

CÙRAM IS SLÀINTE NAN EILEAN SIAR

WESTERN ISLES HEALTH AND SOCIAL CARE PARTNERSHIP

FINANCIAL PLAN: 2019-2022

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1. Introduction

The Western Isles IJB is ambitious about what we want to achieve and we are clear about our ambitions and priorities for the next three years as set out in our refreshed Strategic Plan. The financial position for public services continues to be challenging and so it is important that the IJB's ambitions are set within the context of available funding. This Medium Term Financial Outlook assists the IJB to plan based on the totality of resources across the health and social care system to meet the needs of local people and support delivery of its Strategic Plan for 2019 to 2022.

The Western Isles IJB commissions a range of services and in 2018-19 had funding of almost £60m to spend on services. Like other partnerships in Scotland, we continue to grapple with greater levels of demand and greater complexity of care. This has an inevitable impact on the cost of care, as we seek to commission services that are safe, effective and capable of meeting the needs of the population. Over the medium term, we estimate a funding shortfall of £5.4m by 2022, which the Integration Joint Board will address by way of the actions described in our Financial Plan, with a cumulative savings target of nearly £9m.

There has been significant progress already in transforming services. As well as delivering financial savings, we have been able to increase our effectiveness and efficiency, enabling services to manage the increasing demand and complexity of the patients and service users supported. The IJB is committed to transforming services, and this programme of work will continue moving forward. However, future gains will be smaller and this alone will be unable to bridge the funding gap which has been identified.

Difficult decisions will need to be made to ensure the IJB remains financially sustainable over the medium term. It will require services to be re-imagined and a new social contract to be discussed with the citizens of the Western Isles. It will require us to work together to focus our limited resources on offering services which are sustainable over the longer term and are targeted to those with the greatest need.

Debbie Bozkurt
Chief Finance Officer, Integration Joint Board

Cllr Kenny John Macleod
Chair, Integration Joint Board

2. Economic and Policy Context

IJBs operate in a complex and changing environment where national issues can have an impact on what services are delivered and how they are delivered, as well as the financial resources which are available to support the IJB in commissioning services. An understanding of this national context is essential when developing a medium term financial outlook.

The Economy

The Global, UK and Scottish economy has an impact on the citizens that we support across a range of areas including earnings, taxation and employment. It also impacts on the funding available to support public spending and in turn, the funding available to Councils and Health Boards to deliver services.

The Scottish economy has picked up in recent months, with growth nudging ahead of the UK as a whole. However, growth still remains well below historical standards. Annual growth of 1.4% remains well below trend. Growth has not been above 2% on an annual basis since early 2014. The Fraser of Allander Institute forecasts growth of 1.4% for 2019 and 2020. Looking forward, most forecasts are for growth to remain fragile for the next few years, with weak productivity being the key factor.

Scotland's funding is largely dependent on funding from the UK Government and income from devolved tax revenues. The outlook for Scotland's resource block grant has improved significantly from last year when it was on course to fall by over 1% between 2018/19 and 2019/20. However recent spending decisions by the UK

government mean it will now increase, with growth of 3% expected over the remaining three years of the parliament. The outlook for Scotland's income tax revenue has deteriorated by £400m, and will offset the increase in the block grant in 2019/20.

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.

(i) Withdrawal from the European Union (Brexit)

The greatest risk to the economic outlook remains Brexit, with the general view that Brexit is likely to have a long term negative impact on the economy. The economic impact of Brexit could reduce Scotland's GDP by £12.7bn by 2030 compared to staying in the EU. Locally, the impact could be significant, with an anticipated impact on the local labour market diminishing economic activity and exacerbating workforce supply issues.

(ii) Free Personal Care – Under 65's

The Scottish Government has committed to the extension of Free Personal Care to all under 65s who require it regardless of condition. Ministers have committed to the extension by 1 April 2019. This will represent a significant change not only to how personal care is funded but could see an increase in demand for personal care services across Scotland.

(iii) Safe and Effective Staffing

Scottish Government is currently considering the [Health and Care \(Staffing\) \(Scotland\) Bill](#) which seeks to make statutory provision for appropriate staffing by the National Health Service and by providers of care services to enable safe and high quality care and improved outcomes for service users. This would apply to care services registered and inspected by the Care Inspectorate and could have implications both for services delivered and those commissioned by the IJB. It is too early to assess the implications of this Bill, but is an area which the IJB will closely monitor to enable any financial and operational consequences to be fully understood.

(iv) Carers Act (Scotland) Act 2016

This [Act](#) is designed to support carers' health and wellbeing and help make caring more sustainable. This Act came into effect from 1 April 2018 and places a duty for local authorities to provide support for carers, based on the carer's identified needs which meet the local eligibility criteria. This will be supported by adult carer support plans and a young carer statement to identify carers' needs and personal outcomes. The IJB has emerging plans in place to meet our obligations.

