



Dumfries and Galloway
IJB Finance, Performance and Quality Committee

5th July 2023

This Report relates to
Item 5 on the Agenda

Financial Recovery Plan Update

Paper presented by Katy Kerr

For Approval

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List of Background Papers:	Not required
Appendices:	Appendix 1 – Scottish Government letter: Financial Plan - tailored support Appendix 2 - Details of Recurring Efficiency Plans to Date Appendix 3 - 4T'S Cost Pressure Review Template

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 provides an update to the IJB Finance, Performance and Quality Committee of the work currently underway on the 2023/24 financial position.

2. Recommendations

2.1 The IJB Finance, Performance and Quality Committee is asked to:

- Take assurance on the processes in place to deliver the Financial Plan within a minimum of £25m deficit recognising the continued level of pressures within the system.

3. Background and Main Report

3.1 Background

- 3.2 The IJB approved the 2023/24 Financial Plan on 26th April 2023 as per Table 1 below.

Table 1

Approved Financial Plan	2023/24		
	Council £000s	NHS £000s	Total £000s
Recurring Deficit carried forward	0	(22,004)	(22,004)
Adjustments to Recurring Deficit carried forward	(154)	(3,900)	(4,054)
Brought Forward Deficit (Adjusted)	(154)	(25,904)	(26,058)
Uplift Planning Assumptions	(4,450)	(13,239)	(17,689)
Funding for external decisions	(923)	(985)	(1,908)
Funding for internal decisions	(1,275)	(1,500)	(2,775)
Activity and Other Cost Pressures	(5,703)	0	(5,703)
Further Pressures identified	(12,351)	(15,724)	(28,075)
Additional Funding anticipated from Scottish Government	3,242	7,300	10,542
Recurring budget to offset savings	3,307	0	3,307
Recurring Savings targeted	4,000	5,160	9,160
Offset by anticipated recurring sources/reductions	10,549	12,460	23,009
2023/24 Target Recurring Deficit	(1,956)	(29,168)	(31,124)
Non-Recurring Directorate Overspends	0	(8,015)	(8,015)
Further Non-Recurring Pressures identified	0	(8,015)	(8,015)
Non-Recurring Savings targeted - cover o/spends	0	8,015	9,971
2023/24 Non-Recurring Savings targeted - balance of 3%	1,956	4,040	4,040
Offset by anticipated non-recurring sources/reductions	1,956	12,055	14,011
Target In-year Position	0	(25,128)	(25,128)
Repayment of prior year overspend	0	0	0
Target In-year Position (Adjusted)	0	(25,128)	(25,128)

- 3.3 The Financial Plan continues to show a significantly worsening position and is unlikely to show a balanced plan over a number of years. The individual elements of the current Financial Plan have not materially changed from that previously presented, the worsening of the position is primarily as a result of inflationary pressures over and above base uplift expected.

3.4 The NHS Director of Finance and Chief Executive met with the Scottish Government (SG) Director of Health Finance and Governance on 17th April 2023 to discuss the NHS Financial Plan and several follow up meetings have taken place. As a result, SG have confirmed in writing that they will be providing tailored support to NHS Dumfries and Galloway in the year ahead.

3.5 Tailored support is described as a collaborative arrangement between SG and the NHS Board which has an end objective of assisting the NHS Board to develop and implement a robust Financial Recovery Plan. The approach follows four stages (Diagnosis, Planning, Delivery and Implementation) and aims to identify the key areas where there are opportunities to improve the finance position of the NHS Board and the support required to develop and implement the required actions. A copy of the full letter is attached as **Appendix 1**.

3.6 Main Body of the Report

3.7 A significant amount of work has been underway in preparation for the 2023/24 financial year and this paper looks to set out progress updates against various elements.

3.8 There are four key numbers which are the focus of the current work along with continuing to strengthen financial governance and financial control.

