



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

**MEETING DATE:** 20 March 2025

**BY:** Chief Finance Officer

**SUBJECT:** Budget Setting 2025/26

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## **1 PURPOSE**

1.1 This report sets out:

- i. The work undertaken to date on the budget setting process.
- ii. The proposal that the IJB sets a balanced budget for 2025/26 based on the delivery of identified savings plans.
- iii. An updated 5 Year Financial Plan for the IJB.

## **2 RECOMMENDATIONS**

2.1 The IJB is asked to:

- i. Agree a balanced budget on the basis of the approach highlighted in paragraph 3.10.
- ii. Agree the Efficiency plans highlighted in Table 2 and detailed in Appendix 1.
- iii. Note the scale of the projected financial challenges set out in the updated IJB 5 Year Financial Plan.

## **3 BACKGROUND**

3.1 The IJB is forecasting an overspend of £3.56m for the year to 31 March 2025. This position reflects the challenges in managing existing pressures and delivering a significant savings programme.

3.2 A number of development sessions have been held with IJB members and the wider H&SCP management to ensure a full understanding of the actions required to deliver a break-even position in the coming years. These sessions have emphasised the importance of continuing to deliver

in year efficiencies and to identify and plan for the delivery of transformational change programmes as early as possible.

- 3.3 The IJB has continued to work with its partners to update their respective financial plans and identify the impact of existing and projected pressures and funding proposals on the IJB's budgets in 2025/26 and beyond.

### 2025/26 Budget Setting

- 3.4 Table 1 below summarises the partner's financial plan outputs.

<b>2025/26 Budgets</b>			
	<b>Health</b>	<b>Council</b>	<b>Total IJB</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<u>Recurring Pressures</u>			
Baseline Pressures	(2.853)	(2.740)	(5.593)
Growth and Other Commitments	(1.528)	(4.176)	(5.704)
Pay and Price Projected Increases	(2.142)	(1.338)	(3.480)
<b>Total Pressures and Commitments</b>	<b>(6.523)</b>	<b>(8.254)</b>	<b>(14.777)</b>
<u>Recurring Uplifts</u>			
Pay	1.900	1.338	3.238
Policy		3.207	3.207
Growth and Pressures	1.254	2.908	4.162
<b>Total Recurring Resources</b>	<b>3.154</b>	<b>7.453</b>	<b>10.607</b>
<b>Projected Gap</b>	<b>(3.369)</b>	<b>(0.801)</b>	<b>(4.170)</b>

- 3.5 The figures in the above table reflect the most recent information provided by Partner organisations. The figures include full funding for pay awards for both partners and the Council have also fully funded the impact of the eNIC rate rise for directly employed staff. Health have assumed the impact of the eNIC increase will be fully funding for directly employed staff.
- 3.6 The main financial pressures within Health relate to demand within Set Aside services and Prescribing within Core services. The Prescribing estimate has been amended since the last version of the NHS Lothian Financial Plan to reflect the improvement in the 2024/25 forecast.
- 3.7 The demand for Social Care services, particularly for older people and people with Learning Disabilities, are the main drivers of pressure within Council budgets.
- 3.8 The above table highlights the initial total gap in funding of £4.170m for the IJB in 2025/26. A number of efficiency schemes have been identified to mitigate the gaps in both budgets. These have been categorised as:
- Grip & Control – schemes resulting from financial and operational management reviews of the way funds are utilised.

Service Redesign – a wider review of how services are delivered.

- 3.9 Table 2 below summarises the schemes identified to date. A number of these schemes have been identified in relation to Hosted and Set Aside services. A more detailed presentation of all the schemes identified is provided in **Appendix 1**.

<b>2025/26 Efficiencies</b>	<b>Health £m</b>	<b>Council £m</b>	<b>Total IJB £m</b>
<b>Projected Gap</b>	<b>(3.369)</b>	<b>(0.801)</b>	<b>(4.170)</b>
<u>Efficiencies Identified</u>			
Grip & Control	1.872	0.074	1.946
Service Redesign	1.157	0.727	1.884
<b>Total Efficiencies</b>	<b>3.029</b>	<b>0.801</b>	<b>3.830</b>
Additional Efficiencies	0.340		0.340
<b>Projected Position</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 3.10 It can be seen for the above that a small gap remains within the Health service budgets. This gap falls entirely within the Set Aside services. It is recognised that addressing the Set Aside pressures requires collaborative working across all 4 Lothian IJBs and Acute services within NHS Lothian. In addition, there is a shared ambition between NHS Lothian Director of Finance and East Lothian IJB CFO to work collaboratively to deliver a balanced outturn position for 2025/26. On that basis the working assumption within this budget setting process is that Set Aside services will break even.
- 3.11 After taking into account the efficiencies identified and on the basis of the shared ambition highlighted in 3.10 a balanced budget can be agreed for 2025/26.

