

Medium Term Financial Plan

2023/24 - 2026/27



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1.0 Introduction

The medium-term financial plan (MTFP) provides a framework to enable the Integration Joint Board (IJB) to effectively allocate its financial resources. Financial planning sits at the heart of good public sector financial management. Alongside performance management and stakeholder reporting, the ability of the IJB to look strategically across the medium term is essential to supporting resilience and long-term financial sustainability.

Given the current level of global economic uncertainty, the impact of the war in Ukraine, the cost of living crisis, Brexit and Covid pandemic uncertainties and the widespread pressures on public spending, it is vital the IJB has a thorough understanding of the financial outlook and plans effectively for the future.

Developing a medium-term financial plan will help to balance the financial implications of objectives and policies against constraints in financial resources, allowing effective decision making and providing a clear and concise view of future sustainability. Along with the Workforce Plan, the MTFP forms a pivotal link to translate the organisation's ambitions and constraints, as expressed through the IJB Strategic Plan, into deliverable options for the future.

2.0 National Context

Legislation

The IJB's role and function is set out in the Public Bodies (Joint Working) (Scotland) Act 2014. The legislation provides a framework for the integration of health and social care services. The main principles of integration are:

- To improve the quality and consistency of care for patients, carers, service users and their families.
- To provide services in a way which, so far as possible, is integrated from the point of service users and enables people to stay in their homes, or another residential setting in the community, where it is safe to do so.
- To ensure that available facilities, people, and other resources are used most effectively and efficiently, in a way that anticipates the needs (and prevents them arising) of the growing and aging population.

IJB's have been set up to challenge the status quo and can do this by identifying innovative and effective ways to change how services are currently delivered and how funds are allocated. It is recognised nationally that the challenges facing the health and social care system mean that the behaviour, planning and delivery across services must change.

UK Government Budget

The UK Government published its [Autumn Statement 2022](#) in November 2022. The Office of Budget Responsibility's [Economic and fiscal outlook 2022](#) was also published in November 2022. Both followed the 17 October 2022 fiscal statement which reversed most of the measures within the former Chancellor's mini-budget announced on 23 September 2022.

The October fiscal statement was designed to ensure the UK's economic stability and provide confidence in the government's commitment to fiscal discipline.

The Autumn Statement and OBR's economic and fiscal outlook are the key UK documents when considering the IJB's medium-term financial plan. Headline figures from the OBR outlook include:

- The Office for Budget Responsibility judges the UK to be in recession, meaning the economy has slowed for two quarters in a row
- It predicts growth for 2022 overall of 4.2%, but size of the economy will shrink by 1.4% in 2023
- Growth of 1.3%, 2.6%, and 2.7% are predicted for 2024, 2025 and 2026
- The UK's inflation rate is predicted to be 9.1% this year and 7.4% next year
- Unemployment is expected to rise from 3.6% to 4.9% in 2024
- The UK Government will give itself five years to hit debt and spending targets, instead of three years currently

In terms of the autumn statement, the Chancellor revealed tax rises and spending cuts worth billions of pounds aimed at mending the nation's finances. Details included:

- Increases to the legally enforceable minimum wage, state pension payments, means tested and disability benefits.
- A freeze on income tax personal allowance and higher rate thresholds. Similar freezes for National Insurance and inheritance tax thresholds.
- Extension of the household energy price cap but at less generous levels.

- Scheduled public spending to be maintained until 2025 but to then grow more slowly than previously expected. In England, NHS budget will increase by £3.3bn a year for the next two years, and spending on schools by £2.3bn. Defence spending to be maintained at 2% of national income - a Nato target. Overseas aid spending kept at 0.5% for the next five years, below the official 0.7% target.
- Support worth £13.6bn over next five years to help firms with business rates, including a mixture of freezes and reliefs.
- Lifetime cap on social care costs in England due in October 2023 delayed by two years. Social housing rent increases in England capped at 7% from April 2023, instead of 11% due to inflation.

Scottish Government Budget

Resource Spending Review

The Scottish Government published its [Resource Spending Review](#) in May 2022 setting out high level parameters for resource spend up to 2026/27 and offering partners a strategic funding framework to plan for the future.

Planning assumptions were set out at a higher level than previous spending reviews and more detailed spending plans, including how key priorities will be funded, will be set out in the 2023/24 Scottish Budget and subsequent annual budgets.

The spending review provides an overarching financial framework focusing on four key Scottish Government priorities:

- Tackling child poverty;
- Addressing the climate crisis;
- Securing a stronger, fairer, greener economy; and
- Delivering excellent public services.

The Revenue Spending Review aims to provide a medium-term funding framework but there are limitations including the uncertainties arising from UK Government spending decisions (including Barnett consequential) and challenges with a relatively slow growth in the income tax base compared to other parts of the UK.

Policy decisions to prioritise spending on social security benefits, forecast to increase from £3.9 billion this year to £6.4 billion in 2026/27 - an increase of 48% in real terms - mean there is less scope within the overall funding envelope for other areas and budgets for local government, the police, prisons, universities and rural affairs are due to fall by around 8% in real-terms over the next four years. Spending on enterprise, tourism and trade promotion is set to fall even further - by 16% in real terms over the same period. The relative winners are health and some smaller service areas. Spending on health is set to increase by 2.6% in real-terms over the next 4 years, although this will almost certainly be slower than is needed to meet rising costs and demands. Indeed, on this basis, health services could really struggle over the next few years.

