



Dumfries and Galloway  
Integration Joint Board

22<sup>nd</sup> September 2022

This Report relates to  
Item 8 on the Agenda

# Financial Performance Update – Quarter One

*Paper presented by Katy Kerr*

*For Discussion and Noting*

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

<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 of June 2022, Quarter One (Q1) of financial year 2022/23. This position assesses the forecast financial performance for 2022/23 as compared to the original Financial Plan which was approved by the IJB in April 2022. It is recognised the financial position for 2022/23 remains incredibly challenging and there are a number of emerging risks which since this initial review remain unresolved at the time of preparing this report.

## 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 current in-year gap is projected at £15.191m in line with opening Financial Plan. There remains considerable risk in relation to the financial position and this is set out in the paper. Note the release of funding from the covid reserve.
  - **Discussion** – The IJB is asked to discuss the issues contained within this paper.

## 3. Background and Main Report

### *Opening Plan for 2022/23*

- 3.1 The Financial Plan was approved at the IJB in April 2022 and set out an estimated financial gap of £24.921m. The plan identified savings and additional funding of £9.730m (split £3.7m recurring and £6m non-recurring) which reduced the underlying in-year gap to £15.191m.
- 3.2 This report provides an update of the forecast position as at Q1 financial review and assesses the impact on the in-year position for the delegated budgets.

**Table 1 –2022/23 Opening Position**

	<b>NHS Delegated</b>	<b>Council Delegated</b>	<b>Total IJB</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
2021/22 Closing Recurring Deficit	(22,191)	0	(22,191)
Net additional recurring investment required	(2,010)	(720)	(2,730)
<b>Total Recurring Deficit</b>	<b>(24,201)</b>	<b>(720)</b>	<b>(24,921)</b>
Recurring Savings targeted	3,010	720	3,730
<b>22/23 Target Recurring Deficit</b>	<b>(21,191)</b>	<b>0</b>	<b>(21,191)</b>
Offset by Non-recurring - Workforce	4,000	0	4,000
Offset by Non-recurring - Flexibility	2,000	0	2,000
<b>2022/23 In Year Forecast</b>	<b>(15,191)</b>	<b>0</b>	<b>(15,191)</b>

- 3.3 Scottish Government have yet to confirm the brokerage position for NHS Boards for 2022/23 but it is expected that the position will return to pre-pandemic arrangements with a Financial Recovery Plan required, delivery of breakeven position still remaining a statutory duty for Boards and also repayment of any non-recurring support provided. There will be 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.

- 3.4 The work undertaken for Q1 has focussed on ensuring that all appropriate measures have been taken to reduce the in-year financial gap with further work underway for Q2 which will be reported at the next IJB. Hence, at this point in the financial year, a deficit position is projected for the IJB.

### ***Recurring Savings Target Set***

- 3.5 Included within the original plan for 2022/23 was a recurring savings target of £3.730m. Work has been progressing throughout Q1 to assess the deliverability of schemes, recognising the ongoing service pressures which continue to be experienced.
- 3.6 A finance workshop was held on 10 June 2022 with Directors, General Managers and Finance Managers. The Financial Recovery Board (FRB) endorsed reducing the in-year target for the delegated services by £0.8m to allow more operational time in the remaining year to focus on those schemes that are on the future ideas list that can be accelerated to achieve a larger saving in 2023/24. Any schemes that can be started early will be brought forward.
- 3.7 The General Managers and Finance Managers have met again to progress this work and are incorporating the findings into the Mid-Year reviews scheduled for November 2022.
- 3.8 The table below sets out the progress so far for recurring efficiencies which will be delivered in 2022/23.

**Table 2 – Recurring Savings**

Recurring Savings Target at Q1	NHS Delegated	Council Delegated	Total IJB
	£000s	£000s	£000s
<b>Opening Financial Plan recurring savings target</b>	<b>3,010</b>	<b>720</b>	<b>3,730</b>
In Year Adjustment	(813)	0	(813)
<b>Recurring Savings Target</b>	<b>2,197</b>	<b>720</b>	<b>2,917</b>
Medicines	1,700	0	1,700
Workforce	295	0	295
Infrastructure	2	0	2
Procurement	100	0	100
Service Redesign	100	0	100
<b>Recurring Savings Identified</b>	<b>2,197</b>	<b>0</b>	<b>2,197</b>
<b>Still to be identified</b>	<b>0</b>	<b>720</b>	<b>720</b>

- 3.9 The in-year shortfall will require to be identified on a non-recurring basis and this has been added to the non-recurring flexibility target for 2022/23.

