Agenda Item

DUMFRIES and GALLOWAY NHS BOARD

13th April 2015

Financial Plan 2015/16 to 2019/20

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RECOMMENDATION

The Board is asked to approve Revenue Plan for the five year period 2015/16 to 2019/20, which was submitted to the Scottish Government during March 2015.

SUMMARY

Dumfries and Galloway Health Board is required to prepare a revenue financial plan for the Scottish Government Health & Social Care Directorate (SGHSCD) as part of the Board's Local Delivery Plan (LDP), which was required to be submitted by 13th March 2015, subject to NHS Board approval.

This paper summarises the Board's five year financial plan for 2015/16 – 2019/20 and the efficiencies required to deliver financial breakeven for 2015/16.

Note the requirement to submit a five year plan (other option is a three year plan) arises due to the major capital investment, which the Board is undertaking with the Acute Services Redevelopment Project.

Key Messages:

The Board is asked to approve the final draft of the Revenue Plan for 2015/16.

The plan highlights the key financial challenges for the Board for 2015/16 onwards, most significantly:

- Continued delivery of a breakeven position;
- Delivery of 3% CRES;
- Management of on-going cost pressures most notably medical locum costs;
- Planning for the financial implications of the new hospital;
- Preparing for Health and Social Care Integration.

GLOSSARY OF TERMS

LDP	-	Local Delivery Plan
SGHSCD	-	Scottish Government Health and Social Care Directorate
RRL	-	Revenue Resource Limit
NHS	-	National Health Service
D&G	-	Dumfries and Galloway
CRES	-	Cash Releasing Efficiency Saving
FBC	-	Full Business Case
CSCP	-	Clinical and Service Change Programme
DGRI	-	Dumfries and Galloway Royal Infirmary
SMC	-	Scottish Medical Council
NMF	-	New Medicine Fund

MONITORING FORM

Policy / Strategy Implications	Not Applicable
Staffing Implications	Not Applicable
Financial Implications	Part of the financial planning and reporting cycle
Consultation / Consideration	Not Applicable
Risk Assessment	Part of paper
Sustainability	Not Applicable
Compliance with Corporate Objectives	▪ 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.
Impact Assessment Incorporated into the review CRES schemes.	

Introduction

1. All Boards are required to produce Local Delivery Plans, 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 is required to submit a financial plan to the Scottish Government Health & Social Care Directorates (SGHSCD) as part of the Board's Local Delivery Plan (LDP). The final plan was submitted to the Scottish Government on 13th March 2015.

2. The Board has a statutory financial target to deliver a breakeven position against its Revenue Resource Limit (RRL). In addition to an ongoing requirement to deliver efficiency savings of 3%.

3. Overall the Board has delivered its financial targets year on year and has successfully banked £9m of a surplus with the Scottish Government to provide non recurring support for the commissioning and double running costs of the new acute hospital and implementation of the clinical and service change programme.

Financial Planning Principles

4. The overall financial challenges that the public sector have been facing and have embraced are well understood, including both the demographic and economic challenges, which have been considered by Scottish Government and the Board. A number of reports have been published recently, including the Audit Scotland Annual Overview Reports, NHS England five year forward view and reports from the Health Foundation and other organisations. The overview report reflects on the unsustainable ways in which Boards are dealing with pressures and performance targets delivery.

5. The Directors' of Finance, as a group, reported on the financial challenges facing the Health Services in Scotland over the next five years, particularly the changes we face as we approach Health and Social Care Integration.

6. Despite the challenges we are in a stronger financial position currently than a number of other NHS Boards in Scotland, but we must ensure our rigour around financial planning is maintained as we move closer towards the opening of our new hospital and understanding the impact that will have on the cost of delivering NHS services in Dumfries and Galloway. The challenges of delivering efficiencies recurrently cannot be understated along with management of the key area of health expenditure linked with both demand and supply factors, which influence expenditure increases. The key , which determine growth in health expenditure are related to two key areas:

    - Demand – demographic changes, regulations and entitlements, changing expectations of health care
    - Supply – cost of new technologies (pharmaceuticals in particular), staff costs and the design and organisation of service provision

