

Medium Term Financial Plan

2024/25 - 2027/28

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# 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.

The public sector continues to face a challenging financial position at a time where inflation has remained high for a long period and is expected to have a lasting effect on public services. Funding levels have not increased at the same rate as expenditure which creates additional financial pressure for future years, particularly in relation to public sector pay awards. The IJB will strive to maximise value for money to help achieve our mission of enabling people in the Falkirk HSCP area to live full and positive lives within supportive and inclusive communities.

The MTFP has been refreshed taking account of the ongoing financial challenges within the public sector. It sets out the expected financial resources available over the next four years to deliver on the strategic priorities. The plan also identifies the estimated budget gap over this period which will help the IJB plan for savings delivery to present a balanced budget each year and ensure financial sustainability in the medium term.

Having an up-to-date MTFP 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 is pivotal to translate the organisation's ambitions and constraints, as expressed through the IJB Strategic Plan, into deliverable options for the future.

Since the MTFP is based on information available at a certain point in time it relies on a number of assumptions and estimates being made. The ongoing challenging financial position and uncertainties across the public sector have the potential to impact on this plan and it will be reviewed and updated on an annual basis to take account of the changing position.

# 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.

The Health and Care (Staffing) (Scotland) Act 2019 is enacted on 1st April 2024. In preparation for this, an oversight structure led by NHS Forth Valley Executive Nurse Director supported all health teams in scope to benchmark themselves against the requirements and undertake work required to address any gaps.  This has provided assurance that all teams across NHS Forth Valley will be compliant with the expectations at point of enactment.

Planning for the registered adult care services and commissioned services has taken place worked alongside the NHS Forth Valley group. This has supported the implementation of the requirements of the legislation across social care services.

The first formal report to the Scottish Government will be submitted in March 2025 however ongoing compliance will be monitored through business as usual governance arrangements on a regular basis.

UK Government Budget

The UK Government published its [Autumn Statement 202](https://www.gov.uk/government/publications/autumn-statement-2023)3 in November 2023. The Office of Budget Responsibility’s (OBR) [Economic and fiscal outlook 202](https://obr.uk/efo/economic-and-fiscal-outlook-november-2023/)3 was also published in November 2023.

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 UK experienced continued weak growth in the second half of 2023 with overall growth predicted to be 0.6% this year, rising to 0.7% in 2024.
* Growth of 1.4%, 2.0%, 2.0% & 1.7% is predicted for 2025, 2026, 2027 and 2028.
* The UK's CPI inflation rate hasn’t fallen as sharply as previously predicted with the annual average for 2022/23 coming in at 8.0%. In 2024 it is predicted to reduce to 3.6%, then further to 1.8% & 1.4% in 2025 & 2026 before increasing slightly to 1.7% in 2027, then 2.0% in 2028.
* Unemployment is expected to rise from 4.2% to 4.6% in 2024 and remain at this level in 2025 before reducing to 4.4%, 4.2% & 4.1% in 2026, 2027 & 2028.
* The UK Government’s primary fiscal target is for net debt to fall in the final year of the current five-year forecast (2028/29).

In terms of the autumn statement, the Chancellor announced a range of updated policies aimed at backing British businesses and helping people move off benefits into work. Details included:

* A reduction in national insurance contributions for employee’s and self-employed workers.
* A rise in the UK national living wage from £10.42 to £11.44 per hour from April 2024, which will also be extended to 21-year-olds.
* The state pension will be increased by 8.5%.
* Working age benefits will be increased by 6.7% along with tougher requirements for those who claim them to look for work.
* A Back to Work Plan will be introduced to help people with long-term health conditions and disabilities to look for and stay in work.
* A business rates discount for the hospitality, retail and leisure industries.
* There will be a focus on tackling waste within public spending.

Scottish Government Budget

### Medium-Term Financial Strategy

The Scottish Government published its [Medium-Term Financial Strategy](https://www.gov.scot/publications/scottish-governments-medium-term-financial-strategy-2/) (MTFS) in May 2023 which details a challenging financial situation following a succession of economic shocks such as the Covid pandemic, the war in Ukraine and the recent period of high inflation.

