



Aberdeenshire Health and Social Care Partnership



Medium Term Financial Strategy 2024 – 2029

Please contact Aberdeenshire Health and Social Care Partnership if you require:

- this document in another format (including easy read and plain text),
- a telephone translation service, or
- if you would like to make a comment on any aspect of this plan
AberdeenshireHSCP@aberdeenshire.gov.uk

CONTENTS

1.Executive Summary	Page 3
2.Purpose Approach to the Development of the MTFS	Page 4
3.Local Context Our Budget Our Demography Impact on Demand	Page 5
4. National Context The Economy UK and Scottish Legislative and Policy	Page 8
5. Medium Term Financial Outlook Impact on Funding Expenditure Requirements Impact of IJB Financial Position Reserves	Page 11
6. Dealing with the Financial Challenge	Page 13
7. Risk Assessment	Page 17

1. EXECUTIVE SUMMARY

Aberdeenshire IJB is one of the top performing IJBs in Scotland when measured by national performance indicators. The IJB is ambitious about what it wants to achieve and launched a Strategic Plan covering the period 2020 – 2025. The Strategic Plan sets out the vision and commitments of the IJB and how we will achieve these by working together with our stakeholders and the population of Aberdeenshire.

The vision is: “Building on a person’s abilities, we will deliver high quality person-centred care to enhance their independence and wellbeing in their own communities”

The financial position for public services continues to be challenging. It is therefore important that the IJB’s ambitions are set within the context of the funding which is available. The Medium Term Financial Strategy assists the IJB to plan based on the totality of resources across the health and social care system to meet the needs of local people and support the delivery of the Strategic Plan. Aberdeenshire IJB delivers a wide range of services and is one of the largest IJBs in Scotland.

In 2023/24 the IJB will have funding of over £394 million to spend on services, equivalent to approximately £1 million a day. Aberdeenshire remains an area of contrasts. Parts of Aberdeenshire still suffer from unacceptable levels of poverty and deprivation whilst other parts are ranked as some of the most affluent and desirable areas in Scotland. There is also a higher proportion of elderly people than most other areas of Scotland.

The demographic, health and deprivation profile of Aberdeenshire impacts on the demand that is experienced in all of our services and can often result in higher support levels. This creates a challenging environment in which to operate, involving managing demand within the financial constraints in which we operate whilst transforming services and making integration of services a reality. Aberdeenshire IJB is clear about the challenges which lie ahead and the aspirations to improve all services. This needs to be considered in the context of the financial resources which will be available over the medium term. The MTFs estimates that without further savings there will be a shortfall of **£40.4 million** on the IJB budget at end of the 2028/29 financial year. Funding levels have only been set for one year (2023/24). Future projections have been based on historic trends and planning assumptions used by our partners.

Financial Outlook	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Total Expenditure	406.955	420.671	434.661	448.931	463.487
Total Funding	396.755	403.166	409.690	416.329	423.085
Financial Challenge	10.200	17.505	24.971	32.602	40.402

The IJB will need to address this financial challenge over the next five years. The MTFS sets out a framework and trajectory for doing this. An overview of the five year financial projections is set out below:

Since the IJB was established there has been considerable progress in transforming services, delivering better outcomes for Aberdeenshire residents. The IJB is committed to transforming services and will continue to do this over the period of the Strategic Plan. The MTFS sets out a map to ensure that the IJB remains financially sustainable over the medium term. This will require services to be transformed and recalibrated to meet demographic, workforce and infrastructure factors. There will be significant changes for the IJB, our partners and the population of Aberdeenshire. Delivering these changes will require us all to work together to focus limited resources on offering services which are sustainable over the longer term and are targeted at those with the greatest need.

2. PURPOSE

Aberdeenshire Integration Joint Board (IJB) was established in April 2016 and has responsibility for planning how community health and social care services are delivered in Aberdeenshire. It does this by directing Aberdeenshire Council and NHS Grampian to work jointly together to deliver integrated community and social care services through Aberdeenshire Health and Social Care Partnership (HSCP).

Integration of services is about putting people first and ensuring that they get the right care and support whatever their needs, at the right time and in the most appropriate place.

Over the last six years the IJB has made significant progress in transforming the way in which integrated services are delivered and has delivered a strong foundation with which to manage future challenges. The IJB is clear about its ambitions and priorities and has set these out in its Strategic Plan 2020 - 2025.

