



**Midlothian
Health & Social Care**

Thursday, 8th February 2024, 14:00-16:00

Finance Update – 23/24 and 24/25

Item number: 5.6

Executive summary

Papers were presented to the Midlothian Integration Joint Board's (IJB) meeting in December 2024, laying out the quarter 2 financial forecast for 2023/24 and an initial financial outline for 24/25 to 28/29. This paper provides an update to both those papers.

The quarter 3 financial out-turn review is currently being developed by the IJB's partners, these were not available at the time of writing this paper. However, early indications suggest that it has not improved from the quarter 2 position.

The financial forecast presented to the IJB in December for 24/25 was prepared before the Scottish Government published its 2024/25 budget. Budget briefings have been presented to voting members by their respective bodies, but the impact is that the health financial forecast for 2024/25 has now deteriorated substantially. However, it appears that the budget will not have a further impact on the social care element of the forecast. Both partners are reviewing their 2024/25 financial projections.

The IJB has to set a balanced budget at its March 2024 meeting. Clearly this will depend on a series of savings proposals which are being developed by the management teams and the overall position may be impacted further by the Partner's budget offers to the IJB. These proposals will be considered by the IJB at its workshop on 29th February.

Members are asked to:

- Note the update on the 23/24 projected out-turn
 - Note the update on the 24/25 financial plan
 - Attend the workshop on 29th February 2024
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Midlothian Integration Joint Board

Finance Update – 23/24 and 24/25

1 Purpose

- 1.1 This report sets out an update to the two financial papers presented to the IJB at its December 2023 meeting. These being the 23/24 quarter 2 financial forecast out-turn for the IJB, and the IJB's initial financial planning paper for 2024/25 to 2028/29.
- 1.2 This paper then looks at the steps towards setting the 2024/25 budget for the IJB and described the plans for a workshop on 29th February to consider actions to ensure that the IJB's budget setting for 2024/25 can take place.

2 Recommendations

- 2.1 As a result of this report, Members are asked to:
 - Note the update on the 23/24 projected out-turn
 - Note the update on the 24/25 financial plan
 - Attend the workshop on 29th February 2024

3 Background and main report

- 3.1 At its December 2023 meeting the IJB was presented with two finance papers. These being the quarter 2 financial out-turn forecast for 2023/24 and an initial five-year financial plan for the period 2024/25 to 2028/29.

Quarter 2 financial outcome review
- 3.2 The quarter 2 review indicated an overspend for the IJB in 23/24 of c. £8.6m, split between £3.2m within the health services and £5.5m within the social care services.
- 3.3 NHS Lothian have indicated that, if they are able to break-even in 23/24, then they will support the health position. Recent indications from the Scottish Government recognise significant financial pressures in year and this may impact on NHS Lothian's ability to break-even. NHS Lothian will provide an updated quarter 3 forecast out-turn later this month.
- 3.4 The December report recognised that, given the challenge of forecasting the costs of social care services delivered by third parties, the forecast may be overstated by c. £1.0m. Further management actions are underway by Midlothian Health and Social Care Partnership (HSCP) management team and Midlothian Council

colleagues are reviewing the position for their quarter 3 forecast. This will also be available this month.

- 3.5 It is important to consider that if there is no further support from the partners then any overspend incurred by the IJB will have to be funded through the IJB's general reserve.
- 3.6 In 2023/24 there are already two commitments against the general reserve – support for the IJB's Planning and Performance team and support for the 23/24 financial position which was agreed as part of the financial plan for 2023/24. These total c. £1.0m.

Initial Financial Plan 2024/25 to 2028/29

- 3.7 At the IJB's December meeting a paper laying out an initial financial plan for 2024/25 to 2028/29 was presented. For 2024/25 this projected an opening financial gap of c. £12.6m, split between £4.8m in health and £7.7m for social care. This was an initial forecast taking into account the underlying pressures identified by the quarter 2 review (especially within the social care budget) and not including any further management actions. However, this forecast was made before the Scottish Government published their budget for 2024/25. That budget has had a significant impact on this forecast.

Impact of the Scottish Governments 2024/25 budget settlement.

