

North Lanarkshire Council Report

Adult Care and Social Work Committee

Does this report require to be approved? Yes No

Ref CR/NS Date 13/05/25

Health & Social Care Partnership Medium Term Financial Plan 2025/26 – 2027/28

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Executive Summary

The Medium-Term Financial Plan (MTFP) 2025/26 – 2027/28 and Long-Term Financial Outlook (LTFO) 2025/26 – 2034/35 were approved by the Integrated Joint Board (IJB) on 19th March 2025.

The MTFP provides a medium-term view of the challenges and opportunities facing the partnership over the coming 3 years and the LTFO provides an estimate of the longer-term position against a background of funding not keeping pace with increasing costs and demands.

The MTFP estimates a budget gap of £72.749m over the next three years, with the gap in 2025/26 being £35.624m. To address this, a number of non-recurring solutions have been identified which reduce the gap to £14.729m, of which Social Care represents £10.386m. To meet the requirement on the Partnership to set a balanced budget, a package of savings have been identified.

The LTFO identifies cost pressures in 2028/29 of £40.020m rising to £58.075m in 2034/35.

Recommendations

It is recommended that the Adult Care and Social Work Committee:

- (1) Acknowledge the assumptions and context of the Medium-Term Financial Plan as detailed in Appendix 1.
- (2) Acknowledge the savings proposals to meet the savings gap in 2025/26 as outlined in Section 8 of Appendix 1.
- (3) Acknowledge the Long-Term Financial Outlook for 2025-2035 as highlighted in section 9 of Appendix 1.

The Plan for North Lanarkshire

Priority	Improve North Lanarkshire's resource base
Ambition statement	(25) Ensure intelligent use of data and information to support fully evidence based decision making and future planning
Programme of Work	Statutory / corporate / service requirement

1. Background

- 1.1 On the 19th March 2025 the MTFP and LTFO of the University Health & Social Care Partnership (the Partnership) was approved by the Integrated Joint Board.
 - 1.2 The MTFP outlines the financial challenges the Partnership faces over the next three years and provides a framework which will support the Partnership to remain financially sustainable. The LTFO provided board directors with a longer-term view on the projected demand profile and the resulting financial pressures from 2025 to 2035. The plan highlights that the Partnership is operating in an increasingly challenging environment with funding not keeping pace with increasing costs and demand. The full financial plan is included at Appendix 1.
 - 1.3 The challenges outlined in the plan are supported by the findings published in a recent bulletin by the Accounts Commission. Using data from the 2023/24 annual accounts, the bulletin highlights the precarious financial position IJB's have found themselves in over the last number of years and continue to do so.
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2. Report

Financial Outlook

- 2.1 Looking into 2025/26 and beyond, it is anticipated that the public sector in Scotland will continue to face a number of challenges in the years ahead. There is significant uncertainty over what the scale of this is likely to be and it is therefore important that the Partnership plans for a range of potential outcomes, ensuring sufficient flexibility to manage in a sustainable manner over the coming years.
- 2.2 In addition, it is clear from North Lanarkshire Council and NHS Lanarkshire financial outlooks, that both partners anticipate they will be subject to significant pressure over the coming years with a further period of constraint and reduction in core funding. In this context, there is a greater risk that future uplifts in funding to the Partnership similar to that provided in previous years may not be deliverable.

Local & National Context

- 2.3 Health & Social Care Partnerships operate in a complex, challenging and changing environment where national issues can have an impact on what and how services are delivered along with the financial resources, they have available to meet this. The MTFP has considered a number of key issues, some of which are out with the Partnership's control, and those internal issues which the Partnership has the ability to influence.
 - 2.4 These factors are detailed within section 4 of Appendix 1 however there are a number of statistics which compare the 2022 census data to 2011 which are pertinent to highlight as they will have a significant impact of demand over the coming years:
 - Between 2011 and 2022, the 25 to 44 age group saw a percentage decrease (-7.3%), in contrast the 75 and over age group saw a percentage increase (+21%).
 - Although the population is projected to decrease from 2028 to 2043 by 1.2% there is a forecast increase of 71.4% in the age group 75 years and over across the same timescale.
 - Individuals who reported themselves as "not in good health" has grown by 24.6% (+6039)
 - Individuals who reported themselves as 'in fairly good health' as opposed to 'good health' has grown by 15% (+7036)
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- Individuals who reported themselves as having 'long term health conditions' has grown by 30.6% (+43,943)
- Individuals self-reporting mental health issues has grown by 158.6% (+24,903)
- Individuals self-reporting as providing informal / unpaid care has grown by 31.6% (+10,877)

Medium Term Financial Plan

- 2.5 The 2024/25 budget is the baseline for the financial plan, this baseline is shown in section 5 of Appendix 1 and highlights that 60% of the Partnership's resources come from NHS, 26% are from NLC with the remainder from the set aside budget and South Lanarkshire hosted services.
- 2.6 Following the same financial planning principles as the council, a range of risk-based scenarios, envisaged, pessimistic and optimistic with regards to total pressures was established. Based on this, the recommendation to the IJB was to progress a financial strategy based on the envisaged scenario. In doing so the funding gap is £72.749m over the next 3 years, as shown in Table 1.
- 2.7 The 2025/26 funding gap is £35.624m, to address this a number of non-recurring solutions have been identified including one off funding from the Scottish Government, one off savings on pay and non-pay budgets within Health, the superannuation savings within Social Care and the use of reserves, resulting in a remaining gap of £14.729m, of which £10.386m is specific to Social Care Services.

