



INTEGRATION JOINT BOARD

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Report Title	Medium Term Financial Forecast
Report Number	HSCP.25.053
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Consultation Checklist Completed	Yes
Directions Required	No
Exempt	No
Appendices	No
Terms of Reference	<i>4) The approval of the Medium-Term Financial Framework.</i>



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1. Purpose of the Report

This report provides;

- 1.1 The estimated 4 year Medium Term Financial Forecast (MTFF). This model considers the category expenditure of the IJB and the changes which need to be actioned within the cost base to work towards bringing financial balance. Scenario planning is used to highlight how financial sustainability is impacted if varying levels of savings are achieved.

2. Recommendations

It is recommended that the Integration Joint Board:

- 2.1. Notes the further development of the Medium Term Financial Forecast as the new IJB Strategy is brought forward. The MTFF sets out anticipated cost pressures and future funding projections based on planning assumptions to allow the IJB to work towards financial balance under the new Strategic Plan (2025-29).

3. Strategic Plan Context

- 3.1. The Strategic Plan (2025-29) is underpinned by the MTFF. Being able to look beyond the current year is crucial to support the IJB's future longer term financial sustainability.
- 3.2. The Strategic Plan is considerate of the financial challenges over the next 4 years. The work ongoing to balance the budget in 2025/26 and the savings required in 2026/27 to deliver a more sustainable future financial position for the IJB. Failing to deliver the required £14.354m of savings in 2025/26 will impact the future sustainability of the IJB and the MTFF models presented.
- 3.3. The Strategic Plan considers the growing demand for health and social care services where resources available to meet that demand are not increasing at the same rate. The IJB Strategic Plan relies on the growing level of prevention and early intervention projects which will help to reduce but not eliminate future demand. This programme of prevention and early intervention includes improvement in adult healthy weight, public mental health and active ageing, increasing the uptake of immunisations and cancer screening, the work of the Alcohol and Drugs Partnership in reducing the



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harm caused by alcohol and drug use, and implementing the action plans for the Suicide and Self Harm Prevention strategies.

- 3.4. As well as managing demand the cost of service delivery must be reduced. The Strategic Plan sets out the intention to transform service delivery to ensure demand can be met within resources allocated to the partnership. Transformation activities focus on reimagining how care is delivered, further embedding technology enabled care, delivering a more efficient infrastructure to reduce property running costs, restructuring and integrating the health and care provision to meet user needs. The Medium Term Financial Forecast seeks to focus transformation activity which will be taken forward under the 2025-2029 Strategy document.
- 3.5. ACHSCP recognises that NHS Grampian were escalated to stage four of the NHS Scotland National Performance Framework on the 12th of May 2025. At the NHS Grampian Board meeting of 12th June 2025 it was noted there was a requirement to save £45m in 2025/26 year and develop a three year Financial Recovery Plan necessary to support the Board returning to financial balance. The IJB receive approximately 61% of required annual funding from NHS Grampian. The MTFF assumes funding from NHS Grampian is maintained at the same level as in 2025/26 however this may change - the Chief Officer will continue to work closely with NHS Grampian to work through the uncertainties which may come with this process.

4. The Medium Term Financial Forecast

- 4.1. The Medium Term Financial Forecast is an estimation of future events. The future of Health and Social Care is marked by considerable financial uncertainty, driven by rising demand, inflationary pressures and the need for systematic reform. The 2025 spending review has highlighted a critical funding gap for all IJB's in Scotland, all IJB's required to make savings, Aberdeen City is no different. The forecast assumes the current funding settlement is consistent over the 4 years of the 2025-29 Strategy however there is a lack of long-term funding certainty beyond 2026, combined with the cumulative impact of Brexit, COVID-19 and energy price shocks adds to this volatility. These challenges raise concerns about the sustainability of services and the ability to deliver on reform ambitions without further financial support. The forecast has assessed a four year profile based on current



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assumptions, below shows the estimated future financial pressures for the IJB over the next four years.

Estimated Budget Pressures	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Pay	4,122	4,127	4,233	4,360
Non pay inflation	606	646	666	686
Primary Care Prescribing	2,524	2,000	2,000	2,000
Commissioned Services	9,344	3,847	3,962	4,081
Additional service demand	1,485	1,997	2,082	2,169
Recurring deficit	16,786			
eNIC pressure	2,050			
	36,918	12,617	12,943	13,296

Assumptions embedded within Budget Pressures:

Pay – 3%, each year for Aberdeen City Council and NHS Grampian staffing – based on the latest Scottish Government Public Sector Pay Policy. Pay funding pressures have been provided for health staff by NHS Grampian with the assumption this will continue, while a share of additional funding for Local Government will be assumed, should the agreed pay award exceed 3%. Costs are taken from the current payroll, this is expected to fall as restructuring work changes the level of partnership staffing.

Non pay inflation – 3%, in every year for non-pay covering external purchasing includes one off expenditure in 2025/26.

