NHSGGC – 2019/20 Financial Plan
(Initial Draft)
Board Meeting - April 2019 (Paper 19/23)

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 Board's 2019/20 projected revenue and capital positions, and outlines the planning process to deliver key financial targets.

i) The revenue challenge for 2019/20 (pages 3-9)

ii) The 2019/20 planning process (revenue) (pages 10-18)

iii) The latest assessment of the 3 Year revenue overview (pages 19-21)

iv) The 2019/20 Capital Plan (pages 22-25)

Also included within this report is the outline proposition for the 2019/20 devolved budget allocation to Health & Social Care Partnerships. This has been agreed in principle between the Board and the Chief Officers and now requires ratification through the Board's formal governance process and each IJB.

This report was presented and debated at the Finance and Planning Committee on the 2nd April 2019. The Committee agreed to recommend the Board note and approve the following;

i) ***Note*** the assessment of the estimated 2019/20 financial challenge;

ii) ***Note*** latest assessment of the 3 Year revenue overview;

iii) ***Approve*** the high level 2019/20 Financial Plan (initial draft) and approach;

iv) ***Approve*** the 2019/20 draft Capital Plan; and

v) ***Approve*** the proposition for the 2019/20 HSCP devolved budget allocation.

The 2019/20 Financial Challenge

The Underlying Financial Position (Cont'd)

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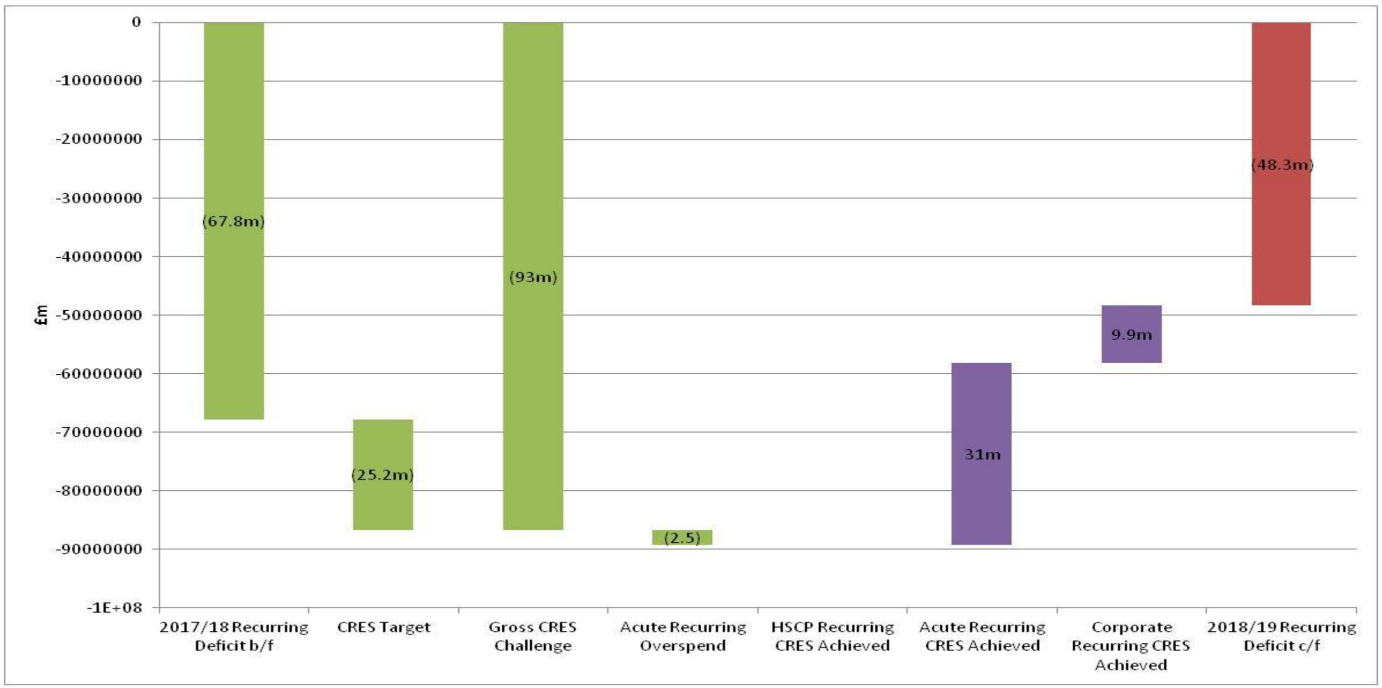
This section of the report highlights the underlying financial position

