

REPORT TO: East Lothian Integration Joint Board
MEETING DATE: 26 March 2026
BY: Chief Finance Officer
SUBJECT: 2026/27 Funding Offers to East Lothian IJB

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1 PURPOSE

- 1.1 This paper sets out the funding offers from East Lothian Council and NHS Lothian to East Lothian IJB for 2026/27.

2 RECOMMENDATIONS

The IJB is asked to:

- 2.1 Accept the East Lothian Council funding offer for 2026/27
- 2.2 Note the indicative funding offer from NHS Lothian and its principles, and that a final offer will follow in due course.

3 BACKGROUND

- 3.1 Each year East Lothian Council and NHS Lothian provide the IJB with a funding offer letter, which sets out the funding they have agreed to allocate to the IJB for the coming financial year.
- 3.2 These funding offers form the IJB's budget for the coming year, enable 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.
- 3.3 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 (SG) guidance and are fair.

East Lothian Council Funding Offer 2026/27

- 3.4 The East Lothian Council budget for 2026/27 was approved on 24 February 2026. It contained a formal funding offer to the IJB. The details

of the funding offer are set out in the table below, and a copy of the letter is provided at **Appendix 1**.

<u>East Lothian Council - 2026/27 IJB Funding Offer</u>		
	Notes	£m
2025-26 Adult Wellbeing Budget		81.530
Additional Investment - pay	1	0.755
Additional Investment	3	0.350
TOTAL - Opening Baseline		<u>82.635</u>
<u>New National Investment</u>		
Real Living Wage uplift	2	1.884
Free Nursing and Personal Care uplift	2	0.186
Scottish Government additional pay uplift	1	0.119
Share of additional £20m for Social Care	2	(TBC)
TOTAL - New National Investment		<u>2.189</u>
2026-27 Total IJB Financial Resource		<u>84.824</u>

- 3.5 The following notes provide further explanation of the key elements of the funding offer.

Note 1: The Council have provided funding for the planned 3% pay award for staff and a further allocation from the Scottish Government has been passed on to cover the additional 0.5% uplift subsequently agreed.

Note 2: 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 3: East Lothian Council have recognised the ongoing financial pressures the IJB is facing as a result of continuing demographic and inflationary growth and have allocated an additional £0.350m towards these pressures.

- 3.6 Overall the funding offer is fair and it passes on all funding received from the SG and due to the IJB. It therefore provides a good level of financial assurance to the IJB.

NHS Lothian Funding Offer 2026/27

- 3.7 The final NHS Lothian Financial Plan for 2026/27 will be presented to its Board on 22 April for sign off. Following that process, we will receive a final offer letter.
- 3.8 They have however provided the IJB with an indicative offer letter which is presented at **Appendix 2** and summarised below.

<u>NHS Lothian Indicative Funding Offer 2026/28</u>			
<u>Status</u>	<u>Allocation</u>	<u>Notes</u>	East Lothian IJB £m
Delegated	Core	1	92.225
Delegated	Hosted		17.518
Set Aside			22.702
Indicative Recurring Funding			<u>132.445</u>

- 3.9 Note 1: The Core offer includes £14.677m of GMS services funding which, whilst non-recurring in nature, is assumed to be a recurring allocation each year.
- 3.10 The indicative funding offer letter does not include the 2% uplift announced by the SG in their budget setting process in January 2026. The letter does however confirm that NHS Lothian will pass this funding onto the IJB in our final settlement.
- 3.11 The final funding offer from NHS Lothian will be presented to the IJB when received.

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 and will require wider engagement.

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 IJB.

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 is are implications for Directions at this stage

8 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.

9 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	March 26

24 February 2026

Mike Porteous
Chief Finance Officer
East Lothian Integrated Joint Board

Dear Mike,

Financial resource proposal from East Lothian Council to East Lothian Integration Joint Board – 2026-27

This letter sets out the level of financial resources that will be delegated by the Council to the IJB in 2026-27 and is aligned to the Council budget to be approved on 24 February 2026.

2026-27 Financial Resource Proposal

The budget proposal to the IJB has been set in the context of the total resources available to the Council during 2026-27. 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 2026-27 has been set in the context of managing these collective challenges faced by both organisations.

