NHSGGC – 2018/19 Financial Plan

Board Meeting

June 2018 (Paper 18/30)

Introduction

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Purpose and Format of Report

The purpose of this report is to provide the Board with an update of the 2018/19 projected revenue and capital positions, and outline the plans in place to deliver key financial targets.

i) The financial challenge, including 2018/19 (pages 3-8)

ii) The 2018/19 planning process (revenue) (pages 9-19)

iii) The 2018/19 Capital Plan (pages 20-22)

This report was presented to the May 2018 Finance and Planning Committee. This included an accompanying Internal Audit report which provided the Committee with positive assurance around the assessment of the underlying recurring deficit, and the assumptions used in drafting the 2018/19 Financial Plan.

The Board are asked to;

i) ***Note*** the approach and current position of the 2018/19 Financial Plan; and

ii) ***Note*** the 2018/19 Capital Plan.

Back

The Revenue Challenge

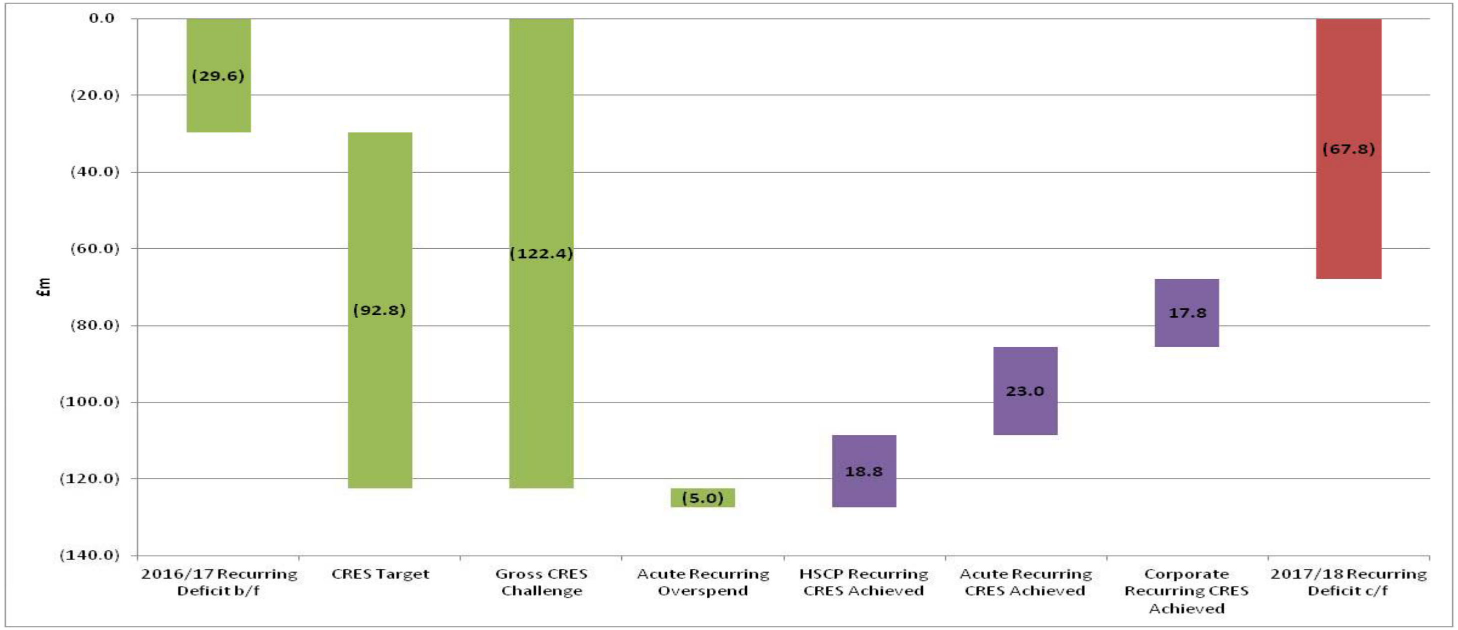
The Underlying Financial Position

This section of the report highlights the underlying financial position

In order to understand the Board's financial position, the performance over 2017/18 is analysed below. This provides the position and "picture" of the financial position through 2017/18 and into 2018/19.

