

NHS Board

23 June 2009

Paper No. 09/30

Director of Finance

2009/10 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, two key elements remained to be finalised, in particular its cost savings plan for 2009/10 and the level of earmarked recurring funding which could be anticipated from SGHD to support the ongoing achievement of Access targets in 2009/10. Both outstanding points have now been addressed so it is possible to submit a proposed financial plan, which comprises firm figures for 2009/10 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, explain how it is proposed to address the cost savings challenge which the Board faces in order to achieve a balanced financial outturn in 2009/10, highlight key assumptions and risks, and identify the scale of the financial challenge which the Board is likely to face in 2010/11 and beyond together with some of the initiatives which it may require to introduce to secure the achievement of a balanced financial outturn on an ongoing basis.

2. Overview of 2009/10 Financial Plan

(i) Financial Summary

A high level financial overview of the Board's financial plan for 2009/10 is provided below. This shows the overall movements in both recurring and non-recurring funding and expenditure which are anticipated in 2009/10.

| | <u>Funding</u> £'M | <u>Expenditure</u> £'M | <u>Surplus/Deficit</u> £'M | <u>Notes</u> |
|---|--------------------------------|--------------------------------|-------------------------------|---|
| Base budget carried forward from 2008/09 | 2,617 ===== | 2,629 ===== | (12) == | Residual Clyde deficit, covered in 2008/09 by SGHD transitional funding and non-recurring cost savings generated within GGC. |
| <u>Funding/expenditure movements on 2008/09</u> | | | | |
| 1. 2009/10 general funding uplift | 62 | | | 3.15% general funding uplift |
| 2. Earmarked funding – net adjustment | (3) | | | SGHD have confirmed level of recurring Access funding available to NHSGG&C for 2009/10, resulting in change to assumption previously made by NHSGG&C. |
| 3. 2009/10 projected expenditure growth | | 117.3 | | See Appendix 1. |
| 4. 2008/09 cost savings plan | | (10) | | Cost savings generated in 2008/09, used to offset non-recurring cost pressures in 2009/09, available to contribute towards funding ACH's in 2009/10. |
| 5. 2009/10 cost savings plan | | (45.4) | | See section 3 below. |
| | <u>59</u> | <u>61.9</u> | <u>(2.9)</u> | |
| 2009/10 budget excluding non-recurring funding/expenditure items | <u>2,676</u> | <u>2,690.9</u> | <u>(14.9)</u> | |
| <u>Non-recurring funding/expenditure items – 2009/10</u> | | | | |
| 1. SGHD transitional funding | 4 | | | Transitional funding agreed with SGHD for 2009/10. |
| 2. VAT rate reduction | | (7) | | Temporary reduction in VAT rate, estimate of windfall benefit. |
| 3. Release of deferred income and provisions c/f from 2008/09 | 6.9 | | | Non-recurring Access funding allocations received from SGHD and other deferred income c/fwd. |
| 4. Non-recurring cost provisions | | 7 | | Specific expenditure commitments (i.e. ASR team, backlog maintenance, Clyde transitional costs). |
| 5. Non-recurring cost savings (predominately Clyde) | | (4) | | Release of non-recurring savings/slippage to contribute to offsetting residual Clyde deficit in 2009/10. |
| | <u>10.9</u> | <u>(4)</u> | <u>14.9</u> | |
| 2009/10 budget | <u>2,686.9</u> ===== | <u>2,686.9</u> ===== | - == | |

A number of key points are evident from the above summary of the Board's 2009/10 financial plan. These are:

- 1) The Board is able to present a balanced financial plan for 2009/10 by deploying £14.9m of non-recurring funding sources to offset a £14.9m excess of additional recurring expenditure commitments over additional recurring funding sources.

- 2) The projection of expenditure growth...£117.3m...is the aggregate of a range of additional expenditure commitments which the Board is required to meet in 2009/10. Appendix 1 sets out a full list of these additional expenditure commitments, and shows that these are unavoidable rather than discretionary commitments, and in many cases are existing cost pressures where expenditure is already underway.
- 3) Including £10m of cost savings rolled forward from 2008/09 into 2009/10 to contribute towards funding the 2 new ACH's, the Board's cost savings programme will release £55.4m of funding in 2009/10 to contribute towards achieving a financial breakeven outturn in 2009/10. This gives a recurring cost savings tally of £96m for 2008/09 and 2009/10 combined and over £100m of cost savings when non-recurring cost savings for the two years are included.

