
Report To: Inverclyde Integration Joint Board **Date:** 26 June 2023

Report By: Kate Rocks
Chief Officer **Report No:** IJB/27/2023/CG
Inverclyde Health & Social Care
Partnership

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Subject: FINANCIAL PLAN 2023/24 TO 2027/28

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to provide the Integration Joint Board (IJB) with the Health and Social Care Partnership (HSCP) medium term Financial Plan 2023/28.

2.0 SUMMARY

2.1 This report covers the following key areas of financial strategy:

- Background
- Budget Strategy Assumptions
- Projected Cost Pressures 2023/24 to 2027/28
- Addressing the Financial Challenge

3.0 RECOMMENDATIONS

3.1 It is recommended that the Integration Joint Board:

1. Approve the medium term financial plan; and
2. Notes the ongoing work to continue to monitor and update the Plan.

Kate Rocks, Chief Officer

Craig Given, Chief Financial Officer

4.0 BACKGROUND

- 4.1 The IJB's has an indicative budget of £200.7m for 2023/24.
- 4.2 Given the scale of uncertainty and current level of identified pressures on both the delegated Health and Social Care budgets, it is important that the IJB plans for a range of potential outcomes from 2023/24 onwards. In addition, it is anticipated that moving forward beyond 2023/24 and through to 2027/27, a significant annual saving requirement is likely to continue over the medium term. In this context, the Chief Officer and Chief Finance Officer will continue to work with IJB members and the IJB Budget Working Group to advise and assist in the development of budget strategies which remain flexible, sustainable and focused on the delivery of key priorities detailed in the Strategic Plan.

5.0 BUDGET ASSUMPTIONS

- 5.1 The medium term financial plan recognises and acknowledges ongoing cost and demand led pressures on Social Care and Health. Expectation is for a flat cash settlement for Councils and a general 2% increase in Health for 2023/24 onwards.

6.0 PROJECTED COST PRESSURES TO 2027/28

- 6.1 The Financial Strategy includes a wide range of assumptions in respect of key cost pressures and demand highlighting a potential budget gap for the HSCP of circa £8.875m by 2027/28.
- 6.2 IJB Members should note that the current budget gap does not take into account potential additional funding for any pressures from either the Scottish Government or our partner organisations. In addition, it does not include potential costs or income from the potential National Care Service. This will be added to the Financial Plan once more information is known.
- 6.3 In addition to securing a firmer assessment of emerging cost pressures, work is progressing with the HSCP Senior Management Team to identify opportunities to mitigate these pressures. Detailed below are the main areas of cost pressures and demand which will be subject to ongoing review as clarification of the position for each emerges:
- **Pay Inflation:** despite the anticipated reduction in resources it is expected that pay pressures will remain a recurring pressure for the public sector;
 - **Demographic and Volume:** reflects increases anticipated across social care services;
 - **Prescribing:** costs reflect current demand and cost pressures; and
 - **Inflationary Pressures:** reflect anticipated increases to payments to third parties including the National Care Home Contract (NCHC).

7.0 MEDIUM TERM FINANCIAL STRATEGY

- 7.1 In order to deliver the medium term financial strategy 2023/24 to 2027/28 a medium term strategy has been developed over 4 key strands.
1. Efficiency Savings
 2. Service Redesign/Transformational Change
 3. Service Reduction if not able to close budget gap with Efficiencies or Redesigns
 4. Increased Charging

It is proposed that moving forward over the medium term the IJB agrees to commit to the principles laid out in the Financial Plan. In line with these principles the Chief Officer and Chief Finance Officer will work with IJB members and the IJB Budget Working group to develop savings and efficiencies for the period to 2027/28.

8.0 IMPLICATIONS

8.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk		X	
Human Resources		X	
Strategic Plan Priorities		X	
Equalities		X	
Clinical or Care Governance		X	
National Wellbeing Outcomes		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

8.2 FINANCE

The financial implications are as stated in this report. Medium Term financial planning allows for improve stewardship and governance over budgets and budget planning.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

LEGAL

8.3 There are no specific legal implications arising from this report.

HUMAN RESOURCES

8.4 There are no specific human resources implications arising from this report.

EQUALITIES

8.4.1 There are no equality issues within this report.

8.4.2 Has an Equality Impact Assessment been carried out?

√

YES (see attached appendix)

NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

8.4.3 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

8.5 CLINICAL OR CARE GOVERNANCE IMPLICATIONS

There are no governance issues within this report.

8.6 NATIONAL WELLBEING OUTCOMES

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None

People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None
People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	A robust Financial Strategy and Plan linked to Strategic priorities will help to ensure that resources are used effectively in the provision of services.

9.0	Direction Required to Council, Health Board or Both	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

10.0 CONSULTATION

- 10.1 This report has been prepared by the Chief Financial Officer of the IJB after due consultation with the Chief Officer and input from the Director of Finance for Greater Glasgow & Clyde NHS and the Chief Finance Officer for Inverclyde Council.



Inverclyde Integration Joint Board

Medium Term
Financial Plan
2023/24 to 2027/28

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Executive Summary

This Financial Plan outlines the financial challenges and opportunities Inverclyde Health and Social Care Integration Joint Board (IJB) faces over the next 5 years and provides a framework which will support the IJB to remain financially sustainable. This plan underpins and complements the Strategic Plan, highlighting how the IJB financial planning principles support the delivery of the IJBs strategic objectives and priorities.

