

DUMFRIES and GALLOWAY NHS BOARD

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Revenue Financial Plan 2017/18 to 2019/20

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RECOMMENDATION

The Board is asked to approve the Board's Revenue Financial Plan for 2017/18 to 2019/20 to the Scottish Government (SG), acknowledging the in-year gap of £6m in the current level of savings still to be identified to ensure a break-even position.

CONTEXT

Strategy / Policy:

Dumfries and Galloway Health Board is required to prepare a revenue Financial Plan for 2017/18 as part of the Board's Local Delivery Plan (LDP) which will be submitted in draft to SG by 28th February 2017 and finalised by 31st March 2017.

This paper summarises the position for the three year plan, including the likely level of efficiencies required to deliver financial breakeven position.

Organisational Context /Why is this paper important /Key messages:

The Board has a statutory requirement to deliver a breakeven financial position year on year. For 2016/17, despite the challenging financial position, the Board is on target to deliver a breakeven position.

This is the final draft Financial Plan 2017/18 to 2019/20. The Plan still reflects a level of savings to be identified for 2017/18.

GLOSSARY OF TERMS

ADP	-	Alcohol and Drugs Prevention
AfC	-	Agenda for Change
ASRP	-	Acute Services Redevelopment Project
CNORIS	-	Clinical Negligence and Other Risks Scheme
CRES	-	Cash Releasing Efficiency Savings
FBC	-	Full Business Case
GIC	-	Gross Ingredient Cost
H&SCI	-	Health and Social Care Integration
IJB	-	Integrated Joint Board
IPTR's	-	Individual Patient Treatment Referral
LDP	-	Local Delivery Plan
NI	-	National Insurance
NICs	-	National Insurance Contributions
NMF	-	New Medicines Fund
NR	-	Non-recurring
NOACs	-	Novel Oral Anticoagulant
NRAC	-	National Resource Allocation Formula
PDS	-	Public Dental Service
PPRS	-	Pharmaceutical Price Regulation Scheme
RRL	-	Revenue Resource Limit
SG	-	Scottish Government
SMC	-	Scottish Medicines Consortium
SGHSCD	-	Scottish Government Health and Social Care Directorate

MONITORING FORM

Policy / Strategy Implications	Achieving Financial Balance
Staffing Implications	Not Applicable
Financial Implications	Part of the financial planning and reporting cycle
Consultation / Consideration	Not Applicable
Risk Assessment	Part of paper
Sustainability	Financial plan supports the sustainability agenda through the delivery of efficient solutions to the delivery of CRES.
Compliance with Corporate Objectives	<ul style="list-style-type: none"> ▪ To maximise the benefit of the financial allocation by delivering efficient services, to ensure that we sustain and improve services and support the future model of services. ▪ To meet and where possible exceed Scottish Government goals and targets for NHS Scotland.
Single Outcome Agreement (SOA)	Not Applicable
Best Value	This paper contributes to Best Value goals of sound governance, accountability, performance scrutiny and sound use of resources.
<p>Impact Assessment</p> <p>Financial decisions are impact assessed at the point of service and financial planning and therefore no specific action required for this paper.</p>	

Introduction

1. All Boards are required to produce LDPs, supported by Strategic Financial Plans to demonstrate how delivery of a balanced financial position can be achieved and how performance targets can continue to be delivered. The Board must submit a draft Financial Plan to the Scottish Government Health & Social Care Directorates (SGHSCD) as part of the Board's LDP.
2. The Board has a statutory financial target to deliver a breakeven position against its Revenue Resource Limit (RRL). For 2016/17, the efficiency savings requirement increased to 5% as a result of the lower allocation levels and exceptional cost pressures. For 2017/18, it is expected that this level of savings will be exceeded given the gap on 2016/17 recurring savings target of £4.8m brought forward to 2017/18.
3. Overall, the Board has delivered its financial targets year on year and has successfully banked £7m of a surplus with the SG to provide non-recurring support for the commissioning and double running costs of the New Hospital and implementation of the Clinical and Service Change Programme.
4. Revenue resource limits were notified to NHS Boards following the draft budget announcements in December, this paper sets out the implications of this and the review of financial assumptions underlying the Plan.

