NHS Greater Glasgow & Clyde

NHS BOARD MEETING

Director of Finance **June 2016** **Paper No: 16/32**

Financial Plan 2016/17

The Board is requested;

- **To consider the content of/and approve the 2016/17 Financial Plan; and**
- **To note the need for a change in financial planning for 2017/18 and beyond.**

Purpose of Paper:-

The purpose of this paper is to present the 2016/17 Financial Plan to the Board.

The Plan outlines the key elements of income and expenditure underpinning the financial challenge, together with explanation of financial pressures, potential investments and costs savings required. The Plan also outlines key risks to be managed and tangible actions to be implemented for the Board to have a chance of financial break-even.

The Plan also outlines the need for a change in financial planning for 2017/18 and beyond.

Key issues to be considered:-

The Board is facing the significant challenge of requiring £69m of recurrent in-year savings in order to break even. A comprehensive planning process involving all Directors and a wide range of managers, and in concert with the IJBs, set out to identify savings schemes to address the financial gap.

Within this Financial Plan, "green and amber" savings totalling £44.8m full year effect (£34.9m part year effect) have been identified. In addition, a range of "red rated" schemes have been identified, including some service redesign propositions totalling £11.7m full year effect (£8.6m part year effect). Consideration must also be given to both the underachievement of the Acute Cost Containment Programme and unachieved saving from 2015/16.

Taking into account all savings schemes identified, on a full-year effect for 2016/17, the Board still has a gap of £9.1m (rounded up to £10m). It is proposed at this stage that these savings maybe realised through the National Workstreams, or alternatively from additional savings schemes identified across the key parts of the business in-year.

Any Financial Implications from this Paper:-

Due to the timing of the implementation and impact of these schemes in-year, the Board has again recognised the need to cash manage the business towards the realisation of these savings. This will be achieved through the further utilisation of non-recurring provisions and reserves. For 2016/17, this will include a timing benefit repayable in future years through the reversal of historic provisions totalling £32.5m for NHSGGC.

This reliance on non-recurring sources of funding and reserves to achieve in-year balance is clearly not sustainable. The continued use of non-recurring funds and reserves in 2016/17 to fund day-to-day business will create a significant risk to the sustainability of the Board into 2017/18 and beyond. There is a real risk the Board enters 2017/18 with minimal reserves.

Although not a direct financial implication, this paper also highlights the need for a change in financial planning for 2017/18 and beyond. Due to the scale of the financial challenge and underlying recurring financial imbalance, a transformation programme will be required to deliver a step change in the size and scale of recurring savings and efficiencies needed in 2007/18 and beyond.

Any Staffing Implications from this Paper:-
A number of savings schemes involve elements of workforce rationalisation.

Any Equality Implications from this Paper:- None.

Any Health Inequalities Implications from this Paper:- None

Has a Risk Assessment been carried out for this issue? If yes, please detail the outcome:-

To have a chance of break-even, definitive management action and tangible results must be achieved around the following key risks;

- Achievement of the Acute cost containment programme, locum agency spend and sickness absence rates driving nurse bank and agency spend;
- Continued support from the Scottish Government around the achievement of key waiting times targets, particularly in the winter period;
- Managing any changes to the unscheduled care model within the current financial envelope;
- Achievement of all savings schemes outlined above, including service redesign propositions;
- Continued work to finalise, consult, approve and deliver the “red” rated schemes; and
- Achievement of £10m savings from the National Workstreams and/or identification, presentation and delivery to the October 2016 Board meeting of additional schemes equal to that sum from the three key areas of the business.

In terms of quantifying risk inherent in achieving break-even, and in addition to the unidentified £10m FYE gap, it is estimated the Financial Plan carries financial risk of between £20m to £25m. Should this risk crystallise, there are insufficient reserves to provide cover. It would require receipts from projected land sales to ensure financial balance. However, the complexity and uncertainty over the timing and level of receipt of land sales must also be highlighted.

Highlight the Corporate Plan priorities to which your paper relates:-

Improving Quality, Efficiency and Effectiveness

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Date – 22nd June 2016

16/32

NHS Greater Glasgow and Clyde

2016/17 - Financial Plan

June 2016

1. INTRODUCTION

1.1 This document presents the Board's 2016/17 Financial Plan (the Plan).

1.2 The Plan outlines the key elements of income and expenditure underpinning the financial challenge, together with explanation of financial pressures, potential investments and costs savings required.

1.3 The Plan also outlines key risks to be managed and tangible actions to be implemented for the Board to have a change of financial break-even.

1.4 The Plan highlights the significant and unprecedented financial challenge facing NHSGGC in 2016/17. Directors and Management have worked extensively to identify and design savings schemes to address the financial gap identified. This continued effort and dedication will also be required to deliver such a challenging savings programme.

1.5 The purpose of this paper is to present the 2016/17 Financial Plan to the Board. The Board is asked to;

- Approve the overall Plan and its underlying assumptions;
- Approve the setting of budgets and savings, allocated proportionately to each part of the business;
- Approve the budget with a £10m gap, to be met from the outcomes from the National Workstreams, or from £10m of additional savings schemes on a proportionately basis from each budget holder and presented to the October 2016 Board meeting;
- Approve the on-going work and discussions to address recurrently the underachieved projected 2015/16 recurrent savings (Acute £3m and HSCPs £7m);
- Approve the continued use of non-recurrent funding and reserves to manage the business in-year, accepting the diminishing levels of reserves and significant risks this creates to the financial sustainability of the Board;
- Approve the level of risk inherent in the Plan and the potential to use remaining reserves to cover this risk if required; and

1.6 The Board is also asked to note the need for a change in financial planning for 2017/18 and beyond. This will require the development and embedding of a more collegiate, continuous improvement environment that delivers savings on a more consistent basis. In addition, due to the scale of the financial challenge and underlying recurring financial imbalance, a transformation programme will be required to deliver a step change in the size and scale of recurring savings and efficiencies needed in 2007/18 and beyond.

Mark White
Director of Finance

2. BACKGROUND AND CONTEXT

2.1 In line with every year, the Board has been working through the financial planning cycle for several months. The financial planning process for 2016/17 has been particularly challenging as we interpret the amended Acute structure, including the running of the new Queen Elizabeth University Hospitals, and the formation of Integration Joint Boards (IJBs).

