



NORTH AYRSHIRE
Health and Social Care
Partnership

Integration Joint Board

Supplementary Agenda

for the consideration of the **Integration Joint Board** on **Thursday, 20 March 2025** at **10:00** to consider the undernoted business.

Business

7 Revenue Budget 2025-26 and beyond

Submit report by Eleanor Currie, Interim Chief Finance Officer (HSCP) on the financial position for the Partnership for 2025-26, including the proposed delegated funding, service budget pressures, plans developed to set a budget and the associated risks (copy enclosed).

8 Strategic Risk Register

Submit report by Eleanor Currie, Interim Chief Finance Officer (HSCP) on the IJB Strategic Risk Register (copy enclosed).

Integration Joint Board
20th March 2025

Subject: **Revenue Budget 2025-26 and beyond**

Purpose: To update the IJB on the financial position for the Partnership for 2025-26, including the proposed delegated funding, service budget pressures, plans developed to set a budget and the associated risks.

Recommendation: That the Board:

- (a) approves the budget for 2025-26 for the Partnership inclusive of all pressures, savings and reserves, noting that the funding position is subject to confirmation by NHS Ayrshire and Arran;
- (b) notes the NHS Renewal submission by North Ayrshire via NHS AA and that if additional funding is received plans may be subject to change;
- (c) agrees to receive a further update on the budget for 2025-26 when further information is received in respect of NHS pressures and funding;
- (d) approves the new hourly rates for commissioned providers and Personal Assistants; and
- (e) notes the risks associated with this budget.

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	√

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
IJB	Integration Joint Board
NAHSCP	North Ayrshire Health and Social Care Partnership
NAC	North Ayrshire Council
CAMHS	Child and Adolescent Mental Health Services
FPC	Free Personal Care
PCIF	Primary Care Improvement Fund
ADP	Alcohol and Drugs Partnership
UnPACs	UNPACS, (UNPlanned Activities) – Extra Contractual Referrals
SLA	Service Level Agreement
AfC	Agenda for Change

1.	EXECUTIVE SUMMARY																																																
1.1	The report outlines the funding allocations from North Ayrshire Council and NHS Ayrshire and Arran, the service pressures, resulting budget gap and the savings plan for 2025-26. The Council budget was set on 26 th February and NHS AA will set their budget in May 2025; if the funding assumption from NHS AA changes from the planning assumption set out, the plans for the IJB will require to be re-visited. The report also highlights that a recent submission has been made to Scottish Government for additional funding for Community Health and Social Care services to support NHS Reform and areas where further information is awaited from NHS AA to finalise funding and pressures.																																																
1.2	The Scottish Government finance settlement set out a number of conditions and requirements for Health Boards and Councils in relation to funding delegated to Integration Authorities. The delegated funding outlined in the report (indicative for NHS AA) meets those Scottish Government requirements.																																																
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1.4	A number of financial risk areas are highlighted in the report and the IJB are asked to note these at this stage; the IJB may be asked during 2025-26 to approve any appropriate action to mitigate or manage these areas.																																																
1.5	The IJB Finance Working Group (FWG) has supported the development of the proposals presented and the financial position and options have been discussed in more detail in that forum, this has supported the opportunity to bring forward some proposals earlier for approval such as the Charging Policy Review and Financial Inclusion Services. The FWG will play a critical role as we move into 2025-26 to provide additional oversight, scrutiny, challenge and support to further monitor the position and develop the budget further.																																																
1.5	The proposed integrated budget for the IJB is £335.731m (inclusive of the estimated Set Aside budget of £36.058m). A summary of the 2025-26 budget and net budget increase is detailed within Appendix A.																																																
2.	BACKGROUND																																																

2.1	<p>Key Budget Principles</p>
	<p>A number of key guiding principles have been set out for the approach to developing the IJB budget for 2025-26, these are set out below:</p> <ul style="list-style-type: none"> • Maximise income from charging for services to protect the delivery of frontline services, ensuring that only individuals who have the means should pay more for the services they receive directly • Manage within available budget limits – including re-design to deliver service within available resource • Maximise efficiencies in the way services are delivered through a structured service review process • Maximise opportunities for shared service and lead partnership delivery across the Ayrshires • Values-based health and care– eradicating effort that provides no benefit for the person and a focus on self-management and prevention • Tighten the eligibility criteria for targeted services to prioritise delivery of services to those with the highest levels of need and risk • Improve services through digital innovation and maximise the use of digitally enabled care technology, where appropriate • Be transparent and open in our challenges, having honest conversations with our staff and communities • Advocate for a better funding deal for North Ayrshire for community-based health and care services & actively pursue opportunities for additional funding.
2.2	<p>The Integration Scheme outlines a process of planning for budgets in future years where the Chief Officer and the Chief Finance Officer develop the funding requirements for the Integrated Budget based on the Strategic Plan and present it to the Parties for consideration as part of the annual budget setting process. This includes consideration of pay awards, contractual uplifts, prescribing, resource transfer and ring-fenced funds.</p> <p>The Integration Scheme approved by Scottish Ministers states that following determination of the Council and NHS payments to the IJB, the IJB will refine its Strategic Plan to take account of the totality of resources available and there is an implicit requirement to set a balanced budget prior to the new financial year. The Strategic Plan is currently being reviewed and will be brought to the IJB later in 2025, this review will take into consideration the ambitions for the partnership in line with available resources and the overall financial position.</p> <p>In recent years, the budget process has moved away from that outlined in the Integration Scheme, with Scottish Government directives and expectations in relation to funding levels to be passed on to IJBs. Whilst the IJB are required to engage with the partner bodies in relation to budget pressures and savings, the overall funding allocation reflects an element of ring fencing and settlement conditions in relation to funding for IJBs.</p>

2.3	<p>The benefits of a delegated funding approach from both partners are:</p> <ul style="list-style-type: none"> • The IJB can manage the budget process in terms of developing pressures and savings (including providing for those pressures not planned to be funded by partners), providing greater transparency and governance re decision making. • Allows resource to be allocated by the IJB in line with the priorities in the Strategic Plan. • Allows the SG directive to be followed, not only in terms of application of the uplift but also in terms of policy areas to be prioritised (e.g. Mental Health and Drug and Alcohol services). • Facilitates the ongoing in-year management of the IJB financial position in relation to the funding and budget being managed on an integrated way to deliver financial balance. • Supports future years planning and the development of a Medium-Term Financial Outlook, supporting an earlier approach to financial planning and an integrated approach to distribution of resource. <p>Aligns with the proposals in the review of integration for budget planning and resource delegation for IJBs.</p>
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2.3	PARTNER FUNDING
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2.3.1	North Ayrshire Council
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	<p>Based on the 2025-26 Finance Settlement the Health and Social Care Portfolio will transfer additional funding of £140 million to Local Government to support social care and integration for 2025-26.</p> <p>The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2024-25 recurring budgets for services delegated to IAs and therefore, Local Authority social care budgets for allocation to IAs must be at least £140 million greater than 2024-25 recurring budgets.</p> <p>The increase in Employers National Insurance from April 2025 has not been fully funded for the public sector in Scotland and has created a significant financial pressure. For Local Government funding of around 60% of the cost will be provided by Scottish Government for directly employed staff. There is zero funding being provided for any commissioned services.</p> <p>Specific funding for the IJB was received for the following areas:</p> <ul style="list-style-type: none"> • Real Living Wage • Free Personal and Nursing Care <p>Additionally, North Ayrshire Council have passed through a share of the Local Government Grant uplift of £2.114m and have fully funded the increase in Employers' NI costs of £1.898m for NAC contracted staff.</p> <p>This has resulted in a net increased contribution to the Partnership of £13.280m through the NAC budget setting process. Some elements of this relate to previous years and were already assumed in the Partnership base budget and this is shown in the table below.</p> <table border="1" data-bbox="272 1816 1369 2098"> <thead> <tr> <th></th> <th style="text-align: right;"> (£m)</th> </tr> </thead> <tbody> <tr> <td>Adult Social Care RLW</td> <td style="text-align: right;">3.388</td> </tr> <tr> <td>Children's SW Services RLW</td> <td style="text-align: right;">0.490</td> </tr> <tr> <td>FPNC</td> <td style="text-align: right;">0.213</td> </tr> <tr> <td>MH Recovery & Renewal (MHO funding element)</td> <td style="text-align: right;">(0.091)</td> </tr> <tr> <td>23-24 Pay Award Adjustment</td> <td style="text-align: right;">(0.178)</td> </tr> <tr> <td>Employers NI Increase</td> <td style="text-align: right;">1.898</td> </tr> </tbody> </table>		(£m)	Adult Social Care RLW	3.388	Children's SW Services RLW	0.490	FPNC	0.213	MH Recovery & Renewal (MHO funding element)	(0.091)	23-24 Pay Award Adjustment	(0.178)	Employers NI Increase	1.898
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Additional Funds – share of grant uplift	2.114
Per the HSCP budget plans	7.834
Reconciling Items to the Council Budget Paper	
Amounts already included in HSCP base budget:	
: Adult Social Care RLW 24-25	6.477
: Scottish Disability Assistance 24-25	0.134
: Children’s SW Services RLW 24-25	0.569
: Additional 24-25 Pay Award	1.057
Justice Services Grant - not yet in settlement	(2.657)
Scottish Disability Assistance – not yet in settlement	(0.134)
Per Council Budget paper	13.280

For years 2026-27 and 2027-28 the financial planning assumption of North Ayrshire Council is that, out with specific funding to be passed through by Scottish Government, that financial pressures facing the IJB will be fully met by savings, i.e. a flat cash financial settlement.

2.3.2 NHS Ayrshire and Arran

NHS Boards received a 3% uplift on baseline funding to meet any anticipated pay deal, with pay fully funded and provides 3% inflation on non-pay lines.

NHS Ayrshire and Arran are required to passport the 3% through to IJBs (£4.040m to North Ayrshire) – “In 2025-26, NHS payments to Integration Authorities (IA) for delegated health functions must pass on an uplift of 3% over 2024-25 agreed recurring budgets.”

Additionally, there is funding of £150m nationally for Agenda for Change Pay Reform. A share of this funding will be allocated to the IJB to meet the associated costs for NHS staff, this is being followed up for 2024-25 to ensure the correct roll-forward into 2025-26 and it is anticipated at this stage that the costs of the pay reform will be fully funded.

Moving into 2025-26, brokerage will no longer be available to NHS Boards and all Boards must work towards break-even. Should financial balance not be achieved this would be shown as an overspend in financial statements, leading to potential qualification of accounts and Section 22 report, as well as consideration of escalation status.

The NHS AA financial position for 2025-26 is very challenging and the Board remains on level 3 of the NHS Scotland Support and Intervention Framework and in formal escalation for finance, with enhanced monitoring and support.

The NHS budget includes a commitment of additional funding to reduce waiting lists and to help support reduction of delayed discharge; as well as a commitment to renew primary care enhancements, including new core funding to GMS to deliver enhanced frailty, cardiovascular disease and other essential services in General Practice, a critical dental workforce and training package and a community eye care programme to transfer patients from waiting lists. Further details of the allocation of funding is to follow – a submission from NHS AA which incorporates the request for funding from

	<p>North Ayrshire IJB was provided to Scottish Government early March 2025. Further detail on this NHS Renewal plan is included at section 3.3.</p> <p>Similarly to Local Government NHS Boards have also been advised to plan on the assumption of 60% funding for the Employers National Insurance Increase, further information is awaited from NHS AA on both the cost and funding pass through to be anticipated in 2025-26 for this before this can be factored into the 2025-26 budget setting, however it is anticipated there may be a shortfall circa £600k.</p>
2.4	2024-25 FINANCIAL POSITION
	<p>The overall projected outturn position for 2024-25, as at month 10, is a projected year-end overspend of £4.980m (1.5% of the annual budget). This is inclusive of anticipated recovery plan savings until the year end.</p> <p>Since the initial recovery plan was agreed in June 2024 there has been a £4.002m reduction in costs, whilst the full benefit of this has not been realised in-year in the bottom-line outturn, it has supported the delivery of mitigating a further deterioration to the position introduced through other in-year unexpected financial pressures.</p> <p>The main areas of pressure are: care at home, residential placements for children, physical and learning disability care packages, supplementary staff in wards, staff costs in Montrose House and Unplanned Activities (UnPACs) within the lead partnership for mental health.</p> <p>The savings plan for 2024-25 anticipates that a total of £10.290m of savings will be delivered in-year; it is expected that all of these savings will be achieved with the exception of £0.586m relating to care homes and recovery and renewal.</p> <p>Many of the underlying overspend areas will continue into 2025-26 and services require to address these or there will continue to be a reliance on other budgets underspending or non-recurring draws on unearmarked reserve balances. All recovery plan actions and controls will continue throughout 2025-26.</p>
2.4.1	2025-26 Opening Position
	<p>The 2024-25 projected outturn of £4.980m has been reviewed to establish the anticipated impact on the 2025-26 position. The adjusted opening projection for 2025/26 is a £1.539m overspend.</p> <p>This reflects the full year impact of part year cost reductions achieved in 2024-25, including - care at home, Brighter Pathways, care packages, vacancy management and supplementary staffing – targeted improvement in other areas. Further information is contained in the Financial Monitoring Report for Period 10 which is also on the IJB agenda.</p> <p>It assumes all mitigations and controls established in 2024-25 continue throughout 2025-26 as it is recognised that the same uncertainty and risks remain into 2025-26 and there needs to be tight grip and control over expenditure overall.</p> <p>The improvement from the 2024-25 position to the opening projected overspend for 2025-26 is predicated on maintaining Financial Recovery Plan Controls, and:</p> <ul style="list-style-type: none"> • Removing the care home overspend and managing the number of placements in line with the budgeted level • Reduce agency costs at Montrose House on Arran

- Significant reduction or removal of overspends on supplementary staffing across wards through focussed improvement work supported by the General Manager, Lead Nurse and responsible Senior Managers
- Adult Community Care Packages (Learning Disabilities and Mental Health) breakeven across client groups – net reduction
- Eating Disorders and Psychiatry managing within budget
- Maintaining payroll turnover over-recovery and therefore same vacancy management controls

There are inherent risks in moving into 2025-26 with the level of overspends across a range of service areas and focus will remain across services to manage these, the IJB will receive regular updates through the financial monitoring report for 2025-26 on progress and on the final outturn position for 2024-25.

3. PROPOSALS

3.1 2025-26 REVENUE BUDGET PLANS

The NA HSCP 2025-26 integrated budget is expected to be £299.673m (excluding Set aside) and £335.731m (including Set Aside budget of £36.058m).

A summary of the 2025-26 total budget and net funding increase is detailed within Appendix A. The pressures and savings are detailed separately in Appendices B and C respectively. Sections 3.1.1 to 3.1.5 provide an overview of the pressures and savings.

3.1.1 BUDGET PRESSURES

Service cost and demand pressures are detailed within Appendix B.

Total net budget pressures for health and social care services total £14.943m. These have been developed in partnership, with Finance supporting front line services to identify current and emerging financial pressures, considering historic demand and costs and potential future variations.

The provision of funding for pressures has the impact of increasing the budget gap to be addressed through savings, therefore the pressures are only included in budget plans where these are assessed as being absolutely unavoidable.