### **In-Year Directorate Overspend**

#### ***Core Budgets***

- 3.10 As part of the Q1 work, the directorate forecasts have been reviewed; within the original plan for 2022/23 there was no allowance for overspends, however, this was flagged as a financial risk at the time.

- 3.11 Financial pressures continue to be seen across the operating directorates both within pays and non-pays as a result of the higher activity levels, case mix complexity and impact of increasing Covid-19 patients still being treated, as well as higher levels of inflationary pressures being experienced within non-pays. The levels of agency usage in Nursing, Allied Health Professionals (AHPs), Labs, Psychology and Medical are significantly higher than for the same period last financial year which is contributing to the overspend. The locum workstream which reports to FRB continues to look at the pressures within agency and identify longer term solutions.
- 3.12 A number of central budgets are still to be released to support the directorates in-year position and the Covid-19 IJB reserve is still to be released to budget which will alleviate some of the pressure on a non-recurring basis. This has been factored into the forecast with an early assessment of the remaining pressure a £3m overspend forecast for the year, all within NHS delegated services.
- 3.13 For the IJB to still deliver the in-year target shortfall of £15.191m, any forecast overspend will require to be identified and managed on a non-recurring basis. A re-assessment of this will be undertaken once all budget distributions have been agreed and there is further clarity on anticipated allocations, however, for planning purposes, a further £3m is assumed to be required.

#### ***Covid-19 costs***

- 3.14 At the time of preparing the 2022/23 Financial Plan, the planning assumption was that Covid-19 and remobilisation costs would be funded in full and no financial impact was factored into the Financial Plan.
- 3.15 The planning assumption now confirmed from Scottish Government is that the IJB's should not anticipate any further Covid-19 consequential in 2022/23 or future years and that we should be actively developing local exit plans. During 2021/22, £16.3m was carried forward through the IJB ring fenced Covid-19 reserve which will be the first call for any in-year costs being incurred. This excludes the costs of delivery of the Test and Protect programme which Scottish Government confirmed that the planning assumption is full funding for programme costs in 2022/23, however, Boards and Health and Social Care Partnerships (HSCPs) are expected to note the risks with regards to this assumption.
- 3.16 The position in relation to the distribution of the Covid-19 IJB reserve against anticipated Covid-19 costs has not been concluded as part of Q1, with funding scheduled to be released in Q2. Work to date confirms that there will be sufficient funding to cover the anticipated in-year cost pressures (excluding Test and Protect costs which are assumed to be funded by an allocation from Scottish Government). The recent expansion of patient groups to be vaccinated through the Covid-19 vaccination has yet to be assessed financially, with work ongoing through the Public Health team to finalise revised service delivery models.
- 3.17 The NHS Board entered into a number of recurring commitments during the Covid-19 response, and these will now require to be re-assessed as part of the revision to the three-year Financial Plan.

## ***Allocations***

- 3.18 The 2022/23 Financial Plan was based on a range of assumptions around anticipated allocations. At this time, there has been little distribution of allocations from Scottish Government and therefore a financial risk still remains and this is included in the risks captured in the section later on in this report.
- 3.19 The most recent planning assumption included in the letter of 14 July 2022 states that Boards and Integration Authorities should assume funding broadly in line with levels received in 2021/22, except where separate approval or confirmation has been provided by the relevant Scottish Government policy teams. We are aware that at Scottish Government level, all allocations are being reviewed with policy teams. It is therefore unclear at this stage whether this presents any further risk to our funding assumptions. At the point of drafting this report, £54.4m remains unconfirmed including funding to support elective waiting times activity.

## ***Non-Recurring Flexibility***

- 3.20 Included within the original plan for 2022/23 was a non-recurring flexibility target of £6m. As a result of the Q1 work undertaken, the in-year shortfall on the recurring savings target and the early indicator on directorate forecasts noted above show a revised requirement of £10.5m.

