NHS Greater Glasgow and Clyde

Greater Glasgow and Clyde NHS Board

Board
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Director of Finance **Board Paper No 08/31**

NHS GREATER GLASGOW AND CLYDE
FINANCIAL PLAN : 2008/09 – 2010/11

The Board submitted a draft financial plan to SGHD, as required, in March 2008, albeit at that stage certain key elements, in particular a full cost savings plan, remained outstanding. This is now sufficiently developed to allow a final financial plan for 2008/09 to be submitted to the NHS Board for its approval. This comprises firm figures for 2008/09 with indicative figures for subsequent years. The key elements of the financial plan together with the underlying assumptions are explained below.

1. **Overview**

(i) **Funding**

The Board's total recurring funding budget for 2007/08 was £2,559m. This is forecast to increase to £2,801 m during the 3 year period to 2010/11.

The most significant factor influencing this increase is the forecast growth in the level of general funding made available by SGHD…the "general funding uplift". For 2008/09, SGHD has confirmed a funding increase of 3.15%. For 2009/10 and 2010/11 the financial plan assumes an equivalent level of funding increase, reflecting SGHD advice regarding the level of general funding uplift which it is reasonable for the Board to anticipate in future years. 3.15% represents the "minimum" level of general funding uplift announced for Health Boards in 2008/09…and reflects the measured approach which is being taken by SGHD in progressing implementation of NRAC (National Resource Allocation Committee) recommendations to avoid creating financial turbulence within NHS Scotland.

In addition to the general funding uplift, SGHD has announced a wide range of specific earmarked funding allocations for specific purposes for the three year period to 2010/11. Indeed, the Scottish Budget Spending Review which was published in November 2007 indicated that approximately 40% of the total increase in funding announced for Health in 2008/09 is to be channelled in this way. As the proportion(s) of those funding allocations attributable to NHSGG&C are confirmed during the course of 2008/09, the Board's financial plan will be updated accordingly. The range and volume of specific funding allocations which the Board anticipates receiving during 2008/09 dictates that careful management of this funding source will be a significant factor in securing the achievement of the Board's financial target in 2008/09.

(ii) **Expenditure**

In terms of expenditure, the Board is required to set an expenditure budget which matches available funding. In 2007/08, its expenditure budget of £2,559m matched its overall funding budget, and was underpinned by individual expenditure budgets established for each of its operational Directorates and Corporate functions. During the course of the three year period to 2010/11, the Board's draft financial plan forecasts that total expenditure will continue to be contained within its overall funding envelope thereby enabling it to secure the achievement of its revenue financial target by managing within its "revenue resource limit" or "RRL".

Each of the main drivers which influence expenditure have been reviewed to assess and project the level of provision which requires to be made for additional expenditure over the 3 year period, including anticipated growth in pays, supplies and services, prescribing, energy costs, the timing of a range of already approved service commitments (e.g. Acute Waiting Times targets, commissioning of Beatson/Ambulatory Care Hospitals (ACHs), Medium Secure Unit and other Mental Health commitments, introduction of National Bowel screening programme, establishment of Cardiothoracic and Cardiology Services at GJNH, implementation of regional service commitments including the development of a CRT (Coronary Resynchronisation Therapy) Service, the commissioning of new Health Centres at Renfrew and Barrhead). These are provided for within the financial plan on the basis that the related expenditure commitments were made some time ago and so can be regarded as unavoidable.

In the light of the restriction of the general funding uplift from 6% to 3.15%, the headroom which previously existed and was available to fund regional and locally identified service development priorities is no longer there, leaving national earmarked funding allocations and locally generated cost savings as the only potential sources of funding for new service priorities which are identified for the development of NHS services during the period to 2010/11.

In projecting future expenditure trends, the area of greatest financial impact remains pay costs. For 2008/09, with a general pay uplift of 2.75% anticipated for most staff groups, the forecast overall growth in pay costs is now 3.6% after taking into account incremental growth related to Agenda for Change implementation, additional costs associated with implementation of an unsocial working hours agreement (also related to Agenda for Change), and the additional costs associated with implementing pay increases for non-consultant medical staff. With pay costs accounting for between 60% - 70% of total Health Board expenditure, this growth in pay expenditure presents a stiff challenge to the Board in establishing an affordable financial plan for 2008/09.

Another highly significant source of cost pressure which the Board is experiencing at the present time is the rate of growth in prescribing costs, particularly within the Acute hospital sector where the rate of growth **before** cost savings initiatives is forecast to exceed 11% in 2008/09. The overall growth in prescribing expenditure, including Primary Care prescribing expenditure and after cost savings, is forecast to be 5.25% in 2008/09. This growth in spend is driven by a combination of factors including the licensing of new drugs and existing drugs for new treatments, and volume increases in treatment(s) linked with the achievement of an improved access performance by NHSGG&C. For one drug alone, Lucentis, which is used in the treatment of Age Related Macular Degeneration, the increase in spend is forecast to be c. £1.9m in 2008/09.

