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**To:** Renfrewshire Integration Joint Board

**On:** 25 November 2022

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**Report by:** Chief Finance Officer

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**Heading:** IJB Financial Sustainability and Outlook 2023/24

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**1. Purpose**

- 1.1 This report provides an update to the Renfrewshire Integration Joint Board (IJB) on the Financial Outlook previously outlined to the IJB in March 2022 in the Chief Finance Officer's (CFO) "2022/23 Delegated Health and Social Care Budget Paper". It describes the CFO's estimated financial outlook for the IJB for 2023/24, taking into account the extreme and ongoing period of uncertainty and increasing levels of risk relating to the financial sustainability and stability of the IJB.
- 1.2 The paper also provides updates of activity underway to maintain continued financial balance at this time of significant economic volatility.
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**2. Recommendations**

It is recommended that the IJB:

- Note the assumptions and context of the medium term financial outlook and the levels of uncertainty that exists in relation to these assumptions; and the ongoing expectation of the IJB being required to continue to plan for further significant budget gaps going forward.
  - Agree to take forward Audit Scotland's key recommendation from its Annual Audit Report 2021/22 as highlighted at section 8.2 that *"The Board should remain focussed on the financial challenges facing the IJB and continue to ensure decisions are taken to support medium and long-term financial sustainability."*
  - Note and agree the replanned timetable for financial planning at section 10.3.
  - Note the additional areas of focus for savings and transformation at section 10.5.
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**3. Introduction**

- 3.1 Renfrewshire IJB is a legal entity in its own right created by Parliamentary Order, following ministerial approval of the Integration Scheme between Renfrewshire Council and NHSGGC. It is accountable for the stewardship of public funds and ensuring that its business is conducted under public sector best practice governance arrangements, including ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The budget

delegated by our two partner bodies, is used by the IJB to commission services, which are delivered by Renfrewshire Health and Social Care Partnership (HSCP). The principles of the funding allocated by the two partner organisations is set out in the Integration Scheme, however, utilisation of this funding is delegated to the IJB.

- 3.2 Under the terms of the Integration Scheme, partner organisations should make appropriate arrangements to fund pay awards, contractual uplifts, the impact of demographic changes and determine efficiency targets as part of their respective budget setting processes.
- 3.3 The role of the Section 95 Officer (CFO) for the IJB includes both the adherence to professional standards as well as compliance with “The Local Government (Scotland) Act 1973 section 95, which clearly states that:

*“...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”*

For the IJB this includes the requirement to ensure a balanced budget is set.

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#### 4. Medium Term Financial Outlook

- 4.1 This report sets out the CFO’s estimated financial outlook for the IJB for 2023/24, outlining the main financial pressures on health and adult social care services and potential implications of the CFO’s current assumptions regarding the anticipated budget pressures for 2023/24.
- 4.2 As Renfrewshire IJB will be aware the CFO has - through annual budget setting reports, monthly budget monitoring reports, financial sustainability reports and the Medium Term Financial Plan (MTFP) - forecast a significant and sustained financial challenge over the medium term for multiple consecutive years. These predictions pre-dated the COVID-19 pandemic.
- 4.3 In September 2019 it was estimated that the financial planning period 2020-23 would see the IJB facing gross pressures of between **£18m to £24m**. As a result, the IJB approved a **two-tiered model** to address immediate financial pressures, whilst in parallel introducing a more strategic approach to financial sustainability over the medium term. This approach was confirmed in the MTFP 2020/21 – 2025/26.
- 4.4 The unforeseen events of the COVID-19 pandemic created considerable unanticipated pressures for the IJB and disrupted our financial plans; accelerating the delivery of some of our objectives, making others increasingly important, and lowering the priority of some of our previously agreed actions.
- 4.5 The pandemic also had the effect of delaying the immediate impact of the predicted financial challenge, due to a variety of factors including increased short-term funding provided by the Scottish Government to cushion the blow of the virus, together with a simultaneous recruitment crisis leading to a significant underspend.

- 4.6 The financial challenge was delayed, but not averted. The war in Ukraine, the volatility of inflation and interest rates, rising energy costs, supply chain issues, the cost-of-living crisis, recruitment challenges, and continuing COVID-19 impacts, are converging to create a hugely difficult funding scenario for the public sector across the UK, the full extent of which is still emerging. We are now projected to be entering a period of recession. Public sector strike action will potentially increase amid ongoing pay negotiations. Members should be aware that it is highly likely that these scenarios will negatively impact the current year end projections for the IJB.
- 4.7 In March 2022, the IJB approved an updated MTFP for 2022 – 2025, which reflected the impact of COVID-19 and other emerging issues facing the IJB. This new MTFP estimated a gross budget gap within a range of **£37m to £48m** over the next three years.
- 4.8 When the new MTFP was approved, inflation was **5.5%** - at the time it's highest level in almost 30 years – and predicted by the Bank of England to peak at **7.25%** in April 2022, far exceeding the Bank's 2% target and greater still than the predictions at the close of 2021. The cause of the rise in inflation has been largely attributed to a near doubling in wholesale gas prices since May, owing to Russia's restriction of supplies to Europe, which feeds through to retail energy prices.
- 4.9 In August 2022, inflation stood at **9.4%** with predictions from the Bank that this would exceed **13%** in Q4 of 2022. Now in November 2022, inflation stands at **10.1%** (a 40-year high) with the most recent Bank of England predictions suggesting a marginally lower peak of **11%** later this month, before a gradual fall until finally reaching its 2% target in around two years.
- 4.10 In a bid to push inflation down, the Bank of England has, for the past eight consecutive months, raised interest rates. Currently at **3%** - and expected to exceed 5% in 2023 – the cost of borrowing is now at the highest since 2008.
- 4.11 On 17 October – a little over a fortnight since the **energy price guarantee**<sup>1</sup> was introduced with the intention of affording some protection to households from massive increases in energy bills – the new Chancellor Jeremy Hunt announced that it would end after just six months, rather than after two years as originally planned. Energy analysts Cornwall Insight are now currently predicting April's price cap to be £3,702 a year for a typical household, or 48% more than the energy price guarantee<sup>2</sup>. This will push a vast number of the population into fuel poverty<sup>3</sup>.