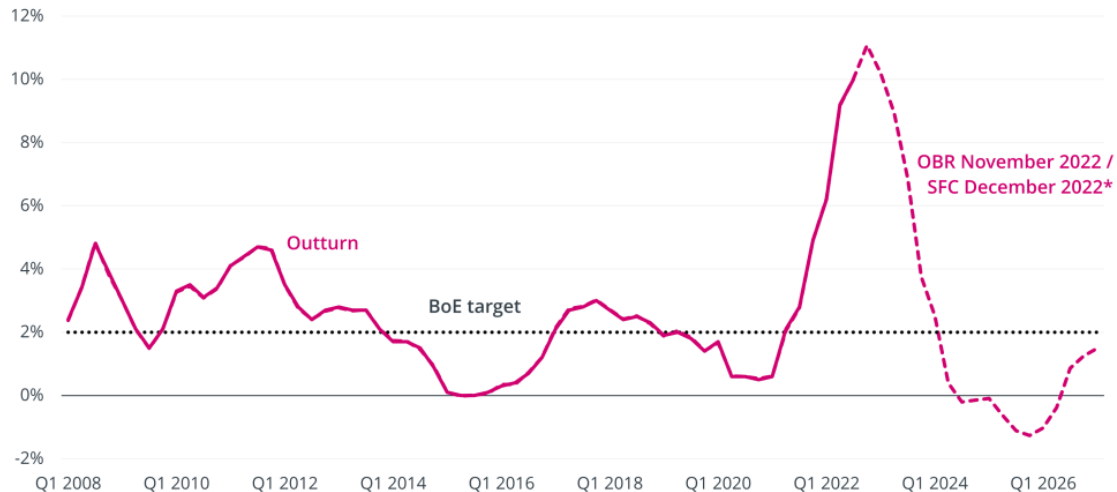
There is a strong message of public sector reform within the review, rather than uniform budget increases across portfolios, in order that resources are targeted effectively to deliver the best outcomes for Scotland. There is a need to reset public finances, re-energise the drive for innovation and efficiency and a desire to return the overall size of the public sector workforce broadly to pre-COVID-19 pandemic levels, while supporting expansion in key areas of service delivery, helping to hold total pay bill costs - as opposed to pay levels - at 2022/23 levels.

Scottish Government Budget 2023/24

The Scottish Government set out their proposed spending and tax plans for 2023/24 in the [Scottish Budget: 2023/24](#) report published on 15 December 2022.

Scottish Fiscal Commission (SFC) forecasts accompanied the Scottish budget and outlined Scotland's expected future economic performance. Its December forecasts for 2023/24 largely mirror the UK-wide forecasts produced by the Office for Budget Responsibility (OBR) published ahead of the chancellor's autumn statement.

The SFC's inflation forecast for Scotland is the same as the OBR's for the UK as a whole. It projects inflation will fall from 8.9% to 2.5% in 2023/24, before turning negative in 2024/25.



Source: Institute for Government analysis of Office for Budget Responsibility, Economic and Fiscal Outlook, November 2022 and Scottish Fiscal Commission, economic and fiscal forecasts, December 2022.



Notes: *The SFC forecast for inflation in Scotland is identical to the OBR forecast for the UK as a whole.

The SFC expects the fall in real-terms earnings in Scotland to be more severe in 2022/23, but to perform better than the rest of the UK from 2023/24. Real-terms earnings are forecast to fall by 5.2% in Scotland in 2022/23, compared to the OBR forecast of 4.3%. They are expected to rise again from 2024/25 but are not expected to be higher than 2016 levels until at least 2026/27.

In the 2023/24 budget, total Scottish government revenue is projected to be £54.1bn. Real-terms revenue is similar to 2022/23 (including in-year revenue changes, such as additional [Barnett consequentials](#)). The block grant from the UK government (after adjustments) is £29.4bn, or 54% of forecast revenue. Including non-Barnett allocations it rises to £30.4bn, or 60%.

Devolved income and property transaction taxes are expected to raise £19.6bn or 38%, with £15.8bn from income tax. Capital borrowing is expected to account for just £450m (1%). Other minor revenue sources, such as landfill tax and income from fines, account for the remainder.

The Scottish Budget included a rise in income tax for wealthier Scots, increasing the 'higher' and 'top' rates of tax from 41% to 42%, and 46% to 47%, respectively. This continues a policy of divergence in income tax rates from those set by the UK government. The equivalent rates elsewhere in the UK are 40% and 45% (the higher rate is also applied at a lower level of income in Scotland thanks to repeated freezing of the higher rate threshold).

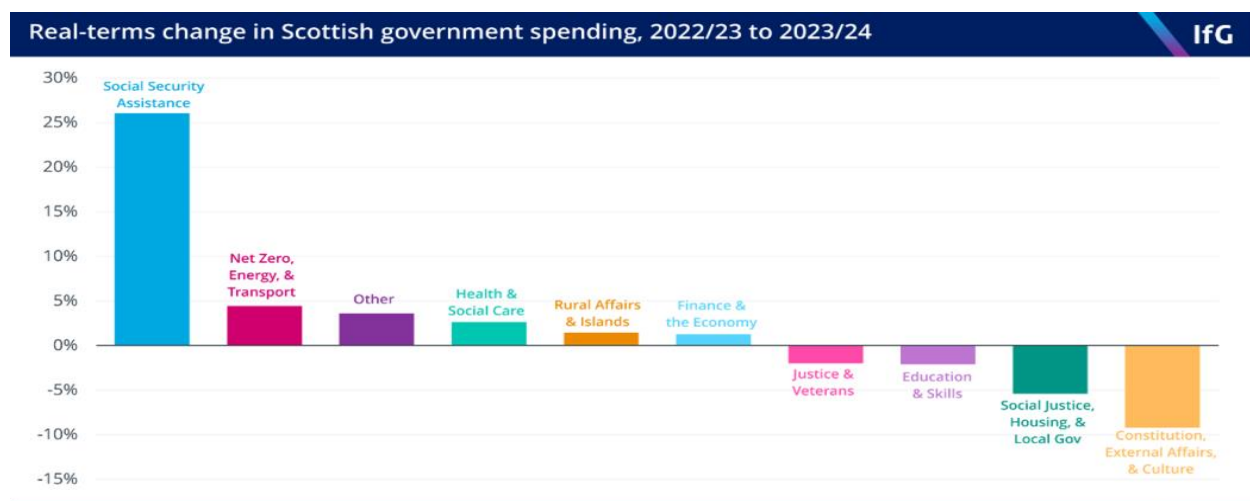
The Scottish government followed the announcement made by chancellor Jeremy Hunt in the autumn statement by reducing the additional rate threshold from £150,000 to £125,140.

