

Borders NHS Board



Meeting Date: 2 April 2020

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FINANCIAL PLAN 2020/21 to 2022/23	
Purpose of Report:	
<p>The aim of this paper is to present to the Board a revenue (3 year) and capital (5 year) financial plan for consideration and approval.</p>	
Recommendations:	
<p>The Board is asked to:</p> <ul style="list-style-type: none"> • Consider this report and approve the 2020/21 revenue and capital financial plans. • Approve the level of resources to be provided to the Integration Joint Board for 2020/21. • Note the indicative financial plan for 2021/22 and 2022/23 and for a further two years in the case of capital. • Note the impact of COVID 19 may significantly impact on the Financial Plan in 2020/21 and therefore the proposed plan is a baseline from which to assess the impact of COVID 19. 	
Approval Pathways:	
<p>The financial plan was submitted as a final draft to Scottish Government Health and Social Care Directorates (SGHSCD) on the 10th March 2020 as part of the Annual Operational Plan.</p> <p>The financial plan has been developed in conjunction with Board members and discussed at the Finance and Resources Committee on the 27th February 2020 and the Board development session on the 5th March 2020. There has also been ongoing engagement across the organisation on the financial plan.</p>	
Executive Summary:	
<p>The plan is based on 3 years for revenue and 5 years for capital with a focus on 2020/21 as the Scottish Government budget is for one year.</p> <ul style="list-style-type: none"> • It details the financial outlook and the steps required to meet financial targets based on planning assumptions for funding uplifts, inflation, cost and service pressures, savings requirements and efficiencies. 	

- The plan highlights that revenue financial targets will only be achieved in each of the 3 years with the support of additional funding in the form of brokerage.
- The key deliverables within the plan are summarized below:

Key Deliverables	2020/21 £m	2021/22 £m	2022/23 £m
Recurring Savings	4.6	5.0	5.0
Non Recurring Savings	7.1	4.7	4.4
Brokerage Requirement	7.9	5.3	2.7

- The plan confirms the financial settlement to the Integration Joint Board in 2020/21 as a baseline resource of £135.42m to undertake the functions delegated to it by the Health Board. This also includes £24.48m of resources set aside for the large hospitals element.
- The report includes a draft 5 capital plan with a proposed plan for 2020/21 which details how the £6.4m capital resources will be spent. There is a significant shortfall between the resources available and the prioritised capital requirements of the organisation.
- There are a number of risks associated with the financial plan of which the impact of COVID 19 to our costs, additional allocations and timescale for the delivery of our savings plan are the most significant.

The plan is intended to be used as a rolling financial framework and it will be revised and updated as information becomes available.

Impact of item/issues on:

Strategic Context	The financial plan will underpin the Annual Operational Plan.
Patient Safety/Clinical Impact	No issues identified within the report but this will be kept under review and will be highlighted through the mandate process.
Staffing/Workforce	Implications will be highlighted through the mandate process.
Finance/Resources	Finance/Resources are detailed throughout the report.
Risk Implications	The Board has a statutory requirement to remain within its funding limits and currently has a plan to achieve this but only with the support of additional revenue funding in the form of brokerage.
Equality and Diversity	Relevant issues should be addressed through the mandate process.
Consultation	The assumptions in the plan have been reviewed by the SGHSCD and shared across the NHS Scotland Corporate Finance Network. Regular briefings on the financial outlook are provided through the financial turnaround governance process and include the IJB, SGHSCD, the Finance & Resources Committee, Board Executive Team, Strategy Group, Clinical Boards and other senior groups

	throughout the year.
Glossary	SGHSCD - Scottish Government Health Social Care Directorates
	NRAC - NHS Scotland Resource Allocation Committee
	IJB - Integration Joint Board
	AOP - Annual Operational Plan
	PMO - Programme Management Office

Introduction

The financial plan has been developed in conjunction with Board members and was discussed at the Finance and Resources Committee on the 27th February 2020 and the Board development session on the 5th March 2020.

The plan is based on 3 years for revenue and 5 years for capital with a focus on 2020/21 as the Scottish Government budget is for 1 year. It details the financial outlook and the steps required to meet financial targets based on planning assumptions for funding uplifts, inflation, cost and service pressures, savings requirements and efficiencies. The Board remains at Level 4 in the NHS Scotland Ladder of Escalation with an expectation that it will return to financial balance over the next 3 financial years. The plan highlights that financial targets will only be achieved, in each of the 3 years, with the support of additional funding in the form of brokerage. This has been discussed with SGHSCD as part of the Annual Operational Plan process.

The plan confirms the financial settlement to the Integration Joint Board in 2020/21.

