NORTH AYRSHIRE
Health and Social Care
Partnership

Integration Joint Board
11th December 2025

Subject:	**Medium-Term Financial Outlook 2026-2029**
Purpose:	• Awareness • Discussion
Recommendation:	That IJB notes the Medium-term financial outlook 2026-2029 and also notes that work continues on the preparation of the detailed budget for 2026-27 which will be brought to the March 2026 meeting for approval.

Direction Required to Council, Health Board or Both *(where Directions are required, please complete Directions Template)*	Direction to: -	
	1. No Direction Required	x
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

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 Medium-Term Financial Outlook (MTFO) covers the three-year period 2026-2029. The MTFO looks at the range of factors which influence the financial planning of the Integration Joint Board.
1.2	A range of possible scenarios for the financial position in each year 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	The Integration Joint Board 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.
2.2	A Medium-Term Financial Outlook (MTFO) is a critical part of the strategic planning process. The financial context for public services is extremely challenging and so it is vital that the IJB's strategic ambitions are set against the financial resources which are anticipated to be available. The Strategic Plan is currently undergoing a 3-year refresh and will be brought to the December 2025 IJB.
2.3	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
3.	**Local Context**
3.1	Our Strategic Needs Assessment details a range of demographic and health factors which will see growing demand for services: • Decreasing and ageing population – with 23.7% of residents over 65, this is anticipated to increase to 29% by 2040 • High levels of deprivation – over 40% of the population live in the most deprived SIMD, compared to the Scotland average of 20% • Long-term health conditions which increase in older people – 28.2% of residents compared with Scotland average of 22.1% • Healthy life expectancy being at average of 52.5 years for women and 52.6 years for men, the lowest of all areas in Scotland • 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
3.2	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.
4.	**UK Budget**
4.1	The UK budget was delivered on 26th November 2025; there were a number of key points of note for the IJB:

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	• Barnett Consequentials: Scotland receives £820 million additional funding from UK spending decisions, allocated by the Scottish Government across devolved services. The Scottish Government will need to decide how to allocate the £820 million, balancing NHS pressures with demands from councils, social care, and other devolved services. • Health & Social Care Spending - Scotland gains headline funding increases, but inflation erodes much of the benefit, leaving health and social care budgets flat in real terms. • NHS Scotland Workforce Crisis: The Royal College of Nursing Scotland warns the system is short of over 3,000 nurses, with recruitment and retention worsening. The Budget does not directly address this gap. • Social Care Uncertainty: While health spending is protected, social care and third-sector providers face continued uncertainty, with no clear new funding streams. • Capital Investment: UK-wide announcements include £300 million for NHS technology upgrades and 250 new Neighbourhood Health Centres, which may benefit Scotland indirectly, but allocation details remain unclear.
4.2	The updated Office for Budget Responsibility forecast (November 2025) projects UK GDP growth of 1.5% in 2025 and 1.4% in 2026, a downgrade from earlier expectations of 2.0% and 1.8% respectively. Inflation and unemployment are also expected to be higher than previously forecast.
4.3	Inflation is predicted to average 2.5% in 2026 (2.3% previous forecast) and 2% in 2027 (in line with forecast).
5.	**Scottish Budget**

5.1	As the UK government budget was later than usual the Scottish Budget will not be delivered until 13th January 2026. The main points of note for the IJB at this stage are as follows:
	
	• 2025/26 pay awards have already been agreed: NHS 3.75% and Local Authority 3.5%.
	• Agenda for Change pay reforms will continue:
	    ➢ A further reduction in the working week from 37 hours to 36 hours at an estimated cost of £2.5m.
	    ➢ The Band 5/6 regrades, and protected learning time will also continue in 2025-26.
	• The Real Living Wage has increased from £12.60 to £13.45 (6.75% increase), this will be reflected in the contractual rates for commissioned adult and children's social care providers.
	• Free Personal and Nursing Care rates usually increase each year.