Over two thirds of Scottish government spending is allocated to two ministerial portfolios. The health and social care portfolio makes up 39%, at £18.8bn; the social justice, housing, and local government portfolio accounts for 32%, at £15.2bn.

The Scottish government has prioritised spending increases for the NHS and expanding eligibility for and the level of social security payments. The SFC projects that social security spending will increase by 5.5% in 2023/24, due to expanded eligibility and the up-rating of Scottish government benefits in-line with CPI inflation.

In the medium term, social security spending will take up a larger proportion of the Scottish government’s overall budget. The UK government adjusts the Barnett formula allocation to fund social security provision in Scotland at UK rates, but the Scottish government has widened the scope of existing payments and introduced additional payments, such as the Scottish Child Payment.

Spending on the rest of the social justice, housing, and local government portfolio is expected to fall in real terms. The constitution, external affairs, and culture portfolio will also fall sharply, driven partly by a reallocation of £20m previously allocated for a 2023 independence referendum.



Source: Institute for Government analysis of the 2022/23 Scottish budget, 2022/23 autumn budget revision, and 2023/24 Scottish budget. Real-terms figures calculated using the GDP Deflator. 2022/23 spending was calculated based on the 2022/23 budget and the changes made in the autumn budget revision. Social security assistance is shown separately from the rest of the Social Justice, Housing, and Local Government portfolio.



Audit Scotland Overview Reports

Audit Scotland has continued to publish a series of annual reports and bulletins that provide a high-level, independent analysis of the financial performance of councils, health boards and IJBs. The latest report, *Local government in Scotland: Financial bulletin 2021/22*, was published in January 2023 and notes Councils' financial position at the end of 2022/23. It sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis. The Accounts Commission's wider local government overview report will be published in May 2023 and will include further analysis of the financial information presented in the latest bulletin.

While the financial health of the Scottish public sector has benefitted from short term covid funding, the common message across each of these Audit Scotland reports has been the non recurring nature of covid funding and underlying (recurring) financial sustainability pressures that often pre-date covid, with a need to review and prioritise services and deliver recurring savings. This message is consistent with UK and Scottish Government statements which stress tightening public finances and the need to reform.

3.0 Local Context

Falkirk Council and NHS Forth Valley are the IJBs main partners, contributing funding to the IJB which in turn the IJB then directs towards service delivery. The financial strategies of both Falkirk Council and NHS Forth Valley are therefore critical to the IJB's own medium-term financial plan.

In addition, the IJB's Strategic Plan and Workforce Plan form key parts of the integrated strategic planning necessary, along with the medium-term financial plan, to deliver the IJB's aspirations and priorities.

Falkirk Council Financial Strategy

The Falkirk Council [Financial Strategy](#) was presented to committee in September 2022 and sets out a projected funding gap for the next four years (to 2026/27) of £69m. This is heavily front loaded with year one (2023/24) requiring £33.5m to balance the budget. A broad range of assumptions have been made to calculate the £69m and there is therefore the potential for the gap to shift significantly as more definitive information becomes available.

The Strategy has two main themes – Corporate Accounting Proposals and Service Proposals. In terms of corporate accounting proposals, the Strategy provides updated information on service concessions, a Council Tax Strategy sets out a plan to increase Council Tax to the Scottish average over a five-year period and the Council has the option to reduce borrowing for capital investment which in turn will reduce costs to the revenue budget. In terms of service proposals, the Council has recognised that it needs an ambitious change programme to support delivery of its vision and priorities. The Council is committed to taking a transformation approach where possible, streamlining and generating efficiencies across all Services. However, given the scale of the challenge it is unlikely that this will be enough to balance the budget. The Strategy sets out three routes to financial savings by Services:

- Council of the Future - Transformation projects
- Council of the Future Improvement activity which will include transformation enabler projects, efficiency and continuous improvement initiatives which will be reported through Service Plans
- Service reductions

NHS Forth Valley Financial Strategy

The Scottish Government required NHS Boards to produce three-year financial plans for the first time in 2019/20. This flowed from the Scottish Government's Medium Term Financial Framework which stated that Health Boards will no longer be required to break even at the end of each financial year and instead will be required to break even over a three-year period. While these plans were interrupted during the Covid pandemic, Scottish Health Boards are again now required to adhere to a break-even position over a three-year period.

In March 2019 Forth Valley Health Board approved the five-year revenue financial plan for 2019/20 to 2023/24. A new 5 year plan will be due shortly.

The current plan has a focus on delivering better value by driving out waste, inefficiencies and unwarranted variation, whilst improving quality of services and outcomes. The plan highlights the Boards good track record of financial management but recognises the increasing challenge in meeting financial pressures in a sustainable, recurring way. This issue is shared with NHS Boards nationally. The plan sets out the need for a new approach to reform based on a longer-term strategic vision with a focus on efficiency and improving value across the whole system.

NHS Forth Valley has adopted a corporate project management office approach to manage a number of significant projects designed to generate savings, quality improvements and outcomes. Estimates of the efficiency gaps for Forth Valley Health Board are summarised below:

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Gap	19.214	7.124	9.776	11.055	12.943	60.112

The current 5 year plan is nearing the end of its lifetime and focus for the IJB medium-term financial plan is instead on the NHS Forth Valley current year forecast outturn and 2023/24 annual budget exercise. The Director of Finance has identified a requirement for savings delivery of c. 7% in 2023/24 and a series of meetings with individual Directorates, including both Health and Social Care Partnerships, has been arranged to progress requirements.