Medium term financial planning is an important part of the strategic planning process. The financial position for public services continues to be challenging, therefore it is important that the IJB's ambitions are set within the context of the funding which is available.

The purpose of this Medium Term Financial Strategy (MTFS) is to ensure that resources are targeted at the delivery of the priorities set out in the Strategic Plan 2020 - 2025 and also to support the annual budget setting process. This Strategy will assist the IJB to plan based on the totality of resources across the health and social care system to meet the needs of the population of Aberdeenshire and support the delivery of the Strategic Plan from 2020 - 2025.

Approach to the Development of the Medium Term Financial Strategy

The Medium Term Financial Strategy provides an opportunity for the IJB to gain an understanding of the financial climate in which it will operate over the medium term (the next five years). This will be done by considering the impact of a range of factors, which are illustrated below and reflect the complexity of issues which can impact on IJB financial pressures.

3. LOCAL CONTEXT

Aberdeenshire IJB is one of the largest IJBs in Scotland, both in terms of population and geography. The IJB serves a population of 270,181 spread over a number of towns and more rural areas. The IJB is one of 3 IJBs in the Grampian area (the others being Aberdeen City and Moray).

Our Budget

Aberdeenshire IJB delivers a range of services to the population of Aberdeenshire. In 2023/24 the IJB has funding of approximately £371 million to spend on services. Funding is provided by both Aberdeenshire Council and NHS Grampian.

Our Demography

Health and wellbeing of our population

The population of Aberdeenshire is projected to grow over the next 20 years. The largest increase will be in those of pensionable age (42.5%) with more than half of this group aged over 75. This compares with a small increase in people of working age (2.7%).

Population studies show that in the future people will live longer. The good news for Aberdeenshire is that average life expectancy for both men and women is higher than that of Scotland and Grampian and this is coupled with an increase in 'healthy' life expectancy.

However, this improvement has not been experienced by all sections of society, resulting in growing health inequalities. This growth in inequality has resulted in a slowdown in mortality improvements and for the first time in decades we have seen a stall of average life expectancy since 2014 with deprivation and increasing alcohol and other drug related deaths playing an important part.

As a result, in the predicted changes in life expectancy we expect to see a rise in the number of people living with Dementia. This rise will result in increased demand for housing support, housing adaptations in addition to specialist dementia care and post diagnostic support. We also anticipate an increase in the number of people living alone, or in a household where all persons are aged 65 or older.

Another change we forecast is an increase in the prevalence of long-term health conditions which is known to increase with age. Whilst some factors contributing to ill health are responsive to intervention, we expect to have more people living in Aberdeenshire who need increased levels of care.

Within the Aberdeenshire population we are seeing growing numbers of people of all ages with long term conditions such as diabetes, COPD (Chronic Obstructive Pulmonary Disease), heart disease and anxiety.

Increasingly, people are living with more than one long term condition and their care can be more complex. Those in the most deprived areas of Aberdeenshire are more likely to live with multiple long-term conditions than those in the least deprived. These health

inequalities are evident in the variation in average life expectancy across Aberdeenshire communities.

National frameworks and guidance are in place which supports the Partnership in reducing inequalities. The introduction of the Fairer Scotland Duty by Scottish Government aims to ensure Partnerships are as effective as they can be in tackling socio-economic disadvantage and reducing inequalities. This requires targeting resources to reflect the needs of areas with historically high levels of deprivation and poorer health outcomes. Additionally, the Partnership will ensure its work is in line with Scotland's National Action Plan for Human Rights, supporting the vision that 'everyone is able to live with human dignity'.

In light of these predicted changes in our population we will see increasing demand for services and increasing pressure on limited resources. These challenges must be managed in a way which enables us to continue to improve services and outcomes for the people who use our service.

We need to make better use of our workforce and the resources we have by working more effectively together. If we do not change, we will not be able to continue to deliver the high quality services the people of Aberdeenshire expect.

Impact on Demand

All of these areas impact on the demand that is experienced in all of our services and can often result in higher support levels being required on a year by year basis. This creates a challenging environment in which to operate, managing demand within the financial constraints in which we operate, whilst transforming services and delivering on the integration agenda.

