

Borders NHS Board



NHS BORDERS – 2017/18 INDICATIVE FINANCIAL PLAN

Aim

To provide the Board with the indicative revenue and draft capital financial plans for 2017/18 for review and approval. At this time the indicative revenue plan for the Board does not demonstrate a breakeven position.

Introduction

The broad terms of the financial plan were discussed at the Board development sessions in February. The level of efficiencies required to allow a balanced financial plan in 2017/18 is greater than those experienced in previous years and the challenges around this 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 28th February 2017 as part of the draft Local Delivery Plan with a further draft plan due to be submitted on the 31st March 2017. Final plans are required to be submitted in September 2017. The purpose of the later submission date is to allow Boards to establish how collaborative regional planning will support cost effective and sustainable service delivery for all NHS Boards.

NHS Borders plan is focused on 2017/18, with high level figures for revenue for the following two years and a direction for capital schemes for the next four years also provided. The Scottish Parliament has agreed a one year budget for 2017/18 and for this reason the financial plan for 2018/19 onwards should be considered with a degree of reservation as these are only planning assumptions at this stage.

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

- Patient safety is critical to how NHS Borders operates and how it provides services. This will not be compromised.
- Budgets will be set and resources provided based on the level of funding available.

Currently the financial plan for 2017/18 is unable to demonstrate a break even position due to the challenging level of efficiency required in 2017/18. This currently stands at £15.7m. There is a level of identified saving within the efficiency plan that releases an estimated £11.9m, giving an outstanding balance on our efficiency programme of £3.8m. The Board continues to work with services to bridge this gap while continuing to ensure that the quality of care currently provided is not compromised.

This does not detract from the Board's statutory obligation to operate within the financial resources available. The difficulty in reaching a balanced financial plan in order to fulfil this requirement remains a live issue and is subject to ongoing dialogue at Director of Finance and Chief Executive level and the most senior executives of the Scottish Government Health and Social Care Directorates (SGHSCD) involved.

Whilst a balanced financial plan is not yet in place, the delegation of indicative operational budgets and subsequent budget sign off needs to be in place from 1 April 2017 in order to ensure ongoing financial performance management and controls are in place right at the start of the new financial year.

NHS Borders recognises the challenge and the complexity of completing a financial plan has increased with the creation of the Integration Joint Board (IJB) from 1st April 2016. In agreeing a financial plan the Board has considered resources required to be provided to the IJB to undertake the functions delegated to it. A separate paper to inform the Board of the proposed provision of resources to the IJB, and assumptions made on the subsequent Direction of resources is provided separately to the meeting on the 6th April 2017.

The remainder of this paper is therefore structured as follows:

- Section 1** Will provide an overview to Board members of the key elements within the revenue financial plan for 2017/18.
- Section 2** Will explain how it is proposed to address the efficiency challenge which the Board faces in order to achieve a balanced financial outturn in 2017/18.
- Section 3** Will highlight key assumptions and financial risks.
- Section 4** Will outline the scale of the financial challenge which the Board is likely to face in 2018/19 and 2019/20 based on information that is currently available.
- Section 5** Will 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 the required quality of patient care the organisation must keep a firm grip on its finances, as well as drive improved quality and efficiency which are critical to ongoing 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. Currently this is proving challenging given the economic environment, finite resource allocations 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. NHS Borders plan must be built on the triple aim of better health, better care and better value.

An integral part of the financial plan is the efficiency programme which consists of a series of projects with potential cost savings that will be progressed during 2017/18. The current

efficiency programme does not allow NHS Borders to present a balanced financial plan. The level of financial challenge is unprecedented with delivery of a balanced financial position going forward predicated on major redesign and significant transformation of services.

Section 1 - Overview of 2017/18 Indicative Financial Plan

(a) Financial Summary

A high level overview of the Board's financial plan for 2017/18 is provided in Table 1. This shows the overall movement in recurring and non-recurring funding, and expenditure growth anticipated during 2017/18. As noted this table does not currently present a balanced position for 2017/18. A more detailed analysis of the plan highlighting the IJB, set aside and health board budgets is provided in Appendix 1.