(iii) **Cost Savings Plan**

With expenditure growth running at a level above the rate of growth in general funding, it is unsurprising that a dominant feature of this year's financial planning process has been the development of a comprehensive cost savings plan.

Since October 2007 the Board has been working on the development of a 2008/09 cost savings plan building on an already established process for developing a cost savings plan to address the gap between recurrent funding and expenditure which remained within the Clyde area of its management responsibilities, and extending this to address the full extent of the financial challenge it faces in 2008/09. This includes freeing up 50% of the £23m step up in funding required in 2009/10 to cover the additional expenditure commitment associate with operating 2 new Ambulatory Care Hospitals (ACHs). The Board's PPPG (Performance Planning and Performance Group) has led the development of this plan, drawing together a range of different cost savings initiatives which to date total £24.7m. These are listed within Appendix 2. Initially, the quantum of targeted cost saving was £33.2m however with the recent announcement that the general pay uplift was likely to be 2.75% the quantum of the recurring cash releasing cost savings challenge faced by the Board in 2008/09 is elevated to £42.2m, equivalent to 2.2% of the Board's Revenue Resource Limit (RRL) at 1st April 2008. RRL is the baseline from which SGHD expects Health Boards to deliver a 2% efficiency savings target in 2008/09.

For NHSGG&C, the full 2.2% requires to be delivered recurrently in the form of cash releasing savings. In addition, there is a requirement to contribute £4m of non-recurring costs savings towards bridging the residual funding gap which remains in Clyde, giving a total cost savings challenge of c. £46m in 2008/09. A summary showing how the Board now plans to deliver this increased target is provided below:

		Greater Glasgow	**Clyde**	**Total**	**Delivery Plan in place**	**Delivery Plan under development**
		£'M	**£'M**	**£'M**	**£'M**	**£M**
1.	Specific cost savings initiatives/plans where targets have already been established and implementation is underway.	16.4 ===	8.3 ==	24.7	24.7	-
2.	Release of funding provisions brought forward from earlier years where full provision no longer required.	1.5 ==		1.5	1.5	
3.	Supplementary shorter term cost savings initiatives to be implemented during 2008/09 (includes release of funding through service re-engineering, review of vacancies, other local schemes etc).					6.0
4.	Further longer term cost savings initiatives, supporting the release of funding linked to planned workforce change(s).					10.0
		17.9	8.3	26.2	26.2	16.0
5.	Clyde non-recurring cost savings contribution, equivalent level of savings to 2007/08, source(s) of funding release identified.		4.0	4.0	4.0	
	Total Cost Savings Plan	17.9 ===	12.3 ===	30.2 ===	30.2 ===	16.0 ===

During the period to August, the Board will firm up the detail of its plan(s) to deliver £6m of supplementary cost savings in 2008/09, allowing annual service budgets to be updated during September 2008.

The development of further longer term cost savings plans linked to planned workforce change will be taken forward in parallel, with a view to identifying cost savings targets related to individual service areas by October 2008. This latter piece of work can be taken forward at a slightly slower pace as the targeted release of funding of £10m can be timed to coincide with the date when ACH commissioning commences i.e. April 2009.

In addition to the above, there are three particular areas of significant cost pressure which detailed work carried out in the preparation of this plan has identified. These are described within section 5 “Risk Assessment”. In the light of the scale of the cost savings initiatives which are already being taken forward in 2008/09, the capacity for continuing to absorb these cost pressures, which are currently running at a level of approximately £8m per annum, may no longer be there. Accordingly, further cost savings measures are currently being developed to cover the probability that these cost pressures are unable to be contained.

For Clyde, transitional funding support of £8m has been agreed with SGHD for 2008/09. This is sufficient to bridge the residual gap which exists between recurring funding and expenditure in 2008/09, after taking account of cost savings which the Board is planning to achieve in 2008/09 within its overall cost savings plan.

(iv) **Proposed New Service Commitments**

The Board’s financial plan makes provision for a number of already approved service commitments during the 3 year period to 2010/11. These have been identified within section (ii) above. The most significant individual commitment by far in financial terms, is the requirement to fund the operation of 2 new ACHs. This brings with it an additional funding commitment of £23m per annum, starting in April 2009. The sheer scale of this new investment against a backcloth of a significantly reduced level of general funding uplift, means that the Board requires to plan for the release of funding to pay for the 2 new ACH’s over a 2 year period beginning in 2008/09. This has the effect of adding £11m to the cost savings challenge faced by the Board, as explained within section (iii) above, in 2008/09 and 2009/10.