Primary Care Prescribing – 4.5%, in 2025/26. Inflation is reduced in future years to allow the output from the NHS Grampian prescribing group to feed through, with actions taken to reduce the continued growth of prescriptions.

Commissioned Services – 3% in each future years, 2025/26 contains a higher pressure from key commissioned service provider. Inflation is largely covered by Real Living wage increase from Scottish Government.

Additional Service Demand – 1% across all areas excluding pay, primary care and set aside budgets. This additional demand recognition reflects the wider pressures being placed on the IJB. The 1% pressures is the difference between the growth in service demand in and the impact of preventative measures reducing this. This figure is an estimation in 2026/27, 2027/28 and



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2028/29 to pick up the costs of additional demand while Public Health Scotland develop a more measurable framework on how this should be assessed. This ongoing work to model the future impacts which includes the growth in the population of people aged over 65 years and 75 years, that the Scottish Burden of Disease Study highlights there will be more people with health needs to support, for Aberdeen City this will mean additional service demand. The IJB will require to manage the pressure of service demand as well as normal inflationary pressures.

- 4.2. The two funding sources for the Partnership are NHS Grampian and Aberdeen City Council. Any future funding will be impacted by the respective financial planning processes of both organisations and the funding settlements they receive. The MTFP makes assumptions regarding future funding contributions from both Partners based on current available information. Outlined below is the potential funding that will be provided over the term of this plan:

Estimated Funding Forecast	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
NHS Grampian	233,755	239,358	245,129	251,073
NHS set aside	55,500	55,500	55,500	55,500
Aberdeen City Council	137,729	142,809	148,052	153,819
eNIC	1,201			
Additional Partner funding	10,909			
Total funding	439,094	437,667	448,681	460,392

The funding increase from NHS Grampian represents a 3% budget increase with the exception of Primary Care General Medical Services inflation which is directly covered by Scottish Government. This is consistent with the 2025/26 funding provided.

Aberdeen City Council increase of 3.6% represents the estimated increase in the Real Living Wage increase for commissioned service providers and uplift in Free Personal and Nursing Care costs provided by Scottish Government.



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Estimated Summary position	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Estimated budget requirement	439,094	451,712	464,655	477,950
Total Funding	439,094	437,667	448,681	460,392
Surplus/ (deficit) before savings	(0)	(14,045)	(15,974)	(17,558)
Budget Gap		(14,045)	(15,974)	(17,558)

The summary position above highlights that the IJB will require to make significant savings of what could be around £14.045m, dependent on service demand, in 2026/27 – reflecting full delivery of the £14.354m savings in 2025/26. The work in the next two financial years, 2025/26 and 2026/27, is required in the main to remove the structural deficit the IJB has been carrying.

Savings will continue to be required in subsequent years although at a lower level if the previous years required savings are made in full:

Estimated Summary position	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Estimated in year savings required		(14,045)	(1,929)	(1,585)

Savings in 2027/28 and 2028/29 will be driven through the implementation of the Strategy which reflects the improvements to the financial position - restructuring efficiencies and greater use of digital technology will be key.

The IJB will require to deliver all savings before reserves can start to be accumulated. Reserve balances will help to manage against in year pressures and also potentially can be used for reinvestment.

The Strategic Plan is therefore critical to support the delivery of financial sustainability and the necessary actions to achieve this - particularly the preventative projects supporting a reduction in some of the system demand. It is acknowledged that during the period of this Strategic Plan (2025-29) that the prevention activity will not be great enough to curtail the growing demands in health and care. The IJB will look to incorporate the further work



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of Public Health Scotland when this becomes available to understand better what this differential will be. Translating the impact of current projects to strengthen preventative actions will be necessary – the Strategic Plan Dashboard, being developed, will include finance, demographic and workforce data to support this analysis.

Transformational redesign and restructuring is to be taken forward with the intention to start the delivery of this work in 2026/27 providing more affordable and sustainable services within the resources available.

This financial forecast will therefore require review and refresh as part of the annual finance cycle - updating with the most current information to ensure the required focus to deliver a balanced budget each year.

4.3. Medium Term Financial Forecast – **Risk**

The IJB recognises the need for both financial planning and monitoring as the remaining reserve balances which helped manage against financial risk were used in the 2024/25 year. The financial position has become more fragile as a result and therefore understanding of financial risk and how to mitigate this is crucial.

The Medium Term Financial Forecast is a model based on current planning assumptions. Given that assumptions are liable to change there are likely to be a number of potential future scenarios that may arise, particularly when there is the potential for changing levels of demand. There will not just be one scenario but better and worse scenarios. The MTFF presented represents a base scenario based on current planning assumptions.

Savings are driven by the Strategy and cover:

- Restructuring of teams to achieve greater integrated services;
- Greater emphasis on enablement – fewer residential care beds will be required;
- Embedding of digital technology to reduce infrastructure costs and staff required to support service delivery;



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- Greater use of Technology Enabled Care to reduce the costs of delivering care;
- Changing the model of care to improve outcomes and lower costs; and
- Making sure the charges for care are fair and reasonable.

