



Dumfries and Galloway
Integration Joint Board

5th March 2024

This Report relates to
Item 6 on the Agenda

Financial Performance Update – Quarter Three

Paper presented by Katy Kerr

For Discussion and Noting

Author:	Katy Kerr, Chief Finance Officer, IJB katy.kerr@nhs.scot
Approved for Submission by:	Not required
List of Background Papers:	Not required
Appendices:	None

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 January 2024, Quarter Three (Q3) 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 with the level of risk increasing as we move into 2024/25.

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 £20.071m, 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. Notification has also been received that there are further consequential funding to be distributed to Boards before the end of the financial year; this has not been included in the report at this time.**

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 Q3 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	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

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 there is a risk of savings not being delivered recurrently. It has been confirmed that additional resource of £923k has been received from Dumfries and Galloway Council to support the pay settlement for Local Authority staff now that a settlement has been confirmed.
- 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. The NHS Board remains on level 2 of the Scottish Government's support and intervention framework.
- 3.5 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.

Q3 Review

- 3.6 The Q3 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 no overall improvement of the position presented at Q2, with the forecast remaining at a £20m deficit for the year. There is a slight reduction in the anticipated use of IJB reserves to balance the Council delegated services budget in-year.

Table 2 – 2023/24 Financial Plan Q3

2023/24 Financial Plan (Q3)	Financial Plan £'000	Q1 £'000	Q2 £'000	Q3 £'000
Total Recurring Deficit Anticipated	(40,284)	(40,284)	(40,284)	(40,284)
Recurring Savings Target Set	9,160	9,160	5,618	5,618
Target Recurring Deficit	(31,124)	(31,124)	(34,666)	(34,666)
Savings balance to be delivered N/R	4,040	4,040	4,806	4,806
In-year Directorate forecast	0	0	(2,028)	(1,498)
Target In-year Position	(27,084)	(27,084)	(31,888)	(31,358)
Release of 2023/24 financial plan not yet allocated	0	0	3,754	3,754
Use of IJB Reserves	1,956	1,956	3,260	2,730
Further SG funding notified in Q1	0	4,803	4,803	4,803
Target In-year Position (Adjusted)	(25,128)	(20,325)	(20,071)	(20,071)

Shift Financial Plan to Q1/ Shift Q1 to Q2 / Q2 to Q3	(4,803)	(254)	0
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- The current projection includes a decrease in use of IJB reserves to balance the Council position; this assumes no improvement of savings delivered.
- There have been a number of shifts within the NHS Directorate forecasts both increasing costs but also additional underspends not previously anticipated, therefore, at this time, no shift in the overall forecast is anticipated.

- 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.
- The 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

3.7 At the end of December 2023, the delegated directorates reported a year to date overspend of £18.6m on operational budgets. This includes a share of the underlying deficit and additional Scottish Government funding.

Table 3 – NHS Delegated Services

Annual Budget £'000	Financial Position as at Month 9 (End of December 2023)	YTD Budget £000	YTD Actual £000	YTD Variance £000
(29,935)	Recurring Deficit	(22,451)	0	(22,451)
8,703	Non Recurring Savings Delivered	6,527	0	6,527
4,803	Additional SG Funding not for distribution	3,602	0	3,602
(16,429)	Sub Total	(12,322)	0	(12,322)
151,143	Acute Directorate	110,872	116,814	(5,942)
40,777	Facilities & Clinical Support	30,848	32,380	(1,532)
33,798	Mental Health Directorate	24,548	23,525	1,023
74,254	Community Health + Social Care (NHS)	55,732	57,236	(1,505)
54,937	Primary Care Services	41,003	40,971	32
31,181	Womens & Childrens Directorate	23,364	22,609	755
19,902	Strategic Services	13,203	13,024	179
0	Estimation for over pessimism	0	0	0
405,992	Directorates	299,569	306,560	(6,991)
5,555	Funding not Yet Distributed	750	0	750
411,547	Sub Total	300,319	306,560	(6,241)
395,118	IJB SERVICES TOTAL	287,997	306,560	(18,563)

3.8 There are a number of risks and assumptions in the position as follows:

- Service Level Agreement (SLA) % uplift has now been agreed although there are some ongoing issues related to audit issues and year end treatment that are being discussed through technical networks.
- Prescribing data backlog risk has improved with plan to be back on track with reporting and data availability by end March 2024. Discussions with Community Pharmacy Scotland are ongoing in relation to recovery of any advance or over payments.
- Activity levels continue in excess of forecast.