Table 1

	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	Total (£000)
FUNDING GAP	35.624	18.322	18.804	72.749
Non-recurring solutions identified	20.895	0	0	20.895
Remaining Gap	14.729	18.322	18.804	51.854

- 2.8 Further detail on the cost pressures and funding solutions are provided in section 7 of Appendix 1.
- 2.9 In order to meet the funding gap and achieve a balanced budget next year, the service redesign and transformation that has taken place over the last number of years will need to continue. Whilst it is becoming increasingly challenging to deliver savings on a recurring basis the Partnership must focus on the budget available, of over £800m, and how services can best be delivered and priorities achieved within that financial envelope rather than focussing on the savings that have to be implemented.
- 2.10 Section 8 of Appendix 1 outlines the service redesign that is planned across the Partnership. With regards to social care this focuses on 3 main areas:

Home Support: focus on redesign of shift patterns and service provision and further develop the enabling approach.

Independent Care Homes: focus on reducing length of stay and number of placements.

Care at Home: review of the guided self-assessment process.

- 2.11 It is recognised that service redesign and savings plans take time to implement therefore, to mitigate this risk to the Partnership, contingency reserves may be needed to fund the gap until the full savings can be realised. Section 10 of Appendix 1 details the reserves strategy and highlights that the Partnership is projected to have £30.185m risk based and contingency reserves as at 31st March 2025.

Long Term Financial Outlook

- 2.12 The MTFP details the pressures up to 2027/28, however an LTFO was also presented to the IJB which demonstrates the impact of cost and demand pressures arising from employee costs, inflationary cost pressures, demographic growth and demand, local cost pressures and legislative and policy developments up to 2034/35.
- 2.13 These pressures are shown in section 9 of Appendix 1 and range from £40.020m in 2028/29 to £58.075m in 2034/35. While the continuing changing financial environment means that the reliance that can be placed on these figures decreases the further into the future the projections go it provides both IJB Directors and Committee Members with an indication of the challenges to come.

Risks & Uncertainties

- 2.14 There are risks and uncertainties inherent in any financial planning process therefore the key risks are outlined in section 11 of Appendix 1. These will be monitored over the coming months and assumptions will be updated as necessary.

3. Measures of success

- 3.1 The Service operates within the approved budget during 2025/26

4. Supporting documentation

- 4.1 Appendix 1 - Medium Term Financial Plan 2025/26 – 2027/28, Incorporating the Long Term Financial Outlook.

Nicola Scott

Nicola Scott
Chief Finance Officer University Health & Social Care Partnership

5. Impacts

<p>5.1 Public Sector Equality Duty and Fairer Scotland Duty Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.2 Financial impact Does the report contain any financial impacts? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, have all relevant financial impacts been discussed and agreed with Finance? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>The financial plan has been developed in conjunction with the Finance Team and all assumptions and savings proposals have been discussed with them.</p>
<p>5.3 HR policy impact Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts been discussed and agreed with People Resources? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.4 Legal impact Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant legal impacts been discussed and agreed with Legal and Democratic? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.5 Data protection impact Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to dataprotection@northlan.gov.uk Yes <input type="checkbox"/> No <input type="checkbox"/></p>

<p>5.6 Technology / Digital impact Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>Where the impact identifies a requirement for significant technology change, has an assessment been carried out (or is scheduled to be carried out) by the Enterprise Architecture Governance Group (EAGG)?</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p>5.7 Environmental / Carbon impact Does the report / project / practice contain information that has an impact on any environmental or carbon matters? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.8 Communications impact Does the report contain any information that has an impact on the council's communications activities? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p>5.9 Risk impact Is there a risk impact? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?</p> <p>The risks are detailed in section 11 of Appendix 1. These will be regularly reviewed as part of the Partnerships Risk Monitoring process and will be reported to the Performance Finance & Audit Committee as well as the quarterly IJB meetings.</p>
<p>5.10 Armed Forces Covenant Duty Does the report require to take due regard of the Armed Forces Covenant Duty (i.e. does it relate to healthcare, housing, or education services for in-Service or ex-Service personnel, or their families, or widow(er)s)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the provision which has been made to ensure there has been appropriate consideration of the particular needs of the Armed Forces community to make sure that they do not face disadvantage compared to other citizens in the provision of public services.</p>

5.11 Children's rights and wellbeing impact

Does the report contain any information regarding any council activity, service delivery, policy, or plan that has an impact on children and young people up to the age of 18, or on a specific group of these?

Yes No

If Yes, please provide a brief summary of the impact and the provision that has been made to ensure there has been appropriate consideration of the relevant Articles from the United Nations Convention on the Rights of the Child (UNCRC).

