
Report To: Inverclyde Integration Joint Board **Date:** 19 March 2019

Report By: Louise Long
Corporate Director (Chief Officer)
Inverclyde Health & Social Care Partnership **Report No:** IJB/15/2019/LA

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Subject: FINANCIAL PLAN 2019/20 TO 2023/24

1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Integration Joint Board (IJB) with a refreshed medium term financial plan aligned to the new Strategic Plan. This updated plan estimates the Health and Social Care Partnership (HSCP) projected position moving into 2019/20 and medium term financial outlook to 2023/24.

2.0 SUMMARY

- 2.1 This report covers the following key areas of financial strategy:

- Background
- Current Financial Position
- Budget Strategy Assumptions
- 2019/20 Indicative Budget
- Projected Cost Pressures 2020/21 to 2023/24
- Medium Term Financial Strategy

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Integration Joint Board:

1. Notes the assumptions and context of the financial plan for 2019/20 to 2023/24 and the level of uncertainty that exists in relation to a range of these assumptions;
2. Notes the medium term outlook for the IJB;
3. Approves the medium term financial plan attached at Appendix 1, and
4. Notes the ongoing work to continue to monitor and update the Plan.

Louise Long, Chief Officer

Lesley Aird, Chief Financial Officer

4.0 BACKGROUND

- 4.1 The IJB approved its first medium term financial plan in March 2018. This updated plan aligns to the new 5 year Strategic Plan covering 2019/20 to 2023/24. The IJB's has an indicative budget of £154.2m for 2019/20.
- 4.2 Given the scale of uncertainty and current level of identified pressures on both the delegated Health and Social Care budgets, it is important that the IJB plans for a range of potential outcomes from 2019/20 onwards in line with its new Strategic Plan. In addition, it is anticipated that moving forward beyond 2019/20 and through to 2024, a significant annual saving requirement is likely to continue over the medium term. In this context, the Chief Officer and Chief Financial Officer will continue to work with IJB members to advise and assist in the development of budget strategies which remain flexible, sustainable and focused on the delivery of key priorities detailed in the Strategic Plan.
- 4.3 It is anticipated that the current financial challenges will remain for the next few years, reinforcing the need for the IJB to plan over the medium to longer term on the basis of:
- reducing resources with no certainty of any level of sustained growth in funding levels;
 - rising costs and demand pressures to continue to feature in the IJB's financial outlook; and
 - increasing need to prioritise spend on the delivery of strategic and operational priorities.

5.0 CURRENT FINANCIAL POSITION

- 5.1 The IJB has an indicative 2019/20 recurring budget of £154.2m (£149.7m for 2018/19). The IJB expects to achieve a non recurring operating surplus in 2018/19, £1.023m at Period 9 excluding funding from Earmarked Reserves of £0.897m. The 2018/19 surplus relates mainly to early delivery of future year savings and additional in year funding for specific projects which has been carried forward in earmarked reserves.

6.0 BUDGET ASSUMPTIONS

- 6.1 One of the Scottish Government's key policy commitments over the course of this parliament is to increase Health spending by £500 million above real terms growth. Given the limited growth prospects for the Scottish Government budget this commitment may present a sustained challenge on Local Authority budgets.
- 6.2 In light of the above, the medium term financial plan recognises and acknowledges ongoing cost and demand led pressures on Social Care and Health. Expectation is for a flat cash settlement for Councils for 2020/21 to 2023/24 (which results in a cut for Inverclyde Council due to its share of the Scottish population reducing annually) and a Health uplift in line with 2019/20 for Health across the same period.
- 6.3 The new Strategic Plan sets out an ambitious programme for the IJB to deliver its six big actions. As the specific funding implications of these actions become clearer through the life of the plan the IJB budget and financial plan will be updated accordingly to shift resources. Aligned to this officers will be developing an Outcome Based Budget model during 2019/20 to help track investment and outcomes over the life of the plan.

6.4 The plan assumed that the Set Aside is maintained at the current level, however, work is ongoing across GG&C to improve the current Set Aside arrangements and move to actual rather than notional budgets. As this work develops the outputs of it and their budgetary impact will be reflected in future updates of this plan.

7.0 PROJECTED COST PRESSURES TO 2020/21

7.1 Current projections for the period to 2023/24 include a wide range of assumptions in respect of key cost pressures and demand highlighting a potential budget gap for the HSCP of circa £8.9m by 2023/24.

7.2 IJB Members should note that the current budget gap does not take into account potential additional funding for any pressures from either the Scottish Government or our partner organisations.

7.3 Subject to greater certainty emerging over the coming months and in future years, the Chief Financial Officer recommends that the IJB adopts a financial planning assumption to agree additional partner funding and savings which will address the anticipated additional £2.224m per annum in the years 2020/21-2023/24 to fund new rising demand and cost pressures, assuming that no additional funding is received from Scottish Government to fund these pressures. An ongoing assessment and update of key assumptions will be required to ensure the IJB is kept aware of any significant changes.

7.4 In addition to securing a firmer assessment of emerging cost pressures, work is progressing with the HSCP Senior Management Team to identify opportunities to mitigate these pressures. Detailed below are the main areas of cost pressures and demand which will be subject to ongoing review as clarification of the position for each emerges:

- **Pay Inflation:** despite the anticipated reduction in resources it is expected that pay pressures will remain a recurring pressure for the public sector;
- **Demographic and Volume:** reflects increases anticipated across social care services;
- **Prescribing:** costs reflect current demand and cost pressures;
- **Inflationary Pressures:** reflect anticipated increases to payments to third parties including the National Care Home Contract (NCHC).

