



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 20 March 2025

BY: Chief Finance Officer

SUBJECT: 2025/26 Budget Offers to the IJB

1 PURPOSE

1.1 This report sets out the budget offers from East Lothian Council and NHS Lothian to East Lothian IJB for 2025/26.

2 RECOMMENDATIONS

2.1 The IJB is asked to:

- i. Accept the 2025/26 Budget Offer from East Lothian Council.
- ii. Note the NHS Lothian indicative budget offer and its principles, with a formal offer to follow in due course.

3 BACKGROUND

3.1 Each year, under the Joint Integration Scheme, East Lothian Council and NHS Lothian contribute to the establishment of an IJB Budget through their Budget Offers. This enables the IJB to plan for the delivery of the health and social care services delegated to it and support the delivery of the IJB Strategic Plan.

3.2 There is a requirement to assess these funding offers and the assumptions and risks relating to them to provide the IJB with financial assurance that they reflect Scottish Government guidance and are fair.

East Lothian Council Offer 2025/26

3.3 East Lothian Council agreed their budget on 18 February. The Budget paper included a formal budget offer to the IJB. A copy of the offer letter is included as Appendix 1 and the details are set out below.

East Lothian Council - 2025/26 Budget Offer		
	Notes	£m
2024-25 Adult Wellbeing Budget		73.768
Employers' National Insurance – Anticipated share of SG Funding	1	0.349
Employers' National Insurance – Additional ELC investment	1	0.232
East Lothian Council - Additional Investment	2	3.665
TOTAL - Opening Baseline		78.014
<u>New National Investment</u>		
£12.60 per hour Real Living Wage National Uplift	3	2.742
Free Personal and Nursing Care Uprating	3	0.208
Mental Health Recovery & Renewal	3	0.221
Scottish Disability Assistance	3	0.036
TOTAL - New National Investment		3.207
<u>Other Delegated Budgets</u>		
Non-HRA Private Sector Housing Grant	4	0.256
HRA - Disabled Adaptations (Capital)	4	1.000
HRA - Garden Aid	4	0.238
TOTAL - Other Delegated Budgets		1.494
2025-26 Total IJB Financial Resource		82.715

3.4 The following Notes provide further explanation of the key elements of funding:

Note 1: The Scottish Government have indicated they have provided 60% of the overall funding required to meet the direct costs of the increase in the employer's national insurance rate for 2025/26. East Lothian Council have provided the remaining 40% funding to ensure no budgetary shortfall.

Note 2: East Lothian Council have identified additional funding of £3.665m to meet existing baseline pressures and anticipated 2025/26 inflationary and demographic growth. Included in this balance is full funding for expected 2025/26 pay awards totalling £0.757m.

Note 3: These balances represent the funding provided by Scottish Government for the impact of policy decisions (e.g. Real Living Wage). The Council has followed Scottish Government guidance and passed these balances through to the IJB in full.

Note 4: These balances cover the Housing Revenue Budgets which, under the Scheme of Integration, are delegated to the IJB.

3.5 Overall the budget offer from East Lothian Council provides a good level of financial assurance to the IJB as it provides all funding streams due to the IJB and additional funding for pressures and growth.

NHS Lothian Budget Offer 2025/26

- 3.6 NHS Lothian's Board does not meet to discuss its budget for 2025/26 until 23 April, after which a formal offer will be made to the IJB. Until then they have provided the IJB with an indicative offer which is set out below.

NHS Lothian - 2025/26 Indicative Budget Offer		
	Notes	£m
Core	1	88.12
Hosted		16.88
Set Aside		20.94
Total Indicative Opening Budget		125.94

- 3.7 Note 1: highlights that the Core offer includes £14.47m of GMS services funding which, whilst non-recurring in nature, is assumed to be a recurring allocation each year.
- 3.8 The indicative funding offer does not include the 3% uplift announced as part of the Scottish Government budget setting process on 4 December 2024. However, the letter confirms that the baseline uplift received will be passed through to the IJB in full.
- 3.9 The final budget offer from NHS Lothian will be presented to the IJB following receipt.

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.

4 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 IJB.

5 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.

6 DIRECTIONS

7.1 There is no implications for Directions at this stage.

7 RESOURCE IMPLICATIONS

8.1 Financial – There are no immediate resource implications from this report. Any resource implications from then outcome of the process will be highlighted in a future report if required.