It is recognised within MTFS that Scotland continues to face significant population health challenges and that reform is required, not only in terms of the Health and Social Care system, but also on wider cross-cutting issues that improve the population health.

The MTFS focuses on three areas to address the challenges:

* Ensuring public money is fully focused on delivering government objectives;
* Increasing the focus on economic policies and actions; and
* Ensuring a strategic approach to tax policy.

The scale of likely future pressures on the public finances, on top of those already felt over recent years, is illustrated within the MTFS. Public spending in Scotland is projected to grow at a faster rate that funding between 2024/25 to 2027/28, meaning spending requirements will likely exceed the UK Block Grant funding projections.

It is recognised that the forecasts for funding and spending are subject to uncertainty, including the pace at which inflation will return to target rates, and the fiscal policy to be applied by the next UK Government after the 2024 General Election.

### Scottish Government Budget 2024/25

The Scottish Government set out their proposed spending and tax plans for 2024/25 in the [Scottish Budget: 2024/25](https://www.gov.scot/publications/scottish-budget-2024-25/) report published on 19 December 2023.

Scottish Fiscal Commission (SFC) forecasts accompanied the Scottish budget and outlined Scotland’s expected future economic performance. Its December forecasts for 2024/25 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 much the same as the OBR’s for the UK as a whole. It projects inflation will fall at a slower rate than previously predicted, now expected to reach the 2% target in 2025, as shown in figure 1 below.

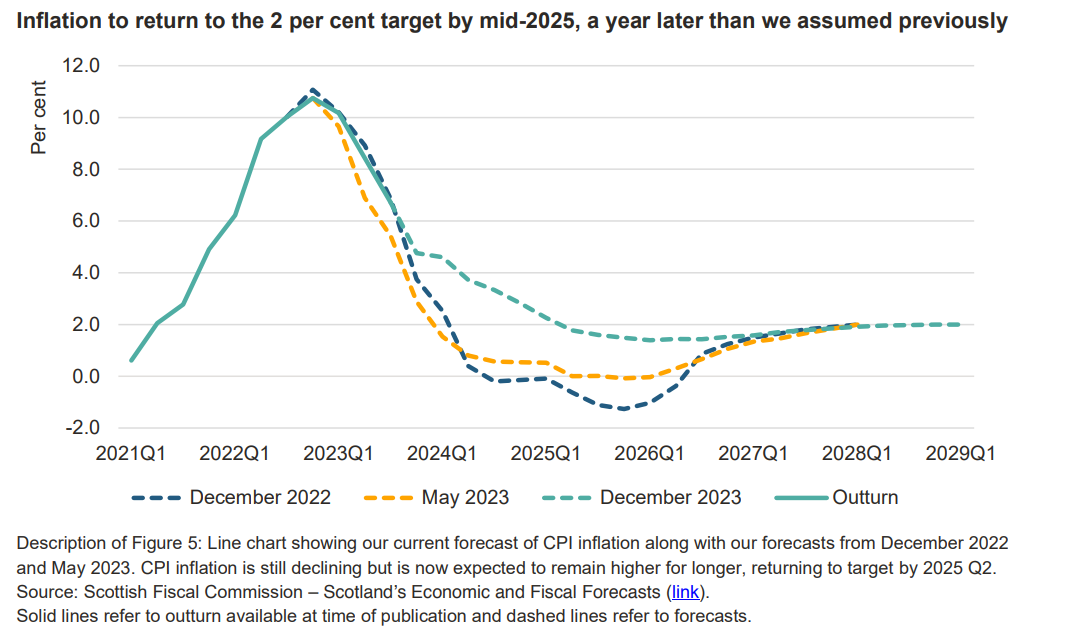


Figure 1: Line chart showing current forecast of CPI inflation along with forecasts from December 2022 and May 2023. CPI Inflation is still declining but is now expected to remain higher for longer, returning to target by 2025 Q2. Source: Scottish Fiscal Commission – Scotland’s Economic and Fiscal Forecasts. Solid lines refer to outturn available at time of publication and dashed lines refer to forecasts.

