



south ayrshire
health & social care
partnership

South Ayrshire Integration Joint
Board

Medium Term Financial Forecast
2026- 2031



Medium Term Financial Forecast 2026/27-2030/31

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1. EXECUTIVE SUMMARY

- 1.1 This Medium-Term Financial Forecast (MTFF) 2026-31 for South Ayrshire Integration Joint Board (IJB) sets out the financial outlook for health and social care services commissioned through South Ayrshire Council and NHS Ayrshire and Arran, as directed by the IJB.
- 1.2 The purpose of the MTFF is to assist in the strategic planning process ensuring the financial resources available deliver the priorities in the Strategic Plan. The MTFF will allow the IJB to make informed decisions when planning and ensuring financial sustainability in the medium term.
- 1.3 The forecast reflects significant challenges driven by:
 - **Funding Uncertainty** – annual allocations remain the norm, with assumptions based on previous years allocations and the Scottish Governments Medium Term Financial Strategy.
 - **Rising Demand and Costs**- an ageing population, inflationary pressures, and increased expectations for health and social care services.
 - **Workforce constraints** - Recruitment and retention issues, high dependency ratio within South Ayrshire means there are less adults of a working age who can support the dependent population i.e. the young and the elderly within South Ayrshire.
- 1.4 Scenario planning indicates a budget gap of £29.3m (best case) to £57.7m (worst case) over five years. Key risks include inflation, pay awards, constrained funding flexibility, workforce shortages, and lack of general uncommitted reserves, currently at zero, against a recommended minimum of 2% of annual revenue expenditure.
- 1.5 To address these challenges the MTFF proposes the following options to be developed:
 - Rebalance resources based on demand.
 - Early intervention and prevention strategies
 - Policy changes to focus on critical need.
 - Digital transformation to improve efficiency.
 - Increased charging.
 - Potential to remove non-statutory services.
 - Workforce development for new care models and flexible roles.
- 1.6 Next steps include refining savings plans following the Scottish Government's Jan 2026 budget allocations, engaging stakeholders and communities on options and agreeing measures to close the budget gap.

2. NATIONAL CONTEXT

2.1 Economic Outlook

2.2 The Scottish Government published their [Medium Term Financial Strategy\(MTFS\)](#) in June 2025.

2.3 The MTFS sets out the Scottish Government's financial plans for 2025-2030, aiming to maintain fiscal sustainability amid economic volatility and address funding shortfalls relating to inflationary and demographic pressures.

2.4 Pressures included highlighted the impact of rising inflation on families and public services, increasing energy prices, reduction in average earnings, reduction in working age population in Scotland. Day to day government spending continues to face pressure from growing demand for public services and the cost of achieving statutory net zero and child poverty targets. Spending pressures in health and social care are particularly acute.

2.5 The MTFS is built around three pillars:

1. **Public Spending:** Reform and prioritisation to maximise impact.
2. **Economic Growth:** Inclusive policies to expand the tax base.
3. **Taxation:** Strategic choices to ensure long-term competitiveness and revenue.

2.6 Fiscal Outlook

2.7 The MTFS describes the anticipated resources funding position, broken into the five high level categories.

- The Block Grant - the single largest source of funding for the Scottish Government. It is determined by the Barnett Formula, based on the spending plans of the UK Government.
- Devolved Taxes - the Scottish Government receives the revenue from these, the largest of which is Scottish Income Tax. However, the budget is also reduced based on how quickly revenues of the corresponding tax have grown in the rest of the UK (adjusted for population).
- Non-Domestic Rates – this revenue is raised by Local Authorities from non-domestic rates. All revenue raised is ultimately returned to Local Government.
- Social Security Block Grant adjustments – this is revenue provided by the UK Government for devolved social security payments, based on the growth in expenditure on the corresponding payment in the rest of the UK.
- Other incomes and expenses - assorted revenue and costs that do not fit into one of the above categories.

2.8 The Scottish Government's central funding outlook forecasts total funding to grow by an average 2.6% in nominal terms over the period 2025-26 to 2029-30, 0.7 % in real terms. The 2025-26 Scottish Budget was set at a total value of £58.6 billion for resource and capital spending combined. Resource spending comprises nearly 90 per cent of this, with spending on Health and Social Care, Local Government, and the public sector pay bill being the largest components of spending, as well as some of the main drivers of the expected growth in future spending.

2.9 Scotland is facing various health challenges, our population is ageing, demands for health and social care services are rising and health inequalities are widening. In addition, the impacts of inflation, rising energy costs and Brexit mean that the finite funding is worth less in real terms but is expected to deliver more. NHS Boards have set ambitious recurring savings plans while seeking to manage ongoing operational and demand pressures. Financial pressures include new medicines, procurement and workforce pay.

2.10 The 2023 MTFS, forecasted that Health and Social Care (HSC) spending would grow by 4% in nominal terms each year. In reality spending has grown at a faster rate than this, averaging 5.6 per cent nominal growth over the last four years.

2.11 Health and social care is one of the largest and fastest-growing areas of public spending in Scotland. Key points include:

2.10 Spending Growth

- Health and Social Care (HSC) spending is forecast to grow by 3.3% in real terms annually, reaching £24.8 billion by 2029–30.
- This growth outpaces funding increases, contributing significantly to the projected £2.6 billion fiscal gap by 2029–30.

2.11 Pressures and Challenges

- **Demographic change:** Scotland's ageing population is increasing demand for services.
- **Workforce costs:** Scotland has a proportionately larger and better-paid public sector workforce, adding structural pressure.
- **Inflation and energy costs:** These reduce the real value of funding and increase operational costs.
- **Health inequalities:** Widening disparities require more targeted interventions.

2.12 **Reform Measures,** to manage these pressures, the Scottish Government is implementing:

- **Efficiency savings:** NHS Boards are expected to deliver 3% recurring savings.
- **Service redesign:** Through the Health and Social Care Service Renewal Framework and the Population Health Framework.
- **Workforce planning:** A managed reduction of the public sector workforce by 0.5% annually, while protecting frontline services.
- **Digital transformation:** Investment in automation and improved service delivery.

2.13 Scenario Analysis

- If HSC spending grows 1% more than forecast, it could add £1.065 billion to the budget by 2029–30.
- Conversely, 1% less growth could save £1.035 billion, showing the sensitivity of the budget to HSC trends.

2.14 Scotland's Population Health Framework 2025-2035

2.15 [Scotland's Population Health Framework](#) is a strategic initiative by the Scottish Government and COSLA (Convention of Scottish Local Authorities) designed to enhance the health and wellbeing of the population over the next decade. It focuses on addressing the root causes of health inequalities and aims to ensure that everyone in Scotland can lead healthy, fulfilling lives.

2.16 The aim of the framework is to improve Scottish life expectancy whilst reducing the life expectancy gap between the most deprived 20% of local areas and the national average by 2035.

2.17 The Framework is based on five interconnected prevention drivers of health and wellbeing. These are: -

- **Prevention Focused Systems**
- **Social and Economic Factors**
- **Places and Communities**
- **Enabling Healthy Living**
- **Equitable Access to Health Care**

2.18 Scotland's Population Health Framework 2025-2035 represents a significant commitment to improving public health through a holistic and inclusive approach. By addressing the social determinants of health and fostering collaboration across sectors, the framework aims to create a healthier Scotland for all its residents.