The financial plan for 2009/10 includes an estimated 1% efficiency target against our total £110m budget in respect of resource transfer which is held by Local Authorities. This compares with an efficiency target of 1.75% which has been set for NHS service budgets. Our aim was that this target would be reached by working through a joint process with each Local Authority, commencing in 2008/09. To date, progress has been made with a number of Local Authorities and we are seeking to conclude this process and finalise resource transfer levels for 2009/10 by mid July 2009 at the latest.

- 4) Notwithstanding the significant efforts made to generate recurring cost savings in 2008/09 and 2009/10, 2010/11 will still inherit a £14.9m recurring deficit from 2009/10. This will require to be taken into account in developing a financial plan for 2010/11.

(ii) **General Funding Uplift**

For 2009/10, SGHD has confirmed a general funding uplift of 3.15% which is reflected in the Board's financial plan. This represents the minimum level of general funding uplift announced for Health Boards in 2009/10. Of a total of 14 geographical Health Boards, 8, including NHSGG&C, received the minimum uplift with 6 receiving supplementary increments of between 0.32% and 0.58% to move them closer towards NRAC funding parity. This reflects the measured approach which SGHD continues to take in progressing implementation of NRAC recommendations, to avoid creating financial turbulence within NHS Scotland.

(iii) **Expenditure Projections**

As noted above, a full summary of the Board's expenditure projections for 2009/10 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 provides background information on key assumptions.

3. **Cost savings plan 2009/10**

A key element of the Board's plan to achieve a financial breakeven outturn in 2009/10 is its cost savings plan. Section 3 provides an overview of its cost savings plan for 2009/10 and how the Board has approached this challenge, following a two pronged process.

- 1) Local cost savings targets have been set for all NHS partnerships and the Board's Acute Division, targeting the release of cost savings amounting to 1.75% of service budgets during 2009/10. Detailed cost savings plans have now been prepared for 2009/10 and can realistically be expected to release £29.2m of cost savings, with £6.2m coming from NHS partnerships and £23m coming from the Board's Acute Division which has set itself an overall cost savings target of £25m, equivalent to 2% of its total service budget for 2009/10. Individual cost savings targets have been agreed with each NHS partnership and with each Directorate

within the Board's Acute Division, and will be incorporated into service budgets for 2009/10.

Directorates have been working on the development of 2009/10 cost savings plans for most of 2008/09. The number of individual schemes which is being taken forward across the Board, led by individual Service Directorates, is significant...approximately 260 in total. The wide range of schemes makes it difficult to provide a single overview, however the following tables hopefully provide some flavour of the scale and breadth of coverage.

Table 1

| | <u>No. of schemes</u> | <u>Overall target cost savings (£'m)</u> |
|------------------|-----------------------|--|
| NHS partnerships | 118 | 6.2 |
| Acute Division | <u>142</u> | <u>23.0</u> |
| | 260 | 29.2 |
| | === | === |

Table 2

| <u>NHS Partnership</u> | <u>No. of schemes</u> | <u>Key elements</u> | <u>Impact on jobs/staffing/ pay costs</u> | <u>Overall target cost savings (£'K)</u> |
|--|-----------------------|--|---|--|
| Renfrewshire CHP | 8 | Service redesign/skill mix change; estate rationalisation; review of discretionary spend | Minor | 265 |
| Inverclyde CHP | 7 | Vacancy management; review of non-pay expenditure and discretionary spend reduction. | Minor | 168 |
| East Dun. CHP | 7 | Service redesign; skill mix change; estate rationalisation; and discretionary spend reduction. | Minor | 160 |
| SE CHCP | 14 | Service redesign; estate rationalisation. | Yes | 276 |
| SW CHCP | 9 | Service redesign; review of non-pay budgets/discretionary spend. | Yes | 295 |
| North CHCP | 9 | Service redesign; review of discretionary spend/non-pay budgets. | Yes | 443 |
| East CHCP | 9 | Service redesign; review of discretionary spend. | Yes | 522 |
| West CHCP | 17 | Service redesign; review of skill mix; review of discretionary spend. | Yes | 610 |
| West Dun. CHP | 18 | Service redesign; review of skill mix; review of discretionary spend. | Yes | 232 |
| East Renfrewshire CHCP | 6 | Service redesign. | Minor | 96 |
| MH partnership (including on behalf of CH@P's) | 9 | Release of funding through internal service reconfiguration; reprovision of externally | Minor | 2,829 |

| | | | | |
|--|------------|--|-------|--------------|
| | | provided services with internally provided services; skill mix change. | | |
| LD partnership | 1 | Service redesign. | Yes | 190 |
| Other (S.Lan. CHP, Addictions Partnership etc) | 4 | Service redesign; review of discretionary spend | Minor | 121 |
| | <u>118</u> | | | <u>6,207</u> |
| | ==== | | | ==== |

