

Shetland Islands Integration Joint Board

Medium Term Financial Plan

2025-2030



Introduction:

The Medium Term Financial Plan (MTFP) is a vital instrument guiding the strategic financial management of Shetland Integration Joint Board (IJB). Informed by the Shetland Islands Council's (SIC) Medium Term Financial Plan and NHS Shetland's (NHSS) Annual Operating Plan, the MTFP reflects the collaboration between these primary funding partners and establishes a unified approach to financial sustainability.

Purpose of the MTFP:

The MTFP provides the financial framework within which all service planning and workforce planning for Shetland IJB should be developed. It sets out the financial parameters that will guide decision-making over the next five years, ensuring that resources are aligned with strategic priorities while maintaining financial sustainability.

The MTFP does not operate in isolation; rather, it is central to all planning processes, shaping the way services are delivered and workforce challenges are addressed. By integrating financial constraints with operational and strategic goals, the MTFP ensures that the IJB can plan realistically and sustainably within the resources available.

The plan outlines a single financial scenario, forecasting a significant budgetary deficit by the end of the period. This reflects the financial realities facing the IJB and reinforces the need for proactive service transformation, workforce planning, and efficiency measures to ensure long-term viability. While the plan is updated annually to reflect emerging challenges and opportunities, it provides a stable framework within which informed planning decisions can be made.

The key objectives of the MTFP are:

Financial Sustainability – Establishing a sustainable financial framework that enables the IJB to deliver safe and effective services within available resources.

Strategic Alignment – Ensuring financial planning supports the IJB's Strategic Plan, linking resources to service priorities and population health outcomes.

Workforce & Service Planning – Providing the financial context for workforce decisions and service redesign, ensuring plans are realistic and deliverable.

Efficiency & Transformation – Enabling investment in service redesign, preventative care, and efficiency initiatives that improve long-term sustainability.

Collaboration – Strengthening joint financial planning between SIC and NHSS, improving resource allocation and accountability.

By embedding financial planning at the core of service and workforce development, the MTFP ensures that Shetland IJB can take a realistic, proactive, and strategic approach to meeting the challenges of the next five years.

Key Considerations:

Internal Factors

The MTFP incorporates an assumptions appendix (**Appendix 1**) that outlines anticipated percentage changes across a spectrum of income and expenditure lines, including Scottish Government funding, pay, prescribing, and general inflation. These internal variables are based on the best information available at the time, including data from the Scottish Government's latest Medium-Term Financial Strategy.

A key financial risk not fully captured in previous iterations of the MTFP is the additional cost burden of temporary staffing. Recruitment challenges in Psychiatry, General Practice, Medical Consultants and Social Care have resulted in a significant reliance on agency and locum staff, leading to expenditure above standard staffing costs. These costs are outlined in **Appendix 4** and will be monitored and updated as workforce planning progresses.

External Factors

In acknowledging the complexity of financial planning, the MTFP is based on the best available information at a given point in time. This recognises the dynamic nature of healthcare economics, where economic, political, and legislative variables continually shape the financial environment. The external factors (**Appendix 2**) provides a detailed overview of these considerations.

Additionally, national shortages in key medical specialties have exacerbated the difficulty in recruiting to permanent posts, increasing Shetland IJB's reliance on temporary staffing. As recruitment efforts continue, workforce-related financial risks will remain a priority consideration in financial planning.

Unique Nature of Health and Social Care in Shetland

The health and social care landscape in Shetland is distinct, marked by challenges in recruitment and retention, necessitating the use of high-cost agency workers. The island's geography and dispersed communities limit the attainment of economies of scale, creating additional financial pressures. Persistent vacancies in Psychiatry, General Practice, Medical Consultants and Social Care require a continued reliance on temporary staffing solutions, which carry a significant financial premium. These costs are detailed in **Appendix 4**, illustrating the ongoing challenge and the need for proactive workforce planning. Future iterations of the MTFP will incorporate updated projections on temporary staffing costs and any savings achieved through recruitment and service redesign initiatives.