2.19 Health and Social Care Service Renewal Framework 2025-2035

2.20 The [Health and Social Care Service Renewal Framework \(SRF\) 2025–2035](#), was also published in June 2025, this sets out a 10-year strategic vision aimed at transforming Scotland's health and social care services focussing on sustainability, efficiency and accessibility.

2.21 It aims to address rising demand, demographic shifts, and financial pressures by shifting care closer to home, improving integration and enhancing digital access. The Framework is based on five core principles: -

- **Prevention** – focus on early intervention, reducing disease burden and promoting wellbeing.
- **People** – empower individuals with choice and control over their care.
- **Community** – shift care from hospitals to community settings.
- **Population** – plan services based on population needs, not administrative boundaries.
- **Digital** – use technology to improve access, efficiency, and outcomes.

2.22 The Framework identifies major changes to be implemented to deliver on the principles, these are: -

- Services that prevent disease, enable early detection, and effectively manage chronic and long-term conditions.
- Delivering health and social care that is people-led and “Value-Based”.

- Strengthening integration across the system.
- Improving access to services and treatments in the community.
- Redesigning hospital services as we deliver more care within our communities.
- Delivering services which are accessible through digital technologies, with people and our workforce able to access and make use of the right information.

2.23 To make all these changes possible, the framework set out three required ‘enabling shifts’ in the way we work, plan, and make decisions, these are:

- Resources
- Outcomes, quality, and impact
- Planning

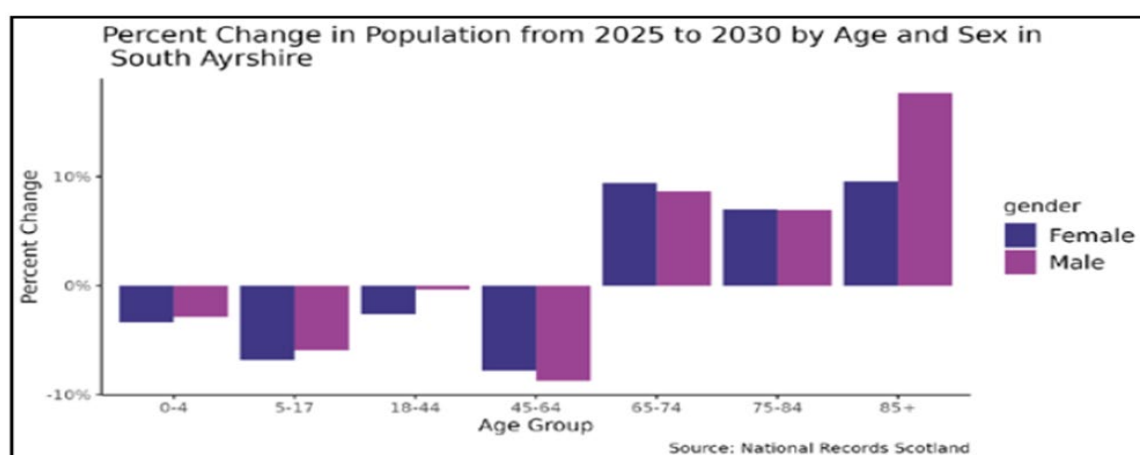
3 LOCAL CONTEXT

Strategic Needs Assessment

3.1 South Ayrshire has a population of 111,830 in 2023, the latest information available. South Ayrshire is split into six localities. The purpose of planning by locality is to ensure services are delivered in local communities according to their specific needs. Locality Planning Partnerships (LLP’s) are established in each locality with their own priorities for the local area. To support the assessment of need and decision making of local services, profiles for each locality area have been produced.

3.2 South Ayrshire has a significantly higher population of older people than across the rest of Scotland. National Records for Scotland mid 2023 population estimates, states South Ayrshire’s population aged 65 and over is 27%, compared to Scotland’s average of 20% and Dumfries and Galloway with the highest at 28%.

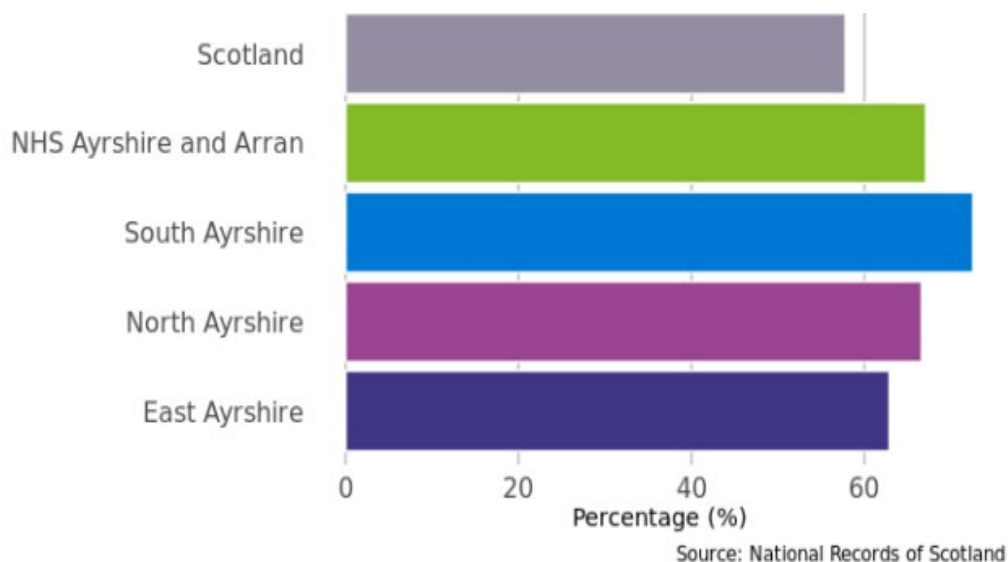
3.3 National Records for Scotland mid-2023 population estimates data shows the number of people who are aged over 65 and over is projected to increase over time within South Ayrshire. At the same time, the projected number of people aged under 65 is projected to decrease.



3.4 Dependency Ratio

3.4.1 The dependency ratio is the number of people aged 0-15 years old and 65+ years old as a percentage of those age 16-65 years old. For South Ayrshire HSCP, the

figure was 72.6% for the most recent year published. The high dependency ratio within South Ayrshire means there are less adults of a working age who can support the dependent population i.e. the young and the elderly within South Ayrshire. The dependency ratio is expected to increase to 87.2% by 2033. This is due to the increase in the older population and decrease in the younger population.



3.5 Inequalities

3.5.1 Of the 2022 population in South Ayrshire, 17% live in the most deprived data zones and 20% live in the least deprived data zones.

3.5.2 General Health for South Ayrshire population has been summarised below:

- Average Life Expectancy for Males 77 years
- Average Life Expectancy for Females 81 years
- 28.8% of the population has at least one long-term physical health condition. This is higher than Scotland (22.1%)
- Cancer Registration rate of 615 per 100,000
- 24% of the population receives medication for anxiety, depression, or psychosis. This is a larger proportion than Scotland (20.9%)

3.6 Lifestyle and Risk Factors

3.6.1 Mental and physical wellbeing has close ties with people's lifestyles and behaviours. Financial security, employment and location are influences that often have a bearing on these choices. Issues can develop when alcohol, smoking or drug use shape lives. This section provides data on drug-related hospital admissions, alcohol-related hospital admissions, alcohol-specific mortality, and bowel screening uptake, to give an overview of some of the lifestyles and behaviours for South Ayrshire HSCP. These can give an idea of quality of life and prosperity.

