



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

**MEETING DATE:** 8 December 2022

**BY:** Chief Finance Officer

**SUBJECT:** East Lothian IJB Medium Term Financial Plan 2022/23 – 2026/27

---

## **1 PURPOSE**

- 1.1 This report presents the Board with a medium term rolling 5 year financial plan (2022/23 to 2026/27) for noting which has been prepared utilising the in-year financial information and the financial plans and assumption of Partners for future years.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is asked to
- i. Note the medium term rolling 5 year financial plan (2022/23 to 2026/27); and
  - ii. Note the future work required to refine this financial plan and the requirement for significant recovery actions to bring the plan back into balance

## **3 BACKGROUND**

- 3.1 As in previous years, the IJB produces a longer-term financial outlook and updates the IJB members on this throughout the financial year. Following acceptance of the formal budget offers for 2022/23 from both partners the IJBs rolling 5-year financial plan has been developed.
- 3.2 This financial plan is developed utilising the Scottish Governments Medium Term Financial Framework for Health and Social Care (published in October 2018) and the financial plans developed in our Partners NHS Lothian and East Lothian Council.

- 3.3 The full financial plan summary is shared in Appendix 1 and a high level overview of the overall projected position for the IJB is summarised in Table 1 below.

	22/23 £k	23/24 £k	24/25 £k	25/26 £k	26/27 £k
Total Income	188,862	180,447	181,553	182,741	183,953
Total Expenditure	188,954	185,200	188,942	193,356	197,917
<b>Gap before savings plans</b>	<b>(92)</b>	<b>(4,753)</b>	<b>(7,389)</b>	<b>(10,614)</b>	<b>(13,964)</b>
<b>% Gap</b>	<b>(0%)</b>	<b>(3%)</b>	<b>(4%)</b>	<b>(6%)</b>	<b>(8%)</b>

Table 1: IJB rolling five year financial plan

- 3.4 The rolling 5 year financial plan is based on formal budget offers for 2022/23 and indicative budgets for the remaining years. East Lothian Council budget letter for 2022/23 included only an 2022/23 budget and therefore a flat cash budget for the next 4 years has been assumed. The only other assumption made to the East Lothian Council budget to the IJB has been a share of the £140m national funding to support the Local Authority pay settlement. Worth noting this does not meet the total increase in costs to the IJB and a gap circa £0.3m will require to be managed by the IJB.
- 3.5 Similar to East Lothian Council NHS Lothians budget offer letter also only included the in-year budget so 2022/23. What we have used as indicative IJB budgets from NHS Lothian in future year is the budgets within the NHS Lothians financial plan and this plan assumes a level of funding uplift from Scottish Government, and this is assumed at 2%. Table 2 summarises total anticipated delegated budgets over the next 5 years.

	22/23 £k	23/24 £k	24/25 £k	25/26 £k	26/27 £k
NHSL delegated base budget	113,925	110,558	112,499	113,665	114,853
Additional contributions	1,900	2,001	1,165	1,189	1,212
Covid	3,370	0	0	0	0
<b>Total NHS income</b>	<b>119,195</b>	<b>112,559</b>	<b>113,665</b>	<b>114,853</b>	<b>116,065</b>
ELC delegated base budget	59,159	67,404	67,888	67,888	67,888
Additional contributions	8,629	484	0	0	0
Covid	1,879	0	0	0	0
<b>Total ELC income</b>	<b>69,667</b>	<b>67,888</b>	<b>67,888</b>	<b>67,888</b>	<b>67,888</b>
<b>Total income</b>	<b>188,862</b>	<b>180,447</b>	<b>181,553</b>	<b>182,741</b>	<b>183,953</b>

Table 2: Indicative IJB delegated budget 2022/23-2026/27

- 3.6 The projected costs of delegated services across the same period are shown below in Table 3. The modelling assumptions used to estimate future costs are described below.

	22/23 £k	23/24 £k	24/25 £k	25/26 £k	26/27 £k
Base expenditure	171,705	180,343	184,650	188,942	193,356
Price effects	3,337	3,543	2,938	3,019	3,125
Demographic change	0	1,314	1,354	1,394	1,436
Investment & other growth	8,663	0	0	0	0
Covid	5,249	0	0	0	0
<b>Total expenditure</b>	<b>188,954</b>	<b>185,200</b>	<b>188,942</b>	<b>193,356</b>	<b>197,917</b>

