



**REPORT TO:** East Lothian Integration Joint Board

**MEETING DATE:** 25 April 2024

**BY:** Interim Chief Finance Officer

**SUBJECT:** Revised IJB Five Year Plan – 2024/25 to 2028/29

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## 1 PURPOSE

1.1 This paper presents a further iteration of East Lothian IJB's five-year financial plan for the years 2024/25 to 2028/29 reflecting on further financial planning information provided by the IJB's partners and including the financial recovery actions agreed as part of the IJB's 2024/25 budget Setting.

## 2 RECOMMENDATIONS

- 2.1 Members are asked to:
- Note the five-year plan update.
  - Support the work to ensure that the financial plan aligns with the IJB's Strategic Plan.
  - Support the work to deliver a balanced five-year financial plan.

## 3 BACKGROUND

3.1 At its December 2023 meeting the IJB was presented with an initial outline financial plan for the years 2024/25 to 2028/29. In Summary, this plan showed the following-

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

- 3.2 The forecast position for 2024/25 was then revised and updated in the light of the Scottish Government’s Budget announcements for 2024/25, further revisions to the NHS Lothian forecast, a revision to the IJB’s Set Aside budget model and the budget offers for 2024/25 from the IJB’s funding partners. The impact of these changes was to reduce the 2024/25 financial gap to £10.8m.
- 3.3 The IJB set its 2024/25 budget at its meeting in March 2024. This budget included a series of recovery actions that will deliver a balanced budget albeit East Lothian IJB was not able to resolve a pressure within the Set Aside budget of £1.3m. The Lothian IJBs have agreed to work with NHS Lothian to produce further recovery programmes to move towards a balanced Set Aside position.
- 3.4 The financial plan presented to the IJB in December 2023 indicated a **total** financial pressure over that period of £97.8m. The revised financial plan for the five-year period incorporating both the financial recovery actions as described in the 2024/25 budget setting agreement and the impact of the revision to the IJB’s Set Aside budget model -which reduced the financial pressure on the IJB – indicates a total financial pressure of £37.6m.
- 3.5 NHS Lothian has revised its five-year financial plan and a paper was presented to the NHS Lothian Finance and Resources committee at its March 2024 meeting. The information pertaining to the IJB’s health budgets for 2025/26 to 2028/29 has been extracted and used for the IJB’s plan. The 2024/25 health position remains based on those figures used by the IJB at its 2024/25 budget setting.
- 3.6 The main drivers of financial pressures within the health budgets largely reflect shortfalls in funding for non-pay inflation over recent years (e.g., energy costs), the increasing costs and demand for GP prescribed drugs, and unfunded discretionary points for medical and dental staff.
- 3.7 As part of its 2024/25 budget setting work, the IJB identified the following pressures within its social care budgets –

<b>Budget</b>	<b>Projected Gap £000's</b>
Social Care b/fwd from 23/24	(2,750)
24/25 Pressures	(2,794)
<b>Total Social Care</b>	<b>(5,544)</b>

- 3.8 The outstanding financial pressure in the IJB’s social care budget (£2.8m as above) will be resolved through the actions identified as part of the 2024/25 budget setting and this has the impact of recovering the 2023/24 financial overspend.

The financial pressures within social care from 2025/26 onwards are generated by a range of main drivers - demography, unfunded pay awards, commissioned services inflation, complexity and demand post Covid.

3.9 The IJB's revised financial plan for the years 2024/25 to 2028/29 is attached as appendix1 and in summary is –

	24/25	25/26	26/27	27/28	28/29
Summary	Vari- ance	Vari- ance	Vari- ance	Vari- ance	Vari- ance
Health	0	-1,527	-2,725	-3,985	-5,297
Social Care	0	-2,485	-4,889	-7,191	-9,466
<b>Total</b>	<b>0</b>	<b>-4,012</b>	<b>-7,614</b>	<b>-11,176</b>	<b>-14,763</b>

3.10 It is worth noting that the projected social care financial pressure exceeds the health pressure by 2026/27. This is caused by two factors:

- Within the health budgets there is an assumption that all future pay awards are fully funded by the Scottish Government. The Councils do not receive any additional funding for pay awards .
- The Social Care forecast includes an element for demography (largely clients transitioning from Childrens to Adult services). There is not a specific provision in the health forecast for demography as such. However, having included a provision for demography in the December 2023 forecast and the 2024/25 budget setting then the forecasting methodology for the social care budgets has not been changed.