The pressures are noted below with full detail in Appendix B:

Category	Social Care (NAC)	Health (NHS A&A)	TOTAL
	£m	£m	£m
Pay pressures	2.727	3.272	5.999
Employers NI Increase	1.897	-	1.897
Demographic Pressures	0.869	-	0.869
Transition Pressures	0.123	-	0.123
Contract Inflation	5.064	-	5.064
Lead Partnership Pressures	-	0.328	0.328
Pan Ayrshire Pressures	-	0.350	0.350
Other Pressures	-	0.313	0.313
Total New 2025-26 Pressures	10.680	4.263	14.943

Note that this excludes any expectation or plan for any debt repayment to North Ayrshire Council for the 2024-25 overspend. The proposals for this will be presented to the North Ayrshire cabinet meeting on 3rd June 2025 and thereafter will be presented to the IJB for approval on 19th June 2025. No provision has been made for this in budget plans for 2025-26 yet with an assumption that the current budgeted surplus would contribute to any debt repayment.

Within contract inflation, including the National Care Home Contract, provision has been made for the Employers National Insurance Increase for social care providers, recognising this is a tax employers will require to pay, the costed models for contracts which exist and to ensure we are able to support financial sustainability for the market. This requirement to fund this without any corresponding funding increase however limits any ability to support the market further with wider sustainability pressures.

Provision has been made for Health pan-Ayrshire pressures recognising the North Ayrshire contribution towards pressures faced for services led by East or South. These pressures were agreed with the Ayrshire Finance Leads with an agreement that the IJBs have a shared responsibility to fund. These will be monitored during the financial year.

3.1.2 LIVING WAGE

The Living Wage will increase from £12 per hour to £12.60 per hour from April 2025.

This uplift will be applied in the same way as the £10.50, £10.90 and £12 uplifts in the last three financial years. This will mean an uplift will be applied to a set percentage (national weighting) of contract values, in line with the average full workforce costs for residential and non-residential services. A separate agreed weighted percentage has been set for Personal Assistants who are paid directly through SDS Option 1 budgets.

After the weightings are applied and the national insurance increase is taken into account the hourly rates being paid to providers and personal assistants as follows:

	2024-25 Rate Per Hour	2025-26 Rate Per Hour
Care at Home and Housing Support	£22.00	£23.08*
Sleepovers	£14.69	£15.45
Personal Assistant Day Time Hourly Rate	£16.11	£16.94
Personal Assistant Sleepover Hourly Rate	£15.04	£15.83

*The 2025-26 rates continue to align with those which are proposed by East Ayrshire and South Ayrshire, ensuring a consistent pan-Ayrshire funding approach for our commissioned providers.

3.1.3 BUDGET GAP

The table below summarises the overall new funding gap for 2025-26:

	Social Care (NAC) £m	Health (NHS AA) £m	Total £m
Funding Increase	7.834	4.040	11.874
Resource Transfer	0.670	(0.670)	-
Service Pressures – Appendix B	(10.680)	(4.263)	(14.943)
Budget Gap	(2.176)	(0.893)	(3.069)

£3.069m is the new budget gap for 2025-26 only and does not include the £1.539m underlying deficit from 2024-25 which also requires to be addressed through savings plans.

As previously noted this position does not include any provision for the Employers National Insurance increase for NHS AA and assumes full funding for the AfC pay reform moving into 2025-26. There are also a number of Pan Ayrshire pressures which require further exploration including addictions prescribing, for which a further update will be provided in-year.

3.1.4 BUDGET SAVINGS

Savings in relation to NAC and NHS commissioned services are detailed within Appendix C. The savings are RAG rated informed by an overall assessment of the ease of delivery and the impact on services, indicating an overall risk of deliverability. The savings are split into:

- Previously agreed savings
- Adjustments (payroll turnover and recharges)
- High Level Plans

RAG Deliverability Status	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Red	-	-	-
Amber	1.957	1.027	2.984
Green	0.946	0.089	1.035
TOTAL	2.903	1.116	4.019

The IJB are recommended to approve the savings proposals. These savings proposals would be at an appropriate level to address the 2025-26 gap only and do not fully address the underlying deficit from 2024-25, as summarised below:

	Social Care (NAC) £m	Health (NHS AA) £m	Total £m
Funding Increase	7.834	4.040	11.874
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Service Pressures – Appendix B	(10.680)	(4.263)	(14.943)
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- Savings – Appendix C	2.903	1.116	4.019
- Adjust re 24/25 surplus / deficit	0.436	(0.436)	-
(Surplus)/Deficit	1.163	(0.213)	0.950
25/26 Opening Position	(1.055)	(0.484)	(1.539)
Surplus / (Savings) still to be identified	0.108	(0.697)	(0.589)

Further work is required to finalise the plan to balance the NHS AA part of the budget, and this will be brought forward to a future meeting together with the final financial position from NHS AA for the areas outstanding.

3.1.5 LEAD PARTNERSHIP MENTAL HEALTH SERVICES

The North partnership lead on acute and specialist Mental Health services across Ayrshire and therefore require to ensure that the services have plans to balance the budget moving into 2025-26. We have developed plans to ensure that lead partnership Mental Health services are sustainable and are not impacted by pressures elsewhere in services.

The overall position for the lead partnership element of the North managed budget is summarised below:

	£m
2025-26 Baseline Increase	(2.020)
Pay Pressures	1.867
Demand Pressures	0.328
Budget Gap/Savings Requirement	0.175
Savings – Payroll Turnover	(0.033)
New savings - Transformation Plan	(0.341)
New savings - Other savings	(0.186)
Net position	(0.385)

The appropriate share of pressures and savings has been included here. These are detailed elsewhere in the report. Pay for NHS staff remains subject to agreement for 2025-26 and it has been assumed that additional funding will be allocated to support the pay deal when settled.

Whilst currently the lead partnership is forecast to be a surplus position, however this does not include:

- The eNICs element for NHS employed staff
- The impact of a number of challenging overspend areas which require to be addressed in-year including ward supplementary staffing, UNPACs, Addictions Prescribing and specialist staffing for Psychiatry and Psychology

3.2 ACUTE SET ASIDE BUDGET

Each Health Board, in partnership with the Local Authority and IJB, must fully implement the delegated hospital budget and set aside budget requirements of the legislation, in line with the statutory guidance published.

The full implementation of the set aside arrangements is key to delivering a commitment to planning across the whole unplanned care pathway and partnerships must ensure that set aside arrangements are fit for purpose and enable this approach.

Work has been ongoing with partnerships to progress and develop set aside arrangements to fully implement the legislative requirement. This includes arrangements in relation to the use of Directions, Joint Commissioning Plans and overall progression towards fair share allocations of resources.

Further work has been undertaken through the Ayrshire Finance Leads group to establish baseline resources for each partnership and how these compare to the NRAC “fair share” of resources. Ayrshire Finance Leads have now agreed a baseline methodology for set aside budgets which involves using the four full years prior to the pandemic, 2016/17 – 2019/20 inclusive.

The HSCPs require to agree their final share of the baseline with each other, however the aggregate will remain unchanged. The table below shows the cost of the historic baseline at 2023/24 prices. Note that this is estimate pending final information being available.

IJB	Baseline at 2023/24 prices (£)
East	27,002,365
North	36,058,201
South	29,222,943
Total	92,283,509

The NHS AA Chief Executive has requested the development of a joint strategic commissioning plan to enable the setting of directions to provide to NHS Ayrshire and Arran for Unscheduled Care, aligned with the Set Aside resources. Furthermore, seeking the support from the 3 IJBs in the review, and onward approving and monitoring of the delivery of a Strategic Commissioning Plan in line with the provisions laid out in the Integration Schemes, as outlined below:

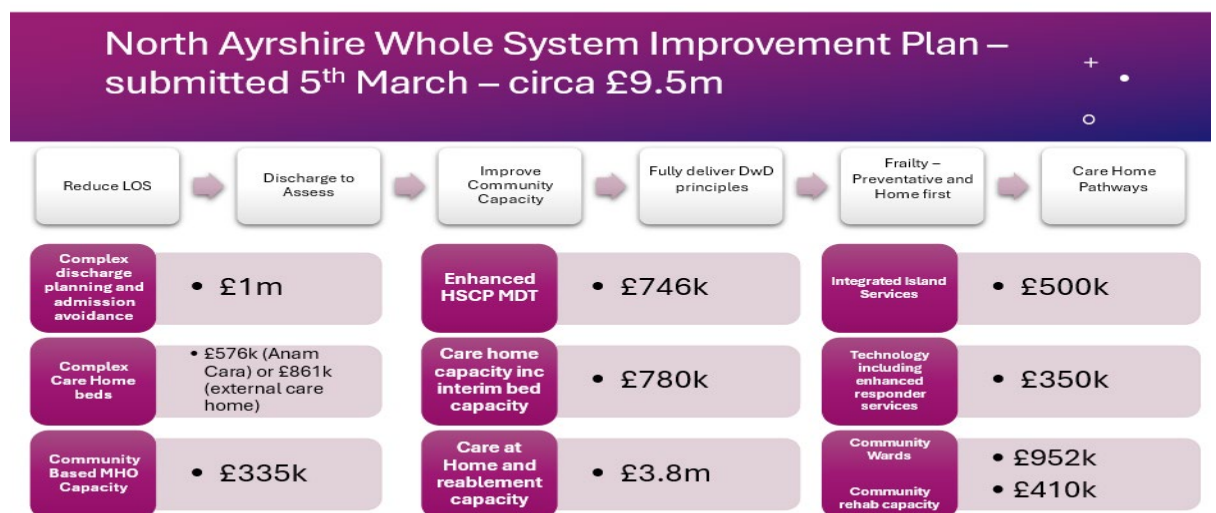
- The NHS Board will consult with the Ayrshire Integration Joint Boards to ensure that any overarching Strategic Plan for Acute Services and any plan setting out the capacity and resource levels required for the Set Aside budget for such Acute Services is appropriately coordinated with the delivery of Services across the Ayrshire and Arran area. The parties shall ensure that a group including the Director for Acute Services and Chief Officers of the three Ayrshire Integration Joint Boards will meet regularly to discuss such issues.
- The initial Set Aside base budget for each Integration Joint Board will be based on their historic use of Acute Services. The actual unit cost which would apply as part of any change to activity or service redesign is dependent on the scale of change planned and requires agreement in advance by all Parties. Any redesign of service requires to be agreed across the three Integration Joint Boards and be reflected in the Strategic Plans.

	<ul style="list-style-type: none"> • In year pressures in respect of Set Aside budgets will be managed in year by the Health Board, with any recurring over or underspend being considered as part of the annual budget setting process. <p>In this joint strategic commissioning plan each IJB will consider and outline a clear framework for commissioning, at a strategic level, the urgent and unscheduled care service funded from the 'set aside' budget.</p> <p>There is an ambition that the commissioning plan will indicate an expectation of service delivery that will see sustained and affordable improvement in relation to performance outcomes for the citizens of Ayrshire and assure best value to support the financial balance of urgent and unscheduled care provision through a review and system wide redesign of the preferred models of care.</p> <p>Following approval by the 3 IJBs, the Plan will be enacted operationally through the mechanism of Directions by the Local Authorities and NHS Ayrshire and Arran. Given the critical performance and financial challenges, NHS Ayrshire and Arran would request the plan to be considered and approved as soon as possible. As set out in Integration Schemes the in-year pressures in respect of Set Aside budgets will be managed in-year by the Health Board.</p> <p>This work remains ongoing and there is an opportunity to refresh this alongside the national focus on NHS Renewal for Unscheduled Care.</p>
<p>3.3</p>	<p>NHS RENEWAL - Urgent, Unscheduled Care and Improving Flow Commission</p>
	<p>Following the development of the CRAG and the announcement of the First Minister's National Mission to improve Delayed Discharge performance across Scotland in June 2024, the North Partnership submitted a proposal to COSLA and SOLACE describing the funding resource that would be required in North Ayrshire to deliver on the requested targeted improvement. This plan described the resource required (£4.7m) to sustain performance at that time, and further investment that would be required (£4m) to achieve the targeted improvement required. To date no funding has been received to support this.</p> <p>In January 2025, the First Minister set out his priorities for improving public services and NHS renewal – these are Improving access to treatment, Shifting the balance of care, Improving access to health and care services through digital and technological innovation and Prevention.</p> <p>The Scottish Government wrote to Health Boards and Health and social Care Partnerships in February 2025 requesting detailed Whole System Improvement Plans which would describe the local action that would be taken to deliver the First Minister's priorities relating to flow. The detail from local plans will be used to inform the operational improvement plan which Scottish Government will publish in March.</p> <p>Ministers have invited returns which detail the requirements for funding from whole systems, to describe how Boards and Health and Social Care Partnership's intend to optimise existing capacity and further actions which could be taken forward to support improvement. It is understood that nationally there is funding of circa £200m to reduce waiting lists, support delayed discharge, primary care enhancements. Dental and optometry plans, it is anticipated that circa £100m of this will be focussed on community capacity and flow including social care capacity and hospital at home.</p>

The North Partnership have been collaborating with colleagues from Acute services and both East and South HSCPs on the development of the requested whole system plan. This has been submitted to Scottish Government, however whilst initial discussions and feedback has been received there is currently no confirmation of the outcome of this submission or funding allocations at this time.

Following review of data, performance and service capacity across all areas of adults health and social care, the following is a summary of the specific investment that would be required in North Ayrshire to support whole system performance improvement:

- £1m to support complex discharge planning and admission avoidance
- £576k to support long term care placements for adults with complex needs who are assessed as requiring admission to a care setting
- £746k to support an enhanced hospital-based Health and Social Care Partnership Multi-Disciplinary Team
- £335k for community based Mental Health Officer capacity
- £780k for interim care home bed capacity
- £3.8m Care at Home and Reablement
- £500k to support integrated island services
- £350k to fund tech solutions including an enhanced responder service
- £952k to enhance and develop the model of care within the community inpatient wards in Woodland View (Ward 1&2) and Ayrshire Central (RRW)
- £410k to increase community rehabilitation capacity



It is anticipated that this resource would enhance the existing models of care in place where gaps have been identified and specifically deliver improved outcomes around inpatient length of stay, Discharge without Delay, support for Frailty pathways and increase overall community capacity. In addition to this, there are submissions, led by unscheduled care colleagues, for funding to support developments in medical capacity, virtual care, frailty service and flow redirection.

It is anticipated that Scottish Government will make a relatively quick determination of any funding allocations as the intention is to publish an NHS Renewal Plan by the end of March 2025. If North Ayrshire successfully secures all or some of the funding requested this may impact on the requirement to deliver savings and reduce capacity in services, for example the funding requested would mitigate the requirement to further reduce care at home services. A further update will be provided to the IJB of

	<p>the outcome of funding decisions and in the short-term plans will be adjusted to take this into consideration.</p> <p>There are risks that any funding may not be confirmed as recurring which poses risks for successful recruitment and financial risk moving into 2026-27.</p>
3.3	FINANCIAL RISKS
	<p>There are a number of ongoing financial risk areas that may impact on the 2025-26 budget during the year, these include:</p> <ul style="list-style-type: none"> • Current overspend areas, especially in low volume / high-cost services e.g. Children’s residential placements, UNPACs, and supplementary staffing across community, mental health and learning disability wards. • Growing demand for services. • Staff recruitment and retention challenges across a number of service areas. • The impact of the increase in Employers National Insurance Contributions, the impact of funding of this increase and also the compounding impact on social care commissioned care providers. • The expectation that performance will continue to be maintained or improved despite the significant resource challenges. • Ongoing delivery costs of Scottish Government policy directives, particularly where these are not fully funded or inflation proofed. • The Local Government and NHS pay awards are not settled for 2025-26; as outlined in the report, a 3% increase has been assumed for the social care workforce and for NHS it is anticipated that additional funding will be allocated once the pay award has been settled. If the pay awards are not fully funded then this will present an in-year cost pressure. • Unearmarked reserves are depleted, there is no scope to absorb in-year variances, with any overspends requiring additional funding from partners. • The ongoing review of the Integration Schemes, where there is a focus on financial arrangements and risk share. • The wider system financial challenges and impact across the whole system, for example the financial position of NHS AA and the decisions taken to reduce the Board’s deficit may have impacts on other parts of the health and care system. • The ability to re-pay funding partners in-year for previous year overspends given continued financial challenges. • Removal of brokerage for NHS Boards. • The overall sustainability of commissioned care providers, with eNICs compounding historic challenges re financial sustainability, there is a heightened risk of provider failure leading to handing back of care and contracts. <p>These risks will be monitored during 2025-26 and any financial impact reported through the financial monitoring report.</p>
3.4	IJB RESERVES
	<p>The IJB is established as a Local Government body therefore has the ability to hold reserve balances. Reserve balances are held as part of an approach to good financial management, the purpose of reserves is as follows:</p> <p>a) As a working balance to help cushion the impact of uneven cash flows;</p>

- b) As a contingency to manage the impact of unexpected events or emergencies; and
 c) As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of reserves should be considered as part of the budget setting process. The IJB has a reserves policy in place which outlines an optimum value of reserves to be held uncommitted in contingency, this is currently set as 2% to 4% of net expenditure, based on the lower value this would be around £6.7m.