### **Risks and Mitigation**

- 3.12 There are a number of inherent risks in the budget setting process and we will work collaboratively with our partners to manage and mitigate these risks. The key risks are highlighted below:

There is a risk that the efficiency programme summarised in Table 2 above, is not approved. The majority of these schemes have been presented in recent workshops and development sessions. They are advanced in their delivery process and considered to be medium or low risk of under delivery. As are the schemes identified within Hosted and Set Aside services. The Chief Finance Officer has indicated that all future IJB Finance reports will include a section on the progress in delivering efficiencies and a forecast for the year to ensure we can identify the need for a recovery plan at the earliest possible time.

There are a number of further risks that arise from the budget setting process:

## Financial Risks

- Pay awards – final pay awards for both partners have still to be agreed and there is a risk that they will be higher than the funding provided.
- Vacancies – the current and forecast position reflects significant vacancy levels. Should that position change then further efficiencies will be required. The established vacancy control process will be key in mitigating this risk.
- Prescribing – there remains some volatility in the Prescribing spend as changes in prices and supply can impact significantly on spend. And the time lag in receiving information limits colleagues' ability to take recovery actions. In addition there is work underway to mitigate the potential impact of prescribing and supporting the use of emerging weight management drugs through collective and consistent agreements on prescribing criteria.

## Operational risks

- Demographics – the East Lothian population is expected to continue to increase, putting increased pressure on services. The work underway to grow our community services will seek to mitigate this risk.
- Resources – there is a risk that the demand for services exceeds supply. Partner organisations are working to balance the provision of commissioned and internally provided services to minimise this risk.

## Strategic Risk

- Requirement to ensure current and future savings schemes, particularly within Hosted and Set Aside services, do not impact on the IJBs strategic plan and the work to review and update it.

3.13 These risks will be monitored closely as part of the in year reporting process to the IJB and the need for recovery actions identified at the earliest point.

## **Five Year Financial Plan**

3.14 The IJB's Five Year Financial Plan was last presented to the IJB in April 2024. Updates have formed the content of recent development session financial information and messaging in relation to the projected financial challenges the IJB faces.

3.15 Table 3 below sets out the cumulative financial projections for the IJB for 2025/26 – 2029/30 based on the most recent iterations of partner Financial Plans.

<b>Five Year Cumulative Financial Projections</b>					
	<b>2025/25</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Health</b>	0.000	(3.399)	(6.534)	(9.960)	(13.689)
<b>Council</b>	0.000	(4.131)	(8.482)	(12.511)	(16.594)
<b>Total</b>	<b>0.000</b>	<b>(7.530)</b>	<b>(15.016)</b>	<b>(22.471)</b>	<b>(30.283)</b>

3.16 The financial projections are based on the following assumptions:

Health – follows Scottish Government planning guidance for increased costs (e.g. 3% pay increases for AFC staff) and assumes that estimated pay awards are fully funded.

Council – follows national guidelines where applicable, and in line with East Lothian Council financial planning, no assumptions have been made for increased funding at this stage.

3.17 The scale of the financial challenges highlighted above are similar across all IJBs as evidenced by recent Audit Scotland and Accounts Commission reports which emphasise the importance of effective leadership and robust planning to meet the challenges ahead.

3.18 Recent IJB development sessions have focussed on the need for continued efficiency programmes delivering a combination of Grip and Control and Transformational change schemes which result in recurring savings.

## **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.

## **5 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 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.

## **7 DIRECTIONS**

- 7.1 The IJB is unable to issue directions until the 2025/26 budget is agreed.
- 7.2 Agreement to these proposals may impact on the current directions and may require new directions to be issued.

## **8 RESOURCE IMPLICATIONS**

- 8.1 Financial – these are discussed above
- 8.2 Personnel – None
- 8.3 Other – None

## **9 BACKGROUND PAPERS**

- 9.1 None

### **Appendix 1: IJB Efficiency Schemes 2025/26**

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<b>DATE</b>	13 March 2025

**APPENDIX 1 - IJB EFFICIENCY SCHEMES 2025/26**

<b>2025/26 Efficiencies</b>			<b>Grip &amp; Control</b>	<b>Service Redesign</b>
			<b>£m</b>	<b>£m</b>
Core	Health	ELCH Ward configuration		0.372
Core	Health	Belhaven Community Hub		0.785
Core	Health	Equipment Store Model	0.112	
Core	Health	Admin Review	0.100	
Core	Health	Primary Care Workforce	0.081	
Core	Health	Minor Surgery Review	0.057	
Core	Health	Prescribing	0.943	
Core	Council	Eskgreen	0.015	
Core	Council	The Abbey		0.727
Core	Council	Workforce Review	0.059	
Hosted	Health	OoA Repatriation	0.120	
Hosted	Health	Primary Care	0.085	
Set Aside	Health	Supplementary Staffing	0.240	
Set Aside	Health	Workforce Review	0.042	
Set Aside	Health	Drugs Savings	0.084	
Set Aside	Health	Discretionary Spend Review	0.008	
<b>Total</b>			<b>1.946</b>	<b>1.884</b>