(v) Primary Care

The Scottish Government has recognised the increasing demand and expectations that are placed upon our frontline services within primary care and is clear that status quo is not an option. In support of this and to ensure the [new GP contract](#) can be fully implemented, the Cabinet Secretary for Health and Sport has announced that, in addition to the funding for General Medical Services, funding in direct support of general practice nationally will increase annually by

£250 million by the end of 2021-22, and this forms part of the Scottish Government's commitment to an extra investment of £500 million per year for primary care funding. Some of this funding will flow to IJBs to deliver services which will support GP practices to become sustainable for the future. Our local plan can be accessed at www.ijbwesternisles.scot

(vi) Mental Health

As part of the Mental Health Strategy 2017-2027, Scottish Government Ministers made a commitment to provide funding to support the employment of 800 additional mental health workers to improve access in key settings such as Accident and Emergency departments, GP practices, police station custody suites and prisons. A total of £12m is being made available for Scotland in 2018-19 rising to £35 million in 2021-22.

(vii) Scottish Living Wage

The Scottish Living Wage is currently £9.00 per hour and is part of a Scottish Government policy to improve people's lives and help build a fairer society. This is subject to annual review and in recent years has increased by 20p and 30p both in 2017/18 and 2018/19. This level of increase looks set to continue, and has been reinforced with the UK Government pledging to deliver a living wage of £9.00 by 2020, which will impact on the costs of the Comhairle as an employer and also the costs of services which we commission directly from service providers.

(viii) Regional Planning

The Scottish Government's Health and Social Care Delivery Plan and the National Clinical Strategy set out the expectations for a modern

health and care system for Scotland. This includes a requirement for organisations to come together and focus on regional planning of services where appropriate. Health Boards are working together and connecting beyond traditional boundaries - across health and social care; across professions and disciplines; across settings; across specialties; and across organisations to build a person-centred and sustainable service that is fit for the 21st Century. The Western Isles is an active partner in this process.

Scottish Government Funding

Scottish Government funding is the main source of funding for both Councils and Health Boards and changes to policy, legislation or changes in the economy can have an impact on the funding which they receive. Between 2010/11 and 2018/19, revenue funding of Councils has fallen by just under 9% in real terms. Scottish Government revenue funding of Health Boards has increased by 8.1% in real terms between 2008/09 and 2018/19. 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, excluding the additional resources ring fenced for early year developments.

The Comhairle and Health Board delegate budgets to enable the IJB to fund the services which it commissions. Any changes to the Scottish Government funding which they receive 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. Demand Profile

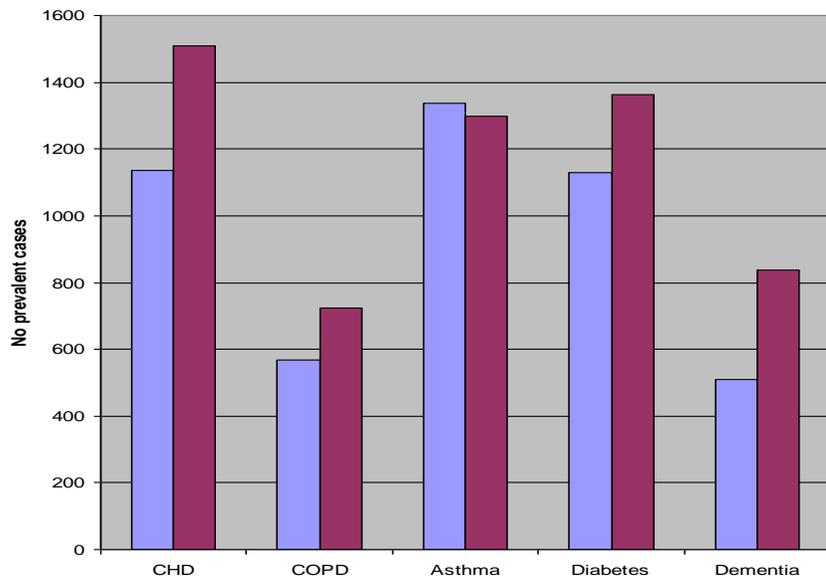
DEMOGRAPHIC AND POPULATION NEEDS

The population of the Western Isles is changing. Over the next 15 years, it is anticipated that the size of our population will decrease as deaths outnumber births and the number of people leaving the islands is more than the number arriving, and yet we can expect the number of older people to increase, as well as the number of people with complex long-term conditions. While this should be celebrated as a success as people live longer, it also puts an obligation on us to redesign our services to meet the changing needs of our communities.

The older adult proportion of the population is projected to increase for all partnership areas but is greatest in the Western Isles, with 37.1% of the population predicted to be aged 65+ by 2037. Depopulation and an ageing society mean we will have a smaller workforce to support our health and social services, and a smaller number of unpaid family carers. This presents a very challenging circumstance to support our older citizens into the future. With more young people leaving the islands and not coming back, their parents are reliant on each other and local services rather than immediate family. This can change the family dynamics that can leave the older generation more isolated from the

following generation that would historically have provided care at home. This makes increasingly imaginative digital health and care services not just desirable but necessary.

