NHS Greater Glasgow and Clyde

NHS GREATER GLASGOW AND CLYDE

Board

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Director of Finance

2011/12 Financial Plan

1. Introduction

The Board has submitted a draft financial plan to SGHD in March, as required, as part of its Local Delivery Plan submission. At that stage, it had not concluded preparation of a cost savings plan for 2011/12. This has now been finalised so it is possible to submit a proposed financial plan, which comprises firm figures for 2011/12 with indicative figures for future years, to the Board for its review and approval.

The purpose of this paper is to provide an overview to Board members of the key elements within the financial plan, highlighting key assumptions and risks and explaining how it is proposed to address the cost savings challenge which the Board faces in order to achieve a balanced financial outturn in 2011/12.

2. Overview of 2011/12 Financial Plan

2.1 Financial Summary

A high level financial overview of the Board's financial plan for 2011/12 is provided below. This shows the overall movements in both recurring and non-recurring funding and expenditure which are anticipated in 2011/12.

	Funding £'M	Expenditure £'M	Surplus/Deficit £'M	Notes
Base budget carried forward from 2010/11	**2862.1** ====	**2864.1** ====	**(2.0)** ==	Excess of recurring expenditure commitments over recurring funding carried forward from 2010/11.
Funding/expenditure movements on 2010/11				
1. FYE of increase in VAT rate		6.0		See 2.2 (1) below
2. Increase in provision for clinical/ Medical negligence claims		6.0		See 2.2 (1) below
3. 2011/12 projected expenditure growth		69.0		See 2.2 (3) below
4. 2011/12 general funding uplift	26.0			See 2.2 (2) below
5. 2011/12 cost savings plan		(57.0)		See 2.2 (4) below
6. Change fund	14.8	14.8	___	See 2.2 (2) below
2011/12 budget excluding non-recurring funding/expenditure items	**2902.9**	**2902.9**	**(0.0)**	
Non-recurring funding/expenditure items				
1. Release of deferred income and provisions carried forward from 2010/11		(1.7)		
2. Non-recurring cost provisions		1.7		Specific expenditure commitments (i.e. ASR team)
	0	0		
2011/12 budget	**2,902.9** ====	**2,902.9** ====	**-** ==	

2.2 **Key Points**

There are a number of key points worth highlighting from the above summary of the Board's 2011/12 financial plan. These are:

2.2(1) At 31st March 2011 the Board's recurring expenditure commitments exceeded its recurring funding by £2m. Going into 2011/12, the requirement to identify additional funding to cover (1) the full year effect of the increase in VAT rate in 2011/12 (i.e.VAT rate has increased from 17.5% to 20% in January 2011) and (2) the Board's share of sharply increased annual expenditure levels across NHS Scotland on the settlement of clinical/medical negligence claims, which are forecast to continue in future years (SGHD funded c.£20m growth in expenditure across NHS Scotland in 2010/11 on the basis that Health Boards make provision to cover these elevated cost levels from 2011/12 onwards), has added £12m to the Board's financial challenge for 2011/12. This means that the overall "legacy" financial challenge from 2010/11 to 2011/12 is, in effect, a recurring excess of recurring expenditure over recurring finding of £14m.

2.2(2) SGHD has confirmed that, nationally, funding to territorial Health Boards will increase by £232m, or 3.2% in 2011/12. A summary giving a breakeven of this total and the amount(s) attributable to NHSGGC is provided below:

	National Total £'M	NHSGGC Share £'M	Notes
General Uplift	81	22.638	(i)
Change Fund	70	14.799	(ii)
Elimination of Prescription Charges	57	11.597	(iii)
Movement to NRAC funding parity	24	-	(iv)
	232	**49.034**	

Notes:

(i) A general uplift is provided by SGHD to support Boards in meeting expected additional costs related to pay, supplies (which includes prescribing growth and utilities charges), the increase in standard rate of VAT, and changes to National Insurance (NIC) thresholds.

The amount of funding provided directly by SGHD to NHSGGC is £22.638m. In addition, by applying an agreed general inflationary uplift to the value(s) of SLA's with Other Health Boards related to patient services provided by NHSGGC, NHSGGC can reasonably expect to receive further income of approximately £3.4m in 2011/12, giving a total uplift of £26m.