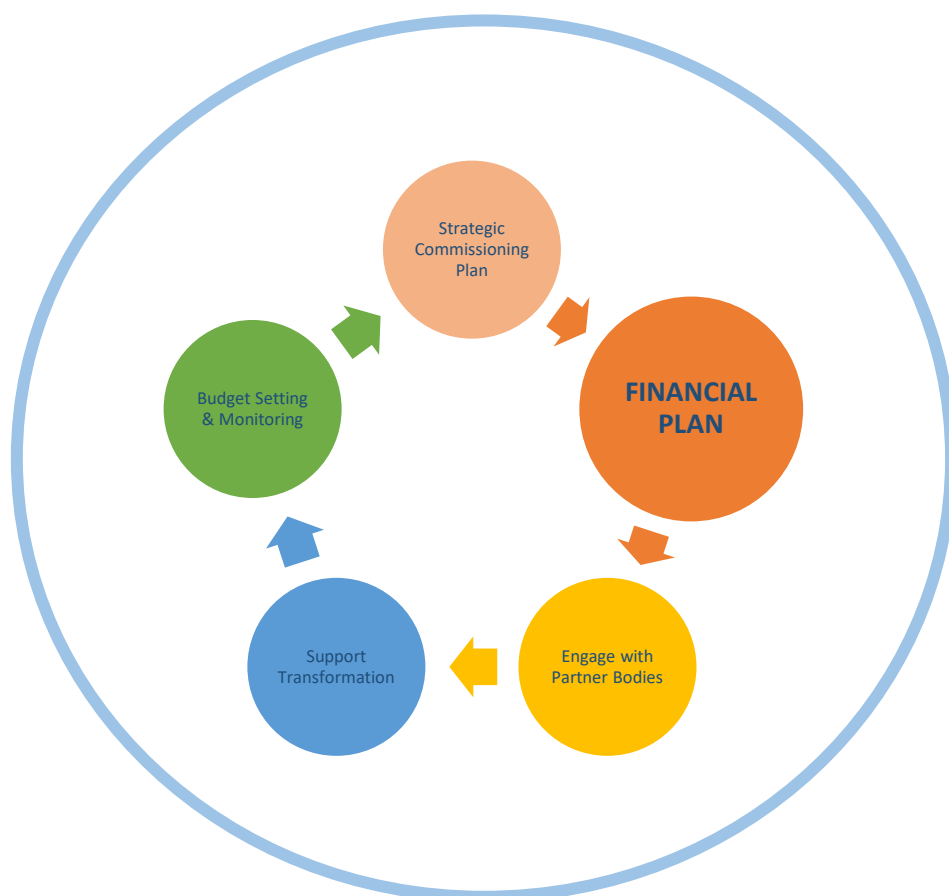
If Yes, has a Children's Rights and Wellbeing Impact Assessment (CRWIA) been carried out?

Yes No



Medium Term Financial Plan 2025/26 – 2027/28

INCORPORATING THE LONG TERM FINANCIAL OUTLOOK



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1. INTRODUCTION

The North Lanarkshire Integration Joint Board (IJB) was established as a corporate body by Scottish Government and became operational in June 2015 with integrated delivery of health and social care services commencing on 1 April 2016. It is a joint venture between NHS Lanarkshire (NHSL) and North Lanarkshire Council (NLC). The IJB has responsibility for the strategic planning and commissioning of a wide range of services within North Lanarkshire.

The North Lanarkshire University Health and Social Care Partnership (the Partnership) is responsible for the operational delivery of the IJB strategic directions. This includes the services we are required to provide, the funding allocated and the monitoring of performance. The services include:

- Accident and emergency services provided in a hospital
- Inpatient services related to general, respiratory and rehabilitation medicine
- Palliative care services
- Community health services including Lanarkshire wide hosted services
- Social care services.

2. EXECUTIVE SUMMARY

The Medium Term Financial Plan (MTFP) 2025/26 – 2027/28 provides a medium term view of the challenges and opportunities facing the IJB and considers what the implications of this are for the finances of the organisation. A robust MTFP will support the priorities and ambitions as outlined in the Strategic Commissioning Plan whilst ensuring the organisation remains financially sustainable.

The Partnership is operating in an increasingly challenging environment with funding not keeping pace with increasing costs and demand, therefore the Long Term Financial Outlook (LTFO) 2025/26 – 2034/35 provides an estimate of the longer term position against this backdrop. In May 2023 the Scottish Government published an updated Medium Term Financial Strategy for the period 2023/24 to 2027/28, providing insight into future funding and spending priorities at a national level. The move to multi-year settlements however remains an aspiration which means the uncertainty which is currently impacting on strategic commissioning activity across Partnership will continue.

Both the MTFP and LTFO provide an overview of the financial planning assumptions in relation to projected cost pressures arising from demographic growth, legislative and policy developments, employee costs and inflation alongside potential partner funding contributions in future years.