(v) **2009/10 and beyond**

The scale of the cost savings challenge which the Board faces in 2008/09, exacerbated by the recent confirmation that general growth in pay costs is likely to be 2.75%, has meant that its efforts to develop a financial plan have concentrated almost exclusively on 2008/09, with only high level indicative figures provided at this stage for 2009/10 and 2010/11.

In the light of the current level of general funding uplift, it is inevitable that the approach to developing a financial plan for 2009/10 and 2010/11 will be “more of the same”, with cost savings/cost containment/cost reduction measures continuing to be a dominant feature. It is anticipated that this work will get underway during the autumn period, after the finishing touches have been applied to the 2008/09 cost savings plan.

(vi) **Conclusions**

2008/09 promises to be the first in a series of at least 3 financial years where maintaining recurring expenditure commitments within recurring funding will be severely challenging. The reduced level of funding uplift, currently 3.15%, in combination with the current rate of growth in pay and prescribing costs, dictates a need for recurring cash releasing cost savings to be achieved on a scale unprecedented in recent years, and not only as a one-off in 2008/09, but sustained at this level for a period for several years. During this period, the Board is required, as part of its financial responsibilities, to restore the Clyde area of its management responsibilities to financial balance, eliminating c. £19m of a recurring deficit, and afford the step up costs of operating its new ACHs.

2. **Specific points and key assumptions - funding**

A financial summary setting out the planned use of new recurring and non-recurring resources which are forecast to become available to NHSGG&C in 2008/09, together with indicative figures for 2009/10 and 2010/11, is presented within Appendix1. Section 2 provides a summary of the key points related to the funding assumptions. These are:

- The financial plan assumes that the general funding uplift for the 3 year period to 2010/11 will be:

	2008/09	2009/10	2010/11
General Funding Uplift	3.15%	3.15%	3.15%

  The % uplift for 2008/09 is firm and is confirmed by SGHD. This represents the minimum level of general funding uplift announced for Health Boards in 2008/09, and reflects the measured approach being taken by SGHD towards implementing the recommendations of the NRAC review. The % uplifts forecast for 2009/10 and 2010/11 are indicative and have been set based on current SGHD advice, at this stage, regarding what the Board can reasonably expect to receive in each year.

- A significant feature of the 2008 Scottish Government Spending Review which incorporated the Government's detailed spending plan(s) for Health for the period to 2010/11, was the level of specific, or earmarked funding provisions. During 2008/09 NHSGG&C, in common with all other Health Boards, can expect to receive its share of a number of earmarked funding provisions with significant individual allocations related to Access Support (i.e. Waiting Times Targets), Alcohol Misuse, Health Protection, Health Improvement and Health Inequalities, and Health Screening and Vaccination Programmes. Where it has been possible to confirm the proportion(s) of those specific funding allocations which will come to NHSGG&C in 2008/09, these have been incorporated within the Board's financial plan at this stage (e.g. Access Support (part), Alcohol Misuse, Health Improvement and Health Inequalities (part)). Where allocations have yet to be confirmed, it will be necessary to update the financial plan during the course of the year.

- The financial plan for 2008/09 incorporates provision for the estimated funding requirement to secure compliance with National Waiting Times targets/milestones in 2008/09, including assumed contributions from NWTU and other Health Boards for non GG&C patients.

- The scale of new investment required to support implementation of both ACHs and cover the unitary charges for both buildings as they come on stream during 2009/10, against the backcloth of a 3.15% general funding uplift and significant expenditure growth on pays and prescribing, drives the need for a significant cost savings programme spanning the 3 year period to 2010/11 to create a viable financial plan. In this light, there remains minimal funding capacity to support the introduction of new service developments in other areas during the 3 year period to 2010/11, outwith the umbrella of the specific funding allocations made available by SGHD.

- The 2008/09 financial plan assumes that £7.4m of additional non-recurring funding support can be sourced to contribute towards a significant level of non-recurring expenditure commitments in year (e.g. MH Services transitional funding support (Clyde), Backlog Maintenance, Acute Services Review (ASR) project). It is reasonable to assume that this can be achieved.

3. **Specific points and key assumptions - expenditure**

Section 3 describes a number of key points related to expenditure assumptions. These are:

- The provision for pay costs growth now incorporates the cost impact of the proposed 2.75% general pay uplift for 2008/09. For 2009/10 and 2010/11, an equivalent level of general pay increase is assumed. This reflects anticipated general uplift for 2009/10 (2.4%) and for 2010/11 (2.25%) together with the estimated impact of planned changes to grading structures and minimum wage rates.

