



Dumfries and Galloway
Integration Joint Board

16th September 2021

This Report relates to
Item 10 on the Agenda

Financial Performance Update – Quarter One

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:	None attached.

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

2. Recommendations

2.1 The Integration Joint Board is asked to note the following recommendations:

- **Assurance** – The Integrated Joint Board 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 in to 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 and provide direction on the next steps and to note the updates planned for the October Performance and Finance Committee.

3. Background and Main Report

3.1 Opening Plan for 2021/22

- 3.2 The Financial Plan was approved at IJB in April 2021 which 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 as per the table below:

Table 1 - Opening Financial Plan

Approved Financial Plan	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	4,700	0	4,700
Funded by non recurring savings/ funding identified	6,530	3,486	10,016
Savings Identified	11,230	3,486	14,716
Estimated Closing Financial Gap	(12,930)	0	(12,930)

3.3 Quarter One Review

- 3.4 The first formal assessment of the deliverability of the approved 2020/21 Financial Plan has now been completed. The review undertaken included detailed work on the following areas:

- Directorate position
- Covid-19 costs
- Reserves

- Allocations
- Identified Savings Schemes
- Risks not yet materialised

3.5 Directorate Position

3.6 Following the review of the latest monthly position in June (month 3) each directorate have reviewed their forecast outturn position for the year and the revised forecast of £0.185m of an under spend is presented in table 2 below:

Table 2 - Directorate Summary

Q1 Directorate Forecast	Forecast Variance £000
Acute & Diagnostics	(1,174)
Facilities & Clinical Support	0
Mental Health Directorate	139
Community Health & Social Care (NHS)	1,204
Primary Care Services	181
Women's & Children's Directorate	(228)
E-Health	(150)
Strategic Services	213
NHS Delegated Services	185
Children and Families	(1)
Adult Services	(232)
Older People	120
People with Learning Disabilities	100
People with Physical Disabilities	0
People with Mental Health need	4
Adults with addiction/substance mis-use	0
Strategic Commissioning	9
Council Delegated Services	0
Impact on Approved Financial Plan	185

3.7 The most significant changes are:

- The continuation of pressures in staffing (particularly nursing), drugs costs and lab activity pressures within the Acute and Diagnostics Directorate.
- The impact of the closed hospitals on non recurring staff savings within the Community Health and Social Care Directorate.
- The Paediatrics Short Stay Assessment Unit (PSSAU) is currently open seven days a week rather than the funded five days a week.
- Vacancies within in-house Learning Disability (LD) services and under occupancy within care homes is offsetting increases in older people care at home costs and residential placements within younger adults.

3.8 Covid-19 costs

3.9 Covid-19 and remobilisation costs have been reviewed and reforecast based on the current knowledge available, the level of surge being experienced and the level of Covid-19 being seen across the system.

- 3.10 Costs which have been identified as being funded from an alternative source have been removed as instructed by Scottish Government (SG); this has reduced the costs included in the Annual Operational Plan (AOP) submission from £19.2m to £13.5m (NHS & Council). In addition any potential impact of the non delivery of CRES has also not been included at this time as instructed by SG and this will be discussed at the meeting planned for September.
- 3.11 The Quarter One forecast is that £17.2m (NHS & Council) is currently required for Covid-19 and remobilisation costs, an increase of £3.7m on the opening plan. As this is assumed to be fully funded there is no impact on the Financial Plan at this time however this continues to be a risk and is included within the risk section detailed later.

Table 3 – Covid Summary

Current Assumption on Covid-19 Expenditure	NHS £'000	Council £'000	Total £'000
Original AOP Submission	16,085	3,120	19,205
Removed prior to Q1	(5,704)	0	(5,704)
Adjusted AOP	10,381	3,120	13,501
Q1 Adjustments	2,371	1,280	3,651
Q1 Current Position	12,752	4,400	17,152

