Pre-budget Scrutiny for the 2019/2020 Budget

1. **Overview**

1.1. The total budget for the North Lanarkshire Integration Joint Board (NLIJB) in 2018/2019 is £548.833m.

1.2. The population of North Lanarkshire is 339,390: 21% are under 18 years of age, 62% are aged between 18 and 64 years and 17% are over 65 years. The population projections between 2014 and 2039 indicate a net reduction of 12% in the age group under 65 but an increase of 37% in those aged 65 to 74 years and 87% in the 75+ age group.

1.3. In terms of absolute numbers, North Lanarkshire has the second highest number of data zones falling within the SIMD designated deprived areas. In comparison to the Scottish average, life expectancy in North Lanarkshire is also lower. Many older people and a growing number of younger people are living with two or more long term conditions such as diabetes and respiratory disease. NHS Lanarkshire is the lowest funded per head for primary care services and is below the NHS Scotland Resource Allocation Committee (NRAC) formula.

2. **Budget Setting Timeframes**

2.1 **What is the process for agreeing the budget?**

2.1.1 The funds for the NLIJB are delegated from North Lanarkshire Council (NLC) and NHS Lanarkshire (NHSL) in order to deliver the delegated functions set out in the Integration Scheme and the Strategic Plan. In addition to these directly managed funds, NHSL also ‘set aside’ an amount in respect of large hospital functions covered by the Integration Scheme.

2.1.2 As the delegated funds come from NLC and NHSL, the level of funding available to the NLIJB is heavily influenced by these organisations’ grant settlements from the Scottish Government. Consistent with the majority of public sector organisations, both NLC and NHSL have, over many years, faced challenges balancing their respective budgets due to cost pressures exceeding the provisional level of funding available. Notwithstanding these pressures, similar to the previous financial year, within the financial envelope available to each partner and following a process of consultation, the NLIJB has agreed a financial plan for 2018/2019 in order to achieve a balanced budget by 31 March 2019.

2.1.3 Based on the assessments of the NLC and NHSL financial landscapes, cost pressures in 2018/2019 were confirmed. This included inflationary uplifts, the impact of non-recurring funding no longer being available and the costs associated with new policy initiatives. These total £20m (£13.3m across social care services and £6.7m across health care services). Both NLC and NHSL confirmed that the same level of base cash resources would continue to be provided to the NLIJB in 2018/2019. They also made available additional funding of £10.1m (NLC - £4.6m; NHSL - £5.5m). A financial strategy to close the funding gap was then agreed.

2.1.4 NLC and NHSL also supported the retention by the NLIJB of the surplus from 2016/2017 totalling £7.462m (NLC - £2.224m; NHSL - £5.238m). This provided a contingency against demographic demand and service volatility in 2017/2018 and facilitated the implementation of the strategic transformational change programme.

2.1.5 According to the legislation, the partners have a statutory responsibility to provide funding as directed by the IJB. In practice, in recognition of the financial pressures also faced by both partners, the NLIJB funding contributions were agreed following consultation with each partner.
2.2 What are the timescales for agreeing the 2018-19 budget?

2.2.1 It is necessary to agree financial planning assumptions early in the financial year for the following year in order to identify a savings target and develop savings options pending confirmation of the financial settlement by the Scottish Government and the outcome of the consultation process with each partner. The financial settlement for the following financial year does not become available from the Scottish Government until December/January at the earliest. The NLIJB Financial Plan cannot be agreed until each partner’s financial settlement is confirmed. NLIJB, NLC and NHSL are however all committed to setting a balanced budget for the forthcoming financial year by no later than 31 March. The NLIJB Financial Plan for 2018/2019 was approved on 27 March 2018.

2.3 What are the challenges in agreeing the budget?

2.3.1 The financial settlement is issued by the Scottish Government in December for the following financial year. The 2018/2019 settlement was also subject to further late changes in January 2018.

2.3.2 The financial settlement is for one year only. A significant element of Health Board funding comprises of non-recurring allocations, the details of which are confirmed in-year. This short-term notification of resources undermines the strategic planning process and also the recruitment process and inhibits transformational reform.