Inflationary Pressures

Table 2

IJB Inflationary Pressures	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
2022/23 Inflation pressure b/fwd	322	4,640	4,962
2023/24 Uplift Planning Assumptions	4,450	13,239	17,689
Additional costs built into the plan	4,772	17,879	22,651
2022/23 unused funding to offset b/fwd	(168)	(2,140)	(2,308)
2023/24 Additional Funding anticipated from SG for inflation/pay related cost	(2,650)	(5,900)	(8,550)
Funding used to offset costs	(2,818)	(8,040)	(10,858)
Net Pressure	1,954	9,839	11,793

3.9 Inflationary pressures are a key driver within the 2023/24 Financial Plan and accounts for an overall pressure above funding of £11.8m; this excludes any potential impact of the pay award as the planning assumption is currently that this will be fully funded.

3.10 The Finance team as part of their ongoing work will be looking to re-assess the assumptions used in preparing the Financial Plan to minimise the impact of inflation and therefore reduce this pressure. The approved Financial Plan includes provision for all planning assumptions, however, funding will only be distributed based on actual inflationary pressure within the system, with the Financial Plan funding being the upper cap applied.

Recurring Savings

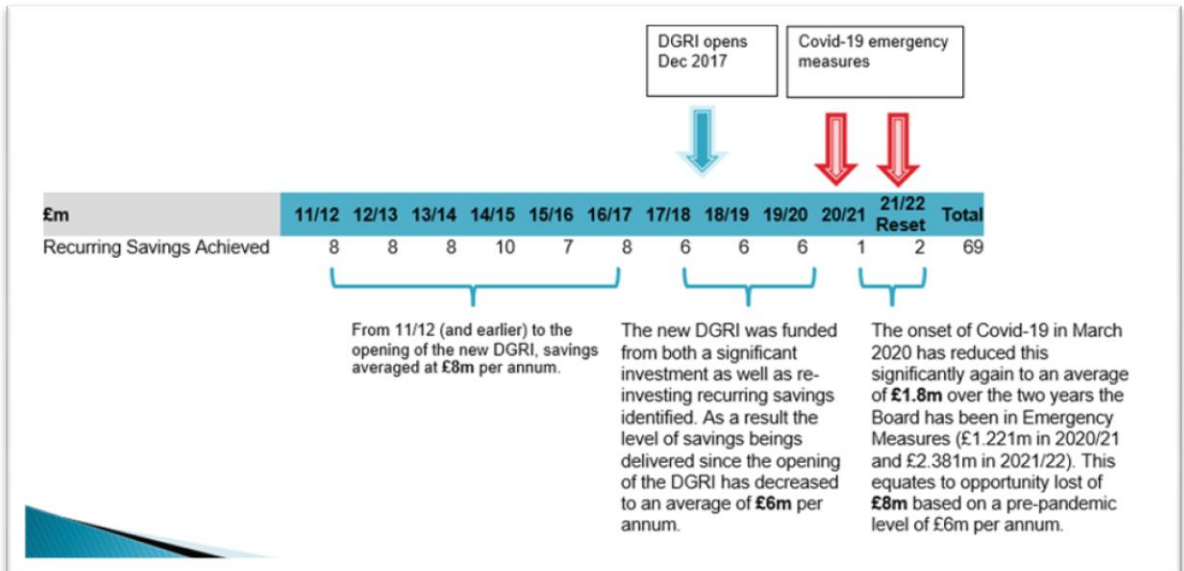
Table 3

IJB Recurring Savings Target	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
Recurring Savings Target Set	4,000	5,160	9,160

3.11 The budget delegated from the Council is not sufficient to cover costs anticipated in year and a recurring savings target of £4m has been allocated. This is far in excess of any level of savings required in previous years. A detailed savings plan was agreed at the IJB recognising that significant work would be required to translate the plans into deliverable savings opportunities ensuring that the appropriate assessment is undertaken to review the wider impact of any savings.

