

# Midlothian Integration Joint Board



## Finance Update: 2024/25 and Initial Outline 2025/26

Thursday, 19<sup>th</sup> December, 14:00-16:00

---

Item number:	5.7
--------------	-----

### Executive summary

---

In March 2024, the Midlothian Integration Joint Board (IJB) set a balanced budget for the financial year which included c. £10m of recovery actions. Given the nature of the financial challenge in 2024/25, it was agreed that in-year financial monitoring would be provided at each IJB meeting and that a revised Medium Term Financial Plan (MTFS) be finalised at the December meeting as part of the planning for 2025/26 and beyond. The most recent update for both the 2024/25 position and the revised MTFS was presented to the IJB's October meeting.

However, the Scottish Government announced its draft 2025/26 budget on 4<sup>th</sup> December and the proposals included in this draft budget – discussed further below – will mean that both the IJB's partners will now have to revise their financial plans for 2025/26 and beyond. Therefore, the IJB will not be able to revise its MTFS until January 2025. That said, the indicative position is still a significant projected overspend and the IJB is developing both short and long term measure to support the 2024/25 and 2025/26 positions and, more importantly, developing a transformation programme which is designed to allow the IJB to deliver its delegated functions within the financial resources available to it.

Although the IJB is working very closely with its partners to further manage the 24/25 position, it now seems unlikely that the IJB will be able to breakeven in the current financial year.

#### Members are asked to:

- Note the projected out-turn position for 2024/25.
  - Note the proposals from the draft Scottish Budget for 2025/26.
  - Note the outline of the financial position for 2025/26.
-

- Support the short and longer terms actions being taken to manage the financial challenges in both years.
- Support the development of the of the long-term transformation plan.
- Note the risks laid out in Section 8 below.

# Midlothian Integration Joint Board

## Finance Update\; 2024/25 and Initial Outline 2025/26

### 1 Purpose

---

1.1 This report sets out –

- An update on the IJB's 2024/25 projected out-turn.
- An update on the Scottish Government's 2025/26 draft budget.
- An outline of the 2025/26 financial projection
- Proposals for both short and medium terms recovery actions
- Proposals for the development the transformation programme

### 2 Recommendations

---

2.1 As a result of this report, Members are asked to:

- Note the projected out-turn position for 2024/25.
- Note the proposals from the draft Scottish Budget for 2025/26.
- Note the outline of the financial position for 2025/26.
- Support the short and longer terms actions being taken to manage the financial challenges in both years.
- Support the development of the of the long term transformation plan.
- Note the risks laid out in Section 8 below.

### 3 Background and main report

---

- 3.1 At its March 2024 meeting the IJB set a balanced budget for 2024/25. This budget included c. £10m of recovery programmes which were designed to offset the projected financial pressures resulting from the financial planning processes for 2024/25.
- 3.2 Recognising this challenge and, looking forward, anticipating that similar challenges will exist in future years the IJB agreed that financial monitoring and reporting would now be discussed at each meeting and that a further Medium Term Financial Strategy (a five year financial plan) would be developed throughout the year and a 'final' version to be presented at the December 2024 meeting of the IJB. The Finance Paper presented to the IJB at its October matter laid out the then current forecasts both for 2024/25 and 2025/26 and beyond.
- 3.3 The Scottish Government presented its draft budget for 2025/26 on 4<sup>th</sup> December 2024. The settlements arising from this budget were different from the planning assumptions used by the IJB partners in the preparation of their future plans and

the partners are now in the process of fully revising their own financial plans. Given that these plans are the basis of the IJB's financial planning then the IJB will not be able to update its own financial plan until early in the new calendar year.

3.4 The current draft Scottish Government has the following proposals for the IJB's partners –

- NHS – The NHS Boards will receive a 3% uplift on the closing 2024/25 baseline. This will provide 3% for pay awards in 2025/26 along with some funding towards the non-pay costs in the base budget. This is different from the 2024/25 settlement wherein only the pay awards were covered. The Scottish Government also indicated that the additional costs arising from the changes to the Agenda for Change terms and conditions and the costs from the increases in the National Insurance rates arising from the United Kingdom's budget in October would be covered on those staff directly employed by the NHS. The Scottish Government's budget proposals are clear that an appropriate share of any NHS uplift will be made available to the IJBs. The settlement also includes further funding for increases in the Real Living Wage and Free Personal and Nursing Care for third party providers of social care.
- Local Authorities – this settlement is more complicated and further details are awaited and Midlothian Council colleagues have undertaken to provide further information to the IJB as it becomes available. The headline position is an uplift for Local Authorities of c. £1.0B but, it is estimated that having funded commitments already entered into there will be c. £289m (nationally) available. However, the impact of the UK government's national insurance rate increase has not yet been fully worked through and further information will not be available until the new financial year. The impact of the NI increase on the third party providers of social care is not yet clear and there is a risk of further financial pressures arising from this settlement.