2.3.3 Funding for core services is not keeping pace with increasing demand and increasing costs. Inflationary and demographic cost pressures in respect of core services are not fully funded by the Scottish Government.

- In 2018/2019, an inflation uplift of 1.5% was applied to the recurring base budget for health boards. A further inflation uplift has been planned for in June 2018 to meet the balance of the pay cost pressures.
- Non-recurring allocations to health boards are not uplifted.
- In 2017/2018, there was no inflation uplift on the health board settlement.
- Social care services are not uplifted to reflect inflation as inflation uplifts have not been included in the local government settlement over recent years.
- New funding over recent years has been offset by cost pressures associated with new policy intentions and legislative changes and is not available to meet demographic growth. Funding to meet the cost of the living wage increase is one example of this.
- The financial implications of new legislation along with the increasing complexity of cases across children’s services are also additional pressures on NLIJB which includes this delegated function.
- Prescribing cost pressures are a key concern. In comparison to 2016/2017, costs are expected to be between 3.5% and 5% higher in 2018/2019. Part of the increase will be offset by the inflation uplift of 1.5% in 2018/2019 but it is expected that a net cost pressure will require to be managed. The prescribing budget represents 23% of the funding contribution, excluding the notional set-aside, delegated by NHSL to the NLIJB.

2.3.4 The budget-setting process needs to ensure that the available resources meet the key service demands and priorities. In order to achieve this, it is important that the NLIJB and the partners have flexibility to make local decisions which are best suited to the needs of the localities.

- Resources are allocated to ensure targets are met. This may not necessarily reflect the local priorities and needs.
- The targets create drivers however this may lead to activity being directed in a way that is not in the best interests of patients and service users and may not be the best way in which to spend resources.
2.3 What are the challenges in agreeing the budget? (Cont.)

2.3.5 Effective financial monitoring arrangements are in place across the partnership to control expenditure however linking expenditure directly to one specific outcome does not capture the fact that the budgets support a range of outcomes. Attempts to allocate specific funding to each outcome may be notional and therefore less meaningful.

2.3.6 Although the 2018/2019 Financial Plan for NLJJB has been agreed, there are concerns about the funding for future years.
- Based on the current budget setting arrangements, the future financial strategy for IJBs will depend on both the health board and local authority future cost projections for all services and future financial settlements from the Scottish Government.
- The demographic profile up to 2039 indicates a significant increase in the age group 65 years of age and over.
- New ways of delivering services cost effectively need to be identified and implemented.
- The expectations of the public are an important consideration but areas for disinvestment need to be agreed and supported in order to release resources for key service priorities and to support transformational change. Disinvestment strategies could involve making difficult decisions in respect of realistic medicine, end-of-life care and stopping services.

2.3.7 Savings have been implemented over many years and it is now much more difficult to identify savings to bridge funding gaps.
- The low-hanging fruit has been picked.
- It is challenging to continue to protect the budgets supporting preventative and early intervention work. It therefore becomes increasingly difficult to support the NLJJB strategic outcomes which focus on preventative measures.
- Investment now to address inequalities and deprivation will reduce the burden on acute hospital and unscheduled care services however the impact of this and the associated savings will not be evidenced until future years.
- A reduction in preventative and early intervention expenditure because of shorter term financial planning requirements will increase costs over time. The potential benefits of maintaining or increasing interventional expenditure on, for example, very young children would lead to better outcomes for the children and their families and better management of the current financial pressures on looked after and accommodated children services.
- The Fairer Scotland Duty also came into force in Scotland in April 2018. When making strategic decisions, the IJB and its partners have a legal responsibility to actively consider how they can reduce inequalities of outcomes caused by socio-economic disadvantages. Whilst still having due regard to best value and equality, tackling inequality needs to be at the heart of our key decision-making.

