



Dumfries and Galloway  
Integration Joint Board

17<sup>th</sup> December 2024

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>	Not required
<b>Appendices:</b>	N/A

<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 Quarter Two (Q2) 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 note the following recommendations:**
- **Assurance – The IJB is asked to take assurance in relation to the update on the financial position and the measures being taken, however, recognise that the current in-year gap has increased to £21m based on external factors and the allocation reductions during Q2.**
  - **Note – The level of increased financial risk in the position across all of the delegated budget,**
  - **Discussion – The IJB is asked to discuss the issues contained within this paper.**

## 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 Q2 financial review and assesses the impact on the in-year position for the delegated budgets.
- 3.3 The table below summarises the overall opening financial plan 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 set 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.

## Q2 Review

- 3.6 The Q2 review of the 2024/25 Financial Plan has now been completed and the output is detailed in the various sections below.
- 3.7 At Quarter One 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. Funding to support pay uplifts for NHS pay uplifts has been received. Discussions ongoing regarding the uplift to council budgets.
- 3.8 At Q2 the pay assumptions are as follows:

**Table 2 – Financial Plan Planning Assumptions**

Planning Assumptions		Financial Plan Impact
Medical and Dental Pay Award	The pay settlement for senior medical staff has been agreed with 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 uplift has now been agreed and funding provided aligned with the 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 was settled at 3.6% has been agreed.	Discussions around funding arrangements to support this uplift are still ongoing but it is thought likely that a further 0.2% (£50k) will need to be found from the delegated budget to support.

- 3.9 In addition there are a number of allocations which have been received at lower levels than previously notified, specifically Mental Health Recovery funding and Multi Disciplinary Teams funding giving an additional shortfall of around £0.9m and impacting on the overall financial position of the IJB. This will likely impact on the overall position and is beyond a level which can be managed locally within the 2024/25 financial year.

## NHS Delegated Services

3.10 At the end of month 6, the NHS delegated budgets has been summarised and included in table 3 below.

- At Month 6 NHS Dumfries and Galloway are reporting a £15.5m overspend on delegated services to the IJB.
- The Directorates are showing an overspend of £5.5m 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 6 Position NHS Delegated Budget**

Directorates @ Mth 6	YTD Budget £000	YTD Actuals £000	YTD Variance £000
Acute Directorate	74,368	78,945	(4,577)
Facilities & Clinical Support	20,884	21,451	(567)
Mental Health Directorate	16,750	16,014	736
Community Health + Social Care	37,797	39,884	(2,087)
Primary Care Services	27,255	27,297	(42)
Womens & Childrens Directorate	15,337	15,114	223
Strategic Services	8,882	8,648	234
<b>Directorates</b>	<b>201,273</b>	<b>207,353</b>	<b>(6,080)</b>
Centrally Held being released	589	0	589
	<b>201,862</b>	<b>207,353</b>	<b>(5,491)</b>
£33m Target deficit	(10,062)	0	(10,062)
Unachieved Savings against £18.3m	0	0	0
	<b>(10,062)</b>	<b>0</b>	<b>(10,062)</b>
	<b>191,800</b>	<b>207,353</b>	<b>(15,553)</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 There are a number of risks in the position which have been set out below

