

Borders NHS Board



NHS BORDERS – 2016/17 INDICATIVE FINANCIAL PLAN

Aim

To provide the Board with the indicative 2016/17 revenue and capital financial plans.

Introduction

The broad terms of a financial plan were discussed at the Board development session at the beginning of February. The challenges around the level of efficiencies required have been discussed in a number of fora across the system.

A draft financial plan was submitted to Scottish Government Health and Social Care Department (SGHSCD) on the 25th March 2016 as part of the Local Delivery Plan. While the final financial plans are due to be submitted on the 31st May 2016, from the Board's perspective it is important to agree a financial plan as we begin this new financial year.

The plan is focused on the next year, with high level figures for revenue for the next two years and a direction for capital schemes for the next four years. The Scottish Government has agreed a one year budget for 2016/17 following the completion of the Comprehensive Spending Review. For this reason the financial plan for 2017/18 onwards should be considered with a degree of reservation.

The financial plan for 2016/17 demonstrates a break even position, reflecting the Board's commitment to financial balance, but this is heavily dependent on the delivery of a high level of efficiency, quality and savings schemes.

The challenges and the complexities of the financial plan are further increased in 2016/17 with the welcome creation of the Health and Social Care Integration Joint Board (IJB) from 1st April 2016. In completing the plan NHS Borders has provided to the IJB the necessary resources to undertake the functions delegated to it by Borders Health Board.

- Section 1** To provide an overview to Board members of the key elements within the revenue financial plan for 2016/17.
- Section 2** To explain how it is proposed to address the efficiency challenge which the Board faces in order to achieve a balanced financial outturn in 2016/17.
- Section 3** To highlight key assumptions and financial risks.
- Section 4** To broadly outline the scale of the financial challenge which the Board is likely to face in 2017/18 and 2018/19 based on information that is currently available.

Section 5 To provide an overview to Board members of the key elements within the capital plan.

Background

The financial outlook the public sector is facing and the challenges this brings are clearly understood. In order to continue to deliver quality patient care the organisation must keep a firm grip on its finances as well as drive improved quality and efficiency which are critical to service delivery and public credibility. That means having a clear focus that is firmly and openly set on providing patient care that is safe, effective and affordable and includes efficiency plans and goals

NHS Borders is committed to maintaining financial balance through integrated and focused working as well as seeking out efficiencies. This is becoming increasingly challenging given the economic environment and the high level of efficiencies to be achieved whilst sustaining the range of services currently provided, ensuring accessible healthcare across remote and rural areas; managing increased demand generated through population growth and public expectations and delivering HEAT trajectories.

An integral part of the financial plan is the efficiency programme. The efficiency programme currently consists of a series of projects with potential cost saving which will be progressed during 2016/17.

Section 1 - Overview of 2016/17 Indicative Financial Plan

(a) Financial Summary

A high level overview of the Board's financial plan for 2016/17 is provided in Table 1. This shows the overall movement in both recurring and non-recurring funding and expenditure anticipated in 2016/17. This table presents a balanced position for 2016/17 that has inherent challenges predominantly in the pace of delivery and the level of risks associated with the range of schemes contained in the Efficiency Programme.

TABLE 1 INDICATIVE FINANCIAL PLAN OVERVIEW

	Funding £000s	Expenditure £000s	Surplus/ (Deficit) £000s	<u>Note</u>
Base budget carried forward from 2015/16	231,372	233,038	(1,666)	<i>Recurring efficiency requirement</i>
<u>Recurring funding and expenditure items for 2016/17</u>				
General funding uplift	3,153	0	0	
IJB Allocation	5,267	5,267	0	<i>See Appendix 1</i>
Reduction in Income	(1,000)	0	0	<i>See Appendix 2</i>
FHS uplift	101	0	0	<i>See Appendix 2</i>
Projected Spending Growth	0	9,383	0	<i>See Appendix 1</i>
Recurring Efficiency	0	(8,795)	0	<i>Requirement 2016/17</i>
	7,521	5,855	1,666	
2016/17 budget excluding non-recurring funding and expenditure items	238,893	238,893	0	
<u>Non-recurring funding and expenditure items for 2016/17</u>				
Non-recurring cost provisions	0	2,656	0	<i>Specific expenditure items</i>
Non-recurring Efficiency	0	(2,656)	0	<i>Requirement 2016/17</i>
	0	0	0	
2016/17 BUDGET	238,893	238,893	0	