Links with Other IJB Plans

The purpose of this Medium Term Financial Strategy (MTFS) is to ensure that resources are targeted at the delivery of the priorities set out in the Strategic Plan 2020 – 2025 and also to support the annual budget setting process.

The Strategy has also been developed in conjunction with two other documents which are crucial to delivering the priorities set out in the Strategic Plan. These are:-

Aberdeenshire HSCP Strategic Delivery Plan 2020 – 2025

The Strategic Delivery Plan sets out how the Partnership will deliver the transformational and operational change required to meet our strategic priorities.

The Partnership has shaped its strategic plan to be responsive and flexible to future change, ensuring it will continue to meet the health and social care needs of Aberdeenshire's changing population and react to any reforms in national policy. The five key priorities are:

- **Prevention and Early Intervention**
- **Reshaping Care**
- **Engagement**
- **Effective use of Resources**
- **Tackling Inequalities and Public Protection**

Aberdeenshire HSCP Workforce Plan

The Workforce Plan provides detail on our workforce who are involved in delivering the priorities of the Strategic Plan. It outlines workforce pressures, developments and opportunities over the next year to enable the provision of health and social care services for people in Aberdeenshire. The Workforce Plan reflects staffing in health, social care, primary care and the third and independent sectors, all of whom provide health and care services now and in the future.

In the coming years we will see significant change in the make-up of our population, with an increase in people living longer with multiple conditions and complex needs who require health and social care services. This rise in demand will increase pressure on workforce and financial resources rendering current models of service delivery unsustainable. Another challenge we face is maintaining a skilled workforce due to difficulties in the recruitment and retention of staff into some roles, and this will also be impacted over the next 10 to 20 years as a high percentage of our workforce reach retirement age.

Aberdeenshire Context

As with all public sector bodies our partners from whom the majority of our funds are received are facing financial challenges as a result of this period of financial constraint, with demand for budget outstripping the resources available and savings having to be identified annually to balance budgets.

Both Aberdeenshire Council and NHSG will require to make savings in future years to balance their revenue budgets. The amount of funding available to both organisations is largely driven by the level of funding received from the Scottish Government through the grant settlement process. In relation to Aberdeenshire Council, their Medium-Term Financial Strategy (MTFS) sets out assumptions regarding financial years 2023/24 – 2027/28. It is recognised that much of the Council's income is outside of its control, the assumptions that underpin their MTFS cannot, by definition, be exact, they are subject to refinement and change over time. Therefore, a series of scenarios should be used to describe a range of income possibilities.

4. NATIONAL CONTEXT

IJB's operate in a complex and changing environment where national issues can have an impact on what services are delivered and how they are delivered, as well as the financial resources which are available to support the IJB in commissioning services. An understanding of this national context is essential when developing the Medium Term Financial Strategy.

The Economy

The Global, UK and Scottish economy all have an impact on the population of Aberdeenshire across a range of areas including earnings, taxation and employment. They also impact on the funding available to support public spending and in turn, the funding available to Councils and Health Boards to deliver services.

Scotland's funding is largely dependent on funding from the UK Government and income from devolved tax revenues.

The Chief Economic Advisor to the Scottish Government reported in April 2023 that at the start of 2023 there had seen a slight improvement in economic activity and optimism compared to the second half of 2022.

Economic conditions are extremely challenging and the outlook for the year ahead remains subdued. Latest GDP estimates show the Scottish economy grew 0.4% over the three months to February with the pace of growth strengthening in recent months to its highest rate since May last year.

Inflation rate fell to 10.1% in March and is on a downward trend with further falls expected over the year, in particular in April and October, as the impacts of the rise in the energy prices cap over 2022 fall out of the headline rate. The recent easing in inflation has been driven by a fall in motor fuel prices, however this has been partly offset by a further surge in food price inflation which rose to its highest rate since 1977, further highlighting the challenges for household budgets.

Scotland's labour market continues to perform strongly at the headline level, with unemployment falling to 3.0% at the turn of the year, its lowest rate on record. Tightness in the labour market is persisting, however recruitment activity has continued to slow and in part reflects the ongoing economic uncertainty facing businesses for the year ahead. Cost challenges remain a key part of that concern as businesses face higher energy and staffing costs in the face of an outlook of subdued demand for the year.