The diagram below charts the underlying financial position of the Board through 2018/19. It demonstrates the Board reported a recurring financial deficit of £67.8m at 1 April 2018. Key financial pressures funded from the 2.2% uplift of £52m included pay of £42.5m, acute prescribing of £18m and inflation of £11.7m. The initial assessment was a £93m required CRES, although this was subsequently revised to £86.7m, although the original number was retained to ensure consistency.

In terms of achievement against this target, the current Month 11 figures indicate £40.9m (Acute £31m and Corporate £9.9m) will be achieved recurrently by the 31st March 2019. Partnerships will achieve £ 11.2m. **This has resulted in the Board projecting to reduce the underlying recurring deficit by £19.5m to £48.3m, although this will be subject to finalising Month 12 and the annual audit process.**



2019/20– The Budget

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This section of the report highlights the initial assessment of the 2019/20 budget

The budget was announced in the Scottish Parliament on the 12th December 2018. The headline message was that Territorial Boards would receive a minimum baseline uplift of 2.54%, which includes funding for the 2019/20 pay award.

An additional £149m investment across four core areas was announced;

- **i)** **Primary Care** – Increase of £35m to £155m; expansion of multidisciplinary teams and GPs as expert medical generalists and clinical leaders.
- **ii)** **Waiting Times** – Increase of £90m to £146m; to support the Waiting Times Improvement Plan.
- **iii)** **Mental Health and CAMHS** – Increase of £14m to £61m; additional 800 workers. Must be a real terms increase.
- **iv)** **Trauma and Cancer** – increase of £10m to £30m for the implementation of the major trauma networks and the cancer strategy.
- **v)** **The HSCPs** NHS settlement must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018/19 cash levels.
- vi) £120 million will be allocated from the **Health Budget to Local Authorities for integration**, Living Wage, uprating free personal care, and school counselling services.
- vii) £40 million directly to support the **Carers (Scotland) Act 2016** and extending free personal care to under 65s.

In February, and to ensure the Budget was approved in Parliament, an additional £50m was allocated to Local Authorities from the Health Budget. They can now reduce the uplift into Social Care by 2.2%.

In terms of **Capital**, the Board have assumed an unchanged initial capital formula allocation.

2019/20 – 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 summarises the base uplift and additional sources of income for the Board in 2019/20. NHSGGC receives none of the NRAC adjustment.

	All Boards £m	NHSGGC £m
New Resources		
Baseline Increase @ 1.8%	172.5	39.3
Additional for Pay Awards	70.9	16.3
NRAC Parity Adjustment	22.9	
	266.3	55.6
Uplift from Other Boards		8.7
Change in New Medicines Fund		8.0
Employers' Superannuation		
Total New Resources		72.3
less Uplift Allocation to IJBs		(21.5)
Total New Resources		50.8

The base uplift equated to £55.6m, or 2.54% of the Boards baseline budget brought forward from 2018/19.

By applying an agreed general inflationary uplift to the value of service level agreements with other Boards related to patient services provided by NHSGGC, the Board can reasonably expect to receive further income of around £8.7m in 2019/20.

National PPRS receipts which are used to support the New Medicine Fund are estimated remain at 2018/19 levels, with no change assumed in the allocation to NHSGGC. This maybe amended as the year progresses.

2019/20– The Financial Challenge faced by NHSGGC

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This section of the report highlights the financial challenge faced by NHSGGC in 2019/20

A summary of the projected deficit carried forward, uplift, inflation and financial pressures are highlighted in the table below.

