Item No: 8

Meeting Date: **Wednesday 22nd March 2023**

Glasgow City Integration Joint Board

Report By: **Sharon Wearing, Chief Officer, Finance and Resources**

Contact: **Sharon Wearing**

Phone: **0141 287 8838**

Medium Term Financial Outlook 2023 - 2026

Purpose of Report:	This report outlines the Medium Term Financial Outlook for the Integration Joint Board (IJB) and has been prepared to support financial planning and delivery of the IJB's Strategic Plan.
Background/Engagement:	This plan has been developed to support financial planning and delivery of the IJB's Strategic Plan. All services, Partner Bodies and IJB members have been engaged in the development of this outlook.
Governance Route:	The matters contained within this paper have been previously considered by the following group(s) as part of its development. HSCP Senior Management Team ☒ Council Corporate Management Team ☐ Health Board Corporate Management Team ☐ Council Committee ☐ Update requested by IJB ☐ Other ☐ Not Applicable ☐
Recommendations:	The Integration Joint Board is asked to: a) Approve the Medium Term Financial Outlook 2023 – 2026 attached to this report at Appendix 1.

Relevance to Integration Joint Board Strategic Plan:

This report outlines the funding and expenditure requirements over the medium term to support delivery of the Integration Joint Board Strategic Plan.

Implications for Health and Social Care Partnership:

Reference to National Health & Wellbeing Outcome(s):	Not applicable at this time.
Personnel:	Any implication for Personnel can only be established once final funding allocations are known from Partner Bodies, and the implications for Personnel can be assessed.
Carers:	Expenditure in relation to Carers' services is included within this draft medium term financial outlook.
Provider Organisations:	Expenditure on services delivered to clients by provider organisations is included within this draft medium term financial outlook.
Equalities:	Not applicable at this time.
Fairer Scotland Compliance:	The expenditure on services supports the delivery of a Fairer Scotland.
Financial:	The medium term financial outlook identifies an estimated funding gap of £86m over the three years, with £42m identified for 2023 - 24. This funding gap represents a challenging target and would be beyond a level which Chief Officers could support in light of the demographic and demand pressures and our ability to continue to deliver services which are safe. As a result, over the medium term the IJB will continue to engage with Partner Bodies in relation to future funding levels.
Legal:	The Integration Scheme requires Glasgow City Council and NHS Greater Glasgow and Clyde to consider budget proposals based on the Strategic Plan as part of their respective annual budget setting processes. This is required to include assumptions on a range of issues including but not limited to: - • activity changes • cost inflation • efficiencies • performance against outcomes • legal requirements

	• transfer to or from amounts sets aside by the Health Board • adjustments to address equity of resource allocation

Economic Impact:	Not applicable at this time.

Sustainability:	The financial position of the IJB is dependent on the funding allocations received from the Council and the Health Board. The financial pressures facing the IJB is unprecedented and is reflective of both cost and demand pressures. The funding allocations received in 2023-24 do not fully meet these pressures. The financial strategy included within this report includes a significant use of the IJBs General Reserves in 2023-24. This has implications in terms of the IJBs ability to deal with volatility arising within these pressures and also the IJBs ability to deal with any further unknown risks both in 2023-24 and in future years. This poses a risk for the longer-term sustainability of the IJB. The use of General Reserves only offers a temporary solution for cost pressures. If market conditions do not return to normal levels or actions are not taken to reduce demand or reduce the cost-base then the IJB will face a significant financial challenge in future years. Work will continue to develop a financial strategy over the short and medium term which will respond to these challenges to deliver financial balance.

Sustainable Procurement and Article 19:	Not applicable at this time.

Risk Implications:	The IJB is required to set a balanced budget for 2023 – 24 by the end of March 2023. This requires both Glasgow City Council and NHS Greater Glasgow and Clyde to provide financial allocations to support this timescale. The Medium Term Financial Outlook makes a number of assumptions about funding and expenditure requirements between 2023 and 2026. Sensitivity analysis is used to test the major assumptions made by the model and understand what the implications are if assumptions change. This effectively tests 'what if' scenarios and enables the IJB to determine the potential fluctuation which could exist within the modelling and will assist future planning.

Implications for Glasgow City Council:	The Integration Scheme requires Glasgow City Council to consider draft budget proposals based on the Strategic Plan as part of their annual budget setting processes.

Implications for NHS Greater Glasgow & Clyde:	The Integration Scheme requires NHS Greater Glasgow and Clyde to consider draft budget proposals based on the Strategic Plan as part of their annual budget setting processes.

Direction Required to Council, Health Board or Both	
Direction to:	
1. No Direction Required	☐
2. Glasgow City Council	☐
3. NHS Greater Glasgow & Clyde	☐
4. Glasgow City Council and NHS Greater Glasgow & Clyde	☒

1. Purpose

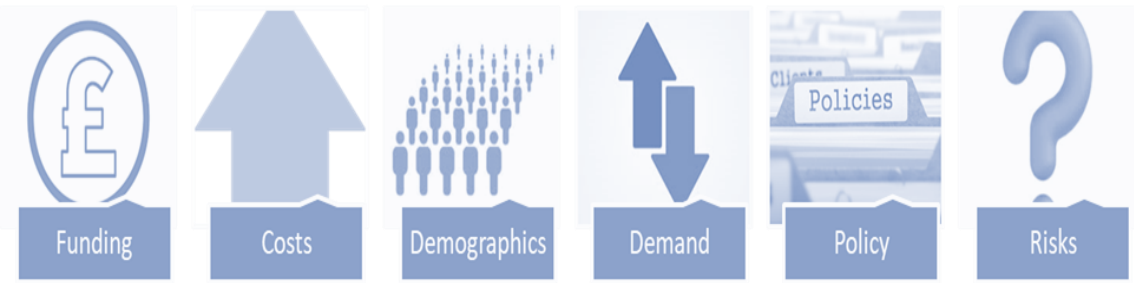
1.1. The IJB's Strategic Plan set out the ambitions of Glasgow City IJB. However, it is important that this is set within the context of the funding which is available to support delivery, and medium term financial planning is an important part of the strategic planning process.

1.2. This has been recognised by the Accounts Commission report in November 2018, which highlighted the need to link resources to strategic priorities, recommending longer-term, integrated financial planning between IJB's and Partner Bodies to deliver sustainable service reform.

1.3. Glasgow City IJB medium term financial outlook for 2023 – 2026 has been developed to support the delivery of the 2023 – 2026 Strategic Plan.

2. Financial Context

2.1. The Medium Term Financial Outlook provides an opportunity for the IJB to gain an understanding of the financial climate in which it will operate over the medium term. This has been done by considering the impact of a range of factors, which are illustrated below and reflect the complexity of factors which can impact on IJB financial pressures.

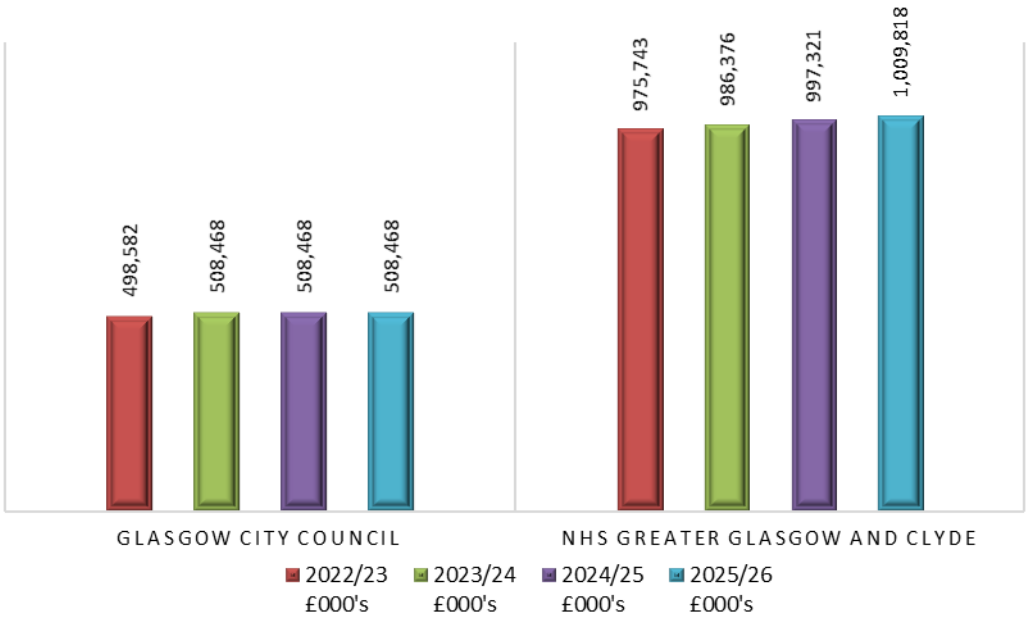


Impact on Funding

2.2. The IJB is reliant on funding from Glasgow City Council and NHS Greater Glasgow and Clyde. 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 will also consider the level of savings which will be applied to the IJB by both Partner bodies.