2.2 As we survey both the political and financial landscape into 2016/17 and beyond, it is imperative the Board establishes a process which ensures financial decisions which relate to a coherent strategic direction. This involves moving forward in concert with the IJBs. The Board now shares responsibility for strategic planning with the IJBs but retains responsibility for the allocation of the NHS budget between the services for which we retain direct operational responsibility and those managed by IJBs. IJBs need to develop and approve integrated service and financial plans for the NHS and Council services which are legally delegated to them before the end of this financial year.

2.3 While the LDP process has enabled Boards to set budgets beyond the beginning of the financial year, that flexibility has been in a context of relative certainty when we can set, or come close to setting, a balanced financial plan. As we continue to work through the financial planning process, setting a balanced Financial Plan is becoming more difficult each year.

2.4 That challenge also needs to be considered against the current overspends within the Acute Division, largely to sustain services in terms of staffing to ensure we deliver the national targets and meet pressures.

2.5 Therefore, in the current year, and going forward, we are significantly challenged to meet the costs of our current configuration of services and to deliver the required national targets.

3. STRATEGIC POSITION

3.1 The Board has a strategic direction which sets our purpose as:

> "***Deliver effective and high quality health services, to act to improve the health of our population and to do everything we can to address the wider social determinants of health which cause health inequalities."***

3.2 That purpose is amplified with five strategic priorities to move us towards achieving that purpose, these are:

- Early intervention and preventing ill-health;
- Shifting the balance of care;
- Reshaping care for older people;
- Improving quality, efficiency and effectiveness;
- Tackling inequalities.

3.3 The Board needs to set a fresh strategic direction for 2016/17 in Partnership with IJBs which are developing their own strategic plans. In many respects we have the material to set that clear strategic direction and to develop, alongside IJBs, the detailed service change plans which we need to put in place to deliver.

3.4 NHSGCC has:

- A mental health strategy progress through final capital development to deliver modern mental health services;
- A Clinical Strategy which maps out a clear direction for acute services, although not yet translated into detailed service plans and with a number of delivery challenges to be resolved;
- A pattern of change in community services which has improved the range and efficiency of those services but not yet the more radical developments to enable us to change the acute sector;
- Emerging local thinking about the development of primary care which we need to use to shape the national direction.

3.5 However, the financial and policy constraints within which we are working present real challenges to coherently move forward the five strategic priorities which will deliver our purpose. One of the key aims of the 2016/17 (and beyond) planning process is to make changes which align with our strategic direction, priorities and clinical strategies and enable us to deliver financial balance.

3.6 Further points of context are:

- The increasing demand (scheduled and unscheduled) and costs of acute services, means that we have made minimal progress in shifting resources to substantially develop primary care and community services;
- There are major workforce issues, filling staffing gaps is a major current cost problem, driven by:
    - medical workforce issues, which will only worsen;
    - staffing models which increase the unit costs of our current services; and
    - high levels of sickness absence;
- Immediate pressures on number of points on the system;
- Social care budget pressures including major issues in the care home sector;
- GP services struggling with demand pressures;
- real pressures on services which are impacted on by increasing numbers of vulnerable people;
- Drugs costs driven by the changed national regime.

4. PROPOSED PRINCIPLES FOR PLANNING

4.1 In order to ensure that we make financial decisions which align with our strategic direction we have established the proposed principles for planning. These have shaped the planning programme. The principles are:-

- Make financial decisions for 2016/17 which are in line with and enable us to move in coherence with our purpose, strategic direction and related strategies;
- Continue to give priority to patient facing services and ensuring these are always high quality and safe;
- Continuing to play our part in trying to reduce the inequalities which affect our population and have a strong focus on equality impacts in making our decisions;
- Ensure that our decisions do not have unintended consequences such as unplanned transfers of pressures, responsibilities or costs to other parts of the system;
- Our approach is whole system not localised savings targets, and is driven by:-
    - cost scrutiny in every part of the organisation, led by the local teams;
    - a whole system programme of change to deliver cost reduction;
- Our aim is to continue to deliver the key Scottish Government targets;
- We focus first on changes which make clinical and service sense and increase efficiency and productivity and reduce our unit costs;
- Where we propose to restrict access to services or stop planned developments we will have a clear framework for prioritisation of patient care linked to clinical benefit;
- We are committed to shifting the balance of care and resources but also recognise the pressures on acute services.
- All new national initiatives and proposals which have financial implications will be tested against our strategy and reported to Board for decision;
- Our decision making is under pinned by evidence about what delivers the safest, highest quality and most cost effective healthcare;
- We explicitly consider risks and benefits in making decisions;
- We remain committed to the importance of innovation and research to shape changes in the way we deliver care;
- We will work across boundaries with other Health Boards and public bodies to identify ways in which we can deliver services more efficiently.

We recognise that the scale of the challenge we face means that we are entering a period of significant change. Fundamental principles of our decision making are:-

- A commitment to engagement with patients and the wider public;
- A commitment to fully engage with our staff and their representatives in shaping, planning and delivering the changes to services which will be required.

5. DETAILED FINANCIAL POSITION

5.1 The Scottish Government set out its budget to the Scottish Parliament in December 2015. This set out an up lift of £511m or 5.3 % to the Health budget. The £511m is split £476m to territorial Boards and £35m to Special Boards. The table below highlights the key strands of funding available to NHS Scotland territorial Health Boards, and demonstrates how these translate for NHSGGC.

TABLE 1: The total uplift 2016/17

	All Boards £m	NHS GGC £m	Paragraph reference
Base Uplift @ 1.7%	147.0	33.7	5.2
Social Care Funding	250.0	59.4	5.3
SGHSCD Uplift	476.0	93.1	
Income from Other Boards		6.9	5.4
Reduction in Bundled Funding		(7.0)	5.5
Reduction in New Medicines Fund		(5.4)	5.6
Total Uplift		**87.6**	

5.2 A general uplift is provided by SGHSCD to support Boards in meeting expected additional costs related to pay, supplies (which includes prescribing growth and utilities charges) and capital charges.

5.3 SGHSCD has provided £250.0m, to be directed to Integrated Health and Social Care Partnerships, to ensure improved outcomes in social care.