Scottish Budget 2015/16 Board Allocations

7. The budget for Health presented by John Swinney in October 2014 for 2015/16 included an additional investment of £288m in Health with a real terms increase in the overall budget from 2015/16. Note that this is a one year budget only and all uplift and allocation uplifts for 2016/17 and beyond reflect financial planning assumptions and are subject to the outcome of the comprehensive spending review in February 2015. This budget was subsequently approved by parliament. This breakdown is detailed in Table 1 below:

Table 1

	£m
Barnett Resource Consequentials	202
Additional Resource Funding	32
Introduction of Migrant Surcharge	22
Additional Capital Funding	32
Total Additional Investment	**288**

8. The draft budget proposes that the resource allocation for Territorial Boards will increase by £224.5m (which reflects a 2.7% increase in cash terms and a 1.1% increase in real terms). This includes the following key elements:

- £150m to all territorial boards to provide a 1.8% baseline uplift
- £42m to support movement to NRAC funding parity
- 1% baseline uplift to Special Health Boards
- The net impact of the removal of the Change Fund from Board baselines (£70m) and the additional £100m to support integration through the Integrated Care Fund

9. The budget confirms the baseline Revenue Allocation uplift for 2015/16 has been confirmed in the Scottish Government draft budget at £4.7m (1.8%) for NHS Dumfries and Galloway. As a Board we are above NRAC parity so we do not benefit from any additional resource over and above the baseline allocation.

10. More recently it was confirmed in the Chancellor's Autumn Budget Statement that additional funding would flow to the Scottish Government for health as part of the Barnett Consequentials, totalling £127m. We have been notified that £65m of this will flow to Boards as part of their baseline allocation for 2015/16, but again weighted to Boards who are below NRAC parity and specifically targeted to support Boards with pressures of increasing cost of drugs (most notably recently approved Hep C drugs). The increase for Dumfries and Galloway is £1.068m and is factored into the baseline allocation in Table 2.

11. It has also been notified that a further £100m over three years will be issued to partnerships to support delayed discharges. This funding will be used to support Health Board and Local Authorities to deliver good quality care and support for people at home or in a homely setting and to prevent delays in discharge and also preventing admissions to hospital.

12. The total resource for Dumfries and Galloway for the three years is £3.040m. (£912k 2015/16, £1,064k 2016/17, £1,064k 2017/18). This is in addition to the £3.040m for 2015/16 for the Integrated Care Fund, which is the Dumfries and Galloway share of the £100m fund announced in July 2014. It has been assumed that the use of these funds will be agreed in partnership with the Local Authority and Third and Independent Sector and are, therefore, ringfenced in the financial plan.

13. More recently a further allocation was provided for New Medicines' funds, relating to 2014/15 financial year. It is assumed that the proportion of this fund released in 2015/16 will follow the NRAC formula, with £2.7m being allocated to NHS Dumfries and Galloway, offsetting associated increases in costs.

14. Further detail is provided in Table 2 below:

Table 2

NHS D&G Resource Uplift	2015/16	
	£m	**%**
Resource Budget	**259.7**	
Base Uplift	4.675	1.80%
Integration Fund (£2.5m in Board baseline already)	0.479	0.18%
Drug pressures	1.068	0.41
NRAC Parity	0.0	0.0%
New Medicines' Fund	2.715	1.05%
Subtotal	**8.937**	**3.44%**
TOTAL	**268.637**	

15. There is an ongoing requirement for Boards to continue to deliver 3% efficiencies for 2015/16. These efficiencies can either be delivered as cash or productivity efficiencies.

Funding Banked with Scottish Government

16. The Board has banked a total of £9m with the Scottish Government up to 2014/15 to provide non recurring support for the commissioning and double running costs of the new acute hospital and implementation of the Clinical and Service Change Programme (CSCP). 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 2015/16 onwards.

Table 3

Brokerage	Banked to date	2015/16	2017/18	2018/19	Total
	£m	**£m**	**£m**	**£m**	**£m**
In year Carry forward banked with SG	9				**9**
Required by the Board		2	4	3	**9**

Efficiency Savings

17. NHS Dumfries & Galloway has a requirement to deliver efficiency savings of £7.98m (3% of baseline allocation) in 2015-16 to support the delivery of a balanced financial plan and to meet the Scottish Government 3% efficiency target. It is commendable to note that the organisation has done well to achieve the recurring financial efficiencies in previous years; however, experience within 2014-15 indicates that this is increasingly difficult to achieve.