Scottish Budget 2017/18 Board Allocations

5. The draft budget for Health presented by Derek McKay on 15th December 2016 for 2017/18 includes an additional investment of £327m uplifts for Health. This has subsequently been approved by the Scottish Parliament.
6. The allocation of the uplift is as follows:

Table 1

NHS Scotland	£m
Territorial Health Boards	136
Special Health Boards	13
NRAC Parity Funding	50
Transformational Change Funding	128
TOTAL	327

7. The budget requires NHS Boards to pass across £100m of the baseline uplift to Integration Boards to support Social Care pressures. In addition, a further £7m new funding will be provided to partnerships to support war pension exemptions for Social Care (£5m) and the implementation of the Carers Act (£2m).
8. Details of the transformational change fund is awaited, including how the funding will flow to Boards but we are aware that funding will flow towards Primary Care, Mental Health, Cancer, Trauma Centres and to support the development of regional plans.

9. Funding for Alcohol and Drugs Prevention (ADP) and police custody services has now been included in the Board baseline at 2016/17 funding levels. The remaining bundle elements also confirmed at 2016/17 levels.
10. The impact for NHS Dumfries and Galloway is summarised in the table below:

Table 2

NHS Dumfries and Galloway Resource Uplift	2017/18	
Resource Budget	279.0	
Baseline Uplift	4.2	1.50%
Social Care Funding Reduction	(3.02)	(1.1)%
Subtotal baseline uplift	1.18	0.4%
ADP funding	1.50	0.50%
Police Custody	0.2	0.07%
NRAC Parity	0.0	0.00%
Subtotal	2.88	1.03%
TOTAL	281.88	

11. We are awaiting clarification on a number of additional allocations including the Public Dental Service (PDS) allocation which was reduced by 5% in 2016/17. It is highly likely that the New Medicines Fund (NMF) allocation will be lower in 2017/18 and have used a £35m estimate (£1,050k for NHS Dumfries and Galloway) in our planning numbers.

Funding Banked with Scottish Government

12. The Board has banked a total of £7m with the SG in previous financial years to provide non-recurring support for the commissioning and double running costs of the New Hospital and implementation of the Clinical and Service Change Programme.
13. It is anticipated that funding will be required to be returned to the Board, as per the table below, and this has been reflected in the planning assumptions in the draft Financial Plan for 2017/18 onwards. These assumptions are consistent with the previous position agreed with SG.

Table 3

Brokerage	Banked to date	2017/18	2018/19
	£m	£m	£m
In-year carry forward banked with SG	7.0		
Required by the Board		4.0	3.0

Financial Plan 2017/18

14. The Financial Plan for 2017/18 onwards is included at **Appendix 1**. This has been built up using a range of assumptions which are explained in detail later in the paper.
15. The CRES gap for 2017/18 has been quantified at £22.5m and includes the brought forward recurring gap of £4.8m from 2016/17.
16. The Financial Plan has been developed with a range of pay and price assumptions which are summarised in the table below:

Table 4

	2017/18 Inflation rate
Medical Pay Award	1.0%
Other Pay Award	1.3%
Medical Incremental Drift	1.06%
Other Incremental Drift	0.99%
General Inflation Detail	1.0%
External Contracts	0.4%
Drugs - Secondary care	4.76%
Drugs - Primary Care	3.98%

2017/18 CRES Targets

17. NHS Dumfries & Galloway has identified a CRES requirement of £22.479m in 2017/18 to support the delivery of a balanced Financial Plan. This is summarised below:

Table 5

Summary CRES	£000's
Recurring balance b/f	4,804
Recurring 2017/18 CRES	10,625
Non-recurring 2017/18 CRES	7,050
TOTAL	22,479

This represents a 7.98% target when compared to the Board's baseline allocation and 6.7% when compared to total spend. This far exceeds CRES targets previously delivered as a Board.