(b) Salient Points

A number of key points are important to draw out from the above summary of the Board's 2016/17 financial plan. These are:

i) Funding Uplift

For 2016/17, SGHSCD has confirmed a funding uplift of 1.7% (£3.153m) and an uplift linked to the IJB specific allocation of 2.8% (£5.267m). In addition a number of areas of funding which had been received in previous years have been transferred into the Board's baseline budget (0.8%). Boards which are currently below NRAC parity levels will receive an additional allocation which NHS Borders will not benefit from as we remain above parity.

ii) Expected Expenditure Growth

The projection of recurring expenditure growth of £14.650m (see Appendix 1) includes the expenditure related to the IJB specific allocation and a range of additional expenditure commitments which the Board is required to meet in 2016/17. Following review by a short life working group these were considered and recommended by the Clinical Executive Strategy Group to be funded. These are considered unavoidable rather than discretionary commitments.

Appendix 1 explains the approach which has been taken in preparing expenditure growth estimates for each of the main cost drivers and provides background information on key assumptions.

iii) Efficiency Quantum 2016/17

It should be noted that unlike previous years the majority of schemes are not fully developed and there is a high level of risk attached to the efficiency programme. The level of efficiency means that it is critical that the Board must be firmly focused on delivery of the programme as we progress through 2016/17.

There remains an imbalance between the level of recurring and non recurring efficiency required and what is planned to be achieved, and Table 2 demonstrates this. The consequence of this is that the Board will end the year with a recurring deficit which will be carried forward into future years.

There are still a number of unknowns within the plan, mainly reflected in the risk rating of the efficiency programme, but also a level of "to be identified" efficiency which equates to £0.425m. It has been assumed that this "to be identified" will be met from managing slippage throughout the year as a pro tem measure.

iv) **Provision of Resources to IJB**

In completing the financial plan NHS Borders has provided resource of £110.7m to the IJB to undertake the functions delegated to it by Borders Health Board. In terms of providing a resource to the IJB this has been set in line with NHS Borders funding and national guidance. NHS Borders 1.7% uplift, the IJB specific allocation and any adjustments to ring fenced funding allocations such as the Alcohol and Drugs Partnership have been passed in full to the IJB to allow the IJB the freedom to achieve outcomes and the opportunity to redesign. A detailed paper on the provision of resources to the IJB will be presented to the Board as a separate report.

TABLE 2 EFFICIENCY BALANCE

	Saving Requirement £000s	Current Plan £000s	Surplus/ (Deficit) £000s	Note
Recurring	8,795	7,671	(1,124)	See Appendix 2
Non Recurring	2,656	3,780	1,124	See Appendix 2
TOTAL	11,451	11,451	0	

Section 2 - Efficiency Programme 2016/17

The following provides an overview of the programme for 2016/17 and how the Board will approach this challenge.

(a) **Overview**

- i) The level of cash releasing efficiencies and productivity gains to be delivered in 2016/17 is £11.451m or 6.1% of the baseline RRL excluding the IJB specific allocation. This is substantial and in part reflects the carry forward of recurring efficiency levels (£1.7m) from 2015/16 which were only achieved on a one-off basis.
- ii) Currently NHS Borders requires a minimum level of recurring savings of £8.795m. As demonstrated in Table 2 the current plan has £7.671m of recurrent savings expected to be achieved in 2016/17 and the Board must address this deficit to recurrently balance the plan.
- iii) At this stage 60% of the total schemes remain as high risk. This is a new position for NHS Borders but we anticipate that several nationally mandated initiatives and policy changes will support a reduction in the level of risk going forward. Unlike other years the majority of schemes are not fully developed and there is a higher level of risk attached to the efficiency programme.