The MTFP estimates a budget gap of **£51.854m** over the 3-year planning period 2025/26 to 2027/28, of which **£14.729m** relates to 2025/26. Therefore, to meet the requirement on the Partnership to set a balanced budget, a package of savings has been identified to meet the 2025/26 gap. Any in year shortfalls will be met by reserves, as permitted in the IJB Reserves Strategy.

The LTFO identifies cost pressures in 2028/29 of **£40.020m** rising to **£58.075m** in 2034/35, however due to the uncertainty in funding beyond the 3 year medium term planning period no assumptions have been made on the likely income receipts to meet these pressures.

The long term financial constraints will require the Partnership and both partners to make difficult decisions in the years to come. Therefore, the whole system approach and working collaboratively with carers, third parties and independent providers is essential. An effective communication strategy is also essential to ensure public confidence is maintained.

3. PURPOSE

The long-term vision for the Partnership was set out in the original Strategic Plan 2016- 2026 and continues as the over-arching vision of the Strategic Commissioning Plan 2023-26. This states that the people of North Lanarkshire will achieve their full potential through:

- Living safe, healthy and independent lives in their communities.
- Receiving the information, support and care they need, efficiently and effectively, at the right time, in the right place and in the right way.
- Ensuring North Lanarkshire is the best place in Scotland to grow up.

In order to implement this vision, the Partnership has 6 key ambitions which were revised in 2023, following engagement with stakeholders, taking experience gained since 2016 and looking at the current and future challenges facing the Partnership.

KEY AMBITIONS

- ❖ Do the right thing first time
- ❖ Increased focus on prevention, early intervention and tackling inequalities by working with communities and people
- ❖ Develop and support a workforce for the future
- ❖ Improve mental health and wellbeing
- ❖ Support people through a whole family approach

Longer term planning is integral to the Partnership's Financial Strategy and strategic approach to budgeting. Effective decision making relies on robust financial planning and the MTFP and LTFO assist in ensuring resources are aligned to the key priorities and ambitions highlighted above.

With limited resources and increasing pressures on the Partnership's services it is there is a need to adapt and change to be more efficient, responsive, and sustainable. A co-productive approach therefore needs to be adopted that fully involves communities in decisions ensuring an approach that supports and empowers them when a different model of service delivery is proposed.

It is therefore essential that service re-design and transformation is delivered in a planned and holistic manner, rather than reactive cuts to services. The adoption of a medium to long term approach for financial planning enables this approach.

4. NATIONAL & LOCAL CONTEXT

Health & Social Care Partnerships operate in a complex, challenging and changing environment where national issues can have an impact on what and how services are delivered along with the financial resources they have available to meet this. The MTFP has considered a number of key issues, some of which are out with the Partnership's control, and those internal issues which the Partnership has the ability to influence. Both internal and external influences need to be considered with key variables modelled to guide the IJB decisions about the future.

External Influences (out with the Partnership's control)

- Increase in demand
- Interest rate fluctuations
- Level of funding from partners and Scottish Government
- National pay agreements
- Supply chain issues associated with the wider economy
- Further financial and economic impacts and potential future pandemics
- National Care Service.

Internal Influences (within the Partnership's control)

- Community engagement, partnership working and co-production of service delivery models
- Working to clear priorities as set out in the Strategic Commissioning Plan
- Transformational change programmes to improve outcomes
- Effective people planning and wellbeing
- Use of robust performance data to drive improvement
- Use of digital technologies to improve services and reduce cost
- Effective risk management to keep risk levels within tolerance
- Effective financial planning to ensure best value for the resources available

There are multi-faceted factors that impact on this budget and the demand for health and social care services across North Lanarkshire which include:

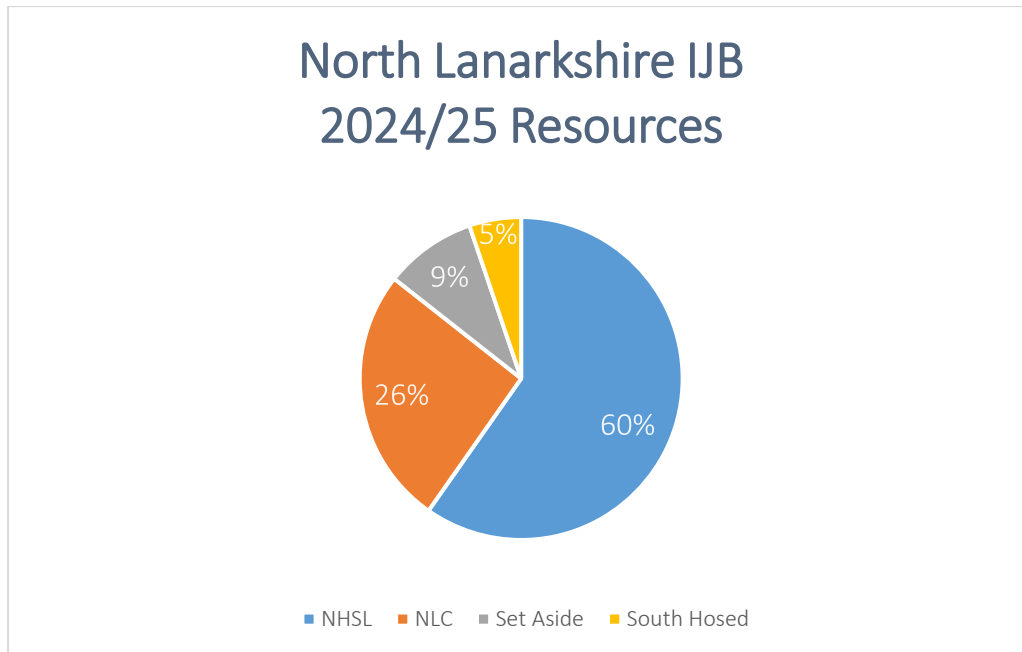
- North Lanarkshire is the 4th largest area in Scotland. It is also the 5th most populated with a population of 341,890.
- Between 2011 and 2022, the 25 to 44 age group saw a percentage decrease (-7.3%), in contrast the 75 and over age group saw a percentage increase (+21%).
- Although the population is projected to decrease from 2028 to 2043 by 1.2% there is a forecast increase of 71.4% in the age group 75 years and over across the same timescale.
- 20% of North Lanarkshire's data zones are within the 20% most deprived in Scotland.

