



HEALTH AND SOCIAL CARE – MEDIUM-TERM JOINT FINANCIAL PLANNING STRATEGY AND RESERVES POLICY

Aim

- 1.1 The aim of this report is to set out the framework for future effective joint financial planning arrangements and timescales for the IJB and its partners and to seek approval of its policy for maintaining reserves and the carrying forward of resources.

Background

- 2.1 2017/18 will represent the second year of operation of the Scottish Borders Health and Social Care Partnership Integration Joint Board (IJB). Across Scotland, the development of a joint or integrated financial planning process between Integration Joint Boards (IJBs) and their partner health board and local authority remains embryonic at the current time, with further development towards a more cohesive approach across all partnerships still a requirement. This has been a key issue raised by IJB Chief Financial Officers in regular discussions with the Scottish Government. Presently, the development and publication of guidance on how partnerships should approach joint Financial Planning remains outstanding and whilst believed to be imminent, is unlikely to influence how 2017/18 Financial Plans across partnerships, health boards and local authorities are developed.
- 2.2 Within the Scottish Borders, as in 2016/17, the method for determining the allocations by partners to the integrated budget will largely be contingent on the respective financial planning and budget-setting processes of NHS Borders and Scottish Borders Council. A key aim of these processes is to provide indicative medium-term allocations to the IJB, in line with the objectives of the Strategic Plan, subject to annual approval through partners' respective budget-setting processes.
- 2.3 A more joined-up approach is therefore required in order to ensure that an indicative partnership medium-term financial plan not only underpins its Strategic and Commissioning Plans, but its affordability, robustness and sustainability. Its component provisions and assumptions must also be transparent and consistent. Key elements of this approach therefore include:
 - A review of both NHS Borders' and Scottish Borders Council's current health and social care financial plans (which when combined form the partnership's "Financial Statement") for delegated and set-aside functions
 - Detailing and agreement of funding assumptions
 - Agreement of key uplift, inflationary and pressures assumptions
 - Assessment of the level of new savings proposals required to fund the resulting affordability gap and permanently address recurring 2016/17 and historical shortfalls

- Engage with key stakeholders to produce additional robust proposals in order to close identified gaps and deliver strategic priorities

2.4 This paper outlines the process through which an integrated financial planning process for the IJB will deliver an affordable financial plan over the medium-term as partnership working, holistic and cohesive service planning and an integrated transformation programme all develop during this time.

Integration Scheme

Baseline Payment

- 3.1 As laid out in the Health and Social Care Partnership's Scheme of Integration, the baseline payment made to the IJB in 2016/17 was established by reviewing recent past performance and existing plans for Borders Health Board and Scottish Borders Council for the functions to be delegated, adjusted for known and assumed material items. The partnership's Financial Statement was then subject to due diligence and comparison to recurring actual expenditure in the previous three years adjusted for any planned changes in order to ensure that budgets were realistic and that the level of resources was sufficient to deliver the first year of the Strategic Plan.
- 3.2 The Integration Scheme states specifically that there will be an opportunity in the second year of operation to adjust baseline budgets to correct any inaccuracies.

Future Years

- 3.3 In subsequent years the Chief Officer and the Integration Joint Board Chief Financial Officer should develop a case for the Integrated Budget based on the Strategic Commissioning Plan. The financial plan will be presented to Borders Health Board and Scottish Borders Council for consideration as part of the annual budget setting process. The case should be evidenced, with full transparency demonstrating the following assumptions:-
- Performance against outcomes
 - Activity changes
 - Cost inflation
 - Price changes and the introduction of new drugs/technology
 - Agreed service changes
 - Legal requirements
 - Transfers to/from the amounts made available by Borders Health Board for hospital services
 - Adjustments to address equity of resource allocation