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<sup>1</sup> UK Government provided support to energy suppliers to ensure a typical household would pay no more than £2,500 a year on their energy bills.

<sup>2</sup> <https://www.cornwall-insight.com/predicted-fall-in-the-april-2023-price-cap-but-prices-remain-significantly-above-the-epg/>

<sup>3</sup> Fuel poverty is defined by Scottish Government as a household spending more than 10% of its income (take home wages, benefits, pension etc.) on energy bills.

- 4.12 The recent UK Government mini-budget<sup>4</sup>, whilst now almost entirely rolled back, has also contributed to the worsening financial climate, resulting in the pound falling to a 37 year low against the US dollar, and triggering a £65bn bond-buying programme by the Bank of England to ease pressure on pension funds and insurance companies. Despite a statement from then Prime Minister Liz Truss on 19 October 2022 that she was “committed to the triple lock” – the commitment that the state pension will increase each year in line with either inflation, the average wage rise, or 2.5% (whichever is the higher) – the prospect of the UK Government reneging on the restoration of the pension triple-lock remains a strong possibility. Indeed, current Prime Minister Rishi Sunak stated on 26 October 2022 that he will not commit to raising state pensions in line with inflation, and that a decision on whether to honour the triple lock would be wrapped up into the fiscal statement due on 17 November 2022. Furthermore, there remains no commitment to uprating benefits payments, at the time of writing.
- 4.13 Soaring energy, food and fuel costs, and the increased cost of borrowing which will impact millions of mortgage customers, coupled with the failure of wages and/or benefits to keep pace with these rises, means that households across the country are facing the biggest income squeeze over the next two years since records began. Recession is all but a given at this point, with the Bank of England now predicting the longest recession in 100 years. Those hit hardest will be our poorest and most vulnerable people and communities.
- 4.14 Further complicating the financial landscape is the recently published economic case for Scottish independence. “A stronger economy with independence” published on 17 October 2022 sought to set out the economic case, covering issues such as currency, trade, and public sector finances. This includes plans to move to a new Scottish pound when economic conditions are right, plans to re-join the European Union, and the establishment of a £20bn “Building a New Scotland Fund” over the first decade of independence, funded by set aside North Sea Revenues and windfall income. However, it remains unclear how Scotland would transition from current levels of revenue and spending to something more sustainable, in line with the desired fiscal rules set out in the publication.

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## 5 Impact for Health and Social Care Services

- 5.1 For health and social care, the future continues to look extremely challenging. The Scottish Government Resource Spending Review (RSR), published in May 2022 set the scene for a very difficult few years ahead in terms of the funding landscape. Whilst the RSR identified a planned increase of 0.6% in real terms for health and social care over the next four years, local government budgets are expected to decline by 7% in real terms between 2022/23 and 2026/27 and health budgets will continue to be stretched. The impact on our funding partners arising from the Review may have a negative effect on the IJB’s financial position in the medium to long term,

which could potentially add further pressure on the financial sustainability of our services.

- 5.2 Adding to the financial challenge, the Emergency Budget Review, published by the Scottish Government on 2 November 2022, set out further savings in the region of £615 million. Within this package was a reprioritisation of spend within the Health and Social Care portfolio amounting to £400 million. This included, amongst other measures, a £65 million adjustment to the Primary Care budget, and a £38 million adjustment to the mental health budget. The full detail of the budget adjustments is yet to be confirmed by the Scottish Government.
- 5.3 The health and social care sector faces multiple competing demands over the medium term, including the continued recovery from COVID-19 and addressing the treatment backlog; the planned creation of the National Care Service (NCS); and cost and demand pressures in areas such as pay, drug costs and demographic pressures. Future budget settlements are unlikely to recognise these increasing pressures and it is highly likely that the level of financial support provided will enable these changes to be managed within the resource envelope available. As such it will not be possible to deliver the extent of change required, successfully, within existing resources without significant changes in how we deliver our existing services.

#### **Pressure on providers**

- 5.4 In its briefing for the Health, Social Care and Sport Committee on Winter Pressures in Social Care (26 September 2022), the Coalition of Care and Support Providers in Scotland (CCPS) noted that 48% of responding organisations said they would be directly affected by energy price rises during the winter period, with 37% facing this issue immediately or within the next month when their fixed rate contracts expire. 27% of responding organisations said that one or more of their services would become financially unsustainable in the face of energy increases. The report concluded:
- “The pressures on individuals and families from the cost-of-living crisis is likely to drive up service demand. Equally these pressures are being felt by low paid staff in the sector, destabilising recruitment and retention at a time when services are needed most. Pay rises offered in the public sector are pushing third sector social care pay backwards, adding to the pressures on staff and providers. Inflation is bearing down hard on financial sustainability, and even where some relief is being offered it is limited in scope and timescale. The people who will lose out, if sector sustainability remains that this heightened risk, are those who most need crucial care and support from third sector providers this winter.”<sup>5</sup>*
- 5.5 Rising demand for - and cost of delivering - services, exacerbated by the challenges above, alongside the potential that local and national care providers will no longer be financially sustainable due to increased operating costs, means that continuing to serve our communities within our current resources is increasingly difficult. Recent

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<sup>5</sup> [https://www.ccpscotland.org/wp-content/uploads/2022/09/CCPS-Briefing\\_Winter-pressures-in-social-care-260922.pdf](https://www.ccpscotland.org/wp-content/uploads/2022/09/CCPS-Briefing_Winter-pressures-in-social-care-260922.pdf)

projections by the Fraser of Allander Institute suggest that over the coming five years, expenditure on adult social care in Scotland will rise 18% from £3.9bn to over £4.6bn, and that by 2044/45 this will be nearly 70% bigger, with expenditure over £6.6bn<sup>6</sup>. Providers will, understandably, look to the HSCP for uplifts which currently are not budgeted for and cannot be sustained.