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- The number of people income deprived in North Lanarkshire is 50,897, a reduction of 3% from SIMD 2016 data.
 - The unemployment rate is currently 3.3% which is the lowest in period between 2005 and 2024. However, the 2022 census reports that the amount of people who are long term sick or disabled has grown by 6%.
 - The 2022 census also provides the following comparisons to the 2011 census:
 - Individuals who reported themselves as “not in good health” has grown by 24.6% (+6039)
 - Individuals who reported themselves as ‘in fairly good health’ as opposed to ‘good health’ has grown by 15% (+7036)
 - Individuals who reported themselves as having ‘long term health conditions’ has grown by 30.6% (+43,943)
 - Individuals self-reporting mental health issues has grown by 158.6% (+24,903)
 - Individuals self-reporting as providing informal / unpaid care has grown by 31.6% (+10,877)
 - There remains significant ongoing pressure in all health and social care systems across Scotland. High demand and patient acuity, coupled with increased flu numbers in recent months has placed even greater demand on the system. In Lanarkshire, there is a genuine whole-system focus to the resilience response and there has been a tremendous effort across the whole system, including third and independent sectors, communities, carers, and public partners in the continued response to increased pressures and demand.
 - Whilst many older people are expected to enjoy better health than their predecessors did at an equivalent age, they will still have significant health needs, living with potentially multiple and complex conditions. The impact of this will be a steadily increasing demand on health and social care services, including care at home, care homes, increases in demand for community-based healthcare, equipment and adaptations and an increased demand for GP services and medication.

5. FINANCIAL CONTEXT

The Partnership delivers and commissions a range of health and social care services to the local population. This is funded through budgets delegated from both NHSL and NLC.

The baseline for the MTFP and LTFO is the 2024/25 budgets; the total resources available during this year has been **£810m**.



This includes funding from NHSL of £483.74m and £209.52m from NLC.

Also included is a 'Large Hospital Service' (Notional Set Aside) budget totalling £74.54m. This budget is in respect of those functions delegated by the Health Board which are carried out in a hospital within the Health Board area. The Set Aside resource for delegated services provided in acute hospitals is determined by apportioning the hospital expenditure to individual patient episodes, separating out episodes for services delegated to the IJB from those that are not, and assigning these to the relevant IJB based on postcode. The IJB is responsible for the strategic planning of these services but not their operational delivery.

Finally, £42.05m represents a number of delegated services where South Lanarkshire IJB acts as the lead host on behalf of North Lanarkshire Partnership. The value consumed by North Lanarkshire equates to 52% of South Lanarkshire IJB hosted budget.

6. FINANCIAL PLANNING ASSUMPTIONS

Financial planning requires assumptions to be made about future demand and cost pressures which could be faced by the Partnership and our partners. This MTFP focuses on the likely cost pressures that the Partnership can reasonably expect over the next three years which has then been extended to look at the following seven years for the LTFO up to 2034/35. These assumptions have been informed by the local and national context within which the Partnership operates.

It is widely expected that the public sector in Scotland will continue to face a very challenging financial outlook for the foreseeable future.

The cabinet Secretary for Finance and Local Government announced the Scottish Government's budget for 2025-26 in Parliament on 4th December 2024. The Director of Health & Social Finance said this budget provides:

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

The Draft Local Government Financial Settlement confirmed the position at individual Council level, for North Lanarkshire this presented a more favourable position than previously assumed in their MTFP in June 2024. However, the Accounts Commission, in its Local Government in Scotland Financial Bulletin 2023/24 published in January 2025, highlighted that *‘despite the Scottish Government’s budget proposals in December 2024 indicating a further real terms uplift in funding for 2025/26 the financial outlook for Scotland’s councils remains challenging’*.