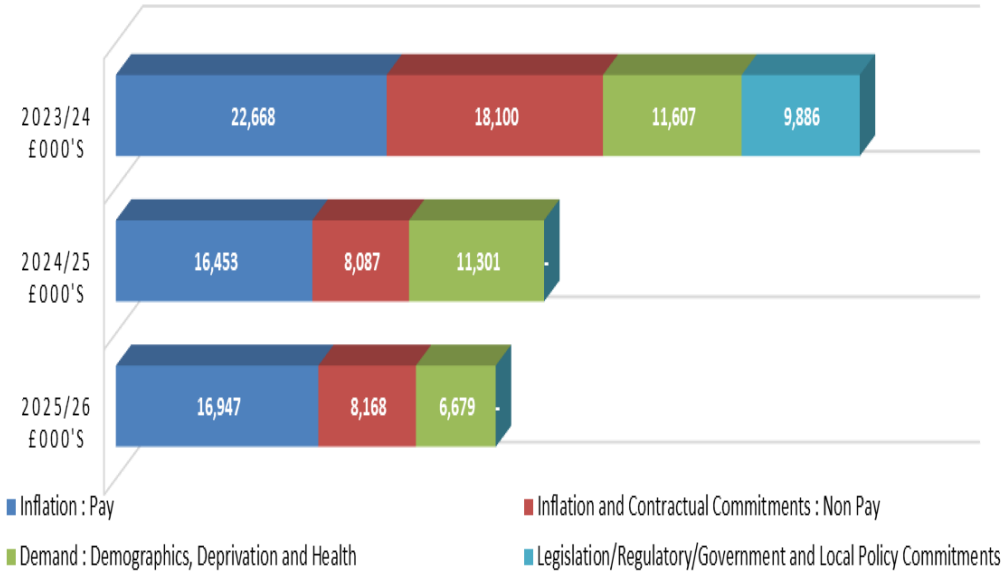
2.3. The Integration Scheme requires Glasgow City Council and NHS Greater Glasgow and Clyde to consider draft budget proposals based on the Strategic Plan as part of their respective annual budget setting processes. The funding which is proposed to be delegated to the IJB from Glasgow City Council and NHS Greater Glasgow and Clyde for 2023-24 is reflected within this document. This is the subject of a separate report to the March IJB.

2.4. Funding assumptions beyond this are based on the best information available at this time and forecast that Health Board funding is likely to increase by £34m between 2023-24 and 2025-26, with Council funding expected to increase by £10m over the same time period, which reflects the additional Scottish Government funding awarded in 2023-24 for health and social care.



Impact on Expenditure

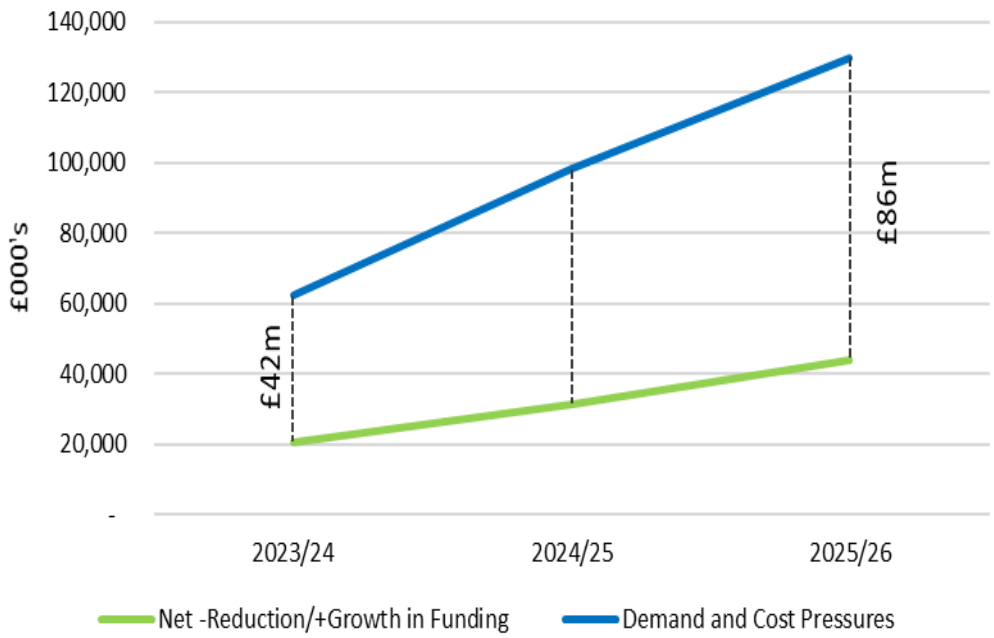
2.5 Each year the IJB will face cost pressures as a result of range of factors including demand, inflation and changes in legislation/regulations. This Outlook has assessed the key factors likely to impact over the medium term and estimates that the IJB will face cost and demand pressures of £130m over the next three years.



2.6 These pressures reflect a number of inflationary pressures which the IJB is required to contractually pay which it has no control over and ranges from £25m to £41m per annum. In addition to this, services are experiencing high levels of demand for services as a result of demographics, deprivation and health issues some of which are being reflected in our financial performance in 2022-23. In addition to this there are a number of new commitments in relation to national and local policy commitments, and in relation to the Pandemic response.

Impact on Financial Position

2.7 The assessment of both funding and expenditure identifies a shortfall in funding of £86m and represents the scale of the challenge facing the IJB over the medium term.



2.8 This will require the IJB to consider options for savings and funding in 2023 – 24 of £42m to deliver a balanced budget and this is the subject of a separate report to the March IJB.

2.9. This shortfall represents a challenging target and would be beyond a level which Chief Officers could support in light of the demographic and demand pressures and our ability to continue to deliver services which are safe. As a result, over the medium term the IJB will continue to engage with Partner Bodies in relation to future funding levels.

3. Recommendations

3.1. The Integration Joint Board is asked to:

a) Approve the Medium Term Financial Outlook 2023 – 2026 attached to this report at Appendix 1.

Direction from the Glasgow City Integration Joint Board

1	**Reference number**	220323-8
2	**Report Title**	Medium Term Financial Outlook 2023 - 2026
3	**Date direction issued by Integration Joint Board**	22 March 2023
4	**Date from which direction takes effect**	22 March 2023
5	**Direction to:**	Glasgow City Council and NHS Greater Glasgow and Clyde jointly
6	**Does this direction supersede, revise or revoke a previous direction – if yes, include the reference number(s)**	No
7	**Functions covered by direction**	All functions as outlined in the Medium Term Financial Outlook.
8	**Full text of direction**	The Integration Scheme requires Glasgow City Council and NHS Greater Glasgow and Clyde to consider draft budget proposals based on the Strategic Plan as part of their annual budget setting processes. Both Partners are requested to consider this Medium Term Financial Outlook as part of their annual budget process for 2024 – 25 and 2025 – 26
9	**Budget allocated by Integration Joint Board to carry out direction**	Not relevant at this stage.
10	**Performance monitoring arrangements**	In line with the agreed Performance Management Framework of the Glasgow City Integration Joint Board and the Glasgow City Health and Social Care Partnership.
11	**Date direction will be reviewed**	31 March 2024

Glasgow City IJB
Integration Joint Board

Glasgow City Integration Joint Board
MEDIUM TERM FINANCIAL OUTLOOK 2023-2026



NHS Greater Glasgow and Clyde

Glasgow City Council

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Executive Summary

Glasgow City Integration Joint Board (IJB) Medium Term Financial Outlook provides a medium-term view of the challenges and opportunities which face the IJB and considers what the implications of this are for the finances of the organisation. This is an essential piece of the strategic planning process which underpins the delivery of the IJB's ambitions and priorities. A robust medium term financial outlook will support strategic planning, balancing the financial impact of IJB policies and objectives whilst ensuring that the organisation remains financially sustainable.

The IJB is operating in an increasingly challenging environment with funding not keeping pace with increasing demand for services and increasing costs linked to delivery. The City already experiences increased demand for services as a result of deprivation, ill health and inequality. However, the scale of inflationary pressures and the cost of living crisis is further exasperating these pressures, having a significant impact on both cost and demand for services. Like you we are facing increasing prices as a result of inflation, energy prices and fuel costs which impacts not only on what we pay for goods and services but also the pay increases which are set nationally and applied to our employees.

The financial crisis is also impacting on our Partner bodies and Scottish Government. This will impact on the funding which will be made available to the IJB to deliver services over the medium term, with an expectation that it will not fully meet the cost and demand pressures being faced by the IJB.

The IJB continues to respond to the impact of the COVID-19 pandemic. We can already see the impact it is having on people's health, well-being and the economic impact including income, employment and housing. We are seeing this translate into an unprecedented increase in demand for our services. Service demand has been impacted further as a result of the wider global challenges and for example the support being offered by the City to Ukrainian refugees.

This represents a challenging backdrop to deliver on our ambitions and it will have an impact on what can be delivered and when. For that reason, we will need to keep our financial strategy under review and make changes where necessary to ensure it is relevant and reflective of the environment in which we operate.

This outlook estimates a funding shortfall of £86m over the next three financial years. This is based on the best estimates available and sensitivity analysis has been undertaken to highlight the implication of changes to underlying assumptions.

The IJB has a responsibility to set a balanced budget. The next three years will be the greatest financial challenge that the IJB has been asked to manage since its inception. Glasgow City IJB is clear about the challenges which are ahead and its aspirations for its services. However, we also need to be realistic about what can be delivered within the funding envelope available. This will require the IJB to prioritise decisions for investment and disinvestment in order to support delivery of the Strategic Plan.

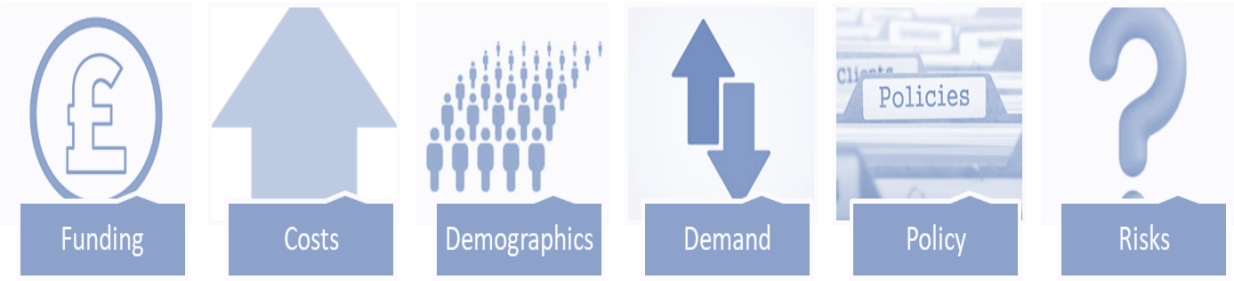
Purpose

Glasgow City Integration Joint Board (IJB) Medium Term Financial Outlook provides a medium-term view of the challenges and opportunities which face the IJB and consider what the implications of this are for the finances of the organisation. This is an essential piece of the strategic planning process which underpins the delivery of the ambitions and priorities as outlined in IJB's Strategic Plan. A robust medium term financial outlook will support strategic planning, balancing the financial impact of IJB policies and objectives whilst ensuring that the organisation remains financially sustainable.

