



Dumfries and Galloway  
Integration Joint Board

24<sup>th</sup> September 2024

This Report relates to  
Item 9 on the Agenda

# Financial Performance Update – Quarter One

*Paper presented by Katy Kerr*

*For Discussion and Noting*

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<b>List of Background Papers:</b>	Not required
<b>Appendices:</b>	

<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	

<b>1. Introduction</b>
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- 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 Quarter One (Q1) of financial year 2024/25. This position assesses the forecast financial performance for 2024/25 as compared to the original Financial Plan which was approved by the IJB in April 2024. It is recognised the financial position for 2024/25 remains incredibly challenging and there are a number of significant emergent risks which, since this initial budget was agreed.

## 2. Recommendations

- 2.1 **The Integration Joint Board is asked to:**
- **Give assurance that 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 £20.079m.**
  - **Approve the use of IJB reserves of £920k to support the award of the contract for the National Flexible Framework (NFF) to Care at Home Providers (as previously agreed virtually) and to note that the full year costs of £1.7m will require to be recognised as part of the budget setting process for 2025/26 as there is no recurring funding to support this increase. Note this approval has already been requested in the paper on the NFF shared to members virtually.**
  - **The IJB is asked to discuss the issues contained within this paper.**
  - **Note a more detailed discussion on the financial position is scheduled for the Finance, Performance and Quality Committee scheduled for the 8<sup>th</sup> October 2024.**

## 3. Background and Main Report

### Opening Plan for 2024/25

- 3.1 This report details the opening Financial Plan position for Dumfries and Galloway IJB for 2024/25. The Financial Plan was approved at the IJB in April 2024 and set out an estimated projected financial gap for 2024/25 of £20.079m. The plan identified a savings target of £20.857m which must be achieved to reduce the deficit to that level.
- 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.
- 3.3 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 2024/25. It sets out an exceptionally challenging position given the scale of underlying deficit and the level of savings required to be delivered to achieve the plan as set out.

**Table 1 – IJB Draft Financial Plan 2024/25**

IJB Draft Financial Plan	Final Draft Financial Plan		
	NHS £000	Council £000	Total £000
2024/25 Opening Deficit	(25,101)	0	(25,101)
2024/25 Uplift Planning Assumptions	(5,302)	(9,275)	(14,577)
2024/25 Anticipated directorate cost pressures	(5,000)	(3,757)	(8,757)
Agreed investment/ funding for local and national decisions	(2,000)	(494)	(2,494)
Additional funding from Local Government (LG) settlement	0	8,055	8,055
Additional funding from Scottish Government assumed (New Medicines Fund (NMF))	930	0	930
Savings Targets	16,394	4,463	20,857
Planned use of IJB reserves	0	1,008	1,008
<b>Target In-Year Position</b>	<b>(20,079)</b>	<b>0</b>	<b>(20,079)</b>

3.4 The budget was agreed on the basis that the Council delegated budgets will deliver a breakeven position only through the use of non-recurring unallocated reserve balances. This assumed that all recurring savings are delivered and no additional significant budget pressures materialise as Councils are required to deliver a balanced budget.

3.5 The NHS Board also has a statutory financial target to deliver a break-even position against its Revenue Resource Limit (RRL), with the budget as agreed for 2024/25 shows a forecast deficit position. There has been significant engagement with Scottish Government around the Financial Plan and a recognition that a break-even position for 2024/25 could not be achieved without additional financial support. Even with that additional financial support there will be a funding gap and therefore an overspend position is inevitable. The NHS Board remains on level 2 on the Scottish Government's escalation framework and is in receipt of tailored support to deliver its Financial Recovery Programme, with ongoing dialogue around savings progress and support for delivery of the Financial Recovery Programme.

### **Q1 Review**

3.6 The Q1 review of the 2024/25 Financial Plan has now been completed and the output is detailed in the various sections below.