IJB Strategic Plan

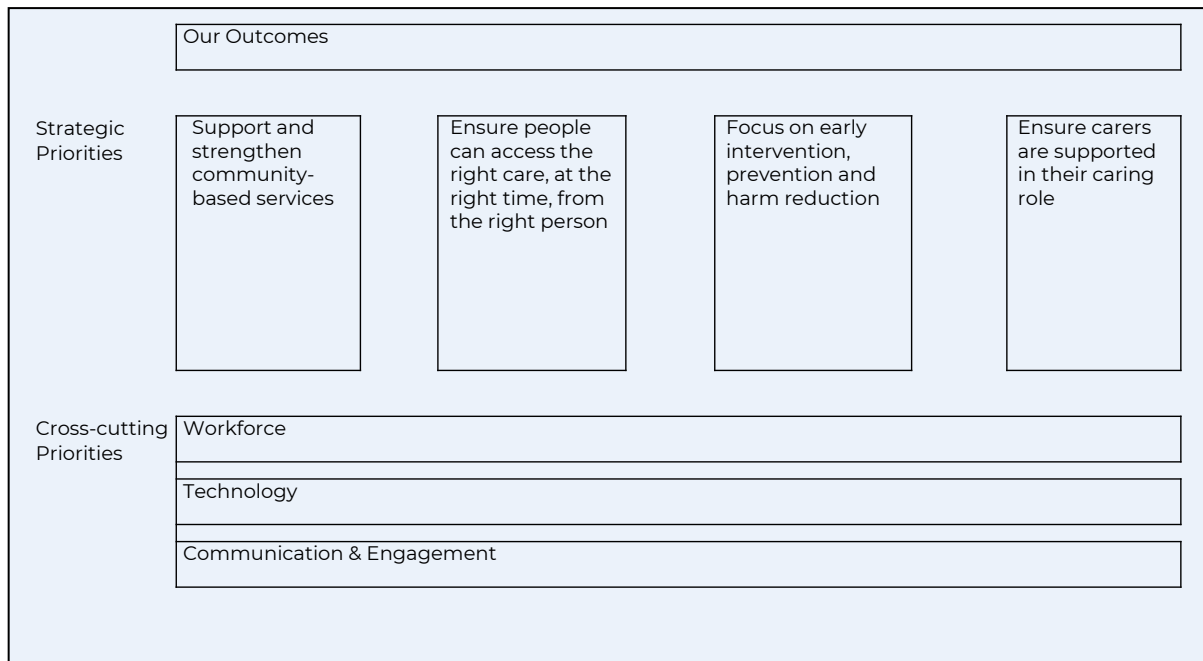
Work is progressing on the new 3-year strategic plan for 2023 to 2026. To date a strategic needs assessment has been completed and consultation and engagement has taken place throughout September and October 2022 on the outcomes and priorities identified in the strategic needs assessment. A first draft [Strategic Plan](#) has since been developed, subject to public consultation between 18 January and 24 February 2023. A final version of the plan will be presented to the IJB on 31 March 2023.

Based on the process to date, the vision and outcomes remain unchanged from the previous plan and the major change is in terms of priorities. These now include 4 strategic priorities and 3 cross-cutting priorities. Our vision is *“to enable people in Falkirk HSCP area to live full and positive lives within supportive and inclusive communities.”* Our outcomes and priorities are summarised below:

Outcomes:

- 1. Self-Management:** Individuals, their carers and families can plan and manage their own health, care and well-being. Where supports are required, people have control and choice over what and how care is provided
- 2. Safe:** High quality health and social care services are delivered that promote keeping people safe and well for longer
- 3. Experience:** People have a fair and positive experience of health and social care, delivered by a supported workforce that are skilled, committed, motivated and valued
- 4. Strong sustainable communities:** Individuals and communities are resilient and empowered with a range of supports in place that are accessible and reduce health and social inequalities

The Strategic Plan priorities are aligned to the nine national health and wellbeing outcomes. Population projections anticipate an 80% increase in the 75+ population between 2018-2043 with a large rise in the older population relative to the increase in working age population.



The Strategic Plan provides commentary on social care demand, housing, key legislation, and strategies. The Plan notes a number of “priorities in detail” and the medium-term financial plan supports progress with each of these areas. Governance, Best Value, Finance & Resources and Market Facilitation are all components within the draft Strategic Plan.

Falkirk HSCP Workforce Plan

Falkirk Health & Social Care Partnership (HSCP) has created a comprehensive Workforce Plan for the period of the new Strategic Plan. The Workforce Plan addresses the make-up of the current workforce, the challenges facing the partnership in terms of workforce and the objectives the HSCP has with a view to developing a sustainable future workforce. Listed below are some of the key challenges and drivers highlighted in the workforce plan:

- Ageing population and workforce
- Marked increase in substance use
- Mental wellbeing
- Finance – reduced funding with increased demand
- Recruitment skills shortages
- Technological and system improvements required
- Ageing estates and lack of suitable premises

Recruiting and retaining staff in social care worker roles poses a particularly acute challenge. The main factors influencing recruitment and retention are:

- Competition – the minimum wage for care workers (December 2021) is £10.02 per hour, but job opportunities in sectors such as supermarkets in the area are often preferable due to nature of work and higher wages. Cost of living increases in 2021/2022 are only likely to exacerbate the impact on social care services.
- Fuel costs – unprecedented increases in the price of fuel combined with low wages means the job is not sustainable for some.
- Change of circumstances - People who were employed in the care sector before the pandemic may have had to shield during 2020 and perhaps changed to a non-front line role that enabled home working. In these cases people may have chosen not to return to the front line role.
- Working demands – with many services short staffed new staff will be subjected to considerable and perhaps stressful levels of demand which undoubtedly will impact on staff retention.

