

REPORT TO: East Lothian Council

MEETING DATE: 29 April 2025

BY: Director of Health and Social Care

SUBJECT: East Lothian Integration Joint Board Budget-setting Report

1 PURPOSE

- 1.1 The purpose of this paper is to provide East Lothian Council (ELC) with an understanding of the outcome of the Integration Joint Board (IJB) budget-setting process and the implications for Council delegated services.

2 RECOMMENDATIONS

- 2.1 Council is asked to note the contents of this paper and the implications of the Council funding allocation on their delegated services.
- 2.2 Council is asked to note that the budget offer reflects the funding required for 2025/26 but does not consider the substantial forecast financial gaps in funding beyond 2025/26 which remain a significant risk for the IJB in delivering a balanced budget position.

3 BACKGROUND

- 3.1 The offer letter from the Council setting out the level of financial resource to the IJB requested a formal report be brought back to Council on the outcome of the IJB budget-setting process and the implications of the offer on Council delegated services. This includes how the planned additional investment would be used.

- 3.2 The funding offer from the Council is summarised in **Table 1** below.

Table 1

<u>East Lothian Council - 2025/26 Budget Offer</u>	
	£m
2024-25 Adult Wellbeing Budget	73.768
Other Delegated Budgets	1.494
	75.262
<u>Additional Resources</u>	
Employers' National Insurance – Anticipated share of SG Funding	0.349
Employers' National Insurance – Additional ELC investment	0.232
East Lothian Council - Additional Investment	3.665
New National Investment	3.207
2025-26 Total IJB Financial Resource	82.715

- 3.3 This paper sets out the outcomes of the IJB budgets setting process and provides further details on the implications for Council delegated services of the process.

Budget-setting Process

- 3.4 At its March meeting the IJB agreed a balanced budget position for 2025/26 based on the funding offer from ELC and the indicative funding offer from NHS Lothian. **Table 2** below summarises the baseline pressures and additional spend and commitments, and the additional resources, identified through Council and NHS financial planning processes. Both Partners' plans identify a funding gap, with both presenting efficiencies to fund their respective gaps in full. This enabled a balanced budget to be set by the IJB.

Table 2

<u>2025/26 Financial Plans</u>			
	Health	Council	Total IJB
	£m	£m	£m
Recurring Pressures	(6.523)	(8.254)	(14.777)
Recurring Uplifts	3.154	7.453	10.607
Projected Gap	(3.369)	(0.801)	(4.170)
Efficiencies	3.369	0.801	4.170
Projected Position	0.000	0.000	0.000

- 3.5 Setting a balanced budget at the start of the financial year allows the IJB to set clear directions to the partners and enables a planned approach

to commence in identifying and delivering efficiencies and transformational change going forward.

Implications for Council Delegated Services

- 3.6 A high-level summary of the Council financial plan pressures identified, and funding allocated to the IJB through the Council Budget Extract is set out in **Appendix 1**. The additional pressures identified total £8.254m and the Council financial plan identifies 4 separate sources of funding to fully fund the increased spend. These are summarised below:

Employer National Insurance Funding

£0.581m funding was provide for the impact of the employer national insurance contribution (eNIC) rate rise. Each council received 60% of the estimated impact on directly employed staff from the Scottish Government. This equates to £0.349m for ELC. The Council has funded the remaining 40% balance itself, which equates to £0.232m. This is expected to cover in full the eNIC requirements for staff within the Council delegated services.

Policy Commitment Funding

£3.207m for new policy commitments, including the additional funding for the Real Living Wage and Free Personal & Nursing Care, and other policy commitments. The Council has passed through the funding to the IJB in line with the Scottish Government's expectations. The financial impact of these policy commitments is still being assessed. Any shortfall in funding will result in further pressure for the IJB.

Additional Investment Funding

£3.665m of additional investment funding. This funding will enable the partnership to fully fund expected 2025/26 pay awards for Council employees of £0.757m and address existing recurring pressures of £2.886m. These pressures primarily fall within Adult Social Care and Learning Disabilities commissioned services and are seen in the Care Home funding and (externally purchased) Care at Home budget lines. The funding will meet the increase in costs of these services resulting from year-on-year inflationary pressures; it will not fund an increase in capacity.