The outlook for remainder of 2023 overall, economic activity has strengthened at the start of 2023 having remained broadly flat over the second half of 2022, resulting in the outlook for 2023 being revised up from previous estimates. Inflation is forecast to fall sharply this year; however economic growth is expected to remain subdued as households and businesses continue to face challenges from higher prices and higher interest rates

Legislative and Policy

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 of areas which could impact on the IJB over the medium term.

Legislation

The Board's role and function is set out in the underpinning legislation – the Public Bodies (Joint Working) (Scotland) Act 2014. The purpose of the integration policy can be summarised as being necessary to reshape our whole health and care system in Scotland to enable us collectively to sustain good quality services at a time of unprecedented change and challenge, budgets are reducing, our population is ageing, and we are contending with a reducing working age population and a reducing workforce supply, more than in any other time in recent memory.

The system must change and adapt to the new pressures it faces and health and social care integration is seen as a key mechanism toward that. IJBs were set up in order to change the patterns of behaviour, planning and delivery across health and social care and, in large part, to achieve change through an approach which challenges the status quo; deliberately setting strategy, planning and then, utilising delegated budgets, directing and commissioning the NHS and local authority partner organisations to deliver more joined-up, community-based models and in doing so, utilising resources 'locked' in traditional silos.

Scottish Government

The current Scottish Government has been clear that the integration of health and social care is one of its priorities. It has stated its intention to shift the balance of care from large hospitals into community settings. The Scottish Government has also indicated that one of its priorities is the adoption of the Scottish Living Wage across the care sector. In this regard, additional funding has been allocated to the IJBs in each of the last five financial years to fund this policy commitment. This financial year the level of uplift for adult social care staff has been set at a minimum of £10.90 per hour and additional funding has been received to meet this obligation.

The General Practitioners (GP) Contract is negotiated between the British Medical Association (BMA) and the Scottish Government and was agreed for implementation from 1 April 2018.

National Care Service

One of the Scottish Government's policy commitments is the introduction of a national care service. Following a consultation exercise undertaken to seek views on the national care service a draft Bill has been published.

The Bill allows Scottish Ministers to transfer social care responsibility from local authorities to a new, national service. This could include adult and children's services, as well as areas such as justice social work. Scottish Ministers will also be able to transfer healthcare functions from the NHS to the national care service.

The creation of a national care service will have implications on the IJB and Adult Social Care Services, however, at this stage the full impacts are unknown.

National Demand

Pre-covid the demand for services was increasing as is evidenced by the following statistics:

- 1 in 4 adults has a long-term illness or disability;
- around 2 million people in Scotland have at least one long-term condition;
- people in Scotland are living longer, but more of those people over the age of 75 are living with a long-term condition and/or significant frailty;
- overall, the population of people over the age of 75 is expected to increase by 63% over the next 20 years.

The Scottish Government estimated that the need for health and care services will rise by between 18% and 29% between 2010 and 2030. Coupled with a shrinking working age population and the known workforce supply challenges, it is clear that the current model of health and care cannot be sustained and that it must change.

Audit Scotland undertook an early review into the changes being brought about through the integration of health and social care in its paper of March 2016. The report, Changing Models of Health and Social Care, set out the challenge of increasing demand for services and growth over the next 15 years in Scotland.

Among the pressures identified in this were:

- 12% increase expected in GP consultations.
- 33% increase in the number of people needing homecare and a 31% increase in those requiring 'intensive' homecare;
- 35% increase in demand for long-stay care home places; and
- 28% increase in acute emergency bed days and a 16% increase in acute emergency admissions.

The Audit Scotland report went on to say that on the basis of these estimated increases in demand, there would need to be an increased annual investment of between £422 and £625 million in health and social care services in order to keep pace.

The independent report on Adult Social Care by Derek Feeley indicated that if the recommendations of the review were implemented, then spend on social care would need to increase by £0.66 billion per annum.

COVID-19 has significantly altered and transformed parts of the Health and Social Care system and the statistics above will need to be reviewed to determine whether they are still valid, and, as NHS Grampian has identified, a significant level of need has built up over the last few years with:

- 99,000 fewer referrals than normal to healthcare in Grampian during March 2020 to January 2022.
- 16% fewer cancer diagnoses in Scotland made in 2020 compared to 2019.
- Young people, especially those already disadvantaged, may struggle to make up for lost opportunities for education and social development with lifelong consequences for health.

