

EAST AYRSHIRE

Health & Social Care Partnership

Medium Term Financial Plan 2017/18 – 2021/22

*Working together with all of our communities
to improve and sustain wellbeing,
care and promote equity*



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SECTION 1: EXECUTIVE SUMMARY

INTRODUCTION

East Ayrshire Health and Social Care Partnership is operating within an extremely challenging financial environment as a result of real terms reductions in funding, increased demographic pressures and the cost of implementing new legislation and policies. The Partnership Management Team with the support of the Integration Joint Board (IJB) and the IJB Audit and Performance Committee worked throughout 2016/17 to manage and monitor the budget and service implications through tight financial governance. Financial balance was achieved in 2016/17 partly through the allocation of additional non-recurring funding to offset pressures in social care budgets £0.658m, as well as non-recurring slippage to offset unachieved cash releasing efficiency savings in health budgets. The first Financial Management Report to the IJB for the 2017/18 financial year on 31 August 2017 outlined a projected overspend of £3.901m as at 31 July 2017. The month 7 Financial Management Report to the IJB on 30 November 2017 highlights a marginally improved projected overspend of £3.525m as at 31 October 2017. Section 4 of this Medium Term Financial Plan provides a summary of current year net base line budget pressures.

The UK Government has signalled its intention to pursue continuous reductions in public spending over the medium term. Funding available to the Scottish Government will reduce in real terms and consequently financial support to Councils and Health Boards will also reduce. At the same time demand for health and social care services, legislative changes and user expectations of service access, quality and performance continue to increase.

The *Transformation Strategy 2017 – 2022* report to East Ayrshire Council Cabinet on 25 October 2017 highlights that high level estimates indicate that, if the Council were to continue with current service levels and delivery models, expenditure would be between £24m and £90m more than income by 2022 with a midline gap of £55m which would require savings of around 20% of the Council's departmental revenue budget. This wide variation illustrates the current uncertainty around funding assumptions.

A discussion document was presented to the NHS Ayrshire & Arran senior leadership team meeting on 21 July 2017 which outlined the scale of the financial challenge for the Health Board. The most significant cost for NHS Ayrshire & Arran is direct staffing costs which amount to £400m per annum, therefore every 1% increase in pay creates a cost pressure of £4m. The next biggest cost is prescribing at around £125m per annum and these costs have been increasing at over 5% per annum over the last four years. There is expected to be no more than a 0.5% funding uplift available to meet these cost pressures in 2018/19 and cash releasing efficiency savings are unlikely to be achievable on a recurring basis to meet the whole of the gap.

OBJECTIVES AND STRATEGY OF THE IJB

The main purpose of integration is to improve the wellbeing of families, our communities and of people who use health and social care services; particularly those whose needs are complex and involve support from health and social care at the same time. In East Ayrshire integration is also intended to support the Community Planning Partnership as strategic lead for delivering on the wellbeing theme of the Community Plan 2015/30.

The vision for the integration of health and social care is to produce better outcomes for

people through services that are planned and delivered seamlessly from the perspective of the patient, service user or carer. This is supported by the Integration Planning and Delivery Principles detailed in section 4 and section 31 of the Public Bodies (Joint Working) (Scotland) Act 2014 which sets out how services should be planned and delivered to achieve the National Outcomes. These outcomes must be at the heart of planning for the population and embed a person centred approach, alongside anticipatory and preventative care planning. In this context, the vision for the East Ayrshire Health and Social Care Partnership is:

“Working together with all of our communities to improve and sustain wellbeing, care and promote equity.”

In December 2016, the Scottish Government published the National Health and Social Care Delivery Plan which sets out the programme for further enhancing health and social care services. A critical component of this delivery plan is shifting the balance of where care and support is delivered from hospital to community care settings, and to individual homes where appropriate. The Health and Social Care Delivery Plan provides a clear impetus to the wider goal of the majority of the health budget being spent on community based services by 2021.

MEDIUM TERM FINANCIAL PLAN

The East Ayrshire Health and Social Care Partnership's External Auditor Deloitte LLP presented its ISA 260 Report on the 2016/17 audit to the IJB on 31 August 2017. The issue of financial sustainability was highlighted within the key messages outlined in the report, with financial sustainability being reliant on the continued commitment of East Ayrshire Council and NHS Ayrshire & Arran to the IJB and willingness to provide non-recurring funding if required. This was highlighted as being of particular importance due to the lack of a formally approved medium term or long term financial plan for the IJB. Deloitte recognised that work is being taken forward through the Strategic Commissioning for Sustainable Outcomes Programme Board and recommended that as part of the process, the IJB review the demand drivers and the impact on future costs to identify the relevant mitigating actions to ensure financial sustainability going forward.

The Strategic Commissioning for Sustainable Outcomes Programme Board has delegated responsibility to oversee the implementation of a financial recovery plan on behalf of the IJB Audit and Performance Committee and through this to the IJB itself. The key priority is to ensure that the IJB is best prepared to meet key priorities set out in the Strategic Plan 2015/18 and going forward, within delegated resources. The key deliverables of the Strategic Commissioning for Sustainable Outcomes Programme Board are as follows:

- to ensure immediate mitigating management action to achieve financial balance in 2017/18;
- to develop an implementation programme to oversee the scale of the budget challenge in future financial years;
- to align any financial implications with priorities set out in the Strategic Plan; and
- to consider any workforce implications in relation to the Workforce Development Plan

In addition to the achievement of financial sustainability, the Medium Term Financial Plan is key to supporting the delivery of the Strategic Plan and setting out plans to deliver a shift in the balance of care. The ability to plan based upon the totality of resources across the health and social care system to meet the needs of local people is one of the hallmarks of integrated care. Medium 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. The Medium Term Financial Plan will provide a framework to:

- provide the financial context for the Health and Social Care Partnership;
- inform current and future decisions including where we start to shift the balance of care; and
- outline a high level plan to start to bridge the financial gaps which have been identified going forward.

OVERVIEW

East Ayrshire Health and Social Care Partnership services include the full range of community-based health and care services delegated by the partner organisations under the terms of the Integration Scheme. East Ayrshire Health and Social Care Partnership has the lead partnership role in Ayrshire for Primary Care and Out of Hours Community Response including:

- Primary Care (General Medical Services, General Dental Services, General Ophthalmic Services, Community Pharmacy)
- Public Dental Services
- NHS Ayrshire Doctors on Call (ADOC)
- Area Wide Evening Service (Nursing)
- Prison Service and Police Custody Services
- Out of Hours Social Work Services

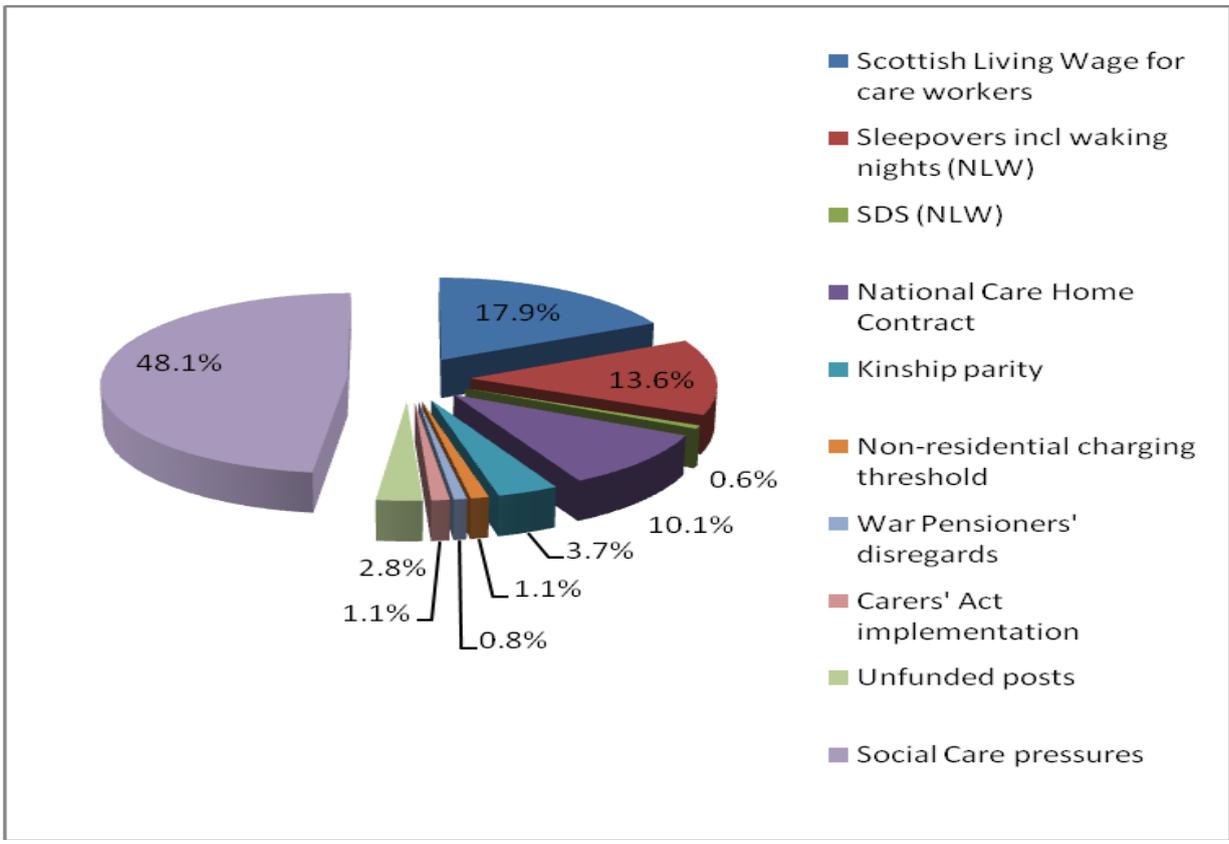
Pan-Ayrshire lead partnership arrangements are set out within the three Integration Schemes with North Ayrshire IJB being lead partner for Specialist Mental Health Services and Children's Services – Health Visiting and South Ayrshire IJB being lead partner for Allied Health Professional Services. In 2016/17, East Ayrshire IJB contributed £19.784m as its share of Lead Partnership services managed by the other two IJBs and received £47.040m in total from the other two IJBs in respect of their shares of Primary Care and Out of Hours Community Response Services. Further work is required to align activity and costs at individual IJB level to ensure equity and fair shares across the three IJBs.

The East Ayrshire Health and Social Care Partnership, like all others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook, real term reductions in funding, increasing demand for services and the cost of implementing new legislation and policies.

A financial plan has been developed for 2017/18. This includes proposed actions to ensure that the IJB operates within the resource available by proactively addressing the funding challenges presented while at the same time delivering effective services to the residents of East Ayrshire. As highlighted previously, the month 4 Financial Management report to the IJB on 31 August 2017 highlighted a projected overspend for the Partnership of £3.901m with the month 7 report to the IJB on 30 November highlighting a projected overspend of £3.525m.

Additional funding of £107m was announced for Health and Social Care Partnerships by the Scottish Government for 2017/18 to address social care pressures, as well as to offset the full year costs national policy initiatives including the cost of implementing National Living Wage/Scottish Living Wage for care workers, war pension disregards and pre implementation work for the Carers (Scotland) Act 2016. The Partnership's share of this funding is £2.658m and is additional to its £6.210m share of the £250m allocated to Health and Social Care

Partnerships for 2016/17. The following chart highlights that 49.1% of this additional funding has been utilised against national policy initiatives:



After taking account of the recurring cost of posts which the Partnership has been required to fund, the non-earmarked balance of this additional funding is £4.273m and represents 48.1% of the allocation. Whilst this funding is welcomed in terms of contributing towards increasing demands on social care budgets, there are baseline budget pressures and pressure continues across the whole spectrum of health and social care services and wider public sector expenditure at a UK and Scottish level with further reductions in government funding predicted over the lifetime of the next UK Parliament to 2021/22. This is set out at section 4 – Understanding the Scale of the Financial Challenge.

The Approved Budget 2017/18 report to the IJB on 19 April 2017 outlined that the financial position for 2017/18 is extremely challenging. No additional funding was approved by either East Ayrshire Council or NHS Ayrshire & Arran for 2017/18. The consequence of this flat cash budget-setting methodology is additional cash releasing efficiencies requirements to offset inflationary and demand pressures, including Primary Care Prescribing and payroll for the current financial year.

Going forward, unprecedented levels of cash releasing efficiency savings will be required as demographic change continues to drive increasing demand. Public services seek to continuously improve but resourcing and budget constraints make this increasingly difficult. To meet this challenge East Ayrshire Health and Social Care Partnership needs to think and work differently within the resources delegated by the partner organisations.

The anticipated reduction in funding coupled with the demographic challenges which East Ayrshire is facing, results in key risks which can be summarised as follows:

- socio-economic and health inequalities prevalent in East Ayrshire;
- increased demand for services alongside reducing resources;
- the impact of Welfare Reform on the residents of East Ayrshire;
- the wider financial environment which continues to be challenging; and
- Political uncertainty including the impact of the June 2016 EU referendum, the May 2017 local elections and June 2017 general election, as well as the financial powers arising from the Scotland Act 2012 and recommendations arising from the Smith Commission.

During such periods of challenge and uncertainty, East Ayrshire Health and Social Care Partnership requires to be clear about its role, what services are needed and valued by local people and communities, whilst seeking opportunities for new and innovative service delivery models maximising the collective resources of all partners. Partnership working is core to being able to deliver effective services within delegated resources and is a key component of an effective Medium Term Financial Plan. Transparent conversations with Community Planning partners including the third sector, independent and business sectors have increased understanding and this has harnessed collective thinking in respect of early intervention, prevention and creative modelling of service provision. Within East Ayrshire, there has been sustained effort in maximising all opportunities to make savings which minimise impact for front line service delivery and staff. Looking forward, it becomes more difficult to identify savings without any impact on either service delivery or staffing levels.

