

Subject: Medium Term Financial Outlook 2022-25

Purpose: To advise the IJB of the Medium-Term Financial Outlook for the period 2022 to 2025, aligning to the first three years of the new Strategic Plan.

Recommendation: That the IJB notes the Medium-Term Financial Outlook and the potential financial position in years 2 and 3.

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
HSCP	Health and Social Care Partnership
MTFO	Medium-term Financial Outlook

1.	EXECUTIVE SUMMARY
1.1	This MTFO covers the first three years (2022-2025) of the Strategic Plan period. The annual budget for 2022-23 is also on the agenda for this meeting for IJB approval.
1.2	The MTFO looks at the range of factors which influence the financial planning of the Integration Joint Board.
1.3	A range of possible scenarios for the financial position in 2023-24 and 2024-25 are considered based on the information currently available. This helps to identify the financial challenges which will be faced by the IJB, enabling the IJB to see the impact of current and future decisions on its medium-term financial health.
2.	BACKGROUND
2.1	North Ayrshire Integration Joint Board (NAIJB) has responsibility for planning how community health and social care services are delivered across North Ayrshire. It does this by directing North Ayrshire Council and NHS Ayrshire and Arran to work together to deliver integrated services through the Health and Social Care Partnership. Elsewhere on the agenda for this meeting, the IJB is asked to approve the new Strategic Plan through to 2030, which sets out how we plan to improve services and the health and wellbeing of the local community.
2.2	A Medium-Term Financial Outlook (MTFO) is a critical part of the strategic planning process. The financial context for public services remains very challenging and so it is vital that the IJB's strategic ambitions are set against the financial resources which are anticipated to be available.
2.3	This MTFO covers the first three years (2022-2025) of the Strategic Plan period. The annual budget for 2022-23 is also on the agenda for this meeting for IJB approval.

2.4	<p>There are a range of factors which influence the financial planning of the IJB. These are considered through the MTFO and include the following:</p> <ul style="list-style-type: none"> • Demographic changes • Local priorities • Workforce challenges • The UK and Scottish Economy • Policy and Legislation • Cost and demand pressures • Available funding
	Local Context
2.5	<p>Our Strategic Needs Assessment details a range of demographic and health factors which will see growing demand for services:</p> <ul style="list-style-type: none"> • Decreasing and ageing population • High deprivation • Long-term health conditions which increase in older people • Unplanned and emergency admissions to hospital which increase in older people • Increasing mental health concerns • Higher than average numbers of Looked After and Accommodated Children
2.6	<p>The IJB faces workforce challenges with an ageing workforce and already there are difficulties in recruiting to certain job roles. There is a reducing working age population and a national shortage of appropriately trained staff for particular professions.</p>
	The UK and Scottish Economies
2.7	<p>The economy continues to face challenges with funding pressures for the public sector, high inflation and the complexities caused by Brexit and the Covid pandemic. This will impact on the funding available for Health and Social Care, and a range of possible scenarios from the Scottish Government Medium Term Financial Strategy are outlined in section 3 of the MTFO.</p>
	Policy and Legislation
2.8	<p>The IJB requires to deliver on a range of national and local priorities and demonstrate that it has made progress in shifting the balance of care towards more community-based settings. In addition, the National Care Service will represent a huge change in how the IJB operates in the coming years.</p>
2.9	<p>Set against all of this, Health and Social Care is a clear priority for the Scottish Government, and this may result in additional financial support, although this will undoubtedly come with additional cost commitments to deliver new policies.</p>
	Cost and Demand Pressures
2.10	<p>Pressures fall largely into three categories: price inflation, demographic change and non-demographic change. The budget pressures below have been identified by the Partnership and are reflected in the financial modelling within the MTFO.</p>

		2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
	Price inflation:			
	• Pay	5.176	5.175	5.272
	• NCHC inflation	0.901	0.930	0.960
	• Other contract inflation	0.380	0.389	0.398
	Demographic Changes:			
	• Physical Disabilities	0.145	0.151	0.158
	• Mental Health	0.079	0.082	0.085
	• Learning Disabilities	0.264	0.264	0.264
	• Children and Young People	0.145	0.148	0.152
	• Older People	-	0.407	0.352
	Non-demographic Changes:			
	• Mental Health transitions	0.254	0.249	0.201
	• LD transitions	0.546	0.534	0.491
	• Other service changes	0.661	0.300	0.300
	TOTAL COST PRESSURES	8.551	8.629	8.633
	Funding			
2.11	<p>The Scottish Government has made several spending commitments over the lifetime of this parliamentary term (2021 to 2026) which are relevant to community health and social care services:</p> <ul style="list-style-type: none"> • Increase NHS frontline spending by 20% • Create a National Care Service backed by increasing investment in social care by 25% • A £250million National Drugs Mission (£50m per year starting 2021-22) • Increase direct investment in Mental Health services by 25% and ensure that 10% of the frontline NHS budget is spent on Mental Health services. • Increase Primary Care funding by at least 25% 			
2.12	<p>However, there remains a lack of certainty about the funding settlement beyond 2022-23 although the Scottish Government has committed to publishing multi-year spending plans by Summer 2022. This will assist with future revisions of this Medium-Term Financial Outlook.</p>			
	Medium-term Financial Outlook			
2.13	<p>Based on the budget pressures which are detailed above, three scenarios have been developed which align to the Scottish Government Medium-term Financial Strategy – best-case, medium-case and worst-case. In 2022/23, the actual funding levels have been applied across each of the three, with the possible scenarios applied for 2023/24 and 2024/25.</p>			
2.14	<p><u>Best-Case Scenario</u> – this assumes a 5% increase in funding per annum for Social Care, in line with the Scottish Government commitment to a 25% increase over the lifetime of the current Parliament. A 4% increase per annum has been assumed for</p>			

	Health funding, which is also in line with the Government commitment to a 20% increase in frontline health spending over the lifetime of the current Parliament.
2.15	<u>Medium-Case Scenario</u> – this assumes funding increases in line with the average of the two previous years. For social care, this equates to 2.5% for 2022-23 and 3.7% for 2023-24 and for health, this would equate to 2% for 2022-23 and 3.8% for 2023-24.
2.16	<u>Worst-Case Scenario</u> – this assumes a flat cash settlement for both Social Care and Health across both years.
2.17	Against each of the three scenarios, sensitivity analysis has been used to demonstrate what the impact would be in 2023/24 and 2024/25 if the funding was to increase or decrease by 5% or 10%.
2.18	For 2023-24, the forecast budget gap ranges from a surplus of £0.866m in the best-case scenario, which would allow for additional investment in services, to a shortfall of £3.811m in the medium-case and a shortfall of £8.599m in the worst-case.
2.19	The most likely position is considered to be somewhere between best and medium case which would suggest there could be a shortfall in the region of 0.5% to 1% of the Partnership budget to address for 2023-24.
2.20	For 2024-25, the forecast budget gap ranges from a surplus of £1.294m in the best-case scenario, to a shortfall of £0.468m in the medium-case and a shortfall of £8.602m in the worst-case.
2.21	The most likely position is considered to be somewhere between best and medium case which would suggest there may not be any significant shortfall to fund in 2024-25.
3.	PROPOSALS
3.1	It is proposed that the IJB notes the Medium-term Financial Outlook and the potential financial position in years 2 and 3.
3.2	<u>Anticipated Outcomes</u>
	<p>The development of the Medium-term Financial Outlook provides key information on the possible financial position of the IJB over the next three years.</p> <p>It identifies the financial challenges which will be faced by the IJB enabling the IJB to see the impact of current and future decisions on its medium-term financial health.</p> <p>The MTFO will also be used to identify pressure points and inform decisions which are required to ensure the Partnership remains financially sustainable.</p>
3.3	<u>Measuring Impact</u>
	The IJB receives in-year financial monitoring reports which assist with monitoring the financial position and addressing any concerns. The MTFO will support the development of future annual budgets.