We will also see a rise in the number of people of all ages living alone. The latest census estimates suggest that the Western Isles already has the greatest proportion in lone pensioner households in Scotland – and this is likely to increase into the future. This is particularly significant as living alone has strong associations with social isolation and loneliness, which increase risks to health for people with dementia and depression. Indeed, evidence is now emerging that the health impact of loneliness on mortality is equivalent to that of smoking and greater than that of obesity.



We also know that we have a significant challenge with alcohol misuse, which can increase injuries, mental health issues, violence, social disorder, family stress, and employment difficulties and is a contributory factor in a range of other diseases including cancer, stroke and heart disease. Although above the national average, the latest figures demonstrate a substantial improvement, with the rate of alcohol related hospitalisations in Scotland decreasing markedly over the last decade –even though wider levels of alcohol dependency might be masked by these trends.

By contrast, the proportion of our adult population who are overweight (72%) or obese (33.5%) in the Western Isles, is increasing and is among the highest in Scotland – though our small population base potentially skews this figure. The Western Isles is an outlier in terms of adults meeting recommended regular physical activity levels. This may be a contributory factor in higher-than-average Coronary Heart Disease (CHD), and stroke prevalence in the Western Isles.

As we survive longer and medicine improves, we can see a corresponding increase in the number of people living with a range of long term conditions. These range from the most common conditions like CHD, stroke and cancer, to a variety of other chronic physical or mental health conditions including diabetes, dementia, asthma and depression. Overall projections are for a 73% increase in dementia cases over the next 20 years.

Results from the bi-annual Scottish Health Surveys for the Western Isles found that around 4 in 10 adults have a long-term condition or disability, with the majority describing these as limiting their quality of life. Most

Long-term conditions have a strong association with age and as result there is a significant projected increase in prevalence over the next fifteen years. There is also an association between long-term conditions, multi-morbidity and the consumption of healthcare services: in the Western Isles, just 2% of the population consumes 50% of local resources, of whom more than half will have at least two long-term conditions.

Many long term conditions are mental health related, including depression and other mental health conditions. Long term conditions are also associated with lower socioeconomic groups and other inequalities increasing prevalence of mental health.

OUR FUTURE DEMAND PROFILE

There are numerous studies which consider the factors driving expenditure on health and social care. Many of these studies have attempted to quantify future demand based on forward projections of need, including analysis carried out by the Health Foundation, the Fraser of Allander Institute, as well as the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD). Most of these studies conclude that the demand for health and social care will increase faster than the rate of growth of the wider economy and that over time, the share of GDP spent on these services will gradually increase. The factors for this growth can be broadly classified into three areas:

Price Effects: the general price inflation within health and social services;

Demographic Change: this includes the effect of population growth on the demand for health and social care services as well as the impact of a population living longer; and

Non Demographic Growth: this relates to demand-led growth, generated by increased public expectations and advances in new technology or service developments, for example, expenditure on new drugs.

In May 2018, the Institute for Fiscal Studies and the Health Foundation reported that UK spending on healthcare would require to increase in real terms by an average of 3.3% per year over the next 15 years in order to maintain NHS provision at current levels, and that social care funding would require to increase by 3.9% per year to meet the needs of a population living longer and an increasing number of younger adults living with disabilities.

Based on these assumptions and their interaction with variable and fixed costs, future demand projections for health have been based on an average annual growth rate of 3%.

4. Existing Resource Consumption

Understanding how we use resources

Although we might not be able to influence the size of our overall budget, the IJB can determine how best to use it. In order to do that, we need to develop a better understanding of how our population consumes resources. Common sense tells us that we all use different amounts of health and social care resources: for example, children and older people will visit their GP much more often than young adults. So, the amount of health and social care used by each person will vary.