The same can be said for NHSL, the headline increase to baseline funding is 3% however there remains significant pressures across the system which require to be addressed. Therefore, whilst the provision of recurring investment and non-recurring reserves will help, there remains significant uncertainty over increasing cost pressures and what the scale of the likely reduction in available funding will be over the term of this plan.

It therefore remains important that the Partnership ensures sufficient flexibility to manage, in a sustainable manner, the position which emerges over the coming years, with the likely scenario that a significant level of further recurring savings will be required. Consequently, the Partnership's financial planning arrangements remains subject to active review using a scenario-based approach in recognition of the significant uncertainty over rising costs and the scale of variability in the potential funding available to the Partnership in future years.

The key variables which have been considered in preparing the MTFP & LTFO are detailed in Appendix 1. This is not an exhaustive list of variables, however, the assumptions identified are considered to be the core issues which require to be included in this plan. Adjusting for these key variables will give the Partnership a robust approach to ensuring the board remains financially and operationally sustainable, and in doing so ensures that it meets its statutory obligations, its policy aspirations, and the needs of local communities.

7. MEDIUM TERM FINANCIAL PLAN 2025/26-2027/28

As outlined in section 5, the 2024/25 budget is the baseline for the MTFP updated with the financial planning assumptions outlined in Appendix 1. A range of risk-based scenarios have been considered, resulting in envisaged, pessimistic and optimistic positions with regards to total pressures as shown in Table 1.

Table 1: Estimated Cost Pressures

Financial Year	Total Pressures Envisaged (£000)	Total Pressures Pessimistic (£000)	Total Pressures Optimistic (£000)
2025/26	60.803	65.712	57.219
2026/27	36.905	44.096	33.016
2027/28	37.737	46.607	33.063
Total	135.445	156.415	123.297

Based on these projections the Chief Financial Officer (CFO) recommends that the Partnership progress with a financial planning strategy based on the envisaged scenario, this is shown in Table 2 with the estimated funding envelope available for 2025/26 to 2027/25 and results in a budget gap of **£14.729m** for the forthcoming financial year.

Table 2: Estimated Cost Pressures and Funding (Envisaged Scenario)

	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)
<u>Pressures:</u>			
Contractual Pressures	10.922	11.328	12.081
Demand Pressures	11.922	7.182	7.434
Pay Pressures	14.611	8.577	8.834
Local Cost Pressures	10.998	1.283	0.000
Prescribing	12.350	8.535	9.388
Total Pressures	60.803	36.905	37.737
<u>Recurring Funding:</u>			
Social Care Spend Reductions	4.804	0.000	0.000
NLC & NHSL Contributions	20.375	18.583	18.933
<u>Non Recurring Funding</u>			
Reduction in Employers Superannuation	6.961	0.000	0.000
Budget Management - Pays & Non Pays	4.982	0.000	0.000
Prescribing Reserve	4.361	0.000	0.000
Additional sustainability funding	4.591	0.000	0.000
Total Funding	46.074	18.583	18.933
FUNDING GAP	14.729	18.322	18.804

Opportunities to redesign services, remove duplication and achieve efficiency savings have been implemented over the last number of years and in order to achieve a balanced budget and meet the budget gap in 2025/26 this service transformation will need to continue over the coming 12 months. There is no doubt it is becoming increasingly challenging to deliver further savings on a recurring basis however, the focus should be on the budget available to the Partnership of over £800m and how services can best be delivered and priorities achieved within that financial envelope rather than focussing on the savings that have to be implemented. Table 3 highlights the financial Strategy for 2025/26.

Table 3: 2025/26 Financial Strategy

North Lanarkshire IJB	
Financial Plan 2025/26	
	£000
Total Pressures - Envisaged Outlook	60.803
Financial Strategy to address Funding Pressures:	
	£000
Social Care Budget Management	-4.804
NLC & NHSL Funding Contributions	-20.375
Reduction in Employers Superannuation Contribution	-6.961
Budget Management - Pays & Non Pays	-4.982
Prescribing Reserve	-4.361
Additional sustainability funding	-4.591
Service Redesign and Transformation	-14.729
Total Financial Strategy	-60.803

More detail is provided on the proposed service transformation and redesign opportunities in section 8 'The Response'.

8. THE RESPONSE

The Partnership is operating in an increasingly challenging environment with funding not keeping pace with increasing costs and demand for services. This is reflected in the MTFP which has identified a £51.854m funding gap over the next 3 years.

In order to remain sustainable in future years, the Partnership will need to make significant changes to its operating model, by continuing to explore new ways to deliver services that better meet the needs of the people in the community. The focus of a whole system approach is to reduce inequalities, build community capacity and resilience and thereby decrease demand for services in other parts of the system.

The response to this challenge is to propose service review and redesign which will result in efficiencies that meet the £14.729m funding gap in 2025/26.

