



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 14 December 2023

BY: Interim Chief Finance Officer

SUBJECT: Financial Plan 2024/25 - 2028/29

1 PURPOSE

1.1 This report lays out an initial projection of the financial pressures facing the IJB over the next five years.

2 RECOMMENDATIONS

2.1 Members are asked to:

- i. Note the financial forecast;
- ii. Note the further development work required; and
- iii. Agree to use the IJB's workshop scheduled for 25th January 2024 to discuss a range of proposals to bring the IJB's projected expenditure back into line with its forecast income.

3 BACKGROUND

3.1 The IJB is governed by local authority regulations and, like Councils, the IJB must set a balanced budget before 1st April every year. It is worth noting that the NHS boards are governed by different financial regulations and must break-even at the end of each financial year. Thus ELC will set a balanced budget based on the achievement of a range of efficiency plans at the beginning of the financial year whereas NHSiL will make a financial forecast (in April) which shows the totality of the financial challenge and proposes a series of outline plan to move towards a break-even position by the end of the financial year. The IJB will also set a balanced budget for the coming financial year and that will be based on a series of financial recovery actions which will, operationally, be delivered by the partners.

3.2 Both partners have provided information to allow the IJB to broadly project its financial position over the next five years. In summary this shows –

Summary	24/25 Variance	25/26 Variance	26/27 Variance	27/28 Variance	28/29 Variance
Health	-5,227	-6,851	-8,320	-9,873	-11,505
Social Care	-6,387	-8,872	-11,276	-13,578	-15,853
Total	-11,614	-15,723	-19,596	-23,451	-27,358
Percentage	6.35	8.59	10.71	12.81	14.95

Where the total variance is an overspend against the projected budgets in each year. It is important to note that this position does not include any management actions nor any further allocations to support pay or other inflationary pressures in future years. The percentage is based on the current year's budget.

Assumptions

- 3.3 Both partners have started from slightly different places and have a different range of assumptions:

Health

NHSiL have assumed a 2% uplift every year along from the Scottish Government (which will be passed to the IJB) with a 2% pay award to all staff. The underlying pressure (that is financial pressures supported non-recurrently in 23/24) is included in the forecast with no assumption of any other further uplifts or additional funding. The pressure is therefore a reflection of the historical position plus new pressures arising from pay costs (beyond the pay award) and inflation on health provision generally (for example cost of new drugs).

Social Care

The social care budget for 2024/25 and thereafter will be subject to the offer made to the IJB by the Council as part of its budget setting process and therefore the assumptions that underly this forecast may be changed through the Council budget setting process. The assumption is that the base IJB budget will be unchanged. In terms of cost pressures 3% pay award and a 5.5% increase in the national care home contract is assumed. It should be noted that the NCHC uplift for 2024/25 has not yet been agreed. Elements for the additional costs of clients transitioning from children to adult services and some increase in Care Home place demand is included.

However, there is an underlying pressure in the social care system in 23/24 (expressed as the overspend noted in the Q2 review). In order to show both forecasts on the same basis a proxy based on the current out-turn forecast for 2023/24 (that is £2.8m) has been used to reflect the underlying pressures within the system. This forecast therefore addresses the historic pressures within the system and allows for inflation in the costs of its future services along with an element of demographic change.

- 3.4 The Scottish Government will set its budget for 24/25 during the month of December and this will provide further information about any further funding available.

- 3.5 Further work is being undertaken with both partners to review the assumptions above and discussions are underway to understand the impact of the Set Aside pressures (c. £3.0m in 24/25 above) and how the IJB can manage this. Appendix 1 lays out more detail on the forecast above.
- 3.6 The forecast itself requires to be reviewed and there will be further impacts on it from both the Scottish Government budget assumptions and the budget setting processes of the partners. However, it is highly unlikely that any further uplifts or funding will have a material impact on the pressures laid out above and the IJB now needs a series of detailed financial proposals to allow it to live within the resources available to it. Plans are being progressed to prepare a series of workshops both with the operational management teams and the IJB itself to discuss such proposals and to ensure that the final plans adopted will support the delivery of the IJB's objectives as laid out in its Strategic Plan.

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.

5 POLICY IMPLICATIONS

- 5.1 There are no new policies arising from this paper.

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 Directions 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 IJB Finance Update – presented to the IJB in October 2023

AUTHOR'S NAME	David King
DESIGNATION	Interim Chief Finance Officer
CONTACT INFO	David.king4@nhslothian.scot.nhs.uk
DATE	November 2023

Appendix 1 – Further detail of the 2024/25 -> 2028/29 financial forecast.

Appendix 1 – Detail of the IJB’s Financial Plans 2024/25->2028/29

		24/25	25/26	26/27	27/28	28/29
		Variance	Variance	Variance	Variance	Variance
Health Forecast						
Delegated	Core	-2,320	-3,195	-4,105	-5,054	-6,034
	Hosted	93	-160	-284	-416	-555
Delegated Total		-2,227	-3,355	-4,390	-5,470	-6,589
Set Aside		-3,000	-3,497	-3,930	-4,403	-4,916
Total Health		-5,227	-6,851	-8,320	-9,873	-11,505
SC Forecast						
B/fwd pessure		-2,800	-6,387	-8,872	-11,276	-13,578
Pay		-747	-595	-606	-624	-638
Utility Inflation		-180	-16	-16	-16	-16
Commissioned Services Inflation		-1,887	-1,379	-1,419	-1,462	-1,503
Cleaning Costs		-173	-27	-28	-28	-28
Transitions		-520	-388	-255	-92	-10
Ordinary Resident Transfers		-80	-80	-80	-80	-80
Total Social Care		-6,387	-8,872	-11,276	-13,578	-15,853
Total Overspend		-11,614	-15,723	-19,596	-23,451	-27,358
Percentage of opening budget		6.35	8.59	10.71	12.81	14.95

Notes.

1. Sources

Health - NHS Lothian updated five year plan, November 2023. Social Care - provided by East Lothian Finance Team.

2. Levels of analysis

Ideally forecasts would show underlying pressures, pressures from additional demand (demography and improvements in health care) and inflationary pressures. Although this data is in both the partner’s forecasts it is laid out in different ways. It should be possible to revise the current presentation and this approach will be used in future iterations of the financial plan.

3. Adjustment for consistency

In order to ensure that both plans manage the issue of underlying pressures consistently, a further line has been added to the Social Care forecast. The shows the underlying pressures from 23/24 in the brought forward row and then brings forward the pressures for each previous year. As is described above, given that there is no impact of management actions in these positions and that inflationary and

demographic pressures are considerably greater than any assumed uplift then the values will increase. It should be noted that management actions currently underway and recovery plans adopted by the IJB for 24/25 will impact favourably on future years.

4. Demographic Change

Scottish Government funds for both partners are distributed according to national formulae. East Lothian particularly and NHS Lothian generally have increasing populations and therefore increased demand for health and social care services for which the current funding models are not currently providing the appropriate resources.