

Midlothian Integration Joint Board



Thursday, 18th April 2024, 14:00-16:00

Midlothian Integrated Joint Board Five Year Financial Plan 2024/25 - 2028/29

Item number: 5.7

Executive summary

This paper presents a further iteration of the IJB's five-year financial plan (2024/25 to 2028/29), the previous version having been presented to the IJB at its December 2023 meeting. The five-year plan presented to the IJB in December 2023 projected a **total** financial gap from 2024/25 to 2028/29 of £99.5m. Having revised and reviewed the forecast and having incorporated the actions identified as part of the 2024/25 IJB budget setting the total projected gap is now £39m. Further work and proposals are now required to move towards a balanced position for 2025/26 and the years thereafter.

The IJB Strategic Plan is currently under review and work will continue to ensure that the financial plan is clearly mapped onto and driven by the Strategic Plan.

In summary the revised position is –

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000's	£000's	£000's	£000's	£000's
Health	0	(2,379)	(3,418)	(4,502)	(5,636)
Social Care	0	(2,271)	(4,578)	(6,923)	(9,306)
Total	0	(4,650)	(7,996)	(11,425)	(14,942)

NB - Set Aside pressure of £1.3m yet to be fully resolved in 24/25

Members are asked to:

- Note the five-year plan update.
- Note the ambition to take a transitional approach in 2024/25 to realign the strategic, financial, and workforce planning with the new Strategic Commissioning Plan 2025/40 scheduled for publication in April 2025.
- Support the work to ensure that the financial plan aligns with the IJB's Strategic Plan.
- Support the work to deliver a balanced five-year financial plan.

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Midlothian Integration Joint Board Five Year Financial Plan 2024/25 - 2028/29

1 Purpose

- 1.1 The paper presents a further iteration of Midlothian IJB's five-year financial plan for the years 2024/25 to 2028/29 reflecting on further financial planning information provided by the IJB's partners and including the financial recovery actions agreed as part of the IJB's 2024/25 budget setting.

2 Recommendations

- 2.1 Members are asked to -
- Note the five-year plan update.
 - Note the ambition to take a transitional approach in 2024/25 to realign the strategic, financial, and workforce planning with the new Strategic Commissioning Plan 2025/40 scheduled for publication in April 2025.
 - Support the work to ensure that the financial plan aligns with the IJB's Strategic Plan.
 - Support the work to deliver a balanced five-year financial plan.

3 Background and main report

3.1

Summary	£000's	£000's	£000's	£000's	£000's
Health	(4,838)	(6,265)	(7,529)	(8,856)	(10,257)
Social Care	(7,824)	(9,995)	(12,302)	(14,647)	(17,030)
Total	(12,662)	(16,260)	(19,831)	(23,503)	(27,287)

At its December 2023 meeting the IJB was presented with an initial outline financial plan for the years 2024/25 to 2028/29. In Summary, this plan showed the following-

- 3.2 The forecast position for 2024/25 was then revised and updated in the light of the Scottish Government's Budget announcements for 2024/25, further revisions to the NHS Lothian forecast, a revision to the IJB's Set Aside budget model and the budget offer for 2024/25 from the IJB's funding partners. It should be noted that Midlothian Council's budget offer included £3.3m of additional funds above those funds for policy programmes which the Scottish Government's budget had required to be passed onto the IJBs. The impact of these changes was to reduce the 2024/25 financial gap to £10.0m. Appendix 1 summarises these changes.

- 3.3 The IJB set its 2024/25 budget at its meeting in March 2024. This budget included a series of recovery actions that will deliver a balanced budget albeit Midlothian IJB was not able to resolve a pressure within the Set Aside budget of £1.3m. The Lothian IJBs have agreed to work with NHS Lothian to produce further recovery programmes to move towards a balanced Set Aside position.
- 3.4 The financial plan presented to Midlothian IJB in December 2023 indicated a **total** financial pressure over that period of £99.5m. The revised financial plan for the five-year period incorporating both the financial recovery actions as described in the 2024/25 budget setting agreement and the impact of the revision to the IJB's Set Aside budget model -which reduced the financial pressure on the IJB – indicates a total financial pressure of £39m.
- 3.5 NHS Lothian has revised its five-year financial plan and a paper was presented to the NHS Lothian Finance and Resources committee at its March 2024 meeting. The information pertaining to the IJB's health budgets for 2025/26 to 2028/29 has been extracted and used for the IJB's plan. The 2024/25 health position remains based on those figures used by the IJB at its 2024/25 budget setting. NHS Lothian has an underlying recurrent financial pressure within its budgets and its forecasting model addresses this.
- 3.6 The main drivers of financial pressures within the health budgets largely reflect shortfalls in funding for non-pay inflation over recent years (e.g., energy costs), the increasing costs and demand for GP prescribed drugs, and unfunded discretionary points for medical and dental staff.
- 3.7 Midlothian Council is updating its Medium-Term Financial Strategy in detail, and this will be presented to the Council when this work is completed. As part of its 2024/25 budget setting work, Midlothian IJB identified the following pressures within its social care budgets –

	£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)

The table above illustrating the impact of Midlothian Council's 2024/25 budget offer in bring down the opening financial pressures from £7.8m to £4.5m.

- 3.8 The outstanding financial pressure in the IJB's social care budget (£4.5m as above) will be resolved through the actions identified as part of the 2024/25 budget setting and this has the impact of recovering the 2023/24 financial overspend.