The Plan includes a range of key assumptions which are subject to a significant degree of uncertainty. As a consequence this strategy will be reviewed on an ongoing basis with appropriate adjustments made as more information becomes available.

This financial plan at present excludes the potential impacts of a new National Care Service. When more details of the scope and financial implications are known the plan will be updated accordingly.

Given the uncertainty and potential for variability, it is important that the IJB plans for a range of potential outcomes, ensuring sufficient flexibility to manage in a sustainable manner over the course of this financial plan.

Key Messages

- Moving forward beyond 2022/23 the IJB is facing significant challenges and will need to develop budget strategies which remain flexible, sustainable and focussed on the delivery of its Strategic Plan's key priorities
- This Medium Financial Plan will provide the financial context for the IJB, inform future decisions and start to identify a high level plan to bridge the financial gaps moving forward.
- Over the medium to longer term the IJB needs to plan on the basis of:
 - Flat Cash allocations from our partners
 - Rising costs, and
 - Demand pressures
- Taking into account costs, demands, estimated changes to funding and assuming nothing else changes the anticipated budget gap by 2027/28 will be circa £8.875m
- Work will continue to review and update key assumptions as more information becomes available with the IJB being informed of any significant changes
- Further areas of work have been identified to start to bridge the gap, these will be developed over the next few months.
- The Plan does not take into account the proposals for a new National Care Service as these proposals are still being developed.
- To deliver the financial plan this medium term financial strategy has been developed with the following key strands:
 1. Efficiency Savings
 2. Service Redesign/Transformational Change
 3. Service Reduction
 4. Increased Charging

Introduction

- 1.1 The purpose of this Financial Plan is to provide an overview of the key messages in relation to the IJBs financial planning for 2023/24 to 2027/28. It also provides an indication of the challenges and risks which may impact upon the finances of the IJB in the future as we work to meet the health and social care needs of the people of Inverclyde.
- 1.2 In 2022 the IJB refreshed its Strategic Plan which outlined our ambitions. The updated Strategic Plan sets the key priorities and six big actions which will ensure that we deliver our core vision of “Inverclyde being a caring and compassionate community working together to address inequalities and assist everyone to live active, healthy and fulfilling lives”. The recent refresh now provides a clear outcomes framework against each of the 6 big actions. The IJB will shortly commence its work into a new longer term Strategic Plan to which this Medium Term Financial Plan will play a significant part.
- 1.3 The Medium Term Financial Plan is key to supporting the delivery of the strategic plan. The ability to plan based on the totality of resources across the health and care system to meet the needs of local people is one of the hallmarks of integrated care. Medium Term Financial Planning is key to supporting this process and identifying the transformation which is required to provide sustainable services to the local community over the medium term.

Key Messages

- 1.4 Inverclyde Health and Social Care IJB is facing significant challenges as a result of a combination of financial pressures caused by uncertainty of funding, increased demographic pressures and the cost of implementing new legislation and policies. The IJB are aware of recent Scottish Government proposals to create a new National Care Service. At present until further plans are announced by the Scottish Government, this Financial Plan excludes any assumptions around its implementation or financials.
- 1.5 This Medium Term Financial Plan will provide the financial context for the IJB, inform current and future decisions and outline a high level plan to start to bridge the financial gaps which have been identified moving forward.
- 1.6 The indicative 2023/24 base recurrent budget is £200.735m (Social Care £68.156m, Health £132.579m and Set Aside £35.398m). A number of areas have been explored to understand the scale of the financial challenge:-
 - a detailed analysis of anticipated costs and demands
 - an assessment of anticipated increases and reductions in funding from partners

Taking into account the issues identified and assuming nothing else changes the potential funding shortfall will be circa £8.875m by 2028.

- 1.7 The IJB will need to develop plans over the medium term to bridge this financial gap. A medium term strategy to bridge the anticipated budget gap will be developed along the following main strands:-
- (i) Efficiency Savings
 - (ii) Service Redesign
 - (iii) Service Reduction
 - (iv) Increased Charging
- 1.8 Proposals have been developed to deliver a balanced budget for 2023/24 and approved by the IJB. Budget planning for future years is underway, although funding from Partners have still to be confirmed. The IJB have been actively engaged with Partners and this plan reflects the latest position.
- 1.9 A number of areas of work have been identified to bridge the financial gap and further workstreams will commence shortly. These will be developed over the coming months and will be used to refresh the Medium Term Financial Plan on a regular basis. This will form part of the annual budget setting process.

2. Purposes and Approach

Key Messages

- The Medium Term Financial Plan is an important part of the strategic planning process to deliver on the vision and priorities set out in the IJB's Strategic Plan whilst ensuring as an organisation we remain financially sustainable
- The Medium Term Financial Plan will provide the financial context for the IJB, inform future decisions and a high level action plan to address the financial challenges moving forward