8.2 Personnel – None

8.3 Other – None

8 BACKGROUND PAPERS

9.1 None

Appendices:

Appendix 1 – IJB Offer Letter from East Lothian Council

Appendix 2 – Indicative IJB Offer Letter from NHS Lothian

AUTHOR'S NAME	Mike Porteous
DESIGNATION	Chief Finance Officer
CONTACT INFO	Mike.porteous@nhslothian.scot.nhs.uk
DATE	13 March 2025

18 February 2025

Mike Porteous
Chief Finance Officer
East Lothian Integration Joint Board

John Muir House
Haddington
East Lothian
EH41 3HA
Tel 01620 827827

Dear Mike,

Revised Financial resource proposal from East Lothian Council to East Lothian Integration Joint Board – 2024-25 and 2025-26

This letter sets out the level of financial resources that will be delegated by the Council to the IJB in 2025-26 and is aligned to the Council budget approved on 18 February 2025.

2024-25 Revised Financial Resource Proposal

Firstly, I want to confirm that the final IJB funding for 2024-25 has increased from £74.977 million to £75.262 million reflecting the transfer of the Community Justice Officer post to the IJB (£59,000), and additional £226,000 of pay funding which the council has agreed to pass over to the IJB. The revised baseline funding is set out below:

2023-24 Adult Wellbeing Budget	£68.493m
Excluding Non-Delegated services	(£0.540m)
Baseline Pay Award and Staffing	£0.522m
2024-25 Council Funding for Pay Award	£0.226m
Community Justice Officer Budget Transfer	£0.059m
TOTAL - Opening Baseline	£68.760m
New National Investment (Adult Services)	
£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	£75.262m

2025-26 Financial Resource Proposal

The budget proposal to the IJB has been set in the context of the total resources available to the Council during 2025-26. The financial environment remains challenging and the Council continues to balance a growing range of cumulative risks and financial pressures, including managing increased demand arising from a growing population. I am also aware that many of these cost pressures are equally being faced by the IJB. The resource proposal agreed by the Council for 2025-26 has been set in the context of managing these collective challenges faced by both organisations.

The specific details setting out the resource proposal remains aligned to the delegated functions set out within the approved Integration Scheme. As previously highlighted those areas set out within 'Other Delegated Budget lines' remain subject to on-going review and aligned to the Integration Scheme. The Council and IJB will be kept fully updated as to the outcome of this review and the potential impact.

The 2025-26 resource proposal includes:

- Total additional funding of £7.453 million (9%) which is in addition to the 2024-25 baseline budget. This funding offer includes:
 - o £3.207 million provided within the national funding settlement to support a range of national policy commitments;
 - o £349,000 anticipated share of national funding to support the estimated employers' National Insurance increase. This is estimated to cover approximately 60% of the direct costs;
 - o £3.897 million additional funding provided by the Council including:
 - £3.665 million to support a range of pressures including pay uplift, inflationary and demographic pressures as well as funding to support the 2024-25 recurring baseline pressure;
 - £232,000 additional contribution to meet the full estimated direct cost of employers national insurance increase to the IJB.
- Taking these factors into consideration the total financial resource to be made available to the IJB for 2025-26 is £82.715 million. The breakdown of this funding is set out in more detail within the table below.

2025-26 Financial Resource offer to IJB

2024-25 Adult Wellbeing Budget	£73.768m
Employers' National Insurance – Anticipated share of SG Funding	£0.349m
Employers' National Insurance – Additional ELC investment	£0.232m
ELC Additional Investment	£3.665m
TOTAL - Opening Baseline	£78.014m
New National Investment	
£12.60 per hour Real Living Wage National Uplift	£2.742m
Free Personal and Nursing Care Uprating	£0.208m
Mental Health Recovery & Renewal	£0.221m
Scottish Disability Assistance	£0.036m
TOTAL - New National Investment	£3.207m
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
2025-26 Total IJB Financial Resource	£82.715m

As you know, the national Scottish Government budget is not expected to be formally approved until end of February, and as such the figures will remain in draft until this is finalised. In addition, there remain a number of ongoing national discussions to take place during the year including the outcome of national pay negotiations. As such I will keep you updated should any changes materialise.

The budget offer to the IJB sits alongside capital investment provided by the Council. This includes ongoing investment to support the community based alarms transition to Digital, as well as £1.7 million new additional investment to secure a sustainable future for the Haddington Day Centre by enabling its relocation of Tynebank Resource Centre. Collectively this represents a significant uplift in funding to support adult social care services.