The chart below bridges from the 2016/17 out-turn to the projected deficit for 2017/18. The 1.5% uplift (£31m) was offset by key pressures around pay (£20m), prescribing (£29m), rates revaluations (£11m) and the apprenticeships levy (£8m). Coupled with the £29.6m recurring gap brought forward, the in-year CRES challenge was £122.6m. This again was projected to be accentuated by an Acute "operational" overspend of £5m.

To mitigate, recurring CRES achieved is projected to be circa £65m (48%). It is projected the Board will finish the year and start 2018/19 with an underlying recurring deficit of £67.8m (Acute £37m; Corporate £23m; Partnerships £7.8m).



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The 2018/19 Financial Challenge

2018/19 – The Financial Challenge faced by NHSGGC

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This section of the report highlights the financial challenge faced by NHSGGC in 2018/19

The Table below, as reported to the April Board, summarises the base uplift and additional sources of income for the Board in 2018/19. NHSGGC receives none of the NRAC adjustment.

	All Boards	NHSGGC
	£m	£m
New Resources		
Baseline Increase @ 1.5%	136.9	31.9
NRAC Parity Adjustment	30.0	
	166.9	31.9
Uplift from Other Boards		6.1
Change in New Medicines Fund		1.0
Total New Resources		39.0
less Uplift Allocation to IJBs		(12.4)
Total New Resources		26.6

It is important to note the additional uplift for pay. The Scottish Government expects to receive Barnett consequentials resulting from the National Independent Pay Review Body and have provided an undertaking this will be passed straight to Boards. For NHSGGC we estimate this as £18.8m, albeit a proportionate share will be passed through to HSCPs (estimated £5.3m). As there remains an element of risk around this, it has been shown separately (in the table below) from confirmed sources of income.

2018/19 – The Financial Challenge faced by NHSGGC

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This section of the report highlights the 2018/19 financial challenge

A summary of the projected savings carry forward, uplift, inflation and financial pressures is highlighted in the two Tables below.

	£m	
Income Base b/f	3,130.6	
Expenditure Base b/f	3,198.4	
Recurring Deficit b/f	(67.8)	
Confirmed New Resources	39.4	
National Pay Award - Barnett Conseqentials	21.3	
Total New Resources	60.7	
Cost Pressures		
Pay Cost Growth	(46.0)	
Prescribing - Acute	(18.0)	
Prescribing - Primary Care	(4.0)	
Supplies, PPP & Other Inflation	(10.1)	
Miscellaneous Cost Pressures	(1.5)	
Cost Pressures	(79.6)	
Projected Financial Challenge	(86.7)	

The table above highlights the key pressures to be funded from the £39m uplift. The pay uplift equates to an average of 2.3% of the total pay cost, with prescribing running at almost double digit increases. Coupled with the recurring gap carried forward into 2018/19, it is clear the Board is facing an another year of significant similar challenge of circa 4.3% savings in-year against the £2.1bn baseline allocation from which savings can be made. Taking into account the timing of savings crystallisation, the full-year savings challenge is close to 5%.

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2018/19 – The Financial Challenge faced by NHSGGC

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This section of the report highlights the financial challenge faced by NHSGGC in 2018/19

The table above highlights the key pressures to be funded from the £59m uplift. The purpose of these reports is to highlight both the current financial position, and the changes through the year.

The key updates to the figures since the April 2018 Board report are;

i) the final pay settlement has added £3.5m of additional costs, albeit offset by £2.5m of additional income (funded through the Barnett consequentials) The pay uplift equates to an average of 2.3% of the total pay cost (£46m).

ii) The primary care prescribing pressure has reduced from the £9.4m net figure to £4m due to price reductions, primarily resulting from Pregabalin coming off patent.

The table above outlines the financial challenge at the 18th June 2018 of £87m. Due to revisions in the original financial plan this is lower than the £93m originally identified in February 2018.

However, as is evident in the next section of this report, the planning process, the Financial Improvement Programme (FIP) is based on addressing the original £93m. This ensure consistency and clarity, this will remain the formal financial challenge (FIP target) through the year, to ensure in year balance and progress for 2019/20.

