



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 26 September 2024

BY: Interim Chief Finance Officer

SUBJECT: Quarter One Finance Update 2024/25

1 PURPOSE

1.1 This paper discusses the following –

- The Quarter one finance update for 2024/25
- The update from the month 4 (July) position for 2024/25
- A reflection on the finance workshop held on 5th September 2024
- The requirement to deliver further efficiencies to break-even in 2024/25

2 RECOMMENDATIONS

2.1 The IJB is asked to:

- i. Note the Quarter one financial forecast for 2024/25.
- ii. Note the month 4 update.
- iii. Attend a further workshop after the business meeting on 26/9/24 to discuss further recovery actions to allow the IJB to break-even in 2024/25.

3 BACKGROUND

3.1 The IJB set a balanced budget for 2024/25 at its March 2024 meeting. The forecast financial position for 2024/25 indicated a potential overspend of c. £10.8m and recovery plans were prepared to close this gap although financial pressures in the IJB's Set Aside budget of c. £1.4m were not tackled directly as part of the budget setting.

3.2 The table below summarises the March budget setting position.

Table 1 Pressures Identified for 2024/25

Partner	Projected Gap
	£000's
NHS (Core)	(3,034)
Hosted	(295)
Set Aside	(1,940)
Total Health	(5,269)
East Lothian Council	
Social Care b/fwd from 23/24	(2,750)
24/25 Pressures	(2,794)
Total Social Care	(5,544)
Total	(10,813)

Table 2 Recovery Actions agreed

Savings Programmes Identified	£000's
Grip&Control/Efficiency	4,768
Set Aside	1,391
Service Redesign	2,120
Proposals	2,534
	10,813

Note – there was no action against Set Aside other than it was agreed to work with the other Lothian IJBs to provide a solution.

3.3 The IJB's recovery programmes were broadly split into two themes –

- Grip and Control/Efficiency – these being schemes proposed and delivered by the Partners' management teams which were considered to be largely operational in nature. The IJB supported these schemes on the basis that they would not impact on the delivery of its strategic plan.
- Major Service redesign and proposals – these were significant schemes in terms of changing the current service delivery model and the IJB examined each scheme before it agreed to it.

This work was assisted through three finance workshops held by the IJB during January and February 2024.

- 3.4 The IJB's Partners have now provided a projected financial out-turn for 2024/25 based on the financial information available in the first three months of the financial year (quarter one review). This projects an out-turn overspend in 2024/25 of £6.4m broken down as below.

Table 3 – Quarter 1 out-turn forecast

Partner	£000's
NHS Lothian	
NHS (Core)	(180)
Hosted	188
Set Aside	(3,210)
Total Health	(3,202)
East Lothian Council	
Total Social Care	(3,167)
Total	(6,369)

- 3.5 The underlying pressures in this position are threefold –
- Prescribing pressures (in the above position prescribing is overspent by c. £1.4m)
 - Slippage in the delivery of social care recovery actions (in the above position by c. £2.5m). This will be further examined in the Q2 finance report.
 - Pressures in the IJB's Set Aside budget. This is discussed further below.

Underlying the IJB's financial position is increased demand, especially in the case of the social care services.

- 3.6 The IJB's Set Aside budget represents those functions delegated to the IJB which are managed by the Acute Services division in NHS Lothian. As can be seen above this budget is forecast to be overspent and this is not dissimilar to previous years. The IJB is working with the other Lothian IJBs and NHS Lothian to move forward on three key issues –

- Why is Set Aside overspent ?
- What can the IJB do to improve this position ?
- What are the resources that are available to the IJB ?

- 3.7 The Month 4 position is now available from Partners and this shows a revised out-turn position as below

Table 4 – Month 4 out-turn forecast

Partner	£000's
NHS Lothian	
NHS (Core)	(366)
Hosted	121
Set Aside	(3,359)
Total Health	(3,604)
East Lothian Council	
Total Social Care	(3,223)
Total	(6,827)

The underlying pressures being the same as those identified at month 3.

- 3.8 The IJB continues to review its five year financial plan and this was last updated at the IJB's April 2024 meeting (table below). The IJB's partners are currently revising their own five year financial plans and when the results are finalised this will be input into the IJB's plan and brought back to the IJB for further discussions.

Table 5 – IJB's Five Year Financial Plan (April 2024)

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

The key position here is an identified c. £4.0m of pressures in 2025/26 to which will be added any new pressures identified along with the recurrency of the 2024/25 social care position. As was discussed above there is slippage in the achievement of the recovery schemes of c. £2.5m in the 2024/25 social care position. Work is underway to identify how much of this slippage is non-recurrent (that is what the benefit will be available in 2025/26) and this will determine the opening underlying financial pressure to be fed into the 2025/26 financial forecast.

- 3.9 The IJB holds c. £3.0m of general reserves in 2024/25. IJB members will recall the dialogue around the utilisation of the IJB's general reserve at the end of 2023/24. It's worth restating the provenance of the current general reserve balance -

- At 1st April 2023, the IJB's General Reserve balance was c. £5.0. This reserve had been generated by surpluses from the IJB budgets and by

1/4/23 these surpluses had come from c. £4.2m from surpluses within the IJB's health budgets and c. £0.8m from within the IJB's social care budgets.

- At the end of 2023/24, in order to achieve financial balance the IJB utilised £1.9m of its general reserve to underpin the social care budget and NHS Lothian made an additional allocation of £0.7m to support the overspend in the IJB's Health budget.

The IJB does not have a detailed solution to the projected overspend in the Set Aside budget for 2024/25

- 3.10 The IJB held a finance workshop on 5th September. This workshop laid out the Quarter 1 position and the revised five year plan. To summarise the IJB has a forecast out-turn position in 2024/25 of an overspend of c. £6.4m along with projected further financial challenge of c. £4.0 in 2025/26.

This is, therefore, a total projected pressure in the current and the next financial year of c. £10.4m less £3.0m from the general reserves that remain.

- 3.11 In order to deliver a break-even position in 2024/25 and to work towards the recovery actions which will be required for 2025/26, the IJB has asked the partner's management teams to develop at least £6.0m of recovery actions in the health budgets and £6.0m of recovery actions in the social care budgets. These to be delivered over the next two years but also a clear indication of what the impact of such schemes will be in 2024/25. Further proposals are being developed by the partner's management team and these will be discussed at the workshop which will follow this meeting.

- 3.12 There remain a further range of financial risks which have not yet crystallised but require to be recognised at this time.

- There has been a deterioration in the out-turn financial forecast between quarter 1 and month 4. Work is underway to identify the driver behind this but clearly the financial position in 2024/25 may deteriorate
- Pay Awards both in Health and in Social Care have not been agreed at this time. Although the Scottish Government has said that it will underpin the pay awards in health there is no such commitment to fund any pay awards in social care above the indicative 3% currently built into the budget.
- Inflation in the costs of delivering social care services from third parties remains uncertain.
- Partners actions and decisions, including those of the Scottish Government, may be further financial challenges to the IJB.

4 ENGAGEMENT

4.1 The IJB holds its meetings in public.

5 POLICY IMPLICATIONS

5.1 There are no new policy implication in the above 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.

7 DIRECTIONS

7.1 This report does not require any new directions not amendments to those directions currently extant.

8 RESOURCE IMPLICATIONS

8.1 Financial – In the report above

8.2 Personnel – None

8.3 Other – None

9 BACKGROUND PAPERS

9.1 None

Appendices: None

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