



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 19 December 2024

BY: Interim Chief Finance Officer

SUBJECT: Finance Update – 2024/25 and Initial Outline 2025/26

1 PURPOSE

1.1 The report lays out:

- An update on the IJB's 2024/25 projected out-turn.
- An update on the Scottish Government's 2025/26 draft budget.
- An outline of the 2025/26 financial projection.
- Proposals to further develop plans to allow the IJB to set a balanced budget for 2025/26 at its March 2025 meeting.
- An update on the Annual Accounts for 2023/24.

2 RECOMMENDATIONS

2.1 The IJB is asked to:

- i. Note the projected out-turn position for 2024/25.
- ii. Note the output from the draft Scottish Budget for 2025/26.
- iii. Note the outline of the financial position for 2025/26.
- iv. Agree to write to Partners formally outlining the financial and operational challenges and seeking further discussion with both Partners to agree a way forward to a sustainable financial position for the IJB.
- v. Agree to a further IJB Development Session in early 2025 to fully consider and develop proposals to manage the 2025/26 financial position.
- vi. Note the risks laid out in 3.10 below.
- vii. Note that the IJB's Annual Accounts for 2023/24 have been approved and signed.

3 BACKGROUND

- 3.1 At its March 2024 meeting the IJB set a balanced budget for 2024/25. This budget included c. £10m of recovery programmes which were designed to offset the projected financial pressures resulting from the financial planning processes for 2024/25.
- 3.2 Recognising this challenge and, looking forward, anticipating that similar challenges will exist in future years the IJB agreed that financial monitoring and report would now be discussed at each meeting and that a five year financial plan would be developed throughout the year and a 'final' version to be presented at the December 2024 meeting of the IJB. The Finance Paper presented to the IJB at its October meeting laid out the then current forecasts both for 2024/25 and 2025/26 and beyond.
- 3.3 The October finance paper laid out the first stage of the IJB's Financial Recovery programme for 2024/25. As discussed, the Integration Scheme lays out that if the IJB is not forecasting a break-even out-turn for the financial year then it must work with its partners to develop a recovery plan. In the event that any recovery plan is not successful and having taken account of any available reserves the net overspend will revert to the appropriate partner.
- 3.4 The current quarter 2 out-turn forecast from the partners showed, at the October meeting, an overspend of c. £7.4m of which c. £3.0m lay within the social care budgets and £4.4m within the health budgets. As the first stage of the 2024/25 recovery plan the IJB decided to utilise its remaining available reserves (£3,1m) to underpin the health position on the basis that NHS Lothian would cover any remaining deficit. This had the effect of reducing the projected overspend to £3.0m. Further financial updates from Council colleagues currently project an overspend of £2.8m in the social care position as further management actions in year have impacted on the position.
- 3.5 The Scottish Government presented its draft budget for 2025/26 on 4th December 2024. The settlement arising from this budget were different from the planning assumptions used by the IJB partners in the preparation of their future plans and the partners are now in the process of fully revising their own financial plans. Given that these plans are the basis of the IJB's financial planning then the IJB will not be able to update its own financial plan until early in the new calendar year.
- 3.6 The current draft Scottish Government has the following proposals for the IJB's partners –
 - NHS – The NHS Boards will receive a 3% uplift on the closing 2024/25 baseline. This will provide 3% for pay awards in 2025/26 along with some funding towards the non-pay costs in the base budget. This is different from the 2024/25 health settlement wherein only the pay awards were covered, and that settlement generated

additional pressures from no provision for increases in non-pay costs. The Scottish Government also indicated that additional costs arising from the changes to the Agenda for Change terms and conditions and the costs from the increases in the National Insurance rates arising from the United Kingdom's budget in October would be covered on those staff directly employed by the NHS. The settlement is clear that an appropriate share of any NHS uplift will be available to the IJBs. The settlement also includes further funding for increases in the Real Living Wage and Free Personal and Nursing Care.

- Local Authorities – this settlement is more complicated and further details are awaited and East Lothian Council colleagues will provide further information to the IJB as it becomes available. The headline position is an uplift for Local Authorities of c. £1.0B but it is estimated that having funded commitments already entered into there will be c. £289m (nationally) available. However, the impact of the UK government's national insurance rate increase has not yet been fully worked through and further information will not be available until the new financial year. The impact of the NI increase on the third party providers of social care is not yet clear and there is a risk of further financial pressures arising from this settlement.

3.7 As discussed above, the partners are continuing to review the year-end forecast. Further financial information (a quarter 3 review) should be available in January 2025. That said, it is likely that the IJB will not be able to break-even in 2024/5 and the partners have been advised accordingly.