5.4 By applying an agreed general inflationary uplift to the value of service level agreements with other NHS Boards related to patient services provided by NHSGGC, NHSGGC can reasonably expect to receive further income of around £6.9m in 2016/17. This includes a further £2.0m from NHS Highland as it stabilises its SLA value.

5.5 SGHSCD has confirmed that funding outwith Boards' recurring allocations will be reduced. The total reduction is likely to be £7.0m, comprising Alcohol (£2.1m), Drugs (£2.2m) & other bundled funding (£2.7m).

5.6 In 2015/16 the SGHSCD distributed £85m of receipts from the Pharmaceutical Price Regulation Scheme as income to Boards. For NHSGGC this represented £20.1m of income. In our initial 2016/17 financial planning, in the absence of any other information, we assumed a similar 2015/16 position. However, it was confirmed that in 2016/17 SGHSCD estimated the receipts to be approximately £60m (down from an initial estimate of £90m). As such, our share in 2016/17 is likely to be £14.7m. This represents a reduction of £5.4m of income.

5.7 A summary of the Financial Plan is shown below. Each of the items is explained in more detail in **Appendix 1**.

TABLE 2: The overall financial position 2016/17

		Jan 16 £m
2016/17 Funding Uplift		
Total uplift		87.6
Carry Forward from 2015/16		
Forecast recurring over/under commitment		(0.0)
Cost Drivers		
Pay Cost Growth		(50.5)
Prescribing Cost Growth		(25.6)
Energy Cost Growth		(0.0)
Capital Charges Growth		(4.0)
Other Cost Inflation		(10.1)
		(90.2)
Service Commitments		
Social Care		(59.4)
Pressures and Investments		(7.0)
		(66.4)
Cash Releasing Financial Challenge		**(69.0)**
Cash Releasing Financial Challenge		**3.3%**

5.8 Important points to note in relation to the pharmacy number in the above table are;

- prescribing savings of £3.0m (Acute) & £5.0m (Primary Care) which have been netted off the relevant prescribing uplifts;
- Reductions in prices of drugs for the treatment of Hepatitis C will release £9.1m.

5.9 In developing the Plan we have assessed relevant risks. It is proposed we retain the Board's £5.0m recurring contingency. It is not appropriate to decide at this stage how these funds will be used but it is clearly prudent to build some central flexibility into a Plan that has £3.0bn of expenditure, potential unexpected pressures and a larger number of areas of significant financial risk.

5.10 In addition, some of the key operational risks that the Board will face in-year 2016/17 include medicines and integration of health and social care. These risks are described below:

- Medicines risks include the cost of new medicines, including those for Hepatitis C, and orphan / ultra-orphan and end of life medicines. In line with SGHSCD guidance, the Plan includes assumptions about funding available from the new medicines fund.

- The Board is responsible for allocations to the new IJBs. In approving Integration Schemes the Board agreed in principle to allocations which reflected IJBs financial and savings plans for 2016/17 with the likelihood of enabling financial balance to be achieved in 2016/17 and the IJBs to be established on a financially viable basis. A number of the savings plans may be non recurrent, posing real challenges for the IJBs to deliver recurrent balance in 2016/17. It is also important to underline the substantial pressures on social care budgets which will flow through from Council allocations to IJBs from 2016/17 onwards.

- The Acute division continues to experience significant cost pressures in Medical pay where significant expenditure on agency and locum cover has been incurred to support activity levels. Actual non elective and elective inpatient activity continues to increase significantly, together with long-term vacancies, difficulties recruiting and the requirement for waiting list initiatives to achieve TTG targets. Nursing pay also continues to be a significant cost pressure, with excess bank and agency spend driven by activity levels and accentuated by higher than average sickness/absence rate.

5.11 Other key risks to the Plan are set out below.

- Savings Schemes: The delivery of savings schemes, including the bed model, at a time when capacity is already stretched is a major challenge.

- Prescribing: Prescribing costs are demand driven and vary throughout the year. Although we believe that our projections of costs and savings are realistic, we continue to monitor this area closely to ensure that we are aware of any changes in prescribing patterns.

- Referral to Treatment Standard: To help support delivery of referral to treatment performance, SGHSCD has made available additional non-recurring funding. If funding is no longer available, this may have an impact on our performance.

- Winter Pressures: We recognise the seasonal impact that winter has on demand for services. We need to consider whether we factor in funding non-recurringly to meet the additional costs incurred.

6. SAVINGS TO ACHIEVE FINANCIAL BALANCE

6.1 The assessment of the financial position in 2016/17 was first conducted in October 2015 and presented to the Board at an Away Day. Whilst the projections were evolving and subject to continual updating, in parallel, the Executive Management team commenced a process to identify a set of strategic savings initiatives that would deliver the required savings to achieve financial balance.

6.2 As outlined above, this process continued through the winter months, with a summary of progress delivered to the Board Seminars / Away Days in February and early April 2016.

6.3 A process of consultation was also conducted with staff side and with the Scottish Government Health and Social Care Directorates.

6.4 As savings schemes were identified within the Board, each was quantified in terms of its full year effect / current year effect and allocated a “risk rating” (green, amber or red) in terms of;

- its achievability/likelihood;
- accuracy of the projected saving;
- extent of impact and consequences;
- requirement for Board approval / public consultation.

6.5 The breakdown of these numbers, split into green/amber and red, is provided in greater detail below and in **Appendices 3-5**;

TABLE 3: Breakdown of savings position 2016/17 - Green and Amber Schemes

NHSGCC	CYE	FYE	
Green and Amber Schemes	**16/17 £m**	**16/17 £m**	
Corporate Budgets			
Department			
Facilities	7.00	9.06	**Refer appendix 3**
Finance	0.50	0.50	**Refer appendix 3**
HI&T	1.51	1.51	**Refer appendix 3**
HR	0.60	0.60	**Refer appendix 3**
Nursing	0.20	1.20	
Public Health	0.95	0.95	**Refer appendix 3**
Corp Planning and Policy	0.25	0.25	
Corp Affairs	0.25	0.25	
Medical Director - Corporate	0.70	0.70	**Refer appendix 3**
Procurement	2.15	3.40	**Refer appendix 3**
	14.11	**18.42**	
Balance sheet management			
Re-assessment of asset lives and non-cash DEL	**3.00**	**3.00**	
Partnerships			
Staff and service rationalisation	7.75	7.75	**Refer appendix 4**
Bundled funding (including A&D)	1.80	1.80	**Refer appendix 4**
	9.55	**9.55**	
Bundled funding - Board share			
E- health - held from Strategic Fund	**1.30**	**1.30**	
Acute			
Various Acute local schemes	5.52	10.72	**Refer appendix 5**
Review use of Douglas Inch Forensics Estate	0.00	0.04	
	5.52	**10.77**	
Other initiatives			
Additional Pharmacy Efficiencies - DOACs	1.00	1.00	
Cease supply of gluten free bread	0.50	0.80	
	1.50	**1.80**	
Total Green and Amber Schemes	**34.98**	**44.83**	