- The provision of pay costs growth also takes account of the forecast impact of Agenda for Change on pay progression in 2008/09. This has been based on the output of a National Pay Model, as applied to estimate the cost of incremental drift in 2008/09. The forecast cost impact is £6.6m, equivalent to a 0.5% increase in pay costs. In addition, the estimated step up in costs of £2.6m associated with the implementation of an unsocial working hours agreement, is provided for.

- The provision for pay costs growth provides for the estimated cost impact of the general pay uplift agreed for NHS doctors and dentists, together with the estimated cost impact of the National Pay deal agreed for non-consultant medical staff…estimated annual cost impact £1m.

- The forecast growth in prescribing spend for 2008/09 is based on projections provided by our prescribing advisors for both Acute and Primary Care, and has been approved by the Board's Prescribing Management Group. An overall increase of 5.25% in expenditure is provided for 2008/09, representing £15.6m of additional resource allocation. This is **after** having made provision for almost £6m of targeted cost savings in 2008/09. This overall % increase comprises a net cost increase of c. 3.7% in General Practice prescribing and a 10% net cost increase within Acute Care. For 2009/10 and 2010/11, an overall growth rate of 5% per annum is assumed. This will be reviewed in the light of expenditure trends as these unfold during 2008/09.

- As energy prices have not eased during 2007/08, and indeed still continue to rise, the £3.5m funding allocation which was made available non recurrently in 2007/08 will now been "converted" into a recurring funding allocation with effect from 2008/09.

- For supplies and services costs, excluding pays, prescribing and capital charges, provision is made to fund cost inflation related to pre-existing contractual commitments only leaving Directorates and Divisions to offset general cost inflation with locally developed cost savings schemes, including procurement savings.

- For capital charge related cost increases, provision is made for the increase in costs associated with the increase in asset values related to revaluations. .

<u>Local Delivery Plan</u>

Provision is made for all current unavoidable commitments, including expenditure on implementing the Acute Services review programme, in particular the commissioning of the ACHs in 2009/10. Beyond these currently identified commitments, minimal provision is able to be made for new service commitments at this stage.

The possibility of requiring to carve out some funding at some stage for new commitments, for example, to underpin the achievement of waiting times targets, or to fund new national and/or regional priorities which emerge, cannot be ignored and demands that close scrutiny is maintained over how our existing resource base is deployed to identify opportunities which might release some resource for reinvestment in addition to that which is released to secure the achievement of cost savings targets.

4. <u>Cost Savings Plan - General</u>

(i) 2008/09 is the first in a series of 3 years where the Board is required to submit a cost savings plan, as part of SGHD's response to the Scottish Government's current efficient savings drive, targeting the release of 2% recurring cash releasing cost savings per annum.

(ii) **<u>Clyde Cost Savings Plan</u>**

2008/09 is the second in a series of 3 years during which the Board is required to progressively eliminate a £26m gap between recurring funding and expenditure related to the Clyde area of its management responsibilities. For 2008/09, the target agreed with SGHD is a further £7m recurrent savings and £4m non recurring savings. With a £7m recurring savings target already achieved in 2007/08, the level of transitional funding requirement required from SGHD in 2008/09 is therefore £8m.

(iii) **<u>Cost Savings Plan : 2008/09</u>**

To enable the Board to submit a financial plan which:

(i) Balances available recurring funding with its recurring expenditure commitments and thereby delivers a breakeven financial outturn.
(ii) Satisfies SGHD's requirements for the achievement of a recurring cost savings target of 2%.
(iii) Satisfies SGHD's requirements regarding progress made towards restoring financial balance within the Clyde area of its management responsibilities.
(iv) Releases 50% of the anticipated step up in revenue costs associated with commissioning 2 new ACH's in 2009/10.

The Board requires to construct a cost savings plan capable of releasing a minimum £42.2m recurring cost savings in 2008/09. At this stage the Board has developed a detailed plan for releasing £24.7m of recurring resources in 2008/09 together with an outline plan for releasing a further £17.5m of recurring resources. A firm plan to release the resource will be developed during the summer period, enabling the Board to confirm the impact on specific service budgets by the mid year point. A summary, listing individual cost savings schemes which in combination targets the release of £24.7m of resources, is provided within Appendix 2. This also identifies the list of savings schemes within Clyde which the Board will implement during 2008/09 to meet its cost savings target of £7m. In addition, the Board has been able to identify £4m of non recurrent cost savings to meet its non recurring cost savings target for 2008/09. Agreement with SGHD has been reached regarding the provision of the level of transitional funding support, £8m, which is required in 2008/09.

(iv) The Board's financial plan identifies the indicative savings targets which require to be set in both 2009/10 and 2010/11 in order to…

(i) Balance available recurring revenue funding with recurring expenditure commitments in both years.
(ii) Restore Clyde to recurring financial balance by 2010/11.