(b) **Approach**

NHS Borders will continue to place patient safety and quality as central, but this year a major focus will be on quality failures, and re-focus on achieving set standards consistently and well.

Over the last 9 months we have been engaging, increasingly, with a broad range of staff including patient facing staff and a senior clinical and managerial staff group. Going forward the Board is planning to turn its attention to quality failures as well as revisiting some of the basic fundamentals of service provision in order to target obvious opportunities to deliver efficiency. In addition, to address increasing demands, we have and will continue to put in place measures to increase the efficiency and productivity of our services.

The approach adopted in preparing the efficiency programme has been mindful that funding is limited and efficiencies are required across all of the health boards function so a fair application of resources and efficiencies has been identified across all our service including those functions delegated to the IJB.

Table 3 is a summary of the current 2016/17 efficiency programme categorised by risk to delivery of savings. Project documentation for the schemes detailed in the efficiency programme has or will be reviewed by the Clinical Executive Strategy Group to ensure wider organisational support. The Clinical Executive will be the main delivery vehicle for this agenda, ensuring value for money and effective patient care. Monitoring of the programme will be undertaken by the Quality and Efficiency Board. Using all three groups will ensure that there continues to be an intense focus on the delivery of efficiency whilst ensuring clinical engagement.

The Financial Position Oversight Group, a Sub Committee of the Audit Committee, which includes in its membership both Non Executive and Executive Directors of the Board, will receive an update on the efficiency programme at each of its meetings. The group will also consider in detail schemes where progress has not been as expected.

TABLE 3 2016/17 EFFICIENCY PROGRAMME PROJECT AREAS

Current Areas for Efficiency	£000's	£000's
Low Risk		
Repatriation of Out of Area Activity		
Medicine Management Review – some elements		
Travel Costs		
Transforming Outpatients		
Reduction in Management Costs		
Clinical Excellence Fund Underutilisation		
Total Low Risk	2,255	
Medium Risk		
Medicine Management Review – some elements		
Supplies Costs		
Non Support Services Admin Review		
Nursing Skill Mix		
Income Generation		
Total Medium Risk	2,071	
High Risk		
Medicine Management Review – some elements		
Clinical Productivity		
Smoothing Patient Flow		
Prescription Only Medicine		
Agency Spend Patient Safety Driven		
Total High Risk	6,700	
Total Areas for Efficiency		11,026
Efficiency Requirement		11,451
DEFICIT		425

(c) Delivery

Each scheme will be run as a project, with individual project sponsors responsible for developing and delivering a project plan with key milestones. All projects will be proactively managed via the Aspyre system which is the project management software used by NHS Borders.

For each project a Project Initiation Document, project plan and savings trajectory has been or will be approved by the Clinical Executive Strategy Group. The strategic direction of the organisation will continue to be progressed on behalf of the Board, by the Clinical Executive Strategy Group taking into account issues of service redesign, modernisation and continuous service improvement.

(d) Unidentified Savings

Work will continue during the course of the financial year to identify schemes to address the level of unidentified savings which are required to support the achievement of a break even out turn and to ensure the recurring shortfall in the efficiency programme is not carried forward into 2017/18.

(e) Risk Rating

Currently 60% of the schemes in the efficiency programme are rated as high risk. This is a high level and work will be carried out as a matter of urgency to progress and fully develop the current efficiency programme in order to modify the risk rating of schemes.

The Board Strategy and Performance Committee will receive an update on progress at each of its meetings to assure the Board of progress in addressing this challenge.