18. The allocation of the efficiency target to the Integration Joint Board (IJB) is summarised below:

Table 6

CRES TARGET ALLOCATION	Recurring	Non Recurring	Total
	£000's	£000's	£000's
IJB Savings not delivered 16/17	4,323	0	4,323
IJB Savings 17/18	7,885	2,850	10,735
Procurement	200		200
Corporate	1,000		1,000
External Contracts	1,000		1,000
Financial Flexibility		5,221	5,221
TOTAL CRES	14,408	8,071	22,479

19. Schemes identified have been assessed in terms of risk of delivery (low, medium, high) and adherence to the 'Making Difficult Decisions' standard operating process which has now been adopted by the IJB. **Appendix 3** identifies that savings of £16.419m have been identified to date and provides an analysis of the risk profile of the savings.

Acute Services Redevelopment Project (ASRP)

20. The Financial Plan for 2015/16 recognised the full Board financial commitment for ASRP by making provision for the recurring revenue implications of this development of £8.8m. This recognises the increased cost identified in the Full Business Case (FBC) and provides a contingency of £0.6m to reflect inflationary and other potential increases between FBC approval in December 2014 and the hospital operational date of November 2017. During 2016/17, ongoing discussions with the Clinical and Service Change Team have recognised a shortfall in this funding to support the new clinical models as the workstreams develop the detailed models. This has been recognised as a new cost pressure for 2017/18, with discussions ongoing to ensure our financial planning estimates for the next two years through the migration period are updated and assessed.

Pay Uplifts and Pressures Assumptions

21. A 1% pay uplift has been included in line with SG's Public Sector Pay Policy (uplift has yet to be agreed), along with incremental drift. This pay uplift has yet to be agreed and is still subject to the pay review bodies consideration.
22. The Scottish Living Wage will be paid with a minimum uplift in the basic pay award for all staff earning less than £22,000; an estimate of £400 has been included in 2017/18, with some low paid members of staff likely to receive increases of up to 2%. Inflation increases for the Board have been calculated on this basis and used for financial planning estimates.

23. The overall expected increase in AfC staff costs is £2.82m, which includes incremental drift and agenda for change staff pay inflation in 2017/18. Similarly, Medical and Dental pay costs are anticipated to increase by £0.79m for incremental drift, pay inflation and discretionary point awards.
24. The UK Government will introduce the UK Apprenticeship Levy in April 2017. As a result, employers across private, third and public sectors will be required to pay 0.5% of their paybill in excess of £3m to Her Majesty's Revenue and Customs. The cost of the apprenticeship levy has been calculated on this basis; £825k has been included in 2017/18.

Primary Care Prescribing

25. The uplift figure in the 2017/18 plan for prescribing of £1.198m (3.98%) reflects the combination of both volume and tariff changes experienced throughout 2016/17. A range of estimates have been prepared, with the medium risk used for the purposes of preparing the Financial Plan. Details of the key assumptions are included below.

Table 7

Primary Care Budget Summary	High £000's	Medium £000's	Low £000's
2016/17 Recurring Budget (NIC)	£30,094	£30,094	£30,094
Recurring Reserves	£386	£386	£386
Total Recurring Budget 2016/17 (NIC)	<u>£30,479</u>	<u>£30,479</u>	<u>£30,479</u>
2016/17 Predicted Overspend (Not inc CRES)	£442	£442	£442
General Growth 2017/18	£855	£548	£343
Additional Risks	£310	£197	£149
Horizon Scanning	£12	£12	£12
Total Budget Required 2017/18 (NIC)	<u>£32,098</u>	<u>£31,677</u>	<u>£31,424</u>
Additional Funding	£1,618	£1,198	£945

26. The predicted overspend for Primary Care prescribing as at Q3 is £740k (NIC), reducing this by the unidentified CRES for 2016/17 £298k (£311k GIC), means that an additional £442k is required.