The projected outturn position at period 10 for the IJB is a year-end overspend of £4.980m, with further detail on this included in the financial management report elsewhere on the agenda.

The IJB reserves position projected to 31st March 2025 is summarised in the table below. This reflects a significant in-year draw on both earmarked and unearmarked reserves.

	General Fund Reserve		Earmarked Reserves		Total
	Unearmarked		External Funding	HSCP	
	£m		£m	£m	£m
Balance – 1 April 2024	0.357		3.379	1.774	5.510
Anticipated Drawdown	(0.357)		(3.379)	(0.995)	(4.731)
Balance – 31 March 2025	-		-	0.779	0.779

The £1.774m HSCP earmarked reserve relates to the Service Redesign and Change Fund which is fully committed across 2024/25 and 2025/26.

The final position for reserves will be outlined in the year-end outturn report in June 2025 and in the Annual Accounts.

Whilst the ambition would be to plan to replenish the contingency reserves for the IJB in future years, the reality is in the current financial operating environment there is not the ability or scope to plan for this in the short term.

3.5	2026/27 and 2027/28
3.5.1	As in previous years, a Medium-Term Financial Outlook has been prepared to identify what the financial position may look like moving into 2026-27 and 2027-28.
3.5.2	This has not been published in full at the present time as the Scottish Government intend to publish their Fiscal Sustainability Delivery later in 2025, alongside a revised Medium Term Financial Strategy. They are also considering options for a Scottish Government Spending Review in 2025, following the conclusion of the UK Government’s multi-year Spending Review in late Spring. Following this, a full update report will be brought to IJB covering the period 2026-27 to 2028-29.
3.5.3	However, the modelling which has been carried out across best, medium and worst-case scenarios has identified the following potential positions for 2026-27 and 2027-28:

	2026-27				2027-28			
	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m	Social Care (NAC) £m	Health - Lead (NHS A&A) £m	Health - Non Lead (NHS A&A) £m	Total £m
FUNDING SCENARIOS								
Best Case Scenario	(7.838)	(2.734)	(2.734)	(13.306)	(8.230)	(2.905)	(2.905)	(14.040)
Medium Case Scenario	(4.170)	(1.818)	(1.818)	(7.806)	(4.828)	(2.077)	(2.077)	(8.982)
Worst Case Scenario	-	-	-	-	-	-	-	-
ESTIMATED PRESSURES								
Total Estimated Pressures	17.247	2.113	2.076	21.436	10.390	2.181	2.127	14.698
POTENTIAL BUDGET GAP								
Based on Best Case Scenario	9.409	(0.621)	(0.658)	8.130	2.160	(0.724)	(0.778)	0.658
Based on Medium Case Scenario	13.077	0.295	0.258	13.630	5.562	0.104	0.050	5.716
Based on Worst Case Scenario	17.247	2.113	2.076	21.436	10.390	2.181	2.127	14.698
3.5.4	<p>Our budget position for 2025/26 has proven to be between the medium and the worst-case scenario which was previously projected for that year and it would be prudent to assume a similar position for the following years.</p> <p>For 2025/26 this would mean identifying savings between £13.6 and £21.4m.</p> <p>For 2026/27 this would mean identifying savings between £5.7m and £14.7m.</p> <p>Cost pressures have continued to be assumed on a consistent basis with 2025/26 and previous years but do reflect the impact of the increased to employers' superannuation contributions in 2026/27.</p>							
3.5.5	<p>On that basis, it is highly likely that the IJB will continue to face significant budget gaps which will require to be addressed in order to set a balanced budget, especially in 2026/27. The significant shortfall in that year can be linked in the expected increase in local government employer pension contributions from 6.5% in 2024/25 and 2025/26 to 17.5% in 2026/27.</p>							
3.5.6	<p>Approval of the balanced budget position for 2025/26 which is outlined in this report will allow the Partnership time to deliver on the new Transformation Plan; this will form the basis of many of the cost efficiencies which will be required to deliver financial balance beyond 2025/26. The IJB Finance Working Group will continue to meet regularly and will be presented with opportunities and options to work towards a sustainable financial position for future years.</p>							
3.6	The National Position							
3.6.1	Presentation of position							
	<p>There is regular reporting by IJBs of the individual and collective financial position thorough internal governance mechanisms but also through audit and directly through returns to Scottish Government Health Finance directorate. Chief Officers met with the Cabinet Secretary on 5th March 2025 to present an overview of the national picture for IJBs, some of the context around the rising pressures and cost of services, and to bring to life the impact of a critically challenging financial position for service delivery, risks and performance expectations in the coming year.</p>							

North Ayrshire IJB is not alone in facing these challenges and whilst there is variation around the scale of the gap for IJBs, there are many similarities in the pressures facing us across Scotland.

The Cabinet Secretary received a presentation which highlighted:

- 2025-26 projected budget gap, including the worsening position for reserves
- Historical funding settlements for IJBs
- Trends in health and adult social care spend
- Risks to the financial position, service provision and performance
- Scale of the impact in terms of service provision levels
- Social Care provider sustainability risks
- A case study from an area illustrating the link between financial resources and delayed discharge performance
- Priority of need and risk management
- Links to national priorities and policy directives

Chief Officers set out a number of asks in relation to:

- appreciated the opportunity to share the scale of the collective challenge and have this understood and heard – and want the opportunity to build in more regular visibility of this
- recognise there is limited resource available which has not already been committed on other priorities – however would seek to influence decision making around priorities for future resources. Currently working within local systems on the whole system plans to inform the NHS Renewal submissions. Chief Officers would ask that consideration is given to the priority for investment in community services and that any resource asks from IJBs are prioritised
- Would ask that there is a greater appreciation that there is local variation and complex reasons for this, the solutions and decisions required across areas may therefore be different
- Lastly, seek that our positions are understood and appreciated at a national and local level, and that there is a level of understanding and honest reflection of the reality of the financial pressures and difficult decisions required. Would ask for support to manage public and political expectations around the scale of change, service impacts and implications for performance.

A full copy of the presentation is included as Appendix E.

3.6.2 **Summary of overall financial position for IJBs**

- Estimated financial gap of £562.4m – to stand still
- Average of 5.35% with gaps ranging from 1.97% to 11.39%
- Pressures across the system including
 - Prescribing
 - Demand
 - Pay Pressures
 - Contract Inflation
 - National Insurance (potential underestimated)
- Depleted reserves - majority (55%) with no contingency reserve
- Best practice contingency reserves - held at 2 to 4% of revenue budget – only one area will meet this moving into 2025-26

	<ul style="list-style-type: none"> Total contingency reserve balance held is £59.4m or 0.46% of total funding (£183m in 22/23) Financial recovery measures have been required exposing Partners to financial risk – inc impact on LG reserves Significant financial gaps to be met to hold our current position IJB Financial position routinely shared – locally, CFO network, monthly returns SG
3.7	<u>Anticipated Outcomes</u>
	<p>There are a number of outcomes anticipated in relation to the 2025-26 Budget:</p> <ul style="list-style-type: none"> The proposed plans will work towards a balanced budget for 2025-26. Financial resources will be effectively targeted to improve the health and care outcomes for the people of North Ayrshire. Transformational Change for financial and service sustainability will feature at the forefront of the IJB and NAHSCP agenda throughout 2025-26 and beyond..
3.8	<u>Measuring Impact</u>
	<ul style="list-style-type: none"> Full year financial outturn forecasts will be compiled monthly with variance analysis and relevant explanations. Regular financial review sessions will be undertaken with the Director, all Heads of Service and relevant senior managers in NAHSCP to ensure timely action is being taken where needed to stay within budgets. Regular financial performance reports will be presented to the IJB to ensure it is kept fully informed of performance and importantly any major areas of concern requiring corrective action. The Transformation Board will meet regularly to review progress with savings and any corrective action required to bring any plans back online. Further reports will come forward to the IJB with more detail of service impact and implementation, including for Day Services, Montrose House, Brighter Pathways and Care at Home Services
4.	<u>IMPLICATIONS</u>
4.1	<p><u>Financial</u></p> <p>It is essential that the IJB and NAHSCP operate within the 2025-26 delegated budget, this is supported by approving a balanced budget before the new financial year, there remains a gap moving into 2025-26 in health delivered services and work is ongoing to determine the final gap and plans to fully address.</p> <p>The report outlines estimated delegated funding and the pressures required to be met from within the overall integrated budget. It is estimated there is a requirement to deliver £4.019m of planned savings during 2025-26 alongside dealing with a number of other known pressures and the risk of managing fluctuating demand for services.</p> <p>The estimates are based on a robust understanding of the additional resources available, the risks and challenges faced by the Partnership and the anticipated budget pressures.</p> <p>Appendix A shows the total 2025-26 IJB Budget Appendix B shows the proposed service pressures. Appendix C shows the proposed savings. Appendix D shows the Scottish Government Finance Settlement letters. Appendix E Presentation - IJB Budget Position: Critical Pressures and Risks for 2025/26</p>
4.2	<u>Human Resources</u>

	There will be full consultation with the Trade Unions as appropriate.
4.3	<p><u>Legal</u></p> <p>The IJB has an implicit obligation to funding partners to set a balanced budget prior to the start of the new financial year. The financial position and funding as detailed out would result in both partners complying with the Scottish Government directives re delegated funding for Integration Authorities.</p>
4.4	<p><u>Equality/Socio-Economic</u></p> <p>All budget proposals are assessed for any potential impacts using Equalities and Children’s Rights Impact Assessment (ECRIA) Screenings. If any potential impacts are identified, a full assessment is carried out.</p> <p>There were 15 screenings completed, which combined 2 proposals on payroll turnover savings into one and 2 proposals on admin posts into one. None of the proposals progressed to a full assessment.</p> <p>Some of the proposals are still high level and for the purposes of setting the budget screenings are acceptable but once the proposals develop then a full screening should be carried out. This would apply to the Brighter Pathways programme which should have a full screening that is updated as the programme further develops. For these proposals further updates will be brought to the IJB as part of separate proposal reports.</p> <p>The previously agreed savings were assessed as part of the 2024-25 budget.</p> <p>A copy of all the relevant assessments across the budget savings categories is available on request.</p>
4.5	<p><u>Risk</u></p> <p>Failure to operate within the delegated budget would impact on the overall financial sustainability and reputation of the partnership and would expose both funding partners, North Ayrshire Council and NHS Ayrshire and Arran to additional financial risk.</p>
4.6	<p><u>Community Wealth Building</u></p> <p>Effective delivery of services as per the 2025-26 budget and associated plans should allow key strategic priorities to be met which should maximise benefits for the North Ayrshire community as a whole but also benefit those areas of the community most in need.</p>
4.7	<p><u>Key Priorities</u></p>
	The 2025-26 budget proposals support delivery of the HSCP Strategic Plan Priorities.

5.	CONSULTATION
5.1	The budget plans detailed in this report have been produced in consultation with relevant budget holders, the Partnership Senior Management Team, the Finance Working Group and IJB members. The funding assumptions align with information shared and agreed with the Head of Finance at North Ayrshire Council and the NHS AA Director of Finance.

For more information please contact:

Eleanor Currie, Interim Chief Finance Officer at eleanorcurrie@north-ayrshire.gov.uk

**North Ayrshire Health and Social Care Partnership
2025-26 Total Budget**

	2025/26 Budget		
	NAC	NHS AA	Total
	£m		£m
Baseline Budget	129.905	157.894	287.799
Baseline Funding Increase	7.834	4.040	11.874
2025-26 Budget excluding set aside	137.739	161.934	299.673
Draft set aside budget	-	36.058	36.058
2025-26 Budget including set aside	137.739	197.992	335.731

North Ayrshire Health and Social Care Partnership 2025-26 Budget Pressures

	Social Care £m	Health £m	TOTAL £m	Basis of budget pressure
Pay Award	2.727	3.272	5.999	Provision of 3% for NAC/Social Care staff.
Employers NI Increase	1.897	-	1.897	
Demographic Pressures				
: Older People	0.400	-	0.400	Historic increase in PD care packages.
: Physical Disabilities	0.189	-	0.189	Historic increase in MH care packages
: Learning Disabilities (Older Clients & Carers)	0.280	-	0.280	Historic increase in LD care packages, increase in client base due to support being provided due to inability for familial care supports not able to continue or at the same level.
Transitions of Care				
: Learning Disability	0.123	-	0.123	Known individuals planned to transition from children's to adult services.
Contract Inflation				
	5.064	-	5.064	Inflation increase for payments to care homes, real living wage provision and other contract inflation.
Lead Partnership Pressures				
: UnPACs	-	0.181	0.181	Inflation increase for Unplanned Activities budget
: Intensive Support Service	-	0.147	0.147	Inflation increase for Unplanned Activities budget
Pan Ayrshire Pressures				
: Substitute Prescribing	-	0.170	0.170	
: Community Store	-	0.155	0.155	
: SDS Advice Service	-	0.013	0.013	
: British Red Cross - Home from Hospital	-	0.006	0.006	
: Vision Support Service	-	0.005	0.005	
: Chest, Heart and Stroke	-	0.001	0.001	
Other Pressures				
: Universal Early Years		0.246	0.246	
: Foxgrove		0.042	0.042	
: Bed / Mattress replacement (WV)		0.025	0.025	
TOTAL PRESSURES 2025-26	10.680	4.263	14.943	

North Ayrshire Health and Social Care Partnership 2025-26 Savings

Social Care:

Ref	Description	Deliverability Status at budget setting	2025/26 Saving	Description of the Saving
Previously Agreed Savings (Full year impact)				
0	Community MH/Wellbeing Review (24/25 Saving)	Green	0.000	24/25 Saving of £0.100m - delivered following assessment and impact evaluation against programmes to cease the KA Leisure Mind and Be Active Programme from 1st July 2025 following a 90 day notice period.
1	Review of Day Care provision	Green	0.100	Carry out a review and streamline day care provision.
2	Service redesign (CAAST Team and Corporate Parenting team)	Green	0.034	Restructure areas of specialist service provision including substance use and corporate parenting, embedding the roles and functions of those teams within our locality-based early intervention approaches and strategic planning including engagement.
Adjustments				
3	Payroll Turnover	Green	0.099	Increase targets for payroll turnover through the recruitment process.
Mental Health				
4	LD Responder Service	Amber	0.150	Develop a responder service using Trindlemoss as a base to support people who live in the community around Trindlemoss and currently have a sleepover service.
Children, Families & Criminal Justice				
5	Brighter Pathways	Amber	1.000	The main aim of the proposal is to improve outcomes for our care experienced young people by offering localised and bespoke care particular to their own identified needs.
Community Care & Health				
6	Review of Day Care provision	Amber	0.107	Carry out a review and streamline day care provision.
7	Care at Home	Amber	0.500	Continued review of care at home services including further removal of frontline Care at Home posts, planned review of call monitoring and scheduling system and reviewing sickness absence.
Cross Service				
8	Care Package Review (all services)	Amber	0.200	Review of existing care packages to identify efficiencies.
9	Deletion of vacant posts	Green	0.056	Deletion of vacant posts
10	Increase to charging	Green	0.186	The 25/26 charges have been reviewed including the introduction of new charges. The new charges were informed by benchmarking and comparing the cost of providing the service.
11	Admin Post Savings	Green	0.114	Carry out a review of the admin function and reduce posts.
12	Financial Inclusion	Green	0.357	Review of the Financial Inclusion service (already approved by the IJB)
TOTAL SOCIAL CARE SAVINGS			2.903	

Health:

Ref	Description	Deliverability Status at budget setting	2025/26 Saving	Description of the Saving
Adjustments				
13	Increase recharge to East Ayrshire for beds at Woodland View	Green	0.010	Apply an inflationary increase to the recharge to East Ayrshire HSCP.
14	Payroll Turnover	Green	0.079	Increase targets for payroll turnover through the recruitment process.
Other Savings				
15	Admin Savings	Amber	0.186	Carry out a review of the admin function and reduce posts.
16	Trindlemoss House - move to social care model	Amber	0.250	Changing the model of care in Trindlemoss House from a nursing to social care model.
17	EICT/Rehab	Amber	0.150	Review of the Enhanced Intermediate Care Team who provide early intervention to prevent physical and/or functional decline via active community rehabilitation within the home.
18	Community MH/Wellbeing Review	Amber	0.100	Review the services which support health and wellbeing activity in the community.
19	Ward 7A - Woodland View	Amber	0.341	LD Adult Acute Assessment review inc establishing a pan Ayrshire Intensive Support Service.
TOTAL HEALTH SAVINGS			1.116	
TOTAL NORTH HSCP SAVINGS			4.019	

SCOTTISH GOVERNMENT FUNDING LETTERS 2025-26

E: alan.gray2@gov.scot
04/12/2024

Chief Executives, NHS Scotland

Copy to: NHS Chairs
NHS Directors of Finance
Integration Authority Chief Officers
Integration Authority Chief Finance Officers

Issued via email

4 December 2024

Dear Chief Executives

Scottish Government Budget 2025-26

Following the announcement of the Scottish Government's Budget for 2025-26 by the Cabinet Secretary for Finance and Local Government in Parliament today, I am writing to provide details of the indicative funding settlement for NHS Boards. A breakdown of the total is provided in **Annex A** to this letter.

This budget provides a platform for the health and social care system to focus on reform and innovation. We must work as a whole system and across organisational boundaries to improve outcomes and deliver the best possible care within our available resources.

As in previous years, the budget announced will be subject to any amendments agreed through the Scottish Parliament's Budget Bill process.

Budget Uplift

NHS Boards will receive a 3% uplift on baseline funding in 2025-26. This is to meet the expected costs of the 2025-26 pay deal in line with public sector pay policy with pay remaining fully funded and provides a 3% uplift for non-pay to support inflationary pressures. In addition to this, recurring funding has been included for 2024-25 pay deals as well as moving appropriate recurring funding into the baseline.

Funding of £55.6 million ensures no Board is further than 0.6% from NRAC parity.

£150 million of funding has been included to support continued implementation of the reforms committed to as part of the 2023-24 Agenda for Change pay deal. This will be issued on an NRAC basis and be recurring. This is less than the £200 million in 2024-25 however, costs remain uncertain moving into 2025-26. This will be kept under review as the year progresses and we have final confirmation of the timeline of moving to the 36-hour working week.

Further discussion will take place in due course on the impact of the changes to National Insurance.

The budget includes a commitment of additional funding to reduce waiting lists and to help support reduction of delayed discharge; as well as a commitment to renew our primary care enhancements, including new core funding to GMS to deliver enhanced frailty, cardiovascular disease and other essential services in General Practice, a critical dental workforce and training package and a community eye care programme to transfer patients from waiting lists. Further details of the allocation of funding will follow and will be linked to delivery plans and commitments to deliver key outcomes.

In 2025-26, NHS payments to Integration Authorities (IA) for delegated health functions must pass on an uplift of 3% over 2024-25 agreed recurring budgets.

2025-26 approach to brokerage

The brokerage requirement of NHS Boards has been increasing sharply in recent years. This is unsustainable and is creating inequity in the system between those Boards who are operating within their statutory responsibility to break-even and those in receipt of brokerage.

Moving into 2025-26, brokerage will no longer be available, and all NHS Boards must work towards break-even. Historic outstanding brokerage balances will be re-paid when the NHS Board returns to financial balance. Further discussions will be held with each Board to review their three-year financial plans and to agree how we can work with you to achieve a position of financial balance. Should financial balance not be achieved this would be shown as an overspend in financial statements, leading to potential qualification of accounts and Section 22 report, as well as consideration of escalation status.

Three Year Financial Planning

A joint letter from myself and the Chief Operating Officer was issued on 29 November setting out our expectation for Board Delivery Plans for 2025-26 and development of robust three-year financial plans. Updated planning assumptions will be shared with colleagues following this budget announcement. In developing savings plans, Boards should continue to undertake the appropriate impact assessments prior to implementation.

In the three-year plans we expect to see clear evidence of proposed service redesign and a stepped change in more joined up, whole system working.

Financial Savings

There are a number of areas of work underway to support NHS Boards and collectively improve the financial position as set out below.

15 box grid

The 15 box grid approved by Board Chief Executive on 14 November 2023 sets out 15 areas of focus for Boards to progress. The areas included in this will be revised ahead of 2025-26. National and local data and benchmarking must be used to drive evidence-based decision making to facilitate the ongoing improvement in service design and delivery. There are various national programmes of work supporting implementation of improvement opportunities at a local level.

Productivity

There will be a renewed focus on productivity and delivering more within the resources we already have. Improving productivity is vital to meet growing demand driven by an aging population, advancements in medical technology, and increasing public expectations, all within limited budgets. The steps Boards are taking to improve productivity should be set out clearly within their Annual Delivery Plans.

Key opportunities to enhance NHS productivity include adopting digital technologies, streamlining care pathways, reducing waste, and fostering collaborative practices across the whole system.

Value Based Health and Care

Linked to the 15 box grid work we must focus on ensuring that expenditure which is incurred delivers the best value for the investment made and drives improvement in outcomes. Value Based Health and Care (VBHC) emphasises the quality and effectiveness of care. By aligning incentives with measurable outcomes, this approach encourages delivery of more efficient and personalised treatments, reduce unnecessary interventions, and enhancing patient satisfaction. Key components include the use of data analytics to track outcomes, collaboration across the whole system, and a focus on preventive care. VBHC aims to create a sustainable health and care system that delivers high-value care while reducing financial burdens on patients and systems alike. We expect that VBHC will become more prominent in Board plans as a key contribution towards optimising best use of our resources. The Value Based Health and Care Action Plan published in October 2023 sets out specific actions.

Reform and Medium Term Financial Framework

This budget provides the opportunity to signal a clear intent to progress reform within health and social care. Now is the time to drive forward our vision of a Scotland where people live longer, healthier and more fulfilling lives. This will be reflected in a programme of reform focused on prevention and early intervention, maximising access and improving population health.

The newly formed Scottish Government Reform Executive and NHS Scotland Executive Forum will provide the leadership to deliver long-term planning for fundamental reform and our focus on the use of digital technology and innovation to drive improvements in efficiency and prevent ill-health. During 2025-26, we intend to publish a revised Medium-Term Financial Framework.

Policy Funding

In addition to the baseline uplift, funding aligned to policy commitments will be allocated to Boards in 2025-26. It is our intention to provide early indication of allocations and to align this to the planning guidance that will be issued in relation to Annual Delivery Plans, setting out the priorities for health and social care in the coming year. We remain committed to reducing the number of in year allocations and ensuring early notice is given on the value of in-year allocations. We are committing to putting out 80% of allocations in the first quarter.

Health and Social Care Integration

The Health and Social Care Portfolio will transfer additional funding of £140 million to Local Government to support social care and integration for 2025-26, which recognises the recurring commitment to provide the Real Living Wage to adult social care workers in the third and private sectors of £12.60 per hour (£125 million) and inflationary uplift on Free Personal Nursing Care rates (£10 million). Funding from prior year for Real Living Wage (£230 million) and inflationary uplift on FPNC rates (£11.5 million) will also be transferred. We have also prioritised £5.0 million to support the commitment to provide additional voluntary sector short breaks funding for unpaid carers.

The funding allocated to IAs should be additional and not substitutional to each Council's 2024-25 recurring budgets for services delegated to IAs and therefore, Local Authority social care budgets for allocation to IAs must be at least £140 million greater than 2024-25 recurring budgets.

As part of the funding for reform and improvement measures, while routed through NHS Boards, elements will support activity in the community and delivered via IAs. Part of this package will be used to directly support our shared ambition to alleviate pressure across the health and social care system.

Capital

Boards' formula capital will increase by 5% and all contractual commitments relating to our construction programme, IFRS 16 leases and end of contract PFI termination payments will be funded. Following receipt of Board Business Continuity Plans (BCPs) as required by [DL \(2024\) 02](#), we will undertake a further review of capital requirements and whether further allocation of funding can be made available. The health capital programme will be restarted in line with Whole System Infrastructure Planning, with Board's required to progress to the level Programme Initial Agreements setting out a deliverable, whole-system service and infrastructure change plan for the next 20-30 years. Further guidance in relation to the development of Programme Initial Agreements will be issued in the new year and will be the next stage of implementing in full the requirements of [DL \(2024\) 02](#).

Funding will be allocated to support the further development of the business cases for Monklands Replacement Hospital, Edinburgh Eye Pavilion and Belford Hospital.

Summary

We have a collective duty and responsibility to ensure that the funding we have been allocated is used effectively and delivers on our key priorities. This must include a stepped change in service redesign and a whole system view of how we can maximise outcomes.

I thank you again for your support to date and your continued engagement moving into the next financial year.
Yours sincerely,



Alan Gray
Director of Health and Social Finance

Annex A – Board Funding Uplifts

	2024/25 Allocation	Recurring Allocations*	Updated Allocation	Uplift**	2025/26 Total Allocation	NRAC Funding	Distance from NRAC Parity
	£m		£m	£m	£m	£m	%
NHS Territorial Boards							
Ayrshire and Arran	883.5	91.4	974.9	31.7	1,006.6	2.4	-0.6%
Borders	260.4	27.5	287.9	15.7	303.7	7.1	-0.6%
Dumfries and Galloway	364.7	48.3	413.0	12.4	425.4	0.0	0.9%
Fife	829.2	81.4	910.6	27.3	937.9	0.0	-0.4%
Forth Valley	658.9	65.9	724.8	27.0	751.7	5.2	-0.6%
Grampian	1,176.4	130.4	1,306.8	40.0	1,346.8	0.8	-0.6%
Greater Glasgow and Clyde	2,733.1	299.4	3,032.5	91.0	3,123.5	0.0	1.1%
Highland	807.1	93.2	900.3	39.8	940.2	12.8	-0.6%
Lanarkshire	1,489.0	147.7	1,636.7	76.3	1,713.0	27.2	-0.6%
Lothian	1,825.5	226.0	2,051.4	61.5	2,113.0	0.0	-0.5%
Orkney	63.6	9.1	72.7	2.2	74.9	0.0	3.1%
Shetland	62.4	10.2	72.6	2.2	74.8	0.0	2.1%
Tayside	951.2	111.2	1,062.4	31.9	1,094.3	0.0	-0.1%
Western Isles	92.9	10.8	103.7	3.1	106.8	0.0	12.8%
Territorials Total	12,197.9	1,352.6	13,550.4	462.1	14,012.6	55.6	
NHS National Boards							
National Waiting Times Centre	81.8	13.3	95.2	2.9	98.0		
Scottish Ambulance Service	349.2	75.2	424.4	12.7	437.2		
The State Hospital	44.5	3.1	47.6	1.4	49.0		
NHS 24	91.4	23.4	114.9	3.4	118.3		
NHS Education for Scotland	550.2	79.7	630.0	18.9	648.9		
NHS National Services Scotland	380.3	35.7	416.0	12.5	428.5		
Healthcare Improvement Scotland	33.8	2.7	36.5	1.1	37.6		
Public Health Scotland	57.5	8.3	65.8	2.0	67.8		
Nationals Total	1,588.9	241.5	1,830.4	54.9	1,885.3		
Total NHS Boards	13,786.7	1,594.1	15,380.8	517.0	15,897.9		

* Includes recurring allocations from 2023-24

** Includes NRAC parity adjustments.

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Copy to:
Councillor Steven Heddle
The Leaders and Chief Executives of all Scottish
local authorities

4 December 2024

LOCAL GOVERNMENT SETTLEMENT 2025-26

Today I formally set out the Scottish Government's proposed Budget for 2025-26 to the Scottish Parliament. Further to my budget statement, here are the details of the Local Government Finance Settlement for 2025-26. As previously agreed by the Settlement and Distribution Group, council by council allocations will follow on 12 December 2024 following the publication of the Summary Statistics for Schools in Scotland 2024.

The Budget builds upon the investments we have already made as a Government and ensures we focus resources on the four priorities set out in the Programme for Government:

- eradicating child poverty
- growing our economy
- tackling the climate emergency
- improving public services

The First Minister committed, in line with the Verity House Agreement, at the COSLA Conference that there would be substantive engagement between the Scottish Government and Local Government prior to the setting of the Budget. I have welcomed the open and transparent dialogue which has taken place.

Over recent weeks the First Minister has led negotiations with COSLA and Group Leaders to resolve key issues on education and social care policies. The Budget I have set out today is designed to support the way forward which has emerged from that dialogue, much of which you will recognise and agree with.

On the basis of the funding envelope and broader package set out below, I invite you to agree at your meeting on 6 December to the approach set out on education and social care in Annex A.

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As a result of the political engagement, and especially the intense engagement among officials and officers, we all now have a better shared understanding of the fiscal environment facing both spheres of government in Scotland and I very much welcome that.

That better understanding includes the open book analysis of the UK Budget which confirmed that the increased funding announced at the Autumn Budget, whilst welcome, was largely in line with internal planning assumptions. Consequently, the 2025-26 block grant only represents an increase in resource of around 1% in real terms against our 2024-25 allocation.

The Settlement I outline today does not make provision for the UK Government's increases to employer National Insurance Contributions. I remain committed to working constructively with COSLA to ensure that the UK Government provide the funding necessary to support public services in Scotland. There have been communications that indicate we will receive a further £300 million from the UK Government to support the impact of its decision to raise employer National Insurance Contributions on the public sector. However, it is clear that the impact on Scotland's public sector, including local government, as well as commissioned services and third sector organisations which provide statutory services, could be well in excess of £700 million. When the final additional amount is confirmed, I will respond in a way which is fair to all of our valued and proportionally larger public sector in Scotland.