Table 1 - Indicative Financial Plan Overview

	Funding £000s	Expenditure £000s	Surplus/ (Deficit) £000s	<u>Note</u>
Base budget carried forward from 2016/17	235,613	240,508	(4,895)	<i>Recurring efficiency requirement</i>
<u>Recurring funding and expenditure items for 2017/18</u>				
General funding uplift	774	0	0	
Integrated joint board allocation	2,130	2,130	0	
Family health service uplift	101	101	0	
Identified financial pressures to provide for	0	8,862	0	<i>See Appendix 2</i>
Recurring efficiency	0	(6,365)	0	<i>Planned for 2017/18</i>
	3,005	4,728	(1,723)	
2017/18 budget excluding non-recurring funding and expenditure items	238,618	245,236	(6,618)	<i>Current position recurring deficit</i>
<u>Non-recurring funding and expenditure items for 2017/18</u>				
Non-recurring costs	0	2,720	2,720	<i>Specific expenditure items</i>
Non-recurring Efficiency	0	(5,505)	(5,505)	<i>Identified 2017/18</i>
	0	2,785	2,785	<i>Non recurring surplus</i>
2017/18 BUDGET & DEFICIT	238,618	242,451	(3,833)	<i>Current in year deficit</i>

(b) **Salient Points**

A number of key points are important to draw out from the above summary of the Board's 2017/18 financial plan. These are:

i) **Base Budget Carry Forward**

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 £4.895m shortfall will be carried forward into 2017/18 and will need to be met during 2017/18 on a recurring basis. £2.6m of this relates to functions delegated to the IJB including the set aside functions.

ii) **Funding Uplift**

For 2017/18, SGHSCD has confirmed a funding uplift of 1.5% (£2.9m) including an IJB specific allocation of 1.1% (£2.1m) to support additional costs within social care services. This leaves a balance of **0.4% (£0.8m)** available to NHS Borders to support additional inflationary and demand pressures. The full details of the financial settlement were presented to the Board at its meeting on 23rd February 2017. It should be noted that in addition to this uplift a number of areas of funding which had been received in previous years in ring fenced allocations have been transferred into the Board's baseline budget. **This is not new funding.** Also 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.

iii) **Identified Financial Pressures to be Provide For**

The Board needs to recognise a number of financial pressures (£8.9m) 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 agreed capital programme
- Prescribing uplift for both volume and price
- Supplies inflation
- Activity pressures that are unfunded by IJB

There is an expectation that both the prescribing and supplies inflation pressure will be met by services putting in place measures to reduce expenditure or identifying cost saving schemes to address or partially address these pressures. In order to carry out this review service will have additional analytical and financial support. Appendix 2 explains the approach which has been taken in preparing expected expenditure growth estimates for each of the main cost drivers and provides background information on key assumptions.

iv) **Non Recurring Costs**

During preparation of the financial plan non recurring costs of £2.7m have been identified for 2017/18. This includes £0.8m additional medical staffing pressures and £0.5m of non recurring funding to support the delivery of the efficiency programme.

v) **Efficiency Quantum 2017/18**

The level of efficiency challenge the Board is facing in 2017/18 is unprecedented. The Board continues to encounter inflation and demand pressures which significantly outstrip the level of uplift provided. Increasing the recurring financial pressure on the Board is the fact that NHS Borders achieved the required level of saving in each of the previous two financial years only through utilising non recurring means.

Table 2 - 2017/18 Level of Efficiency Required

	Recurring £000's	Non Recurring £000's	Total £000's
Carry Forward Shortfall 2016/17	4,895	0	4,895
Identified Financial Pressures	8,088	0	8,088
Non Recurring Cost Provisions	0	2,720	2,720
Efficiency Quantum	12,983	2,720	15,703

Unlike previous years it should be noted that at the start of the financial year there is an efficiency shortfall in NHS Borders plan. This means that NHS Borders cannot currently report a balanced outturn position at the end of 2017/18. Services are continuing to work to identify proposals in order to meet the required level of in-year efficiency.

There is a significant level of risk attached to delivery of a number the current efficiency scheme and proposals. A number of the schemes within the efficiency programme have not been fully developed and there are a number of unknowns within the plan. Currently there is a high degree of confidence that the Board will achieve £4.6m in efficiency from April 2017. The balance of identified saving £7.3m has been classified as being either medium or high risk. Further work must be carried out to develop these ideas and therefore the level of confidence in achievement of this challenging efficiency target must remain a risk.

