



Dumfries and Galloway  
Integration Joint Board

7<sup>th</sup> December 2023

This Report relates to  
Item 8 on the Agenda

# Financial Performance Update – Quarter Two

*Paper presented by Katy Kerr*

*For Discussion and Noting*

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<b>List of Background Papers:</b>	None
<b>Appendices:</b>	None

<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 September 2023, Quarter Two (Q2) 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:**
- **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 £20.071m, which is an improvement from the opening Financial Plan due to the additional funding received from Scottish Government and a change in overall forecast position. 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 Q2 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)
<b>Total Recurring Deficit Anticipated</b>	<b>(5,956)</b>	<b>(34,328)</b>	<b>(40,284)</b>
Recurring Savings Target Set	4,000	5,160	9,160
<b>Target Recurring Deficit</b>	<b>(1,956)</b>	<b>(29,168)</b>	<b>(31,124)</b>
Savings balance to be delivered N/R	0	4,040	4,040
Use of IJB reserves	1,956	0	1,956
In-year Directorate overspend	0	(8,015)	(8,015)
In-year Directorate N/R flex to cover o/spends	0	8,015	8,015
<b>Target N/R</b>	<b>1,956</b>	<b>4,040</b>	<b>5,996</b>
<b>Target In-year Position</b>	<b>0</b>	<b>(25,128)</b>	<b>(25,128)</b>

- 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 there is a risk of savings not being delivered recurrently. It also assumes that additional resource is received from Dumfries and Galloway Council to support the pay settlement for Local Authority staff once agreement has been reached with staff side.
- 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. Scottish Government has been providing tailored support to NHS Dumfries and Galloway since the start of the year.
- 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 Scottish Government has recently confirmed that all NHS Boards will be reassessed based on the recently reissued support and intervention framework. Given the scale of the financial deficit in Dumfries and Galloway and the fact that tailored support arrangements are already in place, the NHS Board will formally move from level 1 to level 2.

Stage	Description
Stage 1 Steady state	Boards are delivering in line with agreed plans. Normal reporting arrangements in place and no additional or tailored support is required.
<b>INFORMAL SUPPORT AND INTERVENTION</b>	
Stage 2 Enhanced monitoring	There is some variation from agreed plan(s) and a possible delivery risk if no remedial action is taken. At this stage, a Board-led support package or recovery programme should be agreed and implemented. This is the pre-formal escalation stage and risks and/or issues should be raised, either by the Board or by the relevant SG policy lead/s; if necessary, taken to NPPOG for consideration.
<b>FORMAL ESCALATION</b>	
Stage 3 Enhanced monitoring and support	There is significant variation from agreed plan(s). The level of risk is likely to have increased, with performance stagnating or deteriorating below agreed levels, and the Stage 2 Recovery Plan having proved ineffective or insufficient. At this stage, an SG commissioned tailored support package is required and there will be enhanced monitoring of implementation and progress. NPPOG will be informed of progress on a regular basis.
Stage 4 Senior external support and monitoring	There are significant risks to delivery and the Recovery Plan or Tailored Support is not producing the required improvements. At this stage, senior level external support is required, and will report to an Assurance Board chaired by SG. The onus remains on the NHS Board to deliver the required improvements. The Assurance Board will report direct to the Chief Operating Officer for NHS Scotland and DG Health and Social Care. NPPOG will be informed of progress on a regular basis.
Stage 5 Statutory Intervention	At Stage 5, the level of risk and organisational dysfunction is so significant that the NHS Board requires direct intervention using statutory powers of direction.

- 3.7 The NHS Performance and Resources Committee are responsible for maintaining oversight on this work on behalf of the NHS Board, with updates provided to the IJB

Performance, Finance and Quality Committee at each meeting.

## Q2 Review

- 3.8 The Q2 review of the 2023/24 Financial Plan has now been completed and the output is detailed in the various sections below. The position set out in Table 2 below indicates an overall improvement of the position by £5m since the opening Financial Plan reflecting the additional funding consequential received from Scottish Government and an increased use of IJB reserves.