(ii) This represents new ring-fenced funding provided by SGHD to establish a series of pooled funding arrangements with Local Authority partners aimed at the redesign of health and social care services to support the delivery of new approaches aimed at improving service quality and outcomes for patients. This funding allocation has been provided as a recurring source of funds on the basis that it is replenishes itself through the release of cost improvements secured from a series of service redesign initiatives.

(iii) This funding allocation is provided to compensate Health Boards for the loss of prescription income as a source of funds, as a consequence of implementation of the final phase of the Scottish Government's scheme to abolish prescription charges.

(iv) This funding allocation is available exclusively to those Heath Boards whose current general funding allocation is below NRAC formula parity levels, to move them closer to NRAC funding parity. As NHSGG&C's funding level currently exceeds NRAC parity, it does not receive a proportion of this funding allocation. However, as in previous years, SGHD has not sought to reduce NHSGG&C's core funding level. This reflects the measured approach which SGHD continues to take in progressing implementation of NRAC recommendations, thereby avoiding creating financial turbulence within NHS Scotland.

2.2(3) The projection of expenditure growth…£69m (or £81m when the increase in expenditure on VAT and Clinical/Medical Negligence costs is added)…is the aggregate of the range of additional expenditure commitments which the Board is required to meet in 2011/12.

A summary giving a breakdown of this total is provided below:

	Area of Expenditure	Forecast growth in expenditure £'M	Cost Drivers
1.	Pay Costs	20	Increase to minimum pay rate/additional NIC charges/A4C related incremental pay progression.
2.	Prescribing Costs	22.4	Price and volume increases including introduction of new drug treatments approved by SMC.
3.	Energy Costs	6.5	Increase(s) in national contract prices for gas and electricity.

	Area of Expenditure	Forecast growth in expenditure £'M	Cost Increase/Drivers
4.	Capital Charges Costs	1.0	Capital Programme
5.	Other non-pay related cost inflation - other supplies costs, (excluding prescribing and energy) - SLA's with other providers, including Resource Transfer Agreements	 4.9 1.5	 General cost inflation General cost inflation
6.	New Service Commitments (i) Carried forward from 2010/11 (ii) Acute : existing commitments (iii) NHS partnerships : existing commitments (iv) Access Targets : general (new) provision (v) Other : general (new) provision	 1.5 6.2 1.0 2.0 2.0 12.7 **69**	 Unavoidable commitment Unavoidable commitment Unavoidable commitment SGHD HEAT target Provision for unforeseen new cost pressures
7. 8.	FYE of increase in standard VAT rate Increase in budget provision for Clinical/Medical Negligence costs **Total**	6.0 6.0 **81** ===	As stated Present level of clinical/medical negligence claims

A more detailed analysis of the Board's expenditure projections for 2011/12 is provided at Appendix 1. This explains the approach which has been taken in preparing expenditure growth estimates for each of the main cost drivers and describes the assumptions underpinning the expenditure forecasts. Further comment on a number of specific key assumptions is provided within section (4) below, where a review of key assumptions and risks is provided.

2.2(4) The Board's ability to present a balanced financial plan for 2011/12 is largely dependent upon its ability to implement a comprehensive cost savings plan which will release £57m of recurring cost savings in total in 2011/12. This is equivalent to 3% of the Board's Revenue Resource Limit and represents a highly significant financial challenge, being the fourth successive year in which the Board has required to achieve a cost savings target exceeding £50m to secure the achievement of a balanced financial position. An overview of the Board's cost savings plan for 2011/12 is provided within section (3) below.

3. Cost savings plan 2011/12

A key part of the Board's plan to achieve a financial breakeven outturn in 2011/12 is its cost savings plan. Section 3 provides an overview of how the Board has approached this task and a summary of the cost savings plan itself.

The Corporate Management Team (CMT) has been working throughout most of 2010/11 on the development of a cost savings plan for 2011/12. Some elements of the 2011/12 cost savings plan derive from the ongoing implementation of initiatives and processes started in previous years (e.g. reconfiguration of Acute and Maternity inpatient services in preparation for commissioning of New South Glasgow Hospitals, implementation of Clyde Mental Health Services Strategy, ongoing review(s) of scope for prescribing and procurement savings), while other elements are new and reflect opportunities for cost improvement identified by CMT during 2010/11.

In approaching this task, CMT has sought to identify opportunities for cost improvement which are capable of enhancing and not diluting service quality. CMT has been focussed, in particular, in identifying realistic opportunities for productivity improvement, the elimination of waste, and increasing efficiency. These are the key principles which have guided CMT as it has approached the highly challenging task of preparing a financial plan for 2011/12.