Table 3: Projected cost of delegated services 2022/23-2026/27

- 3.7 Future NHS Lothian costs within the financial plan are based on the detailed financial planning exercise conducted by NHS Lothian. All ongoing COVID related costs have now been included in the baseline costs, for the IJB this is prescribing only. NHS Lothian presented their Financial Plan to their Finance & Resources Committee on 26<sup>th</sup> October 2022, this was a first iteration of their financial plan, and this will be refined and we will use those refinements to develop the IJBs plan further.
- 3.8 For East Lothian Council a starting position of baseline expenditure for Social Care at £334k overspent (being the Q2 forecast projection for 2022/23) was assumed. Future years increased expenditure was based on a combination of sources for pay awards it assumes in future years a 2% uplift utilising scenario 1 from the Councils Financial Outlook and Budget Development Framework 2023/24 Onwards, which was reported to Council on the 28th June 2022. In addition, demographic growth is assumed at 3% and includes growth for any transitions into Adult Services.
- 3.9 East Lothian Social Care pressures includes the 2022/23 Local Authority pay settlement and includes the full increase in costs associated with this it also assumes a share of the national funding of £140m to partially support the cost increase with this settlement. East Lothian Council have confirmed a share of the above funding will be passed to the IJB and therefore the IJB only require to meet the outstanding gap circa £0.3m.
- 3.10 At this stage moderate assurance can be given around the IJBs ability to break even in 2022/23. There is a significant financial challenge on the horizon and the IJB should ask officers within the partnership to develop financial recovery plans and update the IJB on progress against this at a future meeting. The IJB financial plan will also be refined early in the New Year as further information is made available.

## 4 ENGAGEMENT

- 4.1 The IJB makes its papers and report available on the internet.

## 5 POLICY IMPLICATIONS

- 5.1 There are no new policies arising from this 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 There are no Directions implications arising from this paper

## **8 RESOURCE IMPLICATIONS**

- 8.1 Financial – discussed above  
8.2 Personnel – none  
8.3 Other – none

## **9 RISK**

- 9.1 Like any year end projection, the IJB relies on a number of assumptions and estimates each of which introduces a degree of risk.

## **10 BACKGROUND PAPERS**

- 10.1 None

<b>AUTHOR'S NAME</b>	Claire Flanagan
<b>DESIGNATION</b>	Chief Finance Officer
<b>CONTACT INFO</b>	<a href="mailto:claire.flanagan@nhslothian.scot.nhs.uk">claire.flanagan@nhslothian.scot.nhs.uk</a>
<b>DATE</b>	December 2022

## Appendix 1 - East Lothian IJB 5 Year Rolling Plan 2022/23 – 2026/27

East Lothian IJB 5 Year Financial Plan	2022/23			2023/24			2024/25			2025/26			2026/27		
	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k	Rec £k	Non-Rec £k	Total £k
<b>Income</b>															
Recurring budget	167,796	5,288	173,084	177,962	0	177,962	180,387	0	180,387	181,553	0	181,553	182,741	0	182,741
Uplifts	1,177	0	1,177	2,425	0	2,425	1,165	0	1,165	1,189	0	1,189	1,212	0	1,212
Other adjustments	8,843	509	9,352	0	60	60	0	0	0	0	0	0	0	0	0
Covid	0	5,249	5,249	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>177,816</b>	<b>11,046</b>	<b>188,862</b>	<b>180,387</b>	<b>60</b>	<b>180,447</b>	<b>181,553</b>	<b>0</b>	<b>181,553</b>	<b>182,741</b>	<b>0</b>	<b>182,741</b>	<b>183,953</b>	<b>0</b>	<b>183,953</b>
<b>Expenditure</b>															
Baseline expenditure	168,019	3,686	171,705	180,308	35	180,343	184,650	0	184,650	188,942	0	188,942	193,356	0	193,356
<i>Anticipated cost increases:</i>															
Pay awards	1,099	27	1,126	1,849	0	1,849	1,732	0	1,732	1,754	0	1,754	1,796	0	1,796
Demographics	0	0	0	1,314	0	1,314	1,354	0	1,354	1,394	0	1,394	1,436	0	1,436
SG social care commitments	8,245	384	8,629	0	0	0	0	0	0	0	0	0	0	0	0
Non pay inflation	638	0	638	186	0	186	153	0	153	156	0	156	160	0	160
Medicines and prescribing growth	1,572	0	1,572	1,668	0	1,668	1,052	0	1,052	1,109	0	1,109	1,170	0	1,170
Investment decisions	34	0	34	-160	0	-160	0	0	0	0	0	0	0	0	0
Covid	0	5,249	5,249	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>179,608</b>	<b>9,346</b>	<b>188,954</b>	<b>185,165</b>	<b>35</b>	<b>185,200</b>	<b>188,942</b>	<b>0</b>	<b>188,942</b>	<b>193,356</b>	<b>0</b>	<b>193,356</b>	<b>197,917</b>	<b>0</b>	<b>197,917</b>
<b>Gross Position</b>	<b>(1,792)</b>	<b>1,700</b>	<b>(92)</b>	<b>(4,778)</b>	<b>25</b>	<b>(4,753)</b>	<b>(7,389)</b>	<b>0</b>	<b>(7,389)</b>	<b>(10,614)</b>	<b>0</b>	<b>(10,614)</b>	<b>(13,964)</b>	<b>0</b>	<b>(13,964)</b>