Impact on Approved Financial Plan	0
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- 3.12 The significant Q1 adjustments include:
- Community testing costs not previously included £2m
 - Additional staff costs within acute and mental health services £2.5m
 - Reduction in anticipated cleaning costs £0.5m
 - Reduction in contract tracing anticipated costs £0.2m
 - Increased costs to external providers due to the extension of the sustainability support for a further quarter
- 3.13 £17.152m is required to cover the costs of Covid-19 and this is anticipated through two sources; the release of £7.8m from ring fenced Covid-19 IJB reserves and direct SG allocations for the balance.
- 3.14 Allocations
- 3.15 The approved Financial Plan was based on a range of assumptions around anticipated allocations. All assumptions have been reviewed and assessed as part of the Quarter One review. The main issue identified is the value of allocations which are still outstanding; this continues to be a risk to the overall Financial Plan and has been included within the risk section detailed later.
- 3.16 The medical and dental pay award has now been confirmed at 3% backdated to 1 April 2021. Based on information received from SG it is our expectation that additional funding will flow to fund this payment and therefore no cost pressure is currently anticipated for either the Agenda for Change (AFC) or medical and dental pay uplifts.
- 3.17 Further analysis on the detail of all outstanding allocations and the additional risk being identified from the large number of allocations which are now regularly being received on a non recurring basis but are supporting recurring initiatives will be

presented to Performance and Finance Committee at the October 2021 meeting.

3.18 Delivery of savings already identified

3.19 The opening plan identified savings of £14.716m which would be delivered. To the end of June 2021, £6.025m of non recurring savings have been released into the position with the balance remaining centrally until further work was completed as part of this Quarter One review.

3.20 Having reviewed the savings targets set as part of the Financial Planning process a revised plan has been identified for the remainder of the year as detailed in the table below:

Table 4 - Revised Savings Plan

2021/22 Savings Target	Approved per Financial Plan	Already Allocated	Q1 Target to be Allocated	Total Revised Plan at Q1
	£000s	£000s	£000s	£000s
Workforce	2,280	2,230	0	2,230
Non-Pays	350	309	100	409
Agency	750	0	500	500
Prescribing	3,850	0	1,850	1,850
Travel	0	0	375	375
Non-Recurring Flex	4,000	0	5,323	5,323
NHS Delegated Services	11,230	2,539	8,148	10,687
Non-Recurring Flex	3,486	3,486	0	3,486
Council Delegated Services	3,486	3,486	0	3,486
Total IJB	14,716	6,025	8,148	14,173

By Type	Approved per Financial Plan	Already Allocated	Q1 Target to be Allocated	Total Revised Plan at Q1
	£000s	£000s	£000s	£000s
Recurring	4,700	59	2,825	2,884
Non Recurring	10,016	5,966	5,323	11,289
Total	14,716	6,025	8,148	14,173

Shortfall on Approved Financial Plan	(543)
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3.21 The revisions to the plan leave a shortfall of £0.543m against the original plan and the profile of delivery between recurring and non recurring savings has also changed in year. As would be expected there is a further reliance on non recurring savings with the continued focus on Covid-19 and remobilisation.

3.22 Quarter One Outcome

3.23 The Quarter One assessment has concluded that at this stage there is small worsening of the overall position forecast as part of the approved Financial Plan with the in-year gap sitting at around £13.288m as per the table overleaf:

Table 5 - Quarter 1 Financial Plan

Overall Financial Plan	Approved Plan	Q1 Review	Change
	£000s	£000s	£000s
Opening Financial Gap Identified	(27,646)	(27,646)	0
Funded by recurring savings identified	4,700	2,884	(1,816)
Funded by non recurring savings identified	10,016	11,289	1,273
Savings Identified	14,716	14,173	(543)
Estimated Closing Financial Gap	(12,930)	(13,473)	(543)
Offset by non recurring movement on directorate forecasts	0	185	185
Estimated Closing Financial Gap adjusted for forecasts	(12,930)	(13,288)	(358)

3.24 The shortfall in the revised savings targets is broadly offset by the forecast movement in the directorate positions to retain the estimated £13m financial gap for the year, this however is based on a number of assumptions:

- All Covid-19 costs requested from SG are fully funded
- Any additional Personal Protective Equipment (PPE) required for Covid-19 will be funded through SG and the arrangements with National Services Scotland (NSS).
- The Health and Social Care Partnership 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 under spends elsewhere.

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

Table 6 - Savings IJB

Split of Financial Plan at Quarter 1	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	2,884	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)

3.26 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.