If the Board is to comply with its statutory requirement to achieve financial breakeven in 2011/12. it has no alternative but to reduce what it currently spends by £57m per annum.

Had SGHD not secured additional funding for NHS Scotland for 2011/12…which will make available an additional £26m for NHSGGC on a recurring basis…the cost reduction challenge would have been even greater. The impact of rising pay, prescribing and energy costs, together with an increase in the VAT rate and increased spend on clinical/medical negligence claims, in particular, combine to push expenditure up to a level which cannot be accommodated within the total funding which is available to the Board, dictating the need for a significant cost savings programme. With approximately 60% of Board expenditure represented by staffing costs, a cost savings programme of £57m will inevitably have a significant impact on workforce, and indeed a number of the cost savings initiatives which will be implemented during 2011/12 will bring about workforce change leading to a reduction in overall numbers employed and changes to skill mix. Where this occurs, the Board will at all times follow established processes for working through these changes in consultation with staff groups and staff representatives, and in so doing comply with current local and national policies governing workforce change, including the requirement(s) for no compulsory redundancies and "no detriment" protection of earnings and terms and conditions of service.

The Board will require to achieve those cost savings which relate to manpower through a combination of natural wastage, including staff turnover, and redeployment. To cover the possibility that the Board will not be able to achieve all the cost savings which it is targeting through this means alone, and some members of staff voluntarily choose to terminate their employment with NHSGG&C, a specific provision of c£6m is set aside within the Board's financial plan to meet any costs which are incurred in this regard.

A summary of the 2011/12 cost savings plan is provided in the tables below. The wide range of schemes makes it difficult to provide a single overview, however the following tables provide some flavour of the scale and breadth of coverage:

Table 1

Cost savings initiatives led by:	Number of Initiatives	Overall target cost savings (£'000)
Acute Division	250	32,948
Individual CH(C)P's		
East Renfrewshire CHCP	7	253
East Dunbartonshire CHP	17	809
West Dunbartonshire CHCP	20	703
Inverclyde CHCP	11	408
Glasgow City CHP	23	3,999
Renfrewshire CHP	14	822
	92	6,994
Cross Cutting		
Mental Health, including learning Disabilities	17	3,414
Collective NHS Partnerships	2	400
Health Information Technology (H.I.T)	9	850
Primary Care Prescribing	4	6,604
	32	11,268
Corporate Services		
Individual Corporate Services	8	930
Corporate Cost Savings Schemes	5	3,380
Other Initiatives to be confirmed		1,480
		5,790
Total	**387**	**57,000**
	===	**=====**

CMT continues to review a range of cost savings opportunities which were identified during the process to develop a 2011/12 cost savings plan but where it has not yet been possible to firm up a specific cost savings target. This is reflected in the amount of £1.48m which is identified separately at the foot of table 1 above as "Other Initiatives to be confirmed".

The Board has followed a standard approach in developing its cost savings plan for 2011/12, classifying individual cost savings schemes by category. Table 2 provides an overview of the spread of cost savings schemes by individual category.

Table 2

		Acute Division £'000	**Individual CHCP £'000**	**Cross Cutting £'000**	**Corporate Services £'000**	**Total £'000**	**Notes £'000**
	Total	32,948 =====	6,994 ====	11,268 =====	5,790 ====	57,000 =====	
1.	**Service Redesign**	4,300	2,480	2,011	-	8,791	1
2.	**Accelerated ASR Implementation**	8,886	-	-	-	8,886	2
3.	**Procurement**	5,382	1,144	7,214	350	14,090	3
4.	**Productivity Improvement**						
	- Service Reviews	2,442	189	435	-	3,066	4(i)
	- Staff Utilisation	5,596	1,275	916	810	8,597	4(ii)
5.	**Review of Management/Administration Costs**	2,364	1,464	350	450	4,628	5
6.	**Additional Income**	1,378	-	-	2,700	4,078	6
7.	**Review of Discretionary Spend/FYE of 2010/11 cost savings schemes**	2,600	442	342	-	3,384	7
8.	**To be Confirmed**				1,480	1,480	
		32,948 =====	**6,994** ====	**11,268** =====	**5,790** ====	**57,000** =====	

Notes:

1. "Service Redesign" includes schemes which are targeting cost savings through providing a range of clinical services and/or non clinical services in a slightly different way, and/or on a different site configuration than before, excluding ASR implementation.