Section 3 - Key Assumptions and Financial Risks

The key assumptions on which the Board's financial plan for 2016/17 has been based are described within Section 1 above. In addition Appendix 1 describes the assumptions used to project recurring expenditure growth in 2016/17.

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

(a) Pay Growth

NHS Borders main area of expenditure is pay. Assumptions on the cost of pay inflation have been included in the plan. Due to the amount of resource linked to pay any change in future pay costs will have a significant impact on NHS Borders financial position.

Pay Awards for 2016/17 have been finalised. The pay award costs have been calculated at £400 per person for staff earning below £21k, a 1% increase in pay for all staff and the cost of increments as per current terms and conditions. The national negotiation linked to the band 1 scale is ongoing although the financial implications have been estimated – LOW.

(b) Workforce

The ability to recruit and retain staff, especially in some specialties and specialist services, remains a significant service as well as financial risk for NHS Borders. The cost of supplementary staff is often significantly higher than substantive staff but is critical to service provision.

NHS Borders financial plan is underpinned by a significant cost reduction programme which will partly impact on staffing. A number of schemes focus upon increasing clinical productivity, the time spent with patients, and the quality of care; the savings available will be dependent upon realignment, reallocation and / or reprofiling of workforce and planning for the future. This work is being taken forward in Partnership. – HIGH.

(c) Prescribing Cost Growth

Detailed work on the projection of increases in costs and volumes and the impact of new drugs and protocols has been prepared by the Board's prescribing advisers for 2016/17. Benchmarking comparisons between Boards on drugs costs and the level of uplift has also been undertaken. Following consideration of all of this an uplift of 11% on drugs costs has been set for 2016/17. This uplift assumes that NHS Borders will receive £1.1m (2015/16 £1.7m) funding from the centrally held medicines fund to offset some drugs costs. Drugs costs will be an area which will continue to be closely monitored during

2016/17 and the past experience of unanticipated pressures arising during the year informs the risk assessment – HIGH.

(d) **Out of Area Referrals**

In the case of out of area referrals, for both acute and non acute, work is ongoing to ensure that all referrals are appropriate and necessary. Good progress has been made in this area, however due to the unpredictable nature of demand this will continue to be a financial pressure– HIGH.

(e) **Non Pay Uplift**

Non-pay uplift has been estimated at 1.5% for 2016/17. This funding has been set aside in the financial plan but with the support of those attending the Quality and Efficiency Sessions and Clinical Executive Strategy Group, will not be allocated to Clinical Boards and departments. This will require services to manage any inflationary pressure on their supplies costs by reducing wastage or increasing efficiency – LOW.

(f) **Cost Pressures**

Service cost pressures identified during 2016/17 have been reviewed by the Clinical Executive Strategy Group. Only those cost pressures related to service issues have currently been funded. There is the risk that pressures which were not funded, may become an operational overspend if corrective action is not taken – HIGH.

(g) **Delivery of HEAT Standards**

Although significant investment has been made the delivery of waiting times and A&E waits, this remains a challenge for NHS Borders. The achievement of TTG remains challenging for a number of specialities. The financial plan does not set aside additional internal resources to treat patients out of area or through waiting list initiatives for mainstream services provided in Borders. At this point in time it is anticipated that funding has been secured to deal with this issue. – LOW

(h) **Delayed Discharges**

The impact of delayed discharges on patient flow and targets remains a significant financial risk. The availability of care home beds and care at home staff creates pressures across the health system – HIGH.

(j) Resources Provided to the IJB

In completing the financial plan NHS Borders has provided resource of £110.7m to the IJB to undertake the functions delegated to it by Borders Health Board. The Board, has only ring fenced the IJB specific allocation of £5.267m allowing the IJB the freedom and opportunity to redesign service to achieve the desired outcomes. The Scheme of Integration will regulate and support this– MEDIUM.