The next section of the report outlines the financial planning process and the process to address the financial challenge.

The 2018/19 Planning Process

2018/19 – High Level Financial Plan

NHS Greater Glasgow and Clyde

High level assessment of the 2018/19 Financial Plan

As outlined in previous reports, and highlighted above, the Board is facing another significant financial challenge in 2018/19, equating to circa 5% savings and efficiencies. The scale of the financial challenge and complexity in identifying and achieving recurring savings necessitates a different approach to achieving financial balance going forward.

This approach must blend the extant short term approach to cost reduction with a more strategic approach to delivering medium and longer term financial sustainability. To make this work, the organisation requires a culture and behavioural shift, with greater focus, pace and ambition around financial grip, achievement of savings and embedding sustainability and value.

The financial planning process started in earnest in the Autumn –

i) CRES to be identified locally within each Acute Directorate and Corporate Division;

ii) Organisational wide savings schemes, including sustainability and value initiatives and supporting governance and delivery framework; and

iii) Initial discussions with the HSCPs regarding the prescribing risk sharing arrangement and the 2018/19 budget settlement (now finalised).

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The Financial Improvement Programme (FIP)

Local CRES

Plans are in place to set challenging but achievable local CRES targets. Targets have been set of 4-5% for Corporate Departments and 2-3% for Acute the Division.

Organisational Wide and Sustainability and Value

In order to embrace the need for a different approach to tackling the scale of the financial challenge and achieving financial balance going forward, the Corporate Management Team (CMT) have taken a number of actions.

One of the key actions was the need for more organisational wide and centrally driven savings and efficiency initiatives, many aligned to the Board's Corporate Objectives and National initiatives. In order to facilitate this approach, and as previously reported, Executive Management have engaged external, temporary, expertise to drive a wider savings programme – the Financial Improvement Programme (FIP).

The FIP is a comprehensive programme to support the Board to return to recurring financial balance. The programme is based on a proven methodology, and is underpinned by a robust and comprehensive governance process. This includes a Programme Board led by the Director of Finance with both the Chief Executive and Employee Director as members. A Programme Management Office has been established (formerly the Sustainability and Value Group), with a dedicated full-time Programme Lead (internal transfer) and four dedicated project leaders.

The FIP objectives are outlined in Appendix 1.

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2018/19 – High Level Financial Plan

The Financial Improvement Programme (FIP)

One of the key elements of the whole programme is a comprehensive, robust and consistent range of supporting documentation as follows;

i) A detailed Workstream and individual Project Mandate (PID) which captures all the key information in terms of background, benefits (financial and non-financial), risks, milestones, delivery team and roles, interdependencies and timelines. A key element of each project must be the clear identification and link to a budget. Cost containment initiatives are recorded and managed separately.

ii) A Gateway Process (Gateway 1 and 2) through which each Mandate must pass for approval prior to commencement and conversion into a workstream; an ideas bank to capture and ensure development into valid initiatives and workstreams. This will also ensure a more continual process of opportunity identification, outwith the annual financial planning process.

iii) A detailed FIP Tracker which provides a centralised database of all initiatives and workstreams and which will be used by the FIP Executive and Programme Board to monitor progress and identify any issues.

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Progress to Date

The FIP has been running in earnest since mid February. The process has involved a systematic and forensic analysis across every area of the Board to identify opportunities for savings and efficiencies. These have focused on areas of spend and working practices, identifying waste and the potential for efficiency, as oppose to rationalisation and site closure.

To date, 12 separate workstreams have been identified, each led by an Executive sponsor, and allocated a cash savings target (totalling £93m). Each workstream has a series of substreams, supported with dedicated program resource, including a finance and clinical lead (where relevant). A 13th workstream has also been identified which relates to the 5 MSG targets and each is led by an HSCP Chief Officer.

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The Financial Improvement Programme (FIP)

FIP Definition

The Executive sponsors have been working with their teams to scope the projects and complete the relevant documentation. One of the key challenges has been identifying genuine recurring savings initiatives compared to cost containment. The methodology is clear on the description of what constitutes a FIP;

i) Where there is favourable financial movement as result of operational, clinical and financial actions that improve upon the current years financial plan.

ii) Cost avoidance is not allowable as a FIP. A valid FIP must result in a budget retraction with the cost centre and subjective code identified.