Purpose of the Plan

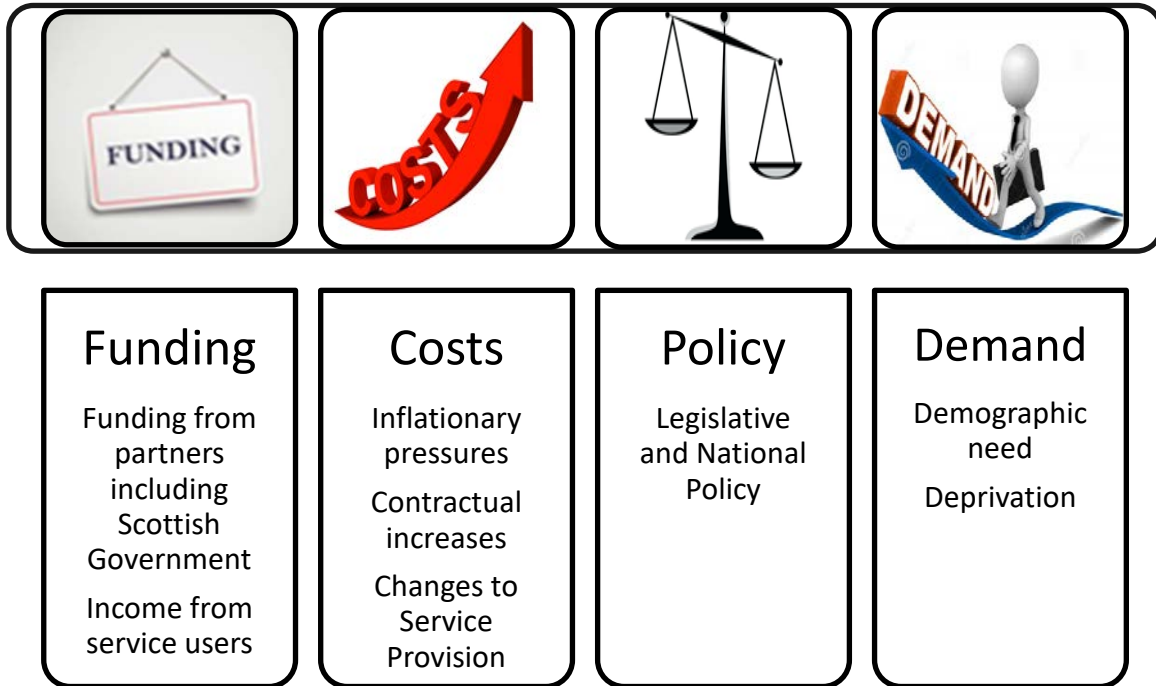
- 2.1 The Medium Term Financial Plan is an important part of the IJBs strategic planning process and is integral to the delivery of our vision and priorities as set out in the Strategic Plan whilst ensuring as an organisation that we remain financially sustainable.
- 2.2 Recent Audit Scotland reports have highlighted the significant level of challenges faced by Health and Social Care Partnerships due to a combination of financial pressures caused by a real-term reductions in funding, increased demographic pressures and the cost of implementing new legislation and policies.
- 2.3 Within this context it is essential that the IJB develops and maintains a financial plan to enable it to direct finances at the services which will deliver the greatest impact and also support a shift in the balance of care. The financial plan will also set the context for annual budgets. In preparing the plan it is essential that we understand the scale of the financial challenge and the impact that this has not only on the IJB, but also the impact on the wider system and our other Partners.
- 2.4 This will be the third Medium Term Financial Plan for the IJB and will provide key information on the financial position of the IJB over the next five years and whether spending is sustainable over this period of time. Crucially it will identify the financial challenges and potential impact of current and future decisions on its medium term financial health. It will be used to identify pressure points and inform decisions which are required to ensure the IJB remains financially sustainable.

Approach to the Development of the Medium Term Financial Plan

- 2.5 In preparing the Medium Term Financial Plan the following approach has been adopted:-
- The indicative 2023/24 budget has been used as the basis for the Medium Term Financial Plan
 - An analysis of anticipated cost and demand pressures has been undertaken to inform future years projections
 - A review of funding assumptions has also been undertaken to determine the anticipated level of funding available for service delivery

- Scenario planning has been undertaken to identify potential favourable, adverse and probable scenarios for each assumption within the plan. The most prudent and or probable assumption has been used to generate these estimates

2.6 The pressures which the IJB will experience can be categorised into the following main headings and have been considered to provide a robust financial plan for the future.



Benefits of the Plan

- 2.7 The preparation of this Medium Term Financial Plan will secure a number of benefits for the IJB:-
- it will provide the financial context for the IJB and will inform future decision making
 - it provides a document which will be used for engaging with partner bodies in relation to the securing of future funding

3 Financial Landscape

3.1 The Economy – UK Context

The Covid pandemic elicited a fiscal response from the UK Government which was without precedent in peace time. The UK Government borrowed large sums of funding to support the economy, households and frontline services battling against the virus and to help protect as many jobs as possible as part of the recovery. The Autumn Budget in October 2021 set out the plans to bring the UK Budget back into some form of balance as part of the 2022/25 Spending Review

The Spring Statement in March 2023 reported a slightly improved position economically compared to previous years. However, the Spring Statement continues to highlight the significant challenges that remain in the UK economy including Inflationary pressures, initially driven by global factors and the impacts that have become widespread across the economy, weighing on household incomes and dragging on growth. Since the COVID-19 pandemic, higher interest rates, coupled with slowing economic growth have hit the public finances against a backdrop of higher levels of government debt. Furthermore structural factors – including low business investment and a decreased labour market inactivity have dragged on growth and likely pushed up inflation.

In recent years the UK Government has been through unprecedented change which caused significant turbulence in the Financial Markets. The UK Government issued a new key Budget Statement on 17 November supported by appropriate OBR analysis.

The Spring 2023 budget aimed to address these challenges by striking a balance between providing necessary help to households, businesses and the economy and support the Bank of England to reduce inflation. The OBR forecasts the economy will avoid recession and that government decisions are expected to help inflation fall more quickly this year. Inflation has peaked and is starting to come down but remains high overall and is expected to be high for the short term but then reduce in the medium term.