Work in Progress:

This plan is an evolving document that sets out the financial framework for the IJB but does not include specific savings proposals. Instead, savings plans and cost reduction measures will be developed and approved by the IJB over the course of the year, ensuring they align with service priorities and operational requirements.

The MTFP will be updated annually to reflect the latest financial position, while quarterly financial monitoring reports will provide updates on savings initiatives and cost reduction measures. Any service redesign or workforce changes resulting from these measures will be incorporated into the next iteration of the MTFP, ensuring that financial planning remains responsive to emerging challenges and opportunities.

Conclusion:

The MTFP provides the financial parameters within which service and workforce planning should be developed. It is a flexible and evolving document, updated annually alongside the budget, ensuring that Shetland IJB can adapt to emerging challenges, new information, and financial risks.

While this plan does not include specific savings proposals, these will be developed and approved by the IJB as the year progresses. Updates on savings initiatives and cost reduction measures will be provided through quarterly financial monitoring reports, with any resulting service redesign or workforce changes incorporated into future MTFP updates.

Given the persistent workforce pressures and reliance on temporary staffing, the MTFP will continue to highlight the financial risks associated with vacancies and agency costs, reinforcing the need for long-term workforce sustainability strategies.

NHSS and SIC, as the main funding partners, will work collaboratively to ensure a shared, transparent approach to financial planning, supporting the IJB in delivering high-quality, sustainable health and social care services for Shetland.

Appendices:

Appendix 1 - Assumptions: A detailed account of internal variables and assumptions shaping the MTFP.

Appendix 2 - Financial Outlook: An exploration of external factors influencing the MTFP, presenting a view of the broader economic, financial, and political context.

Appendix 3 - MTFP Details: Core financial projections for a five-year period, offering insights into income, expenditure, and the overall financial trajectory.

Appendix 4 - Workforce Pressures and Temporary Staffing Costs

Appendix 1 – Assumptions

The planning assumptions used in this MTFP are as follows:

SIC:

SIC funding to the IJB is based on their own MTFP which can be found on their website below.

[Shetland Islands Council - Medium Term Financial Plan 2023-2028](#)

The projections in Appendix 3 are based on the assumption that SIC will continue to fully fund their arm of the IJB budget, without a delegated savings target. It doesn't however incorporate the unsustainable draw on SIC reserves which accounts for 24% of their overall budget in 2025/26. Consequently, Directors have been asked to develop redesign initiatives that will impact on future years. All resultant changes will be incorporated into the next iteration of the IJB MTFP.

NHSS:

NHSS funding is based on their Annual Operating Plan which contains a rolling three year financial strategy which is submitted to the Scottish Government Annually.

NHSS plans are available on their website below.

[NHS Shetland Published Plans – NHS Shetland](#)

NHSS is required to deliver 3% recurrent savings each year and to remain within their annual funding allocation from Scottish Government. NHSS has no reserves therefore any overspend must be covered by 'brokerage' which is effectively a government loan which has to be repaid.

The tables below provides the general planning assumptions used in this MTFP.

Table 3.1 - NHSS

	2025/26	2026/27	2027/28	2028/29	2029/30
Uplift to core Scottish Government funding	3.00%	3.00%	3.00%	3.00%	3.00%
Uplift to Scottish Government bundle funding	0.00%	0.00%	0.00%	0.00%	0.00%
Pay Inflation – incremental growth [1]	0.10%	0.10%	0.10%	0.10%	0.10%
Prescribing – inflation and net growth	4.00%	4.00%	4.00%	4.00%	4.00%
High cost medicine – inflation and net growth	10.20%	10.20%	10.20%	10.20%	10.20%
General non pay inflation	2.00%	2.00%	2.00%	2.00%	2.00%

[1] Pay uplifts are generally fully funded by Scottish Government, only incremental drift unfunded.

