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Agenda Item:

Integration Joint Board

Date of Meeting: 19 June 2024.

Subject: Budget for 2024/25.

1. Purpose

1.1. To present the 2024/25 funding allocation from NHS Orkney (NHSO) and Orkney Islands Council (OIC) for Members' approval.

2. Recommendations

The Integration Joint Board is invited to note:

2.1. That the draft outturn position for the IJB for 2023/24 is an overspend position of £5.609 million, namely total spend of £73.221 million against the approved budget of £67.612 million.

2.2. That the total overspend position comprises the following:

- NHSO commissioned services - £1.666 million
- OIC commissioned services - £3.943 million.

2.3. That, although no additional recurring savings target has been set against the NHSO delegated service budgets for 2024/25, the IJB is expected to deliver, as a minimum, £2.4 million of the unachieved recurring savings for NHSO commissioned services over the next five years, which commenced in 2023/24 on its delegated budgets.

2.4. That, within services commissioned to OIC, savings for 2024/25 in respect of a reduction in its employer's pension contribution rates (£335k) and a 1% reduction in staff budgets (£216k) to reflect vacancy management have been applied to the budget.

2.5. That, for OIC commissioned services, to assist in achieving balanced budgets for 2025/26, 2026/27 and 2027/28, indicative efficiency targets of £469k, £704k and £938k respectively have been set.

2.6. That, in addition to these budgetary targets, the OIC commissioned services have also been tasked with taking affirmative action to return to operating within its approved revenue budget.

2.7. That a robust Financial Recovery Plan, based on the proposals outlined in Annex 6 to this report, will be submitted to the Board on a regular basis, as previously requested, in order to provide assurance that there are plans to reduce spending.

It is recommended:

2.8. That the baseline budget for financial year 2024/25, amounting to £66.706 million, as detailed in Annexes 2 to 4 of this report, be approved, noting that the increases are in line with Scottish Government requirements as explained in sections 6.1.2 and 6.2.3.

2.9. That work must be undertaken with both partners with the aim of delivering savings in order to deliver a balanced outturn position.

3. Background

3.1. Within the Integration Scheme it states that budgets shall be based on recurring baseline budgets plus anticipated non-recurring funding for which there is a degree of certainty for each of the functions delegated to the IJB and shall take account of any applicable inflationary uplift, planned efficiency savings and financial strategy assumptions.

3.2. Inpatient hospital services/budgets provided within The Balfour and capacity in the designated specialties used in hospitals located in other Health Boards will form the set-aside portion of the hospital budget.

3.3. The funding available to the IJB shall be dependent on the funding available to NHSO and OIC and the corporate priorities of both.

3.4. The IJB receives a formal revenue expenditure monitoring report on a quarterly basis.

3.5. The Strategic Plan 2022 – 2025 was approved by the IJB in June 2022. Many of the priorities from the 2019 – 2022 Plan are ongoing and therefore, the use of some resources and direction for delivery of services are broadly similar to previous years.

3.6. The Strategic Plan for 2025 – 2028 is currently being developed and will thereafter go out for consultation before consideration from the IJB in the next financial year.

3.7. The Medium Term Financial Plan 2022 – 2025 was approved by the IJB in June 2022.

3.8. Any potential deviation from a break-even position should be reported to the Board, NHSO and OIC at the earliest opportunity.

4. COVID-19

4.1. On 1 April 2024 there were earmarked reserves for COVID-19 of £138,996.

4.2. Beyond any specific legacy costs that may require additional funding, there is no funding available for COVID-19 costs.

4.3. It is expected that any COVID-19 related costs will be met from baseline funding and the IJB should continue to drive these costs down as far as possible.

5. Current Position

5.1. This report sets out the implications of the Scottish Government budget for 2024/25 and provides Members with an overview of the IJB's anticipated budget allocation for 2024/25.