The Scottish Budget included an increase to the Starter and Basic rate Income Tax bands which will be increased by inflation to £14,876 and £26,561 respectively. The Starter, Basic, Intermediate and Higher rates will remain unchanged. The Higher rate threshold and Top rate threshold will remain unchanged. A new Advanced rate will be added at a rate of 45p applying to income over £75,000. An additional 1p will be added to the Top rate, increasing the rate from 47p to 48p on income over £125,140.

The SFC forecasts living standards to remain broadly flat in 2024/25 as inflation is expected to largely offset growth in household disposable income. Higher interest rates are expected to continue reducing disposable income. Living standards are expected to take until 2026/27 to recover from the fall between 2021/22 and 2023/24.

Increases in public sector pay have been larger than the Scottish Government planned due to inflationary pressures. The Scottish Government MTFS was based on a central scenario of pay awards growing by 3.5 percent in 2023/24 and 2 per cent in 2024/25. The Scottish Government now estimates the average public sector pay award in 2023/24 was 6.5 per cent, 3 percentage points higher than estimated in May 2023. Pay increases are cumulative and therefore past increases result in higher pay in the future. The Scottish Government has not set out its expected pay increases for 2024-25 onwards.

Between 2023-24 and 2028-29 total discretionary funding (resource and capital) is expected to increase by 14 per cent in nominal terms and 4 per cent in real terms. A reduction in capital funding levels counteracts more rapid growth in resource funding. Capital funding is expected to fall by 20 per cent in real terms between 2023-24 and 2028-29.

**Five-year total funding – Discretionary Fiscal Budget**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| £ million | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 |
| Nominal terms | 52,449 | 53,788 | 55,432 | 56,973 | 58,063 | 59,599 |
| Real terms  (2023-24 prices) | 52,449 | 52,900 | 53,600 | 54,210 | 54,284 | 54,691 |

Table 1: Source: Scottish Fiscal Commission and Scottish Government. Amounts exclude IFRS16 funding adjustments. Real amounts have been calculated using the OBR's forecast GDP deflators. OBR (2023) Economic and fiscal outlook, November 2023.

The Health and Social Care portfolio accounts for around 33% of the overall Scottish Government budget, receiving £19.5b of the £59.3b total budget in 2024/25. The 2024/25 budget includes an increase in pay to at least £12 per hour for adult social care workers, including those in the 3rd and private sectors, from 1April 2024.

In June 2023 the Scottish Government and the Confederation of Scottish Local Authorities (COSLA) signed the Verity House Agreement. This agreement set out that, moving forward, the default position should be no ringfencing of funding for local government, and so all specific grants should be merged into the General Revenue Grant.

Audit Scotland Overview Reports

In April 2023, Audit Scotland published a report on [IJB Financial Analysis 2021/22](https://www.audit-scotland.gov.uk/uploads/docs/report/2023/nr_230406_financial_analysis_ijbs.pdf) which highlighted the considerable financial uncertainties and workforce challenges faced by IJB’s. The report noted a projected funding gap of £124m for 2022/23 with 14% of this anticipated to be bridged by drawing on reserves with other savings delivered on a non-recurring basis. It emphasises that the identification and delivery of recurring savings and reducing reliance on using reserves to fund revenue expenditure is key to ensuring long-term financial sustainability.

The report also highlighted the extreme pressure the health and social care workforce is facing across Scotland, with continued recruitment and retention challenges. It noted a 30% turnover in staff per year and an increase of 11% in vacancies reported by care services. The most common reasons for vacancies not being filled were too few applicants, and too few who were experienced and qualified.

The [Local government in Scotland: Financial bulletin 2022/23](https://www.audit-scotland.gov.uk/publications/local-government-in-scotland-financial-bulletin-202223#main-report), was published in January 2024 and notes councils’ financial position at the end of 2022/23. It sets out the extremely challenging financial outlook facing councils and recognises an increased demand for services, inflation and the cost-of-living crisis as contributory factors. A need for consultation and engagement with communities about the need for change in the way services are delivered are highlighted in the report.

A publication examining the 2024/25 budgets set by councils, including analysis of anticipated budget gaps and actions to set a balanced budget is expected in Spring 2024.

# Local Context

Falkirk Council and NHS Forth Valley are the IJB’s 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 part of key parts of the integrated strategic planning process, which, along with the medium-term financial plan, are necessary to deliver the IJB’s aspirations and priorities.