Efficiencies

£0.801m of efficiencies have been identified, largely as a result of timing in the implementation of schemes identified in 2024/25, to meet the remaining funding gap. These efficiencies in part enable a balanced budget position to be set for the IJB in 2025/26.

- 3.7 To continue to deliver a balanced budget the IJB will need to plan for further financial efficiencies during 2025/26. These will need to deliver both in-year and into the following years. All services will continue to look at ways to deliver services on a reduced budget, including changes in workforce, a reduction in service delivery, renewed focus on earlier

intervention to prevent more expensive care as well as improved efficiency in service delivery. All these measures continue to be exceptionally challenging with risks outlined below.

Challenges and Risks

3.8 There are challenges and risks arising from the funding allocations received from the Council. The key ones are highlighted below:

- That policy funding will not cover the financial impact of national and local contract agreements. Initial calculations indicate the nationally agreed National Care Home contract rates will result in a pressure of c. £0.259m.
- Councils did not receive any funding for the impact of the eNIC rate rise on commissioned services resulting in the financial risk of this policy commitment initially falling to the Council and subsequently to services delegated to the IJB. The estimated impact for commissioned providers is c. £1m.
- Pay awards have not been agreed for public sector employees yet and there is a risk that the current year award exceeds the 3% provision. If it does, and no further funding is received and passed through to the partnership, the resultant pressure will sit with the IJB.
- There is also a risk that the £0.801m of efficiency schemes planned for 2025/26 will not deliver in full. The schemes identified are the result of implementation timings in 2024/25 delivery and are rated as low risk of under delivery, but they will be closely monitored to ensure full delivery.
- Demographic growth – the population of East Lothian is forecast to continue to increase, and this will bring increased demand on services.
- Service demand – further financial modelling will be required to understand the financial challenges resulting from the potential increasing demand for services.
- The IJB's Strategic Plan is under review and there is a challenge to manage and align the ongoing financial position with the revised strategic priorities. And the future funding gaps will be considered as part of the development of the 2025-2030 Strategic Plan. We note the challenge around a 5-year strategic plan against a year-on-year funding settlement.

3.9 The Council funding offer to the IJB was a fair offer which will enable the partners to address a significant level of historical financial and growth pressures. However, additional in-year pressures are emerging, which results in a requirement for further in-year and ongoing efficiencies to be identified and delivered.

4 POLICY IMPLICATIONS

- 4.1 There are no new policies arising from this paper.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 An integrated impact assessment will be considered in relation to the final IJB funding position for 2025/26.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – as described within the report and supporting appendix.
- 6.2 Personnel – none
- 6.3 Other – none

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Fiona Wilson
DESIGNATION	IJB Chief Officer
CONTACT INFO	Fiona.wilson@nhs.scot
DATE	16 April 2025

APPENDIX 1

Reconciliation of IJB Position						
Growth	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	Total £000
Pay	757	785	907	665	673	3,787
Employer National Insurance Increase	581					581
Inflation & indexation	2,553	2,816	2,957	3,104	3,257	14,687
Growth including RCC	4,363	530	487	260	153	5,793
TOTAL	8,254	4,131	4,351	4,029	4,083	24,848
Funding / income changes						
Additional Investment from East Lothian Council	-3,665	0	0	0	0	-3,665
RSG - funding for new policy commitments	-3,207	0	0	0	0	-3,207
RSG - funding for Employer National Insurance Increase	-581	0	0	0	0	-581
TOTAL	-7,453	0	0	0	0	-7,453
FUNDING GAP - IJB	801	4,131	4,351	4,029	4,083	17,395
Existing savings plans	-801	0	0	0	0	-801
FUNDING BUDGET GAP - IJB	0	4,131	4,351	4,029	4,083	16,594

N.B. The provision for Pay rises reduces from 3% to 2% after 2027/28 reduction per the Council Financial Plan.