NHS GREATER GLASGOW AND CLYDE

Board

22 June 2010 **Paper No. 10/23**

Director of Finance

2010/11 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 2010/11. This has now been finalised so it is possible to submit a proposed financial plan, which comprises firm figures for 2010/11 with indicative figures for future years, to the Board for its review and approval. The proposed financial plan has been considered and approved by the Performance Review Group (PRG) on 18 May 2010, with the recommendation that it be submitted to the Board for 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 2010/11, highlight key assumptions and risks, and give some indication of the scale of the financial challenge which the Board is likely to face in 2011/12 and beyond, together with the range of initiatives which it may require to introduce to secure the achievement of a balanced financial position on an ongoing basis.

2. Overview of 2010/11 Financial Plan

(i) Financial Summary

A high level financial overview of the Board's financial plan for 2010/11 is provided below. This shows the overall movements in both recurring and non-recurring funding and expenditure which are anticipated in 2010/11.

	Funding £'M	Expenditure £'M	Surplus/Deficit £'M	Notes
Base budget carried forward from 2009/10	**2676.9**	**2695.0**	**(18.1)**	Excess of recurring expenditure commitments over recurring funding carried forward from 2009/10, including residual Clyde deficit of £7m.
Funding/expenditure movements on 2009/10				
1. 2010/11 general funding uplift	44.7			2.15% general funding uplift
2. 2010/11 projected expenditure growth		80.6		See Appendix 1.
3. Consolidation of provisions for backlog maintenance and GMS contract (QOF) funding support (Clyde)		3.5		Conversion of long term non-recurrent cost provisions to recurrent cost provisions, reflecting ongoing nature of expenditure commitments.
4. 2010/11 cost savings plan		(56.9)		See section 3 below.
	44.7	27.2	17.5	
2010/11 budget excluding non-recurring funding/expenditure items	**2721.6**	**2722.2**	**(0.6)**	
Non-recurring funding/expenditure Items – 2010/11				
1. Release of deferred income and provisions c/f from 2009/10, release of slippage	5.3			Non-recurring funding allocations received from SGHD and other deferred income c/fwd.
2. Non-recurring cost provisions		4.7		Specific expenditure commitments (i.e. ASR team, Clyde MH strategy transitional costs).
	5.3	(4.7)	0.6	
2010/11 budget	**2,726.9**	**2,726.9**	**-**	

A number of key points are evident from the above summary of the Board's 2010/11 financial plan. These are:

1) By March 2010, the Board had succeeded in addressing all but £7m of the £26m recurring deficit which was transferred in 2006/07 from the former Argyll and Clyde Health Board into the management responsibility of NHSGG&C. At March 2010 the three year period during which it was agreed that SGHD would provide transitional funding cover to NHSGG&C in respect of Clyde came to an end leaving the Board to address the residual £7m within the context of its overall financial plan.

2) The Board's ability to present a balanced financial plan for 2010/11 is largely dependent upon its ability to implement a comprehensive cost savings plan which is capable of releasing almost £57m of recurring cost savings in 2010/11. This is equivalent to nearly 3% of its Revenue Resource Limit and represents a highly significant financial challenge, being the third year in a row in which the Board has required to achieve a cost savings target exceeding £50m in order to secure the achievement of a balanced financial position.

3) The projection of expenditure growth…£80.6m….is the aggregate of a range of additional expenditure commitments which the Board is required to meet in 2010/11. 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.

4) Notwithstanding the significant efforts made to generate recurring cost savings in 2008/09 and 2009/10, 2010/11 still inherits a £18.1m recurring deficit from 2009/10. This has been taken into account in developing a financial plan for 2010/11.

(ii) **General Funding Uplift**

For 2010/11, SGHD has confirmed a general funding uplift of 2.15% which is reflected in the Board's financial plan. This represents the minimum level of general funding uplift announced for Health Boards in 2010/11. Of a total of 14 geographical Health Boards, 8, including NHSGG&C, received the minimum uplift with 6 receiving supplementary increments of between 0.08% and 0.59% 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.

Note: In addition to the above, with effect from April 2010 SGHD has converted an element of funding which had previously been received by Boards as earmarked funding for Access Support into recurring General Funding. This has been confirmed as a supplementary uplift of 0.4%, giving an overall increase of 2.55% for NHSGG&C in 2010/11.