- 3.8 The health projections provided to the IJB by NHS Lothian were based on the model adopted by the government for the past several years. This is a simple percentage uplift on the health board's recurrent total budget which provides for both pay awards and a contribution towards non-pay costs such as drugs, property running costs, clinical supplies and so on. Historically further funds were also provided to offset the costs of new high-cost drugs along with a settlement towards recognising the changes in demography – additional funding to recognise additional population (NRAC).
- 3.9 The Scottish Government's budget for health makes recurrent the funds that it has allocated in 2023/24 to the Scottish Health Boards (in the case of NHSIL c.£72.0m) but there are no additional funds for 2024/25 with the exception of £10.2m for NRAC (which is c. 0.5% of the NHS Lothian base budget). Although the Scottish Government have committed to funding pay awards in 2024/25, the impact of the zero overall uplift is that there is no provision for any funding to cover increases in non-pay costs (driven by inflation) or to contribute towards any already committed developments. Although some further funds have been available to contribute towards the costs of new drugs, these are significantly reduced from previous years and thus adding to the overall projected gap in 2024/25. In order to move towards break-even in the current financial year, NHS Lothian is having to use up significantly more 'flexibility' than in previous years. The impact of this on NHS Lothian's budget moves their financial savings target from c. 3% (which it has been for the past few years) to 7% for 2024/25. This will have a major impact on the IJB's 24/25 projected financial gap.
- 3.10 The 24/25 settlement for the Local Authorities was also part of the December budget. There are still on-going discussions about the exact distribution of the settlement but broadly for Midlothian it appears to be roughly flat cash (that is no

additional funds) but the government are making further funds available to ensure that the staff of providers of social care have an hourly rate of at least £12-00, and the government are also providing funds to uplift the support for free personal and nursing care. The settlement requires that these funds be passed onto the IJB.

- 3.11 In summary, the 24/25 Scottish Government budget settlement has considerably worsened the 24/25 financial forecast that was presented to the IJB at its' December Board meeting.
- 3.12 Both partners are currently revising their 2024/25 financial projections and updated information will be provided to the IJB as it becomes available.

IJB Workshop – 29th February 2024

- 3.13 The partners management teams are working through a series of savings proposals to bring their budgets back into balance in 24/25, These 'savings' targets will be part of the process to close the projected financial gap in 2024/25 and allow the IJB to set a balanced budget.
- 3.14 Its is expected that savings proposals will fall into two broad categories:
 - Efficiencies – that is really continuing to deliver the services as laid out in the IJB's directions but having improved the service delivery
 - Service Changes – such proposals may impact on the IJB's strategic plan and in this case the IJB needs to approve these proposals.
- 3.15 If the savings proposals do not allow the IJB to set a balanced plan, the IJB must prepare its own proposals and include that in its directions. This will be a very challenging process.
- 3.16 The planned February workshop is designed to take the members through:
 - How did we get here – What are the pressures in 23/24 and how do they get carried forward into 24/25. This will include an analysis of the IJB's reserves.
 - What are the further pressures in 24/25. These will be estimates until the partners finish their analyses and until the IJB has the partners' budget offers but regardless of the details the financial pressures are so significant that actions need to be agreed now.
 - This then will show a projected funding gap in 24/25 and having gone through the two bullet points above, the IJB can understand how this position is arrived at.
 - What are the proposals to close the projected financial gap? What does the IJB think about the proposals? Are further proposals needed?

Next Steps

- 3.17 The partners are preparing their quarter 3 reviews and revisiting their 24/25 forecasts. If this information is available by 29th February, then it will be communicated to the IJB. The indications of a worsening position are clear and this will be taken account of in the presentations to the workshop.
- 3.18 Midlothian Council will set its 24/25 budget on 27th February 2024. This is the target date and having set its budget, the Council will make a budget offer to the IJB.

- 3.19 IJB Workshop 29th February. Discussion as above
- 3.20 NHS Lothian will provide an indicative budget offer to the IJB, hopefully in early March.
- 3.21 IJB meets on 21/2/24 – the IJB should set a balanced budget for 24/25 at this meeting

4 Policy Implications

- 4.1 There are no new policy requirements arising from this paper, but policy implications may arise as part of the savings programmes to be discussed.

5 Directions

- 5.1 This report does not impact on the current directions nor require any new directions.

6 Equalities Implications

- 6.1 This report does not have any equalities implications.

7 Resource Implications

- 7.1 The resources implications are discussed above

8 Risk

- 8.1 The financial risks are already laid out in the IJB's risk register.

9 Involving people

- 9.1 The IJB holds its formal meetings in public and its meeting papers are made available to the public

10 Background Papers

- 10.1 IJB Q3 Financial Review and IJB 24/25 to 28/29 Financial Plan – Both papers were presented to the IJB at its December 2023 meeting.

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Appendices: N/A.