4.	IMPLICATIONS	
Financial:	The Medium-term Financial Outlook outlines potential funding and expenditure scenarios for 2022-25, identifying possible budget gaps for each financial year.	
Human Resources:	None.	
Legal:	The IJB requires to agree a balanced budget each financial year and a Medium-term Financial Outlook helps to support that requirement in future years.	
Equality:	Equality Impact Assessments are carried out as necessary in relation to any new savings proposals.	
Children and Young People	The Strategic Plan and the Medium-term Financial Outlook help support the delivery by the Health and Social Care Partnership of services to support our children and young people.	
Environmental & Sustainability:	There are no anticipated environmental or sustainability implications.	
Key Priorities:	A Medium-term Financial Outlook helps to support the delivery of the Strategic Plan 2022-2030.	
Risk Implications:	Any financial gap in future years presents a risk to the financial position of the IJB. Savings will require to be identified to address these funding gaps. The IJB has free general fund reserves, estimated at just under £6m at the end of 2021-22, which could help support any shortfalls on a non-recurring basis.	
Community Benefits:	Not applicable.	

Direction Required to Council, Health Board or Both	Direction to :-	
	1. No Direction Required	√
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

5.	CONSULTATION
5.1	No consultation has been required in the preparation of this report.
6.	CONCLUSION
6.1	Based on the scenarios within this MTFO, it is possible that the IJB will have funding gaps to address for 2023-24 and 2024-25. Some potential routes for addressing any such gaps are identified within the MTFO, and detailed proposals will be brought to the IJB for approval through the budget exercises for these years.

For more information, please contact Paul Doak, Head of Service (Finance and Transformation) at pdoak@north-ayrshire.gov.uk



*Delivering care
together*

**North Ayrshire
Health and Social Care Partnership**

Medium Term Financial Outlook

2022-2025

MEDIUM TERM FINANCIAL OUTLOOK 2022-2025

1 Introduction

- 1.1** North Ayrshire Integration Joint Board (NAIJB) has responsibility for planning how community health and social care services are delivered across North Ayrshire. It does this by directing North Ayrshire Council and NHS Ayrshire and Arran to work together to deliver integrated services through the Health and Social Care Partnership.
- 1.2** The Vision of the Health and Social Care Partnership is that “All people who live in North Ayrshire are able to have a safe, healthy and active life”.
- 1.3** The Partnership has five strategic priorities:
- Enable Communities
 - Develop and Support our Workforce
 - Provide Early and Effective Support
 - Improve Mental and Physical Health and Wellbeing
 - Tackle Inequalities
- 1.4** The Partnership provides locality-based health and social care services for people throughout their life. Our service areas and key partners are:
- Delivery Services:
- Children, Families and Justice Services
 - Health and Community Care Services
 - Mental Health, Addictions and Learning Disability Services (Including the pan-Ayrshire mental health lead partnership)
- Support Services:
- Business Support
 - Finance and Transformation
- Key Partners:
- North Ayrshire Third Sector Interface
 - The Independent Sector
 - Wider community planning partners including Ayrshire Justice Partnership, Police Scotland and Scottish Fire and Rescue Service.
- 1.5** The IJB has agreed a long-term strategic plan through to 2030. This sets out how we plan to improve services and the health and wellbeing of the local community.
- 1.6** A Medium-Term Financial Outlook (MTFO) is a critical part of the strategic planning process. The financial context for public services remains very challenging and so it is vital that the IJB’s strategic ambitions are aligned with the financial resources which are anticipated to be available. It has been very difficult to put in place meaningful medium term financial planning arrangements due to the pandemic and the ongoing one-year funding settlements for the IJB.
- 1.7** This MTFO, covering the first three years (2022-2025) of the Strategic Plan period, assists with ensuring that resources are directed towards the priorities of the Strategic Plan, as well as with annual financial planning.

- 1.8** There are a range of factors which influence the financial planning of the IJB. These are considered through the MTFO and include the following:
- Demographic changes
 - Local priorities
 - Workforce challenges
 - The UK and Scottish Economy
 - Policy and Legislation
 - Cost and demand pressures
 - Available funding

2 Local Context

Strategic Needs Assessment

- 2.1** North Ayrshire covers an area of 340 square miles, including the islands of Arran, Great Cumbrae and Little Cumbrae.
- 2.2** Population projections continue to suggest two population changes which will have an impact on health and social care in the future:
- The North Ayrshire population continues to decrease and is expected to shrink by 1% between 2012 and 2025, falling to 132,482. By 2030, the population is expected to further decrease to 129,987, a further 1.9% reduction from 2025.
 - Within this falling population, we will continue to see a growing older people population, with those 65+ accounting for over 25% of the population by 2025, and almost 28% by 2030. This correlates with a shrinking younger (0-15) and working age (16-64) population, resulting in an increasing dependency ratio which places increasing financial stress on the working age population.
- 2.3** Between 2022 and 2025, those between 65 and 74 will increase by 5%. However, those 75 plus will increase by 8.3% over the same period. From 2025 to 2030, the 65-74 age group will increase by a further 9%, with those 75 plus increasing by a further 7%. As outlined at 2.6 and 2.7 below, older people are more likely to develop multiple long-term conditions. An increase in this population implies a greater demand on Health and Social Care services in the future.
- 2.4** In the latest period available (2018-2020 3-year aggregate), the average life expectancy in North Ayrshire was 75.3 years old for men, and 80.1 years old for women. The average healthy life expectancy in North Ayrshire was 58.5 years for men and 56.3 years for women in 2017-2019.
- 2.5** North Ayrshire continues to be an area of high deprivation resulting in both social and health inequalities across the population. The most recently published Scottish Index of Multiple Deprivation figures suggest as much as 41% of North Ayrshire's population live within areas that are considered among the most deprived areas in Scotland. Information published by the charity End Poverty Now, suggests that 28.3% of children in North Ayrshire live in poverty.
- 2.6** 27% of local people are living with a long-term condition (LTC) (which could include Arthritis, Asthma, Diabetes or Chronic Obstructive Pulmonary Disease (COPD)). Long-term conditions are more common in older age groups, with the proportion of

people living with one or more LTC increasing with age. When compared, only 1.7 people in 10 under 65 have a long-term condition, unlike those 85+ where 8.2 people in every 10 live with an LTC.