2.3.8 Our joint focus is to ensure all the resources available are used to achieve the health and well-being outcomes. The financial settlements are allocated by the Scottish Government to each of the partners and not directly to the IJBs and the spend on health and social care is reported through two separate financial ledger systems.
- The current system encourages the funding to work through both the local authority ledger and the health board ledger. The funding does not therefore lose its identity as was intended by the legislation.
- The facility exists for the NLJJB to agree with both partners the funding package to implement new service models.
- It is difficult however for the partners to agree to transfer funding to meet the in-year cost pressures of the other partner when the funding available to the partners in future years is not known.
- Longer term funding agreements and earlier confirmation of settlements is necessary.
2.3 **What are the challenges in agreeing the budget? (Cont.)**

2.3.9 Notwithstanding the work which is ongoing to disinvest and transfer resources to fund service priorities and develop community services, bridging finance is required if further transformational change is to progress at pace and at scale. In particular, additional funding up front is necessary to develop the services before hospital beds close.

2.3.10 Harmonisation of the different budget setting cycles between health boards and local authorities would be helpful but it would not in itself address the challenges detailed above. The governance arrangements are complex and decision-making responsibilities are confused. The landscape is also complicated in respect of regional planning, national planning, NHS board planning, integration joint board planning and local authority planning. Effective partnership working between IJBs, local authorities, health boards and the third sector is essential to achieving the national health and well-being outcomes and achieving the 2020 vision.

2.3.11 The challenges above also impact on the ability of the NLIJB and the partners to provide medium term financial commitments. The absence of a medium term strategic commitment undermines the third sector’s ability to maintain stability across the workforce. Effective, sustained engagement with third sector providers is a key pillar of the NLIJB Strategic Plan.

2.3.12 A 10 year recurring funding plan is required to support the development of integrated budgets and the implementation of a strategic transformational programme. Investment is required in the health improvement and prevention agenda and the future role of GPs is critical to reshaping service delivery and managing future demand.

3. **Set-aside Budgets**

3.1 **To what extent are set aside budgets operating as intended**

3.1.1 There are challenges in trying to move funding from the acute sector into the community sector in the current climate. It is not easy to close hospital beds. In the first instance, reliable, safe community services must be in place before we can agree with communities the best way to use them. Investment is required to ensure community services become sufficiently well established. Double funding arrangements therefore need to be put in place in order to deliver the step change that is needed while also continuing to deliver the core services that need to be delivered. The challenge is in making transformational change at the same time as managing existing funding pressures.

3.2 **Is the set aside budget seen to be under the control of the IA**

3.2.1 A whole system approach is adopted by the partners to support the use of, and where possible, the transfer of set-aside resources. The NLIJB and the partners support the agreed process that if the Strategic Plan sets out a change in hospital capacity, the resource consequences will be determined through a bottom up process based on:

- Planned changes in activity and case mix due to interventions in the Strategic Plan;
- Projected activity and case mix changes due to changes in population need;
- Analysis of the impact on the affected hospital budget, taking into account cost-behaviour i.e. fixed, semi fixed and variable costs and timing differences i.e. the lag between reduction in capacity and the release of resources.

3.3 **Has the set aside budget changed since the IA was established?**

3.3.1 The NHSL Director of Finance and the NLIJB Chief Financial Officer have agreed the notional value of the set-aside budget which reflects the agreed resource transfers to the community and the ongoing development of the local systems. The method for determining the amount set aside for hospital services follows the guidance issued by the Integrated Resources Advisory Group. It is based on the notional direct costs of the relevant population’s use of in scope hospital services as provided by Information Services Division (ISD) Scotland. At a national level, there is however a delay in accessing current activity levels at current prices.
3.4 How is management of the set aside budget supporting any shift in the balance of care?
3.4.1 Within NLIJB, the transfer of the Community Assessment and Rehabilitation Service from the acute sector to localities is an example of a shift in resources of £1.4m from the set-aside budget to the directly managed community budgets to further develop the integrated care pathway.

4. Shifting The Balance Of Care:

4.1 Has your IA been able to achieve any shift in the balance of care? How has this been achieved?
4.1.1 The NLIJB and the partners continue to explore new ways to deliver services that better meet the needs of the people in the community. The focus of service design is to reduce inequalities, build community capacity and resilience and decrease demand for services in other parts of the system.