18. Efficiency savings continue to be explored and discussed via the Efficiency Group and a programme of Efficiency Workshops with input from all stakeholders and the requirement for continued efficiencies remains a high profile agenda item at all directorate team meetings.

19. We have always looked at efficiency savings opportunities in terms of operation, tactical and strategic themes with different approaches required for each. Operational savings have been the most common way of making savings so far, which includes ongoing reviews at directorate level looking at new ways to operate and staff existing services more efficiently when opportunities arise, such as natural turnover. Tactical and Strategic changes, such as, redesign of service models and disinvestment in services of limited clinical value has been far less prominent, but has the potential to unlock larger savings.

20. A new programme management approach has been agreed to be undertaken in the identification and achievement of CRES in the forthcoming year. This will ensure that a lead Director and lead General Manager will hold responsibility for the achievement and delivery of each scheme, identifying timescales and milestones for the achievement of each savings scheme. This will provide a much more robust level of rigour in ensuring CRES is prioritised and achieved on a recurring basis as we move into future years.

21. For the forthcoming financial year, 2015/16, there is a realistic expectation that any recurring gap on CRES will be found through non-recurrent means, providing the newly implemented programme management approach time to deliver the savings targets on a recurrent basis.

2015-16 CRES Targets

22. The financial plan for 2015-16 sets out the anticipated allocation from Scottish Government and any other income (sources) and the areas where those funds will need to be allocated (the application of the funding). The anticipated shortfall between sources and application is £7.5m, therefore, this figure has been set as the overall cash target for the health board to achieve financial balance, with a further £478k required in productivity savings and other non cash savings to meet the 3% Scottish Government target.

23. After cross system savings (such as prescribing) are known, the remainder is targeted against corporate areas and operational directorates i.e. Health Services. In 2015-16, the requirement is to make a saving, which equates to 3% of Health Services and Corporate budgets. Table 4 sets out CRES targets against operating directorates grouped together as 'Health Services', the overall Corporate Directorate target and the target against cross-system initiatives.

Table 4

Directorate	Cash Target	Percentage Target
Health Services Directorates	£4.318m	3%
Corporate Directorates	£0.509m	3%
Cross System Savings	£2.673m	-
2015-16 CRES Total	**£7.500m**	

24. In 2015-16, the Chief Operating Officer will agree in conjunction with the General Managers and lead Directors, the basis of CRES targets for each operational directorate based on a of range of factors, such as activity levels and directorates who are planning over a longer cycle.

25. As the plan for 2015-16 develops the schemes will be assessed in terms of risk of delivery (low, medium, high), Equality & Diversity Impact with any potentially high impacting scheme going through a full Equality & Diversity Impact Assessment, potential impact on whole time equivalent numbers by job family, with further information presented as it develops. The final draft of the plan has a recurring gap of £2.1m as compared to the target of £7.5m, with some encouraging progress made to date in all areas. Table 5 below summarises progress to date:

Table 5

	Savings Target	2015-16 In Year Recurrent Impact Risk of Delivery				Shortfall
	2015-16	L	M	H	Total	2015-16
	£	In Year £	In Year £	In Year £	In Year £	£
Operational	4,319,000	784,319	730,161	1,195,000	2,709,480	1,609,520
Corporate	507,000	356,398	-	-	356,398	150,602
Pharmacy & Prescribing	2,000,000		1,638,500		1,638,500	361,500
Other Cross-System Savings	674,000	374,000	300,000	-	674,000	-
Total	7,500,000	1,514,717	2,668,661	1,195,000	5,378,378	2,121,622
Risk %		20%	36%	44%		28%
Productivity Savings	460,000	460,000	-	-	460,000	-
Total inc Productivity	7,960,000	1,974,717	2,668,661	1,195,000	5,838,378	2,121,622
Risk %		25%	36%	39%	73%	27%

26. Delivery of 3% CRES savings in 2015-16 will be the most challenging yet for the organisation as opportunities to make operational savings have diminished to the point where the only viable options are those in the tactical and strategic categories, which to date have been viewed as very high risk.

27. It has been recognised that identification of additional non-recurrent saving schemes are essential in order to achieve financial balance in 2015/16, to allow time for the recurrent savings schemes to be implemented and delivered in full.

