



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 28 April 2016

BY: Chief Finance Officer

SUBJECT: Financial Strategy – 2016/17 and beyond

1 PURPOSE

- 1.1 This report considers the broad outline and approach to underpin the IJB's financial strategy for the next three financial years.

2 RECOMMENDATIONS

It is recommended that the Board:

- 2.1 Note the contents of this report
- 2.2 Consider these options and support the approach of the management team.

3 BACKGROUND

- 3.1 The IJB has now published its first Strategic Plan. This plan, albeit at a relatively high level, is primarily concerned with transforming health and social care services for the population of East Lothian in line with the agreed national outcomes.
- 3.2 The Strategic Plan contains a financial plan which lays out the financial resources to be used to deliver the functions delegated to the IJB as articulated in the Strategic Plan.
- 3.3 That said, the financial plan is a reflection of the resources currently available and does not specifically recognise the efficiency plans embedded in these resources. Nor does the plan fully address the continued reduction in resources that will impact on future financial years in sufficient detail.
- 3.4 It's clear from the financial assurance work undertaken on the IJB's opening budgets from both the Council and NHS Lothian that there are

significant financial pressures in the current year (2016/17) and in future years. The totality of these pressures in 16/17 – at this time still indicative but in the region of c. £5.0m – do not yet have fully developed recovery plans and further work is underway to develop a break-even position for 2016/17. When this work is complete the details and impact of these schemes will be reported back to the IJB as discussed in the report on Financial Assurance presented to the previous meeting. It's unlikely that these pressures will be fully resolved on a recurrent basis in 2016/17 and the financial pressures in 2017/18 will create a challenge for the IJB. Unlike 2016/17, in 2017/18 the primary financial planning activity will be delivered by the IJB and the IJB requires a financial strategy to underpin its financial plan.

3.5 It's important that the Strategic Plan does not lose its emphasis and ambition on transformational change but it now also needs to address the financial issues that the IJB must consider.

3.6 The general principle is that the IJB must reduce its cost base in line with the reduced resources available. There are some additional funds available in 2016/17 (the Integrated Care Fund and the Social Care Fund) but these resources must be used to deliver 'additionality' and support the redesign of health and social care services.

3.7 In order to reduce the cost base there are five broad areas of approach which the IJB is considering :-

3.7.1 Synergy

There are a range of health and social care services which have been built up incrementally over a period of many years which deliver support to patients/clients in East Lothian. In many cases these services continue to function in silos and do not deliver care in the most cost effective and integrated manner. The Partnership has been developing and implementing plans to bring much of these services together (for example ELSIE) which will improve the level and capacity of the community care system whilst reducing or at least constraining the cost base. This work needs to continue and this principle will now also be applied to other services which have been delegated to the IJB but which might not be fully managed within the Partnership.

3.7.2 Changing the Balance of care

One of the over arching outcomes that is embedded in the IJB's Strategic Plan is changing the balance of care. This can be construed in different ways but fundamentally this is about redirecting resources that are currently invested in institutional based provisions (hospitals and care homes) into community based services.

3.7.3 Disinvestment

The IJB will have to disinvest from some of the services that have been delegated to it. This will be a difficult and challenging exercise and will have to be undertaken in full consultation. However, given the size of the financial challenge and even after having generated efficiencies

through synergy and the closing of institutional services as above, some further disinvestment will be inevitable. A process to look at all the current services and consider the impact of each of those services in terms of their ability to deliver the national outcome in relation to other services will now be commenced.

3.7.4 Shifting the emphasis to prevention and recovery

Much care requirement, especially in health, is generated as a result of illness progressing that could either have been prevented or mitigated by earlier action. The IJB will emphasis prevention and recovery and this should have the effect of reducing or, at least, constraining the demand for health and social care services in the future. This is a long term strategy by its very nature but is a key theme running through the strategic plan.

3.7.5 Corporate issues

There are two areas of work to be undertaken here:-

- A consideration of the 'back office support' and other corporate services that have yet to be delegated to the IJB.
- An examination of the governance systems that support the functions that have been delegated to the IJB which have, in the same way as the current services, been developed incrementally and which now require a fundamental review.

3.8 In order to continue to develop the financial plan (in line with this overall strategy) the IJB requires an agreed financial baseline. Although all the budgets for all the services that represent the functions delegated to the IJB are largely historic currently there is a reasonably clear baseline for the core health services and the adult social care services. There now also needs to be a clear baseline for the GP prescribing budgets, the hosted services and a much more detailed dialogue about the set aside services. The overall strategy in terms of managing financial risk is to ensure that the Partnership directly manages as much of the IJB's budget as is practical and this approach requires to be developed with the hosted services and considered as part of the management of the set aside services.

3.9 The processes for moving towards financial settlements for future years (17/18 and beyond) is laid out in the IJB's Integration Scheme. This is, in essence, based on the IJB establishing its cost base for the following year and discussing what resources will be available to support that cost base with its partners. However, it is proposed that this process is reversed – the partners will be asked for an indication of the 17/18 position and the IJB will design its services to live within that position. This will not be a straightforward exercise – the partners are not currently fully aware of their resources for 17/18 – and the IJB does not have a direct influence over services that are not managed by the Partnership. Given that it is unlikely that the partners will be in recurrent financial balance by the end of 2016/17 that will exacerbate this challenge further.

4 POLICY IMPLICATIONS

4.1 There are no policy implications arising from this report.

5 INTEGRATED IMPACT ASSESSMENT

5.1 Any changes to workforce arrangements will be subject to integrated impact assessments.

6 RESOURCE IMPLICATIONS

6.1 There are no resource implications arising from this report.

7 BACKGROUND PAPERS

7.1 East Lothian Integration Scheme

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