(iii) **Expenditure Projections**

As noted above, a full summary of the Board's expenditure projections for 2010/11 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 2010/11**

A key element of the Board's plan to achieve a financial breakeven outturn in 2010/11 is its cost savings plan. Section 3 provides an overview of its cost savings plan for 2010/11 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 Acute Division. Detailed cost savings plans have now been prepared for 2010/11 and can realistically be expected to release £36.7m of cost savings, with £7.5m coming from NHS partnerships and £29.2m coming from the Acute Division. Individual cost savings targets have been agreed with each NHS partnership and with each Directorate within the Acute Division, and will be incorporated into service budgets for 2010/11.

Directorates have been working on the development of 2010/11 cost savings plans for most of 2009/10. The number of individual schemes which is being taken forward across the Board, led by individual Service Directorates, is significant…approximately 299 in total. 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

	No. of schemes	**Overall target cost savings (£'m)**
NHS partnerships	92	7.5
Acute Division	207	29.2
	299	36.7
	===	===

Table 2

NHS Partnership	No. of schemes	Key elements	Impact on jobs/staffing/ pay costs	Overall target cost savings (£'K)
Renfrewshire CHP	14	Service redesign;service reviews; review of discretionary spend	Minor	396
Inverclyde CHP	9	Service redesign, service reviews; review of non-pay expenditure and discretionary spend reduction.	Minor	230
East Dun. CHP	6	Service redesign; estate rationalisation; and discretionary spend reduction.	Minor	196
SE CHCP	7	Service redesign; estate rationalisation; and discretionary spend reduction.	Minor	372
SW CHCP	5	Service redesign; service reviews: review of non-pay budgets/discretionary spend.	Yes	284
North CHCP	12	Service redesign; service reviews; review of discretionary spend/non-pay budgets.	Yes	530
East CHCP	8	Service redesign; productivity reviews; review of discretionary spend.	Yes	650
West CHCP	5	Service redesign; review of skill mix; review of discretionary spend.	Yes	657
West Dun. CHP	4	Service redesign; service reviews; review of skill mix; review of discretionary spend.	Yes	423
East Renfrewshire CHCP	4	Service redesign.	Minor	99
Other, area wide CH©P led initiatives	3	Service redesign; (Elderly Mental Health Inpatient Services), Community Nursing (LD and Addictions); Podiatry		526
MH partnership (note: excludes CH©P's adult community services cost saving schemes)	14	Release of funding through internal service reconfiguration; reprovision of externally provided services with internally provided services; service reviews; skill mix change.	Yes	3,005
Other (LD partnerships, Addictions Partnership etc)	1	Service redesign; review of discretionary spend	Minor	100
	92			**7,468**

The Acute Division has followed a standard approach across all of its Directorates in developing a cost savings plan for 2010/11, classifying its cost savings schemes by the following categories:

1. Procurement **(Proct)**.. includes savings made by reviewing/renegotiating supplier contracts, standardising product utilisation etc.

2. Service Redesign **(SD)**… includes cost reductions through providing a range of clinical and non-clinical services in a slightly different way, **excluding** ASR implementation.

3. Accelerated ASR Implementation **(ASR)** … includes implementation of new bed model and associated nurse to bed staffing ratios.

4. Additional Income Sources (**AI)**… includes reviewing SLAs with other Heath Boards and other external bodies etc to secure full income recovery for patients treated by NHSGG&C.

5. Productivity **(P)** …includes improvements to theatres/outpatient clinics utilisation, day case rates, and use of pre-op bed days; review of associated administrative processes to address areas of duplication.

6. General Staffing **(GS)**… review of management costs, review of administration and clerical services, review of use of locum and agency staff, review of vacancies and vacancy levels.