	2019/20
	£m
Total New Resources	50.8
Cost Pressures	
Recurring Deficit b/f	(48.3)
Pay Cost Growth	(45.9)
Prescribing - Acute	(20.0)
Prescribing - Primary Care	(8.0)
Supplies exc PPP & Contracts	(6.4)
PPP & Contracts	(1.9)
All Other Inflation	(2.0)
Miscellaneous Cost Pressures	(15.6)
Provision for Future Developments	
Cost Pressures	(148.1)
Cash Efficiency Challenge	(97.3)
IJB allocated share of expenditure	22.5
Net Cash Efficiency Challenge	**(74.8)**
	5.4%

2019/20 – The Financial Challenge faced by NHSGGC

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This section of the report highlights the financial challenge faced by NHSGGC in 2019/20

The table above highlights the key pressures to be funded from the £50.8m uplift. The table below highlights total base budgets split across the relevant parts of the organisation.

	2019/20	2019/20
	£m	**£m**
Total Recurring Budget (excluding GMS)		**2,234.60**
HSCPs	845.2	
Acute	857.7	
Corporate	531.7	**2,234.60**

Pay Cost Growth

A 3-year pay deal for Agenda for Change staff commenced on 1 April 2018. The 9% cumulative figure breaks down to 3.00% in 2018/19, 2.80% in 2019/20 and 2.95% in 2020/21.

In addition, existing pay bands will be restructured and the number of pay points will be reduced . This has implications for the expected total cost of pay uplifts, marginally in 2019/20, but especially in 2020/21 when the most significant changes occur. This in pertinanent to the three-year Plan presented later.

Prescribing

The prescribing cost growth projection for 2019/20 includes provision for likely cost increases related to growth in new and existing drug treatments within Acute Sector, including new drugs approved by Scottish Medicines Consortium, 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.

Examples were given at the recent Board seminar of the current PACS process for granting access to expensive ultra-orphan drugs. The Board is now experiencing the first requests for these types of drugs.

2019/20 – The Financial Challenge faced by NHSGGC

Cost Inflation, Pressures and Developments

1.0% general provision has been set aside for inflation on non-pay costs excluding prescribing costs, energy costs, and capital charges costs. 2.54% has been set aside for inflation on legal / contractual cost commitments and inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to SLAs.

A number of unavoidable pressures and necessary developments have been presented by Directors across the Organisation. These have all been subject to analysis and challenge. The final list currently totals £15.6m, and includes the following key areas of expenditure;

- i) £2.5m to fund developments in national services Car-T, Lufathera, and Lymph Node.
- ii) £1.7m to fund the recurring costs of the Band 2 to Band 3 re-grade;
- iii) £1.7m to fund the recurring costs of the increasing number of patients qualifying for TAVI ;
- iv) £2.2m to fund inflationary uplifts across a range of IT contracts; and
- v) £1.4m for inflationary increases in energy contracts.

A number of other cost pressures and developments will be managed as part of routine budgetary management.

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The 2019/20 Planning Process

2019/20– High Level Financial Plan

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High level assessment of the 2019/20 Financial Plan

As outlined above, the Board is facing another financial challenge in 2019/20, equating to circa 5.4% savings and efficiencies.

The financial planning process started in earnest with the Budget announcement in December 2018 around the following steps;

i) Identification and assessments of the costs, pressures and investments required in 2019/20, offset against uplifts, and identification of the savings target;

ii) Roll-forward of the organisational wide FIP Workstreams, including initiatives already underway and a process to identify new ones;

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

iv) Identification and quantification of non-recurring sources of income/funding; and

v) Initial discussions with the HSCPs regarding the 2019/20 budget settlement.

Identification of costs, income and savings target

As outlined above, a detailed analysis of additional budgetary uplifts and associated costs and developments has been undertaken. This includes detailed calculations of pay growth, horizon scanning and analysis of prescribing and discussions with key budget holders around emerging cost pressures and the extent to which they require to be absorbed as part of day to day financial management.

2019/20– High Level Financial Plan

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Continuation of the Financial Improvement Programme (FIP)

In 2018/19, the Board recognised the need for more organisational wide and centrally driven savings and efficiency initiatives. The Financial Improvement Programme (FIP) started in 2018/19 as a comprehensive programme to support the Board to return to recurring financial balance.

The programme, supported by external expertise, was based on a proven methodology, 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 was established with a dedicated full-time Programme Lead (internal transfer) and two dedicated project leaders.

The FIP has been successful. In addition to achieving in-year financial balance in 2018/19, the underlying recurring deficit is projected to be reduced from £68.7m to £48.3m.

