



Dumfries and Galloway
IJB Finance, Performance and Quality Committee

13th April 2023

This Report relates to
Item 5 on the Agenda

Draft Financial Plan and Budget for 2023/24

Paper presented by Katy Kerr

For Approval

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List of Background Papers:	Not required
Appendices:	Appendix 1 – Draft Savings and Cost Reduction Plans

Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	
	2. Dumfries and Galloway Council	
	3. NHS Dumfries and Galloway	
	4. Dumfries and Galloway Council and NHS Dumfries and Galloway	X

1. Introduction

- 1.1 This report outlines the revenue budget for Dumfries and Galloway Integration Joint Board for 2023/24 and the budget available for service commissioned from NHS Dumfries and Galloway and Dumfries and Galloway Council.

2. Recommendations

- 2.1 **The IJB Finance, Performance and Quality Committee is asked to:**
- **Note the contents of this report.**
 - **Acknowledge the recurring deficit position of the NHS Delegated budget and the ongoing discussions between the NHS Board and Scottish Government.**
 - **Note the financial estimates and savings plan as set out in the draft Plan.**
 - **Support the submission to the IJB of the draft Financial Plan for 2023/24 for approval at the meeting on the 26th April 2023.**

3. Background and Main Report

3.1 Background

- 3.2 This paper presents the budget position for the IJB for 2023/24 and reflects the allocation of resources from the partner agencies to the IJB in the context of the agreed Scottish Government budget for 2023/24, and the respective financial settlements to Local Authorities and NHS Board. The paper to the Finance, Performance and Quality Committee reflects the draft Financial Plan position for discussion by members in advance of a final draft being presented to the IJB on the 26th April 2023.

- 3.3 The year end financial position for 2022/23 is in the process of being concluded and a further update with the final position will be presented to the June IJB meeting. A break-even position will be achieved following the additional non-recurring support (brokerage) received from Scottish Government for the NHS overspend. The Council delegated service is projected to deliver a balanced position. The position is subject to external audit review which will be reported through the IJB's Audit, Risk and Governance Committee.

3.4 Main Body of the Report

Summary Financial Plan

- 3.5 This report details the opening Financial Plan position for Dumfries and Galloway Integration Joint Board for 2023/24. The table below summarises the overall position presented by the Chief Financial Officer. This confirms the overall assessment of the financial position, pressures, allocations and savings requirement for the financial year 2023/24.

Table 1 – Summary Financial Plan 2023/24

Draft 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)
N/R Directorate Overspends	0	(8,015)	(8,015)
Further N/R 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)

- 3.6 It is confirmed that the recurring deficit brought forward from 2022/23 has been reviewed and has been confirmed as £26m as per the table below. This is after adjusting for known pressures which were not reflected in the opening position. These are set out in the table below.

Table 2 – Financial Plan pressures

	Council £000s	NHS £000s	Total £000s
Drugs		(3,000)	(3,000)
Energy		(1,507)	(1,507)
Non-Pays 10% inflation		(1,533)	(1,533)
2022/23 Pay Award shortfall	(322)		(322)
	(322)	(6,040)	(6,362)
2022/23 NI Retained	168	1,543	1,711
2022/23 Plan funding not utilised - contingency		97	97
2022/23 Plan funding not utilised - drugs horizon scanning		500	500
	168	2,140	2,308
	(154)	(3,900)	(4,054)

- 3.7 All areas of the 2022/23 Financial Plan where additional investment was targeted have been reviewed and has been identified as unallocated and available to reduce the recurring deficit. This in the main relates to pay award and cost pressure estimates which did not materialise during the year.

3.8 The opening plan has recognised the exceptional inflationary pressures we have seen across all of our services but especially medicines and energy costs whilst general inflation in a range of other areas is running at 10% at least.

Financial Allocations for 2023/24

3.9 A total of £10.542m in additional recurring funding has been received from the NHS and Council through their budget settlements. This includes baseline inflation uplift for NHS of 2% plus additional resource for the New Medicines Fund of £1.4m. Resources were provided to Councils to uplift budgets to Health and Social Care Partnerships (HSCPs) and reflects a total of £3.242m as set out in the table below.