Table 3.2 - SIC

	2025/26	2026/27	2027/28	2028/29	2029/30
Scottish Government general revenue grant	0.00%	0.00%	0.00%	0.00%	0.00%
Non-domestic rates	0.00%	0.00%	0.00%	0.00%	0.00%
Council tax	10.00%	4.00%	4.00%	4.00%	4.00%
Income – fees and charges	4.90%	4.90%	4.90%	4.90%	4.90%
[2] Pay inflation – unfunded element	2.00%	2.00%	2.00%	2.00%	2.00%
General non pay inflation	3.90%	3.90%	3.90%	3.90%	3.90%

[2] Pay awards aren't always fully funded by Scottish Government, a 2% funding gap has been assumed

Appendix 2 – Financial Outlook (March 2025)



Scotland's Fiscal Commission produce official, independent economic and fiscal forecast. To avoid duplication please refer to their website below for latest information.

[Scottish Fiscal Commission – Scotland's official, independent economic and fiscal forecaster](#)

Appendix 3 – Financial Projections (£s)

	2025/26	2026/27	2027/28	2028/29	2029/30
Budget	76,511,952	78,594,392	82,246,275	84,713,663	87,255,073
Cost of Services	76,619,094	79,755,295	83,442,004	85,945,265	88,523,622
Deficit	(107,142)	(1,160,903)	(1,195,730)	(1,231,602)	(1,268,550)
%	0.14%	1.48%	1.45%	1.45%	1.45%
Cumulative Deficit	(107,142)	(1,268,045)	(2,463,774)	(3,695,376)	(4,963,926)
%	0.14%	1.61%	3.00%	4.36%	5.69%

The IJB's financial projections extending to 2029/30 indicate a cumulative deficit of £4.964 million, equivalent to 5.69% of the budget.

These projections exclude any cost pressures associated with the ongoing requirement for temporary workers to cover key vacancies.

Workforce Pressures and Temporary Staffing Costs

The IJB faces significant workforce challenges, particularly in key clinical areas such as Psychiatry, General Practice, Medical Consultants and Social Care. Persistent recruitment difficulties have led to a continued reliance on temporary staffing, including agency locums and bank staff. These costs are not currently reflected in the core financial projections, which assume services are delivered using substantive NHS staff on standard terms and conditions.

Financial Impact of Temporary Staffing

The additional cost associated with temporary staffing is a key financial risk that contributes to the IJB's overspend. The table below provides an estimate of these costs based on current vacancy levels and agency rates:

Estimated Annual Temporary Staffing Cost (£s)

	2025/26	2026/27	2027/28	2028/29	2029/30
Psychiatry	590,172	531,155	478,040	430,236	387,212
GPs	1,043,784	939,406	845,465	760,919	684,827
Medical Consultants	756,000	680,400	612,360	551,124	496,012
Social Care Workers	1,300,000	1,300,000	1,040,000	832,000	666,000
Total	3,689,956	3,450,961	2,975,865	2,574,279	2,234,051

These projections assume a 10% (20% from 27/28 for Social Care Workers) annual reduction in temporary staffing costs, reflecting anticipated improvements in recruitment and retention. However, this estimate remains subject to workforce availability, and any shortfall in recruitment progress will require reassessment in future financial plans.

Mitigation Strategies

Addressing workforce sustainability is a priority, and efforts to reduce reliance on temporary staffing include:

- **Recruitment & Retention Initiatives** – Exploring financial incentives, international recruitment, and blended workforce models, including advanced practitioners and telemedicine solutions.
- **Regional & National Workforce Planning** – Engaging with NHS Scotland and neighbouring health boards to develop collaborative solutions for hard-to-fill roles.
- **Service Redesign** – Reviewing models of care to optimise workforce capacity, including skill-mix assessments and potential expansion of digital consultation options.

To ensure financial transparency, future iterations of the MTFP will incorporate updated projections on temporary staffing costs and any savings achieved through workforce redesign.