28. Table 6 below highlights the level of non-recurrent schemes identified thus far, reducing the 2015/16 gap from £2.12m to below £1.38m.

Table 6

	2015-16 In Year Non-Recurrent Impact Risk of Delivery			
	L	M	H	Total
	In Year £	In Year £	In Year £	In Year £
Service Productivity		150,000		150,000
Workforce	57,042	300,000		357,042
Procurement		35,000		35,000
Support Services		100,000		100,000
Estates & Facilities	100,000			100,000
Total	**157,042**	**585,000**		**742,072**

29. These non-recurrent schemes as highlighted above, are largely related to short terms known underspends in the directorates in 2015/16, and continuing some non-recurrent schemes identified during 2014/15. This will provide some stability in 2015/16 as further recurrent solutions are found in order to reduce the remaining gap as the financial year progresses.

Acute Services Redevelopment Project

30. Recurring funding of £3.8m was set aside prior to 2012/13 for the Acute Services Redevelopment Project, following Health Board approval of the original Outline Business Case. The Outline Business Case for the new build hospital model, which was approved by Scottish Government during 2013, indicates a requirement for £6.7m recurring revenue funding and £10.5m non-recurring (over the five years from 2014-2019). In December 2014 the Board approved the Full Business Case (FBC) for this development with a £8.2m recurring cost from 2017/18 once the new hospital has been built and commissioned.

31. The Director of Finance and Chief Operating Officer have since signed-off on Financial Close in March, with full agreement from the Scottish Government to progress with the Business Case Timetable as agreed previously.

32. The Board has supported and approved this development and has to ensure financial provision for all costs are made through the financial planning process. To date the Board's financial strategy has been to allocate additional recurring funding of £1m per annum until sufficient recurring funding is allocated for the running costs of the new hospital with £5.8m set aside recurrently as at 2014/15.

33. The financial plan for 2015/16 recognises the full Board financial commitment for this development increasing the recurring reserve by £3m to £8.8m. This recognises the increased cost identified in the 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 2014/15 it was agreed that £1m of this would be released recurrently to support the Clinical and Service Change Programme (CSCP), which is being led by the Chief Operating Officer. The balance of this recurring reserve (£8.8m less the £1m for CSCP = £7.8m) is available to be used on a non recurrent basis each year until the new hospital is operational when the funding will be required to support the additional costs of the new hospital and the clinical and service changes strategy, which the Board is implementing.

Financial Plan

34. The Financial Plan for 2015/16 onwards is included at Appendix 1. The current financial plan has the following pay and non pay assumptions. These are currently under review through detailed financial modelling and will be finalised in the next few weeks as part of the final budget setting timetable.

Table 7

	2015/16 Inflation rate	2016/17 Inflation rate	2017/18 Inflation rate	2018/19 Inflation rate	2019/20 Inflation rate
Medical Pay Award	1.0%	1.0%	1.0%	1.0%	1.0%
Other Pay Award	1.2%	1.0%	1.0%	1.0%	1.0%
Medical Incremental Drift	1.58%	1.8%	1.4%	1.4%	1.3%
Other Incremental Drift	1.0%	0.8%	0.7%	0.7%	0.7%
Pension	1.4%				
National Insurance		2.0%			
General Inflation Detail	2.0%	2.0%	2.0%	2.0%	2.0%
Resource Transfer	2.0%	2.0%	2.0%	2.0%	2.0%
Purchase of Healthcare	2.0%	2.0%	2.0%	2.0%	2.0%
Drugs - Secondary care	11.2%	13.1%	11.3%	10.2%	9.6%
Drugs - Primary Care	6.9%	5.0%	5.0%	4.9%	4.8%
Rates	2.0%	2.0%	2.0%	2.0%	2.0%
Energy	2.0%	2.0%	2.0%	2.0%	2.0%

Recurring Brought Forward Position

35. The Board remains in financial balance and commences 2015/16 with a £2.920m recurring financial surplus. This is a shift on the opening financial plan for 2014/15, arising from movement in financial assumptions and use of cost pressure funding for 2014/15 and is summarised below. This ensures we are starting 2015/16 in a relatively positive financial position to manage the significant financial pressures, which are highlighted in this paper.