Falkirk Council Financial Strategy

The Falkirk Council [Financial Strategy](https://falkirk.gov.uk/coins/viewSelectedDocument.asp?c=e%97%9Dc%91p%81%8C) was presented to committee in September 2023 and sets out a projected funding gap for the next five years (to 2028/29) of £64.4m. This is heavily front loaded with year one (2024/25) requiring £34m to balance the budget, largely due to continued use of non-recurring funding, which adds to future year gaps. A broad range of assumptions have been made to calculate the £64.4m and there is therefore the potential for the gap to shift significantly as more definitive information becomes available. An updated financial gap will be presented to Council as part of the revenue budget setting process.

The Strategy recognises there are essentially two ways to bridge the funding gap, by increasing income or reducing expenditure, and sets out four main areas to be considered – Council Tax, Service Savings, Other Fees & Charges and Service Concessions.

The Council Tax Strategy provides updated benchmarking information which highlights that council tax within Falkirk Council remains below the Scottish average, which has contributed to the funding gap. Service savings have been proposed under three broad headings – Operational where there is no likely impact on service users, Savings for Approval where there will likely be some impact on service users and Transformational savings through the ongoing Council of the Future programme.

In terms of Other Fees & Charges, a review has started with the aim of maximising the potential income to the Council and services are also being asked to consider opportunities for new charges where there are none currently in place. Although charges are set by the Council, there is the opportunity for the IJB to review the charging policy for social care services and propose changes to maximise the income flowing from this to the Health and Social Care Partnership.

The Council approved the application of revised guidance for service concession arrangements in 2023 which resulted in a retrospective benefit to the Council of around £71m (this is not cash but will be funded by borrowing at the point of use). Although the use of service concessions doesn’t address the underlying structural deficit, it will help the Council to buy time and manage the challenging financial position over the five-year period. The optimum application of the service concessions is to use some in a planned and measured way to buy time to make the changes required in the recurring budget position, and to retain a significant proportion to invest in Council assets. Ultimately the Council aims to balance the revenue budget by year five of the Financial Strategy.

NHS Forth Valley Financial Strategy

NHS Forth Valley’s draft Financial Plan for the period 2024/25 to 2028/29 sets out the scale of the financial challenge faced and notes it is extremely unlikely that financial balance will be delivered during the five-year timeframe.

The plan carries a significant level of financial risk, particularly in relation to ongoing capacity and workforce pressures in the aftermath of the pandemic as well as a number of other key financial pressures including the cost impact of advances in new technology and medical treatments, the cumulative burden of a range of unfunded national policy developments, various mandatory compliance/legislative requirements and general price inflation.

A summary of the current revenue projections is presented below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| NHS Forth Valley | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m | 2028/29 £m |
| Financial gap before savings | (57.98) | (41.14) | (42.54) | (45.55) | (46.59) |
| Savings plans/ targets | 44.47 | 30.94 | 30.00 | 35.00 | 35.00 |
| Residual deficit | (13.51) | (10.20) | (12.54) | (10.55) | (11.59) |

Table 2: Summary of current revenue projections.

The projections above reflect the Scottish Government budget announcement on 19 December 2023 which confirmed no new funding for NHS Boards. The working assumption is that the 2024/25 pay offer will be funded but there will be no new funding for inflation and volume increases within non-pay costs.

The Scottish Government have also set a 3% savings target which applies to recurring baseline NHS budgets (including those delegated to IJBs). A Financial Sustainability Action Plan is currently being developed by NHS Forth Valley outlining the programme of work and supporting actions to achieve the target in respect of Set Aside and non-delegated functions. The IJB will be expected to develop a similar plan in respect of delegated functions.

IJB Strategic Plan

The three-year strategic plan for 2023 to 2026 was approved by the IJB in March 2023. The plan sets out how adult health and social care services will be delivered in Falkirk over the medium term to deliver the national outcomes for health and wellbeing. In developing the Strategic Plan, a Strategic Needs Assessment was produced to provide an understanding of the health and care needs of the local population.

