



Dumfries and Galloway  
Integration Joint Board

16<sup>th</sup> December 2025

This Report relates to  
Item 9 on the agenda

# Financial Performance Update – Quarter Two

*Paper presented by Sean Barrett*

*For Discussion and Noting*

<b>Author:</b>	Sean Barrett, Interim Chief Finance Officer, IJB – <a href="mailto:sean.barrett@dumgal.gov.uk">sean.barrett@dumgal.gov.uk</a>
<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 provides a comprehensive update on the financial performance of budgets delegated to the Integration Joint Board (IJB) as at the end of Quarter Two (Q2) for financial year 2025/26. It compares the current forecast against the Financial Plan approved in June 2025 and highlights the scale of the financial challenge facing services delegated by both NHS and the Local Authority.

## 2 Recommendations

- 2.1 **The Integration Joint Board is asked to consider the following recommendations:**
- **Note the financial position and the measures being taken, however, recognise that the current in-year gap sits at £25.7m given the latest forecast on operational budgets overspend and allocation reductions.**
  - **Note that £17m of the projected current year overspend relates to services delegated by the NHS and that Scottish Government support will be provided non recurrently to fund this amount.**
  - **Note that £8.7m of the projected current year overspend relates to services delegated by the local authority and that delivery of the agreed recovery plan is required to seek to address this.**
  - **Discuss the pressures on integrated budgets and the need for cost containment measures.**

## 3 Background and Main Report

### Opening Plan for 2025/26

- 3.1 This report considers the quarter 2 performance against the revised opening IJB plan which was brought forward by the IJB Chief Finance Officer and approved at the IJB in June 2025 and set out an estimated projected financial gap of £25.4m.

**Table 1 – Revised Financial Plan for 2025/26**

<b>IJB Revised Financial Plan 2025/26 – May 2025</b>	<b>NHS £m</b>	<b>Council £m</b>	<b>Total £m</b>
Overall projected deficit before savings	(43.6)	(12.50)	(56.1)
Savings target	18.20	12.50	30.70
<b>Projected In-Year Position</b>	<b>(25.4)</b>	<b>0.00</b>	<b>(25.4)</b>

- 3.2 It set out an exceptionally challenging position given the scale of underlying deficit and the level of savings required to be delivered to achieve the revised opening plan as set out above in Table 1.
- 3.3 There has been significant engagement with Scottish Government around the NHS Financial Plan (including services delegated to the IJB) and a recognition that a break-even position for 2025/26 could not be achieved without additional financial support. Following consultation with the Scottish Government, a revised plan was agreed which included Scottish Government funding support of £17 Million for services delegated to the IJB by the NHS. The revised current year target for services delegated by the NHS has therefore been revised to this £17 Million deficit level.

3.4 As part of its financial recovery plan, the NHS Board has established two dedicated workstreams:

- **Workstream 1 – In-Year Delivery**

Led by the NHS Chief Operating Officer, this workstream is responsible for delivering savings and ensuring expenditure remains within the revised financial plan. This includes £18.2 million of savings related to delegated NHS budgets within the Integration Joint Board (IJB). Progress is monitored and reported to the Financial Recovery Board (FRB) on a fortnightly basis.

- **Workstream 2 – Forward Planning**

Chaired by the NHS Director of Strategic Planning and Transformation, this workstream focuses on developing a credible and sustainable financial plan for future years.

3.5 No Scottish Government funding support is anticipated for projected overspending against services delegated by the local authority. The current budgeted deficit therefore must have a financial recovery plan to deliver services within the budgeted limit of £118.2m. The ability of the local authority to provide additional financial resource without impacting on other services and on its financial resilience is extremely limited.

3.6 Due to significant financial risks and pressures, and the potential failure to achieve financial balance within delegated local authority budgets, a senior-level round table has been established between the Council and the Health and Social Care Partnership (HSCP). In addition, HSCP directorate savings groups are developing and implementing schemes aligned with the agreed delegated social work plan.