Interest rates are expected to peak this year and then begin to reduce into the medium term.

3.2 UK and Scottish Legislative and Policy Changes

UK and Scottish Government legislation and policies and how these are funded can have implications for the IJB and its medium term financial planning. There are a number areas which could impact on the IJB over the medium term, including:

- The Proposed National Care Service
- Covid Recovery
- Carers Act (Scotland)
- Children & Young People Act
- The Promise

- Primary Care Funding Changes
- Mental Health Strategy 2017-2027
- Moving Forward Together
- Scottish Living Wage

3.4 **Scottish Government Funding**

3.5 *Scottish Context*

After requests from Cosla for several years for greater medium term funding certainty, the Scottish Government issued the Resource Spending Review (RSR) on 31 May 2022. The RSR covered the 5 year period 2022/23 – 2026/27 from a Resource/Revenue perspective. The RSR was balanced on its “central” assumption ie: Income/Taxes matched Expenditure plans.

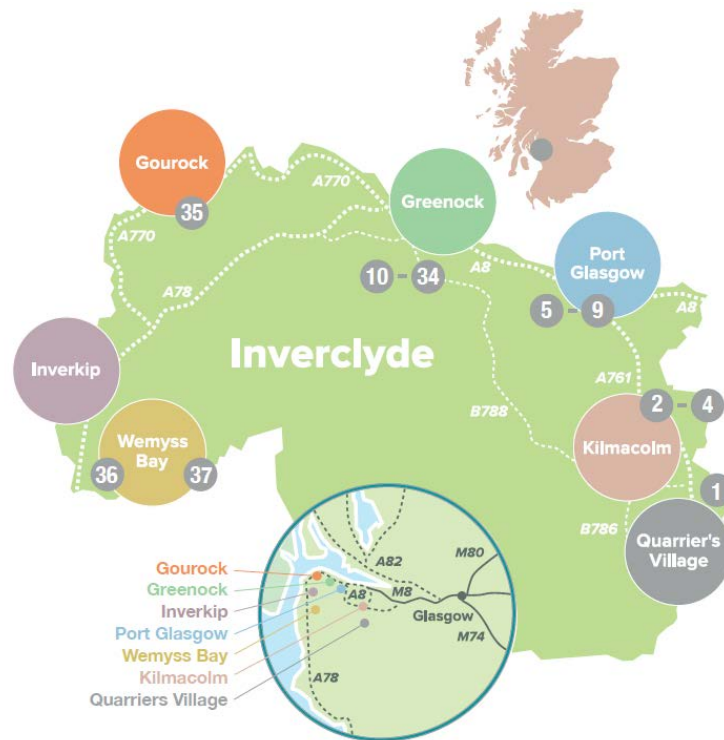
- 3.6 Local Government are due to receive challenging core revenue settlements over the period with Grant/NDR being the same in cash terms in 2025/26 as it is in 2022/23. The Fraser of Allander Institute reported that this represents a 7% real terms cut using the GDP deflator. This in turn has led to a flat cash settlement in Social Care services in the last year with Inverclyde HSCP only receiving its share of a net £95m increase in funding for 2023/24. This additional funding was directed to pay living wage payments to care providers. In 2023/24 Inverclyde HSCP continue to receive the relevant pay awards for staff as directed by Scottish Government. However, it should be noted that Inverclyde Council took a recurring £0.5m savings on this funding. No other significant funding was announced. In terms Social Care funding going forward this medium term strategy will assume no significant additional contributions from Scottish Government apart from living wage increases and the pay award funding.

In recent years the Scottish Government have allocated 2% uplifts to all HSPC Health budgets. In addition the Scottish Government have also funded all the pay awards on the Health side. This has meant that in recent years no significant savings have been required on the Health side of the HSCP budget. This medium term strategy will assume 2% uplifts and relevant pay awards being funded going forward.

Greater Glasgow and Clyde Health Board and Inverclyde Council delegate budgets to the IJB to enable the IJB to fund the services which it commissions. Any changes to Scottish Government funding is likely to impact on the level of budgets which are delegated to the IJB and the level of savings which are required to meet demand, demographic and inflationary pressures. It should be noted that the Scottish Government intends to implement the National Care Service during this time period. At present the scope and context of the National Care Service is still under debate and as such this financial plan does not make any funding assumptions around this issue.

- 3.7 This Medium Term Financial Plan considers the main factors which will impact on the finances of the IJB over the medium term and will provide the IJB with the financial context in which it operates to support decision making.

4 Inverclyde Context



- 4.1 The local environment within which the IJB operates has changed significantly in recent years and will alter further in future years due to the impact of national legislation and policy, further economic turbulence, societal changes and developing customer expectations.
- 4.3 The overall strategic framework within which the IJB operates is outlined in the Strategic Planning and Performance Management Framework. The Framework includes the Inverclyde Partnership Plan (2023-33), the Health Board and Council Corporate Plans, the IJB Strategic Plan and the IJB Medium Term Financial Plan.
- 4.4 The new Strategic Plan to 2023/24 still focusses on “Improving Lives” and sets out 6 big actions for the Health and Social Care Partnership to deliver against:

<p>Big Action 1: Reducing Health Inequalities by Building Stronger Communities and Improving Physical and Mental Health</p>	<p>Big Action 2: A Nurturing Inverclyde will give our Children & Young People the Best Start in Life</p>	<p>Big Action 3: Together we will Protect Our Population</p>
<p>Big Action 4: We will Support more People to fulfil their right to live at home or within a homely setting and Promote Independent Living</p>	<p>Big Action 5: Together we will reduce the use of, and harm from alcohol, tobacco and drugs</p>	<p>Big Action 6: We will build on the strengths of our people and our community</p>