- 2.7** Projected prevalence up to 2025/2026 shows there is an expected gradual increase in the older age groups for LTC. For people 85 plus, it is forecast that this will increase to 8.8 in 10 people. (7.3% increase). Those living with more than one long-term condition (multi-morbidity) increases with age, with approximately 15% of over 65s with multi-morbidities, compared to less than 5% of under 65s for 3 LTCs.
- 2.8** Across most acute hospital measures (including Emergency Admissions, Unscheduled Bed days, Delayed Discharges, and preventable admissions), we see higher proportions of people from older age groups and those proportions increase with age. As such, those aged 75 or over account for the greatest volume of emergency admissions, unscheduled bed days and delayed discharges. When taking this in context with the population projections outlined at 2.2 and 2.3 above, a growing population of those 75+ is likely to place additional demands on local health and care services. However, those 75+ also account for the greatest volume of potentially preventable admissions, which suggests investment in community-based services could help reduce demand on acute hospitals.
- 2.9** Mental Health concerns continue to rise, with the percentage of the local population receiving medication for some form of mental health condition increasing each year. In the 2019/20 financial year, 22% of local people were receiving some form of Mental Health medication. North Ayrshire is continually higher than the overall percentage for the health board area and Scotland. This suggests a greater demand for local Mental Health support. When looking at hospital admissions, North Ayrshire's rates are below that of Scotland as a whole, and mostly in line with the NHS Ayrshire and Arran health board area. However, unlike general acute admissions, the highest proportion of Mental Health admissions are among adults aged 18-44, suggesting a demand within this age group for mental health services.
- 2.10** Over the period from 2013 to 2020, North Ayrshire has continually had a higher rate of children looked after than Ayrshire as a whole and Scotland. The number of children that were looked after in 2020 for North Ayrshire was 22.7 (rate per 1000), which was 62% higher than rates observed across the whole of Scotland (14 per '000) and 24% higher than the Ayrshire and Arran rate (18.3 per '000).

Locality Priorities

- 2.11** North Ayrshire is divided into 6 locality areas – Irvine, Kilwinning, Three Towns, Garnock Valley, North Coast and Cumbrae, and Arran.
- 2.12** Our six Locality Planning Forums (LPFs) are one of our key mechanisms for engaging with local people. The Chairs of the LPFs are also members of our Integration Joint Board and LPF membership is made up of a range of health and social care professionals, third and independent sector representatives and local community groups. Their role is to use their knowledge of services and the local area to support and engage with local people and communities, to identify locality priorities.
- 2.13** During 2021, each LPF reviewed and updated their locality priorities. These have been agreed by the IJB's Strategic Planning Group. These priorities will inform local action by the HSCP and our partners to help address the concerns raised.

2.14 All mainland locality planning forums adopted the priorities below:

- Improving Mental Health and Wellbeing
- Reducing social Isolation
- Prevention, early intervention and recovery from drug and alcohol related harms and deaths
- Recovering from the COVID experience

2.15 Due to additional local concerns, other identified priorities were adopted in specific localities:

- Enabling financial inclusion and tackling poverty, was adopted in the Three Towns
- Enabling digital inclusion, was also adopted in Three Towns
- Preventing suicides, was adopted by the North Coast and Cumbrae.

2.16 The following priorities of opportunity are shared by all Locality Planning Forums:

- Capitalising on the Covid experience – continuing the legacy of the great partnership working that was developed in the early stages of the pandemic
- Developing personal self-care/ self-management, coping skills and health literacy

Workforce Challenges

2.17 At the end of December 2021, the Health and Social Care Partnership had 3,502 employees, with just over half employed by North Ayrshire Council and the remainder employed by NHS Ayrshire and Arran. This figure does not include the workforce employed by our commissioned health and social care providers.

2.18 43% of the staff were over the age of 50 which indicates that many will retire in the coming years and the Partnership will face challenges in replacing them.

2.19 As outlined above, the local population will reduce in number in the next few years and the age profile will increase. Older people are more likely to have multiple Long-Term Conditions. This means there will be more demand on health and social care services in future but less people of working age to fill these job roles.

2.20 The Partnership and its commissioned service providers are already facing challenges in recruiting to certain job roles. This challenge is compounded when investment in our services is predicated on growing our workforce, particularly where that similar investment and recruitment is being replicated across Scotland.

3 National Context

- 3.1** IJBs operate in a complex and changing environment where national issues have an impact on what services are delivered and how they are delivered, as well as the financial resources which are available to support the IJB in commissioning services. An understanding of this national context is essential when developing a medium-term financial outlook.

The Economy

- 3.2** The Scottish Economy continued to recover during 2021 as restrictions on economic activity have largely been lifted. By the time of the Scottish Budget in December 2021, the outlook for both the Scottish and UK economies was more positive than at the time of the previous budget in January 2021, although the pandemic continues to weigh on the economy and uncertainties remain heightened.
- 3.3** Forecasts from the Scottish Fiscal Commission (SFC) which were used to inform the Budget show the economy returning to pre-pandemic levels by April-June 2022, two years earlier than predicted at the time of the previous Scottish Budget. Scottish GDP continued to edge back towards pre-pandemic levels and by September 2021 was 1.1% below that level, having fallen 20% at the start of the pandemic.
- 3.4** Labour market conditions continued to improve, with the number of payrolled employees above pre-pandemic levels, having fallen 4% in 2020. Data suggests that many furloughed employees have returned to work, which should contribute to long-term economic scarring being lower than feared.
- 3.5** The level of long-term economic “scarring” to the Scottish economy from COVID-19 has been revised down from an anticipated permanent reduction in long-term GDP of around -3% at last year’s Budget to one of around -2%, reflecting the SFC’s view that the pandemic has not damaged the long-term productive capacity of the Scottish economy as much as previously feared. This is similar to the Office of Budget Responsibility (OBR)’s latest view of the degree of long-term scarring to the UK economy, and smaller than the 4% long-term reduction in living standards that the OBR attributes to leaving the European Union (EU).
- 3.6** SFC’s outlook for inflation changed significantly since January 2021, when it was forecast to remain low and below the Bank of England’s 2% target. The forecast used in the December 2021 budget suggests inflation will peak at 4.4% in April-June 2022 and gradually return to 2% by the second half of 2024. However actual rates of inflation have increased even higher than this in the early months of 2022. This is driven by the rebound in global demand for goods and services which has put strong pressure on supply chains. These price increases are expected to settle as the supply chains adjust to the higher levels of demand.

