

REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 22 February 2024

BY: Interim Chief Finance Officer

SUBJECT: Financial Update – 23/24 position and 24/25 budget setting.

1 PURPOSE

1.1 This report discusses the following –

- 1.1 An update to the two financial papers presented to the IJB at its December 2023 meeting. These being the 23/24 Q2 financial forecast out-turn for the IJB and the IJB's initial financial planning paper for 2024/25 to 2028/29.
- 1.2 The paper then looks at the steps towards setting the 2024/25 budget for the IJB and reflects on the IJB's workshop of 30th January 2024.

2 RECOMMENDATIONS

2.1 Members are asked to:

- i. Note the updated 2023/24 out-turn forecast
- ii. Note the updated 2024/25 financial forecast
- iii. Note the recovery plan work to date (this will be discussed further at the workshop following on from this business meeting)
- iv. Note the timetable for setting the 24/25 budget

3 BACKGROUND

3.1 At its December 2023 meeting the IJB was presented with two finance papers. These being the quarter 2 financial out-turn forecast for 2023/24 and an initial five year financial plan for the period 2024/25 to 2028/29.

Quarter 2 financial outcome review

3.2 The Q2 review indicated an overspend for the IJB in 23/24 of c. £5.1m, split between £2.3m within the health services and £2.8m within the social care services.

3.3 Both partners have now provided the IJB with a Q3 forecast. This shows the following:

	Variance £000's
Health	
Core	771
Hosted	284
Set Aside	(1,883)
Total Health	(828)
Social Care	(3,291)
Total IJB	(4,119)

The health position having improved from the Q2 forecast however the social care out-turn forecast has deteriorated by c. £0.5m.

3.4 The December report recognised that, given the challenge of forecasting the costs of social care services delivered by third parties, the out-turn forecast would continue to be reviewed. Further management actions are underway by the HSCP management team with finance colleagues to further revise the out-turn forecast for the commissioned services within social care.

3.5 The IJB has reserves as was discussed in the December paper. A detailed breakdown of the reserves along with the projected balance at 31/3/24 is attached as Appendix A. In summary this shows a projected balance at 31/3/24 of £1.1m in earmarked reserves and £4.2m in the general reserve. The general reserve is the IJB's only 'usable' reserve but will be required to be utilised to support the financial pressures at the end of the year. For the purposes of future financial planning it is assumed that the IJB has no reserves.

Initial Financial Plan 2024/25 to 2028/29

3.6 At the IJB's December meeting a paper laying out an initial financial plan for 2024/25 to 2028/29 was presented. This showed a forecast pressure for the IJB in 2024/25 of £11.6m being £6.4m in social care and £5.2m within health. This was an initial forecast taking into account the underlying pressures identified by the Q2 review (especially within the social care budget) and not including any further management actions. However, this forecast was made before the Scottish Government published their budget for 2024/25. That budget has had a significant impact on this forecast.

Impact of the Scottish Governments 2024/25 budget settlement.

3.7 The health projections provided to the IJB by NHS Lothian (part of the plan above) were based on the model adopted by the government for the past several years. This is a simple percentage uplift on the health board's recurrent total budget which provides for both pay awards and a contribution towards non-pay costs such as drugs, property running costs, clinical supplies and so on. Historically further funds were also provided to offset the costs of new high cost drugs along with a settlement towards recognising

the changes in demography – additional funding to recognise additional population (NRAC).