3.7 At the time of drafting the 2024/25 Financial Plan, funding was confirmed to support the increases in the Scottish Living Wage for the Council delegated budget with a 0% uplift for the NHS budget. It was assumed there would be additional funding to support pay uplifts and at the time of writing this paper these assumptions remain unchanged although the pay negotiations across NHS and Council are likely to conclude by the end of September.

3.8 At Q1 there is no change in these assumptions, however, there are a number of risks and opportunities arising which will require to be re-assessed to be reviewed at Q2 as set out in table below.

**Table 2 – Financial Plan Planning Assumptions**

Planning Assumptions		Financial Plan Impact
Medical and Dental Pay Award	The pay settlement for senior and junior medical staffing is outstanding with negotiations ongoing.	It is assumed that this is fully funded by Scottish Government allocation.
Agenda for Change (AfC) Pay Offer	The Financial Plan estimate for AfC excluded any pay uplift. The proposal which the unions are now voting on is a 5.5% uplift.	It is assumed that this is fully funded by Scottish Government allocation.
Local Authority Pay Uplift	The Financial Plan included an estimate of 3%. This uplift has yet to be agreed.	Negotiations are ongoing with the unions in relation to a proposed pay offer of around 3.6% for Local Authority workers. Unison members have rejected the offer but Unite has accepted the position.

3.9 Whilst significant number of allocations have been issued within the first quarter there remains a level of risk around a number allocations including Mental Health Recovery funding which has seen a reduction of 15% in the letter received at Q1 although there has been commitment by the Minister to review the allocation.

### ***NHS Delegated Services***

3.10 At the end of month 4, the NHS delegated budgets has been summarised and included in table 3 below.

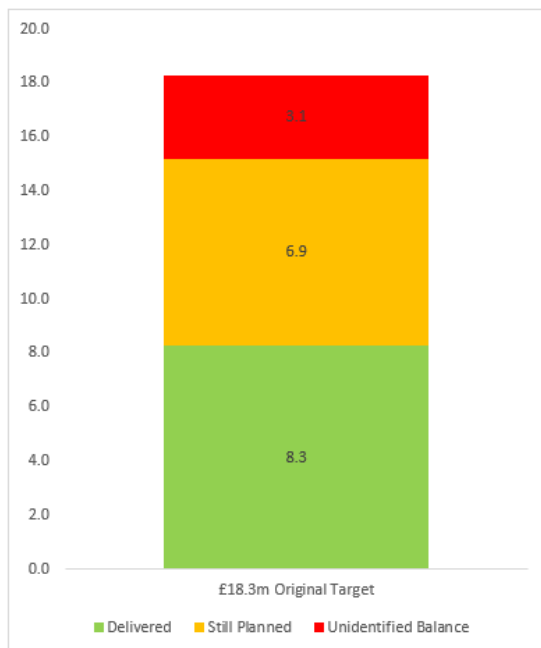
- At Month 4 NHS Dumfries and Galloway are reporting a £10.1m overspend on delegated services to the IJB.
- £7m is four months even distribution of the £20.1m shortfall forecast for 2024/25.
- The Directorates are showing an overspend of £3.1m after accounting for central funds not yet distributed. This overspend will require to be pulled back to deliver within the agreed financial plan.
- No allowance has been included for any slippage on the £20.1m savings plan.
- No improvement in the position towards the brokerage cap has been included.

**Table 3 – Month 4 Position NHS Delegated Budget**

Position as at end of July 2024 (Month 4)	Budget £000	Actual £000	Variance £000
Acute Directorate	48,922	52,586	(3,664)
Facilities & Clinical Support	13,317	14,108	(791)
Mental Health Directorate	10,813	10,602	212
Community Health + Social Care (NHS)	25,633	26,711	(1,078)
Primary Care Services	17,762	17,738	24
Womens & Childrens Directorate	10,163	10,099	64
Strategic Planning	3,245	3,091	154
<b>Directorates</b>	<b>129,855</b>	<b>134,933</b>	<b>(5,078)</b>
Centrally held being released	1,992	0	1,992
	<b>131,847</b>	<b>134,933</b>	<b>(3,086)</b>
£20.1m Target deficit	(6,988)	0	(6,988)
Unachieved Savings against £16.4m	0	0	0
<b>Sub Total</b>	<b>(6,988)</b>	<b>0</b>	<b>(6,988)</b>
<b>TOTAL</b>	<b>124,859</b>	<b>134,933</b>	<b>(10,074)</b>