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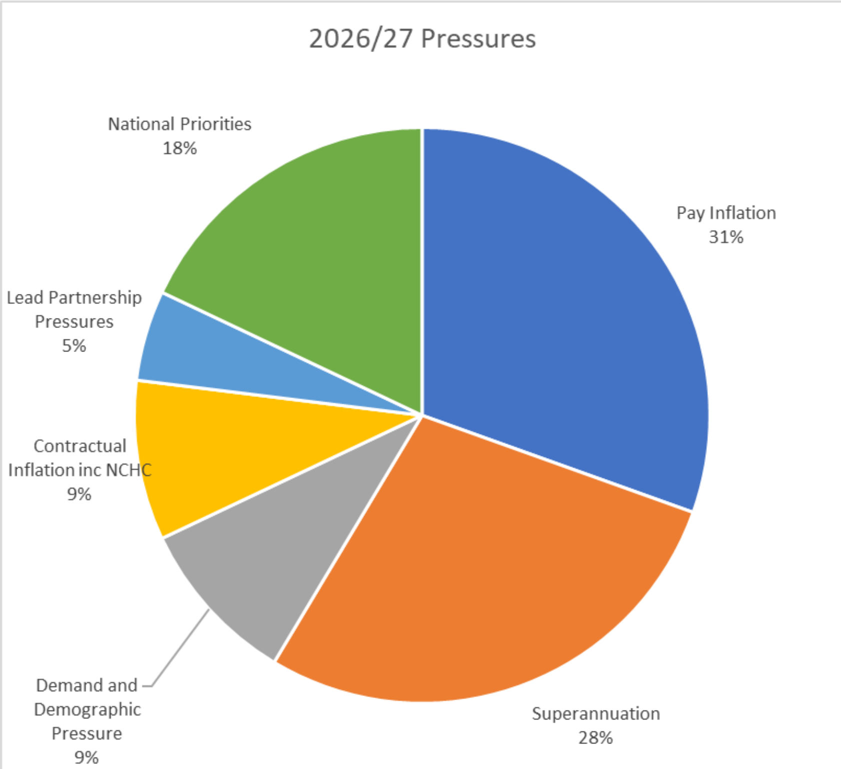
	At the time of writing, full clarity on the funding position for these areas is not yet available.
5.2	In December 2024 the Scottish Government published an updated Public Sector Pay Policy. It should be noted that this applies to the NHS workforce but not to local government employees, where pay is delegated to local authorities to negotiate through COSLA.
5.3	The Policy allows a pay envelope covering the 3 financial years 2025-26, 2026-27 and 2027-28 totalling 9% and allows flexibility for employers to configure three-year proposals within the 9% pay envelope.
6.	**Funding**
6.1	The MTFO uses three possible scenarios to estimate what our additional funding could look like across the financial years 2027-28 and 2028-29. These are as follows: • **Best Case** – an annual uplift of 2% for social care and health. The funding assumptions have been scaled back based on the Scottish Govt Medium Term Financial Strategy 2025. This includes a forecast 3.3 per cent real-term average growth per annum, however, this is before required savings and efficiencies. • **Medium Case** – this allows for 1% uplift in 2026-27, 2027-28 and 2028-29. This is linked to the midpoint between Best- and Worst-case scenario. • **Worse Case** – flat cash from both Council and NHS Board. For 2026-27 the current assumption is flat cash for social care with National Priorities fully funded and 2% for health.
7.	**Cost and Demand Pressures**
7.1	The MTFO sets out a range of cost pressures across each of the financial years. These cover pay inflation, demand and demographic pressures across health and social care services, and the possible costs of delivering national priorities. As Scottish Government budgets continue to be for one year only, assumptions are made for future years.
7.2	Cost pressures are currently estimated at £25.533m for 2026-27, £11.209m for 2027-28 and £11.226m for 2028-29. The significantly higher figure in 2026-27 reflects the estimated cost of the expected uplift in local government employers' superannuation contributions from 6.5% to 17.5% on 1st April 2026.
7.3	The main areas of pressure in 2026-27 are: • Pay inflation (3.5% per annum social care and 3.75% health) - £7.7m • Superannuation rate increase for local govt employees (Council only) - £7.2m

- Demand and demographic pressures - £2.4m
- Contractual Inflation £2.4m
- National Priorities (Living wage & FPC) - £4.6m
- Lead Partnership Pressures - £1.3m

TOTAL £25.6m

The share of pressures is illustrated below:



The only budget pressures for which funding is assumed at this stage is a Scottish Government funding contribution to the national commitment to the Scottish Living Wage for Social Care Staff and the annual uplift to Free Personal Care rates.

The main driver of cost and demand pressures are externally set and agreed increases and inflationary factors including Local Government and NHS Scotland staff pay awards, contractual inflation including the National Care Home contract and other Scotland Excel procured services. It should be noted that these together with the national inflationary uplifts all contribute the cost of care rather than being available to deliver any additional capacity and on an annual basis further increase the cost of delivering core services – these pressures reflect the position for services to stand still rather than expand and grow in line with demographic pressures and demands.

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8.	**Medium-term Financial Outlook**
8.1	A detailed Medium-term financial outlook has been developed which brings together the three different funding scenarios and the estimated cost pressures to establish what the financial position might look like for the next 3 financial years.
8.2	A summary of the MTFO is shown below and identifies that, based on the current assumptions made, there could be a budget gap across the period 2026-2029 ranging from £27.746m in the best case to £47.968m in the worst case if no new funding is provided.