- 4.5 The **Inverclyde Partnership Plan (2023-33)** sets out the Partnership actions and projects which will contribute to the vision of Success For All – Getting It Right for Every Child, Citizen and Community
- 4.6 The focus of the Strategic Planning and Performance Management Frameworks is on addressing the main challenges facing the area, and the five high level outcomes for partners to work together on, covering the areas of :

THEME 1: EMPOWERED PEOPLE

- Communities can have their voices heard, and influence the places and services that affect them
- Gaps in outcomes linked to poverty are reduced

THEME 2: WORKING PEOPLE

- More people will be in sustained employment, with fair pay and conditions
- Poverty related gaps are addressed, so young people can have the skills for learning, life and work
- Businesses are supported and encouraged to reduce their carbon footprint and develop green jobs

THEME 3: HEALTHY PEOPLE AND PLACES

- People live longer and healthier lives
- Supportive systems are in place to prevent alcohol and drug misuse
- Our natural capital is looked after, and we are effectively adapting and mitigating the effects of climate change

THEME 4: A SUPPORTIVE PLACE

- Vulnerable adults and children are protected and supported, ensuring they can live safely and independently
- We recognise where people are affected by trauma, and respond in ways that prevent further harm and support recovery
- Public protection and community safety are improved through targeting our resources to reduce the risk of offending and harm

THEME 5: A THRIVING PLACE

- Growth in our working age population by encouraging people to stay here, and attracting new people to settle here
- Development of strong community-based services that respond to local need
- Homes are energy efficient and fuel poverty is reduced

- Increased use of active travel and sustainable transport options
- Easy access to attractive and safe public spaces, and high-quality arts and cultural opportunities

4.7 There are also a series of **wellbeing outcomes**, which the Inverclyde Alliance has adopted which have been adapted and expanded from:

- 'Getting it Right for Every Child', to help us work towards a Nurturing Inverclyde,
- 'Getting it Right for Every Child, Citizen and Community'.

The wellbeing outcomes cover the core areas of Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included

Inverclyde Integration Joint Board (IJB)

4.8 The IJB is ambitious about what it wants to achieve for the residents of Inverclyde. The benefits of integrated system working is already evidenced and an example of this is Inverclyde's excellent performance in relation to Delayed Discharges and reducing the pressure on unscheduled care. The IJB has also embarked on a significant change programme including development of a new Health Centre in Greenock as well as a number of Service Redesign projects.

4.9 Demand for health and social care is growing. Our population is changing and facing many challenges. Inverclyde is one of five local authorities with the highest concentration of multiple deprivation in Scotland, but there are significant variations both within and between communities.

From our Strategic needs Assessment we know that :

- We will have an increasing concentration of older people within Inverclyde's communities, with the proportion of people aged 75+ set to increase by 55.5% over the next 20 years;
- An anticipated population reduction of 5% over the next 5 years, driven by there being fewer births than deaths;
- Emergency hospital admission and alcohol related hospital admission statistics being higher than Scottish average levels;
- Annual earnings at a lower level than the Scottish average;
- Significant deprivation issues with 45% of all data zones being in the 20% most deprived in Scotland;
- and Life expectancy for males and females sitting below Scottish average levels.

4.10 There is an emerging operational and financial pressure around Continuing Care within Children & Families. Looked After Children are now potentially in care 5 years longer till they reach the age of 21. This impacts on throughput within services. There will be an incremental financial impact over the next few years which may need to be factored into future plan updates once the value is established if it is in excess of the provisions for cost pressures already included within the plan.