3.7 Existing financial pressures will carry forward into FY26/27, requiring substantial recurring savings to achieve a balanced budget across the partnership.

### **Q2 Review**

3.8 The Q2 review of the 2025/26 Financial Plan has now been completed and the output is detailed in the various sections below.

3.9 NHS and local authority use different accounting approaches, requiring adjustments for consolidated reporting. The NHS forecasts on a year-to-date basis with monthly accruals and prepayments, while the local authority uses year-end forecasts based on current commitments projected for the remainder of the financial year. Centrally held funds are also applied throughout the year within NHS Services.

3.10 The Scottish Government have confirmed, for the NHS budgets, that delivery within a £28m overall deficit will be covered by non-repayable deficit support and therefore no overspend will require to be declared. Within this £28m total, £17m of this financial support relates to IJB delegated services.

3.11 To deliver on a £17m overspend within NHS services, the following conditions need to be met:

- All support funding anticipated in the financial plan is received.
- No significant financial risks emerge.
- Deliver recurring savings of £11.1m
- Deliver one off savings of at least £7.2m

- Directorate overspends are no greater than £2.6m after delivery of savings.

- 3.12 As at month 6, within NHS Services, a £10.3m overspend is recorded which is a £1.8m overspend based on the £17m plan, the year-end forecast position remains at the £17m overspend plan. This recovery of the £1.8m variance to plan is dependent on full savings being achieved and further application of central resources.
- 3.13 Within Social Work Services the approved budget was a balanced budget with measures expected to be delivered to balance the initial £12.5m overspend forecast. This position contained potential further risks linked to price inflation and increasing need linked to demographics, it also contained expectations of the need to reduce care levels to address the increasing budget gap.
- 3.14 At the end of Month 6, the budget gap had reduced to £11.5m with further expected reductions expected to materialise in the second half of the financial year bringing the forecast overspend at year end position to £8.7m. Further cost reductions require to be identified to return a balanced budget.
- 3.15 The overall expected overspend position for the delegated budgets is a £25.7m overspend position, however it should be noted that there are further risks and expected savings yet to be delivered within this position. Across both Council and NHS Services, the IJB will need to consider if there are any cost containment measures which need to be implemented on a short-term basis to help bridge the in-year gap.
- 3.16 To address the increasing pressure being created within the hospital setting and in relation to unscheduled care, the Scottish Government set aside £100m of national support to aid this. D&G HSCP were successful in bidding for £3.2m of funds. The funds are received into the NHS budgets on a non-recurring basis.
- 3.17 Most funds have been committed towards a frailty unit, a hospital at home service and various acute discharge models/tests. The HSCP have approached the SG for further support in this area to aid the flow of social care within the community.
- 3.18 The overall forecast position is summarised in Table 2 below:-

**Table 2: Overall IJB Projection FY 2025/26**

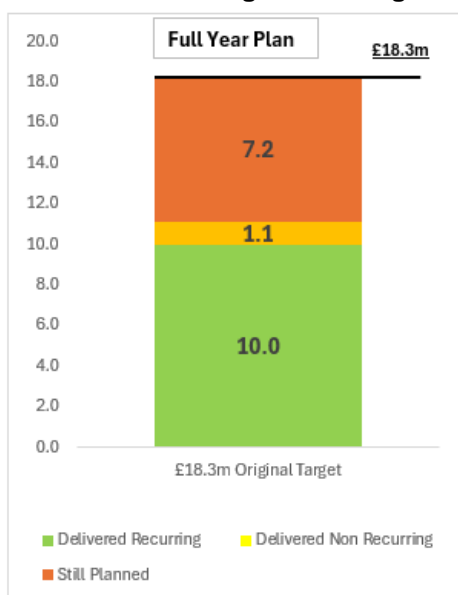
Q2 Monitoring - 2025/26	Annual Budget £000	6 month Budget £000	6 month Actual £000	6 month Variance £000	Year-End Forecast £000
IJB Delegated Services					
NHS					
Recurring Deficit	(32,973)	(16,487)	-	(16,487)	
Non-Recurring Adjustments	18,622	9,311		9,311	
<b>Centrally Held Deficit</b>	<b>(14,351)</b>	<b>(7,176)</b>	<b>-</b>	<b>(7,176)</b>	<b>-</b>
Acute Directorate	165,558	79,369	87,693	(8,324)	
Facilities & Clinical Support	28,812	13,686	14,013	(327)	
Mental Health Directorate	35,919	17,854	17,901	(47)	
Community Health Primary Care Services	83,459	41,706	41,887	(181)	

