



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 23 March 2023

BY: Chief Finance Officer

SUBJECT: Budget Offers from partners – 2023/24

1 PURPOSE

- 1.1 This report presents the Board with confirmation on the formal budget offer to the IJB from East Lothian Council and the current indicative proposed budget offer and principles for 2023/24 from NHS Lothian.
- 1.2 The report also sets out the IJBs updated medium term financial plan projections and the financial recovery plans and assumptions to support the IJB balancing its budget in 2023/24. A position of the IJB reserves is included covering both general and earmarked reserves.
- 1.3 Finally, the reports ask the IJB to agree that further financial recovery actions are required to balance the budget and should be brought back to the IJB for agreement.

2 RECOMMENDATIONS

- 2.1 As a result of this report, Members are asked to:
 - Agree the recommendation not to accept the IJB budget offer from East Lothian Council for 2023/24
 - Note the principles in the indicative NHS Lothian budget with a formal offer following in due course
 - Note the updated medium term financial plan projections
 - Note the financial recovery plans and assumptions to support the IJBs financial balance for 2023/24
 - Note the IJBs provisional reserves position
 - Agree the requirement for further financial recovery actions to mitigate the remaining the £0.250m financial gap.

3 BACKGROUND

Budget Offers for 2023/24

- 3.1 East Lothian Council agreed their budget at Council committee on the 28th February 2023 following which a formal budget offer letter was issued to the IJB.
- 3.2 This position is the formal offer from East Lothian Council for 2023/24 and it should be noted is not in line with the parameters set by Scottish Government. As reported to the IJB at its February meeting these parameters were

“The funding allocated to Integration Authorities should be additional and not substitutional to each Council’s 2022-23 recurring budgets for services delegated to IJBs and, therefore, Local Authority social care budgets for allocation to Integration Authorities must be at least £95 million greater than 2022-23 recurring budgets.”

- 3.3 Details of the budget offer are noted in the table below and a copy of the offer letter is included as Appendix 1.

	£m
Recurring Delegated AWB budget	66.294
Plus, Other Delegated budgets	
Non-HRA Private Sector Housing Grant	0.256
HRA - Disabled Adaptations (Capital)	1.000
HRA - Garden Aid	0.238
	67.788
New National Investment	
RLW National Uplift	1.951
FPNC Uplift	0.344
Less Non-recurring funding (interim care)	(0.386)
	1.909
Total	69.697
Less	(0.250)
Total	69.447

Fig 1: East Lothian Council budget offer to the IJB

- 3.4 Given the offer is not in line with the parameters set by Scottish Government, this being there is not the additionality in the overall budget expected by Scottish Government. Plus, the significant financial challenges facing the IJB, as reported at the December 2022 meeting when the IJBs medium term financial plan was presented, Officers are recommending the IJB do not accept this budget offer from the Council.

- 3.5 NHS Lothian’s Board does not meet until early April 2023 after which a formal budget offer to the IJB will be provided. NHS Lothian have provided, at this stage, an indicative budget offer to the IJB which lays out the principles they are applying. This letter is attached at Appendix 2 and the table below shows this position

	£m
Health Delegated Recurring Budget	110.483
Plus	
Uplift	1.943
Other	0.686
Total	113.112

Fig 2: NHS Lothian indicative budget offer to the IJB

- 3.6 The indicative budget offer from NHS Lothian does follow the Scottish Governments parameters and we await their formal budget offer for 2023/24 and will report this back to the IJB. It should be noted the GMS budget is uplifted separately to this budget offer.
- 3.7 Overall, this would make the IJB total budget for 2023/24 £183m.