The plan is intended to be used as a rolling financial framework and it will be revised and updated as information becomes available.

The remainder of this paper is structured as follows:

- Section 1** Provides an overview of the revenue financial plan for 2020/21 including the resources to be provided to the IJB
- Section 2** Details assumptions and an indicative revenue plan for 2021/22 and 2022/23
- Section 3** Gives an overview of the key elements within the capital plan for 2020/21 and for the following four financial years

Section 1 - Overview of the 2020/21 Revenue Financial Plan

(a) Financial Summary

A high level overview of the Board's financial plan for 2020/21 is provided in Appendix 1 and summarised in the table below.

Table 1 - 2020/21 Financial Plan Summary

	Recurring £m		Non Recurring £m		Total £m	
Opening Deficit		(13.1)		-	-	(13.1)
2020/21 Additional Funding	30.0	-	8.8	-	38.8	-
2020/21 Additional Costs	(33.5)	-	(10.3)		(43.8)	-
In year Shortfall		(3.5)	-	(1.5)	-	(5.0)
2020/21 Financial Gap	-	(16.6)	-	(1.5)	-	(18.1)
Efficiency Savings Plan	-	3.1	-	7.1	-	10.2
Brokerage	-	-	-	7.9	-	7.9
Year End Forecast	-	(13.5)	-	13.5	-	B/Even
Full Year Effect of Recurring Savings	-	1.5	-	-	-	-
2020/21 Closing Deficit	-	(12.0)	-	-	-	-

Each of the headings detailed in the table above is considered in more detail below:

i) Opening Deficit

Based on current forecasts NHS Borders will deliver £7.1m of efficiencies during 2019/20. In addition £1.1m of new unforeseen cost pressures have been identified during the year (principally linked to the increased costs of employers' superannuation) which means a £13.1m deficit will be carried forward into 2020/21. This is a reduction from the £19.1 m opening recurring deficit at start of 2019/20.

ii) 2020/21 Additional Funding

The Board receives baseline recurring funding of £213m. A summary of the estimated level of additional funding NHS Borders will receive in 2020/21 is summarised in the table below. The 2020/21 initial allocation including general funding uplift was confirmed on the 6th February 2020. Further funding included in the estimates below it is assumed will be allocated by SGHSCD during the course of the financial year although this assumption now has increased risk because of the impact of COVID 19.

Table 2 - 2020/21 Additional Funding

	Recurring £m	Non Recurring £m	Total £m
General Funding Uplift (confirmed)	6.4	-	6.4
Anticipated Ring Fenced Allocations	23.6	4.4	28.0
Winter Plan Funding		0.3	0.3
New Medicines Fund		1.7	1.7
Access/Waiting Times Funding		2.4	2.4
Total Additional Funding	30.0	8.8	38.8

- General Funding Uplift – for 2020/21 SGHSCD has confirmed a funding uplift of 3% (£6.4m). It should be noted that across NHS Scotland, Boards which are currently below NRAC parity levels will receive an additional allocation. This does not apply to NHS Borders since we are currently above parity.
- Anticipated Ring Fenced Allocations - the plan includes an estimate of £28.0m ring fenced funding which it is anticipated SGHSCD will allocate for specific agreed outcomes, for example the Primary Medical Services. These will be detailed in the finance report presented to the Resources and Performance Committee. It is assumed all ring fenced allocations are fully committed.
- Winter Plan Funding (£0.3m) – it has been assumed that funding will be made available similar to the level received in 2019/20.
- New Medicines Fund – based on national planning assumptions it is anticipated that £1.7m of funding will be allocated to NHS Borders in the form of the new medicines fund to partially offset expenditure associated with high cost drugs.
- Access Funding for Waiting Times – additional funding is allocated to the Board to support the delivery of national performance targets. The estimated amount (£2.4m) is in line with the Annual Operational Plan submitted at the end of March. It should be noted that this level of investment will not fully achieve national performance targets.

iii) **2020/21 Additional Costs**

The plan includes an estimate of inflation and additional costs which will be incurred in 2020/21 based on previously agreed commitments and unavoidable issues which are summarised in the table below:

Table 3 - 2020/21 Additional Costs

	Recurring £m	Non Recurring £m	Total £m
Pay Increases	4.5	-	4.5
Spend of Anticipated Ring Fenced Allocations	23.6	4.4	28.0
Supplies Inflation including External	1.0	-	1.0

Providers			
Primary Care and Acute Prescribing	2.0	-	2.0
Increases in Capital Charges	0.2	-	0.2
Access/Waiting Times Investment	-	2.4	2.4
National/Regional Investments (see appendix 2)	1.2	-	1.2
Local Investments (see appendix 3)	0.7	1.5	2.2
Financial Turnaround Programme Office	-	1.0	1.0
Winter Plan Investment	-	1.0	1.0
Social Care and Transformation Fund Increase (additional 3%)	0.3	-	0.3
Total Additional Costs	33.5	10.3	43.8

