

Midlothian Integration Joint Board



1st March 2018

Financial Strategy and Financial Plan – Update March 2018.

Item number: 5.3

Executive summary

At the January meeting, the IJB was presented with an updated financial strategy. This has been further updated and is submitted for approval

At the same IJB meeting the first version of a three year financial plan was presented. This has now been further developed in light of the settlements received by the partners, Midlothian Council and NHS Lothian. The report also lays out the next steps which now need to be taken to develop the three year plan and allow that plan to provide a clear view of the IJB's intentions.

Board members are asked to:

1. Note the updated 3 year baseline position
 2. Note the updated financial strategy
 3. Support the proposed actions detailed in paragraph 3.13 of the report.
-

Financial Strategy and Financial Plan – Update March 2018

1 Purpose

- 1.1 This report is an update of the IJB's financial plan taking into account the Scottish Government's financial settlement for 2018/19 for the IJB's partners (Midlothian Council and NHS Lothian). The report also includes a further revision of the IJB's financial strategy.

2 Recommendations

- 2.1 As result of this report members are asked to:-
- Note the updated 3 year baseline position
 - Note the updated financial strategy
 - Support the proposed actions (Paragraph 3.13 below)

3 Background and main report

- 3.1 The IJB requires a multi-year financial plan which will lay out how it will use the financial resources available to it to deliver its Strategic Plan. It is clear that the increasing demand and expectations along with a reduction in total resources means that the IJB will have to manage a significant financial challenge. In order to address this challenge the IJB has prepared a Financial Strategy. This strategy lays out the principles (and some examples) of how the delivery of services will be redesigned and therefore how demand will be managed and the service delivery cost base will be reduced. This strategy underpins the delivery of the financial plan.
- 3.2 The first draft of the financial strategy was presented to the IJB at its October 2016 meeting. The underlying principles behind the strategy were agreed and the IJB was presented with an updated Financial Strategy at its January 2018 meeting. The financial strategy is a living document and, as service delivery redesign continues and the IJB continues to develop its strategic plan then the financial strategy will be updated.
- 3.3 The key themes of the financial strategy are :-
- Prioritising the Allocation of Resources
 - Making more efficient use of resources
 - A move from failure demand to prevention
 - A move from hospital care or care homes to community based services
 - A move to improved quality and access
 - A move from working in silos to team working
 - A move from reactive to anticipatory care planning
- 3.4 The financial strategy has been further updated since the January meeting and a revised version is attached to this report at appendix 2.

- 3.5 The financial plan presented to the January IJB was based on the financial information available from Scottish Government. The plan has now been updated to reflect the settlement announced on 14th December and further revisions made to the budget prior to the budget being approved by the Scottish Parliament. This is attached at appendix 1.
- 3.6 The plan is based on the principles laid out in the January paper, that is that the IJB takes the totality of its resources and then considers how that overall resource will be used to deliver the Strategic Plan. The plan addresses investment in broad programmes which were further described in the January paper. The IJB will then consider how much of its resources should be directed to each programme and then the service delivery teams of the partners will prepared detailed operational plans laying out how these resources will be used to deliver the IJB's outcomes.
- 3.7 Having agreed the operational plans the IJB will action this work through its Directions to the partners. The Directions for 18/19 are discussed further in a report which is also presented to this meeting of the IJB.
- 3.8 That said, the financial plan attached at appendix 1 takes the totality of the IJB proposed budgets (the allocations from both partners as considered in the financial assurance) and uses the current projected expenditure position supplied by the partners to illustrate the 'do nothing' position – that is what the financial pressures would be if the IJB did not progress with its service delivery redesign.
- 3.9 The financial information is the plan is derived from :-
- The budgetary settlement to the IJB from Midlothian Council. This is detailed in a letter to the IJB's Chief Officer which lays out the budget for 18/19 (discussed in the financial assurance paper) and provides indicative budgets for 2019/20 and 2020/21. It should be noted that the indicative budgets for the 19/20 and 20/21 have been revised from the previous position and now show significant increases in resources the previous efficiency targets having been removed.
 - NHS Lothian financial plans for 2018/29 to 2022/23 which were presented to the Lothian Finance and Resource committee at its January 2018 meeting. This also indicates the non-recurrent support that NHS Lothian have currently proposed in 2018/19 to underpin the GP Prescribing position. At this time, that support will not be available in 19/20 and 20/21 and this has a significant impact on the increase in financial pressures in future years.
- 3.10 This plan does not include any further investments to be made by NHSil to support capacity in Primary Care nor does it include further investments in Primary Care or Mental Health which were announced by the Scottish Government as part of their 2018/19 settlement. These investments will become known later in the year.
- 3.11 It is important to note that this IJB plan is based on the partners who have different planning models. The Council must set a balanced budget and

therefore it is assumed that any in-year financial pressures are managed in that year. For the purposes of the forward planning any efficiency requirements are shown as pressures, so that the resolution to the pressures – the efficiency plans – can be examined. NHS Lothian does not, in this iteration of its financial plan, have a balanced budget for any of the three years (18/19, 19/20 and 20/21). NHS Lothian assumes that pressures not managed in year are carried forward and it also assumes a level of non-recurrent funding in the first year of the plan. This has the impact of having a significant financial pressure in the second and third years of the financial plan.

- 3.12 The revised plan shows an ‘improvement’ in the projected pressures over the next three years compared to that presented to the IJB in January. This is as a result of additional resources being made available to the partners through the Scottish Government’s settlement, the reinstatement of the 2017/18 prescribing support discussed above and a reduction in the efficiency targets from Midlothian Council. However, the ‘do nothing’ position still has significant challenges in years two and three since the non-recurrent prescribing support in 18/19 will no longer be available, and is clearly not sustainable.
- 3.13 A detailed operational plan will be put together by September 2018 which will step through the actions discussed at a high level in the January IJB report. These are :-
- Further refinement of the IJB Health Budget setting model. This will allow the IJB to consider in detail not only the totality of its resources but also how they are currently being deployed. This will be critical to understanding the use of the Set Aside resources in the Acute Hospitals and therefore the impact of the IJB’s plans to change that resource usage.
 - A detailed examination of the programmes with the service delivery management teams to ensure that these are fully understood.
 - A consideration by programme e.g. Older People, of how the IJB’s overall resource should be prioritised. This will allow the IJB to consider how resources invested in these programmes should move over the years reflecting the delivery of the strategic plan.
 - The production of detailed delivery plans that are affordable within the overall programme resource. This will be absolutely essential in the delivery of financial sustainability for the IJB.

4 Policy Implications

- 4.5 There are no new policy implications in this report.

5 Equalities Implications

- 5.1 Equality impact assessments will be undertaken by the partners as part of the delivery of the efficiency programmes.

6 Resource Implications

- 6.1 The resource implications are laid out above.

7 Risk

- 7.1 The key risk – that the IJB has inadequate financial resources to deliver its Strategic Plan is laid out 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. Nevertheless the emerging financial challenges facing the partners, and therefore the budgets likely to be available to the IJB, require a concerted programme of public engagement. Transforming health and care services will only succeed if the people of Midlothian understand the changes being considered; are able to influence these; and are prepared to support them. With this in mind a communications and engagement plan is now being delivered

9 Background Papers

- 9.5 Outline 3 year Financial Plan and an updated Financial Strategy presented to the IJB in January 2018.

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
CONTACT INFO	david.king@nhslothian.scot.nhs.uk
DATE	February 2018

Appendix

1. Updated 3 year baseline position
2. Financial Strategy 2