*“We are living in the midst of a perfect storm and already in the last month high quality and excellent performing care homes have either closed or intimated their intention to cease delivery. The same is true of homecare organisations both closing their doors to new business and handing back care packages. The reasons are numerous and manifold from the struggle to recruit staff, inexcusable contractual practices, the critical withdrawal of funding for PPE and infection control at a time of rising Covid cases, astonishing increases in the cost of insurance and so much more. There are many reasons for concern.”*

Donald Macaskill, Scottish Care, 6 August 2022

- 5.6 It is important to note also, that the projections by Fraser of Allander consider only ‘met need’ i.e., individuals who currently receive social care as opposed to unmet need i.e., those with social care need who are not currently eligible for social care services, but may become eligible through future reforms, such as the National Care Service (NCS). The NCS remains a cornerstone of current Scottish Government plans, with the stated intention that it is established before the end of this parliamentary term in 2026. How, and to what extent, it will be funded remains unclear and adds to the challenge of planning, resourcing and redesigning health and social care services in the medium term.

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## 6 Delegated Adult Social Care Budget 2023/24

- 6.1 In addition to the ongoing impact of COVID-19 across all service areas, and similar to 2022/23, demographic and socio-economic factors will continue to drive significant demand and cost pressures for 2023/24 in the delegated Adult Social Care budget relating to:
- Funding of the 2023/24 pay award
  - Cost pressures arising from contractual arrangements which are subject to renewal
  - Financial impact of the increased living wage across the sector
  - Increases associated with the National Care Home Contract
  - Ongoing pressure on the Care at Home service in relation to costs associated with shifting the balance of care, by supporting people to live safely at home for as long as possible and facilitating prompt discharge from hospital, and
  - Increasing number and complexity of care packages required to support adult clients to live as independently as possible in the community.
- 6.2 The recently agreed 2022 pay award for local government workers, whilst anticipated, also puts significant additional strain on already pressured budgets.

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<sup>6</sup> <https://fraserofallander.org/demand-and-expenditure-for-adult-social-care-in-scotland/>

Implementation of the pay deal was confirmed on 25 October 2022 and includes the following:

- A minimum pay rate of £10.50. This will benefit 12% of the workforce.
- £2,000 incorporated fully into pay of those earning less than £20,500. This equates to 18% of local government workers across Scotland.
- £1,925 minimum increase incorporated fully into the pay packets up to £39,500. This equates to 85%.
- The proposed increases would be calculated on 36 hours a week.
- 5% increase incorporated into pay packets of £39,501 with a cap at £3,000.
- The removal of all SSSC registration fees.
- An additional 1 day's leave.

The pay award will be backdated to 1 April 2022 and the estimated financial impact for the HSCP is estimated to be £1,576k.

- 6.3 The CFO, using a range of informed assumptions, has estimated that the demand and cost growth for Adult Social Care in 2023/24 linked to the areas highlighted above, and in section 9 of this report, is likely to be in the region of a gross increase between c£9m and c£13m. Members should however be aware that the current levels of demand on Care at Home Services continues to be far outwith our 'normal projected levels of activity' which we would use to assess the future pressure on these budgets. Consequently, our ability to accurately project future demand is complex, and therefore the figures we are currently using are heavily caveated.

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## **7 Delegated Health Budget 2023/24**

- 7.1 In addition to the ongoing impact of COVID-19 across all service areas, similar to Adult Social Care, demographic and socio-economic factors continue to drive significant demand and cost pressures for our delegated Health services in 2023/24 including:
- Pay Inflation and impact of Agenda for change
  - Inflationary linked increases on non-pay eligible budgets and
  - Prescribing cost and volume impact
- 7.2 Using a range of informed assumptions, the CFO has estimated that the demand and cost growth for Delegated Health Services (not including Set Aside) in 2023/24 linked to the areas highlighted above, and in section 9 of this report, is likely to be in the region of a gross increase between c£3m and c£5m.

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## **8 IJB 2021/22 Annual Audit Report Key Recommendation**

- 8.1 Continuing the theme of recent audit reports, the key focus of the 2021/22 Annual Audit Report from the IJB's external auditors was the financial sustainability of the IJB. Within the report they highlight that:

*"The IJB has identified a budget deficit of £37 million to £48 million over the period from 2022/23-2024/25. Future efficiency and transformation savings alone will not*

*address this gap. The IJB should continue to work with partners to develop a revised financial strategy which ensures the IJB remains financially sustainable.”*

and

*“It is important that the IJB adopts a long-term strategy not just in planning the delivery of strategic outcomes and services, but also from a financial perspective to ensure that medium to long term risks to the IJB’s financial sustainability are identified early, even though there may be uncertainty over their specific timing, scale and ultimate effect.”*

8.2 The key recommendation of the report, echoing that of previous years, is that:

*“The Board should remain focussed on the financial challenges facing the IJB and continue to ensure decisions are taken to support medium and long-term financial sustainability.”*

8.3 In light of the above, it is therefore essential that the IJB and the HSCP Senior Management Team take forward the CFO’s recommendations highlighted within this report.

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## **9 Cost Pressures and Demand**

9.1 In line with the approach taken in the MTFP a scenario-based approach continues to be adopted to estimate future cost pressures and demand. Potential outcomes have been considered over: low, medium, high and worst-case projected positions. The low projection outlines a more optimistic outlook, while the worst-case indicates the position if pressures emerge at the higher end of current projections.

9.2 Using the above range of scenarios, current projections for the period 2023 to 2025 include a wide range of assumptions in respect of key cost pressures and demand, highlighting a potential budget gap within a range of £18m to £36m for this period. This assumed budget gap does not take into account potential additional funding for any pressures from either the Scottish Government or our partner organisations. In addition, it is important to note that these projections are prior to any mitigating action being taken.