SERVICE REDESIGN & TRANSFORMATION		£14.729m
Health		£4.343m
<u>Budget Management Non-Pays</u>	£0.247m	
A review of budget lines including (but not limited to) travel, training and printing costs.		
<u>Prescribing</u>	£4.096m	
A review of prescribing will be undertaken with a 5% savings target being applied.		
Social Care		£10.386m
<u>Home Support</u>	£2.838m	
Home Support re-design which will include the introduction of the dynamic scheduling tool to support the process of streamlining shift patterns alongside service provision. The re-design will further develop the enabling approach as the operating model.		
<u>Independent Care Homes</u>	£4.710m	
Focus the strategic direction to reduce both the length of stay in care homes and the number of people being placed.		
<u>Care at Home</u>	£2.838m	
A review of the guided self-assessment process to align with a more strategic assessment and planning practice.		

9. LONG TERM FINANCIAL OUTLOOK 2025/26 – 2034/35

The table below gives an estimated impact of cost and demand pressures arising from employee costs, inflationary cost pressures, demographic growth and demand, local cost pressures and legislative and policy developments for the next ten years.

Unlike the MTFP, it does not include a financial strategy to address these cost and demand pressures or any mitigation to reduce the gross cost through budget uplifts; recurring savings plans or funding from other sources. Table 4 details the estimated long term pressures.

Table 4: Estimated Long Term Cost Pressures

Pressure on Base Budget (Envisaged Outlook)	2025/26 (£000)	2026/27 (£000)	2027/28 (£000)	2028/29 (£000)	2029/30 (£000)	2030/31 (£000)	2031/32 (£000)	2032/33 (£000)	2033/34 (£000)	2034/35 (£000)
Pressures:										
Contractual Pressures	10.922	11.328	12.081	12.900	13.786	14.746	15.785	16.911	18.133	19.458
Demand Pressures	11.922	7.182	7.434	7.694	7.963	8.242	8.530	8.829	9.138	9.458
Pay Pressures	14.611	8.577	8.834	9.099	9.372	9.654	9.943	10.242	10.549	10.865
Local Cost Pressures	10.998	1.283	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Prescribing	12.350	8.535	9.388	10.327	11.360	12.495	13.745	15.120	16.631	18.295
Total Pressures	60.803	36.905	37.737	40.020	42.481	45.137	48.004	51.101	54.451	58.075

As previously stated, due to the continuing changing financial environment the Partnership is facing, the reliance which can be placed on the financial estimates decreases the further into the future the projections relate to. The CFO will continue to update and refresh the assumptions as new financial information, including future funding and savings plans becomes available.

10. RESERVES STRATEGY

The Partnership has the same legal status as a local authority and is therefore able to hold reserves under section 106 of the Local Government (Scotland) Act 1973. A reserves strategy was developed to provide security against unexpected cost pressures and to aid financial stability. The use of reserves must be prudent and controlled and are generally held for the following purposes:

- To create a working balance to help cushion the impact of uneven income flows
- To create a contingency to cushion the impact of unexpected events or emergencies
- To create a means of building up funds, to meet known or predicted liabilities
- To fund non-recurring costs and to help with payment profiles straddling more than one year
- To enable the implementation of longer-term savings proposals.

The reserves strategy for 2025/26 is being presented to the IJB in March 2025 and summarises the reserves position as at 31 January 2025 as detailed in Table 5.

Table 5: Reserves as at 31 January 2025

SUMMARY	Balance at 31 January 2025 £m
Ring-Fenced Reserves	24.529
Earmarked Reserves	19.006
Risk-Based Reserves	17.045
Contingency Reserves	13.140
TOTAL	73.720

It is recognised that service redesign and savings plans take time to implement therefore, to mitigate this risk to the Partnership, contingency reserves may be needed to fund the gap until the full savings can be realised. Updates, tracking savings achieved against target, will be presented to the board throughout the year as identified savings options are implemented.

11. RISKS & UNCERTAINTIES

Given the current political climate and the associated economic uncertainty, it is important to note that projections made within this MTFP and LTFO may potentially be subject to significant variation. The assumptions applied to income and expenditure models are based on the best information available at the time of writing.

There are also a number of risks inherent in this MTFP which will require to be monitored over the coming months.

Financial Risks & Uncertainties

- Future funding levels from partner organisations and Scottish Government.
- Continued increasing costs and raising inflation including future pay awards.
- Increasing costs of equipment and adaptations
- The outcome of the negotiations for the national care home rate
- The impact of the increase to national insurance contributions for both direct staff and commissioned services and the potential lack of additional funding to support these
- Impact of rising costs of commissioned services with providers outwith the national frameworks asking for significantly above inflation increases.
- The level of non-recurring solutions included to meet the 2025/26 cost pressures.

Operational Risks & Uncertainties

- Impact of proposed savings options which could include an increase to delayed discharge figures and bed delays.
- The ability to recruit and retain quality staff to continue to deliver services and manage increasing demand.
- Unexpected shortage of supplies and materials.
- Increasing level of complex care packages materialising that are currently unknown.
- Volatility of the external care market and the support required in order to provide stability.
- Increased numbers of providers seeking to set up separate companies and exit the National Care Home Contract which would lead to individual placement and price negotiations.
- Operational impact of the increased contract prices from providers leading to issues with placement of clients.
- Changing political factors which influence the UK and Scottish Government priorities and policy initiatives.