Table 3

| <u>Acute Directorate</u> | <u>No. of schemes</u> | <u>Summary of Key Elements</u> | <u>Cost Savings Target</u> | <u>% related to pay budgets</u> |
|-----------------------------|-----------------------|---|----------------------------|---|
| Surgery and Anaesthetics | 28 | ASR acceleration – service centralisation; various clinical service redesign initiatives involving reviews of capacity utilisation; review of skill mix; review of theatre utilisation; review of junior doctor rotas; procurement savings. | 5,200 | 65% - spread across wide range of schemes. |
| Emergency Care and Medicine | 50 | Additional income recovery; various clinical services redesign initiatives including review of skill mix; review use of EPA's and junior doctors rotas; procurement savings and review of non-pay costs. | 3,900 | 40% - spread across wide range of schemes. |
| Rehab & Assessment | 9 | FYE of prior year scheme; vacancy management; review of external contract spend; review of non-pay costs. | 2,500 | 75% - relates almost entirely to prior year scheme and vacancies. |
| Diagnostics | 16 | Various service reviews including vacancy management; procurement efficiencies. | 3,200 | 70% |
| Oral Health | 2 | General cost savings initiatives | 300 | 90% |
| Regional | 10 | Additional income recovery; service reconfiguration; review of supplies costs. | 2,200 | 40% |
| Women and Children's Health | 13 | FYE of prior year schemes; additional income recovery; service reconfiguration; minor schemes. | 2,800 | 70% |
| Facilities | 11 | Energy savings; switchboard rationalisation; review of staff and patient catering arrangements; external contract spend reviews. | 2,900 | 50% |
| Corporate | 3 | FYE of prior year schemes; review of property leases; review of acute corporate spend budgets | 2,000 | Estimated 40% |
| | <u>142</u> | | <u>25,000</u> | |
| | | Of which PYE 2009/10 = | <u>23,000</u> | |
| | | | ===== | |

- 2) The Board also identified a number of area wide “strategic reviews” which it believed capable of releasing cost savings in 2009/10. Since August 2008 significant progress has been made in reviewing each of these areas, with a small number of exceptions which still remain “work in progress”. A summary which

identifies each of the aforementioned strategic reviews and provides an overview of current status and an assessment of cost savings potential is provided below:

| <u>No.</u> | <u>Strategic Review</u> | <u>Current Status of Review</u> | <u>Cost Savings Target</u> | <u>Cost Savings Plan in Place</u> | <u>Cost Savings TBC</u> | <u>Impact on Staffing/jobs pay budgets</u> |
|------------|---|-------------------------------------|----------------------------|-----------------------------------|-------------------------|--|
| | | | £'M | £'M | £'M | |
| (1) | A review of management structures | Underway, not yet complete | 0.25 | - | 0.25 | Yes |
| (2) | A review of corporate functions (Finance, HR, IM&T, Public Health, Acute Planning, Clinical Governance) | Review completed – plan in place | 1.0 | 1.0 | - | Yes |
| (3) | A review of resource transfer arrangements with Local Authorities | Review initiated, not yet completed | 1.0 | - | 1.0 | N/A |
| (4) | A review of SLA's with other Health Boards | Review completed – plan in place | 2.0 | 2.0 | - | N/A |
| (5) | A review of office accommodation use | Review underway | 0.1 | - | 0.1 | N/A |
| (6) | A review of the deployment of earmarked funding | Review completed – plan in place | 3.0 | 3.0 | - | No |
| (7) | A review of prescribing practices | Review completed – plan in place | 7.0 | 7.0 | - | No |
| (8) | A review of the Board's redeployment register | Underway, not yet complete | 0.25 | - | 0.25 | Yes |
| (9) | A review of the GMS contract | Review underway, not yet complete | 1.1 | - | 1.1 | TBC |
| (10) | A review of occupational health service | Review underway, not yet complete | 0.4 | - | 0.4 | Yes |
| (11) | Implementation of Clyde strategic change initiatives | Review completed – plan in place | 0.1 | 0.1 | - | TBC |
| | | | <u>16.2</u> === | <u>13.1</u> === | <u>3.1</u> == | |

