



Dumfries and Galloway
Integration Joint Board

27th September 2023

This Report relates to
Item 6 on the Agenda

Financial Performance Update – Quarter One

Paper presented by Katy Kerr

For Discussion and Noting

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List of Background Papers:	Not required
Appendices:	Appendix 1 - NHS Tailored Support Stage 1 letter from Scottish Government Appendix 2 - Risks to the Financial Position

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 2023, Quarter One (Q1) of financial year 2023/24. This position assesses the forecast financial performance for 2023/24 as compared to the original Financial Plan which was approved by the IJB in April 2023. It is recognised the financial position for 2023/24 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 £20.325m, which is an improvement from the opening Financial Plan due to the additional funding received from Scottish Government. There remains considerable risk in relation to the financial position and this is set out in the paper.**
 - **Discussion – The IJB is asked to discuss the issues contained within this paper.**

3. Background and Main Report

Opening Plan for 2023/24

- 3.1 The Financial Plan was approved at the IJB in April 2023 and set out an estimated financial gap of £40.284m for 2023/24. The plan identified savings and additional funding of £15.156m (split £9.16m recurring and £6m non-recurring) which reduced the underlying in-year gap to £25.128m.
- 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 –2023/24 Opening Position

IJB Approved Financial Plan	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
Recurring Deficit carried forward (adjusted)	(154)	(25,904)	(26,058)
Net additional recurring investment required	(5,802)	(8,424)	(14,226)
Total Recurring Deficit Anticipated	(5,956)	(34,328)	(40,284)
Recurring Savings Target Set	4,000	5,160	9,160
Target Recurring Deficit	(1,956)	(29,168)	(31,124)
Savings balance to be delivered N/R	1,956	4,040	5,996
In-year Directorate overspend	0	(8,015)	(8,015)
In-year Directorate N/R flex to cover o/spends	0	8,015	8,015
Target N/R	1,956	4,040	5,996
Target In-year Position	0	(25,128)	(25,128)

- 3.3 The Council delegated budgets are forecast to deliver break-even in-year only through the use of non-recurring unallocated reserve balances. This assumes that all recurring savings are delivered and no further budget pressures materialise as Councils are required to deliver a balanced budget and a significant risk of savings not being delivered recurrently.
- 3.4 The NHS Board has a statutory financial target to deliver a break-even position against its Revenue Resource Limit (RRL), therefore, there has been significant engagement with Scottish Government around the Financial Plan and a recognition that a break-even position for 2023/24 could not be achieved without additional financial support. The Director of Finance and Chief Executive met with the Scottish Government Director of Health Finance and Governance on 17 April 2023 to discuss the submission and several follow up meetings have taken place. As a result, Scottish Government has confirmed in writing that they will be providing tailored support to NHS Dumfries and Galloway in the year ahead. We will consider how this will apply across the whole of the delegated budget so that we operate as if we are in a deficit position.
- 3.5 Tailored support is described as a collaborative arrangement between Scottish Government and the Board which has an end objective of assisting the 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 Board and the support required to develop and implement the required actions.
- 3.6 The NHS Performance and Resources Committee are responsible for maintaining oversight on this work on behalf of the NHS Board. The Diagnosis stage of the process has been completed and sign off by Scottish Government was received on 3 July 2023. A copy of the letter is included as **Appendix 1**. Further updates will be provided to the IJB on this process as they emerge.

Q1 Review

- 3.7 The Q1 review of the 2023/24 Financial Plan has now been completed and the output is detailed in the various sections below.
- 3.8 The Financial Recovery Board (FRB) which meets monthly is responsible for monitoring and identifying any corrective action required to manage the delivery of the in-year position against the approved Financial Plan. This also takes account of the impact of any decision on the 3 year plan and the longer term Financial Recovery Plan.

2023/24 Financial Plan Funding

- 3.9 At the time of drafting the 2023/24 Financial Plan, it was forecast that there would be additional recurring costs of £14.226m in excess of funding available which was mainly attributable to pay and price pressures; limited funding was built into the Financial Plan for additional local pressures.
- 3.10 At Q1 there is no change in this assumption, however, there are a number of risks and opportunities arising which will require to be re-assessed at Q2 as set out overleaf.

Table 2 – Financial Plan Planning Assumptions

Planning Assumptions		Financial Plan Impact
Medical and Dental Pay Award	The pay settlement for junior medical staffing is outstanding.	It is assumed that this is fully funded by Scottish Government allocation.
Agenda for Change (AfC) Pay Offer	The Financial Plan estimate for AfC was based on 2%. This has now been agreed at 6.5% plus a one off payment.	Funding has been received for the AfC pay award, however, this does not cover posts covered by separate allocations. The planning assumption is that there is no impact to the Board on the AfC settlement once all allocations have been received.
Energy Costs	The Financial Plan included an estimate of circa 30% increase for energy prices based on Scottish Government planning assumptions.	Revised estimates being highlighted at Q1 are significantly lower than that identified as part of the Financial Plan and early indications are that there may be a potential £1m reduction in funding requirement. This will be formally assessed at Q2 with a view to adjusting the Financial Plan.
Local Authority Pay Uplift	The Financial Plan included an estimate of 3%. This uplift has yet to be agreed.	Whilst the uplift has yet to be agreed, it has been confirmed that additional funding is expected to be provided to support costs beyond the 3% assumption in the opening plan.