However, I do think we should all continue to press the UK Treasury for additional funding so that the increase in these contributions is fully reimbursed for us all. I would very much welcome a joint initiative, working constructively with COSLA to ensure that the UK Government provide the funding necessary to support public services in Scotland.

Despite the ongoing challenges of fiscal constraint, I am pleased to set out a strong and fair settlement for Local Government.

The total funding which the Scottish Government will make available to Local Government in 2025-26 through the Settlement will be over £15 billion, including additional funding which has been baselined for the recurring costs of 2024-25 pay deals and teacher employer pensions contributions.

That amounts to an increase on last year's Settlement of £1,008 million, including significant real terms increases in both revenue and capital funding.

The Settlement includes:

- providing real terms protection of the General Revenue Grant through an additional £289 million to support local priorities;
- honouring the commitments made as part of the 2024-25 Scottish Joint Council (SJC) and teachers (SNCT) pay deals by baselining an additional £77.5 million and £43 million of resource respectively, alongside reinstating the £26 million of capital funding for flood risk management schemes and the £5 million capital for nature restoration funding which were redeployed in year to support those deals;
- baselining £86.2 million in lieu of higher employers pension contributions for teachers;
- an additional £125 million and £25.7 million to fund the Real Living Wage uplift for commissioned services across adult social care and early learning and childcare respectively;
- £10 million to support an inflationary uplift in free personal nursing care;

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- directly responding to recent engagement on our shared priorities around education by making available a further £41 million of resource to reflect the costs of maintaining teacher numbers at 2023 levels with an additional £28 million to be made available to enhance additional support for learning services, providing a total of £43 million of dedicated funding for ASL alongside councils' own investment;
- maintaining £4 million of support for our island communities to reflect the higher costs of delivering services in island communities in lieu of the conclusion of the ongoing review of the Special Islands Needs Allowance;
- enhanced revenue support for ferry services operated by councils, now totalling £50.3 million, including funding to support the under-22s inter-island fares programme. We will also provide £20 million one-off capital funding for Orkney Islands Council and Shetland Islands Council to enable them to sustain and improve inter-island connectivity;
- an additional £108.1 million of General Capital Grant beyond 2023-24 levels, equating to a 14.2% real terms increase, as well as reinstating £31 million that was used to support the 2024-25 pay deal;
- an additional £10 million, for a total of £25 million, of funding for play parks to ensure all children have access to quality play in their own community; and
- responding to the clear ambition from COSLA and supporting councils to play their part in tackling the climate emergency, by making available £40 million of one-off capital to support local priorities, and an additional £11 million of capital funding including support for flood risk management and coastal change adaptation. Officials will explore how best to ensure the legacy impacts of this investment are clearly evidenced and understood in communities across the country.

Due to presentational changes in the budget document, the local government budget appears to fall due to the increases applied in the 2024-25 Autumn Budget Revision (ABR) – the equivalent changes for 2025-26 will not come into effect until the 2025-26 ABR.

Table 4.12 in the Budget document sets out clearly that once the 2025-26 budget revisions are processed, the overall Local Government Settlement will have increased by over £1 billion since the 2024-25 Budget was published – in addition to the baselined funding to support the council tax freeze.

While we should, and do, account for the £62.7 million reinstatement to support the Council Tax Freeze, 2024-25 pay deals and teacher pension employer contributions, the Settlement still increases by over £707.7 million – equivalent to a 5.0% increase in cash terms and 2.6% in real terms – and significantly exceeds the notional £392.7 million budget gap estimated by the Accounts Commission.

The resource settlement (excluding pay, teacher pension employer contributions and the £62.7 General Revenue Grant reinstatement) increases by £599.6 million or 4.5% in cash terms and 2.0% in real terms.

The capital settlement increases by £108.1 million or 16.9% in cash terms and 14.2% in real terms relative to the 2024-25 settlement, plus the £31 million reinstated to reflect the reprofiling necessary to secure the 2024-25 SJC pay deal resulting in a total increase of £139.1 million.

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This enhanced envelope, with a £707.7 million net increase in the Settlement, is intended to enable councils to deliver the key services and outcomes upon which our communities rely; support the implementation of the Scottish Local Authorities Remuneration Committee recommendations; and to minimise any proposed increases in Council Tax, given the ongoing cost of living pressures affecting people in our communities.

The Budget baselines a further £244.5 million of resource and, as outlined above, includes a further £125 million of funding for the real living wage and £10 million to support an inflationary uplift in free personal nursing care as General Revenue Grant in 2025-26, rather than being added as an in-year transfer as has been the case in previous years.

I consider that we have achieved real progress in implementing the principles of the Verity House Agreement. However, I hope we will continue to work to further simplify and consolidate the Settlement, while continuing to recognise the need for a robust accountability and assurance framework.

In the interim, the additional funding allocated as General Revenue Grant for Integration Authorities, in support of the real living wage uplift in commissioned services and for Free Personal and Nursing Care should continue to be additional and not substitutional to each Council's 2024-25 recurring budgets for delegated adult social care services.

We have also made good progress in exploring additional ways to raise revenue locally and to provide new sources of funding. Local authorities now have the power to introduce a visitor levy and we will soon be formally consulting on a potential cruise ship levy. We commit to continue exploring opportunities for local empowerment, including through our Joint Working Group on Sources of Local Government Funding.

I have welcomed the UK Government's intent to publish a Spending Review in the Spring – although I am sure you share my concerns at media reports that this might be put back to June 2025. Our 2025 Medium Term Financial Strategy will be accompanied by a five-year fiscal sustainability delivery plan which will outline the specific actions being undertaken to deliver sustainable finances. That delivery plan will support a future Scottish Government spending review which will ideally allow for better multi-year planning and funding.

In my view the Fiscal Framework represents a journey not a destination and it is important that we recognise the progress we have made in developing and implementing that Framework to date. On that basis I propose that we mark that progress by publishing an update alongside the Local Government Settlement, formally setting out the draft provisions which have been developed, and which have been put into practice over the last year.

I consider it important for us to commit to, and to act on the commitment, to explore new ways of working for local government in Scotland. To that end, I can advise that I wish to continue to explore the concept of a Local Authority General Power of Competence and intend to launch a consultation on that in January 2025, but I would note that we will need to be cognisant of the risks resulting from equivalent powers in England.

I also want to welcome the ongoing work through the Housing Investment Taskforce to identify actions to unlock existing and new commitments to investment in housing. This is a shared priority for both spheres of government and in parallel I have requested Scottish Government officials explore other potential avenues to provide funding flexibility, including

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the joint work to consider the statutory accounting arrangements for the Housing Revenue Account in relation to the General Fund.

Ministers are under no illusions about the challenging fiscal environment we face across all of our public services, but we have sought to design a budget which delivers progress for Scotland, by Scotland. We have listened carefully to the people of Scotland, including council leaders, and our budget seeks to deliver on those priorities and on the issues people care about most. It also seeks to lay the foundations for Scotland's future success, putting in place the investment that will help deliver the public services people need and deserve. Local Government is key to these aims and the Settlement reflects that.

In terms of Local Government, the Budget delivers real terms protection in General Revenue Grant with councils having full discretion on how that funding is allocated alongside a further £310.6 million of resource for shared priorities. It reinstates £37.1 million of capital, following a hugely challenging allocation from the UK Government last year, and offers an additional £11 million General Capital Grant and £40 million of capital to respond directly to the climate emergency.

This Settlement also provides full discretion over decisions on council tax, with no freeze and no cap. However, it is intended to enable local authorities to deliver the key services and outcomes upon which our communities rely. I therefore hope this will enable councils to minimise any proposed increases in the council tax, given the ongoing cost of living pressures affecting people in our communities right across Scotland.

All of these decisions respond directly to the key asks emerging from our meaningful engagement with COSLA over the course of the year. Should COSLA agree to the proposals set out in Annex A, the Budget will signify a marked change in our joint aspirations to ensure the sustainability of local services.

I hope this aspiration is shared and I look forward to continuing to work with COSLA in the year ahead to deliver our shared priorities.

Yours sincerely,



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Education

Local Government and the Scottish Government jointly commit to delivering improved outcomes for children and young people, acknowledging the critical importance of delivering excellence and equity in education. Local Government and the Scottish Government recognise the impact of the pandemic on learning, particularly in terms of school attendance, relationships and behaviour in schools, rising additional support needs and the poverty-related attainment gap. Local Government and the Scottish Government acknowledge that the responsibility for driving implementation of GIRFEC, and improvement of ELC and school education as set out in the National Improvement Framework, is a shared statutory responsibility, and requires a range of professional groups to achieve.

Recognising financial constraints and the increasing costs of service delivery have resulted in pressures in 2024-25 and which will continue for future years, as set out in previous correspondence from COSLA, this agreement is intended to agree a focus for delivery in the area of education, and the investment required to deliver that.

To realise this we will establish a joint Education Assurance Board. The Board will drive activity to achieve our shared objectives to improve attainment, attendance and improve relationships and behaviour. The Board will aim to provide assurance that jointly, Local Government and Scottish Government are supporting improvement, and will draw on a range of data and evidence including independent scrutiny bodies such as HM Inspector of Education.

In the next year we need to create stability to create the space for meaningful dialogue and exploration of the evidence about improving outcomes in the long term, particularly mindful of the challenges faced by our schools post pandemic and as a result of the cost of living crisis. This will mean reaching agreement for 2025-26 to maintain teacher numbers, with appropriate funding in place, to freeze learning hours, and invest in improving the additional support for learning provided across the country.

Recognising the importance of the teaching workforce to achieving improved outcomes in education, local authorities will commit to maintaining or restoring teacher numbers to the 2023 baseline in 2025-26. Acknowledging that the funding provided since 2021 for this purpose no longer has the same purchasing power, the budget uprates the value of this funding to £186.5 million from 2025-26. This funding aims to ensure that teacher numbers, set out in the publication *Summary statistics for schools in Scotland 2023*, published on 12 December 2023, being met or exceeded for each council, in the teacher numbers census of September 2025, due for publication in December 2025, noting that there may be exceptional circumstances outwith a council's control which need to be able to taken into account.

Local Government agree that learning hours will not be reduced in the 2025-26 academic year. Longer term, we will work together on proposals to establish a statutory minimum number of learning hours, to understand the definition of a "learning hour" and the impact of this ambition on local authorities currently providing a lower number of learning hours and timelines for implementation.

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Scottish Government and Local Government recognise the importance of teachers having more time to prepare for lessons, raise standards and undertake professional development as part of wider education reform ambitions and acknowledge calls to reduce teacher workload. We agree to develop a meaningful offer for the Scottish Negotiating Committee for Teachers to consider, of a phased reduction in class contact time, within the scope of 2023 levels of teacher numbers, beginning in the 2025-2026 school year.

The Scottish Government will provide additional funding of £28 million from 2025-2026 to develop the Additional Support for Learning (ASL) education workforce along with an enhanced offer in support, spanning all stages of the curriculum from the early years to the end of secondary. The Scottish Government and Local Government will work together to develop a suite of interventions, including additional ASN teachers, other specialist provision and professionals. This will involve engagement with ADES, building on good practice broadly and upon lessons learned regarding enhancing ASL from use of PEF.

There will also be the opportunity to align this with the provision of holistic whole family support. The Scottish Government will progress our commitment to collaboration across the whole family system, working with and through Local Government and other partners to deliver joined up services, with improved outcomes and a simplified funding approach. Existing examples which enhance whole family support through schools, for instance via family link workers and income maximisation officers, and Whole Family Wellbeing Funding, can be built upon as part of this approach.

The Scottish Government and Local Government agree to undertake medium and long-term joint workforce planning to respond to issues including different local needs, recruitment challenges and teacher/subject shortages across Scotland and the trajectory on teacher education intakes, the impact of demographic change on the pupil-teacher ratio, as well as making the Teacher Induction Scheme work better for all parties.

Social Care

Local Government and the Scottish Government agree on the necessity to deliver high quality care across the country to recognised high standards. Both parties are clear that this is a priority, and further action must be taken to drive further and deeper social care reform from the first quarter of 2025. This is underpinned by a firm recognition that both national and local leadership are fundamental to improving and transforming people's experience of care.

Both parties are committed to securing a route to enhanced national oversight of improvement and performance delivery, in order to facilitate the sharing of best local practice, providing support to local areas where required. Scrutiny of local performance should serve genuine purpose in seeking to improve outcomes for people, be proportionate, and should go hand-in-hand with scrutiny of Scotland's national health and care needs and resource requirement.

This must include whole system collaboration, reporting on national integrated health and social care programmes and building on shared experiences such as the creation of the Collaborative Response and Assurance Group and other shared national improvement activities.

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The inclusion of the voice of lived experience is crucial and must be central to our collective plans.

We must also draw more deeply on independent scrutiny and expertise, including from the Care Inspectorate.

Both parties are agreed that leadership and assurance over improvement arrangements and overseeing any support and intervention to systems is necessary to ensure improved outcomes for people.

We must also understand at a national, and local, level, the future of Scotland's health and care needs, including population trajectories and shift, demand for social care support, changing health inequalities, and the level of investment required to fund current and future need. This necessitates mutual, whole system transparency on the allocation and use of funding to deliver these priorities.

We must make rapid progress with whole system financial transparency and accountability to swiftly improve the availability of data to investigate impact, benchmark investment and to demonstrate the effectiveness of funding allocated across the Health and Social Care system. Part of this will be to understand the current level of investment made across health and social care alongside the projected need.

One area where this leadership, assurance and transparency could be demonstrated quickly would be further work to ensure that effective whole system health and social care arrangements are in place in every local partnership area and that these are adequately resourced to minimise the risk of Delayed Discharge in hospitals.

Further work is required to assess progress on the following areas:

- **Performance and Delivery:** Development and oversight of the implementation of a Support and Improvement Framework to ensure a focus on improvement, exposition of the challenges faced across integrated health and social care delivery, earlier support, with national tools required to provide greater system support to realise improved outcomes, and, where necessary, escalation.
- **Rights, Equalities and Participation:** embracing and enabling the participation, and choice and control, of people with lived experience and unpaid carers and the assessment of enablement of Rights.
- **Strategy, Standards and Quality:** commitment to ongoing development of strategy, implementation of standards and improving the quality of provision and broader outcomes. Exploring opportunities for consolidation of strategies and reporting asks for local systems.
- **Fair Work and Ethical commissioning:** progressing the delivery of Fair Work Ethical Commissioning and social services workforce development.
- **Culture, Governance and Finance:** leading the improvement of financial transparency, scrutiny of national and local resource provision for integrated health and

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social care, clarity of governance and accountability and improving integrated approaches.

- **National programmes:** creating deeper national oversight and support for specific priority areas which may include areas like delayed discharge, the Drugs Mission and Coming Home.

Discussions have been positive and both Scottish Government and Local Government are committed to securing an agreement on social care reform.