In return, there remains a very clear expectation that this additional funding will be used first and foremost to offset social care budget pressures and reduce the risk of overspends being transferred back to the Council. Furthermore, given the capital investment provided, it is expected that the IJB will continue to support ongoing and sustained investment in community-based services including day centres.

It is the responsibility for the IJB to develop sustainable and deliverable financial plans for 2025-26, and it is expected that the Council delegated functions will operate within the total available resources made available. Aligned to the Scheme of Integration,

should any financial pressures arise during 2025-26, it is expected that appropriate recovery action is taken by the IJB to bring financial plans back into financial balance, and details of emerging financial risks should be reported to be as early as possible.

Following the IJB 2025-26 budget considerations, it is requested that the Director of Health and Social Care Partnership bring back a full and detailed report to the next appropriate Council meeting setting out the outcome of the IJB budget and implications for Council delegated services. This will also include details as to how the planned additional investment will be used.

I remain acutely aware that there remain significant and ongoing financial and demand pressures facing East Lothian IJB to support the delivery of its delegated functions, and much of these pressures are also being experienced nationally. I can assure you that the Council will continue to actively promote and support these national discussions as to how these collective challenges can be addressed. This will also include continuing discussions around the cumulative financial impact arising from a growing population.

Going forward, the Council has a significant budget gap to address in 2026-27 and beyond. It remains essential that the IJB continues to develop robust and deliverable medium term financial plans, that can meet the full extent of the projected budget gap including that arising from Council delegated functions. This I appreciate will not be easy, and it is vital that we continue to work in partnership through the IJB and funding partners to meet these shared challenges. 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.

I look forward to continuing with these discussions during 2025-26 and beyond.

Yours sincerely



Sarah Fortune
Executive Director for Council Resources (Chief Financial Officer)
East Lothian Council

Cc: Lesley Brown – Interim Chief Executive, ELC
Caroline Hiscox – NHS Lothian Chief Executive
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, ELC
Craig Marriott – NHS Lothian Director of Finance
David Henderson – Service Manager, Service Accounting, ELC
Matthew Conlon – Principal Accountant, ELC

Finance Director's Office
 NHS Lothian
 Mainpoint
 102 West Port
 Edinburgh
 EH3 9DN



Date 11 March 2025

Enquiries to Craig Marriott
 Email craig.marriott@nhs.scot

Dear Mike,

EAST LOTHIAN IJB – INDICATIVE BUDGET FOR 2025/26

Further to NHS Lothian's Finance and Resources (F&R) Committee on February 12th, I write to update you on the position relating to East Lothian IJB budget position for 2025/26.

We continue to update our financial plan, and will look to take a final iteration of the Plan through our F&R Committee on the 26th of March, with final sign off at our Board meeting on the 23rd 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 4th December 2023, 3% uplift for Health Boards in 2025/26 was set out. We will look to pass through to each IJB, based on budget shares, the baseline uplift settlement we receive.

Currently the recurring budget resource for East Lothian IJB is **£126m** before the 3% 2025/26 uplift is applied. This budget figure does include GMS budgets which although are non recurring in nature are assumed at this stage as part of the budget offer to be consistent with previous years. This figure does not include GMS uplift or Vaccination Allocations, nor does it include other allocations received non-recurrently from the Scottish Government. Table 1 shows the breakdown.

Table 1 - East Lothian IJB Delegated Budget

Status	Allocation	East Lothian IJB
		£'000
Delegated	Core	73,645
	Hosted	16,881
Set Aside		20,940
Recurring Budget		111,466
	GMS	14,471
Total		125,937

(based on recurrent budgets as at Feb'25, with budgets subject to change as SG Allocations are received)



Headquarters
 Mainpoint
 102 West Port
 Edinburgh EH3 9DN

Chair Professor John Connaghan CBE
 Chief Executive Professor Caroline Hiscox
 Lothian NHS Board is the common
 name of Lothian Health Board

The final review of the NHS Lothian Financial Plan will conclude shortly, and a further update on 2025/26 delegated budgets will be provided to you at this time.

As previously highlighted, I am keen to understand from East Lothian IJB how its Directions will shape the delivery of financial recovery savings in 2025/26 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 2025/26, and we are keen to work together to ensure ongoing support to achieve an overall balanced health position.

Yours sincerely



CRAIG MARRIOTT
Director of Finance