288 Drug Related Hospital admissions per 100,00 age-sex standardised population

18.9 Alcohol-specific deaths per 100,000 age-sex standardised population

498 alcohol related hospital admissions per 100,00 age-sex standardised population

68.4% uptake of bowel cancer screening for the eligible population

3.7 Hospital and Community Care

3.7.1 Latest information provided by Public Health published in March 2025. South Ayrshire had: -

- 13,734 emergency hospital admissions per 100,000 population, compared to 10,963 in Scotland.
- 119,120 unscheduled acute speciality bed days per 100,000 population, compared to 77,702 in Scotland.
- 25,999 A & E attendances per 100,000 population, compared to 27,227 in Scotland.
- 106,635 delayed discharge bed days per 100,000 population aged over 65, compared to 48,494 in Scotland.
- 1,888 emergency hospital admissions from falls per 100,000 population aged over 65, compared to 2,307 in Scotland.
- 104.1 emergency readmissions (28 day) per 1,000 discharges, compared to 104.2 in Scotland.
- 2,357 potentially preventable hospital admissions per 100,000 population, compared to 1,691 in Scotland.

3.8 Children and Justice Services

3.8.1 The latest information from Public Health provided on Children and Young People is as noted below.

27.2%

The percentage of babies exclusively breastfed at 6-8 weeks in South Ayrshire was 27.2%. This is higher than Ayrshire and Arran (21%) for the same period but lower than Scotland at 32.3%.

72.2%

The percentage of children with a healthy weight in P1 has decreased from 81% in 2019-20 to 72.2% in 2021-22 in South Ayrshire. The national figure across Scotland was 74.7% in 2021-22, the latest time period available.

74.7%

The oral health of children in South Ayrshire has improved in recent years. In 2022-23, 74.7% of children in Primary 1 presented with no obvious decay in permanent teeth compared with 71.5% across Ayrshire and 73.6% across Scotland.

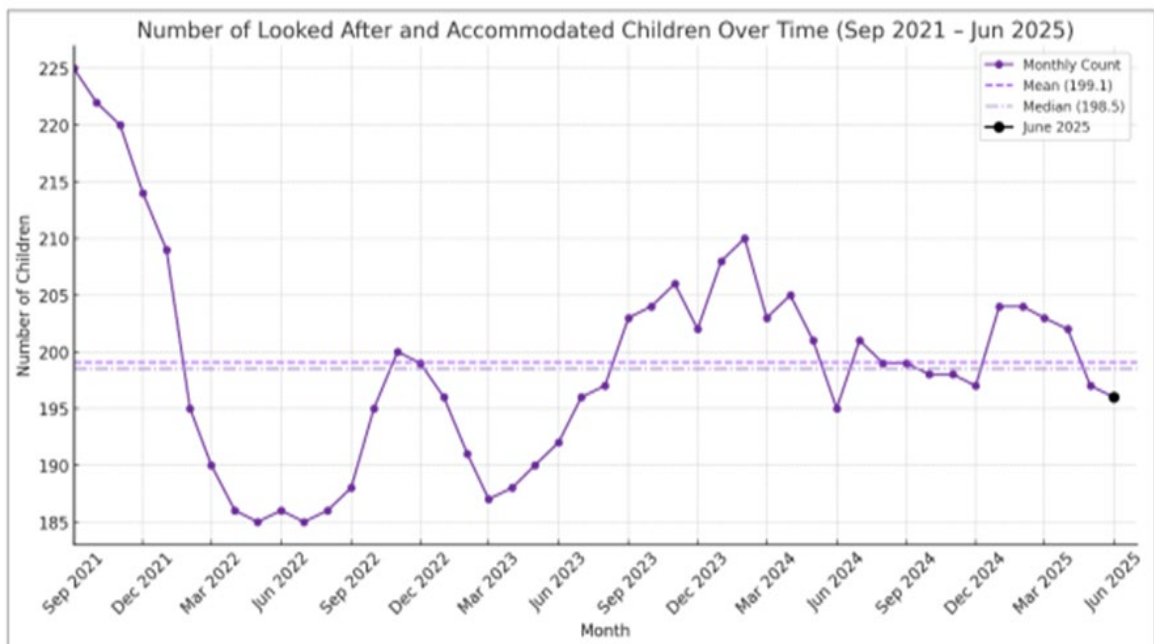
3.8.2 As the table below shows, the rate of children on the Child Protection Register in South Ayrshire has reduced dramatically since 2017. South Ayrshire now has one of the lowest figures in Scotland for registration numbers.

Children on child protection register, Rate per 1,000 of 0-17 population.

	2017	2018	2019	2020	2021	2022	2023	2024
South Ayrshire	3.4	2.5	2.1	1.7	1.1	1.3	2.5	1.3
Scotland	2.8	2.8	2.8	2.9	2.3	2.2	2.3	2.1

3.8.3 The overall number of Looked After and Accommodated Children (LAAC) in South Ayrshire has fluctuated over the past four years, peaking at 228 in August 2021, declining through 2022, then gradually increasing again to a high of 210 in February 2024, before stabilising at 196 in June 2025, as shown in the table below.

No. of Looked after and accommodated children over time (Sep 21 to Jun 25)



3.8.4 Looked After Children (Rate per 1,000 Population) Family Group Comparison

3.8.5 South Ayrshire has made significant and sustained progress in reducing the rate of looked after children aged 0–17 years old, falling from 17.9 per 1,000 in 2018 to 10.3 per 1,000 in 2024 — a reduction of 43% over six years. This downward trend is markedly steeper than that of both Scotland and the comparator authorities, whose rates have remained relatively stable. In 2020, South Ayrshire’s rate was above both the national and comparator averages. By 2022, it had fallen below both — and it remains lower than Scotland (11.8) and the comparator average (12.1) as of 2024.

3.8.6 The number of children and young people being looked after by South Ayrshire, has decreased by 22.3% from 2020 to 2021, to 233. This equates to 1.2% of the 0-17 years old South Ayrshire population. In Scotland, the percentage of the 0-17 years old population of looked after children is 1.3%.

4 LOCAL PRIORITIES

4.1 South Ayrshire Health and Social Care Partnership (SAHSCP) brings together a wide range of community-based health, social care, and social work services in South Ayrshire. Services are provided by the HSCP or commissioned by us from another provider. Services delegated by South Ayrshire Council and the NHS cover:

- Adults and Older People’s Community Health and Care Services.
- Allied Health Professionals.
- Children’s Health and Care Services.
- Community Nursing; and
- Justice Services.