9.3 The projected budget gap is based on a range of demand and cost pressures which could be faced by the IJB over the medium term. These assumptions are informed by the national context as outlined earlier in this paper; effect of new statutory obligations; increasing demographic and demand pressures as well as the impact of COVID-19. Appendices 1 to 3 set out the four scenarios to illustrate the potential financial impact assuming minimum, medium, high and worst case increases e.g., pay inflation, contract price increases.

9.4 The financial projections for 2023/24 include a range of key assumptions for which there remains significant and real uncertainty. These include:



- **The continuing impact of COVID-19 across a range of areas** including staff absences, significant increases in demand etc.
- **Future funding allocations from Partner Organisations** is anticipated to be subject to greater downward pressure due to the current financial outlook for our partner organisations. This is confirmed in the recent Renfrewshire Council paper (Financial Sustainability and General Fund Financial Outlook, 29 September 2022) which outlines the Council's significant sustainability concerns and a deteriorating medium term financial outlook forecasting a deficit of £35m over the next three years. That paper also outlines the Council's stated intention to work through COSLA to emphasise the restrictive financial impact of passing on increased social care funding in full to the HSCP, with the implication that they may seek to reduce the settlement in future years.  
Similar pressures are expected on Health budgets with NHS Greater Glasgow and Clyde (NHSGGC) planning to continue implementation of their Moving Forward Together (MFT) strategy, which describes the strategic vision for future clinical and care services in NHSGGC. Whilst no specific savings targets have been attributed to the implementation of MFT as yet, the strategy sets out the vision for transformational service change underpinned by the need for good quality and high performing NHS estate and infrastructure, which will require significant investment. There is a risk that this may lead to either static or reduced settlements for the IJB and/or the further increasing prevalence of non-recurring funding streams, creating a lack of flexibility in how the IJB can use its budget.
- **Future Pay Settlements:** the return to single-year settlements from 2022 and the current cost-of-living crisis leads to a greater degree of uncertainty going forward and will be a major challenge for the IJB to manage in future years. Employee costs represent 31.89% of the IJB's net budget. Inflationary pressure in this area represents a significant pressure for the IJB e.g. every 1 % increase to current pay rates represents an additional cost of c£1,101k per annum.
- **Demand led Pressures:** the scale of evolving demographic and socio-economic demand led cost pressures continue to be a key financial risk. Our ability to continue to manage the current and projected demand levels into the future is limited without significant service redesign and transformation in our approach to delivery of our services.
- **Prescribing:** prescribing costs now represents one of our main financial risks, mainly due to the volatility of global markets and the impact of drug tariffs in relation to contracts with community pharmacy. In addition, the impact of COVID-19 on the ability of our pharmacy staff and GP's to deliver on prescribing efficiencies and initiatives has been and will continue to be severely impacted. In the CFO Financial Report of September 2022 a year end outturn overspend of c£402k was projected. This prudent projected overspend reflects: prescribing volumes now being on par with those experienced prior to the pandemic, as well as an unprecedented number of items being on short supply and, a number of issues currently impacting on the price of drugs including:

- limitations in manufacturing capacity due to COVID-19, Ukraine, lockdowns in Far East, staffing shortages
  - ongoing issues with availability and cost of card and cardboard packaging
  - ongoing issues with raw materials
  - manufacturing processes
  - increased testing for excipients in the manufacturing process
  - increased shipping costs (fuel and containers - delays and strikes at ports in England)
- **Inflation and Contractual Commitments:** Non-Pay inflationary pressures reflect anticipated annual increases to payments to third parties, and in the main reflect anticipated increases linked to contracts such as the National Care Home Contract and Supported Living Framework. The legacy and ongoing impact of COVID-19 and rapidly escalating energy costs on provider sustainability will also impact on all of our contractual commitments.

9.5 The following table provides a high-level summary of the gross estimated budget pressures (based on “medium case” scenarios ref Appendices 1 to 3) in relation to the above for 2023/24. (Members should note that these scenarios are regularly updated to ensure that the CFO has early sight of any significant changes):

Type of Pressure	Using Medium Case Scenarios		
	Health £000s	Social Care £000s	Overall Position £000s
Contractual	516	4,663	5,180
Pay	1,168	1,845	3,013
Demand	408	2,665	3,073
Living Wage		1,566	1,566
Prescribing	1,467		1,467
Total Pressures	3,559	10,740	<b>14,299</b>

9.6 In line with the IJB Reserves Policy, approved in June 2020, the IJB have worked to build up reserves to circa 2% of the IJB’s net budget, including set aside, the purpose of which is to allow time for the development and implementation of its transformation programme and to create a contingency fund to offset expected financial pressures in future years, where and when possible.

9.7 As previously discussed with members, the delegated health budget includes a number of budget areas which cannot be considered for planned savings, namely:

- Resource Transfer from the NHS is used to directly fund social care services provided directly through the Council or commissioned from third party organisations;
- Prescribing budget has a clear clinically led approach to cost containment and volume control as part of an NHSGGC system wide approach and one that is built up from the prescribing patterns of individual GPs and informed by known costs;
- Family Health Service budgets directly fund income to contracted services such as GPs;

- Social Care Fund is passed directly through to Renfrewshire Council for allocation to the Adult Social Care Budget;