- Pay Increases includes pay award uplift and pay scale progression. Expenditure on staff pays (£131.6m) accounts for 51% of total costs. The increase in pay costs for 2020/21 for Agenda for Change staff (£3.6m) is based on the third and final year of the national pay deal. For all other staff groups, including medical pays, a total increased cost of £0.9m is estimated based on a pay award of 3%.
- The spend of anticipated ring fenced allocations referred to in Table 2 above is included as an additional cost on the assumption that all funding is fully committed.
- Supplies inflation for 2020/21 is estimated at 2% (£0.3m) and the uplift to the cost of services provided by External Providers at 3% (£0.7m).
- Primary Care Prescribing and Acute drugs uplift covers forecast new drugs and protocols as well as volume and price increases in 2020/21. Expenditure on medicines (£37.4m) is approximately 14% of the Board's total spend. Estimated increases in cost in 2020/21 are based on advice from the Director of Pharmacy supported by the Medicines Resource Group.
- Increases in capital charges/depreciation costs are forecast based on the current capital programme.
- Access funding for waiting times will be spent in line with the Annual Operational Plan.
- National and regional investments have been identified through the Chief Executive and Regional networks and are detailed in Appendix 2.
- Local investments are recommended for funding in line with the Board's agreed process to review pressures across the organisation. These are detailed in Appendix 3.

iv) **2020/21 Financial Gap**

The additional costs the organisation is facing exceeds the level of additional funding available resulting in a financial shortfall in 2020/21. Taking into account the opening deficit which was carried forward from 2019/20 together with the new in year shortfall in 2020/21 the organisation is facing a total financial gap in 2020/21 of £18.1m of which £1.5m is non recurring.

v) **Efficiency Savings Plan**

To address the financial gap in 2020/21 an efficiency plan has been developed with the support of the externally sourced Financial Turnaround Team which was in place from March 2019 to December 2019. The key elements of the efficiency plan are:

Table 4 - Key Elements of the 2020/21 Efficiency Savings Plan

Element	Additional Information
Schemes carried forward from 2019/20	There are a number of schemes which were not able to be implemented during 2019/20. This was due to the timing of contracts ending and larger schemes requiring wider scoping to ensure all opportunities have been identified e.g. Outpatients. These are now being progressed and will be delivered during 2020/21.
A number of cost savings plans which were highlighted as part of the benchmarking exercise identified during 2018 and 2019	Opportunities identified from the original benchmarking exercise continue to be progressed and validated through service reviews. A schedule of these reviews will be prioritised through the first quarter of 2020/21. Ideas generated from these reviews will be implemented during 2020/21 and beyond.
Schemes identified following service reviews	As detailed in the element above.
Increases in clinical productivity	Clinical productivity is now part of the approach used to determine robust demand and capacity plans. This will provide opportunities to identify specific areas in which productivity can be increased. Specific service areas that are being assessed include a number of community services, AHPs and theatres. Productivity information will continue to be used as part of the vacancy control process.
Cost effective prescribing	There are a number of opportunities that will deliver increased cost effective prescribing: <ul style="list-style-type: none"> - Switching to generic drugs - Off patent opportunities - Prescribing alternative therapies
Application of our policies and procedures through grip and control	A significant review and refresh of the Board's policies, procedures and their application has been undertaken during 2019/20, e.g. vacancy control process. The grip and control activities will continue during 2020/21 and beyond.

Scottish Access Collaborative Productivity Gains Review of the Board's demand, pathways and thresholds	We have developed guidelines which set out criteria for access to procedures and treatments which are considered to have limited clinical value. We will also be a pilot site for the Scottish Access Collaborative EQUIP programme, which will support the implementation of the proposed guidelines.
Ensuring care is provided in the right place and at the right time, with a reduced reliance on inpatient facilities (due to the nationally discussed definition of community services this shift is not visible in financial templates)	There have been a number of projects underway to deliver reduced admissions and length of stay. These have demonstrated a shift in the balance of care. Further projects are now planned to further expand on this for 2020/21 for example, Expansion of Home First, Integrated Discharge hub and clear pathway management for long term conditions.
Business as usual savings	Continuing to actively pursue opportunities to reduce supplies costs, renegotiate contracts, SLAs and reduce general spend.
Use of Board's contingency fund (50%)	Agreement to reduce the contingency fund by 50% on a recurring basis as a result of improved grip & control and day to day management of operational budgets.

