings targets not thought to deliver in-year	(1,000)	0	(1,000)
Offset by non-recurring directorate forecasts	2,637	0	2,637
Offset by anticipated non-recurring, non-repayable funding	11,755	0	11,755
Estimated Closing Financial Gap	0	0	0

- 3.17 There are a number of significant assumptions underpinning the position presented:
- Non-recurring, non-repayable funding*
- 3.18 The most significant assumption at this time is that Scottish Government will provide the NHS with the balance provided as per Q3 forecast.

Allocations

3.19 Allocations still continue to be notified and received which provides a level of uncertainty in the forecast presented; at Q3 there was £4m within central reserves for allocations yet to be released to budgets. Any potential flexibility on allocations will require to be managed through normal year end processes and use of reserves noted below.

Use of reserves

3.20 It is anticipated that unutilised allocations received for specific delegated responsibilities will be carried forward through the reserves. This is likely to include allocations on: Alcohol and Drugs Partnership (ADP), Action 15, Integrated Care Fund, Primary Care Improvement Fund, Mental Health Renewal and Recovery, Winter Planning, Social Care Fund and Covid-19. The forecast does not reflect any variance against these allocations.

Covid-19 Funding

3.21 The total anticipated funding for Covid-19 costs remains at £17.2m as presented at Q2; the £7.8m ring fenced Covid-19 reserve has been used and the balance is anticipated from Scottish Government.

3.22 There are two areas where forecast spend has been identified as lower than previously anticipated as set out below:

Table 4

Covid-19 Funding changes	Funding estimate at AOP/Q1/Q2	Revised estimate at Q3	Movement
	£000s	£000s	£000s
Additional Family Health Services (FHS) Prescribing	500	175	(325)
Costs of implementing vaccination programme	3,000	1,600	(1,400)
Movement in anticipated expenditure	3,500	1,775	(1,725)

3.23 At this time, the working assumption is that if the underspend materialises, it will be carried forward through reserves which is consistent with last financial year. Discussions will take place with Scottish Government as part of the Q3 return to confirm this approach is acceptable; as a result this movement has not been factored into the directorate position above. Additional resources have been allocated at the end of Feb to Partnerships, through the NHS Boards, to support ongoing covid costs and will require to be carried forward through IJB reserves.

3.24 The recurring impact of Covid-19 is currently being reviewed as part of the work being undertaken on the draft Financial Plan.

Other assumptions

3.25 The following assumptions should also be noted:

- No further significant cost pressures present themselves.
- Directorate forecast positions are maintained, overspends within 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 further slippage on delivery of departmental savings plans can be offset by other non-recurring savings during the year.

3.26 In addition to the range of 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 year end is concluded. These are detailed in the next section.

3.27 Winter Planning Funding/ Budget Position 2022/23

3.28 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. This new investment of more than £300m has been factored into the budget process for 2022/23 as recurring funding.

3.29 Both the Council and NHS will conclude their budget processes by early April with the IJB budget position presented to an additional IJB meeting which has been scheduled for the 25th April 2022. An initial update will be presented at the IJB Performance and Finance meeting on the 24th March 2022.

3.30 Financial Risks

3.31 From the paper presented, it is clear that there remains significant risk in the position; the risks recorded are attached as **Appendix 1** which are in the process of being transferred to DATIX. The IJB's corporate risk in relation to resourcing is being reviewed for the next Audit and Risk meeting given the NHS Board has increased its finance corporate risk to very high, given the in year financial support received.

3.32 A number have been closed during the review period and some progress made on a number of others. The following two have been added:

- It is assumed the 2c staffing in Lockerbie and Moffat will continue in same pattern until year-end, as it is not possible to factor in any changes the new contractors may make when operating under the transition Service Level Agreement (SLA).
- A detailed piece of work is required alongside the Primary Care General Manager, Practitioner Services and GP Partners to ensure that there are no material adjustments to General Medical Services (GMS) budgets resulting from 2 years of average protected payments due to Covid-19.