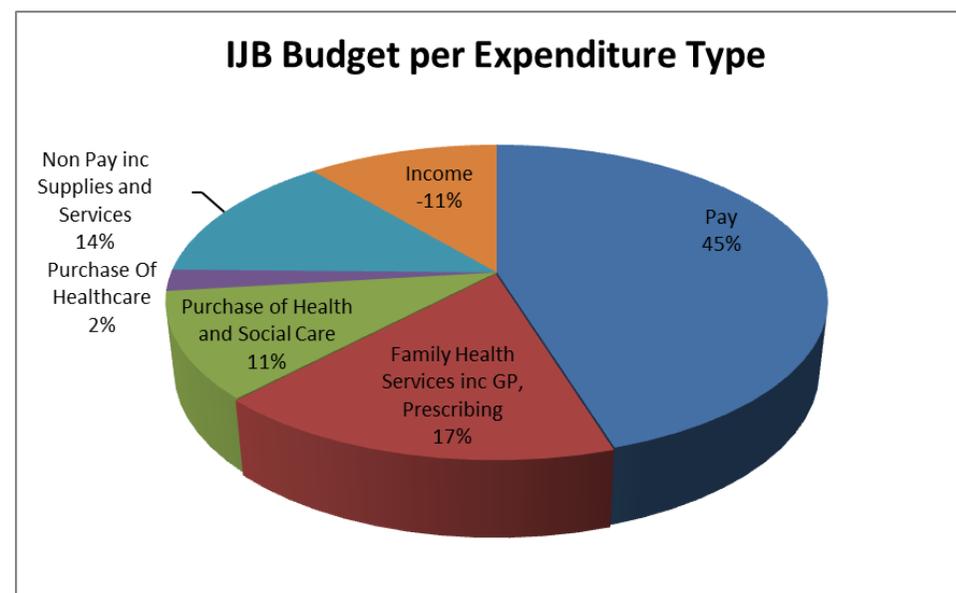
When this variation is a result of higher levels of need then that is perfectly explainable. However, sometimes we see a variation in resource use which is more difficult to explain. Rather than this being driven by the needs of people using services, it can be driven by inconsistent clinical or organisational decisions about how to give people access to the right type of care.

The reason that this is important to the work of the IJB is that if we understand this variation we can do something about it, making the system more efficient. Sometimes, we know that our system of health and social care leads to people consuming large amounts of resources that they don't need.

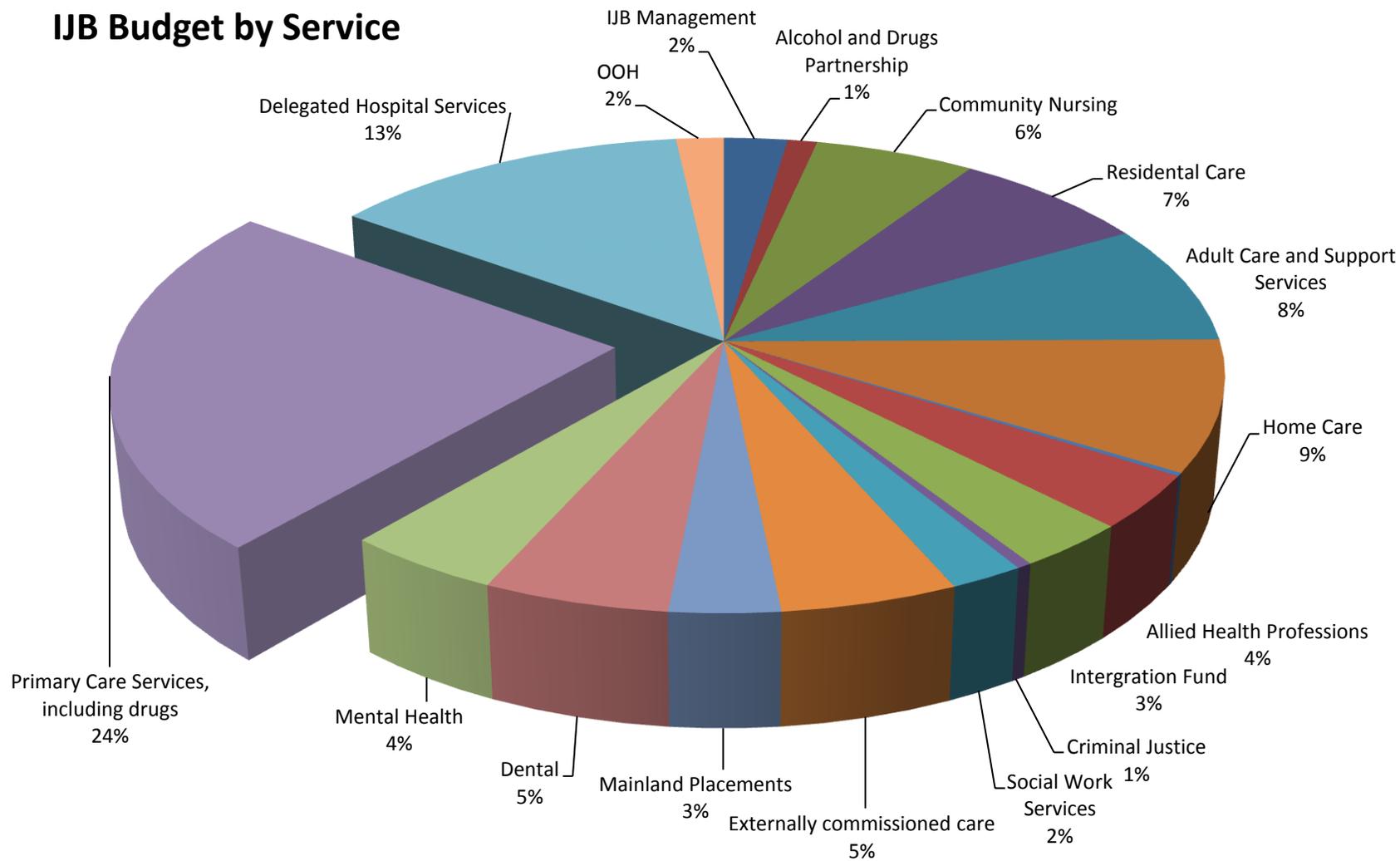
The biggest opportunities for cost reductions are often with people managing long-term conditions. Chronic diseases like diabetes can be expensive if it isn't properly managed and can result in expensive interventions in hospital. However, there is good evidence to suggest