	£m
Social Care	69.447
Health	113.112
Total	182.559

Fig 3: Indicative combined IJB budget

Medium Term Financial Plan

- 3.8 The IJBs medium term financial plan was presented back in December to the Board highlighting the financial challenges facing the IJB in 2023/24 and beyond. For 2023/24 the IJB was projecting a £4.7m financial gap. The IJBs financial plan has been refined as partners refine their financial plans.
- 3.9 The current IJB projections based on February 2023 iteration of partners financial plans is £4.8m, this iteration was still assuming the same IJB income assumptions based on the Scottish Governments parameters of budget offers being flat cash plus the uplift or additional funding provided for IJBs. In Figure 4 below there are 2 items within the table highlighted as changes, these are a movement regarding prescribing expenditure (recent data has informed that prescribing expenditure is likely to increase above the NHS Lothians February financial plan assumptions) and to take account of the reduction of £0.250m to the IJB budget from East Lothian Council. This moves the IJBs projected gap for 2023/24 to £6m before any recovery plans.

	23/24	24/25	25/26	26/27
	£m	£m	£m	£m
Total Income	182.809	181.679	182.866	184.077
Total Expenditure	187.579	188.955	193.369	197.930
Gap before financial recovery plans	(4.770)	(7.276)	(10.502)	(13.853)
Changes				
Council Budget Offer	(0.250)			
Prescribing expenditure (movement between Feb and March)	(1.133)			
Revised Gap before financial recovery plans	(6.153)	(7.276)	(10.502)	(13.853)
% Gap	3.4%	4.0%	5.7%	7.5%

Fig 4: IJBs February iteration of financial plan with amendments

Financial Recovery Plans

- 3.10 Since the December financial plan position was reported the HSCP Officers along with other budget managers across delegated services have been building up a range of financial recovery plans to try and get back to financial balance. You'll see for East Lothian IJB the plans and some working assumptions which assumes financial recovery plans of £5.9m, as the developing of financial recovery plans was to ensure the £4.8m projected gap and the £1.1m prescribing change could be managed next year.

	£m
Core	3.110
Hosted	0.298
Set Aside	1.959
Social Care	0.536
	5.903

Fig 5: IJBs financial recovery plans 2023/24

- 3.11 Within the financial recovery assumptions above, even after the identification of financial recovery plans there was still a financial gap within prescribing and set aside services. The Chief Finance Officer has discussed this with NHS Lothian's Director of Finance. Both have agreed a shared ambition to work collaboratively to deliver a balanced outturn. On that basis the working assumption built into the financial plan is that prescribing and set aside services will break even. A fuller table of financial recovery plans and assumptions is attached at Appendix 3.

Reserves position

- 3.12 The IJB does hold both general and earmarked reserves and has a reserves policy with a minimum level of general reserves to be held

being 2%. This equates to circa £3.8m. Given the financial sustainability challenges reported above it is vital we hold the general or contingency reserves at this minimum level.

- 3.13 A summary of the reserves position is shared at Appendix 4 and worth noting that through our earmarked reserves all COVID funding has been utilised or reclaimed, moving into 2023/24 the IJB does not hold any COVID funding.
- 3.14 Planned utilisation of the earmarked reserve in year is currently projected to be £13.6m. For the general reserve there is also a longer-term projection included within the appendix and this should be noted in line with the medium term financial plan projections above.

Final Financial Recovery Actions to mitigate remaining gap

- 3.15 With a £6.1m projected overspend next year and £5.9m of financial recovery plans there remains a £0.250m financial gap that the IJB requires to decide how this is mitigated.
- 3.16 In the event that the budget remains as is reported above from East Lothian Council and to secure a balanced budget for the IJB, it is recommended the IJB request that Officers come back to the IJB in May with further financial recovery actions to aim to mitigate the additional financial gap.
- 3.17 This would mean at this stage the IJB does not have a balanced budget and the CFO will ensure both Partners are aware of this. The IJB at its May meeting will consider the formal budget offer from NHS Lothian and the financial recovery actions to balance the IJBs budget.

4 ENGAGEMENT

- 4.1 The IJB makes its papers and reports available on the internet.
- 4.2 The issues in this report have been discussed with the IJB's partners but do not require wider engagement

5 POLICY IMPLICATIONS

- 5.1 There are no new policies arising from this paper.
- 5.2 The recommendations in this report implement national legislation and regulations on the establishment of IJBs.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy
- 6.2 The issues in this report do not require an integrated impact assessment.