- 3.11 No formal changes to the Financial Plan have been presented as part of Q1 as it is too early to fully assess any potential in-year slippage or additional cost within the opening plan.

Savings Targets Set

- 3.12 Work has been progressing throughout Q1 to assess the deliverability of recurring schemes identified; currently £4.6m of schemes are progressing, leaving an unidentified balance of £1.4m still being sourced. The table below sets out the three areas of focus:

Table 3 – Recurring Savings Plans

	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
Target	4,000	5,160	9,160
Medicines reduction	0	2,740	2,740
Estates and Digital from capital investment	0	681	681
Service Reviews at local level	700	310	1,010
In-Year Identified to date	700	3,731	4,431
Medicines reduction	0	260	260
Estates and Digital from capital investment	0	319	319
Service Reviews at local level	3,300	850	4,150

Balance of Target unidentified to date	3,300	1,429	4,729
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- 3.13 Progress and delivery against the £9.16m target is being overseen through the medicines workstream, Strategic Capital Programme Board, General Managers and through the Leadership Team. At this time, there is not sufficient plans against the service review target, however, work to address this is ongoing and for Q1 no change in the target is being proposed. Work to address savings is still ongoing but is impacted with pressures on staffing resource and overall capacity.
- 3.14 Any shortfall identified on the recurring plans as the year progresses will require to be bridged in-year by identifying further non-recurring savings or further use of IJB reserves.
- 3.15 The balance of the savings target allocated on a non-recurring basis has been identified in full. This aspect of the Financial Plan is now delivered and it is anticipated that in future years, an element of the NHS savings will be delivered on a recurring basis.

Table 4 – Non-Recurring Savings Plans

	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
Target	1,956	4,040	5,996
IJB Reserves – ringfenced for this purpose	1,956	0	1,956
Service Reviews at local level – delivered	0	4,040	4,040
Balance to be delivered	0	0	0

Directorate Forecasts

- 3.16 The Financial Plan assumes that any in-year overspends are covered by identifying additional non-recurring savings, either planned or fortuitous to offset the position and bring the directorate forecasts back to break-even.
- 3.17 There remains a range of cost pressures across the operating directorates and work has been ongoing this year on assessing them through the 4Ts (Terminate, Treat, Transfer, Tolerate) approach and the outcome of this is due to be reported to IJB Finance, Performance and Quality Committee in October 2023.

NHS Delegated Services

- 3.18 At the end of June 2023, the delegated directorates reported a year to date overspend of £2.3m on operational budgets (excluding the recurring deficit and additional Scottish Government funding).

Table 5 – Month 3 Position

	Total	Total YTD		
	Budget £000	Budget £000	Actual £000	Variance £000
Recurring Deficit	(34,329)	(8,582)	0	(8,582)
Add'l SG Funding not for distribution	4,803	1,201	0	1,201
	(29,526)	(7,381)	0	(7,381)
Directorates	380,541	88,615	96,287	(7,672)
Funding for distribution	35,850	5,407	0	5,407
	416,391	94,022	96,287	(2,265)

- 3.19 Although some of the centrally held budgets have been released into the position, there are still a range of Financial Plan provisions and reserves which need to be assessed and released; this is likely to be overstating the overspend at Month 3.
- 3.20 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, as well as higher levels of inflationary pressures being experienced within non-pays.
- 3.21 Locum costs continue to be a pressure in-year with £5m expenditure across Acute, Women and Children's and Mental Health Directorates, a continuing theme from 2022/23. Although costs are in part being offset by vacancies and the release of the centrally retained locum funding, there is still a significant overspend developing.
- 3.22 The majority of locum expenditure is within medical, however, increases in nursing and Allied Health Professionals (AHPs) are now also materialising as a result of operational pressures.
- 3.23 The locum workstream which reports to FRB continue to look at the pressures within agency at an organisational level and identify longer term solutions. An in-year target of a £1m reduction has been set for the Acute and Diagnostics Directorate and this is being achieved, although there are other new costs emerging which mean the overall expenditure is not coming down.