The recurring efficiency savings schemes identified and mandated to date for 2020/21 are summarised in the table below. Each of the schemes identified have been risk rated in line with the probability of financial delivery with a high risk rating being the least likely. Due to capacity it should be noted that at this time that none of the non recurring schemes for 2020/21 have been mandated and the risk rating is based on an assessment by the Finance team.

Table 5 - Risk Rating of 2020/21 Efficiency Savings Plan

Savings	Risk	Recurring In Year £m	Recurring Full Year £m	Non Recurring £m
	High	0.4	1.0	3.5
	Medium	1.4	2.2	2.5
	Low	1.3	1.4	1.1
Total Estimated Savings		3.1	4.6	7.1

The savings schemes will continue to be progressed through the mandate process to implementation with the support of the Project Management Office. The Finance and Resources Committee on the 19th March 2020 approved revised financial governance which will support the delivery of the efficiency savings. This will include a newly formed Resources and Performance Committee (which is a formal subcommittee of the Board), an extended financial turnaround programme

board and revised membership and structure of financial turnaround steering group.

vi) **Brokerage**

Based on the assumptions and estimates in the financial plan NHS Borders will end the financial year 2020/21 with a financial shortfall of £7.9m and will require brokerage to deliver its financial targets. The financial plan was submitted as part of the Annual Operational Plan to SGHSCD on the 10th March 2020 and we await confirmation that this level of brokerage funding will be available. The brokerage requirement for 2020/21 is a further reduction from 2019/20 level of funding requested (£9.3m) at the start of the financial year and the actual funding received (£8.3m), although this is subject to the impact of COVID 19.

vii) **2020/21 Year end Forecast**

The Board is forecasting it will break even and financial targets will be delivered based on the assumptions detailed in this paper and the receipt of £7.9m of additional funding in the form of brokerage.

viii) **Full Year Effect of Recurring Savings**

If the efficiency savings plan detailed in section (v) above is progressed and implemented during 2020/21 £3.1m of recurring savings will be delivered in year. However, a number of efficiency savings schemes will start during 2020/21 and based on current assumptions will therefore deliver an additional £1.5m of full year effect savings, taking the total recurrent savings figure to £4.6m.

ix) **Closing Deficit**

Based on the assumptions in this plan the Board will close 2020/21 with a deficit of £12.0m which will be carried forward to 2021/22. This is further reduction from the opening deficit of £13.1m which the Board had at the start of 2020/21. This gives assurance that the Board is making progress in addressing its underlying financial shortfall and moving toward financial sustainability, although progress towards reaching a balanced underlying financial position remains slower than is desirable.

x) **Provision of Resources to IJB and Directions from the IJB**

At the Board meeting on the 5th March 2020 NHS Borders agreed to provide a baseline resource of £135.42m (equating to 51% of the Board's funding) to the IJB to undertake the functions delegated to it. This also includes £24.48m of resources set aside for the large hospitals element. This represents the recurring revenue budget provided to the IJB in 2019/20 plus (as set out in the Board's financial plan) funding for:

- Pay awards
- Additional supplies costs due to demographic or inflationary pressures
- The introduction of new drugs as well as volume or price increases

- Agreed national, regional and local service developments
- A 3% inflation increase to the Social Care Fund (at £7.62m) and £2.19m of ringfenced funding which was previously known as the Integrated Care Fund

This equates to an overall uplift of 4.1% provided to the IJB which is above the 3% as advised by Scottish Government as a minimum requirement, is consistent with the normal budget setting process applied across the other business units within the organisation and treats the IJB in an equitable manner.

The level of resources provided includes the requirement to deliver recurring savings of £4.74m (delegated services) and £1.09m (set aside).

The provision of this level of resources and delivery of savings by the IJB is in line with the financial plan assumptions and estimates as presented in this paper.

It is envisaged that when brokerage funding is agreed with SGHSCD an appropriate and equitable share of additional funding will be provided to the IJB. It should be noted that during the year, as additional funding becomes available through ringfenced allocations which relate to IJB delegated functions the Board will provide these to the IJB as has been the case in previous financial years. It is anticipated this will include amongst others:

- Investment in Adult Mental Health Services and CAMHS
- Primary Care investment funds
- Alcohol and Drug Partnership funding

(xi) **Risks**

The key risks associated with the 2020/21 revenue financial plan and associated rating linked to financial delivery are detailed below. The Board will put in place appropriate mitigating actions to reduce the risk levels and these will be monitored through the financial turnaround governance process.