The achievement of efficiency has been detailed in table 4 which reflects the associated risk rating. It is expected as schemes are developed that the risk rating will be adjusted to reflect the likely achievement.

Based on efficiency schemes currently developed there is also an imbalance between the level of recurring and non recurring efficiency identified and required during 2017/18. As a consequence the Board will end 2017/18 with a recurring deficit of £6.6m which will be carried forward into future years. This is a further increase from the £4.9m of recurring efficiencies which were not achieved on a

recurring basis during 2016/17. Work is continuing to identify additional recurring schemes.

It is critical that the Executive Team, the Clinical Boards and services are focused on delivery of the identified efficiency programme due to the challenging level of saving required. With only £4.6m of the currently identified saving be categorized as low risk and with a high degree of certainty in achievement.

A summary of the current efficiency programme is presented in Table 3 below.

Table 3 - Efficiency Plan

	Efficiency Requirement £000s	Current Plan £000s	Surplus/ (Deficit) £000s
Recurring	12,983	6,365	(6,618)
Non Recurring	2,720	5,505	2,785
TOTAL	15,703	11,870	3,833

vi) **Provision of Resources to IJB**

In completing the financial plan NHS Borders has provided resource of £120.9m to the IJB to undertake the functions delegated to it by the Health Board. In terms of providing resources to the IJB this has been set in line with NHS Borders funding and national guidance.

NHS Borders has maintained funding at 2016/17 levels, and in addition £2.1m of social care support has been passed in full to the IJB to allow the IJB. This is in addition to the £5.3m provided for social care support in 2016/17.

At this time it is unclear what level of resource the IJB will direct to NHS Borders but it is assumed that this will be at the same level as the resource provided excluding the social care funding. It is also assumed and has been indicated by the IJB that there will be a need to make efficiencies not only in the Health Board retained functions but also in the IJB. Based on this assumption the level of required efficiency within delegated functions has been estimated.

A detailed paper on the provision of resources to the IJB will be presented to the Board on the 6th April 2017 as a separate report.

Section 2 - Efficiency Programme 2017/18

The following provides an overview of the programme for 2017/18 and how the Board will approach this challenge.

(a) **Overview**

- i) The level of cash releasing efficiencies and productivity gains to be delivered in 2017/18 is £15.7m or 8.0% of the baseline RRL funding after excluding the IJB specific allocations to support social care. This is a substantial target and in part

reflects the carry forward of recurring efficiencies from 2016/17 (£4.9m), the impact of the level of uplift provided in 2017/18 to meet the inflationary pressures, and the service pressures the organization is facing.

- ii) In total £11.9m of the required efficiency target of £15.7m has been identified in year; this means NHS Borders is facing an efficiency gap of £3.8m in 2017/18. Work is ongoing to address this including the creation of a transformational change team and a change programme which will be led by the Director of Planning and Performance. The Board will discuss this programme at the development session on the 6th April 2017.
- iii) NHS Borders requires a minimum level of recurring savings of £13.0m. As demonstrated in Table 2 above the current plan has £6.4m of recurrent savings identified for achievement in 2017/18. Currently there is concern around the level of confidence in achievement of this figure as many of the schemes require further work and may not deliver fully in 2017/18. This represents a significant shortfall on the level of recurring savings required and a further increase in the underlying financial deficit for the Board as we move forward unless addressed during the year.
- iv) Of the identified schemes 67% are classified as medium or low risk and the remaining 33% are classified as high risk at this stage. This reflects their current status in terms of overall development or quantification. The Director of Finance is focused on supporting service delivery teams reducing both the level of identified risk, and the understanding of savings that will be delivered.
- v) There is the potential that NHS Borders will be unable to deliver this challenging efficiency programme represents a significant risk to the underlying financial stability of the Board moving forward.

(b) **Approach Adopted**

NHS Borders will continue to place patient safety and quality at the centre of all that it does. The Board will continue to focus on removing quality failures within systems and process as well as revisiting some of the basic fundamentals of service provision in order to target obvious opportunities for improving service efficiency. In addition to address increasing demand, we have and will continue to put in place measures to increase the efficiency and productivity of our clinical and support services.