3.12 The NHS Board as part of its earlier work on the Financial Recovery Plan approved a total recurring savings target of £6m per annum based on the value being delivered post DGRI occupancy but pre Covid-19 as per the table below, the delegated share of this being £5.16m.

Table 4



3.13 The planning assumption provided by SG as part of the NHS Financial Plan process is a 3% target; this is equivalent to £11m for the NHS Board per annum with the delegated share being £9.2m.

3.14 These assumptions were re-tested at Financial Recovery Board and then at an NHS Board workshop as part of the 2023/24 financial planning process and it was agreed that the £6m remained significantly challenging as a target and that £11m was considered achievable. It was agreed that the shortfall between the two targets would require to be delivered in-year on a non-recurring basis. The Board submitted its Financial Plan to SG on this basis.

3.15 Taking account of both the Council and NHS recurring savings targets set within the Financial Plan, the partnership require to deliver £9.16m; the table below sets out the various programmes of work for delivery, further detail of the types of schemes identified to date for potential delivery are included in **Appendix 2**.

Table 5

IJB Approved Financial Plan		2023/24		
		Council Delegated £000	NHS Delegated £000	IJB Total £000
Target	Description	4,000	5,160	9,160
Medicines reduction	Target efficiency savings to reduce spend to below 2022/23 budget levels. Medicines transformation workstream has been established led by the Director of Finance/Chief Finance Officer and the Director of Pharmacy to identify savings schemes which will deliver during 2023/24 and beyond and also to develop a rolling programme of future year schemes. This group meets on a monthly basis, reports into Health and Social Care Leadership Group (H&SCLG) and more regular reporting will be established to provide assurance on delivery of savings. To date, about 50% of the target has been identified.	0	3,000	3,000
Estates and Digital from capital investment	There has been significant investment in our estate and digital infrastructure. This workstream considers work to capture the benefits from this investment and deliver cash efficiencies. This includes review of telephony, property disposals and introduction of digital solutions to deliver efficiencies.	0	1,000	1,000
Service Reviews at local level	A target has been set to focus on wider service review across the various operational and corporate directorates. The detailed plans underpinning this target are being worked through by the General Managers and Directors.	4,000	1,160	5,160
In Year Targeted		4,000	5,160	9,160
Over/(Under) Achieved if delivered		0	0	0

3.16 At this time, the IB still do not have sufficient schemes to deliver the £9.16m recurring target. Work continues with the Delegated budget holders to identify further schemes. Any shortfall on the delivery in-year will require to be met non-recurringly as in the previous year to remain within the approved overall Financial Plan.

Non-Recurring Savings

Table 6

IJB Non-Recurring Savings Target	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
Savings balance to be delivered N/R	1,956	4,040	5,996
N/R Directorate Overspends	0	8,015	8,015
	1,956	12,055	14,011

- 3.17 Non-recurring flexibility of £6m is required to deliver the remaining balance of the 3% efficiency target expected by SG for NHS budgets and the shortfall on the Council recurring savings plans. In addition, in-year directorate overspends are forecast at circa £8m and these will also require to be covered if they materialise. It is prudent at this time to assume they will materialise, however, there is an expectation through the cost containment work described in the next section that several of the overspends will reduce in value. The target for non-recurring will remain regardless of the work on reducing the expenditure and will support any risk on the recurring plan initially or ideally reducing the in-year forecast deficit.
- 3.18 There are a range of initiatives which are being progressed for delivery in-year and these are being managed through the workstreams described later in the paper. At this stage, there is a shortfall on the plan, however, this is not being escalated as a risk at this stage; this will be reviewed again as part of the mid-year review process.