5.2. The Scottish Government has not provided detailed spending plans beyond their draft budget for 2024/25. Although there has been continued requests from local government on multi-year settlements this has not been forthcoming which inhibits medium and long-term financial planning in a local context.

5.3. The IJB holds a financial reserve most of which are earmarked for the Primary Care Improvement Fund, Winter Planning Fund, Mental Health, the Alcohol and Drugs Partnership Funds and COVID-19 and which are underspent but are needed in future financial years.

6. Budget Proposals 2024/25

6.1. NHS Orkney

6.1.1. On 19 December 2023, the Director of Health Finance and Governance, Scottish Government wrote to all NHS Chairs, NHS Directors of Finance, Integration Authority Chief Officers and Integration Authority Chief Finance Officers, setting out the draft budget for 2024/25 for NHS Boards. The correspondence is attached at Annex 1.

6.1.2. The key funding messages outlined in the letter of 19 December 2023 include the following:

- The financial pressures across health and social care are, by far, the most challenging since devolution.
- Compared to 2023/24 budgets, NHS Boards will receive a total increase of 4.3% for 2024/25 to cover costs related to the 2023/24 pay deals, as well as the baselining of £100 million sustainability and NRAC funding provided in 2023/24.
- In addition to the baseline uplift outlined, funding aligned to policy commitments and recovery of health and social care services will be allocated to Boards and Integration Authorities in 2024/25.
- The Health and Social Care Portfolio will transfer net additional funding of £241.5 million to Local Government to support social care and integration.

- The overall transfer includes additional funding of £230 million to deliver a £12 per hour minimum pay settlement for adult social care workers in private and third sectors, in line with the Real Living Wage Foundation rate.
- In addition, an inflationary uplift on Free Personal Nursing Care rates (£11.5 million) is provided.
- The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2023-24 recurring budgets for services that are delegated, therefore Local Authority social care budgets for allocation to Integration Authorities must be £241.5 million greater than 2023-24 recurring budgets.

6.1.3. The indicative budget from NHSO is based on a 0% uplift on the recurring budget excluding the Cash Limited Dental and Non-Cash Limited. Further information can be found at Annex 2.

6.1.4. Cash Limited Dental (£1.945 million) / Non-Cash Limited (£1.557 million) are indicative figures based on the 2023/24 allocation and will be adjusted based on requirements and Scottish Government allocations in 2024/25.

6.1.5. The budgets indicated are what is included within the NHSO Financial Plans for 2024/25 for the IJB.

6.1.6. There is a holding account/reserves account which, as at 31 March 2024, had a balance of £2,715,644. This is mainly earmarked reserves for the Primary Care Improvement Fund, Mental Health Recovery and Renewal, COVID-19 and Alcohol and Drugs Partnership. The carry-forward figures will be included within the Annual Accounts and the quarterly Revenue Expenditure Monitoring Reports.

6.1.7. There will continue to be additional funding received from the Scottish Government to meet various commitments to social and integration needs. Any additional funding allocations will be transferred once known.

6.1.8. There is always uncertainty regarding allocations due to the fact that financial planning arrangements with Scottish Government are still ongoing nationally.

6.1.9. For 2023/24, NHSO commissioned services have reported an overspend position of £1.666 million. The main reason for the overspend is attributable to £2.4 million savings target applied to the budget but not achieved.

6.2. Orkney Islands Council

6.2.1. OIC presented proposals for the budget and Council Tax level for 2024/25 to the Policy and Resources Committee on 27 February 2024, which were subsequently approved by the General Meeting of the Council on 11 March 2024.

6.2.2. The Council's budget uprating assumptions are as follows:

Budget Element	2024/25
Staff Costs	2.0%
Property Costs (Specifically Energy Costs)	3.0%

Supplies and Services	3.0%
Transport Costs	3.0%
Administration Costs	3.0%
Third Party Payments	3.0%
Sales	6.7%
Fees and Charges	6.7%
Other Income	6.7%

6.2.3. The Scottish Government published its draft budget for 2024/25 on 21 December 2023. Once again, the settlement provides figures for a single year only. A key recommendation made in this report is to also set a one-year budget for 2024/25.