7.5 Looking beyond 2023/24 and into the longer term, it is inevitably more difficult to forecast. One of these difficulties is the wider uncertainty associated with the UK's imminent exit from the European Union and the consequential impact. It is important that the IJB adopts a long-term strategy, not just in planning the delivery of strategic outcomes and services, but also from a financial perspective to ensure that medium-to-long term risks for the IJB's financial sustainability are identified early, even though there may be uncertainty over their specific timing, scale and ultimate effect.

8.0 MEDIUM TO LONG TERM FINANCIAL STRATEGY

8.1 In order to deliver the medium to long term financial strategy 2019/20 to 2023/24 an updated financial plan has been developed over 3 key strands.

1. Efficiency Savings
2. Service Redesign/Transformational Change
3. Service Reduction

It is proposed that moving forward over the medium term the IJB agrees to commit to the principles laid out in the Financial Plan. In line with these principles the Chief

Officer and Chief Financial Officer will work with IJB members to develop savings and efficiencies for the period to 2023/24.

9.0 DIRECTIONS

9.1 Direction Required to Council, Health Board or Both	Direction to:	
	1. No Direction Required	
	2. Inverclyde Council	
	3. NHS Greater Glasgow & Clyde (GG&C)	
	4. Inverclyde Council and NHS GG&C	X

10.0 IMPLICATIONS

FINANCE

10.1 The financial implications are as stated in this report. Medium Term financial planning allows for improve stewardship and governance over budgets and budget planning.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

LEGAL

10.2 There are no specific legal implications arising from this report.

HUMAN RESOURCES

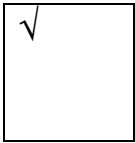
10.3 There are no specific human resources implications arising from this report.

EQUALITIES

10.4 There are no equality issues within this report.

10.4.1 Has an Equality Impact Assessment been carried out?

YES (see attached appendix)



NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

10.4.2 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

10.5 CLINICAL OR CARE GOVERNANCE IMPLICATIONS

There are no governance issues within this report.

10.6 NATIONAL WELLBEING OUTCOMES

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None
People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None

People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	A robust Financial Strategy and Plan linked to Strategic priorities will help to ensure that resources are used effectively in the provision of services.

11.0 CONSULTATION

- 11.1 This report has been prepared by the Chief Financial Officer of the IJB after due consultation with the Chief Officer and input from the Director of Finance for Greater Glasgow & Clyde NHS and the Chief Financial Officer for Inverclyde Council.



Inverclyde Integration Joint Board

Medium to Long Term
Financial Plan
2019/20 to 2023/24

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Executive Summary

This Financial Plan outlines the financial challenges and opportunities Inverclyde Health and Social Care Integration Joint Board (IJB) faces over the next 5 years and provides a framework which will support the IJB to remain financially sustainable. This plan underpins and complements the Strategic Plan, highlighting how the IJB financial planning principles support the delivery of the IJBs strategic objectives and priorities.

The Plan includes a range of key assumptions which are subject to a significant degree of uncertainty. As a consequence this strategy will be reviewed on an ongoing basis with appropriate adjustments made as more information becomes available.

Given the uncertainty and potential for variability, it is important that the IJB plans for a range of potential outcomes, ensuring sufficient flexibility to manage in a sustainable manner over the course of this financial plan.

Key Messages

- Moving forward beyond 2019/20 the IJB is facing significant challenges and will need to develop budget strategies which remain flexible, sustainable and focussed on the delivery of its Strategic Plan's key priorities
- This Medium to Long Term Financial Plan will provide the financial context for the IJB, inform future decisions and start to identify a high level plan to bridge the financial gaps moving forward.
- Over the medium to longer term the IJB needs to plan on the basis of:
 - Reducing resources with no certainty of any levels of sustained growth;
 - Rising costs, and
 - Demand pressures
- Taking into account costs, demands, estimated changes to funding and assuming nothing else changes the anticipated budget gap by 2024 will be circa £8.9m
- It is recommended that the IJB adopts a financial planning assumption to work with funding partners to agree a package of additional funding and savings of up to £2.224m per annum from 2020/21 to 2023/24 to fund this
- Work will continue to review and update key assumptions as more information becomes available with the IJB being informed of any significant changes
- Further areas of work have been identified to start to bridge the gap, these will be developed over the next few months.
- The plan does not make any allowance for changes in the current arrangements around set aside. These will be factored in once agreed.
- To deliver the financial plan this medium term financial strategy has been developed with the following key strands:
 1. Efficiency Savings
 2. Service Redesign/Transformational Change
 3. Service Reduction

Introduction

- 1.1 The purpose of this Financial Plan is to provide an overview of the key messages in relation to the IJBs financial planning for 2019/20 to 2023/24. It also provides an indication of the challenges and risks which may impact upon the finances of the IJB in the future as we work to meet the health and social care needs of the people of Inverclyde.
- 1.2 In 2016 the IJB launched its first Strategic Plan which outlined our initial ambitions. In 2019 the IJB is launching its updated Strategic Plan covering 2019 to 2024. The updated Strategic Plan sets the key strategic priorities and six big actions which will ensure that we deliver our core vision of “Improving Lives”.
- 1.3 The Medium to Long Term Financial Plan is key to supporting the delivery of the strategic plan. The ability to plan based on the totality of resources across the health and care system to meet the needs of local people is one of the hallmarks of integrated care. Medium to Long Term Financial Planning is key to supporting this process and identifying the transformation which is required to provide sustainable services to the local community over the medium term.