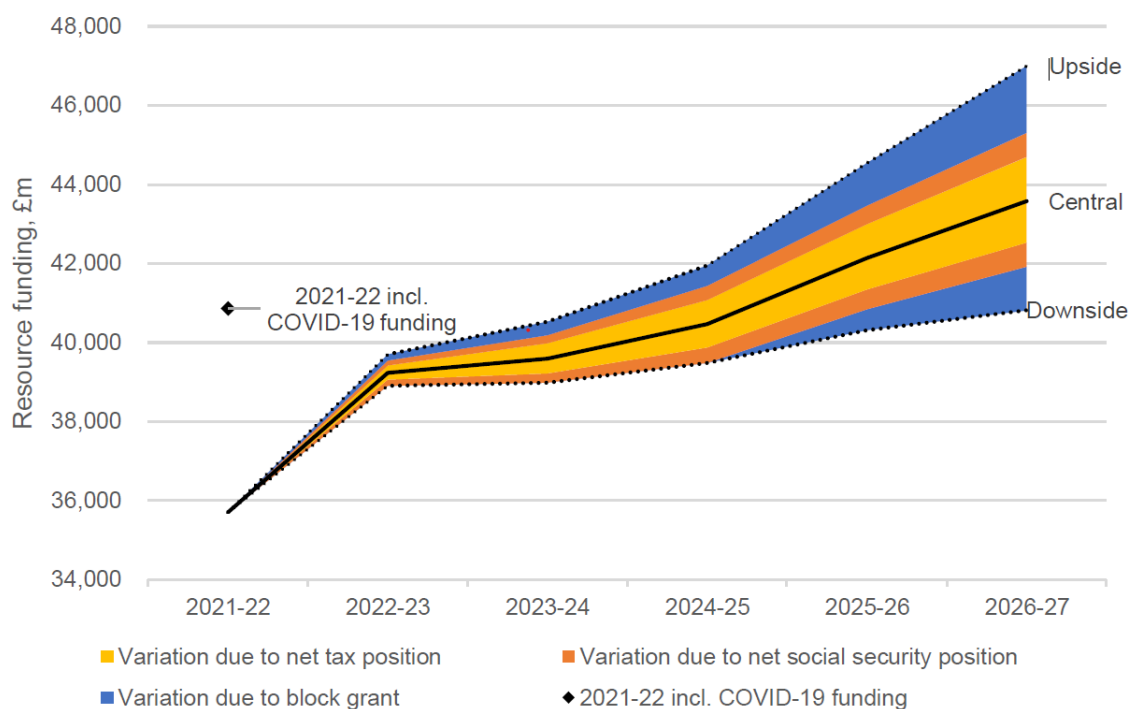
Fiscal Outlook

- 3.7** The Scottish Government Medium-Term Financial Strategy (December 2021) covers the period to 2026-27. It compares the funding and spending scenarios to assess the scale of the challenge and the opportunities over the Resource Spending Review period.

3.8 Three factors determine the available funding for the Scottish Budget:

- UK Government spending decisions: through the Barnett formula, the change in the Scottish Government's Block Grant each year is determined by the change in the UK Government's spending on areas devolved to the Scottish Parliament.
- Relative growth in Scottish Government and UK Government devolved tax revenues: under the Fiscal Framework, if Scottish devolved tax revenue per person grows relatively faster than in the rest of the UK (rUK), the Scottish Budget is better off and vice versa. This means that Scotland's budget is influenced not only by tax policy and economic performance in Scotland, but also by tax policy and economic performance in the rest of the UK.
- Relative growth in Scottish and UK social security expenditure: under the Fiscal Framework, if Scottish devolved social security expenditure grows relatively faster than in the rUK, the Scottish Budget is worse off. If UK expenditure grows relatively faster, additional funds are available within the Scottish Budget. Again, this means that Scotland's budget is influenced not only by policy changes within Scotland, but also what happens in the rest of the UK.

3.9 The Scottish Government MTFS models three scenarios (a central resource funding outlook and an upside and downside scenario, indicating plausible alternative funding paths) and outlines the immediate and longer-term pressures on public spending which need to be considered when developing spending plans to ensure that they meet the needs of a changing population and build resilience for the future.



£ million	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Upside	35,704	39,702	40,529	41,956	44,541	46,997
Resource funding						
Central	35,704	39,236	39,595	40,463	42,143	43,576
Downside	35,704	38,907	38,980	39,485	40,308	40,817

2021-22 figures do not include COVID-19 funding.

3.10 The central scenario is based on UK Spending Review announcements to 2023-24 for the block grant, and Office for Budget Responsibility (OBR) forecasts for growth in government spending beyond that. It reflects Scottish Fiscal Commission (SFC) tax revenue forecasts and the OBR's forecasts for block grant adjustments. Upside and downside scenarios have been modelled to illustrate the potential impact of UK spending decisions (with greater uncertainty after the UK spending review period which runs to 2024-25), and the impact of Scottish tax performance.

3.11 The central scenario is considered the most likely outcome and is used by the Scottish Government for planning purposes. However, the alternative scenarios help to illustrate the risks to the Scottish Budget funding outlook, should there be significant changes to UK fiscal policy or to economic or fiscal forecasts.

Resource Spending Outlook

3.12 The Scottish Government's spending trajectory must mirror the funding trajectory outlined in the graph and table at 3.9 above. While these suggest a large increase in funding between 2021-22 and 2022-23, it should also be noted that block grant funding has been significantly reduced due to the withdrawal of Covid-19 funding.

3.13 In December 2021, alongside the Scottish Budget for 2022-23, the Scottish Government launched a resource spending review, with an intention to publish multi-year spending plans from 2023-24 through to the end of the parliamentary term in 2026-27, in May 2022.

3.14 The priorities of the resource spending review include:

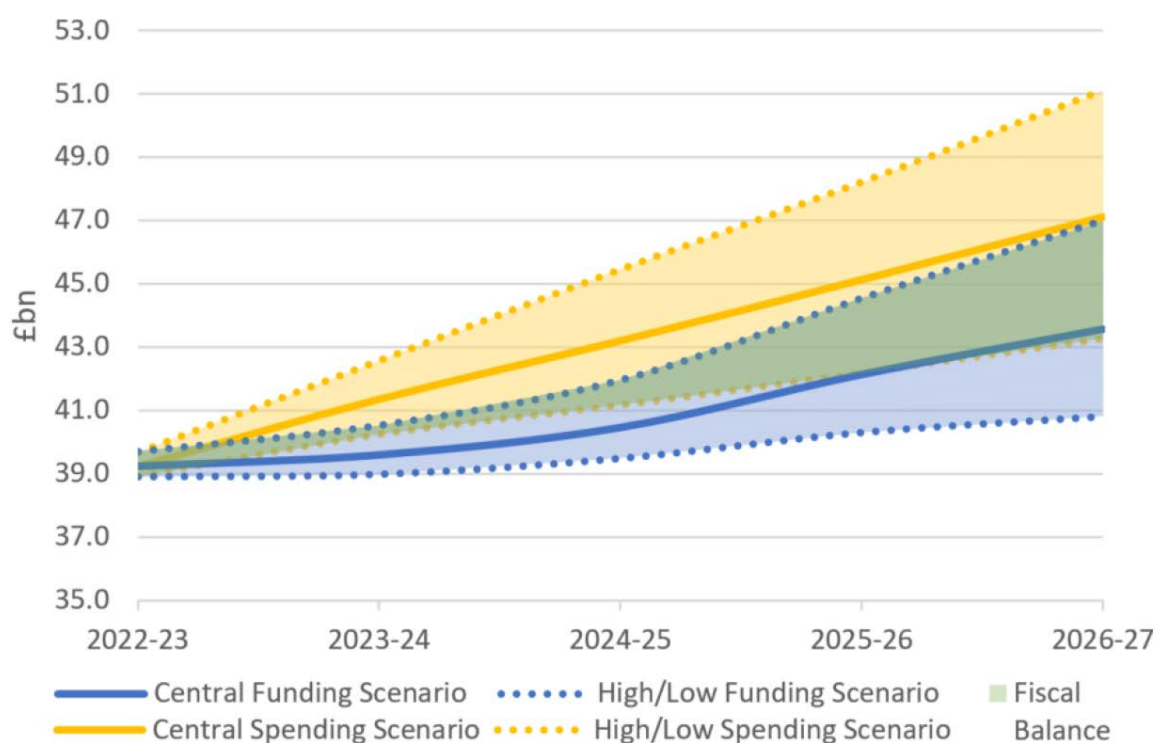
- Mitigating the effects of the pandemic, which has deepened existing inequalities and exposed the effects of digital exclusion, wealth inequality and generational divides
- Rebuilding public services including increasing social care capacity and establishing the National Care Service
- Ensuring that spending choices support progress towards meeting child poverty and climate change targets and securing a stronger and fairer green economy.

3.15 The resource spending review will require decisions to be made about how to prioritise resources within the available financial envelope, against a background of volatile funding streams and changing patterns of demand.