The main issues detailed within the Strategic Plan are:

* There is an ageing population within the Falkirk area, with current projections expecting an 80% increase in the 75+ population between 2018-2043, which will likely lead to an increase in demand for health and social care services;
* Ongoing housing, deprivation, and cost of living pressures within the Falkirk area are likely to contribute to a decrease in overall health;
* An increasing number of drug-related deaths and drug and alcohol related hospital admissions;
* The Covid-19 pandemic has had profound effect on social care services with some services struggling to keep up with demand; and
* Decreased staffing levels and challenges in recruiting and retaining staff in social care roles continues to add additional pressure.

To respond to these challenges, the IJB has set four priorities for the period which will be backed by three workstreams as detailed below.

The four Priority Areas:

1. Community based services: Services will be enhanced to improve the ‘flow’ through hospital settings, prevent admission, and promote independent living.
2. Accessible care: Improve the way people access services – enabling everyone to access the right care, at the right time, in the right place.
3. Early intervention & prevention: Minimise the harm of long-term health conditions, ill mental health, substance use, or neglect through early action.
4. Carer support: Assist, inform, and empower unpaid carers to manage their caring role and have a fulfilled life outside of caring

Supported by three workstreams:

* Workforce: Recruitment, retention, and celebration of staff across all services.
* Technology: Explore new ways of helping people and delivering services.
* Communication: Improving engagement, feedback opportunities, and signposting info.

A high-level delivery plan was developed in February 2023 which identifies actions that align with the current priorities. The vision and outcomes remain unchanged from the previous Strategic Plan and the major change is in terms of priorities. These now include four strategic priorities and three cross-cutting priorities.

Falkirk HSCP Workforce Plan

The Falkirk HSCP Workforce Plan 2022-2025 outlines how Falkirk HSCP will support and develop the local workforce to deliver the vision for Falkirk and support and improve the wellbeing of our communities. Work has started on an updated plan which is due to be published before the start of financial year 2025/26.

Listed below are some of the key challenges and drivers highlighted in the current workforce plan:

* Ageing population and workforce;
* Marked increase in substance use;
* Mental wellbeing;
* Establishing manageable workloads;
* Managing increased requests for flexible working;
* Finance – reduced funding with increased demand;
* Recruitment skills shortages;
* Technological and system improvements required;
* Ageing estates and lack of suitable premises;
* Changes in legislation and statutory requirements e.g. introduction of the Health and Care Safe Staffing Act in April 2024; and
* Changes to SSSC Registration requirements.

Recruiting and retaining staff in social care worker roles is an ongoing significant challenge. A number of factors influence this, including competition in relation to other sectors with comparable pay, hours of work, impact of the cost-of-living crisis and increased working demands due to staff shortages.

A recruitment and retention working group continues to establish new strategies to address the local and national issues impacting on recruitment and retention of social workers and occupational therapists.

A further working group, consisting of internal and external stakeholders, has been established to co-ordinate and promote career pathways into Adult Social Care for young people in the Falkirk Area.

# Financial Overview, Planning Assumptions and Summary Position

Financial Overview

It is evident from the national and local context above that [Falkirk IJB](https://falkirkhscp.org/falkirk-integration-board/) and its partners continue to face an extremely challenging financial future. Both Falkirk Council and NHS Forth Valley will require to identify savings over the coming years to balance their revenue budgets.

Demand on health and social care services continues to increase leading to a greater challenge in managing the financial position. The IJB remains committed to transforming services to achieve the vision of enabling people in the Falkirk area to live full and positive lives within supportive and inclusive communities. The MTFP is a key element of the transformation process to ensure financial sustainability in the medium term as services evolve and develop in line with the strategic priorities.

The 2023/24 financial position and current service developments were considered as starting base for updating the MTFP. Existing core budgets will be uplifted for inflation, with remaining development funding used to drive forward the transformational changes required 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. Development and transformation initiatives are typically channelled through Reserves until they are mainstreamed as ‘business as usual’ and are therefore included under the reserves section of the MTFP.

Future year projections are based on planning assumptions used by Falkirk Council and NHS Forth Valley to ensure consistency in approach.