- 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 £5.4m expenditure across Acute, Women and Children’s and Mental Health Directorates, a continuing theme from 2023/24. 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 Whilst a number of savings schemes are directly related to reducing medicines costs the GP prescribing budget is currently overspend at month 4 by £0.7m, although the time lag in receipt of data makes this increasingly difficult to forecast spend.
- 3.14 A review of all cost pressures is being undertaken through the NHS Financial Recovery Board to assess how these can be managed in year as a critical part of the overall management of the financial position is to ensure that wherever possible directorates contain costs within budgets.
- 3.15 The NHS Board has an agreed savings programme to deliver savings of £18.3m or which £16.4m form part of the delegated budget. To date savings of £8.3m have been delivered for 2024/25, with a further £6.9m planned. This is set out in the diagram below, however around £3.1m (as shown in red below) is unidentified. Additional financial controls around both pay and non pay spend are planned in year to reduce the in year gap and support the reductions in spend required to deliver the savings target. A further assessment of savings delivery is planned for Q2.

**Diagram 1 – NHS Board overall savings delivery against £18.3m target**



**Council Delegated Services**

- 3.16 Overall, the forecast position for Social Work Services based on information up to Q1 forecast position shows a £2m overspend (see table 4) after the use of £960k of reserves for agreed commitments. This forecast was prepared before the impact of the NFF was known and needs to be reflected in the position and requires reserves to fund the in year position.
- 3.17 The budget overall will likely deliver a balanced position for 2024/25 although this will require use of all IJB reserves and assumes delivery of savings to balance the position. The details are set out in the position below.

**Table 4 – Quarter one position Council Delegated Budget**

Service Area	Sum of Budget (inc Virements)	Sum of Current Year Forecast	Sum of Costs to be met from Reserves	Sum of Revised Forecast 24/25	Sum of Revised Forecast 24/25 Variance
Adult Services (Regional)	20,595,320	20,260,316	314,470	19,945,846	649,473
Adult Support & Protection	1,177,508	1,190,529	15,940	1,174,589	2,919
Management & Governance	2,018,307	2,122,730	278,284	1,844,446	173,862
Physical Disability Support	8,059,609	8,941,839		8,941,839	(882,230)
Short Term Care (Older People)	43,072,241	42,497,330		42,497,330	574,911
	<b>74,922,986</b>	<b>75,012,744</b>	<b>608,694</b>	<b>74,404,050</b>	<b>518,936</b>
In House Complex Care & Support	6,405,805	6,457,110	350,000	6,107,110	298,695
Learning Disability Support	29,376,651	31,162,338		31,162,338	(1,785,687)
Mental Health Support	2,152,127	3,140,748		3,140,748	(988,621)
	<b>37,934,583</b>	<b>40,760,197</b>	<b>350,000</b>	<b>40,410,197</b>	<b>(2,475,614)</b>
<b>Grand Total</b>	<b>112,857,569</b>	<b>115,772,940</b>	<b>958,694</b>	<b>114,814,246</b>	<b>(1,956,678)</b>
<b>Grand Total</b>	<b>112,857,569</b>	<b>115,772,940</b>	<b>958,694</b>	<b>114,814,246</b>	<b>(1,956,678)</b>