3.16 The risks to the resource spending outlook are the key drivers of public expenditure and include the following:

- Demand-led spend volatility
- Pay
- Growth in the public sector workforce
- Public service pensions
- Ageing population

3.17 This chart shows how the funding and spending scenarios compare. They illustrate a widening gap between the available resources and the cost of providing services. Spending plans will need to match the funding which is available and so investment in the priorities will require efficiencies and reductions in spending elsewhere.



Scottish Government Legislative and Policy Changes

3.18 National Care Service – the Independent Review of Adult Social Care (published February 2021) recommended the creation of a National Care Service (NCS), with Scottish Ministers being accountable for the delivery of adult social care services. In Autumn 2021, the Scottish Government consulted widely on the creation of a NCS which would have a much wider remit, assuming responsibility for the delivery of a community health and social care service which would support people of all ages. Following the end of the consultation period in November, a summary of consultation responses and analysis was published in February 2022. The Scottish Government is currently drafting legislation and has committed to the NCS being operational by the end of the current parliamentary term in 2026. The establishment of a NCS may fundamentally change the role and operation of the Integration Joint Board and will have significant implications for the whole health and social care system.

3.19 GP Contract 2018 and Primary Care Improvement Plans – the new General Medical services contract came into force in April 2018 and aims to refocus the role of GP as

an Expert Medical Generalist, supported by multi-disciplinary teams in general practice. These teams will provide services such as vaccination, pharmacotherapy, community treatment and care (CTAC), urgent care and additional professional services such as acute musculoskeletal physiotherapy, community mental health and community link workers. The three Ayrshire IJBs are working together to deliver Primary Care Improvement Plans (PCIP), supported by additional Scottish Government funding, to ensure these multi-disciplinary teams are available in each medical practice. The PCIP links closely to Caring for Ayrshire, which will ensure that more health provision is available in communities, and that GP surgeries have the capacity to host multi-disciplinary teams.

- 3.20** Carers Act (Scotland) 2016 - this Act is designed to support carers' health and wellbeing and help make caring more sustainable and came into effect from 1 April 2018. It places a duty for local authorities to provide support for carers, based on the carer's identified needs which meet the local eligibility criteria and supported by adult carer support plans or young carer statements to identify carers' needs and personal outcomes. This duty is supported by additional funding which has incrementally increased each year since 2018.
- 3.21** Mental Health Strategy 2017-2027 - In March 2017, the Scottish Government published its Mental Health Strategy, providing a 10-year vision to improve Mental Health services and improve support to those affected by poor mental health and other complex conditions. The national strategy had a large focus on prevention and early intervention of mental health concerns, with a goal of ensuring mental health problems were treated with the same approach as physical health problems. In 2019 we undertook the Ayrshire Mental Health Conversation and engaged with people across Ayrshire to co-produce a strategic response to the national strategy. Significant additional funding has provided for investment in mental health services.
- 3.22** The Promise – the findings of the Independent Care Review, published in February 2020, form the promise to all young people who have experienced the care system in Scotland. The aim is to improve the experience of all children and young people and their families if they require additional support and will create a more compassionate care system.
- 3.23** Scottish Living Wage – this is part of a Scottish Government policy to improve people's lives and help create a fairer society. The rate was increased to £9.90 in November 2021 and is subject to annual review. This impacts on the costs for the Council and NHS Board as employers and on the cost of services which we commission from other providers.
- 3.24** Annual Adult Social Care Workforce Uplift – this policy was introduced by Scottish Government to replace the living wage in the sector. Rates of pay for eligible employees of commissioned providers will be increased beyond the living wage. The Government provided additional funding for an hourly rate of £10.02 across the sector from December 2021, in advance of a further increase to £10.50 per hour from 1st April 2022. This is a step towards the Fair Work commitments in the NCS and could support recruitment and retention of staff.
- 3.25** National Drugs Mission – In 2021 the Scottish Government announced a new national mission to reduce drug related deaths and harms. This will provide £50m of funding per year for five years to support a number of key approaches and priorities including the roll out of the Medication Assisted Treatment Standards.

National Demand Pressures

3.26 There are many studies which consider the factors driving expenditure on health and social care. Most of these conclude that demand will increase faster than the rate of growth of the wider economy and an increasing proportion of GDP will require to be spent on these services. The factors driving growth can be classified into three areas:

- Prices: the general price inflation within health and social care services
- Demographic Change: the effect of population changes as well as the impact of people living longer
- Non-demographic Change: demand-led growth, generated by increased public expectation and advances in new technology or service developments, for example the introduction of new drugs.

3.27 An increasing proportion of people of pensionable age leads to increased pressures on health and social care services and a smaller working age population. Both alter the demographic make-up of society, the tax base and the needs which public services must meet; people living longer lives with higher and more complex care needs. Policy interventions are required to maintain the affordability of the health care system over the longer-term, including more efficient service delivery and demand management through more self-care, prevention and health improvement.

4 Reserves

4.1 As the North Ayrshire IJB has the same legal status as a local authority, i.e. a section 106 body under the Local Government (Scotland) Act 1973 Act, it is able to hold reserves which should be accounted for in the financial accounts and records of the IJB.

4.2 The IJB has a Reserves Strategy which was approved in October 2019. The purpose of this Strategy is to:

- outline the legislative and regulatory framework underpinning the creation, use or assessment of the adequacy of reserves;
- identify the principles to be employed by the IJB in assessing the adequacy of the IJB's reserves;
- indicate how frequently the adequacy of the IJB's balances and reserves will be reviewed; and
- set out arrangements relating to the creation, amendment and use of reserves and balances.

4.3 At 31st March 2021, the IJB held reserves as follows:

- Unallocated General Fund Balance = £4.151m
- Earmarked General Fund Balance = £0.681m
- Earmarked Scottish Government Funding = £6.732m
- Negative Reserve (debt to North Ayrshire Council) = £3.807m

4.4 The IJB is in the unusual position of holding a negative reserve balance, which reflects an outstanding debt to North Ayrshire Council in respect of deficits incurred in earlier years. The outstanding balance will reduce by £1.486m on 31/03/22 which leaves a

balance moving into 2022/23 of £2.321m. There is an agreed repayment plan covering 22/23 and 23/24 to clear the outstanding debt.

- 4.5** At 31st January 2022 (Month 10), the IJB was projecting an underspend for the 2021-22 financial year of £1.780m. If this position was maintained to the year-end, this could increase the unallocated general fund balance to £5.931m, which is around 2.1% of the annual revenue budget. It was also anticipated that some elements of Scottish Government funding provided during 2021-22 would be underspent and this would result in additional earmarked balances being carried forward in 2022-23. In addition, the Scottish Government provided significant non-recurring funding in March 2022 for future Covid-related costs and this will be carried forward as an earmarked balance.
- 4.6** The Chief Finance Officer is responsible for advising on the targeted optimum levels of reserves the IJB would aim to hold (the prudential target). In determining the prudential target the Chief Finance Officer must take account of the strategic, operational and financial risks facing the IJB over the medium term and the IJB's overall approach to risk management.
- 4.7** Good practice suggests that a prudent level of unallocated general reserves would be in the range 2% to 4% of the revenue budget. In cash terms, this would be between £5.6million and £11.2 million. The projected unallocated balance at 31st March 2022 meets the minimum recommended level, however is towards the lower end of the range.