The approach adopted in preparing the efficiency programme has been mindful that funding is limited and efficiencies are required across the full range of the health board's activities given the significant challenge that is faced.

Table 4 provides a summary of the current 2017/18 efficiency programme categorised by risk. Project documentation for the schemes detailed in the efficiency programme is available and will be signed off by Directors to ensure organisational support and service commitment. The Clinical Executive will be the main delivery vehicle for this agenda, ensuring value for money and effective patient care. Dialogue with the IJB will also be initiated regarding the unfunded activity pressures to ensure action is taken. Using these

avenues will ensure that there continues to be an appropriate focus on the delivery of efficiency whilst maintaining the required clinical engagement.

The Financial Performance Group, a Sub Committee of the Strategy and Performance Committee, which includes in its membership both Non Executive and Executive Directors of the Board, will receive full reports 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 4 - 2017/18 Efficiency Programme with Risk Assessment

Scheme	Risk Assessment			
	High £000's	Medium £000's	Low £000's	Total £000's
2016/17 Carry forward Schemes	925	640	300	1,865
3% Delegated Targets	2,153	635	1,212	4,000
Non Recurring Measures	0	600	2,905	3,505
Effective Prescribing	834	1483	183	2,500
Total	3,912	3,358	4,600	11,870

(c) **Delivery**

A number of 2016/17 efficiency schemes which did not deliver as anticipated have been carried forward into the new financial year. These include the IHO Elective Flow project, Pathways of Care, Nursing Skill reviews, the clinical productivity programme, and the ongoing review of the medical unit and acute medicine. Work continues to clarify if any further schemes from the 2016/17 programme have the potential to deliver savings in 2017/18.

A key element of the 2017/18 Efficiency Programme is the requirement that all services to reduce their normal operating costs by a minimum of 3%, both in year and on a recurring basis. This is in line with the recognised public sector requirement to achieve 3% efficiency each year. Delivery is based on a number of individual schemes which have been signed off by the relevant Director. In addition plans have been produced with an aim of reducing the level of expenditure on agency nurses and doctors by a minimum of 25% compared with 2016/17 levels of expenditure. Services have also been asked to consider the benefits of opportunities developed as part of the national shared services programme which could be implemented in NHS Borders.

The Director of Pharmacy supported by the Medicines Resource Team has developed a programme of work which is planned to save £2.5m as a minimum during 2017/18. This work is aligned to the national Effective Prescribing Programme. Savings will be delivered across a number of work streams which will include drug patent expiries including a significant savings anticipated from pregabalin, changes to biosimilars prescribing, and possible changes to the monitoring and management of patients with certain long term conditions. The Medicines Resource Team has been asked to continue considering how further efficiencies could be achieved. Since some of these schemes may to be innovative and challenging and Board approval is likely to be required before proposals are progressed.

(d) Risk Rating

As noted 33% or £3.912m of the schemes identified in the overall efficiency programme are rated as high risk. This is a high level assessment 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.

(e) Efficiency Gap

While progress has been made in the development of efficiency proposals there remains an unidentified deficit of £3.833m. While the organisation will continue to work with local teams and regional/national partner organisations to identify recurring and non recurring opportunities, it is recognised that a transformational approach to service delivery is required to support longer term financial sustainability. NHS Borders is in the process of appointing a Transformational Change Team to give direct support to services and it is anticipated that plans and proposals will be developed during 2017/18 that will support both the in year efficiency challenge, but also the underlying recurring savings requirement to support long term financial stability.

NHS Borders has never submitted an unbalanced financial plan as part of the LDP process and will need to work closely with SGHSCD over the coming months to manage this position. It is anticipated that SGHSCD will be able to offer support in terms of its knowledge network, and skills in terms of achievement of efficiency elsewhere and access to national projects and schemes developed in association with other NHS Boards.

Section 3 - Key Assumptions and Financial Risks

The key assumptions on which the Board's financial plan for 2017/18 has been based are described within Section 1 above. In addition Appendix 2 describes the assumptions used to projecting recurring expenditure growth in 2017/18.