5. MEDIUM TERM FINANCIAL OUTLOOK

Aberdeenshire IJB operates in an increasingly challenging environment with the local and national context outlined in this strategy highlighting the main areas which will impact on our medium term finances. This MTFS seeks to consider this context to establish the main factors which will impact on the finances of the IJB over the medium term and will assist the IJB in decision making over this period.

Impact on Funding

The IJB is reliant on funding from Aberdeenshire Council and NHS Grampian. These Partners contributions are contingent on their respective financial planning and budget setting processes, as well as the financial settlements which each body receives from the Scottish Government. The budget setting process of the Partners also determines the level of savings which each will apply to the IJB. The IJB actively engages in the budget setting process of both Aberdeenshire Council and NHS Grampian.

The MTFS makes assumptions about the future funding contributions from Partners based on the information which is currently available. Using this information, it is forecast that Health Board funding is likely to increase between 2024/25 and 2028/29, based on a 2% uplift per the NHSG MTFS, with assumption of 1% additional new funding from Aberdeenshire Council.

Expenditure Requirements

Financial planning requires assumptions to be made about demand and cost pressures which could be faced by the IJB over the medium term. These have been informed by the local and national context within which the IJB operates.

Each year the IJB will face cost pressures as a result of a range of factors including demand, inflation and changes in legislation / regulations. This Strategy has assessed the key factors likely to impact over the medium term and estimates that the IJB will face cost and demand pressures over the next five years with a reduction in real terms funding.

i Inflation: Pay (2% uplift)

Employee costs represent approximately 40% of the IJB's net budget. Inflationary pressure in this area represents a significant pressure for the IJB. The assumptions for pay reflect the current inflationary assumptions of both Partner bodies.

ii Inflationary and Contractual Commitments: Non Pay (2% uplift)

Inflationary pressures reflect anticipated annual increases to payments to third parties and in the main reflect increases to the National Care Home Contract, Scottish Living Wage and estimates on the trend of the cost of GP Prescribing within primary care services.

It is assumed that the Scottish Government's commitment to the Scottish Living Wage will continue over the next five years. However, it is also assumed that additional Scottish Government funding will be provided to support this commitment, there having no adverse impact on IJB net costs over the life of the Strategy.

iii Demographics, Deprivation and Health (2% uplift)

This Strategy has considered the local context of Aberdeenshire and how this impacts on demand for services. Historically services have often attempted to manage increases in underlying demand through the transformation of services, which has enabled gains in productivity and effectiveness to secure delivery of ore services from the same level of resource inputs.

Services will continue to transform, however it is unlikely that demand as a result of demographics and deprivation can be funded purely from transformation. Modelling for this Strategy has assumed that there is a need for a 2% annual increase to reflect the likely increase in demand reflective on the growing needs of the population of Aberdeenshire.

vi Legislation / Regulatory / Government and Local Policy Commitments

The IJB is subject to legislation, regulatory, government and local policy changes which often have cost implications. It is not anticipated that there are any significant changes to regulations which will have a significant impact on the finances of the IJB during the period of the Strategy, for example around safe staffing levels. The Strategy also assumes that any new Scottish Government policies during the period of the Strategy will be fully funded by the Scottish Government, although this is not guaranteed.

Impact of IJB Financial Position

This assessment provides a forecast of the financial position for the IJB over the medium term and identifies a shortfall in funding of £40.4 million by 2028/29 if current trends continue. This highlights the scale of the financial challenge facing the IJB.

Reserves

At 31st March 2023 the IJB held £16.3 million in Reserves. The IJB holds General Reserves of £3.3 million, which could be used to provide flexibility or used to meet unplanned commitments. The other IJB Reserves are Earmarked Reserves relating to Primary Care Improvement Fund, Risk amongst others, with a total of £13 million (80% of total reserves held).

6. DEALING WITH THE FINANCIAL CHALLENGE

The IJB is operating in an increasingly challenging environment with funding not keeping pace with increasing demand for services and increasing costs linked to the delivery of services. This is reflected in the MTFS, which has identified a potential £40.4 million financial gap over the next 5 years if funding levels and demand for services continue on current trends. This equates to an annual requirement of the need to identify circa £8 million of new cash releasing savings each year over the next 5 years, equivalent to 2% of the total IJB budget.

