

Borders NHS Board**FINANCIAL SETTLEMENT 2017/18****Aim**

The purpose of this report is to provide the Board with an update on the financial outlook for NHS Borders for 2017/18 as a result of the national financial settlements for the public sector.

Background

The Scottish Government (SG) draft budget for 2017/18 includes an additional investment of £327m for health as detailed in the table below:

	£m
Territorial Health Boards	136
Special Health Boards	13
NRAC Parity Funding	50
Transformational Change Funding	<u>128</u>
Total	<u>327</u>

The budget requires NHS territorial Health Boards to pass £100m of the baseline uplift to Integration Joint Boards (IJB) to support social care. In addition previously allocated ring fenced funding for Alcohol and Drugs Partnerships (ADP) and healthcare for police custody services are now included in baseline uplifts. Details of how transformational change funding will flow to boards is awaited but the key priority areas are primary care, mental health, cancer, trauma centres and to support the development of regional plans.

Scottish Government Budget 2017/18

The SG draft budget was announced on the 15th December 2016 and draft allocations were issued to Boards on the 16th December 2016. The budget for 2017/18 has since been approved by the Scottish Parliament. Although final allocations letters have not been formally issued no change to the draft figures is anticipated. The key points to note from the allocation for NHS Borders and a summary of the level of baseline resources are detailed below:

	£m
2016/17 Recurring Allocation	193.6
1.5% Uplift (of which 1.1% transfer to the IJB)	2.9
ADP Baseline Funding	1.0
Police Custody Healthcare Baseline Funding	<u>0.1</u>
2017/18 Draft Budget	<u>197.7</u>

- The baseline allocation is uplifted by 1.5% (£2.9m) of which 1.1% (£2.1m) will form a social care fund which will be provided to the IJB. The balance 0.4% (£774k) can be utilised by NHS Borders to deal with inflation, cost and activity pressures.
- £1.1m of baseline funding is earmarked for alcohol and drugs partnerships (ADP) and healthcare in police custody services. This funding is at the same level as the ring fenced allocations received for these services in 2016/17.
- As NHS Borders remains above its NRAC share of resources it will not receive any of the funding available nationally to move Boards to parity.
- Further information on the national transformational change funding is awaited and NHS Borders has not been advised on the availability of funding at this time.

Financial Plan 2017/18

The Board's approach to the financial plan is based on the following principles:

- Patient safety is NHS Borders number one corporate objective and the provision of safe services will not be compromised.
- Budgets will be set and resources provided based on funding available.
- The financial challenge will be shared across all areas of the organisation.

This approach recognises the Board's role in relation to the provision of resources to the Integration Joint Board and to the non delegated functions of the organisation.

The Board needs to recognise a number of costs pressures for 2017/18 which include the following:

- Pay uplift
- The introduction of an apprenticeship levy
- National and regional service developments
- The revenue impact of the capital programme
- A number of non recurring staffing pressures

The allocation uplift of £774k will be utilised to support these pressures, however the level of uplift will not be sufficient to fund these and there remains a shortfall of £5.5m, which will require to be met.

Based on current forecasts NHS Borders will deliver £8.1m of efficiencies during 2016/17, however the recurring efficiency savings target will not be fully achieved and therefore the £4.9m shortfall will be carried forward into 2017/18 and will need to be met in addition to the £5.5m shortfall identified above. This will give a total financial gap for 2017/18 of £10.4m (5.3% of NHS Borders baseline budget) of which £7.6m should be identified on a recurring basis. This gap is required to be addressed in order for the Board to meet its financial targets in 2017/18.

It should be noted that in addition to £10.4m financial gap identified above there are some further financial pressures across the organisation and the estimated impact of these pressures is approximately £5.3m. There is an expectation that services will put in place measures or identify cost savings to address these. These include the increasing cost of medicines, inflation on supplies and services as well as demographic and activity pressures. If measures are not identified to address these, this would further increase the financial gap for 2017/18 from the £10.4m identified earlier in the paper to a maximum potential level of £15.7m.

In order to address the financial gap NHS Borders managers are producing detailed plans to minimise waste, reduce variation, standardise and share including:

- Implementation of the effective prescribing programme
- A quality and cost assessed improvement plan to respond to productive opportunities identified from benchmarked performance
- Reducing medical and nursing agency and locum expenditure as part of a national drive to reduce this spend by at least 25% in year
- Implementation of opportunities identified in the national shared services programme

Work on these plans is underway as well as consideration being given on how the efficiency of services across the organisation could be improved. Due to the size of the financial gap there is also a need for transformational change in the way NHS Borders delivers services. A number of work streams are reviewing potential opportunities both in terms of efficiency and the transformation of our services.

Work is ongoing on the detailed financial plan to assess the scale of the savings which can be delivered to meet the financial gap. There are a number of board development sessions planned during February and March where progress and updates will be provided with the 2017/18 financial plan due to be presented to the Board on the 6th April 2017.

Whilst annually NHS Borders has performed well in balancing its budget the level of the financial gap in 2017/18 is unprecedented and is substantially higher than previously experienced by NHS Borders.

Summary

Based on current information NHS Borders financial gap for 2017/18 is £10.4m (5.3% of the baseline allocation) with a further £5.3m of financial pressures which require to be addressed. Work is ongoing on how this shortfall and the pressures can be met by reducing waste, minimising variation, standardising, sharing, increasing efficiency and transforming the way we provide services. The size of the challenge is significant and greater than the level delivered previously in one year. The Board will be updated on progress at development sessions planned during February and March. The financial plan for 2017/18 will be presented to the board at its meeting on the 6th April 2017.

Recommendation

The Board is asked to **note** the update on the financial outlook for 2017/18.

Policy/Strategy Implications	Based on Scottish Budget & draft allocation letter. Takes account of financial planning/horizon scanning undertaken by the Board
Consultation	Ongoing presentations across the organisation
Consultation with Professional Committees	Ongoing presentations across the organisation

Risk Assessment	The range in the paper gives an indication of the risk
Compliance with Board Policy requirements on Equality and Diversity	Complete
Resource/Staffing Implications	As detailed in the paper

Approved by

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