The IJB is clear on what it wants to deliver and this is focused on the key strategic priorities outlined below.



The IJB updates its Medium-Term Financial Outlook on an annual basis to support the delivery of its Strategic Plan. This Outlook is key to translating the organisation's ambitions and constraints into deliverable options for the future. This update will consider the impact of a range of factors, which are illustrated below and reflect the complexity of factors which can impact on IJB financial pressures.



External Impacts

The Medium-Term Financial Outlook cannot be completed in isolation and needs to be cognisant and responsive to a number of external factors which will impact on the IJB.

Economic

The Global, UK and Scottish economy impacts on the IJB in a number of ways. This includes the impact on what we pay for goods and services, the impact it has on the citizens of Glasgow and therefore the demand for services and the impact it has on the funding made available to us to deliver services.

(i) The Global Economy

Similar to the UK, the vast majority of economies across the world are also experiencing higher prices and slower growth. The Bank of England now expect global GDP growth of only 1% in 2023.

There has been a sustained disruption to global supply chains as a result of the impact of the pandemic and the war in Ukraine. There has also been a shift in global demand towards durable goods and away from services, which have put significant upward pressure on tradable goods prices. The nature of a global economy is that goods and services which we procure often are part of a global supply chain and are therefore impacted by the global economy. For the IJB this impact has been seen both in terms of delivery times but also prices being paid to suppliers.

The biggest risk of the global economy for the IJB is on its prescribing budget. The procurement of drugs is subject to national UK contracts, with purchases taking place across global markets, with a range of factors impacting on price. Similar to other areas, there has been unprecedented increases in price in this area, with an increase of 8% being experienced in 2022-23, which is significant on a £130m budget.

(ii) The UK Economic Outlook

The Bank of England describes a very challenging outlook for the UK economy. It is expected to be in recession for a prolonged period with CPI elevated during this time. GDP is expected to continue to decline by around 0.3% Quarter 1 of 2023 and by 0.7% in Quarter 1 of 2024 before it returns to a period of growth in 2025. Although growth is expected to remain well below pre-pandemic rates. There is also likely to be an increase in a rise of unemployment with it expected to rise to just under 5.3% by Quarter 1 2026.

(iii) Inflation

UK and Global economic conditions are impacting on inflation and the UK is experiencing unprecedented inflationary pressures. This is impacting on everyone with households experiencing increases to bills including fuel, energy and food. Like households we are facing increasing prices as a result of inflation, energy prices and fuel costs which impacts not only on what we pay for goods and services but also the pay increases which are set nationally and applied to our employees.

Not all households are equally affected by rising prices with the households that earn the least feeling the effects of rising prices more keenly. Resolution Foundation's[1] forecast estimated that households in the lowest income decile faced inflation of 15% in October 2022, while inflation was 11% for those in the highest decile. The impact of this has been experienced within the City, with more families than ever seeking support from a range of services.

The Bank of England[2] is currently forecasting that CPI will peak at 9.7% in Quarter 1 of 2023, reducing to 3% in Quarter 1 2024, 1% by Quarter 1 2025 and 0.4% by Quarter 1 2026. These forecasts assumes that the fiscal support offered by the Government in relation to energy prices continues into 2023. The Bank of England also recognises the volatility around increases in wage settlements and therefore price setting across the country. All of this represents a risk, introducing a level of volatility never experienced before.

Although inflation is predicted to decline, there are some areas which will affect households more than others. Food prices are a good example of this and are making an increasingly large contribution to CPI inflation. Food price inflation has been rising steadily since July 2021 and reached a 45-year high of 16.8% in December. This has in large part reflected global factors including supply constraints and rising energy and fertiliser costs in food production, largely caused by the war in Ukraine, as well as poor weather conditions. This has a direct impact on the people we support across the City and the services we deliver.

(iv) The Scottish Economic Outlook

Similar to the UK position, economic conditions in Scotland are fragile in the wake of high inflation and the subsequent cost of living crisis. Recent data has shown a fall in most sectors including services and construction with manufacturing experiencing a slight increase. Household finance and household spending was negative for the first time since this series had begun to be recorded, showing a -27.4 reduction since Quarter 1 of 2022. This trend is expected to continue and is an indication of how insecure consumers feel about the year ahead.

[1] Resolution Foundation, The Living Standards Outlook 2022 – Summer Update

[2] Bank of England, Monetary Policy February 2023

(v) Scottish Government Medium Term Financial Strategy

The Global, UK and Scottish economy impacts on the funding which is available for the Scottish Government to support delivery of services in the public sector.

The Scottish Government Medium Term Financial Strategy was published in May 2022 and provides a medium term view of public finances in Scotland over the period 2022-23 to 2026-27. This outlook reflected the significant impact that global events have had on the economic outlook and the heightened financial risk. It forecasts that Scottish Government spending (excluding the devolution of social security benefits) will only grow by 2% in real terms over this period, due to Scottish Government funding not keeping pace with inflation.

This plan forecasts that spend on Health and Social Care would increase from £17.106bn to £19.029bn by 2026-27. This forecast assumed that public sector pay costs would return to pre-pandemic levels.

As a result of the changing economic position, the Scottish Government published its Emergency Budget Review in November 2022. This emergency budget reflected the changing economic conditions as well as the updated public sector pay offers. This budget resulted in the re-prioritisation of £400m of spend in Health and Social Care and was required to deliver a balanced budget for Scotland in light of unprecedented economic conditions.

The current financial crisis will result in a continuation of annual funding allocations from Scottish Government, many of which are non-recurring. This is a challenging environment in which to plan over the medium term.

UK and Scottish Legislative and Policy Changes

The IJB will also be impacted by UK and Scottish Government legislative and policy changes and the impact of these need to be considered over the medium term.

(vi) National Care Service

The Independent Review of Adult Social Care, published in February 2021, recommended the establishment of a National Care Service with a commitment for this to be functioning by the end of the parliamentary term in 2026. The National Care Services (Scotland) Bill was introduced to the Scottish Parliament on 20 June 2022.

The Bill proposes the introduction of Care Boards which will replace Integrated Joint Boards. The Scottish Government is committed to working collaboratively to design the National Care Service with people, stakeholders and partners. It is important that as an organisation we continue to plan over the medium term, so we can continue to plan, shape and deliver services which meets the needs of our City. This information is also likely to be invaluable to Care Boards as they move forward to implementation.

(vii) Safe and Effective Staffing

The Health and Care Staffing (Scotland) Act 2019 was enacted in June 2022 and sets out duties for Health and Social Care Providers to provide safe, high quality services to achieve the best outcomes for service users. In order to achieve high standards of care there is a requirement to ensure there are suitably qualified and competent staff working to provide the right care at the right time. These duties will go live in 2025.

Glasgow City HSCP has a legislative duty to have oversight of the impact on the quality of care as a result of staffing challenges and do everything possible to mitigate against this in a transparent and proactive way. There is ongoing work to prepare services to deliver on the requirements of the act. Examples of mechanisms to monitor staffing levels across sites include 'safe to start' meetings, daily site huddles and weekly system wide huddles to aid early detection and early resolution to the dynamic factors impacting safe staffing. A range of different recruitment approaches has also been undertaken to establish a range of recruitment pathways to secure the staffing required. Investment in staff retention is also key to secure staff over the longer term.

(viii) Primary Care

The Scottish Government has forecast that demand for primary care services is predicted to continue to grow, and if the system does not adapt or change, there will be a net increase in costs of £1.8bn by 2023/24, driven by growth in the population, public demand and price pressures. The Scottish Government has committed to a re-design of primary care services supported by the introduction of a new GP contract known as the Memorandum of Understanding. Delivery is supported by the Primary Care Improvement Fund but this has been delayed due to the pandemic and the availability of funding and work will continue to progress implementation during 2023-24. The main concern for the IJB in the coming few years will be to support the longer term sustainability of primary care services, and to respond to the inflationary pressures that are affecting the global prices for medicines. Later in 2023, NHSGG&C will publish a strategy for primary care services that will set out the system-wide priorities for the next 5 years.

(ix) Mental Health

The Scottish Government remains committed to investment in Mental Health, with a £120 million investment in Mental Health Recovery and Renewal funding which is aimed at improving how people can manage their mental health with appropriate early support and be referred to additional support when required. This funding was in recognition of the unprecedented challenges which have been faced during the COVID 19 pandemic and the impact it has had on mental health and wellbeing.

The IJBs 2018-2023 Adult Mental Health Strategy is currently being reviewed and refreshed to take account of the impact of COVID-19. The level of demand/need has increased over the pandemic, and it is reasonable to assume that the peak is yet to be realised with pending austerity measures likely to exacerbate the socio-economic determinants of poor mental health. The scope of the strategy is also being expanded to include the wider complex of mental health services, addressing interdependencies and to better realise the benefits in adopting a whole-system approach across all client groups.

A financial framework is being developed in parallel to support a redirection of resource from the remodelling of inpatient beds to support development of community services in support of maximising independence / increasing community capacity.