5 Scottish Government Funding

- 5.1** The Scottish National Party manifesto for the Scottish Parliament Elections in May 2021 made several spending commitments over the lifetime of this parliamentary term (2021 to 2026) which are relevant to community health and social care services:
- Increase NHS frontline spending by 20%
 - Create a National Care Service backed by increasing investment in social care by 25%
 - A £250million National Drugs Mission (£50m per year starting 2021-22)
 - Increase direct investment in Mental Health services by 25% and ensure that 10% of the frontline NHS budget is spent on Mental Health services.
 - Increase Primary Care funding by at least 25%
- 5.2** It can be seen how these indicative funding commitments link to the highlighted legislative and policy changes. As funding settlements are for one year, the detailed announcements made in the Scottish Budget in December 2021 only cover financial year 2022-23.
- 5.3** The detailed funding commitments made in the Scottish Budget for 2022-23 covered the following areas which have been reflected in our financial planning:

Via Health

- Health Boards must provide IJBs with an uplift of 2% onto the base budget from 2021-22 and a share of £70million nationally to cover Employers National Insurance increases (NA IJB share £2.626m)

- The full-year effect of funding for Multi-Disciplinary Teams and Health Care Support Workers which was announced as part of the 'Winter Pressures' funding in November 2021 (£1.457m)

Via Local Authorities

- Carers Act – additional funding of £20.4m (NA IJB share £0.574m)
- Free Personal and Nursing Care – additional funding of £15m (£0.345m)
- Real Living Wage - £174.5m (£4.819m)
- Care at Home Capacity - £124m (£3.418m)
- Interim Care - £20m (£0.551m non-recurring)
- Social Care investment - £200m (£5.6m)
- National Trauma training - £1.6m (£0.050m)
- Adult social work capacity – £22m (£0.606m)
- Scottish Disability Assistance – £3.216m (£0.083m)
- Mental Health recovery and renewal - £3.71m (£0.091m)

- 5.4** In setting the budget for 2022-23, the Scottish Government confirmed that a spending review is being undertaken and will be launched around May 2022. This will give greater certainty over future funding streams and will assist greatly with future iterations of the medium-term financial plan.

6 Delivering our Local Priorities

- 6.1** As noted at 1.7 above, this MTFO, covering the first three years (2022-2025) of the Strategic Plan period, assists with ensuring that resources are directed towards the priorities of the Strategic Plan, as well as with annual financial planning. This supports shifting the balance of care to a community setting and planning based on the entirety of resources available across the Health and Social Care system.
- 6.2** The statements below, against each of our 5 strategic priorities, describe how our services operate to deliver each priority. The Partnership's financial resources are aligned to this delivery model.

Strategic Priority	
Enable Communities	<p>We recognise the communities of North Ayrshire as a key partner of the Health and Social Care Partnership. We know that many of the solutions to improve the health and wellbeing of local people lie in our communities. Supporting them to improve local capacity, health literacy and resilience will help improve the overall health and wellbeing of communities. We effectively work with wider public sector partners and colleagues to support a multi-agency support to enabling our communities.</p> <p>We also recognise and value the knowledge local people have of their own area. Through our various engagement methods, including our Locality Partnership Forums, we will continue to provide a voice for local people in North Ayrshire.</p>

Develop and Support our Workforce	<p>We face a challenge in ensuring the health and care workforce has the capacity to meet both current and future health and care demands of the local population. Our financial resources are targeted across services to increase workforce capacity aligned to need and demand and also to alleviate pressure on existing teams. We proactively review skill mix of teams to afford progression opportunities and to ensure we can recruit and retain a sustainable workforce. We have focussed efforts on staff wellbeing through the Covid pandemic and this approach will be embedded as we move forward.</p> <p>All our people, including our health and social care professionals, frontline workers, third and independent sector colleagues, and support staff, ensure we can provide vital health and care services to people across North Ayrshire every day.</p>
Provide Early and Effective Support	<p>It is a key priority for the partnership to provide support to people as early as possible, this is reflected in our investment decisions in relation to increasing capacity in community teams and on resourcing services to minimise waits for access to services. Dealing with problems at an early stage can increase the chances of positive outcomes for people and prevent issues from becoming much more serious and difficult to address.</p> <p>Prevention and early intervention work takes place across all Partnership services. In our children, families and justice service we work with at risk families to help prevent them from reaching crisis point. In our mental health services, we seek to support people at the earliest stage to prevent any mental health concern from growing into a complex mental health condition. In our health and community care services, we support people to stay healthy and well while remaining active in their own communities, to help them stay independent for longer.</p>
Improve Mental and Physical Health and Wellbeing	<p>Improving mental health and wellbeing has been a priority for the Partnership since 2015 and the focus on supporting those with both complex mental health conditions and low-level mental wellbeing concerns continues to be a priority. We know that mental health concerns are increasing in the population, and this means a greater demand for mental health services and community supports. The Scottish Government's Mental Health Recovery and Renewal Plan backed by significant investment in specialist Mental Health services provides an opportunity to take forward investment in mental health services to address gaps which have been exacerbated by the pandemic but also at a local level have been evident for some time.</p>

	<p>We also recognise the benefits physical wellbeing has on an individual. Many of our statutory services and community supports are focussed on improving the physical wellbeing of local people, for example helping to support children and young people to maintain a healthy body weight or providing rehabilitation support to those who have been in hospital. We know, that by supporting and maintaining the physical health of local people, they can remain in good overall health for longer, supporting their independence and overall wellbeing.</p>
Tackle Inequalities	<p>North Ayrshire is an area with high levels of poverty and people living in relative deprivation. As a result, many people experience poorer life chances and health outcomes than others. Experiencing inequality can be the result of several factors: for example, people can face additional challenges on account of their age, if they have a physical or learning disability, a long-term medical condition (including addiction), if they are care experienced, or have experience of the justice system.</p> <p>We believe by helping to reduce the impact of inequalities locally, we can improve the long-term economic, social and health outcomes for the people of North Ayrshire. However, we realise that addressing local inequalities is not something we can do alone and we continue to work closely with our partners and local people to help tackle inequalities together.</p>

7 Budget Pressures

7.1 As noted at 3.26 above, pressures fall largely into three categories: price inflation, demographic change and non-demographic change.

7.2 The budget pressures below have been identified by the Partnership and are reflected in the financial modelling which follows:

Price Inflation

7.3 Pay – it has been assumed that pay will increase by 3% per annum in both Council and NHS staff groups. Provision has also been made in 2022-23 for the 1.25% increase in Employers' National Insurance contributions which has been introduced by the UK Government and for increased superannuation contributions linked to pensions auto-enrolment.

7.4 National Care Home Contract (NCHC) inflation – each year discussion takes place between COSLA and Scottish Care to negotiate new NCHC rates for residential and nursing care. A prudent provision has been made for an increase of 5% per annum, on the basis of the significant impact of the pandemic on the care home sector.

- 7.5 Other Contract inflation – provision of 2.5% per annum has been made for other services which are commissioned from external providers, and which do not fall under the NCHC.