Key Messages

- 1.4 Inverclyde Health and Social Care IJB is facing significant challenges as a result of a combination of financial pressures caused by anticipated reductions in funding, increased demographic pressures and the cost of implementing new legislation and policies.
- 1.5 This Medium to Long Term Financial Plan will provide the financial context for the IJB, inform current and future decisions and outline a high level plan to start to bridge the financial gaps which have been identified moving forward.
- 1.6 The indicative 2019/20 base recurrent budget is £154.2m (Social Care £67.4m, Health £70.4m and Set Aside £16.4m). A number of areas have been explored to understand the scale of the financial challenge:-
 - a detailed analysis of anticipated costs and demands
 - an assessment of anticipated increases and reductions in funding from partners
 - a review of non-recurring funding and the implications for future years

Taking into account the issues identified and assuming nothing else changes the potential funding shortfall will be circa £8.9m by 2024. This does not make any allowance for potential changes in the current Set Aside arrangements.

- 1.7 The IJB will need to develop plans over the medium term to bridge this financial gap. A medium term strategy to bridge the anticipated budget gap will be developed along the following main strands:-

- (i) Efficiency Savings
- (ii) Service Redesign
- (iii) Service Reduction

- 1.8 Proposals have been developed to deliver a balanced budget for 2019/20. Budget planning for future years is underway, although funding from Partners have still to be confirmed. The IJB have been actively engaged with Partners and this plan reflects the latest position.
- 1.9 A number of areas of work have been identified to bridge the financial gap. These will be developed over the coming months and will be used to refresh the Medium to Long Term Financial Plan on a regular basis.

2. Purposes and Approach

Key Messages

- The Medium to Long Term Financial Plan is an important part of the strategic planning process to deliver on the vision and priorities set out in the IJB's Strategic Plan whilst ensuring as an organisation we remain financially sustainable
- The Medium to Long Term Financial Plan will provide the financial context for the IJB, inform future decisions and a high level action plan to address the financial challenges moving forward
- This document will be used to engage with partner bodies in relation to securing funding

Purpose of the Plan

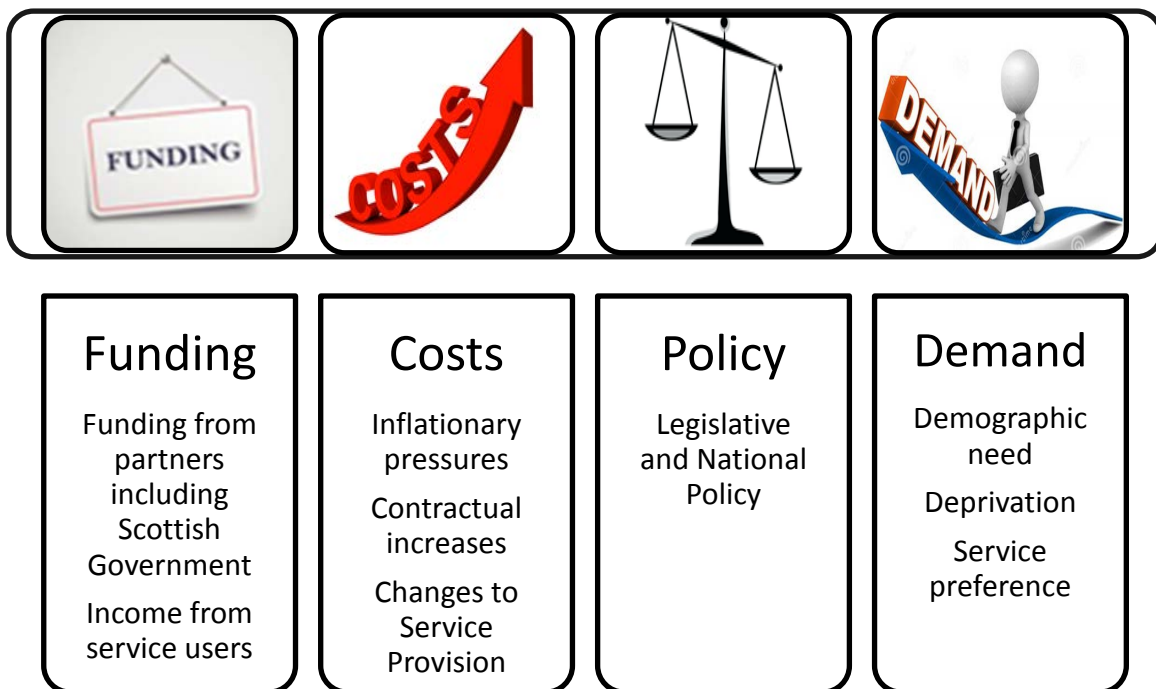
- 2.1 The Medium to Long Term Financial Plan is an important part of the IJBs strategic planning process and is integral to the delivery of our vision and priorities as set out in the Strategic Plan whilst ensuring as an organisation that we remain financially sustainable.
- 2.2 Recent Audit Scotland reports have highlighted the significant level of challenges faced by Health and Social Care Partnerships due to a combination of financial pressures caused by a real-term reductions in funding, increased demographic pressures and the cost of implementing new legislation and policies.
- 2.3 Within this context it is essential that the IJB develops and maintains a financial plan to enable it to direct finances at the services which will deliver the greatest impact and also support a shift in the balance of care. The financial plan will also set the context for annual budgets. In preparing the plan it is essential that we understand the scale of the financial challenge and the impact that this has not only on the IJB, but also the impact on the wider system and our other Partners.
- 2.4 This will be the second Medium Term Financial Plan for the IJB and will provide key information on the financial position of the IJB over the next five years and whether spending is sustainable over this period of time. Crucially it will identify the financial challenges and potential impact of current and future decisions on its medium term financial health. It will be used to identify pressure points and inform decisions which are required to ensure the IJB remains financially sustainable.