27. General Growth of £548k is made up of both volume and tariff growth. Volume year to date and including the predicted volume growth that has been given for Oct–Nov 2016, is showing a slow growth of 1.26%, therefore this would result in additional funding of £392k if this is to continue. Tariff growth has shown a much slower growth year to date of 0.5%; if this is to continue this requires additional funding of £156k for 2017/18. There is a potential benefit from further tariff reductions but these haven't either been confirmed or factored into the financial estimates.
28. Additional risks account for 3 areas of high cost pressure:
- Entresto, this drug was approved early this financial year with the first 6 months being treated within Secondary Care; patients will now start to receive this treatment through Primary Care. The business case suggested an additional spend of £96k.
 - Novel Oral Anticoagulant (NOACs) has shown an increase of 44% from 2015/16 to 2016/17; these are now being prescribing more frequently instead of Warfarin, if this growth where to continue at 44% an additional £177k would be required. However, for the medium budget assumptions and looking at the current trend, it has been assumed that this growth will continue at a growth rate of 19%, which therefore requires an additional £81k.
 - Sodium-glucose Cotransporter-2 (SGLT2's) are new high cost anti-diabetic drugs which are also been prescribed more frequently; there has been an increase of 263% from 2015/16 to 2016/17. Looking at the trend, these could continue to grow an additional £45% from 2016/17 to 2017/18 which would require an additional £46k. It has been assumed that this growth will reduce to an additional 20%, which would require an additional £20k.
29. There is further financial risk around a range of drugs advised through the 2017/18 Horizon scanning process, including drugs which were recently approved by SMC.
30. Taking into account the growth areas identified less any of the recurring reserves that have not been used this year, this would result in additional funding of £1,198k.

Secondary Care Drugs

31. The uplift required for Secondary Care Budgets has been assessed without the impact of drugs, which have been agreed through government policy and should be funded through the New Medicines Fund. The range of estimates are shown in the table below with the medium risk estimate requiring an additional investment for 2017/18 of £732k into Secondary Care drugs.

Table 8

Secondary Care Prescribing Budget Summary			
	High £000's	Medium £000's	Low £000's
2016/17 Recurring Budget (April 2016)			
Total Acute Budget	£13,402	£13,402	£13,402
Corporate Service	£881	£881	£881
Facilities & Clinical Support	£0	£0	£0
Mental Health	£724	£724	£724
Womens & Children	£387	£387	£387
Total Recurring Budget 2016/17	£15,395	£15,395	£15,395
Balance of reserves from 2016/17	£1,525	£1,525	£1,525
TOTAL FUNDING AVAILABLE	£16,920	£16,920	£16,920
2016/17 Forecast Position	£16,217	£16,217	£16,217
Predicted general growth 2017/18	£519	£260	£87
Hep C	£550	£550	£550
Additional Risks 2017/18	£200	£100	£0
Horizon Scanning 2017/18	£1,224	£525	£394
Total Budget 2017/18	£18,710	£17,652	£17,248
Additional Funding Required	£1,791	£732	£328

32. The predicted overspend for Secondary Care is based on the Q3 forecast less any unidentified CRES.
33. General growth of £260k is based on continued growth increasing by 1.5%; current growth for 2016/17 is 3% which would result in additional budget of £519k.
34. Additional risks of £100k relate to the increasing demand within Ophthalmology and Dermatology and £550k relates to the use of Hep C drugs.
35. Horizon Scanning predictions have been considered with the relevant clinicians and an assumption made that most drugs are delayed by 3 months from originally predicted when they would enter the market; using this assumption we would expect an additional spend of £525k for 2017/18. If all drugs were made available from the original availability dates, an additional spend of £1,224k would be required (this is the basis of the high cost estimate).