At this stage, based on work completed to date and plans which are currently in place, it is reasonable to anticipate a minimum level of cost savings of £13.1m in 2009/10, with reasonable potential for further cost savings to be delivered from those reviews where the level of cost savings remains to be confirmed. It may prove difficult to achieve £3.1m of cost savings from those reviews which have yet to be completed during 2009/10, indeed it may be more realistic to assume that this level of cost saving can be achieved over a 2 year period. Where it does not prove possible to conclude a plan to deliver a specific target, efforts will be focussed on developing an alternative plan capable of releasing an equivalent level of cost savings from within the range of service areas embraced by the above strategic reviews so that an overall target of £16.2m can be delivered in 2009/10. Assuming that 50% of the targeted £3.1m can be secured during 2009/10 with the balance delivered from alternative schemes, this would give a FYE of £1.6m to come in 2010/11.

Footnote – Clyde Cost Savings Plan

2009/10 will be year 3 of a 3 year period within which SGHD was looking to NHSGG&C to eliminate the deficit related to the Clyde area of its management responsibilities, a deficit which it inherited from the former Argyll & Clyde Health Board. By March 2009 NHSGG&C had reduced this from £26m to £12m. During 2009/10, this will be reduced by £4.8m, viz:

| | |
|---|-------|
| NHSGG&C cost savings attributable to Clyde | £'m |
| <u>Less:</u> provision for longstanding GMS cost pressure | 6 |
| | (1.2) |
| | 4.8 |
| | === |

This leaves £7.2m to be addressed as part of NHSGG&C's financial planning process for 2010/11.

4. **Key Assumptions and Risks**

The key assumptions on which the Board's financial plan for 2009/10 has been based are described within section 2 above and within Appendix 1 which describes the assumptions used to project expenditure growth in 2009/10.

There are three assumptions which are of particular significance in terms of potential financial risk. These are discussed below, together with an assessment of the likely risk potential.

1) **Gas/Electricity Prices**

It has been assumed that the Board will be able to contract for its energy supplies at forward prices currently quoted by the market for 2009/10. There is an area of potential exposure in the second half of 2009/10 as forward supply contracts have yet to be put in place for the period beyond September 2009. NHS Scotland should have the opportunity to put in place forward contracts for the period beyond September 2009, through national contract arrangements (i.e. Scotland wide public sector for electricity, UK wide for gas). Until these arrangements are put in place, there remains a potential risk of exposure to price movement during 2009/10. The potential for financial exposure should, however, be limited, given the likelihood that contracts will soon be in place. In addition, with forward prices for gas/electricity currently moving downwards, there is the possibility of a reduction in spend relative to 2008/09.

However, the experience of the last few years has shown just how difficult it can be to accurately predict cost movements in this area and so energy price trends will continue to be closely monitored until such time as longer term contracts can be put in place.

2) **Prescribing Cost Growth**

The financial projections assume that a cost savings plan of £7m will be successfully implemented during 2009/10, containing overall net prescribing expenditure growth within an overall envelope of £12m. This undoubtedly represents a stiff challenge for the Board however the level of detailed work which underpins the projections of cost increases and cost savings which had been prepared by the Board's prescribing advisers for 2009/10, together with the extensive collaboration which has taken place across both Acute and Primary Care in arriving at the cost projections, provides a high of assurance regarding their robustness, and so the risk of significant variation can be considered to be small.

Again, this will be an area which will continue to be closely monitored during 2009/10.

3) **Pay Growth**

In forecasting pay growth for 2009/10, a modest provision equivalent to a 0.2% increase in overall pay costs...£3m...has been set aside to cover the cost of any further Agenda for Change assimilations still to come through in 2009/10, also for any subsequent appeals which are upheld. This reflects a level of confidence in the robustness of the process which the Board has followed and the time it has taken to work through the assimilation of staff onto the new Agenda for Change grading structure and pay scales. The process of considering appeals has

recently got underway, and with several thousand having been received, there is clearly some risk that the number of appeals which are upheld could be significantly higher than would reasonably have been anticipated, opening up the possibility of exposure to additional cost in 2009/10. At this stage, it would be inappropriate to speculate as to what the extent of this risk might be however this is another area which will require to be kept under close review on account of the potential it carries to blow the Board's financial plan for 2009/10 off course.