**Table 3 – Non recurring flexibility**

Non-recurring flexibility at Q1	NHS Delegated	Council Delegated	Total IJB
	£000s	£000s	£000s
<b>Opening FP recurring savings target</b>	<b>6,000</b>	<b>0</b>	<b>6,000</b>
In Yr Adjustment – Shortfall on Cash Releasing Efficiency Savings (CRES)	813	720	1,533
In Yr Adjustment – Directorate forecast	3,000	0	3,000
<b>Adjusted Target</b>	<b>9,813</b>	<b>720</b>	<b>10,533</b>
Directorate underspends	4,131	0	4,131
Financial Flexibility	0	720	720
Technical Adjustments	0	0	0
<b>Identified to Date</b>	<b>4,131</b>	<b>720</b>	<b>4,851</b>
<b>Still to be identified</b>	<b>5,682</b>	<b>0</b>	<b>5,682</b>

- 3.21 Processes are now in place to identify flexibility as it arises and generally fall into one of three categories as described below. Good progress has already been made with identifying flexibility with £4.9m already released from budgets:

**Table 4 – Quarter One review**

Type	Description
Directorate underspends	<p>Any underspend arising against existing directorate budgets through natural turnover of staff or any planned or unplanned service change from both a staffing or supplies perspective. The budget does not require to be re-instated in a future year as the budget is available again the following year.</p> <p>Some of the service change underspends will be while work on the recurring savings scheme is progressed.</p> <p>As part of the new financial investment framework, managers are not authorised to utilise underspends for alternative uses without following the new framework.</p>
Financial Flexibility	<p>Flexibility arising from existing allocations, carry forwards or new funding sources which are not required in-year. This may or may not give rise to a pressure in a future year which will require to be built into a future Financial Plan.</p> <p>These are all approved by Chief Officer and Chief Finance Officer.</p>
Technical Adjustments	<p>One-off flexibility from a change in accounting treatment or central finance adjustments which do not require to be re-instated.</p>

3.22 The Q1 assessment has concluded that, at this early stage, the IJB is unable to move from the in-year deficit of £15m given the remaining risk in relation to directorate overspends and any remaining unmet non-recurring flexibility target.

3.23 We will, however, seek to progress further savings plans both recurring and non-recurring as part of the Financial Recovery Plan work. Assuming risks don't increase beyond current levels, delivery of this position remains achievable but will still require engagement with the NHS Board in respect of non-recurring support as the in-year savings requirement increases as a result of the operational service pressures.

3.24 The revised in-year plan is set out below:

**Table 5 – Revised financial plan**

2022/23 Financial Plan - IJB	Approved Fin Plan	Q1 Proposed
	£000s	£000s
Recurring Deficit Brought Forward	(22,191)	(22,191)
Net additional recurring investment required	(2,730)	(2,730)
<b>Total Recurring Deficit Anticipated</b>	<b>(24,921)</b>	<b>(24,921)</b>
Recurring Savings Target Set	3,730	2,197
<b>Target Recurring Deficit</b>	<b>(21,191)</b>	<b>(22,724)</b>
In-year Directorate overspend	0	(3,000)
Offset by Non-Recurring Flexibility	6,000	10,533
<b>Target In Year Position</b>	<b>(15,191)</b>	<b>(15,191)</b>

## Reserves

- 3.25 The IJB carried forward reserves of £16.41m into 2021/22 relating to the balance of the ringfenced allocations; moving into 2022/23, the level of reserves has increased to £30.8m as set out below:

**Table 6 – IJB reserve position at 31 March 2022**

IJB Reserves	2020/21	2021/22
	£000s	£000s
Integrated Care Fund	288	0
Primary Care Improvement Fund	380	2,262
Mental Health Strategy – Action 15	253	461
Alcohol and Drug Partnerships	771	1,604
Community Living Change Fund	497	497
Covid-19 Funding/Local Mobilisation Plan	7,824	16,346
Social Care Fund	2,583	1,704
Adult Social Care Winter Planning	3,815	2,203
Mental Health Recovery and Renewal	0	2,352
Winter Planning Health and Social Care	0	3,343
<b>Total IJB Reserves</b>	<b>16,411</b>	<b>30,772</b>