However, a number of cost avoidance schemes have been brought under the FIP umbrella (methodology, governance, monitoring etc) due to their strategic significance and to increase the likelihood of delivery.

Gateway Review Process

The Gateway process is a key element of the FIP. In order to present the current progress of the FIP, it is important to outline the key elements the process.

There are 2 key stages;

i) Gateway 1 captures all the key elements of the project – resources, personnel, outline scope, benefits and risks;

ii) Gateway 2 captures more detail - ensuring the project is properly scoped, viable and will deliver the required benefits through a detailed project plan, risks and issues log, phasing of benefits and KPIs.

2018/19 – High Level Financial Plan

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The Financial Improvement Programme (FIP)

As outlined above, a detailed Programme Tracker report captures the progress with the FIP, both on a project and individual Workstream lead basis, together with a "league table" presentation.

At the time of drafting this report, the following is a summary of the position;

NHSGGC FIP Position 18/06- Gateway 2

Project Totals FYE £m	Risk Rating	Project Totals CYE £m
6.7	Green	6.1
15.1	Amber	10.4
3.1	Red	2.3
24.9		**18.8**

NHSGGC FIP Position 18/06- Gateway 1

Project Totals FYE £m	Risk Rating	Project Totals CYE £m
0.5	Green	0.3
5.7	Amber	3.5
15.2	Red	6.9
21.4		**10.7**

2018/19 – High Level Financial Plan

The Financial Improvement Programme (FIP)

In line with previous years, savings schemes were identified within the Board and allocated a "risk rating" (green, amber or red) in terms of;

i) achievability/likelihood;

ii) accuracy of the projected saving;

iii) extent of impact and consequences;

iv) requirement for Board approval / public consultation.

The tables above highlight the total projects split between those at Gateway 1 and those at Gateway 2. Also shown is the RAG scheme rating, with the in-year and full year effect financial benefit. It highlights that progress is **£46.3m on a FYE and £29.5m 0n a CYE.**

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The Financial Improvement Programme (FIP)

Small Change Matters / Ideas Pipeline

One of the key pillars of the FIP, and one of the ways the Workstream leads will seek to reach the Workstream targets, is maximising the output from the Small Change Matters initiative.

This initiative was started in conjunction with the Communications Team to create a series of initiatives to ensure all staff are encouraged to contribute to achieving financial savings. This is intended to engage and listen to staff, ensuring buy-in and ownership of the need to reduce the cost base.

The current initiative, a campaign around "small change matters", contains enablers for staff to contribute. The campaign is being rolled out through the traditional routes, with staff contributing ideas through an electronic submission process on the Staffnet system. To recognise their efforts, there is a £50 reward for the best idea each month.

The ideas submitted through "small change matters" have been collated together with the ideas bank generated by the Board's FIP team. There are currently 361 opportunities. A dedicated "small change matters" project manager has been tasked with analysing all the opportunities, resolving any duplicates and then allocating all opportunities to the relevant workstreams to be taken forward to new projects.

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2018/19 – High Level Financial Plan

This section of the report highlights the current projected financial position

The table below highlights the current assessment of the projected 2018/19 financial position and out-turn. The initial financial assessment, outlined in the Operational Plan submitted to the Scottish Government in February 2018, highlighted a potential financial gap of £49m. The previous iteration of this Financial Plan presented to the Board in April 2018 highlighted the financial landscape and the requirement to utilise non-recurring funds to cash manage in-year.

Taking into account the current progress and position with the FIP (as outlined above), the finalisation of the 2017/18 accounts and Audit process, a comprehensive review of potential in-year pressures and costs and available non-recurrent sources, the Board are currently projecting a £29m in-year financial gap. This includes an in-year contingency of £10m to manage emerging in-year cost pressures, particularly in the Acute Division.

