

Midlothian Integration Joint Board



Thursday, 22nd August 2024, 14:00-16:00

Finance Update Quarter One 2024/25 and Revision to Medium-Term Financial Strategy

Item number: 5.7

Executive summary

The Integration Joint Board's (IJB) Partners have now provided the output of their quarter one financial review as they relate to the IJB's budget. The out-turn forecast is derived by utilising the financial information available for the first three months of the financial year and then projecting this position forward taking into account any known changes. In summary, this shows a projected total overspend for the IJB in 2024/25 of £9.1m of which c. £6.8m lies within the social care budgets with the remainder (c.£2.3m) within the IJB's health budgets.

This paper further examines the underlying pressures that have driven this forecast position and looks at the actions, both on-going and being developed, to manage the position.

It's important to note that this is a forecast made relatively early in the financial year and these early forecasts tend to be conservative in their outlook.

As discussed previously, this paper also reviews the IJB's Medium Term Financial Strategy (MTFS) and updates some of the assumptions for 2025/26 and beyond. This was previously referred to as the IJB's five-year financial plan, but the opportunity has been taken to rename this work in line with the council's model.

Members are asked to:

- Note the output of the quarter one financial review.
 - Note the further work on-going to move towards financial balance.
 - Note the revisions to and the output from the Medium-Term Financial Strategy.
 - Note the risks/assumptions identified below.
 - Request a further update at the September IJB including more detailed proposals for further recovery actions if required.
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Midlothian Integration Joint Board

Finance Update Quarter One 2024/25 and Revision to Medium-Term Financial Strategy

1 Purpose

- 1.1 This report sets out:
- The results of the partners' quarter one financial reviews in so far as these relate to the IJB's budget for 2024/25, the quarter one financial reviews providing a forecast out-turn for 2024/25.
 - Further mitigations and work underway to manage the financial pressures identified in the quarter one review.
 - A review of the Medium-Term Financial Strategy (formally the Five-Year Financial Plan)

2 Recommendations

- 2.1 As a result of this report, Members are asked to:
- Note the output of the quarter one financial review.
 - Note the further work on-going to move towards financial balance.
 - Note the revisions to and the output from the Medium-Term Financial Strategy.
 - Note the risks identified below.
 - Request a further update at the September IJB including proposals for further recovery actions if required.

3 Background and main report

- 3.1 At its March 2024 meeting the IJB set its budget for 2024/25. As part of this work a significant budgetary pressure was identified as below:

Table 1 - IJB 24/25 Budget Setting, March 2024

	Budgets at 1/4/24	Pressures Identified
	£000's	£000's
Core	66,180	(3,213)
Hosted	12,292	(155)
Set Aside	16,434	(1,717)
Total Health	94,906	(5,085)
Social Care	63,534	(4,504)
IJB	0	(448)
Total Opening Budget	158,440	(10,037)

- 3.2 In order to resolve this projected financial pressure, the IJB agreed to a series of recovery programmes which, in operational terms, were to be delivered as follows:

Table 2 - Recovery Actions agreed	
	£000's
HSCP - Health	(3,213)
HSCP - Social Care	(4,504)
IJB	(448)
Set Aside & Hosted (<i>see note</i>)	(1,872)
	(10,037)

Note: Of the total financial pressure of £1.87m identified against the Set Aside and Hosted budgets, NHS Lothian had already identified c. £0.6m of recovery actions. Given that no one IJB can resolve the Set Aside issues on its own it was agreed that the remaining net pressure (c. £1.2m) would be managed by the IJBs on a pan-Lothian basis.

- 3.3 The IJB's partners (Midlothian Council and NHS Lothian) have now completed their quarter one reviews and provided financial information to the IJB regarding the projected performance against its budget against its budget in 2024/25. This shows:

Table 3 - Summary Financial Projected out-turn - 2024/25	
Budget	Out-turn Variance
	£000's
Health Core	(1,798)
Health - Hosted	77
Health - Set Aside	(644)
Social Care	(6,784)
	(9,149)
All values variances - under/(over)	

For the purposes of this paper, the discussion below will consider the position within the IJB's Core and Social Care budgets only. The Set Aside and Hosted position will be considered further in a future paper.

- 3.4 As was described above, the IJB had agreed to a series of recovery plans which were designed to bring the budget back into balance (excepting the Set Aside position as noted above). Appendix 1 to this report lays out the current progress against these recovery plans showing how much achievement is included in the quarter 1 out-turn forecast above along with a consideration of what further progress can be made towards further achievement in the current financial year.
- 3.5 The summary analysis of the forecast achievement of the recovery programmes for the Core Health and Social Care budgets is as follows:

Table 4 - Summary of recovery actions agreed and included in Q1 forecast

	Target	In Q1	Further Mitigation	Gap
	£000's	£000's	£000's	£000's
Core Health Budgets	5,339	4,203	634	502
Social Care Budgets	5,176	2,252	563	2,361
	10,515	6,455	1,197	2,863

NB - HSCP only

The overspends laid out above in table 3 are therefore a mixture of unachieved efficiency schemes and on-going operational pressures. The key point here being that even had all of the social care efficiency schemes been considered to having been achieved in the quarter one forecast, there would still be a considerable overspend. That said, it can be seen from table 4 that is the planned recovery actions were to be delivered in full then this would have a significant impact on the forecast financial out-turn. The management team are currently working through these plans in order to deliver an improved position.