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

Identified financial pressures to be provided for:

- **Pay Growth**

NHS Borders main area of expenditure is pay. Reasonable assumptions on the cost of pay inflation have been made however, due to the amount of resource linked to pay any change in pay costs or assumptions made will have a significant impact on NHS Borders financial position. – MEDIUM.

- **National/SEAT Developments**

There are a number of developments/pressures which have been agreed nationally and within the SEAT region. These are unavoidable pressures and include the opening of the new Sick Children's Hospital in Edinburgh. Final figures associated with these will become available during the financial year – MEDIUM.

- **Prescribing Cost Growth**

Detailed work on the level of prescribing costs, drug volumes, and the impact of new drugs developments or changes in protocols has been undertaken by the Board's prescribing advisers for 2017/18. The medicines management team has been asked to develop an efficiency programme which meets the projected level of cost increase for 2017/18. Projections assume that NHS Borders will receive £0.6m of funding from the centrally held new medicines fund to offset some drugs costs in 2017/18 (in 2016/7 this was £1.1m). This anticipated reduction in central funding will also need to be met from planned efficiencies. Although good progress has been made in identify savings proposals there remains a shortfall between the estimated costs and savings proposals. Further opportunities will be discussed with the board at its development session on the 6th April 2017.

Price volatility in drug costs due to supply chain issues has been a significant factor during 2016/17 in overall prescribing costs. NHS Borders has no influence or control over issues related to price volatility on world markets and as NHS Borders spends approximately £32m on drugs any material change in the price on certain high volume drugs will have a significant impact on the reported position – HIGH.

- **Non Pay Inflation**

Non-pay inflation has been estimated at 1.5% for 2017/18. Due to the limited level of additional funding, services have been asked to increase efficiency targets to meet any increase in cost. A programme of work led by the head of procurement has been developed to support services in delivering this – HIGH.

- **Workforce**

The ability to recruit and retain staff, particularly medical staff in key specialties, and registered nurses in general, remains a significant service, as well as a financial risk. The cost of supplementary staff can be significantly higher than substantive appointments especially when taken at short notice in order to maintain service provision – HIGH.

NHS Borders financial plan is underpinned by a significant anticipated cost reduction programme which will possibly impact on vacancy levels in some areas. For a number of schemes focused on increasing clinical productivity, or increasing patient facing time; assumed savings are be dependent upon resource realignment, staff reallocation, and/or a re-profiling of workforce. In accordance with organizational policy where staff are affected this work is being taken forward in Partnership – HIGH.

- **Delivery of HEAT Standards**

The achievement of waiting time targets remains challenging for a number of specialities, particularly orthopaedics. The financial plan does not set aside additional internal resources to treat patients out of area or through waiting list initiatives. The Board will need to consider the impact on achievement of TTG and

the increased cost of providing services where, for example, this is dependent on high cost agency staffing – HIGH.

- **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. The level of delayed discharges in 2016/17 has created unprecedented operational pressures. In light of the increasingly challenging financial environment a similar level of unfunded activity would be financially unmanageable. – HIGH.

- **Resources Provided to the IJB**

In completing the financial plan NHS Borders has provided resource of £120.9m to the IJB to undertake the functions delegated to it by NHS Borders. The Board, has ring fenced the IJB specific allocation of £2.1m, which is in addition to the £5.3m provided in 2016/17, allowing the IJB the freedom to redesign service in order to deliver its strategic objectives and desired outcomes . The Scheme of Integration will regulate and support this – MEDIUM.

- **Efficiency Delivery**

The financial plan, as outlined at Section 1 and 2, requires the delivery of a programme of efficiencies totalling £15.7m, an element of which remains unidentified at this stage. Of savings and efficiencies identified to date 33% have a high risk rating. The overall level of efficiency required is significantly higher than in previous years and represents a significant challenge both in the current year but also on a recurring basis. Delivery of the required efficiency programme remains the greatest financial risk to NHS Borders moving forward – HIGH.

Section 4 - 2018/19 and 2019/20

A summary of the Board's outline financial plan for 2018/19 and 2019/20 is provided at Appendix 3. 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 2017/18, 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 2018/19 with a recurring deficit of £6.6m. This deficit will be carried forward from 2017/18 due to the non achievement of the efficiency plan and the imbalance between the levels of recurring and non recurring saving required and achieved in 2017/18.