- 3.8 The Scottish Government's budget for health makes recurrent the funds that it has allocated in 2023/24 to the Scottish Health Boards (in the case of NHSiL c.£72.0m) but there are no additional funds for 2024/25 with the exception of £10.2m for NRAC (which is c. 0.5% of the NHS Lothian base budget). Although the Scottish Government have committed to funding pay awards in 2024/25, the impact of the zero overall uplift is that there is no provision for any funding to cover increases in non-pay costs (driven by inflation) or to contribute towards any already committed developments. Although some further funds have been available to contribute towards the costs of new drugs, these are significantly reduced from previous years and thus adding to the overall projected gap in 2024/25. In order to move towards break-even in the current financial year, NHS Lothian is having to use up significantly more 'flexibility' than in previous years. The impact of this on NHS Lothian's budget moves their financial savings target from c. 3% (which it has been for the past few years) to 7% for 2024/25. This will have a major impact on the IJB's 24/25 projected financial gap.
- 3.9 The 24/25 settlement for the Local Authorities was also part of the December budget. There are still on-going discussions about the exact distribution of the settlement but broadly for East Lothian it appears to be roughly flat cash (that is no additional funds) but the government are making further funds available to ensure that the staff of providers of social care have an hourly rate of at least £12-00 and the government are also providing funds to uplift the support for free personal and nursing care. The settlement requires that these funds be passed onto the IJB.
- 3.10 In summary, the 24/25 Scottish government budget settlement has worsened the health element of the 24/25 financial forecast that was presented to the IJB at its December meeting.

IJB Workshop – 30th January 2024

- 3.11 Reflecting on the initial 2024/25 to 2028/29 financial plan, the IJB agreed to hold a finance workshop on 29th January 2024. This workshop had three broad objectives –
- To lay out how the 2024/25 financial forecasts had been arrived at. So that the IJB could fully understand the provenance of that forecast.
 - To lay out the proposals of the HSCP management team to close the financial gap. These proposals were split into two broad categories –
 - Efficiencies – which are, in principle, delivering the same services for a lower cost and should not therefore impact on the IJB's Strategic Plan. These include 'grip and control projects' which are effectively a reassurance that the operational process are followed rigorously.
 - Choices – significant services changes. These will require to be considered by the IJB to understand the impact on the Strategic Plan.
 - Having considered these points above, to have an informed discussion about the financial challenges in 24/25 (and in future years)

and consider the 'choices' that will have to be made and their impact on services delivery.

Revised 2024/25 – Financial Projection

- 3.12 The paper in December noted that the 2024/25 projections would continue to be reviewed and, as noted above, it was clear by the Workshop on 30th January that the health position would deteriorate from the position laid out in December '23.
- 3.13 NHS Lothian has now presented the IJB with an updated draft of its 2024/25 financial projection for the IJB although this position continues to be reviewed. NHS Lothian will have a final position for 2024/25 presented to its Board at its April 3024 meeting.
- 3.14 Work has also continued with Council colleagues to refine the 2024/25 social care forecast position. This has two elements – a reflection of the projected overspend in 2023/24 (for which a recovery plan is required in 2024/25) and a detailed analysis of 'new' pressures in 2024/25. Although the 23/24 out-turn forecast has now deteriorated the review of the 2024/25 pressures has now been improved by a re-consideration of the impact of the additional funding in 24/25 from the Scottish Government to allow the payment of the Real Living Wage of £12-00 per hour to the providers of social care. In addition, given the experience of the past few years in the forecasting of commissioned social care cost a modest reduction has also been included in the opening '23/24' recovery plan target.
- 3.15 The Scottish Government indicated that this funding (along with a further uplift for free personal and nursing care) will be allocated to the Council and the appropriate funds then passed onto the IJB.
- 3.16 These revised forecasts along with the proposed 'efficiency' schemes now show for 2024/25

Revised 2024/25 Financial Outline

Partner	Projected Gap £000's	G&C and Efficiency £000's	Remaining Gap £000's
NHS (Core)	(2,972)	2,196	(776)
Social Care	(5,880)	1,864	(4,016)
Total	(8,852)	4,060	(4,792)
Hosted	(220)	284	64
Set Aside	(2,917)	457	(2,460)
Total	(3,137)	741	(2,396)
Grand Total	(11,989)	4,801	(7,188)

- 3.17 As can be seen for the above table, even after the application of the efficiencies (these are further laid out in Appendix B) there remains a significant financial challenge. A list of further proposals to close that gap

further will be discussed by the IJB at the workshop directly following this meeting.