Work will get underway, commencing in the autumn of 2008, to develop/pull together the range of cost savings schemes which are necessary to underpin the Board's financial plan for 2009/10. It is anticipated that this will build on the work which is carried out to complete the construction of the 2008/09 cost savings plan, in particular those elements related to service reengineering and workforce change. The scale of the cost savings challenge being faced by the Board dictates that every area of its existing cost base is reviewed to identify opportunities for cost savings and for improving value for money, from all its existing financial commitments. This will include reviewing both resource levels committed internally within the Board and externally with other agencies including Local Authorities.

5. Risk Assessment

The 3 year financial plan is based on a number of assumptions which are described within sections 1-4 above. Sections 1-4 similarly identify the key areas of risk which may impact on the Board's ability to achieve financial breakeven on a recurring basis.

The sudden reduction in the level of general funding uplift to 3.15%, which is lower than the current annual rate of growth in pay costs (forecast at c. 3.6% in 2008/09) and the current of growth in prescribing expenditure (forecast at 5.25% in 2008/09), places considerable pressure on the Board to generate cash releasing cost savings in 2008/09 – 2010/11. In addition, the requirement to (a) release £23m of funding to meet the step up in recurring costs associated with commissioning 2 new ACH's in 2009/10, and (b) to restore Clyde to recurrent financial balance by the start of 2010/11, add to this pressure, contributing to a total cash releasing cost saving challenge of between £110m and £120m for the Board in the 3 year period to 2010/11. With only a minimal level of provision retained to fund any new service commitments beyond those existing unavoidable commitments which have already been identified with the financial plan, there is effectively no source of contingency funding available within the Board's financial plan and so should the Board be unable to generate the level(s) of cost savings targeted for specific schemes its approach to managing this risk can only be to target the generation of cost savings from alternative cost savings schemes. In this light, the Board is presently embarked on a programme of continuous review of the scope for securing cash releasing efficiency savings across all its services, a review process which will continue for the duration of the three year period to 2010/11.

The same approach will apply to the management of unavoidable cost pressures which emerge during the course of the 3 years to 2010/11. In this regard, three particular areas of potentially significant risk are identified below.

1) Dependent on the timing/scale/implications of future SMC decisions and the sustainability of the cost savings programme(s) within both Acute and Primary Care, 5% may prove to be challenging as an "envelope" of additional funding to work within over a 3 year period to cover growth in prescribing expenditure.

2) Growth in capital expenditure funding availability…in recent years the growth in available capital funding has brought with it a "tail" of increased recurring revenue costs, in particular capital charges. With the reduction in general funding uplift to 3.15%, the capacity of the Board to contribute funding support to cover this revenue tail has been severely curtailed, leaving Directorates/Divisions to manage the related cost pressure within the context of existing service budgets, through the development of supplementary cost savings measures.

3) Growth in energy costs related to price increases…. in the previous 2 years the Acute Division has succeeded in containing approximately £3.5m of additional expenditure on energy within the overall envelope of its £1.3bn budget.

   This may no longer prove possible in 2008/09 in the light of the range of cash releasing cost savings measures which it requires to develop and implement to contribute towards the delivery of a breakeven outturn on the Board's financial plan, also in the light of the current trend in energy prices which is pushing energy expenditure to even higher levels than experienced in 2007/08….again, this will require the development of supplementary cost savings measures to provide necessary funding cover.

The main challenges affecting the Board's ability to achieve its financial targets in 2008/09 – 2010/11 have been identified within sections 1-4 above. These are managing the achievement of waiting times targets, managing expenditure on prescribing to maximise cost effectiveness across primary and secondary care, containing growth in pay costs, achieving cost savings targets including the Clyde cost savings plan and funding its new unavoidable service commitments, including commissioning 2 new ACHs in 2009/10…and all within available funding.