Since Aberdeenshire IJB became operational in 2016, the necessity to achieve savings has been a continuous consideration. The delivery of savings within a health and social care system experiencing rapid growth and pressure to drive forward change at pace is challenging without destabilising the wider health and social care system. The efficiencies achieved to date by Aberdeenshire IJB have largely been made by removing financial resource from those areas that have been underspending or from services where there is no statutory requirement to deliver them. The risk to delivering savings in this way is that a holistic long term view is not taken with the focus being on short term reductions.

Delivery of effective and lasting transformation of health and social care services is central to the vision of the IJB. The IJB's Strategic Plan 2020 – 2025 outlines its ambitions over the medium term and the reshaping of services which will support delivery.

Since the inception of the IJB in 2016 there has been significant progress in transforming services. This has delivered a level of financial savings but also enabled services to manage growing demand and complexity within the same level of resources. The IJB is committed to transforming and reshaping services.

The table below sets out the key areas of work that have and will continue to contribute to reshaping care as part of reformed workstreams of our Strategic Delivery Plan:

Enabler	Areas of activity	Outcome
Mainstream Homecare	<p>We will focus the internal home care service on 4 key themes:</p> <ol style="list-style-type: none"> 1. Enablement – 6 week intensive intervention 2. Rapid Response - providing a 24 hour responder service for planned and unplanned need 3. Complex cases, end of life and palliative care 4. Hard to reach, remote and rural areas 	<p>People will be able to access the support they need when they need it to enable them to stay at home or avoid unnecessary admissions to hospital.</p>

Technology enabled care	<p>We are in the process of implementing a number of digital initiatives;</p> <ul style="list-style-type: none"> • Home and Mobile Health Monitoring (HMHM) • Video Consulting • Telecare 	<p>People will be able to access specialist support and advice without the need to travel, making health and social care services more accessible to all. People will be supported by the HMHM to take control of existing health conditions through improved monitoring which may reduce the need for primary and secondary care interventions.</p>
Virtual Community Ward (VCW)	<p>The VCW continues to make use of multi-disciplinary teams to work together to make the best use of local resources to support people to remain at home.</p>	<p>Where appropriate, people will be supported to remain in their own home rather than having to be admitted to hospital.</p>
Rehabilitation and enablement	<p>The objective is for all new referrals to care management to be directed first through the rehabilitation and enablement pathway.</p> <p>The rehabilitation and enablement pathway will support people to recover and regain their abilities following a period of illness, injury or increase in frailty.</p>	<p>People will be supported to following an episode of ill at home longer with increased</p>
Homely setting	<p>Aberdeenshire offers a number of accommodation options for people who have particular housing needs because of a long-term condition or frailty. Work is in progress to evaluate our current model of support with the aim of achieving the most efficient model, with the appropriate mix of options, for our population. This work will be carried out in partnership with</p>	<p>People will be able to access which is flexible and tailored to be able to stay in their choose and continue to relationships.</p>

	Aberdeenshire Council's Housing Service and the Third Sector.	
--	---	--

In addition to these areas above, work will take place which aims to:

- prevent delayed discharge
- improve integrated working for our multidisciplinary core teams
- develop management systems to support integrated working
- extend the application of a “risk assessed care” approach to moving and handling support
- improve social care sustainability

These projects will further enhance our ability to provide the right service at the right time to prevent admission, facilitate discharge and ensure equitable access to care when it is needed.

This strategy has **six key components** to dealing with the financial challenges facing the IJB over the next five years:

1. Efficiency & Good Budget Management

The IJB spends taxpayers’ money and has a statutory duty to deliver Best Value in its use of public funds. It remains committed to keeping under review the costs of service delivery and the sources of income which are available to fund services. Over the Medium Term this will include maximising income opportunities, developing “spend to save” schemes and using benchmarking information to review our cost base to identify opportunities for efficiency.

Budget managers continue to be provided with the level of financial information to enable them to scrutinise the amounts they commit. There will be an increased focus on filling of vacancies, use of supplementary staffing and avoidance of discretionary spend.

The target for this component of the Strategy will be reviewed and proposed as part of the budget setting process for 2024/25.