**Table 2 – 2023/24 Financial Plan Q2**

2023/24 Financial Plan (Draft Q2)	Financial Plan £'000	Q1 £'000	Q2 £'000
<b>Total Recurring Deficit Anticipated</b>	<b>(40,284)</b>	<b>(40,284)</b>	<b>(40,284)</b>
Recurring Savings Target Set	9,160	9,160	5,618
<b>Target Recurring Deficit</b>	<b>(31,124)</b>	<b>(31,124)</b>	<b>(34,666)</b>
Savings balance to be delivered N/R	4,040	4,040	4,806
In-year Directorate forecast	0	0	(2,028)
<b>Target In-year Position</b>	<b>(27,084)</b>	<b>(27,084)</b>	<b>(31,888)</b>
Release of 2023/24 financial plan not yet allocated	0	0	3,754
Use of IJB Reserves	1,956	1,956	3,260
Further SG funding notified in Q1	0	4,803	4,803
<b>Target In-year Position (Adjusted)</b>	<b>(25,128)</b>	<b>(20,325)</b>	<b>(20,071)</b>
Shift Financial Plan to Q1/ Shift Q1 to Q2		(4,803)	(254)

- The current projection includes an increase in use of IJB reserves to balance the Council position, this assumes no improvement of savings delivered.
- NHS Directorate forecasts have worsened, overspends are increasing over level of underspends, forecast is £3.5m o/s.
- NHS Cash Releasing Efficiency Schemes (CRES) delivery is assumed to be on target for medicines and property/digital. Shortfall on target for service reviews has been offset in-year by further non-recurring savings.
- NHS Financial Plan has been reviewed and any unallocated funding available has been released to offset the position on a non-recurring basis.

## ***NHS Delegated Services***

- 3.9 At the end of September 2023, the delegated directorates reported a year to date overspend of £12m on operational budgets. This includes a share of the underlying deficit and additional Scottish Government funding.

**Table 3 – NHS Delegated Services**

Annual Budget £'000	NHS Delegated Services	YTD Budget £000	YTD Actual £000	YTD Variance £000
(29,935)	Recurring Deficit	(14,968)	0	(14,968)
5,156	Non Recurring Savings Delivered	2,554	0	2,554
4,803	Additional SG Funding not for distribution	2,402	0	2,402
<b>(19,976)</b>	<b>Sub Total</b>	<b>(10,012)</b>	<b>0</b>	<b>(10,012)</b>
143,384	Acute Directorate	68,127	76,632	(8,505)
40,772	Facilities & Clinical Support	19,679	20,323	(644)
33,820	Mental Health Directorate	16,423	15,725	699
72,872	Community Health + Social Care (NHS)	36,694	37,618	(924)
54,934	Primary Care Services	26,373	26,350	23
30,439	Womens & Childrens Directorate	15,006	14,882	124
19,800	Strategic Services	6,813	6,709	104
396,022	Directorates	189,116	198,240	(9,123)
16,551	Funding not Yet Distributed	7,072	0	7,072
<b>412,573</b>	<b>Sub Total</b>	<b>196,188</b>	<b>198,240</b>	<b>(2,051)</b>
<b>392,597</b>	<b>IJB SERVICES TOTAL</b>	<b>186,176</b>	<b>198,240</b>	<b>(12,063)</b>

- 3.10 There are a number of risks and assumptions in the position as follows:
- Final allocations for medical pay award still to be issued, assume this covers budget issued
  - Service Level Agreement (SLA) % uplift not yet agreed, assume Financial Plan set aside is sufficient
  - Prescribing data backlog, risk on forecast and demonstrating delivery of savings target set
  - Activity levels continue in excess of forecast
  - Vacancy levels don't materialise, resulting in less non-recurring flexibility available
- 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, as well as higher levels of inflationary pressures being experienced within non-pays.
- 3.12 Locum costs continue to be a pressure in-year with £10m 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.
- 3.13 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.
- 3.14 There are a range of fortuitous underspends which in the main relate to vacancies and incremental drift within the operating directorates, primarily within Mental Health, Women and Children's and Community Health and Social Care. These are on a non-recurring basis, offsetting a range of cost pressures and cannot be relied upon in the long term to offset other areas of budget pressures.
- 3.15 Budget pressures are being forecast across all operating directorates, but most significantly within:
- Acute and Diagnostics in relation to medical locum use at DGRI
  - Additional staffing and ward consumables for capacity/surge/acuity pressures being seen across Acute, Women and Children and Mental Health
  - Galloway Community Hospital pressures including medical, nursing, radiology and accommodation costs



- Diagnostic pressures
- Medicines
- Insulin pumps and consumables
- Summer months energy usage at DGRI
- Additional residences accommodation pressures in Dumfries
- Additional cleaning costs

3.16 A review of the additional funding approved within the 2023/24 Financial Plan which has not yet been distributed has been completed and £3.8m has been released to support the position on a non-recurring basis. Any recurring flexibility will be assessed as part of the 2024/25 Financial Plan budget setting process.