A summary of the Acute Division's costs savings plan for 2010/11, analysed by category, is provided in Table 3 below:

Table 3

Summary by Category

Acute Division	Overall		Proct		SD		ASR		AI		P		GS	
	No. of schemes	£'M	No.	£'M	No.	£'M	No.	£'M	No.	£'M	No.	£'M	No.	£'M
Surgery and Anaesthetics	78	6.7	37	2.5	4	0.4	6	1.2	-	-	4	0.6	27	2.0
Emergency Care and Medicine	33	4.5	8	0.6	7	0.7	-	-	6	0.4	4	1.3	8	1.5
Rehab & Assessment	5	1.1	-	-	2	0.1	2	1.0	-	-	-	-	1	Min
Diagnostics	14	4.8	7	1.8	3	0.2	1	1.0	1	0.2	-	-	2	1.6
Oral Health	2	0.5	1	0.1	1	0.4	-	-	-	-	-	-	-	-
Regional	36	2.7	13	0.9	4	0.6	1	0.1	5	0.2	1	Min	12	0.9
Women and Children's Health	26	4.5	1	Min	9	2.2	2	1.2	2	0.4	2	0.1	10	0.6
Facilities	9	3.3	-	-	7	1.5	-	-	-	-	-	-	2	1.8
Corporate	4	1.1	-	-	2	0.9	-	-	-	-	-	-	2	0.2
	207	**29.2**	**67**	**5.9**	**39**	**7.0**	**12**	**4.5**	**14**	**1.2**	**11**	**2.0**	**64**	**8.6**
Impact on jobs/staffing/pay costs			N/A ===		Yes – 85% of schemes =======		Yes – all schemes ======		N/A ===		Yes – all schemes =======		Yes – all schemes =======	

All NHS Partnerships and the Acute Division have prepared Project Initiation Documents (P.I.D's) in particular for those projects where some impact on staff budgets is anticipated. These are being and/or will be used to engage with staff representatives at local level in taking forward implementation of specific cost savings plans.

Cost savings schemes embrace a wide range of different initiatives, with a concerted effort having been made to address non-pay costs through savings from procurement, and a drive to ensure that the Board draws the full extent of its income entitlement for services provided to other NHS Boards. Also, a full review of all non-pay budgets has been carried out to restrict expenditure on discretionary expenditure headings to essential items only, releasing cost savings wherever possible and appropriate.

2) The Board has also identified a number of area wide "strategic reviews" which it believes capable of releasing cost savings in 2010/11. During 2009/10 significant progress has been made in reviewing each of these areas, with only three areas remaining "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 within Table 4 below:

Table 4

No.	Strategic Review	Current Status of Review	Cost Savings Target £'M	Cost Savings Plan in Place £'M	Cost Savings TBC £'M	Impact on Staffing/jobs pay budgets	Notes
(1)	A review of corporate functions (Finance, HR, IM&T, Public Health, Acute Planning, Clinical Governance)	Review completed – plan in place	1.5	1.5	-	Yes	
(2)	A review of SLAs with other Health Boards	Review completed – plan in place	1.0	1.0	-	N/A	
(3)	Corporate HQ relocation	Plan currently being implemented	0.4	0.4	-	N/A	
(4)	A review of occupational health service	Review complete – plan currently being implemented	0.8	0.8	-	Yes	
(5)	A review of prescribing practices	Review at advanced stage of completion – plan in place for £9m of cost savings. Prescribing management team continue to seek further cost savings/cost containment opportunities to meet remaining target, and offset further £2m of potential cost growth within Acute Services in 2010/11	9.5	9.0	0.5	No	(1)
(6)	A review of the Board's redeployment register including voluntary severance	Review underway	1.0	-	1.0	Yes	(2)
(7)	Review of Tangible Asset Lives and annual building depreciation charge	Review underway	6.0	-	6.0	N/A	(3)
			20.2	**12.7**	**7.5**		

Notes

1. Forecast prescribing growth, particularly within Acute Services, related to new drugs recently approved by SMC and the expansion of prescribing of drugs approved by SMC in previous years, will again be a significant source of cost pressure for the Board in 2010/11.

   To offset this, at least in part, the Board has sought to develop a comprehensive cost savings plan of £9.5m for 2010/11. This represents a step up of £2.5m on the previous year's cost savings target, which was itself the highest annual cost savings target set to date in respect of prescribing cost management. At this stage, the Board's prescribing

management team have put in place cost savings initiatives which are set to deliver all but £0.5m of this £9.5m target.

However, a recently updated projection of Acute prescribing growth in 2010/11 indicates that prescribing costs may be set to grow by a further £2m. If this materialises it will be necessary to explore the potential for further compensating cost savings measures which are capable of being implemented in 2010/11, either within the area of prescribing management or more widely within the Acute Services Division as a whole.