4.2 The services are delivered at a local level, and Locality Planning Partnerships facilitate and enable delivery of supports and services in line with local need. The six localities are: -

- Ayr North
- Ayr South and Villages
- Girvan and South Carrick Villages
- Maybole and North Carrick Villages
- Prestwick and Villages
- Troon and Villages

4.3 The [IJB Strategic Plan 2021-2031](#) was refreshed in 2025. The refreshed plan sets out the next phase of IJB’s ambitions and actions to deliver on our vision of “Empowering Communities to Start Well, Live Well and Age Well”. The Strategic Objectives were set in 2021 and we remain committed to these: -

- We focus on early intervention and tackling inequality.
- We nurture and are part of communities that care for each other.
- We work together to give you the right care in the right place.
- We help to build communities where people are safe.
- We are an ambitious and effective partnership.
- We are transparent and listen to you.
- We make a positive impact beyond the services we deliver.

- 4.4 The HSCP operates within an evolving framework of legislation, regulations, and national guidance. This shapes how we deliver and plan our services developing our own local strategies to meet the needs of South Ayrshire population. To provide the best possible care and support to our communities, SAHSCP works closing with other partners and organisations. Some of the key strategic drivers are noted below:
- 4.5 **Local Outcomes Improvement Plan** - the Community Planning Partnership (CPP) is a key partner, and we work together to deliver on the priorities included in the Local Outcomes Improvement Plan namely, supporting older people to live in good health and closing the poverty-related outcomes gap.
- 4.6 **The Promise** – following an independent care review, the implementation of the Promise is a key priority for SAHSCP, working alongside CPP. The Promise requires a shift in policy, practice, and culture to keep the promise made to care experienced children, young people and adults and their families – that every child grows up loved, safe and respected, able to realise their full potential.
- 4.7 **Mental Health Strategy 2017-2027** – is Scottish Government’s 10-year strategy to improve mental health outcomes, ensuring equal access to the most effective and safest care and treatment and that there is parity between physical and mental health. Various investments have been made to increase the mental health workforce in hospitals, community, GP surgeries, prisons, and police stations.
- 4.8 **Primary Care Improvement Plan** – Scottish Government funding is passed to IJB’s to implement local primary care improvement plans linked to the General Medical Services (GMS) contract introduced in 2018. The funding is used to build multi-disciplinary teams around the GP practice, to enable patient access to specific health care supports at the right time.
- 4.9 **South Ayrshire Alcohol and Drugs Partnership (ADP)** – is a key partner of South Ayrshire HSCP, working together to ensure individuals, families and communities are able to build on their strengths and assets to help reduce the impact of alcohol and drugs on the population of South Ayrshire.
- 4.10 **Caring for Ayrshire** is the strategic transformation programme within NHS Ayrshire and Arran that will build on developing an integrated health and care service model. This model will look at all aspects of health and care from birth, to end of life, with citizens being at the heart of the proposals ensuring our future services consider the changing population demographics (e.g. Ageing population and increasing inequalities, particularly because of poverty) and the other key drivers.
- 4.11 **Community Justice Ayrshire** works with the HSCP to jointly plan and deliver improved outcomes for people within the justice system, their families, and victims. Community Justice Ayrshire do this by delivering the Community Justice Outcomes Improvement Plan 2024-29 which sets out our shared commitments for Ayrshire and outlines the work we are taking forward.

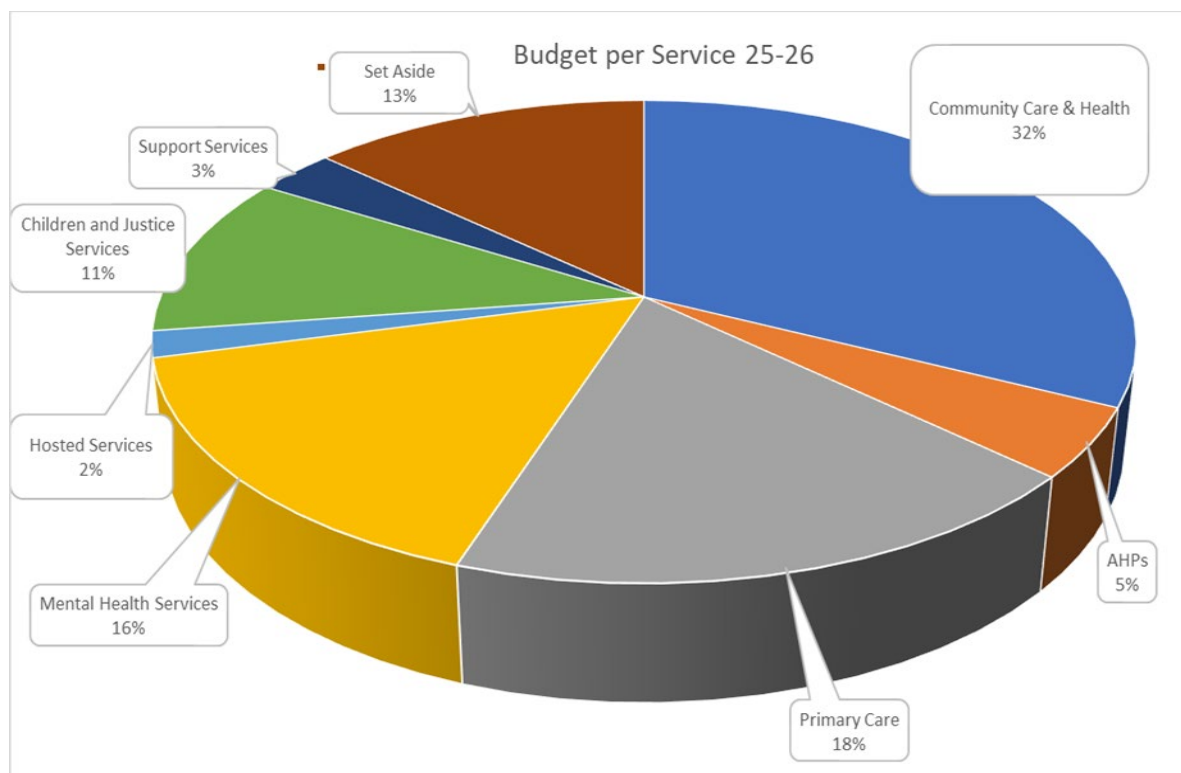
4.12 South Ayrshire HSCP has developed strategies detailing how locally we can achieve outcomes for the local population taking cognisance of local needs and national priorities. Our current strategies are noted below.