The FIP Programme is about to enter its second year. The external, temporary, expertise has now expired. One of the key objectives of the engagement was knowledge transfer. As such, the FIP will now be taken forward by Senior Finance Management and the PMO.

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2019/20– High Level Financial Plan

Staff at all grades across the organisation have been working extensively in partnership with both the PMO and the specialist external support. This has involved a significant time investment, through Workstream meetings, project groups and reporting through the FIP Executive.

Despite falling short of the £93m target, the FIP has been relatively successful, based on several key pillars;

i) The comprehensive methodology and governance process have introduced a level of discipline, rigour and consistency;

ii) The time, focus and innovation to identifying, monitoring and managing savings programmes across the Executive and Senior Manager group has greatly increased;

iii) Active Programmes to save money in new and complex areas of our business;

iv) The application of a more commercial approach to our interaction and provision of services to neighbouring Boards and external organisations;

v) Reviews and subsequent improvement programmes around the procedures and practices in fundamental operational areas; and

vi) A parallel programme to improve financial projections, budgetary control and scrutiny and accountability.

The programme has impacted on changing the organisational climate to focus on delivery of financial targets.

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2019/20– High Level Financial Plan

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As outlined above, Executive Management engaged external, temporary, expertise to drive the FIP. This engagement has now expired. One of the key objectives of the engagement was knowledge transfer. As such, the FIP will now be taken forward by Senior Finance Management and the PMO.

FIP 2019/20

The FIP Programme is about to enter its second year. The programme has been successful in reducing the Board's underlying recurring deficit by circa £20m, raised the profile of cost control and financial grip, and embedded a comprehensive process around the identification, documentation and monitoring of savings schemes.

However, there are lessons to be learned from 2018/19 and changes to the programme are required to continuously improve. These lessons also need to take cognisance of the inherent issues and challenges;

i) The size and diversity of the wider organisation creates challenges around ownership, accountability and can result in inefficient duplication and variation of service provision.

ii) Ensuring penetration and impact of the FIP below general management level, including the clinical community.

iii) Identifying and delivering savings against a continued back-drop of increasing costs, activity and additional Government policy.

It is also clear that progress has been variable across all the Workstreams. Drugs, non pay controls and income have/will exceed the allocated targets, whilst other staffing, outpatients and estates and facilities have made good progress.

Other Workstreams such as medical and nursing workforce have made significant progress in improving processes and procedures, and whilst the progress to date has manifested itself in containing costs (refer above), recurring savings should be achievable towards the end of 2018/19 and into 2019/20.

2019/20– High Level Financial Plan

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A number of other Workstreams, such as the Acute operational schemes around Theatres, Beds and Diagnostics have all made good progress in amending and improving underlying systems and processes. However, real cash savings are always harder to achieve in these operational areas due to the link to actual income and the impact of any changes on performance. However, the focus remains on making sustainable improvements to our effectiveness and efficiency, and therefore as always expected, these Workstreams will yield benefits in the medium to longer term.

The principles and objectives of the Programme remain consistent, and the large majority of Workstreams will remain the same and be rolled forward. At the time of this report, the Tracker already includes initiatives with a £10m FYE.

However, one of the key changes will recognise that attaching a monetary target to many of the productivity and efficiency initiatives did not achieve the desired objectives.

As such, the productivity and efficiency initiatives will be measured and monitored on a series of relevant performance targets, based around the Acute Performance Review Groups e.g outpatient new to return ratios, theatre session utilisation, etc.

In addition, the productivity and efficiency Workstreams/initiatives (predominantly Workstreams 8 and 9) will sit separately from the mainstream FIP, under the banner of improving performance. Much of this will focus on delivering the Boards waiting times trajectory in line with the SG's 30 month plan. This will be overseen by the Chief Operating Officer, the Director of Finance/Assistant Director of Finance (Acute) and will be the day-to-day responsibility of the Director of Access. There will also be dedicated PMO resource to support the delivery of projects and achievement of targets.

In terms of the monitoring of this revised process, the PMO will maintain 2 trackers – one for the mainstream FIP (in £s) and one for the demand and capacity/performance improvement projects (in performance targets).