6.2.3.1. In considering the Scottish Government draft budget, many Scottish Local Authorities have made their concerns known as they continue to find budget setting very challenging.

6.2.3.2. On 19 December 2023, the Deputy First Minister wrote to the Convention of Scottish Local Authorities (COSLA) President in relation to the Local Government Settlement for 2024/25. In her letter, the Deputy First Minister outlined the challenging fiscal context within which decisions regarding the Budget were made and what the Budget means for Local Government.

6.3. The commitments that Finance Circular 8/2023 intimates have been funded in the settlement include the following:

- An additional £230 million to deliver the payment of £12 per hour minimum pay settlement for adult social care workers in commissioned services via agreed contract uplifts.

6.4. Within services commissioned from OIC, savings for 2024/25 in respect of employer's pension contributions and a 1% reduction in staff budget, £335k and £216k respectively, have been applied to the 2024/25 budget.

6.5. Based on the draft outturn for 2023/24, OIC commissioned services are showing an overspend position of £3.943 million. The main causes for the overspend were:

- The ongoing use of agency and locum staff – the total overspend on the staffing budget of £22.7 million was £2.665 million. The overall cost of agency staff across the social work and social care workforce was £4.537 million. Some of this cost (approximately £1.75 million) is offset by vacancies.
- Out of Orkney Placements commissioned for young people - £302k.
- Foster placements - £288k.
- Residential Independent Outwith Orkney placements - £584k.
- Disability commissioned services - £338k.

7. Financial Recovery Plan

7.1. On 21 February 2024, the Board agreed that proposals outlined in a draft Financial Recovery Plan be approved for further exploration, with a view to financial recovery.

7.2. The Board also agreed that a more detailed Recovery Plan, including risks and mitigating actions, be submitted to the next meeting of the Board, noting the caveats outlined by the Chief Officer, including capacity.

7.3. The draft Financial Recovery Plan, attached at Annex 6, has been further updated since first submitted to the Board in February 2024. Some of the areas of planned work are still to be fully quantified. Once quantified, a more detailed Recovery Plan will be presented to the Board and updates on progress will be included within the Revenue Expenditure Monitoring Reports.

8. Contribution to quality

Please indicate which of the Orkney Community Plan 2023 to 2030 values are supported in this report adding Yes or No to the relevant area(s):

Resilience: To support and promote our strong communities.	Yes.
Enterprise: To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	Yes.
Equality: To encourage services to provide equal opportunities for everyone.	No.
Fairness: To make sure socio-economic and social factors are balanced.	Yes.
Innovation: To overcome issues more effectively through partnership working.	Yes.
Leadership: To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
Sustainability: To make sure economic and environmental factors are balanced.	No.

9. Resource and financial implications

9.1. The proposed budgets for 2024/25 are detailed at Annexes 2, 3 and 4, summarised as follows:

Partner	Budget £000's
NHS Orkney	29,639
NHS Orkney Set Aside	8,639
Orkney Islands Council	28,698

9.2. As new allocations become known to Orkney all resources received that relate to the delegated functions will be passed to the IJB as an additional allocation.

10. Risk and equality implications

10.1. Over the next few years, the IJB will require to balance its ambitious commissioning decisions to support change, alongside decommissioning decisions that enables NHSO and OIC to deliver year on year efficiencies to sustain priority services.

10.2. The main “business as usual” significant risk is that there could be a failure to deliver the outcomes of the Strategic Plan in relation to the financial resources that are available.

10.3. Failure to break-even within the financial year will mean that the IJB will remain dependent upon additional payments from both NHSO and OIC.