5. **2010/11 and beyond**

A summary of the Board's outline financial plan for 2010/11 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.

(i) **Funding**

At this stage, based on current SGHD guidance, the financial plan assumes that funding will continue to grow at 3.15% per annum. It remains to be seen whether this is a realistic assumption, with the impact of a Scottish Government 2010/11 cost savings target of £500m on SGHD's funding allocation still to be determined. It is anticipated that the impact of this cost savings requirement on future Health funding will be known by September/October 2009.

(ii) **Expenditure**

The main planning assumptions used to forecast likely future expenditure growth for 2010/11 and 2011/12 are as follows:

| | <u>2010/11</u> | <u>2011/12</u> | <u>Notes</u> |
|-------------|-----------------------|-----------------------|--|
| Pay Costs | 2.75% | 2.75% | 2010/11 – basic pay increase of 2.25%; 0.25% provision for changes to Band 1 – Band 5 Agenda for Change pay scales; 0.25% general provision for Agenda for Change assimilation costs/appeals. 2011/12...basic pay increase of 2.25%; provision for 0.5% increase in employers NIC rate. |
| Prices | 1.5% | 1.5% | As per 2009/10. |
| Prescribing | 6% | 6% | As per 2009/10. |
| Energy | - | - | As per 2009/10 |

(iii) **Financial Challenge**

In 2010/11, based on the assumptions set out within 5(i) and 5(ii) above, and after providing for currently approved service commitments including a general provision of £5m for as yet unidentified cost pressures, the Board would face a financial challenge of £38m...this is calculated as follows:

| | £'m |
|---|------------|
| Funding growth – assumed at 3.15% | 64 |
| <u>Less</u> : Expenditure growth – pays, prescribing, non-pays, capital charges, other inflation | (75) |
| <u>Less</u> : Currently approved service commitments | (11) |
| <u>Less</u> : General provision for cost pressures as yet unidentified | (5) |
| Add : FYE of 2009/10 cost savings plan | <u>3.6</u> |

2009/10 recurring deficit b/f
2010/11 – FINANCIAL CHALLENGE

(23.4)
(14.9)
(38.3)
==

With the level of funding uplift likely to fall below 3.15%, it is possible that the level of financial challenge faced by the board in 2010/11 could exceed £50m for the third successive year.

In 2008/09 the Board was able to develop a cost savings plan, largely by addressing expenditure on non-pay costs and by careful management of the use of existing funding streams and earmarked funding to release cost savings. Its 2009/10 cost savings plan is much more focussed on the release of cost savings through service redesign and service reconfiguration, with the generation of a significantly higher proportion of its cost savings from staffing budgets than before. By 2010/11, the Board will have exhausted its store of “softer” cost savings opportunities and will require to look to more radical options for cost savings/cost containment if it is to succeed in balancing funding and expenditure on an ongoing basis.

For example, it may be necessary to refrain from embarking on any form of new service development in 2010/11, including the expansion of existing treatments unless exceptional circumstances apply; or it may be necessary to consider the introduction, on a voluntary basis, of short term working for selected groups of staff in an effort to contain pay growth, or it may be necessary to introduce a managed voluntary redundancy programme; or It may be necessary to defer all but absolutely essential capital schemes in order to limit growth of property related costs including capital charges...or it may be necessary to do all of the aforementioned in combination.

During 2010/11, the Board will embark upon the development of its financial plan for 2010/11. Regular updates on progress will be provided to PRG throughout the year in tandem with the submission of regular financial monitoring reports on the 2009/10 financial outturn.

6. **Recommendation**

NHS Board members are requested to review this report and approve the 2009/10 financial plan.

APPENDIX 1

2009/10 Financial Plan – Projection of Expenditure Growth

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. These are categorised as follows within the Board's financial plan.

- (i) **General** : general cost increases which are driven by factors such as pay awards, non-pays inflation, prescribing growth, scale of capital programme etc.
- (ii) **National policy and other statutory change** : cost increases which are driven by national policy initiatives, legislation etc.
- (iii) **National services where GG&C share of increased funding is required** : cost increases which are driven by service developments or cost pressures currently being experienced within services which are nationally provided on behalf of GG&C and other Health Boards.
- (iv) **National initiatives where there is an impact on GG&C services** : cost increases which are driven by nationally led initiatives to develop services or change the way in which services are provided at Health Board level.
- (v) **Service Development** : cost increases which are driven, in the main, by decisions made at local or regional level involving NHS GG&C, to fund local service development/improvement.