The IJB Strategic Plan 2015/18 second annual review was presented to the IJB on 19 April 2017 and outlined that during 2016/17, a considerable amount of work has been taken forward to deliver on the themes in the Strategic Plan 2015/18. The Strategic Plan sets out the Partnership's ambitions and priorities, including how it will engage with local communities and partners to deliver successful outcomes with particular emphasis on:

- Tackling inequality
- Children and young people
- Preventing illness
- Supporting people with long-term conditions
- Care for older people
- Alcohol and drug misuse
- End of life care
- Community justice services
- Community engagement
- Redesign of services
- Care close to home
- Technology enabled care
- Choice and control
- Unpaid carers
- Workforce

East Ayrshire Health and Social Care Partnership has continued to develop its understanding of strategic priorities. The significance of social isolation on local communities has been recognised, and this new strategic priority has been added to the Strategic Plan and will be central to activities in 2017/18 and beyond. The work undertaken, alongside the learning from the wider engagement programme has shown that five subjects; technology enabled care, choice and control, community engagement, redesign of services and workforce would be better termed as “enablers” of the Partnership's values and aims.

The Strategic Plan states that delivering positive outcomes linked to the vision of the Partnership will not be possible without transforming how we work. Increasing demand, constrained financial resources and the need to make efficiency savings mean that the Partnership needs to think and work differently. There is much that can be seen as good practice in the initial Strategic Plan. It represents sound vision and direction, and demonstrates extensive engagement. It is accessible and personal outcomes demonstrate the case for change. The second annual review of the Strategic Plan 2015/18 recognises the need to embed new models of care and prioritisation processes more robustly to ensure that resource allocation meets strategic outcomes and directs strategic commissioning and decision making.

During 2016/17 considerable progress was made in taking forward the pan-Ayrshire portfolio of transformational change. This programme reflects integrated services between Health and Social Care Partnerships and the NHS Ayrshire & Arran Acute Directorate and has been established in response to pressures on service configuration and delivery. The overall portfolio includes:

- Older people and those with complex needs
- Mental health
- Unscheduled care
- Children's services
- Primary care – Ambitious for Ayrshire; and
- Planned care – Improving Access DoIT.

The Partnership has a responsibility, with our local hospital services at University Hospital Crosshouse and University Hospital Ayr, for planning services that are mostly used in an unscheduled way. The aim is to ensure that we work across the health and care system to deliver the best, most effective care and support. Service areas most commonly associated with unplanned use are included in the 'set side' budget. 'Set aside' budgets relate to the strategic planning role of the Partnership. Key areas within this budget are:

- Accident and emergency
- Inpatient services for general medicine
- Geriatric medicine
- Rehabilitation
- Respiratory
- Learning disability, psychiatry and palliative care services provided in hospital

In 2016/17, the East Ayrshire share of the set aside resource was £19.266m however due to recurring budget pressures as a consequence of increased activity within acute hospital services, no element of the set aside resource has been released to facilitate the shift in the balance of care towards community based services. The Scottish Government Finance Settlement announced on 15 December 2016 outlined that Health Boards' delegated resources to IJBs in 2017/18 should include the total sum set aside for hospital services. This reflects the Scottish Government's vision of the future model of integrated health and social care services.

Locality planning is a key component of the integration agenda within East Ayrshire. Significant progress has been made in understanding local needs, assets and priorities by engaging with our communities as part of the Community Planning Partnership's commitment to locality planning. Further opportunities will be pursued for taking forward the Strategic Plan related to the potential offered by multi-disciplinary and cross-sector working at a locality level together with wider participation and engagement at a locality level. The rich data available from

community and voluntary partners will inform the transformational change programme, the Strategic Plan 2018/21 and future commissioning intentions.

Partnership working extends beyond delegated community health and care services and services managed under Ayrshire lead partnership arrangements. Partnership working includes working with East Ayrshire Council's Housing, Education, Vibrant Communities and Leisure services, as well as the third and independent sectors. The latter often support the delivery of innovative responses to need within our localities.

The second annual review of the Strategic Plan preserves stability in the plan and does not require a replacement plan. In the Strategic Plan 2015/18 the Partnership set its vision as 'Working together with all our communities to improve and sustain wellbeing, care and promote equity'. This vision remains and continues to motivate actions across all delegated health and social care services. The review updates and refreshes the policy drivers for the plan. As highlighted previously, the National Health and Social Care Delivery Plan was published in December 2016, and will frame the work of the Partnership over the coming years, becoming embedded in strategic and operational activity during 2017/18.

SECTION 2: PURPOSE AND APPROACH

PURPOSE OF THE MEDIUM TERM FINANCIAL PLAN

As outlined within the Executive Summary at section 1, the Medium Term Financial Plan is an important part of the Partnership's strategic planning process and is integral to the delivery of our ambitions whilst ensuring as an organisation we remain financially sustainable. The Partnership's External Auditor Deloitte LLP highlighted the issue of financial sustainability within the key messages outlined in its ISA 260 report to the IJB on 31 August 2017, with a recommendation that a Medium Term Financial Plan is approved by the IJB including review of the demand drivers and the impact on future costs to identify the relevant mitigating actions.

The September 2016 report by Audit Scotland on Social Work in Scotland recognised that current approaches to delivery of health and social care services are not sustainable in the long term. The report highlighted the significant level of challenges faced by Health and Social Care Partnerships due to a combination of financial pressures caused by real terms reductions in funding, increased demographic pressures and the cost of implementing new legislation and policies. Audit Scotland concluded by highlighting that if Health and Social Care Partnerships continue to provide services in the same way, spending would need to increase by between £510m and £667m (16% - 21%) by 2020. If nothing else changes, spending in East Ayrshire would require to increase by a minimum of 16% by 2020.

The October 2017 report by Audit Scotland on the NHS in Scotland recognises that whilst significant activity is underway to transform Scotland's healthcare system, a number of building blocks still need to be put in place. The report highlights that in 2016/17 the health budget £12.9 billion represents 43% of the total Scottish Government budget. Funding increased, but operating costs are also rising and Health Boards had to make unprecedented savings of almost £390 million in order to break even. The report outlines significant challenges for the NHS including:

- More people waiting longer to be seen
- The majority of national performance targets were not met
- Scotland's health is not improving and significant inequalities remain
- General practice is under pressure, including recruiting and retaining GPs and low morale

The report states that spending more to treat more people in hospital and speed up treatment is no longer sufficient, and won't deliver the step change that's needed across the system. The report highlights some signs of progress in integrating health and social care, developing better data and embedding a 'realistic medicine' approach but that some key building blocks still need to be put in place by the Scottish Government, Health Boards and IJBs. It is still not clear how moving care into the community will be funded and what future funding levels will be required. A clear and long-term framework is needed that features how funding will be used differently to change services, alongside greater flexibility for Health Boards. This framework should include a comprehensive approach to workforce planning, with input from staff, as well as a capital investment strategy to ensure that the NHS estate can deliver more community-based services.

APPROACH

As outlined within the Executive Summary at section 1, the Partnership has established a Strategic Commissioning for Sustainable Outcomes Programme Board. During 2017/18 this Board will drive the delivery of transformational change at the required scale and pace and set the direction for the Strategic Plan 2018/21. Transformational change proposals will be taken

forward through the Board and these proposals will require to include the following with an agreed timescale for implementation:

- Fundamental reconfiguration of services to ensure sustainable service delivery within delegated budgets
- match resources to activity
- phased implementation of priorities

The approach to prioritisation will draw on good practice such as cost benefit analysis, social return on investment and programme budgeting / marginal analysis. This work will inform investment and disinvestment decisions. National advice states that this approach will apply to the totality of delegated resources within Partnerships including 'set aside' hospital resources where the IJB has a key planning role.

The Strategic Commissioning for Sustainable Outcomes Programme Board has delegated responsibility to oversee the implementation of a financial recovery plan and the following key considerations will form part of the plan to ensure that the ambition of the IJB and a safe level of service can be delivered within delegated resources for 2017/18 and beyond:

- full review of all elements of the IJB delegated budget;
- review of demand drivers and impact on future costs to identify relevant mitigating actions;
- alternative delivery models leading to improved outcomes delivered more cost effectively i.e. reduce cost / maintain quality;
- identification of operational risks associated with potential reduced service provision; and
- compliance with *Health and Care Delivery Plan (December 2016)** with particular focus on set aside resource

* In December 2016, the Scottish Government published the Health and Social Care Delivery Plan which sets out the programme for further enhancing health and social care services. Critical to this is shifting the balance of where care and support is delivered from hospital to community care settings, and to individual homes when that is the best thing to do. As a result, people should only stay in hospital for as long as necessary and receive more appropriate care in a more homely setting, resulting in a clear impetus to the wider goal of the majority of the health budget being spent in the community by 2021.

Taking account of both local and national aims and objectives and the underlying financial challenge, it is essential that East Ayrshire Health and Social Care Partnership develops and maintains a medium term financial plan to ensure that delegated resources are directed at those services which will deliver the greatest impact, support a shift in the balance of care and set the context for annual budgets to ensure that financial balance can be achieved. In preparing the plan, it is essential that we understand the scale of the financial challenge and the impact of this, not only for the Partnership, but also on the wider system and our Partners. The scale of the financial challenge will be set out in section 4.

This will be the first formal medium term financial plan for East Ayrshire Health and Social Care Partnership and will provide information on the anticipated financial position of the Partnership from the 2017/18 baseline and the following four financial years. The plan will identify the financial challenges facing the Partnership in order to consider the impact of current and future spending decisions on its medium term financial health. It will also be used to identify budget pressures and inform decisions which will be required to ensure that the Partnership remains financially sustainable going forward.

In preparing the medium term financial plan the following approach has been adopted:

- the current 2017/18 base budget position has been determined and will be used as the basis for the plan.
- a high level analysis of cost and demand pressures has been undertaken to inform projections for the next four years.
- assumption that consequential costs resulting from new legislation will be fully funded by the Scottish Government.
- a review of funding assumptions has been undertaken to determine the level of funding available for service delivery – the assumption is that delegated funding will be at best flat cash at the 2017/18 baseline allocation.
- active engagement with partner bodies has taken place to ensure strategic plans are prepared on the basis of the most robust information available, taking account of continued uncertainty around issues including increased demand (demography), the impact of welfare reform and the wider political environment.

The pressures which the Partnership will be faced with and which have been considered to provide the basis for a robust medium term financial plan can be categorised as follows:

Cost pressures:

- inflationary pressures
- contractual increases
- legislative and national policy
- changes to service provision

Demand pressures:

- demographic
- need
- deprivation
- service preference

Funding pressures:

- external funding primarily Scottish Government
- income from service users

TRANSFORMATION FUNDING

East Ayrshire Council has recognised the financial challenge facing health and social care services and the imperative to initiate radical change within the Partnership and the clear commitment from the IJB to embrace change. A sum of £1.000m has been earmarked within the Council's General Fund balances to be drawn down by the IJB to facilitate change in Council delegated budgets and reduce recurring costs.

NHS Ayrshire & Arran has commissioned Price Waterhouse Coopers to undertake a transformation and sustainability review across its entire budget. No dedicated transformation funding has been identified thus far to facilitate change in NHS budgets delegated to the IJB.

Prevention and early intervention have been key to IJB approval of spend against the Partnership's £2.470m Integrated Care Fund (ICF) allocation in the current financial year and previous two financial years. The ICF will be mainlined as part of the IJB delegated resource from 2018/19 and an officer led ICF Programme Board has been established to review all existing ICF expenditure and to consider the effectiveness of each currently funded project in terms of delivery

of outcomes. A report will be brought to a future meeting of the IJB for approval of the revised ICF budget from 1 April 2018.

BENEFITS OF THE MEDIUM TERM FINANCIAL PLAN

As well as compliance with the External Auditor's recommendation that the IJB review the demand drivers and the impact on future costs to identify the relevant mitigating actions, preparation of this medium term financial plan will be beneficial for the Partnership at this stage:

- it will provide the financial context for the Partnership and assist the IJB in respect of future decision making;
- it provides a formal document which can be used for engaging with partner bodies in relation to agreeing / securing 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; and
- it supports Partnership decisions in relation to commissioning of services, including the shift in the balance of care to a community setting, in accordance with the National Health and Social Care Delivery Plan (December 2016)

OVERVIEW

East Ayrshire covers an area of 490 square miles and is home to 122,200 people spread over both urban and rural communities. The population of East Ayrshire equates to 2.3% of the total population of Scotland. The population aged 16 to 29 years accounts for 16.3% of the total which is less than the Scottish average 18.2%. Persons aged 60 and over make up 25.9% of the population which is larger than the 24.4% Scottish average for this age group. Significant inequalities exist within and between our communities. The Scottish Index of Multiple Deprivation highlights that 21.5% (more than 1 in 5) of East Ayrshire residents live in the 0-15% most deprived areas of Scotland and we have the seventh largest proportion of population categorised as most deprived. The integration of health and social care provides an important framework to address health and wellbeing inequalities and supports the national 2020 vision for fully integrated health and social care services.

'By 2020 everyone is able to live longer healthier lives at home, or in a homely setting'

VISION AND STRATEGIC PRIORITIES

The Partnership is a complex organisation bringing together partners, services and substantial financial resources. The national 2020 vision for health and social care overarches the Partnership's work and the work that the Partnership does fits with East Ayrshire's Community Plan 2015-30. The Community Plan is the overarching planning document for the East Ayrshire area, providing the local strategic policy framework for the delivery of public services by all partners. The vision set out in the Community Plan is that:

"East Ayrshire is a place with strong, safe and vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people's needs."

Implementation of the Community Plan is through three thematic Delivery Plans;

- Economy and Skills
- Safer Communities
- Wellbeing

The Health and Social Care Partnership has a lead role in taking forward the Wellbeing theme as well as a key contributory role in the delivery of the Economy and Skills and Safer Communities themes.

Strategic Priorities under the Wellbeing theme of the Community Plan are:

- Children and young people, including those in early years and their carers, are supported to be active, healthy and to reach their potential at all life stages.
- All residents are given the opportunity to improve their wellbeing, to lead an active, healthy life and to make positive lifestyle choices.
- Older people and adults who require support and their carers are included and empowered to live the healthiest life possible.
- Communities are supported to address the impact of inequalities have on the health and wellbeing of our residents.