4.11 We have worked hard to deliver early success and some examples can be seen in our annual performance reports.

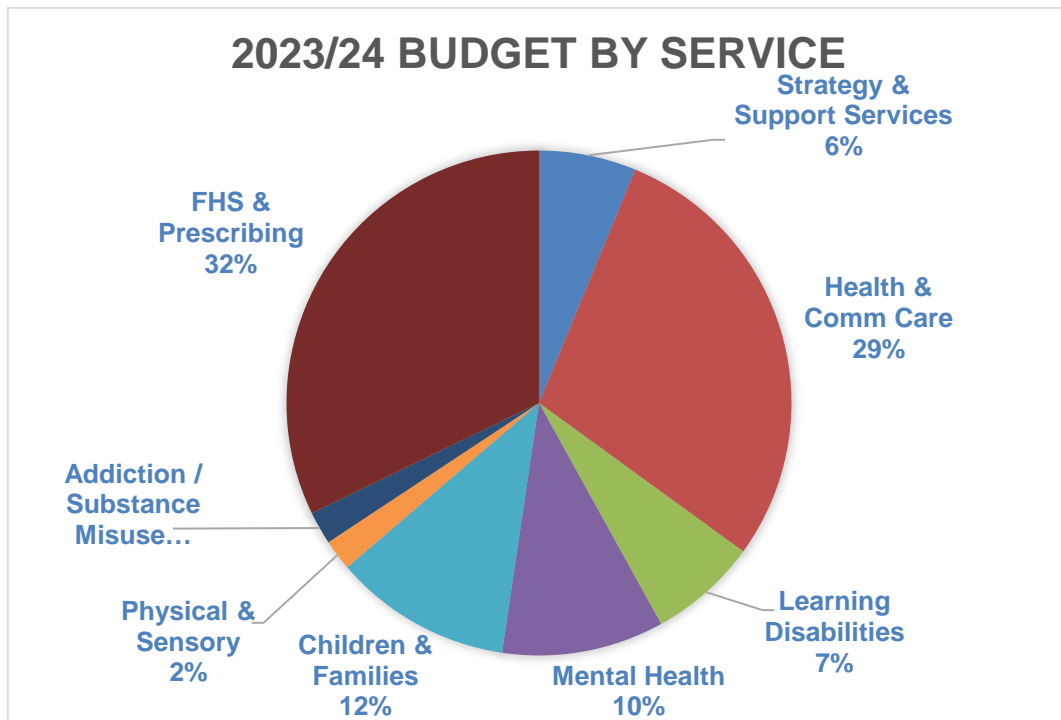
5 Understanding the Financial Challenge

Key Messages

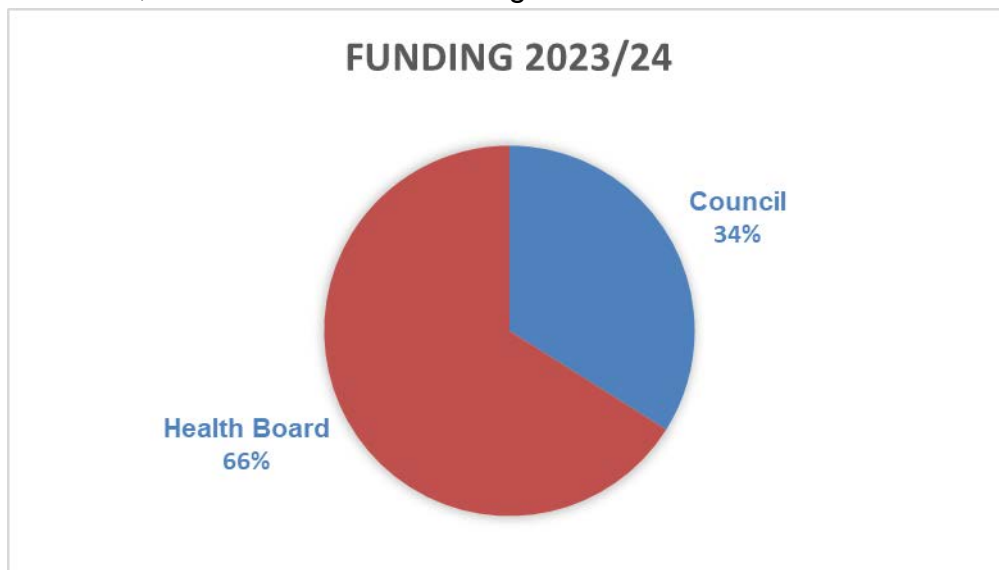
- The IJB has an indicative budget of £200.735m for 2023/24, including the notional £35.398m Set Aside budget
- Based on partner body planning assumptions it is estimated that overall funding will stay broadly level over the next 4 years although significant savings may still be required to fund some anticipated cost pressures
- Taking all of this into account and assuming no further action, the IJB will have a funding shortfall of circa £8.875m over 2023/24 to 2027/28

Base Line Budget

- 5.3 In 2023/24 the IJB has an indicative base line budget of £200.735m (£68.156m for Social Care, £132.579m for Health and £35.398m Set Aside). This is summarised by service area below.



5.4 This is funded through budgets delegated from the Council and the Health Board as illustrated below, based on 2023/24 funding:



Understanding the Gap: Costs and Demands

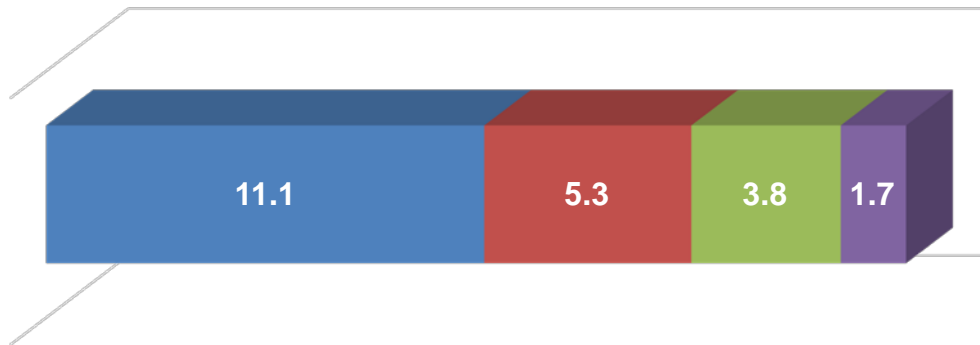
5.5 A detailed analysis of costs and demands has been undertaken for the IJB. Scenario planning looking at a range of options around each assumption was carried out to establish favourable, adverse and probable outcomes. For each element the most probable scenario, based on information currently available has been used. This will be reviewed on a yearly basis via the annual budget setting process based on the most current information available. The most probable scenario is subject to possible fluctuations also.

5.6 Based on this the anticipated costs and demand pressures amount to an estimated £21.9m over the next four years. Additional funding of £13m mainly around inflation will partially offset this. However, assuming nothing else changes an additional £8.9m would be required by 2027/28. Each year an updated financial forecast plan will be included as part of the budget setting exercise. These are illustrated below and detailed in Appendix 1.