3.9 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.

3.10 Locum costs continue to be a pressure in-year with 15.8m 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.

3.11 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.

3.12 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

3.13 At the end of December 2023, the delegated directorates are projecting a £2.7m 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.

3.14 The position is made up of the following:

Table 4 – Council Delegated Services

Council Delegated Services Forecast Position (Q3)	2023/24 Annual Budget £'000	2023/24 Forecast expenditure £'000	2023/24 Forecast Variance £'000
Adult Services (Regional)	19,525	19,708	(183)
Adult Support & Protection	1,123	1,119	3
Management & Governance	1,468	1,074	395
Physical Disability Support	7,318	8,298	(981)
Short Term Care (Older People)	41,035	38,772	2,264
In House Complex Care & Support	6,413	5,852	562
Learning Disability Support	25,649	29,700	(4,051)
Mental Health Support	2,271	3,010	(739)
	104,803	107,533	(2,730)

Financial Plan Approved use of reserves	1,956
Additional overspend which will require to be covered from reserves if no further savings delivered	(774)

3.15 The overall position is made up of the following:

- Council Care at Home Services (CASS) is projecting an overspend of £221k. Staffing is at full establishment and the overspend is in relation to supply costs for sickness and leave cover.
- Within Management and Governance, we have an underspend of £395k which is primarily in relation to unallocated funding for full time CASS working, which would reduce costs elsewhere.
- Pressure in Occupational Therapy equipment has reduced to £93k as a result of vacancies; there is still an ongoing pressure of £200k.
- Learning Disability Support, Physical Disability Support and Mental Health continue to be overspent by £5.7m, primarily due to several high cost packages with the majority of these relating to the utilisation of specialist agencies.
- These pressures have been partially offset through the application of projected underspends of £562k within in house complex Care and Support which relates to Activity and Resource Centres, in house supported accommodation, community support and short breaks. This underspend is primarily associated with staffing vacancies across these areas.
- Older People are projecting an underspend of £2.2m. This is as a result from a

drop in clients moving permanently into Residential and Nursing Care, with more people remaining at home.

Q3 Summary

- 3.16 The Q3 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 (Q3)	Q3 by partner		
	Council Delegated £'000	NHS Delegated £'000	IJB Total £'000
Total Recurring Deficit Anticipated	(5,956)	(34,328)	(40,284)
Recurring Savings Target Set	1,224	4,394	5,618
Target Recurring Deficit	(4,732)	(29,934)	(34,666)
Savings balance to be delivered N/R	0	4,806	4,806
In-year Directorate forecast	2,002	(3,500)	(1,498)
Target In-year Position	(2,730)	(28,628)	(31,358)
Release of 2023/24 financial plan not yet allocated	0	3,754	3,754
Use of IJB Reserves	2,730	0	2,730
Further SG funding notified in Q1	0	4,803	4,803
Target In-year Position (Adjusted)	0	(20,071)	(20,071)

Reserves

- 3.17 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 and will be updated for the year end.
- 3.18 The position will be impacted by the year end outturn position once concluded. It should be highlighted that there are ongoing discussions with Scottish Government in relation to the Community Change Living Fund who are looking to reclaim any unspent funding at the 31 March 2024.