Appendix1

	2008/09			2009/10			2010/11			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)	(19.0)		(19.0)	(0.6)		(0.6)	0.3		0.3	1
Additional Funding										
General Funding Uplift	54.7		54.7	56.4		56.4	58.2		58.2	2
Earmarked Funding Allocations including Access (SGHD)	30.1		30.1							3
Other Funding Uplifts	11.4		11.4	11.5		11.5	11.5		11.5	4
PCS NCL	2.7		2.7	2.8		2.8	2.9		2.9	5
Clyde Transitional Funding		8.0	8.0							6
Miscellaneous Non Recurring Funding		7.4	7.4		2.7	2.7				
	98.9	15.4	114.3	70.7	2.7	73.4	72.6		72.6	
General Inflation, Growth etc										
Pays	43.1		43.1	38.2		38.2	39.4		39.4	7
Supplies & Services (net of £4m cost savings)	1.0		1.0	1.4		1.4	1.5		1.5	8
Prescribing Growth (net of £5.4m cost savings)	15.6		15.6	17.2		17.2	18.1		18.1	9
Energy	3.5		3.5							10
Capital Charges	2.0		2.0	2.0		2.0	2.0		2.0	11
Other Providers	4.6		4.6	4.6		4.6	4.8		4.8	12
PMS (Provision)	3.1		3.1	3.2		3.2	3.2		3.2	13
PCS - NCL	2.7		2.7	2.8		2.8	2.9		2.9	
"Capital to Revenue"		2.3	2.3		2.3	2.3		2.3	2.3	14
	75.6	2.3	77.9	69.4	2.3	71.7	71.9	2.3	74.2	
Unavoidable Service Commitments										
Prior Year b/f	7.0		7.0	7.0		7.0	5.0		5.0	15,16
Acute ASR Programme - Ambulatory Care Hospitals	0.3		0.3	21.0		21.0	2.0		2.0	16,17
Acute ASR Programme - New Adult & Children's Hospitals (Proj Mgt & Provision for Transitional Costs)		1.7	1.7		1.7	1.7		23.7	23.7	16,17
Acute - Other	4.3		4.3	4.0		4.0	0.4		0.4	16,17
CHCP / CHP / MH / Other	3.0	3.4	6.4	2.4	3.0	5.4	1.0	1.0	2.0	16,17
Current Year c/f (estimate)	(7.0)		(7.0)	(5.0)		(5.0)	(3.0)		(3.0)	15
	7.6	5.1	12.7	29.4	4.7	34.1	5.4	24.7	30.1	
Other Service Commitments										
Earmarked Commitments inc Access	30.1		30.1							3
General Provision for New Service Commitments				2.0		2.0	2.0		2.0	18
	30.1		30.1	2.0		2.0	2.0		2.0	
Cost Savings Plan										
Cost Savings Plan - Clyde	(7.0)	(4.0)	(11.0)	(8.0)	(4.0)	(12.0)	(4.0)		(4.0)	19
Cost Savings Plan	(25.8)		(25.8)	(23.0)		(23.0)	(29.4)		(29.4)	
	(32.8)	(4.0)	(36.8)	(31.0)	(4.0)	(35.0)	(33.4)		(33.4)	
In Year Surplus / (Deficit)	(0.6)	12.0	11.4	0.3	(0.3)		27.0	(27.0)		
Analysis of Closing Surplus / (Deficit)										
Greater Glasgow	11.4		11.4	4.3	(4.3)		27.0	(27.0)		
Clyde	(12.0)	12.0		(4.0)	4.0					
Closing Surplus / (Deficit)	(0.6)	12.0	11.4	0.3	(0.3)		27.0	(27.0)		20

Notes to Appendix 1

1. Opening deficit in 2008/09 is £19M residual gap between recurring funding and expenditure related to “Clyde”. Figures shown for 2009/10 and 2010/11 simply reflect the outcome of the assumptions which have been made at this stage in constructing a draft financial plan for 2008/09 and 2009/10. As the inherited “Clyde” deficit is assumed to be fully covered in each year by a combination of cost savings and transitional funding provided by SEHD, it is the residual surplus/(deficit) pertaining to Greater Glasgow which is added to the recurring Clyde deficit to produce the overall opening deficit at the start of each year.

2. General funding uplift is 3.15% in 2008/09, and is assumed to be 3.15% thereafter.

3. Specific additional funding allocations where NHSGG&C proportion(s) for 2008/09 are confirmed (e.g. Alcohol Misuse, Tobacco, Access (part), Health Improvement Programme).

4. Assumed uplift to existing funding allocations where notification remains outstanding. This includes uplifts to a number of SGHD funding allocations such as Primary Medical Services (PMS), uplifts to National Services, SLA’s with other Health Boards. The level of funding uplift assumed is in line with NHSGG&C’s general funding uplift.

5. Additional NCL funding – cost neutral.

6. Level of transitional funding agreed with SGHD for 2008/09.

7. This covers a general pay uplift of 2.75% plus the forecast impact of Agenda for Change progression in 2008/09.

8. This covers anticipated price inflation related to existing contractual commitments, and includes no provision for general cost inflation/growth.

9. Based on prescribing advisers detailed cost projections for acute and primary care services for 2007/08. An equivalent rate of growth is assumed for future years.

10. Non-recurrent allocation of £3.5m of funding now made recurring.

11. Provision for increase in capital charges costs associated with increase in asset values linked with revaluation.

12. Provision for inflationary uplift of SLA’s with Other Health Boards related to Greater Glasgow & Clyde patients, and of resource transfer agreements with Local Authorities.