	£m CYE
Overall Savings Challenge – FIP Target	93
Assessment of potential in-year cost pressures	10
	103
Potential non-recurring sources	(45)
FIP identified to date	(29)
	(74)
Projected in-year Gap	**29**

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2018/19 – High Level Financial Plan

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Current projected financial position

Whilst significant resource, commitment and focus is being paid to the FIP process, there currently remains an in-year financial gap of £29m. Addressing this remains a key priority.

As outlined above, the key focus remains on

i) Converting all Gateway 1 projects to Gateway 2 and delivering the benefits;

ii) Identifying further projects upto the £93m target set at the inception of the FIP.

In addition, and consistent with 2017/18, a major focus will remain on cost containment and financial grip to try and manage in-year and emergent financial pressures. Robust budgetary control and monitoring and scrutiny will continue to form the cornerstone of this approach.

Full delivery of local CRES, achievement of the FIP and cost containment processes will be required to enable the Board to break-even in-year.

The Finance and Planning Committee and the Board will receive update reports on the financial position throughout the year, including actions and options for addressing any existing financial gap.

2018/19 – High Level Financial Plan

Current projected financial position

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Moving Forward Together (MFT) and West of Scotland Regional Delivery Plan

The MFT Programme is NHSGG&C's transformational programme to deliver the National Clinical Strategy, Health and Social Care Delivery Plan and other associated National and Regional strategies and policies.

The aim of the Programme is to develop and deliver transformational change, aligned to National and Regional policies and strategies, and describe NHSGG&C's delivery plan across the health and social care services provided by our staff, which is optimised for safe, effective, person centred and sustainable care to meet current and future needs of our population.

The Programme is divided into four phases. A report is included within these Board papers on the current position and progress.

In tandem with the MFT Programme is the West of Scotland Regional planning work. This extensive programme has been on-going for almost 12 months, with key NHSGGC Executive Managers playing leading roles.

The Scottish Government are due to publish their overall Financial Framework towards the end of June 2018. Following this, the latest version of the West of Scotland discussion document will then be published.

Both of these projects are regarded as medium to longer term projects for the Board. As such, it is not anticipated they will yield material savings for the Board in 2018/19.

Capital

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The 2018/19 Capital Plan

The Board has developed a Capital Plan which responds to our clinical strategy and prioritises investment. The planned Capital Funding for 2018/19 will include:

i) The Board's share of new national capital funding for 2018/19, which is made available on a formula basis to all Health Boards;

ii) Ring-fenced funding for specific projects;

iii) The capital (Net Book Value) element of those asset disposals where it has been agreed that the Board can retain proceeds for local use.

Capital Funding

The current forecast core capital resources available to the Board for investment in 2018/19 amount to just over £55.2m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £11.9m and an estimated amount of £5.9m in respect of Capital Receipts generated through property disposals.

The "ring-fenced specific funding" represents a direct allocation from SG. For 2018/19 this amount includes £5.9m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans agreed with SGHSCD in 2017/18, and includes the proposed replacement of a PET Scanner. Also included is an amount of £6m to be provided by SGHSCD for Cladding works at QEUH and RHC Hospitals.

The Board has agreed with SGHSCD that the capital element of property disposals planned for the next couple of years can be retained locally to support essential elements of its capital programme.

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2018/19 Capital

2018/19 Capital Plan

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Capital Expenditure

The following are the key highlights;

i) The programme of ward refurbishments continues at GRI with a £2.2m allocation being provided for an upgrade of Ward 30.

ii) At the QEUH campus, provision for £2.6m for various schemes at the Institute of Neurosciences (INS) and the Neurology Building, together with major work to upgrade the INS and Neurology Buildings' infrastructure.

iii) Completion of a £2m upgrade and redevelopment of the Intensive Care Unit at the RAH.

iv) Additional medium secure forensic Mental Health accommodation at Stobhill Hospital through extending the existing Rowanbank Clinic, estimated at £4m in-year.

v) An overall allocation of £5m in respect of Medical Equipment replacement – planned to be split between emergency replacement and a planned replacement programme.

vi) An earmarked amount of £3.7m for investment in e-Health priorities, including an allowance of £1.5m for the investment requirements associated with the development of Medicines Management (HEPMA).

vii) Provision of £2m for the Board's Hub Schemes that are either underway or under development. For 2018/19 this includes investment in subordinated debt for the proposed new Health Centres at Clydebank and Greenock.