In terms of governance, the FIP Executive will remain the recognised forum for monitoring and holding to account. However, membership of the FIP Programme Board has been expanded to include the recently appointed Head of Planning. This will ensure closer alignment with the MFT Programme and wider nationally driven initiatives across the organisation.

2019/20– High Level Financial Plan

Local CRES

To ensure accountability and ownership for the £74.8m savings target, and to dovetail with the FIP Workstreams, challenging CRES targets have been set across the organisation that equate to 4% of budgets. Each Divisional and Corporate Director will require to identify savings schemes to that value, whether locally or through the FIP Workstreams.

A series of workshops and meetings is taking place to support each Department and Division to start identifying, drafting and implementing plans to support their local CRES targets. This is a "tried and tested" process which has previously yielded recurring savings, albeit not at the required level over the last two financial years.

A number of initiatives have already been identified and are underway.

Non-recurring sources of income and funding

As in recent years, the strategic use of non-recurring funding will be critical if break-even is to be achieved. Senior Finance Management have, and will continue to, identify and analyse all available sources. This involves discussions at national forums such as the Corporate Finance Network, discussions with SG, discussions with External Audit and good balance sheet management.

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2018/19 – HSCP Budget Process

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This section of the report outlines the process for the 2019/20 budget settlement with HSCPs

As in previous years, the Boards has sought to agree a budget settlement with IJBs by the 31st March 2019.

The Scottish Government's funding allocation letter issued on 12 December 2018 states that *"In 2019-20, NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018-19 cash levels"*.

The Board initially interpreted this as;

i) The real terms uplift was to be 1.8% on each HSCPs base recurring budgets. This equated to £14.6m.

ii) The HSCPs share of the Boards £16.3m allocation for the pay award. This share would be calculated on each HSCPs actual FTE cost. This equated to £3.3m.

Hence the total allocation uplift to all six HSCPs was initially calculated as £17.9m. However, following initial discussions with HSCPs, their expectation was that the Board pass through the full proportionate share of the Board's uplift of 2.54%. This equates to £20.6m.

The Boards initial financial outlook for 2019/20 indicates a savings requirement of £74.8m, with significant pressures around Acute prescribing and improving performance. At the current planning stage, the Acute Division are facing savings of 6-7%, with HSCPs facing savings of 1-2%.

One of the fundamental objectives of HSCPs, and as committed in their strategic Plans, was to improve delayed discharges within acute care. Progress within NHSGGC has been good, with performance amongst the best in Scotland. However, 2018/19 performance has slipped in some areas. In March 2019, days lost are currently 776 days per month higher than the 2017/18 average and 1,007 days higher than the target. This represents an additional cost of £4.1m and £5.3m respectively per annum.

As such, the Board is proposing to allocate the full 2.54% uplift to the HSCPs (£20.6m). This funding will support HSCPs to deliver the commitments outlined in their Strategic Plans, including improving delayed discharge performance.

2018/19 – HSCP Budget Process

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This section of the report outlines the process for the 2019/20 budget settlement with HSCPs

In order to obtain the full picture of IJB budgets, it is useful to understand the Local Authority element of the settlement.

The letter from the Cabinet Secretary for Finance, Economy and Fair Work states;

"The £160 million allocated to Health and Social Care and Mental Health is to be additional to each Council's 2018/19 recurrent spending on health and social care and not substitutional. It means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities (plus those retained for non-delegated social care functions) and funding for school counselling services must be £160 million greater than 2018-19 recurrent budgets."

In his letter of 31 January 2019 the Cabinet Secretary for Finance, Economy and Fair Work provides updates on changes to the draft announcement and states;

"Continue to provide an earmarked £160 million from the Scottish Government for health and social care investment to support social care and mental health services – including those under the direction of Integration Authorities – whilst, as part of this package, allowing local authorities the flexibility to offset their adult social care allocations to Integration Authorities in 2019/20 by 2.2% compared to 2018/19, i.e. by up to £50 million across all local authorities to help them manage their own budgets. "

Nationally and within NHSGGC there has been a variety of interpretations and treatment of the compliance criteria.

For the Board's six IJBs, the Council settlements are still in final negotiation and are due for formal ratification at the next round of Council and IJB meetings

Three Year Revenue Overview

The 3 Year Financial Projection

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This section of the report highlights an indicative 3 year projection

The budget settlement letter of December 2018 announced that Boards are now required to break-even over a three-year period. Whilst the Executive team are still assuming the primary objective to break-even each year, a 3 Year Financial Plan has been drafted as outlined below.