2023/24 Baseline Position

The latest forecast outturn for Falkirk IJB is based on the year-to-date expenditure position as at 31 December 2023 and projects an overspend of £6.248m for set aside services and an overspend of £1.924m 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 an ongoing significant need for nurse bank, nurse agency and medical locums throughout 2023/24. 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 overspend of £2.659m, after utilising £1.812m of non-recurring funds. The main areas of overspend pressure are within residential care and care at home budgets, partly offset by underspends in other areas including social care staffing and day care. Challenges in recruiting to social care have been ongoing throughout 2023/24 and the updated MTFP continues to anticipate 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 £3.481m in 2023/24 after utilising £1.017m of non-recurring funds, mainly driven by cost and volume pressures within the primary care prescribing budget, partly due to ongoing inflation 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. The medium-term financial plan now recognises PCIP projects will exceed resources. 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 £4.216m.

Overspend pressures within Complex Care and District Nursing are offset by general staffing underspends, staff turnover and vacancies and by a significant underspend against development funding where new initiatives are not yet fully operational. Development funds have begun to be mainstreamed with plans move forward with the remaining balance over the coming months. The baseline for the MTFP therefore assumes that overall community healthcare expenditure starts off in line with existing budgets.

A risk sharing agreement for 2023/24 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 incorporated 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:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Percentage changes | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
| Cost Drivers: |  |  |  |  |
| Social Care Pay Inflation | 6.95% | 3.00% | 3.00% | 3.00% |
| Residential Care Provider Inflation | 8.17% | 1.26% | 0.70% | 0.70% |
| Care at Home Provider Inflation | 9.32% | 0.50% | 0.28% | 0.28% |
| Health Pay Inflation | 2% | 2% | 2% | 2% |
| Prescribing Inflation | 5.50% | 5.50% | 5.50% | 5.50% |
| Other inflation | *Variable* | *Variable* | *Variable* | *Variable* |
|  |  |  |  |  |
| Demographic change | £0.800m | £0 | £0 | £0 |
|  |  |  |  |  |
| Funding: |  |  |  |  |
| NHS Forth Valley Uplift\* | 2% | 2% | 2% | 2% |
| Scot Gov – Living Wage: Residential | 6.56% | - | - | - |
| Scot Gov – Living Wage: Care at Home | 8.68% | - | - | - |

Table 3: \* NHS uplift applied to pay budgets only

### 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 2024/25, CPI is based on 4.6% (October 2023). Based on national forecasting, it is proposed that the non-pay inflation component will be set at 2.0% for each of the years included in the MTFP.

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

It is assumed that the Scottish Government funding will match national living wage increases so the (net) additional cost, in table 3 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. 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 balanced 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. This was removed as a saving in the 2023/24 detailed business case (annual budget) as there were a number of developments expected to address the demographic change. 2023/24 has however seen a further significant increase in packages of care and the £0.800m allowance for demographic change has been included for 2024/25 and 2025/26. This accounts for the financial impact across a range of unspecified services, but where an associated cost pressure will be incurred. Further financial improvement and development initiatives will be reviewed / considered to deal with future years demographic changes so no increase has been included for this from financial year 2027/28 onwards.
* Interim care bed provision has continued throughout 2023/24 and is expected to be required going forward, albeit the objective is to be able to remove these. The financial pressure relating to this is included from financial year 2024/25 onwards. Annual inflation relating to this is minimal so has not been included.
* Falkirk Council employer pension contributions are expected to decrease by 3% for 3 years from 2024/25 and then increase by 0.5% in 2027/28. The new rates will be presented to the March 2024 Pensions Committee for final approval but no issues are anticipated and so these assumptions are included in the MTFP.
* It is expected that some progress will be made in terms of reducing staff turnover rates over the coming years and the MTFP assumes the underspend in relation to health care vacancies will reduce by around 10% each year.

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, these resources may be ringfenced for specific purposes.

The main cost pressures and funding assumptions for the IJB, before and after savings delivery, are summarised in table 4. Further details are provided in appendix 1.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Projections | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
| Expenditure | 307.562 | 312.603 | 317.078 | 321.925 |
| Funding | (289.133) | (290.633) | (292.164) | (293.725) |
| Shortfall before savings | 18.429 | 21.970 | 24.914 | 28.200 |
| Impact of savings achievement | 0.000 | (18.429) | (21.970) | (24.914) |
| Shortfall after prior years savings achieved | 18.429 | 3.541 | 2.944 | 3.286 |

Table 4

The summary table indicates a funding gap of £18.429m in 2024/25, rising to £28.200m by 2027/28 prior to savings delivery. The bulk of this funding gap exists from 2024/25 with the gap increasing annually. Details on 2024/25 savings proposals are included in the Savings section below.

