

Midlothian Integration Joint Board



Thursday, 21st March 2024, 14:00-15:00

Midlothian IJB Budget Setting 2024/25

Item number:4.4

Agenda number

Executive summary

Midlothian IJB is required to set a balanced budget before the start of the financial year. The IJB's budget is funded by its partners, Midlothian Council and NHS Lothian. The partners have now made budget offers to the IJB for the 2024/25 financial year. The offer from Midlothian Council is final in that Midlothian Council has now set its own 2024/25 budget. NHS Lothian will set a budget for 2024/25 at its April Board meeting but it has provided the IJB with an indicative offer.

A paper laying out the indicative financial pressures for the years 2024/25 to 2028/29 was presented to the IJB on 21st December 2023. This showed a very significant projected financial pressure in 2024/25 of £12.5m. This position was prior to the Scottish Government's own budget setting process, the impact of which was to increase the IJB's gap to a forecast position of £14.3m.

Since then, the forecasts have been revised and additional funding has been made available by Midlothian Council. However there remains a financial pressure for Midlothian IJB in 24/25 of c. £10.0m. A series of proposals have been brought forward by the operational management teams which would, if agreed, allow the IJB to set a balanced budget for 2024/25. It is worth also noting that the Set Aside budget is not balanced at this time.

Members are asked to:

- Note the development of the 2024/25 budget setting process.
 - Consider the proposals that support the development of a balanced budget for 2024/25.
 - Agree to set a balanced budget for 2024/25 on the presumption of the delivery of the savings programmes include working with the other IJBs and NHS Lothian to deliver a balanced position for the Set Aside budget.
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Midlothian IJB Budget Setting 2024/25

1 Purpose

- 1.1 This report sets out the 2024/25 budget setting process and the work undertaken to date. It then lays out a proposed balanced budget for the IJB based on a range of savings proposals.
- 1.2 The IJB must set a balanced budget before the start of the new financial year.

2 Recommendations

- 2.1 As a result of this report, Members are asked to:
 - Note the development of the 2024/25 budget setting process.
 - Consider the proposals that support the development of a balanced budget for 2024/25.
 - Agree to set a balanced budget for 2024/25 on the presumption of the delivery of the savings programmes including working with the other IJBs and NHS Lothian to deliver a balanced position for the Set Aside budget.

3 Background and main report

- 3.1 The IJB continues to develop its five-year financial plan. Midlothian IJB were presented with a paper on 21st December 2023 indicating the financial challenges over the next five years. This projection was drawn up before the Scottish Government presented its 2024/25 budget proposals. The December paper indicated a financial gap in 2024/25 of £12.5m. Given that the IJB has to set a balanced budget prior to the start of the financial year it was clear that a significant range of savings proposals would be required to bring the 2024/25 back into balance.
- 3.2 The Scottish Government's budget proposition for 2024/25 impacted the health position significantly. This was described in detail in the finance paper presented to Midlothian IJB on 8th February 2024 when a further projected position for 2024/25 (as part of the Workshop of 29/2/24) then indicated a financial gap of c. £14.3m.
- 3.3 Midlothian Council's budget offer to the IJB for 2024/25 provided the IJB with a significant element of additional funding (c. £3.3m). This additional resource and an additional revision to the Set Aside forecast arising from NHS Lothian's revision to

the Set Aside budget model (which reduced the financial pressures to the IJB) resulted in the current projected financial gap for 2024/25 of £10.0m.

3.4 The projected financial pressure for 2024/25 is made up as follows:

Budget	Projected Gap £000's
NHS (Core)	(3,213)
Social Care	(4,504)
Total	(7,717)
Hosted	(155)
Set Aside	(1,717)
Total	(9,589)
IJB	(448)
Grand Total	(10,037)

3.5 Within the health budgets the main financial pressures are due to staffing issues in relation to both the increased costs and demand for drugs both in the community services (GP Prescribing), and within the Set Aside services (Acute budgets) and to the continued high levels of demand.

3.6 The social care budget pressure is made up as follows :-

Budget	£000's
23/24 out-turn - 'systemic' overspend	(4,012)
N/R Support from Earmarked Reserves in 23/24	(1,583)
MLC - MTFS October '23 - Inflationary & Other pressures	(1,241)
Proxy for Demography	(1,000)
Opening Pressures Forecast	(7,836)
Impact of Council Budget Settlement	
Elderly Demographic Pressures	1,000
Transitions	500
Pay Award Uplift	664
Provision for inflationary and other pressures	1,168
	(4,504)

3.7 The opening pressures (values in brackets) are more fully described in papers 4.2 and 4.3. In brief, these are

- a) **23/24 out-turn and 'systemic' overspend:** This is a reflection of the 23/24 financial pressures which now require a recovery programme. The recovery programme being part of the 24/25 financial plan.

