



Financial Strategy

Item number: 5.2

Executive summary

The challenge for the IJB is to deliver the national outcomes for its population within the financial resources available given that these resources are reducing in real terms and that the demand for the IJB's functions has tended to increase over the past few years.

This paper is about the development of the IJB's Financial Strategy and looks at the principles behind redesigning the IJB's services and moving from specialist and institutional based services to a more generalist, community based model.

In order to provide a background to this strategy the paper also examines the financial projections for the IJB in 2016/17.

Board members are asked to:

- 2.1 Note the contents of the report**
 - 2.2 Agree the approach laid out in this paper to the development of the IJB's financial strategy**
 - 2.3 Agree, in principle, the IJB's lead role in the financial planning process for its delegated functions including the governance around any 'recovery' and efficiency plans**
 - 2.4 Agree that in 2017/18 the financial planning process will move to being a tripartite process with the two operational partners - NHS Lothian and Midlothian Council**
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Financial Strategy and Financial Update

1. Purpose

- 1.1 This report is about the development of the IJB's financial strategy and lays out the principles behind redesigning the delivery of services moving from specialist and institutional based services to a more generalist and community based model. This strategy will require a fundamental review of the current services and how they use their resources. This review will inform the transformation of services and deliver the efficiencies to allow the IJB to achieve its strategic goals. The Financial Strategy and the Strategic Plan will work together to ensure the long term sustainability of health and care services.

2. Recommendations

- 2.1 Note the contents of the report
- 2.2 Agree the approach laid out in this paper to the development of the IJB's financial strategy
- 2.3 Agree, in principle, the IJB's lead role in the financial planning process for its delegated functions including the governance around any 'recovery' and efficiency plans
- 2.4 Agree that in 2017/18 the financial planning process will move to being a tripartite process with the two operational partners-NHS Lothian and Midlothian Council

3. Background and Main Report

3.1 Update on the 2016/17 financial out-turn projections.

Both NHS Lothian and Midlothian Council have now completed their quarter one reviews. These reviews look at the actual financial position for the first three months of the financial year and, using that position as a base, develop a projected out-turn position (that is a forecast position at the end of the financial year). Both NHS Lothian and Midlothian Council are predicting an overall break-even position for 2016/17 although, in the case of NHS Lothian, this includes a considerable element of non-recurrent support.

Both partners have provided an analysis of these quarter one reviews as they impact on the IJB's budget and this shows:-

	Budget £000's	Projected Out-turn £000's	Variance £000's
Adult Social Care	38,563	39,141	(578)
Health			
Core	53,041	53,238	(197)
Hosted	11,802	11,751	51
Set Aside	18,742	19,443	(701)
	122,148	123,573	(1,425)

In summary this analysis projects that the IJB would be overspent by c. £1.4m.

There are three main drivers behind this projection:-

- Adult Social Care – largely due to additional demand pressures which is expressed through an overspend with the resource panel budgets. The service has a recovery plan in place with proposals to achieve a break-even position before the end of the financial year.
- Health Core Services – the financial plan included a pressure in the GP prescribing settlement which is to be underpinned by a range of efficiency schemes. These schemes have yet to be fully implemented and a recovery plan is in place. NHS Lothian will provide financial cover for any prescribing overspend beyond the financial position agreed in their budget setting process.
- Set Aside services – NHS Lothian will provide cover for this financial pressure in 2016/17. The major pressure is within General Medicine and discussions are underway with colleagues to understand the drivers behind this financial pressure.

3.2 Financial Planning.

3.2.1 Financial Planning - Process

A report was presented to the IJB at its June '16 meeting outlining the financial planning process for 2017/18 asking the Chief Officer and the Chief Finance Officer to develop, along with the partners, an appropriate financial planning process for 2017/18. This work is on-going.

There are two elements to the financial planning process:-

- A consideration of financial pressures - both underlying pressures already in the system and unavoidable pressure in future financial years, for example pay awards and contractual uplifts.

- A consideration of the impacts of changes in the current services delivery as described in the Strategic Plan. This will encompass redesign of services and a reflection of the impact of future demand on the IJB's functions. For example, as part of its investment in primary care services and to reflect the increased population of Midlothian, NHS Lothian is providing another GP Practice in Midlothian.