2. "Accelerated ASR Implementation" includes schemes which are targeting cost savings related to the implementation of a new bed model and associated service changes including, in particular, changes related to the provision of Laboratory Services.

3. "Procurement" includes schemes which are targeting cost savings related to reviewing/renegotiating external supplier contracts, standardising product utilisation, and reducing volume/usage as a result of focussed initiatives aimed at improving value for money/efficiency and/or reducing waste. This category includes the full range of prescribing cost savings initiatives and cost savings related to contracts with external providers.

4(i) "Productivity Improvement…Service Reviews" includes schemes which are targeting cost savings as a result of the implementation of measures aimed at improving productivity through improved use of existing capacity, service change and/or the introduction of new or improved technology.

4(ii) "Productivity Improvement …Staff Utilisation" includes schemes which are targeting cost savings as a result of changes/improvements in the way staff resources are deployed e.g. reviews of job plans, shift working patterns, rotas, use of overtime, agency, excess hours etc.

5. "Review of management/administration costs" includes schemes specifically aimed at reducing existing numbers of management staff, reflecting the recent SGHD direction to Health Boards to reduce management costs by 25% over a 4 year period, and also the numbers of administrative staff employed.

6. "Additional income" includes schemes where SLAs with other Health Boards and other external bodies have been reviewed to identify scope for securing additional income related to patients treated by NHSGG&C, also other schemes aimed at income generation.

7. “Review of Discretionary Spend/FYE of 2010/11 cost savings schemes” captures those schemes which do not fit neatly into categories 1 to 6, and relates to those service budgets where, predominantly CH(C)P’s managers, can exercise some level of discretion over the level of resource they require to commit on a year to year basis. In addition, the Board’s Acute Division has identified £2.6m of cost savings which will be released in 2011/12 related to the full year effect of schemes implemented in 2010/11.

4. **Key Assumptions and Risks**

The key assumptions on which the Board’s financial plan for 2011/12 has been based are described within Appendix 1.

There are five specific assumptions which are of particular significance in terms of potential financial risk. These are described below, together with an assessment of their likely risk potential.

1) **Access Targets**

In setting its financial plan for 2011/12, the Board has assumed that it will require to deploy an additional £2m of recurring funding per annum, in addition to the current level of earmarked funding provided by SGHD, to secure the achievement of national access targets on an ongoing basis. This includes achieving an 18 week referral treatment guarantee by December 2011.

Key financial risks include the potential for the additional cost of complying with SGHD targets to exceed £2m and/or the level of SGHD earmarked funding, both recurring and non recurring, available to the Board, reducing below the sum received in 2010/11.

To manage this risk, Board officers continue to work closely with SGHD colleagues to ensure that appropriate funding levels are maintained. In addition, the Chief Operating Officer continues to work closely with her team internally to ensure that by maximising internal productivity, the level of additional investment required to secure delivery of Access targets is contained within the financial provision set by the Board.

2) **Prescribing Cost Growth**

The financial projections assume that a cost savings plan of £8.1m (i.e. Primary Care £6.6m; Acute £1.5m) will be successfully implemented during 2011/12 containing overall net prescribing expenditure growth within an overall envelope of £14.3m. This represents a very stiff challenge for the Board. However the level of detailed work which underpins the projections of cost increases and cost savings which have been prepared by the Board’s prescribing advisers for 2011/12, together with the extensive collaboration which has taken place across both Acute and Primary Care in arriving at these cost projections, provides a reasonable level of assurance regarding their robustness. Notwithstanding these efforts, the scale of the cost savings programme, and the wide range of initiatives which require to be successfully simultaneously implemented, presents a high level of risk of non-achievement. As a result, this will be an area which will be continuously and closely monitored during 2011/12.

3) **Energy Costs**

Advance purchase contracts for gas and electricity have already been put in place for 2011/12. These cover raw supply costs only, which account for approximately 60% of total current expenditure on gas/electricity. Remaining expenditure is incurred on other regulator imposed charges, including, in particular, transmission charges. Market prices for 2011/12 have increased considerably on 2010/11 for both raw supply costs and transmission charges, giving an overall increase in forecast expenditure of £6.5m, or 34%, year on year. Approximately 70% of this

increase can be attributed to increases in raw supply prices, with the balance of the increase attributable to increases in other regulator imposed charges. By contrast, forecast energy volume(s) required have remained relatively static.