The Covid-19 pandemic has had a significant impact on staff working in the Care at Home and Adult Care Home sectors. Care at home teams have faced shifts in service delivery, consistent staff shortages, changes in personal circumstances and unprecedented levels of demand. Care home staff have faced similar challenges and it is unsurprising that staff health and wellbeing has been impacted. The latest Scottish Social Services Council workforce publication shows that while staffing levels in both services has decreased, they have decreased considerably for the Housing Support / Care at Home Service. As there has only been a small decrease in the number of services this may indicate the significant staffing, retention and recruitment challenges that this service has faced.

4.0 Financial Overview, Planning Assumptions and Summary Position

Financial Overview

As is evident from the national and local context above, [Falkirk IJB](#) and its partners are facing an extremely challenging financial future with expectations of significant change in demographics leading to growing demand and increasing costs. This comes at the same time as an expected reduction in real terms of the financial envelope within which to deliver services. All of this is in a period when the expectations on health and social care services are increasing and the drive for significant transformational change has become of critical importance. Capacity challenges, not least workforce sustainability, are considered throughout the Strategic Plan, workforce plan and medium-term financial plan.

IJBs were established as agents of change and improvement, with an expectation that plans would be put in place to improve the health and wellbeing of the local population. One of the aims of integration is for the financial resources of the IJB to no longer be seen as separate social work and health budgets and instead to use the total resources available to meet the health and social care needs of the people of Falkirk. To achieve this, and deliver the Strategic Plan, money will have to move to support new models of care.

The approach to developing the IJB medium-term financial plan has been one of incremental change, anchored with the 2022/23 financial position and current service developments as a starting base. Existing core budgets will be uplifted for inflation, new and recent monies will be utilised as a catalyst for change, to develop and create services aligned to the strategic plan. The budget gap requires to be addressed through partner funding and through the delivery of efficiency savings, again aligned to service priorities as far as possible.

The current position for core budgets is outlined in the next section of this report. New and developing service initiatives are typically channelled through Reserves until they are mainstreamed as 'business as usual' and will be discussed separately under the reserves section of the medium-term financial plan. The exception is community hospital budgets where the core position is noted below and developments are also noted within the reserves part of the medium-term financial plan.

It is important to emphasise that the preparation of a medium-term financial plan requires collaboration with the Partners to ensure that the information used is robust and consistent.

2022/23 Baseline Position

The latest forecast outturn for Falkirk IJB is based on the year to date expenditure position as at 31 December 2022 and projects an overspend of £3.762m for set aside services and an underspend of £1.690m for the integrated budget.

Whilst the set aside overspend will be managed in the current year by NHS Forth Valley, the IJB is still required to plan for a balanced budget in future years. The current year overspend is largely attributable to the use of contingency beds and increased capacity requirements within Forth Valley Royal Hospital, with a need for nursebank, nurse agency and medical locum costs throughout 2022/23. Current efforts are focused on ending the reliance on contingency beds however the medium-term financial plan assumes these costs will be recurrent until such times as exit strategies deliver cost reductions, to be delivered through the NHS Forth Valley Cost Improvement Group.

The integrated budget comprises social care, community healthcare and primary care services, each contributing to the net position.

In overall terms, social care budgets are forecasting an underspend, (£0.758m). Overspend pressures within residential care and care at home budgets are offset by underspends against other areas including social care staffing and day care. Challenges in recruiting to social care have been well documented during 2022/23 reporting. The medium-term financial plan anticipates a more cautious baseline, allowing for additional recruitment, and assumes the future expenditure baseline will be in line with existing budgets.

Primary care services are forecasting an overspend of £2.744m in 2022/23, largely driven by cost and volume pressures within the primary care prescribing budget, in part triggered by cost of living pressures and short supply issued linked to global events. Additionally, there are GP sustainability risks which could manifest in additional cost pressures. As GP Practices operate as independent contractors it is more difficult to monitor sustainability concerns however measures are being put in place to provide an early warning of emerging issues. The other key financial risk within Primary Care relates to the Primary Care Improvement Programme, (PCIP). PCIP is a Scottish Government programme designed to support GP sustainability through the development of a multi-disciplinary workforce and the level of Scottish Government funding has increased each year as the programme builds. The risk is that Scottish Government funding does not match the level of resource required to fully implement PCIP however, to date, the PCIP programme has been managed through a combination of Scottish Government funding, staff turnover and PCIP slippage and the medium-term financial plan assumes PCIP will continue to be managed within the available funding envelope. The baseline position within the medium-term financial plan for primary care services includes an assumption that only the prescribing pressures are recurring.

The current year position for community healthcare services incorporates a number of overspend and underspend pressures, with a net projected underspend of £3.676m.

Overspend pressures within Complex Care and District Nursing are offset by general staffing underspends, staff turnover and vacancies and by a significant underspend against community hospital budgets where a number of wards were closed due to fire safety concerns. Some of these pressures will be addressed through investment funding discussed later in the medium-term financial plan while plans for the underspend against community hospitals are also well developed and this particular underspend will not continue in the medium term. Accordingly, the baseline for the medium-term financial plan assumes that overall community healthcare expenditure starts off in line with existing budgets.

In terms of the community healthcare budget, there is an as yet unresolved financial risk in respect of the national regrading exercise for Band 2 to Band 3 nursing staff. The current working assumption is this will be funded either nationally or by the NHS Board, with a corresponding Board savings target.

A risk sharing agreement for 2022/23 has been agreed although longer term risk share discussions are ongoing. The outcomes of longer-term discussions will form part of the revised Integration Scheme agreement and will need to be fed into the plans of the IJB, Forth Valley Health Board and Falkirk Council.