(k) Efficiency Delivery

The financial plan, as outlined at Section 1, requires the delivery of a programme of efficiencies of £11.451m an element of which remains unidentified and the majority of which remain high risk. The overall level of efficiency required is significantly higher than in previous years and will be extremely challenging. Delivery of efficiency remains the greatest financial risk – HIGH.

Section 4 - 2017/18 and 2018/19

A summary of the Board's outline financial plan for 2017/18 and 2018/19 is provided at Appendix 2. The plan is based on a series of assumptions regarding expenditure growth. The allocation figures are indicative and it is difficult to plan with certainty beyond 2016/17, therefore the figures for future years should be considered only as a broad outlook at present.

(a) Recurring Deficit

Based on current assumptions NHS Borders will enter 2017/18 with a recurring deficit of £1.124m. This deficit is carried forward from 2016/17, due to the imbalance between recurring and non recurring saving expected to be achieved.

(b) Funding

At this stage, the financial plan assumes that the base uplift for 2017/18 and 2018/19 will be 1.7%. These figures should be considered as indicative for planning purposes.

(c) Expenditure

The main planning assumptions used to forecast likely future expenditure growth for 2017/18 and 2018/19 are as follows:

	2017/18	2018/19
Revenue Growth	1.7%	1.7%
Pay Awards	1.0%	1.0%
Non Pay Inflation	1.5%	1.5%
Income	1.7%	1.7%
Drugs	6.0%	6.0%
Capital Growth	0%	0%

(d) Financial Challenge

Based on the assumptions set out above, and after providing for currently approved service commitments including a general provision of £2.0m for cost pressures, the Board would face a financial challenge of £6.9m in 2017/18 and £5.8m in 2017/18 increasing to £8.1m and £6.9m respectively if the recurring position is unresolved.

Section 5 - Overview of 2016/17 Capital Plan**(a) Financial Summary**

The development of the current 5 year rolling capital plan has been under the direction of the Capital Planning Group which is chaired by the Director of Finance with membership from a variety of key stakeholders within the organisation.

In terms of capital, NHS Borders has had to pare down its plans as capital funding has significantly reduced in recent years. Capital investment is key to the delivery of safe and effective patient care and to releasing significant efficiency gains from the rationalisation of the estate and supporting service redesign. The Board continues to improve the link to the Scottish Asset & Facilities Report (SAFR) report, recognise the information which will be available from the developing Property and Asset Management Strategy, and as a result NHS Borders has committed resource over the duration of the plan to address priority areas.

The capital plan is in line with the 2016/17 allocation letter adjusted following recent discussions with SGHSCD and reflects the reinstatement of slippage totalling £2.445m as planned capital expenditure from previous years into 2016/17. It has been assumed that capital receipts which were due to be generated during 2015/16 but will not be finalised until 2016/17 will be retained by NHS Borders for local investment.

Beyond the period of the recent allocation letter from Scottish Government the level of formula has been assumed to be similar to that of 2015/16. It has also been assumed from 2016/17 onwards additional resources will be allocated to NHS Borders to support a number of priority areas including investment in IM&T infrastructure, primary care premises and women's health and children's services. If this additional funding does not materialise there will be a significant detrimental impact on the prioritised capital plan. Work is ongoing to generate £5.5m of charitable funds plus Scottish Government funding to support the creation of a Children's and Young Person's Centre on the site of the Borders General Hospital.

Appendix 3 summarises the Board's 2016/17 capital plan. The Capital Planning Group will continue to work to progress development of schemes connected to the patient safety agenda, efficiency and estate rationalisation. The Board will receive an update on the capital plan in June and December.

Recommendation

The Board is asked to **review** this report and **approve** the 2016/17 indicative revenue and capital financial plans and **note** the indicative outline of the financial challenge in 2017/18 and 2018/19.