Table 7

IJB Approved Financial Plan	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
3% balance/balance of recurring target	1,956	4,040	5,996
Mountainhall beds open - unfunded	0	1,515	1,515
Directorate overspend estimate	0	6,500	6,500
Target	1,956	12,055	14,011
Service reviews	0	3,700	3,700
Supplementary Staffing review	0	1,000	1,000
Vacancy factor for substantive posts	0	4,000	4,000
3% Cost Containment reduction from 2021/22	0	750	750
Technical adjustments	0	0	0
Use of IJB reserves	1,956	0	1,956
In Year Targeted	1,956	9,450	11,406
Over/(Under) Achieved if delivered	0	(2,605)	(2,605)

Cost Containment review

Table 8

Approved Financial Plan - Cost Containment	2023/24		
	NHS Delegated £000	NHS Corporate £000	NHS Total £000
Adjustments to Recurring Deficit carried forward (excluding inflation)	1,500	0	1,500
2023/24 Financial Plan pressures identified	2,485	2,435	4,920
N/R Directorate Overspends	8,015	0	8,015
	12,000	2,435	14,435

- 3.19 A key piece of the work for 2023/24 Financial Plan is to minimise directorate pressures by reviewing all existing and future cost pressures (regardless if a funding source has already been identified) using the 4Ts approach (Terminate, Treat, Transfer, Tolerate). The aim is to reduce the costs being incurred and therefore reduce the pressure on both the recurring Financial Plan and to minimise non-recurring flexibility required to offset the pressures. An indicative estimate of £14m is shown above, however, this will require to be re-assessed.

- 3.20 The General Managers are currently pulling together templates for submission. The purpose of the template is to review the current or future cost pressure from the perspective of the 4Ts model that was developed in 2022/23 as a way of considering what options were available to deal with an unfunded cost.
- 3.21 A progress report on the output of this work will be provided in the next update to IJB, Finance, Performance and Quality Committee. A copy of the template being populated is attached as **Appendix 3** for reference. This template will be required for all new emerging cost pressures moving forward.

Financial Control

- 3.22 As a publicly funded organisation, there is a responsibility to ensure that expenditure is only incurred in a way which represents value for money, taking into account potential risks to regularity and propriety. There is always a fine balance to manage; it will not always be possible to curtail expenditure when trying to ensure the appropriate balance between quality, sustainability and cost. Financial control should ensure that the most efficient use of the resources we pay for is at the forefront; expenditure should be needs not wants and should always be considered, not passive.
- 3.23 Financial control has traditionally been overseen by Finance Managers and their teams working with Directorates on their individual Financial Plans and how to deliver the required services within delegated budgets whilst complying with the Scheme of Delegation (SOD), Standing Financial Instructions (SFIs), Financial Regulations, policies and procedures. The delegated budget holder ultimately holds responsibility for the decision on expenditure within these rule sets.
- 3.24 Scrutiny at a Directorate level has always been through monthly finance meetings and being part of the directorate operational arrangements. The financial position is reviewed at quarterly intervals where there is an opportunity to explain any movement in forecast or emerging cost pressures.
- 3.25 Formal scrutiny is through the mid and annual performance review cycle which finance is a standing agenda item as part of the balanced scorecard approach; there was a pause to these reviews during the pandemic and these have now resumed.
- 3.26 To further strengthen financial control arrangement for 2023/24, a financial framework for decision making has been developed for budget holders. This sets out the rules around operating within a budget, the process for accessing additional SG allocations and the process which requires to be followed when seeking additional funding locally. H&SCLG have agreed to adopt the framework and breaches will be escalated appropriately.
- 3.27 Part of the financial framework is the requirement for a standardised finance template to be completed for any funding requests; which ensures that the Finance Manager has been fully engaged in the development of the case and the information being presented is consistent.