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IJB Budget Position: Critical Pressures and Risks for 2025/26

Chief Officers Update – 5th March 2025

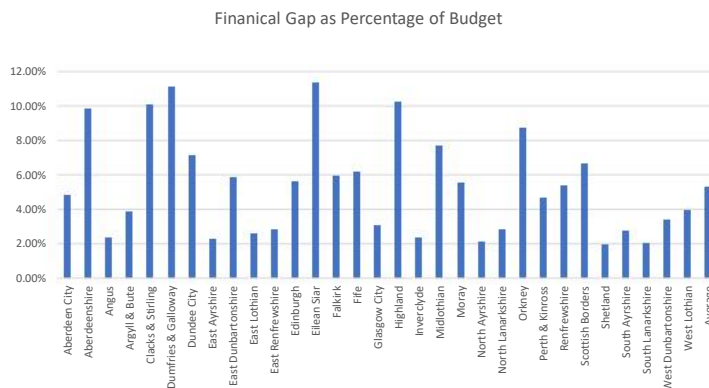


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2025/26 Anticipated Position

- Estimated financial gap of £562.4m – to stand still
- Average of 5.35% with gaps ranging from 1.97% to 11.39%
- Pressures across the system including
 - Prescribing
 - Demand
 - Pay Pressures
 - Contract Inflation
 - National Insurance (potential underestimate)

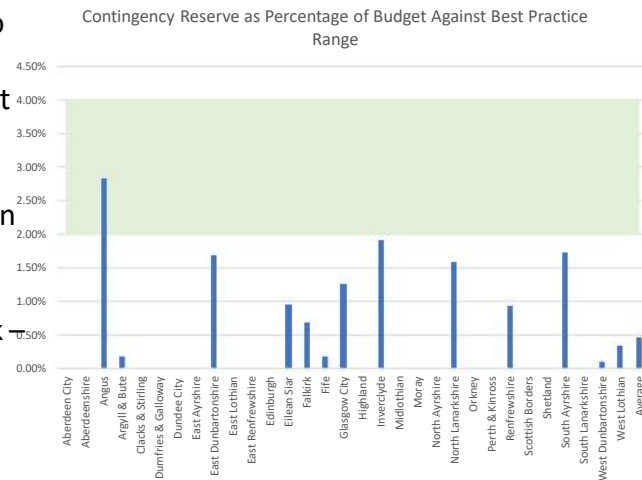


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Financial Sustainability – Worsening Position

- Depleted reserves - majority (55%) with no contingency reserve
- Best practice contingency reserves - held at 2 to 4% of revenue budget
- Total contingency reserve balance held is £59.4m or 0.46% of total funding (£183m in 22/23)
- Financial recovery measures have been required exposing Partners to financial risk – inc impact on LG reserves
- Significant financial gaps to be met to hold our current position
- IJB Financial position routinely shared – locally, CFO network, monthly returns SG



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IJB Funding

- Different funding mechanism to other LA and NHS
- In-year funding allocations – not kept pace with inflation or policy intent
- Reductions to recent allocations – eg Mental Health Outcomes Framework, Multi Disciplinary Teams, Mental Health Officers
- Core Funding from 2023/24:

IJB Funding	£m
2023/24 - £95m + 2% NHS NRAC	
Real Living Wage	100
Free Personal Care	15
Interim Care Ending	-20
2024/25 - £241.5m - + 0% NHS NRAC	
Real Living Wage	230
Free Personal Care	11.5
2025/26 - £140m + 3% NHS NRAC	
Real Living Wage	125
Free Personal Care	10
Short Breaks Unpaid Carers	5

- SG Directive to pass through baseline plus additional funding - set the bar for funding allocations

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3. Financial performance

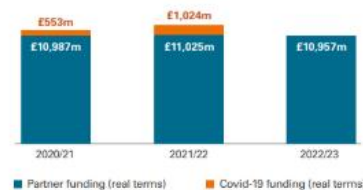
The financial health of IJBs continues to weaken and there are indications of more challenging times ahead

IJB funding has decreased in real terms compared to 2021/22

30. IJBs receive their funding as annually agreed contributions from their council and NHS board partners. Funding is largely received to cover in-year expenditure on providing services but can also be received for specific services and national initiatives to be funded in future years.

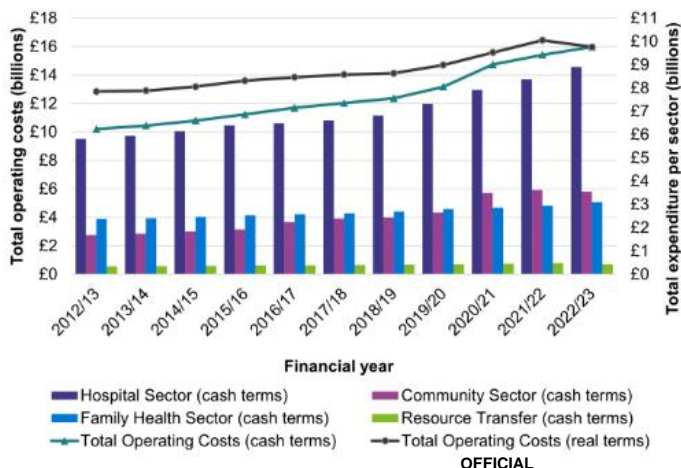
31. Funding to IJBs in 2022/23 decreased by £1.1 billion (nine per cent) in real terms to £10.9 billion, a £342 million decrease in cash terms. Exhibit 2: IJBs received £1.0 billion of additional funding in 2021/22 to support their response to the Covid-19 pandemic. Excluding the 2021/22 Covid-19 related funding, this shows an underlying decrease of £98 million in real terms, representing a 1.0 per cent decrease.

Exhibit 2. Real terms movement in IJB funding



Trend in health spend

Trend in NHSScotland expenditure, 2012/13 to 2022/23

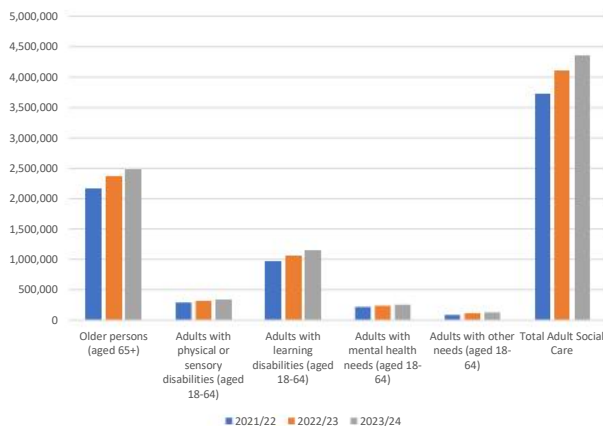


- Disproportionate balance of funding between hospital sector
- Principles of Integration to Shift the Balance of Care

5

Increasing Costs – Adult Social Care

LFR Data - Gross Expenditure net of customer and client receipts income



- Increasing cost across adult social care client groups
- 17% Increase in two years, with variation across client groups from 14% to 46%

Client group	% Increase from 2021/22 to 2023/24
Older persons (aged 65+)	14%
Adults with physical or sensory disabilities (aged 18-64)	19%
Adults with learning disabilities (aged 18-64)	20%
Adults with mental health needs (aged 18-64)	16%
Adults with other needs (aged 18-64)	46%
Total Adult Social Care	17%

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Risks to the Financial Position

Legacy Overspends – Including debt repayment requirements

Performance expectations – Maintain and improve

Meeting the needs of population with rising costs of care

External cost pressures E.g. Prescribing National Insurance

SG Policy commitments not fully funded & reducing or ceasing

Budget settlement – timing and quantum

Provider market and cost pressures – provider of last resort

Wider system financial challenges – inc LG, NHS and care market

Integration Scheme Reviews – risk share & dispute resolution

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Scale of Impact - £562.4m is the equivalent of:



4,990 community hospital beds



11,585 Band 5 nurses



420,300 weekly homecare hours



Current waits:

- Delayed Discharges – 1,921
- Community CAH people – 2,951
- CAH overall – 33,700hrs
- Assessment – 6,487

18,135 care home beds



48.8 million less items



Annual running cost



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Social Care Provider Sustainability

• Live examples of provider concerns:

Supported Accommodation Provider – refused 7.24% uplift 24/25 – served notice on residents	Homecare Association seeking £32.88 an hour – well above average	Community Support Provider hand back small PoC – eg 30 SUs by 31 March 25% of presence in an area
Providers pulling out of individual areas or across Scotland (eg from Community Support)	Higher than inflation and SLW increases for contracts – eg Scotland Excel Children’s Residential Framework	Cost of Care for Complex needs – Coming Home Agenda not progressing
Impact of eNIC “the consequences of not exempting all public service providers of social care from the additional eNIC liabilities will be catastrophic”		

- Costed models – eg NCHC and hourly rates for community support – we will NEED to fund full NI cost for providers with zero IJB funding
- Unfunded cost increases = commission and deliver less - for NCHC adds 2.2% to rate (circa 805 beds)
- Circa 89% of care home beds are not publicly operated
- HSCPs are providers of last resort – generally in-house is more expensive
- Do not have BCP/contingency plans/capacity to mitigate impact of widespread provider failure
- Negative impact on social care workforce

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Case Study – one IJB area - full delegation including Children’s Services, doesn’t currently carry primary care prescribing risk – circa 2% gap 2025/26

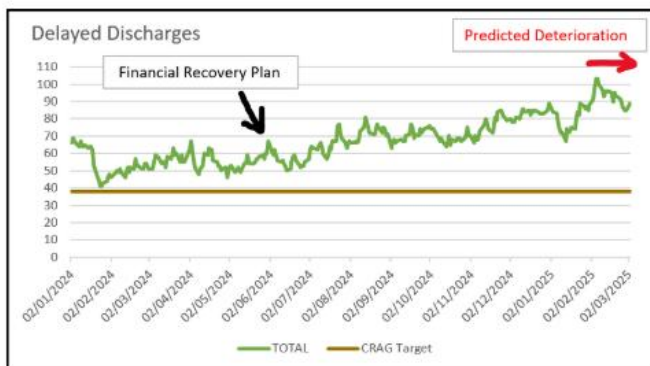
Overall Budget Position	
2024/25 - proj overspend after recovery plan	£5.0m
2025/26:	
Opening deficit	£3.7m
Budget pressures - pay, inflation & demographics	£16.0m
SG Funding (eg NRAC uplift, SLW, FPNC)	(£7.9m)
Council additional funding	(£4.0m)
Estimated Budget Gap (exc repayment)	£7.8m

Impact areas:

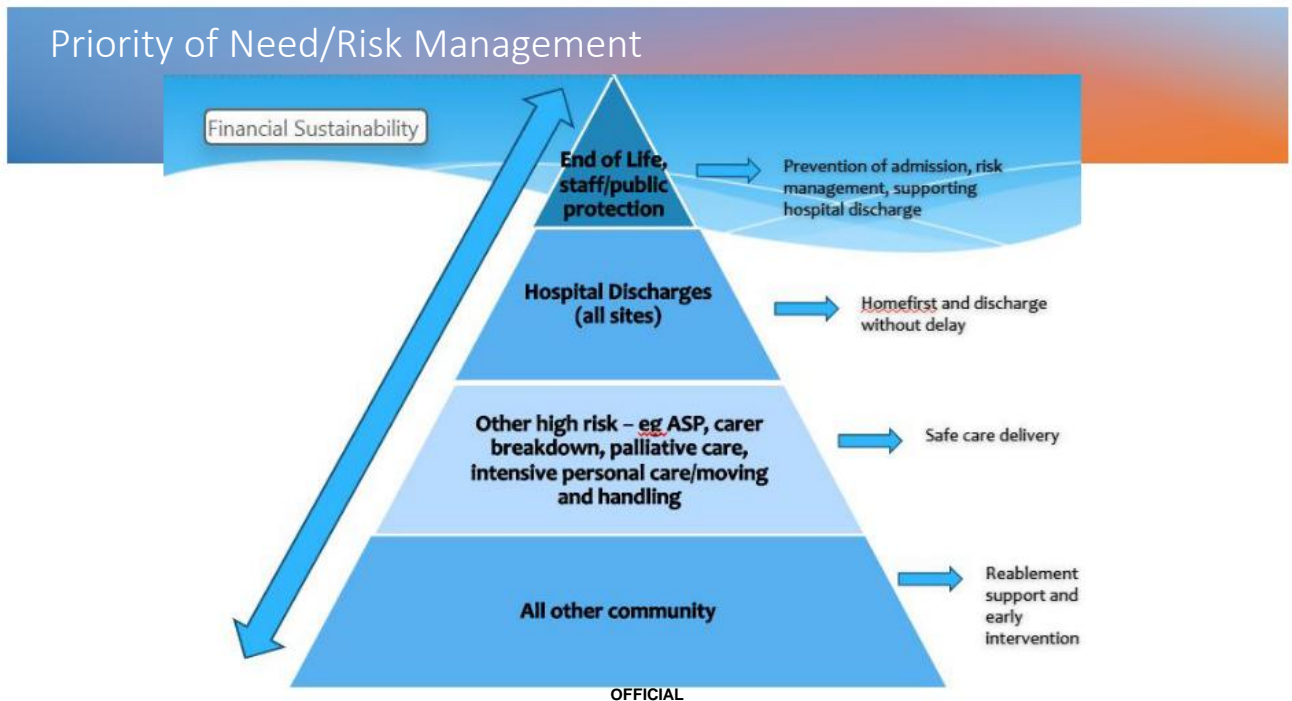
- Care at home – align with budget - £2.5m overspend circa 100 average packages of care
- Care Homes - £1m saving = 36 care home placements 5% reduction – 67% residents now access from hospital
- Capping access to non-residential care & review non-personal care (misalignment SDS)
- Social Care Non Residential Charges – range 5% to 25% increase 25/26
- Cease Early Intervention Services – community health and wellbeing programmes
- Financial Inclusion Service –remove universal access
- Community waits & risk– over 80% waiting outwith hospital

Care at Home - projecting £3.3m overspend, reduced to £2.5m at Dec

	Spend £m
2019/20	£20.7m
2024/25	£33.3m
Increase	£12.6m
SG Capacity Funding 2021/22	£3.4m



10



11

Links with National Priorities & Policy Directives

BY FOCUSING ON TOP OF PYRAMID - REDUCTION IN CARE

- Delayed Discharge mission and Unscheduled Care improvement plans
- Homefirst – community based care is expensive
- Self Directed Support – remove choice, control and flexibility
- Carers Act – impact on Carers and cared-for
- The Promise – early intervention impact
- Coming Home Implementation – resource to support discharge and choice based on affordability
- Planning with People guidance and best practice

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Health and Social Care Integration

"Integration is all about improving people's lives, and the wellbeing of our system of health and social care as a whole benefits from better joined-up care, better anticipatory and preventative care and a greater emphasis on community-based care" – Health and Social Care Scotland

The Christie Commission highlighted that responses to the very significant challenge to the long-term financial sustainability of Scotland's public services must include:

- *taking demand out of the system through preventative actions and early intervention to tackle the root causes of inequality and negative outcomes.*
- *tackling fragmentation and complexity in the design and delivery of public services by improving coherence and collaboration between agencies and sectors.*

Health and Social Care Integration – principles of investing in community services, early intervention and removing variation through sharing of best practice and improvement

- ***Risk - Will unpick positive progress already made through Integration***

Integration Joint Board 20th March 2025

Subject :	Strategic Risk Register
Purpose :	To present the updated IJB Strategic Risk Register for consideration and approval.
Recommendation :	To approve the updated IJB Strategic Risk Register including the addition of two new risks and the removal of one risk.