CURRENT AND FUTURE CHALLENGES

Demand for health and social care is increasing and our population is changing, resulting in many challenges for the Partnership going forward. East Ayrshire has the seventh largest proportion of population categorised as most deprived of local authority areas with significant variations both within and between communities.

Locality arrangements are firmly established within the Partnership. Localities are based on Multi Member Wards with multidisciplinary working being further developed in communities. Significant progress has been made in understanding local needs, assets and priorities by engaging with our communities as part of the Community Planning Partnership's commitment to locality planning. Three localities have been established; Kilmarnock, Northern (Annick and Irvine Valley) and Southern (Ballochmyle, Cumnock and Doon Valley) and locality profiles have been produced to provide "at a glance" understanding of these areas. These locality profiles are presented in Appendix 1 with the localities framework set out in the following table:

<p>Northern Locality Annick Irvine Valley</p>	<p>Kilmarnock Locality Kilmarnock North Kilmarnock West & Crosshouse Kilmarnock East & Hurlford Kilmarnock South</p>	<p>Southern Locality Ballochmyle Cumnock & New Cumnock Doon Valley</p>
<p>GP Cluster 3 Stewarton Loudoun Galston</p>	<p>GP Cluster 4 The Wards 31 Portland Road 34 Portland Road Glencairn Old Irvine Road London Road</p>	<p>GP Cluster 1 Patna Dalmellington Drongan GP Cluster 2 Auchinleck Ballochmyle Cumnock New Cumnock</p>
<p>Education Groups Stewarton Loudoun</p>	<p>Education Groups James Hamilton Kilmarnock Grange St Josephs</p>	<p>Education Groups Auchinleck Cumnock Doon</p>
<p>Northern Locality Planning Group</p>	<p>Kilmarnock Locality Planning Group</p>	<p>Southern Locality Planning Group</p>

Locality Planning Groups regularly feed into the Partnership's Strategic Planning Group to inform the Partnership's strategic commissioning activities. In turn, the Strategic Planning Group reports to both the Partnership's governing body, the Integration Joint Board and to the Executive

Officers Group of the Community Planning Partnership. Feedback is then built into Locality Planning Group business, which forms a cycle of influence for service planning and use of resources.

The impact of demographic change on health and social care spending has been well reported. Between 2014 and 2039, Scotland's population is projected to increase by 6.6%. All parts of the population are projected to increase, but by different amounts:

- the number of children by 1.4%
- the working age population by 1.2%
- the number of people of pensionable age by 28.3%

The projected position for East Ayrshire is as follows:

- the number of children to reduce by 9.9%
- the working age population to reduce by 10.9%
- the number of people of pensionable age to increase by 21.2%

Overall demand for health and social care services will depend significantly on the number of older people and the percentage who require care. Although life expectancy continues to increase, healthy life expectancy (HLE), that is the number of years people can expect to live in good health, has not changed significantly since 2008. This means that a larger number of older people may require support for longer, unless HLE increases. The Scottish Government, Health Boards and Councils have taken steps to try to increase HLE. This includes measures to reduce smoking, alcohol consumption and environmental pollution and providing information to the public about the benefits of a healthy lifestyle.

In addition to older people's services, there are budget pressures within adult care and children's social work and community health care budgets. Unlike some other areas in Scotland, responsibility for children's social work and community health care is delegated to the three IJBs in Ayrshire. Looked-after children (LAC) are children in the care of their local authority (IJB). They may live in their own home, with foster or kinship carers or in a residential home. Most become looked after for care and protection reasons. As at July 2015, 17,357 children in Scotland, around 1.8% of the total, were looked after or on the child protection register. While there has been a recent reduction, possibly due to improvements in prevention, the number of LAC has increased by 36% since 2000, although the numbers and trends vary among councils / IJBs. The number of children on the child protection register increased by 34% between 2000 and 2015, with three in every 1,000 children under 16 now on the register. The reasons for these increases are complex with drug and alcohol use by parents being important factors. Other factors include an increase in reporting of domestic abuse and alcohol-related incidents in more affluent areas that might have gone unreported in the past. In addition, early intervention policies have led to an increase in the number of looked after children, but a decrease in the duration of care.

The increasing demands on community based services will also impact significantly on Primary Care, including prescribing, as well as NHS Mental Health and Allied Health Professionals Services. The Audit Scotland *Changing Models of Health and Social Care* report (March 2016) highlights that GPs working in deprived areas face significant challenges in tackling health inequalities. GPs working in practices serving the 100 most deprived communities in Scotland (Deep End Project) reported the following:

- they treat more patients with multiple health problems than GPs working in less deprived areas.

- they are constrained by a shortage of consultation time which limits the opportunity to provide appropriate treatment, advice and referral to suitable services.

Projection analysis carried out by Audit Scotland highlights that on the basis of predicted population increases with services continuing to be delivered in the same way, the impact across the system is significant. Based on this analysis, in 2030 compared to 2013 there could be an additional 1.9 million GP appointments and 1.5 million practice nurse appointments nationally. In February 2016, the Scottish Government's *A National Clinical Strategy for Scotland* proposed a revised role for the GP as part of a wider community multi-disciplinary team. As highlighted previously, the October 2017 Audit Scotland report on the NHS in Scotland highlights that general practice is under pressure, including retaining GPs and low morale and in this respect the revised GP Contract is a key component of the framework.

The number of people contacting NHS24s mental health line has more than doubled over the past decade, rising from 38,000 nationally in 2006 to 87,000 in 2016. There continues to be increasing waiting lists for mental health services. Within Ayrshire, specialist mental health services are managed by North Ayrshire IJB under a Lead Partnership arrangement however it requires to be recognised that capacity issues have a direct impact on those requiring care within East Ayrshire and this places a focus on the work required to align activity and costs at individual IJB level to ensure equity and fair shares across the three IJBs as referred to previously at section 1.

Allied Health Professionals (AHPs) services are managed by South Ayrshire IJB under a Lead Partnership arrangement. AHPs make a significant contribution to the shift towards people living longer, happier and healthier lives closer to home however continuing to contribute to this against a backdrop of increasing demand for services alongside reducing resources will be a challenge. The AHP Development Plan 2016-2019 aims to enable AHP teams to work with all relevant stakeholders to contribute to achieving the healthiest life possible for everyone in Ayrshire and Arran. Four overarching work streams have been established to achieve this outcome, focussing on workforce, staff support and development, data for improvement and research development and evaluation. The work required to align activity and costs at individual IJB level to ensure equity and fair shares across the three IJBs is also relevant to AHP services.

There are key challenges right across the Ayrshire & Arran Health Board area. The number of people over 70 years of age with multiple medical conditions will increase from 13,000 to 20,000 by 2035 with the percentage of Accident and Emergency admissions involving people in this age group will increase from 21% to 35% in same time period.

Specific future challenges include sustainability issues around the residential and nursing care sector. Providers have indicated that they require an uplift in excess of the 3.55% Scottish Living Wage uplift on placement rates from 2018/19. This is a particular risk for East Ayrshire as all of our residential and nursing care placements are purchased from external providers. The 2017/18 budget £15.872m is based upon an average of 712 full time equivalent placements over the course of the financial year.

In addition, the Carers (Scotland) Act 2016 will commence on 1 April 2018. Pre-commencement pilots have been undertaken however the full financial implications against the allocation of additional funding have still to be determined. This is also relevant to the extension of Free Personal Care to under 65s. IJBs have been asked to outline indicative costs of implementing this policy however there are significant risks around currently unmet needs i.e. the availability of free care driving additional demand.

A joint letter from COSLA and the Scottish Government outlined that the Cabinet Secretary for

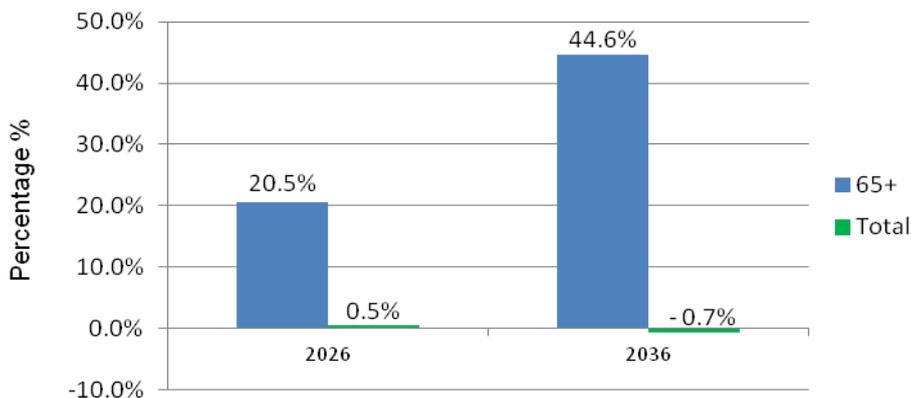
Health and Sport has decided that the £8.75 Scottish Living Wage hourly rate will be extended to cover sleepovers during 2018/19. At present sleepovers are paid at National Living Wage rates (currently £7.50 increasing to £7.83 on 1 April 2018) and it is anticipated that to increase rates to the Scottish Living Wage rates from 1 June 2018 will result in significant additional costs based on existing activity levels. The letter highlights that further discussion around the funding to support the implementation of this will continue and the detail of this will be confirmed as part of the 2018/19 Spending Review process.

These issues are included within the indicative budget pressures outlined in section 4 of the Medium Term Financial Plan – Understanding the Scale of the Financial Challenge.

The following projected and actual activity data illustrates some of the key health and social care challenges specific to East Ayrshire along with some examples of progress since the formation of the Partnership in the 2015/16 shadow year:

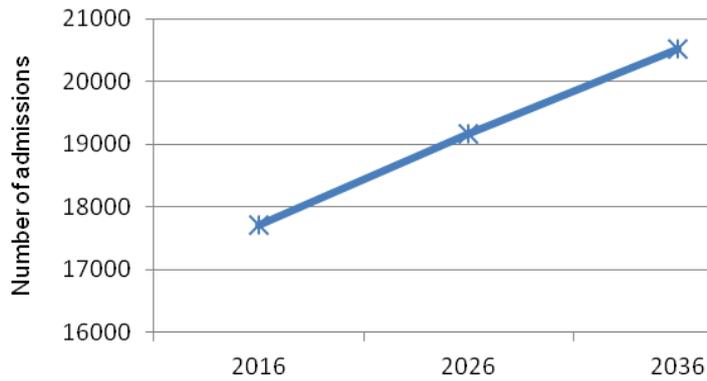
East Ayrshire: projected data

1. Demography



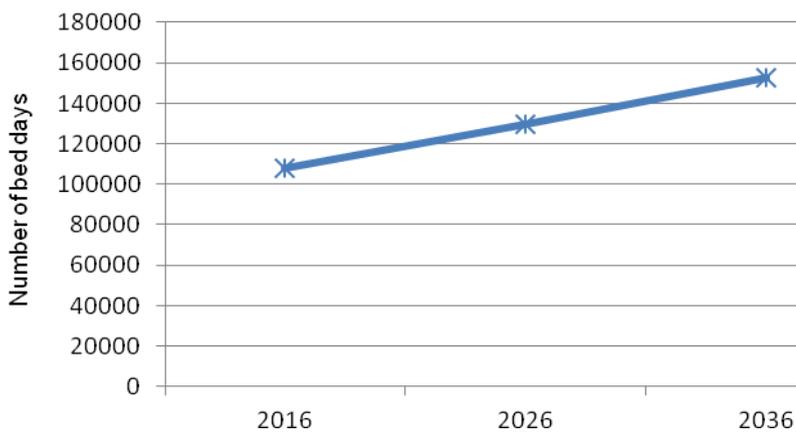
- Between 2016 and 2026, the overall population will increase by 0.5%, with the 65+ population increasing by 20.5%.
- Between 2016 and 2036, the overall population will decrease by 0.7%, with the 65+ population increasing by 44.6%.
- The current East Ayrshire population is estimated to be 122,200, comprised of: 17.4% 0-15, 63% 16-64 and 19.6% 65+.

2. Emergency Admissions



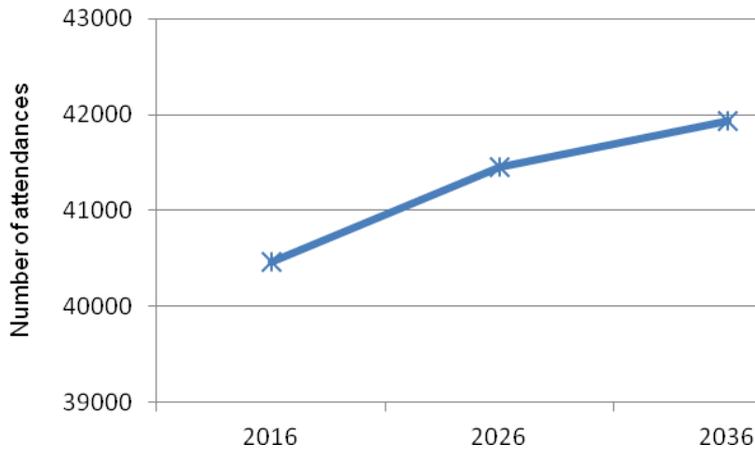
- The number of emergency admissions is projected to increase from 17,710 (2016) to 19,164 in 2026, an increase of 8.2%.
- The number of emergency admissions is projected to increase from 17,710 (2016) to 20,525 in 2036, an increase of 15.9%.

3. Unscheduled Bed Days



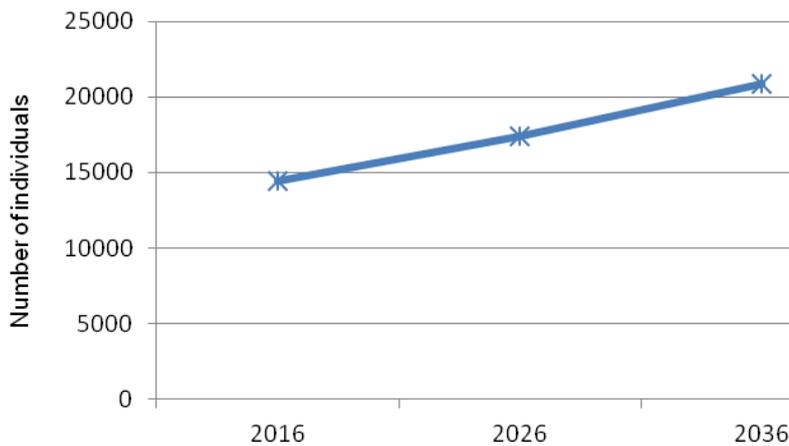
- The number of unscheduled bed days is projected to increase from 108,060 (2016) to 129,413 in 2026, an increase of 19.8%.
- The number of unscheduled bed days is projected to increase from 108,060 (2016) to 152,619 in 2036, an increase of 41.2%.