Table 8

Recurring position	
Breakeven as report at 2014/15 financial plan	0
Auto enrolment - cost lower than planned	0.3
Pay and Prices pressures less than anticipated in opening financial plan	1.3
Cost pressures not required in 2014/15	1.8
Potential for non delivering £0.5m CRES recurrently for 2014/15	(0.5)
Total	**2.9**

Pay Uplifts and Pressures

36. The Scottish Governments Public Sector Pay Policy published within the Scottish Governments draft budget in September 2013 is as follows and applies to 2014/15 and 2015/16, this states:

- A 1% cap on the cost of the increase in basic pay
- Continuing with specific measures for supporting the lower paid, including a minimum pay increase of 1%.
- Maintaining the suspension of non-consolidated performance related pay.
- Retaining discretion for individual employers to reach their own decisions about pay progression, outwith the 1% on basic pay award.
- Maintaining the policy of no compulsory redundancy.

37. The Scottish Living Wage will be paid with a minimum uplift in the basic pay award for all staff earning less than £21,000 to £300 in both 2014-15 and 2015-16, 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.

38. This gives an overall expected increase in Agenda for Change staff costs of £2.731m, which includes for incremental drift and agenda for change staff pay inflation in 2015/16. Similarly Medical and Dental pay costs are anticipated to increase by £0.815m for incremental drift, pay inflation and discretionary point awards.

39. A number of pressures have previously been indentified around the NHS Pensions Scheme for Scotland. Specifically the actuarial valuation of the scheme and potential changes to employer's contribution rates from April 2015 as a result and also potential increases in employer national insurance contributions.

40. The outcome of the pension valuation is now known and whilst we were previously planning on a 2% increase to employer's pension costs this has now reduced to 1.4%. The impact for NHS Dumfries and Galloway is a recurring increase of £1.672m from 2015/16. In addition it is expected that pay costs will increase from 2016/17 with the impact of ending contracting out arrangements for national insurance with a recurring impact of £1.719m.

Primary Care Prescribing

41. The uplift figure in the 2015/16 plan for prescribing of £1.885m (6.9%), reflects the impact of the increased level of prescribing volumes experienced in 2014/15 (3.1%) compared to what was planned, as well as the general increase in prices (1%). The general growth and price estimates for the new 2015/16 financial year have also been re-calculated, showing a further increase of 2.7%. In addition, specific growth areas as identified from Scottish Medicines Consortium (SMC) has also been built into the revised estimates (0.42%).

42. In total this is approximately £900k higher than what was previously anticipated when estimating the LDP for 2015/16, resulting in a combined increase of 6.9% overall.

Secondary Care Drugs

43. Whilst assessing the overall impact for the increase in hospital drugs for 2015/16, a detailed review was undertaken of 2014/15 activity to understand this increase. This reflects the continued increases in growth of approved drugs by the Scottish Medicines Consortium (SMC), especially in relation to Hep C drugs (£450k) and cancer drugs (£900k) and the increasing demand experienced across the DGRI and Community Hospitals. In total this represents an increase of almost £3.715m above expenditure levels in 2014/15, taking into account the additional funding expected via the New Medicines' Fund. It has been assumed that financial support from the Scottish Government to fund these drugs will continue beyond 2015/16.

44. This results in an overall percentage increase of 11.2% in 2015/16, or 6.6% net of NMF costs. This is consistent with growth rates seen in recent years, with future years' plans beyond 2015/16 replicating this framework. These estimates, whilst based upon the most up-to-date information available, will continue to be refined as the latest horizon scanning documentation becomes available from the SMC/NMF.

General Non Pay Uplifts

45. General supplies increases have been assumed at 2% 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.

Non recurring spend (matching ringfenced allocations)

46. Non recurring spend of £2.2m has been set aside for 2015/16 to match the ringfenced allocations in the plan. This is based on plans for spend on specific allocations and other existing expenditure commitments for the year. This includes funding to support the delivery of HEAT targets, support for nurse training, eHealth, Alcohol Plan and various other public health allocations.

Developments and Cost pressures

47. A recurring sum of £3m and a non-recurring sum of £8.8m for 2015/16 has been set aside to cover the costs of future regional and national developments, cost pressures and any other critical or must do developments.

48. A detailed review has been undertaken by the Senior Finance Team to capture all pressures in discussion with General Managers and Directors to assess the scale of financial risk for 2015/16 onwards, and how this will impact on the proposed financial strategy in the LDP for 2015/16 onwards.