Planning Assumptions and Context

Where possible the financial plans of the IJB and its Partners will use the same assumptions around cost pressures, activity data etc. A summary of inflationary assumptions is included in the table below, followed by a narrative explaining some of the key assumptions:

	2023/24	2024/25	2025/26	2026/27
Cost Drivers:				
Social Care Pay Inflation	2.5%	2.5%	2.5%	2.5%
Residential Care Provider Inflation	6.15%	0.88%	0.35%	0.35%
Care at Home Provider Inflation	4.75%	0.35%	0.14%	0.14%
Health Pay Inflation	2%	2%	2%	2%
Prescribing Inflation	5.5%	5.5%	5.5%	5.5%
Other Inflation	<i>Variable</i>	<i>Variable</i>	<i>Variable</i>	<i>Variable</i>
Demographic Change	£0.800m	£0	£0	£0
Funding:				
Falkirk Council Uplift	0%	0%	0%	0%
NHS Forth Valley Uplift	2%	2%	2%	2%
Scot. Govt – Living Wage: Residential	2.48%	-	-	-
Scot. Govt – Living Wage: Care at Home	3.28%	-	-	-

Key Assumptions

- Assumptions in respect of pay uplifts are in line with Falkirk Council and NHS Forth Valley modelling. In recent years, Scottish Government has funded any healthcare pay uplift in excess of the 2% planned by health boards and the risk of a higher pay award is therefore minimal. Funding for social care pay uplifts is currently an IJB financial risk.

- Social Care provider uplifts are based on the assumption that a national living wage uplift will be funded from Scottish Government so providers can remunerate staff in line with national policy. The remainder of the proposed uplift requires to be locally funded and reflects non pay provider pressures based on the Consumer Price Index (CPI). For 2023/24, CPI is based on 10.5% (Dec 2022/23). Based on national forecasting, it is proposed that the non pay inflation component will be set at 2.5% for 2024/25 and 1% thereafter – see chart on Page 7

The differing uplifts for Residential and Care At Home providers reflect the pays : non pays service delivery specification of each service.

In 2023/24, Scottish Government funding is higher than the living wage component of the provider uplift – in future years the assumption is that the Scottish Government funding will match national living wage increases so the (net) additional cost, in the table above, is the non pays component only. Non pays account for 14% of the hourly care at home rate and 35% of the residential care rate.

- Primary Care Prescribing inflation is historically higher than other inflationary uplifts, reflecting cost and volume increases. A rate of 5.5% is assumed throughout.
- Other inflationary uplifts are variable across a range of smaller budgets and are not listed in the above summary table. A rate of 2% has been assumed for commission of healthcare / voluntary sector payments, in line with the Board income uplift. Similarly, 2% has been assumed for hospital prescribing as these budgets have not exhibited the same pressures as primary care prescribing. Food inflation has been applied at 23% in 2023/24 for social care budgets, reflecting the inflationary increase applied elsewhere within Falkirk Council modelling. 2% is applied in future years. Other social care budgets are relatively small and a minimal level of inflationary increase has been applied. Other healthcare budgets are again relatively small and a decision has been made to apply zero inflationary uplift as historically these budgets have remained relatively generous and the expectation is that any (small) inflationary pressures will be absorbed by existing budgets.
- An annual uplift of £0.800m has historically been applied for demographic change. However, this was removed as a saving in the 2023/24 detailed business case (annual budget) as there are a number of current developments that will be funded from reserves/ new funding streams as outlined later in the medium-term financial plan. These developments are intended to address demographic change and to deliver the requirements of the Strategic Plan.

Projected Expenditure and Resources

This section sets out the projected expenditure and resources for the IJB based on all the information available at the time of writing. Additional funding may be received by the IJB as the period progresses, due to the way in which the Scottish Government allocates health resources in particular. However, it is likely that these resources will be ringfenced for specific purposes.

The main cost pressures and funding assumptions for the IJB, excluding savings delivery, are set out in Appendix 1 and summarised below:

Projections	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Expenditure	281.567	286.268	290.806	295.497
Funding	(268.073)	(270.786)	(273.574)	(276.440)
Shortfall	13.493	15.482	17.232	19.057

1

The summary table indicates a funding gap of £13.493m in 2023/24, rising to £19.057m by 2026/27 prior to savings delivery. Appendix 1 shows the bulk of this funding gap exists from 2023/24 with the gap increasing annually by just under £2m per annum. All figures are prior to savings delivery and a narrative on current savings proposals is included in the Savings section below.

The medium-term financial plan is based on the information available at the time of writing and can be affected by National Government budget decisions. In previous years the Scottish Government has either put restrictions on Local Authorities and NHS Boards in terms of the payments to be passed to the IJB or has provided additional grant funding to the partners at a late stage in the budget settlement negotiations.

Due to the limitations of data held across the Partnership, it is not possible at this time to provide information which links activity data to financial impact. This is a risk in that the financial impact of activity linked with increasing demographics in the older age brackets, cannot be estimated with confidence. This will be an area that both the IJB and the partners will have to work on as management information systems become more sophisticated.

Reserves Position

The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the framework for the integration of health and social care in Scotland. The Act empowers an IJB to hold reserves subject to an agreed reserves strategy. Falkirk IJB has an approved reserves strategy and currently holds contingency reserves of £0.946mm and unallocated general reserves of £1.411m. In addition, the IJB holds a number of earmarked general reserves. These are held for specific purposes and include:

- winter pressures funding streams where regular monitoring returns require to be provided to Scottish Government to demonstrate how the funds have been utilised;
- Carers Strategy, Partnership Funding, Dementia Innovation Fund, Self Directed Support, Primary Care Improvement Fund, District Nursing, Alcohol & Drugs Partnership funds etc where funding has been provided for specific purposes, again requiring monitoring returns to be provided;
- Locally created reserves – funds arising from local events and held for specific purposes as approved by the IJB Board.

The main purpose of holding reserves for the IJB is to:

- Provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies (general reserve).
- Set aside amounts for initiatives that extend beyond one year or as a contingency for specific situation (earmarked reserve).

Key points to note from the Falkirk IJB strategy are:

- The levels of earmarked and general reserves and their purpose will be agreed as part of the annual budget setting process.
- The application of general reserves should be approved by the IJB.
- The Chief Finance Officer has a responsibility to ensure that earmarked funds are spent in line with their purpose.