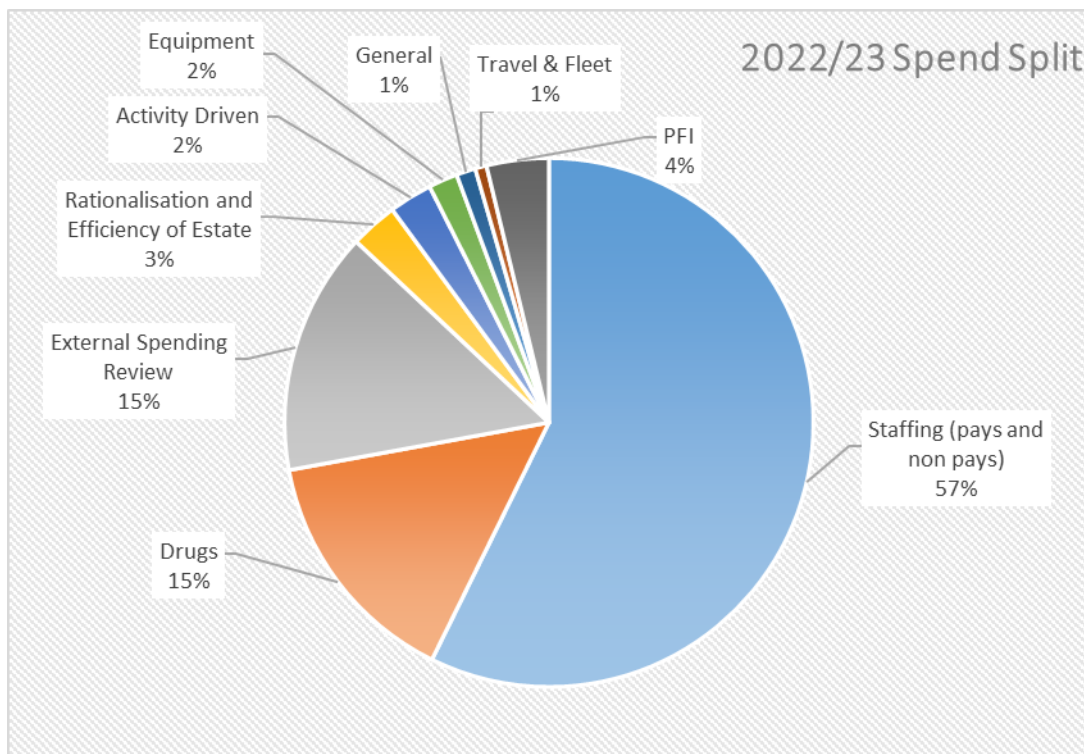
2023/24 Finance Scrutiny Workstreams

- 3.28 Over the last two years as we have looked to further understand our financial deficit and to start minimising our expenditure, it has been useful to take a “helicopter”

view of expenditure to identify areas of future focus rather than always looking at expenditure through a Directorate “lens”. This has included looking at 5 year expenditure trends to identify collective spend areas that could be targeted for potential cost reduction opportunities if new area wide protocols were to be put in place.

3.29 A summary of the NHS Board spend for 2022/23 is shown below against the various spend elements identified. There has been no significant shift over the last two years of the composition previously presented as part of the Financial Recovery Plan. This is useful information to use to inform where savings can be delivered from.

Table 9



3.30 Having reviewed the expenditure streams, it was agreed that for 2023/24 rather than having a number of small groups it would be easier managed through three main workstreams; staffing, medicines and non-pays.

3.31 The role of the workstreams will be to apply scrutiny at an organisational level to identify efficiency opportunities, tighten up on inconsistent behaviours across directorates, and develop new protocols for financial control with a view to reducing expenditure. The workstreams will also oversee any recurring or non-recurring savings target that has been allocated within that area of expenditure to ensure that targets are being delivered. Where appropriate, the output of the 4Ts cost pressures work will also link through the workstreams.

3.32 These workstreams have commenced through the NHS with the ambition to implement across the whole of the Partnership and into Social Work services but this will take some time to work through.