7 DIRECTIONS

- 7.1 There is no implication for Direction at this stage.

8 RESOURCE IMPLICATIONS

- 8.1 Financial – There are no immediate resource implications from this report. Any resource implications from the outcome of the process will be highlighted in a future report if required.
- 8.2 Personnel – None
- 8.3 Other – None

9 BACKGROUND PAPERS

- 9.1 None

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DATE	March 2023

- Appendix 1 – East Lothian IJB Letter 2023/24 from East Lothian Council**
Appendix 2 – East Lothian IJB Indicative Budget Letter 2023/24 from NHS Lothian
Appendix 3 – Financial Recovery Plans Summary
Appendix 4 – Draft IJB Reserves Position

14 March 2023

Claire Flanagan
Chief Finance Officer East Lothian Integrated Joint Board

John Muir House
Haddington
East Lothian
EH41 3HA
Tel 01620 827827

Dear Claire,

Financial resource proposal from East Lothian Council to East Lothian Integration Joint Board –2023/24

In accordance with the provisions set out in the Integration Scheme agreed between East Lothian Council and NHS Lothian, this letter sets out the formal proposal from East Lothian Council to the Integrated Joint Board (IJB) advising of the level of financial resources that will be delegated by the Council in financial year 2023/24 to the IJB. It also sets out the indicative draft allocation for 2024/25, to support forward strategic planning.

As you know this resource proposal has been considered in the context of one of the most challenging financial climates that the Council has ever experienced. A combination of external factors has given rise to significant increases in expenditure demands for the Council which are not being met by additional income or through the national funding settlement. The expenditure increases include; energy costs, inflation including pay inflation, rising interest rates and increased demand for Council services from the cost of living crisis along with revenue costs of capital and population growth. The combined impact of these growth pressures amounts to £21.4m in 23/24, and rises to £75.9m over the next 5 years. Given the extent of these pressures both in the current year and the impact going forward, managing the financial environment now remains the highest scoring corporate risk ever publicly reported by the Council.

The scale of the challenge has now reached an unprecedented scale, and this has and will continue to mean very difficult decisions are now being placed upon us to balance these collective demands and to ensure as far as possible key service obligations can continue to be delivered within the resources available. I also know many of these cost pressures are being faced by the IJB.

The IJB resource proposal for 2023/24 has been set in the context of managing these collective challenges and remains aligned to the budget approved by Council on 28 February 2023, and indicative forward budget projections. The specific details setting out the resource proposal are set out further below:

- The Council has continued to pass on budgets aligned to the current scheme of integration and delegated functions. As you know the Integration scheme has during this year been subject to review, and as such these functions may be

subject to change pending the formal approval of the updated scheme. This will remain subject to shared discussion.

- The Council has continued to pass over its share of resources aligned to national commitments as set out within the national settlement over and above baseline 2022/23 budgets.
- Taking these factors into consideration the financial resource that would be made available to the IJB for 2023/24 is £69.697 million.
- In addition to the above and in recognition of the significant financial challenges which the Council is now facing, the resource offer to the IJB has been reduced by £0.250m which remains consistent with indicative budget plans approved by Council in March 2022, and is being made in the context of exploring further the benefits of partnership working. This equate to 0.36% of 22/23 IJB budget, and is set within the context of cost pressures as referenced above in excess of £21 million for 2023/24, which are being managed by the Council. Given this, the net financial resources being made available to the IJB for 2023/24 is £69.447 million.
- This offer currently excludes any contribution to support the cost of meeting the anticipated pay uplift in 2023/24 given national pay negotiations remain on-going. Subject to finalisation of national pay negotiations, the impact will remain subject to continued discussions between us and will be informed by both the Council and IJB financial position and respective financial plans.