The fact that fixed price contracts are in place for gas/electricity raw supply costs, the area within energy tariffs which has historically been subject to a high degree of volatility, is helpful as it enables the Board to predict future expenditure for this element of expenditure with some degree of certainty. However, recent substantial increases in regulator imposed charges, in particular, transmission charges, and the potential for further increases occurring in 2011/12, means that the potential for increasing energy costs remains an area of financial risk for the Board in 2011/12, and one which will continue to require close monitoring to ensure that any financial exposure is identified and contained within existing expenditure budgets.

4) **Pay Growth**

During 2010/11, the Board has completed working through the process of reviewing appeals which had been submitted in respect of Agenda for Change assimilations. The outcome of this process was that the additional recurring costs of those appeals which were upheld closely matched the level of additional funding provision set aside by the Board within its 2010/11 financial plan and its roll forward budget for 2011/12.

Going into 2011/12, it is assumed that the Agenda for Change appeals process will not produce any further significant additional cost pressure to the Board. In the event that any further unforeseen cost pressure emerges, it is assumed that this risk will be managed within the context of existing service budget(s).

In forecasting likely pay growth for 2011/12, the Board has extensively modelled the anticipated growth in costs associated with Agenda for Change related incremental pay progression. The experience of monitoring Agenda for Change related pay trends during the last six months of 2010/11 has helped the Board to develop a better understanding of the level of additional costs which it is likely to face related to incremental pay progression in 2011/12. This has enabled the Board to carry out a detailed forecast of pay growth in 2011/12, which confirms that it would expect to incur an increase in pay costs of £13m in 2011/12, solely due to the impact of Agenda for Change related incremental pay progression.

This will be continuously monitored throughout 2011/12 so that any remedial action required to contain any further financial exposure which arises within this area (i.e. the implementation of supplementary cost savings schemes) is planned and taken at the earliest possible point of the financial year.

5) **Cost Savings Plan**

The Board's ability to achieve its financial plan for 2011/12 will depend in large measure, on its ability to fully deliver a recurring cost savings plan of c£57m in 2011/12. If, for whatever reason, it is unable to achieve this, then it is unlikely that it will be able to manage overall expenditure within its Revenue Resource Limit.

In constructing cost savings plans for 2011/12, the Acute Division, CH(C)P's and other area wide partnerships have been mindful of the risks of under-achievement of costs savings targets.

To manage this risk, the Acute Division's approach has been to set itself a substantially higher internal target and develop schemes to achieve this higher target.

CH(C)P's and other NHS partnerships have adopted a slightly different approach. In broad terms, their approach has been to identify potential sources of non-recurring funding support which they can draw upon from within their existing

budgets, if necessary, to compensate for any delayed achievement of cost savings plans.

In adopting this approach, the Acute Division and NHS Partnerships have both sought to provide for a measure of contingency against the non-achievement of cost savings in year in 2011/12.

Across the Board, the delivery of cost savings targets in 2011/12 promises to be more challenging than it has been for many years. The level of "new funding in the system" is much lower, also the level of flexibility within expenditure budgets is considerably reduced by the release of cost savings in previous years. This means that in 2011/12 the scope for offsetting non-delivery of cost savings by the release of non recurring funding is now at best marginal, and so cost savings schemes will require to deliver in full in year or be substituted by other cost savings schemes which replace them in year. This will prove highly challenging to achieve in practice, however must be achieved if the Board is to manage within its Revenue Resource Limit for 2011/12.

There are also potential risks of non-delivery associated with cost savings schemes included within the Cross Cutting group. With regard to the "Prescribing Cost savings" scheme, the approach to risk management of non-achievement has already been described within section 4(2) above.

Throughout 2011/12, the Board will continue to liaise with SGHD colleagues to ensure that SGHD is updated on progress made by the Board in taking forward implementation of its cost savings plan.

5. 2012/13 and beyond

A summary of the Board's indicative financial plan for 2012/13 and beyond is provided at Appendix 2. This contains indicative figures for these years, based on a series of assumptions regarding funding and likely expenditure growth. The CMT has already established a process, which it will embark upon in the summer of 2011 to develop a financial plan for 2012/13, including a cost savings plan.