Approach to the Development of the Medium to Long Term Financial Plan

- 2.5 In preparing the Medium to Long Term Financial Plan the following approach has been adopted:-
- The indicative 2019/20 budget has been used as the basis for the Medium to Long Term Financial Plan
 - An analysis of anticipated cost and demand pressures has been undertaken to inform future years projections

- A review of funding assumptions has also been undertaken to determine the anticipated level of funding available for service delivery
- Scenario planning has been undertaken to identify potential best case, worse case and probable scenarios for each assumption within the plan. The most prudent and or probable assumption has been used to generate these estimates
- Active engagement has continued with partner bodies to ensure scenario planning is based on the most robust information available.

2.6 The pressures which the IJB will experience can be categorised into the following main headings and have been considered to provide a robust financial plan for the future.



Benefits of the Plan

2.7 The preparation of this Medium to Long Term Financial Plan will secure a number of benefits for the IJB:-

- it will provide the financial context for the IJB and will inform future decision making
- it provides a document which will be used for engaging with partner bodies in relation to the securing of future funding
- it will detail at a high level the plans which will require to be considered further some of which will be linked to transformation, to secure financial sustainability
- it supports IJB decisions in relation to service commissioning

3 Financial Landscape

3.1 *The Economy*

Growth remains weak across the UK, although in Scotland growth has been slightly ahead of the UK as a whole. Brexit uncertainty continues to impact. Looking ahead, growth is expected to remain fragile for the next few years with weak productivity being the key factor.

3.2 Recent spending decisions by the UK government mean that the Scottish resource block grant will now increase significantly, with growth of 3% expected over the remaining three years of the parliament. At the same time the forecasts for Scotland's income tax revenue have deteriorated by £400m. This will offset some of the increase in the block. This improving national position will aid the Scottish Government in delivering on its policy commitments. How it does this will determine the impact which it will have on the funding which is received by our Partner bodies and ultimately the IJB.

3.3 **UK and Scottish Legislative and Policy Changes**

UK and Scottish Government legislation and policies and how these are funded can have implications for the IJB and its medium term financial planning. There are a number of areas which could impact on the IJB over the medium term, including:

- Withdrawal from the European Union
- Local Governance Review
- Free Personal Care – Under 65's
- Carers Act (Scotland) Act 2016
- Children & Young People Act 2016
- Safe and Effective Staffing
- Primary Care Funding Changes
- Mental Health Strategy 2017-2027
- Scottish Living Wage
- Regional Planning

3.4 **Scottish Government Funding**

Between 2010/11 and 2018/19, revenue funding of Councils fell by just under 9% in real terms. Revenue funding of Health Boards increased by 8.1% in real terms between 2008/09 and 2018/19.

3.5 *Scottish Context*

The Scottish Government looks set to continue this increase in Health funding, with a clear commitment to increasing the health budget by £2bn over the lifetime of the current parliament, representing an increase of just under 2% per annum in real terms between 2018/19 and 2021/22. Funding for local government is forecast to reduce in real terms by 2% per annum.

3.6 Greater Glasgow and Clyde Health Board and Inverclyde Council delegate budgets to the IJB to enable the IJB to fund the services which it commissions. Any changes to Scottish Government funding is likely to impact on the level of budgets which are

delegated to the IJB and the level of savings which are required to meet demand, demographic and inflationary pressures.

3.7 This Medium Term Financial Plan considers the main factors which will impact on the finances of the IJB over the medium term and will provide the IJB with the financial context in which it operates to support decision making over the medium term.

3.8 *Impact on Funding*

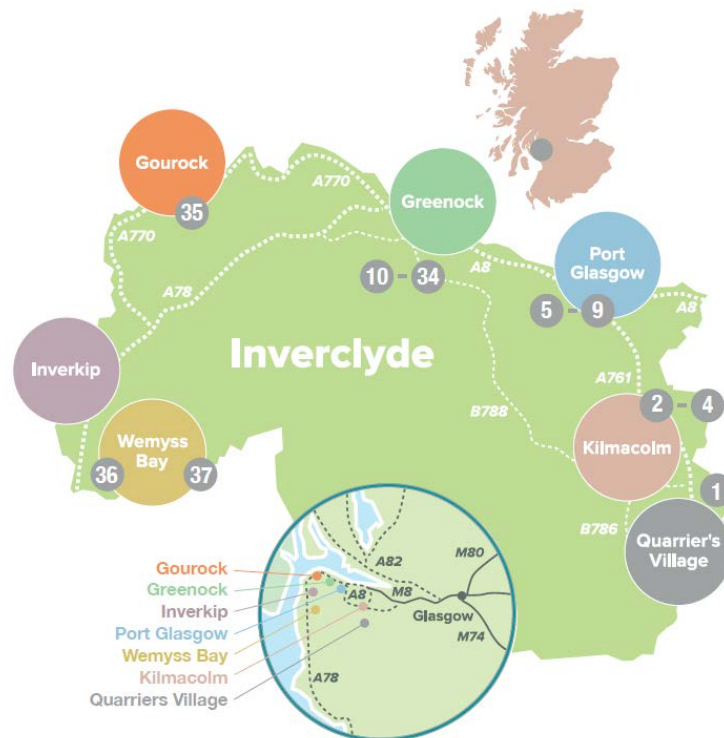
The Medium Term Financial Plan makes assumptions about future funding contributions from Partners based on information which is currently available. Using this information it is forecast that Health Board funding is likely to increase by £54m between 2019/20 and 2021/22, with Council funding expected to reduce by £4m over the same time period but offset by Council Tax increases.