Table 3 - Council Funding Settlement to IJB's 2023/24

	National Total £000s	Share	D&G Position £000s
Scottish Living Wage £10.90	100,000	3.31%	3,307
Free Personal Care	15,000	3.95%	593
Interim care	(20,000)	3.27%	(657)
Settlement 2023/24	95,000		3,242

3.10 In addition to the baseline funding noted above, there are a number of recurring and non-recurring allocations which are currently anticipated; at this time these have not been included in the plan on the basis that they will come with conditions on what they must be spent on and will therefore not impact on the overall Financial Plan.

3.11 For 2022/23, additional funding was received from both the NHS and Council for the pay settlements which were agreed at a level beyond the public sector pay policy. It is anticipated that this will also be the case for 2023/24. At the time of writing this budget, the Agenda for Change for NHS has been settled but the Local Authority and the Doctors and Dentists uplifts remain outstanding. It is assumed that the additional cost of all pay uplifts will be fully funded but are not presented in the numbers included in this paper.

3.12 In addition to the above, there are a number of national priorities which are funded from ring fenced funding. This includes Mental Health Renewal and Recovery, Action 15, Primary Care Improvement Fund, Alcohol and Drug Partnership Funding. Whilst we are not expecting future years funding to increase we are in discussions about support for pay uplifts, retention of reserves and maintenance of prior year spending levels. Clarification on a number of matters is anticipated.

3.13 From an overall perspective, Scottish Government continue to look at where they can provide allocations on a recurring basis or at least bundle allocations together to ensure that the Boards have as clear an opening position as possible. We have assumed no impact in year associated with this position.

3.14 There are specific risks within allocations remaining around our assumptions for Covid-19 costs. The planning letter noted that although costs had reduced significantly in 2022/23 and projected to reduce further in 2023/24, there was recognition that there are specific legacy costs that will require additional funding support in the new financial year. This includes funding for:

- Vaccinations staffing and delivery;
- Test and Protect activities including Regional Testing facilities;
- Additional Personal Protective Equipment (PPE) requirements; and
- Some specific Public Health measures.

3.15 Scottish Government are seeking to provide early clarity as to the total funding to be provided to support these costs, with confirmation of vaccination funding already received. However, beyond these areas, NHS Boards and Integration Authorities have been advised they should expect to meet remaining costs from baseline funding and should continue to drive these costs down as far as possible. Our current planning assumption is that costs of circa £4m will be funded centrally, until the allocation is received there is a risk that this is not sufficient to meet costs.

3.16 The remaining legacy costs have been built into the 2023/24 Financial Plan and work is ongoing as part of the wider review of existing costs to re-assess the longer term requirement of this funding.

Pay and Prices Pressures 2023/24

3.17 A review of the areas within the IJB that require funding to be applied has been completed and is set out below:

- Pay Awards have been forecast based on the Scottish Public Sector Pay Policy, any change will be revisited by Scottish Government in line with the outcome of pay negotiations.
- The Scottish Living Wage will increase from £10.50 to £10.90 from 1st April 2023. This increase (including on costs) amounts to 3.8%. The overall increase to care at home rates includes a non-pay element with overall uplift expected to be in the region of 4.49%.
- There are a significant range of inflationary factors impacting on potential non-pay costs and these have not all been factored in at full estimated cost given the affordability gap. In addition to general price inflation, drugs, energy, service contracts, rates and food are all running in excess of the funding provided within the baseline uplift. Global sum estimates have been built in which can be drawn from during the year as pressures materialise.
- A provision has been built in across all years for increased costs for new drugs and national and regional business cases have been included, there is little the Board can do to influence these costs when they are received.
- The National Care Home Contract is agreed nationally, based on the same living wage increase to providers. This remains subject to national negotiations with the latest known position likely to increase financial pressure in year for Dumfries and Galloway by £150k.