that if we invest in more technology and education to help the patient self-manage their condition, it can substantially decrease their demand for healthcare services, reducing expenditure, and allowing us to capture some of those savings.

That variation drives our core spending profile. The IJB budget (circa £60m), is split across delegated functions. However, some of that resource is not subject to IJB decision-making. For example, the terms of the GP contract are agreed nationally. Likewise, some budget lines are driven by the ratio of staff to beds (e.g. hospital wards and care homes). What is more, as evidenced in the graph below, the majority of costs to the IJB are staffing related:



IJB Budget by Service



5. Financial Model

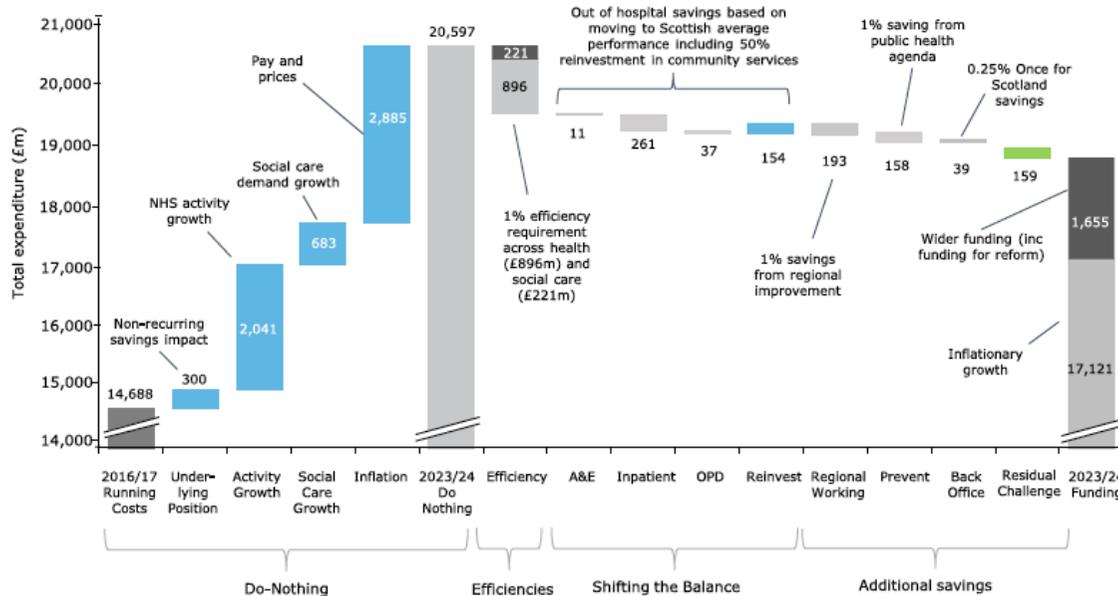
National Context

The national Health and Social Care Financial Framework aims to consider the whole health and social care system and how this supports the triple aim of better care, better health and better value. It outlines that investment, while necessary, must be matched with reform to drive further improvements in our services - considering the health and social care landscape at a strategic level. The Financial Framework provides an indication of the potential approach and type of initiatives that would create a financially balanced and sustainable health and social care system. This presents a macro level view across Scotland and within this framework, local systems will put in place local level delivery plans and developments.

The graph opposite illustrates how all of the assumptions on these reform initiatives and ongoing efficiency savings would combine to address the financial challenge over the coming years.

Taking account of assumed resource flow from the UK Government through to 2023/24, total funding will be £4.1 billion higher than in 2016/17. This is split between an inflationary growth in funding, and additional investment for reform. Based on this modeling there would remain a residual balance of £159 million across the health and social care system in 2023/24.

Bridging the Gap Analysis (£m)



From a starting point in 2016/17, with running costs of £14.7 billion, the health and social care system would require expenditure of £20.6 billion in 2023/24 if the system did nothing to change. Reform programmes have however already begun, particularly the integration of health and social care, which will help to address this 'do nothing' challenge. More progress is nonetheless needed to drive

forward reform and address the residual savings balance. This will require further work across the health and care system to identify new ways to provide services to the population of Scotland.