The 2026-27 resource proposal includes:

- Total additional funding of £3.294 million (4%) which is in addition to the 2025-26 baseline budget. This funding offer includes:
 - o £2.189 million provided within the national funding settlement to support a range of national policy commitments, including £0.119m funding to support the 2026-27 pay award.
 - o £1.105 million additional funding provided by the Council including:
 - £755,000 to support the full cost aligned to the approved 2026-27 pay uplift.
 - £350,000 to support inflationary and demographic pressures as well as funding to support the 2025-26 recurring baseline pressure.
- Taking these factors into consideration the financial resource that would be made available to the IJB for 2026-27 is now £84.824 million. The breakdown of this funding is set out in more detail within the table below.

2026-27 Financial Resource offer to IJB

2025-26 Adult Wellbeing Budget	£81.530m
ELC Additional Investment - pay	£0.755m
ELC Additional Investment	£0.350m
TOTAL - Opening Baseline	£82.635m
New National Investment	
GRG - funding changes	£2.070m
GRG - pay award funding	£0.119m
Share of additional £20m for Social Care (TBC)	-
TOTAL - New National Investment	£2.189m
2025-26 Total IJB Financial Resource	£84.824m

As you know, the national Scottish Government budget is not expected to be formally approved until the end of February 2026, and as such the figures will remain in draft until this is finalised. In addition, an additional £20m of funding has been announced for Social Care, any share due to East Lothian will be updated when available.

The budget offer to the IJB sits alongside wider support including capital investment provided by the Council. This includes analogue to digital rollout and for telecare and the delivery of the new core and cluster units at Fa'side, comprising 13 specialist homes that have enabled adults with learning disabilities to return to East Lothian from external placements. These wider commitments reflect the Council's dedication to integrated service delivery and improved outcomes for East Lothian residents.

It is expected that the IJB will develop sustainable and deliverable financial plans for 2026-27, and that the Council delegated functions will operate within the total available resources made available. Should any pressures arise during 2026-27, aligned to the Scheme of Integration, 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 2026-27 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 around how the planned additional investment will be used.

I remain acutely aware that there remain significant and on-going 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.

The Council has a significant budget gap to address in the coming years. It remains crucially important 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 vitally important 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 2026-27 and beyond.

Yours sincerely

Sarah Fortune
Depute Chief Executive Resources and Economy (Chief Financial Officer)
East Lothian Council

Cc: Laurence Rockey – Chief Executive, ELC
Fiona Wilson – Chief Officer East Lothian IJB
David Hood – Head of Operations East Lothian
Andrew Cogan – Chair East Lothian IJB
Shamin Akhtar – Vice Chair East Lothian IJB
Ellie Dunnet – Head of Finance
David Henderson – Service Manager, Service Accounting

Appendix 2

Lothian NHS Board

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



Date 5 March 2026

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

Dear Mike,

EAST LOTHIAN IJB – INDICATIVE BUDGET FOR 2026/27

Further to NHS Lothian's Finance and Resources (F&R) Committee on February 11th, I write to update you on the position relating to East Lothian IJB budget position for 2026/27.

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 25th of March, with final sign off at our Board meeting on the 22nd 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 13th January 2026, 2% uplift for Health Boards in 2026/27 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 **£132m** before the 2% 2026/27 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, 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	77,548
	Hosted	17,518
Set Aside		22,702
Recurring Budget		117,768
	GMS	14,677
Total		132,445

(based on recurrent budgets as at Feb'26, with budgets subject to change as SG Allocations are received)



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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 2026/27 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 2026/27 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 2026/27, 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

Appendix 1 – East Lothian IJB Financial Plan

(Based on Plan taken to February F&R Committee)

	East Lothian IJB 26/27
	£m
Baseline Pressures	(1.4)
Pay Award @ 3%	(2.6)
Projected Growth, Uplift & Commitments	(3.2)
Total Growth, Uplift & Commitments	(5.8)
Total Projected Gap	(7.2)
Pay Award Uplift	2.6
Non Pay Uplift	0.9
Additional Resource	3.5
Gap before Financial Recovery Plans	(3.7)
Financial Recovery Plans	2.6
Total Financial Outlook Gap	(1.1)