3.9 The Scottish Government has been clear in its commitment to increase the health budget over the lifetime of the current parliament and the increase in anticipated funding from the Health Board is reflective of this. Funding for local government for Health and Social Care has been protected in 2019/20 and will see a £148 million increase in investment across Scotland. The additional money is to be spent on a combination of new initiatives e.g. Carers Act and Free Personal Care for Under 65s. This additional funding was conditional on Council contributions to Integrated Joint Boards being no less than the 2018/19 recurring budget plus the Councils share of this extra sum less up to 2.2% of the 2018/19 Adult Social Care budget. There has been no commitment to retain this protection for Social Care budgets beyond 2019/20.

3.10 *Expenditure Requirements*

Financial planning requires assumptions to be made about demand and cost pressures. These have been informed by the local and national context within which the IJB operates. Each year the IJB will face cost pressures as a result of range of factors including demand, inflation and changes in legislation/regulations. This Plan has assessed the key factors likely to impact over the medium term and estimates that the IJB will face cost and demand pressures of £8.9m between 2020/21 and 2023/24.

4 Inverclyde Context



- 4.1 The local environment within which the IJB operates has changed significantly in recent years and will alter further in future years due to the impact of national legislation and policy, further economic turbulence, societal changes and developing customer expectations.
- 4.3 The overall strategic framework within which the IJB operates is outlined in the Strategic Planning and Performance Management Framework. The Framework includes the Local Outcome Improvement Plan, the Health Board and Council Corporate Plans, the IJB Strategic Plan and the IJB Medium Term Financial Plan.
- 4.4 The new Strategic Plan to 2023/24 still focusses on “Improving Lives” and sets out 6 big actions for the Health and Social Care Partnership to deliver against:

<p>Big Action 1: Reducing Health Inequalities by Building Stronger Communities and Improving Physical and Mental Health</p>	<p>Big Action 2: A Nurturing Inverclyde will give our Children & Young People the Best Start in Life</p>	<p>Big Action 3: Together we will Protect Our Population</p>
<p>Big Action 4: We will Support more People to fulfil their right to live at home or within a homely setting and Promote Independent Living</p>	<p>Big Action 5: Together we will reduce the use of, and harm from alcohol, tobacco and drugs</p>	<p>Big Action 6: We will build on the strengths of our people and our community</p>

4.5 The **LOIP Outcome Delivery Plan** sets out the Partnership actions and projects which will contribute to the achievement of the LOIP outcomes and are expressed through the wellbeing indicators.

Outcomes for Inverclyde

4.6 The focus of the Strategic Planning and Performance Management Frameworks is on addressing the main challenges facing the area, and the eight outcomes set out in the current SOA are the agreed priority areas for all partners to work together on, covering the areas of:

- **Population:** Inverclyde's population will be stable and sustainable with an appropriate balance of socio-economic groups that is conducive to local economic prosperity and longer term population growth Successful Communities
- **Inequalities:** There will be low levels of poverty and deprivation and the gap between the richest and poorest members of our communities will be reduced Health Inequalities
- **Environment Culture and Heritage:** Inverclyde's environment, culture and heritage will be protected and enhanced to create a better place for all Inverclyde residents and an attractive place in which to live, work and visit Best Start in Life for children and young people

4.7 There are also a series of **wellbeing outcomes**, which the Inverclyde Alliance has adopted which have been adapted and expanded from:

- 'Getting it Right for Every Child', to help us work towards a Nurturing Inverclyde,
- 'Getting it Right for Every Child, Citizen and Community'.

The wellbeing outcomes cover the core areas of Safe, Healthy, Achieving, Nurtured, Active, Respected, Responsible and Included

Inverclyde Integration Joint Board (IJB)

4.8 The IJB is ambitious about what it wants to achieve for the residents of Inverclyde. The benefits of integrated system working is already evidenced and an example of this is Inverclyde's excellent performance in relation to Delayed Discharges and reducing the pressure on unscheduled care. The IJB has also embarked on a significant change programme including development of a new Health Centre in Greenock as well as a number of Service Redesign projects.

- 4.9 Demand for health and social care is growing. Our population is changing and facing many challenges. Inverclyde is one of five local authorities with the highest concentration of multiple deprivation in Scotland, but there are significant variations both within and between communities.
- 4.10 There is an emerging operational and financial pressure around Continuing Care within Children & Families. Looked After Children are now potentially in care 5 years longer till they reach the age of 21. This impacts on throughput within services. There will be an incremental financial impact over the next few years which may need to be factored into future plan updates once the value is established if it is in excess of the provisions for cost pressures already included within the plan.
- 4.11 We have worked hard to deliver early success and some examples can be seen in our annual performance reports. However to date the demands on services have outstripped any financial gains which have been made as a result of the successes delivered by the IJB.