New Medicines Fund

36. For 2017/18, we have been advised to plan on the basis of funding for New Medicines Fund assuming PPRS receipts of £35m (possible range between £30m-£40m). The impact for Dumfries and Galloway would be a financial pressure of £1.801m, assuming no change to government policy and assessing new drugs awaiting SMC approval.

Table 9

2017/18 New Medicines Fund Predictions			
	High	Medium	Low
	£000's	£000's	£000's
High Cost Drugs	£1,797	£1,797	£1,797
IPTR's carried forward 2015/16	£398	£122	£47
IPTR's 2016/17	£0	£0	£0
New SMC Orphan/End of Life drugs	£2,152	£1,614	£1,076
Total Spend NMF 2016/17	£4,346	£3,533	£2,919
Cost Pressure:			
As per Financial Plan			
Recurring budgets	£682	£682	£682
As per £35m at NRAC	£1,050	£1,050	£1,050
Total Allocation	£1,732	£1,732	£1,732
ESTIMATED GAP	£2,614	£1,801	£1,187

General Non-Pay Uplifts

37. General supplies increases have been assumed at 1% for all Non-pay budgets including energy. Whilst previous years have seen significant increases in energy costs, these appear to have flattened out now with more sustainable energy solutions now the norm, and the fuel price reductions in the global market impacting positively on costs.
38. In addition, specific provision has been made for the rates revaluation which is expected to impact in 2017/18. This estimate requires further work to understand the financial risk and is in addition to the additional cost of the New Hospital rates bill.

Developments and Cost pressures

39. Cost pressures of £4.4m has been identified for 2017/18. This assessment has been reviewed to exclude any pressures which can be managed and mitigated but further review is ongoing. This excludes the medical locum reserve which has been reassessed downwards from the initial £4.8m estimate to £4.4m.

40. One of the most significant areas of risk is our out of region contracts where we are seeing a range of financial pressures emerging in Glasgow, Lothian and Cumbria. Work is ongoing to review this risk and to consider how these pressures can be managed more effectively.
41. No additional provision has been made in-year to support waiting times pressures within the Acute and Diagnostics Directorate, with £700k identified by the directorate required for 2017/18. This funding wasn't allocated in the 2016/17 Financial Plan but was supported by additional in-year funding of £597k provided by SG.

Budgets Delegated to Integration Joint Board

42. As an NHS Board, we have delegated the financial management of all operational health services to the IJB and therefore must agree the basis of delegation of resources for 2017/18.
43. The allocation letter for NHS Dumfries and Galloway identifies a requirement to ensure *"NHS contributions to Integration Authorities for delegated health functions will be maintained at least at 2016/17 cash levels."* It has since been clarified that this applies to recurring baseline budgets.
44. **Appendix 2** sets out an updated position for the IJB, allocating cost pressures and savings targets to the IJB for 2017/18 with that principle in mind. All pressures and uplifts have been split across delegated and non-delegated services to assess budget pressures and also allocate savings targets.
45. Budgets are delegated to the IJB on this basis and the detailed savings plans are worked up through the IJB Health and Social Care Management Team for consideration by the IJB.
46. Additional non recurring funding of £2m has been allocated to the IJB from the assessed in year flexibility for 2017/18 to recognise the significance of the savings challenge.

Financial Risks

47. The key financial risks for the Board are detailed in **Appendix 3** but can be summarised as follows:
 - Delivery of CRES of £22.5m for 2017/18 (£15m delegated to the IJB to deliver)
 - Cost of new drugs and risks associated with New Medicines Fund
 - Management and containment of costs related to New Hospital transition/ double running
 - Risks of medical locum costs, IR35 and impact on savings plans
 - Increased cost of out of region complex activity

Overall Position

48. The Board is required to achieve a balanced financial position for 2017/18 onwards and has a statutory requirement to breakeven. This Financial Plan reflects an unprecedented level of financial risk for the Board with an unidentified CRES requirement of £22.5m.
49. Provision has been made for all known cost pressures/developments/inflationary impacts and changes to costs, which have been quantified to ascertain the level of financial risk.
50. The £7m carry forward banked with SG will be drawn down in 2017/18. This will be reviewed through the year to ensure the timing of the financial pressures associated with the New Hospital can effectively be managed.