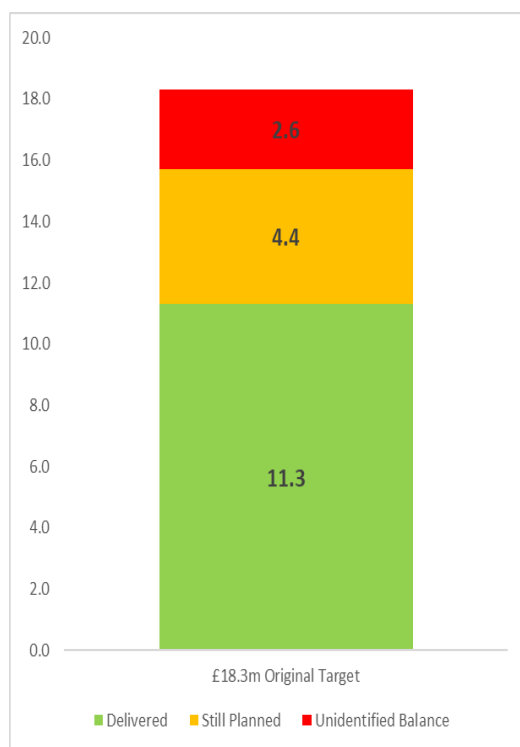
- Increasing activity in Emergency Department, Combined Assessment Unit and Wards resulting in additional staffing requirements and non pay pressures
- Further worsening of medicines (price and volume)
- Further unplanned activity through other Boards (Acute and Mental Health)
- Inability to deliver savings schemes already underway due to workload pressures
- Level of underspends do not continue as forecast to offset directorate pressures
- No improvement on energy position at DGRI as a result of moving contract to recover VAT issue
- Surge beds are not able to be closed due to activity pressures
- Emerging operational issues which cannot be held off into future year
- Inability to reduce or remove cost pressure due to clinical risk
- Lack of new vacancies arising to benefit from further vacancy control measures
- AfC Non Pay elements significantly in excess of allocation received
- No flexibility remaining to deal with anything arising in remaining months

3.13 The GP Prescribing budget is £1.6m over spent at month 6, this is £0.5m higher than was planned for at the mid point of the financial year. Two thirds of this increased expenditure relate to higher than expected growth in the volume of medicines

prescribed, yet D&G are below the average volume growth seen across Scotland in 2024/2025. The remaining unforeseen increase to costs relates to drug prices going up in May, then rising further again in both July and August.

- 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. This work is scheduled over the next six weeks and will be concluded in January.
- 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 £11.3m have been delivered for 2024/25, with a further £4.4m planned. This is set out in the diagram below, however around £2.5m (as shown in red below) are unidentified. The Mid Year Review of the NHS financial position has confirmed that with the additional financial controls around both pay and non pay spend which have been implemented will reduce the in year gap and support the reductions in spend required to deliver the savings target.

**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 Q2 forecast position shows a £3.8m overspend (see table 4) after the use of £980k of reserves for agreed commitments. This is a worsening position from the £2m overspend reported in Q1. There are also £1.2m of known additional commitments relating to Right Care, Right Place, Discharge to Assess which will materialise in Q3 and Q4. In addition to this there another potential £0.8m of known pressures alongside those unknown potential activity increases.
- 3.17 The budget overall is unlikely deliver a balanced position for 2024/25, there is £4.4m of unallocated reserves to meet an overspend expected to be at least £5m but

potentially £5.8m. Further savings will be required to balance the budget. The details are set out in the position below.

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

JJB Delegated SW Services	Service	Sum of LY Actual Spend	Sum of Budget (inc Virements)	Sum of Current Year Forecast	Sum of Costs to		Sum of Revised Forecast 24/25	Variance (NHS Format) 24/25
					be met from Reserves	Forecast 24/25		
Community Health & Social Care	Adult Services (Regional)	19,029,589	20,595,323	20,144,632	329,080	19,815,552	779,771	
	Adult Support & Protection	1,162,306	1,177,508	1,211,605	21,672	1,189,933	- 12,425	
	Management & Governance	804,130	2,018,307	2,127,807	278,284	1,849,523	168,784	
	Physical Disability Support	8,170,735	8,059,609	9,191,749		9,191,749	- 1,132,140	
	Short Term Care (Older People)	39,537,914	43,072,241	42,900,793		42,900,793	171,448	
<b>Community Health &amp; Social Care Total</b>		<b>68,704,674</b>	<b>74,922,988</b>	<b>75,576,587</b>	<b>629,036</b>	<b>74,947,550</b>	<b>- 24,562</b>	
Learning Disability Directorate	In House Complex Care & Support	5,944,380	6,405,805	6,486,334	350,000	6,136,334	269,471	
	Learning Disability Support	29,990,204	29,376,391	32,211,733		32,211,733	- 2,835,342	
	Mental Health Support	3,221,833	2,152,125	3,317,976		3,317,976	- 1,165,851	
<b>Mental Health Directorate Total</b>		<b>39,156,417</b>	<b>37,934,321</b>	<b>42,016,043</b>	<b>350,000</b>	<b>41,666,043</b>	<b>- 3,731,722</b>	
<b>Grand Total</b>		<b>107,865,769</b>	<b>112,857,309</b>	<b>117,592,630</b>	<b>979,036</b>	<b>116,613,594</b>	<b>- 3,756,285</b>	

3.18 There are a range of risks (see Table 5) 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 and is impacting on the savings identified in this area to date. The known areas of risk in the financial position are set out below.