Demographic Changes

- 7.6 Physical Disabilities – increased demand of 4.4% per annum has been anticipated based on the average increase in community packages since 2018/19.
- 7.7 Mental Health – increased demand of 4% per annum has been built into the financial plan based on annual increases in residents being prescribed medication for mental health concerns and rates of depression.
- 7.8 Learning Disabilities - there is a pressure in relation to service users living longer with an increased acuity of need, particularly those with older carers where the Partnership is required to provide additional support for a longer period. The pressure is solely based on the service information available on the expected increase in the number of clients requiring support due to sustainability of the current care arrangements in place.
- 7.9 Children and Young people – provision has been made for increased demand for foster care and kinship care.
- 7.10 Older People – provision has been made in 2023/24 and 2024/25 for increased demand for Care at Home services linked to the expected increase in the over 65 population. No additional budget pressure has been included in 2022/23 as additional Scottish Government funding to increase Care at Home capacity has been made available. This funding has been aligned to fully meet the current unmet need for Care at Home services but is not sufficient to meet the future demographic challenges.

Non-demographic Changes

- 7.11 Mental Health and Learning Disabilities transitions of care – provision has been made for known service users who are expected to move from Children's services into adult health services. Complex care arrangements are required to support a number of individuals, it is anticipated that through the investment in supported accommodation models of care in the community that there will be a longer-term reduction in the ongoing need to invest in individual care packages. This ambition is aligned to the review of complex care arrangements and the Community Living Change Fund.
- 7.12 Service changes – provision has been made for specific changes to service delivery, including increased costs associated with the new Supported Accommodation developments in Kilwinning, Largs and Stevenston, the new respite provision at Red Rose House and Roslyn House and staff rebanding exercises within Health.
- 7.13 These budget pressures have been quantified as shown in the table below:

	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)
Price inflation:			
• Pay	5.176	5.175	5.272
• NCHC inflation	0.901	0.930	0.960
• Other contract inflation	0.380	0.389	0.398

Demographic Changes:			
• Physical Disabilities	0.145	0.151	0.158
• Mental Health	0.079	0.082	0.085
• Learning Disabilities	0.264	0.264	0.264
• Children and Young People	0.145	0.148	0.152
• Older People	-	0.407	0.352
Non-demographic Changes:			
• Mental Health transitions	0.254	0.249	0.201
• LD transitions	0.546	0.534	0.491
• Other service changes	0.661	0.300	0.300
TOTAL COST PRESSURES	8.551	8.629	8.633

- 7.14** It should be noted that there is no significant year on year change to the level of financial pressures over the next three years and that the assumptions are also in line with the actual cost increases over recent years.

8 Risk Assessment and Sensitivity Analysis

- 8.1** The IJB must be aware of the risks to its financial modelling – it has an approved Risk Strategy and Risk Appetite Statement which support ‘risk aware’ decision-making.
- 8.2** The key risks to this Medium-term Financial Outlook include the following:
- The impact of national and local factors is over or understated
 - Public expectation around levels of service delivery
 - The impact of decisions made by NHS Ayrshire and Arran and North Ayrshire Council on the IJB
 - Demand and cost pressures are over or underestimated
 - The ongoing impact of Covid-19
 - Failure to identify the impact of a national policy change
 - Failure to accurately estimate sources of income, including grant funding or charges to service users.
- 8.3** The next section of the MTFO looks at three different scenarios with different levels of funding and estimates and what the budget position of the IJB could be over the next three financial years under each of these scenarios.
- 8.4** Sensitivity analysis has also been used to test the assumptions made by the MTFO and understand what the implications would be if the assumptions change.

9 Scenarios

- 9.1** Based on the budget pressures which are detailed in Section 6 above, three scenarios have been developed which align to the Scottish Government Medium-term Financial Strategy – best-case, medium-case and worst-case. In 2022/23, the actual funding levels have been applied across each of the three, with the possible scenarios applied for 2023/24 and 2024/25.
- 9.2** Best-Case Scenario – this assumes a 5% increase in funding per annum for Social Care, in line with the Scottish Government commitment to a 25% increase over the lifetime of the current Parliament. A 4% increase per annum has been assumed for Health funding, which is also in line with the Government commitment to a 20% increase in frontline health spending over the lifetime of the current Parliament.
- 9.3** Medium-Case Scenario – this assumes funding increases in line with the average of the two previous years. For social care, this equates to 2.5% for 2022-23 and 3.7% for 2023-24 and for health, this would equate to 2% for 2022-23 and 3.8% for 2023-24.
- 9.4** Worst-Case Scenario – this assumes a flat cash settlement for both Social Care and Health across both years.
- 9.5** Against each of the three scenarios, sensitivity analysis has been used to demonstrate what the impact would be in 2023/24 and 2024/25 if the funding was to increase or decrease by 5% or 10%.

2022-2023

9.6

	2022-23			
	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m
FUNDING				
Best Case Scenario	(5.242)	(1.317)	(1.309)	(7.868)
Medium Case Scenario	(5.242)	(1.317)	(1.309)	(7.868)
Worst Case Scenario	(5.242)	(1.317)	(1.309)	(7.868)
ESTIMATED PRESSURES				
Best Case Scenario	4.946	1.719	1.885	8.551
Medium Case Scenario	4.946	1.719	1.885	8.551
Worst Case Scenario	4.946	1.719	1.885	8.551
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	(0.296)	0.402	0.576	0.682
: Based on Medium Case Scenario	(0.296)	0.402	0.576	0.682
: Based on Worst Case Scenario	(0.296)	0.402	0.576	0.682
EXISTING SAVINGS	(0.060)	(0.321)	0.000	(0.381)
POTENTIAL BUDGET GAP (AFTER EXISTING SAVINGS)				
: Based on Best Case Scenario	(0.356)	0.081	0.576	0.302
: Based on Medium Case Scenario	(0.356)	0.081	0.576	0.302
: Based on Worst Case Scenario	(0.356)	0.081	0.576	0.302
NEW SAVINGS	0.000	(0.081)	(0.220)	(0.301)
POTENTIAL BUDGET GAP (AFTER NEW SAVINGS)				
: Based on Best Case Scenario	(0.356)	(0.000)	0.356	0.000
: Based on Medium Case Scenario	(0.356)	(0.000)	0.356	0.000
: Based on Worst Case Scenario	(0.356)	(0.000)	0.356	0.000

9.7

For 2022-23, the three scenarios are the same as they are based on the confirmed funding settlements for the year and the identified budget pressures. This aligns with the budget which was approved by the IJB on 17th March 2022.

9.8

	2023-24			
	Social Care (NAC) £m	Health Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m
FUNDING				
Best Case Scenario	(5.256)	(2.111)	(2.097)	(9.465)
Medium Case Scenario	(2.658)	(1.069)	(1.062)	(4.788)
Worst Case Scenario	0.000	0.000	0.000	0.000
ESTIMATED PRESSURES				
Best Case Scenario	4.758	1.771	2.100	8.629
Medium Case Scenario	4.758	1.771	2.100	8.629
Worst Case Scenario	4.758	1.771	2.100	8.629
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	(0.498)	(0.340)	0.002	(0.836)
: Based on Medium Case Scenario	2.100	0.702	1.038	3.841
: Based on Worst Case Scenario	4.758	1.771	2.100	8.629
EXISTING SAVINGS	0.000	0.000	0.000	0.000
POTENTIAL BUDGET GAP (AFTER EXISTING SAVINGS)				
: Based on Best Case Scenario	(0.498)	(0.340)	0.002	(0.836)
: Based on Medium Case Scenario	2.100	0.702	1.038	3.841
: Based on Worst Case Scenario	4.758	1.771	2.100	8.629
NEW SAVINGS	0.000	(0.030)	0.000	(0.030)
POTENTIAL BUDGET GAP (AFTER NEW SAVINGS)				
: Based on Best Case Scenario	(0.498)	(0.370)	0.002	(0.866)
: Based on Medium Case Scenario	2.100	0.672	1.038	3.811
: Based on Worst Case Scenario	4.758	1.741	2.100	8.599

9.9

For 2023-24, the forecast budget gap ranges from a surplus of £0.866m in the best-case scenario, which would allow for additional investment in services, to a shortfall of £3.811m in the medium-case and a shortfall of £8.599m in the worst-case.