Rationale for submission to NHS Borders Board	The Board must agree the indicative financial plan. This report sets out an overview for the 2016/17 year and indicative outline for 2017/18 and 2018/19.
Policy/Strategy Implications	The financial plan underpins the strategy of the Board. It impacts upon delivery of statutory financial targets.
Consultation	Regular briefings on the financial outlook are provided to the S&P Committee, Board Executive Team, Strategy Group, Clinical Executive, Clinical Boards and other senior groups throughout the year.
Consultation with Professional Committees	Briefings and discussions are ongoing.
Risk Assessment	The Board has a statutory requirement to remain within its funding limits. Risks are highlighted in the paper and will be reported upon throughout the year.
Compliance with Board Policy requirements on Equality and Diversity	Relevant issues should be addressed in the development of detailed plans and business cases.
Resource/Staffing Implications	Resource implications are described throughout the report.

Approved by

Name	Designation	Name	Designation
Carol Gillie	Director of Finance		

Author(s)

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Janice Cockburn	Deputy Director of Finance	Susan Swan	Deputy Director of Finance

APPENDIX 1 – 2016/17 INDICATIVE FINANCIAL PLAN – PROJECTION OF RECURRING REVENUE EXPENDITURE GROWTH

Each of the main drivers which influence expenditure has been reviewed to assess and project the level of provision which requires to be made for additional expenditure.

These are categorised as follows:

- (i) **General:** general cost increases which are driven by factors such as pay awards, non-pay inflation, prescribing growth, scale of capital programme etc.
- (ii) **National Initiatives:** where there is an impact on NHS Borders services.
- (iii) **Service Development:** cost increases previously agreed which are driven, in the main, by decisions made at local or regional level involving NHS Borders, to fund local service development/improvement.

On the basis of currently available information, the Board's assessment of the anticipated recurring expenditure growth it faces going into 2016/17, within each of these categories, is set out below:

Area of expenditure growth Projected	Projected Increase £000s	<u>Notes</u>
(i) General		
Pay Inflation	3,995	<i>Includes £2.1m for increased employers national insurance costs plus 1% for all other staff and an additional increase for those on low pay</i>
Prescribing cost growth/ inflation.	2,145	<i>Current projections by prescribing advisers of likely cost increase related to volume and price increases within Acute and Primary Care before cost savings initiatives.</i>
Capital expenditure programme	246	<i>Reflects the capital programme and the associated revenue costs</i>
Supplies & Services uplift	633	<i>Provision for general inflation</i>
Other providers	340	<i>Estimated provision for inflation increase</i>
Primary Medical Services	101	<i>Increased estimate at 1% assumed this will be cost neutral</i>
TOTAL	7,460	
(ii) National Initiatives/Social Care		
IJB Specific Allocation	5,267	
PIN Guidelines	300	<i>Work life balance PIN Guideline implementation</i>
SEAT/National Risk Share	313	<i>Regional Developments and risk share scheme incl CNORIS</i>
Other	60	<i>Nurse revalidation</i>
TOTAL	5,940	
(iii) Service Requirement		
Various Medical Unit Pressures	436	<i>Changes in delivery</i>
Various	353	<i>Including diabetic retinopathy, EEE's licences fees & translation fees</i>
TOTAL	789	
(iv) External Contracts		
Commissioning	400	<i>Fund ECR's</i>
Other	61	<i>Increase in cost of tests sent to NHS Lothian</i>
TOTAL	461	
Total Recurring Expenditure Growth	14,650	

