



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

**MEETING DATE:** 24 October 2024

**BY:** Interim Chief Finance Officer

**SUBJECT:** 2024/25 Finance Update and further revision to the IJB's Five Year Financial Plan

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## **1 PURPOSE**

- 1.1 The paper provides an update to the IJB's financial out-turn position for 2024/25. It also provides a further high-level review of the IJB's five-year financial plan.

## **2 RECOMMENDATIONS**

- 2.1 The IJB is asked to:
- Note the update 2024/25 financial out-turn forecast.
  - Note the further actions required to update the IJB's five-year financial plan.
  - Support the further development of recovery actions, both for the current financial year and to work towards a balanced budget proposal for 2025/26.
  - Agree the proposal to utilise the IJB's remaining general reserve – that is to support the projected overspend in the IJB's health budget.
  - Note the proposed timescales for the development of a balanced budget proposal for 2025/26.

## **3 BACKGROUND**

- 3.1 At its March 2024 meeting, the IJB set a balanced budget for 2024/25. This was based on three elements –
- The delivery of a range of recovery actions both in the health and social care budgets.

- Working with the other Lothian's IJBs and NHSL colleagues to resolve an outstanding pressure within the Set Aside budgets.
  - Management of the demand within the social care services in year to bring those operational budgets back into balance.
- 3.2 Recognising the nature of the financial challenge in 2024/25 (and in future years) the IJB has stepped up its financial management and planning processes taking 2024/25 financial updates to each meeting and continuously reviewing its future financial plans with a view to publishing a further Five-Year Financial Plan in December 2024.
- 3.3 This work is however, constrained by the financial information available from the IJB partners – NHS Lothian and East Council – and the quarter two forecast 24/25 out-turn was not available at the time of the preparation of this paper. However, NHS Lothian have made available an updated 2024/25 out-turn forecast based on the Month 6 position and East Lothian Council have provided a projected out-turn based on the Month 5 position.
- 3.4 Based on the most recent financial forecasts the projected 24/25 out-turn position is:

**Table 1 – Revised 2024/25 Out-turn forecast**

	Revised Budget £000's	Out-turn Variance £000's
Health		
Core	87,674	(1,264)
Hosted Set	18,701	241
Aside	18,735	(3,466)
Social Care	75,036	(2,963)
<b>Total</b>	<b>200,146</b>	<b>(7,452)</b>

(Overspend)/Underspend

- 3.5 The position has deteriorated since the quarter one forecast which was reported to the IJB at its meeting in September 2024. The position then was a total overspend of £6.4m, the movement between this forecast and the previous forecast being largely in the prescribing position which is forecast to be overspent by c. £3.0m. Current indications are that this prescribing pressure will increase, and NHS Lothian will provide further analysis and forecast when the formal quarter 2 position is published. The other underlying financial drivers being the same as those discussed in the quarter one position.

- 3.6 The Set Aside forecast has deteriorated slightly (c. £200,000). The main drivers behind this financial pressure being largely in three areas, these being pressures in Medical Pays, drugs costs and medical supplies.
- 3.7 The IJB is a Strategic Planning body. The purpose of its budget is to allow it to deliver its Strategic Plan. However, this comes with the responsibility to manage that budget appropriately which means that the IJB must not only set a balanced budget but also ensure that the budget breaks even in year. Operational management of the IJB's services (and therefore the day-to-day utilisation of the IJBs funds) rests in the hand of the Partners. In operational terms the social care and core health budgets are managed by the East Lothian Health and Social Care Partnership and the hosted and set aside budgets by various management teams within NHS Lothian.
- 3.8 The IJB receives formal assurance around the operational management and governance of its budgets through the partners and obviously some of the members of the IJB are also operational managers in the HSCP with the Chief Officer of the IJB also being the Director of the Health and Social Care partnership.
- 3.9 The IJB is governed by its Integration Scheme which makes provision for the management of its budget. The scheme notes that –
- The management of the IJB's budget rests with the Chief Officer
  - If an overspend is forecast then the partners will present the IJB with a recovery plan.
  - If the proposed remedial action will not prevent the overspend then the CFO will, together with the relevant party develop a proposed recovery plan.
  - The IJB has to be satisfied with that recovery plan and that plan is subject to the IJB's approval.
- 3.10 The quarter one forecast showed an overspend in year and the HSCP (being the 'partners' in the Integration Scheme as above) have brought back a series of recovery actions to the IJB. In addition to this the HSCP has stepped up its own financial management and has held a series of detailed recovery meetings to progress the agreed recovery actions and also to develop further proposals.
- 3.11 The IJB held finance workshops on 24<sup>th</sup> September and 10<sup>th</sup> October 2024. Both workshops presented further schemes that are being developed in year and a consideration of transformational work that will change the way that the HSCP (and its own partners) deliver their services. This transformational work is designed to both allow the IJB to deliver its delegated functions within the resources available to it and to continue to deliver its Strategic Plan. The issues of operational financial management and governance having been discussed at the September workshop.