5 IJB EXPENDITURE PROFILE

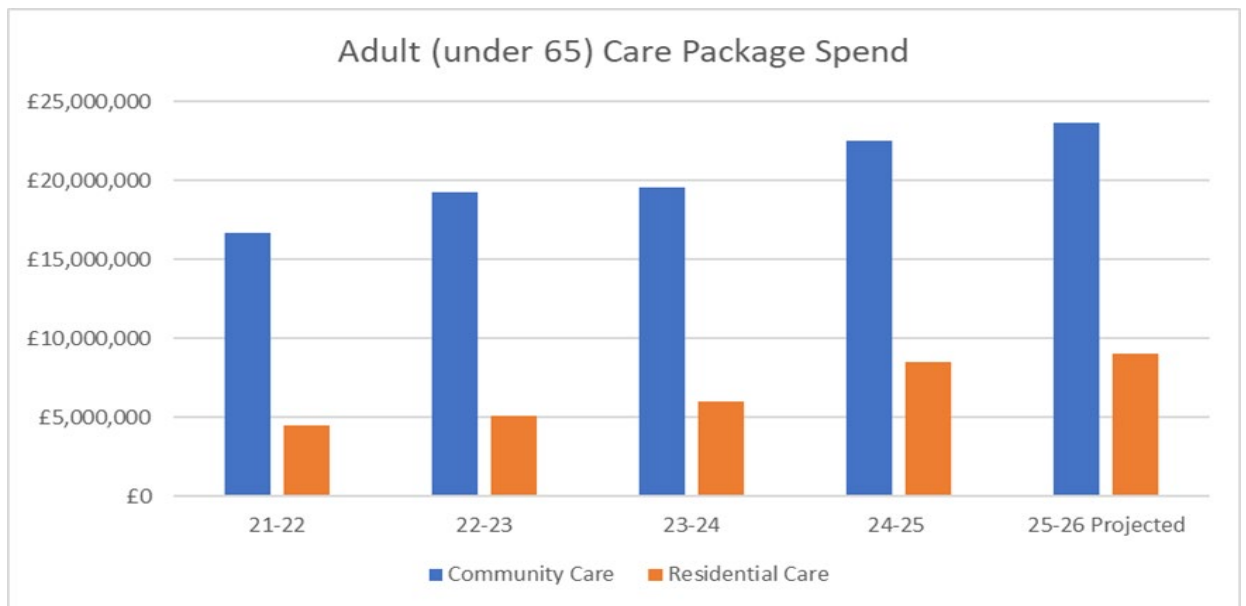
- 5.1 The IJB's budget comprises allocations made by South Ayrshire Council and NHS Ayrshire and Arran. The IJB set a balanced budget on an annual basis and commission services from partners based on need. The budget for 2025-26 is allocated per services area, as shown in chart below.
- 5.2 Community Care and Health represents 32% of the budget, this service provides health and social care mainly for the over 65's population, based on the projected increase in the elderly population within South Ayrshire need for services included in this area of spend are anticipated to increase.
- 5.3 Primary Care represents 18% of the budget. This includes the GP contracts and the prescribing budget. The prescribing budget is currently managed by NHS Ayrshire and Arran, who own the financial risk for this budget.
- 5.4 Mental Health services represent 16% of the budget this service provides health and social care for adults requiring support with learning and mental health needs. Also included in this area is Scottish Government funding allocated to the Alcohol and Drug Partnership (ADP). Expenditure within this service has increased, due to increasing physical and complex health needs.

- 5.5 The Set Aside budget represents 13% of the budget. The set aside services are delivered in acute hospital settings and are based around six specialities – accident and emergency, general medicine, geriatric medicine, rehabilitation medicine and palliative care. Current budget is based on historical spend and financial risk and reward remains with NHS Ayrshire and Arran. A financial model has been created to update Set Aside activity and values on a quarterly basis, to map activity data (bed days, admissions, discharges) against costs across the six specialties at the various Acute services locations.
- 5.6 Children and Justice Services represent 11% of the budget. Services include fostering, adoption, kinship care, health visiting, residential care for looked after and accommodated children and children with additional support needs. The population of under 16's within South Ayrshire is anticipated to decrease. However, the demand on children and justice services are impacted by the cost-of-living crisis, with more children expected to grow up in poverty impacting on their health and well-being.
- 5.7 Hosted services account for 2% of the budget, this is services provided by South Ayrshire HSCP on a Pan Ayrshire basis and includes the community equipment store, family nurse partnership and continence team. Recent financial pressures on these services relate to contract prices and demand for equipment to support hospital discharge and palliative care in the community.
- 5.8 Support Services account for 3% of the IJB budget, this includes directorate services such as planning and performance, commissioning, business support and training and development.