2. It is anticipated that the Board will be able to generate cost savings of £1m per annum during 2010/11, from the implementation of voluntary severance arrangements, with these cost savings coming largely from "backroom staff" groups including those currently on the Board's redeployment register and those affected by specific organisational change(s) currently being taken forward within NHSGG&C.

3. The Board has been exploring the appropriateness of the current assessment of the useful lives of the various hospital buildings which it occupies. Within NHS England and NHS Wales, Health Authorities and NHS Trusts have carried out reviews of the lives of occupied buildings in recent years. These have resulted in significant changes to the lives of a wide range of buildings, with a consequential reduction in the level(s) of annual depreciation charges. NHSGGC has (a) visited two NHS organisations to gather background information on what has been done to date and how this particular task has been approached and (b) carried out some desktop analysis to estimate the potential cost benefit were it to adopt an equivalent approach. This has confirmed a potential cost benefit of the order of c.£5m - £6m per annum, and so the potential for taking forward this change is now being actively explored in partnership with colleagues at SGHD.

An overall summary of the Board's cost savings programme for 2010/11, based on the above, is provided within Table 5 below.

Table 5

	£'M
Local cost savings schemes – NHS partnerships and Acute Division	36.7
Strategic reviews – costs savings schemes	20.2
Total recurring cost savings target	**56.9**
	===

4. **Key Assumptions and Risks**

The key assumptions on which the Board's financial plan for 2010/11 has been based are described within section 2 above, and within Appendix 1 which describes the assumptions used to project expenditure growth in 2010/11.

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 2010/11, the Board has assumed that it will require to deploy an additional £5m 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 the interim targets, as set by SGHD, consistent with being able to meet an 18 week referral to treatment guarantee by December 2011.

Key financial risks include the potential for the cost of complying with SGHD targets to exceed £5m and/or the level of SGHD earmarked funding available to the Board reducing below the sum received in 2009/10.

To manage this risk, Board officers continue to work closely with SGHD colleagues to ensure that appropriate funding levels are maintained, also that realistic interim targets are agreed. 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 £9.5m will be successfully implemented during 2010/11, containing overall net prescribing expenditure growth within an overall envelope of £10m. 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 2010/11, 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 and simultaneously implemented, presents a higher level of risk of non-achievement than in previous years, As a result this will be an area which will be continuously and closely monitored during 2010/11.

3) **Gas/Electricity Prices**

The Board is forecasting that its expenditure on energy will remain fairly static in 2010/11 relative to 2009/10. This is based on current forecast energy prices for 2010/11. For most of 2010/11, this forecast is based on contracted prices for the Board's required electricity and gas supplies, however for part of the winter period, final contract arrangements have yet to be put in place in respect of a proportion of its gas supply requirement.

Until final arrangements are made, there remains a potential risk of exposure to price movements during 2010/11. This potential for financial exposure should, however, be limited given the likelihood that contracts will soon be in place.

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 contracts are put in place.

4) **Pay Growth**

During 2009/10, the Board worked through the process of reviewing a significant number of appeals which had been submitted in respect of initial 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 in 2009/10.

Going into 2010/11 it has been assumed that the closing stages of the Agenda for Change appeals process will not produce any further significant additional cost pressure, accordingly provision has not been made for any further potential cost pressure within the Board's 2010/11 financial plan. 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).

5) **Cost Savings Plan**

The Board's ability to achieve its financial plan for 2010/11 will depend in large measure, on its ability to fully deliver a recurring cost savings plan of c.£57m in 2010/11. 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 2010/11.

In constructing cost savings plans for 2010/11, the Acute Division, the Mental Health Partnership and the other NHS partnerships including CH(C)Ps, 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 an internal target of £39m, and to develop schemes to achieve this higher target. Having categorised each of its individual plans as low, medium and high risk, it has identified £29.2m as a realistic outcome taking account of the risk of non-delivery of specific plans.

The Mental Health Partnership and other NHS partnerships have adopted a slightly different approach. 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. By managing the timing of expenditure with their budgets in this way, the risk of non-achievement of cost savings is contained.

In adopting this approach, the Acute Division and NHS partnerships have both provided for a measure of contingency against the non-achievement of cost savings in year in 2010/11.

There are also potential risks of non-delivery associated with those cost savings schemes included within the "strategic reviews" grouping.

With regard to the "Prescribing Practices Review" cost saving scheme, the approach to risk management of non-achievement has already been described within section 3(2) note (1), above, with further comment in section 4 (2).