(b) **Funding**

At this stage, the financial plan assumes that the base uplift for 2018/19 likely to be 0% and for 2019/20 is likely to be no more than 1.0%. These figures should be considered as indicative and for planning purposes only.

(c) **Expenditure**

The main planning assumptions used to forecast likely future expenditure growth for 2018/19 and 2019/20 are as follows:

	2018/19	2019/20
Revenue Growth	0%	1.0%
Pay Awards	1.0%	1.0%
Non Pay Inflation	1.5%	1.5%
Income	1.0%	1.0%
Drugs	9.0%	9.0%
Capital Growth	0%	0%

(d) **Financial Challenge**

Based on the assumptions set out above, and after providing for currently approved service commitments which include a general provision of £2.0m for cost pressures, the Board would face an efficiency challenge of £10.7m in 2018/19 and £7.8m in 2019/20, this would be increased to £17.3m and £14.4m respectively if the underlying recurring deficit carried forward from 2017/18 remains unresolved.

Section 5 - Overview of 2017/18 Capital Plan

Financial Summary

The development of the current 5 year rolling capital plan has been under the direction of the Board's Strategy Group with membership drawn from a variety of key stakeholders from across the organisation.

In terms of capital, NHS Borders continues to work within the reduced level of capital funding available within NHS Scotland. Capital investment is a key part of delivering safe and effective patient care and to releasing significant efficiency gains from the rationalisation of the estate and the associated supporting service redesign. The Board continues to improve links to the Scottish Asset & Facilities Report (SAFR) and using information available from the Developing Property and Asset Management Strategy, has committed resource over the duration of its plan to addressing priority areas.

The capital plan is in line with the Boards capital allocation and recent discussions with SGHSCD, and reflects the reinstatement of slippage totalling £1.615m as planned capital expenditure from previous years into 2017/18. It has been assumed that capital receipts which were due to be generated during 2016/17 but will not be finalised until 2017/18 will be retained by NHS Borders for local investment. More recently confirmation from Scottish Government of additional support (£0.9m) to the Primary Care Premises Programme has also been factored to the plan over 2017/18 and 2018/19.

Appendix 4 summarises the Board's 2017/18 draft capital plan. The Clinical Executive Strategy Group will continue to work to progress development of the plan connected to the patient safety agenda, progressing the Board's Property and Asset Management Strategy and addressing backlog maintenance, rolling programme priorities and support to the efficiency programme. 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 2017/18 indicative revenue and draft capital financial plans.

Note the financial plan at this time is unbalanced.

Note the indicative outline of the financial challenge in 2018/19 and 2019/20.

Policy/Strategy Implications	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. 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 – FINANCIAL PLAN OVERVIEW – DETAILED ANALYSIS

	Funding				Expenditure					(Deficit)/Surplus				
	IJB	Set Aside	Health Board	Total	IJB	Set Aside	Health Board	B/S	Total	IJB	Set Aside	Health Board	B/S	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Baseline C/Fwd	99,757	18,978	116,878	235,613	101,679	19,650	119,179		240,508	(1,922)	(672)	(2,301)		(4,895)
Recurring Funding	0	0	0	0	0	0	0		0	0	0	0		0
SG 0.4% Baseline Uplift	0	0	774	774	0	0	0		0	0	774			774
Social Care Fund 2017/18	2,130	0	0	2,130	2,130	0	0		2,130	0	0	0		0
FHS Uplift 2017/18	101	0	0	101	101	0	0		101	0	0	0		0
	2,231	0	774	3,005	2,231	0	0		2,231	0	0	774		774
Identified financial pressure to provide for	0	0	0	0	4,241	1,767	2,854		8,862	-4,241	-1,767	-2,854		-8,862
Recurring Efficiency	0		0	0	-2,995	-955	-2,415		-6,365	2,995	955	2,415		6,365
Total Recurring	101,988	18,978	117,652	238,618	105,156	20,462	119,618		245,236	(3,168)	(1,484)	(1,966)		(6,618)
Non Recurring Pressures	0	0	0	0	210	610	1,900		2,720	-210	-610	-1,900		-2,720
Non Recurring Efficiency	0	0	0	0	-1,171	-276	-1,958	-2,100	-5,505	1,171	276	1,958	2,100	5,505
Total Non Recurring	0	0	0	0	-961	334	-58	-2,100	-2,785	961	(334)	58	2,100	2,785
TOTAL	101,988	18,978	117,652	238,618	104,195	20,796	119,560	-2,100	242,451	(2,207)	(1,818)	(1,908)	2,100	(3,833)