3.5 In the current financial year, the partners have not yet been able to update the financial projections that were available as part of the quarter 2 review. That position was a total overspend for the IJB of c. £8.3m being £5.5m of an overspend in the social care budgets and £2.8m in health. The IJB is working with the partners to develop further schemes to improve this position – these are laid out in the appendices – along with further work being taken to fully deliver the agreed recovery actions in 2024/25 but it is now likely that the IJB will not be able to break-even in 2024/25. The IJB used all of its remaining available reserves at the end of 2023/24 to break-even in that financial year and the IJB's integration scheme lays out that any residual overspend will revert to the appropriate partner. The Interim Chief Finance Officer has informed the partners of his concerns that the IJB will not break-even in 2024/25. Further financial information (a quarter 3 review) should be available in January 2025.

3.6 The October finance paper contained a draft of the MTFs which, although this now has to be revised, projected a opening gap of £11.3m in 2025/25 before any recovery plans. This is included as appendix 1 for the sake of easy reference. It can be seen that the most significant number is the projected underlying overspend within the social care budget and currently this position is being reviewed (further information will be available in January as discussed above) along with a further consideration of the impact of the 24/25 recovery plans in the full year.

- 3.7 The IJB has been working with the partners to consider a range of further short terms and longer terms recovery schemes. These are laid out in Appendix 2 and Appendix 3.
- 3.8 It is unlikely that these schemes will be able to deliver the required expenditure reductions to bring the IJB's budget back into balance in 2025/26. The IJB is therefore developing a transformation plan the purpose of which being to deliver the functions delegated to the IJB within the financial resources that the IJB has available. This is described further in Appendix 4. Transformation of the delivery of the delegated functions is the key to financial sustainability. This will not, however, be possible to deliver before March 2025 or even during that financial year and it may be that not only the full support of the Partners is required to make this transformation but also some further non-recurrent investment.
- 3.9 Having further clarified the financial forecasts in January 2025, it is suggested that the IJB has a workshop to consider the revised financial projections, the impact of the short and medium-term financial recovery actions and to further consider the transformation plan.

## **4 Policy Implications**

---

- 4.1 This paper does not require any changes to the IJB's policies.

## **5 Directions**

---

- 5.1 This report does not directly impact upon service ability to deliver an existing Direction, nor raise the need to bring suggested revisions or discuss operational implications for an existing Direction or highlight the requirement for a new Direction for Board consideration.

## **6 Equalities Implications**

---

- 6.1 This report does not have implications for groups of people with protected characteristics.

## **7 Resource Implications**

---

- 7.1 The financial implications of this report are laid out above

## **8 Risk**

---

There are a range of risks which now need to be considered and managed. These fall into three board categories –

- 8.1 Financial
- The full impact of the Scottish Government's draft budget of 4/12/24 still required to be fully evaluated and there may be further financial challenges therein.

- The impact of the UK Government's increase in the National Insurance contributions for employees needs to be fully evaluated. This information will not be complete until after the start of the next financial year.
- The impact of demography and increased dependency especially on the social care budget is very significant as expressed through the overspend in both 2023/24 and 2024/25. Consideration needs to be given to ensure that the level of resources to support social care is adequate. This is not clear at this time.

## 8.2 Impacts on the IJB's Statutory Responsibilities

- There is a risk that the financial uncertainty and ongoing activity to achieve a balanced budget will result in the current draft Strategic Plan 2025/35 being unrealistic, unachievable or, in parts, incongruent with the system actions. To be able to adequately mitigate for this and undertake further liaison and partner governance on the Strategic Plan, it is recommended that the IJB agree to delay publication of the Strategic Plan until October 2025.
- Additionally, there is a risk that the IJB will not meet the statutory timelines to draft, consult on, agree and publish new Equality Outcomes for 2025-29. Scottish Government has set a deadline of 1<sup>st</sup> April for all Public Bodies in Scotland to publish new Equality Outcomes, Mainstreaming Equality Reports, and Action Plans. It is recommended that Midlothian IJB give delegated authority to the Integration Manager to formally request an extension from Scottish Government to publish a new set of Equality Outcomes by the end of 2025.

## 8.3 Impact arising from both Scottish Government and Partners' decisions.

Various Audit Scotland reports have highlighted the requirement for reform and change both of health and local authority services. These plans may impact on the functions that are delegated to the IJB or, and this has happened in the past, on the functions themselves that are delegated to the IJB. The IJB's transformation plan needs to recognise this.

# 9 Involving people

---

## 9.1

# 10 Background Papers

---

## 10.1 IJB Meeting – 24<sup>th</sup> October 2024. IJB Finance Update

<b>AUTHOR'S NAME</b>	David King
<b>DESIGNATION</b>	Interim Chief Finance Officer
<b>CONTACT INFO</b>	N/a
<b>DATE</b>	December 2024

---

## Appendices:

**Appendix 1:** Midlothian IJB Revised Medium-Term Financial Strategy – Final Draft per October IJB Update

**Appendix 2:** Short-Term recovery actions

**Appendix 3:** Medium and Longer-Term Recovery actions

**Appendix 4:** Transformation Proposals