

REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 28 March 2024

BY: Interim Chief Finance Officer

SUBJECT: Budget Offer from the IJB's partners - 2024/25

1 PURPOSE

- 1.1 This paper lays out the budgets offers from the IJB's partners (East Lothian Council and NHS Lothian) for 2024/25

2 RECOMMENDATIONS

- 2.1 Members are asked to:
- 2.2 **Note** the proposed budgets offers from the partners.
- 2.3 **Accept** the 2024/25 budget offers from both partners as detailed in 3.9 below.

3 BACKGROUND

- 3.1 East Lothian IJB has been delegated a range of health and social care functions from its partners NHS Lothian and East Lothian Council. In order to plan for the delivery of these functions the IJB receives funding from both of these bodies. East Lothian Council have now made a formal budget offer to the IJB having set their own budget for 2024/25. NHS Lothian have provided an indicative offer for 2024/25. NHS Lothian will set a budget for 2024/25 at their April Board meeting.
- 3.2 The IJB applies two tests to the partners' budget offers, these being compliance with the Scottish Government's own budget settlement letters to the partners, and a more subjective test of 'fairness'. The latter test is a mechanism to reflect that the funding partner can only pass on what they themselves have been given through the Scottish Government's budget settlement.

NHS Lothian Offer

- 3.3 NHS Lothian has now revised its budget setting model for the Set Aside budget, following a request to do so by the four Lothian IJB Chief Officers. The original model set up in 2014 reflected on

the theoretical delegation of 'acute' functions and tried to match these to the appropriate budgets. This has been a work-in-progress and NHS Lothian has now finished a detailed review. Although this reduced the Set Aside budget, it more accurately reflects the budgets for the delegated functions, will reduce the charges against these budgets, and reduce the overall impact of the financial pressure on the four Lothian IJBs.

- 3.4 Given this adjustment above, the NHS Lothian offer is effectively flat, recognising that this is the budget settlement that they themselves have available.
- 3.5 Scottish Government have committed to funding pay awards made in 2024/25 to NHS staff. NHS Lothian are clear in their budget offer to the IJB, that any such pay award funding will be appropriately passed onto the IJB.

East Lothian Council Offer

- 3.6 The Scottish Government settlement to the Local Authorities was also effectively flat. The Adult Social Care Pay Uplift fund (Real Living Wage) was passed over by the Scottish Government as was an additional uplift to the allowance for Free Personal and Nursing Care. These funds were passed on to the IJB in the East Lothian Council Offer.

3.7 East Lothian Council's offer is as follows:-

East Lothian Council	£000's	Notes
23/24 Baseline Social Care Budget	68,493	
Exclude non-delegated	(540)	
23/24 Pay		
Award	522	1
Funding for the RLW increase	4,637	2
Free Personal and Nursing Care uplift	366	2
Self Directed Support uplift	5	2
HRA Delegated budget	1,494	3
Total 24/25 budget	74,977	

Notes –

Note 1: In 23/24, the Scottish Government has made funds available to Local Authorities to reflect that the pay awards are greater than the original assumptions. As part of the 23/24 budget setting the Scottish Government did not make any pay award funding available and considered that an indicative 3% award had to be found within the Councils own resources. Funds were made available in year are for the additionality (that is the amount over 3%) in the pay award settlement in 2023/24. The funds above being the social care element passed onto to the IJB

Note 2: The Council has passed through, in full, the Scottish Government funds for RLW and FNPC. These funds will then be passed onto the providers of social care. Although the net impact is zero, it is very helpful to have these funds which otherwise would have created additional pressures.

Note 3: These are the budgets for the HRA(Housing Revenue Budgets) which are delegated to the IJB

3.8 What is not shown in this offer is the impact of the changes in the employer's superannuation costs. The cost of employing a Council member of staff is the total of the costs of their pay plus the employer's contribution towards the employee's pension and a contribution towards the employee's National Insurance payments. A review of the Local Authority pension fund has indicated that these funds are now over-provided for their future pension commitments. As a result, the employer's contribution has now been reduced and this reduces the total cost of employing each member of staff. The impact of this is to reduce the Council's staffing costs of the IJB's budget by c. £714,000. This is a benefit to the IJB and has been built into the budget setting position for 2024/25.