An amount of £9m is currently included under Corporate schemes for local minor works projects. Similar to previous years, this allocation has been delegated to the Director of Estates and Facilities to address the top Building Infrastructure and Backlog maintenance priorities recorded in the Board's Estate Asset Management System (EAMS), in line with SGHSCD expectations.

The Plan currently includes £3.6m of unallocated capital. The CMT is currently prioritising a range of projects and working up detailed specifications.

Conclusion

Conclusion

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Conclusion

The purpose of this report is to provide the Board with an update of NHSGGCs 2018/19 projected revenue and capital positions, and outlines the plans in place to deliver key financial targets. A more detailed report and debate took place at the May 2018 Finance and Planning Committee.

The CMT have accepted and embraced the need for a different approach to identifying and delivering recurring savings, and taken action to adopt a more comprehensive, and rigorous approach supported by external expertise, dedicated internal resource and a proven, comprehensive methodology. The FIP has been launched, embedded and is receiving a significant amount of dedicated senior time and focus.

The FIP Tracker currently records projects totalling **£46.3m on a FYE and £29.5m 0n a CYE.** Taking into account the need for a contingency to cover the pressures within the Acute Division and the use of non-recurrent funds to support the in-year financial challenge, the Board is currently predicting a £29m financial gap for 2018/19.

As such, the challenge and focus remains;

i) On converting all Gateway 1 projects to Gateway 2 and delivering the benefits;

ii) Identifying further projects to the £93m target.

In addition, and consistent with 2017/18, a major focus will remain on cost containment and financial grip to try and manage in-year and emergent financial pressures. Robust budgetary control and monitoring and scrutiny will continue to form the cornerstone of this approach.

The full delivery of both local CRES, achievement of the FIP and cost containment processes will be required to ensure the NHS Board can break-even in-year.

In summary, the Board is asked to;

i) ***Note*** the approach and current position of the 2018/19 Financial Plan; and

ii) ***Note the*** 2018/19 Capital Plan.

Appendices

Appendix 1

NHS Greater Glasgow and Clyde

Financial Improvement Programme Objectives

To increase the clarity and transparency of the Financial Improvement Programme (FIP) process so there is detailed understanding and knowledge of the status and progress of the programme and the individual projects that contribute to its delivery.

i) To standardise the process across all sectors, directorates and corporate departments of the Organisation so the overall measurement and tracking can be consolidated easily and we are working to a single common agenda.

ii) To increase the probability of delivery against each project, workstream and the programme as a whole.

iii) To ensure the benefits delivered are sustainable and recurrent.

iv) To facilitate the governance of the whole FIP process including the management of centrally delivered workstreams and sector schemes.

v) To support FIP initiatives and ensure that they flow as smoothly as possible against the plan and ensure any declared benefits are actually delivered including: -

vi) Systematic and effective validation of benefits on a project level and a macro level across the organisation. This means that there is a top down and bottom up perspective on the FIP programme.

vii) A clear process flow for decision making with associated documentation providing an audit trail for benefit planning and calculation.

viii) To improve the capture and accuracy in appraising the overall project and programme benefits. This includes accurately reporting progress and achievements to date including open and continuing projects

ix) To monitor FIP progress against plan on an on-going basis; to correct potential shortfalls from plan and provide an early warning system if required, to be able to pinpoint the weakness or shortfall in the process and then correct them.

x) To measure the FIP process compliance relative to the overall organisation and each respective sector and to evaluate the risk against delivery.

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Appendix 1 (Cont'd)

Financial Improvement Programme Objectives

xi) To clearly and tightly scope projects so they can be planned and measured accurately in order to reduce the risk of "double counting" on separate projects. As there is more than one approach to delivery, there is an objective to ensure the benefits are clearly delineated.

xii) To detail the ideas generated in the organisation and maximise the uptake and development of ideas into mature projects. The process has been developed to ensure effort is not wasted developing paperwork and projects that will not be approved or implemented.

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