With regard to the "Review of Tangible Asset Lives" cost savings scheme, until this is fully explored, there is clearly a risk that this may not be deliverable in the current financial year. In this light, it is planned to conclude an initial review of the potential for this scheme to be implemented by late June/early July 2010, so that the requirement for alternative schemes can be addressed, if required, at an early stage of the financial year.

Throughout 2010/11, the Board will continue to liaise with SGHD colleagues to ensure that SGHD is updated on progress made by the Board in taking forward its cost savings plan.

5. 2011/12 and beyond

A summary of the Board's outline financial plan for 2011/12 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 1% per annum. It remains to be seen whether this is a realistic assumption, in the light of evolving UK and Scottish government public spending plans.

(ii) **Expenditure**

The main planning assumptions used to forecast likely future expenditure growth for 2011/12 and 2012/13 are as follows:

	2011/12	2012/13	Notes
Pay Costs – overall increase	1%	1%	The paper presented to the PRG had assumed a pay freeze in 2011/12, with a 1% increase to Employers NIC in 2011/12; 1% pay growth was assumed for 2012/13. With the employers NIC increase now not likely to be implemented, but an increase in employees NIC still likely to go ahead, the assumption related to pay costs growth in 2011/12 has been adjusted with an overall 1% increase provided for. An equivalent level of increase is assumed for 2012/13.
Prices	1%	1%	As per 2009/10
Prescribing	6%	6%	As per 2010/11
Energy	-	-	As per 2010/11

(iii) **Financial Challenge**

In 2011/12, 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 £7m for as yet unidentified cost pressures, the Board would face a further financial challenge of £36.5m…this is calculated as follows:

	£'m	Note
Funding growth – assumed at 1%	23.1	
Less : Expenditure growth – pays, prescribing, non-pays, capital charges, other inflation	(47.6)	
Less : Currently anticipated service commitments	(5.0)	1.
Less : General provision for cost pressures as yet unidentified	(7.0)	2.
2011/12 – FINANCIAL CHALLENGE	**(36.5)**	
	==	

Notes :

1. Currently anticipated service commitments include specific provision for commitments related to Renfrew/Barrhead/Alexandria Medical Centres (£1.5m); implementation of National Screening Programmes (£1m); NHSGG&C share of additional costs of GJNH Cardio-thoracic Service (£1m); and a general provision for other minor expenditure commitments carried forward from 2010/11 (£1.5m).

2. This includes provision for all as yet unidentified cost pressures, including any step up in expenditure which is required to secure the achievement of Access targets.

In 2009/10 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 2010/11 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. In 2011/12, the Board 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 2011/12, including the expansion of existing treatments unless exceptional circumstances apply; or it may be necessary to consider a root and branch review of what are core and non core services with a view to ceasing the provision of services deemed to be non-core; 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 2011/12. Regular updates on progress will be provided to PRG throughout the year in tandem with the submission of regular financial monitoring reports on the 2010/11 financial outturn.

6. Recommendation

Board members are requested to review this report and approve the Board's 2010/11 financial plan.

7. Footnote

An extract from a paper presented to a Board Seminar on 6th April is attached at Appendix 3. This is provided for information only and gives a high level overview of the scale of the potential reduction in the Board's workforce in 2010/11, based on the high level workforce plan which was submitted to SGHD in April 2010.

APPENDIX 1

2010/11 Financial Plan – Projection of Expenditure Growth

Each of the main drivers which influence expenditure has 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 NHSGG&C and other NHS 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 NHS Board level.

(v) **Service Development** : cost increases which are driven, in the main, by decisions made at local or regional level involving NHSGG&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 2010/11, within each of these categories, is set out on the following page:

	Area of Expenditure Growth	Projected Increase 2010/11 £m	Explanatory Notes for 2010/11
A	**General**		
1.	Pays inflation	29.2	Provision for Agenda for Change basic pay increase of 2.25% plus cost of changes to Bands 1 to 3 & Band 5; general 1.0% provision for other staff groups.
2.	Prescribing cost growth / inflation	19.5	Current projections by prescribing advisers of likely cost increase relating to volume and price increases within Acute and Primary Care confirm growth / inflation of £19.5m, equivalent to an overall growth rate of 6% before savings initiatives, is realistic.
3.	Capital expenditure programme - impact on capital charges	4.8	Scale of capital programme, in particular medical equipment and information technology, is pushing up overall level of capital charges costs.
4.	Other non pays inflation		
	- legal / contractual cost commitments	1.5	PPP contracts / maintenance contracts etc.
	- general	4.4	Provision for general inflation increase of 1%
5.	Other providers, including resource transfer, cost inflation	4.9	Provision for uplift to payments made to other providers, assuming maximum uplift of 2.15%.
		64.3	
B	**National Policy and other statutory change**		
6.	Compliance with Food, Fluid & Nutrition policy	0.5	FYE of £1.0m investment in 2009/10.
		0.5	
C	**National Services - GGC share of increased funding required**		
7.	Increased demand for Recombinant Factor VIIa	0.4	GG&C share of national risk sharing agreement.
8.	National telecoms contract - additional cost	0.5	
		0.9	
D	**National Initiatives - impact on GG&C**		
9.	Bowel cancer screening	0.8	FYE of £1.2m investment in 2008/09 & 2009/10.
10.	Change to R&D funding arrangements	1.5	Withdrawal of funding support for R&D infrastructure. Net impact after adjusting for investment in primary care R&D.
		2.3	
E	**Service Development**		
11.	Regional service developments	0.4	Funded non-recurrently in 2009/10.
12.	Ambulatory care hospitals at Victoria / Stobhill	2.0	FYE of capital charge and other costs.
13.	Acute emergency services (Vale of Leven)	0.4	FYE of £0.5m investment in 2009/10.
14.	Renfrew & Barrhead HC additional costs	0.3	Additional capital charge and other costs.
15.	Access funding	5.0	Provision for step up in cost of meeting 18-week referral to treatment guarantee, net of additional 2010/11 funding provided by SGHD.
16.	Golden Jubilee Cardiothoracic services	0.4	NHSGGC share of additional cost of regional service.
17.	Other Commitments - general provision	2.0	Provision for other commitments yet to be identified / confirmed.
18.	C/fwd from 2009/10 FYE	2.1	
		12.6	
	Total Projected Expenditure Growth (A-E)	80.6	

APPENDIX 2

	2010/11			2011/12			2012/13			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)	(18.1)		(18.1)	(0.6)		(0.6)				1
Additional Funding										
General Funding Uplift	39.2		39.2	18.3		18.3	18.4		18.4	2
Other Funding Uplifts	5.5		5.5	4.8		4.8	4.9		4.9	3
PMS & PCS NCL										4
Release of Deferred Income & Provisions c/f		5.3	5.3							
	44.7	5.3	50.0	23.1		23.1	23.3		23.3	
General Inflation, Growth etc										
Pays	29.2		29.2	13.8		13.8	14.2		14.2	5
Supplies & Services	5.9		5.9	5.5		5.5	5.6		5.6	6
Prescribing Growth	19.5		19.5	19.4		19.4	20.4		20.4	7
Capital Charges	4.8		4.8	4.0		4.0	4.0		4.0	8
Other Providers	4.9		4.9	4.9		4.9	5.0		5.0	9
PMS & PCS NCL										10
"Capital to Revenue"	2.3		2.3							11
	66.6		66.6	47.6		47.6	49.2		49.2	
Unavoidable Service Commitments										
Prior Year b/f	2.1		2.1	1.5		1.5				12
Access Targets	5.0		5.0							13,14
Acute ASR Programme - Ambulatory Care Hospitals	2.0		2.0							13,14
Acute ASR Programme - New Adult & Children's Hospitals		1.7	1.7		1.7	1.7		1.7	1.7	13,14
Acute - Other	4.8		4.8	1.0		1.0				13,14
CHCP / CHP / MH / Other	1.6	3.0	4.6	2.5		2.5	0.3		0.3	13,14
	15.5	4.7	20.2	5.0	1.7	6.7	0.3	1.7	2.0	
Other Service Commitments										
General Provision for New Service Commitments	2.0		2.0	7.0		7.0	7.0		7.0	15
	2.0		2.0	7.0		7.0	7.0		7.0	
Cost Savings Plan										
Cost Savings Plan	(56.9)		(56.9)	(37.1)	(1.7)	(38.8)	(33.2)	(1.7)	(34.9)	16
	(56.9)		(56.9)	(37.1)	(1.7)	(38.8)	(33.2)	(1.7)	(34.9)	
In Year Surplus / (Deficit)	(0.6)	0.6								
Split of 2011/12 Cost Savings										
In-Year				(36.5)						
b/f from 2010/11				(0.6)						

Notes

1. Represents the excess of recurring expenditure commitments over recurring funding carried forward from 2009/10, including the £7m residual gap between recurring funding and expenditure related to “Clyde”.