3.9 In summary the opening IJB budget for 2024/25 is as follows –

	2024/25 £000's
NHS Lothian	
Core	80,500
Hosted	14,369
Set Aside	18,735
	113,604
East Lothian Council	
Social Care	74,977
Total	188,581

This includes an indicative allocation for GMS (General Medical Services, the running costs of the GP Practices in East Lothian), the allocation from the Scottish Government for GMS for 2024/25 will not be received until the new financial year.

3.10 The budget offers from both parties are in background papers.

4 ENGAGEMENT

4.1 The IJB makes its papers and reports available publicly.

4.2 The issues in this report have been discussed with the IJB's partners and will require wider engagement.

5 POLICY IMPLICATIONS

- 5.1 There are no new policies arising from this paper, but new policies may have to be developed.
- 5.2 The recommendations in this report implement national legislation and regulations on the establishment of IJBs.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 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 Appendix 1 – 2024/25 Draft Financial Plan Summary by Integrated Joint Boards (East Lothian).
- 9.2 Appendix 2 – IJB Offer Letter 2024-25 – Final.
- 9.3 Appendix 3 - Letter to East Lothian IJB - Feb 24.

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DATE	March 2024

APPENDIX 1

2024/25 DRAFT FINANCIAL PLAN SUMMARY BY INTEGRATED JOINT BOARDS

	East Lothian IJB
	£k
Full Year Recurring Expenditure Budget	113,003
Baseline Pressures	(4,043)
Projected Expenditure Uplifts & Commitments	(222)
Growth and Other Commitments	(880)
Policy Decisions	(107)
Strategic Investments	0
Essential Service Development	0
Unscheduled Care	0
Projected Expenditure Uplifts & Commitments	(1,209)
<i>Percentage of Recurring Budget</i>	<i>(1.1%)</i>
Projected Costs	(5,252)
Recurring Resources	
Recurrency of 23/24 FP Investment	12
Additional Resources	12
Financial Outlook Gap before FRP's	(5,239)
Financial Recovery Plans	3,037
Financial Outlook Gap after FRP's	(2,202)
<i>Percentage of Recurring Budget</i>	<i>(1.9%)</i>
Final estimated outturn - 24/25	(2,202)

APPENDIX 2



20 March 2024

David King
Chief Finance Officer
East Lothian Integrated Joint Board

John Muir House
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East
Lothian
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Tel 01620 827827

Dear David,

Revised Financial resource proposal from East Lothian Council to East Lothian Integration Joint Board – 2023/24 and 2024/25

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 2024/25 to the IJB following approval by Council on 20 February 2024.

2023/24 Revised Financial Resource Proposal

Firstly, I want to confirm that the final IJB funding for 2023/24 has increased from £69.447 million to £69.947 million reflecting the additional £500,000 of pay funding which the council has agreed to pass over to the IJB. The revised funding is set out below:

2022/23 Adult Wellbeing Budget	£66.834m
Excluding Non-Delegated	(£0.540m)
Excluding Non-recurring funding (interim care)	(£0.386m)
Exploring Benefits of Partnership Working	(£0.250m)
2023/24 Council funding for pay award	£0.500m
TOTAL - Opening Baseline	£66.158m
New National Investment	
RLW National Uplift	£1.951m
FPNC Uplift	£0.344m
TOTAL - New National Investment	£2.295m
Other Delegated Budgets	
Non-HRA Private Sector Housing Grant	£0.256m
HRA - Disabled Adaptations (Capital)	£1.000m
HRA - Garden Aid	£0.238m
TOTAL - Other Delegated Budgets	£1.494m
2023/24 Total IJB Financial Resource	£69.947m

2024/25 Financial Resource Proposal

The budget proposal to the IJB has been considered in the context of one of the most difficult and challenging financial climates that this Council has ever experienced and resulted in a funding gap for 2024/25 of £17.3m rising £55.9m over the five years period to 2028/29. 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. We are also aware that many of these cost pressures are being faced by the IJB, and the need to work in partnership to address this shared challenge is now acutely important.

The IJB financial resource proposal for 2024/25 has been set in the context of managing these collective challenges and is based on the budget approved by Council on 20 February 2024 recognising other funding announcements.