4. Emergency Attendances



- The number of emergency attendances is projected to increase slightly by 2.4% in 2026 and by 3.6% by 2036.
- The percentage of emergency attendances involving patients aged 65+ is projected to increase from 22.8% (2016) to 27.8% in 2026 and 33.8% in 2036.

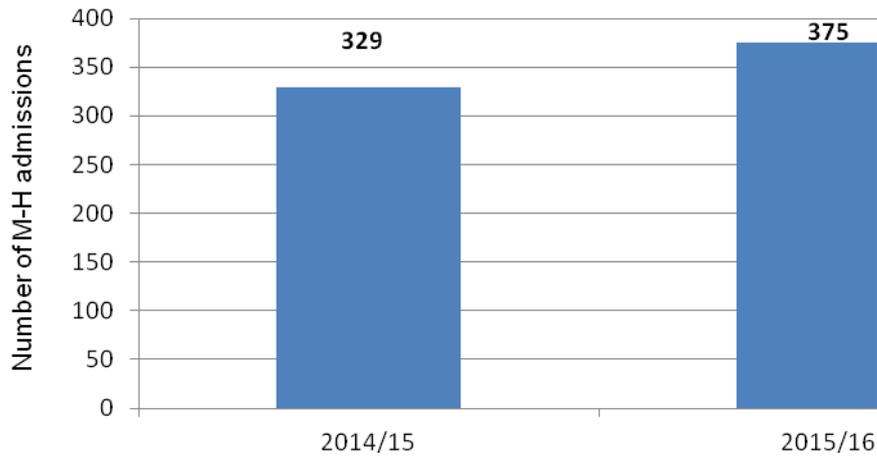
5. Individuals Aged 65+ with Long Term Conditions



- The number of individuals aged 65+ with one or more long term health conditions is projected to increase from 14,411 (2016) to 17,360 in 2026, an increase of 20.5%.
- The number of individuals aged 65+ with one or more long term health conditions is projected to increase from 14,411 (2016) to 20,836 in 2036, an increase of 44.6%.

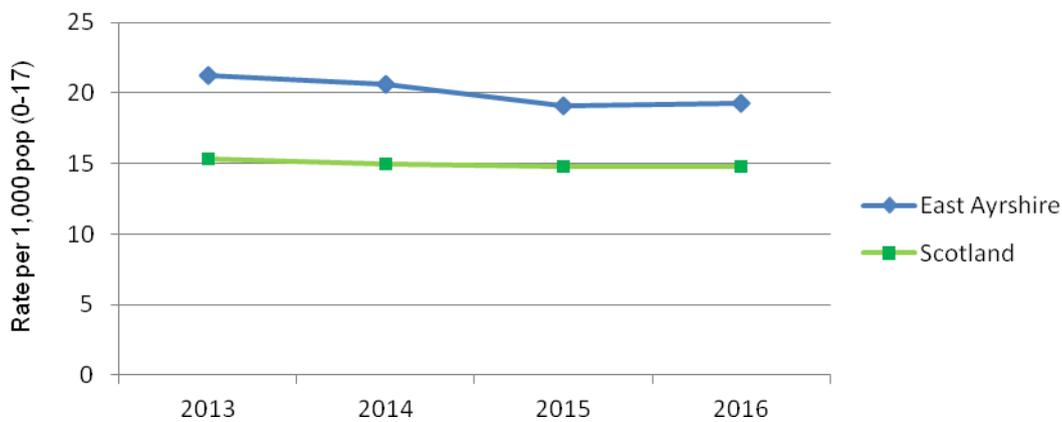
East Ayrshire: actual data

6. Mental Health Admissions



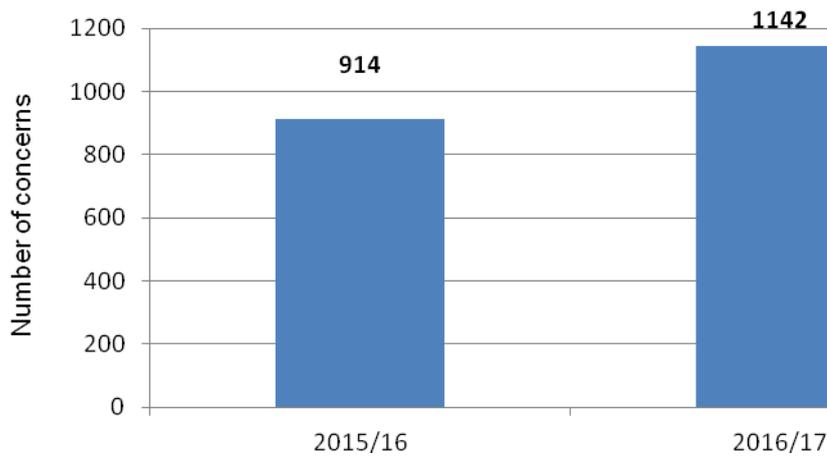
- The numbers of East Ayrshire mental health admissions have reduced significantly over the last decade, however an increase of 14% was recorded between 2014/15 and 2015/16.

7. Looked After Children



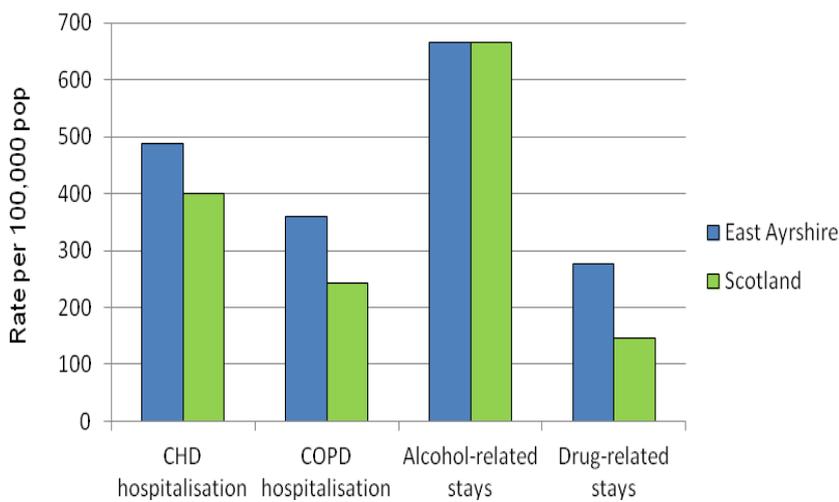
- East Ayrshire rates of children looked after have decreased over the last four years, however these rates have remained notably higher than the National figures.

8. Adult Support and Protection



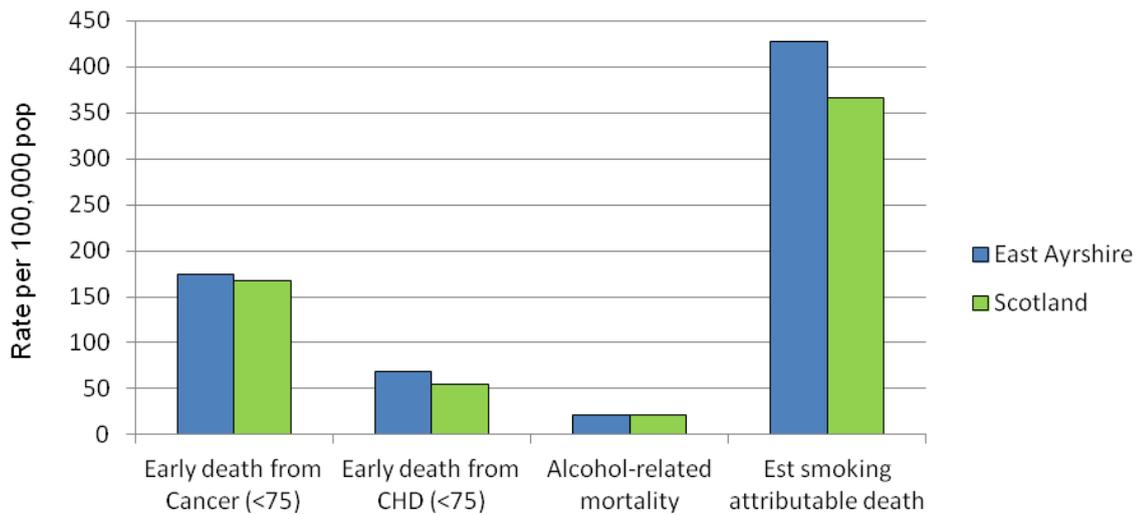
- The number of East Ayrshire Adult Concerns received increased by 24.9% between 2015/16 and 2016/17.

9. Hospitalisation



- East Ayrshire rates of hospitalisation for CHD, COPD and drug-related stays are notably higher than National averages.

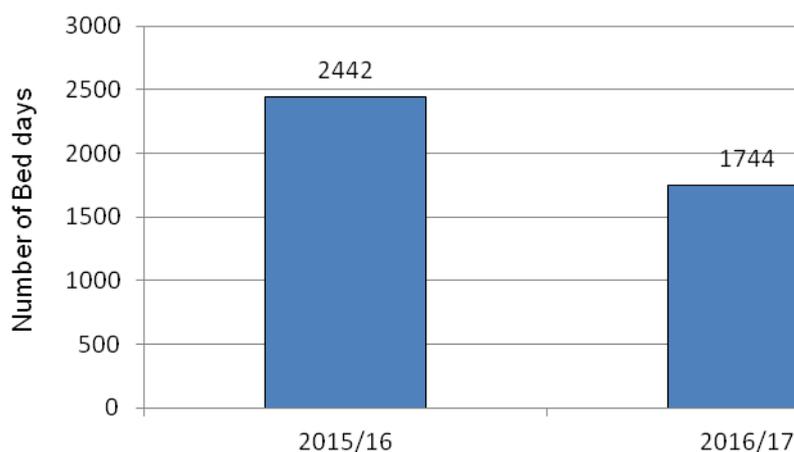
10. Mortality



- East Ayrshire rates of premature death (<75) from Cancer and CHD are higher than National rates.
- The East Ayrshire rate of estimated smoking attributable death is notably higher than the National average.

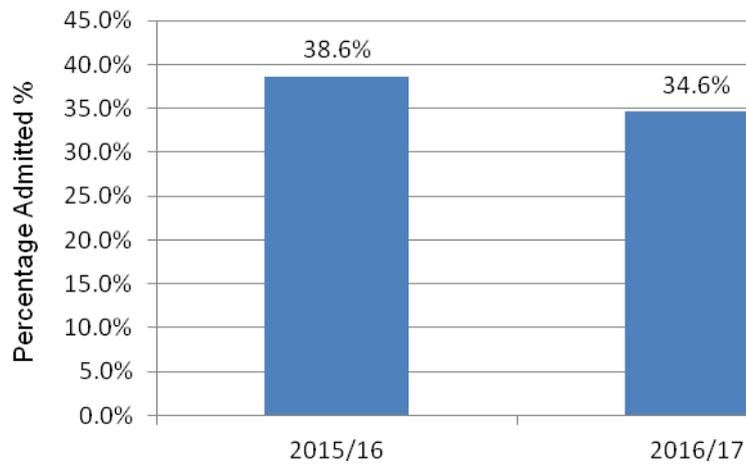
East Ayrshire: examples of progress (2015/16 base line)

11. Bed Days Lost to Delayed Discharge (Standard Delays)



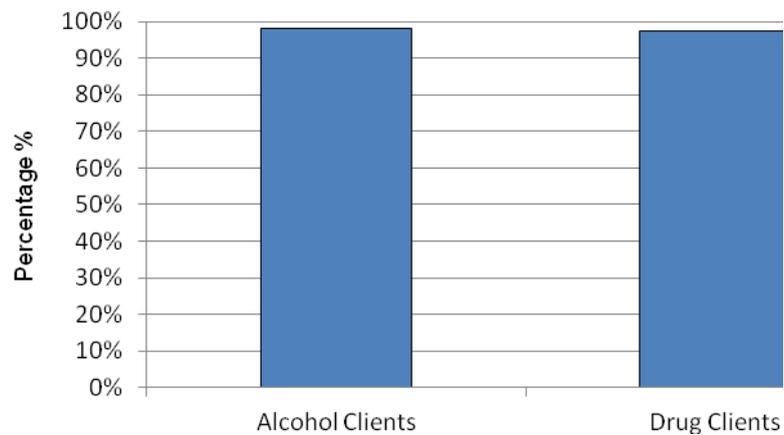
- The number of bed days lost to delayed discharge (excluding code 9) has decreased from 2,442 (2015/16) to 1,744 in 2016/17, a reduction of 28.6%.
- No delayed discharges over two weeks (excluding code 9) have occurred in 2017 (as at August).

12. A&E Attendances Converted to Admissions



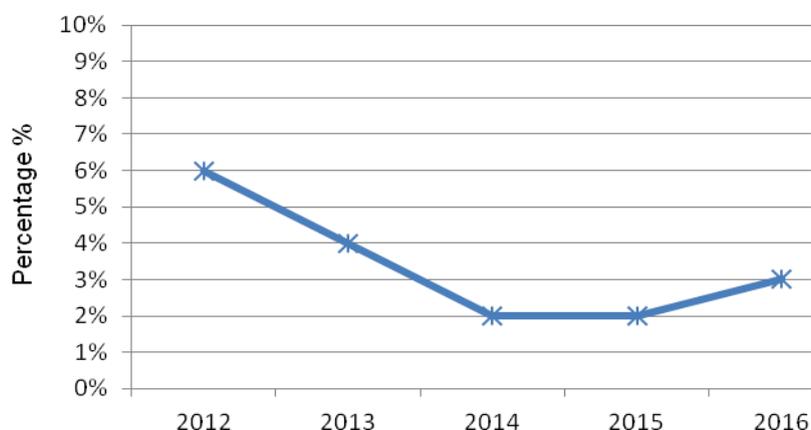
- The percentage of A&E attendances which were converted to an admission in East Ayrshire has reduced from 38.6% in 2015/16 to 34.6% in 2016/17.