The IJB Budget Gap

Without mitigating actions, the IJB will see a recurring gap of £5.4m open up against allocated resources by 2021/22. This modelling has been based on the following demand-side assumptions:

- Pay inflation of 3% per year;
- Demand pressure of 1% per year;
- Average non-demographic pressures of 2% per year;

And on the supply-side through to 2021/21:

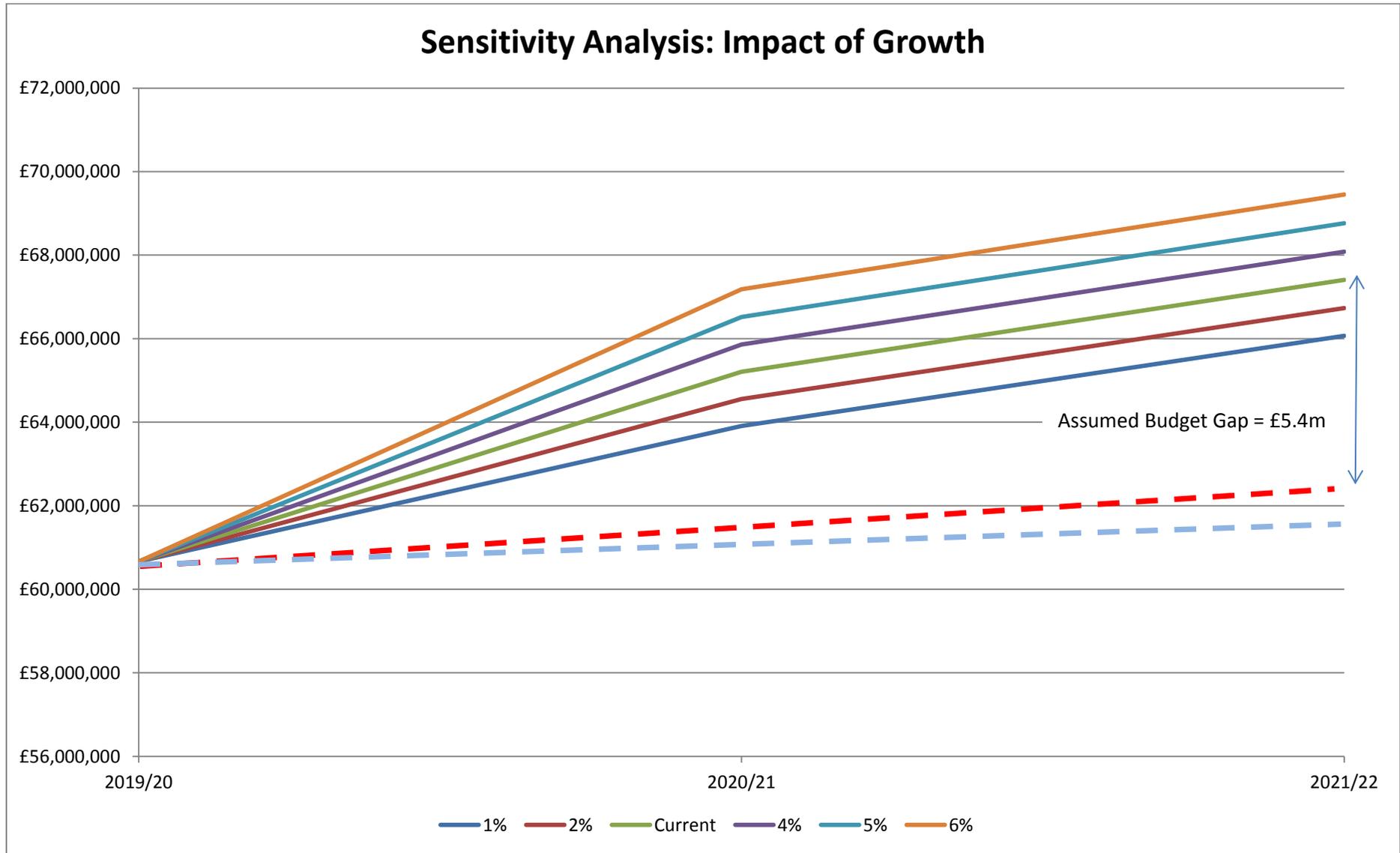
- Successive flat cash settlements from the Comhairle (0%);
- Successive budget increases of 2.5% from NHS Western Isles.

As evidenced by the table opposite, this generates a gap of £5.4m by 2021/22 and a cumulative savings target of over £9m across three years.