COST AND DEMAND PRESSURES 2023-2028

£M

■ Inflation ■ Pay Inflation ■ Demographic & Volume ■ Drug Inflation



5.7 The main cost pressures and demands can be summarised as:-

a. Pay Inflation

The assumptions for pay reflect the current inflationary assumptions of both Partner bodies. This is based on a 2% increase on both Health and Council from 2024/25 onwards. A 3% increase has been assumed in 2023/24 for the Council side and 2% Health side.

b. Demographic and Volume

Estimate based on current assumptions of demographic changes over the next 4-5 years. General assumptions are around a yearly increase of 1.5% across all demographic groups in line with anticipated population and demographic changes.

c. Inflationary Pressures

Inflationary pressures reflect anticipated annual increases to payments to third parties and in the main reflect anticipated increases to the National Care Home Contract, Provider uplifts, Utilities and Fuel.

d. Drug Inflation

The pressures linked to the Drug Inflation reflects the anticipated increase in drug tariffs and impact of short supply issues.

Understanding the Gap: Funding

- 5.8 It is anticipated that, as in previous years, different approaches will be taken by the two Partner Bodies in terms of IJB funding. The Council previously funded some cost pressures but applied an offsetting funding reduction. From 2023/24 onwards the HSCP funds all its anticipated pressures and funding shortfalls on the Social Care side. The Health Board applied no funding reduction and passed across the recommended 2% overall uplift.
- 5.9 The plan assumes flat cash from the Council. This assumes we will only be passed through the relevant living wage uplift funding and pay awards. However, if new funding is announced by the Scottish Government we would expect this funding to be passported by Inverclyde Council.
- 5.10 For Health, in 2023/24 we budgeted a 2% uplift on all budgets plus further uplifts on pay costs in line with the Scottish Government Health settlement. This assumption has been used in the remaining 4 years of the plan.
- 5.11 The table below shows the overall impact of the anticipated budget pressures, funding changes and resultant additional funding or savings required to bridge the funding gap.

Partnership Spend/Funding Analysis	Indicative Budgets				
	£000s 2023/24	£000s 2024/25	£000s 2025/26	£000s 2026/27	£000s 2027/28
NHS Contribution to IJB	97,181	98,597	100,034	101,492	102,971
NHS Set Aside (notional)	35,398	36,106	36,828	37,565	38,316
Council Contribution to IJB	68,156	69,893	71,675	73,501	75,375
HSCP Net Income	200,735	204,596	208,537	212,558	216,662
Health	78,206	79,185	80,184	81,203	82,242
NHS Set aside (notional)	35,398	36,106	36,828	37,565	38,316
Social Care	87,131	91,951	96,126	100,466	104,979
HSCP Net Expenditure	200,735	207,242	213,138	219,233	225,537
Cumulative Funding Gap		(2,646)	(4,601)	(6,675)	(8,875)
Annual Funding Gap		(2,646)	(1,956)	(2,074)	(2,199)

- 5.11 Taking into account the issues identified in this section and assuming that nothing else changes the financial pressures for the IJB over 2023/24 to 2027/28 will be a circa £8.875m funding gap.

	£m
Inflation	11.1
Pay Inflation	5.3
Demographic & Volume	3.8
Drug Inflation	1.7
	21.9
Anticipated Funding Growth	<u>13.0</u>
Funding Gap	<u>8.9</u>

6 Addressing the Financial Challenge – The Medium Plan

Key Messages

- A programme of future year savings is under development by officers and these will be brought to a future the IJB for consideration in order to bridge the anticipated gap of circa £8.875m by 2028. A key element of this will be based on anticipated funding settlements in both Health and Council. Funding assumptions, inflationary increases and demographic pressures will be reviewed each year of the plan

6.1 Service Redesign/Transformational Change

Despite the challenging backdrop there is a real opportunity to change things for the better. By developing our current services to be innovative and forward-thinking, making the most of new technology and supporting our people to live well for longer, we can ensure that everyone has a better experience of health and care and the opportunity to be independent for as long as possible for them. A number of reviews have already commenced with the view to deliver real change for the people of Inverclyde. These include the Care and Support at Home review, The Children and Families redesign, the Business Support Redesign and various projects through the Transformation Board.

6.2 Addressing the Financial Challenge

The IJB will need to develop plans over the medium term to bridge the financial gap. The HSCP now has a Budget Operating group which will work over the next number of years to develop savings and efficiency options for consideration by the IJB. The Medium Term Strategy has identified the need for the following:

- (i) Efficiency Savings
- (ii) Service Redesign/Transformational Change
- (iii) Service Reduction
- (iv) Increased Charging

6.3 Efficiency Savings

Delivering Services as efficiently as possible in line with Best Value principles has been achieved in previous years. On an ongoing basis officers work to identify and deliver in year and recurring efficiency savings. Examples of this includes looking at the use of transport within the services and delivering savings by finding better ways of delivering this provision. Other examples can be seen by looking at current turnover rates in the services and adjusting this based on historical trends. A review of previous year's outturn positions will be carried out to identify areas of recurring underspend. These options will always be the preference of the IJB in order to limit any service reductions to Inverclyde Citizens.

6.4 Service Redesign/Transformational Change

Despite the challenging backdrop there is a real opportunity to change things for the better. By developing our current system to be innovative and forward-thinking,

making the most of new technology and supporting our people to live well for longer, we can ensure that everyone has a better experience of health and care and the opportunity to be independent for as long as possible.