2. Reshaping Care

Details of the Reshaping Care programme are given in the tables above. The IJB is clear about its commitment to service reform and innovation. This is not just about changing the ways in which services are structured. Reshaping care will lead to significant changes in how services are planned and delivered, working in partnership with stakeholders including patients, service users and carers to better support them to achieve their personal outcomes and aspirations.

3. Shifting the Balance of Care

With growing demand for support and less money available, current services provision cannot be sustained. This will require services to be reimagined with a focus on offering services which are sustainable over the longer term and target the available resources to those with the greatest assessed needs.

This will require a radical rethink of the service on offer and could mean that the IJB will not always be the first source of support. The IJB will not be able to deliver this approach alone and will require to work with Partners to harness the totality of resources available.

Within Grampian work is progressing on a pan Grampian basis to examine and develop the unscheduled care pathways. The aim is to support the Mental Health, Palliative Care and shift of unplanned hospital based care to planned community based care. Pan Grampian cross system groupings are in place to support this process, with work underway on Care of the Elderly, Mental Health, Palliative Care and Respiratory.

4. Service Prioritisation

A range of factors will require the IJB to consider prioritising, and in some cases reducing or stopping some services over the life of this Strategy. These will include the availability of sufficiently trained health and social care staff, the need to undertake major investment in facilities which are not fit for purpose, changing habits in the use of some services and the impact of new technology in the delivery of services.

5. Future Service Redesign

All of the Partnership's senior teams have a focus on redesign of services and are constantly modifying service provision to ensure high quality services are provided within agreed budget levels. A workstream will be developed to determine where service redesign is possible where such redesign reduces the cost of service delivery and helps contribute to closing the financial gap between new resources and budget pressures. Once proposals are fully developed, they will be taken forward within the Programme Boards and fully reported to the IJB.

6. Partner Organisation Collaboration

We will continue to work collaboratively with our partner organisations in order to ensure efficiencies are driven through both transformational and sustainable pathways.

Summary

These 6 proposals will be considered in order to deliver a balanced financial position as part of the budget setting process in 2024/25 and subsequent financial years. Targets will be set for each of the key components and will form the focus of future financial planning over the medium term and reported to IJB as part of the Revenue Budget approval basis for 2024/25 reported to IJB in March 2024, with savings driven by efficiencies and transformational yet sustainable workstreams.

The components identified above are not exhaustive but form the basis of areas for review per the current Strategic Plan 2020-25. These will be updated per the approval of the revised Strategic Delivery Plan and will be supported by the development of more detailed annual budgets over the life of the Strategy.

7. RISK ASSESSMENT

The MTFS is a financial model and as such has risks associated with it.

- Impact of local and national factors over / underestimated.
- Public expectations about service delivery.
- Impact of IJB decisions on Partner Bodies and the impact of Partner Body decisions on the IJB.
- Failure to accurately forecast impact sources.
- Failure to identify future pressures such as a change to a national policy.
- Over or underestimated cost and demand pressures.

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 regular review of the IJB Risk Register. This is used to ensure significant risk is identified and effective mitigating actions implemented which reduce these risks to acceptable levels whilst securing service delivery within available resources.

Sensitivity analysis is used to test the major assumptions made by the model and understand what the implications are if these assumptions change. This effectively tests “what if” scenarios and enables the IJB to determine potential fluctuations which could exist within the financial model.

The table below shows what would happen if the main assumptions increase by 1%. For example, if pay awards were 1% higher than the assumptions made in the model, this would represent an additional cost of £2.0 million in 2024/25.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Funding					
1% NHSG/0.5% Council Increase	-2.8	-2.9	-3.0	-3.1	-3.2
1% NHSG/0.5% Council Decrease	2.8	2.9	3.0	3.1	3.2
Expenditure					
1% Pay Increase	2.0	2.1	2.2	2.3	2.4
1% Non-Pay Increase (Locums and Prescribing)	2.7	2.8	2.9	3.0	3.1
0.25% Demographic Increase	0.5	0.5	0.6	0.6	0.7
1% Pay Decrease	-2.0	-2.1	-2.2	-2.3	-2.4
1% Non-Pay Decrease Locums and Prescribing)	-2.7	-2.8	-2.9	-3.0	-3.1
0.25% Demographic Decrease	-0.5	-0.5	-0.6	-0.6	-0.7

Budget assumptions carry a degree of financial risk which means that a budget variation may arise if information or circumstances supporting that assumption change. The acceptance of risk is a necessary part of the budget process.