APPENDIX 2 - SUMMARY OF REVENUE FINANCIAL PLAN

	2016/17			2017/18			2018/19			<u>Notes</u>
	Recurring £000s	Non Recurring £000s	Total £000s	Recurring £000s	Non recurring £000s	Total £000s	Recurring £000s	Non recurring	Total £000s	
Opening Surplus/(Deficit)	(1,666)	0	(1,666)	(1,124)	0	(1,124)	(1,124)	0	(1,124)	1
Funding										
General Funding Uplift	3,153	-	3,153	3,207	-	3,207	3,261	-	3,261	2
IJB Specific Allocation	5,267	-	5,267	-	-	-	-	-	-	3
New Medicines fund	-	1,100	1,100	-	-	-	-	-	-	4
Loss of Income	(1,000)	-	(1,000)	-	-	-	-	-	-	5
FHS NCL	101	-	101	101	-	101	102	-	102	6
	7,521	1,100	8,621	3,308	-	3,308	3,363	-	3,363	
Expenditure General										
Pays (incl Sup & NI inc)	3,995	-	3,995	1,823	-	1,823	1,734	-	1,734	7
Supplies & Services	633	-	633	643	-	643	652	-	652	8
Prescribing	2,145	1,100	3,245	1,894	-	1,894	2,008	-	2,008	9
Capital Charges	246	-	246	363	-	363	329	-	329	10
Other Providers	340	-	340	346	-	346	352	-	352	11
FHS NCL	101	-	101	101	-	101	102	-	102	12
	7,460	1,100	8,560	5,170	-	5,170	5,177	-	5,177	
Expenditure Other										
IJB Specific Allocation	5,267	-	5,267	-	-	-	-	-	-	
National/SEAT Issues	673	312	985	1,611	-	1,611	789	-	789	13
Service Requirements	789	1,344	2,133	1,500	1,012	2,512	1,500	712	2,212	14
External Contracts	461	-	461	-	-	-	-	-	-	15
Contingency	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	16
	7,190	2,656	9,846	3,111	2,012	5,123	2,289	1,712	4,001	
Savings										
Cost Savings Plan	7,671	3,780	11,451	4,973	2,012	6,985	4,103	1,712	5,815	17
Deficit carried forward	-	-	-	-	1,124	1,124	-	1,124	1,124	18
In Year Surplus/Deficit	(1,124)	1,124	-	(1,124)	1,124	-	(1,124)	1,124	-	19

APPENDIX 2 – SUMMARY OF REVENUE FINANCIAL PLAN

Notes of Appendix 2

1. Opening position in 2016/17 with a recurring deficit of £1.666m.
2. General funding uplift is 1.7% in 2016/17, 2017/18 and 2018/19.
3. IJB specific allocation to be provided to the Integrated Joint Board.
4. Assumption of £1.1m from Medicines Fund.
5. Reduction in income received in for Patient related service to non Borders residents principally Northumberland.
6. Assumed uplift for FHS non cash limited funding is 1% in each year and is considered to be cost neutral.
7. In 2016/17 this covers general pay uplift of £400 per person for staff earning less than £21k. Pay awards for each year are assumed to be 1% and increments will be paid where appropriate. 2016/17 includes the increased employer's national insurance amount of £2.1m.
8. This covers anticipated price inflation related to existing contractual commitments and includes 1.5% for general cost inflation and general growth in all three years.
9. This is based on prescribing advisers' detailed cost projections for acute and primary care services for 2016/17 equating to a 10.88% increase including the new medicine funding and 6% thereafter.
10. Provision for increase in capital charge costs and costs associated with the capital programme.
11. Provision for inflationary uplift of service level agreements with other NHS boards for NHS Borders residents. This has been estimated at 1.7% for all three years.
12. Provision for increased spend on FHS non cash limited services is equal to assumed increase in funding allocation so overall impact is cost neutral.
13. This includes national/SEAT initiatives such as support PIN guideline, CNORIS contributions and risk share investment.
14. This grouping includes all other service commitments for example, medical unit pressures supplies pressures in unscheduled care, audiology and theatre, medical staffing pressures and efficiency support.
15. External contracts include additional expenditure required for increased patient activity in other boards and tests which cannot be performed in Borders.
16. This is held in contingency in anticipation of any unforeseen financial pressures.
17. Cost Savings plan to be achieved during the financial year. NHS Borders does not achieve the required level of savings in 2016/17 and the recurring deficit is carried into 2017/18.
18. Recurring deficit from 2016/17 is carried forward and is achieved in 2017/18 and 2018/19 non recurrently.
19. From 2017/18 the Board has a recurring deficit of £1.124m.