The Partnership maintains a strategic risk register and both partners maintain operational risk registers. Strategic and operational risks are regularly monitored and updated by the board and senior management to mitigate against key risks and uncertainties.

APPENDIX 1 – Financial Planning Assumptions

<p>Anticipated Scottish Government Funding Levels</p>	<p>The Scottish Government finance settlement for both partners will significantly influence the funding contribution each partner can make to the IJB. The Scottish Government has historically provided one year funding settlements which has impacted on the ability to plan over the longer term with certainty. Single year settlements have required assumptions in the MTFP & LTFO from year 2 to 10.</p> <p>For financial year 2025/26 another one-year settlement was provided in December 2024, however there is still a commitment from Scottish Government to move to multi-year settlements in the future.</p>
<p>Assumptions on Inflation</p>	<p>Consumer price index (CPI) and retail price index (RPI) inflationary increases are assumed for a range of contractual commitments and purchasing of supplies and materials. The Office for Budget Responsibility (OBR) published its latest Economic and Fiscal Outlook alongside the UK Government’s budget, which indicated that CPI/ RPI inflation is anticipated to remain higher for longer than previously expected. The OBR figures have been used throughout the plan.</p>
<p>National Care Home Contract</p>	<p>A significant cost pressure relates to the National Care Home Rate Contract (NCHR) which is negotiated annually. The level for this year is currently unknown, work remains ongoing within the sector to agree this rate. The primary factor influencing this has been the decision in October of the Chancellor to change the Employers National Insurance Contribution (eNICs) which will have an impact on the agreed NCHR.</p> <p>It is prudent to assume, based on past year trends and the on-going cost of living crisis that this is likely to increase significantly over the life of this plan therefore a 10% increase has been included.</p>
<p>Pay Increases</p>	<p>Employee costs represent a large portion of IJB net budgets with any increase in pay awards impacting directly on current and future cost pressures. The Scottish Government has set the Public Sector Pay Policy (PSPP) at a maximum of 9% over the next 3 years therefore an estimated 3% has been assumed for staff employed in NLC in both the MTFP and LTFO. This increase has also been assumed for NHSL staff over the lifetime of the plan, in line with previous years, full funding is expected for pay uplifts to NHSL staff. In the event of an uplift greater than that estimate and no additional government support, the forecasted gap could potentially change materially.</p> <p>Consideration is also given to the challenges of recruiting and whether pay settlements are keeping pace with industry standards. As future pay agreements are confirmed, these assumptions will be updated in the model.</p>

<p>Increase to National Insurance Contributions</p>	<p>As part of the UK Government’s Budget on 30 October 2024 it was announced that there would be changes to employer National Insurance Contributions (eNICs). The increase to the pay bill is estimated at 2.2% for direct staff and early indications on the increases likely to be seen on commissioned services could range from 2.2-2.5%.</p> <p>While it is understood that Public Bodies will receive funding to support this additional cost pressure, such funding will be insufficient to meet the overall cost. For Social Care Services it is currently estimated that funding to Local Authorities will be c.60% for direct staff therefore the unfunded element of 40% is included in the 2025/26 plan. However, uncertainty over funding for commissioned services means that this cost has not been included and will be funded from reserves until more is known.</p> <p>NHSL have been advised by Scottish Government that funding may be available to them therefore the assumption in the plan is that this will be fully funded. The full recurring impact will be included in future MTFP updates.</p>
<p>Assumptions on Increased Demand for Services Including Prescribing</p>	<p>Health and social care services are experiencing increasing demand due to demographic growth, an ageing population, complexity of care needs, deprivation, and health issues. This increase has been factored into the financial plan over the full 10 year period to ensure that costs are adjusted in line with forecast demand, however, close monitoring is required to ensure that demographic growth is in line with assumptions made. If investment in this area is insufficient over a number of years, this could destabilise services whilst an over-provision of growth would mean the resources available would not be effectively allocated in line with need and priority.</p> <p>The amount and cost of drugs prescribed usually increases year on year. The price of drugs is set nationally and influenced by factors such as supply and demand, currency movements and patents. Prescribing activity is a clinical decision made by a qualified health professional. At the time of writing, the current prescribing budget is projected to overspend by year end 2024/25. Based on this trend, a volume and price uplift has been included in future projections to mitigate against deteriorating health within the population and the continuing uncertainties experienced in supply and demand due to fluctuating market conditions.</p>
<p>Investment in Local Priorities Including IT Improves and Upgrades</p>	<p>A range of local priorities are included in the LTFO including digital and IT technology improvements, investing in home support and tests of change pilots. Depending on when the cost commitment is expected to be incurred and expected duration, the cost pressures will be recognised in the year it is forecast to materialise.</p>

Legislative and National Policy Decisions	There are a range of legislative and policy developments which have and are continuing to be implemented across the partnership. To date, additional funding has been made available by the Scottish Government to take these policies forward and it is assumed that the expenditure will be contained within the funding available. Recognising this, no variation in the cost projection is therefore considered, however, if future funding from Scottish Government is withheld or withdrawn, the financial forecast could change.
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