(x) Withdrawal from the European Union (BREXIT)

Brexit remains a risk to the economic outlook of Scotland and the UK. The negative impact on supply chains and labour markets are also being exacerbated by increasing demand as the global economy recovers from COVID-19. The UK government has relaxed some immigration rules for overseas care workers, in recognition of the severe and increasing problems with hiring and keeping staff after Brexit.

(xi) Minimum Pay Settlement – Adult Social Care Workers in Commissioned Services

In recent years the Scottish Government has recommended minimum pay settlement for adult social care workers in commissioned services. This has been supported by additional funding. It has been assumed if the Scottish Government continues with this policy commitment that funding will be put in place to meet the associated costs.

(xii) Scottish Child Abuse Enquiry

The Scottish Child Abuse Inquiry is looking at the abuse of children in care. The inquiry was set up in October 2015 and continues to hear evidence with Phase 7 underway and Phase 8 programmed to start in the second half of 2023. The Limitation (Childhood Abuse) (Scotland) Act 2017 gives victims of alleged child abuse after September 1964, which includes sexual abuse, physical abuse, physical abuse and emotional abuse, the right to pursue personal injury claims. The Redress for Survivors of (Historical Child Abuse in Care) (Scotland) Act 2021 also established a financial redress scheme to provide tangible recognition, acknowledgment, and apology of harm as a result of historical child abuse in residential care settings in Scotland. The financial implications of the recommendation of the inquiry and any personal injury claims continue to be monitored however they are unable to be quantified at this time. As a result, it is difficult to make financial provision, which represents

a risk for Glasgow City Council. This will continue to be kept under review and financial provision will be made when more information becomes available.

(xiii) Getting it Right for Every Child (GIRFEC)

Getting It Right for Every Child means ensuring that children, young people and their families receive the right help at the right time from the right person, and that needs are met at the earliest point, in alignment with the recommendations of the Christie Commission and the emphasis on shifting the balance of care from crisis response to early intervention. The publication of the refreshed Policy Statement in 2022 illustrates the continued commitment to implementing GIRFEC and strengthening early and effective responses to meet children, young people and families' individual needs.

(xiv) The Promise

The Promise of the Independent Care Review suggests that transformational change is key to fulfilling the commitment to providing effective early intervention and prevention approaches to support children, young people and their families, which involves shaping services round families' needs, perspectives and preferences, as opposed to current system structures. Keeping the Promise fundamentally means supporting families – and brothers and sisters – to live together within their homes and communities, maintaining connections with peers, schools, using strengths-based and trauma informed approaches.

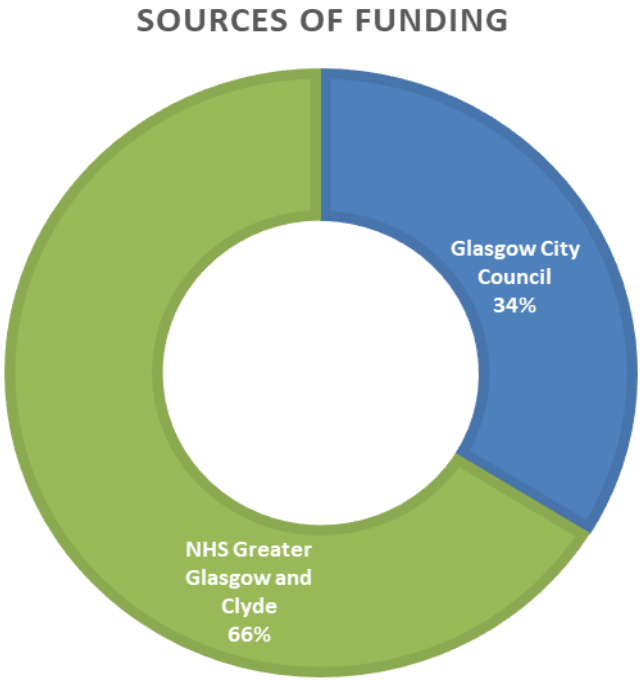
(xv) United National Convention on the Rights of the Child (UNCRC)

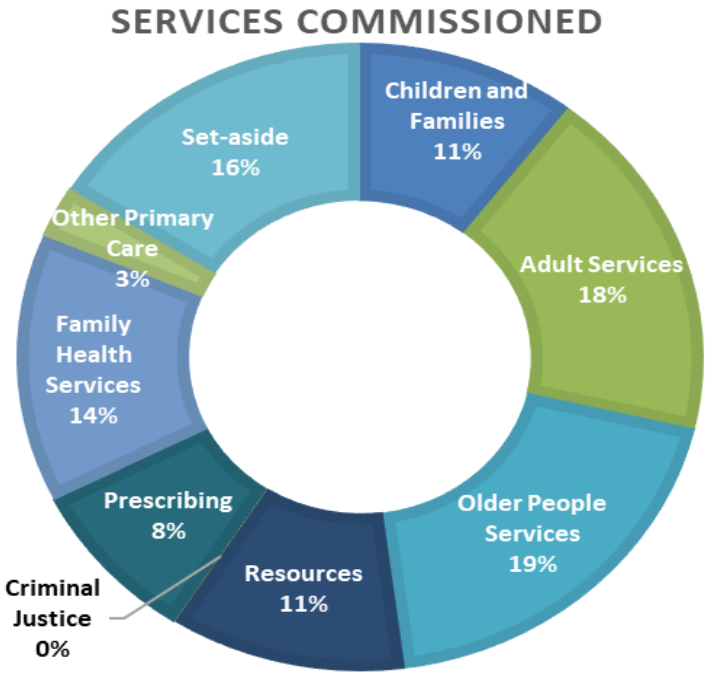
As the journey continues to incorporate the UNCRC into Scottish law, the need to embed and uphold children's rights across all public services is clear and is reflected in the rights-based principles of GIRFEC, and the aspirations of the Promise.

Local Impacts

Our Budget

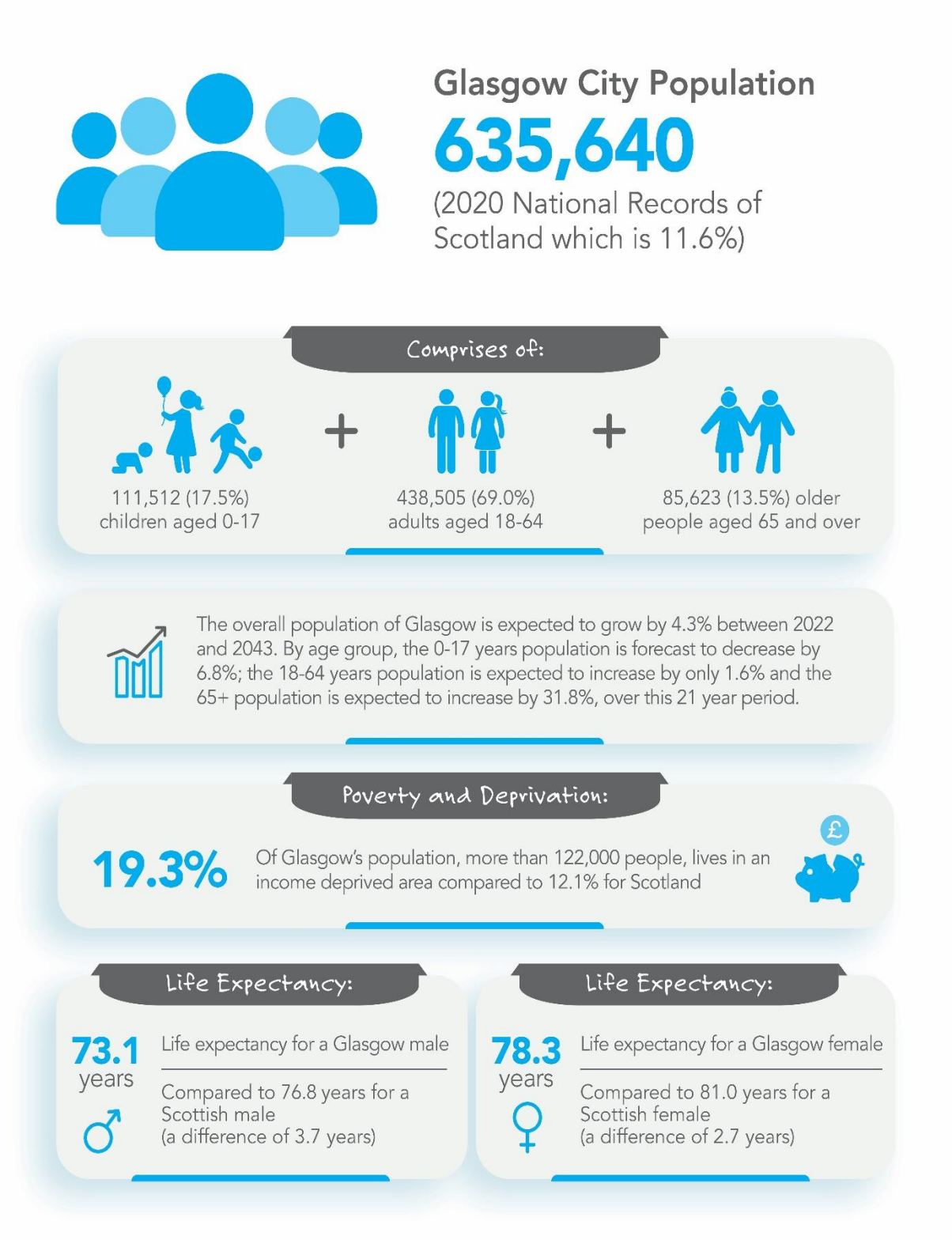
Glasgow City IJB delivers and commissions a range of health and social care services to its population. This is funded through budgets delegated from both Glasgow City Council and NHS Greater Glasgow and Clyde. The funding available to the IJB in 2022/23, to take forward its commissioning intentions in line with the Strategic Plan, is £1.5bn. The following charts provide a breakdown of where this funding comes from, and how it is split over the range of services the IJB commissions.