3.18 The HSCP plans to set up appropriate management arrangements to ensure the delivery of the savings schemes agreed. NHS Lothian will also set up further controls to ensure that financial balance can be achieved in 2024/25. The IJB will have to consider how this information can be reported to it and further consideration is required to develop the budget monitoring processes in 2024/25.

3.19 The work to establish a balanced budget for 24/.25 is clearly the first part of preparing a balanced five year plan. Thus the impact of the proposals in 24/25 will require to be built into the five year plan along with further proposals to prove a balanced budget in future years.

3.20 It is proposed that, given that both the Council and NHS Lothian are preparing their financial plans for 24/25 that all parties take a common position on the 24/25 budget settlement. Dialogue with the partners is currently underway to deliver this.

3.21 The Council will set its budget in February 2024 and make a formal budget offer to the IJB at this time. NHS Lothian will provide an indicative position. The IJB will set its budget at its meeting at the end of March 2024.

3.22 There are a range of risks and assumptions in the above projections for 2024/25. These are –

- Budget Offers – the partners have not yet finalised their budget offers to the IJB. These offers may change this forecast, for example the assumption in the above social care position is that the funding to allow the RLW payment to move to £12-00 per hour is passed onto the IJB
- 23/24 Out-turn positions – if the position improves then an element of the general reserve may be available in 2024/25. This can then be used to offset pressures in that year.
- Efficiency Schemes – that these can be fully delivered in year.
- Impact of savings programmes on the IJB's Strategic Plan. The IJB, requiring to break-even, will have to consider if and how any savings programmes impact upon 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 and will be further discussed as the budget is developed further.

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 It is clear that in order to resolve the financial challenges in 2024/25 a range of significant actions will be required. Each of those proposals will be assessed and an IIA will be provided as necessary. That said, the budget setting process itself, if it results in a real reduction of the ability of the IJB to deliver its Strategic Plan will have to be properly assessed. That work is on-going.

7 DIRECTIONS

7.1 Until the budget for 2024/25 can be finalised then directions for that year cannot be completed.

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 December IJB – Q2 review and Five year financial plan

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DATE	February 2024

Appendices

- 1. Projected reserves balance at 31/3/24**
- 2. Summary of efficiency and grip and control savings plans**

Appendix 1 - IJB – Reserves, projected position at 31/3/24

Earmarked Reserves

Part- ner	Earmarked Reserve	Opening Balance £000's	Commit- ted in 23/24 £000's	Balance Carried Forward into 24/25 £000's
NHS	PCIF	80	80	
NHS	Action 15	66	66	
NHS	ADP	59	59	
NHS	USC - Inreach & CWIC	420		420
NHS	Immunisations	200		200
NHS	ICAT & Flow	100		100
NHS	USC (NHSL)	1018	1018	
ELC	Community Living Change Fund Reserve	346	346	
ELC	Carers	141		141
ELC	Care At Home	419	419	
ELC	Interim Care	420	420	
NHS	Mental Health Recovery Renewal	279		279
NHS	Residential Rehab (LEAP)	65	65	
NHS	Exp of PC Estate	37	37	
NHS	Premises Improvement	27	27	
NHS	PC Imms Team	185	185	
NHS	Dementia & Post Diagnostic	49	49	
NHS	Local USC	759	759	
NHS	MACH (MH after COVID)	25	25	
NHS	SG District Nursing Programme	39	39	
NHS	AHP Initiatives (Falls & Enjoy Leisure)	160	160	
NHS	GP Telephony Access	197	197	
NHS	Unpaid Carers PPE	2	2	
Earmarked		5092	3952	1140

General Reserves

Opening Balance at 1/4/24	5,030
Analogue to digital conversion	750
Projected Balance at March 2024	4,280

Appendix 2

Summary of Grip & Control/Efficiency Schemes

	£000's
Care Homes	700
Income	384
Non Pay	419
Prescribing	673
Transport	130
Workforce	1,754
Grand Total	4,060