6. Recommendation

Board members are requested to review this report and approve the Board's 2011/12 financial plan.

APPENDIX 1

	Area of Expenditure Growth	Projected Increase 2011/12 £m	Explanatory Notes for 2011/12
A	**General**		
1	Pays inflation	20.0	Provision for Living Wage, Agenda for Change low pay (Bands 1 to 4) & Band 5, incremental pay progression, changes to NIC thresholds.
2	Prescribing cost growth / inflation	22.4	Current projections by prescribing advisers of likely cost increase relating to volume and price increases within Acute and Primary Care confirm growth / inflation of £22.4m, equivalent to overall growth rates of 5.9% (Primary Care) & 7.9% (Acute) before savings initiatives.
3	Energy Costs	6.5	Additional cost of advance purchase contracts and other regulator imposed charges.
4	Capital expenditure programme - impact on capital charges	1.0	Scale of capital programme, in particular medical equipment and information technology, is pushing up overall level of capital charges costs.
5	Other non pays inflation		
	- legal / contractual cost commitments	1.5	PPP contracts / maintenance contracts etc.
	- general	3.4	Provision for general inflation increase … average of 1% It is recognised that the level of inflation will vary across individual products / services. An overall uplift of 1% is provided for, taking account of the wide range of procurement initiatives which are currently under way aimed at containing expenditure growth, in addition to securing cost reductions.
6	Other providers, including resource transfer, cost inflation	1.5	Provision for uplift to payments made to other providers, including Resource Transfer @ 0.5% rate recommended by COSLA & maximum uplift of 1% for all other providers including other NHS Boards.
7	CNORIS	6.0	To fund current level of clinical / medical negligence claims.
		62.3	
B	**National Policy and other statutory change**		
8	Increase in Standard Rate of VAT	6.0	Effect of increase in January 2011 to 20%.
		6.0	
C	**National Services - GGC share of increased funding required**		
9	Cytogenetics	0.4	Share of full cost of national service.
10	Home Oxygen	0.9	Share of increase in costs of nationally provided service.
		1.3	
D	**National Initiatives - impact on GGC**		
11	2nd PET Scanner	0.6	Share of costs of additional scanner.
12	Change to R&D funding arrangements	0.4	Change of funding arrangements for R&D leading to reduction in funding support for R&D infrastructure.
13	School Health Screening	0.4	Funded non-recurrently in 2010/11.
		1.4	
E	**Service Development**		
14	C/fwd from 2010/11 FYE	1.5	
15	Access funding	2.0	Provision for step up in cost of meeting 18-week referral to treatment guarantee, net of additional 2011/12 funding provided by SGHD.
16	Golden Jubilee Cardiothoracic services	1.0	NHSGGC share of additional cost of regional service.
17	Other Commitments - specific provisions	3.5	Including full year effect of additional costs of funding Barrhead / Renfrew Health Centres.
18	Other Commitments - general provision	2.0	Provision for other commitments yet to be identified / confirmed.
		10.0	
	Total Projected Expenditure Growth (A-E)	81.0	

APPENDIX 2

	2011/12 (Firm)			2012/13 (Indicative)			2013/14 (Indicative)			Notes
	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m	
Opening Surplus / (Deficit)	(2.0)		(2.0)							1
Additional Funding										
General Funding Uplift	22.6		22.6	19.0		19.0	19.1		19.1	2
Change Fund	14.8		14.8							2
Other Funding Uplifts	3.4		3.4	3.4		3.4	3.4		3.4	3
PMS & PCS NCL	1.7		1.7	1.6		1.6	1.6		1.6	4
	42.5		42.5	24.0		24.0	24.1		24.1	
General Inflation, Growth etc										
Pays	20.0		20.0	27.1		27.1	27.6		27.6	5
Supplies & Services	4.9		4.9	5.5		5.5	5.6		5.6	6
Prescribing Growth	22.4		22.4	23.4		23.4	24.7		24.7	7
Energy	6.5		6.5							8
Capital Charges	1.0		1.0	1.0		1.0	1.0		1.0	9
Other Providers	1.5		1.5	1.5		1.5	1.5		1.5	10
VAT	6.0		6.0							11
CNORIS	6.0		6.0							12
PMS & PCS NCL	1.7		1.7	1.6		1.6	1.6		1.6	13
	70.0		70.0	60.1		60.1	62.0		62.0	
Unavoidable Service Commitments										
Prior Year b/f	1.5		1.5							14
Change Fund	14.8		14.8							15
Access Targets	2.0		2.0							16,17
Acute ASR Programme - New Adult & Children's Hospitals		1.7	1.7		1.7	1.7		1.7	1.7	16,17
Acute - Other	6.2		6.2	0.7		0.7				16,17
CHCP / CHP / MH / Other	1.0		1.0	0.3		0.3	0.9		0.9	16,17
	25.5	1.7	27.2	1.0	1.7	2.7	0.9	1.7	2.6	
Other Service Commitments										
General Provision for New Service Commitments	2.0		2.0	5.0		5.0	5.0		5.0	18
	2.0		2.0	5.0		5.0	5.0		5.0	
Cost Savings Plan										
Cost Savings Plan	(57.0)	(1.7)	(58.7)	(42.1)	(1.7)	(43.8)	(43.8)	(1.7)	(45.5)	
	(57.0)	(1.7)	(58.7)	(42.1)	(1.7)	(43.8)	(43.8)	(1.7)	(45.5)	
In Year Surplus / (Deficit)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Notes