- 3.26 A combination of a slowing of spend on projects during the pandemic and additional resource from Scottish Government to support Covid-19 spend and Adult Social Care Winter Plans has driven the increase in reserve balances.
- 3.27 These are ringfenced allocations and remain set aside for the purposes they were originally allocated to; the IJB has no general reserves. A full review of commitments and use of IJB reserves is scheduled for Q2 to assess whether there is any flexibility to support the reduction of the financial deficit forecast.
- 3.28 The Covid-19 reserves will be the first call for use against Covid-19 costs for 2022/23. Funding of £9m is planned to be released to NHS Delegated budgets from the Covid-19 reserves in Q2 to support the ongoing costs of Covid-19 related services including the vaccination programme as per the table below:

**Table 7 – Covid funding released 2022/23**

Covid-19 Reserve	Tranche 1 Released
	£000s
Vaccination Costs	3,404
Public Health Response - Enhanced Public Health Capacity	440
Additional Infection Prevention and Control Costs	500
Urgent Care Hub Model - GPOOHs costs (call handlers)	190
Additional Staff Costs - Nursing & Medical	3,900
Cancer Patients - out of region costs	525
Other	91
<b>Total Distributed to date</b>	<b>9,050</b>

- 3.29 A further distribution to Council delegated budgets is also being concluded as part of the Q2 process to cover Social Care sustainability payments, additional Personal Protective Equipment (PPE) and Adult Social Care costs.
- 3.30 Any unspent Covid-19 funding will be required to be returned to Scottish Government as per the Scottish Government letter received 12 September 2022.

4.	<p><b>Conclusions</b></p> <p>1.1 The IJB is asked to take assurance in relation to the update on the financial position, recognising that break-even is only likely to be delivered through additional non-recurring support through the NHS Board and brokerage or similar non-recurring support from Scottish Government to deliver a balanced position.</p>
5.	<p><b>Resource Implications</b></p> <p>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.</p>
6.	<p><b>Impact on Integration Joint Board Outcomes, Priorities and Policy</b></p> <p>6.1. The Financial Plan has a key role in supporting the delivery of the Strategic Plan.</p>
7.	<p><b>Legal and Risk Implications</b></p> <p>7.1 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, as a result of the forecast deficit. An update on the corporate risk will be provided at the next meeting.</p> <p>7.2 From the paper presented, it is clear that there remains significant financial risk in the position as a result of the following assumptions;</p> <ul style="list-style-type: none"> <li>• Pay award and any impact to Service Level Agreement (SLA) uplift is fully funded by Scottish Government</li> <li>• Pay settlements for both NHS and Local Government are not concluded at the time of writing this report</li> <li>• Impact of escalating inflationary pressures</li> <li>• Anticipated allocations are distributed from Scottish Government at the level expected and are not top sliced</li> <li>• Covid-19 reserve is sufficient to cover the in-year pressures</li> <li>• Test and Protect funding is received to cover all costs anticipated</li> <li>• No worsening of the directorate forecasts</li> </ul> <p>7.3 In addition, there are real financial risks beyond those quantified in the Financial Plan, most notably in the following areas:</p> <ul style="list-style-type: none"> <li>• Future year funding for impact of 2022/23 pay award as funding to date has only been identified as non-recurring by Scottish Government</li> <li>• Recurring impact of Covid-19 related services and impacts including the vaccination programme</li> <li>• Impact of funding to support elective recovery, with risk that funding is directed to those Boards with longest waits, reducing overall resource available for Dumfries and Galloway</li> <li>• The impact of the activity growth beyond budgeted levels linked with clinical need, demographics, Covid-19 backlog and the unrelenting demand for services</li> <li>• Cost pressures linked with rising inflation</li> </ul> <p>7.4 The financial risks currently recorded are attached as <b>Appendix 1</b> which are in the</p>



7.5 process of being transferred to DATIX.  
In addition to the service risks, there is a potential impact around our recruitment strategy related to the cost of living crisis and our ability to maintain service levels as a result across Health and Social Care.

## **8. Consultation**

8.1 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.