In terms of the medium-term financial plan approach to Reserves, the current working assumptions are:

- Contingency reserves will be maintained at the current level throughout the medium-term financial plan period;
- Unallocated general reserves will be used to address savings gaps within the annual budget setting process on a short term basis. Such reserves are non recurring in nature and it is likely that substitutionary recurring savings will require to be identified in the longer term, in order to maintain financial stability. The use of unallocated general reserves is therefore a temporary holding position while longer term plans are developed and executed;

- Earmarked reserves within the “Partnership Funds” umbrella, (Dementia Innovation Fund, Carers Act and Mental Health Strategic Commissioning) will be managed through separate workstreams, with defined objectives, clear governance processes and regular reporting to ensure expenditure is restricted to available resources, with any excess funds carried forward for use in the following year. A similar management process will apply to other managed areas including Primary Care Improvement Plan and Leadership Funds, (set up to enable effective and timeous allocation of resources to respond to need, effect action, increase pace of change and improvement within key priority areas aligned with the Strategic Plan);
- This leaves a handful of sizeable “Other Reserves” which are a combination of one off reserves and recurring funding allocations, not yet mainstreamed. These are considered below and form a key tenet of delivering the Strategic Plan. Regular updates on the use of these funds have been reported to the IJB Board during 2022/23. These funds will be mainstreamed into core budgets once developments become business as usual.

Other Reserves

<p>Winter Pressure Care at Home Funding</p>	<p>Recurring Scottish Government funding of £3.506m plus brought forward reserve funding of £1.758m from 2021/22.</p> <p>These funds are used to support the Home from Hospital Partnership, the Home from Hospital Reablement contract, additional social work assessment staff, temp (Agency) Care at Home staffing, recruitment and IJB promotional activity over the winter period, Independent Sector Lead additional capacity, Home from Hospital transport costs and temporary increased rates for Care at Home Providers to deliver increased capacity, (to 31 March 2023 currently). This will also form part of the overall Care at Home resource mix when reviewing both internal and external service provision. Other proposals to utilise the balance of funding are currently being developed, in line with the aims and objectives of the Strategic Plan.</p>
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<p>Winter Pressure Interim Care Funding</p>	<p>Non recurring resource of £1.704m was available during 2022/23. This has been used to provide interim care beds to alleviate bed blockage pressures at Forth Valley Royal Hospital and to support a shift to a <i>Discharge to Assess</i> model. Market engagement has occurred at various points throughout 2022/23 and residual funds will be required to support interim bed placements in 2023/24 in the absence of any new/ recurring funding. Exit strategies from interim care beds will be required as funds deplete.</p>
<p>Winter Pressure Healthcare Support Worker Funding</p>	<p>Recurring funding of £0.850m. There were also non recurring funds available at the start of 2022/23 however Scottish Government advised 2022/23 recurring funding would be reduced where brought forward reserves were available. This funding has been earmarked towards Macmillan Health Care Support Worker End of Life Care Service, Complex Care and Community Nursing Service staffing. There has been some additional healthcare support worker recruitment and the residual balance and options are currently being explored, in line with the Strategic Plan, to utilise remaining funds.</p>
<p>Winter Pressures – Multi-Disciplinary Teams (MDT) Funding</p>	<p>Recurring funding of £1.131m. Commitments include Adults with Incapacity assessments, treatment room nursing, district nurse staffing, nurse practice development and complex care staffing. Other proposals include Career Start GPs and Care Home Liaison. Proposed developments exceed available funding and will require prioritisation to remain within the available funding envelope.</p>
<p>Social Work Staffing Funding</p>	<p>Recurring funding of £0.622m. Plans have been developed to tackle social worker recruitment and retention challenges. Once approved, the full funding will be committed with the exception of £0.040m which has been proposed for release towards efficiency savings and the 2023/24 funding gap.</p>

<p>General Winter Pressures Funding</p>	<p>Recurring funding of £2.903m is available after meeting commitments to living wage uplifts. £1.157m non recurring winter planning funding is also available. In 2023/24 a further £1.800m Cost of Living reserve will also be available towards the residual impact of the Covid pandemic and towards the cost of living crisis resulting from the war in Ukraine, Brexit, global supply issues etc. £1.800m has been allocated recurrently to offset the 2023/24 funding cut from Falkirk Council – associated with non recurring support in 2022/23. £0.911m has been allocated recurrently towards increased staffing and capacity plans. It is proposed that £0.197m is used recurrently to offset the 2023/23 savings gap with remaining, non recurring funds yet to be fully allocated with possible requirement to bridge the 2023/24 budget gap while recurring solutions are found.</p>
<p>Falkirk Community Hospital (FCH) funding</p>	<p>£3.750m recurring funding and £0.829m non recurring reserves funding. This is different from the other reserves in that the recurring budget is actually core funding, not reserves, available following the closure of FCH wards due to fire safety concerns. Plans already reported to the IJB Board include increased staffing in Bo’ness Community Hospital and FCH ward 1, (including additional bed base), plus the development of a slow stream rehab facility and provision for 18 long term care beds (following the reprovisioning of the Grangemouth facility for slow stream rehab). A bedded care manager and AHP alternative models of care staffing mean that most of the recurring funds are now committed towards the Strategic Plan.</p>

Savings Proposals

The table on Page 18 identified a growing funding shortfall or gap in each year of the medium-term financial plan. A savings programme has been identified for 2023/24 as part of the detailed business case submission. This is summarised below for information:

Savings 2023/24	Total £m	Red £m	Amber £m	Green £m
Adult Social Care	6.701	1.058	3.186	2.457
Primary Care Prescribing	2.380	1.673	0.190	0.517
Community Healthcare Services	0.650	0.000	0.650	0.000
Set Aside	3.762	3.762	0.000	0.000
TOTAL	13.493	6.493	4.026	2.974

It should be noted that in order to present a balanced budget, non recurring savings totalling £2.829m have been proposed, from general fund and earmarked reserves. These are not sustainable in the long term and recurring savings require to be identified to address the gap for future years. Non recurring savings provide a short term solution to funding gaps while longer term solutions can be developed. Work is continuing to identify the service delivery changes necessary to deliver a sustainable financial position over years 2 to 5 of the medium-term financial plan. The need for a 'resetting' of services, is consistent with national messages within the resource spending review, the UK and Scottish Government budgets for 2023/24 and with various reports published by Audit Scotland, as outlined above. Service redesign and sustainability is a key component of the Strategic Plan.