Of course, all financial projections are subject to uncertainty. As such, we have considered a range of planning assumptions. If, against the prevailing evidence, cost growth is restricted to 1%, then the gap by 2021/22 will be less than £5million. However, at the other extreme, if cost growth exceeds our predictions, and is closer to 6%, then the IJB's budget gap by 2021/22 could be over £7million, with a cumulative impact of almost £13m across three years. Likewise, if the income reduces from our assumed best case position, that will similarly impact the size of the gap (our assumptions are based on public statements from the UK and Scottish Governments, but a major downturn in the economy could change this position). All of this is outlined in the graph below:

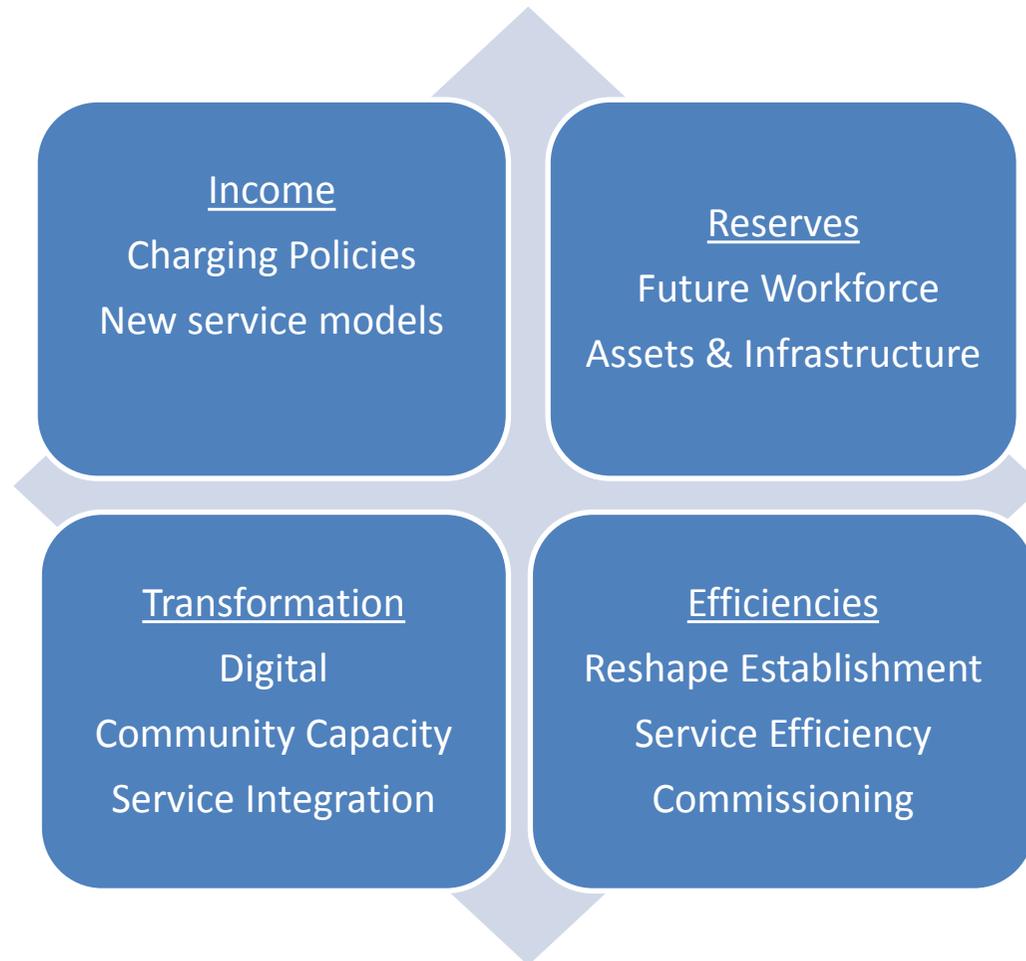
	19/20	20/21	21/22
	£'000	£'000	£'000
Expenditure			
IJB Management	2,028	2,074	2,122
Alcohol and Drugs	669	669	669
Head of Locality	20,231	21,022	22,485
Head of Partnership Services	12,785	13,265	13,756
Head of Dental Services	3,158	3,234	3,312
Head of Mental Health Services	3,009	3,081	3,155
Associate Medical Director	15,490	15,872	16,277
Acute Set Aside	6,967	7,353	7,649
Gross Total	64,337	66,571	69,425
Contingency (Reserves) NR	(850)	-	-
Health and Social Care Funding	(905)	(905)	(905)
FEP Recurring	(458)	(458)	(458)
FEP Non Recurring	(957)	-	-
Target for Demand Optimisation	(505)	(505)	(505)
Net Expenditure	60,662	65,208	68,062
Income			
NHS	41,345	42,338	43,354
Comhairle	19,317	19,317	19,317
	60,662	61,655	62,671
B/F			
GAP	0	(3,553)	(5,391)

Sensitivity Analysis: Impact of Growth



How we will bridge the gap

In recognition of our budget pressures, the IJB must find substantial recurring savings over the next three years whilst continuing to meet statutory duties.



In outline terms, the financial health of the IJB will depend on the delivery of savings from four related activities:

- The identification of cash-releasing efficiency savings through workforce planning;
- The identification of cash-releasing efficiency savings that can be delivered through transformation programmes;
- The optimisation of income; and
- The use of balances to invest in strategic priorities and smooth our financial challenges.

