

Thursday 11 December 2018, 2.00 pm

IJB – Outline Three Year Financial Plan - 2018/19, 2019/20 and 2020/21

Item number:

Executive summary

The IJB requires a multi-year financial plan that will lay out how the IJB will use the financial resources available to it (the budget) to deliver its Strategic Plan. At the IJB's August 2017 meeting it was agreed that an outline financial plan be prepared which would start to lay out both the financial challenges and how these might be resolved over the next three years. This outline financial plan is presented both to inform the IJB's partners of the IJB's plans in financial terms and also to stimulate discussion around the solutions presented. Its important to note that the plan does not differentiate between which partner will deliver services, it simply takes the totality of the resource available to the IJB and employs that resource to deliver the functions delegated to the IJB expressed in terms of 'programmes'

There are three appendices to this paper –

- An revision of the IJB's financial strategy*
- An outline financial plan for the next three financial years*
- NHS Lothian's most recent proposal on the revised IJB budget setting process*

Board members are asked to:

- 1. Support the financial strategy*
 - 2. Support the financial planning model*
 - 3. Support the continued development of the financial planning model*
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1. Purpose

- 1.1 This paper further develops the IJB's financial strategy and provides a high level outline of the IJB's three year financial plan which has been prepared to support its Strategic Plan.

2. Recommendations

The IJB is asked to:-

- 2.1 Support the financial strategy and endorse the underlying principles
- 2.2 Support the financial planning model
- 2.3 Support the continued development of the financial planning model

3. Background and main report

- 3.1 The IJB requires to prepare a multi-year financial plan which will lay out how the IJB will resource the delivery of its Strategic Plan. At its October 2016 meeting the IJB was presented with the first iteration of its financial strategy – that is a general set of principles which will underlie the financial plan. A further development of the IJB's financial strategy is attached to this report as Appendix 1.
- 3.2 At its August 2017 meeting the IJB agreed to draw up a 'straw man' outline financial plan – that is a financial plan laying out a set of propositions which will both inform the partners of the direction of travel and stimulate discussion around the proposed position. Appendix 2 lays out the IJB's indicative three year financial plan.
- 3.3 There is a difference between the financial strategy and the financial plan. The financial strategy lays out the principles through which the IJB will deliver its financial plan, the financial plan being a statement of what financial resources will be used to deliver the functions that have been delegated to the IJB.
- 3.4 In terms of operational delivery, it is envisaged that the Health and Social Care Partnership will largely be the delivery model for the delegated functions working on the broad premise that any service that can be managed by the partnership should be managed by the partnership.
- 3.5 That said, in the case of some pan-Lothian health services and specifically the Set Aside services the IJB will have to work with the other Lothian IJBs and NHS Lothian to ensure that the goals in the IJB's Strategic Plan are delivered. Clearly

the IJB needs to understand how its delegated functions managed in the Acute system can be transformed and will work with the Acute management teams to deliver this transformation. This work could be highlighted in a more specific direction to NHS Lothian and this will be considered as part of the 2018/19 direction setting process. Work is underway with NHS Lothian to ensure that a proper financial model exists to allow funds to be transferred from the Acute system as activity is moved into a community based setting.

Financial Context

- 3.6 Broadly, the financial context is simple. Demand for health and social care services is increasing and the financial (and staffing) resources to deliver health and social care services are decreasing. Demand is driven by improvements in medical technology, increased patient expectation and demographic changes and the UK government's policy of constraining public expenditure has reduced the financial resources available. It is also important to note that health and social care is facing serious staffing shortages – for example it is very difficult to recruit GPs and social care workers.
- 3.7 It is clear that the current delivery model employed by both Health and Social Care is not sustainable in the longer term and the IJB is committed to changing the service delivery model for health and social care to allow it to live within both the financial envelope and to recognise the current staffing issues.
- 3.8 Of course, the IJB remains committed to delivering the highest quality of care and to continue to tackle the issue of inequalities. However, achievement of these goals does not necessarily require the expenditure of more money – the IJB will achieve these goals by changing the delivery model of health and social care to a locally managed, locally delivered, integrated services that support the population on a holistic basis. The IJB will also continue to engage with its public and continue to develop the realistic care, realistic expectations programme. This is further explored in the IJB's financial strategy
- 3.9 At its December 2017 meeting the IJB received a report which was an illustration of the financial challenges and a reflection of the impact of not changing the delivery model. Appendix 3 lays out the financial implications of the 'do nothing' option. This report showed, over the three years additional 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. Although the Scottish Government has now published its draft budget for 2018/19 work is still underway to revise this model. It is unlikely that the position above will improve.
- 3.7 In order to address these financial (and operational) challenges the IJB requires a clear financial strategy which will then be used as a basis for the delivery of its financial plan

Financial Strategy

- 3.8 At its October 2016 meeting, the IJB considered a financial strategy that would underpin its financial plan. In March 2017, the IJB agreed its 2017/18 delivery plan for health and social care. This plan reported on the progress made in

implementing the 2016-19 Strategic Plan and summarises the specific actions planned in 2017-18.

This work will be supported through wide ranging public engagement which will not only explain how the health and social care service delivery is changing but will also engage the public as key elements in the delivery of their own care.