Population, Health and Deprivation

Population, health and deprivation impact on demand that is experienced in all of our services and can often result in higher support levels than experienced in other parts of Scotland. Some of the key characteristics which distinguish Glasgow City from the rest of Scotland are shown below.



Healthy Life Expectancy:

56 years

Healthy Life Expectancy for a Glasgow male

Compared to 60.9 years for a Scottish male (a difference of 4.9 years)

Healthy Life Expectancy:

57.4 years

Healthy Life Expectancy for a Glasgow female

Compared to 61.8 years for a Scottish female (a difference of 4.4 years)

Demographic Profile:

10.5% of Glasgow adults rate their health as bad/ very bad, compared to **8.1%** of Scottish adults

28.6% of Glasgow adults have a limiting condition or illness

23.0% of Glasgow adults have common mental health problems, scoring 4+ on GHQ12, compared to **17.0%** of Scottish adults

8117 people or **2.2%** of the Glasgow adult population aged 30+ are estimated to have dementia

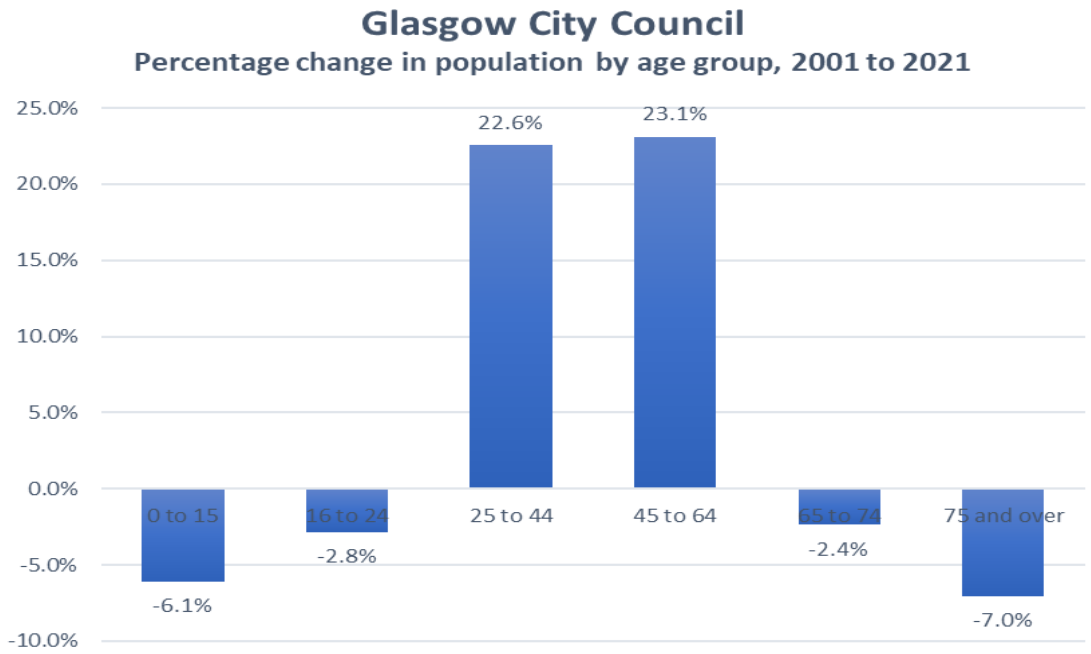
30.0% of Glasgow adult males and **19.0%** of Glasgow adult females are current smokers

61.0% of Glasgow adults are overweight (inc. obese) (BMI of 25 or higher) whilst **27.0%** are obese (BMI of 30 or higher) compared to the respective figures for Scotland of **65.0%** overweight and **29.0%** obese

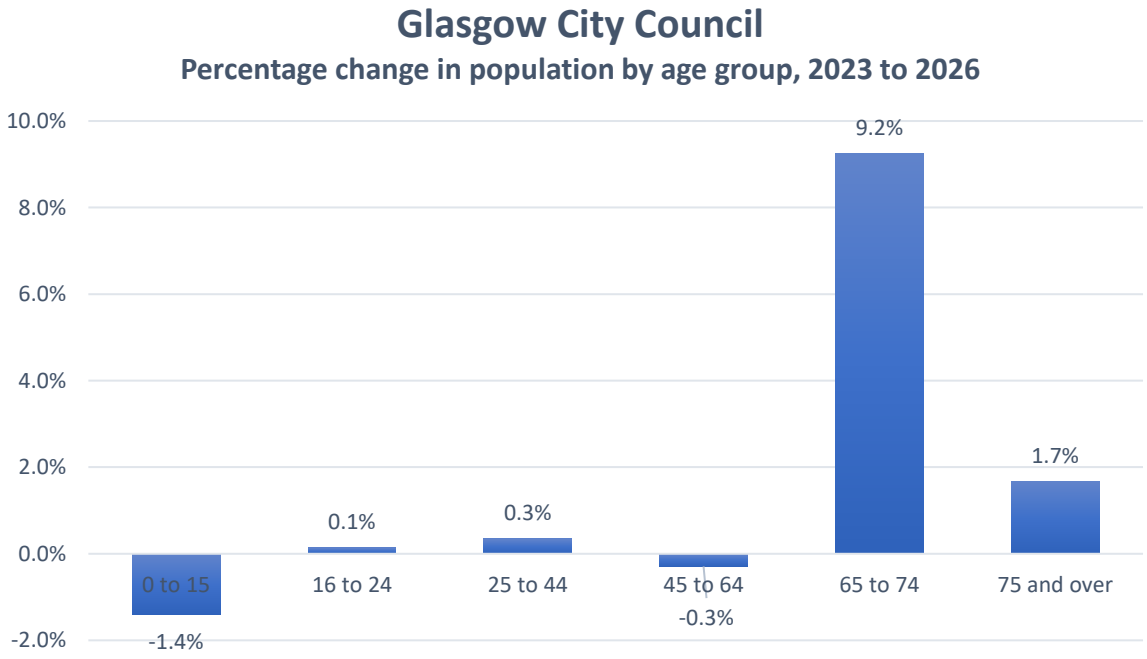
30.0% of Glasgow adult males and **14.0%** of Glasgow adult females have hazardous/harmful levels of alcohol consumption. For Scotland overall these figures are **33.0%** males and **16.0%** females

There are an estimated **11,869** to **18,060** problem drug users in Glasgow

The National Records of Scotland is forecasting significant changes to the composition of the population of the City over the medium to longer term. The City has already seen an increase of 9.7% in its population between 2001 and June 2021. The 75 and over age group saw the largest percentage decrease (7%) and the 45 to 64 age group saw the largest percentage increase (23.1%).



The National Records of Scotland is forecasting that the population of City will increase by 0.7% between 2023 and 2026. This will see the 0 to 5 age group seeing the largest percentage decrease (1.4%) and the 65 to 74 age group projecting to see the largest increase (9.2%). It is anticipated that this increase in the older population will have a direct impact on demand for services.



The Impact of COVID 19 So Far

The impact of the pandemic on the people of Glasgow and throughout Scotland has been profound and will be felt for years to come. The Scottish Government recognises four areas of impact, referred to as the 'four harms'.

(i) Direct Health Impact

This is the direct impact that COVID has on people's health both in terms of infection but also death rates.

(ii) Indirect Health Impact

This is the wider impact that COVID has on our health and social care services and how people are using those services. The City is seeing an increased demand for services across the health and social care partnership, which is expected to continue as the full impact of the pandemic becomes known. This includes significant increases in demand for, and complexity of, self-directed support care packages and increased demand for carers services and home care services.

(iii) Societal Impact

This is the affect that the restrictions which have been used to slow the spread of the virus have had on our broader way of living and society and includes the impact on our health and wellbeing. This can be seen in the increase demand for Mental Health services in the City.

(iv) Economic Impact

This looks at the impact of the restrictions on our economy including the provision of direct services and goods and opportunities for employment and income. There has also been an impact on the provision of services with some providers choosing to reduce services or to stop supplying them at all. An example being services to children and young people, particularly families of children with disabilities and neurodiverse needs, where there has been a significant reduction in availability of support, leading to increased parental stress, crisis and some additional breakdown of caring arrangements due to lack of services to support families.

The Local Impact of the Cost of Living Crisis

The UK is in the midst of a cost of living crisis as a result of the unprecedented economic conditions which are prevalent worldwide, in the UK and in Scotland. It has been caused predominantly by high inflation outstripping wage and benefit increases. The Centre for Cities , cost of living tracker, illustrates the impact of this on the City with Glasgow experiencing inflation of 12.6% in October 2022, which was higher than the UK level of 11.1%. This is an increase of 6.8% since January 2022, when wages in the City have only increased by 1.1% over the same period.

The impact this is having particularly on the cost of fuel and food is dramatic for those living within the City. The Trussell Trust has reported a 46% increase in demand for food parcels. The Resolution Foundation also estimates that the number of children in poverty in the City could rise by 5,050 during 2022/23. By 2023 it is also forecast that almost 80% of income-poor households will also be categorised as fuel poor. This is also being seen in a marked increase in requests for service from our front line duty team, with an increase in destitution presentations and financial crisis in families.

Impact on Demand

The IJB is operating in an increasingly challenging environment with funding not keeping pace with increasing demand for services and increasing costs linked to delivery. The City already experiences increased demand for services as a result of deprivation, ill health and inequality. However, the scale of inflationary pressures and the cost of living crisis is further exacerbating these pressures, having a significant impact on both cost and demand for services.

What Impact Does This Have on Our Finances Over the Medium Term?