Table 6 – IJB Reserves

IJB Reserves	2021/22	2022/23	2023/24 Q2 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
Total IJB Reserves	30,772	15,514	6,036

2024/25 Financial Planning

- 3.19 The development of the 2024/25 Financial Plan has commenced, with ongoing discussions with the parties to understand they budget process.
- 3.20 The Council's budget process has considered a paper submitted by the Health and Social Care Partnership setting out the challenges and pressures in the budget and will confirm its position at its meeting on the 27 February 2024. This will likely confirm the full allocation of resources as set out in the Scottish Government budget as follows:

Table 7 – Scottish Government Budget Position/Council Delegated Budget

	Total National Funding	Dumfries and Galloway Council % of Funding	Dumfries and Galloway Council Share
Scottish Living Wage £12.00	230,000,000	3.31%	7,604,950
Free Personal Care	11,500,000	3.62%	416,000
Indicative Settlement			8,020,950

- 3.21 Following the Scottish Government budget announcement on the 19 December 2023, the Scottish Government set an indicative funding settlement for Health and Social Care Integration. The Health and Social Care portfolio are anticipated to transfer additional funding of £241.5m to Local Government to support Social Care integration. This includes additional funding of £230m to help support the delivery of £12 per hour minimum pay for Adult Social Care workings in private and Third Sectors with effect 1 April 2024.
- 3.22 In addition, there is an inflationary uplift on Free Personal Nursing Care rates of £11.5m. It is likely that this element will reduce income for residential and nursing care so is likely will be required to offset income reductions rather than support the cost increases. Dumfries and Galloway's share of the £241.5m is expected to be £8.021m. There is no allowance for local government pay and non-pay inflation within the settlement for 2024/25.
- 3.23 The initial work on the draft budget would suggest that after assessing pay and prices uplifts and underlying budget pressures there is a potential initial budget shortfall of £5.3m before any savings requirement. Work is ongoing between finance and operational teams to work up savings plans which will be brought forward as part of the budget paper to the 16 April 2024 meeting.
- 3.24 The NHS Board has received confirmation from Scottish Government confirming the position in relation to the Financial Plan settlement for 2024/25 and the funding assumptions which are set out as follows:
- The uplift was promoted as a 4.3% uplift, however, in reality equates to 0%, as funding covers the recurring costs of 2023/24 pay settlement and recurrency of sustainability funding previously received non recurrently. There are increased pressures on New Medicines Fund, Children's Hospice and Clinical Negligence (currently estimated to be £2.8m).
 - NHS Dumfries and Galloway currently showing 1.1% above parity therefore no allocation for maintaining National Resource Allocation Committee (NRAC) parity at 0.6%.
 - Advised to assume any pay award for 2024/25 is fully funded but to exclude from Financial Plan at this time (at 2% this is circa £5m), we have also excluded Superannuation impact on basis this should be fully funded also (circa £3m).
 - Uncertainty on funding for non-pay elements of previous pay settlement

(Protected Learning Time, 36 hour working week and Band 5/6 review).

- 3.25 In relation to savings Scottish Government initially advised that 3% recurring efficiency savings was required for NHS Dumfries and Galloway which would be circa £11m. However, they were subsequently advised that brokerage would be capped at £25m for 2024/25 and would require savings of 8% to deliver this requirement, with Scottish Government advising that they will not accept a plan that does not meet the two expectations.

Table 8 – NHS Dumfries and Galloway Draft Financial Plan

NHS Draft 2025/2025 Financial Plan	3% + Reach £25m
	£000
2024/25 Opening Deficit	(35,293)
Scottish Government Planning Assumptions	(10,925)
Local Financial Plan Assumptions	(8,000)
2024/25 Financial Plan Deficit (Before Savings)	(54,218)
Additional funding from Scottish Government	0
Savings Targets	29,218
Funding Sources	29,218
2024/25 Financial Plan Deficit (Post Savings)	(25,000)
2024/25 Financial Plan Savings Target as % of Scottish Government recurring baseline	8.01%

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

Table 9 – Dumfries and Galloway IJB Budget Key Dates

Dumfries and Galloway IJB Dates	Date
2024/25 Scottish Budget published	19 Dec 2023
IJB Performance and Finance Committee – update on plan	9 Jan 2024
Council budget scrutiny process	9 Feb 2024
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 and 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	16 April 2024

- 3.27 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

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
CRES	Cash Releasing Efficiency Schemes
IJB	Integration Joint Board
NRAC	National Resource Allocation Committee
N/R	Non-recurring
RRL	Revenue Resource Limit
SG	Scottish Government
SLA	Service Level Agreement



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	