On the basis of currently available information, the Board's assessment of the anticipated expenditure growth it faces going into 2009/10, within each of these categories, is set out below:

| Area of expenditure growth | Projected Increase £'M | Notes |
|--|---------------------------|---|
| A <u>General</u> | | |
| 1. Pays Inflation | 34.2 | Provision for basic pay increase of 2.4% plus cost of changes to Band 1/Band 5 Agenda for Change pay scales; general 0.2% provision for remaining Agenda for Change assimilation costs; 0.5% reduction in employer superannuation rate. |
| 2. Energy price inflation | 1 | Forward prices for 2009/10 for gas and electricity have reduced significantly in recent months and now indicate a minimal level of additional cost pressure in 2009/10. |
| 3. Prescribing cost growth/inflation | 19 | Current projections by prescribing advisers of likely cost increase related to volume and price increases within Acute and Primary Care confirm growth/inflation of £19m, equivalent to an overall growth rate of 6% before cost savings initiatives, is realistic. |
| 4. Capital expenditure programme – impact on cap. charges | 6 | Scale of capital programme pushing up overall level of capital charges costs. |
| 5. Other non-pays inflation - legal/contractual cost commitments - general | 1.7 3.5 | PPP contracts/maintenance contracts etc. Provision for general inflation increase of 1.5% |
| 6. Other Providers, including Resource transfer agreements...cost inflation | <u>6.2</u> <u>71.6</u> | Negotiations may succeed in limiting this additional expenditure however current agreements/custom and practice would produce this level of cost increase. |
| B <u>National policy and other statutory change</u> | | |
| 7. Withdrawal of car parking charges | 1.6 | Remaining fixed costs re local infrastructure. |
| 8. Removal of concession allowing reclaim of VAT on locum/agency medical staff w.e.f. 1.4.09 | 1.3 | |
| 9. Compliance with Food, Fluid and Nutrition Policy | 1.0 | Estimated FYE £1.5m, assume further £0.5m in 2010/11 |
| 10. Compliance with decontamination regulations | <u>4.0</u> <u>7.9</u> | Estimate |

| Area of expenditure growth | Projected Increase £'M | Notes |
|---|------------------------------|--|
| C | | |
| <u>National Services – GG&C share of increased funding required</u> | | |
| 11. Step up in funding required for Cochlear implants - provision | 0.5 | Estimate |
| 12. Step up in funding required for P.I.C.U | 1.3 | Increase funded non-recurrently in 2008/09. |
| 13. Increased demand for Recombinant Factor VIIa | 0.7 | GG&C share of national risk sharing agreement. |
| 14. Increased demand for plasma blood products | 0.4 | Estimate. |
| 15. Equipping and Technical Branch Phase I | 0.2 | Increase funded non recurrently in 2008/09. |
| 16. Islet cells transplantation | 0.2 | Estimate. |
| 17. Adult Scoliosis | 0.2 | Estimate. |
| 18. Other | <u>0.1</u> | Estimate. |
| | <u>3.6</u> | |
| D | | |
| <u>National Initiatives – impact on GG&C</u> | | |
| 19. Bowel Cancer Screening | 0.7 | |
| 20. First Aiders – additional responsibility payment | 0.3 | Estimate |
| 21. Pregnancy and New Born Screening | 0.4 | |
| 22. Change to R&D funding arrangements | <u>0.9</u> | Withdrawal of funding support for R&D infrastructure.....net impact after adjusting for investment in primary care R&D. |
| | <u>2.3</u> | |
| E | | |
| <u>Service Development</u> | | |
| 23. Regional Service Developments including P.C.I FYE | 0.6 | |
| 24. A.C.H's at Victoria/Stobhill | 21.0 | FYE £23m, assume further £2m in 2010/11...related to phasing of capital charge costs. |
| 25. Acute Emergency Services (VOL) | 0.5 | Estimated FYE £0.9m assume further £0.4m in 2010/11. |
| 26. Forensic Services Clyde FYE | 0.8 | |
| 27. Adolescent Psychiatry inpatient unit FYE | 0.6 | |
| 28. Renfrew H.C. additional costs, NHS GG&C share PYE | 0.2 | |
| 29. Net provision for meeting Access targets, including funding share for GJNH | 4.0 | Provision for step up in costs re meeting Access targets net of additional funding provided by SGHD, including £2m provision for reallocation of Access funding to GJNH re work carried out on behalf of NHSGG&C. |
| 30. Hospices – provision for funding uplift to maintain NHSGG&C 50% funding share | 0.6 | |
| 31. Provision for other cost pressures | 0.4 | |
| 32. C/fwd from 2008/09 FYE | <u>2.0</u> | |
| | <u>30.7</u> | |
| F | | |
| <u>Clyde</u> | | |
| 33. Budget provision for longstanding GMS QOF cost pressure | <u>1.2</u> | Prospect of securing funding cover from SGHD for this can now be regarded as remote. Provision made to fund this cost pressure for period of up to 2 years, allowing CHP's to plan to contain costs within service budgets by 2011/12. |
| TOTAL PROJECTED EXPENDITURE GROWTH 2009/10 (A-F) | 117.3 ===== | |