- 3.12 The Integration Scheme further addresses in year financial management in that the IJB can request further financial allocations from the partners but notes that, failing all recovery actions then any residual overspend must be met by the party wherein the overspend fell. Discussions around further in-year allocations are underway but have not, at this time, reached any conclusion.
- 3.13 The Chief Officer and the Chief Finance Officer are very conscious of the responsibilities of the IJB and remain in close dialogue with the partners both to ensure that they support any proposed recovery actions and that they are fully apprised of the financial pressures facing the IJB.
- 3.14 At this time, the IJB needs to develop clear plans to tackle –
- The Financial Pressures in 2024/25
  - Further financial pressures that will arise in 2025/26
- 3.15 Clearly, the recurrency of any actions in 2024/25 will be able to support recovery requirements in 2025/26. As was discussed in the September IJB paper, there is slippage in the 2024/25 agreed recovery actions (c. £2.4m in Social Care alone) and recurrent delivery of that slippage will be a key determinant of the size of the financial challenge in 2025/26.
- 3.16 In terms of financial management and planning to resolve the 2024/25 projected pressure a position needs to be struck around the disposition of the IJB's remaining general reserve which sit at c. £3.0m. This reserve will require to be used to underpin any overspend at the end of the financial year and – based on the current indications from partners – an overspend is forecast as above.
- 3.17 The remaining general reserves will be used to underpin the health position for the following reasons –
- Recognising the IJB's responsibility to support its partners and that the IJB used its reserves 2023/24 to support the Council.
  - Having discussed and agreed with NHS Lothian that if the overspend within the health services is greater than £3.0m then NHSL will underpin the remainder. It can be seen from the above that the current projected overspend in the health budgets is £4.4m. This is, however, dependent on NHSL being able to achieve financial balance.
- 3.18 It is clear that the reserves have become a distraction both to the partnership and there is a risk that the operational teams will not be clear as to which pressures must be managed in 24/25. It is in the best interests of the IJB that the issue of the reserves is resolved now, and this will give the partners a clear picture of their overall financial position and this will support their own year-end planning. That said, if the health position improves and the overspend is less than £3.0m then the IJB will require that these funds are then made available to the IJB to use as the IJB sees fit. What is not helpful is to have to make this decision in May

2025 when the year-end position is agreed, waiting until then means that the IJB's partners also have uncertainty around their own financial planning.

- 3.19 The position for 2025/26 is discussed further below as part of the review of the five-year financial plan.
- 3.20 As was discussed above, the five-year financial plan will be continually updated to reflect the nature of the financial challenges in future years and to support the design of a balanced multi-year financial plan. The current plan was presented to the IJB at its April 2024 meeting and the IJB's partners are now finalising their own five-year plans which will be used as the basis for the IJB revised plan. There are three key elements that now require to be input into this plan -
- I. A proper review of the opening social care pressure. At this time, it seems very challenging to bring the social care position back into recurrent balance and if this is not possible in 2024/25 then a longer-term plan is required.
  - II. There are no agreed recovery actions in this plan for social care and the health budgets and these require to be included.
  - III. It is not clear what, if any, additional resources will be made available for social care and health provision from the UK budget on 30/10/24 and the Scottish Government's budget in 3/12/24.
- 3.21 Points 1 and 2 above are being addressed (see 3.22 below) and it is anticipated that information from the Scottish Government will be available as soon as possible after the budget on 3<sup>rd</sup> December 2024. Having completed the above, the ambition is to present final five-year financial plan will be presented to the IJB at its December 2024 meeting.
- 3.22 The next formal meeting of the IJB is in December 2024. However, the recovery actions both for 2024/25 and plans for 2025/26 require further development and discussion. It is therefore proposed that the meeting of the IJB's Strategic Planning Group in November is devoted to the appropriate preparation of recovery plans which can then be presented to the IJB in December for discussion and approval.

There remain a range of risks of which the most significant being–

- Pay Awards – both in health and in social care, the full funding of these is dependent on additional funds from the Scottish Government. Given the nature of this funding that may increase the financial challenges.
- Service and supplies Inflation – estimates have been made for the increased costs of drugs in future years along with the increased costs of the delivery of social care commissioned from third parties. Given the experience of the past few years this is a major risk.

- Mapping onto the IJB' Strategic Plan – this challenge, identified previously remains. It is possible that any recovery actions are simply a financial reaction to a financial pressure, and this may present a risk to the delivery of the IJB's Strategic Plan. Work continues to ensure that the financial plan (MTFS) support the delivery of the Strategic Plan.

3.23 As was discussed above, by the end of December the IJB will have a clearer picture of the Scottish Government's budget and any further financial plans from its Partners.

#### **4 ENGAGEMENT**

4.1 The IJB holds its meeting in public and makes its papers 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 any new directions or 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 Quarter One Finance Update 2024/25 – presented to the IJB at its September meeting.

**Appendices:**

**None**

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<b>DATE</b>	October 2024.