Direction Required to Council, Health Board or Both <i>(where Directions are required please complete Directions Template)</i>	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	
IJB	Integration Joint Board
NHS	National Health Service
PAC	Performance and Audit Committee
PSMT	Partnership Senior Management Team

1.	EXECUTIVE SUMMARY
1.1	This report provides an update on the strategic risk register, to help ensure the IJB are proactive in identifying and managing the risks to the successful delivery of our Strategic Plan.
2.	BACKGROUND
2.1	<p>A Strategic Risk Register is a requirement of the Clinical and Care Governance Framework and as part of our Risk Management Strategy, which was last approved by the IJB in September 2024.</p> <p>The review focussed on updating previous risks and identifying new risks.</p>

2.2 **New Risks:**

Ref	Title	Description	Gross Risk	Residual Risk
SRR15	Risk of Harm	A lack of resources combined with an increase in both demand and complexity is leading to increasing numbers of residents waiting for services. This results in a greater likelihood of residents experiencing harm as a result.	16 High	16 High
SRR16	Growth and expansion of specialist complex care developments	There has been a rapid increase across the independent sector in North and South Ayrshire since 2020 which lack alignment with local commissioning plans. This results in an exponential growth in un-forecasted referrals to community and inpatient Mental health and Learning disabilities services leading to an impact on capacity and demand on MDT's and inpatient occupancy levels when placements breakdown.	25 Very High	15 High

2.3 **Risks with an increased score:**

Ref	Title	Description
SRR05	Transformational Change Programme	The gross risk increased from 9 to 12 which reflects the current challenges around the increased pace of change required to deliver against the financial position, with a risk of short term savings potentially being at the expense of long-term sustainability and transformation.
SRR13	Provider Failure (commissioned services)	The gross risk increased from 12 to 16 which reflects the current challenges in the provider market including the increased employers' NI rates.

2.4 **Risks with a reduced score:**

No risks reduced in gross score.

2.5 **Risks recommended for removal from the register:**

Since the last report to the IJB there is one risk recommended for removal from the register which is outlined below:

Ref	Description	Reason for Removal
SRR11	National Care Service	The introduction of the National Care Service has been scaled back. Instead the government have proposed the introduction amended legislation which

			removes any structural change to accountabilities with the establishment of a non-legislative national oversight instead. The full details of this are not clear at this stage but the risk of structural change and disruption at a local level has now been minimised, if a new strategic risk is identified then it will be added to a future update of the Strategic Risk Register.	
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2.6 The actions required to manage and control the risks have been identified and they will be subject to ongoing monitoring and review by the PSMT with an update to be reported to the Performance and Audit Committee.

2.7 There are 12 risks noted on the Strategic Risk Register, with a number of these graded as very high or high risk. While there are a number of controls and mitigations in place there may be further actions required to reduce the risks further in line with the level of risk tolerance. The current Strategic Risk Register is included as Appendix A.

The risks are summarised below:

Ref	Title	Gross Risk (score pending further controls)	Residual Risk (score after further controls)	Gross Risk (score pending further controls)	Residual Risk (score after further controls)
		2024	2024	2025	2025
SRR01	Financial Sustainability	25 Very High	12 High	25 Very High	20 Very High
SRR02	Infrastructure (ICT Integration)	12 High	9 Moderate	12 High	9 Moderate
SRR05	Transformational Change Programme	9 Moderate	6 Moderate	12 High	6 Moderate
SRR06	Governance	9 Moderate	3 Low	9 Moderate	3 Low
SRR07	Demography and Inequality Pressures	16 High	12 High	16 High	12 High
SRR08	Workforce	12 High	9 Moderate	12 High	9 Moderate
SRR09	Local Impact of Scottish Government Policies	16 High	12 High	16 High	12 High
SRR12	Clinical and Care Governance	9 Moderate	9 Moderate	9 Moderate	9 Moderate
SRR13	Provider Failure (commissioned services)	12 High	12 High	16 High	16 High
SRR14	Asylum Arrivals	12 High	12 High	12 High	12 High

	SRR15	Risk of Harm	n/a	n/a	16 High	16 High
	SRR16	Growth and expansion of specialist complex care developments	n/a	n/a	25 Very High	15 High
2.8	The scoring of the risks is based the severity of the risk multiplied by the likelihood of it happening. The background to this is given in the extract of the approved risk management strategy in Appendix B.					
2.9	The operational risks of the partnership are regularly reviewed and considered at service management meetings. The Clinical and Care Governance Group is responsible for the oversight of operational risks within the partnership. The Group consider any High or Very High risks (as defined by the approved risk management strategy) and if required escalate these to the Partnership Senior Management Team (PSMT) for consideration for inclusion on the Strategic Risk Register.					
3.	PROPOSALS					
3.1	It is proposed to approve the risk register detailed in Appendix A including the action required to manage, mitigate and control the risks.					
3.2	<u>Anticipated Outcomes</u>					
	Risk management is an integral part of governance and it is essential that the IJB has assurance that risks are identified and managed appropriately to ensure the safe and sustainable delivery of services.					
3.3	<u>Measuring Impact</u>					
	The risk register will be monitored with the individual risk owners being responsible for keeping the register up to date under the overview of the Principal Manager – Finance. It is recommended that risk assessments be reviewed on an annual basis as a minimum. PAC will monitor the register to ensure the actions required to manage and control the risk are being progressed, with updates provided to the IJB and PAC at least annually.					
4.	IMPLICATIONS					
4.1	<u>Financial</u> None					
4.2	<u>Human Resources</u> None					
4.3	<u>Legal</u> None					
4.4	<u>Equality/Socio-Economic</u> None					
4.5	<u>Risk</u>					

	The report falls in line with the agreed risk appetite statement which is low -risk appetite in respect to adherence to compliance duties.
4.6	<u>Community Wealth Building</u> None.
4.7	<u>Key Priorities</u> Appropriate and effective risk management practice will deliver better outcomes for the people of North Ayrshire, protecting the health, safety and wellbeing of everyone who engages with the IJB or for maximising opportunity, delivering innovation and best value, and increasing performance.
5.	CONSULTATION
5.1	The strategic risks have been reviewed and agreed by the PSMT.

For more information please contact:

Eleanor Currie, Interim Chief Finance Officer – Finance at eleanorcurrie@north-ayrshire.gov.uk

Appendix A

Strategic Risk Register

Glossary of Terms

Term	Definition	Term	Definition
NAHSCP	North Ayrshire Health and Social Care Partnership	ARG	Allocation of Resources Group
SAHSCP	South Ayrshire Health and Social Care Partnership	ICT	Information and Computer Technology
EAHSCP	East Ayrshire Health and Social Care Partnership	MDTs	Multi-Disciplinary Teams
NHS/ NHS AAA	NHS Ayrshire & Arran	EKSF	Electronic Knowledge and Skills Framework
MTFP	Medium Term Financial Plan	TURAS	Training Management System
CRES	Cash Releasing Efficiency Savings	SPOG	Strategic Planning Officers Group
LD	Learning Disability	ICF	Integrated Care Fund
IJB	Integrated Joint Board	RMP	Records Management Plan
PSMT	Partnership Senior Management Team	CPAG	Child Poverty Action Group
NAC	North Ayrshire Council		

Appendix B

Extract from the Risk Strategy on Risk Scoring

SEVERITY CONSEQUENCE MATRIX - Description and definition of the CONSEQUENCE / IMPACT of the risk should it occur (these are a guide)

Severity

“Domains”	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
Objectives and projects	<ul style="list-style-type: none"> ▪ Barely noticeable reduction in scope / quality / schedule 	<ul style="list-style-type: none"> ▪ Minor reduction in scope / quality / schedule 	<ul style="list-style-type: none"> ▪ Reduction in scope or quality, project objectives or schedule. 	<ul style="list-style-type: none"> ▪ Significant reduction in ability to meet project objectives or schedule. 	<ul style="list-style-type: none"> ▪ Inability to meet project objectives, reputation of the organisation seriously damaged and failure to appropriately manage finances.
Injury (physical and psychological) to patients/staff.	<ul style="list-style-type: none"> ▪ Adverse event leading to minor injury not requiring first aid. 	<ul style="list-style-type: none"> ▪ Minor injury or illness, first-aid treatment needed. No staff absence required. 	<ul style="list-style-type: none"> ▪ Significant injury requiring medical treatment and/or counselling. 	<ul style="list-style-type: none"> ▪ Major injuries or long-term incapacity/ disability (loss of limb), requiring medical treatment and/or counselling. 	<ul style="list-style-type: none"> ▪ Incident leading to death or major permanent incapacity.
Patient experience / outcome	<ul style="list-style-type: none"> ▪ Reduced quality of patient experience / clinical outcome not directly related to delivery of clinical care. 	<ul style="list-style-type: none"> ▪ Unsatisfactory patient experience / clinical outcome directly related to care provision – readily resolvable 	<ul style="list-style-type: none"> ▪ Unsatisfactory patient experience / clinical outcome, short term effects – expect recovery < 1Wk 	<ul style="list-style-type: none"> ▪ Unsatisfactory patient experience / clinical outcome, long term effects - expect recovery > 1Wk 	<ul style="list-style-type: none"> ▪ Unsatisfactory patient experience / clinical outcome continued ongoing long-term effects.

Complaints / claims	<ul style="list-style-type: none"> Locally resolved complaint 	<ul style="list-style-type: none"> Justified complaint peripheral to clinical care 	<ul style="list-style-type: none"> Below excess claim. Justified complaint involving lack of appropriate care. 	<ul style="list-style-type: none"> Claim above excess level. Multiple justified complaints. 	<ul style="list-style-type: none"> Multiple claims or single major claims.
Staffing and competence	<ul style="list-style-type: none"> Short term low staffing level (< 1 day), where there is no disruption to patient care. 	<ul style="list-style-type: none"> Ongoing low staffing level results in minor reduction in quality of patient care Minor error due to ineffective training / implementation of training. 	<ul style="list-style-type: none"> Late delivery of key objective / service due to lack of staff. Moderate error due to ineffective training / implementation of training. Ongoing problems with staffing levels 	<ul style="list-style-type: none"> Uncertain delivery of key objective / service due to lack of staff. Major error due to ineffective training / implementation of training. 	<ul style="list-style-type: none"> Non delivery of key objective / service due to lack of staff. Loss of key staff. Critical error due to insufficient training / implementation of training.
Service / business interruption	<ul style="list-style-type: none"> Interruption in a service which does not impact on the delivery of patient care or the ability to continue to provide service 	<ul style="list-style-type: none"> Short term disruption to service with minor impact on patient care. 	<ul style="list-style-type: none"> Some disruption in service with unacceptable impact on patient care. Temporary loss of ability to provide service. 	<ul style="list-style-type: none"> Sustained loss of service which has serious impact on delivery of patient care resulting in major contingency plans being invoked. 	<ul style="list-style-type: none"> Permanent loss of core service or facility. Disruption to facility leading to significant “knock on” effect.
Financial	<ul style="list-style-type: none"> Negligible organisational financial loss (£< 1k). 	<ul style="list-style-type: none"> Minor organisational financial loss (£1-10k). 	<ul style="list-style-type: none"> Significant organisational financial loss (£10-100k). 	<ul style="list-style-type: none"> Major organisational financial loss (£100k-1m). 	<ul style="list-style-type: none"> Severe organisational financial loss (£>1m).
Inspection / assessment / audit	<ul style="list-style-type: none"> Small number of recommendations which focus on minor quality improvement issues. 	<ul style="list-style-type: none"> Minor recommendations made which can be addressed by low level of management action. 	<ul style="list-style-type: none"> Challenging recommendations but can be addressed with appropriate action plan. 	<ul style="list-style-type: none"> Enforcement Action. Low rating. Critical report. 	<ul style="list-style-type: none"> Prosecution. Zero Rating. Severely critical report.

Adverse publicity / reputation	<ul style="list-style-type: none"> No media coverage, little effect on staff morale. 	<ul style="list-style-type: none"> Local Media – short term. Minor effect on staff morale / public attitudes. 	<ul style="list-style-type: none"> Local Media – long term. Impact on staff morale and public perception of the organisation. 	<ul style="list-style-type: none"> National Media (< 3 days). Public confidence in the organisation undermined. Usage of services affected. 	<ul style="list-style-type: none"> National Media (> 3 days). MP / MSP Concern (Questions in Parliament).
Organisational / Personal Security, and Equipment	<ul style="list-style-type: none"> Damage, loss, theft (£< 1k). 	<ul style="list-style-type: none"> Damage, loss, theft (£1-10k). 	<ul style="list-style-type: none"> Damage, loss, theft (£10-100k). 	<ul style="list-style-type: none"> Damage, loss, theft (£100k-1m). 	<ul style="list-style-type: none"> Damage, loss, theft (£>1m).

	1 Remote	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
Probability	<ul style="list-style-type: none"> Will only occur in exceptional circumstances. 	<ul style="list-style-type: none"> Unlikely to occur but definite potential exists. 	<ul style="list-style-type: none"> Reasonable chance of occurring – has happened before on occasions. 	<ul style="list-style-type: none"> Likely to occur – strong possibility. 	<ul style="list-style-type: none"> The event will occur in most circumstances.

Risk Rating

LIKELIHOOD	SEVERITY				
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
5 Almost Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Remote	1	2	3	4	5