TABLE 4: Breakdown of savings position 2016/17 - Red Schemes

NHSGCC			
Red Schemes			
	£m	**£m**	
Corporate			
VAT Reclaim Schemes	1.50	1.50	
	1.50	**1.50**	
Balance sheet management			
Re-assessment of asset lives and non-cash DEL	**3.00**	**3.00**	
Partnerships			
Physio	0.14	0.14	
Health Improvement	0.40	0.70	
	0.54	**0.84**	
Acute			
Clinically led service redesign propositions 2016/17	**3.09**	**5.89**	
Miscellaneous			
Reduction in medicines waste	0.50	0.50	
	0.50	**0.50**	
Total Red Schemes	**8.63**	**11.73**	

6.6 It is also important to highlight a number of clinically led service redesign initiatives included within the above schedules. Work continues around these, including dialogue and consultation where required.

Assumptions and Investments

6.7 Within the Financial Plan there are a number and range of assumptions and proposed investments (Table 1 and Appendix 1 point 7). As these are constantly subject to analysis and revision, the following key amendments require to be highlighted and adjusted with this LDP:

- Auto-enrolment – within the pay cost growth figure of £50.5m in Table 2 and Appendix 1 (point 1) is a provision of £5m for auto-enrolment to superannuation. This figure represents a prudent estimate of the number of staff who would enrol. However, since the April pay-run, a significant number of staff have opted out of the pension scheme and we expect more staff to opt out through June 2016. This provision has therefore been reduced to £3m.
- Service Investments – we continue to provide a range of specialist national services. The initial provision of £1.3m for increasing costs for Deep Brain Stimulation will be contained within the current service provision and income recovery model.

Overall Position and Remaining Gap

6.8 Summarised below in Table 5 is a summary of the current overall position.

TABLE 5: The overall savings position 2016/17

NHSGCC	CYE	FYE
Savings Summary	**16/17**	**16/17**
	£m	**£m**
2016/17 Savings Target	**69.00**	**69.00**
Savings summary achievability		
Green	20.08	20.35
Green/Amber	9.40	12.85
Amber	5.50	11.63
Total Green and Amber	**34.98**	**44.83**
Red	8.63	11.73
Total savings identified to date	**43.61**	**56.56**
Remaining gap - further savings required	**25.39**	**12.44**
Revisions to initial assumptions/investments	-3.30	-3.30
	22.09	9.14
Acute Division - cost containment cover	7.50	0.00
Cash requirement in-year	**29.59**	**9.14**

6.9 Acute Management drafted a £10m cost containment strategy in December 2015 to take effect before the 31st March 2016 in order to start the new financial year at, or close to, balance. However, this has proved extremely challenging, with the pressures around increasing demand and vacancies driving locum agency spend and sickness absence rates driving nurse bank and agency spend, and the continual use of winter beds which have remained open at a cost of circa £1.2m per month.

6.10 The Board will require to provide cash coverage (£7.5m) whilst the cost containment programme delivers. In addition, the Acute Division underachieved projected 2015/16 recurrent savings by £3m and HSCPs underachieved by £7m. These were covered non-recurrently in-year by each Division. However, further work and discussions are currently on-going to establish if these can be covered internally again in 2016/17.

6.11 It is clear from the above table that in addition to £11.7m of complex and challenging "red risk" rated schemes, on a full-year effect for 2016/17, the Board still has a savings gap of £9.1m (rounded up to £10m). It is proposed at this stage that these savings maybe realised through the National Workstreams.

National Workstreams

6.12 Through the joint work of the Chief Executives, Directors of Finance and Scottish Government colleagues a number of workstreams have been developed both to support Boards in their local delivery of savings plans, and to examine whether a national approach to certain propositions can be agreed and delivered. Work is on-going to determine whether these national initiatives will have a further positive impact locally.

6.13 A number of these workstreams are already incorporated in our local schemes (and 2016/17 cost containment programme) but a small number could deliver savings to NHSGGC. This includes a review of effective prescribing medicines and Shared Services for both corporate and clinical support functions.

6.14 However, until the outcome of these national workstreams become clear and for the purposes of achieving financial balance, the £10m will be allocated proportionately, and the three parts of the business are therefore required to identify additional schemes to close the gap – and present these to the October 2016 Board meeting. Should the national workstreams subsequently deliver the projected savings in-year, these additional local savings schemes will be deferred into 2017/18.

Allocation of Budgets

6.15 In order to ensure that we make financial decisions which align with our strategic direction we established a set of the principles which have previously been reported to the Board. These principles, explained above, have underpinned a whole system approach to financial planning and addressing savings in 2016/17.

6.16 However, in order to set budgets across the organisation, and to enable IJB Chief Officers to start setting Commissioning Strategic Plans the Board's uplift (1.7% / £33.7m) and cost pressures (£102.7m) must be apportioned across the three key parts of the business (Table 6 below) proportionately. This was performed on an indicative basis and communicated in writing to Chief Officers (and Non-executives) in March 2016 to enable financial planning. The £59.4 million allocated wholly to IJBs to fund Social Care has been excluded. It is for each individual IJB to separately negotiate their share of these monies.

TABLE 6 – 2016/17 Allocation of Uplift and Cost Pressures Across the Board

	Corporate Functions and Acute £m	Partnership £m	Total £m
Allocation of Uplift	20.8	12.9	33.7
Cost Pressures	69.8	32.9	102.7
2016/17 Gap	**49.0**	**20.0**	**69.0**

6.17 Upon approval of this Financial Plan, all budget holders will be formally notified of their budgets and the need to find additional savings to achieve the £69m target.