3.6 Core Health Budget

Appendix 2 lays out the Core Health budget forecast. As can be seen from table 4 above, there is an element of unmet efficiency schemes in the position but there remains a very significant pressure with the prescribing budget. The actual prescribing information is two months in arrears and full year forecasting is challenging. Further information is being requested from NHSiL colleagues and this will be reported further at the next finance update.

3.7 Social Care Budget

A key element in setting the social care budget for 2024/25 was to provide a recovery plan to manage the overspend within this budget which was identified in 2023/24. The 2023/24 out-turn position was supported with a considerable element of reserves to allow it to break-even and it was identified that there was a recurrent overspend of c. £4.0m. The pressure identified in 2024/25 being this 'systemic' overspend, further pressures in 24/25 (inflation and pay awards) which was then offset by an additional £3.3m of investment in social care from Midlothian Council – a net value of £4.5m. Thus, as noted above, had all of the efficiency plans been delivered then given the initial projected overspend above then there is still a very considerable 'systemic' overspend within the social care budgets.

3.8 Appendix 3 lays out the social care forecast. It can be seen that the main areas of pressure are within Older People and Learning Disabilities, these overspends being a mixture of unmet recovery actions and further operational pressures. At this time the HSCP is working very closely to understand the key drivers underlying operational pressures (generally demographic change), to consider what further benefits can be driven from the agreed recovery actions and what further actions can be taken to bring the forecast position back towards financial balance in 2024/25.

3.9 Having undertaken the Q1 review, further discussions have since taken place reflecting on further refinements. The table below lays out the current revisions to the Q1 forecast for the IJB's social care position.

Table 5 - Further Sensitivity analysis	
	£000's
Q1 Forecast	(6,785)
Planning Adj	43
LD Transitions	300
Baseline Position	(6,442)
Agreed Scheme: G&C	263
Agreed Scheme: Efficiency	0
Agreed Scheme: Difficult Choices	300
Revised Position	(5,879)

This is then the 'baseline' out-turn forecast from which the health and social care partnership management team will develop their recovery plans.

3.10 There are a range of risks and assumptions that are built into these financial forecasts, the main ones being:

- **Pay Awards** – pay settlements have not yet been completed in either the NHS or Local Authorities. Although the Scottish Government has said that it will cover 24/25 pay awards in the NHS, there has been no indication that any pay awards above 3% (which is built into the current social care model) will be supported.
- **Inflation** – the majority of social care is provided by third parties who themselves are under considerable financial pressures. It may be that the increase in the costs of care delivered by these third parties exceeds the provision in the budget.
- **Commissioning Data** – as has been discussed previously, it is complicated to forecast effectively from the commissioning commitments that are captured in the social care management system.
- **Recovery Actions** – even if the actions planned and agreed through the budget setting process are delivered in full then further actions are required. As discussed, this work is on-going but has yet to be finalised.

3.11 **Revision to the IJB's Medium-Term Financial Strategy.**

The IJB sets a five-year plan (now referred to as a Medium-Term Financial Strategy) generally at its December meeting. This plan is derived from the information provided by the IJB's partners along with a further consideration of the impact of demography and the costs of transitions. The plan was revised at the IJB's April 2024 meeting and has now been further revised as follows:

- Midlothian Council revised their MTFS at their meeting in June 2024. This indicated that additional funding would be provided to the IJB to cover the costs of inflation and pay awards.
- An indicative value has been included to represent the 'systemic' overspend as discussed above. At this time this value is indicative, and this will be refined as further forecasts for 24/25 become available.

- Previous drafts had an indicative value of £1.0m for the impact of demography, this has not been changed. Work is underway to ensure that the financial impact of demographic change in the population of Midlothian is more clearly understood.
 - A further indicative value has also been included for the costs of Transitions (that is young people moving from Children’s Services to Adult services). This position is also being reviewed.
 - The Health figures have not been changed since the April revision. Given the current forecast out-turn for 2024/25 in the IJB’s health budgets this will require to be revised before the ‘final’ MTFS is produced at the end of the calendar year. NHS Lothian will provide further details.
- 3.12 Appendix 4 lays out the revised MFTS. This shows significant financial pressures 2025/26 and this forecast will continue to be revised to take into account the points above and to factor in the full year effect of the recovery plans for 2024/25.
- 3.13 Work continues to ensure that the MTFS is mapped onto the IJB’s Strategic Plan.

4 Policy Implications

- 4.1 There are no new policies proposed by this report.

5 Directions

- 5.1 There is no requirement to amend any current or issue any new directions arising from this report.

6 Equalities Implications

- 6.1 Recovery plans will have to include the appropriate impact assessment.

7 Resource Implications

- 7.1 These are discussed above.

8 Risk

- 8.1 The risk around the financial challenges to the delivery of the IJB’s budget is already identified in the IJB’s risk register.

9 Involving people

- 9.1 The IJB holds its meeting in public and its papers are made publicly available.

10 Background Papers

10.1 None

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Appendices:

Appendix 1: Delivery of Recovery Programmes agreed as part of the 2024/25 Budget Setting.

Appendix 2: IJB Core Health 2024/25 Budget Out-Turn Forecast

Appendix 3: IJB Social Care 2024/25 Budget Out-Turn Forecast

Appendix 4: Revised Medium-Term Financial Strategy