Notes of Appendix 2

1. Opening deficit in 2009/10 is the £12m residual gap between recurring funding and expenditure related to "Clyde" less the £10m of cost savings generated in 2008/09 to contribute towards funding the ambulatory care hospitals in 2009/10.
2. General funding uplift is 3.15% in 2009/10 and is assumed to be 3.15% thereafter.
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 NHS GG&C's general funding uplift.
4. Assumed PMS and non cash limited funding – cost neutral.
5. Includes non-recurring access funding allocations received from SGHD and other deferred income carried forward.
6. Level of transitional funding agreed with SGHD for 2009/10.
7. The temporary reduction in the VAT rate from 17.5% to 15% results in a saving of £7m on revenue expenditure where VAT cannot be reclaimed.
8. This covers (1) general pay uplift of 2.4% plus cost of changes to Band 1 and Band 5 Agenda for Change pay scales; (2) a general 0.2% provision for remaining Agenda for Change assimilation costs; (3) 0.5% reduction in employer superannuation rate.
9. This covers anticipated price inflation related to existing contractual commitments and includes 1.5% for general cost inflation and growth.
10. This is based on prescribing advisers' detailed cost projections for acute and primary care services for 2009/10. An equivalent rate of growth is assumed for future years.
11. Forward prices for 2009/10 for gas and electricity have reduced significantly in recent months. The additional cost pressure for 2009/10 now appears minimal.
12. Provision for increase in capital charge costs associated with the growth increase in capital programme in recent years.
13. Provision for inflationary uplift of service level agreements with other NHS boards related to NHS GG&C patients and of resource transfer agreements with local authorities.
14. Provision for increased spend on PMS and non cash limited services is equal to assumed increase in funding allocation so overall impact is cost neutral.
15. Continuing the approach taken in recent years to funding "capital" schemes of a revenue nature which are identified on an annual basis.
16. Funding commitments where funding is received or set aside in previous years but the expenditure is not fully underway.

Looking forward to 2010/11, the level of anticipated deferred expenditure is scaled back further to £3m. This reflects the scale and nature of the major service commitments which we are now undertaking, particularly ambulatory care hospitals, where the scope for slippage or deferring expenditure in-year will be practically non-existent.

17. 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...new ambulatory care hospitals (£23m); endoscopy decontamination (£4m); net addition access target expenditure (£4m); bowel screening programme (£1.5m); Clyde GMS QOF cost pressures (£1.2m); food, fluid and nutrition (£1.5m); NSD costs (£2.5m); car parking infrastructure costs (£1.6m); VAT on agency medical staff costs (£1.3m); forensic psychiatry services (£0.8m).

18. 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 and provision for transitional costs of service strategies related to Clyde, in particular, mental health services.
19. £5m per annum is set aside by way of funding cover for any further unavoidable high priority new service commitments which emerge during 2010/11 and 2011/12 and which are not able to be covered by either earmarked funding allocations or additional cost savings.
20. The remaining Clyde cost savings plan identifies a residual £12m recurring gap, to be eliminated by 2010/11.
21. A copy of the cost savings plan is included in Section 3. During the 3 year period of this plan, NHSGG&C requires to begin the process of building up the necessary financial headroom, starting in 2011/12, to afford the revenue costs associated with commissioning its new adult and children's hospitals as they come on stream.
22. The resulting closing deficit is shown and is analysed into its "General" and "Clyde" components.