3.17 The Financial Plan assumes that any additional in-year overspends are covered by identifying additional non-recurring savings, either planned or fortuitous to offset the position and bring the directorate back to forecast.

### ***Council Delegated Services***

3.18 At the end of September 2023, the delegated directorates are projecting a £3.260m overspend before allocation of reserves. Much of this aligns against the opening plan with £1.9m assumed to be released from reserves and an estimated savings delivery of £4m (now forecast at £1.2m) but there are a range of risks which remain and it is likely a further £1.3m will be required to be released from reserves to balance the overall position.

3.19 The position is made up of the following:

**Table 4 – Council Delegated Services**

<b>Council Delegated Services Forecast Position</b>	<b>2023/24 Annual Budget £000</b>	<b>2023/24 Forecast expenditure £000</b>	<b>2023/24 Forecast Variance £000</b>
Children & Families	98	102	(4)
Adult Services	21,583	21,594	(11)
Older People	37,830	35,374	2,456
People with a LD	31,071	35,504	(4,434)
People with PD	7,136	7,798	(662)
People with Mental Health Need	2,570	3,255	(685)
Adults with addict/sub misuse	232	232	0
Commissioning	3,359	3,280	79
	<b>103,880</b>	<b>107,140</b>	<b>(3,260)</b>
Financial Plan Approved use of reserves			1,956
<b>Additional overspend which will require to be covered from reserves if no further savings delivered</b>			<b>(1,304)</b>

3.20 The overall position is made up of the following:

- Council Care at Home Services (CASS) overspend has been reduced to £102k due to reablement vacancies.
- Pressure in Occupational Therapy equipment £171k – increased costs and activity.
- Assessment and Fieldwork adult services projecting a £308k underspend relating to full time working CASS budget and funding still to be allocated to other staff cost lines which would reduce costs elsewhere.
- Learning Disability (LD)/Physical Disability (PD) and Mental Health (MH) care budgets £5.7m over – most of the savings plans are aimed at 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 £2.5m underspend – due to a downward trend in the use and availability of care homes coupled with limited but increasing availability of traditional care at home services.
- There are a number of one off underspends totalling £850k which are supporting the position which will not be available next year.

## Q2 Summary

- 3.21 The Q2 assessment has concluded that 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 £20.071m and the use of further IJB reserves to offset undelivered savings in the Council. This assumes no worsening of the operational directorate forecasts or unmet need. The revised in-year plan is set out below:

Table 5 – 2023/24 Financial Plan Q2 revised

2023/24 Financial Plan (Draft Q2)	Q2 by partner		
	Council Delegated £'000	NHS Delegated £'000	IJB Total £'000
<b>Total Recurring Deficit Anticipated</b>	<b>(5,956)</b>	<b>(34,328)</b>	<b>(40,284)</b>
Recurring Savings Target Set	1,224	4,394	5,618
<b>Target Recurring Deficit</b>	<b>(4,732)</b>	<b>(29,934)</b>	<b>(34,666)</b>
Savings balance to be delivered N/R	0	4,806	4,806
In-year Directorate forecast	1,472	(3,500)	(2,028)
<b>Target In-year Position</b>	<b>(3,260)</b>	<b>(28,628)</b>	<b>(31,888)</b>
Release of 2023/24 financial plan not yet allocated	0	3,754	3,754
Use of IJB Reserves	3,260	0	3,260
Further SG funding notified in Q1	0	4,803	4,803
<b>Target In-year Position (Adjusted)</b>	<b>0</b>	<b>(20,071)</b>	<b>(20,071)</b>

## Impact on Future Brokerage Requirements

- 3.22 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 6 - NHS Brokerage Summary

NHS Brokerage Summary - Delegated Services only	2022/23 Final	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£m	£m	£m	£m
Brokerage b/fwd	0.00	(9.30)	(29.37)	(59.37)
In-Year Brokerage estimated	(9.30)	(20.07)	(30.00)	(36.00)
<b>Total Cumulative Brokerage per year</b>	<b>(9.30)</b>	<b>(29.37)</b>	<b>(59.37)</b>	<b>(95.37)</b>

## Reserves

- 3.23 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 has been completed for Q2 with forecast position set out below. This includes the assumption that a further £1.3m will be required to support the

delegated council budgets from use of reserves.

