

Integration Joint Board

Date of Meeting: 31 January 2024

Title of Report: Budget and Medium Term Financial Plan 2024-2027

Presented by: James Gow, Head of Finance

The Integration Joint Board is asked to:

Consider the budget outlook for 2024-25 to 2025-26 and note the high level of risk and uncertainty.

Note the forecast budget gap totalling £11.4m for 2024-25.

Note that indicative savings targets have been allocated to services.

Note that oversight of the budget process will continue to be undertaken by the Finance & Policy Committee.

Note that additional expenditure control measures are being put in place in partnership with NHS Highland as a response to the financial context.

1. EXECUTIVE SUMMARY

- 1.1 This report provides the Integration Joint Board with an updated budget outlook for the 2024/25 financial year and the following two years. It takes into account 3 and forms the basis for detailed financial planning, the value for money strategy and savings targets. The financial plan will continue to evolve as funding allocations are confirmed by partners and clarity in respect of the capital programme.
- 1.2 The outlook aims to provide a framework for the development of the 2024/25 budget whilst placing it in a medium term context. However, the Scottish Government draft budget creates a number of challenges which are still to be fully understood. The most recent 3 year spending review document is now of limited relevance due to changes driven by inflation, pay increases and re-prioritisation of spend. The Draft Budget commits the G1(inc)/F11

available for formula funding allocations. This disadvantages the HSCP in its efforts to deliver services in a sustainable way. Overall, the financial context is deteriorating and further efficiency and cost savings are required across the system. Financial planning is based upon a mid-range scenario which estimates the budget gap at £11.4m or 3.2% of spend for 2024/25. Work is underway to develop firm savings proposals to seek to balance the budget with the expectation that enhanced financial control measures will also be required.

2. INTRODUCTION

2.1 The purpose of this report is to update the medium term financial plan. It summarises the context and aims to ensure that the HSCP is operating in a financially responsible way. It includes the following sections:

- Financial & Strategic Context
- Current Financial Position
- Revenue budget modelling & assumptions
- Budget Gap and Savings Target
- Transformation & Investment
- Reserves
- Scenarios and Risks

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3.1

The Scottish Government continues to prioritise the sector with 33% of the total budget allocated to NHS Recovery, Health and Social Care (£19.5bn). The Draft Budget is available at:

<https://www.gov.scot/publications/scottish-budget-2024-25/>

Additional management letters have been issued to the NHS and Local Government following publication of the budget. These provide further information and are attached as appendixes:

The NHS uplift includes funding already allocated in 2023/24, Boards are asked to assume future pay increases will be funded and that the increase in NHS superannuation costs will be funded;

There is zero uplift for non-pay costs and Boards are expected to manage non-staff inflation within existing budgets;

There is an implication that capital funding has been transferred to revenue and that some capital schemes will be subject to delay or cancellation; and

Further information on the approach to capital investment and business case development will be forthcoming in January.

Separately, Boards have been asked to manage within set brokerage limits. It is apparent that the budget allocation for the NHS does not align with current spend patterns and does not represent a sustainable funding settlement. This is a concern for the IJB as brokerage totals are not included in formula allocations and therefore, in relative terms, it is disadvantaged by this approach. NHS Highland is facing a reduced brokerage total for next year. It does not appear that the budget available to the HSCP will increase in real terms in 2024/25 per the spending review and previous planning assumptions.

working on plans to address the gap outlined below as far as possible. The Transformation programme is also currently under review in this context.

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NHS Cost & Demand Pressures

3.5 Reserves

The plan does not set a target for increasing reserves, it is anticipated that reserves will diminish as projects proceed and balances are likely to be used to address IJB or partner budget shortfalls. The short term pension cost benefit is intended to enable

In the event that the outlook improves or if the final Scottish Budget allocates additional resource the HSCP would scale back its savings target.

3.6.3 Workforce

Workforce risks are considered in detail in the Workforce Plan. Labour shortages are likely to constrain the ability of the HSCP to deliver services and improvement. The financial plan no longer assumes a net growth in workforce numbers, the Scottish Government is clear that the size of the workforce needs to reduce and it is not going to be possible to deliver balanced budgets and efficiency improvement without an impact on staffing structures. The shift from growth in recent years to retraction has been swift. However it is hoped that the HSCP will be able to reduce the vacancies it has within existing structures and significantly reduce its reliance on agency and locum staff to implement more cost effective, stable, safe and sustainable staffing.

3.7 Alignment with Strategic Planning

The medium term financial plan sits alongside a range of HSCP strategic and operational planning documents. These include the Joint Strategic Plan and Commissioning Strategy. The Transformation programme and the budget to support it are important in facilitating some of the objectives set out in these documents, particularly in respect of service redesign and beginning the process of shifting of resources towards prevention.

4. RELEVANT DATA AND INDICATORS

- 4.1 The budget outlook is based on a number of assumptions. These are drawn from the Scottish Draft Budget, local modelling and guidance provided by policy teams. The assumptions used are considered carefully and will be reviewed and updated. There will be variations between the assumptions made at this stage of the budget planning process and the eventual funding allocations and cost and demand pressures.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 The Integration Joint Board has a responsibility to set a budget which is aligned to the delivery of the Strategic Plan and to ensure the financial decisions are in line with priorities and promote quality service delivery.

7. PROFESSIONAL ADVISORY

7.1 There are no recommendations in

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