13. Provision for increased spend on PMS is equal to assumed increase in funding allocation so cost neutral impact.

14. Continuing approach taken in 2006/07 and 2007/08 to funding “capital” schemes of a revenue nature which are identified on an annual basis, albeit funding allocations restricted to 50% of 2006/07 and 2007/08 level(s), reflecting movement in Board’s general funding uplift and restricted capacity to fund schemes of this nature.

15. Funding commitments where funding received/set aside in previous years but expenditure not fully underway. The most significant individual items within the total carried forward include…tackling service inequalities in children’s and older people’s services (£1.2m), commissioning MH adolescent inpatient unit (£0.7m).

    Looking forward to 2009/10 and 2010/11, the level of anticipated deferred expenditure is scaled back further to £3M. This reflects the scale and nature of the major new service commitments which we will enter into at this stage, particularly ACH’s, where the scope for slippage/deferring expenditure in year will be practically non-existent.

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 (e.g ACH's). This includes the following main items…Acute ASR programme (new ACH's (£23m); Pet Scanning (£0.2M), various NSD Initiatives (£1.5M); CRT (£1.5M); PCI (£1.6m); Bowel Screening Programme (£2M); Adolescent Psychiatry (£1.5M), Local Enhanced Services, hypertension and heart failure (£0.3m); Renfrew and Barrhead Health Centre reprovision (£1m).

17. "Unavoidable service commitments" identify both recurring and non-recurring commitments which require to be made by the Board from general funding allocations. Non-recurring commitments include provision for the costs of taking forward the ASR programme to develop a Full Business Case for the establishment of new Adult and Children's Hospitals on the SGH site, and provision for transitional costs associated with taking forward implementation of service strategies related to Clyde, in particular Mental Health Services. Also included in 2010/11, in line with the Outline Business Case which was recently approved by SGHD, is the initial provision for transitional costs associated with implementing plans to establish the new Adult and Children's Hospitals.

18. £2m per annum is set aside by way of funding cover for any further unavoidable high priority new service commitments which emerge during 2009/10 and 2010/11 and which are not able to be covered by either earmarked funding allocations or additional cost savings.

19. The current Clyde cost savings plan identifies total potential recurring savings of £22M, to be achieved over a period of 3 years commencing 2007/08. This draft financial plan phases the achievement of these savings through to the end of 2009/10 which is year 3. At the end of the three year period an outstanding recurrent savings target of £4M remains. The approach to resolving this residual gap of £4m remains to be negotiated/agreed with colleagues at SGHD. The savings target of £7m for 2008/09 will be achieved from a range of projects including improvements to VFM of prescribing practices, securing additional patient service income from A&AHB, service re-engineering across a range of different services, both clinical and non-clinical, and improved service efficiencies. Funding adjustments will be made to draw back savings from Directorates where appropriate. A copy of the savings plan is attached at Appendix 2.

20. The resultant closing deficit is shown and is analysed into its "Greater Glasgow" & "Clyde" components. During this 3 year period, NHSGG&C requires to begin the process of building up the necessary financial headroom, starting in 2010/11, to afford the revenue costs associated with commissioning its new Adult and Children's Hospitals as they come on stream in 2013/14.

Appendix 2

NHSGG&C COST SAVINGS PLAN : 2008/09

Item No	Service Area	Action	Target Amount £'000	Notes	GG £'000	Clyde £'000	Total £'000	MEMO (Internal Use) Embedded in cost increase provisions £'000	Not embedded in cost increase provisions £'000
1.	Absence Management	Incorporate absence reduction targets within service budgets for 2008/09 as cash releasing savings targets	2,700	Updated estimate, based on all Directorates moving to 4% sickness absence ratio based on latest available absence and payroll data. Savings targets allocated to individual Directorates	2,400	300	2,700		2,700
2.	FHS – enhanced services	Review expenditure on local enhanced services – GMS contract to focus on high priority areas of investment, disinvesting from areas deemed to be of lower priority.	500	Implementation plan being prepared.	500	-	500		500
3.	Partnerships & Acute general cost savings	Absorb non-pays inflation within existing overall service budgets through procurement savings and other local savings schemes.	4,000	Much of this is expected to come from general procurement savings and minor local schemes. Savings targets allocated to Directorates.	3,200	800	4,000	4,000	
4.	CHCP's/CHP's/MH/ Partnerships	Review Service budgets to identify scope for cost savings within areas of "discretionary spend"…target 1% general reduction in expenditure excluding FHS and prescribing.	4,000	All partnerships have submitted plans to release up to 1% by way of general cost savings….these are now agreed.	3,200	800	4,000		4,000
5.	Corporate Departments	Secure general cost efficiency savings from operation of "backroom functions": (i) Finance/Payroll (ii) HR (iii) IM&T (iv) Planning (v) Public Health (vi) Communications	1,030	Currently working through series of meetings with service heads to confirm cost savings possibilities relative to existing service budgets…detailed cost savings proposals now submitted…realistic cost savings target assessed to be £1.03m.	430	600	1,030		1,030
6.	CHCP's/CHP's	Focussed review of existing prescribing practices to secure potential improvements in VFM(GG).	4,000	Cost savings opportunities identified to date = £3.0m…work continues to assess scope for increasing target to £4m.	4,000	-	4,000	4,000	