Key Principles and Other Factors for Consideration

- 4.1 There are a number of key principles on which a medium-term financial plan for the Scottish Borders Health and Social Care Partnership should be founded. These principles will be consistently applied across both NHS Borders' and Scottish Borders Council's financial planning process and can be summarised as being:
- To set a prudent, sustainable budget for health and social care, taking account of available resources

- To recognise the impact of existing investment and continue to invest through capital and other sources of funding (e.g. Integrated Care Fund) in transformation and redesign projects in order to improve outcomes and efficiency and deliver longer-term financial savings
- To maximise (social care) income whilst maintaining a fair, equitable, affordable and consistently applied charging policy
- To prioritise the aims and objectives of the Health and Social Care Partnership's Strategic Plan
- Where possible, to take a data-driven approach to reviewing cost-effectiveness, including variation and benchmarking
- To seek opportunities for improved efficiency through sharing services between partners at a regional or national level
- To consider how, in line with strategic priorities, resources can be shifted along the care pathway through disinvestment in lesser priorities in order to fund new priority models of care
- To identify and deliver efficiency and other savings schemes jointly between partners
- To be informed by and enable the delivery of the Scottish Borders Strategic Housing Investment Plan

4.2 Each annual partnership financial plan will require risk-assessment and sufficient actions to mitigate identified risks will require to be put in place prior to the start of the financial year. A key feature of this will be the application of the partnership's Reserves Policy. A draft Reserves Policy is detailed as [Appendix 1](#) to this report. Clearly for this policy to be fit for purpose, provision requires to be made within the Financial Statement to create and fund a reserve as part of risk-mitigation measures going forward. In a time of financial constraint and increasing demand and cost-pressures however, this will be a major challenge.

4.3 The key objective of a joint/more integrated financial planning process will be the delivery of a balanced, affordable and sustainable medium-term financial plan for the Health and Social Care Partnership which will be presented to members of the IJB as its Financial Statement. In order for this to be achieved, a number of considerations require to be made:

- To identify the impact of the current planned transformation and redesign programme in terms of resource realignment, efficiency opportunities and ongoing sustainability requirements beyond transitional funding arrangements
- To identify further joint opportunities for service redesign and agree a joint plan for any associated capital or revenue investment requirements
- To implement a medium-term solution for addressing the recurring efficiency gap across the partnership's devolved and large hospital budget set-aside resulting from non-recurring savings delivered in current and historic years
- To identify any additional investment requirements associated with the delivery of the partnership's approved Strategic Plan and how these investment requirements can be met

Timetable and Engagement

5.1 In order to comply with the statutory guidance accompanying the legislation for integration, the Health and Social Care Partnership is required to approve its

medium-term Financial Statement before the 01 April each year. For 2016/17, this was achieved on 30 March 2016. For 2017/18, it will be presented to IJB members on 27 March 2017.

- 5.2 To realise this in any given financial year, there are a number of key milestones which will require to be reached:

Overview of Health and Social Care Partnership Financial Planning Cycle - September to June	
September	<i>Executive Management Team agree medium-term financial planning assumptions for health and social care</i>
October to December	<i>Executive Management Team agree health & social care resource envelope following discussions with NHS Borders and Scottish Borders Council</i>
October to December	<i>Executive Management Team identify investment requirements and efficiency and savings proposals for submission to NHS Borders and Scottish Borders Council</i>
Mid-January	<i>Executive Management Team agree draft Health & Social Care Partnership Draft Medium-Term Financial Plan</i>
Mid-February Early February	<i>Draft NHS Borders Financial Plan submitted to the Scottish Government Scottish Borders Council approves its Financial Plan</i>
Late March	<i>Approval of the Draft IJB Medium-Term Financial Statement</i>
Late March	<i>Final NHS Borders Financial Plan submitted to the Scottish Government</i>
1st week in April	<i>NHS Borders Board approves its financial plan</i>
June	<i>Approval of the Revised IJB Medium-Term Financial Statement (if required)</i>

- 5.3 It is expected that a Financial Planning update report will be made to IJB members periodically during each annual cycle.
- 5.4 Presently, the arrangements for partnership working and in particular, integrated financial planning are still in development. For 2016/17, the partnership's financial statement was effectively formed of the outcome of partners' respective and discreet financial planning processes. For 2017/18, whilst a fully formed integrated process has not yet been achieved, a number of developments have been made which have been discussed with IJB members at previous meetings / development sessions in order to help enable an understanding of the key principles before either partner organisation submits / agrees its health function / social care function budget for the medium-term.

