

Midlothian Integration Joint Board



Thursday 20th April 2017 at 2.00pm

Developing a three year financial strategy

Item number: 5.4

Executive summary

In principle, the IJB should have a three year financial plan which will articulate both what the resources available to the IJB are and will be and how these resources will be used to deliver the IJB's Strategic Plan. The IJB considered the principles and themes behind its financial strategy at its meeting of October 2016. There are some clear steps that will support the delivery of a three year plan – multi-year financial plans from the partners and a clear, agreed baseline – that remain to be delivered but this should not be seen as a reason why the three year plan should be developed.

This paper reflects on the potential size of the financial challenges facing the IJB based on a series of assumptions and then considers how these challenges can be managed whilst supporting the delivery of the IJB's strategic plan.

Board members are asked to:

1. *Note the contents of the paper*
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Developing a three year financial strategy

1 Purpose

- 1.1 This report lays out a projection of the financial challenges that will face the IJB over the three years commencing 2018/19 and considers how the IJB might manage that challenge whilst delivering the ambitions articulated in its financial plan.

2 Recommendations

- 2.1 The IJB is asked to :-
- Note the contents of this report

3 Background and main report

- 3.1 In principle, the IJB should have a three year financial plan which will describe the resources to be used to deliver its strategic plan. Although a great deal of work has been undertaken to develop this there have been three keys to this which require to be addressed :-
- An agreed baseline budget for the IJB
- A multi-year settlement for the partners to allow them to propose a multi-year budget to the IJB
- Fully costed models to articulate :-
- The cost of the new service models
 - The releasable resources from the closure of previous service models
- 3.2 To consider each of these elements in turn :-
- An agreed baseline budget for the IJB
- The financial assurance reports for both 2016/17 and 2017/18 reflected that, whilst the IJB understood and accepted the model used by the partners to generate the IJB's budget, the IJB did not consider this a final position. Especially in the health budgets where there are pan-Lothian services that require to be shared amongst the IJBs in the Lothians further work is require to finally assure the IJB that its share of the pan-Lothian resources is fair and that an appropriate model can be designed to reflect any changes in the population balance across the Lothian IJBs. This work is slightly confused by changes in the operational management of services and the movement of the management and delivery of some pan-Lothian services into the partnership, although the IJB would support the principle of locally managed and delivered services. That said,

its likely that this work will confirm the baseline rather than change it significantly. A report will be brought back to the IJB later in the financial year.

Multi-year settlement for the partners

In principle, the Scottish Government should make a three year (or even five year) financial settlement available to the partners who can then make a similar settlement available to the IJB. In both 2016/17 and 2017/18, the Scottish Government has made a one year settlement and although the Partners (especially the Council) make indicative multi-year settlements these are not definitive positions. The Scottish Government are planning to make multi-year settlements in future and both partners are committed to providing such information to the IJB to allow it to develop a multi-year financial plan as above.

Costed models

Its clear that the current service models require to be changed – both the financial and human resources to deliver these models are no longer available. The IJB is committed to wholly integrated, multi-disciplinary teams whose goal is to deliver the appropriate care in a community setting to individuals and their carers. This is very different from the differentiated services which are dependant on institutional based care which are currently provided. The IJB has supported the Partnership who are working to deliver this new model and much new development and change has already taken place. However the challenge is to move at pace on this change and the challenge from a financial modelling point of view is to understand what the new model would costs and what will be released to support that cost from the current models. This work requires to be further developed.

3.3 Financial Challenge – 2018/19, 2019/20 and 2020/2

A model illustrating the financial challenges in the three years starting 2018/19 has been developed. This is based on a set of assumptions :-

- That the IJB can break-even in 2017/18 and achieve its efficiencies recurrently
- That the uplift available to NHSIL in 18/19 is zero, and in 19/20 and 20/21 is 1%
- That the SCF is recurrent at the 2017/18 level but that there is no new SCF
- That any further investments (e.g. Primary Care) are matched by equal expenditure
- That the pay awards are 1%. the NCHC contract is uplifted by 2.8% and the living wage rises by 2%
- That Midlothian Council actions its outlined efficiencies

It should be emphasised that these are simply assumptions and that neither partner has formally struck a position for 2018/19 nor any future years at this time. The model also assumes that any efficiencies that require to be achieved in the financial year are achieved and therefore there is no carry forward of unmet efficiencies. Clearly there is also no recognition of any further investments that the IJB will require to make as populations change and there is a presumption that operational change can happen within this financial envelope.

- 3.4 Using these assumptions, and basing the starting position on the IJB's 2017/18 opening budget gives the following :-

	2018/19 £000's	2019/20 £000's	2020/21 £000's
Baseline	123,728	122,228	121,413
Adjustments			
NHSIL Uplift	0	685	692
MLC Budget	-1,000	-1,000	-1,000
Change to baseline	-1,000	-315	-308
Add'n			
Pressures			
Pay Uplift NHS	407	411	415
Pay Uplift MLC	130	131	133
Living Wage Uplift	19	19	20
Demographic pressures	500	500	500
NCHC	240	242	245
GP Prescribing	980	980	980
Total Pressures	2,276	2,283	2,293
Net Position	-3,276	-2,598	-2,601
Percentage	-2.65	-2.13	-2.14

- 3.5 The most significant pressure remains the growth in the costs of delivering medicines to patients in the community. Midlothian has led on the development of de-prescribing programmes which reflect the principle that health care has become 'over medicalised' and that more is not necessarily better. In some cases more is worse and in many cases much is not efficacious.
- 3.6 As was discussed above, the IJB was presented with a financial strategy paper in October 2016. This laid out the broad principles for service redesign and gave some operational examples. Its worth re-emphasising that redesign has to place not only to continue to improve the care provided to the community that the IJB services but also to recognise that, as laid out above, the financial resources available to the IJB (in real terms) will decrease in this three year period.

4 Policy Implications

- 4.1 There are no further policy implications arising from any decisions made on this report

5 Equalities Implications

- 5.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper. However, as services are redesigned as discussed above equalities impacts will require to be undertaken

6 Resource Implications

- 6.1 The resource implications are discussed above.

7 Risk

- 7.1 The issue of financial sustainability is already identified in the IJB's risk register

8 Involving people

- 8.1 This report is based on the IJB's Strategic Plan which itself has been consulted on with both the general population and staff

9 Background Papers

- 9.1 Referenced above.

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DATE	6 th April 2017

Appendices:	None
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