- b) **Non-recurring support from Earmarked Reserves in 23/24:** Elements of Midlothian IJB's earmarked reserves have been used to underpin the financial position in 23/24. These funds will not be available in 24/25. This is also part of the recovery programme.
- c) **Midlothian Council Medium Term Financial Strategy October '23:** As part of Midlothian Council's Medium Term Financial Strategy (MTFS) an estimate was made of financial pressures in 2024/25 arising from unfunded pay awards and service delivery inflation.
- d) **Proxy for Demography:** The demographic pressures in Midlothian were discussed briefly in the previous paper regarding the 23/24 out-turn. This is an estimate of the financial impact. Work continues to develop a more rigorous quantification of the financial pressures arising from demography.

3.7 In this context, the positive impact of Midlothian Council's budget offer is clearly seen. Despite this, Midlothian IJB continues to have an overall financial gap in its 2024/25 budget of £10m. To address this the management teams have developed a range of savings programmes which would allow the IJB to close this gap.

3.8 There are three categories of savings programmes that have been developed –

- a) **Grip and Control:** This is the review of all financial management and more rigorous examination of operational management of expenditure. The most significant saving being c£778,000 of savings in the projected 2024/25 prescribing position.
- b) **Efficiency & Redesign:** This is a review of the method of service delivery with a view to reducing the costs. Frequently this is a reduction in the use of bank staff and a recasting of the operational workforce.

Both (a) and (b) above should, in principle, not impact on the IJB's Strategic Plan.

- c) **Choice:** This is the significant change in service delivery and likely to involve redesign which will have an impact on the IJB's Strategic Goals and its plan. For each of these a template describing the actions and their impact has been prepared. 5 Financial Recovery Action templates are attached to this report.

3.9 The proposed savings schemes are as follows –

	Health Core	Social Care	IJB	Hosted	Set Aside	Total
	£000's	£000's		£000's	£000's	£000's
Grip & Control	2,052	945				2,997
Efficiency& Redesign	1,235	720		328	310	2,593
Choices		3,511	448			3,959
Total	3,287	5,176	448	328	310	9,549

3.10 At the time of writing, Midlothian IJB has the details behind the Grip and Control and Efficiency schemes that have been delivered by the HSCP. Midlothian IJB is

awaiting the detail behind those efficiency schemes that are proposed by the management teams that support the Set Aside and Hosted Budgets.

- 3.11 For the purpose of setting a balanced budget for 2024/25, it is assumed that the Grip & Control and Efficiency Schemes will not impact on Midlothian IJB's Strategic Plan and therefore are available to support the financial pressures in 2024/25. **Appendix 1** details the Grip & Control and Efficiency and Redesign Schemes which have been proposed by the HSCP. The IJB will request information behind the schemes proposed by the management teams who support the hosted and Set Aside budgets.

- 3.11 Prior to including the 'choices' schemes the financial position is as follows –

Budget	Projected Gap £000's	Grip & Control £000's	Efficiencies & Redesign £000's	Remaining Gap £000's
NHS (Core)	(3,213)	2,052	1,235	74
Social Care	(4,504)	1,445	220	(2,839)
Hosted	(155)		328	173
Set Aside	(1,717)		310	(1,407)
IJB	(448)			(448)
Grand Total	(10,037)	3,497	2,093	(4,447)

- 3.12 Recognising that no one of the 4 Lothian IJB can resolve the Set Aside financial issues alone, Midlothian IJB will commit to work with the other 3 IJBs and NHS Lothian to support this position this leaves this position.

	£000's
Gap as above	(4,447)
Remove hosted/Set Aside	(1,234)
Gap to be closed	(3,213)

- 3.13 The following savings proposals have been categorised as 'choices' and were discussed at the IJB's financial workshop on 29th February 2024.

	£000's
Transport Review - External Taxis	240
Newbyres - recovery plan	1,200
Commissioning Reduction proposal	1,350
Change Service Delivery source- Internal/External (80/20)	721
Review of Planning, Performance, and Performance service	448
	3,959

- 3.14 The value against each of the proposed Financial Recovery Actions is the estimated total financial benefit if each proposal is delivered in full. It is clear that a great deal of additional work will be required to fully deliver these projects and it is unlikely that

all of this financial benefit can be realised in 2024/25. That said, if these projects are progressed then in principle, excluding the Set Aside budget, Midlothian IJB should be able to break-even in 2024/15.