Midlothian Council and NHS Lothian have started their financial planning processes for 2017/18 which will provide an analysis of the financial pressures that are embedded in the IJB's budgets. Midlothian Council (as reflected in the report to the Council in September '16) and NHS Lothian (as reflected in their letter to the IJB of 22nd September 2016) have both laid out their timetables and some indicative values for the next financial year.

The IJB's Strategic Plan does not immediately address the financial pressures in the system. The current plan is an articulation of the IJB's principles but has not yet tackled the detailed issues of a fundamental redesign of individuals' care pathways. How the financial pressures might be addressed is considered as part of the financial strategy section below. The financial strategy has to be read in conjunction with the Strategic Plan as this financial strategy has to secure the delivery of the strategic plan and inform the transformation process.

The core of the financial strategy will be a fundamental review of all existing budgets and a prioritisation of the financial resources available to the IJB. It is likely that failures in one part of the overall system of health and social care will create demand in another – delayed discharge may be seen as an example of this – and a significant part of this work will be to remove the effects of 'failure demand'.

3.2.3 Financial challenge facing the IJB in 2017/18.

Appendix 1 is a reflection of the financial projections laid out in the indicative financial outlines of both partners. It is very important to note that these are not, by any means, final projections nor have these values been provided by the partners. These are the IJB's own estimates which provide the IJB an indication of the size of the financial challenge in 2017/18.

The rows in this table indicate the types of financial pressures that the IJB will face, although this table does not show any financial changes that arise from the implementation of the strategic plan and from the redesign of services. It is important that the IJB agrees which financial pressures it is prepared to accept and the IJB must inform its partners of any financial 'pressures that the partners identify for the delegated functions that the IJB is not prepared to accept.

It can be seen that the financial pressures are significant although there will be uplift available from the partners and other sources of additional funding may be available and as part of their financial planning processes the partners will be providing a set of recovery plans to produce a balanced position. As was

discussed in the paper to the IJB at its June 2016 meeting, the governance around any recovery plans now lies with the IJB and the IJB will have to consider the impact of these recovery plans on its Strategic Plan.

Audit Scotland has produced a report (Social Work in Scotland) which looks at the future of social care and considers the financial and operational challenge. The report concludes that if social work continues to be delivered in the same way – that is if the current model is not radically changed – then between now and 2020 the costs would rise between somewhere between 16% and 20%. In Midlothian this would mean a cost increase of at c. £8.0m over that period.

3.2.4 Transition from previous financial planning model to an IJB led model.

The financial planning in 2016/17 was led by the partners (Midlothian Council and NHS Lothian) and the IJB has reviewed this work as part of its financial assurance. Ideally in 2017/18 and thereafter financial planning for the functions delegated to the IJB should be led by the IJB. However, the IJB has to accept that the financial planning for 2017/18 will be a tri-partite process – that is the leadership of the financial planning will be shared by the IJB, the Council and NHS Lothian. In 2018/19 the process should move to a much more IJB led process.

This is illustrated in the diagram below:-

Year	Lead financial planning body	Supporting the development of the plan	Influence on the plan
2016/17	MLC & NHSiL	MLC & NHSiL	IJB
2017/18	MLC/NHSiL/IJB	MLC & NHSiL	MLC/NHSiL
2018/19	IJB	MLC & NHSiL	MLC/NHSiL

3.2.5 Facilities, Governance and other Overheads

As part of the process to agree the financial resources available to the IJB to support the functions delegated it was decided to park the issues of the facilities costs – the costs of running the various health and social care facilities both the costs of the property and the non-direct costs of the care (catering, cleaning etc) – and the corporate overheads (corporate management and the various back office costs IT, HR, Finance, Training etc). It would have been too complicated and too time-consuming to allocate out these budgets in the opening IJB budgets and, in any event, the capital assets are not allocated to the IJBs and

the partners organisations have to continue to function as operational delivery units. That said, it is clear that the IJB itself requires sufficient resources to allow it to plan and redesign the services it has been allocated to represent the functions delegated and these resources are currently part of the partners' corporate services.