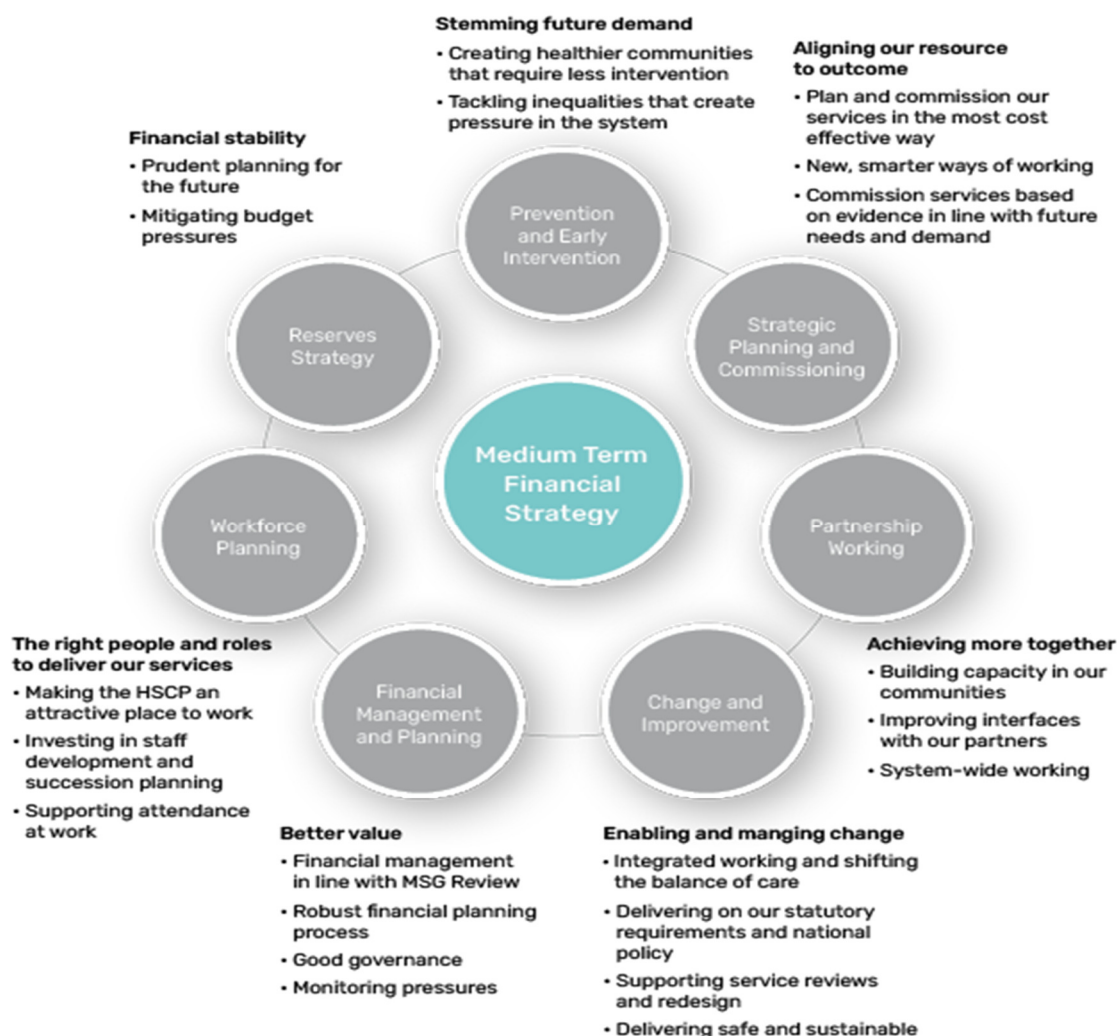
9.8

The following table shows that taking the above into account, the remaining budget against which any savings targets need to be delivered is circa £59m (23.01%), the majority of which are employee related budgets.

Health Budget Influenceable Spend	22.23	22.23
	£'000	£'000
2022-23 Budget	218,554	221,994
Add: Resource Transfer & Social Care Fund	35,357	34,271
	253,911	256,265
Less:		
Set Aside	-66,111	-63,579
Resource Transfer	-23,103	-22,017
Prescribing	-37,483	-37,423
FHS	-52,547	-58,122
Social Care Fund	-12,254	-12,254
ADP (Ring Fenced Funding)	-1,640	-1,640
Equipu	-526	-588
Rent Of Premises	-524	-524
GP Appraisers	-808	-832
PCIP baseline		-317
	-194,996	-
		197,296
= Remaining Budget against which Savings can be applied	58,915	58,969
% of Budget against which Savings can be applied	23.20%	23.01%

## 10. Progressing the IJB's Financial Planning Workstreams

### 10.1 The IJB's Medium Term Financial Strategy remains as per the MTFP:



10.2 Aligned to the strategy, the HSCP continues to progress a number of workstreams in support of the transformational change required to deliver financial balance. Following the IJB development session in August 2022, the SMT have undertaken a further review of financial planning activity, both in the development and delivery of planned savings and transformation. The result of this review is a proposed refinement of the IJB financial planning timetable, and a renewed focus on a number of key areas.

10.3 In terms of timing, and in light of the ongoing period of economic and political turmoil, it would be prudent for the IJB to consider options for savings and transformation when greater clarity regarding forthcoming budget years is available. The 2023-24 Scottish Budget is due to be published on 15 December 2022. In the weeks following its publication the IJB will gain a clearer understanding of its budget position for the next financial year, which will in turn help support decision-making around financial planning. Consequently, it is proposed that the decision point for future financial planning is moved back from November 2022 to March 2023.

- 10.4 As discussed with the IJB in August 2022 and documented in the Chief Officer's report to the IJB in September 2022, the SMT continue to work with services to anticipate and respond to a range of financial scenarios through the development of evidence-based savings and transformation options. This scenario-based planning process focuses on reviewing existing provision and determining which areas it is most appropriate and achievable to:
- **Deliver savings** (aligned to the tier one process in the MTFP which encompasses a rolling process of identifying possible savings), with a focus on non-statutory activity. In doing so, it may be necessary to reduce current levels of provision in some areas.
  - **Protect but develop** services (aligned with tier two transformational activity within the MTFP), focussing on key areas of activity which should be maintained but can benefit from service change and the development of alternative models of delivery. In doing so, it may be possible to deliver financial efficiencies from services in this category.
  - **Protect** our services, focussing on statutory activity which must be delivered.
- 10.5 In addition to those areas of transformation already in train, IJB are advised that the SMT are also undertaking:
- A review of existing management structures to robustly assess their resilience based on our organisational requirements going forward
  - A forensic review across all vacancies, considering length of vacancy, viability, deletion or changes required to ensure the HSCP can proactively progress, and
  - A consideration for further service redesign.
- 10.6 Further updates will be provided to the IJB in the period to March 2023, when final financial planning proposals for delivery over the medium term will be tabled for decision, alongside a refresh of the IJB's current MTFP.