4.1.2 NLIJB continues to deliver against its agreed target trajectory of reducing unscheduled bed days across all specialties by 10% over 2017/18 and 2018/19. Working with colleagues in acute services, a whole system approach has been adopted to reducing unscheduled bed days through the implementation of a range of work streams, including:
- Development of multidisciplinary locality teams, including a new model of rehabilitation
- Implementation of a new model of home support and improved discharge planning
- Undertake a review of the intermediate care model
- Implementation of a new model for managing Adults With Incapacity
- Hospital At Home co-location
- Screening and assessment of frailty at hospital front door
- Improved discharge planning via criteria-led discharge, estimated date of discharge and daily dynamic discharge

4.1.3 In 2017/2018, a significant reduction was made in the number of days people spend in hospital waiting on a home care package to be put in place although being clinically ready to be discharged. Since January 2017, the median number of bed days per week of people delayed due to home care has fallen from 197 to 93 in April 2018, a reduction of 53%. This has been a result of improved joint working between local home support teams and the discharge hubs within the acute hospital sites.

4.1.4 The Motherwell Demonstration Pilot Project commenced in September 2017. A single integrated co-located team was created of twelve practitioners across physiotherapy and occupational therapy staff from the acute hospital, the community assessment and rehabilitation service, domiciliary health teams and social work Occupational Therapists. Early developments have included the introduction of a single point of access for all requests for rehabilitation or assessments for equipment and adaptations, with collective triage of new cases and existing waiting lists. By December 2017, waiting lists for both Occupational Therapy and Physiotherapy had fallen from 12 weeks to 4.5 weeks, highlighting some early success in co-ordinating care. The rehabilitation model is being rolled out to the remaining five localities in 2018/2019. The Motherwell locality will form the first fully integrated Long Term Conditions and Frailty (LTCF) Team and will also include district nursing and home support staff. The aim is to progress towards all six localities establishing fully functioning LTCF teams.
4.1 Has your IA been able to achieve any shift in the balance of care? How has this been achieved? (Cont.)

4.1.5 North Lanarkshire Council is recognised as a leading authority in Scotland in respect of self-directed support which aims to improve people’s lives if they need social care by empowering them to be equal partners in agreeing their care and support and giving people as much choice and control as possible. Demand for services is growing but funding is reducing. More people need to be supported by the same or less resource. In respect of younger adults and children affected by disability, there is evidence to support the conclusion that giving people more choice, control and flexibility does not cost more. This innovative and person focussed approach is being extended to frail and older adults and also health services. The alternative would be greatly increasing the financial resources. The wider development of the social care workforce is an integral part of this approach to ensure there is an appropriate range of provision which gives people real choice.

4.1.6 A range of benefits will be achieved as a result of the implementation of a new model of Home Support which was approved in March 2018 by the NLJIB, one of which will be further improvements to the hospital discharge performance. Five of the main drivers of the new model are:

- An integrated model to be embedded within the proposed LTCF teams and linking in to the future model of “discharge to assess”.
- Intensive and time limited support to facilitate a same day response and re-ablement.
- Establishment of specialist teams to further support people with frequently changing needs, end of life care and other specialist needs.
- The allocation of individual budgets to deliver individual outcomes as part of the strategy to further promote self directed support arrangements.
- Quality assurance arrangements to maintain and further improve quality care standards.

4.1.7 An integrated workforce plan is being developed to support the shift in the balance of hospital based care to the community, improve the quality of support and care delivered and increase job satisfaction across the workforce. Current workforce challenges include vacancies and an ageing workforce. Research indicates that there will be a dearth of skilled staff in the health and social care sector in the future. NLJIB, NLC and NHSL therefore jointly agreed to establish a Health and Social Care Academy to grow the future health and social care workforce from the local population by encouraging more residents of North Lanarkshire to choose a career from the broad spectrum of options across the partnership.

4.2 What factors might inhibit or facilitate a further shift in the balance of care?

4.2.1 A whole system approach to service redesign based on consultation and agreement with all partners is key to facilitating the shift in the balance of care.

4.2.2 The financial factors which are inhibiting the pace and scale of change are referred to at section 2.3. A 10 year recurring funding strategy and bridging finance are required.

4.2.3 The population, and its needs, are changing and demand is increasing. Prevention and early intervention now is necessary to reduce the demand for traditional services from the next generation. There is also a risk that welfare reform increases inequalities which impacts on health and social care services.