	60,614	30,091	30,059	32	
Family & Support Services	45,871	22,880	23,911	(1,031)	
Strategic Services	18,301	6,901	6,854	47	
<b>NHS Directorates</b>	<b>438,534</b>	<b>212,487</b>	<b>222,318</b>	<b>(9,831)</b>	
Financial Plan	28,372	6,665		6,665	
Directorates incl Financial Plan	466,906	219,152	222,318	(3,166)	
<b>Delegated NHS Total</b>	<b>452,555</b>	<b>211,976</b>	<b>222,318</b>	<b>(10,342)</b>	<b>(17,000)</b>
<b>Social Work Services</b>					
Central Services	31,108		16,376		378
Older People Services	45,670		20,558		(1,917)
Physical Disability Services	8,532		6,563		(2,558)
Learning Disability Services	30,356		21,734		(5,166)
Mental Health Services	2,535		3,169		(2,244)
<b>Social Work Services</b>	<b>118,201</b>	<b>-</b>	<b>68,400</b>	<b>-</b>	<b>(11,507)</b>
Expected further savings					2,818
<b>Total Social Work Services</b>					<b>(8,689)</b>
<b>Total IJB Position</b>	<b>570,756</b>				<b>(25,689)</b>

### NHS Key Variances

- 3.19 The 6 month overspend should be no greater than £8.5m, with the current overspend of £10.3m reported - £1.8m off target.
- 3.20 The 6 month off-target position of £1.8m is made up of £0.6m attributable to the shortfall on recurring savings and £1.2m against the directorates (includes non-recurring savings target).
- 3.21 The main overspends are within medical staffing (£3m), medicines in both primary (£2.3m) and secondary care (£1.8m) however there are overspends being seen across most non pay areas. This is being offset by pay underspends and central funding to come back to a net £1.2m off target.
- 3.22 Agency expenditure for the six months is £5.5m compared to £7.2m for the same period last year, an overall reduction for the first 6 months of £1.7m. £4.7m of this expenditure is within medical staffing.
- 3.23 At this stage in the financial year, the delivery of savings remains fluid. As per table 3 below £11.1m of schemes (£10m recurring and £1.1m non-recurring) have been identified as delivering and feeding monthly into the savings delivery reported, there are further savings expected in the second half of the year.

**Table 3 – NHS Delegated Savings Progress**



3.24 Multiple directorates report significant financial pressures, primarily driven by prescribing costs, unachieved savings, and staffing challenges. Recruitment issues create temporary underspends but pose risks to service delivery capacity. Acute Services overspend is the most material risk, with structural challenges across other areas.

3.25 Financial pressures continue to be seen across the operating directorates with the risk of unachieved savings impacting on the savings gap going forward.

### ***Council Delegated Service***

3.26 The quarter 2 budget monitoring position projects that Council services delegated to the IJB budget would return an overspend of £11.507m at the end of the financial year before savings. The revised forecast outturn after savings are delivered would return an overall overspend of £8.69m.

3.27 Work to date is indicating that good progress is being made in terms of improving the control of the cost of care, particularly in relation to Older Peoples Services. There are some delays in the delivery of savings alongside a number of additional pressures, including expensive additional mental health placements which are partially offsetting savings.

3.28 Progress on savings indicates that the overall impact of the work to date is not at the level required to balance the budget based on the forecast at the end of the Quarter.

3.29 Older People Services - it is currently forecast that Older People (over 65s) will return an overspend of £1.917 million. The overspend is currently spread across care at home and direct payments.