Council Delegated Services

- 3.24 At the end of June 2023, the delegated directorates are projecting a £4.9m overspend before allocation of reserves or forecast delivery of savings. Much of this aligns against the opening plan with £1.9m assumed to be released from reserves and an estimated savings delivery of £4m but there are a range of risks which remain.
- 3.25 The position is made up of the following:
- Adult services £380k overspend – Council Care at Home Service (CASS) and Occupational Therapy (OT) aids and adaptations pressures.
 - Learning Disability (LD)/Physical Disability (PD) and Mental Health (MH) care budgets £6.6m over – a range of savings are anticipated in these areas which have seen a gradual but significant increase in the cost of care and in particular the use of high-cost agency placements.
 - Older people £2m underspend – due to a reduction in the use of care homes coupled with limited but increasing availability of care at home.
- 3.26 There are a range of risks in the council position including activity and material increases to aids and adaptations and care and repair budgets which will require budgetary control measures to be put in place. The continued use of high cost agency placements are impacting on the savings identified in this area to date.

Allocations

- 3.27 The 2023/24 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; this is included in the risks captured in the section later on in this report.

Q1 Summary

- 3.28 The Q1 assessment has concluded that, at this early stage, the IJB is unable to move from the opening forecast with the exception of the additional funding received by the NHS from Scottish Government of £4.8m reducing the in-year deficit to a forecast £20.325m. This assumes no worsening of the operational directorate forecasts or unmet need. The revised in-year plan is set out below:

Table 6 – Revised Financial Plan

IJB Q1 Review	2023/24		
	Council Delegated £000	NHS Delegated £000	IJB Total £000
Recurring Deficit carried forward (adjusted)	(154)	(25,904)	(26,058)
2023/24 Financial Plan recurring shortfall	(5,802)	(8,424)	(14,226)
Recurring Deficit before savings applied	(5,956)	(34,328)	(40,284)
Recurring Savings Target Set	4,000	5,160	9,160
Target Recurring Deficit	(1,956)	(29,168)	(31,124)
Non-Recurring Savings Target Set	1,956	4,040	5,996
Target In Year Deficit	0	(25,128)	(25,128)
In-year Directorate overspend	0	(8,015)	(8,015)
In-year Directorate N/R flex to cover o/spends	0	8,015	8,015
Directorate Overspends	0	0	0
Further SG funding notified in Q1	0	4,803	4,803
SG Additional Funding	0	4,803	4,803
Target In-year Deficit (Adjusted)	0	(20,325)	(20,325)

Impact on Future Brokerage Requirements

- 3.29 NHS required repayable non-recurring support from Scottish Government to cover the delegated services costs in 2022/23. Based on the current forecast, a further £20m will be required in 2023/24 if the NHS can't identify further sources. The table below sets out the cumulative brokerage position estimated for the three years ahead in relation to the delegated services.

Table 7- NHS Brokerage Summary

NHS Brokerage Summary - Delegated Services	2022/23 Final £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Brokerage b/fwd	0	(9)	(30)	(59)
In-Year Brokerage estimated	(9)	(20)	(30)	(36)
Total Cumulative Brokerage per year	(9)	(30)	(59)	(95)

Reserves

- 3.30 The IJB carried forward reserves moving into 2023/24 sits at £15.5m. 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.

3.31 The carry forward balance compared to previous year is set out below:

Table 8 – IJB reserve position at 31 March 2023

IJB Reserves	2021/22	2022/23
	£000s	£000s
Integrated Care Fund	0	0
Primary Care Improvement Fund	2,262	575
Mental Health Strategy – Action 15	461	305
Alcohol and Drug Partnerships	1,604	1,071
Community Living Change Fund	497	437
Covid-19 Funding/Local Mobilisation Plan	16,346	0
Social Care Fund	1,704	6,642
Adult Social Care Winter Planning	2,203	1,184
Mental Health Recovery and Renewal	2,352	1,210
Winter Planning Health and Social Care	3,343	4,090
Total IJB Reserves	30,772	15,514

4. Conclusions

4.1 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 repayable support through the NHS Board and through the use of IJB reserves within the Council.

5. Resource Implications

5.1 Funding implications are considered as part of the overall Financial Plan and budget setting for the IJB. Significant additional funding was confirmed by Scottish Government to support winter planning.

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

6.1. The Financial Plan has a key role in supporting the delivery of the Strategic Plan.

7. Legal and Risk Implications

7.1 The IJB's corporate risk in relation to resourcing was reviewed through the Audit, Risk and Governance Committee and was escalated to very high, given as a result of the forecast deficit.

7.2 From the paper presented, it is clear that there remains significant financial risk in the position, the financial risks currently recorded are attached as **Appendix 2**.

7.3 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.

AfC	Agenda for Change
AHP	Allied Health Professionals
CASS	Council Care at Home
FRB	Financial Recovery Board
IJB	Integration Joint Board
LD	Learning Disability
MH	Mental Health
PD	Physical Disability
RRL	Revenue Resource Limit
SG	Scottish Government
SGHD	Scottish Government Health Directorate

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	