2. General funding uplift is 2.15% in 2010/11 and is assumed to be 1% 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 NHSGG&C’s general funding uplift.

4. Nil uplift assumed for Primary Care Medical Services (PMS) & non cash limited funding and associated expenditure, therefore cost neutral.

5. For 2010/11 this covers (1) Agenda for Change staff - general pay uplift of 2.25% plus cost of changes to Bands 1 to 3 and Band 5; (2) Medical & Dental and other staff - a 1% provision for possible pay uplifts. A provision of 1% for pay growth has been made for 2011/12 and 2012/13.

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

7. This is based on prescribing advisers' detailed cost projections for acute and primary care services for 2010/11. An equivalent rate of growth is assumed for future years.

8. Provision for increase in capital charge costs associated with the growth increase in capital programme in recent years.

9. Provision for inflationary uplift of service level agreements with other NHS boards related to NHSGG&C patients and of resource transfer agreements with local authorities.

10. No provision at this stage for increased spend on PMS and non cash limited services is in line with assumption of no increase in funding allocation so overall impact is cost neutral.

11. Conversion of non-recurring cost provision to recurrent cost provision, consolidating Board commitment to ongoing asset maintenance.

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

13. 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 expenditure (£5m); new ambulatory care hospitals (£2m); funding support for R&D infrastructure (£1.5m); bowel screening programme (£0.8m); food, fluid and nutrition (£0.5m); NSD costs (£0.4); additional telecommunications costs (£0.5m)

14. 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.

15. £2m is set aside by way of funding cover for any further unavoidable high priority new service commitments which emerge during 2010/11 and which are not able to be covered by either earmarked funding allocations or additional cost savings. For 2011/12 & 2012/13, £7m has been set aside.

16. 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.

APPENDIX 3

Staffing Numbers

SGHD has asked the Board to submit a high level workforce plan for 2010/11 indicating the level of staff turnover which it anticipates during the year together with a projection of the movement in staffing numbers for 2010/11, linked to its financial plan. To produce this analysis, the Board has reviewed its financial plan to identify those areas where staff numbers can be expected to reduce, is presented below.

Staff Category	WTE Staff in Post Dec 09	Turnover Assumption 10/11 Assumed %	Turnover Volume 10/11 (wte)	WTE Staff - change in numbers in 10/11	
				Average change for 10/11	Full year change based at 31/3/11
Medical Consultants	1,312.30	5.79%	75.94	4.80	8.00
Medical Others	1,970.20			-12.60	-21.00
Dental	71.12	9.06%	6.44		
Nursing & Midwifery Trained	11,021.71	6.73%	741.34	-401.72	-669.53
Nursing & Midwifery Untrained	4,391.49	7.41%	325.47	69.97	116.62
AHPs	2,597,65	5.86%	152.27	-36.32	-60.53
Other Therapeutic	996.82	8.06%	80.31	-24.75	-41.25
Healthcare Science	1,789.56	4.26%	76.23	-35.27	-58.79
Admin & Clerical	5,519.31	7.47%	412.11	-189.23	-315.38
Facilities	3,765.43	6.69%	251.80	-108.04	-180.06
Management	413.46	7.26%	30.00	-18.30	-30.50
Total for Board	**33,849.05**	**6.4%**	**2,151.91**	**-751.45**	**-1,252,42**

The table shows that, excluding junior doctors, the Board anticipates staff posts to turnover at 6.4% in 2010/11, equivalent to 2,152 posts during the course of the year. Its high level manpower plan anticipates that the total number of staff employed will reduce by over 1,250 posts over the course of the year, as a direct consequence of natural wastage coupled with the implementation of service redesign within its Acute, NHS Partnerships and Corporate services. It is planned that this will predominantly be managed through staff turnover and redeployment, using voluntary severance only where necessary, unavoidable and appropriate, consistent with the terms of the Board's policy for voluntary severance.