**Table 7 – IJB Reserves**

IJB Reserves	2021/22	2022/23	2023/24 Forecast
	£000s	£000s	£000s
Integrated Care Fund	0	0	0
Primary Care Improvement Fund	2,262	575	0
Mental Health Strategy – Action 15	461	305	0
Alcohol and Drug Partnerships	1,604	1,071	82
Community Living Change Fund	497	437	317
Covid-19 Funding/Local Mobilisation Plan	16,346	0	0
Social Care Fund	1,704	6,642	3,322
Adult Social Care Winter Planning	2,203	1,184	80
Mental Health Recovery and Renewal	2,352	1,210	78
Winter Planning Health and Social Care	3,343	4,090	2,157
<b>Total IJB Reserves</b>	<b>30,772</b>	<b>15,514</b>	<b>6,036</b>

*Social Care Fund balance assumes using additional £1.3m of reserves to meet unidentified savings*

## 2024/25 Financial Planning

- 3.24 The development of the 2024/25 Financial Plan has commenced, with a draft plan due by end December 2023. There are a number of parameters to consider, not only any potential Scottish Government policy commitments but also the ongoing cost and volume increases which are being seen across most service.
- 3.25 The NHS Board has received a letter from Scottish Government confirming the likely timetable for Financial Plan submission and setting out their clear expectations for 2024/25. These are as follows:

**Table 8 – Key points from Scottish Government letter**

There is a clear expectation within Scottish Government that NHS Boards will have finance plans for 2024/25 which deliver a significant financial improvement on the 2023/24 position, and overall the Health and Social Care Portfolio will balance.

Whilst further details on funding assumptions for 2024/25 will follow the draft budget in December, I am setting out two clear expectations for 2024/25 financial plans.

These expectations are that all NHS Board plans for 2024/25 will set out:

- a clear programme of work and supporting actions to achieve the target of 3% recurring savings on baseline budgets, a template will be provided for this; and
- an improved forecast outturn position compared to your forecast outturn position reported at the start of 2023/24.

Where assurance cannot be given over both these areas, financial plans will not be accepted. Through review of plans early next year we will consider the overall position, and follow up with a discussion on financial performance and potentially escalation status where appropriate.

- 3.26 The timetable for formal submission to Scottish Government has been accelerated and doesn't closely align with the NHS Boards reporting timetable for the preparation and approval of the Financial Plan; we will require to be flexible in meeting the expectations of Scottish Government.



3.27 The table below sets out the key dates, a final an indicative timetable:

**Table 7 – Dumfries and Galloway IJB Budget Key Dates**

<b>Dumfries and Galloway IJB Dates</b>	<b>Date</b>
Financial Plan drafted (NHS and Council delegated services)	7 Dec 2023
Review of draft plan and workshop with Health and Social Care Leadership Group (H&SCLG) and General Managers	14 Dec 2023
2024/25 Scottish Budget published	19 Dec 2023
Review of plan following budget and update of any key assumptions/ inflationary variables/funding	8 Jan 2024
IJB Performance and Finance Committee – update on plan	9 Jan 2024
Review of plan with Chief Finance Officer and Head of Finance for Local Authority	TBC – date to be confirmed/mid Jan
NHS Board – first draft of Financial Plan submitted to Scottish Government	12 Feb 2024
NHS Board Workshop – full discussion on Financial Plan	26 Feb 2024
Dumfries and Galloway Council 2024/25 budget date	27 Feb 2024
NHS Performance & Resources Committee – final draft of plan submitted to Scottish Government	11 Mar 2024
NHS Board – Formal Approval of final Financial Plan	8 April 2024
IJB – Formal Approval of Financial Plan	TBC – mid April 2024

3.28 Engagement at an operational level will be required over this timeline, including sign off by Chief Operating Officer/Chief Officer, Health and Social Care Leadership Group and NHS Board Management Team and Dumfries and Galloway Council Senior Leadership Team.

#### **4. Conclusions**

4.1 The IJB is asked to take assurance in relation to the update on the financial position, recognising that break-even can only 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. The original Financial Plan confirmed that delivery of a break-even position was not possible and this report monitors progress on delivery of that plan for 2023/24.

#### **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 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**

AHP	Allied Health Professionals
CASS	Council Care at Home
CRES	Cash Releasing Efficiency Schemes
H&SCLG	Health and Social Care Leadership Group
IJB	Integration Joint Board
LD	Learning Disability
MH	Mental Health
N/R	Non-recurring
PD	Physical Disability
RRL	Revenue Resource Limit
SLA	Service Level Agreement