13. Alcohol / Drug Treatment Waiting Times



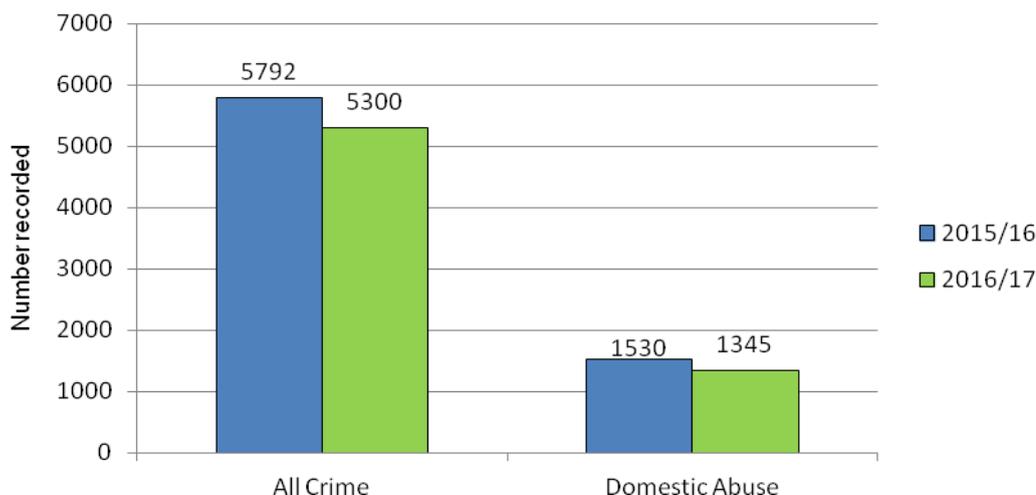
- The percentage of people who waited no longer than three weeks between referral to a specialist drug and alcohol service and commencement of treatment has remained well above the 90% target over the last two years.

14. Looked After Children: 3 or More Placements



- The percentage of looked after children with 3 or more placements in East Ayrshire has notably reduced over the last four years.

15. Crime / Domestic Abuse



- The number of crimes recorded in East Ayrshire has decreased by 8.5% between 2015/16 and 2016/17.
- Similarly, the number of domestic abuse incidents recorded in East Ayrshire has reduced by 12.1% between 2015/16 and 2016/17.

These examples of targeted progress since the 2015/16 shadow year reflect the Partnership's ambitions to achieve positive outcomes for the communities of East Ayrshire in line with the Partnership's vision and strategic priorities. It is important to consider that progress has been made and continues to be made against a backdrop of increasing demand for health and social care services and the financial pressure this brings,

SECTION 4 – UNDERSTANDING THE SCALE OF THE FINANCIAL CHALLENGE

OVERVIEW

Prudent financial management has allowed the IJB to successfully deliver outcomes and manage its financial affairs in conjunction with parent organisations in a significantly challenging financial and operational environment in both 2015/16 and 2016/17. The Partnership has successfully overseen the delivery of all core services and initiated a significant change programme designed to provide more person centred models of care, deliver on early intervention and prevention priorities and achieve cash releasing efficiencies. The IJB's financial position at 31 March 2017 highlighted a marginal adverse final outturn variance on the total delegated budget for the year. This near balanced position reflects the collective efforts of service managers, directorate management teams and Finance staff in maintaining sound financial management processes throughout the year against a backdrop of increasing demand for services, constrained financial resources and the requirement to deliver significant cash releasing efficiency savings.

Over the course of the 2016/17 financial year the Partnership mitigated financial and operational risks through ongoing monitoring and review, to ensure the impact on resources in respect of increased demand and other unplanned activity changes were outlined in Financial Management Reports to the IJB and the IJB Audit and Performance Committee. This included reporting of progress against approved cash releasing efficiency savings. This robust monitoring and review continues in 2017/18 and is a key budgetary control mechanism going forward.

The Approved Budget 2017/18 report to the IJB on 19 April 2017 outlined risks going forward into the current financial year, particularly around the achievement of cash releasing efficiency savings against a backdrop of increasing demand for services. Demands highlighted in the report included demographic pressures and external factors such as increasing costs of medicines, as well as potential additional cost pressures from the introduction of the National Living Wage in respect of private and Third Sector service provision.

Partnership services saw continued demand growth in 2016/17 and this is continuing in 2017/18. This increased demand coupled with the requirement to deliver cash releasing efficiency savings represents a significant budget pressure for the Partnership over the course of the current financial year and going forward. Work is being undertaken to mitigate the impact of these budget pressures through ongoing review of care and support packages and models of care to maximise efficiency, whilst ensuring that health and social care service users' needs continue to be met. This work is being taken forward through the Strategic Commissioning for Sustainable Outcomes Programme Board which reports to the IJB Audit and Performance Committee and ultimately to the IJB.

The Integration Scheme sets out that overspends require to be carried-forward and repaid in future financial years. As outlined previously, East Ayrshire Council agreed to provide additional funding of £0.658m on a non-recurring basis to ensure financial balance on Council managed services was achieved for 2016/17. Failure to achieve financial balance in the current financial year and future years represents a significant financial risk for the IJB going forward.

A financial recovery plan was approved by the Integration Joint Board on 24 November 2016. This recovery plan was required to mitigate the mid-year projected overspend in 2016/17 and was a key requirement in respect of financial arrangements contained within the Integration

Scheme. The balanced financial position for NHS managed services in 2016/17 included non-recurring slippage on the Primary Care Transformation Fund and Integrated Care Fund to offset unachieved recurring cash releasing efficiency savings.

A financial recovery plan is required to mitigate the £3.525m month 7 projected overspend in the current financial year. This £3.525m net projected deficit position takes account of non-recurring savings in the current financial year and will be the opening position for the Medium Term Financial Plan. A robust financial plan is required to recover as far as possible this deficit position in 2017/18 and ensure delivery of a balanced budget going forward. The Medium Term Financial Plan, aligned with the work being undertaken by the Strategic Commissioning for Sustainable Outcomes Programme Board is key to securing a sustainable financial position for the Health and Social Care Partnership.

BASE LINE BUDGET 2017/18

The process for agreeing the budgets delegated to IJBs by the Council and Health Board is set out in the Integration Scheme and is supported by statutory guidance. In recent years, the Scottish Government has been able only to provide single year settlements to Councils and Health Boards and there is no indication of any intention to return to the previous three year arrangements. At a national level the budget-setting process has been difficult and protracted for some Partnerships with a number of challenges outlined:

- delay caused by the late finalisation of the Spending Review process;
- different budget setting timetables followed by Councils and Health Boards;
- some Health Boards only finalising their budgets well into the new year, leading to uncertainty about the allocation to IJBs;
- lack of information from some Health Boards on the set aside hospital budgets and for some hosted services;
- lack of clarity in the guidance for the use of Scottish Government integration / social care funding routed to IJBs via Health Boards; and
- the gap between savings targets and the schemes identified to recover the savings.

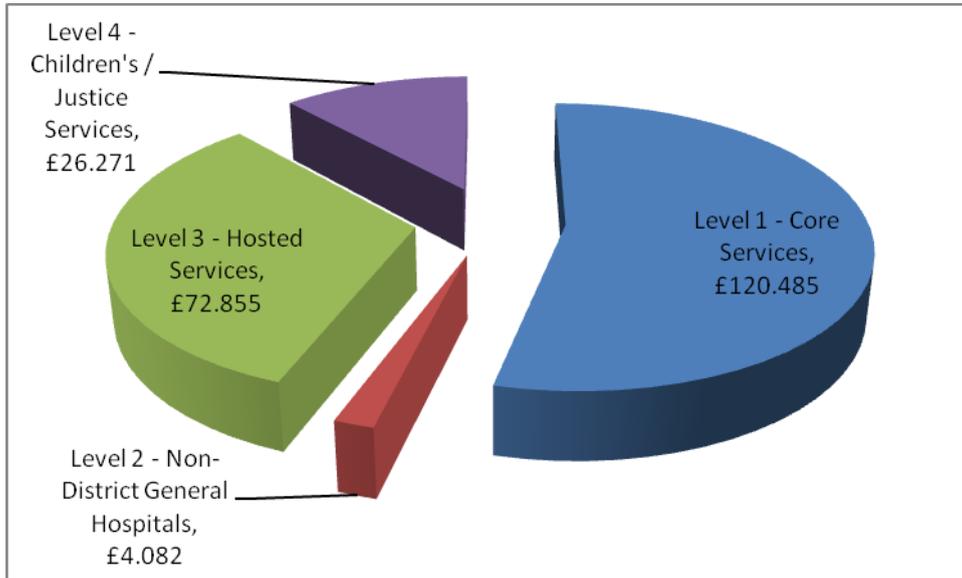
It is important to recognise these issues and their potential impact going forward as part of the Medium Term Financial Plan. East Ayrshire Council's revenue budget for 2017/18 was formally approved on 23 February 2017. A revenue budget of £72,332m was delegated by the Council to East Ayrshire IJB for 2017/18. This included a non-recurring contribution of £1.400m and was based upon 2016/17 in-year financial pressures at month 9. This non-recurring sum was subsequently reduced to £0.658m as a consequence of work undertaken as part of the Financial Recovery Plan which impacted favourably on the final outturn position.

Ayrshire and Arran NHS Board approved its revenue budget for 2017/18 on 27 March 2017. A revenue budget of £149.596m, excluding set aside was delegated by the Health Board to East Ayrshire IJB for 2017/18. This NHS allocation reduced to £139.342m after taking account of Scottish Government integration / social care funding £8.868m transferred to offset the cost of Council managed services, as well as Integrated Care Fund Council managed projects £1.386m. As a consequence, the Council managed revenue budget increases from £72.332m to £82.586m. This sum increases to £84.351m when delegated functions managed out with the Partnership are factored-in. These delegated functions relate to client equipment and adaptations, health improvement services and Social Work client transport, all of which are managed within the Council's Housing / Communities and Transport services.

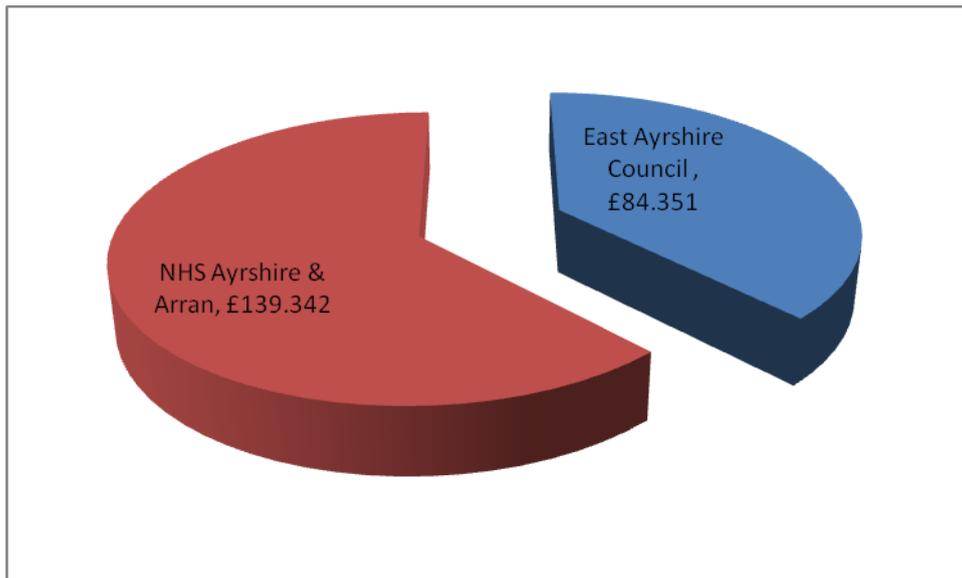
The delegated budget £223.693m was formally approved by the IJB on 19 April 2017 and is

set out in Appendix 2 in respect of Council and NHS managed services and is summarised as follows:

£Millions



£Millions



The updated month 7 delegated budget incorporating in-year adjustments to 31 October 2017 is £224.483m and is included in the Financial Management Report to the IJB on 30 November 2017.

The 2017/18 budgets delegated by East Ayrshire Council and NHS Ayrshire & Arran are based upon flat cash budget methodology. Inflationary funding pressures arising as a consequence are highlighted in the following budget headings:

	EAC £m	NHS A&A £m	Total £m
Primary Care Prescribing – NHS driven CRES	0.000	(1.184)	(1.184)
Primary Care Prescribing – IJB driven CRES	0.000	(0.665)	(0.665)
Pay Inflation (1%)	(0.699)	(0.315)	(1.014)
Pensions Auto Enrolment	(0.206)	0.000	(0.206)
Apprenticeship Levy	0.000	(0.106)	(0.106)
Resource Transfer Inflation	0.000	(0.034)	(0.034)
Total	(0.905)	(2.304)	(3.209)

The Scottish Government has not yet published detailed departmental spending plans for 2018/19 and as a consequence, neither East Ayrshire Council nor NHS Ayrshire & Arran have so far been able to provide a firm indication of allocation methodology to be applied to IJB delegated budgets for the coming year (or beyond). It is however apparent that both Partners are anticipating a challenging financial settlement for the 2018/19 and going forward.

The First Minister announced on 5 September 2017 that the public sector pay cap will cease to apply as part of the Scottish Government's legislative plans for the year ahead. Dependent on the percentage pay award, the removal of the pay cap will have a financial consequence for the IJB on the basis of flat cash budget setting methodology.

The Approved Budget 2017/18 report included anticipated part-year demography demand pressures £2.192m. Work is ongoing through the Community Health and Care Services Resource Allocation Group process to minimise expenditure as far as possible through ongoing monitoring and review. The impact of demography pressures in the current financial year forms part of the £3.525m month 7 projected overspend.