- **COVID 19**
The effect of COVID 19 both financially and on organisational capacity to deliver financial turnaround has not been built into the plan. The financial turnaround programme, due to the impact of COVID 19, is currently temporarily suspended. SGHSCD have requested financial information and mobilisation plans linked to COVID 19 and have been advised of potential impact on financial turnaround. There is a commitment nationally that the NHS will be supported in these challenging times however additional funding at this stage has not been confirmed. Dialogue with SGHSCD is ongoing – HIGH.
- **Pay Growth**
NHS Borders main area of expenditure is pay. The majority of staff in the organisation are covered by Agenda for Change and 2019/20 is the third year

of a three year nationally negotiated pay deal. Pay uplift for other staff groups for 2020/21 have not yet been finalized nationally – LOW.

- **Brexit**
The timing and risks associated with Britain's exit from the European Union are difficult to assess and quantify. In financial terms the availability of staff and key supplies may result in price increases. The plan does not provide for any financial impact associated with Brexit – MEDIUM.
- **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.
- **National/East Region Developments**
There are a number of developments/pressures which have been agreed nationally and within the East region. These are unavoidable pressures and include the opening of the new Sick Children's Hospital and neurosciences unit in NHS Lothian. Final figures associated with these developments 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. Price volatility in drug costs due to supply chain issues has been a significant factor during the last few years in overall prescribing costs and BREXIT this risk is increasing. NHS Borders has no influence or control over issues related to price volatility on world markets and as NHS Borders spends approximately £37m 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 2% for 2019/20. Linked to national and international issues there is an associate risk – MEDIUM.
- **Delivery of Annual Operational Plan (AOP) Performance Standards**
The achievement of performance standards remains challenging for a number of specialities, particularly orthopaedics. It is assumed any further improvement in AOP standards will be funded by Scottish Government – LOW.
- **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. This was a significant issue in 2019/20 and needs to be addressed in 2020/21 - HIGH.

- **Contingency**
The Board has set aside £1m of funding as a contingency for currently unknown and unforeseen issues which is a lower level than in previous financial years – MEDIUM.
- **Efficiency Delivery**
The financial plan, as outlined in this paper requires the delivery of a programme of efficiencies in 2020/21 totalling £3.1m (£4.6m in a full year) recurring and £7.1m non recurring. This covers all of NHS Borders' services, including IJB delegated functions. The overall level of efficiency required presents 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 2 - Indicative Revenue Plan 2021/22 and 2022/23

A summary of the Board's outline financial plan for 2021/22 and 2022/23 is provided in Appendix 4. The plan is based on a series of assumptions regarding increases in funding and expenditure growth. Funding uplifts beyond 2020/21 have not yet been set and cost increases are based on estimates therefore the plan for future years should be considered as an indicative indication.

(a) Recurring Deficit

Based on current assumptions NHS Borders will enter 2021/22 with a recurring deficit of £12.1m. This is based on full year delivery of £4.6m recurring savings planned for 2020/21.

(b) Planning Assumptions

The main planning assumptions used in the financial plan 2021/22 and 2022/23 are as follows:

Table 6 – Planning Assumptions Summary

	2021/22 £m	2022/23 £m
General Uplift (3%)	6.6	6.8
Pay Award Uplift (3%)	4.0	4.1
Supplies Inflation (2%) including External Providers (3%)	1.0	1.0
Primary Care and Acute Prescribing (5.9%)	2.2	2.2
Increases in Capital Charges	0.2	0.2
Regional/National Investments	0.7	0.2
Local Investments	1.6	2.3
Financial Turnaround Programme Office	1.0	1.0
Winter Plan	0.6	0.3
Social Care and Transformation Fund uplift (3%)	0.3	0.3

These assumptions for future financial years are consistent with other NHS Boards and were noted in the Annual Operational Plan submitted to SGHSCD in March 2020.

(c) Key Deliverables (Efficiency Savings Target/Brokerage Requirement)

Based on the assumptions set out above, the Board will face the following key deliverables summarised in the table below.

Table 7 – Key Deliverables Summary

Key Deliverables	2021/22 £m	2022/23 £m
Recurring Savings Target	5.0	5.0
Non Recurring Savings Target	4.7	4.4
Brokerage Requirement	5.3	2.7

SGHSCD has been advised of financial plan for 2021/22 and 2022/23 as part of the Annual Operational Plan submitted on the 10th March. This includes a request for brokerage funding in 2021/22 and 2022/23 albeit at a reducing level.

(d) Efficiency Savings Plan

The table below summarises the savings plans which have been developed to date to meet the savings targets in 2021/22 and 2022/23.