**Table 5 – Social Work pressure**

Future Pressures not included within Forecast for FY24/25	Estimated FY Impact	estimated FY 24/25 impact	Details
Right Care Right Place	500,000	200,000	24 beds block purchased at Nursing rate Oct 31st
NFF care at home impact	1,700,000	920,833	Go live mid September
Discharge to assess	203,638	93,987	Go live mid October
Care and Repair	474,000	474,000	Q4 shortfall due to demand exhausting funds end of Oct
Further growth - High Cost	350,000	137,500	1 high cost transition
Further growth - R&N older people	429,000	214,500	risk that funding model for RCRP gets used for spot purchases
<b>Total</b>	<b>3,656,638</b>	<b>2,040,820</b>	

3.19 The impact of the block contracts for the flexible beds because of the Right Care Right Place programme, the price increases for Right Care Place and the block contract for 160 hours per week total £1.2m are expected to materialise.

3.20 There are two High-Cost cases being considered with one highly likely to materialise.

3.21 The overspend for Physical Disability care support is forecast at £1.1m over. The overspend on care at home has increased by £200k in the last quarter to £654k over. This is a reduction on last year due to savings efficiencies through reduction in use of agency placements. The average cost of new direct payments has increased significantly increasing costs (£274k over) whereas the budget assumption was a reduction in cost.

- 3.22 Overall short-term care for Older People is £171k under which is made up of a mixture of variances.
- 3.23 There are £136k of staffing underspends within Occ Therapy Services which are partially offsetting continued overspends (£180k) in Aids and adaptations. This was an intended £100k savings target. There are further vacancies of £60k within SW staff teams.
- 3.24 Care at Home is forecast to be £1.0m underspend, close monitoring of this will be required as direct payments has significantly increased and is now £1.2m overspent despite a planned saving in that area. Costs have increased in the last quarter and will increase further in Qtrs. 3 and 4 due to National Flexible Framework (NFF) and D2A.
- 3.25 Residential and Nursing is currently forecasting £299k under, this is due to placements which equates to approx. 6 vacancies. The budget can sustain 947 placements, with approx. 940 in place now. Right Care Right Place (RCRP) will impact on this and increase costs in FY 24/25 by circa £200k (FY £500k). There also expected increases in the nursing rate linked to 'agenda for change' pay settlement which will further increase costs.
- 3.26 Overall Complex care is forecast to be £3.7m 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 however the increases from NFF will further increase the overspend along with impending increased high-cost care.
- 3.27 Mental Health overspend is now £1.2k 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.
- 3.28 Most of the savings plans 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 £2.3m of savings have been delivered on an ongoing basis and £124k 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
- Q2 Summary**
- 3.29 The Q2 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 has worsened based on the impact of the Mid Year/ Q2 review as set out below.

Table 6 – IJB Q2 Forecast 2024/25

IJB Draft Financial Plan	NHS £000's	Council £000's	Total £000's
Opening Financial Plan	(20,079)	0	(20,079)

position 2024/25			
Reductions in allocations at Q2	(929)		(919)
Projected overspend on Social Work budget		(5,000)	(5,000)
Use of IJB reserves		4,400	4,400
Other measures to improve position		600	600
<b>Quarter 2 forecast outturn</b>	<b>(21,008)</b>	<b>0</b>	<b>(21,008)</b>

## Reserves

3.30 The IJB Annual Accounts for 2023/24 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. At Q2 it has been assessed that all reserves will require to be released to support the year end position.

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

**Table 7 – IJB reserve position at 31 March 2024**

	31/03/23	31/03/24
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 £21m 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
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	