Risk Ref	Description of Risk	Mitigations/Control Measures	Gross Risk					Residual Risk					Risk Tolerance / Appetite	
			Previous Score	Severity	Probability	Score	Rating	Proposed New Control Measures	Previous Score	Severity	Probability	Score		Rating
SRR01	Financial Sustainability of the Health and Social Care Partnership - Resources have not kept pace with the demand for and cost of social care services. The budget settlement for 2024-25 was extremely challenging with a gap of over £10m across the IJB. Financial modelling suggests significant ongoing challenges across the medium-term. The 25/26 budget is even more challenging including the impact of Employers NI contributions for the partnership and providers. There is no certainty around future funding against growing demand, increasing costs and demographic pressures, with one-year budget settlements remaining in place. The ongoing work to review the Integration Scheme and to develop new risk-sharing arrangements between the Council and Health Board in relation to the acute set aside and primary care prescribing present a financial risk to the Partnership and Council. An overspend in the region of £4.980m; the reserves held by the Partnership are being fully utilised to support the 2024/25 outturn, with the recommended minimum level being 2%. Low-volume high-cost care packages and care placements and an increasing reliance on agency staff continue to present a particular financial challenge to the Partnership.	The IJB actively monitors the financial position with regular detailed reporting. Directors of Finance of the Council and Health Board have oversight and regular updates are provided to the Council's Cabinet. There is an integrated approach to managing the totality of NHS and Council resources delegated to the IJB. A three-year Medium-term Financial Outlook is updated on a rolling basis each year. Previous financial settlements have seen both partners meet the Scottish Government settlement conditions with any additional resources passed to the IJB. A financial recovery plan has been in operation since June 2024 and has targeted reductions in care at home, care homes, supplementary staffing costs including in ward areas and children's residential placements. Review of expenditure authorisation levels across the Partnership and escalation of specific decisions to senior officers. In particular, a new governance group has been introduced, involving the Director and Heads of Service, to oversee the agreement of higher value packages of care (above £40,000 per annum). Staff communication in relation to discretionary/non-essential spend. Review of temporary posts and robust vacancy management/approval. The vacancy scrutiny group now has representation from all of the Heads of Service and a recruitment freeze will be implemented for all but essential frontline posts. Restrictions on all but essential overtime working. Ongoing review of future year savings or transformation programmes to identify scope for acceleration. In order to facilitate greater scrutiny of the financial position and the delivery of the financial recovery plan during 2024/25, the IJB agreed at the June meeting to establish a 'Finance Working Group', chaired by the IJB Vice Chair. The Director and Heads of Service will be members of the group. This group meets monthly to facilitate increased oversight and scrutiny of the financial position and transformation programme as well as detailed budget planning for future financial years.	25	5	5	25	Very High	Transformation Plan 2024-2027 - targets are being set against the transformation plan and these will be included in the 2025-26 budget setting paper. Savings for 2025/26 to be aligned to transformation plan but also service and capacity reductions to reduce spend, particularly for areas of recurring overspend. All recovery plan actions will be maintained into 2025/26 as will the operation of the high cost care package group and vacancy controls. The finance working group will continue to meet throughout 2025-26 and assist in the planning of the 2026-27 budget setting. The Chief Officer and Chief Finance officer will continue to lobby the Scottish Government and make the case for investment in community based Health and Social Care and to recognise the demographic impact of demand and resources in North Ayrshire.	12	4	5	20	Very High	Treat
SRR02	Infrastructure - ICT System Integration and Property - lack of an integrated IT system to meet the needs of NAHSCP leading to non-robust and inefficient information recording and sharing resulting in inefficient business models, duplication of effort, inaccurate or lack of data on service demand and delivery and risk to service users, patients and staff.	* Some pockets of agile and remote working have been implemented and work continues to roll these initiatives out to improve efficiency. * Access to systems can be requested to allow NHS-Partnership staff access to NAC systems, and NAC-Partnership staff access of NHS systems. * Work has progressed to reduce the number of MH ancillary recording systems and consolidate data on centralised systems. * Working from home has accelerated the use of technology with more business being conducted via MS Teams. * HSCP systems and performance team supporting work across the partnership and progressing developments and issues with systems * Agreeing final training requirements for the new Eclipse implementation - replacing CareFirst. * NHSAAA are undertaking a review of all MS Access databases in use for removal to centralised systems. - local review linked to MH reporting completed to plan removal * Implementation of Trakcare functionality within Adult Community Mental Health Services to manage patient clinics across all three Partnerships. * Ensure that there are local arrangements in place to manage local risk. * MH Digital Transformation board established * MH digital business case being developed to address future planning needs. * Digital pilot for CYP neurodevelopment transformation with Strata Health. * Optimising existing estate to address complex care needs.	12	4	3	12	High	* Develop NAHSCP Digital & Data Strategy * Develop strategic direction with NHSAAA, EAHSCP and SAHSCP. * Replacement of the current social care system will include consideration of functionality which will support health service data requirements * A pan-Ayrshire initial meeting took place with NHS in Jan 2023 to agree that the use of the NHS Orion platform for data integration would be of benefit to partnerships teams - a scoping exercise is now underway by NHS IT to review how this platform works in practice within Glasgow for implementing locally - NHS have provided the 2024 development roadmap for an Integrated Care Record - NHS networks investigating how to improve connectivity to social work employees from Ayrshire Central Hospital	9	3	3	9	Moderate	Tolerate
SRR05	Transformational Change Programme - failure to deliver the transformational change required to meet current and future demands and ensure our long term financial sustainability.	* Senior Manager leading on the delivery of the Transformation Plan. * NAHSCP Transformation Board for oversight of programme development and delivery. * Reporting regularly to NAHSCP Integration Joint Board. * Development of Workforce Plan, and Digital and Data Plan, to ensure alignment with transformed products and services. * Risk register to manage risks escalated to the Board. * Alignment of service change/transformation plans to Strategic Plan priorities * Scheduled meetings with Planning Managers to ensure effective communication throughout the change process on a 4 weekly basis. * Cross fertilisation and knowledge transfer of Planning Managers. * Raise awareness of Programme within the three parent organisations (including elected members and board members) via established reporting arrangements.	9	4	3	12	High	* Development of Transformation Board tracker and dashboard for both high level oversight and instant access to latest updates from planning managers at project level. * Review plan and approach ahead of 25-26. * Incorporate any recommendations from internal audit. * Link Transformation Plan with review and update of Strategic Commissioning Plan to ensure the plan balances the need for short terms savings with long term financial sustainability, balancing 'current and future demands'. * Pan-Ayrshire Digital & Data Group to develop digital capability. * Closer monitoring of engagement with transformation projects to ensure work is prioritised appropriately in the current operating context.	6	3	2	6	Moderate	Treat
SRR06	Governance - IJB governance arrangements are not conducive to effective working and decision making. Leading to a lack of confidence in the IJB and reputational damage. Failure to comply with governance requirements such as Freedom of Information, Complaints and other regulations laid down within the Public Bodies (Scotland) Act. This could lead to a breach of specific regulations resulting in enforcement action from governing bodies, adverse public reaction and/or prosecution.	* Appropriate arrangements in place for representation at the IJB and sub-committees * Integration Scheme, Strategic Plan, Standing Orders and Code of Conduct in place. * Policies and procedures developed and in place for each function including Complaints, FOIs/Adverse Events for both HSCP and IJB. * Operational Governance / Delivery groups in place to ensure appropriate action planning and monitoring including Performance and Audit Committee, Clinical and Care Governance Group, Adverse Events Review Group, Health and Safety Groups and the Staff Partnership Forum. * IJB receives 6 monthly updates on Clinical and Care Governance activity including details of adverse events; significant case review; complaints. This update includes details of outcomes and lessons learned. The Adverse Event Review Group now includes a fortnightly update for all AERs across the North HSCP. * Approved a Risk Management Strategy, Strategic Risk Register and risk appetite statement. * Health and Care Governance Framework in place	9	3	3	9	Moderate	* Development of IJB member induction programme was paused during pandemic but has now been finalised and two sessions have taken place with a further two planned for May and September. * IJB Carer Representative was appointed following a successful recruitment campaign. Additional stakeholder appointments still to be confirmed. * HSCP reviewing resourcing and capacity for demand to undertake SAERs. Proposal to enhance process with training and reviewing capacity across the three HSCPs. * Pan Ayrshire Review of Integration Schemes is underway. * Pan Ayrshire Working Group on Directions has been established focusing on governance, joint commissioning plans, set aside and lead partnership arrangements. * Refresh of induction programme for new IJB members and refresher of code of conduct and standing orders planned during 2025.	3	3	1	3	Low	Treat

Risk Ref	Description of Risk	Mitigations/Control Measures	Gross Risk					Residual Risk					Risk Tolerance / Appetite	
			Previous Score	Severity	Probability	Score	Rating	Proposed New Control Measures	Previous Score	Severity	Probability	Score		Rating
SRR07	Demography and Inequality Pressures - failure to adequately plan for and respond to changes in our population profile and in the levels of poverty in North Ayrshire will result in more people experiencing higher levels of physical and mental ill health, resulting in increasing demand on services, an inability of services to provide adequate care and negative impact on health and wellbeing.	<ul style="list-style-type: none"> The HSCP Strategic Plan 'Caring Together' 2022-30 shows the HSCPs commitment to addressing local inequalities by retaining the key priority of Tackling Inequalities. It also identifies early and effective support as a priority which includes early and effective support to ensure we are monitoring how demographic changes may influence future needs Demography increases are factored into budget planning to ensure the resource requirements are understood and funding is identified to meet needs The transformation programme is focused on reviewing services and ensuring transformation of services is focussed on meeting the needs of service users Equality and Children's Rights Impact Assessments are carried out for new policies, proposed projects and service change proposals which are considered by IJB to inform decision making. These integrated assessments consider impacts for protected characteristics, socio-economic disadvantage, island consideration and impacts on consumers of services. The HSCP has carried out engagement with groups with shared characteristics in order to revise the Equality Outcomes and set new outcomes for 2025-2029 which focusses on inequalities for faced by people with shared characteristics The Community Link Worker service is now embedded in localities to assist individuals to understand the full range of formal and informal community-based services available to them The HSCP is an active participant of the North Ayrshire Community Planning Partnership contributing to the delivery of the identified local outcomes of the Partnership Plan: Work, World and Wellbeing. This plan aims to identify local inequalities and make improvements through partnership working Many HSCP services target inequalities as part of their business as usual, such as the Money Matters service to support financial inequality, Justice services which offers greater support for those with experience of the justice system, the Carers service, and the Alcohol and Drug Partnership 	16	4	4	16	High	<ul style="list-style-type: none"> The Strategic Plan is due to be reviewed in 2025 to ensure it is still fit for purpose and responsive to changing needs. This includes consideration of a Strategic Needs Assessment to monitor changing demographics and plan for services that meet changing needs. The strategic needs assessment is in development and due for completion in Autumn 2025 The HSCP will review the priorities of the Strategic Plan to factor in sustainability of the organisation, including demographic and workforce challenges and transformation and respond to new demographic data from the Census through the strategic needs assessment. The Equality Outcomes for 2025-2029 will be published in spring 2025 which will aim to address health and care inequalities form protected groups We will develop a Participation and Engagement Strategy which will outline our approach to ensuring active participation with disadvantaged groups, as well as how we will generally collect and respond to the voices of our service-users. This will help us identify inequalities and respond. We will publish a new Learning Disability strategy to ensure people with a learning disability will have greater opportunities to develop skills and access meaningful paid employment We work closely with Housing colleagues to ensure formerly looked after young people can access a positive and stable housing destination. We are currently revising the Housing Contribution statement to ensure housing and the HSCP work together and respond to changing demographic needs. 	12	3	4	12	High	Treat
SRR07 (cont)		<ul style="list-style-type: none"> Our commissioning and procurement process adopt ethical approaches, ensuring all commissioned services do not discriminate against any particular groups and provide real actionable community benefits We have increased support for carers by investing in the carers gateway service which has allowed additional recruitment and a locality-based model, which has led to increased new referrals and carer support plans being carried out We have reduced Occupational Therapy waiting times through additional investment, which can support people to live independently for longer, which is responsive to our ageing population with increasingly more complex needs We have embedded the Money Matters service into GP practices and secondary schools to improve access to financial advice and income maximisation services for local families. 						<ul style="list-style-type: none"> In our Drug and Alcohol Services, we are implementing actions to reduce the number of local drug and alcohol related harms and deaths. This includes implementing the national MAT (Medicated Assisted Treatment) standards and increasing the number of ABIs (Alcohol Brief Interventions) delivered across North Ayrshire. North Ayrshire is one of 3 areas in Scotland as part of the CHES programme (Collaboration for Health Equity Scotland) which launched in February 2025 - this programme is a partnership between NAC and the IJB and will involve all public sector partners to determine: <ul style="list-style-type: none"> What are the most impactful areas for intervention for Scotland to make meaningful progress in closing the inequalities gap in healthy life expectancy? What action can be taken to enable national and local organisations to work more effectively together to close the recognised implementation gap between policy intent and impact? 						
SRR08	Workforce - failure to recruit and retain and plan workforce requirements effectively leading to an insufficient workforce (number of staff, key roles and competency levels), resulting in a reduction in capacity to safely and effectively care for local people and a negative impact on service user and patient's needs being met	<ul style="list-style-type: none"> The Workforce Plan for 2022-2025 aims to address the changing needs due to demographic changes, and challenges with recruitment and the workforce. It is in its final delivery year. HR and Service leads meet and will continue to meet on a quarterly basis to update, review and amend work force plan in accordance with service demands and future planning requirements in mind. A new Learning and Development Strategy was published for 2023-2028, outlining how we will ensure a trained and supported workforce. A number of ongoing measures are being taken to improve recruitment in care: Locality based recruitment events are hosted by the Care at Home service, engagement with local secondary schools to expand the range of work experience and modern apprentice options that are available to promote a career in care, engagement with Ayrshire College to refine and expand the range of options available for students to experience service delivery in North Ayrshire. A new workforce data analyst post was created and was recruited in 2024. This will allow better coordination of workforce data and will support services to use this data to respond to changing needs The iMatter staff experience survey and What Matters to You? Engagement continues, to ensure senior managers are able to get feedback from employees about what is important to them in the workplace. Collaborative recruitment in A&A for areas including ICT, Primary Care Implementation plan, Mental Health and Clinical Leadership Exit interviews with staff to understand reasons for leaving, using this intelligence to inform plans to improve working conditions and role satisfaction We work with local providers to understand the pressures they face and support them, supporting the implementation of the Scottish Living Wage and fair work agenda The vacancy scrutiny group identifies key issues and ensures essential posts are recruited timeously. 	12	4	3	12	High	<ul style="list-style-type: none"> The current Workforce Plan is in place until October 2025. The Scottish Government has recognised the pressures HSCPs and NHS Boards are under and have instead circulated a template to highlight workforce challenges to the Government, such as hard to fill posts, managing vacancies, supply challenges. It is anticipated that this will lead to further guidance from the Government and a replacement workforce plan will be pursued following advice, when resources allow. The strategic needs assessment being developed for the Strategic Plan will inform future demographic challenges for the workforce. Some actions identified in the Workforce Plan 2022-2025 have not been concluded, such as Succession Planning guidance or career pathway planning, those will remain priority actions. Workforce service plans being reviewed developed in alignment with national and local strategy with service redesign to optimise existing workforce capacity and address demand. This is across all areas starting with high priority risks. Increased focus on vacancy management and recruitment alongside service impact and for service areas with workforce shortage proactively looking to skill mix and different roles to address recruitment challenges - examples being SLT and OT. 	9	3	3	9	Moderate	Treat
SRR09	Local Impact of Scottish Government Policies: risk of further legislative, policy developments or change which impacts on the IJBs ability to deliver on strategic objectives, examples include the Promise, the Living Wage, Free Personal Care and other future policy developments including the now amended National Care Service. The impact being the inability to deliver on these alongside strategic plan commitments and objectives and the impact of funding for new policy and legislative commitments.	<ul style="list-style-type: none"> Horizon scanning for policy developments through partners, professional networks including links with Scottish Government policy teams Regular liaison with Scottish Government and COSLA senior officers Attendance and participation at the national Chief Officer network. Responses to consultations on potential implementation of new policy areas Early impact assessments locally for national policies, including operational and financial service impact Financial modelling to respond to requests for information to support full funding Fully brief IJB members and wider partners on policy implications for the IJB to gather support and awareness of any implementation issues or concerns 	16	4	4	16	High	<ul style="list-style-type: none"> Promote and develop pan-Ayrshire approaches to impact assessment of policy implementation Reinforce the role of Elected Members and IJB members to influence Scottish Government decision making through political routes. Ensure appropriate representation and views in the development of the National Care Service Advisory Board when established. 	12	4	3	12	High	Treat

North Ayrshire Integration Joint Board
Strategic Risk Register

Risk Ref	Description of Risk	Mitigations/Control Measures	Gross Risk				Proposed New Control Measures	Residual Risk				Risk Tolerance / Appetite		
			Previous Score	Severity	Probability	Score		Rating	Previous Score	Severity	Probability		Score	Rating
SRR12	Clinical and Care Governance: Failure to have an appropriate framework in place leading to an adverse impact on the culture resulting in a reduction in the quality of the delivery of the highest quality of care and support is understood.	<ul style="list-style-type: none"> *continuous review of arrangements for Clinical and Care Governance are essential for the delivery of statutory, policy and professional requirements and the achievement of our quality ambitions. *ongoing review of established structures and processes to assure Integration Joint Boards, Health Boards and Local Authorities *empowering clinical and care staff to contribute to the improvement of quality *making sure that there is a strong voice of the people and communities who use our services. * ensure that professional leadership develops good governance for each of the following components: culture, systems, practices, performance, vision and leadership. delivery of the highest quality of care and support is understood to be the responsibility of everyone working in the organisation - built upon partnership and collaboration within teams, and between health and social care professionals and managers. * Health and community Care have developed a governance Board to ensure feedback to the overarching Clinical and Care Governance arrangements. 	9	3	3	9	Moderate	<ul style="list-style-type: none"> * Continue to develop and monitor key performance indicators and report effectively through governance framework. * Ensuring we further develop clear and consistent reporting frameworks acknowledging the growing risks posed to service delivery due to financial and resource constraints. 	9	3	3	9	Moderate	Tolerate