Table 8 – Efficiency Savings Plan Summary

		2021/22		2022/23	
		Recurring £m	Non Recurring £m	Recurring £m	Non Recurring £m
	Risk				
Mandated	High	1.5	-	-	-
	Medium	-	-	-	-
	Low	-	1.1	-	1.1
Unidentified		3.5	3.6	5.0	3.3
Total Estimated Savings		5.0	4.7	5.0	4.4

It is recognised that a significant proportion of the savings requirement in the future years of the plan remains unidentified at this time. The Board has agreed the following areas of focus over the coming months with a view to developing a more detailed efficiency plan for the next 2 financial years.

Area of Focus	Further Information
Review of budgets	<ul style="list-style-type: none"> Review under spending budgets for recurring savings
Service reviews	<ul style="list-style-type: none"> Each service will undertake a service review A schedule will be pulled together which will ensure every service will complete a review between April 2020 and March 2023 Will include reference to digital innovation opportunities, prescribing, consider out of area activity which could be repatriated and sustainability of services
Sustainability of key BGH	<ul style="list-style-type: none"> Further investigate opportunities re –

services	configure/design services exploring regional options
Administration reviews	<ul style="list-style-type: none"> • Consistent approach agreed
Management/ skill mix opportunities	<ul style="list-style-type: none"> • To identify further opportunities to realign or reduce
Deconstruction sessions	<ul style="list-style-type: none"> • All services to revisit deconstruction outputs on an annual basis
Assessment of Corporate Support Services	<ul style="list-style-type: none"> • Explore affordable models and opportunities for shared services
Review contribution to turnaround to date	<ul style="list-style-type: none"> • Assessment of areas that have not contributed to date to deliver savings schemes by Business Unit/workstream
Fresh review of ideas pipeline	<ul style="list-style-type: none"> • Review and re-asses ideas submitted through the pipeline

The Board remains committed to the objective of delivering a balanced financial plan in 2022/23 that would not require brokerage. The current plan is intended to be used as a rolling financial framework and it will be revised and updated as information becomes available and opportunities for efficiencies are confirmed.

Section 3 - Overview of 2019/20 Capital Plan and Draft Plan 2020/21 to 2023/24

Financial Summary

The development of the current 5 year rolling capital plan has been under the direction of the Board's capital governance framework with input and engagement drawn from a variety of key stakeholders from across the organisation.

In terms of capital, NHS Borders continues to work within the restricted 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.

Appendix 5 summarises the Board's draft capital plan for the period 2021/22 to 2024/25.

The capital plan is in line with the Board's capital allocation and recent discussions with SGHSCD based on the assumptions listed below:

- In 2020/21 there are a number of projects which have been carried forward from previous years for which funding has already been confirmed:
 - Primary Care Premises – West Linton £0.99m
 - Road to Digital Programme – £1.5m
 - MRI installation project – £1m
 - Forensic Examination Facility – £200k estimate*

* Whilst NHS Borders remains fully committed to delivering an FME suite as quickly as possible it should be noted that the current planning assumptions for responding to a COVID-19 pandemic flu will require utilising the area identified as the preferred option. As a result the timeline for constructing the FME suite may require to be extended.

- The Board is anticipating it will receive £2.4m as its share of the formula allocation for each of the 5 years of the capital plan. This will be utilised for the rolling replacement programmes for radiology, estates, medical equipment, IM&T and backlog maintenance. In the case of backlog maintenance for 2020/21 the use of formula funding will focus on the highest risk area linked to fire safety with £500k earmarked specifically on this area. In addition £547k of the capital resources remains uncommitted at this time to support any capital impact of the financial turnaround programme.

The key areas of investment in 2020/21 are:

Capital Schemes	£m
Primary Care Premises	0.99
IM&T Road to Digital	1.50
MRI Installation	1.00
BGH Campus Development	0.15
Patient Flow	0.20
Forensic Examination Suite	0.20

Rolling Programmes – Estates and Backlog, IM&T, Medical & Radiology Equipment	0.98
Prioritised Projects (Fire Safety)	0.50
Uncommitted – Financial Turnaround	0.55
Capital Project Management Team & Feasibility Works	0.34
Total	6.41

During 2018/19 NHS Borders with the support of Health Facilities Scotland undertook a review of a number of facets of its estates. As a result the level of backlog maintenance increased from £8.4m in 2017/18 to £13.8m (of which £3.1m is considered high risk). A number of additional capital priorities have been put forward by our services and evaluated at our recent capital prioritisation session held in November 2019 which are not included in the capital plan and for which no other source of funding has yet been identified. Work is ongoing to mitigate these.