- 3.18 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 use of high cost agency placements has reduced in FY 24/25 however the need still exists is impacting on the savings identified in this area to date. A few areas of risk in the financial position are set out below.
- 3.19 The impact of the block contracts for the flexible beds as a result of the Right Care Right Place programme have yet to be factored into the position with the underspends in Community Services required to support these.
- 3.20 There is an overspend projected for Physical Disability of £882k. This has reduced due to savings efficiencies implemented through reduction in use of agency placements however the average cost of new direct payments has increased significantly increasing costs to £261k over whereas the budget assumption was a reduction in cost.
- 3.21 Care at Home is forecast to be £1.3m underspend, close monitoring of this will be required as direct payments has significantly increased and is now £1m overspent despite a planned saving in that area. This will be impacted by the contractual changes associated with the NFF.

- 3.22 Overall Complex care is forecast to be £2.5m overspent, costs are reducing within the care at home spend areas however increased unit costs and increasing average cost spend on direct payments increases the overspend. Vacancies within in-house teams partially offsets the overspend. The Care at home overspend in this area has reduced during 2024/25 is now forecast to underspend by £287k the reductions in the use of agency placements and scrutiny of new assessments, this is however offset by an increase in the cost of direct payments which has increased the overspend to £1.8m, with the savings plan for this area to reduce spend not yet impacting the forecast position.
- 3.23 Mental Health overspend is now £989k over, there are two high-cost placements within care at home which had been planned to end and discussions around this continue. Despite this the care at home overspend has reduced and direct payments underspend has remained at the same level as last year.
- 3.24 At the point of drafting this paper the Local Authority Pay Uplift remains outstanding.
- 3.25 The majority of the savings plans are related to care and are difficult to track due to the limited capacity in the market, where capacity that is freed up often gets replaced by new care assessed need. Estimates of savings delivery are therefore based on movements in numbers and spend along with scrutiny within the multi-disciplinary decision-making teams. It is estimated that £2.2m of savings have been delivered on an ongoing basis and £400k on a one-off basis against the in year target of £4.5m. The savings continue to be monitored through the Health and Social Care Leadership Team through the Interim Chief Officer, Chief Finance Officer and Chief Social Work Officer.

### **Q1 Summary**

- 3.26 The Q1 assessment has concluded that this point in the financial year there is no improvement in the overall financial position, with some progress made towards savings delivery, but a range of cost pressures and risks impacting on the year to date position. The opening plan projected outturn £20.1m forecast deficit remains the best estimate of the year end position. This assumes no worsening of the operational directorate forecasts or unmet need, no further reductions of allocations and full funding flowing through the NHS Board and Local Authority for pay uplifts.

### **Reserves**

- 3.27 The IJB Annual Accounts for 203/24 confirms the reserves carried forward into 2024/25 at a value of £8.78m. 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.
- 3.28 The carry forward balance compared to previous year is set out below:

**Table 5 – IJB reserve position at 31 March 2024**

	<b>31/03/23</b>	<b>31/03/24</b>
Adult Social Care Winter Planning	£1.2m	£0.2m
Alcohol and Drugs Partnership	£1.1m	£0.2m
Community Living Change Fund	£0.4m	£0.3m
Mental Health Recovery and Renewal	£1.2m	£0.5m
Mental Health Strategy	£0.3m	£0
Primary Care Improvement Fund	£0.6m	£0.2m
Social Care Fund	£6.6m	£4.3m
Winter Planning Health and Social Care	£4.1m	£3.1m
<b>TOTAL</b>	<b>£15.5m</b>	<b>£8.8m</b>

#### **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. There remains considerable financial risk in the overall position with the IJB forecasting a £20.1m deficit for 2024/25.

#### **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, Glenn Moonie, Finance Officer, Dumfries and Galloway Council, Susan Thompson, Deputy Director of Finance NHS Dumfries and Galloway, Health and Social Care Leadership Team, NHS Board Management Team and Council Senior Leadership Team.

#### **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**

AfC	Agenda for Change
IJB	Integration Joint Board
RRL	Revenue Resource Limit



## 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	