Governance is a key element of the delivery of health and social care. However, there is a risk that the system becomes over-governed – there being sets of governance for the Health Board, the Council and the IJB. The IJB is committed to not duplicating governance and it may be worth considering seeking a review of the governance processes within the partners to drive out some (albeit modest) elements of cost.

3.2.6 Future years – 2018/19 and 2019/20

As was discussed above, the partners have already started the 2017/18 financial planning processes. The IJB's ambition is to have a financial plan in place by December '16, however given that the Scottish Government will not publish its financial settlement until November '16 it is possible that this timescale will slip.

The IJB is required to have a three year financial plan in place. The current indications are that the Scottish Government will provide a one year settlement for 2017/18; however the IJB will ask its partners to provide indicative three years plans which the IJB will use to develop its Strategic Plan.

The 2017/18 process will continue to move from the previous partners based processes to a process driven by the IJB but this new process will not be fully in place for 2017/18. The IJB will continue to develop an agreed baseline position for its budgets and, working with the partners, improve the financial planning timescales by moving to a proper three year plan rather than the current position of a detailed one year plan with indicative values for the next two years.

3.3 Financial Strategy – How are we going to address these problems?

In summary, the financial strategy is based on delivering an overall movement of care from specialised and, institutional based services to generalist and community based services.

This will begin with a fundamental review of the current services that are allocated to the IJB and a prioritisation of the resources available to the IJB based on the outcomes articulated in the Strategic Plan. This strategy will also release resources from the system which will allow the IJB to reduce its underlying cost base back into line with the resources that will be available to it.

The IJB will employ a prioritisation process – which is basically reviewing the resources available and prioritising them to achieve the agreed outcomes. Guidance on that process has been issued by the Scottish Government and this is attached as appendix 2. The themes laid out in the guidance are those that flow through this paper and based on the fundamental review of the current utilisation of resources as discussed above along with redesign of the overall health and social care system mapped onto the needs of the individuals who require that care

The move of resources should reflect the key strategic aims of the IJBs, and the key principles are as follows:-

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

It is worth examining examples of how this philosophy might change the delivery of the services that have been delegated to the IJB.

3.3.1 Move from Failure demand to prevention.

One of the most pressing examples of failure demand is delayed discharge. Delayed discharge consumes resources in the system and delivers no benefit at all to the patients trapped in this process. Work on anticipatory care and hospital at home should support admission avoidance which will strike at the root cause of delayed discharge.

It has long been accepted that prevention programmes can deliver significant benefits to both patients and the utilisation of health and social care resources. Further development of the prevention principle will be a key part of the IJB's strategy. Examples of preventative services include Falls Prevention, Ageing Well and Local Area Co-ordination which supports people to remain active and socially connected within their community. Much preventative activity will be delivered by other partners within the broader Community Planning Partnership. Examples include employability support services, housing and leisure services.

3.3.2 Move from Specialised Services to Generic Services

Specialised Services

In healthcare there has been a growing tendency to over-medicalise conditions and to provide a range of highly specialised services which provide very specific care to a relatively small number of patients. Example of how such services could shift emphasis include:-

- *Diabetes services delivered by consultant led teams within the RIE significant elements of which could be transferred to GP practices and community based services.*
- *Respiratory services being supported and delivered through physiotherapists and anticipatory care nurses, avoiding the need for hospitalisation to manage conditions such as COPD.*

Clearly this is not to be construed in any way as criticism of this type of care. It is simply a reflection that care provided in this way has a very high unit cost and the IJB has to consider how this resource could be employed in a different way to deliver the national outcomes. A mechanism for this is considered below as part of the prioritisation process.

Generalist services

The redesign will be based on generalised models wherein care staff – and those will not be specialised staff – will work with the patient/client on a holistic basis. Specialist staff will be available to support this care as necessary but generally will not be first point of contact. There are specialist staff employed by the Partnership and the roles of these staff will have to be redesigned to ensure that their skills are only utilised as required. An example of this would be the development of the role of the post diagnostic support worker within the Dementia Team rather than the use of specialised dementia nursing staff.

As part of the process of the management of demand and the move away from specialised (generally health) services, the IJB will support the very promising work on 'realistic medicine'. This is laid out in detail in the Chief Medical Officer for Scotland's report for 2014/15.