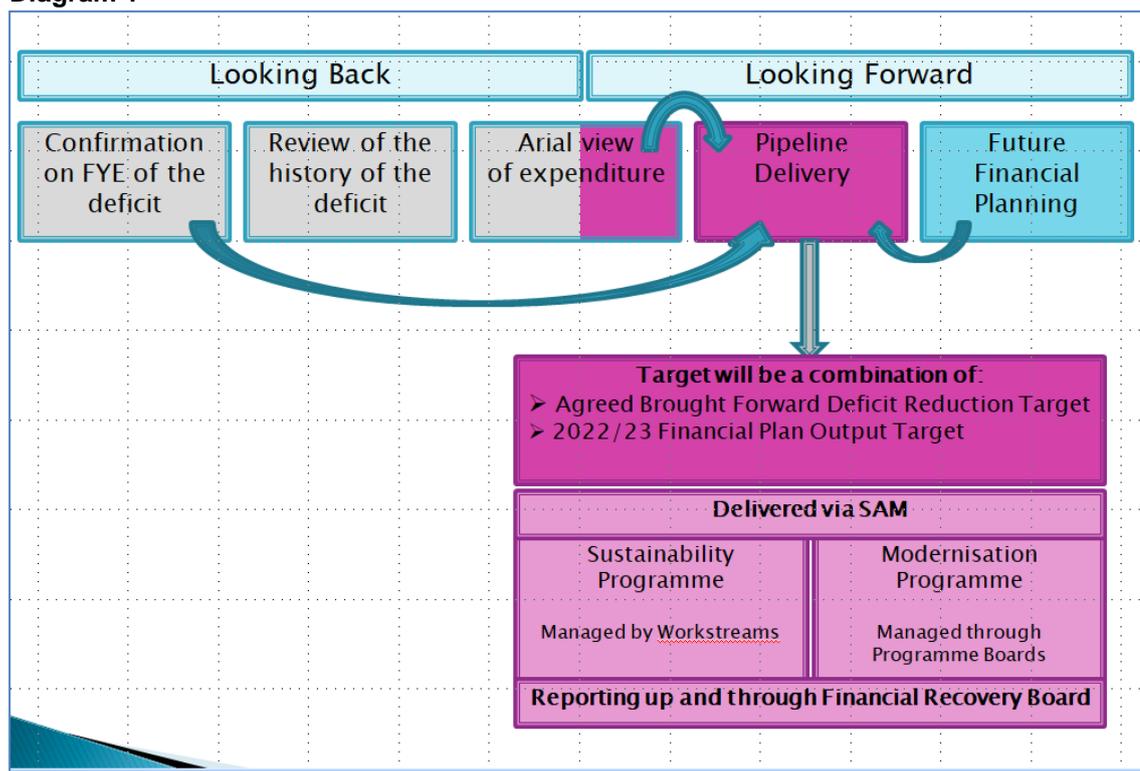
3.33 Financial Recovery Plan

3.34 Although the Partnership will present a balanced financial position for 2021/22 through the NHS non-recurring support from Scottish Government, this will not improve the recurring financial gap.

3.35 A Financial Recovery Plan requires to be developed for the recurring deficit. Some work on this has been delayed due to the most recent Covid-19 wave with resources having to be diverted; the timetable has now been re-aligned to the delivery of the Draft Financial Plan which is due in March 2022.

3.36 The framework for the Financial Recovery Plan is shown below:

Diagram 1



3.37 One of the key pieces of work which is included within the Financial Recovery Plan is to identify the recurring financial gap. Early planning indicates that this is estimated to be £22m, this is before the recognition of pressures over and above baseline uplift in pays, hospital drugs, GP prescribing and energy costs for 2022/23. The draft Financial Plan will be presented in due course.

3.38 Reserves

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

Table 5 - 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

3.40 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.

3.41 It continues to be the assumption that, given the significant additional resources announced, 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 Partnerships financial position, recognising that break-even is only likely to be delivered through the £11.8m of non-recurring non-repayable funding to be allocated by Scottish Government.

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.

9. Equality and Human Rights Impact Assessment

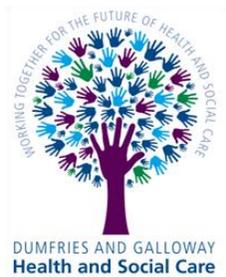
- 9.1. As this report does not propose a change in policy/strategy/plan/project, it is not necessary to complete an impact assessment. Individual savings schemes and difficult decisions will be impact assessed.

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
CLO	Central Legal Office
FHS	Family Health Services
GMS	General Medical Services
HSCP	Health and Social Care Partnership
IJB	Integration Joint Board
NSS	National Services Scotland
PPE	Personal Protective Equipment
SLA	Service Level Agreement

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	