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, however, as you know the Integration scheme and respective delegated functions remains subject to on-going review aligned to the scheme of integration, and as such these functions may be subject to change. The total value of these delegated budgets that remain subject to discussion is £1.494m for 2024/25.
- 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 2023/24 budgets which amounts to £5.008m within the 2024/25 proposal.
- Taking these factors into consideration the financial resource that would be made available to the IJB for 2024/25 is now £74.977 million.

2023/24 Adult Wellbeing Budget	£68.493m
Excluding Non-Delegated	(£0.540m)
Baseline Pay Award and Staffing	£0.522m
TOTAL - Opening Baseline	£68.475m
New National Investment	
£12 per hour Real Living Wage National Uplift	£4.637m
Free Personal and Nursing Care Uprating	£0.366m
Self-Directed Support	£0.005m
TOTAL - New National Investment	£5.008m
Other Delegated Budgets	
Non-HRA Private Sector Housing Grant	£0.256m

HRA - Disabled Adaptations (Capital)	£1.000m
HRA - Garden Aid	£0.238m
TOTAL - Other Delegated Budgets	£1.494m
2024/25 Total IJB Financial Resource	£74.977m

We will continue to update you on any further changes to your budget offer during the financial year. We will also continue to update you on national pay negotiations and potential implications pending any national pay award for 2024/25. Within the budget assumptions for the IJB in 2024/25, the Council have provided the benefit of £714,000 from pension contribution reductions within the offer above.

These budgets will remain subject to annual review aligned to budget setting but given the scale of the financial challenge facing both the Council and the IJB, I would strongly encourage the IJB to start to consider and develop robust and deliverable medium term financial plans, which as a minimum takes into account the forward financial projections being set by the Council.

I would also strongly encourage that the financial plans being considered for 2024/25 are robust and deliverable to meet the full extent of the forecast budget gap. Discussions around the development of further savings options for 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
David Hood – Head of Operations East Lothian
Shamin Akhtar – Chair East Lothian IJB
Andrew Cogan – Vice Chair East Lothian IJB
Ellie Dunnet – Head of Finance

APPENDIX 3

Lothian NHS Board

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Date 29 February 2024
Your Ref
Our Ref

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Dear Colleagues,

EAST LOTHIAN IJB – INDICATIVE BUDGET FOR 2024/25

Further to NHS Lothian's Finance and Resources (F&R) Committee on February 14th, I write to update you on the position relating to East Lothian IJB in 2024/25.

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 27th of March, with final sign off at our Board meeting on the 24th April. The figures shared with you at this stage are therefore indicative until the final plan has been agreed.

Further to the Scottish Government Budget announcement on 19th December 2023, 4.3% uplift for Health Boards in 2024/25 was set out. However, this is not new resource rather a reinstatement of resource received in 2023/24.

The Scottish Government have also set out that further funding support will be made available to Boards for any pay awards made for 2024/25. As in previous years, we will pass through the share of this settlement to each IJB, based on budget shares.

The IJB mapping table used to collate the delegated IJB budget, and the consequential share of costs has been through a routine review and update following external audit recommendations in 2023 and at the request of Chief Finance Officers (CFOs). This updated mapping table has been used to review the latest financial plan position by IJB.

The Plan shared at the February Committee recognised a budget of £113,003k for East Lothian IJB. This budget figure includes GMS elements which are non recurring in nature and other additional non recurring budget adjustments with Table 1 showing the breakdown.



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Chair Professor John Connaghan CBE
Chief Executive Calum Campbell

Lothian NHS Board is the common name of Lothian Health Board

Table 1: Budget for East Lothian IJB 24/25

	Status	Allocation	East Lothian IJB £'000
Baseline Budget	Delegated	Core	66,998
		Hosted	14,369
	Set Aside		<u>18,735</u>
		GMS	<u>100,101</u>
Total			<u>12,902</u>
			<u>113,003</u>
	Additional other budget adjustments		600
Total Budget			<u>113,603</u>

The final review of the NHS Lothian Financial Plan will conclude shortly, a further update on 2024/25 budgets will be provided to you at this time. We will also update you on any changes to your budget offer as a result of the 2024/25 pay agreement.

I am keen to understand from East Lothian IJB as early as possible how its Directions will shape the delivery of financial recovery savings in 2024/25 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 2024/25.

Yours sincerely



CRAIG MARRIOTT
Director of Finance