There are a number of reasons that the expected budget gap of £1.988m for 2024/25 as anticipated in the 2023/24 to 2026/27 MTFP has increased significantly, as detailed in the 2024/25 business case.

The MTFP 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 put some 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 currently possible 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.

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

* Create a working balance to help manage the impact of uneven cash flows (general reserve).
* Provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies (contingency reserve).
* Set aside amounts for initiatives that extend beyond one year or as a contingency for specific situation (earmarked reserve).

Falkirk IJB has an approved reserves strategy and currently holds contingency reserves of £2.050m and unallocated general reserves of £1.593m.

In addition, the IJB holds a number of earmarked general reserves. These are held for specific purposes and include:

* Service pressures and development funding that will support increased capacity whilst long-term proposals are developed;
* Partnership Funding, where funds are managed through specific workstreams, with defined objectives;
* Locally created reserves which are funds arising from local events and held for specific purposes as approved by the IJB Board.

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 0.75% of the total partnership budget throughout the medium-term financial plan period;
* Unallocated general reserves will be used to ‘top up’ contingency reserves to ensure the required level is retained and to address savings gaps within the annual budget setting process on a short term basis as required.
* Earmarked reserves within the “Partnership Funds” umbrella, 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.
* Service Pressure and Development Fund reserves which are held to support increased capacity whilst longer-term initiatives are developed will be used for specific purposes, or towards savings as approved by the IJB.

Such reserves are non-recurring in nature and 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.

# Managing the Financial Challenge

2024/25 Savings Proposals

The table on Page 16 identified a growing funding shortfall or gap in each year of the MTFP. A savings programme has been identified for 2024/25 as part of the detailed business case submission. This is summarised below for information:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Savings 2024/25 | Total £m | Red  £m | Amber £m | Green £m |
| Adult Social Care | 6.804 | 0.000 | 4.992 | 1.812 |
| Primary Care Prescribing | 1.664 | 0.884 | 0.383 | 0.397 |
| Community Healthcare Services | 3.713 | 0.000 | 0.000 | 3.713 |
| Set Aside | 6.248 | 6.248 | 0.000 | 0.000 |
| Shortfall after prior years savings achieved | 18.429 | 7.132 | 5.375 | 5.922 |

Table 5: Savings 2024/25

It should be noted that in order to present a balanced budget, non-recurring savings totalling £4.090 have been proposed, £3.856m from the general fund and earmarked reserves and £0.234m from development funds not yet required for their intended purpose. It is recognised that this is not sustainable in the long term and recurring savings require to be identified to address the gap for future years and achieve financial sustainability. Non-recurring savings will provide a short-term solution to funding gaps while longer term solutions can be developed.

Longer-term Actions

The IJB is facing an increasingly challenging financial position with funding not increasing in line with demand for services and increased costs. The MTFP highlights a potential budget gap of £28.200m over the next 4 years. Whilst non-recurring reserves can be used in the short-term to bridge the gap, it is recognised that longer-term solutions must be found in order to maintain financial sustainability.

The operational teams are working up specific action plans to support the delivery of the business case, savings and transformation. A saving plan has been created and work is ongoing to develop a specific action plan.

Work is now well underway in moving towards a new model for care and support at home. Once the new model is fully operational all new referrals will follow a reablement pathway to build resilience and promote independence and life skills development. It is anticipated that this will lead to efficiencies and a reduced demand for other services through early intervention.

The Primary Care Medicines Resource Group meet regularly to review and agree potential efficiency opportunities and reduce waste within prescribing. However, it is recognised nationally that the level of savings being achieved at a local level are insufficient to keep up with rising demand and cost.

The Scottish Government acknowledge that reform is essential within the health and social care sector in order to manage the increasing pressures within budget. The IJB is committed to delivering transformational change over the coming years to ensure financial sustainability. The Transformation Board meet regularly to review and approve transformation initiatives that will drive forward the changes needed to ensure services that are fit for the future can be delivered in a sustainable way.