Adult Wellbeing 22/23 Budget	£66.834m
Excluding Non-Delegated	(£0.540m)
Excluding Non-recurring funding (interim care)	(£0.386m)
TOTAL	£65.90m
<u>New National Investment</u>	
RLW National Uplift	£1.951m
FPNC Uplift	£0.344m
TOTAL New Investment	£2.295m
<u>Other Delegated Budgets</u>	
Non-HRA Private Sector Housing Grant	£0.256m
HRA - Disabled Adaptations (Capital)	£1.000m
HRA - Garden Aid	£0.238m
TOTAL Other	£1.494m
Total IJB BUDGET 23/24	£69.697m
Exploring Benefits of Partnership Working	(£0.250m)
TOTAL IJB FINANCIAL RESOURCE 23/24	£69.447m

The financial environment we all continue to operate in remains exceptionally challenging, and given this it remains increasingly important to continue to work in partnership with IJB colleagues to best meet these shared collective outcomes within the funding resources available. This will also include building on shared learning opportunities on areas where integrated service delivery models have changed, and understanding the financial impact across partner organisations to ensure a more holistic approach to transformational opportunities can be developed going forward.

Whilst this budget has been set in the context of a single year national financial settlement, the Council has also agreed medium term financial plans. This will require the Council to deliver further savings in excess of £59.7 million by 2027/28 in addition to approved savings already reflected in the draft budget, and includes a further saving of £0.250 million for the IJB in 2024/25.

These budgets will remain subject to review aligned to annual budget setting, but given the scale of the financial challenge I would strongly encourage the IJB to consider forward strategic planning which supports the delivery of recurring savings plans, remains aligned to the delivery of shared priorities and as a minimum takes into account the forward financial plans being set by the Council. Discussions around the development of further savings options for the Council will continue to be explored and as always the holistic impact of these decisions and shared outcomes will be an important consideration for all partners.

Yours sincerely



Sarah Fortune
Executive Director for Council Resources (Chief Financial Officer)
East Lothian Council

Cc: Monica Patterson – Chief Executive, ELC
Fiona Wilson – Chief Officer East Lothian
Iain Gorman – Head of Operations East Lothian
Claire Flanagan – Chief Finance Officer East Lothian
Peter Murray – Chair East Lothian IJB
Shamin Akhtar – Vice Chair East Lothian IJB
Ellie Dunnet – Head of Finance

By Email Only
Letter to Chief Officer & Chief Finance
Officer of East Lothian IJB

Date 16 March 2023
Your Ref
Our Ref

Enquiries to Craig Marriott
Extension 35543
Direct Line 0131 465 5543
Email Craig.Marriott@nhslothian.scot.nhs.uk

Dear Colleagues,

EAST LOTHIAN IJB – INDICATIVE UPLIFT FOR 2023/24

Further to NHS Lothian's Finance and Resources (F&R) Committee on February 7th, I write to update you on the position relating to uplift to be allocated to East Lothian IJB by NHS Lothian in 2023/24.

We have yet to conclude our financial planning process, and we will look to take a final iteration of the Plan through our F&R Committee on the 20th of March, with final sign off at our Board meeting on the 5th April. The figures shared with you at this stage are therefore indicative until the final plan has been agreed, and also the final SG uplift settlement has been confirmed once the pay uplift for 22/23 is resolved.

In total, and based on the indicative 2% uplift communicated to Boards from the Scottish Government in its letter of December 15th, NHS Lothian's uplift allocation against baseline for 2023/24 equates to £32.8m. As agreed and per previous years, we will pass through the full share of this settlement to each IJB, based on budget shares.

The Plan shared at the February Committee recognised a budget of £110,483k for East Lothian IJB. Net of GMS (which will receive a separate uplift allocation) the total recurring budget equates to £97,618k, although this still includes elements of budget beyond the baseline.

The total proportionate share of the indicative uplift to be passed through to East Lothian IJB has been calculated at £1,943k. We have assumed that each IJB will continue to prioritise funding of pay awards. At this stage, the Plan for East Lothian IJB shows the following share of resource requirements (see Appendix for further detail):

Pay Uplift (at 2%)	£1,141k
Balance of Uplift	<u>£ 802k</u>
Total Uplift	£1,943k

The final review of the NHS Lothian Financial Plan will conclude shortly, and further updates will be incorporated in the final iteration in terms of any agreed changes to the IJB mapping table for 2023/24 (where these are agreed with CFOs), additional savings and efficiencies identified and any further additional resources allocated. A further update on 2023/24 budgets will be provided to you at this time. We will also update you on any changes to your budget offer, relating to additional funding expected into your base as a result of the 2022/23 pay agreement.