3.18 In summary the costs associated with all pay and prices inflationary uplifts are set out in the table below:

Table 4 – Pay and Price Planning Assumptions

Draft Financial Plan	2023/24			
	Uplift %	Council Delegated £000s	NHS Delegated £000s	Total H&SCP £000s
Pay Uplifts - Agenda for Change * this is not updated for recent agreed pay award	2.0%	0	(3,468)	(3,468)
Pay Uplifts - Medical Staff	2.0%	0	(903)	(903)
Pay Uplifts - Local Authority	3.0%	(637)	0	(637)
Price Uplifts - Care at Home Costs	4.5%	(1,851)	0	(1,851)
Price Uplifts - Sleeping Nights	3.8%	(106)	0	(106)
Price Uplifts - Direct Payment Costs	3.8%	(320)	0	(320)
Price Uplifts - Communities - Housing Support	4.5%	(201)	0	(201)
Price Uplifts - Day Care Services	4.5%	(47)	0	(47)
Price Uplifts - Residential & Nursing	5.6%	(1,873)	0	(1,873)
Price Uplifts - Block	5.6%	(94)	0	(94)
Price Uplift - Income - increase from benefits increases	10.1%	886	0	886
Price Uplift - Vol Org Grants	4.5%	(147)	0	(147)
Price Uplifts - Primary Care Drugs	5.0%	0	(2,090)	(2,090)
Price Uplifts - Secondary Care Drugs	10.0%	0	(2,172)	(2,172)
Price Uplifts - General	7.4%	(30)	(1,776)	(1,806)
Price Uplifts - Energy	31.4%	(30)	(2,086)	(2,116)
Price Uplifts - Rates (based on actual)	-	0	(744)	(744)
2023/24 Uplift Planning Assumptions		(4,450)	(13,239)	(17,689)

2023/24 Savings

3.19 The Scottish Government has set a 3% efficiency target as part of the planning assumptions for NHS Boards. For the Council delegated budget, savings of around £5.956m are required to set a balanced budget. Work has been ongoing to assess how these savings will be delivered through a mixture of cost reductions (management of pressures), identified savings plan (both recurring and non-recurring and also use of IJB reserves. This is set out in the table below with more detail provided in **Appendix 1**. The balance of the savings target will require to be delivered on a non-recurring basis.

Table 5 – Recurring Savings Plans

	Council £000s	NHS £000s	Total £000s
Target	4,000	5,160	9,160
Drugs reduce by 2022/23 growth		3,000	3,000
Estates and Digital from capital investment		1,000	1,000
Service Reviews		1,160	1,160
Savings measures as set out in Appendix 1	6,570		6,570
(reduce to align with potential risk of delivery)	(2,570)		(2,570)
Plan	4,000	5,160	9,160
Overachieved if delivered	0	0	0

3.20 Detailed plans are under development for all areas of savings plans development alongside the finance business partners. At this stage, we have been unable to undertake any consultation with partners and those impacted by the proposed changes so this will be required as part of the process. Regular updates on progress will be provided to this Committee and also the IJB as the plans start to develop. Targets have been identified for the various workstreams, however, further work is required to conclude the detail of the schemes to be delivered. As the schemes develop, both the Health and Social Care Partnership and the Board will need to review and sign off proposals.

3.21 In addition, significant non-recurring savings will need to be identified to find both the balance of the 3% savings target, support any directorate overspend and also support overall balancing of financial position. There remains a gap on the target position moving into 2023/24 but a number of funding sources have been identified to date.

Table 6 – Non-Recurring Savings Plans

Non-Recurring Flex	Council £000s	NHS £000s	Total £000s
3% balance/ balance of recurring target	1,956	4,040	5,996
Directorate O/Spends	0	8,015	8,015
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 21/22	0	750	750
Use of IJB reserves	1,956	0	1,956
Target plan	1,956	9,450	9,450
Unidentified	-	2,605	4,561

3.22 *Activity and Other Cost Pressures*

3.23 A range of other pressures have been identified and have either been built into the plan on a recurring or non-recurring basis:

Table 7 – Activity and other Cost Pressures

Draft Financial Plan	2023/24		
	Council Delegated £000s	NHS Delegated £000s	Total H&SCP £000s
High Cost packages/historic overspend in LD	(3,600)	0	(3,600)
High cost packages MH/PD services	(1,071)	0	(1,071)
Directorate Overspends - OT Aids and Adaptations	(196)	0	(196)
Directorate Overspends - CASS Supply (sickness/AL Cover)	(500)	0	(500)
N/R Directorate Overspends - M/Hall beds	0	(1,515)	(1,515)
N/R Directorate Overspends - Medical locums	0	(5,500)	(5,500)
N/R Directorate Overspends - General	0	(1,000)	(1,000)
Unmet need - 300 hours	(336)		(336)
Directorate Overspends	(5,703)	(8,015)	(13,382)