1. Represents the excess of recurring expenditure commitments over recurring funding carried forward from 2010/11.

2. General funding uplift of £22.6m has been confirmed for 2011/12. In addition a Change Fund allocation of £14.8m has been confirmed for NHSGGC for 2011/12. For 2012/13 & 2013/14, a general funding uplift of 1% has been assumed at this stage.

3. Assumed uplift to existing funding allocations where notification remains outstanding. This includes uplifts to a number of SGHD funding allocations, uplifts to national services and service level agreements with other NHS Boards. The level of funding uplift assumed is in line with NHSGGC's general funding uplift.

4. 0.5% uplift assumed for Primary Care Medical Services (PMS) & non cash limited funding and associated expenditure in 2011/12 in line with increase implemented for GMS contract for 2011/12. Cost neutral impact.

5. For 2011/12, this covers (1) Effect of Employers' National Insurance Contribution changes; (2) Cost of "Living Wage", low pay agreement for Bands 1 to 4, final year of Band 5 changes; (3) Cost of incremental pay progression. A general provision of 1% has been made for 2012/13 & 2013/14 to cover potential cost growth associated with statutory change and / or general inflation. In addition, a provision of £13m for the on-going costs of A4C-related incremental pay progression has been made in each year, equivalent to the level forecast for 2011/12.

6. This covers anticipated price inflation related to existing contractual commitments and general cost inflation and growth.

7. This is based on prescribing advisers' detailed cost projections for acute and primary care services for 2011/12. An equivalent rate of growth is assumed for future years.

8. Provision for increased cost in 2011/12. This area will be kept under review for 2012/13 and beyond.

9. Provision for increase in capital charge costs associated with the Board's capital investment programme, in particular capital expenditure on medical & IM&T equipment.

10. Provision for inflationary uplift of service level agreements with other NHS Boards related to NHSGGC patients and of resource transfer agreements with local authorities.

11. Provision for the full year effect of the rise to 20% in the standard rate of VAT.

12. Provision for NHSGGC's share of increased CNORIS contributions to fund current level of clinical / medical negligence claims.

13. 0.5% provision for increased spend on PMS and non cash limited services is in line with assumption of 0.5% increase in funding allocation so overall impact is cost neutral.

14. Funding commitments where funding is received or set aside in previous years but the expenditure is not fully underway.

15. Cost of implementing Change Fund proposals – in line with increase in funding.

16. This grouping includes all other unavoidable service commitments…where expenditure commitments are either underway and full year funding requires to be set aside, or where the Board has entered into firm commitments through, for example, regional or national service planning processes, or entered into contracts for the provision of services. This includes the following main items… net additional access target investment (£2m); share of Golden Jubilee Cardiothoracic costs (£1m); funding support for R&D (£0.4m).

17. Non-recurring commitments include provision for the costs of taking forward the Acute Services Review programme for the establishment of new adult and children's hospitals on the Southern General site.

18. £2m is set aside by way of funding cover for any further unavoidable high priority new service commitments which emerge during 2011/12 and which are not able to be covered by either earmarked funding allocations or additional cost savings. For 2012/13 & 2013/14, it is reasonable to increase the level of provision to £5m. This reflects the limited visibility at this stage of the range of likely new service commitments which require to be made beyond 2011/12.