APPENDIX 3

<u>NHS Borders LDP - Capital Resource Limit future 5 year period 2016/17 - 2020/21</u>	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Board Capital Resources					
Formula Allocation	2,366	2,615	2615	2615	2615
Roxburgh Street (CRL 2014/15)	200	-	-	-	-
Theatre Ventilation (CRL 2014/15)	1,235	-	-	-	-
Clinical Strategy	500	-	-	-	-
Roxburgh Street HC Replacement	1,380	-	-	-	-
East/West Brigs Slippage	880	-	-	-	-
Capital Resource Limit Sub Total	6,561	2,615	2615	2615	2615
Scottish Government Business Case Resources (tbc)					
IM&T Infrastructure Costs	-	1,000	-	-	-
Women's Health	-	1,500	1,000	-	-
Primary Care HC Requirements - Tier 1 and 1a	1,500	1,500	-	-	-
Children and Young People Centre	-	1,000	1,000	-	-
Capital Resource Limit Total	8,061	7,615	4,615	2,615	2,615
Capital Receipts Applied					
Orchard Park St Boswells	100	-	-	-	-
Newstead	-	-	500	-	-
Total Capital Receipts Applied	100	-	500	-	-
Charitable Funds - Children's and Young Persons Centre	250	2,250	2,500	-	-
Total Board Capital Resource	8,411	9,865	7,615	2,615	2615
Prioritised Capital Schemes					
<u>IM&T</u>					
Programme IM&T	218	300	300	300	300
IM&T Strategy – Infrastructure	-	1,000	-	-	-
<u>Estates & Facilities</u>					
Programme Estates	87	200	200	200	200
Risk Assessed Backlog					
SoTE/Estates Strategy	350	350	350	350	350
Theatre Ventilation	1,485	-	-	-	-
<u>Medical Equipment</u>					
Programme MEC	110	200	200	200	200
Radiology Priority Replacement					
Gamma and Mammography	-	250	750	300	300

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Other					
Clinical Strategy	-	376	375	825	825
Estates Rationalisation Galavale Reprovision	1,404	499	-	-	-
Project Feasibility Works	100	200	200	200	200
Roxburgh Street Replacement Surgery	1,930	-	-	-	-
Primary Care Premises Projects	1,500	1,500	-	-	-
Women's Health Project, BGH	-	1,500	1,000	-	-
Melburn Lodge	230	-	-	-	-
Uncommitted	407	-	-	-	-
Uncommitted Dependent on Sale Proceeds	100	-	500	-	-
Project Management	240	240	240	240	240
Children's and Young Persons Centre - Charitable Funds Project	250	3,250	3,500	-	-
Total Capital Expenditure	8,411	9,865	7,615	2,615	2,615
Balance	-	-	-	-	-
Capital Sales Proceeds to Scottish Government*					
N/A	-	-	-	-	-
	0	0	0	0	0

APPENDIX 3 – CAPITAL PLAN

Notes of Appendix 3

The following describes the **high risks** to the plan:-

- Capital receipts will be retained locally for 2016/17. This is in line with previous agreements and reflects the timing of individual sales.
- There is a risk associated with the level of additional resources which are assumed from 2017/18 onwards from the Scottish Government and Charitable Funds to take forward a number of potential projects.
- Business cases for the elements of the final phase of the clinical strategy have not yet been formally approved by the Board.
- The plan does not include any capital requirements arising from SEAT schemes.
- The plan does not include any capital requirements arising from the impact of Health & Social Care integration.
- There is limited opportunity across the plan to allow for opportunistic investment, spend to save schemes or for unforeseen events – the *risk is high* that investment will be needed.