HISTORIC CASH RELEASING EFFICIENCY SAVINGS

In consideration of the scale of the financial challenge, it is important to recognise that the baseline budget for 2017/18 is net of significant cash releasing efficiency savings approved for previous financial years. This includes significant savings achieved as part of the Social Work Sustainability review (2010/11 - 2012/13) and East Ayrshire Council's Budget Transformation Strategy 1 (2013/14 – 2017/18), as well as flat cash consequential savings for 2017/18. Previously approved net savings on Council managed services total £3.705m and equates to a real terms reduction of 5.9% from the 2009/10 baseline budget. These savings have been achieved in a period of increasing demand for social care services and are summarised at main division of service level in the following table:

	Children and Families £m	Community Care £m	Resources £m	Total £m
2009/10 Annual Budget (Period 13)	13.814	44.523	4.491	62.828
Additional resources *	4.494	11.382	0.058	15.934
Savings / management actions	(4.378)	(14.352)	(0.909)	(19.639)
Net additional / (reduced) resources	0.116	(2.970)	(0.851)	(3.705)
Real terms increase / (reduction)	0.8%	(6.7%)	(18.9%)	(5.9%)

* Please note: additional resources exclude ring fenced funding earmarked to offset additional budget commitments but include the non-earmarked element of Scottish Government Integration Funding for 2016/17 and 2017/18 totalling £2.265m. This funding passes through

Health Boards and is delegated to IJBs to offset social care pressures.

NHS cash releasing efficiency targets (CRES) 2015/16 and 2016/17 (3% / 5%) and flat cash consequential savings requirements 2017/18 totalling £3.062m have been approved since the formation of the IJB:

Approved CRES	Children's Health Care Services £m	Community Health and Care Services £m	Primary Care £m	Prescribing £m	Service Strategy £m	Total Approved CRES £m
2015/16 – 3%	(0.062)	(0.330)	(0.283)	0.000	(0.013)	(0.688)
2016/17 – 5%	(0.099)	(0.528)	(0.606)	0.000	(0.021)	(1.254)
Flat Cash consequential:						
Primary Care Prescribing *	0.000	0.000	0.000	(1.849)	0.000	(1.849)
Pay inflation	(0.025)	(0.132)	(0.151)	0.000	(0.007)	(0.315)
Resource Transfer inflation	0.000	(0.034)	0.000	0.000	0.000	(0.034)
Apprenticeship levy	(0.008)	(0.045)	(0.051)	0.000	(0.002)	(0.106)
Total	(0.194)	(1.069)	(1.091)	(1.849)	(0.043)	(3.062)

* Please note: the £1.849m prescribing flat cash consequential CRES comprises £1.184m NHS Ayrshire and Arran driven saving (classified as low risk) and £0.665m Partnership driven saving. It is important to note that the Integration Scheme outlines that the Primary Care prescribing budget will be delegated to the IJB but that the Health Board retain responsibility for this budget.

Monitoring of progress against approved efficiencies are an important aspect of budgetary control. Financial Management Reports to the IJB contain narrative and appendices to highlight progress against approved savings targets.

EXISTING BUDGET PRESSURES

A number of services experience budget pressures over the course of the 2016/17 financial year and into 2017/18. The Financial Management Report to the IJB on 30 November 2017 highlights a £3.525m projected overspend as at October 2017 (month 7): This includes the impact of unachieved recurring cash releasing efficiency savings:

Learning Disabilities Services

The additional costs £0.265m for 2016/17 primarily related to net additional care package costs, as well as efficiency savings over the course of the financial year. The additional care package costs were partially offset by savings from vacant posts, reduced overtime costs and non-recurring slippage approved as part of the Financial Recovery Plan for 2016/17. Increased demand continues to impact on this budget in 2017/18 with a £0.250m projected overspend at month 7.

Older People's Services

The additional costs £0.636m for 2016/17 primarily related to increased demand for internally provided care at home services and was net of a recurring efficiency saving £0.402m. The additional cost of care at home services was partially offset by less than anticipated costs within the elderly residential and nursing care budget, reflecting a shift in the balance of care from residential to home based service provision. Increased demand continues to impact on the care at home budget in 2017/18 with a £0.446m projected overspend at month 7.

Both Adult and Older budgets are subject to close scrutiny through an ongoing Resource Allocation Group (RAG) commitment / review process. The following table highlights that whilst savings are being achieved in the current financial year, these savings are being consumed by additional demand for both new packages of care and additional costs of existing packages. As at 31 October 2017, savings of £0.214m had been achieved through the RAG process however this saving was consumed by additional costs attributable to increased demand totalling £0.604m, resulting in part-year net additional costs £0.390m in the current financial year:

Service	Savings Achieved £m	New Packages £m	Increase in Support £m	Additional Costs £m	Net Additional Costs £m
Adult	(0.198)	0.381	0.180	0.561	0.363
Older	(0.016)	0.033	0.010	0.043	0.027
Total	(0.214)	0.414	0.190	0.604	0.390

On a full year basis, this equates to net additional costs of £0.633m:

Service	Savings Achieved £m	New Packages £m	Increase in Support £m	Additional Costs £m	Net Additional Costs £m
Adult	(0.308)	0.641	0.268	0.909	0.601
Older	(0.019)	0.039	0.012	0.051	0.032
Total	(0.327)	0.680	0.280	0.960	0.633

Children and Families Services

As at 31 March 2017, the number of external foster care placements was thirty nine against a budget which allowed for thirty two placements, resulting in an overspend of £0.230m for 2016/17. These additional costs were partially offset by reduced internal foster care costs, as well as savings from staff turnover, including vacancies associated with maternity leave and reflects the difficulty in appointing Social Workers on a temporary basis. As at October 2017, the external foster care budget is projected to overspend by £0.281m in 2017/18 however it is anticipated that placements can be reduced to the target thirty two by 31 March 2018. The projected overspend reflects the phasing of reduced placements against the approved £0.350m savings target. It is important to highlight that children's placements are needs led with potential increased demand being a key financial risk going forward.

Outwith Placements

The additional cost of outwith authority children's placements £0.706m in 2016/17 was due to additional demand as approved through the multi-disciplinary Outwith Placements Screening Group. This group consists of representatives from Social Work, Education and NHS Ayrshire & Arran. Significant increased demand has resulted in a projected overspend of £2.201m at month 7 in 2017/18. It is important to highlight that the £0.706m overspend in 2016/17 was after taking account of a recurring cash releasing efficiencies saving budget reduction of £0.800m.

The *Looked After and Accommodated Children and Young People: Increasing Placement Capacity and Choice* report to East Ayrshire Council Cabinet on 25 October 2017 approved the recommendation that enables an increase in internal placements, which along with provision for care experienced young people will increase flexibility and placement choice. The report outlined the risks around levels of need and demand with the preferred option requiring an initial investment of £2.027m. The Council's current Transformation Strategy anticipated £2m per annum demographic pressures, mainly in health and social care through the IJB. This investment demand is to be managed within the demographic pressure uplift over 2018/19 and 2019/20. The funding assumption underlying this Medium Term Financial Plan is a flat cash delegated budget from the Council over the lifetime of the plan.

Secure Accommodation

The budget for secure accommodation allowed for one full time equivalent placement over the course of 2016/17. As at 31 March 2017, three young people had been accommodated with one placement continuing into 2017/18. This equated to 1.43 full time equivalent placements during the financial year, resulting in an overspend of £0.125m. As at month 7, it is anticipated that the secure accommodation budget for 2017/18 will be in balance however demand for placements is extremely difficult to predict.

Health Visiting

The additional costs in 2016/17 £0.089m reflects a non-recurring in-year reclaim of budget £0.206m by NHS Ayrshire & Arran on the basis that budgets had not been evenly distributed across the three Ayrshire Health and Social Care Partnerships. The 2017/18 month 7 projected overspend is £0.191m and primarily relates to unachieved recurring efficiency savings which were offset against non-recurring savings in 2016/17. This budget largely comprises direct staffing costs and savings are contrary to aspirations to increase Health Visitor numbers. Agreement has been reached that the Health Visiting budget will be realigned across the three Ayrshire Health and Social Care Partnerships via the CEL13 trainees' budget. It is anticipated that this will be finalised during 2017/18 with East Ayrshire Health Visiting being in a balanced position at the conclusion of this exercise.

Cash Releasing Efficiency Savings

Unachieved cash releasing efficiency targets £1.514m were offset non-recurringly in 2016/17 from underspends across services, including General Medical Services and Dental Services, as well as slippage on the Primary Care Transformation Fund. The majority of these underspends will not be available in 2017/18 and alternative recurring savings will be required. The flat cash budget approval methodology adopted by the Council and Health Board for 2017/18 results in significant additional efficiency savings requirements as a consequence. Progress against historic cash releasing efficiency savings, including 2017/18 flat cash consequential savings, will be highlighted later in section 4.

Primary Care Prescribing

The Integration Scheme outlines that whilst the Primary Care prescribing budget will be delegated to the IJB, prescribing will be managed by NHS Ayrshire & Arran across the three Ayrshire IJBs. As at month 7 in 2017/18, prescribing is projected to overspend by £0.949m and is largely due to a £0.499m under achievement of the £0.665m Partnership-driven prescribing saving. This saving is part of the £1.849m flat cash consequential saving for 2017/18, with the £1.149m balance being the NHS-led element of the saving. In addition to the under achievement of savings, there are projected increased drugs costs in 2017/18, mainly due to short supply issues.

Lead Partnership Managed Services

The Integration Scheme creates various Lead Partnership roles across the three Ayrshire IJBs. As with all delegated budgets, the intention is that services should be delivered within budget. Should that not be possible, a recovery plan requires to be developed and approved by all three IJBs. The Lead Partnership managed services are as follows:

- Primary Care and Out of Hours Services – East Ayrshire
- Specialist Mental Health / Children's Services – North Ayrshire
- Allied Health Professionals Services – South Ayrshire

Each of the three Ayrshire IJBs reported a balanced position on their lead/hosted service in 2016/17. This position was achieved by a range of actions including vacancy management, additional funding from NHS Ayrshire & Arran, application of non-recurring funding and consideration of how cost reduction targets would be met. The approach in each partnership was agreed by the relevant IJB.

As at October 2017, Primary Care and Out of Hours Services are projected to marginally underspend however this is once again largely due to significant non-recurring savings. These savings are partially offset by additional payments within Primary Medical Services to GP practices in difficulty, with the potential for additional pressures going forward. At this stage, North Ayrshire IJB is anticipating that their lead/hosted services will be marginally overspent however a recovery plan is being developed to achieve financial balance in 2017/18 through a range of mitigating factors. South Ayrshire IJB is projecting additional costs of £0.600m within Allied Health Professionals Services and relates to a decision not to proceed in full with proposed reductions on service delivery to achieve financial balance. This projected overspend and its consequences for service delivery is subject to ongoing discussions at the pan-Ayrshire Strategic Planning and Operational Group meetings.

SCALE OF THE BUDGET CHALLENGE 2018/19 TO 2021/22

The preceding paragraphs have outlined base line budget pressures and the level of cash releasing efficiency savings previously approved for Partnership services. The UK Government has signalled its intention to pursue continuous reductions in public spending over the medium term.

As highlighted at section 1, the *Transformation Strategy 2017 – 2022* report to East Ayrshire Council Cabinet on 25 October 2017 highlights that high level estimates indicate that, if the Council were to continue with current service levels and delivery models, expenditure would be between £24m and £90m more than income by 2022 with a midline gap of £55m which would require savings of around 20% of the Council's departmental revenue budget. This wide variation illustrates the current uncertainty around funding assumptions.

A discussion document was presented to the NHS Ayrshire & Arran senior leadership team meeting on 21 July 2017 which outlined the scale of the financial challenge for the Health Board, with particular pressures around direct staffing costs and prescribing costs. This document highlighted that based upon anticipated funding against total expenditure, the current financial gap projected forwards to 2021/22 as a 'do nothing' scenario is significant. It is anticipated that there will be no more than a 0.5% funding uplift to meet cost pressures in 2018/19 and cash releasing efficiency savings are unlikely to be achievable on a recurring basis to meet the whole of the funding gap.

The most immediate financial risk is failure to achieve financial balance in 2017/18 through the Financial Recovery Plan. IJBs are required to operate within delegated resources and any overspend for the current financial year can be recovered by the Partners in future financial years under the terms of the Integration Scheme. It follows that failure to achieve financial balance in 2017/18 would have a detrimental impact on the financial position of the IJB in 2018/19 and going forward.

Cost and Demand Pressures

Going forward, a high level analysis of costs and demands has been undertaken for the Partnership and assuming nothing else changes, an additional £37.881m would be required to meet current and anticipated costs and demands for the next four financial years. This equates to 17.1% of the 2017/18 month 7 delegated budget. It is important to highlight that a number of assumptions have been made in calculating this indicative budget gap. In particular, it has been assumed that the pay uplift will not exceed 2% per annum over the planning period. As highlighted previously, the public sector pay cap will cease to apply as part of the Scottish Government's legislative plans for the year ahead. This assumed 2% uplift equates to an indicative additional cost of £1.608m in 2018/19 and any negotiated pay award in excess of 2% will result in a significant financial consequence for the IJB on the basis of assumed flat cash budget setting methodology. The increasing cost of drugs is a further area of uncertainty in respect of increasing costs and demands due to a number of external factors. Work will continue over the course of the Medium Term Financial Plan to review and revise figures.