A number of financial risks have been identified when developing the MTFS. These are highlighted below:-

- (1) **Financial Settlement** - A one-year settlement for 2023/24 only has been received for this budget process. The merits of a multi-year Settlement continue to be expressed to enhance the alignment with delivering against the strategic priorities. The pay inflation provisions currently reflected in the budget reflect estimated agreements for all IJB staff who are covered by the NHS Agenda for Change, NHS Medical & Dental and Local Government pay settlements.
- (2) **Prescribing Costs** - Prescribing costs are a large and volatile area of the IJB budget. Whilst the decisions to prescribe are made locally, the costs of drugs and agreements to introduce new drugs are made on a national basis. Provision in the budget has been made based on advice from the Grampian Medicines Management Group.
- (3) **Demographic Changes** - The demographic profile of Aberdeenshire continues to show a general rise in population with a specific increase in the age profile of the population. The associated challenges of providing care for a rising population where people live with multiple conditions are well known. These challenges manifest themselves in a financial sense when we experience issues such as rising numbers for social care packages and rising demand for aids and adaptations. The increasing level of complexity of need for some of our clients means that high-cost care packages may arise during the year which we have not budgeted for. The same applies to patients who need out of area care and where a clinical decision has been made that this is in their best interests.
- (4) **Public Perception of Health & Social Care Services** - The Aberdeenshire Health & Social Care Partnership's Strategic Plan 2020-25 recognises that the changes we need to make will make demands on individuals, the communities of Aberdeenshire and organisations that provide health and social care and support. In order to release efficiencies whilst at the same time delivering our strategic priorities, we must focus on service redesign and re-commissioning. Recent experience of service redesign and re-commissioning has highlighted a number of potential risks: - Public perception that services are being lost and cost cutting is the sole driver. - High expectations of health and social care services in spite of the current and ongoing pressures faced. - Negative media coverage affecting the Partnership's reputation. - Reluctance of society to change behaviour and focus on personal abilities and informal support networks, including making informed choices about how local services are used. We can mitigate these risks by focusing on effective engagement, communication, education, and co-production with the public.
- (5) **Primary Care** - Recent years have seen a number of challenges around sustainability of some of our GP Practices with inability to recruit General Practitioners a common issue. This has necessitated the Partnership providing support and investment to maintain GP services in some parts of Aberdeenshire. We will continue to use the

Primary Care Improvement Fund and other funding streams to support General Practices and wider Primary Care teams across Aberdeenshire.

- (6) **Social Care Market** - The external care market is fragile, with providers seeking higher than inflationary increases to provide stability. Some arrangements such as the National Care Homes Contract are negotiated nationally and may be higher than forecast. Should national negotiations break down it is likely that local agreements would have to be negotiated which could lead to higher costs than have been provided for. We can mitigate these risks by working with our third and independent sector providers and community partners at a local level to train, support, and up skill local providers in conducting their business with the Partnership. We can also mitigate these risks through moving away from short term projects to ensure there is longer term stability.
- (7) **Earmarked Funding** - A proportion of funding for the Partnership is received via earmarked funding for specific purposes allocated by the Scottish Government. Typically, this funding is not allocated until after the start of the financial year. We are assuming that the level of earmarked funding in 2023/24 will be broadly similar to the level received in 2022/23. If this is not the case, further prioritisation decisions will need to be made.
- (8) **Longer term health debt of population** - The impact of the pandemic continues to pose significant financial risks to the Partnership. The wider economic and societal impact of the pandemic will continue to pose challenges to the Partnership in terms of service pressures and how services are delivered.
- (9) **General Inflation pressures** - Inflation is at a high level but expected to fall in the short term. The MTFs assumptions have been prepared on the basis of known contractual inflation rates. Should general inflation rates prove to be volatile and be reflected in an cost of goods and services, this will cause additional pressure on the revenue budget and the services the IJB can afford to provide.

All of these risks and others within the budget will be monitored and managed in order to identify any issues and address these at an early stage through the following –

- Regular detailed budget monitoring to the IJB identifying trends in both within and over budget positions to address ongoing and future requirements of service provision
- IJB Budget development sessions with both the AHSCP Senior Management Team and IJB
- Continuing communication with our Partners to drive efficiencies and best value.