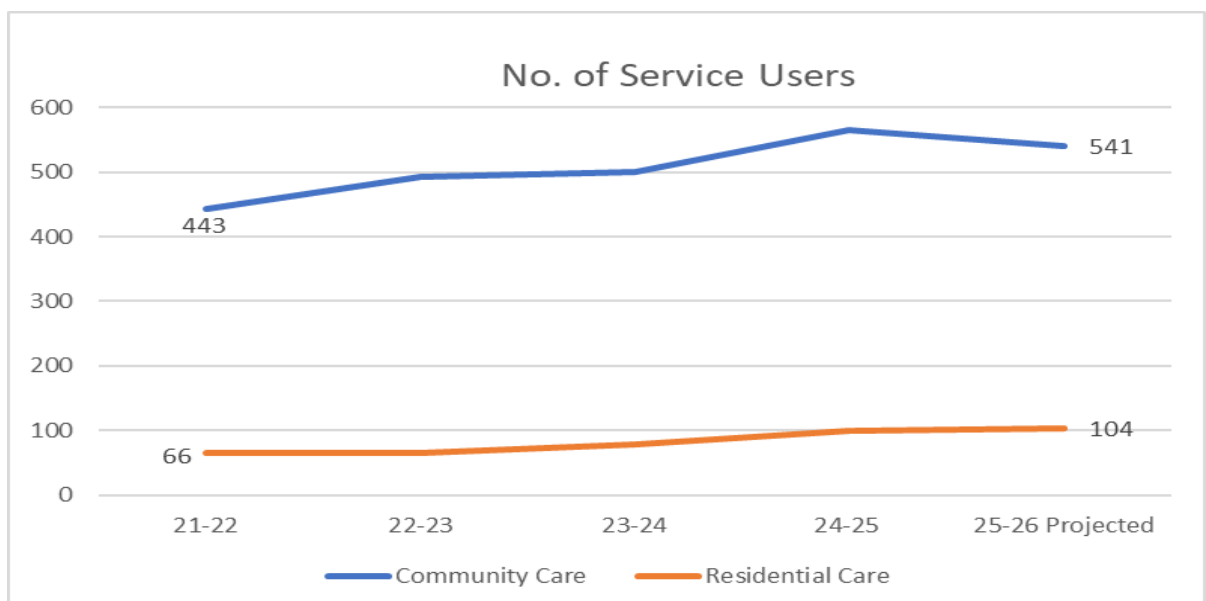


5.9 Expenditure By Service and Activity

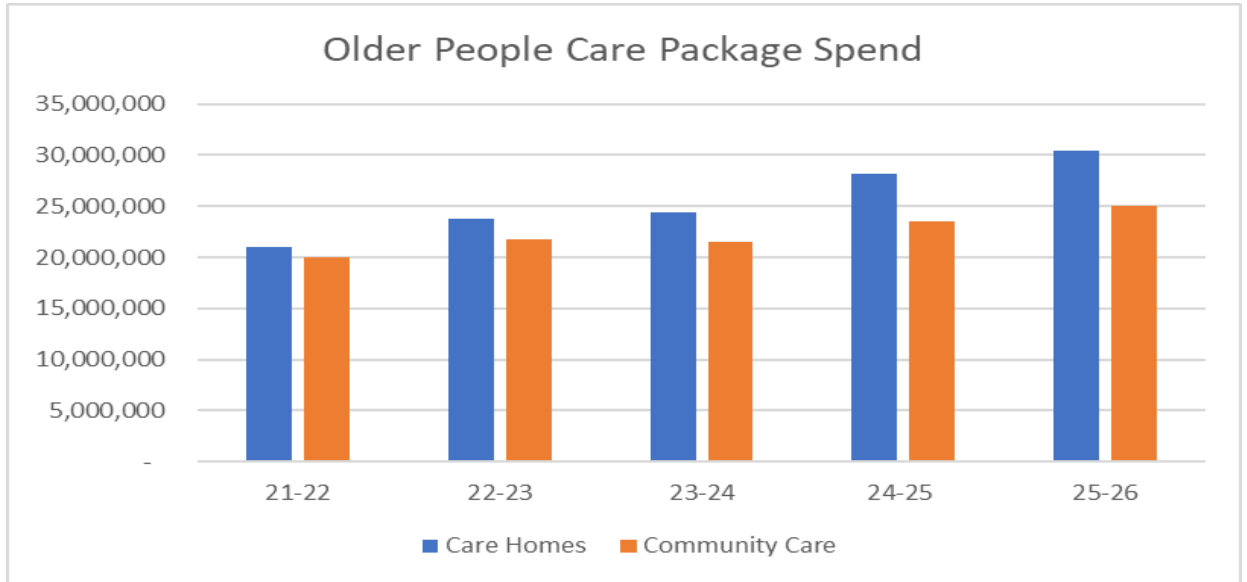
5.9.1 Within Mental Health Services the budget supports adults with learning, physical and mental health needs. The table below shows the spend for the last five years in community care and residential care to meet their needs. The increase in spend can be partially attributed to contract increases arising from implementation of the adult social care pay uplift, with funding received from the Scottish Government on an annual basis to pass to providers to meet the pay uplift for commissioned providers. Expenditure on community care has increased by 42% since 21-22 and residential care has increased by 103%.



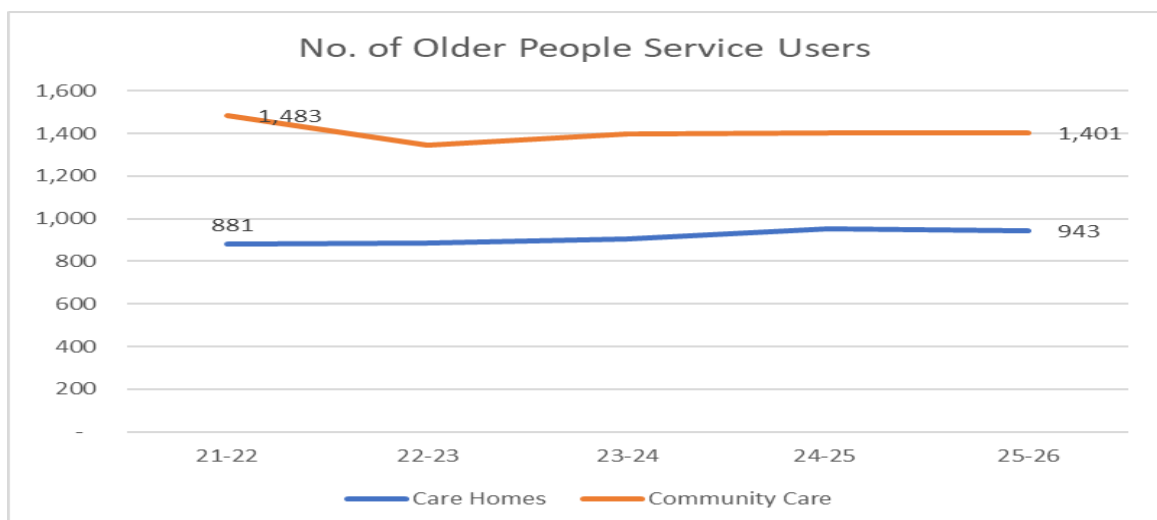
5.9.2 The table below shows the increase in demand within the adult services over the last five years. With 22% more adult services users receiving community care in 2025-26 than in 2021-22 and an increase of 58% receiving residential care. This increase in demand has been met from the HSCP achieving savings and transforming care services to balance the budget.



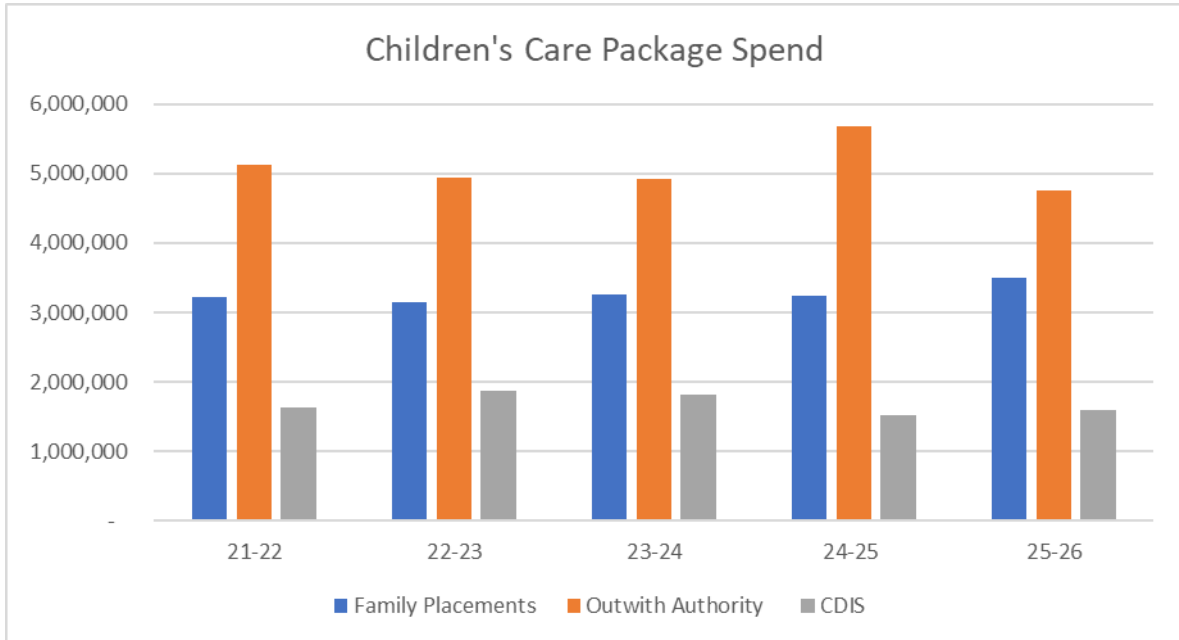
5.9.3 Community Health and Care budget supports older people aged over 65, as noted in section 3.3, South Ayrshire has a significantly higher number of older people. This puts pressure on health and care systems to provide support to meet their needs. The table below shows the spend on older people care homes and community care over the last five years. There has been an increase of 44% in care home spend compared to 25% increase in community care spend. This increase can be attributed to contract increases arising from implementation of the adult social care pay uplift policy.