There are a number of larger scale projects (which may be above the Board's delegated limit of £3m) which the Board also needs to progress over the coming 12 to 18 months:

- New build/Refurbishment of the health centre in Earlston – joint project with Scottish Borders Council and partners.
- New build/refurbishment to meet the needs of the Eildon practice.
- BGH Master Plan work will look to be developed to bridge the gap in the estate while the Borders Health Campus work plays out including theatre ventilation system.

Also at an early stage of development is exploration of an integrated health and social care digital strategy. The Board is having early discussions with colleagues in Scottish Borders Council around a potential joint estates strategy. Over the a slightly longer time frame a business case for Borders Health Campus refurbishment/new build looking at the future of all services on the site.

It is clear that there is a significant shortfall between the resources available and the capital prioritised requirements of the organisation and the Board is seeking early dialogue with Scottish Government on this issue.

APPENDIX 1 – 2020/21 FINANCIAL PLAN OVERVIEW

	Recurring £m	Non Recurring £m	Total £m
Opening Deficit	(13.1)	0.0	(13.1)
<u>2020/21 Additional Funding</u>			
General Funding Uplift	6.4	-	6.4
Anticipated Ring Fenced Allocations	23.6	4.4	28.0
Winter Plan Funding	-	0.3	0.3
New Medicines Fund	-	1.7	1.7
Access Funding – Waiting Times	-	2.4	2.4
Sub Total Additional Funding	30.0	8.8	38.8
<u>2020/21 Additional Costs</u>			
Pay Increase	(4.5)	-	(4.5)
Spend on Anticipated Ring Fenced Allocations	(23.6)	(4.4)	(28.0)
Supplies Inflation	(1.0)	-	(1.0)
Primary Care and Acute Prescribing	(2.0)	-	(2.0)
Increases Capital Charges	(0.2)	-	(0.2)
Access Funding Investments – Waiting Times	-	(2.4)	(2.4)
Regional/National Investments (see appendix 2)	(1.2)	-	(1.2)
Local Investments (see appendix 3)	(0.7)	(1.5)	(2.2)
Social Care and Transformation Fund Uplift	(0.3)	-	(0.3)
Financial Turnaround Programme Office	-	(1.0)	(1.0)
Winter Plan Funding	-	(1.0)	(1.0)
Sub Total Additional Costs	(33.5)	(10.3)	(43.8)
2020/21 In Year Shortfall	(3.5)	(1.5)	(5.0)
2020/21 Financial Gap	(16.6)	(1.5)	(18.1)
<u>Efficiency Savings Plan</u>			
Acute Services	1.0	-	1.0
Set Aside	0.3	-	0.3
IJB Directed Services	0.4	-	0.4
Corporate Services	0.4	7.1-	7.5
Use of Contingency at 50%	1.0	-	1.0
Sub Total Efficiency Savings Plan	3.1	7.1-	10.2
Brokerage	-	7.9	7.9
Year End Forecast	(13.5)	13.5	0
Full Year Effect of Recurring Savings	1.5	-	-
2020/21 Closing Recurring Deficit	(12.0)	-	-

APPENDIX 2– 2020/21 ADDITIONAL COSTS LINKED TO NATIONAL/REGIONAL INVESTEMENTS

	2020/21		
	Recurring £m	Non Recurring £m	Total £m
<u>National and regional investments</u>			
National Services Scotland – Business Case	0.58	-	0.58
Elimination of Hepatitis C	0.02	-	0.02
Office 365	0.30	-	0.30
NHS Lothian SLA (Activity/Demographics)	0.30	-	0.30
Scottish Epilepsy Centre	0.01	-	0.01
Total National and Regional Additional Costs	1.21	-	1.21

APPENDIX 3– 2020/21 ADDITIONAL COSTS LINKED TO LOCAL INVESTMENTS

	2020/21		
	Recurring £m	Non Recurring £m	Total £m
<u>Local Investments</u>			
Trakcare Upgrade	0.30	-	0.30
Diagnostic Supplies	0.02	-	0.02
Clinical Contracts Radiology	0.03	-	0.03
Instruments and Sundries	0.08	0.14	0.22
Laboratory Matrix Contract	0.05	-	0.05
Heat,Light & Power	0.03	-	0.03
Central Legal Office Charges	0.09	-	0.09
Palliative Care Nursing at Home	-	0.08	0.08
Speech & Language Therapy – External Income	-	0.01	0.01
Outpatients Nursing Support in the Community	-	0.03	0.03
Dressings	-	0.05	0.05
GP Cluster	-	0.05	0.05
Additional Doctor in Accident and Emergency	-	0.17	0.17
Clinical Service Contracts - Orthopaedics	-	0.05	0.05
Postage and Carriage	-	0.04	0.04
Medical Records - Staffing	-	0.06	0.06
Medical Records - Storage	-	0.05	0.05
Voice Recognition – Software Licences	-	0.03	0.03
Residences Income	-	0.07	0.07
Authorised Engineers	-	0.03	0.03
Clinical Waste Contingency and New Contract	-	0.19	0.19
Key Holders	-	0.08	0.08
Community Equipment Store	-	0.25	0.25
General	0.05	0.13	0.18
Total Local Additional Costs	0.65	1.52	2.17