# 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.

The current approved capital investment programme for Adult Social Work is set out in table 6 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 2024/25 with approximately £0.265m attributable to Falkirk IJB on a pro rate basis, the balance being for Clacks & Stirling IJB.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Adult Social Work Capital Programme | Budget 2024/25 | Budget 2025/26 | Budget 2026/27 | Budget 2027/28 |
| Ongoing upgrades to various adult social work buildings | 0.181 | 0.814 | 0.200 | 0.200 |
| MECS Alarms / Equipment | 0.042 | 0.042 | 0.046 | 0.046 |
| Changing places toilers | 0.383 | 0.250 | 0.000 | 0.000 |
| Day Care Review | 1.155 | 0.000 | 0.000 | 0.000 |
| Total | 1.761 | 0.476 | 0.246 | 0.246 |

Table 6

# 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 is 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 increasingly challenging financial environment the IJB is operating in, this risk was changed from high to very high during 2023/24.

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 but are insufficient to keep up with the level of increased demand and cost. The cost of drugs and the agreement to introduce 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 the detail remains insufficient to determine the risks to Falkirk IJB.
* Plans are underway for Prisons and Childrens Services to transfer to the IJB and it is expected these services will become integrated in 2024/25. It is not yet clear what impact this will have on the MTFP and therefore presents a potential financial risk at this time.
* As part of the 2022/23 pay deal, the Scottish Government agreed to scope a phased reduction to a 36 hour NHS working week. The first phase of this will be a 30-minute reduction to a 37 hour working week, and will be effective from 1 April 2024. The financial and service capacity impact of this change is still being assessed, and it is not yet clear, what, if any, additional funding will be provided by the Scottish Government to support this. At this stage, no provision has been included in the 2024/25 budget, and therefore there is an associated potential financial risk.

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 | 2024/25  £m | 2025/26  £m | 2026/27  £m | 2027/28  £m |
| Estimated funding uplift |  |  |  |  |
| Recurring base uplift (2% NHS pay only+ 0% LA) | 1.471 | 1.500 | 1.530 | 1.561 |
| Uplift for Resource Transfer & Pass Through | 0.000 | 0.000 | 0.000 | 0.000 |
| Transfer from SG Health Portfolio | 6.728 | 0.000 | 0.000 | 0.000 |
| SG Pass-through: 2022/23 SJC Pay Award | 1.173 | 0.000 | 0.000 | 0.000 |
|  | **9.372** | **1.500** | **1.530** | **1.561** |
|  |  |  |  |  |
|  |  |  |  |  |
| Estimated expenditure changes |  |  |  |  |
| 2024/25 Pay awards (2% health, 3% social care) | 2.573 | 2.635 | 2.699 | 2.765 |
| 2023/24 Pay award funding shortfall | 0.356 | 0.000 | 0.000 | 0.000 |
| Primary Care Prescribing | 1.626 | 1.716 | 1.810 | 1.909 |
| Hospital Prescribing | 0.012 | 0.013 | 0.013 | 0.013 |
| Demographic change | 0.800 | 0.800 | 0.000 | 0.000 |
| Transition to adult – increased pressure | 0.214 | 0.000 | 0.000 | 0.000 |
| Social Care Provider uplifts | 7.537 | 0.318 | 0.331 | 0.345 |
| Commission of healthcare/Vol. sector | 0.080 | 0.082 | 0.083 | 0.085 |
| Interim Care Beds | 1.189 | 0.000 | 0.000 | 0.000 |
| General Price Inflation | 0.078 | 0.078 | 0.078 | 0.078 |
| 2023/24 recurring pressures – integrated services | 8.584 | 0.000 | 0.000 | 0.000 |
| 2023/2024 recurring pressures – set aside services | 6.248 | 0.000 | 0.000 | 0.000 |
| Employer Pension Contribution change | (0.828) | 0.000 | 0.000 | 0.000 |
| Impact of staff turnover | (0.668) | (0.601) | (0.541) | (0.487) |
|  | 27.801 | 5.041 | 4.474 | 4.847 |
| ESTIMATED SHORTFALL | (18.429) | (3.541) | (2.944) | (3.866) |