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### **Implications of the Report**

1. **Financial** – the report highlights the scale of the medium-term financial challenge facing the IJB and the levels of economic uncertainty surrounding this. The development and implementation of the transformation programme and other financial planning areas as outlined in the report are critical to supporting the IJB to secure a financially sustainable position.
2. **HR & Organisational Development** – none
3. **Community Planning** - none
4. **Legal** – none
5. **Property/Assets** – none.
6. **Information Technology** – none
7. **Equality & Human Rights** – n/a
8. **Health & Safety** – none
9. **Procurement** – none
10. **Risk** – There are a number of risks which should be considered on an ongoing basis: adequate funding to deliver core services, delivery of agreed savings

**11. Privacy Impact** – none.

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**List of Background Papers** – None.

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# APPENDIX 1

Summary of Combined Unavoidable Adult & Health Services 2023 - 2033											
Based on Recurring Budget 20221/23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	TOTAL
<b>LOW SCENARIO</b>											
Contractual Pressures	£4,566,477	£4,716,460	£5,044,663	£5,378,605	£5,741,203	£6,127,170	£6,544,290	£6,995,367	£7,483,475	£8,001,323	£60,599,032
Pay Pressures	£2,326,622	£2,059,548	£2,113,853	£2,169,639	£2,226,947	£2,285,820	£2,346,301	£2,408,437	£2,472,274	£2,537,860	£22,947,302
Demand Pressures	£2,911,777	£3,147,680	£4,083,343	£2,334,321	£2,098,838	£3,054,846	£3,140,321	£3,231,535	£3,328,879	£3,432,772	£30,764,313
Living Wage	£1,566,383	£1,808,836	£1,953,319	£2,111,262	£2,284,022	£2,473,012	£2,679,853	£2,906,331	£3,154,418	£3,426,284	£24,363,720
Prescribing	£1,283,380	£1,328,298	£1,374,789	£1,422,906	£1,472,708	£1,524,253	£1,577,602	£1,632,818	£1,689,966	£1,749,115	£15,055,835
<b>Total Pressures</b>	<b>£12,654,638</b>	<b>£13,060,822</b>	<b>£14,569,968</b>	<b>£13,416,733</b>	<b>£13,823,718</b>	<b>£15,465,101</b>	<b>£16,288,368</b>	<b>£17,174,488</b>	<b>£18,129,012</b>	<b>£19,147,354</b>	<b>£153,730,202</b>
<b>MEDIUM SCENARIO</b>											
Contractual Pressures	£5,168,176	£5,330,556	£5,696,128	£6,070,770	£6,477,280	£6,909,214	£7,375,479	£7,879,121	£8,423,475	£9,001,528	£68,331,727
Pay Pressures	£3,012,927	£2,601,665	£2,672,233	£2,744,779	£2,819,358	£2,896,030	£2,974,855	£3,055,895	£3,139,214	£3,224,879	£29,141,835
Demand Pressures	£3,084,317	£3,331,094	£4,278,093	£2,541,163	£2,318,586	£3,288,366	£3,388,536	£3,495,433	£3,609,516	£3,731,275	£33,066,378
Living Wage	£1,566,383	£1,813,765	£1,958,426	£2,116,553	£2,289,503	£2,478,691	£2,685,736	£2,912,426	£3,160,732	£3,432,825	£24,415,039
Prescribing	£1,466,720	£1,525,389	£1,586,404	£1,649,861	£1,715,855	£1,784,489	£1,855,869	£1,930,103	£2,007,308	£2,087,600	£17,609,597
<b>Total Pressures</b>	<b>£14,298,523</b>	<b>£14,602,469</b>	<b>£16,191,284</b>	<b>£15,123,125</b>	<b>£15,620,582</b>	<b>£17,356,789</b>	<b>£18,280,474</b>	<b>£19,272,979</b>	<b>£20,340,245</b>	<b>£21,478,107</b>	<b>£172,564,578</b>
<b>HIGH SCENARIO</b>											
Contractual Pressures	£5,843,078	£6,022,466	£6,436,150	£6,861,129	£7,322,284	£7,811,919	£8,340,348	£8,910,997	£9,527,616	£10,183,645	£77,259,633
Pay Pressures	£3,730,186	£3,255,067	£3,342,187	£3,431,717	£3,523,727	£3,618,287	£3,715,470	£3,815,350	£3,918,007	£3,889,228	£36,239,226
Demand Pressures	£3,424,761	£3,694,974	£4,664,454	£2,951,515	£2,754,539	£3,751,643	£3,880,978	£4,019,004	£4,166,317	£4,323,548	£37,631,733
Living Wage	£1,566,383	£1,808,836	£1,953,319	£2,111,262	£2,284,022	£2,473,012	£2,679,853	£2,906,331	£3,154,418	£3,426,284	£24,363,720
Prescribing	£1,650,060	£1,724,313	£1,801,907	£1,882,993	£1,967,727	£2,056,275	£2,148,807	£2,245,504	£2,346,551	£2,452,146	£20,276,283
<b>Total Pressures</b>	<b>£16,214,467</b>	<b>£16,505,656</b>	<b>£18,198,017</b>	<b>£17,238,617</b>	<b>£17,852,300</b>	<b>£19,711,136</b>	<b>£20,765,456</b>	<b>£21,897,187</b>	<b>£23,112,908</b>	<b>£24,274,852</b>	<b>£195,770,595</b>
<b>WORSE SCENARIO</b>											
Contractual Pressures	£6,481,378	£6,675,470	£7,131,894	£7,602,392	£8,112,825	£8,654,293	£9,238,376	£9,868,812	£10,549,686	£11,274,807	£85,589,933
Pay Pressures	£4,443,431	£3,904,038	£4,007,272	£4,113,333	£4,222,300	£4,334,255	£4,449,284	£4,567,473	£4,688,911	£4,813,692	£43,543,989
Demand Pressures	£3,596,235	£3,878,416	£4,859,292	£3,158,516	£2,974,522	£3,985,483	£4,129,607	£4,283,423	£4,447,590	£4,622,818	£39,935,903
Living Wage	£1,566,383	£1,808,836	£1,953,319	£2,111,262	£2,284,022	£2,473,012	£2,679,853	£2,906,331	£3,154,418	£3,426,284	£24,363,720
Prescribing	£1,833,400	£1,925,070	£2,021,324	£2,122,390	£2,228,509	£2,339,935	£2,456,931	£2,579,778	£2,708,767	£2,844,205	£23,060,308
<b>Total Pressures</b>	<b>£17,920,827</b>	<b>£18,191,829</b>	<b>£19,973,101</b>	<b>£19,107,893</b>	<b>£19,822,178</b>	<b>£21,786,978</b>	<b>£22,954,052</b>	<b>£24,205,817</b>	<b>£25,549,372</b>	<b>£26,981,805</b>	<b>£216,493,854</b>