Given the predicted financial context faced by the IJB, we are seeking to save a total of £9million over the next three years. This will involve making difficult decisions; and this is especially challenging for the service areas delegated to the Integration Joint Board given the growth in demand for services.

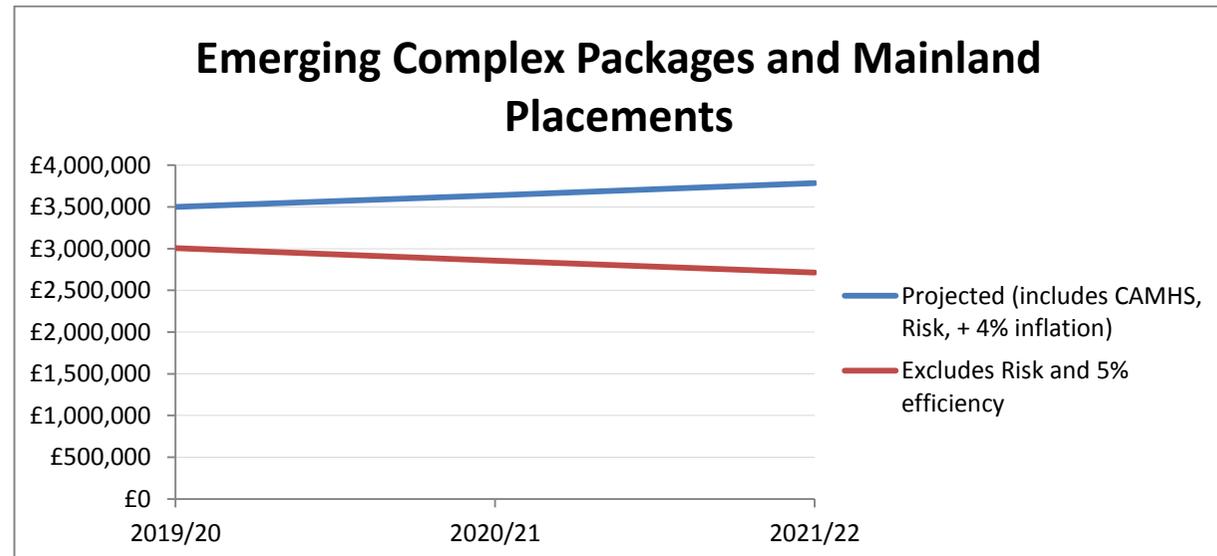
Not all of this work will produce cash-releasing efficiency savings; indeed, some is designed to restrain demand for health and social care (in other words,

avoid the need for growth) rather than reduce costs.

Our measures designed to align establishment to resource and reshape our workforce will generate the majority of the cash-releasing efficiency savings and will need to be carefully calibrated to ensure that we do not take resource-led decisions which create unmanageable clinical or care risks. To that end, the Integrated Corporate Management Team will oversee and validate all proposed changes to the health and social care staffing complement and in addition we will increase the number of informal Board sessions to ensure that members can interrogate proposals.

We will take careful decisions to reduce the overall burden of high cost packages. As the graph opposite demonstrates, if we were to continue with existing patterns of demand and add in the care packages the IJB will inherit from children's services (both CAMHS and Social Care), then we will see cost growth over the next three years. By contrast, if we are able to hold demand at existing levels and apply 5% efficiency by tightening clinical and care

governance and improving commissioning, then we could generate an opportunity cost over £1m by 2021/22.



We will use the remainder of 2019 to identify detailed measures which will deliver financial sustainability, within the framework of our action plan described overleaf. That plan assumes the heavy use of balances to bridge the gap in year 1, to give us the space and time to frame and deliver the recurring cash-savings over three years.

Most of the cash-releasing savings will emerge from re-shaping the establishment and by more effectively commissioning services locally and regionally. The transformation work is hugely important but will focus primarily on delivering sustainable care models and constraining demand rather than generating cash-releasing savings.

Objective	Recurring Savings	Non-recurring Savings	Action	Timeline
Maximisation of income to the IJB	£200,000	/	Undertaking financial modelling to ensure that we are charging on the basis of full-cost recovery	October 2019
			To generate efficiencies and new income streams from digital transformation, through the use of remote technologies and the development of digital homes	April 2021
Strategic use of balances	/	£952,000	The investment of reserves to provide the space and time to generate sustainable and recurring savings	April 2019
			The strategic investment of reserves in demand prevention schemes, in apprenticeship schemes designed to deliver the workforce of the future, and in new assets	April 2021
Service Transformation	£250,000	/	To grow community capacity to reduce demand for primary and community care	April 2021
			To support service integration to deliver more holistic care and streamline pathways	Ongoing
Efficient public services	£5,000,000	/	To commission off-island placements more efficiently and repatriate where possible	April 2020
			To examine new opportunities to outsource social care through a comprehensive commissioning and procurement plan	April 2020
			To take measured decisions to ensure our health and social care establishment is commensurate with the resources available	April 2020