Managing in-year

6.18 As outlined above, Directors and Managers continue to work to address the remaining savings gap and finalise a balanced Plan. Due to the timing of the implementation and impact of these schemes in-year, the Board has again recognised the need to cash manage the business towards the realisation of these savings.

6.19 This will be achieved through the further utilisation of non-recurring provisions and reserves. For 2016/17, this will include a timing benefit repayable in future years through the reversal of historic provisions totalling £32.5m for NHSGGC. This was identified as part of the national Balance Sheet Flexibility Group and involves reclassifying the funding source of pre-2010 provisions, particularly in relation to Pension and Injury Benefit provisions. This does not impact on the actual level of provision, just the funding source, and will involve a charge to the RRL as the liabilities crystallise over a number of future years.

7. SUMMARY AND CONCLUSION

7.1 This Financial Plan demonstrates how the Board has worked, and will continue to work, to achieve financial balance in 2016/17. A significant number of savings schemes have been identified to address the financial gap. However, many of these are "red" rated and as such, there are significant risks around their delivery.

7.2 The current Plan contains a £10m FYE gap. The Board has previously intimated it has a risk appetite for setting a budget with a gap. Whilst this gap is expected to be covered by the outcomes from the National Workstreams, to mitigate that risk, each key budget holder will be required to (proportionately) present schemes to this value at the October 2016 Board meeting.

7.3 In addition, discussions and wider consultations remain ongoing with Scottish Government colleagues around various elements of this Plan.

Managing the Risk

7.4 It is clear from the above detail there is a real risk the Board will not achieve financial break-even in 2016/17. There are numerous risks to achieving break-even, the more operational risks of which are summarised above at paragraph 5.12.

7.5 To have a chance of break-even, all these risks must be managed. In addition, definitive management action and tangible results must be achieved around the following key risks;

- Achievement of the Acute cost containment programme, locum agency spend and sickness absence rates driving nurse bank and agency spend;
- Continued support from the Scottish Government around the achievement of key waiting times targets, particularly in the winter period;
- Managing any changes to the unscheduled care model within the current financial envelope;
- Achievement of all savings schemes outlined above, including service redesign propositions;
- Continued work to finalise, consult, approve and deliver the "red" rated schemes; and
- Achievement of £10m savings from the National Workstreams and/or identification, presentation and delivery to the October 2016 Board meeting of additional schemes equal to that sum from the three key areas of the business.

7.6 In terms of quantifying risk inherent in achieving break-even, and in addition to the £10m FYE gap outlined above, it is estimated the Plan carries financial risk of between £20m to £25m. Should this risk crystallise, there are insufficient reserves to provide cover. It would require receipts from projected land sales to ensure financial balance. However, the complexity and uncertainty over the timing and level of receipt of land sales must also be highlighted.

7.7 Whilst the Board at this point continues to work toward a balanced budget for 2016/17, it is apparent that again in 2016/17 the Board will be reliant on non-recurring sources of funding and reserves to achieve in-year balance. This position is clearly not sustainable. The continued use of non-recurring funds and reserves in 2016/17 to fund day-to-day business will create a significant risk to the sustainability of the Board into 2017/18 and beyond. There is a real risk the Board enters 2017/18 with minimal reserves.

Financial Planning 2017/18 and Beyond

7.8 As part of the 2015/16 financial planning process, the Board's internal auditors (PwC) were invited to perform a review of the process. The report concluded that "*the financial planning process is operating as intended and has evolved to reflect the significance of the financial gap and establishment of Integration Joint Boards".*

7.9 However, the report also highlighted *"the need for the timing of the financial planning process should commence earlier in the financial year*" and *"transparency at Board level is required of the progress being made to deliver the plan and to support strategic decision making that may be required".*

7.10 There is a need for a change in financial planning for 2017/18 and beyond. This will require the development and embedding of a more collegiate, continuous improvement environment that delivers savings on a more consistent basis. The Board has an excellent track record of achieving savings and improving efficiency. However, due to the scale of the financial challenge and underlying recurring financial imbalance, a transformation programme will be required to deliver a step change in the size and scale of recurring savings and efficiencies needed in 2007/18 and beyond.

7.11 This will include the Board devising a 3-5 year Strategic Plan, drafted in conjunction with IJBs, to ensure a model of affordable service delivery and quality patient care up to, and beyond, 2020.

APPENDIX 1 – NOTES TO SECTION 5 (Table 2)

1. Pay cost growth:

Pay cost growth comprises:

	£m
Provision for 1% uplift	15.3
Provision for additional low pay costs	4.2
Provision for additional Employers' National Insurance	25.0
Provision for discretionary points	1.0
Provision for auto-enrolment to Superannuation	5.0
	50.5

Pay provision: Current indications are that a provision of 1.0% for pay uplift in 2016/17 is reasonable. On top of the 1.0%, provision has been made for a minimum payment of £400 for staff earning up to £22,000.

Superannuation: A provision of £25.0m has been made for the abolition of the employers' 3.4% "contracted out" rebate for staff members of the NHS Superannuation scheme.

Discretionary Points: A provision of £1.0m has been made for the on-going impact of funding additional discretionary points.

Auto-enrolment to Superannuation: A provision of £5.0m has been made for the estimated cost of employees remaining in the superannuation scheme after auto-enrolment.

Incremental pay progression – AfC: The experience of monitoring Agenda for Change (AfC) related pay trends has helped the Board develop a detailed understanding of the effect of incremental pay progression. This has enabled us to carry out a detailed forecast of pay growth for 2016/17, using current staff turnover ratios by staff category. The pay modelling has indicated incremental pay progression for AfC will not be a cost pressure in 2016/17, so no provision has been made for additional costs.

Incremental pay progression – Consultants: There was an increase in average seniority, and hence costs, of consultants in the past two years. This is because of a fall in turnover. However, the pay modelling has indicated incremental pay progression for Consultants will not be a cost pressure in 2016/17, so no provision has been made for additional costs.

2. **Prescribing:** The prescribing cost growth projection for 2016/17 is based on information from the Board's Prescribing Advisers. It includes provision for likely cost increases related to growth in new and existing drug treatments within Acute Sector, including new drugs approved by SMC, and makes a realistic level of provision for likely growth in volume / prices, based on current trends, related to drug treatments prescribed within Primary Care. The results of this work are summarised below.