The financial position for public services continues to be challenging, a clear strategy is imperative to ensure that the IJB remains financially sustainable over the medium term. Audit Scotland[3] recognises the significant financial sustainability risks which exist for IJBs which is exacerbated by uncertainty of future funding, rising demand and the potential impact of the national care services. This only increases the importance of medium and long term financial planning for making well-informed decisions aligned to strategic priorities. It also can be used as a tool to assist with effectively managing services in an environment of continuing financial challenge.

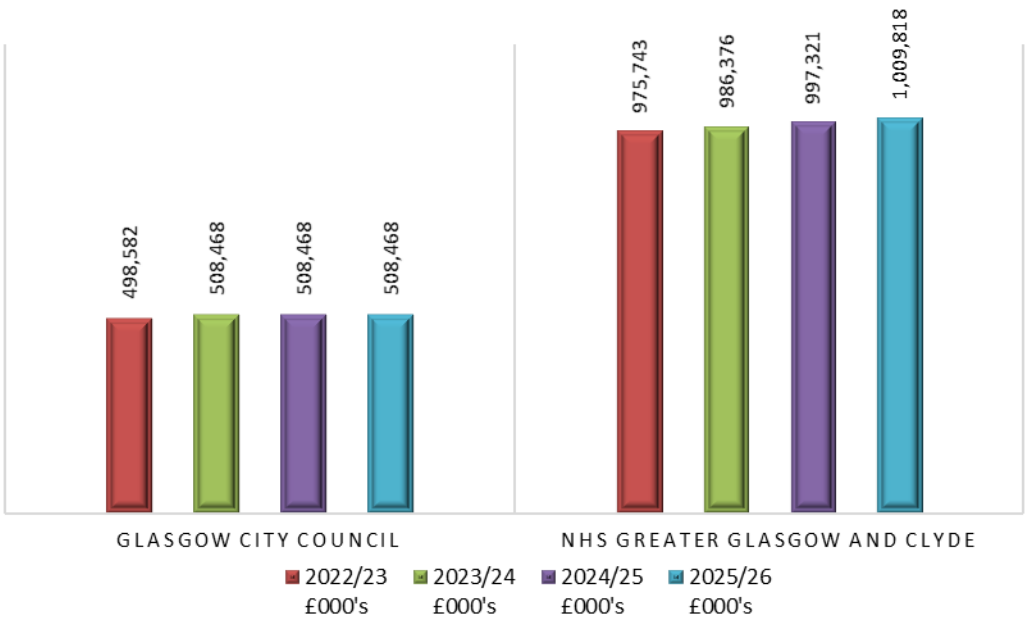
Recognising the Local and National Context highlighted in this document, this section translates this for the IJB into the financial context that it will operate in over the Medium Term, and how this should be considered throughout the decision making process.

Funding Estimates

The two main sources of funding for the IJB are NHS Greater Glasgow and Clyde and Glasgow City Council. This funding will be impacted by their respective financial planning and budget setting processes, and the funding settlements that they receive from the Scottish Government.

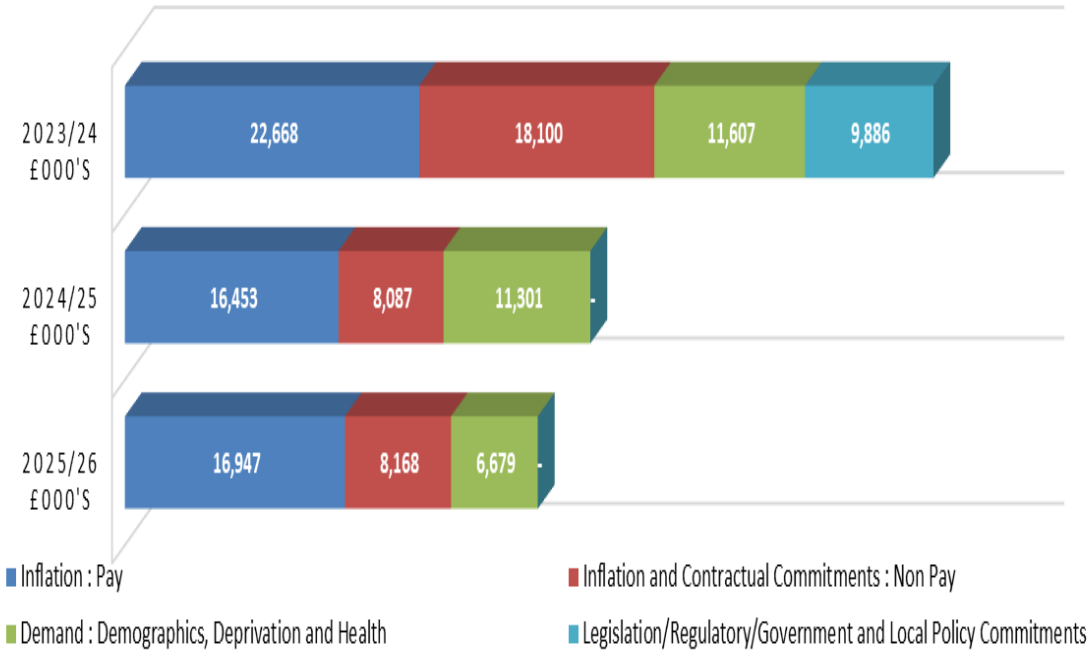
The Medium-Term Financial Outlook makes assumptions about future funding contributions from Partners based on information which is currently available. Using this information, it is forecast that Health Board funding is likely to increase by £34m between 2023-24 and 2025-26, with Council funding expected to increase by £10m over the same time period, which reflects the additional Scottish Government funding awarded in 2023-24, with no further increase anticipated for 2024-25 or 2025-26.

[3] Integration Joint Boards Financial Analysis 2020/21, Audit Scotland June 2022



Expenditure Requirements

The IJB will face cost pressures arising as a result of demand, inflation and changes in legislation. There is also likely to be cost pressures as a result of our on-going response to the pandemic and the cost of living crisis and the future consequences on service demand as a result of the impact that the pandemic will have on health, poverty and deprivation. Evaluating the key factors likely to impact over the medium term it is estimated that the IJB will face cost and demand pressures of £130m.



The key areas are:-

(i) Inflation – Pay

Employee costs represent 36% of the IJBs gross budget. Inflationary pressure in this area is a significant pressure for the IJB. The assumed increase is based on the pay assumptions for both partner bodies. The cost of living crisis impacted significantly on pay inflation in 22/23. It is assumed that pay increases will be lower than those experienced in 2022/23 over the medium term. If high inflationary increases continue over the medium term this represents a significant risk to the IJB. This risk is further explored in the risk section of this outlook.

Glasgow City Council have made payment in respect of the first tranche of Equal Pay Negotiations. Work continues on the Equality Act compliant Job Evaluation scheme and pay structure. It is assumed any financial consequences arising from the settlement of the job evaluation scheme and pay structure will be fully met by Glasgow City Council.

(ii) 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 including the cost of prescriptions within primary care services. Current planning assumptions that non pay inflation and contractual commitments equates to an average £11m per annum over the life of the outlook. The current economic climate is seeing unprecedented inflationary pressure and this volatility represents a risk which is further explored in the risk section of this outlook.

(iii) Demand

This outlook has considered the local and national context of Glasgow City and how this is impacting on demand for services. Historically services have managed this demand, through the transformation of services, which has enabled gains in productivity and effectiveness to secure delivery of more services from the money they have received. Services will continue to transform. However, it is unlikely that demand can be funded purely from transformation.

Longer term modelling taking into account demographic projections and increases in demand being experienced in services identifies the need for a 6% increase in budgets on an annual basis to meet the needs of the citizens of Glasgow. If financial settlements continue to lag behind inflationary and demand pressures, then the ability to meet this demand represents a significant risk to the IJB. This volatility is further explored in the risk section.

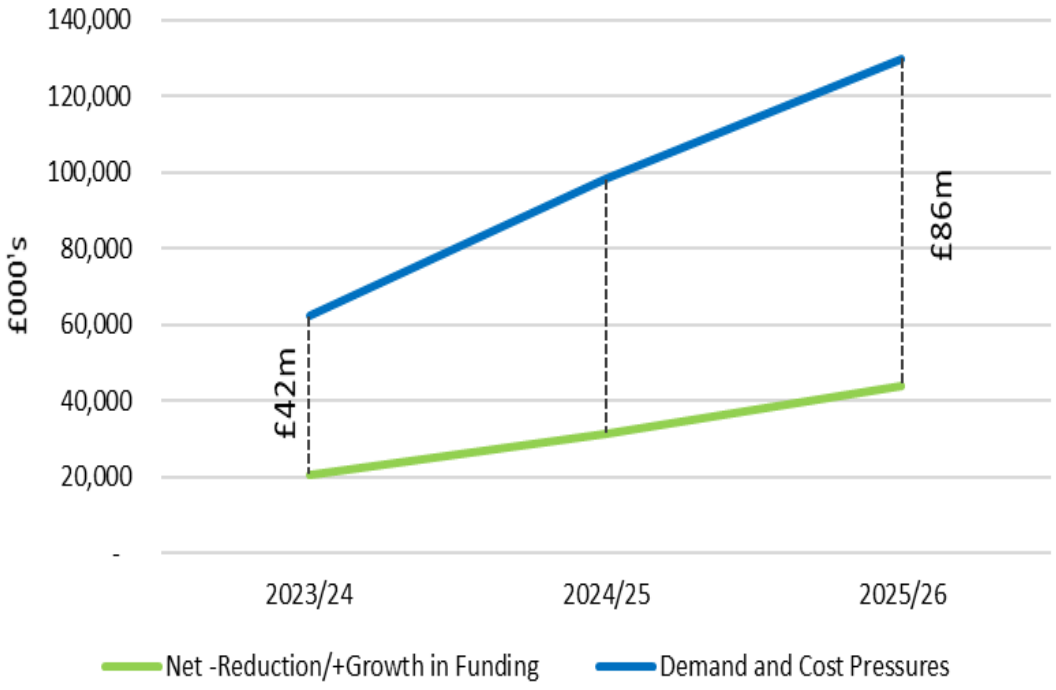
The Homelessness service continues to see an increase in demand which is likely to continue to increase as we continue to support Ukrainian refugees and deal with the impact of the cost of living crisis. In January

the IJB agreed an action plan which seeks to reduce this overspend, however this will still leave a pressure of £8.6m in 23/24 if it is delivered.