## APPENDIX 2

Summary of Unavoidable Adult Services 2023 - 2033											
Based on Recurring Budget P6 2022/23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	TOTAL
<b>LOW SCENARIO</b>											
Contractual Pressures	£4,061,676	£4,201,563	£4,519,469	£4,842,907	£5,194,791	£5,569,830	£5,975,803	£6,415,510	£6,892,021	£7,408,702	£55,082,273
Pay Pressures	£1,265,241	£974,817	£1,005,258	£1,036,655	£1,069,037	£1,102,436	£1,136,883	£1,172,411	£1,209,055	£1,246,851	£11,218,642
Demand Pressures	£2,494,818	£3,117,289	£4,062,305	£2,312,546	£2,076,301	£3,031,521	£3,116,179	£3,206,548	£3,303,018	£3,406,006	£30,126,532
Living Wage	£1,566,383	£1,808,836	£1,953,319	£2,111,262	£2,284,022	£2,473,012	£2,679,853	£2,906,331	£3,154,418	£3,426,284	£24,363,720
<b>Total Pressures</b>	<b>£9,388,118</b>	<b>£10,102,506</b>	<b>£11,540,352</b>	<b>£10,303,369</b>	<b>£10,624,150</b>	<b>£12,176,799</b>	<b>£12,908,718</b>	<b>£13,700,801</b>	<b>£14,558,512</b>	<b>£15,487,843</b>	<b>£120,791,168</b>
<b>MEDIUM SCENARIO</b>											
Contractual Pressures	£4,663,376	£4,815,660	£5,170,934	£5,535,072	£5,930,869	£6,351,873	£6,806,992	£7,299,264	£7,832,021	£8,408,908	£62,814,969
Pay Pressures	£1,845,408	£1,408,460	£1,452,778	£1,498,496	£1,545,657	£1,594,307	£1,644,494	£1,696,266	£1,749,674	£1,804,769	£16,240,310
Demand Pressures	£2,664,853	£3,297,742	£4,253,873	£2,515,975	£2,292,390	£3,261,122	£3,360,202	£3,465,966	£3,578,870	£3,699,404	£32,390,396
Living Wage	£1,566,383	£1,813,765	£1,958,426	£2,116,553	£2,289,503	£2,478,691	£2,685,736	£2,912,426	£3,160,732	£3,432,825	£24,415,039
<b>Total Pressures</b>	<b>£10,740,020</b>	<b>£11,335,627</b>	<b>£12,836,011</b>	<b>£11,666,096</b>	<b>£12,058,418</b>	<b>£13,685,993</b>	<b>£14,497,424</b>	<b>£15,373,923</b>	<b>£16,321,297</b>	<b>£17,345,905</b>	<b>£135,860,714</b>
<b>HIGH SCENARIO</b>											
Contractual Pressures	£5,338,278	£5,507,570	£5,910,956	£6,325,431	£6,775,872	£7,254,578	£7,771,861	£8,331,140	£8,936,162	£9,591,025	£71,742,874
Pay Pressures	£2,138,114	£1,627,970	£1,679,294	£1,732,241	£1,786,862	£1,843,210	£1,901,342	£1,961,312	£2,023,179	£1,952,714	£18,646,238
Demand Pressures	£3,004,924	£3,658,646	£4,637,008	£2,922,834	£2,724,568	£3,720,323	£3,848,248	£3,984,802	£4,130,575	£4,286,198	£36,918,126
Living Wage	£1,566,383	£1,808,836	£1,953,319	£2,111,262	£2,284,022	£2,473,012	£2,679,853	£2,906,331	£3,154,418	£3,426,284	£24,363,720
<b>Total Pressures</b>	<b>£12,047,699</b>	<b>£12,603,022</b>	<b>£14,180,577</b>	<b>£13,091,768</b>	<b>£13,571,324</b>	<b>£15,291,124</b>	<b>£16,201,304</b>	<b>£17,183,585</b>	<b>£18,244,333</b>	<b>£19,256,221</b>	<b>£151,670,958</b>
<b>WORSE SCENARIO</b>											
Contractual Pressures	£5,976,578	£6,160,574	£6,606,700	£7,066,694	£7,566,413	£8,096,952	£8,669,889	£9,288,955	£9,958,232	£10,682,186	£80,073,174
Pay Pressures	£2,320,669	£1,734,575	£1,790,081	£1,847,364	£1,906,480	£1,967,487	£2,030,447	£2,095,421	£2,162,474	£2,231,674	£20,086,671
Demand Pressures	£3,174,959	£3,839,098	£4,828,575	£3,126,263	£2,940,657	£3,949,924	£4,092,271	£4,244,220	£4,406,427	£4,579,596	£39,181,991
Living Wage	£1,566,383	£1,808,836	£1,953,319	£2,111,262	£2,284,022	£2,473,012	£2,679,853	£2,906,331	£3,154,418	£3,426,284	£24,363,720
<b>Total Pressures</b>	<b>£13,038,589</b>	<b>£13,543,083</b>	<b>£15,178,676</b>	<b>£14,151,583</b>	<b>£14,697,572</b>	<b>£16,487,376</b>	<b>£17,472,460</b>	<b>£18,534,928</b>	<b>£19,681,551</b>	<b>£20,919,739</b>	<b>£163,705,557</b>