	£m
Primary Care	20.7
Acute	22.0
Hepatitis C	(9.1)
Gross Uplift	33.6
Primary Care Savings	(5.0)
Acute Savings	(3.0)
Total	**25.6**

Current estimate of Hepatitis C costs for 2016/17 is £10.9m. The existing recurring budget is £20.0m, so a reduction of £9.1m is required

3. **Energy:** Current estimates are, given the recent oil price decline, that no additional provision is required for 2016/17.

4. **Capital charges:** Indexation of asset values is anticipated to add £4.0m to capital charges.

5. **Other costs inflation:** 1.0% general provision has been set aside for inflation on non-pay costs excluding prescribing costs, energy costs, and capital charges costs. 1.7% has been set aside for uplifts to Resource Transfer, inflation on legal / contractual cost commitments and inflation on amounts payable to other NHS Boards, Local Authorities and Voluntary Organisations, related to SLAs.

6. **Social care:** SGHSCD has provided £59.4m, to be directed to Integrated Health and Social Care Partnerships, to ensure improved outcomes in social care.

7. **Pressures and Investments:** £7m has been set aside to fund the following key pressures and potential investments:

	£m	
Nursing Skill Mix	4.0	Potential additional costs
National Services	1.3	Deep Brain Stimulation
Robotic Prostatectomy	0.7	Per business case
Satellite Radiotherapy	0.7	Per business case
Research & Development	0.3	Reduction in funding
	7.0	

APPENDIX 2 – SUPPORTING NOTES TO SECTION 5

1. Represents the excess of recurring expenditure commitments over recurring funding carried forward from 2016/17.

2. An uplift of 1.7% has been assumed.

3. Assumed uplift to existing funding allocations where notification remains outstanding. This includes uplifts to a number of SGHSCD funding allocations, uplifts to national services and service level agreements with other Boards.

4. 0.5% uplift assumed for Primary Care Medical Services (PMS) & non cash limited funding and associated expenditure. Cost neutral impact.

5. For 2017/18 & 2018/19 a provision of 1.0% for general pay uplifts with a minimum of £400 for lower paid staff has been made.

6. This covers anticipated price inflation related to existing PPP commitments plus 1% to cover general inflation and growth on non pay costs.

7. This is based on an assessment of prescribing advisers' outline cost projections for acute and primary care services. For 2017/18 & 2018/19, indicative values based on general uplifts in 2016/17 have been used. This is a volatile area where, depending on drug approvals, cost pressures could be significant.

8. Provision for ongoing real increase in energy costs. The provision is an estimate of the possible increase in tariff charges.

9. Provision for increase in capital charges as a result of indexation of asset values.

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

11. 0.5% provision for increased spend on PMS & non cash limited services is in line with assumption of 0.5% increase in funding allocation. The overall impact is cost neutral.

12. This grouping includes all other unavoidable service commitments including:

- Robotic prostatectomy full year effect;
- Possible loss of R&D income.

13. Provision for cost pressures to come. This amount required will be kept under review.

14. Cost savings values required to bring the Plan into balance.

APPENDIX 3 – DETAILS OF CORPORATE SAVINGS SCHEMES

Corporate Budgets	CYE	FYE
GREEN AND AMBER SCHEMES	**16/17 £m**	**16/17 £m**
Facilities		
Soft FM pay and staff savings	2.295	3.060
Efficiencies in non essential maintenance budgets	1.500	1.500
Further soft FM pay savings	0.917	1.223
Catering - staff and patients. final phase of patient catering strategy	0.500	0.500
Catering - improve commercial performance of outlets	0.300	0.300
Transport and travel - various rationalisation proposals	0.140	0.247
Biomass boiler and Board wide Energy Saving campaign	0.752	1.014
Replace rental of Clyde channels by outright purchase	0.250	0.507
Various initiatives ahead of National Shared Business Case	0.234	0.507
Other minor schemes	0.116	0.199
	7.004	**9.057**
Finance		
Rationalisation of team structure	0.350	0.350
Audit contracts renegotiations	0.025	0.025
Other minor schemes	0.125	0.125
	0.500	**0.500**
HI&T		
Review of eHealth Record Services	0.370	0.370
eHealth redesign of IT services	0.080	0.080
eHealth staff rationalisation	0.264	0.264
Others/Slippage 15/16	0.800	0.800
	1.514	**1.514**
Human Resources		
Dept Restructuring and rationalisation of posts	**0.600**	**0.600**
Public Health		
changes to national vaccine programme	0.250	0.250
reductions in discretionary spend on professional fees	0.045	0.045
research commissioning	0.051	0.051
HI programme delivery and staffing reduction	0.486	0.486
Other minor schemes	0.114	0.114
	0.946	**0.946**
Medical Director - Corporate		
Various schemes TBC	**0.700**	**0.700**
Procurement		
Commercial/gain share Review of top 50 suppliers	1.000	2.000
NSS/WoS contract/tendering efficiencies	0.750	1.000
Scottish Govt Framework Contracts Temp Workers	0.250	0.250
Various schemes	0.150	0.150
	2.150	**3.400**
Grand Total	**13.414**	**16.717**

APPENDIX 4 – DETAILS OF PARTNERSHIP SAVINGS SCHEMES

Partnerships	CYE	FYE
GREEN AND AMBER SCHEMES	**16/17 £m**	**16/17 £m**
Universal Childrens Services	0.900	0.900
Workforce Planning	3.200	3.200
MH Inpatient Services Redesign	0.600	0.600
Oral Health	0.500	0.500
Integration - realignment in ED	0.250	0.250
Mental Health Strategy	1.000	1.000
Adult Cont Care	1.300	1.300
- Bundled funding (including A&D)	1.800	1.800
Grand Total	**9.550**	**9.550**