10.4. Implementing the Financial Recovery Plan will be an ongoing and iterative process, with a number of inherent uncertainties and associated risks. It is proposed that progress updates will be included within the Revenue Expenditure Monitoring Reports.

10.3. The public should be excluded from the meeting in respect of any discussion relating to Annex 6. Annex 6 contains exempt information as defined in paragraphs 3, 6 and 9 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.

11. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

12. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

13. Author and contact information

13.1. Taiye Sanwo (Interim Chief Finance Officer), Integration Joint Board. Email: taiye.sanwo@orkney.gov.uk, telephone: 01856873535 extension 2611.

14. Supporting documents

14.1. Annex 1: Indicative Allocation letter.

14.2. Annex 2: NHS Orkney's Budget 2024/25.

14.3. Annex 3: NHS Orkney Set Aside Budget 2024/25.

14.4. Annex 4: Orkney Islands Council's Budget 2024/25.

14.5. Annex 5: IJB Commissioned Services Budget by Services 2024/25.

14.6. Annex 6: Draft Financial Recovery Plan.

Annex 2: NHS Orkney's Budget 2024/25

	£000's	£000's
Service Budget 2023/24 as at Period 12	25,867	
0% Uplift (on service budgets and recurring budget)	<u>0</u>	
Recurring Baseline Budget		25,867
Cash Limited Dental		1,945
Non-Cash Limited		<u>1,557</u>
Budget 2024/25		<u><u>29,369</u></u>

Annex 3: NHS Orkney Set Aside Budget 2024/25

	£000's.	£000's.
Opening Baseline Budget 2023/24.		7,953.
Recurring Cost Pressure 2023/24.		
Pay and Uplifts.		1,027.
Non-Recurring Cost Pressure 2023/24		
Medical Locums.	-200.	
Placement outwith Orkney.	-204.	
Mental Health Service Level Agreement.	-400.	
	<hr/>	-804.
Baseline Budget 2024/25.		8,176.
2.0% Uplift (on service budgets and recurring budget).		0.
Non-Recurring Cost Pressure 2024/25.		
Placement outwith Orkney.	63.	
Mental Health Service Level Agreement.	400.	
	<hr/>	463.
Baseline Budget 2024/25.		8,639.

Annex 4: Orkney Islands Council's Budget 2024/25

	£000's	£000's
Baseline Budget 2023/24		26,383
Reduce One Off Funding:		
Braeburn Children's Residential	-450	
Transfer Whole Family Wellbeing to Education	-132	
Sub Total One-off Funding		-582
Pay Increase		915
Revised Baseline		26,716
Inflation		302
<u>One Off:</u>		
Braeburn Children's Residential	432	
Outwith Orkney Placements	545	
Sub Total One Off		977
Baseline Increase i.e Energy Costs, Food Inflation		210
<u>Savings:</u>		
Pension (17%-15%)	-335	
Staff Turnover	-216	
Sub Total Savings		-551
<u>Finance Settlement:</u>		
Allowance Kinship and Foster Care	49	
Personal and Nursing Care Increase	22	
Adult Social Care Uplift £12 per hour	1,000	
Reduction in Social Work Capacity and Winter Planning	-27	
Sub Total Finance Settlement		1,044
Budget 2024/25		28,698

Annex 5: IJB Commissioned Services Budget by Services 2024/25

	2024/25 Budget
IJB Commissioned Services	£000
Support Services and Overheads	4,645
Alcohol and Drugs Partnership	531
Children and Families	7,093
Prescribing	5,643
Elderly	9,173
Integration Funding	1,525
Disability	5,451
Mental Health	1,729
Other Community Care	1,544
Occupational Therapy	957
Care at Home	5,331
Criminal Justice	182
Community Nursing	1,911
Primary Care	12,104
Allied Health Professions	1,112
Rehabilitation	291
COVID-19	403
Reserves	839
Savings	(2,400)
Service Totals	58,067
NHS Orkney Set Aside	8,639
IJB Total	66,706