



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 21 December 2017

BY: Chief Finance Officer

SUBJECT: 2018/19 Initial Financial Outline

1 PURPOSE

- 1.1 This paper lays out a very high level expression of the potential financial challenges that the IJB will face based on the 'do nothing' option.

2 RECOMMENDATIONS

- 2.1 The IJB is asked to note the contents of the report.

3 BACKGROUND

- 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 demands are minimal.
- 3.2 The projection of financial pressures is considered in two different ways by the partners :
- NHS Lothian examines 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.
 - East Lothian Council provide uplift to support pay and price changes 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 Government's financial settlement which will be announced in December 2017. In receipt of this settlement both East Lothian 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 East Lothian 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 :-
- Full integration of both the management and delivery of the community based services
 - Redesign of services based on a movement from specialist input to multi-disciplinary teams
 - A emphasis on prevention and recovery and not on treatment
 - A clear movement from institutional care and services into community based services

The IJB will be required to prioritise the resources available to it and this may mean that some elements of current services cannot continue.

- 3.8 That said, it is worth examining the totality of the IJB's financial pressures which have been extracted from the partners' indicative financial plans. It's 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 re-provision 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. Although the out-turn position for social care is not yet established, it’s clear that there are significant financial pressures. This value in the table is simply a marker and not, at this time, a reflection of the out-turn or the forecast 2018/19 position.
- 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.

This projection is based on discussion with the partners but not on their own analyses and positions for 2018/19. This information is not yet available.

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. £20.4m, 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 4.2% 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.

4 ENGAGEMENT

4.1 The IJB holds its meetings in public.

5 POLICY IMPLICATIONS

5.1 There are no new policies above.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report does not specifically affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

- 7.1 Financial – discussed above
- 7.2 Personnel – none
- 7.3 Other – none

8 BACKGROUND PAPERS

- 8.1 None

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
CONTACT INFO	David.king@nhslothian.scot.nhs.uk
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Appendix – projection of 'do nothing' financial gap.

Outline Financial Gap - Do Nothing Option

	2018/19 £m	2019/20 £m	2020/21 £m	Notes
B/Fwd Pressures				
Social Care	1.00			1
NHS n/r funding	1.80			2
Recurrent Pressures				
Pay Awards	1.64	1.67	1.70	3
ELC Pay Uplift prov'n	(0.36)	(0.36)	(0.36)	4
Demography	1.00	1.20	1.20	5
Living Wage	0.84	1.17	1.21	6
NCHC	0.30	0.31	0.32	7
ELC Prov'n for NCHC	(0.20)	(0.20)	(0.20)	4
New GMS Contract				8
ELC Efficiencies	0.79	0.79	0.79	9
Operational Pressures	1.47	1.90	1.90	10
Carers legislation				11
Free personal care for < 65				12
Total Pressures	8.27	6.47	6.55	
NHSiL Uplift	(0.27)	(0.27)	(0.27)	13
Net pressure	8.00	6.20	6.28	
Gap - % on baseline	5.67	4.40	4.46	

Notes

- 1 Estimated underlying recurrent gap
NHSiL - the non-recurrent support tot the GP prescribing budget in 2017/18
ELC - still to be examined in detail.
- 2 Non-recurrent funding recieved in 2017/18 - GP Prescribing
- 3 Pay Awards for staff employed by partners - increase in IJB cost base
- 4 ELC are proposing to make a contribution to the social care directly employed pay costs increase
- 5 Proxy for increased demand for social care
- 6 Estimated c 4.4%
- 7 Uplift c. 3%
- 8 No further information available at this time - may be funded by SG
- 9 ELC - Indicative financial plan. Efficiency target for social care
- 10 GP Prescribing uplift plus secondary care drugs (in Set Aside)
- 11 No further information available at this time - may be funded by SG
- 12 No further information available at this time - may be funded by SG
- 13 NHSiL Indicative uplift (0.5%)