3.3.3 Move from Hospitals/Care Homes to Community based Services

Institutional based services.

Much of the institutionally based services are also specialist in nature although the institutional basis of care is largely a reflection of the historical provision rather than an appropriate care model. Examples would be:-

- *Learning Disabilities in-patient beds: There are a range of LD in-patient services provided across Lothian which provide care for some Midlothian Patients. These services are currently being redesigned to reduce the number of in-patient beds and provide care appropriately in a community based setting.*
- *Rehabilitation in-patient beds. It has been suggested that much if not all rehabilitation could take place in the community*
- *Acute Receiving Unit: There are currently two in Edinburgh (at the RIE and WGH). Most areas of similar populations have only one acute receiving unit and the IJB could consider examining what synergies might come from merging the two current units into one.*
- *Substance Misuse Services: The IJB received a report at its previous meeting outlining a significant reduction in the resources available for specialist drug and alcohol services. This has created a specific challenge but the resolution will be in a fundamental redesign of these services which will be centred around a community based model emphasising recovery rather than treatment*

As part of the establishment of a baseline for the resources that the IJB has allocated to it, the number of beds (both in-patients health beds and care home beds) will be clarified. It is clear that through this overall strategy the number of beds used by the IJB will then reduce from that base.

Community based services

This transfer of resources into a community setting will mean a reduction in the number and shape of the current institutions. Reducing numbers of beds (in care homes and hospitals) will be challenging and can only be actioned if there is sufficient capacity in the community to provide appropriate levels of care. The IJB will have to consider what range of community provisions it will require to support this process and how these provisions will be resourced.

3.3.4 Move from Treatment and Support to Recovery and Reablement

The shift from treatment to recovery services is most developed in substance misuse and mental health services. Within substance misuse the development of recovery focused services including the Recovery Cafes and the Recovery College have made an important contribution to improved outcomes for individuals. We have seen a flourishing in peer support initiatives in both substance misuse services and mental health services. This approach focuses on developing the capacity of each individual as well as the unique contribution of peer support and social inclusion in the journey of recovery.

The Reablement service focuses on helping home care clients to regain their daily living skills and reduce their ongoing dependency on care services.

3.4 Workforce Planning

The IJB will have to develop its workforce planning in partnership with the Council and NHS Lothian. This will follow the same overall principle as the Financial Strategy with an emphasis of moving from specialised institution based workforce into a generalised, community based workforce.

A workforce plan will be brought to the IJB for consideration in early 2017.

4. Policy Implications

This is a discursive paper and there are no further policy implications arising from any decisions made on this report. However, there may be policy decisions that arise from the redesign of the current system of health and social care services

5. Equalities Implications

There are no equalities issues arising from any decisions made on this report.

6. Resource Implications

The resource implications are discussed above.

7. Risk

Some of the risks are discussed above but this work requires to be fully developed and included in the IJB's risk register

8. Involving People

8.1 There are no implications for involving people as a result of this report.

9. Background Papers

- 9.1 The reports to the IJB :-
April '16 Meeting – Financial Strategy Outline – 2017/18 and beyond.
June '16 Meeting – Financial Planning for 2017/18

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Appendices:	Appendix 1 - Indicative 2017/18 Financial Overview Appendix 2 - Scottish Government – Advice Note, Prioritisation Process
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Appendix 1 – Indicative 2017/18 Financial Overview

	Health £m	Social Care £m	Total £m	Note
Pressures				
Unmet 16/17 Efficiencies			0.0	Not yet available
Efficiency Targets for 2017/18	2.5	1.5	4.0	NHS based on c 7% overall efficiency
FYE of Living Wage		0.5	0.5	
Living Wage Uplift		0.1	0.1	
NCHC Uplift		0.2	0.2	Based on 16/17
Pay Award	1.0	0.2	1.2	Based on 16/17
GP Prescribing	0.8		0.8	
New Practice	0.2		0.2	
Transitions for LD		0.2	0.2	Based on 16/17
Impact of future demand		0.6	0.6	Based on 16/17
	4.5	3.3	7.8	
Uplifts etc				Not yet known