	2018/19		2019/20	2020/21	2021/22
	£m		£m	£m	£m
New Resources					
Baseline Increase	31.9		39.3	40.3	41.0
Additional Uplift - Pay Policy	21.3		16.3	16.5	17.0
New Medicines Fund	1.0		8.0	5.0	5.0
Uplift from Other Boards	6.5		8.7	8.7	8.7
Sub Total	60.7		72.3	70.5	71.7
less Uplift Allocation to IJBs	(17.6)		(21.5)	(21.0)	(21.0)
Total New Resources	43.1		50.8	49.5	50.7
Cost Pressures					
Recurring Deficit b/f	(67.8)		(48.3)	(44.8)	(48.6)
Pay Cost Growth	(46.0)		(45.9)	(59.3)	(57.7)
Prescribing - Acute	(18.0)		(20.0)	(19.0)	(20.9)
Prescribing - Primary Care	(4.0)		(8.0)	(7.1)	(7.5)
Supplies exc PPP & Contracts	(5.8)		(6.4)	(6.7)	(6.7)
PPP & Contracts	(1.8)		(1.9)	(2.0)	(2.2)
All Other Inflation	(2.5)		(2.0)	(2.2)	(2.2)
Miscellaneous Cost Pressures	(1.5)		(15.6)	(2.6)	(1.2)
Provision for Future Developments	0.0		0.0	(10.0)	(10.0)
Cost Pressures	(147.4)		(148.1)	(153.7)	(157.0)
Cash Efficiency Challenge	(104.30		(97.3)	(104.2)	(106.3)
add back IJB Expenditure	17.6		22.5	21.6	22.0
Net Cash Efficiency Challenge	(86.7)		(74.8)	(82.6)	(84.3)
Forecast Savings (CRES) (%)	*44%*		*40%*	*41%*	*39%*
Forecast Savings (CRES)	38.4		30.0	34.0	32.9
Recurring Deficit c/f	(48.3)		(44.8)	(48.6)	(51.4)
Non Recurring Outturn	48.3		25.0	25.0	25.0
In-Year Outturn	**0.00**		**(19.8)**	**(23.6)**	**(26.4)**
Savings Required by Transformational Change	**0.00**		**(19.8)**	**(23.6)**	**(26.4)**

The 3 Year Financial Projection

This section of the report highlights an indicative 3 year projection

The projections above highlight that, based on the assumptions made, the Board is predicting to further reduce the underlying recurring deficit at the end of 2019/20 by a further £3.5m. However, at this stage, that will not be replicated into 2021/22, when the continued pressures around pay and exceed the uplift and push the deficit back up to the same level as 2019/20.

The key assumptions reflected in the projections beyond 2019/20 are a basic annual uplift of 1.8%, with a similar uplift for pay as in 2019/20.

The majority of cost pressures are assumed to be consistent with the achievement of savings at circa 40% of the challenge (circa 2-3% of base budgets)– again, based on achievements over 2017/18 and 2018/19. A prudent estimate of £20-30m non-recurring funding has been included.

It is clear from the table that FIP/CRES and extensive cost containment measures remains the key to short and medium term in-year financial balance.

However, the medium to longer term financial challenge, including returning to underlying recurring balance, will only be achieved through whole service redesign through the Transformation Programme (Moving Forward Together) and Regional Planning. This will require a longer term focus on outcomes, inclusion, accessibility and sustainable service design.

The organisation is working extensively on both these projects. Achievement of the desired outcomes is critical to the Board achieving underlying recurring financial balance.

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2019/20 Capital

2019/20 Capital

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The 2019/20 Capital Plan

The Board has developed a Capital Plan which responds to our clinical strategy and prioritises investment. The planned Capital Funding for 2019/20 will include:

i) The Board's share of new national capital funding for 2019/20, 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 2019/20 amount to just over £49m. This figure comprises a general allocation of £37.4m from SG in respect of core capital expenditure, ring-fenced specific funding amounting to £9.9m and an estimated amount of £1.7m in respect of Capital Receipts generated through property disposals.