APPENDIX 5 – DETAILS OF ACUTE SAVINGS SCHEMES

Acute Budgets	CYE	FYE
GREEN AND AMBER SCHEMES	**16/17 £m**	**16/17 £m**
Workforce		
Admin review and management costs	0.430	0.802
Nursing and AHP reviews	0.353	0.785
Junior Doctors review in W&C	0.100	0.325
Identification of long term vacancies	0.080	0.080
Radiotherapy staff review	0.080	0.080
	1.043	**2.072**
Prescribing Targets across all Directorates	**0.909**	**1.534**
Service Redesign		
Review GGH beds and 7 day wards	0.188	0.226
West MIU	0.310	0.414
Clyde Orthotics to in-house service	0.090	0.125
Diagnostics - Point of Care Testing, DCPB/Med		
Illustration Review, Test Type Changes	0.150	0.250
Regional - Haematology, Rotational Physios Skill Mix, CIC	0.116	0.193
South Day Hospital	0.046	0.092
North - review of Psychology Service	0.025	0.050
North Sector Weight Management & Pain Service Reviews	0.000	0.145
	0.925	**1.495**
Non-pay		
Standardise/Rationalise	0.177	0.350
Procurement - all sectors	0.255	0.690
Diagnostics	0.087	0.115
Regional Services	0.048	0.061
Women & Childrens	0.400	0.800
HoP - system wide procurement review	0.500	1.900
	1.467	**3.916**
Bed Model		
Bed Model - beds identified re activity/occupancy	0.100	0.100
Regional Services Bed Model review of low occupancy	0.135	0.162
	0.235	**0.262**
Productivity		
Speciality Reviews	**0.270**	**0.495**
Others		
Income opportunities		
- Womens and Childrens	0.150	0.300
- Regional Services	0.130	0.130
- Diagniostics	0.025	0.080
Westmarc Review	0.040	0.040
CRES gains 15/16	0.250	0.250
Protection Costs Recovery via Staff Turnover	0.075	0.150
	0.670	**0.950**
Grand Total	**5.519**	**10.724**

NHS Greater Glasgow & Clyde

NHS BOARD MEETING

Director of Finance and Director of Facilities and Capital Planning **June 2016**

Capital Plan 2016/17 to 2018/19

The Board is requested to consider the content of/and approve the Capital Plan 2016/17 to 2018/19

Purpose of Paper:-

The purpose of the paper is to present the Board's Capital Plan for financial years 2016/17 to 2018/19 for approval. Refer to Appendices 1 & 2.

Key Issues to be considered:-

The purpose of the paper is to set out how the Board plans to deploy the initial allocation of capital funds on individual schemes in 2016/17. In recognition that many of the 2016/17 schemes have spend profiles that continue into 2017/18, the Board is asked to approve the capital plan for 2016/17 and 2017/18 and to note the indicative 2018/19 plan at the present time.

Expenditure on all capital schemes will be monitored throughout the year and reported to the Capital Planning Group to ensure that a balanced capital position is maintained. The Capital Planning Group is scheduled to meet on a bi-monthly basis throughout the forthcoming year in order to oversee the process of managing expenditure levels within available funds and ensuring that any new capital funds are approved in line with delegated authority levels.

The Capital Plan 2016/17 to 2018/19 sets out the Board's capital investment intentions across the Acute, Mental health, E health, Formula Allocation and HUB Schemes.

The draft capital plan has been submitted to and approved by the Capital Planning Group (CPG). The plan submitted to the Board for approval has a few minor adjustments to the plan approved by the CPG.

Any Patient Safety /Patient Experience Issues:- The core capital programme is aimed to improve the quality of the built environment which will lead to improvements to tangible and intangible benefits to the patient experience.

The Formula Capital (minor works) will be invested in spend to save schemes (eg, installation of energy efficient LED lights), schemes that will also positively impact on the backlog maintenance position and condition improvement of the built environment.

Any Financial Implications from this Paper:-

Financing of the capital plan is predicated on the estimated capital receipts for land disposals being realised and Board members should be aware that any under achievement will require the cash flows note in the capital plan to be re forecast. The Director of Finance and the Director of Facilities and Capital Planning will monitor capital receipt forecasts and income generation with support from colleagues seconded from the Scottish Future's Trust (SFT).

Any Staffing Implications from this Paper:- None.

Any Equality Implications from this Paper:- None.

Any Health Inequalities Implications from this Paper:- None

Has a Risk Assessment been carried out for this issue? If yes, please detail the outcome:-

No. However, Board members should be note that risk assessments will be carried out for individual projects noted in the capital plan during the procurement process.

Highlight the Corporate Plan priorities to which your paper relates:-

Improving Quality, Efficiency and Effectiveness

Author – Director of Finance and Director of Facilities and Capital Planning
Tel No – 0141 211 0270
Date – 21st June 2016

APPENDIX 1

Capital Plan 2016/17 to 2018/19

	Allocation 2016/2017 £'000	Allocation 2017/2018 £'000	Indicative Allocation 2018/19 £'000
Forecast Capital Resources	**£85,652**	**£65,364**	**£46,744**
Expenditure			
Gartnavel Hospitals Campus			
OPD Transfer from WIG to GGH	£0	tbc	tbc
Refurbishment of Laboratory at GGH	£400	£0	£0
GGH Theatres	£0	£2,700	£1,300
Level 7 - GGH	£1,010	£0	£0
Gartnavel Tower - Further Works	£180	£0	£0
Relocation of Drumchapel Hospital to GGH (Level 8)	£4,647	£0	£0
Ambulance Bay Works at GGH	£693	£1,500	£0
Improvements to Regeneration Kitchen at GGH	£2,780	£0	£0
Demolition of Shelley Court at GGH	£400	£0	£0
Demolition of Modular Unit at GGH	£50	£0	£0
Demolition of Water Tower at GGH	£130	£0	£0
Development of Masterplan at GGH	£200	£0	£0
Car Parking Provision at Gartnavel Hospitals	£600	£0	£0
Total Gartnavel Hospitals Campus	**£11,090**	**£4,200**	**£1,300**
Glasgow Dental Hospital			
Dental Hospital Phased upgrade	£1,364	£1,000	£500
Total Glasgow Dental Hospital	**£1,364**	**£1,000**	**£500**
Glasgow Royal Infirmary			
Demolition of Lister Building at GRI	£480	£475	£0
GRI Upgrade Wards 12a and 12	£1,500	£0	£0
GRI Upgrade Wards 20 and 21	£0	£2,441	£0
Further Phase of GRI Ward Upgrade Programme	£0	£0	£2,300
Total Glasgow Royal Infirmary	**£1,980**	**£2,916**	**£2,300**
Inverclyde Royal Hospital			
Infrastructure - IRH	£400	£2,000	£1,500
Total Inverclyde Royal Hospital	**£400**	**£2,000**	**£1,500**