The following local population demography projections have been used to project demand over the course of the medium term financial plan (2017/18 baseline to 2021/22):

- Children's services 3.5% per annum
- Older People 3% per annum
- Mental Health 3% per annum
- Learning Disabilities 4.2% per annum

The main cost pressures and demands can be summarised as follows:

(i) Pay Inflation

- Pay uplift
- Increments
- Pension Fund changes

(ii) Living Wage

- Uplift
- Sleepovers

(iii) Non-pay Inflation

- Looked after and accommodated children
- National Care Home Contract
- Prescribing

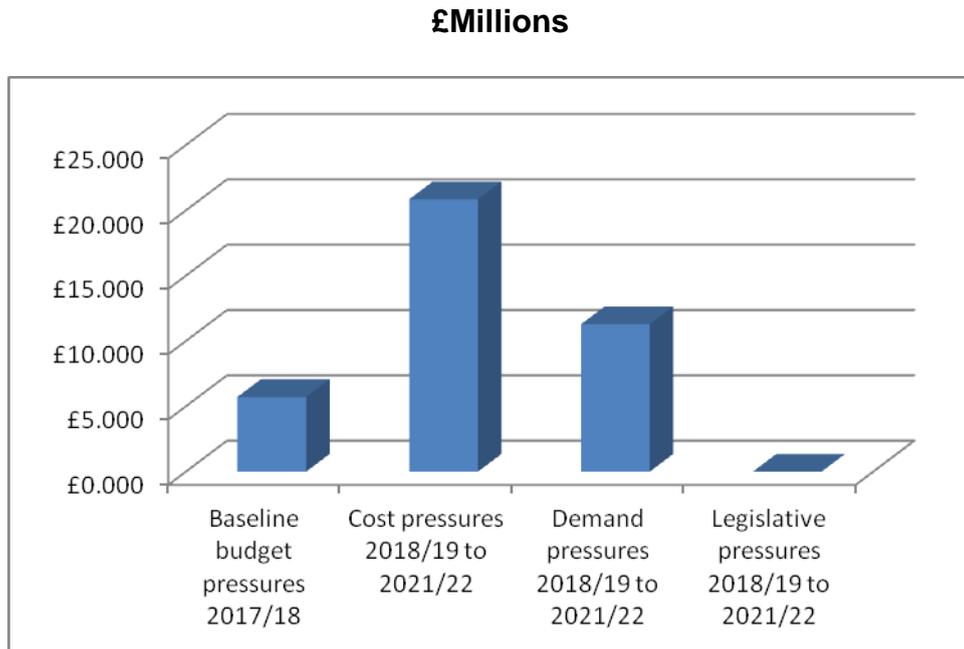
(iv) Demographic and Volume

- Children's services
- Children's outwith placements / secure accommodation
- Older People including National Care Home Contract
- Mental Health
- Learning Disabilities

(v) Legislative

- Carers Act 2016 (increased demand / replacement care)
- Free Personal Care - under 65s (2019/20)

Appendix 3 provides a summary of the indicative budget pressures (including baseline budget pressures and indicative additional cost pressures over the course of the term of the Medium Term Financial Plan). The £37.881m indicative funding gap comprises the following:



Funding Pressures

Partners’ contributions to the Partnership are contingent on the respective financial planning and budget-setting processes of the Council and the Health Board and the financial settlement each body receives from the Scottish Government. At the time of writing this Medium Term Financial Plan, no detailed figures are available for 2018/19 or the following four financial years. As highlighted previously, the Scottish Government has not yet published detailed departmental spending plans for 2018/19 and as a consequence, neither East Ayrshire Council nor NHS Ayrshire & Arran have so far been able to provide a firm indication of allocation methodology to be applied to IJB delegated budgets for the coming year (or beyond).

The Partnership engages actively in the budget setting processes of the Partners and submits bids for additional funding based on a number of factors including:

- Activity changes (demography, increased care levels etc.).
- Cost inflation (pay and supply cost increases)
- Legal requirements (Living Wage etc.).

The Integration Scheme sets out responsibility for funding contributions with inflationary pressures being the sole responsibility of individual partner bodies to consider and demographic pressures being a joint responsibility for all partner bodies to consider. As part of their budget approval processes, the Council and the Health Board have evaluated the requests for changes to funding contributions against their own spending priorities.

Partner bodies also require to consider the level of savings to be applied based on planning assumptions linked to levels of Scottish Government funding and other pressures faced by each body. As highlighted previously, delegated budgets were approved on the basis of a flat cash budget methodology by both Partners in 2017/18 and for the purposes of this Medium Term Financial Plan, it has been assumed that this (at best) flat cash methodology will continue in 2018/19 and the following three financial years. There is a significant risk that the anticipated budget gaps facing the Council and Health Board as outlined previously will impact on this flat cash funding assumption. The Medium Term Financial Plan will require to be reviewed to reflect any variation against this planning assumption.

The implementation of the National Living Wage / Scottish Living Wage for care workers has been funded in 2016/17 and 2017/18 through additional Scottish Government social care funding which has been routed to the IJB via NHS Ayrshire & Arran. This has resulted in significant additional costs £2.853m for externally commissioned care at home services with a further £0.900m in respect of National Care Home Contract uplifts within which services providers require to pay staff Scottish Living Wage hourly rates. There is no indication that additional funding will be allocated going forward to fund increases in the Living Wage. The National Living Wage hourly rate will increase from £7.50 to £7.83 on 1 April 2018. The current Scottish Living Wage for care workers hourly rate is £8.45 (in line with the Living Wage Foundation's 'real living wage'). The revised hourly rate from 2018/19 is £8.75 (3.55% increase). As the Living Wage increases in future years, this will also impact on internal payroll costs in respect of cost increases and pay differentials. The cost of care within the residential and nursing care sectors is impacted upon by the Living Wage and work is ongoing to agree the National Care Home Contract uplift for 2018/19. For the purposes of the Medium Term Financial Plan, it is assumed that an annual uplift of 3.55% will apply over the lifetime of the Plan. Any increase in excess of the assumed 3.55% uplift will result in an additional financial pressure for the IJB.

The Carers' Act 2016 will be fully implemented on 1 April 2018. There has been no notification of final funding allocations from the Scottish Government to date however negotiations are ongoing with COSLA to close an indicative budget gap of £19m as outlined in the Financial Memorandum, as well as work around the cost of replacement care which has been identified at £48m to £100m as demand increases. The medium term financial plan is predicated on the assumption that the policy will be fully funded by the Scottish Government

It is anticipated that Free Personal Care for under 65s will not be implemented until 2019/20. All IJBs have provided indicative costs of rolling out this policy however unmet need represents a significant financial risk for the Partnership and this has been communicated to the Scottish Government. The medium term financial plan is predicated on the assumption that the policy will be fully funded by the Scottish Government.

A new GP Contract jointly designed and agreed by the Scottish Government and the British Medical Association was formally announced on 13 November 2017 and has been described as the biggest reform of GPs services in over a decade. The proposals have been designed to ensure that all patients get the support they need from an extended community healthcare team, led by GPs and including nurses, physiotherapists, community mental health workers, paramedics and pharmacists to ensure more patients get the best and most appropriate care. This will enable GPs to best use their skills as expert medical generalists to spend more time with the people who need them most. Alongside this, the Scottish Government has announced an additional £30m over three years to reduce the risks to GPs of leasing or owning premises and improve practice sustainability. The move is part of an overall transformation of in community health services which will see an additional £500m invested every year by 2021,

£250m of which will be invested in direct support of general practice. The new GP Contract is currently out for consultation with stakeholders and following this, further work will be undertaken to determine operational and financial implications.

Historic Cash Releasing Efficiency Savings

As highlighted previously, non-recurring savings including slippage on the Primary Care Transformation Fund and Integrated Care Fund were utilised in 2016/17 to offset unachieved cash releasing efficiency savings. The following tables highlight progress against approved savings in the current financial year, as included in the month 7 Financial Management Report to the IJB on 30 November 2017:

Council managed services:

Approved CRES	Children's Health Care Services £m	Community Health and Care Services £m	Primary Care £m	Service Strategy £m	Total Approved CRES £m
Financial Recovery Plan 24/11/17:					
2017/18 - approved	0.000	(4.527)	0.000	0.000	(4.527)
Flat Cash consequential:					
Pay inflation	(0.179)	(0.423)	(0.017)	(0.080)	(0.699)
Pensions auto enrolment	(0.056)	(0.118)	(0.005)	(0.027)	(0.206)
Total	(0.235)	(5.068)	(0.022)	(0.107)	(5.432)
Progress					

The approved savings on Council managed services include the recurring Community Health and Care Services Financial Recovery Plan savings which were approved by the IJB on 24 November 2016. As outlined previously within current budget pressures, savings are being achieved through the Resource Allocation Group process however these savings are being consumed by additional demands. The Review of 24 Hour Care work stream is progressing with two staff members having been seconded on a temporary basis to progress reviews over an agreed 18 month period. These posts are funded from the £1m transformation funding allocated to the IJB by East Ayrshire Council:

Approved CRES	Indicative Saving £m
Revise policy on 24 hour care at home services	(0.817)
Review equity of resource allocation across service delivery models	(0.479)
Review of day care	(0.286)
Review of care packages (moving and handling)	(0.071)
Review care at home packages to reduce overall by 10%	(2.874)
Total	(4.527)

NHS managed services:

Approved CRES	Children's Health Care Services £m	Community Health and Care Services £m	Primary Care £m	Prescribing £m	Service Strategy £m	Total Approved CRES £m
2015/16 – unallocated	(0.062)	(0.103)	0.000	0.000	0.000	(0.165)
2016/17 – unallocated	(0.099)	(0.528)	(0.454)	0.000	0.000	(1.081)
Flat Cash consequential:						
Primary Care Prescribing *	0.000	0.000	0.000	(1.849)	0.000	(1.849)
Pay inflation	(0.025)	(0.132)	(0.151)	0.000	(0.006)	(0.315)
Resource Transfer inflation	0.000	(0.034)	0.000	0.000	0.000	(0.034)
Apprenticeship levy	(0.008)	(0.045)	(0.051)	0.000	(0.002)	(0.106)
Total	(0.195)	(0.842)	(0.656)	(1.849)	(0.008)	(3.550)
Progress						

* NHS driven £1.184m plus Partnership driven £0.665m.

SECTION 5: ADDRESSING THE FINANCIAL CHALLENGE MEDIUM TERM FINANCIAL PLAN

APPROACH

The Partnership will need to develop plans over the medium term to bridge the indicative financial gap over the period to 2022. As outlined previously at section 2, the Strategic Commissioning for Sustainable Outcomes Programme Board has delegated responsibility from the IJB to oversee the implementation of a Financial Recovery Plan as part of a budget transformation programme on behalf of the IJB Audit and Performance Committee to ensure that the IJB is best prepared to meet key strategic planning priorities within delegated resources. The following key considerations were previously laid out at section 2 in respect of the medium term financial planning approach and the scale of the financial challenge emphasises the importance of these key considerations:

- Full review of all elements of the budget.
- Review of demand drivers and impact on future costs to identify relevant mitigating actions.
- Identify operational risks associated with potential reduced service provision.
- Deliver the ambition of the IJB and a safe level of service within delegated resources for 2017/18 and going forward.
- Compliance with Health and Care Delivery Plan (December 2016) – focus on Set Aside budget.

The Strategic Commissioning for Sustainable Outcomes Programme Board will require to take account of these key considerations in finalising the Medium Term Financial Plan. The budget transformation programme will include the following:

- Do things differently.
- Stop doing things.
- Rethink delivery options / rebalance models of care
- Increased focus on prevention / early intervention.
- Review eligibility criteria for services.
- Consideration of priorities / Strategic Plan.
- Transformation Funds (Integrated Care Fund, Primary Care Transformation Fund, East Ayrshire Council £1m transformation fund).

Given the scale of the financial challenge facing the Partnership, do nothing is not an option.

Work is ongoing in the current year to achieve financial balance. The Financial Management Report to the IJB on 30 November 2017 projects a significant overspend of £3.525m as at 31 October 2017. Significant pressures on children's outwith placements £2.201m and Primary Care Prescribing £0.949m equates to 89.4% of this overall £3.525m projected variance. This an improved position compared to the reported £3.901m projected variance at 31 July 2017. Work will continue over the course of the current financial year to seek to achieve financial balance as far as possible.

This £3.525m projected overspend at 31 October 2017 takes account of significant non-recurring balances brought forward and non-recurring savings totalling £2.193m. This £5.718m baseline pressure is included in the £37.881m indicative financial gap identified to 2021/22 and will require to be addressed as part of the Plan going forward.

As outlined at section 4, approved savings on Council managed services include the recurring Community Health and Care Services Financial Recovery Plan savings £4.571m which were approved by the IJB on 24 November 2017. Savings are being achieved through the Resource Allocation Group process however these savings are being consumed by additional demand. The 2017/18 month 7 overspend £3.525m is net of an anticipated 25% recurring saving £0.204m from the review of 24 hour care provision. Work will be progressed to maximise cash releasing efficiency savings within Community Health and Care Services, including the full year saving from the review of 24 hour care provision from 1 April 2018.

The indicative funding gap over the lifetime of the Medium Term Financial Plan was discussed by the Strategic Commissioning for Sustainable Outcomes Programme Board at its meeting on 13 November 2017. It was agreed that additional cash releasing efficiency targets of 2% will be allocated against non-ring fenced budgets for each Head of Service and Service Strategy from 2018/19 to 2021/22. The anticipated flat cash consequential budget gap on drugs costs will be allocated against Primary Care prescribing. This is in accordance with the Integration Scheme which outlines that whilst the Primary Care prescribing budget will be delegated to the IJB, prescribing will be managed by NHS Ayrshire & Arran across the three Ayrshire IJBs.

The 2% savings target plus the prescribing cash releasing efficiencies totals £16.894m. The following table provides a summary of these efficiencies allocations:

Financial Year	Children's Health Care and Justice Services £m	Community Health and Care Services £m	Primary Care £m	Prescribing £m	Service Strategy £m	Total Approved CRES £m
2018/19	(0.482)	(1.355)	(0.226)	(1.941)	(0.135)	(4.139)
2019/20	(0.472)	(1.328)	(0.221)	(2.039)	(0.132)	(4.192)
2020/21	(0.462)	(1.301)	(0.217)	(2.140)	(0.129)	(4.249)
2021/22	(0.453)	(1.275)	(0.212)	(2.247)	(0.127)	(4.314)
Total	(1.869)	(5.259)	(0.876)	(8.367)	(0.523)	(16.894)

SPECIFIC SERVICE ISSUES

As outlined in section 4, significant historic cash releasing efficiency savings have already been applied against these service headings and non-achievement of recurring savings represents a significant element of the 2017/18 baseline budget pressure on services commissioned from NHS Ayrshire & Arran. It follows that this additional 2% annual savings target will be extremely challenging at a time when demand for health and social care services is significantly increasing.