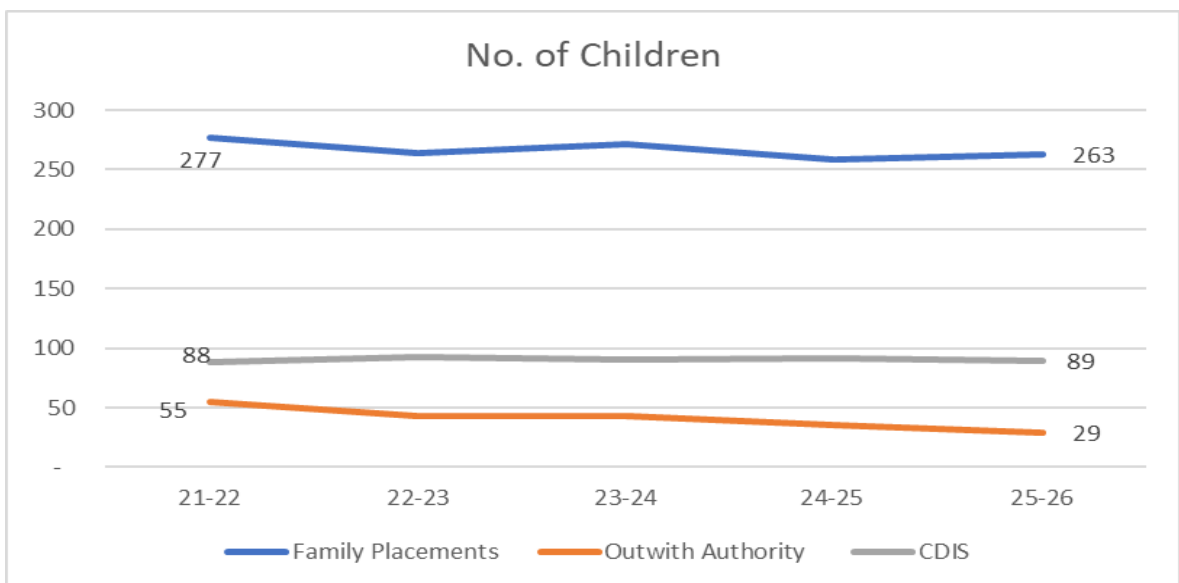
5.9.4 The table below shows the numbers of older people service users in receipt of community care or care homes service. The number of people in receipt of community care services has reduced by 6%, despite an increase in the over 65 population. This could be due to the prevention and early intervention approaches that have been implemented over the last few years such as reablement, staying ahead of the curve and intermediate care and rehabilitation at South Lodge. The reduction in community care services is also reflective of the available capacity in the market to meet the needs of service users. There are people living in the community at present with their care needs unmet as a result. The demand for care homes has increased by 7% since 2021 but has remained relatively stable over the last couple of years.



5.9.5 Children’s health and care services support children and young people. Over the last few years there has been a decrease in the children and young people (under 18 years old population), and this is expected to continue to decrease. The table shows the spend within children services for Family Placements (fostering, adoption, kinship care), Out with Authority placements including secure and children with disabilities community care packages. Since 2021-22 there has been an overall decrease of 1% in expenditure, this is despite contract increases over the years in line with the children’s social care pay uplift.



5.9.6 The number of children in a family placement has reduced by 5% in the last five years, and the number of out with authority placements has reduced by 47% over the same time period, children with disabilities receiving a care package has increased by 1%. The table below shows the trend over the last five years.



6 IJB FUNDING FORECASTS

- 6.1 The IJB's budget comprises the allocations made to it by its partners, South Ayrshire Council and NHS Ayrshire and Arran. The funding allocations are directed by Scottish Government and allocations passed through to the IJB as directed by Scottish Government.
- 6.2 The financial forecasts are based on the managed budget of the IJB; therefore this does not include Primary Care or Set Aside allocations.
- 6.3 Funding assumptions for each year are based on three different scenarios, as explained below.
- **Best Case** – Funding allocation in line with prior years, assumption NHS pay award and social care contracted providers uplift in line with social care pay policy is funded.
 - **Mid Case** – Funding provided for social care to meet social care providers uplift in line with social care pay policy. NHS Funding based on Scottish Government MTFS 3.3% increase and expectation that NHS Boards will achieve 3% recurring savings target.
 - **Worst Case** – this assumes a flat cash settlement for both partners across all years.

7 IJB FINANCIAL PRESSURES

- 7.1 Anticipated budget pressure drivers, are elements of health and social care that drive expenditure: -
- 7.2 **Price Effects:** general price inflation including pay awards within health and social services and contractual inflation linked to Scottish living wage commitments included in Adult Social Care pay policy.
- 7.3 **Demographic Change:** the effect of population growth on the demand for health and social care services as well as the impact of a population living longer; and
- 7.4 **Non-Demographic Change:** demand-led, generated by increased public expectations and advances in new technology or service developments.
- 7.5 Assumptions for pressures are noted in the table below.

Pressures Assumptions	2026/27	2027/28	2028/29	2029/30	2030/31
Council Pay Award	3.5%	3.0%	2.0%	2.0%	2.0%
Health Pay Award	3.75%	3%	2%	2%	2%
Social Care Demographic Pressure	2%	2%	2%	2%	2%
Social Care Contractual Uplift	5.80%	5.0%	5.0%	5.0%	5.0%
Children's Family Placements	3.00%	2.0%	2.0%	2.0%	2.0%

8 BUDGET GAP FORECAST

- 8.1 Appendix one details the funding and pressure allocations based on assumptions in section 7. The budget gap for each year and each scenario can be summarised in the table below.

BUDGET GAP	FORECAST					TOTAL
	2026-27	2027-28	2028-29	2029-30	2030-31	
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Best Case	(5,988)	(6,041)	(5,634)	(5,814)	(5,854)	(29,331)
Mid Case	(7,276)	(7,085)	(6,293)	(6,489)	(6,545)	(33,687)
Worst Case	(12,190)	(11,562)	(10,955)	(11,347)	(11,611)	(57,665)

- 8.2 The best-case scenario is assuming highest level of funding, with lowest level of pressures. This is optimistic and based on previous years allocations, this is unlikely given the current financial climate. The mid case is based on funding allocation for Council services to meet pay uplifts for commissioned providers and savings applied to NHS allocations and is the most likely scenario in terms of funding. The worst-case scenario is based on flat cash and savings required to meet all of the financial pressures.
- 8.3 Over the course of the 5 years, the budget gap may be in best case £29.331m in total or worst case £57.665m. Scenario planning shows likely financial impact of best, mid and worst case based on a various assumption. The actual budget gap in the years noted will be different, however from a planning perspective it is useful to be aware and acknowledge the financial constraints in future service developments and strategies.

9 KEY RISKS TO FINANCIAL FORECAST

- 9.1 The financial forecast is based on assumptions in relation to funding and expenditure, and key risks to the financial forecast are noted below: -
- Inflation implications that will have an impact on increasing pay awards for our own and commissioned services.
 - Funding allocations reduced and funding aligned to specific policies reducing flexibility to meet pressures.

- Partners not passing on Scottish Government funding allocations intended for IJB's.
- Workforce challenges impacting on service delivery.
- Revision of Integration Scheme and transfer of risks and rewards for Set Aside Budget and Prescribing

10 IJB RESERVES

10.1 Reserve Funds are established as part of good financial management. The purpose of reserve funds are as follows:

- As a working balance to help cushion the impact of uneven cash flows.
- As a contingency to mitigate against the impact of unexpected events or emergencies.
- As a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

10.2 The IJB's current reserves policy of maintaining uncommitted general reserves at a minimum of 2% of anticipated annual revenue expenditure. Based on 2025-26 total budget of £226.404m (excluding Set Aside), general reserves of 2% would equate to £4.528m.