(iv) Legislation/Regulation/Government and Local Policy Commitments
The IJB is subject to legislation, regulation, government and local policy changes which can have cost implications and have been explored in detail in Chapter 3. This outlook assumes that any new statutory or policy burdens during the lifetime of this outlook will be fully funded by the Scottish Government, although this is not guaranteed. Funding known at this stage has been reflected in forecasts.

Impact on Our 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 £86m.



Our Response

The IJB is operating in an increasingly challenging environment with funding not keeping pace with increasing demand for services and increasing costs linked to delivery. This is reflected in the Medium Term Financial Outlook, which has identified a £86m funding gap over the next three years.

This represents a challenging backdrop to deliver on our ambitions and it will have an impact on what can be delivered and when. The IJB has a responsibility to set a balanced budget. The next three years will be the greatest financial challenge that the IJB has been asked to manage since its inception. Glasgow City IJB is clear about the challenges which are ahead and its aspirations for its services. However, we also need to be realistic about what can be delivered within the funding envelope available. This will require the IJB to prioritise decisions for investment and disinvestment in order to support delivery of the Strategic Plan.

Our Medium-Term Financial Strategy has 3 core components which collectively support the transformational change required to deliver financial balance whilst delivering safe and sustainable services. This strategy is set out in the diagram below and cannot be delivered without working closely with all our partners and stakeholders to secure a future which sustainable and meets the needs of our communities. This is underpinned by strategic planning and commissioning, robust financial management, a prudent reserves policy and work force planning to ensure our resources are used in the most effective way to deliver services and deliver the vision for the IJB.



Efficiency and Income Maximisation
The IJB has a statutory duty to deliver Best Value in its use of public funds and as part of this remains committed to keeping under review the cost of service delivery and the sources of income which are available to fund services. Over the Medium Term this will include maximising income opportunities, considering spend to save opportunities and keeping our cost base under review to identify opportunities for efficiencies.

In 2023/24 this will secure £8m of savings for the IJB, with a target of £3m and £3m set for 2024/25 and 2025/26 respectively.

Service Reform and Innovation
The IJB has approved transformation programmes for Adults, Older People, Children and Families Services and Primary Care. This includes the Maximising Independence Programme which will seek to deliver a sustainable health and social care service for the City which will focus on prevention and early intervention approaches. What this doesn't mean is asking people to live without any support at all or expecting all support to be delivered by members of families or the wider community. It's about living as independent a life as you can, having and making choices about the things that matter to you to live as full a life as possible, with support when you need it. And it's about ensuring we have strong and reliable health and social care not just now, but for future generations too. This involves talking, listening and collaborating to build a sustainable way of supporting people, so that everyone can achieve their full potential for health, well-being and independence. We need to see people as equal partners and experts in their own lives. This programme is supported with £8.5m of funding to support implementation.

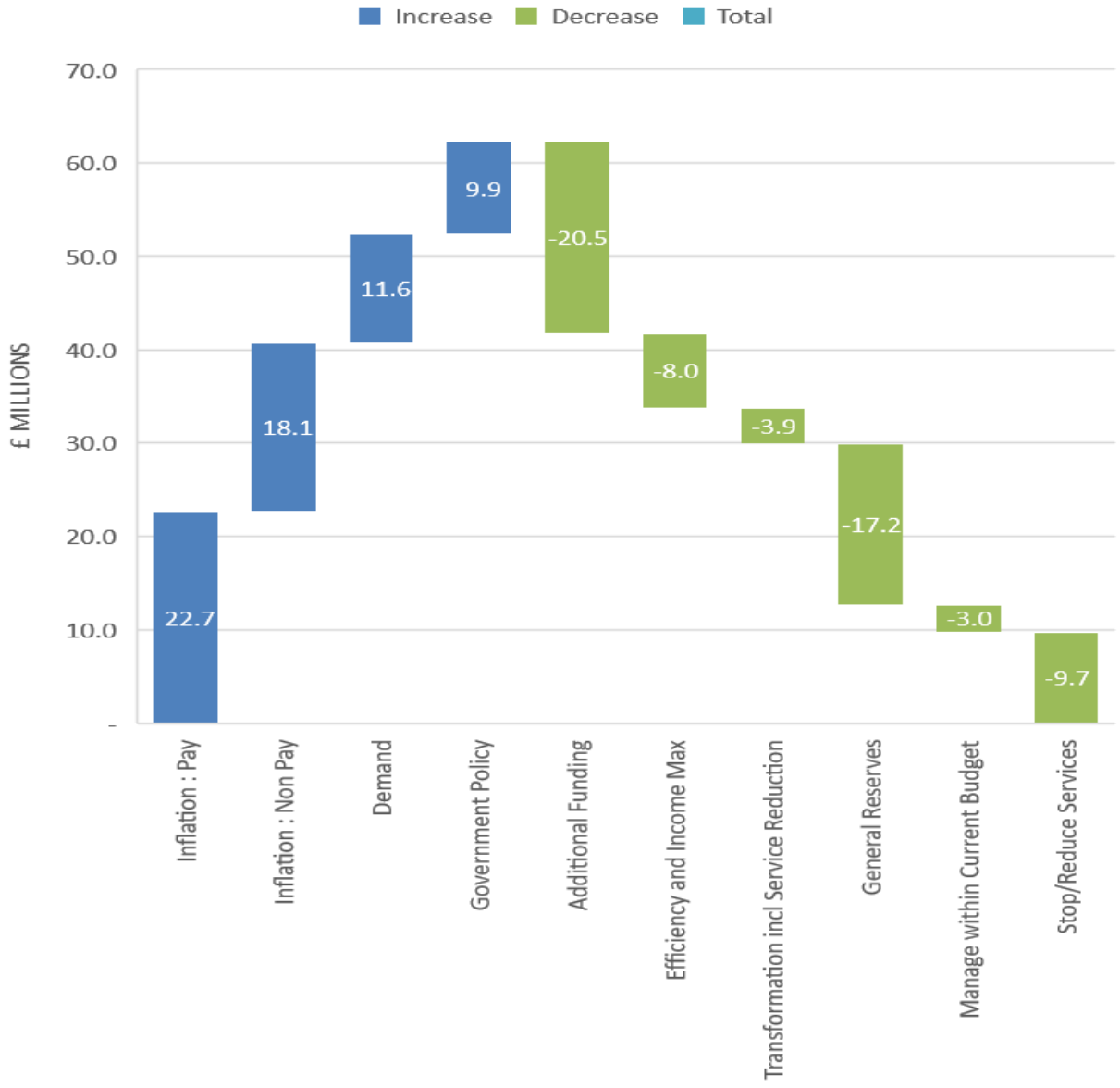
A saving target has been applied to this work over the medium term as a result of the funding constraints on the IJB. It is recognised that this may take time to deliver. This may require the IJB to use general reserves to smooth delivery and to manage the financial risk. The IJB is clear about its overall commitment to service reform and innovation. This is not just about changing the ways in which services are structured. It is a significant change in how they are planned and delivered. However, it is also clear that pressures within the health and social care system are increasing which will require us to think differently about how we deliver services to the population of Glasgow.

In 2023/24 service reform and innovation will secure £3.6m of savings for the IJB, with a target of £4m and £4m set for 2024/25 and 2025/26 respectively.

Service Prioritisation and Reduction
The scale of the financial challenge will require the IJB to consider prioritising, and in some cases, reducing or stopping some services in order to live within the funding which is available. This is an option which will only be considered where financial balance cannot be secured through the other three components. This plan recognises that a level of service reduction will be required. Based on financial settlements received and current planning assumptions service reductions of £30m would be required to deliver financial balance in 2023/24. In 2024/25 this would be £38m and £12m in 2025/26. This is beyond a level which the Chief Officer and Chief Social Work Officer could support in light of the demographic and demand pressures

and our ability to continue to deliver services which are safe and enable us to meet our statutory requirements.

To minimise the impact in 2023-24 the financial strategy recommends the use of general reserves. This is required because funding is not keeping pace with demand and inflationary pressures. It only offers a short term solution which will offer some protection from the level of service reductions which would otherwise be required and also offers time to establish whether these cost and demand pressures will persist over the longer term and also provide time to lobby partner bodies and Scottish Government about future funding levels. The budget strategy for 2023-24 is demonstrated in the illustration below.



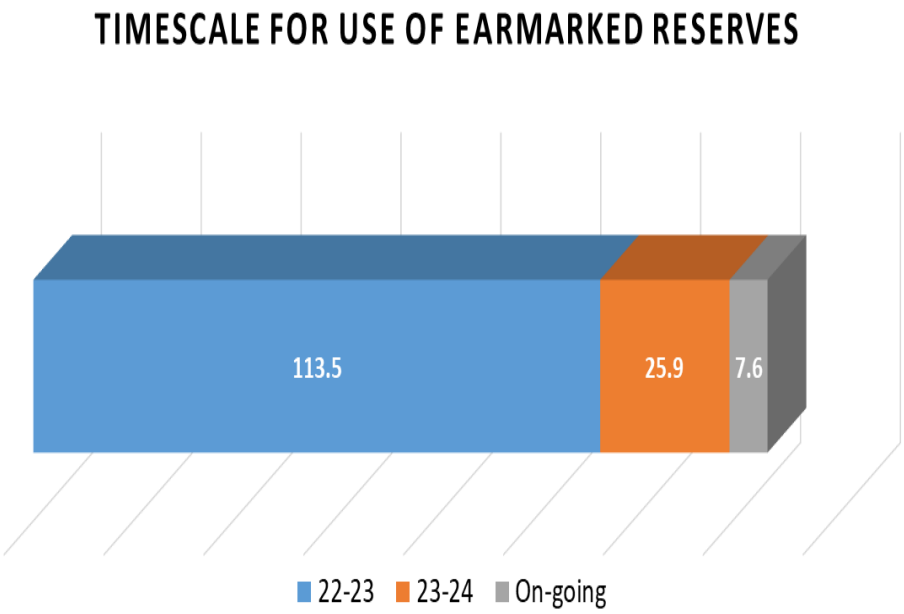
The use of the reserves does not offer a recurring solution and if demand and inflationary pressures do not reduce in 2024-25 and/or more funding is not made available the funding pressure will increase to £45m in 2024-25.