NHS DUMFRIES AND GALLOWAY FINANCIAL PLAN 2017/18

SUMMARY	IJB DELEGATED SERVICES			NON DELEGATED			TOTAL		
	2017/18			2017/18			2017/18		
	R £000's	NR £000's	TOTAL £000's	R £000's	NR £000's	TOTAL £000's	R £000's	NR £000's	TOTAL £000's
SOURCES									
Baseline Allocation uplift			0	4,200	0	4,200	4,200	0	4,200
Transfer to Social Care			0	(3,020)	0	(3,020)	(3,020)	0	(3,020)
New Medicine Fund			0	0	1,050	1,050	0	1,050	1,050
Banked Funding Released			0	0	4,000	4,000	0	4,000	4,000
Anticipated allocations Core			0	0	2,520	2,520	0	2,520	2,520
Anticipated allocations Non Core			0	0	22,008	22,008	0	22,008	22,008
TOTAL SOURCES	0	0	0	1,180	29,578	30,758	1,180	29,578	30,758
APPLICATIONS									
Uplifts:									
Pay Uplifts - Agenda for Change	2,511		2,511	312	0	312	2,823	0	2,823
Pay Uplifts - Medical Staff	651		651	140	0	140	791	0	791
Apprenticeship Levy	734		734	91	0	91	825	0	825
Price Uplifts	248		248	185	0	185	433	0	433
Rates	500		500	0	0	0	500	0	500
Primary Care Drugs	1,198		1,198	0	0	0	1,198	0	1,198
Secondary Care Drugs	732		732	0	0	0	732	0	732
External Contract Indexation			0	190	0	190	190	0	190
Developments & Existing Pre Commitments									
New Medicines Fund		2,900	2,900	0	0	0	0	2,900	2,900
Cost Pressures	1,176	767	1,943	2,424	33	2,457	3,600	800	4,400
Acute Redevelopment	713	2,000	2,713	0	2,000	2,000	713	4,000	4,713
Locums		4,400	4,400	0	0	0	0	4,400	4,400
Non-recurring spend (matching ringfenced allocations)			0	0	2,520	2,520	0	2,520	2,520
Non Core (including ASRP unitary charge)			0	0	22,008	22,008	0	22,008	22,008
TOTAL APPLICATIONS	8,463	10,067	18,530	3,342	26,561	29,903	11,805	36,628	48,433
Recurring deficit position b/f 2016/17	4,323		4,323	481	0	481	4,804	0	4,804
CRES Requirement for 2017/18	7,885	2,850	10,735	2,740	4,200	6,940	10,625	7,050	17,675
TOTAL CRES REQUIREMENT	12,208	2,850	15,058	3,221	4,200	7,421	15,429	7,050	22,479