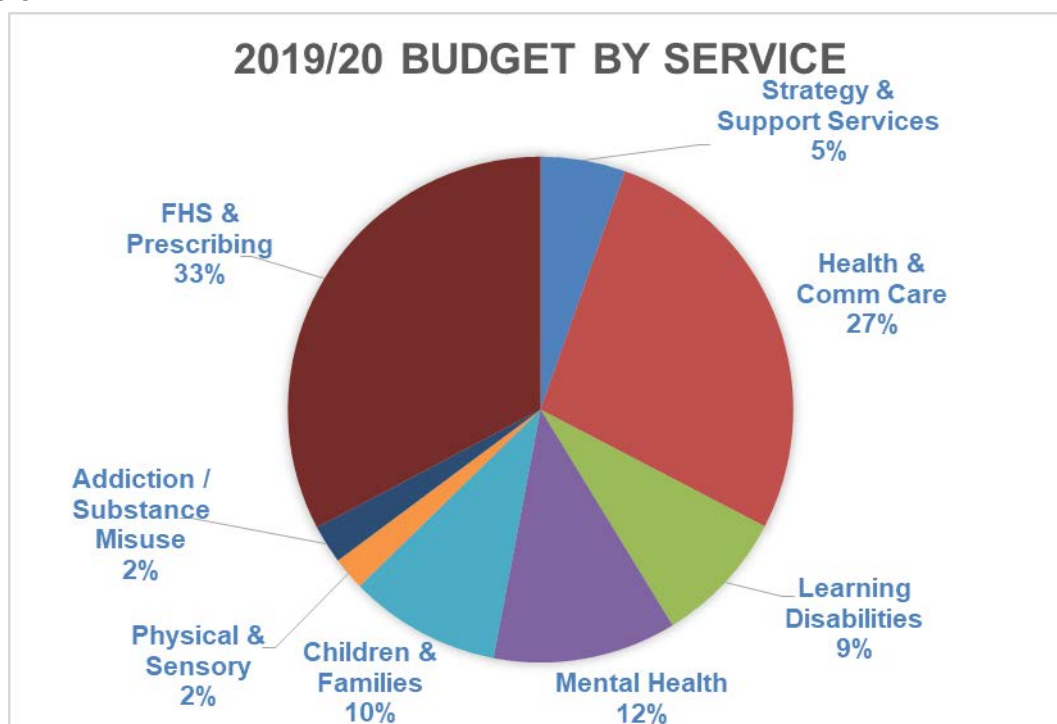
5 Understanding the Financial Challenge

Key Messages

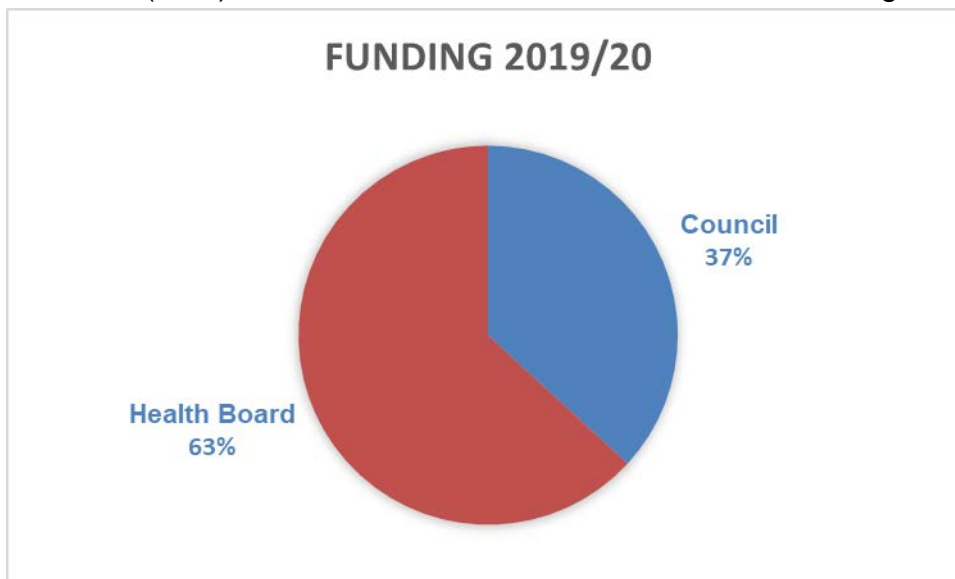
- The IJB has an indicative budget of £154.2m for 2019/20, including the notional £16.439m Set Aside budget
- Demand and cost pressures of circa £8.9m are estimated over 2020/21 to 2023/24
- Based on partner body planning assumptions it is estimated that overall funding will stay broadly level over the next three years although significant savings may still be required to fund some anticipated cost pressures
- Taking all of this into account and assuming no further action, the IJB will have a funding shortfall of circa £8.9m over 2020/21 to 2023/24

Base Line Budget

- 5.3 In 2019/20 the IJB has an indicative base line budget of £154.2m (£67.4m for Social Care, £70.4m for Health and £16.4m Set Aside). This is summarised by service area below.



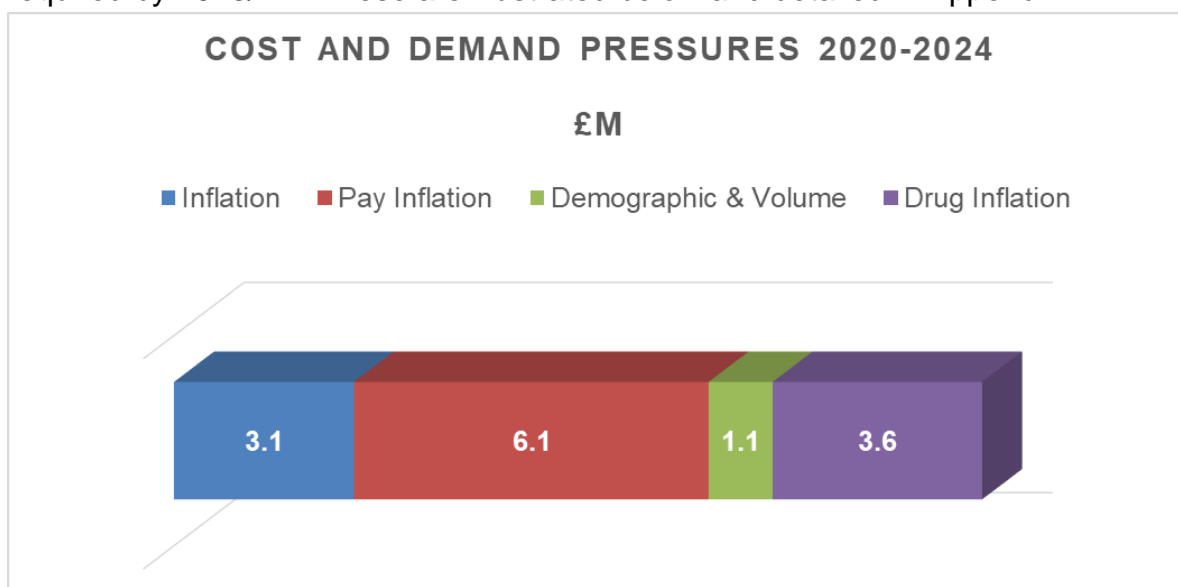
5.4 This is funded through budgets delegated from the Council, the Health Board and Social Care Fund (SCF) as illustrated below, based on 2019/20 funding:



Understanding the Gap: Costs and Demands

5.5 A detailed analysis of costs and demands has been undertaken for the IJB. Scenario planning looking at a range of options around each assumption was carried out to establish best case, worst case and probable outcomes. For each element the most probable scenario, based on information currently available has been used.

5.6 Based on this the anticipated costs and demand pressures amount to an estimated £13.9m over the next four years. Additional funding of £5m from Health will partially offset this. However, assuming nothing else changes an additional £8.9m would be required by 2023/24. These are illustrated below and detailed in Appendix 1.



5.7 The main cost pressures and demands can be summarised as:-

a. Pay Inflation

The assumptions for pay reflect the current inflationary assumptions of both Partner bodies and recent removal of the public sector pay cap.

b. Demographic and Volume

Pressures unknown at this time. Significant investment in 2019/20 to cover these for Older People, Learning Disabilities and Children, Young People and Families services. Estimate based on current Council and Health planning assumptions.

c. Inflationary Pressures

Inflationary pressures reflect anticipated annual increases to payments to third parties and in the main reflect anticipated increases to the National Care Home Contract.

d. Drug Inflation

The pressures linked to the Drug Inflation reflects the anticipated increase in drug tariffs and impact of short supply issues. Pressures have been estimated based on historic inflation increases and recent years short supply issues.

Understanding the Gap: Funding

5.8 Partners' contributions to the IJB are contingent on the respective financial planning and budget setting processes of the Council and the Health Board and the financial settlements which each body gets from Scottish Government.

5.9 The IJB has engaged actively in both budget setting processes.

5.10 It is anticipated that, as in previous years, different approaches will be taken by the two Partner Bodies in terms of IJB funding. The Council previously funded some cost pressures but applied an offsetting funding reduction. The Health Board applied no funding reduction, but passed across a share of the overall uplift received but funded no pressures.

5.11 Funding for local government for Health and Social Care has been protected in 2019/20 and will see a £148 million increase in investment across Scotland. The additional money is to be spent on a combination of new initiatives e.g. Carers Act and Free Personal Care for Under 65s. This additional funding is conditional on Council contributions to Integrated Joint Boards being no less than the 2018/19 recurring budget plus the Councils share of this extra sum less up to 2.2% of the 2018/19 Adult Social Care budget. There has been no commitment to retain this protection beyond 2019/20.

5.12 The plan assumes flat cash from the Council.

5.13 For Health, in 2019/20 we anticipate a 1.8% uplift on all budgets plus a further 0.8% uplift on pay costs in line with the Scottish Government Health settlement. This assumption has been used in the remaining 4 years of the plan.

5.14 The table below shows the overall impact of the anticipated budget pressures, funding changes and resultant additional funding or savings required to bridge the resulting funding gap.

PARTNERSHIP FUNDING/SPEND ANALYSIS	Indicative Budgets				
	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
NHS Contribution to the IJB	87.1	88.3	89.6	90.8	92.1
NHS Set Aside (notional)	16.4	16.4	16.4	16.4	16.4
Council Contribution to the IJB	50.6	50.6	50.6	50.6	50.6
HSCP NET INCOME	154.2	155.4	156.6	157.9	159.2
Social Care	67.4	67.4	67.4	67.4	67.4
Health	70.3	70.3	70.3	70.3	70.3
Anticipated Budget Pressures	0.0	3.5	4.6	5.9	7.3
Additional Funding Requirement/Savings	0.0	(2.2)	(2.2)	(2.2)	(2.3)
Set Aside (notional)	16.4	16.4	16.4	16.4	16.4
HSCP NET EXPENDITURE	154.2	155.4	156.6	157.9	159.2
SURPLUS/(FUNDING GAP)	0	0	0	0	0

5.11 Taking into account the issues identified in this section and assuming that nothing else changes the financial pressures for the IJB over 2020/21 to 2023/24 will be circa £13.9m partially offset by an anticipated £5m growth in Health funding, leaving an £8.9m funding gap.

	£m
Inflation	3.1
Pay Inflation	6.1
Demographic & Volume	1.1
Drug Inflation	3.6
	13.9
Anticipated Funding Growth	5.0
Funding Gap	8.9

6 Addressing the Financial Challenge – The Medium to Long Term Plan

Key Messages

- A programme of future year savings is under development by officers and these will be brought to a future the IJB for consideration in order to bridge the anticipated gap of circa £8.9m by 2024. A key element of this will be ongoing negotiation for funding support from our two funding partners in respect of some of the growth and demographic pressures anticipated

6.2 Service Redesign/Transformational Change

Despite the challenging backdrop there is a real opportunity to change things for the better. By developing our current system to be innovative and forward-thinking, making the most of new technology and supporting our people to live well for longer, we can ensure that everyone has a better experience of health and care and the opportunity to be independent for as long as possible for them.