APPENDIX 2 – 2017/18 INDICATIVE FINANCIAL PLAN – PROJECTION OF RECURRING IDENTIFIED FINANCIAL PRESSURES to PROVIDE FOR

On the basis of currently available information, the Board's assessment of the anticipated recurring increased costs it faces going into 2017/18, within each of these categories, is set out below:

(i) Identified Financial Pressures to Provide For	Projected £000s	<u>Notes</u>
Pay Inflation	2,245	<i>Includes 1% for all other staff and an additional increase for those on low pay, increments, £0.5m apprentice levy and medical discretionary points</i>
Capital expenditure programme	363	<i>Reflects the capital programme and the associated revenue costs</i>
Sick Kids Development	335	<i>Start up and part year costs of relocation</i>
Major Trauma Centre	237	<i>NHS Scotland Development</i>
SEAT/National Risk Share	167	<i>Regional Developments and risk share scheme incl CNORIS</i>
Other	170	<i>External providers increase offset by income increase & rates increase</i>
Prescribing cost growth/ inflation	4,772	<i>Current estimate by prescribing advisers of above budgeted cost & volume, new drugs & protocols in Acute and Primary Care before cost savings initiatives plus reduction in new medicines fund.</i>
Supplies inflation	573	
Total Identified Financial Pressures to Provide For	8,862	<i>General supplies inflation</i>

APPENDIX 3 - SUMMARY OF REVENUE FINANCIAL PLAN

	2017/18			2018/19			2019/20			<u>Notes</u>
	Recurring £000s	Non Recurring £000s	Total £000s	Recurring £000s	Non recurring £000s	Total £000s	Recurring £000s	Non recurring £000s	Total £000s	
Opening Surplus/(Deficit)	(4,895)	0	(4,895)	(6,618)	0	(6,618)	(6,618)	0	(6,618)	1
Funding										
General Funding Uplift	774	-	774	-	-	-	1,965	-	1,965	2
IJB Specific Allocation	2,130	-	2,130	-	-	-	-	-	-	3
New Medicines fund	-	650	650	-	-	-	-	-	-	4
FHS NCL	101	-	101	101	-	101	102	-	102	5
	3,005	650	3,655	101	-	101	2,067	-	2,067	
Identified Financial Pressures to Provide For										
Pays (incl FHS & Dis Pts)	2,346	1,150	3,496	1,865	550	2,415	1,858	550	2,408	6
IJB Social Allocation	2,130	-	2,130	-	-	-	-	-	-	7
SEAT/National Issues	739	-	739	857	-	857	215	-	215	8
Capital Charges	363	-	363	329	-	329	165	-	165	9
Other inc estimated growth	170	570	740	2,351	470	2,821	2,319	170	2,489	10
Supplies & Services	573	-	573	605	-	605	614	-	614	11
Prescribing	4772	650	5,422	2,774	-	2,774	3,024	-	3,024	12
Contingency	-	1,000	1,000	-	1,000	1,000	-	1,000	1,000	13
	11,093	3,370	14,463	8,781	2,020	10,801	8,195	1,720	9,915	
Savings										
Cost Savings Plan	6,365	5,505	11,870	8,680	2,020	10,700	6,128	1,720	7,848	14
Deficit carried forward	-	-	-	-	6,618	6,618	-	6,618	6,618	15
In Year Surplus/Deficit	(6,618)	2,785	(3,833)	(6,618)	6,618	-	(6,618)	6,618	-	16