APPENDIX 1

Capital Plan 2016/17 to 2018/19

	Allocation 2016/2017 £'000	Allocation 2017/2018 £'000	Indicative Allocation 2018/19 £'000
QEUH and RHC Campus			
QEUH - Remaining Works, including S.75 Payments	£10,736	£0	£0
Remaining Car Parking Provision	£4,012	£0	£0
Demolition of SGH Buildings Post QEUH Migration & Landscaping	£2,192	£0	£0
QEUH Enabling Works - HV/LV Cable	£43	£0	£0
INS - Overcladding & Window Upgrade	£1,947	£0	£0
INS Theatres Suite Redevelopment	£300	£4,000	£2,600
INS Ward 62 Refurbishment	£100	£2,300	£0
INS Infrastructure	£2,520	£2,500	£3,000
INS/ Spinal Unit - Upgrade to Ground Floor Corridor	£200	£0	£0
Neurology Entrance	£100	£1,800	£0
Neurology Recladding	£750	£750	£250
Neurology Link Bridge	£150	£2,000	£0
AMB/ CMB - External Façade Upgrade	£1,000	£0	£0
AMB/ CMB - Internal Refurbishment	£0	£5,000	£2,000
NHSGGC Floor in ICE Building	£6,038	£0	£0
Increase Capacity at Langlands Unit	£1,600	£800	£0
Total QEUH and RHC Campus	**£31,688**	**£19,150**	**£7,850**
Royal Alexandra Hospital			
RAH - Refurbishments and Reconfiguration (Fees)	£350	£0	£0
RAH - ITU	£1,000	£3,200	£0
RAH Infrastructure	£600	£0	£0
Total Royal Alexandra Hospital	**£1,950**	**£3,200**	**£0**
Stobhill Hospital			
Enabling Works for Stobhill site Rationalisation	£264	£0	£0
Development of Rowanbank Clinic	£500	£5,000	£2,500
Total Stobhill Hospital	**£764**	**£5,000**	**£2,500**
Yorkhill Hospital			
Interim Office Accommodation at Yorkhill	£253	£0	£0
Relocation of CAMHS at Yorkhill	£650	£0	£0
Total Yorkhill Hospital	**£903**	**£0**	**£0**
Diagnostics			
Radiotherapy Equipment Replacement	£3,288	£5,681	£6,150
PET Scanner	£0	£0	£2,671
Total Diagnostics	**£3,288**	**£5,681**	**£8,821**

APPENDIX 1

Capital Plan 2016/17 to 2018/19

		Allocation 2016/2017 £'000	Allocation 2017/2018 £'000	Indicative Allocation 2018/19 £'000
Corporate				
Board Wide Formula Allocation for Works Schemes - covering	}	£12,312	£8,000	£10,000
- Backlog Maintenance	}			
- Health & Safety	}			
- Service Developments	}			
- HAI	}			
Laundry Equipment		£1,800	£0	£0
Medical Equipment		£5,084	£3,500	£5,000
Carbon Emissions (Purchase of Carbon Credits)		£100	£100	£100
Energy Invest to Save Schemes		£2,382	£0	£0
eHealth Relocation - Leasehold Improvements		£220	£0	£0
Land Acquisition at Johnstone Hospital		£55	£0	£0
Brand Street - Leasehold Improvements		£200	£0	£0
Works in connection with Sandyford Services		£0	£2,000	£0
Total Corporate		**£22,153**	**£13,600**	**£15,100**
eHeath Schemes				
eHealth Formula		£2,250	£4,650	£2,000
TOTAL HI&T		**£2,250**	**£4,650**	**£2,000**
Mental Health				
Adult Mental Health Programme				
Stobhill Ward 43		£1,662	£0	£0
Stobhill Ward 44		£1,659	£0	£0
Stobhill Broadford		£46	£772	£0
Gartnavel Tate		£1,848	£1,752	£0
Gartnavel Clyde (Design)		£185	£0	£0
Total Mental Health		**£5,400**	**£2,524**	**£0**
Investment in Hub Schemes				
Enabling Costs re Hub Schemes (Land Acquisitions)		£360	£0	£0
Invt of Subordinated Debt in respect of Potential Hub Schemes		£304	£484	£0
Equipping requirements of Hub Schemes		£1,392	£150	£1,549
Contribution to Hub Schemes		£0	£0	£2,400
Total Investment in Hub Schemes		**£2,056**	**£634**	**£3,949**
Total Spend		**£85,286**	**£64,555**	**£45,820**
Net Slipage/(Acceleration)//(Over-commitment) /Unallocated		**£366**	**£809**	**£924**

Appendix 2

Summary of Forecast Disposals

Net Book Value

Site	2016-17					2017-18				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Lennox Castle Hospital (Ph 2)					**£0**		£350,000			**£350,000**
Cowglen Land Excess		£1,500,000			**£1,500,000**					**£0**
Lenzie					**£0**			£2,000,000		**£2,000,000**
Broomhill Surplus Land					**£0**			£4,250,000		**£4,250,000**
Mansionhouse Geriatric Hospital			£525,000		**£525,000**					**£0**
Merchiston Hospital		£6,000,000			**£6,000,000**					**£0**
Stoneyetts Surplus Land					**£0**				£3,000,000	**£3,000,000**
Victoria Infirmary					**£0**				£2,250,000	**£2,250,000**
Johnstone Hospital				£150,000	**£150,000**					**£0**
Irh - Gateside Laundry					**£0**	£300,000				**£300,000**
Maryhill Health Centre				£300,000	**£300,000**					**£0**
Ruchill				£1,250,000	**£1,250,000**					**£0**
Blawarthill	£1,500,000				**£1,500,000**					**£0**
Clarkston		£20,000			**£20,000**					**£0**
Elizabeth Martin Clinic			£50,000		**£50,000**					**£0**
Crail Street	£80,000				**£80,000**					**£0**
Drumchapel				£150,000	**£150,000**					**£0**
Carsewell House					**£0**				£90,000	**£90,000**
Acorn Street					**£0**				£20,000	**£20,000**
Total	**£1,580,000**	**£7,520,000**	**£575,000**	**£1,850,000**	**£11,525,000**	**£300,000**	**£350,000**	**£6,250,000**	**£5,360,000**	**£12,260,000**