3.8 The IJB had a further finance workshop on 28 November 2024. This was to consider both management actions to underpin the financial position in year and further recovery plans to address the financial pressures in 2025/26. At that workshop the then current forecast 2025/26 position for the IJB projected at c. £9.0m. The key element of the forecast being the underlying social care overspend reflected in the current projected 2024/25 position. The 2024/25 position has a significant element of slippage from the 2024/25 recovery schemes that the IJB agreed at its March 2024 budget setting. The full year delivery of these schemes will determine how much of the current social care overspend is recurrent and therefore what the opening position for the 2025/26 financial forecast should be. As was discussed above, the partners are currently revising their 2025/26 financial plans in the light of the UK and Scottish Government's budgets.

3.9 The IJB has been working with the partners to consider a range of further short terms and longer terms recovery schemes. These plans require further discussion, and it is proposed that a further IJB workshop be held to agree plans prior to the March budget setting meeting. At present, the following are being considered:

- Review of the Internal Bed Base - to look at the current level of provision of community hospital and local authority care home beds

in East Lothian, and use of IJB commissioned beds within acute hospitals. The review will focus on ensuring that there is sufficient bed capacity to meet current and projected need, whilst reflecting the IJB's strategic objective of shifting the balance of care, whereby people are supported to live in their own home for as long as possible. Consideration will also be given to measures needed to ensure there is sufficient community capacity to enable this shift and to develop alternatives to beds as part of a wider transformation approach.

- Review of Commissioned Services – continuation of the review of commissioned services to delivery financial savings where possible, while ensuring that statutory responsibilities are met. This will include carrying out consultation regarding day services, including those for over and under 65. In terms of services for under 65s, this will include establishing a framework to control costs and reviewing the transport policy and charging.
- Workforce Review – ongoing review of vacancies through the Recruitment Panel to ensure that the most effective use of made of the overall HSCP workforce and that services remain within 'core' staffing spend.
- Income Maximisation – activity to look at opportunities to introduce charging for some items of equipment and technology enabled care.

3.10 There are a range of risks which now need to be considered and managed. These fall into three board categories –

Financial

- The full impact of the Scottish Government's draft budget of 4/12/24 still required to be fully evaluated and there may be further financial challenges therein.
- The impact of the UK Government's increase in the National Insurance contributions for employees needs to be fully evaluated. This information will not be complete until after the start of the next financial year.
- The impact of demography and increased dependency especially on the social care budget is very significant as expressed through the overspend in both 2023/24 and 2024/25. Consideration needs to be given to ensure that the level of resources to support social care is adequate. This is not clear at this time.

Impacts on the IJB's Statutory Responsibilities

- There is a risk that the financial uncertainty and ongoing activity to achieve a balanced budget will result in the current draft Strategic

Plan 2025/35 being unrealistic, unachievable or, in parts, incongruent with the system actions.

Impact arising from Scottish Government and Partners' decisions.

- Various Audit Scotland reports have highlighted the requirement for reform and change both of health and local authority services. These plans may impact on the functions that are delegated to the IJB or, and this has happened in the past, on the functions themselves that are delegated to the IJB.
- 3.11 The timescales for the final approval and signing of the IJB's 2023/24 Annual Accounts had slipped from September until December. The accounts had been audited by the IJB appointed auditor and were presented to the IJB's Audit and Risk Committee for review at its meeting on 3rd December 2024. Given that the Interim Chief Finance Officer was stepping down from his role on 6th December 2024 it was not possible to have the account signed off at the IJB meeting on 19th December so in order to have then accounts appropriately completed the Audit and Risk committee sought the IJB's delegated authority to approve the 23/24 annual accounts and therefore allow them to be signed by the IJB's Chair, Chief Officer, Interim Chief Finance Officer and the Appointed Auditor. The IJB granted this authority to the committee and the 23/24 accounts, having been approved by the committee were signed on 6th December 2024. These are now available on the IJB's website (see Background Papers below).

4 ENGAGEMENT

- 4.1 The IJB holds its meeting in public and also makes its paper available to the public

5 POLICY IMPLICATIONS

- 5.1 There are no new policy implications 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 and new directions nor amendments to those directions currently extant.

8 RESOURCE IMPLICATIONS

- 8.1 Financial – Discussed above.
- 8.2 Personnel – None
- 8.3 Other – None

9 BACKGROUND PAPERS

- 9.1 [East Lothian Integration Joint Board Annual Accounts 2023-24.](#)
- 9.2 [IJB Meeting of 24th October 2024 – 2024/25 Financial Update and further revision to the IJB's Five Year Financial Plan.](#)

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DATE	11 December 2024