APPENDIX 3– SUMMARY OF REVENUE FINANCIAL PLAN

Notes of Appendix 3

1. Opening position in 2017/18 with a recurring deficit of £4.895m.
2. General funding uplift is 0.4% in 2017/18, 0% 2018/19 and 1.0% 2019/20.
3. IJB specific allocation to be provided to the Integrated Joint Board.
4. Assumption of £0.65m from Medicines Fund.
5. Assumed uplift for FHS non cash limited funding is 1% in each year and is considered to be cost neutral.
6. In 2017/18 this covers general pay uplift of £400 per person for staff earning less than £22k. Pay awards for each year are assumed to be 1% and increments will be paid where appropriate. 2017/18 includes an increased charge of the apprentice levy based on 0.5% of payroll costs.
7. IJB specific expenditure related to the allocation.
8. This includes national/SEAT initiatives such as support for the Sick Kids development, major trauma and risk share investment.
9. Increase in capital charge costs and costs associated with the capital programme.
10. This grouping includes all other commitments for example, the increase in rates levy.
11. This covers anticipated price inflation related to existing contractual commitments and includes 1.5% for general cost inflation in 2017/18 prior to any efficiency as the service have been asked to self fund this pressure. General growth has been assumed in the preceding two years.
12. This is based on prescribing advisers' detailed cost projections for acute and primary care services for 2017/18 equating to a 15.48% increase including NHS Borders element of the new medicine funding and 9% thereafter. The Medicines Management Team have been asked to find efficiency to the level of this increase
13. This is held in contingency in anticipation of any unforeseen financial pressures.
14. Cost Savings plan to be achieved/identified to date during the financial year. NHS Borders does not achieve the required level of savings in 2017/18 and the recurring deficit is carried into 2018/19.
15. Recurring deficit from 2017/18 is carried forward and is achieved in 2018/19 and 2019/20 non recurrently.
16. From 2018/19 the Board has a recurring deficit of £6.618m unless recurrently met.

APPENDIX 4

<u>NHS Borders LDP - Capital Resource Limit future 5 year period 2016/17 - 2020/21</u>	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Board Capital Resources					
Formula Allocation	2,366	2,366	2,366	2,366	2,366
Roxburgh Street (CRL 2014/15)	500	-	-	-	-
Clinical Strategy 2015/16		604	-	-	-
Primary Care HC Requirement	1,409	1,091	-	-	-
Roxburgh Street HC Replacement	105	-	-	-	-
East/West Brigs Slippage					
Gamma Camera					
Theatre Ventilation	1,255	-	-	-	-
Capital Resource Limit Sub Total	5,690	4,261	2,366	2,366	2,366
Capital Receipts Applied					
Orchard Park St Boswells	100	-	-	-	-
Total Capital Receipts Applied	100	-	-	-	-
Total Board Capital Resource	5,790	4,261	2,366	2,366	2,366
Prioritised Capital Schemes					
<u>IM&T</u>					
Programme IM&T	213	300	300	300	300
IM&T Strategy – Infrastructure –tbc	950	896	-	-	-
<u>Estates & Facilities</u>					
Programme Estates	85	200	200	200	200
Risk Assessed Backlog					
SoTE/Estates Strategy	350	350	350	350	350
Theatre Ventilation –tbc	2,085	-	-	-	-
<u>Medical Equipment</u>					
Programme MEC	200	200	200	200	200
Radiology Priority Replacement					
Gamma and Mammography	172	477	465	465	300
16/17 Advanced Spend	-51	-	-	-	-
Gamma Camera CT inc Injector	69	-	-	-	-
<u>Other</u>					
Clinical Strategy	-	-	411	411	576
Project Feasibility Works	20	100	200	200	200
Roxburgh Street Replacement Surgery	86	-	-	-	-
Primary Care Premises Projects	1,271	1,398	-	-	-
Uncommitted Dependent on Sale Proceeds	100	-	-	-	-
Project Management	240	240	240	240	240
Total Capital Expenditure	5,790	4,161	2,366	2,366	2,366

APPENDIX 4 – CAPITAL PLAN

Notes of Appendix 4

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

- Capital receipts will be retained locally for 2017/18. This is in line with previous agreements and reflects the timing of individual sales.
- A number of major projects in the draft plan (tbc) have yet to be confirmed
- There is a risk associated with the level of resources which are assumed from 2018/19 onwards from the Scottish Government
- 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.