APPENDIX 4 REVENUE FINANCIAL PLAN FOR 2021/22 AND 2022/23

	2021/22			2022/23		
	Recurring	Non Recurring	Total	Recurring	Non Recurring	Total
Opening Deficit	(12.0)	0.0	(12.0)	(9.4)	0.0	(9.4)
<u>Additional Funding</u>						
General Funding Uplift (3%)	6.6		6.6	6.8		6.8
Anticipated Ring Fenced Allocations	23.6	4.4	28.0	23.6	4.4	28.0
Winter Plan Funding	-	0.3	0.3	-	0.3	0.3
New Medicines Fund	-	1.7	1.7	-	1.7	1.7
Access/Waiting Times Funding	-	2.4	2.4	-	2.4	2.4
	30.2	8.8	39.0	30.4	8.8	39.2
	-	-	-	-	-	-
<u>Additional Costs</u>						
Pay Increase	(4.0)	-	(4.0)	(4.1)	-	(4.1)
Spend on Anticipated Ring Fenced Allocations	(23.6)	(4.4)	(28.0)	(23.6)	(4.4)	(28.0)
Supplies Inflation (2%) incl External Providers (3)%	(1.0)	-	(1.0)	(1.0)	-	(1.0)
Primary Care & Acute Prescribing	(2.2)	-	(2.2)	(2.2)	-	(2.2)
Increases in Capital Charges	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Access/Waiting Times Funding	-	(2.4)	(2.4)	-	(2.4)	(2.4)
National/Regional Investments	(0.7)	-	(0.7)	(0.2)	-	(0.2)
Local Investments	(0.6)	(1.0)	(1.6)	(1.3)	(1.0)	(2.3)
Financial Turnaround Programme Office	-	(1.0)	(1.0)	-	(1.0)	(1.0)
Winter Plan Funding	-	(0.6)	(0.6)	-	(0.3)	(0.3)
Social Care & Transformation Fund Uplift 3% (IJB)	(0.3)	-	(0.3)	(0.3)	-	(0.3)
	(32.6)	(9.4)	(42.0)	(32.9)	(9.1)	(42.0)
<u>Savings</u>						
Mandated Savings	1.5	1.1	2.6	-	1.1	1.1
Unidentified	3.5	3.6	7.1	5.0	3.3	8.3

	5.0	4.7	9.7	5.0	4.4	9.4
<u>Brokerage</u>	-	5.3	5.3	-	2.7	2.7
<u>In Year Surplus/Deficit</u>	(9.4)	9.4	0	(6.9)	6.9	0.0
FYE Savings	-	-	-	-	-	-
<u>Closing Recurring Deficit</u>	(9.4)	-	-	(6.9)	-	-

APPENDIX 5 – NHS BORDERS AOP – CAPITAL RESOURCE LIMIT 2021/22 – 2024/25

	21/22 £m	22/23 £m	23/24 £m	24/25 £m
Board Capital Resources				
Formula Allocation	2.37	2.37	2.37	2.37
Borders Health Campus Development - TBC	0.15	0.15	-	-
Winter/Decant & Elective Facility - TBC	2.00	1.00	-	-
Total Board Capital Resource	4.52	3.52	2.37	2.37
Prioritised Capital Schemes				
<u>BGH</u>				
BGH Campus Development - TBC	0.15	0.15	-	-
Winter/Decant/Elective - TBC	2.00	1.00	-	-
<u>IM&T</u>				
Rolling Replacement Programme	0.30	0.30	0.30	0.30
<u>ESTATES & FACILITIES</u>				
Rolling Replacement Programme	0.50	0.20	0.50	0.50
Backlog/Estates Strategy/Ward Refurbishment	1.00	0.35	0.75	0.75
<u>MEDICAL EQUIPMENT</u>				
Rolling Replacement Programme	0.05	0.05	0.30	0.30
MRI Installation	-	-	-	-
Radiology Priority Replacement (CT Scanner)	-	1.00	-	-
<u>OTHER</u>				
Shovel Ready - Feasibility Works	0.10	0.10	0.10	0.10
UNCOMMITTED	0.18	0.13	0.18	0.18
Project Management	0.24	0.24	0.24	0.24
Total Capital Expenditure	4.52	3.52	2.37	2.37