A high proportion of health and social care services costs are demand driven. It follows therefore that until demand is reduced, it is difficult to reduce costs. The only alternative is to cease to provide some services and work requires to be undertaken to prioritise expenditure and assist with disinvestment decision making. The scale of the financial challenge is such that a radical whole system approach is required over the lifetime of the Medium Term Financial Plan to facilitate the required level of transformational change and deliver a sustainable financial position for the Partnership.

Children's Health Care and Justice Services is currently taking forward proposals following approval of the *Looked After and Accommodated Children and Young People: Increasing Placement Capacity and Choice* report by East Ayrshire Council on 25 October 2017. This report focuses on managing demand for services by increasing capacity and choice in caring for looked after children and young people, specifically focusing on residential and intensive foster care. This report was tabled in response to increasing need and demand for services and to drive change to ensure statutory corporate parenting responsibilities to looked after and accommodated children are met within delegated resources. Work is progressing to agree recurring savings proposals to offset presently unallocated cash releasing efficiency services within NHS managed budgets.

Community Health and Care Services are delivering savings through the Financial Recovery Plan proposals approved by the IJB on 24 November 2016, however additional demand is outstripping the savings realised to date. Work is being progressed with partners including the third sector and the Council's Vibrant Communities service, as well as with the use of technology enabled care (TEC) and people's own assets to reduce demand. Specific service review and redesign work is ongoing at local and pan-Ayrshire level to progress the transformational change programme by seeking alternative ways of managing demand and delivering realistic care. Demand management intervention includes the review of eligibility criteria for services. New supported tenancy models will positively impact on cost and demand over the lifetime of the Medium Term Financial Plan. Pan-Ayrshire work includes respiratory and cardiology pathways to reduce unscheduled care demands on NHS acute services which in the medium term may lead to the release of set aside resources to invest in community services. The programme of work on the review of 24 hour care services has commenced and demand management continues to be progressed through the new front door services, which has resulted in a reduction of cases being allocated.

Primary Care and Out of Hours Community Response Services is presently completing the option appraisal in relation to the Ayrshire Urgent Care Service with the highest scored options being costed. This will inform the level of savings possible. The clinical input will be put out to tender by the end of November 2017. Dental services have been reduced in 2017/18. To achieve the level of savings envisaged, a major change is required in respect of demand for services and what services are provided.

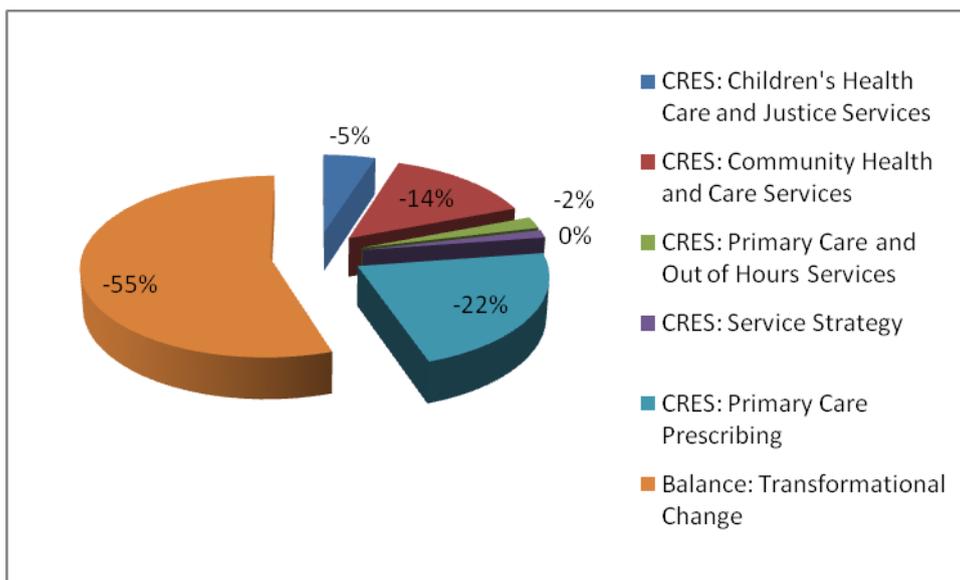
Primary Care prescribing flat cash consequential cash releasing efficiency saving (CRES) represents a significant financial challenge going forward. As highlighted previously, the Integration Scheme outlines that the Primary Care prescribing budget will be delegated to the IJB but that the Health Board retain responsibility for this budget. A proportion of the flat cash CRES for 2017/18 is Partnership-driven and pan-Ayrshire work will continue to be progressed by the three Ayrshire IJB Clinical Directors and NHS Prescribing to manage demand as far as possible, recognising risks around external factors such as drug short supply issues.

Service Strategy provides a range of direct and indirect supports to front line services and plays an important role in effective service delivery. This includes significant input to supporting the efficiency agenda across the Partnership, including planning, programme support, learning and development, direct engagement with re-design and review, as well as longer-term workforce planning. These are important issues in relation to the transformational change programme which is required to address the scale of the financial challenge. This area of the service has been subject to significant reductions as part of previous budget transformation programmes and cash releasing efficiency allocations. All Service Strategy functions will require to be reviewed to ensure an effective infrastructure is in place to effectively support front line service

delivery and the transformational change programme. Opportunities for rationalisation and digitalisation will be explored as part of the review process.

NEXT STEPS

The total indicative financial gap 2017/18 to 2021/22 is £37.881m. The 2% cash releasing efficiencies targets over the timescale of the Medium Term Financial Plan would generate £16.894m, which would result in a currently unallocated balance of £20.987m. The following chart provides a breakdown of the financial challenge in respect of savings across the main areas of service and transformational change requirements:



A programme of transformational change will be taken forward through the Strategic Commissioning for Sustainable Outcomes Programme Board. Ongoing monitoring and review is a key component of any transformational change programme and regular updates to the IJB Audit and Performance Committee and through this to the IJB itself will form part of the planning process. This will include ongoing review of planning assumptions underlying the indicative financial gap. Proposals to reduce costs and deliver savings which require changes to policy or service provision will be presented to the IJB for approval.

The £37.881m indicative funding gap is extremely challenging for the IJB at a time of significantly increasing demand for health and social care services. It is clear that East Ayrshire Health and Social Care Partnership needs to think differently and work differently to ensure that effective services can be delivered in line with strategic planning priorities and within the resources delegated by the partner organisations.

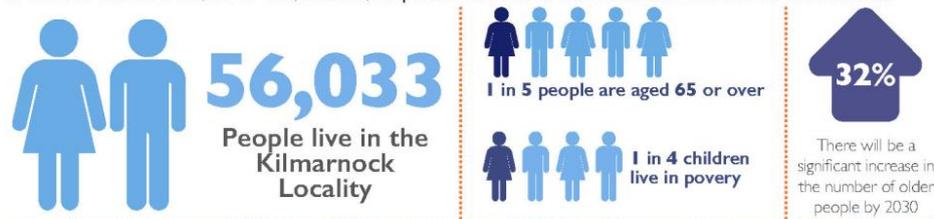
The Medium Term Financial Plan is the first stage in developing the Health and Social Care Partnership's financial strategy to meet this challenge and this will continue to be developed and reviewed, where required, over the lifetime of the Plan. All services will be involved in developing plans to secure an overall financial plan, including review of demand drivers and impact on future costs to identify mitigating actions which will result in a sustainable financial position for the Partnership going forward.

Appendix 1: Summary Locality Profiles

KILMARNOCK LOCALITY

POPULATION

The population of East Ayrshire is expected to remain fairly stable between now and 2030. Over the same time, there will be a large increase in the number of older people. Many parts of East Ayrshire are prosperous and it is a vibrant area in which to live and work, and to visit; however, inequalities continue to exist within and between our communities.



ECONOMY & SKILLS

A key driver underpinning future prosperity and the ability to realise the potential of our communities is a local economy which achieves sustainable growth. Delivering economic recovery and growth contributes to better outcomes for young and old, improved health, employment, inclusion, and safer and stronger communities.



SAFER COMMUNITIES

East Ayrshire is a safe place to live. Crimes of public disorder and violence have continued to reduce. We want to continue this downward trend and ensure that people feel safe in their homes and communities.



WELLBEING

Positive health and wellbeing is at the heart of our Community Plan. We recognise the significant challenges in respect of the wellbeing of our communities and will work through our integrated health and social care arrangements to tackle these challenges.



NORTHERN LOCALITY

POPULATION

The population of East Ayrshire is expected to remain fairly stable between now and 2030. Over the same time, there will be a large increase in the number of older people. Many parts of East Ayrshire are prosperous and it is a vibrant area in which to live and work, and to visit; however, inequalities continue to exist within and between our communities.



ECONOMY & SKILLS

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WELLBEING

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SOUTHERN LOCALITY

POPULATION

The population of East Ayrshire is expected to remain fairly stable between now and 2030. Over the same time, there will be a large increase in the number of older people. Many parts of East Ayrshire are prosperous and it is a vibrant area in which to live and work, and to visit; however, inequalities continue to exist within and between our communities.



ECONOMY & SKILLS

A key driver underpinning future prosperity and the ability to realise the potential of our communities is a local economy which achieves sustainable growth. Delivering economic recovery and growth contributes to better outcomes for young and old, improved health, employment, inclusion, and safer and stronger communities.



SAFER COMMUNITIES

East Ayrshire is a safe place to live. Crimes of public disorder and violence have continued to reduce. We want to continue this downward trend and ensure that people feel safe in their homes and communities.



WELLBEING

Positive health and wellbeing is at the heart of our Community Plan. We recognise the significant challenges in respect of the wellbeing of our communities and will work through our integrated health and social care arrangements to tackle these challenges.



Appendix 2: East Ayrshire Approved Budget 2017/18 (IJB 19 April 2017)

Service	2017/18 Budget HSCP £m	2017/18 Budget EAC £m	2017/18 Budget NHS A&A £m
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Level One Core

Learning Disabilities	12.712	12.210	0.502
Physical Disabilities	2.206	2.206	0.000
Mental Health	4.777	2.801	1.976
Addiction	1.224	0.175	1.049
Adult Support and Protection	0.381	0.381	0.000
Older People	34.051	34.051	0.000
Sensory	0.174	0.174	0.000
Community Nursing	4.104	0.000	4.104
Prescribing	25.819	0.000	25.819
General Medical Services	15.361	0.000	15.361
Service Strategy (Partnership Management)	6.181	5.763	0.418
Social Work Transport	0.457	0.457	0.000
Health Improvement	0.198	0.198	0.000
Integrated Care Fund	2.470	1.386	1.084
Resource Transfer	10.370	0.000	10.370
Total Level One	120.485	59.802	60.683

Level Two - Non District General Hospitals

East Ayrshire Community Hospital	2.890	0.000	2.890
Kirklandside Hospital	1.192	0.000	1.192
Total Level Two	4.082	0.000	4.082

Level Three - Hosted Services

Primary Care (Including Dental)	67.942	0.000	67.942
Prison and Police Healthcare	2.975	0.000	2.975
War Pensioner	1.224	0.000	1.224
Other Lead Services	0.147	0.000	0.147
Out of Hours Social Work Services	0.567	0.567	0.000
Total Level Three	72.855	0.567	72.288

Level Four - Children's / Justice Services

C&F Social Work incl. Criminal Justice	20.441	20.441	0.000
Outwith Placements / Secure Accommodation	3.541	3.541	0.000
Health Visiting	2.289	0.000	2.289
Total Level Four	26.271	23.982	2.289

Partnership Total	223.693	84.351	139.342
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Appendix 3: Cost and Demand Pressures 2017/18 to 2021/22 (indicative)

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
(i) Baseline pressures:						
Baseline budget 2017/18 (month 7)	221.734					
less: delegated functions managed out with HSCP	-1.897					
Baseline net of delegated functions	219.837					
Baseline pressures	3.525					
Adjust for non-recurring:						
ICF slippage 17/18	0.246					
ICF balances 16/17	0.277					
Equipment balances 16/17	0.089					
SDS / Telecare balances 16/17	0.172					
Justice cross charging 17/18	0.195					
PCTF slippage 17/18	0.600					
Dental savings 17/18	0.414					
Additional staff turnover - indicative adj. (mat leave etc)	0.200					
	2.193					
Baseline pressures 2017/18 (recurring)	5.718					5.718
(ii) Future years' pressures (indicative):						
<u>Cost pressures:</u>						
<u>Payroll:</u>						
Pay inflation - 2% assumed (incl. Increments)		1.608	1.640	1.673	1.707	6.628
Pension Fund changes (to be confirmed)		0.000	0.000	0.000	0.000	0.000
<u>Living Wage:</u>						
Living Wage implications - internal		0.005	0.005	0.005	0.000	0.015
Living Wage implications - external (3.55% pa)		0.427	0.454	0.463	0.516	1.860
Living Wage implications - sleepovers (3.55% pa)		0.323	0.149	0.090	0.095	0.657
<u>Non-pay inflation (excl Living Wage):</u>						
Looked After and Accommodated Children (2% pa)		0.250	0.255	0.260	0.265	1.029
National Care Home Contract (3.55% pa)		0.563	0.575	0.586	0.598	2.322
Prescribing - price, volume, demand (5% pa)		1.941	2.039	2.140	2.247	8.368
<u>Demand pressures (demographic / volume):</u>						
Children's Services (3.5% pa)		0.516	0.528	0.540	0.552	2.136
Older People's Services (3% pa)		1.240	1.277	1.315	1.355	5.187
Mental Health Services (3% pa)		0.170	0.175	0.180	0.185	0.710
Learning Disabilities Services (4.2% pa)		0.770	0.802	0.827	0.852	3.251
<u>Legislative pressures:</u>						
Carers Act 2016		0.000	0.000	0.000	0.000	0.000
Free Personal Care - under 65s		0.000	0.000	0.000	0.000	0.000
Total future years' pressures (indicative):		7.814	7.898	8.079	8.372	32.163
Total indicative budget gap		7.814	7.898	8.079	8.372	37.881