5.0 Capital

Whilst assets and capital investment remains the responsibility of the Partners, the IJB has strategic planning responsibilities which impact on how, and from what buildings, services are delivered. There must therefore be a close working relationship to ensure the Partnership can make the best use of the assets it has available and be fully involved in all investment discussions. It is clear that within the public sector there are opportunities for co-location which will enable and facilitate closer partnership working, as well as potentially save money.

The current approved capital investment programme for Adult Social Work is set out below. Investment in NHS facilities is managed in a very different way and is subject to Scottish Government approval. Currently there is £0.500m in the Primary Care capital plan for 2023/24 with approximately £0.265m attributable to Falkirk IJB on a pro rate basis, the balance being for Clacks. & Stirling IJB.

In addition to the Social Work capital programme below, Falkirk Council has committed to work with the HSCP to develop a new proposal and business case for an interim care facility. This follows the reprioritisation of resource of £3.727m that was previously allocated for an interim care facility. The resource was reprioritised due to delays with the associated Falkirk Masterplan development.

FALKIRK COUNCIL - GENERAL CAPITAL PROGRAMME

SOCIAL WORK (ADULT SERVICES)

	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
	£000	£000	£000	£000	£000
MECS - Alarm Replacement	51	42	42	46	46
MECS - Analogue to Digital	160	-	-	-	-
Capital Works to Adult Services (SW) Buildings	411	181	184	200	200
Intermediate Care Facility	-	-	-	-	-
Day Care Review	-	1,380	-	-	-
Changing Places	455	-	-	-	-
TOTAL SOCIAL WORK (ADULT SERVICES)	1,077	1,603	226	246	246

6.0 Risk

The budget setting process invariably involves a degree of risk. This may be the result of changes in key assumptions or unplanned events which can cause a financial pressure. In considering medium-term financial plans, it is widely acknowledged that the figures and assumptions are less reliable as they move further into the future. For this reason, it is important that the medium-term financial plan is refreshed as more accurate information becomes available.

Falkirk IJB has its own Strategic Risk Register and services retain their own operational risk registers. As services are integrated, work will be undertaken to combine the operational risk registers into a Partnership wide register, ensuring interdependencies are recognised and mitigated. The Strategic Risk Register recognises that funding and demographic pressures could result in a failure to deliver the Strategic Plan. Given the current environment the IJB is operating in, this risk has been assessed as high.

Other key risks which could create significant financial pressures include:

- Failure to transform services and adopt a whole systems approach. This could lead to silo working and simply moving financial pressures around the system.
- Pressure on beds within both the acute hospital and community hospitals continues with occupancy reaching record levels. This drives costs in health budgets and impacts on demand for social care.
- Demand and cost pressures for home care have increased significantly over recent years. Failure to mitigate this demand, and commission care effectively could result in fewer people receiving the care they need, impacting on performance across the system.
- Falkirk HSCP has a mix of internal and external care providers for both residential and non-residential care. This has advantages in that it provides some flexibility in a sector which can be precarious. However, the Partnership is vulnerable to inflationary uplift demands from external care providers. In some cases such rates can be negotiated nationally, for example the National Care Home Contract. However, these negotiations can be protracted, are outwith the IJB's control and can extend well into the financial year being discussed, providing little time to respond to consequent pressures.
- The prescribing budget has overspent for a number of years due in part to rising demand, new medicines and short supply issues. Some local decisions can be made to help address the financial pressures. However, the costs of drugs and new drugs are national decisions which can impact on local budgets.
- The shaping of the national care service will have direct implications for the IJB. At this stage there is insufficient detail to determine the risks to Falkirk IJB however plans to separate social care from other local government services are likely to impact partner relations.

The IJB will receive updates on these areas through regular finance and performance reports, as well as updates to the Strategic Risk Register.

Appendix One
Projected Expenditure and
Resource Uplifts



Medium-Term Financial Plan	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
<u>Estimated funding uplift</u>				
Recurring base uplift (2% NHS + 0% LA)	2.641	2.713	2.788	2.866
Transfer from Health Portfolio	3.205	0.000	0.000	0.000
2022/23 Non Recurring Funding	(1.800)	0.000	0.000	0.000
	4.046	2.713	2.788	2.866
<u>Estimated expenditure increase</u>				
2023/24 Pay awards (2% health 2.5% social care)	2.232	2.281	2.332	2.383
2022/23 Pay award - funding shortfall.	1.745	0.000	0.000	0.000
Primary Care Prescribing (5.5%)	1.609	1.698	1.791	1.890
Hospital Prescribing (2%)	0.049	0.050	0.051	0.052
Demographic change	0.800	0.000	0.000	0.000
Social Care Provider uplifts (4.75% - 6.15%)	4.288	0.520	0.209	0.209
SJC Pension base increase	0.110	0.000	0.000	0.000
Commission of healthcare/ Vol. sector (2%)	0.133	0.135	0.138	0.141
FHS contractual uplifts	0.000	0.000	0.000	0.000
General price inflation	0.011	0.011	0.011	0.011
Food inflation (23%)	0.056	0.006	0.006	0.006
2022/23 recurring pressures - integrated services	2.744	0.000	0.000	0.000
2022/23 recurring pressures - set aside services	3.762	0.000	0.000	0.000
	17.539	4.701	4.538	4.691
ESTIMATED SHORTFALL	(13.493)	(1.988)	(1.749)	(1.825)