- 3.8 The IJB has developed a realistic care, realistic expectations model which, through engagement, discusses what health and social care services can appropriately provide and what then is then the expectation of the population.
- 3.9 The October 2016 financial strategy report presented an overall philosophy and developed some real world examples of how these principles could be (and have been in some cases) applied. The further development of the financial strategy is developed through a range of key themes, these 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
- 3.10 These themes and, more importantly, examples of how they are being applied to the health and social care services in Midlothian are laid out in more detail in Appendix 1.
- 3.11 Both NHS Lothian and Midlothian Council have also produced financial strategies. These plans are not really different from that of the IJB in that they both agree that the current service delivery model requires fundamental redesign.

Outline three year financial plan

- 3.12 Appendix 2 is the first iteration of a high level financial plan for the IJB. This is based on the current information available – that is it prior to the Scottish Government’s announcement of their financial settlement for 2018/19 which was made on 14 December 2017. This plan lays out how the IJB would utilise that resource at a high level over the three year period. It is now expected that the operational units will now be required to lay out how they will utilise these resources to deliver the IJB’s Strategic Goals. Clearly these operational plans will have to utilise the IJB’s overall financial strategies.
- 3.13 Thus the simple principle behind this financial plan is that the IJB will identify the total resources available to it and then use these resources to deliver its Strategic Plan. The IJB will not plan to spend any more resources than it has available and given the discussion on the pressures arising from the ‘do nothing’ option (paragraph 3.8 above) this will present significant challenges.

- 3.14 This process starts with an agreed mechanism through which the IJB agrees the total resources available. The current mechanism by which NHS Lothian and Midlothian Council make offers to the IJB will not change and the IJB will have to undertake financial assurance on the 'budget' proposition from the partners however, these proposition will not constitute either health or social care budgets but, as described above, the totality of the resources available to the IJB.
- 3.15 As before, the IJB will have to decide if the financial propositions from the partners are 'fair' and equitable. NHS Lothian are currently undertaking further work to establish a 'fair share' budget and this process will be more transparent than the current budget setting process. NHS Lothian's most up-to-date position on this work is laid out in a paper that was presented to the Lothian Finance and Resources committee in November 2017. This is attached for reference.
- 3.16 The Council's budget proposition is simpler in that it is basically the budget for adult social care, although given the principle above the council is actually deciding what resources it will allocate to the IJB having delegated the delivery of social care to the IJB.
- 3.17 The plan does not differentiate between who will deliver, in operational terms, the functions (presented as programmes in the plan) and the total against each programme also provides an indication in intent – increased investment, continued investment or reduced investment.
- 3.18 Clearly, given the discussion above regarding the totality of the challenges, even with the application of the changes articulated in the strategic plan there will be financial pressures in individual programmes as (for example) pressures arise from increased pay awards and contractual uplifts along with demand pressures. Against each programme line an indication of the potential pressures in 2018/19 has been made along with a reference back to the strategy which lays out (broadly) how this financial pressures will be managed
- 3.19 The outline plan is based on the assumption of break-even on a year on year basis and although the IJB can create reserves this mechanism has not been considered in this first draft. This plan is really a discussion document in that it shows where the IJB proposes to utilise its financial resources and where it will invest and where it will disinvest. That said, this plan does not, in any meaningful way, propose investments in any programmes. Given the overall constraints in resources it is proposed that the 'best' position in years one to three for a programme is a (relatively) flat settlement.
- 3.20 The base position in the plan (2018/19) is based on the current operational budgets. Ideally a zero based budgeting exercise would have been undertaken which would have prioritised the overall use of resource and directed the resource accordingly. However, this has not been possible at this time however although the total value for the programme is based on the current budgets this does not mean that individual services budgets will remain the same. The services that deliver each programme will have to deliver the programme using no more than the overall resources for that programme.
- 3.21 The Management Teams will now have to construct operational budgets that fit the resources envelope expressed in the programmes and this will give them the

opportunity to redesign their services based on the principles that the IJB has articulated in its financial strategic.

- 3.22 As is described above, the IJB's functions have been gathered into 'programmes'. These programmes are based on those used in local authority planning and reporting with the additional of specific health issues – primary care and set aside. Appendix 2 describes the contents of the programmes
- 3.23 The IJB was previously presented with the Scottish Government advice on prioritisation. Prioritisation is simply the exercise of deciding which services to support within the constrained resources with those services not prioritised not being supported. This recognises that not every service currently being provided can continue to be provided and the SG advice provides a model to undertake this exercise.
- 3.24 It is accepted that the 'programmes' are necessarily at a relatively high level and that each programme will, using the principle and models laid out in the financial strategy have to redesign within the resources elements in the plan. Of course, it is also accepted that these overall resource elements are based on the current budgets and not on a fundamental review of how the total resources available to the IJB should be used (and prioritised). This exercise can be carried out in the next financial year to support a revised plan in future periods.
- 3.23 The plan does not currently recognise any further investments in Health and Social Care as indicated by the Scottish Government in their 2018/19 budget proposition. These elements will be built into subsequent plans once the details have been finalised.

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 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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Appendices

1. Financial Strategy
2. Draft outline three year financial plan
3. NHS Lothian – Updating the IJB budget and Cost allocation model