10.3 As at period 6, the 30th of September 2025 the IJB had no General Reserves remaining. The opening balance of £0.597m reserves at 1st March 2025, has been allocated in year to meet demand in older people care homes as part of a financial recovery plan to bring the projected overspend back in line. The projected overspend at period 6 was £0.997m, with recovery work progressing to bring in line with budget by the end of the financial year.

10.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that reserves should be between 2% and 4% of revenue expenditure. With no general reserves remaining financial planning will be challenging and savings targets to achieve the budgeted gap will mean prioritisation of services to meet those most in need.

11 OPTIONS TO CLOSE THE BUDGET GAP

11.1 Consideration needs to be given to how the IJB can fund the forecasted budget gap. None of which will be easy given the increasing demand from an ageing population within South Ayrshire and inflationary pressures impacting on disposable income.

11.2 Options to close the gap should be presented to the IJB in the first instance, with impacts of savings also presented to the NHS Board and South Ayrshire Council Cabinet. The following options should be explored: -

- **Rebalancing Resources** – an exercise should be completed to rebalance budgets based on service demand, this would include virements from children services to community health and care services to ensure equitable distribution of resources based on population health needs data.

- **Reducing Demand** – this could be through early intervention and prevention approaches or may have to be through implementation of waiting lists and prioritisation.
- **Change to Policies** – this could be move to care provision for critical need only rather than critical/substantial need.
- **Digital Technology** – used to improve manual intervention in support services, telehealth, telecare, provision of data timeously and sharing of data across health and social care systems.
- **Increase Charging** – for day care, community alarms, equipment, our own care homes and respite care services.
- **Reduction or removal of non-statutory services** – cease providing services that are not deemed critical care eg. shopping, housework, meals at home.
- **Workforce Development**– training and education for new models of care that reduce overall costs, increase in integration and multi-disciplinary teams and roles, create a more flexible workforce, improve staff wellbeing.

12 NEXT STEPS

- 12.1 The Scottish Government Budget will be announced on the 13th of January 2026, this will provide an indication of funding allocations and a more accurate budget gap for the IJB.
- 12.2 Develop savings plans options based on review of all current services. Work with Budget Working group in prioritising savings options.
- 12.3 Engage with communities on the budget gap and savings options being transparent on the financial pressures faced. Gather feedback and provide communities with an opportunity to have their opinions heard and be involved in prioritising options.
- 12.4 Engage with South Ayrshire Council Cabinet members on savings options and impact this will have on constituents.
- 12.5 Agree savings options to be taken forward to close the gap.

APPENDIX ONE FUNDING AND PRESSURES FORECAST

	2026/27			2027/28			2028/29			2029/30			2030/31		
	Council	NHS	Total	Council	NHS	Total	Council	NHS	Total	Council	NHS	Total	Council	NHS	Total
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Best Case															
Funding	4,731	1,471	6,202	4,294	1,227	5,521	4,478	843	5,321	4,674	860	5,534	4,880	877	5,757
Expenditure Pressures															
Pay Awards	(1,425)	(1,471)	(2,896)	(1,386)	(1,227)	(2,614)	(886)	(843)	(1,728)	(970)	(860)	(1,829)	(912)	(877)	(1,789)
Contractual Inflation	(4,731)	(100)	(4,831)	(4,294)	(102)	(4,396)	(4,478)	(104)	(4,582)	(4,674)	(106)	(4,780)	(4,880)	(108)	(4,988)
Demand/Demographic	(4,355)	(51)	(4,406)	(4,442)	(52)	(4,494)	(4,531)	(53)	(4,584)	(4,622)	(54)	(4,676)	(4,714)	(55)	(4,769)
Non-Demographic	(57)		(57)	(59)		(59)	(60)		(60)	(62)		(62)	(64)		(64)
Total Est Expenditure	(10,568)	(1,622)	(12,190)	(10,181)	(1,381)	(11,562)	(9,955)	(1,000)	(10,955)	(10,328)	(1,020)	(11,347)	(10,570)	(1,040)	(11,611)
Budget GAP	(5,837)	(151)	(5,988)	(5,887)	(154)	(6,041)	(5,477)	(157)	(5,634)	(5,653)	(160)	(5,814)	(5,690)	(163)	(5,854)
Mid Case															
Funding	4,731	183	4,914	4,294	184	4,477	4,478	184	4,662	4,674	185	4,859	4,880	185	5,065
Expenditure Pressures															
Pay Awards	(1,425)	(1,471)	(2,896)	(1,386)	(1,227)	(2,614)	(886)	(843)	(1,728)	(970)	(860)	(1,829)	(912)	(877)	(1,789)
Contractual Inflation	(4,731)	(100)	(4,831)	(4,294)	(102)	(4,396)	(4,478)	(104)	(4,582)	(4,674)	(106)	(4,780)	(4,880)	(108)	(4,988)
Demand/Demographic	(4,355)	(51)	(4,406)	(4,442)	(52)	(4,494)	(4,531)	(53)	(4,584)	(4,622)	(54)	(4,676)	(4,714)	(55)	(4,769)
Non-Demographic	(57)	0	(57)	(59)	0	(59)	(60)	0	(60)	(62)	0	(62)	(64)	0	(64)
Total Est Expenditure	(10,568)	(1,622)	(12,190)	(10,181)	(1,381)	(11,562)	(9,955)	(1,000)	(10,955)	(10,328)	(1,020)	(11,347)	(10,570)	(1,040)	(11,611)
Budget GAP	(5,837)	(1,439)	(7,276)	(5,887)	(1,198)	(7,085)	(5,477)	(816)	(6,293)	(5,653)	(835)	(6,489)	(5,690)	(855)	(6,545)
Worst Case															
Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenditure Pressures															
Pay Awards	(1,425)	(1,471)	(2,896)	(1,386)	(1,227)	(2,614)	(886)	(843)	(1,728)	(970)	(860)	(1,829)	(912)	(877)	(1,789)
Contractual Inflation	(4,731)	(100)	(4,831)	(4,294)	(102)	(4,396)	(4,478)	(104)	(4,582)	(4,674)	(106)	(4,780)	(4,880)	(108)	(4,988)
Demand/Demographic	(4,355)	(51)	(4,406)	(4,442)	(52)	(4,494)	(4,531)	(53)	(4,584)	(4,622)	(54)	(4,676)	(4,714)	(55)	(4,769)
Non-Demographic	(57)	0	(57)	(59)	0	(59)	(60)	0	(60)	(62)	0	(62)	(64)	0	(64)
Total Est Expenditure	(10,568)	(1,622)	(12,190)	(10,181)	(1,381)	(11,562)	(9,955)	(1,000)	(10,955)	(10,328)	(1,020)	(11,347)	(10,570)	(1,040)	(11,611)
Budget GAP	(10,568)	(1,622)	(12,190)	(10,181)	(1,381)	(11,562)	(9,955)	(1,000)	(10,955)	(10,328)	(1,020)	(11,347)	(10,570)	(1,040)	(11,611)