# APPENDIX 3

Summary of Unavoidable Health Services 2023 - 2033											
Based on Recurring Budget P6 2022/23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	TOTAL
<b>LOW SCENARIO</b>											
Contractual Pressures	£504,800	£514,896	£525,194	£535,698	£546,412	£557,340	£568,487	£579,857	£591,454	£592,620	£5,516,759
Pay Pressures	£1,061,381	£1,084,731	£1,108,595	£1,132,985	£1,157,910	£1,183,384	£1,209,419	£1,236,026	£1,263,218	£1,291,009	£11,728,659
Demand Pressures	£416,959	£30,391	£21,038	£21,775	£22,537	£23,325	£24,142	£24,987	£25,861	£26,766	£637,781
Prescribing	£1,283,380	£1,328,298	£1,374,789	£1,422,906	£1,472,708	£1,524,253	£1,577,602	£1,632,818	£1,689,966	£1,749,115	£15,055,835
<b>Total Pressures</b>	<b>£3,266,520</b>	<b>£2,958,317</b>	<b>£3,029,616</b>	<b>£3,113,364</b>	<b>£3,199,567</b>	<b>£3,288,302</b>	<b>£3,379,649</b>	<b>£3,473,687</b>	<b>£3,570,500</b>	<b>£3,659,511</b>	<b>£32,939,034</b>
<b>MEDIUM SCENARIO</b>											
Contractual Pressures	£504,800	£514,896	£525,194	£535,698	£546,412	£557,340	£568,487	£579,857	£591,454	£592,620	£5,516,759
Pay Pressures	£1,167,519	£1,193,204	£1,219,455	£1,246,283	£1,273,701	£1,301,723	£1,330,361	£1,359,628	£1,389,540	£1,420,110	£12,901,525
Demand Pressures	£419,464	£33,352	£24,220	£25,188	£26,196	£27,244	£28,334	£29,467	£30,646	£31,871	£675,982
Prescribing	£1,466,720	£1,525,389	£1,586,404	£1,649,861	£1,715,855	£1,784,489	£1,855,869	£1,930,103	£2,007,308	£2,087,600	£17,609,597
<b>Total Pressures</b>	<b>£3,558,503</b>	<b>£3,266,841</b>	<b>£3,355,273</b>	<b>£3,457,030</b>	<b>£3,562,164</b>	<b>£3,670,796</b>	<b>£3,783,050</b>	<b>£3,899,056</b>	<b>£4,018,948</b>	<b>£4,132,202</b>	<b>£36,703,863</b>
<b>HIGH SCENARIO</b>											
Contractual Pressures	£504,800	£514,896	£525,194	£535,698	£546,412	£557,340	£568,487	£579,857	£591,454	£592,620	£5,516,759
Pay Pressures	£1,592,071	£1,627,097	£1,662,893	£1,699,477	£1,736,865	£1,775,076	£1,814,128	£1,854,039	£1,894,828	£1,936,514	£17,592,989
Demand Pressures	£419,837	£36,328	£27,446	£28,681	£29,971	£31,320	£32,730	£34,202	£35,742	£37,350	£713,607
Prescribing	£1,650,060	£1,724,313	£1,801,907	£1,882,993	£1,967,727	£2,056,275	£2,148,807	£2,245,504	£2,346,551	£2,452,146	£20,276,283
<b>Total Pressures</b>	<b>£4,166,769</b>	<b>£3,902,634</b>	<b>£4,017,440</b>	<b>£4,146,848</b>	<b>£4,280,976</b>	<b>£4,420,012</b>	<b>£4,564,152</b>	<b>£4,713,601</b>	<b>£4,868,575</b>	<b>£5,018,630</b>	<b>£44,099,637</b>
<b>WORSE SCENARIO</b>											
Contractual Pressures	£504,800	£514,896	£525,194	£535,698	£546,412	£557,340	£568,487	£579,857	£591,454	£592,620	£5,516,759
Pay Pressures	£2,122,762	£2,169,463	£2,217,191	£2,265,969	£2,315,820	£2,366,768	£2,418,837	£2,472,052	£2,526,437	£2,582,019	£23,457,318
Demand Pressures	£421,276	£39,318	£30,717	£32,253	£33,865	£35,559	£37,336	£39,203	£41,163	£43,222	£753,912
Prescribing	£1,833,400	£1,925,070	£2,021,324	£2,122,390	£2,228,509	£2,339,935	£2,456,931	£2,579,778	£2,708,767	£2,844,205	£23,060,308
<b>Total Pressures</b>	<b>£4,882,238</b>	<b>£4,648,747</b>	<b>£4,794,426</b>	<b>£4,956,310</b>	<b>£5,124,607</b>	<b>£5,299,602</b>	<b>£5,481,592</b>	<b>£5,670,889</b>	<b>£5,867,821</b>	<b>£6,062,066</b>	<b>£52,788,297</b>