6.1 Addressing the Financial Challenge

The IJB will need to develop plans over the medium term to bridge the financial gap. A Medium Term Strategy has been developed along the following strands. These are:-

- (i) Efficiency Savings
- (ii) Service Redesign/Transformational Change
- (iii) Service Reduction

6.2 Efficiency Savings

Delivering Services as efficiently as possible in line with Best Value principles is evident throughout the service. On an ongoing basis officers work to identify and deliver in year and recurring efficiency savings. One example of this is the rigorous authorisation processes in place around vacancy reviews to ensure that each post is essential before approval is granted to recruit.

6.3 Service Redesign/Transformational Change

Despite the challenging backdrop there is a real opportunity to change things for the better. By developing our current system to be innovative and forward-thinking, making the most of new technology and supporting our people to live well for longer, we can ensure that everyone has a better experience of health and care and the opportunity to be independent for as long as possible for them.

6.4 In 2018 the IJB approved the creation of a new £1.461m Transformation Fund within the Integration Joint Board Earmarked Reserves. This fund supports the overarching Health and Social Care Partnership Change Programme.

6.5 There are a number of local and system wide service reviews and redesigned already ongoing and others due to commence in the coming year:

- Long Term Care Placements
- Learning Disabilities
- Mental Health
- Addictions
- Children & Families Residential
- Homelessness
- Advice Services
- Allied Health Professionals
- Admin/Business Support
- Strategic Planning

6.6 **Service Reduction**

As an IJB we have a requirement to set a balanced budget. Taking into account the cost and demand pressures, the level of funding which will be available and the level of savings which can be secured, we have no alternative but to also consider reductions in service.

6.7 The next steps for finalisation of this plan and future development of the plan will be

- officers to will develop proposals to bridge the anticipated funding gap from 2020/21
- ongoing discussion and negotiation with Health Board and Local Authority partners regarding future cost and funding assumptions
- IJB development session during 2019/20 to consider proposals for future years
- Revised Medium to Long Term Financial Plan and future years budgets to Integration Joint Board for approval

6.8 The assumptions within this plan will be subject on ongoing review through the in year budget monitoring process and future year budget setting process. This financial plan links to the new Strategic Plan and will be reviewed and formally updated in line with that. In addition, a summarised update of the plan will be incorporated in future year budget proposals and submitted to the Integration Joint Board for consideration and approval.

7 Risk and Sensitivity Analysis

- 7.1 There are risks attached to any financial model. These include:
- Impact of local and national changes which may have been under or over estimated
 - Failure to accurately forecast future funding levels
 - New national policies creating future cost pressures
 - Over/under estimated cost and demand pressures generally
 - Impact of decisions made by Partner bodies on the IJB
 - Impact of IJB decisions on the Partner bodies
- 7.2 As an organisation the IJB needs to be aware of these risks but should not become risk adverse when developing its future plans. The IJB recognises strategic risks through the IJB Risk register. This is used to ensure significant risk is identified and effective actions implemented that reduce these risks to acceptable levels whilst securing service delivery within available resources.
- 7.3 Prescribing is a specific areas of financial risk for the IJB. Whilst decisions to prescribe are made locally by GPs, the cost of drugs and the agreement to introduce new drugs are made nationally. It is here where cost pressures can arise in year. The IJB has consciously adopted a prudent approach to budgeting for prescribing in 2018/19 and 2019/20 and in addition has created a budget smoothing reserve to help deal with one off in year fluctuations.
- 7.4 Sensitivity analysis is used to test the major assumptions made by the model and understand what the implications are if assumptions change. This effectively tests 'what if' scenarios and enables the IJB to determine the potential fluctuation which could exist within the modelling and will assist future planning.
- 7.5 The table below shows what could happen if some of the main funding or cost assumptions worsened:

Impact of additional uplift on cost assumptions	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	TOTAL £000
ADVERSE FUNDING SCENARIOS					
Health Funding Uplift capped at 1.5% each year	320	340	360	380	1,400
Council Funding decreased by 1% per annum	506	506	506	506	2,025
ADVERSE EXPENDITURE SCENARIOS					
Pay Inflation - additional 1% per annum	468	473	477	482	1,900
Drug Inflation - additional 1% per annum	180	182	184	185	731
Non Pay Inflation - overall cost +25% pa	186	191	195	200	773
Demographic & Other - overall cost +33% pa	117	83	83	83	367
INCREASED FUNDING GAP	1,777	1,775	1,806	1,837	7,195

7.6 A range of potential favourable scenarios and their potential impact on this plan are summarised below:

	2020/21	2021/22	2022/23	2023/24	TOTAL
	£000	£000	£000	£000	£000
Impact of additional uplift on cost assumptions					
FAVOURABLE FUNDING SCENARIOS					
Council Funding increased by 1% per annum	(510)	(515)	(520)	(525)	(2,071)
FAVOURABLE EXPENDITURE SCENARIOS					
Prescribing Inflation at 3% per annum	(360)	(360)	(360)	(360)	(1,440)
Pay Award 0.5% less than estimated	(234)	(236)	(239)	(241)	(950)
DECREASED FUNDING GAP	(1,104)	(1,111)	(1,119)	(1,127)	(4,461)

7.8 The specific risks associated with the IJB budget and this financial plan are reflected in both the Strategic Plan Risk Register and the IJB Risk Register. These relate to financial sustainability and the potential impact of:

- a) Funding constraints/shortfalls
- b) Additional unfunded cost pressures and service demands

7.9 Mitigations already in place around financial sustainability include:

- Strategic Plan
- Medium Term Finance Plan
- Due Diligence work
- Close working with Council and Health when preparing budgets and financial plans
- Regular Financial Monitoring reporting to the IJB
- Regular budget reports and meetings with budget holders
- Regular Heads of Service Finance meetings
- Close working with other local authority and GG&C Finance colleagues and HSCP CFOs to deliver a whole system approach to financial planning and delivery