6.5 The IJB has a Transformation Fund within the Integration Joint Board Earmarked Reserves. This fund supports the overarching Health and Social Care Partnership Change Programme.

6.6 There are a number of local and system wide service reviews and redesigns already ongoing and others due to commence in the coming years:

- Care at Home
- Children & Families Redesign
- Homelessness
- Business Support Review
- A new Strategic Plan

6.7 **Service Reduction**

As an IJB we have a requirement to set a balanced budget. Taking into account the cost and demand pressures, the level of funding which will be available and the level of savings which can be secured, we have no alternative but to also consider reductions in service if this is deemed necessary as part of the budget process. This will only be considered if all other efficiencies or service redesigns don't close the budget gap.

6.8 The next steps for finalisation of this plan and future development of the plan will be

- officers to develop proposals to bridge the anticipated funding gap from 2024/25
- HSCP Budget working group to develop these options further
- IJB development session during 2023/24 to consider proposals for future years
- Revised Medium term Financial Plan and future years budgets to Integration Joint Board for approval

6.9 **Increased Charging**

In recent years the HSCP has generally followed the Council direction in terms of increasing charges to users with the same % increase across the range of services. Going forward this will be included as part of each year's budget process where the HSCP budget group will have the option to look at different charging proposals in addition to blanket % increases in line with the Council.

6.10 The assumptions within this plan will be subject to ongoing review through the in year budget monitoring process and future year budget setting process. This financial plan links to the refreshed Strategic Plan and will be reviewed and formally updated in line with any future revisions.

7 Risk and Sensitivity Analysis

7.1 There are risks attached to any financial model. These include:

- Impact of local and national changes which may have been under or over estimated
- Failure to accurately forecast future funding levels
- New national policies creating future cost pressures e.g. National Care Service
- Over/under estimated cost and demand pressures generally
- Impact of decisions made by Partner bodies on the IJB e.g. decisions around pay award funding
- Unexpected changes in demographic profile
- Impact of IJB decisions on the Partner bodies

7.2 As an organisation the IJB needs to be aware of these risks but should not become risk averse when developing its future plans. The IJB recognises strategic risks through the IJB Risk register. This is used to ensure significant risk is identified and effective actions implemented that reduce these risks to acceptable levels whilst securing service delivery within available resources.

7.3 Prescribing is a specific area of financial risk for the IJB. Whilst decisions to prescribe are made locally by GPs, the cost of drugs and the agreement to introduce new drugs are made nationally. It is here where cost pressures can arise in year. The IJB has consciously adopted a prudent approach to budgeting for prescribing and has a budget smoothing reserve to help deal with one off in year fluctuations.

7.4 Sensitivity analysis is used to test the major assumptions made by the model and understand what the implications are if assumptions change. This effectively tests 'what if' scenarios and enables the IJB to determine the potential fluctuation which could exist within the modelling and will assist future planning.

7.5 The table below shows what could happen if some of the main funding or cost assumptions worsened:

ADVERSE SCENARIOS IMPACT	2024/25	2025/26	2026/27	2027/28	Cumulative effect £000s
	£000s	£000s	£000s	£000s	
ADVERSE FUNDING SCENARIO					
Health Funding decreased by 0.5%	354	359	364	370	1,448
Council Funding decreased by 0.5% per annum	341	349	358	368	1,416
ADVERSE EXPENDITURE SCENARIO					
Pay inflation - additional 1% per annum	639	652	665	678	2,633
Prescribing - additional 1% per annum	202	206	210	215	834
Non pay inflation - additional 1% per annum	529	585	645	711	2,470
Demographic pressures - additional 1% per annum	490	497	505	512	2,005
INCREASED FUNDING GAP	2,555	2,649	2,748	2,853	10,806

7.6 A range of potential favourable scenarios and their potential impact on this plan are summarised below:

FAVOURABLE SCENARIOS IMPACT	2024/25	2025/26	2026/27	2027/28	Cumulative effect
	£000s	£000s	£000s	£000s	
FAVOURABLE FUNDING SCENARIO					
Health Funding increased by 0.5% per annum	(354)	(359)	(364)	(370)	(1,448)
Council Funding increased by 1% per annum	(341)	(349)	(358)	(368)	(1,416)
FAVOURABLE EXPENDITURE SCENARIO					
Pay inflation - 0.5% less per annum	(319)	(326)	(332)	(339)	(1,317)
Prescribing inflation - 0.5% less per annum	(101)	(103)	(105)	(107)	(417)
Non pay inflation - 0.5% less per annum	(265)	(292)	(323)	(355)	(1,235)
Demographic pressures - 0.5% less per annum	(245)	(249)	(252)	(256)	(1,002)
DECREASED FUNDING GAP	(1,625)	(1,679)	(1,736)	(1,795)	(6,835)

7.8 The specific risks associated with the IJB budget and this financial plan are reflected in both the HSCP Senior Management Team Risk Register and the IJB Risk Register. These relate to financial sustainability and the potential impact of:

- a) Funding constraints/shortfalls
- b) Additional unfunded cost pressures and service demands
- c) Demographic Pressures

7.9 Mitigations already in place around financial sustainability include:

- Strategic Plan
- Medium Term Finance Plan
- Close working with Council and Health when preparing budgets and financial plans
- Regular Financial Monitoring reporting to the IJB
- Regular budget reports and meetings with budget holders
- Regular Heads of Service Finance meetings
- Close working with other local authority and GG&C Finance colleagues and HSCP CFOs to deliver a whole system approach to financial planning and delivery