Table 10

Workstream	Lead	Frequency
Staffing	Deputy Director of Finance Deputy Chief Operating Officer	Monthly

Medicines	Director of Finance Director of Pharmacy	Monthly
Non-Pays	Deputy Director of Finance General Manager - Ehealth	TBC - Not yet started

3.33 The three workstreams report directly to the Financial Recovery Board who have responsibility for approving revised protocols identified by the workstreams. There is also a reporting line up to H&SCLG and through to the NHS Performance and Resources Committee and the IJB Performance, Finance and Quality Committee as part of the regular finance update paper.

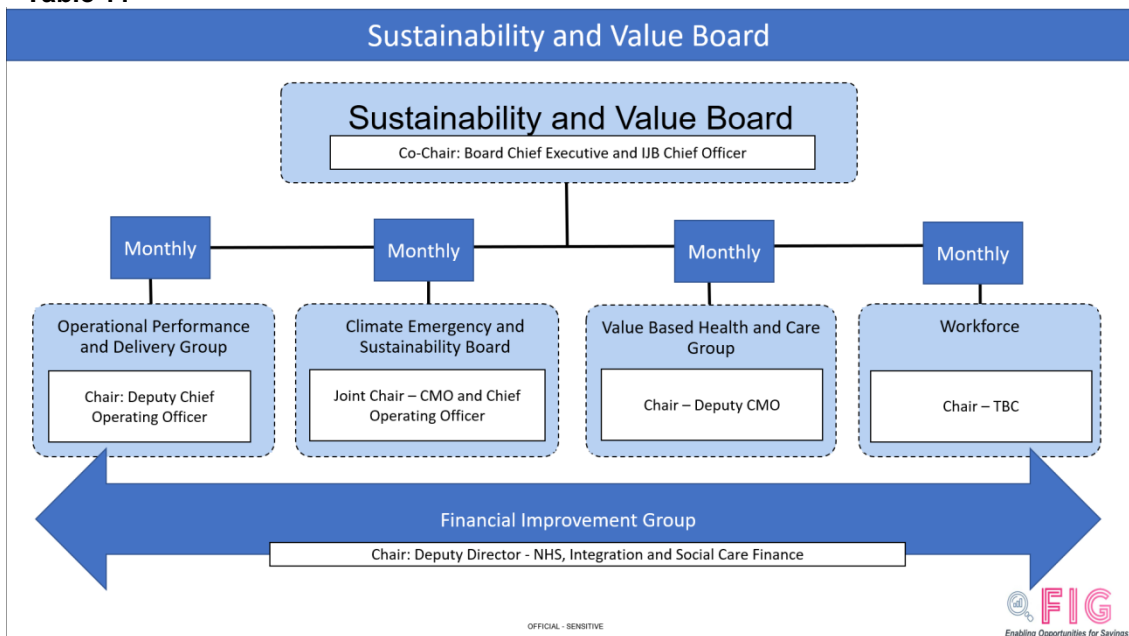
3.34 In addition to the three main workstreams, a desktop review of external contracts will be carried out by the Finance team to ensure that there is a clear understanding of the expenditure being incurred on health and social care services through other providers and to identify any opportunities which need further explored through the directorates. This will be started in the second half of the financial year.

3.35 Costs incurred on the estate will be picked up through the work being undertaken on the savings target for estates and digital. The expectation is that the NHS Strategic Capital Programme Board will have oversight of this area of expenditure, led through the Director of Finance.

SG Sustainability and Value

3.36 At the same time as developing our local arrangements, the SG have developed their approach to improvement through the Sustainability and Value Workstream as per the diagram below:

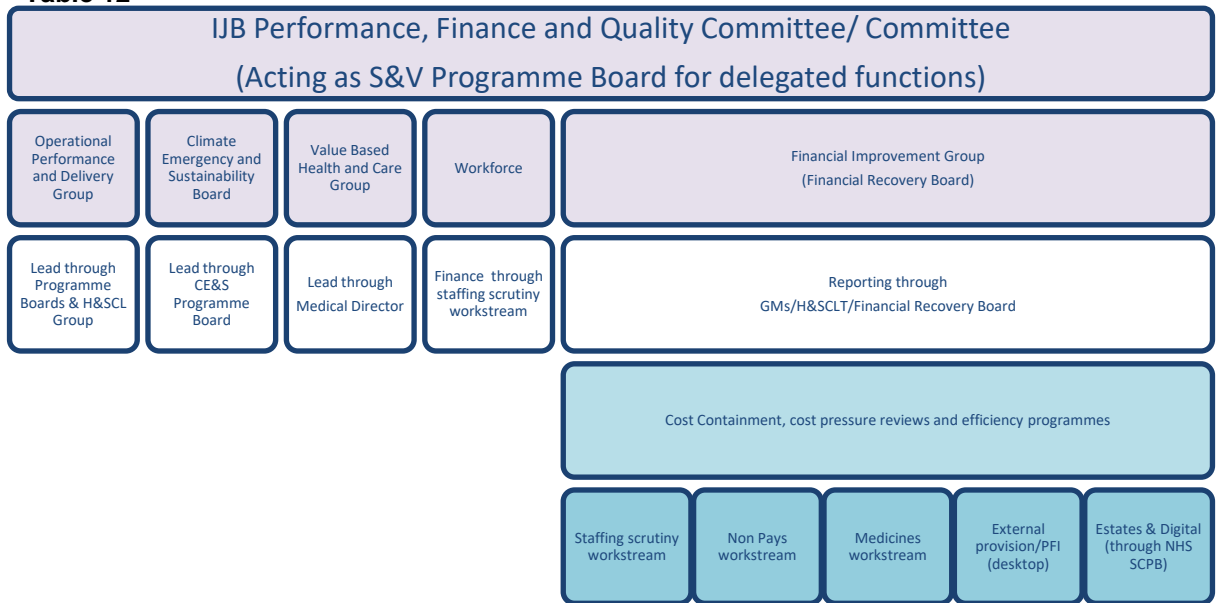
Table 11



3.37 All Boards are required to have in place structures to support this work. From a finance perspective, our existing arrangements through Financial Recovery Board will continue and all work identified from the SG will flow through to the relevant workstream for review. Updates to Performance and Resources Committee on the Finance element of the work will continue through the regular finance updates.

3.38 A summary of the IJBs reporting arrangements are shown below:

Table 12



Allocations

3.39 There continues to be a level of risk associated with SG allocations both in the time taken to issue allocations and the assumptions around indicative values. The Finance team are working closely with SG colleagues to minimise the risk.

3.40 Currently the NHS Board has not had confirmation of the funding that will be made available for the 2022/23 and 2023/24 pay awards; the current planning assumption is that this is fully funded, however, this remains a risk until concluded.

Communication

3.41 At the May 2023 meeting of Financial Recovery Board, it was agreed that a communication strategy was required. The Financial Plan has already been presented at NHS Board, IJB, H&SCLG, Board Management Team (BMT), General Managers and a range of management teams but it was felt that a more formal communication plan was required to go out to the wider organisation about the scale of the challenge and the steps being taken to minimise expenditure while seeking service re-design to deliver recurring savings. This is being developed through the Chief Officer and Chief Finance Officer to commence during July 2023.

4. Conclusions

4.1 A significant amount of work is underway within the partnership to ensure delivery of the various elements within the approved 2023/24 Financial Plan and to continue to minimise the requirement for NHS non-recurring SG funding support.

4.2 As the NHS Boards enter SG tailored support, it will be required to further review the assumptions made within the 3 year Financial Plan. IJB, Finance, Performance and Quality Committee will be kept updated through regular finance reports on the work being undertaken.