3.11 This plan is underpinned by the following key assumptions -

#### Health Budgets

- That all future pay awards are fully funded.
- That the costs of changes in staff terms and conditions are fully funded.
- That the recovery programmes agreed for 2024/25 are delivered in full.

#### Social Care Budgets

- That any future Scottish Government policy directives (e.g., Real Living Wage increases) will be funded by the Scottish Government.
- That the Council's budget offers to the IJB will be 'flat cash'. It should be noted that the Councils do not get additional funding from the Scottish Government for pay awards or other inflationary pressures.
- That the recovery programmes agreed for 2024/25 are delivered in full.

3.12 There are a range of risks both in the setting and delivery of the IJB's five-year financial plan. The main ones being:

- **Demography:** East Lothian has currently the second fastest growing population of any council area in Scotland. The funding models for both health and social care (through the model for funding of the local authorities) do not fully reflect population increases and such demographic movements generate additional demand.
- **Strategic alignment:** Ensuring congruence with East Lothian's IJB's Strategic Plan.
- **Recovery plans:** Delivery of any recovery plans required to balance the overall position.
- **GP Prescribing:** There are a range of pressures on the IJB's GP prescribing budgets – increasing population, an ageing population, high cost of new drugs and further demand.
- **Set Aside:** The IJB is committed to working with the other Lothian IJBs and NHS Lothian to develop recovery actions to manage the financial pressures within the Set Aside budget. This will inevitably take time and will be challenging given the current range of pressures on the Acute health system in Lothian.
- **Operational delivery pressures:** the operational management teams will now have to deliver both their financial recovery programmes whilst continuing to manage within their operational budgets.
- **General Medical Services (GMS) allocation:** The GMS allocation for 2024/25 has not yet been made. These are the funds to support the East Lothian GP practices and it may be that there are further financial pressures within these budgets that are not yet in the financial plans above.
- **Funding uncertainty:** Changes in the financial resources being made available to the funding partners.

3.13 National policy and guidance notes the importance of strategic, financial and workforce planning (including clinical care and governance) to be intrinsically linked and designed, evaluated, monitored, and reviewed in parallel. Considerable steps have been taken in the last 18 months to better align these processes and this is reflected in the ambition to align the medium term financial plan with the new Strategic Commissioning Plan scheduled for publication in 2025

3.14 The IJB's financial plan should articulate, in financial terms, how the Strategic Commissioning Plan will be delivered. There remains a risk that the financial plan is simply a reaction to the financial challenges rather than providing a delivery mechanism for strategic planning. Further work is underway to ensure that the financial plan is fully mapped onto and driven by the Strategic Plan.

## 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 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 Five Year Financial Plan 2024/25->2028/29, December 2023.

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<b>DATE</b>	April 2024

## **Appendices**

### **1. Revised five year financial plan – 2024/25->2028/29.**

**Appendix 1**

**East Lothian IJB - Revised Five Year finance plan (April 2024)**

<b>Health Forecast</b>		24/25 Variance	25/26 Variance	26/27 Variance	27/28 Variance	28/29 Variance
		£000's	£000's	£000's	£000's	£000's
Delegated	Core	-3,034	129	-782	-1,730	-2,710
	Hosted	-295	-10	-129	-256	-391
Delegated Total		-3,329	119	-911	-1,986	-3,101
Set Aside		-1,940	-1,646	-1,815	-1,999	-2,196
Total Health		-5,269	-1,527	-2,725	-3,985	-5,297
<b>Social Care Forecast</b>						
B/fwd pressures		-2,750	0	-2,485	-4,889	-7,191
Pay		-422	-595	-606	-624	-638
Utility Inflation		-180	-16	-16	-16	-16
Commissioned Services Inflation		-1,419	-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		-5,544	-2,485	-4,889	-7,191	-9,466
<b>Total Overspend</b>		<b>-10,813</b>	<b>-4,012</b>	<b>-7,614</b>	<b>-11,176</b>	<b>-14,763</b>
<b>Recovery Actions Agreed</b>						
Health		5,269				
Social Care		5,544				
<b>Net Position</b>		<b>0</b>	<b>-4,012</b>	<b>-7,614</b>	<b>-11,176</b>	<b>-14,763</b>