Reserves

The IJB currently has a general reserve of £28.581m. It is anticipated that £5m of this will be required in 22/23 to meet the pressures being experienced in prescribing. This will leave a balance of £23.581m available to manage pressures in 23/24. Assuming the assumptions in the budget strategy hold, this will result in the IJB closing with a General Reserve of £6.3m at the end of 2023-24, which represents 0.4% compared to the targeted 2% for General Reserves.

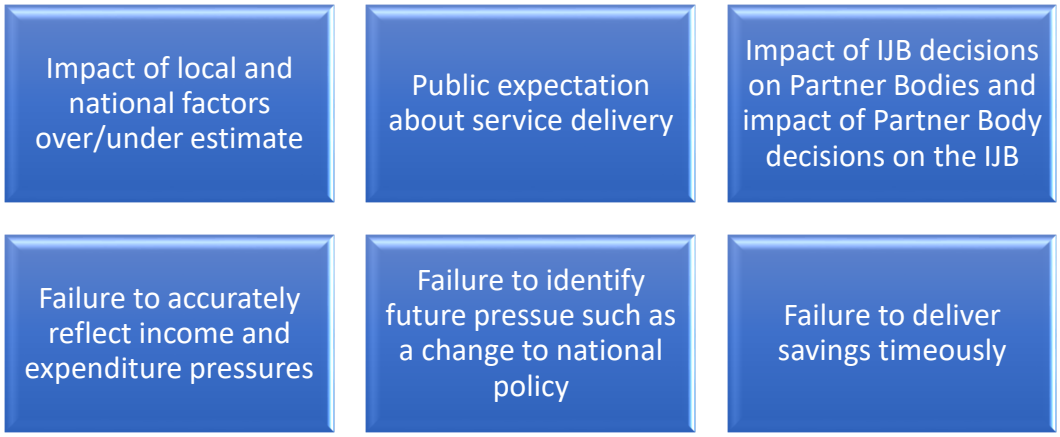
Holding General Reserves significantly below the 2% target level represents a significant risk to the IJB. Reserves is a key component of the IJB's funding strategy. General Reserves are not held to meet any specific liability and offer the IJB some flexibility to deal with unforeseen events or emergencies. It is also important for the long-term financial stability and the sustainability of the IJB that sufficient General Reserves are held in reserve to manage unanticipated pressures from year to year. It is recommended that earmarked reserves are reviewed as part of the annual accounts to establish opportunities for re-allocation of reserves from earmarked to General to increase the provision available to support the IJB over the medium term.

The IJB held £147m of earmarked reserves at 31 March 2022. These are earmarked to support the future delivery of projects which span financial years and are required to enable the IJB to deliver on national outcomes. The graph below provides a forecast of when earmarked reserves are anticipated to be used over the medium term.



Risk and Sensitivity Analysis

The medium term financial plan is a financial model and as such has risks associated with it.



As an organisation the IJB needs to be aware of these risks but should not become risk adverse when developing its future plans. The IJB recognises strategic risks through the IJB risk register. This is used to ensure significant risk is identified and effective actions implemented that reduces 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 assumptions change. This effectively tests "what if" scenarios and enables the IJB to determine the potential fluctuation which could exist within the modelling and will assist future planning.

It should be recognised that the current economic climate is extremely volatile and this does increase the risks associated with the forecasting within this model. The table below shows the low, medium and high forecasts which exist within the modelling. The financial forecasts within this plan are based on the medium scenario.

Sensitivity Analysis - Low Scenario	2023/24 £000's	2024/25 £000's	2025/26 £000's
Inflation : Pay	22,668	10,969	11,298
Inflation and Contractual Commitments : Non Pay	12,972	4,725	5,445
Demand : Demographics, Deprivation and Health	9,607	5,251	5,566
Legislation/Regulatory/Government and Local Policy Commitments	9,886	-	-
Total	**55,133**	**20,945**	**22,309**

Sensitivity Analysis - Medium Scenario	2023/24 £000's	2024/25 £000's	2025/26 £000's
Inflation : Pay	22,668	16,453	16,947
Inflation and Contractual Commitments : Non Pay	18,100	8,087	8,168
Demand : Demographics, Deprivation and Health	11,607	11,301	6,679
Legislation/Regulatory/Government and Local Policy Commitments	9,886	-	-
Total	**62,261**	**35,842**	**31,794**

Sensitivity Analysis - High Scenario	2023/24 £000's	2024/25 £000's	2025/26 £000's
Inflation : Pay	22,668	27,422	28,245
Inflation and Contractual Commitments : Non Pay	19,667	11,812	13,613
Demand : Demographics, Deprivation and Health	20,107	15,351	7,793
Legislation/Regulatory/Government and Local Policy Commitments	9,886	11,890	11,890
Total	**72,328**	**66,475**	**61,540**

Appendix One

	2023/24 £000's	2024/25 £000's	2025/26 £000's
Children and Families	166,401	169,209	172,104
Adult Services	290,521	305,645	316,198
Older People Services	319,348	328,509	337,991
Resources	123,702	127,320	131,027
Criminal Justice	- 25	456	951
Prescribing	144,977	149,327	153,676
Family Health Services	220,966	220,966	220,966
Other Primary Care	23,444	23,746	24,057
Set-aside	247,251	247,251	247,251
Total	**1,536,586**	**1,572,428**	**1,604,222**
Funding			
Glasgow City Council	508,468	508,468	508,468
NHS Greater Glasgow and Clyde	986,376	997,321	1,009,818
Total	**1,494,844**	**1,505,789**	**1,518,286**
Estimated Funding Gap (Cumulative)	**41,742**	**66,639**	**85,936**
Estimated Funding Gap (In Year)	**41,742**	**24,896**	**19,297**
Risk Exposure Managed by Reserves/Within Budget	**(20,166)**	**20,166**	
Revised Estimated Budgeted Funding Gap (In Year)	**21,576**	**45,062**	**19,297**

Appendix Two

	2023/24 Proposed Saving £000's	2024/25 Target £000's	2025/26 Target £000's
Efficiency and Income Maximisation			
National Insurance - Reduction to Employer Rate	- 3,504	-	-
Removal of GP Costs Related to Care Homes - No Longer Required	- 333	-	-
8% Reduction in Non Pay Budgets Across A Range of Services	- 813	-	-
Ceasing Treatment Foster Care Service Payments Following End of Contract	- 300	-	-
Reduction in Move On Addictions Budget	- 50	-	-
Review of Management Structures - Specialist Children Services - Service Manager	- 90	-	-
8% Reduction in Planning Team Costs	- 69	-	-
Additional Income from Learning and Development Activities	- 40	-	-
Review of Learning and Development Staffing Structure	- 111	-	-
Review of Commissioning Staffing Structure	- 70	-	-
Increase Charges to Service Users by 5%	- 80	-	-
Review of Catering Arrangements in Borron Street	- 60	-	-
Reduction in Staffing - Management Structures	- 151	-	-
Reduction in Staffing - Administration	- 180	-	-
2% Uplift on Service Level Agreements	- 180	-	-
Income Maximisation - Recovery of Client Contributions	- 200	-	-
Increase Client Contributions for Non-Residential Services	- 1,725	-	-
Efficiency and Income Maxmisation : Total	**- 7,956**	**- 3,000**	**- 3,000**
Service Reform and Innovation			
Reduction in Community Pharmacy Contractor Costs Due to Roll Out Of Buvidal	- 300	-	-
Transforming the Balance of Care (Childrens and Families) - Care Packages	- 1,600	-	-
Transforming the Balance of Care (Children and Families) - Staffing	- 400	-	-
Review of Sign Language and Interpreting Service (SLIS) and Sensory Impairment (SI)	- 100	-	-
Cease Delivery of Autism Resource Centre	- 70	-	-
Intermediate Care - Reduction of 15 beds	- 600	-	-
Health and Social Care Connects - Reduction in Staffing - Social Work	- 500	-	-
Service Reform and Innovation : Total	**- 3,570**	**- 4,000**	**- 4,000**
Service Prioritisation and Reduction			
Reduction to Staffing Across all Community Health Teams including Management and Administration	- 3,794	-	-
Reduction to Purchased Care Home Budgets	- 2,000	-	-
Decommissioning Children Affected by Parental Addiction Services	- 350	-	-
Reduction in Adult Day Care Services - Closure of One Centre	-	-	-
Reduction in Mental Health Commissioning Contract	- 115	-	-
Reduction in Self Directed Support Budget (Adults and Older People)	- 2,339	-	-
Reduction in Older People Day Care Services to Monday to Friday Only	- 259	-	-
Disbanding Supported Living Service	- 292	-	-
Reduction in Care at Home and Mainstream Home Care Services	- 901	-	-
Service Prioritisation and Reduction : Total	**- 10,050**	**- 38,062**	**- 12,297**
Total Savings	**- 21,576**	**- 45,062**	**- 19,297**