5. Resource Implications

5.1. Financial implications are detailed throughout the content of this report.

- 5.2. The financial position of the IJB is dependent on the funding allocations received from the Council and the Health Board. The financial pressures facing the IJB are unprecedented and reflective of both inflationary and demand pressures which are being seen across all sectors. Funding allocations do not meet these pressures and hence the significant levels of savings required and the underlying deficit in the NHS delegated budget, making it difficult to set a balanced budget. The financial strategy included within this report includes a significant use of the IJB reserves. This reduces our flexibility moving forward but is a realistic position as a result of where we find ourselves financially.
- 5.3. Work will continue to develop a financial strategy over the short and medium term which will respond to future challenges. This budget doesn't make any provision for potential changes in service delivery models which are currently being developed by the Partnership and we will need to work closely with our NHS and Council partners to provide funding solutions or agreed disinvestment strategies to allow for any future investments.
- 5.4. Financial Recovery Board will continue to identify ideas and opportunities to bring the NHS Board closer to in-year financial balance, however, it should be recognised that at this stage the NHS Board will not be able to deliver break-even and will require to pay back any non-recurring support received.

6. Impact on Integration Joint Board Outcomes, Priorities and Policy

- 6.1. This report describes the financial allocation and budgets made available to the Integration Joint Board for 2023/24 by Dumfries and Galloway Council and NHS Dumfries and Galloway and outlines the financial pressures on health and care services and the measures identified to address the financial challenges. It also sets out the implications for the priorities identified in the Strategic Plan.

7. Legal and Risk Implications

- 7.1. The Chief Finance Officers duties require a balanced budget to be set. Directions will require to be issued in line with the legislation.
- 7.2. The integration scheme sets out the financial arrangements between the parties and can be found here <https://dghscp.co.uk/wp-content/uploads/2021/09/Revised-Integration-Scheme-Dumfries-and-Galloway.pdf>
- 7.3. Whilst this budget includes known financial pressures, at the time of drafting the report there remains considerable financial risk in the position including, Local Authority Pay Award for 2023/24 and associated funding, National Care Home Contract uplift for 2023/24, Inflationary and activity pressures.
- 7.4. It is recognised that any savings initiatives which require change to charging and other similar policies will require to be completed in partnership with the Local Authority.
- 7.5. The volatility of the drugs market supply, demand for services, cost of living crisis and inflation continues to represent a considerable risk to the IJB. With this level of risk, the IJB will need to keep its financial strategy under review. The financial risk will be monitored during 2023/24 and reported through the financial performance reports to the IJB and through the IJB Audit, Risk and Governance Committee.

8. Consultation

- 8.1. In line with the Integration Scheme, the Chief Officer and Chief Finance Officer has fully engaged with Dumfries and Galloway Council's and NHS Dumfries and Galloway's budget setting process which determined the funding allocations delegated to the IJB for 2023/24.
- 8.2. The continual re-assessment of the plan takes place through the monthly Health and Social Care Leadership Team and also through the General Managers who are responsible for developing savings plans across the Directorates.

9. Equality and Human Rights Impact Assessment

- 9.1. This report includes proposals against which projected savings targets have been applied. The activity to achieve the proposed savings will be carried out with a focus on equalities and the extent to which any subsequent change to policies and services. Impact assessments will be required for proposals once they are sufficiently developed.

10. Glossary

4T's	Terminate, Treat, Transfer, Tolerate
BMT	Board Management Team
CASS	Council Care at Home Service
CHSC	Community Health and Social Care
CML	Chronic Myelogenous Leukaemia
CSSD	Central Sterilisation Services Department
H&SCLG	Health and Social Care Leadership Group
ICES	Integrated Community Equipment Service
IJB	Integration Joint Board
LD	Learning Disability
LTHW	Low Temperature Hot Water
MH	Mental Health
MTC	Mountainhall Treatment Centre
N/R	Non-recurring
PAS	Patient Access Scheme
PD	Physical Disability
SFIs	Standing Financial Instructions
SG	Scottish Government
SOD	Scheme of Delegation

Dumfries and Galloway Integration Joint Board



DIRECTION - TBC

(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	