



Thursday 7th December 2017 at 2.00pm

Financial Outline 2018/19, 2019/20 and 2020/21

Item number: 5.2

Executive summary

The first draft of the IJB three year financial plan will be presented to the IJB at its January meeting. This plan will support the delivery of the IJB Strategic Plan and will lay out the expected resources that will be available to the IJB along with the proposed utilisation of these resources indicating the financial challenges to be managed. The IJB received a first draft of its financial strategy – that is how the IJB will manage the financial challenge – at its October 2016 meeting and the financial plan will be built on that strategy. However, as part of the consideration of that financial plan the IJB needs to consider the totality of the financial challenge if there are no changes to the current service delivery mode.

This paper looks at the additional costs that will be incurred in the next three years if there are no changes to the service delivery model and expresses that pressure in financial terms.

Board members are asked to:

- 1. Note the contents of the paper*
 - 2. Ask the Chief Officer and the Chief Finance Officer to present the proposed 2018/19 recovery plans to the IJB at its March 2019 meeting*
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Financial Outline 2018/19, 2019/20 and 2020/21

1. Purpose

This paper lays out a projected financial position based on the 'do nothing' option – that is the financial impacts if the service redesign and the ambitions articulated in the IJB's Strategic Plan are not realised.

2. Recommendations

The IJB is asked to:-

- 2.1 Note the contents of the paper
- 2.2 Ask the Chief Officer and the Chief Finance Officer to present the proposed 2018/19 recovery plans to the IJB at its March 2019 meeting

3. Background and main report

- 3.1 Both the IJB's Partners are currently finalising their financial plans for 2018/19 and beyond. These plans examine the financial pressures in future years – pay awards, contractual commitments, planned investments and pressures generated by additional demand and also consider if any additional resources will be available to support these pressures. Both partners are projecting significant financial challenges given that any additional resources to support these operational processes are minimal.
- 3.2 The projection of financial pressures is considered in two different ways by the partners :
 - NHS Lothian examine all the additional costs that will be incurred in future years (assuming that there are no changes in the delivery model) and then net off any uplift available. This generates a significant financial 'gap' and this gap becomes the efficiency target.
 - Midlothian Council provide uplift to support pay and price changes and additional resources to manage the impact of demography but then reduce that position by an efficiency target.
- 3.3 Both these processes have projected significant efficiency targets. The achievement of the efficiency targets becomes part of the operational delivery unit's financial plan and the operational delivery units have been and continue to develop plans to deliver against these targets.

- 3.4 Both partners are awaiting the Scottish Governments financial settlement which will be announced in December 2017. In receipt of this settlement both Midlothian Council and NHS Lothian will move to prepare and agree a financial plan (budget) for 2018/19. The Partners have also committed to providing indicative financial plans for the two following financial years.
- 3.5 These plans will then allow the partners to make budgetary offers to the IJB and the partner's analysis of the financial pressures in these budgets will allow the IJB to understand the pressures in the resources available for the functions which have been delegated to it. Both Midlothian Council and NHS Lothian have already provided an indicative budgetary position to the IJB for these three years and this information will be used to prepare the IJB's three year financial plan which will be presented to the IJB in January 2018.
- 3.6 The IJB's financial plan will lay out the indicative resources available to the IJB along with the utilisation of these resources by programme (not by operational provider). This programme analysis will show how the IJB will prioritise its resources and where it will invest and disinvest. The information provided by the partners will allow the IJB to understand where financial pressures require to be managed and the strategy (the mechanism) for managing these pressures will be laid out in the financial strategy.
- 3.7 The themes in the financial strategy are

Current Position	Moves to	End position
Failure Demand	→	Prevention
Specialist Services	→	Generalist Services
Hospitals/Care Homes	→	Community Services
Treatment and Support	→	Recovery/Rehabilitation

And these are underpinned through the realistic care, realistic expectations programme and the IJB's public engagement work.

- 3.8 That said, it is worth examining the totality of the IJB's financial pressures which have been extracted the partners indicative financial plans. Its important to note that the partners have not yet completed their plans and the analysis below is to give the IJB an indication of the financial challenge facing the IJB and not a formal statement from the partners.
- 3.9 This projection is based on the following assumptions :-
- Any additional costs incurred through the delivery of the new GMS contract, the implementation of the carers bill and free personal care for those under 65 are funded fully by the Scottish Government
 - That there are no other investments or further developments – for example no additional costs incurred in the reprovion of the Royal Edinburgh Hospital.

- That the two 'non recurrent' pressures can be managed in 2018/19 and that the underlying position will be brought back in balance in that financial year.
 - And this is the 'do nothing' option. The IJB and the partnership have already developed and are implementing a series of service resign programmes and this work will continue. The IJB will also seek to prioritise its resources and this analysis simply assumes that all the current services will continue as is.
- 3.10 Appendix 1 lays this out at a high level and shows the increased costs of service delivery and demand pressures (expressed as demographic pressures) that would arise if no actions were taken by the IJB and its partners less an indicative position of a very modest level of uplift available. As was discussed above there is also an assumption that new legislation and the revised GMS contract are fully funded. In total, over the three years this amounts to increased cost demand of c. £18.7m, and, expressed as a percentage of the IJB's opening baseline for 2017/18 efficiency targets of 5.7% in 2018/19 , 4.4% in 2019/20 and 5.2% in 2020/21
- 3.11 As was discussed above, the operational units are bringing efficiency plans together and the IJB's strategic plan and financial strategy are designed to address the matter of financial sustainability. The financial plans will be presented to the IJB at its January 2018 meeting and the outline efficiency plans for 2018/19 at its March 2018 meeting.

3. Policy Implications

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

4. 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

5. Resource Implications

- 6.1 The resources implications are laid out above

7 Risks

- 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. 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 developed.

9 Background Papers

- 9.1 Previous finance reports to the IJB discussed above.

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Appendix – Analysis of IJB 'financial Pressures' 2018/19, 2019/20 and 2020/21