- 3.15 **Appendix 2** summarises this position and lays out a balanced financial position for the IJB for 2024/25 excluding the Set Aside position.
- 3.16 There are a range of further factors which will need to be considered
- a) NHS Lothian are developing a policy of delivering an element of their efficiencies in year 'locally'. This would include an element of local management by their business units, e.g., Midlothian HSCP, and an element 'corporately'. It will be important to recognise the role of all 4 Lothian IJBs in this process and further discussions with NHS Lothian colleagues are underway to clarify this.
 - b) The General Medical Services (GMS) budget for the GP practices has not yet been distributed by the Scottish Government. It is likely that further financial pressures will arise in this budget. It is important to note this is not built into the current forecast.
 - c) The partners have set up appropriate processes to ensure the delivery of the savings programmes. Midlothian IJB needs to consider how it can monitor its budget 2024/25.
 - d) Midlothian IJB needs to continue to develop its five-year financial plan. Indications from the December 2023 paper are that there are additional pressures over and above the pressures managed in 2024/25 that will reach into 2025/26 and beyond. Midlothian IJB will be required to develop further savings schemes to manage these pressures.

4 Policy Implications

- 4.1 There may be policy implication in this paper. These will be examined in further detail and any changes to policy will be brought back to Midlothian IJB for review.

5 Directions

- 5.1 This budget may require changes to the current Directions and/or require additional Direction(s) to be issued. This will be reviewed and further information brought back to the IJB in June 2024.

6 Equalities Implications

- 6.1 This budget may have equalities implications. Full impact assessments will be carried out following the Boards decision in relation to the options presented in this

paper. Equality Impact Assessment screening has been carried out for each of the 5 Financial Recovery Actions and can be found in the appendix

7 Resource Implications

7.1 The resources implications are considered above.

8 Risk

8.1 A list of risks is attached as appendix 2

9 Involving people

9.1 The IJB meets in public and publishes all of its papers.

10 Background Papers

10.1 The Finance reports at the IJB's December 2023 and February 2024 meetings

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DATE	March 2024

Appendices:

Appendix 1:

Summary of Grip & Control and Efficiency & Redesign Schemes

Appendix 2:

Summary of 2024/25 budget position

Appendix 3:

High level summary of Risks

Appendix 4:

The 5 Financial Recovery Action 'Choices' schemes overview templates

Appendix 5:

Equality Impact Assessment Screening templates

Appendix 1 - Summary of Grip & Control and Efficiency & Redesign Schemes

Grip & Control		
Budget	Type	Value
		£000's
Health	Medicine	778
	Non Pay	380
	Workforce	894
Social Care	Workforce	945
		2,997

Efficiency/Redesign (HSCP Only)		
Health	Workforce	1,235
Social Care	Non Pay	30
	Service Delivery	500
	Workforce	190
		1,955

Appendix 2 - Summary of 2024/25 budget position

2024/25 Budgets per budget Offers from the Partners

	£000's
Core	66,180
Hosted	12,292
Set Aside	16,434
Total Health	94,906
Social Care	63,534
Total Opening Budget	158,440
Estimated Expenditure	168,477
Forecast Gap	(10,037)
Savings Schemes	
Grip & Control	2,997
Efficiencies & Redesign	2,593
Set Aside (net of Hosted)	1,234
Choices delivered in 24/25	3,213
	10,037

Appendix 3 - . High level summary of Risks

The IJB has its own risk policy and risk management process. It maintains a risk register and risk is a standing agenda item at the IJB's Audit and Risk Committee. However, there are a further range of risks that could arise from this budget setting process and these are laid out below.

High Level Risks

1. Further operational pressures may arise during the 2024/25 financial year – for example within the GMS budget as above and demand driven by demographic pressures
2. The Partners may themselves take decisions which impact on the delivery of the IJB's strategic plan, these decisions being driven by the financial pressures
3. The IJB may have to further revise its Strategic Plan to reflect the financial position. New Directions may have to be developed.
4. The savings programmes may impact on the population more significantly than is currently foreseen.
5. It may prove more challenging to deliver the savings programmes than currently estimated.
6. Delivery of the savings programmes whilst concurrently undertaking the appropriate Impact Assessments and consultation requirements is a considerable risk in terms of both delivery and governance.