The "ring-fenced specific funding" represents a direct allocation from SG. For 2019/20 this amount includes £9.9m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans agreed with SG in 2018/19, and includes the proposed replacement of a PET Scanner.

The Board has agreed with SGHSCD that the capital element of property disposals planned can be retained locally to support essential elements of its capital programme. For 2019/20 the relevant disposals are Lennox Castle (Phase 2), Stoneyetts and part of Dykebar Hospital.

2018/19 Capital

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2018/19 Capital Plan

The following are the key highlights;

i) The programme of ward refurbishments continues at GRI with a £2.3m allocation being provided for an upgrade of Ward 27.

ii) At the QEUH campus, provision for £1.8m in respect of an upgrade to ventilation, completion of cladding works £2.7m, an allocation of £1.2m to undertake essential works to pedestrian walkways and negative pressure rooms £0.3m.

iii) The three year indicative plan continues to reflect provision for investment in additional medium secure forensic Mental Health accommodation at Stobhill Hospital, through extending the existing Rowanbank Clinic. In recognition of the ongoing review, and the timescales associated with refreshing and re-commencing work to conclude the Full Business Case, it is anticipated that minimal expenditure will be incurred during 2019/20 and the indicative allocation has therefore been re-profiled over 2020/21 and 2021/22.

iv) An amount of £6.65m has been incorporated within the 2019/20 Plan for investment in e-Health priorities. This represents a general e-health allocation of £2m to invest in priority areas, £1.5m investment in the development of Medicines Management (HEPMA) and £2.5m in respect of a new Laboratory Information Management System (LIMS).

v) The Plan also includes an allocation of £5m in respect of medical equipment replacement. This allocation has been split to reflect a base amount of £1.5m to target a planned Diagnostic Imaging Replacement Programme with the balance of £3.5m being allocated for planned and emergency replacements of general medical equipment.

2018/19 Capital

The 2019/20 Capital Plan (Cont'd)

An amount £9.25 m is currently included under Corporate schemes for local minor works projects that will mainly be targeted to address the top building infrastructure and backlog maintenance priorities recorded in the Board's Estate Asset Management System (EAMS). This will cover all buildings, including main hospital sites across the Glasgow and Clyde area.

The Board's estate has recently been the subject of various building condition surveys across all main sites and this information will be utilised to effectively prioritise the works. Progressing this work is recognised as a key feature of the Board's future investment plans and it is envisaged that the level of the indicative allocation contained within the attached draft plan will be increased as the detailed plan is developed.

The Plan currently includes £6.3m of unallocated capital pending confirmation that all known priorities have been identified, particularly in respect of Building Infrastructure and Backlog maintenance requirements. Senior Executive Management are currently prioritising a range of projects and working up detailed specifications.

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Conclusion

Conclusion

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Conclusion

The purpose of this report is to provide the Board with an update of the 2019/20 projected revenue and capital positions, and outlines the planning process in place to deliver key financial targets.

It is clear the Board is facing another year of significant financial challenge. The analysis of the 2019/20 outlook and indicative 3 year projection, it is evident there is a real requirement for further financial and cost control, and continued delivery of significant savings through both local CRES and FIP. The £74.8m savings target has been allocated across the organisation, and despite the challenge, the Board is currently predicting that a further decrease in the underlying recurring deficit maybe achievable in 2019/20.

However, the 3 year outlook highlights that decrease will not be sustainable at current levels of uplift and against current pay and prescribing pressures. As such, the medium to longer term, recurring financial balance will only be achieved through increased productivity and efficiency and service redesign, underpinned by transformational change. This will involve cultural change, difficult decisions, greater collegiate working within the Board and with IJBs, and embracing the Regional agenda.

In summary, the Board are asked to;

- ***i)*** ***Note*** the assessment of the estimated 2019/20 financial challenge;
- ***ii)*** ***Note*** the initial assessment of the 3 Year revenue overview;
- ***iii)*** ***Approve*** the high level 2019/20 Financial Plan (initial draft) and approach;
- ***iv)*** ***Approve*** the 2019/20 draft Capital Plan; and
- ***v)*** ***Approve*** the proposition for the 2019/20 HSCP devolved budget allocation.