Item No	Service Area	Action	Target Amount £'000	Notes	GG £'000	Clyde £'000	Total £'000	MEMO (Internal Use) Embedded in cost increase provisions £'000	Not embedded in cost increase provisions £'000
7.	Mental Health	Release of windfall savings re anti-pyschotic prescribing budget.	200	Firmed up cost savings estimate.	200	-	200		200
8.	"Capital → Revenue virement" including backlog maintenance	Focus expenditure on restricted range of priorities, thereby reducing spend by £4.5m in 2008/09 – split 50% recurring 50% non recurring.	2,250	.	1,800	450	2,250		2,250
9(i)	Dermatology in-patient services integration	Clyde cost savings plan - 08/09 FYE	70	FYE of cost saving initiative implemented by during 2007/08.	-	70	70		70
9(ii)	Primary Care prescribing (Clyde) - improvement of VFM of prescribing practices	Clyde cost savings plan - 08/09 - 07/08	1,400 1,300	2008/09 – planned initiatives. FYE of 2007/08 cost savings initiatives	- -	1,400 1,300	1,400 1,300	1,400	1,300
9(iii)	Acute Prescribing (Clyde)	Clyde cost savings plan - 08/09	120	2008/09 planned initiatives	-	120	120		120
9(iv)	Single Financial Services/ Payroll/Internal Audit functions (GG&Clyde)	Clyde cost savings plan - 08/09 FYE	400	FYE of cost savings initiatives implemented during 2007/08.	-	400	400		400
9(v)	Laboratories (Clyde)	Clyde cost savings plan - 07/08	150	FYE of cost savings initiative implemented during 2007/08.	-	150	150		150
9(vi)	Estates Maintenance (Clyde)	Clyde cost savings plan - 07/08	80	As for 9(v)	-	80	80		80
9(vii)	Telecom Services (Clyde)	Clyde cost savings plan - 07/08 - 08/09 FYE	90 90	As for 9(v) 2008/09 additional	- -	90 90	90 90		90 90
9(viii)	MH management of ECR's (Clyde)	Clyde cost savings plan - 08/09	200	2008/09 additional	-	200	200		200
9(ix)	A&A SLA (Clyde) - full income recovery	Clyde cost savings plan - 07/08 - 08/09	600 200	As for 9(v) 2008/09 additional	- -	600 200	600 200		600 200
9(x)	Nurse agency/overtime (Clyde)	Clyde cost savings plan - 07/08	100	As for 9(v)	-	100	100		100
9(xi)	OOH Services (Clyde)	Clyde cost savings plan - 07/08 - 08/09 FYE	80 75	As for 9(v) 2008/09 additional	- -	80 75	80 75		80 75
9(xii)	Physical Disability Services (Clyde)	Clyde cost savings plan - 08/09	50	2008/09 additional	-	50	50		50
9(xiii)	Maternity/Acute Services/ Theatre Utilisation etc (Clyde)	Clyde cost savings plan - 07/08 - 08/09	100 160	As for 9(v) 2008/09 – additional (estimate)	- -	100 160	100 160		100 160
9(xiv)	Learning Disability Services – service integration		100	2008/09 additional	-	100	100		100
10.	Facilities	Cost reduction associated with implementation of National Telecoms contract	725	Contract agreed, targeted saving confirmed.	725	-	725		725
							24,770		24,770

Item No	Service Area	Action	Target Amount £'000	Notes	GG £'000	Clyde £'000	Total £'000	MEMO (Internal Use) Embedded in cost increase provisions £'000	Not embedded in cost increase provisions £'000
11.	Supplementary Cost Savings Initiatives	(i) Release of funding provisions no longer required	1,500	Implementation plans currently under development	TBC	TBC	1,500	-	1,500
		(ii) Other short term cost savings initiatives	6,000	Implementation plans currently under development			6,000		6,000
		(iii) Longer term cost savings initiatives	10,000				10,000		10,000
OVERALL COST SAVINGS TARGET (2008/09)							42,270 =====	9,400 =====	32,870 =====