The financial pressures within social care from 2025/26 onwards are generated by a range of main drivers - demography, unfunded pay awards, commissioned services inflation, complexity, and demand post Covid.

- 3.9 Midlothian IJB's revised financial plan for the years 2024/25 to 2028/29 is attached as appendix 2 and in summary is –

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000's	£000's	£000's	£000's	£000's
Health	0	(2,379)	(3,418)	(4,502)	(5,636)
Social Care	0	(2,271)	(4,578)	(6,923)	(9,306)
Total	0	(4,650)	(7,996)	(11,425)	(14,942)

NB - Set Aside pressure of £1.3m yet to be fully resolved in 24/25

- 3.10 It is worth noting that the projected social care financial pressure exceeds the health pressure by 2026/27. This is caused by two factors –
- Within the health budgets there is an assumption that all future pay awards are fully funded by the Scottish Government. The Councils do not receive any additional funding for pay awards.
 - The Social Care forecast includes £1,0m per annum for demography. There is not a specific provision in the health forecast for demography as such. However, having included a provision for demography in the December 2023 forecast and the 2024/25 budget setting then the forecasting methodology for the social care budgets has not been changed.

- 3.11 This plan is underpinned by the following key assumptions -

Health Budgets

- That all future pay awards are fully funded.
- That the costs of changes in staff terms and conditions are fully funded.
- That the recovery programmes agreed for 2024/25 are delivered in full.

Social Care Budgets

- That any future Scottish Government policy directives (e.g., Real Living Wage increases) will be funded by the Scottish Government.
- That the Council's budget offers to the council will be 'flat cash'. It should be noted that the Councils do not get additional funding from the Scottish Government for pay awards or other inflationary pressures.
- That the recovery programmes agreed for 2024/25 are delivered in full

- 3.12 There are a range of risks both in the setting and delivery of the IJB's five-year financial plan. The main ones being:

- **Demography:** Midlothian has currently the fastest growing population of any council area in Scotland. The funding models for both health and social care (through the model for funding of the local authorities) do not fully reflect

population increases and such demographic movements generate additional demand.

- **Strategic alignment:** Ensuring congruence with Midlothian IJB's Strategic Plan (see below)
- **Recovery plans:** Delivery of any recovery plans required to balance the overall position.
- **GP Prescribing:** There are a range of pressures on the IJB's GP prescribing budgets – increasing population, an ageing population, high cost of new drugs and further demand.
- **Set Aside:** The IJB is committed to working with the other Lothian IJBs and NHS Lothian to develop recovery actions to manage the financial pressures within the Set Aside budget. This will inevitably take time and will be challenging given the current range of pressures on the Acute health system in Lothian.
- **Operational delivery pressures:** the operational management teams will now have to deliver both their financial recovery programmes whilst continuing to manage within their operational budgets.
- **General Medical Services (GMS) allocation:** The GMS allocation for 2024/25 has not yet been made. These are the funds to support the Midlothian GP practices and it may be that there are further financial pressures within these budgets that are not yet in the financial plans above
- **Funding uncertainty:** Changes in the financial resources being made available to the funding partners.

3.13 National policy and guidance notes the importance of strategic, financial and workforce planning (including clinical care and governance) to be intrinsically linked and designed, evaluated, monitored, and reviewed in parallel. Considerable steps have been taken in the last 18 months to better align these processes and this is reflected in the ambition to align the medium-term financial plan with the new Strategic Commissioning Plan scheduled for publication in April 2025.

3.14 Midlothian IJB's financial plan should articulate, in financial terms, how the Strategic Commissioning Plan will be delivered. There remains a risk that the financial plan is simply a reaction to the financial challenges rather than providing a delivery mechanism for strategic planning. The current plan shows that the first draft of the IJB's Strategic Commissioning Plan will be presented to the IJB at its August 2024 meeting before a large-scale public consultation. Publication is scheduled for April 2025, and the next iteration of the IJB's five-year financial plan will more closely reflect the revised Strategic Commissioning Plan.

4 Policy Implications

4.1 There are no new policy implications in this report.

5 Directions

5.1 This report does not directly impact on any of the IJB's current Directions nor require an additional Direction. However, at any time any change to funding has the potential to require a new Direction.

6 Equalities Implications

- 6.1 This report has no implications on equalities. However, any change in service funding has the potential to result in a reduced ability for Midlothian IJB to meet statutory duties in relation to Mainstreaming Equalities, the Equality Duty, and Community Engagement activity that may include people with protected characteristics.

7 Resource Implications

- 7.1 Resource implications are set out above.

8 Risk

- 8.1 Financial risks are already recorded on the IJB's risk register.

9 Involving people

- 9.1 This report has been written following a range of consultations with Midlothian IJB members, the Boards partners, and the HSCP management team.

10 Background Papers

- 10.1 MIJB Medium-Term Financial Plan - 1, presented to the IJB at its meeting on 21st December 2023.

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Appendices:

Appendix 1: MIJB Five Year Plan Review - Movements between the 2024/25 financial forecast between the December '23 presentation of the five-year plan and this revised version

Appendix 2: MIJB Revised Five-Year plan 2024/25 to 2028/29

Appendix 3: MIJB Medium-Term Financial Plan, December Board Paper