9.10 The most likely position is considered to be somewhere between best and medium case which would suggest there could be a shortfall in the region of 0.5% to 1% of the Partnership budget to address for 2023-24.

9.11 The sensitivity analysis below shows the impact on each scenario if funding was to increase or decrease by 5% or 10%.

FUNDING SCENARIO	2023-24 £ Impact
1) BEST CASE	
Base data:	
<i>Scenario a: 5% more</i>	<i>(0.473)</i>
<i>Scenario b: 5% less</i>	<i>0.473</i>
<i>Scenario c: 10% more</i>	<i>(0.946)</i>
<i>Scenario d: 10% less</i>	<i>0.946</i>
2) MEDIUM CASE	
Base data:	
<i>Scenario a: 5% more</i>	<i>(0.239)</i>
<i>Scenario b: 5% less</i>	<i>0.239</i>
<i>Scenario c: 10% more</i>	<i>(0.479)</i>
<i>Scenario d: 10% less</i>	<i>0.479</i>
3) WORST CASE	
Base data:	
<i>Scenario a: 5% more</i>	<i>0.000</i>
<i>Scenario b: 5% less</i>	<i>0.000</i>
<i>Scenario c: 10% more</i>	<i>0.000</i>
<i>Scenario d: 10% less</i>	<i>0.000</i>

9.13

	2024-25			
	Social Care (NAC) £m	Health Lead (NHS A&A) £m	Health Non Lead (NHS A&A) £m	Total £m
FUNDING				
Best Case Scenario	(5.519)	(2.196)	(2.181)	(9.896)
Medium Case Scenario	(3.987)	(2.080)	(2.066)	(8.133)
Worst Case Scenario	0.000	0.000	0.000	0.000
ESTIMATED PRESSURES				
Best Case Scenario	4.660	1.824	2.149	8.633
Medium Case Scenario	4.660	1.824	2.149	8.633
Worst Case Scenario	4.660	1.824	2.149	8.633
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	(0.859)	(0.371)	(0.032)	(1.263)
: Based on Medium Case Scenario	0.673	(0.256)	0.083	0.499
: Based on Worst Case Scenario	4.660	1.824	2.149	8.633
EXISTING SAVINGS	0.000	0.000	0.000	0.000
POTENTIAL BUDGET GAP (AFTER EXISTING SAVINGS)				
: Based on Best Case Scenario	(0.859)	(0.371)	(0.032)	(1.263)
: Based on Medium Case Scenario	0.673	(0.256)	0.083	0.499
: Based on Worst Case Scenario	4.660	1.824	2.149	8.633
NEW SAVINGS	0.000	(0.031)	0.000	(0.031)
POTENTIAL BUDGET GAP (AFTER NEW SAVINGS)				
: Based on Best Case Scenario	(0.859)	(0.403)	(0.032)	(1.294)
: Based on Medium Case Scenario	0.673	(0.287)	0.083	0.468
: Based on Worst Case Scenario	4.660	1.793	2.149	8.602

9.14 For 2024-25, the forecast budget gap ranges from a surplus of £1.294m in the best-case scenario, to a shortfall of £0.468m in the medium-case and a shortfall of £8.602m in the worst-case.

9.15 The most likely position is considered to be somewhere between best and medium case which would suggest there may not be any significant shortfall to fund in 2024-25.

9.16 The sensitivity analysis below shows the impact on each scenario if funding was to increase or decrease by 5% or 10%.

9.17

	2024-25
FUNDING SCENARIO	£ Impact
1) BEST CASE	
Base data:	
Scenario a: 5% more	(0.495)
Scenario b: 5% less	0.495
Scenario c: 10% more	(0.990)
Scenario d: 10% less	0.990
2) MEDIUM CASE	
Base data:	
Scenario a: 5% more	(0.407)
Scenario b: 5% less	0.407
Scenario c: 10% more	(0.813)
Scenario d: 10% less	0.813
3) WORST CASE	
Base data:	
Scenario a: 5% more	0.000
Scenario b: 5% less	0.000
Scenario c: 10% more	0.000
Scenario d: 10% less	0.000

10 Balancing the Budget

10.1 There are a number of options open to the IJB to balance any budget gap for 2023-24 and 2024-25. These include:

- Revisiting the budget pressures which have been identified
- Reviewing staff turnover savings targets
- Utilising an element of any additional Scottish Government funding against core service pressures
- Identification of further savings
- Service transformation via the Transformation Plan
- Efficiency savings
- Use of reserves on a non-recurring basis.

11 Conclusions

- 11.1** The IJB faces a number of challenges in the coming years which will place increasing pressure on its budgets. These are outlined in this document.
- 11.2** Our Strategic Needs Assessment details a range of demographic and health factors which will see growing demand for services:
- Decreasing and ageing population
 - High deprivation
 - Long-term health conditions which increase in older people
 - Unplanned and emergency admissions to hospital which increase in older people
 - Increasing mental health concerns
 - Higher than average numbers of Looked After and Accommodated Children
- 11.3** The IJB faces workforce challenges with an ageing workforce and already there are difficulties in recruiting to certain job roles. There is a reducing working age population and a national shortage of appropriately trained staff for particular professions.
- 11.4** The economy continues to face challenges with funding pressures for the public sector, high inflation and the complexities caused by Brexit and the Covid pandemic.
- 11.5** This will impact on the funding available for Health and Social Care, and a range of possible scenarios from the Scottish Government Medium Term Financial Strategy are outlined in section 3.
- 11.6** The IJB requires to deliver on a range of national and local priorities and demonstrate that it has made progress in shifting the balance of care towards more community-based settings. In addition, the National Care Service will represent a huge change in how the IJB operates in the coming years.
- 11.7** Set against all of this, Health and Social Care is a clear priority for the Scottish Government, and this may result in additional financial support, although this will undoubtedly come with additional cost commitments to deliver new policies.
- 11.8** There remains a lack of clarity about the funding settlement beyond 2022-23 although the Scottish Government has committed to publishing multi-year spending plans by Summer 2022. This will assist with future revisions of this Medium-Term Financial Outlook.
- 11.9** Based on the scenarios within this MTFO, it is possible that the IJB will have funding gaps to address for 2023-24 and 2024-25. Some potential routes for addressing any such gaps are identified at section 10 above, and detailed proposals will be brought to the IJB for approval through the budget exercises for these years.

12 Reference Documents

North Ayrshire Health and Social Care Partnership Strategic Plan 2022-2030 (March 2021)

Scottish Government Medium-term Financial Strategy (December 2021)

Scottish Government Health and Social Care Medium-term Financial Strategy (October 2018)

'Investing in Scotland's Future' – Scottish Government Resource Spending Review Framework (December 2021)

Scottish Public Sector Pay Policy 2022-23 (December 2021)

Scottish Budget 2022-23 (December 2021)

Scottish Government – Priorities of Government Statement (May 2021)

Paul Doak

Head of Service (Finance and Transformation)

17th March 2022.