3.30 People with a Physical Disability service are currently projected to return an overspend of £2.558m, which is due to the continued use of expensive care agencies. The service is working hard to find alternative care packages for the individuals that are currently receiving their care from these agencies. The overspend is currently spread across all elements of care (Care at Home, Direct Payments and Residential).

- 3.31 Learning Disability support is currently projected to return an overspend of £5.166 million. Whilst overall numbers of clients have come down in this area, the number of overall hours of care delivered to clients has increased. The overspend is currently spread across all elements of care (Care at Home, Direct Payments and Residential).
- 3.32 Mental Health is currently projected to return an overspend of £2.243million this financial year. This financial position has deteriorated, which is due to additional expensive residential home placements. The overspend is currently spread across Care at Home and Residential based services.
- 3.33 There are underspends within Adult Services and management and governance which relate to vacancies and the ending of an IT contract and increased income.
- 3.34 The majority of spend within the Social Work Service is on social care with over a £100m of the budget spent on care delivery. To return spend to budgeted levels will require a reduction in social care spend, the focus of cost reductions are in relation to care levels.
- 3.35 Management of care packages – From 1st September 2025 a process that allowed 50% - 90% (dependent on the care group) recycling of care based on previous weeks care reductions were implemented. The expected FY25/26 cost reductions expected from these measures are shown below:

**Table 4 – Projected Care Savings**

	Projected Forecast Savings £000k
Older People	(1,330)
Physical Disability Support	(258)
Learning Disability Support	(453)
Mental Health Support	(133)
<b>Total Projected Savings</b>	<b>(2,174)</b>

- 3.36 Most of the FY 25/26 savings' plans related to care and are difficult to track due to the risks that where capacity is freed up often gets replaced by new assessed care need. There have been delays within the transition to digital care and the review of existing commissioned services.

### **Q2 Summary**

- 3.37 The Q2 summary has assessed that delivery of services against planned budget is someway off within the delegated local authority budgets at £8.69m over and NHS Services £1.8m over against the agreed £17m overspend plan. In total the IJB delegated services are forecast to be £25.69m over planned budget.
- 3.38 There are further anticipated cost reductions expected and being worked towards.
- 3.39 There are key risks and pressures affecting delivery of savings plans, such as workforce costs, prescribing pressures and demographic demand.
- 3.40 The impact of non-recurring Scottish Government support and the conditions attached to this funding.
- 3.41 The implications for service sustainability and the need for urgent cost containment

measures alongside planned savings.

### **Reserves**

- 3.42 At Q2 it has been assessed that all reserves will be exhausted by year end with only the balance of the Community Change Living Fund (£300k) retained as a ringfenced reserve.

## **4 Conclusions**

- 4.1 The IJB is asked to note the overspend position and that additional cost containment measures will be required in addition to planned cost reduction savings to achieve a balanced budget position.

- 4.2 In addition to this there will be a material budget deficit carried forward in FY26/27.

## **5 Resource Implications**

- 5.1 Funding implications are considered as part of the overall Financial Plan and budget setting for the IJB. There remains considerable financial risk in the overall position with the IJB forecasting a £25.7m deficit for 2025/26 with only £17m of funding available to offset this.

## **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 because 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 Gareth Marr, Chief Officer IJB; Susan Thompson, Director of Finance NHS Dumfries and Galloway; Paul Garrett, Chief Finance Officer Dumfries and Galloway Council and Glenn Moonie, Finance Officer, Dumfries and Galloway Council.

## **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 Consumer Duty**

- 10.1 The proposals within this financial monitoring paper do not constitute a 'strategic decision' as defined by the Consumer Scotland Act 2020 and therefore, no specific consumer duty impact assessment is required.

**11 Glossary**

AfC	Agenda for Change
DGRI	Dumfries and Galloway Royal Infirmary
IJB	Integration Joint Board
NFF	National Flexible Framework
NMF	New Medicines Fund
RCRP	Right Care Right Place
RRL	Revenue Resource Limit
VAT	Value Added Tax



## 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	