NHS DUMFRIES AND GALLOWAY FINANCIAL PLAN 2017/18 - INTEGRATION JOINT BOARD

SUMMARY	2017/18			2018/19			2019/20		
	R £000's	NR £000's	TOTAL £000's	R £000's	NR £000's	TOTAL £000's	R £000's	NR £000's	TOTAL £000's
SOURCES									
Baseline Allocation uplift	4,200		4,200	4,248		4,248	4,312		4,312
Transfer to Social Care	(3,020)		(3,020)			0			0
New Medicine Fund		1,050	1,050		1,050	1,050		1,050	1,050
Banked Funding Released		4,000	4,000		3,000	3,000		0	0
Anticipated allocations Core		2,520	2,520		1,931	1,931		2,131	2,131
Anticipated allocations Non Core		22,008	22,008		21,840	21,840		21,916	21,916
TOTAL SOURCES	1,180	29,578	30,758	4,248	27,821	32,069	4,312	25,097	29,409
APPLICATIONS									
Uplifts:									
Pay Uplifts - Agenda for Change	2,823		2,823	2,353		2,353	2,246		2,246
Pay Uplifts - Medical Staff	791		791	778		778	752		752
Apprenticeship Levy	825		825	0		0	0		0
Price Uplifts	433		433	882		882	900		900
Rates	500		500	0		0	0		0
Primary Care Drugs	1,198		1,198	2,000		2,000	2,000		2,000
Secondary Care Drugs	732		732	2,000		2,000	2,000		2,000
External Contract Indexation	190		190	780		780	795		795
Developments & Existing Pre Commitments									
New Medicines Fund		2,900	2,900		2,900	2,900		2,900	2,900
Cost Pressures	3,600	800	4,400	3,318	1,053	4,371	4,930	0	4,930
Acute Redevelopment	713	4,000	4,713	0	3,000	3,000	0	0	0
Locums		4,400	4,400		4,400	4,400		4,400	4,400
Non-recurring spend (matching ringfenced allocations)		2,520	2,520		1,931	1,931		2,131	2,131
Non Core (including ASRP unitary charge)		22,008	22,008		21,840	21,840		21,916	21,916
TOTAL APPLICATIONS	11,805	36,628	48,433	12,111	35,124	47,235	13,623	31,347	44,970
Recurring deficit position b/f 2016/17	4,804		4,804			0			0
CRES Requirement for 2017/18	10,625	7,050	17,675	7,863	7,303	15,166	9,311	6,250	15,561
TOTAL CRES REQUIREMENT	15,429	7,050	22,479	7,863	7,303	15,166	9,311	6,250	15,561

NHS Dumfries and Galloway - Savings Update

	TARGET			SAVINGS IDENTIFIED			SAVINGS IDENTIFIED - RAG				GAP	
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total	Low	Medium	High	Total	Gap In Year	Recurring Gap
	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's	2017/18 £000's
IJB Savings	12,208	2,850	15,058	5,368	4,419	9,787	4,012	4,314	1,461	9,787	5,271	6,840
Procurement	200		200			0				0	200	200
Corporate	1,000		1,000	500		500	250	250		500	500	500
External Contracts	1,000		1,000			0				0	1,000	1,000
Financial Flexibility		5,221	5,221		6,132	6,132	3,000	3,221		6,221	(911)	0
TOTAL	14,408	8,071	22,479	5,868	10,551	16,419	7,262	7,785	1,461	16,508	6,060	8,540
							44%	47%	9%			

LDP Financial Plan 2017/18 Submission Risks & Assumptions

Key Assumptions/Risks	Risk rating	Impact/£
Allocation Uplift	High Risk	Only 2017/18 uplift has been confirmed by the Scottish Government to date. Future years uplifts have yet to be notified.
CRES Delivery	High Risk	Of the current CRES requirement of £22.5m, £16.4m has been identified, leaving a gap of £6.1m. A further assessment is yet to be undertaken of any additional savings, that could be used to close this gap further.
Prescribing (General)	High Risk	Prescribing in general (both Secondary and Primary Care) has been successful in identifying savings over the last few financial years. The current financial year has seen a significant level of underachievement against the planned level of savings, signifying the unprecedented pressures across both Primary and Secondary Care Prescribing. Opportunities to continue to deliver the level of savings required are not as robust as in recent years. Whilst the plan has assessed the ongoing financial risks of new drugs and increasing growth (taking into account national indicators and local knowledge), there remains a significant level of risk associated with new drugs that will continue to be approved by SMC. The current budget setting paper sets out the methodology and risks associated with the expected level of increases moving forwards.
Prescribing - New Medicines Fund	High Risk	An assessment has been undertaken within the plan to incorporate estimates of likely growth of drugs in this area. However, there is an expectation that the funding available will be less than previously indicated due to a fall in PPRS receipts nationally. This has been recently suggested to be in the region of £30m across Scotland next year ~ £900k for NHS D&G.