Priority Areas for Consideration 2017/18 – 2019/20

- 6.1 It is recommended that the Health and Social Care Partnership sets and agrees at least a 3-year Financial Plan on an annual rolling basis. In March of each year therefore, IJB members will be asked to approve a Financial Statement for the

Health and Social Care Partnership for the period 2017/18 to 2019/20. In line with the national position the budget from 2018/19 should be considered indicative

6.2 Following the principles outlined in this report therefore, a number of key financial planning areas have been as part of the current joint financial planning process including:

- The robustness of partners' funding assumptions and potential impact of draft Scottish Government funding allocation and settlements as these become known
- The adequacy of current assumptions in respect of investment requirements, demographic pressures, allocation of uplift and the identification of any other likely-to-emerge legislative, demand/activity or price-driven pressures over the medium-term (this should specifically recognise partnership pressures which have been addressed by the partnership during the financial year on a non-recurring basis)
- What the Health and Social Care Partnership and its partners are required to do to address that the substantial recurring budget gap from current and prior financial years over the medium-term in order to ensure that the functions its delegated budget support are financially sustainable
- Assessment of the likely impact of efficiency and savings proposals planned for the medium-term partnership budget, in terms of the delivery of the Strategic Plan – (going forward, regular reports to the IJB will be made in-year supplementing those on the forecast monitoring position, specifically relating to progress made in delivering the integrated transformation, efficiency and savings programme)
- Identification of the financial impact of the current programme of health and social care transformation and redesign in terms of how any efficiency and savings arising is reflected in the partnership's Financial Statement
- Identify forward options to ensure financial sustainability of the new models of health and social care currently being planned and implemented through disinvestment and realignment of resources towards priorities

6.3 Whilst work continues on these currently for the 2017/18 financial plan, developing a more integrated financial planning process is clearly not just a cyclic, annual process and therefore work across these areas will continue through and beyond the formal process leading to the approval of the partnership's Financial Statement in March 2017 and for each annual medium-term financial plan thereafter.

6.4 The work of the Executive Management Team, Chief Officer, Chief Financial Officer and respective senior Finance Officers from both NHS Borders and Scottish Borders Council will be vital to the delivery of the above plan and joint Financial Planning will be a standing agenda item at each EMT meeting as required in order to ensure the above objectives are achieved.

Recommendation

The Health & Social Care Integration Joint Board is asked to **note** medium-term financial planning strategy proposed

The Health & Social Care Integration Joint Board is asked to **approve** the policy outlining the arrangements for the maintenance of IJB reserves

Policy/Strategy Implications	Supports the delivery of the Strategic Plan and is in compliance with the Public Bodies (Joint Working) (Scotland) Act 2014 and any consequential Regulations, Orders, Directions and Guidance.
Consultation	The report has been considered by the Executive Management team and approved by NHS Borders' Director of Finance and Scottish Borders Council's Chief Financial Officer in terms of factual accuracy. Both partner organisations have contributed to its development and will work closely with IJB officers in delivering its outcomes.
Risk Assessment	To be reviewed in line with agreed risk management strategy.
Compliance with requirements on Equality and Diversity	There are no equalities impacts arising from the report.
Resource/Staffing Implications	No resourcing implications beyond the financial planning resources identified within the report.

Approved by

Name	Designation	Name	Designation
Elaine Torrance	Chief Officer		

Author

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Paul McMenamin	Interim Chief Financial Officer IJB		