AHP	Allied Health Professionals
CRES	Cash Releasing Efficiency Savings
FRB	Financial Recovery Board
IJB	Integration Joint Board
HSCP	Health and Social Care Partnership
NSS	National Services Scotland
PPE	Personal Protective Equipment
SLA	Service Level Agreement

## Financial Risks not included in In-Year Position or Financial Plan

Overarching risks which the IJB holds in relation to the delivery of the in-year financial plan are noted below:

Active/ Transferred / Closed	Area affected	Overarching risks
Active	Pays Non Pays	Pay award and any impact to SLA uplift is fully funded by Scottish Government
Active	Pays Non Pays	Anticipated allocations are distributed from Scottish Government at the level expected and are not top sliced
Active	Pays Non Pays	Covid-19 reserve is sufficient to cover the in-year pressures
Active	Pays	Test and Protect funding is received to cover all costs anticipated
Active	Pays Non Pays	No worsening of the directorate forecasts

There are a range of financial risks which are driving the in-year forecast and any change or increase in these will likely have an adverse effect on the directorate forecast, these include:

Active/ Transferred / Closed	Area affected	Risks within the in-year forecast
Active	Pays Non Pays	Activity levels continue to be in excess of funded establishment and non pay levels across a range of services.
Active	Pays	Patient complexity and length of stay in excess of funded establishment.
Active	Pays Non Pays	Running short stay assessment units both within Acute and Women and Childrens services as 7 day service, funded for Monday to Friday.
Active	Pays Non Pays	Mountainhall Ward 1 continues to be open with no specific funding source, currently being funded from Winter money.
Active	Non Pays	Continued pressure on out of region packages within Mental Health
Active	Pays	Reliance on agency staffing across Medical, Nursing, AHPs and Psychology.
Active	Pays	Junior medical banding pressures
Active	Non Pays	Increasing lab and diagnostic activity
Active	Non Pays	Inflation in a number of areas is significantly higher than funding available within the financial

Active/ Transferred / Closed	Area affected	Risks within the in-year forecast
		plan, including waste, clinical waste, food, laundry service, service contracts, unitary charge payments, estates materials, estates work packages and fuel.
Active	Non Pays	Overflow of residencies accommodation while additional accommodation is finished at Nithbank.
Active	Non Pays	Increasing equipment repair/replacement costs as DGRI equipment starts to come to end of its useful life, 5 years post build.
Active	Pays Non Pays	Increasing demand on ICES equipment within community.
Active	Income	Income levels continue to be lower than pre-Covid-19 levels.

In addition, there are a number of risks which have not yet materialised and require to be considered as part of the 3 year financial planning process. These are detailed below for awareness at this stage.

Active/ Transferred / Closed	Area affected	Risk Identified but not quantified
Active	Pays	Exit strategies for Covid costs do not materialise
Active	Pays Non Pays	Elective recovery is not contained within the funding envelope received.
Active	Pays	Any impact identified through the review and implementation of Band 2–3 Healthcare Support Worker grievance.
Active	Pays	Any impact identified through the review and implementation of the nursing workforce tools and safer staffing legislation.
Active	Pays	Medical locum costs continue to be a significant ongoing financial risk associated with maintaining safe levels of medical staffing particularly in DGRI and Galloway Community Hospital, service reviews are likely to identify a pressure in excess of funding available.
Active	Non Pays	Activity charges from other providers remains difficult to forecast and agreement is yet to be reached on the uplift level for 2022/23.
Active	Non Pays	Price impact of wholesale gas which will be seen in future years outstrips that funding increase included in the 3 year Financial Plan.
Active	Pays	Impact of taking on further 2c practice – Southern Machars.
Active	Non Pays	Any change in costing methodology applied by Scottish Government for O365 as a result of the ongoing discussions nationally.

Active/ Transferred / Closed	Area affected	Risk Identified but not quantified
Active	Non Pays	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.
Active	Pays Non Pays	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 recurring financial gap.
Active	Pays	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 Manager's budgets resulting from 2 years of average protected payments due to Covid-19.
Active	Non Pays	Any additional PPE required for Covid-19 will be funded through Scottish Government and the arrangements with National Services Scotland (NSS).
Active	Non Pays	Number of regional and national business cases which may be excess of the Financial Plan funding set aside.
Active	Non Pays	Continuation of inflationary not supported by additional baseline uplift including waste, clinical waste, food, laundry service, service contracts, unitary charge payments, estates materials, estates work packages and fuel.
Active	Non Pays	Growth in DGRI business case not factored into future Financial Plans, half ward due to be recurrently funded in 2026. Currently open to deal with activity pressures.
Active	Non Pays	Continued growth in medicines both price and volume in excess of funding set aside within financial plan.
Active	Pays	Staff wellbeing funding does not continue to be received from Endowments and service is still deemed to be required.