	2026-27	2027-28	2028/29	THREE YEAR TOTAL 2026-29
	Total £m	Total £m	Total £m	Total £m
FUNDING SCENARIOS				
Best Case Scenario (2%)	(8.834)	(5.638)	(5.750)	(20.222)
Medium Case Scenario (1%)	(1.388)	(2.790)	(2.818)	(6.996)
Worst Case Scenario (flat cash)	-	-	-	-
ESTIMATED PRESSURES				
Total Estimated Pressures	25.533	11.209	11.226	47.968
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	16.699	5.571	5.476	27.746
: Based on Medium Case Scenario	24.145	8.419	8.408	40.972
: Based on Worst Case Scenario	25.533	11.209	11.226	47.968

8.3 The split of the budget gaps above into health and social care per year are given below:

8.4

	2026-27			
	Social Care (NAC) inc National Priority Funding	Health - Non Lead (NHS A&A) £m	Health - Lead (NHS A&A) £m	Total £m
FUNDING SCENARIOS				
Best Case Scenario (2%)	(6.084)	(1.375)	(1.375)	(8.834)
Medium Case Scenario (1%)	-	(0.694)	(0.694)	(1.388)
Worst Case Scenario (flat cash)	-	-	-	-
ESTIMATED PRESSURES				
Total Estimated Pressures	19.088	2.645	3.800	25.533
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	13.004	1.270	2.425	16.699
: Based on Medium Case Scenario	19.088	1.951	3.106	24.145
: Based on Worst Case Scenario	19.088	2.645	3.800	25.533

8.5

	2027-28			
	Social Care (NAC) £m	Health - Non Lead (NHS A&A) £m	Health - Lead (NHS A&A) £m	Total £m
FUNDING SCENARIOS				
Best Case Scenario (2%)	(2.808)	(1.415)	(1.415)	(5.638)
Medium Case Scenario (1%)	(1.390)	(0.700)	(0.700)	(2.790)
Worst Case Scenario (flat cash)	-	-	-	-
ESTIMATED PRESSURES				
Total Estimated Pressures	6.660	2.515	2.034	11.209
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	3.852	1.100	0.619	5.571
: Based on Medium Case Scenario	5.270	1.815	1.334	8.419
: Based on Worst Case Scenario	6.660	2.515	2.034	11.209

8.6

	2028/29			
	Social Care (NAC) £m	Health - Non Lead (NHS A&A) £m	Health - Lead (NHS A&A) £m	Total £m
FUNDING SCENARIOS				
Best Case Scenario (2%)	(2.864)	(1.443)	(1.443)	(5.750)
Medium Case Scenario (1%)	(1.404)	(0.707)	(0.707)	(2.818)
Worst Case Scenario (flat cash)	-	-	-	-
ESTIMATED PRESSURES				
Total Estimated Pressures	6.551	2.586	2.089	11.226
POTENTIAL BUDGET GAP				
: Based on Best Case Scenario	3.687	1.143	0.646	5.476
: Based on Medium Case Scenario	5.147	1.879	1.382	8.408
: Based on Worst Case Scenario	6.551	2.586	2.089	11.226

8.7 It is certain that additional budget savings will require to be identified to achieve a balanced budget position for approval by the IJB in March 2026. The budget gap in 2026-27 is a greater challenge due to the £7.2m local government pension scheme increase, however despite this the savings gap is expected to continue to increase in the medium term.

9. PROPOSALS

9.1 It is proposed that the IJB notes the Medium-term Financial Outlook and the potential financial position across financial years 2026-27, 2027-28 and 2028-29.

9.2	<u>Anticipated Outcomes</u>
	The development of the Medium-term Financial Outlook provides key information on the possible financial position of the IJB over the next three years. 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. The MTFO will also be used to identify pressure points and inform decisions which are required to ensure the Partnership remains financially sustainable.
9.3	<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.
10.	**IMPLICATIONS**
10.1	<u>Financial</u> The Medium-term Financial Outlook outlines potential funding and expenditure scenarios for 2026-2029, identifying possible budget gaps for each financial year.
10.2	<u>Human Resources</u> None.
10.3	<u>Legal</u> 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.
10.4	<u>Equality/Socio-Economic</u> Equality Impact Assessments are carried out as necessary in relation to any new savings proposals.
10.5	<u>Risk</u> The report falls in line with the agreed risk appetite statement which is a low-risk appetite in respect to adherence to standing financial instructions, financial controls and financial statutory duties and a high-risk appetite in relation to finance and value for money.
10.6	<u>Community Wealth Building</u> None.
10.7	<u>Key Priorities</u> A Medium-term Financial Outlook helps to support the delivery of the Strategic Plan.

11.	**CONSULTATION**
11.1	No consultation has been required in the preparation of this report.

Caroline Cameron, Director

Author Name: Eleanor Currie, Chief Finance Officer, Eleanorcurrie@north-ayrshire.gov.uk