Reserves

- 3.24 The IJB carried forward reserves of £16.41m into 2021/22 relating to the balance of the ringfenced allocations; increasing to £30.8m by the end of 2021/22.
- 3.25 As part of the Q3 review, a full reforecast of all reserve balances was undertaken to reflect the latest allocation position and our projected spend against each reserve heading identifying any potential flexibility and risks.
- 3.26 The table below sets out the year end forecast position based on our latest estimate of likely spend but will require updating once all allocations are confirmed and the final outturn is known. This will require to be reviewed as the year end is concluded with the likelihood reserves levels will increase due to in year slippage.

Table 8 – IJB reserve position at 31 March 2022

IJB Reserves	2020/21 Actual £'000	2021/22 Actual £'000	2022/23 Forecast £'000
Integrated Care Fund	288	0	0
Mental Health Recovery & Renewal	0	2,352	410
Winter Planning Health & Social Care	0	3,344	1,838
Alcohol and Drugs Partnership	771	1,604	610
Primary Care Improvement Fund	380	2,262	682
Mental Health Strategy - Action 15	253	461	264
Community Living Change Fund	497	497	497
Adult Social Care Winter Plan	3,815	2,228	497
Social Care Fund	2,583	1,679	1,420
Covid-19 Funding/Local Mobilisation Plan	7,824	16,346	0
Total IJB Reserves	16,411	30,773	6,218

- 3.27 There was a request to increase the number of interim care beds that are commissioned to allow for additional capacity to support the reduction in delayed discharges and manage system flow. An additional £400k has been set aside from the winter funding to allow this to continue into the first six months of 2023/24. It is likely that around £2m of these reserves will be required to support the position for 2023/24.

Revenue Budget for 2024/25 and 2025/26

- 3.28 The IJB is operating within an increasingly challenging environment with funding unable to keep up with the pace of increasing demand and costs of services. This represents an incredibly difficult backdrop to deliver our future aspirations and will likely have an impact on what we are able to deliver. The next few years represent the most challenging we have faced and our longer term Financial Plan will need to be evaluated to provide a level of realism around what we can deliver. A longer term financial outlook update will be presented to a future Committee/IJB meeting to provide implications of future financial challenges.

4. Conclusions

- 4.1 The current draft proposed budget for services delegated to the IJB, passes on in full the additional funding from the partner organisations as identified in the Scottish Budget for 2023/24.

- 4.2 The recommendation of the Chief Officer and Chief Finance Officer is to support the budget as set out, recognising the projection of a balanced position for the delegated Council budget and the £25m deficit for the NHS delegated budget and to support the savings and budget strategy as set out in this paper.
- 4.3 The IJB is not projecting a break-even position for the NHS delegated budget and therefore requires to identify further solutions to bridge the current £25m in-year gap. Discussions are ongoing with Scottish Government to confirm in-year brokerage support for the deficit and to provide assurance that all reasonable measures are being taken to manage the position.
- 4.4 This budget makes no allowance for any future developments including any expansion in care at home capacity or support for new commissioning models. Discussions have also been ongoing with partners to support specific capital and non-recurring projects in-year such as the move from analogue to digital, and also to support any other estates and digital improvements for the year. These are expected to be agreed within the first quarter.

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 significance of the savings required and the underlying deficit in the NHS delegated budget which makes 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 potentially 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.

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 budget setting process which determined the funding allocations delegated to the IJB for 2023/24. The funding to support the delegated NHS services are in line with the Financial Plan due to be considered by the NHS Board at its meeting on 17th April 2023 (pending approval of the budget).
- 8.2. The development of the plan has been the outcome of a series of workshops with the Health and Social Care Leadership Team and also through the Community Health and Social Care General Manager who has led the work to develop savings plans across the Directorate including Mental Health and Learning Disabilities services.

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

10.1 All acronyms must be set out in full the first time they appear in a paper with the acronym following in brackets.

CASS	Council Care at Home Service
HSCP	Health and Social Care Partnership
IJB	Integration Joint Board
LD	Learning Disability
MH	Mental Health
NI	National Insurance
NRAC	National Resource Allocation Formula
OT	Occupational Therapy
PD	Physical Disability

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	