The ability to deliver savings has been assessed under 3 risk profiles and the ability to realise savings:

100% Delivery of Savings

There is a significant amount of work underway to deliver the 2025/26 savings required of £14.354m, the MTFF assumes these savings will be made in full. The 2026/27 year also requires a considerable amount of work to drive out what could be a further £14.045m of savings. The IJB look to present and deliver a balanced budget each year and therefore savings at this level will require to be delivered.

The IJB partners recognise the need for the IJB to deliver savings in full and not overspend in 2025/26. If the 100% savings target is missed there are implications not just in understanding how the 2025/26 year will be balanced by partners but any savings which are not delivered will add to the savings target in 2026/27.

75% Delivery of Savings

This level of savings delivery represents a lower level of risk for the Partnership in 2026/27 but higher risk for the IJB partners. If savings of 75% were delivered the IJB would have a budget deficit of £3.511m at the end of the financial year 2026/27.

ACHSCP will present a balanced budget for 2026/27 but recognise there is a level of risk in doing so. Given there are 9 months before the start of the new financial year there is time to fully mitigate this risk.

If any projects do not deliver the savings when required there is a risk the future year budget will not be balanced. There will be constraints on the



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realisation of staff savings owing to the Scottish Government Public Sector Pay Policy and the differing terms and conditions of employment across NHS Grampian and Aberdeen City Council.

50% Delivery of Savings

This level of savings delivery at £7.023m in 2026/27 highlights an issue with the Strategic Plan and failing to deliver this plan. It could also result from changes in the external environment with respect to excessive demands being placed on services.

To mitigate this risk the following actions will be taken:

- Budget savings options are developed in consultation with stakeholders using a structured evidence-based approach that balances the need for financial sustainability with the delivery of essential services.
- Base line financial assessments include a clear understanding of current expenditure patterns, cost drivers and service pressures including reviewing trends and identifying areas of inefficiency or duplication will be considered.
- Prioritisation of planning will be focused on high impact areas where savings can be achieved without compromising outcomes. This may involve moving resources towards preventative care models and early intervention services which have been shown to reduce long term costs.
- Stakeholder engagement involving clinicians, care professionals, service users and communities through direct engagement and consultation. This will ensure changes are realistic, acceptable and more likely to succeed.
- Performance monitoring and evaluation – establishing a clear timelines and targets to track the impact of savings initiatives.
- Governance and risk management to ensure savings plans are embedded with risk registers updated to reflect potential impacts on service delivery and workforce morale as appropriate.
- Integrated care and commissioning ensuring alignment of strategies across health and social care to avoid duplication and secure better



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value. Audit Scotland highlights the importance of joint commissioning to streamline services and reduce overheads¹

- Savings plans will be developed to ensure they are deliverable, that there is appropriate oversight and support of delivery and teams are enable to achieve the objectives which have been set out.
- Addressing issues identified with project plans as they arise through the Budget Savings Oversight Group and Senior Leadership Team.
- Ensuring adequate project document and resource is put in place to deliver plans.
- Working closely with teams going through change to maintain their engagement.

The risk sensitivity analysis highlights;

- The challenge in driving change;
- The assumptions around the requirements in reducing expenditure; and
- The need to assess the potential outcome of scenarios so these can be managed.

The IJB also have awareness of the risks associated with the MTFF being:

- Partner funding availability, including conditions placed on the Local Government and NHS financial settlements.
- The impact of the NHS Grampian Financial Recovery Plan being developed;
- Future cost pressures which will arise during the year;
- Underestimation of existing cost pressures; and
- Changes/new local and national requirements;

These risks reinforce the need to keep this plan under review with actions to address aligned to the IJB risk appetite and documented in the risk register.

5. Implications for IJB

5.1. Equalities, Fairer Scotland and Health Inequality

¹ Commissioning social care impact report – audit-scotland.gov.uk



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There are no direct equalities implications from this report however there will be an equality impact assessment completed as required for all budget savings and future projects as these are brought forward.

5.2. Financial

Financial implications are noted in the report. The IJB will move towards financial stability over the next 4 years but only in the context of requiring to deliver excess £28m of savings over the next 2 years.

In the scenario of being unable to deliver the savings on a recurring basis the IJB, in the absence of reserves, would have to seek further funding from the Partners.

5.3. Workforce

There are no direct implications as a result of this report.

5.4. Legal

The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to publish an annual financial statement which relates to the amount it intends to spend in furtherance of its Strategic Plan. Statutory Guidance on Strategic Planning mandates that the IJBs Strategic Plan should incorporate a medium term financial plan for the resources. This report sets out the MTFF for consideration in respect of that requirement,

5.5. Unpaid Carers

There are no direct implications as a result of this report.

5.6. Information Governance

There are no direct implications as a result of this report

5.7. Environmental Impacts

There are no direct implications as a result of this report

5.8. Sustainability

There are no direct implications as a result of this report.