Key Assumptions/Risks	Risk rating	Impact/£
Workforce/Recruitment	High Risk	Despite significant effort to reduce the level of medical vacancies within the Board, the vacancy rate remains high. In particular, 20% of our consultant workforce remains covered by high-cost locum posts. In addition, there has been a rise in the level of gaps across the junior doctor rotas (especially within GP training posts) which are not expected to be remedied in the forthcoming financial year. This is an increasing problem across Scotland and the UK as a whole. Whilst appropriate provision has been made in the Financial Plan (£4.4m NR) to continue to absorb these costs, this is not a sustainable model and will need resolution in the short to medium term in order to ensure financial balance in the future, in time for the opening of the New Hospital. With the introduction of a new booking system in partnership with Retinue Health, it is anticipated that overall costs will reduce, and this has been built into the financial plan.
Health and Social Care Integration	High Risk	Plans for Health and Social Care integration (H&SCI) are under development locally. No financial provision/risk is assumed in the LDP beyond ensuring provision has been made for supporting and resourcing the implementation within the allocation identified going forward. NHS Dumfries and Galloway has made good progress with Council colleagues in recent months in progressing H&SCI, however, a significant level of system risk remains in ensuring resources around the delegated budgets are sufficient to deliver the planned level of service within the Strategic Plan.
DGRI Maintenance	High Risk	The backlog maintenance issue at DGRI will continue to be a risk and require expenditure in the period that the hospital remains operational. The resources available to fund backlog maintenance are severely restricted and areas of investment will require to be prioritised.
Externals (OOA SLAs)	High Risk	Growth in complex conditions and continued growth in referrals across Dumfries and Galloway has seen a substantial increase in activity undertaken outwith Board boundaries. Whilst financial provision has been made in the plan, increases relating to complex and high cost services (particularly across Cancer and Cardiology services) remain a high risk to the Board.

Key Assumptions/Risks	Risk rating	Impact/£
SLAs and NCS with English Providers	High Risk	With the adoption of the revised National PBR tariff from 1st April, switching to a 2 year tariff methodology, this is forecast to have a significant impact of 16% due to price base change solely and revised HRG groupings. This had not been previously indicated and potentially is a cost pressure of £0.5m across all activity currently undertaken in England on our behalf.
Inflation Uplifts	Medium Risk	In addition to building in the known inflation costs (including pay, incremental drift and NI increases) already announced, an in-depth review of historic trends, combined with best available knowledge has been modelled in determining projected increases. Information has been shared and discussed with colleagues across the Corporate Finance Network, providing further assurance on the appropriateness of planning assumptions.
Developments and Cost Pressures	Medium Risk	A sum of £4.45m has been set aside to cover the costs of future regional and national developments, cost pressures and any other critical or must do developments.
Pay Inflation/Incremental Drift	Medium Risk	Robust financial planning information exists to allow accurate estimates of basic pay settlements for 2017/18 and beyond (based upon current assumptions of 1% pay awards). Provision has also been made this year of the potential impact of low paid and increases of Band 1 staff to Band 2.
Statutory Change/Changes to legislation	Medium Risk	The Financial Plan reflects the current known position in relation to any statutory compliance in relation to VAT/NI and pensions. Any future changes to current regulations and compliance would impact on the overall Financial Plan. These are reviewed regularly by the central financial team and any changes reflected through financial estimates.
Clinical Change Programme	High Risk	Whilst monies have been set aside in future years to reduce the financial risk of developing the new DGRI, the scale of the clinical change programme required to bring about the necessary transformation in service delivery, reflect a significant risk as we approach the opening of the New Hospital.

Key Assumptions/Risks	Risk rating	Impact/£
Carry Forward	Low Risk	The retained carry forward of £7m from prior years is banked for future double running and associated costs of the New Hospital. This is low risk because it has been confirmed by the Scottish Government.