4.2.4 Legislative changes continue to influence the landscape, an example of which is the proposed Safe Staffing Bill. Complex and complicated governance arrangements require to be complied with across the three separate entities. These include data sharing protocols, staff management and decision-making responsibilities.
4.2 What factors might inhibit or facilitate a further shift in the balance of care? (Cont.)
4.2.5 There is some reliance on the recruitment of EU nationals to deliver services, including across the independent providers and the voluntary sector. There is uncertainty about what the post-Brexit rules will be with the European Union.

4.2.6 When comparing the level of investment in public services with the cost of service pressures, the status quo is not sustainable. There needs to be further national discussion with the public about the need for changes in service delivery and an understanding that reducing the number of hospital beds and investing in community services will deliver better-quality care services across the whole system more cost-effectively.

4. Efficiency Savings

4.1 What efficiency savings does your IA expect to achieve in 2018-19?
4.1.1 Although base budget adjustments and savings are required in 2018/2019 in order to achieve a balanced budget, it is important to note that the budgets released will be retained by the NLIJB and will therefore be re-allocated to address inflationary cost increases and demographic growth across core services. The financial strategy to close the funding gap in 2018/2019 includes the following actions:

- Base budget adjustments of £0.8m across social care services. These adjustments relate to operational efficiencies which do not impact of front-line service delivery.
- Savings of £6.3m (£4.6m - social care services; £1.7m - health care services).
- Management actions of £1.1m mainly in relation to cost avoidance actions to limit, as far as possible, prescribing cost increases.
- Structure changes of £0.3m as part of the transformational change programme.
- The use of underspends of £1.4m on a non-recurring basis.

4.2 What proportion do these efficiency savings represent as a proportion of your total budget?
4.2.1 The total funding gap in 2018/2019 is £9.9m which represents 1.8% of the total financial envelope of £548.833m. This financial envelope however includes the budgets for Family Health Services (£89m), Justice Services (£6m), Mental Health, Learning Disability and CAMHS Services (£65m); Prescribing (£73m), ADP Funding (£5m) and the notional set-aside allocation (£59m). This totals £297m (54%) within which it is difficult to release budgets from to reinvest in other priorities. The balance of approximately £252m (46%) underpins front-line service delivery across a range of nursing and social care disciplines. Support services such as human resources, finance and IT are not delegated functions to the NLIJB.

4.3 In what main service areas will these efficiency savings be delivered?
4.3.1 In respect of the efficiency savings of £6.3m, the officer recommendations to the NLIJB were the best fit with NLIJB strategic commissioning intentions and the best value requirement to use resources more effectively. Three examples of efficiency savings are detailed as follows:

- A review of intermediate care home provision across North Lanarkshire with a view to rationalising social work intermediate care, recognising that the move to a “discharge to assess” model will reduce demand for places. This is in line with the partnership’s strategic commissioning priorities to support people to live independently at home.
- A review of day services for younger adults with disabilities and older adults to reduce costs while recognising the cost avoidance benefit from the delivery of these services.
- In line with the NHSI local strategy and the bed modelling plan to reduce the overall number of beds, it is proposed to repatriate contracted care beds for mental health complex care services. It is intended that this will contribute to the development of the care pathway at a local level and secure better outcomes for the individuals through rehabilitation back into the community.
5. **Conclusion**

5.1 North Lanarkshire was the first area in Scotland to be inspected by the Care Inspectorate and Healthcare Improvement Scotland on the effectiveness of its strategic planning and commissioning of health and social care services for all adults.

5.2 The inspectors concluded that the health and social care partnership in North Lanarkshire is laying down “strong foundations” to support more integrated working. The clear and ambitious vision of North Lanarkshire’s Health and Social Care Services to deliver positive outcomes for its communities, alongside its sound strategic planning were cited as areas of good practice, including the partnership with voluntary sector organisations which was described as “strong”. Inspectors found the building blocks were in place to support improvement in people’s health and care experiences and outcomes. The senior leadership around integration had made significant investment and good progress in driving towards a culture of shared responsibility and accountability.