Given that our financial planning indicates that the level of uplift is insufficient to meet all cost pressures in the system, I am keen to understand from East Lothian IJB as early as possible how its Directions will shape the delivery of efficiency savings in 2023/24 and the application of resources in support of financial balance.

I would be happy to have further discussion with your IJB in advance of the final confirmation on the application of health resources in 2023/24.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Marriott', with a stylized flourish at the end.

CRAIG MARRIOTT
Director of Finance

APPENDIX 1 - 2023/24 DRAFT FINANCIAL PLAN SUMMARY BY INTEGRATED JOINT BOARDS

	East Lothian IJB
	£k
Full Year Recurring Expenditure Budget	110,483
Baseline Pressures	(1,977)
Projected Expenditure Uplifts & Commitments	(2,046)
Growth and Other Commitments	(1,750)
Policy Decisions	
Strategic Investments	160
Essential Service Development	
Projected Expenditure Uplifts & Commitments	(3,636)
<i>Percentage of Recurring Budget</i>	<i>(3.3%)</i>
Projected Costs	(5,613)
Recurring Resources	
23/24 Base Uplift @ 2%	1,943
Recurrency of 22/23 Uplift	626
Recurrency of 22/23 FP Investment	60
Non Recurring Resources	0
Additional Resources	2,629
Financial Outlook Gap before FRP's	(2,984)
Financial Recovery Plans	737
Financial Outlook Gap after FRP's	(2,247)
<i>Percentage of Recurring Budget</i>	<i>(2.0%)</i>
Final estimated outturn - 23/24	(2,247)

Financial Recovery Plans	East Lothian IJB Value (£m)
Core	
Workforce	0.140
GP Prescribing	1.000
Procurement and Contracts	0.415
Capacity/Service Redesign	0.400
NHS Lothian Thematic Programmes	0.022
Other	1.133
Core Sub total	3.110
Hosted	
Workforce	0.104
GP Prescribing	0.000
Procurement and Contracts	0.039
Capacity/Service Redesign	0.150
NHS Lothian Thematic Programmes	0.005
Hosted Sub total	0.298
Set Aside	
Workforce	0.236
Acute Medicines	0.067
Procurement and Contracts	0.000
Capacity/Service Redesign	0.030
NHS Lothian Thematic Programmes	0.007
Other	1.619
Set Aside Sub total	1.959
Social Care	
Workforce	0.100
Procurement and Contracts	0.315
Capacity/Service Redesign	0.121
Social Care Sub total	0.536
Grand Total	5.903

Appendix 4 - Draft Reserves Position



	23/24
Earmarked Reserves	£m
Opening balance 2022/23	15.479
Drawn down or planned to utilise in year	13.699
DRAFT closing balance	1.780
Earmarked Funding in Reserves	
Primary Care estate	0.037
Carers act	0.079
Community living support fund	0.346
MDT	0.158
Care at home	0.418
Mental Health & Wellbeing	0.022
Other	0.720
Commitments in place for future years	1.780
Balance	0.000

		23/24	24/25	25/26	26/27
General Reserves	£m	£m	£m	£m	£m
Opening balance 2022/23	4.810	4.810	4.010	4.010	4.010
Drawn down or planned to utilise in year	0.000	0.000	0.000	0.000	0.000
DRAFT closing balance	4.810	4.810	4.010	4.010	4.010
Reserve Policy @ 2%		3.800	3.800	3.800	3.900
Position against Policy		1.010	0.210	0.210	0.110
Analogue to Digital alarms Est		0.800			
Balance		4.010	4.010	4.010	4.010

* actual reserve balances will be finalised at year end