3.27 Financial Risks

3.28 From the paper it is clear that there remains significant risk in the position; a few of the specific risks to highlight to members in this paper are:

- There are a number of significant workforce related claims emerging which have yet to be quantified and factored into the financial position.
- There is an increase in the number of legal claims being presented which are difficult to quantify in advance, this in turn brings additional legal advisor costs through the Central Legal Office which are not quantifiable.
- Increasing funding from Scottish Government is being received on a non-recurring basis and pressure to ensure recruitment to posts to deliver on the various programmes and initiatives means that there is increased financial risk.
- A further review of prescribing savings is required and tariff reductions have only just been advised which have not been fully considered as part of the Quarter One review.
- Whilst savings associated with medical locum costs have been factored into the forecast outturn position there remains a significant ongoing financial risk associated with maintaining safe levels of medical staffing particularly in DGRI and GCH. This reflects to the fact that no additional locum pressures were recognised in the original 21/22 financial plan.
- Any additional activity or acuity pressures associated with traditional winter which can't be managed within the envelope of funding provided.
- There is work on going to assess the potential impact of respiratory winter pressures specifically in relation to Paediatrics which has been identified nationally, the surge planning work has commenced locally in response to this however at this early stage the financial risk remains unquantifiable.
- Activity charges from other providers is remains difficult to forecast, although an increase has been built in to existing forecasts, most recent indications suggest that this may not be sufficient if the trend continues.
- Any impact identified through the review and implementation of the nursing workforce tools.
- Capacity is increasing within the care at home market, which is increasing costs, however, there remain significant levels of unmet need which when met will further increase costs.
- There continues to be increasing price pressures due to shortfall in capacity and the rurality of care at home provision.
- Staffing vacancies and care home beds are offsetting some of the cost pressures, however when these vacancies are filled costs will increase.

3.29 Closing the in year gap

3.30 The Quarter One position has concluded that £13.288m remains unidentified in the year which clearly presents a difficult financial situation for the IJB to mitigate.

3.31 A Financial Recovery Board for the Health and Social Care Partnership has now been established and meets on a bi-weekly basis. It has a clear remit to monitor the progress of the work streams already working towards the delivery of identified savings targets. As the Financial Recovery Board develops it will have a clear role in setting targets for closing the recurring financial gap over the longer term planning period, part of this work is already underway with the development of the savings

pipeline which is being supported by additional resources from the SG. A detailed update on the savings pipeline will be presented to Performance and Finance Committee in October.

3.32 A meeting has been set up with the SG on the 9th September 2021 to discuss the remaining financial plan gap for the NHS Board and that element and the options available to the Board in relation to potential brokerage. A verbal update will be provided at the meeting and a discussion would be welcomed on the proposed direction sought by the Board.

3.33 Recurring Financial Gap

3.34 As a result of the increasing use of non recurring flexibility in year the recurring shortfall has increased and this will require to be built in to future financial plans. The shortfall is currently forecast as set out in table below:

Table 7 - Recurring Deficit

Recurring Shortfall	Total
	£000s
Recurring Financial Gap Opening Plan	(27,646)
Savings identified in opening plan	4,700
Adjustment at Quarter One	(1,816)
Recurring Deficit carry forward	(24,762)

3.35 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.

3.36 Reserves

3.37 A summary of all the IJB reserves carried forward into 2021/22 is set out in **Table 8** below:

Table 8 - 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 Funding (LMP)	6,411,549
NHS	8,600,809
Social Care Fund	2,583,000
Winter Planning	3,814,491
Covid Funding (LMP)	1,412,000
Council	7,809,491
Total	16,410,300

3.38 The IJB has carried forward reserves of £16.4m into 2021/22 relating to the balance of the Social Care Fund, Covid funding, Alcohol and Drug Partnership monies and a range of other risk fenced sources of funding as set out in table 8 above. The

increase was a combination of a slowing of spend on projects during the pandemic and additional resource from Scottish Government to support Covid-19 spend, and also Adult Social Care Winter Plans. 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.

4. Conclusions

- 4.1 The Integrated Joint Board 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 in to future years with the increased reliance on non recurring funding also requires to be recognised.
- 4.2 The IJB are asked to discuss the issues contained within this paper and provide direction on the next steps and to note the updates planned for the October Performance and Finance Committee.

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, 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.

AFC	Agenda For Change
AOP	Annual Operational Plan
DGRI	Dumfries and Galloway Royal Infirmary
GCH	Galloway Community Hospital

IJB	Integration Joint Board
LD	Learning Disability
PPE	Personal Protective Equipment
NHS	National Health Service
NSS	National Services Scotland
SG	Scottish Government



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	