49. The significant increase in the non recurring resource requirement for 2015/16 specifically arises from the increasing need to sustain medical staffing cover with locum and agency workers, which have an increased cost to the Board. For 2014/15 this risk was understated in the opening financial plan requiring additional investment at both the Quarter One and Mid Year review process, latest estimates for 2015/16 indicate a non recurring requirement of £4m, in excess of existing budgets and the locum reserve of £850k. It should be noted that not all of this is for vacancies, the locum reserve supports sickness cover, maternity leave and other cover requirements in addition to the consultant and other medical staffing vacancies which have regularly been reported to Board.

Financial Risks

50. The financial plan requires the delivery of recurring efficiencies of £7.5m (3%) to achieve financial balance for 2015/16. This will be extremely challenging and remains the biggest financial risk. The current CRES plan has a recurring gap of £2.4m, which will require further work to identify in full during 2015/16.

51. Whilst there are non-recurrent savings identified to off-set the recurrent gap in 2015/16, there still remains a £1.1m recurrent shortfall on achieving the CRES target in full in 2015/16. Work continues with the wider teams and finance to continue to identify this balance in full in the early part of 2015/16.

52. The spending review confirms the settlement position with an uplift of £4.675m (1.8%) for 2015/16, and the additional £1.1m for drugs pressures, but future years pay settlements beyond 2016/17 are unknown and, whilst a 1.8% uplift has been assumed, it may prove difficult to support uplifts at this level. There remains a level of uncertainty around expectations of how resources will be used in future in relation to future policy commitments and the recurrency of the Integrated Care Fund.

53. The revenue plan identifies a range of financial risks and estimates, however there are also risks that may potentially arise in relation to the Acute Services Redevelopment Project. Flexibility is likely to be required between financial years to manage the double running costs of the new hospital and work required to make this happen.

54. A financial risk summary is provided in appendix 2, highlighting the key areas of risk associated with the 5 year financial plan, identified as high, medium and low level risks.

Overall Position

55. The Board is looking to achieve a balanced financial plan for 2015/16 onwards and has a statutory requirement to breakeven.

56. Provision will be made for all known cost pressures/ developments/ inflationary impacts and changes to costs, which have been quantified to ascertain the level of financial risk.

57. We need to plan very cautiously for the future as the new hospital exposes the Board to a potential unprecedented level of financial risk associated with not only the running costs of the new hospital, but also the transition/ implementation plan, double running costs and clinical changes required to deliver the new hospital.

58. The £9m carry forward banked in 2012/13, 2013/14 and 2014/15, most of which will not be called down until 2017/18 at the soonest to support the significant double running costs, which we will inevitably incur and we will need to consider adding to this fund as non-recurring resources are identified.

59. The financial impact of the new Dumfries and Galloway Royal Infirmary, both in terms of the additional recurring revenue cost and the requirement for non-recurring brokerage has now been clarified in the Full Business Case. The current draft Financial Plan has reflected the most accurate estimated costs available at this time, together with a degree of prudent contingency to address any changes in estimates.

60. It is recognised that any future material movements in costs will need to be factored into future iterations of the Board's 5 year Revenue Plan.

APPENDIX 1

NHS DUMFRIES AND GALLOWAY FINANCIAL PLAN 2015- 2020

SUMMARY	2015/16			2016/17			2017/18			2018/19		
	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	R £000's	NR £000's	TOTAL £000's
	2,920		**2,920**	**487**		**487**	**340**		**340**	**444**		**444**
SOURCES												
Baseline Allocation uplift	4,682		4,682	4,760		4,760	4,850		4,850	4,930		4,930
Integration Fund		3,040	3,040		3,040	3,040		3,040	3,040		3,040	3,040
Drug Pressures	1,068		1,068			0			0			0
Delayed Discharge Funding		912	912		1,064	1,064		1,064	1,064			0
New Medicine Fund	2,715		2,715			0			0			0
Non recurring allocations		2,200	2,200		2,200	2,200		2,200	2,200		2,200	2,200
Banked Funding Released		2,000	2,000			0		4,000	4,000		3,000	3,000
CRES (Excluding Productivity Savings)	7,500		7,500	7,500		7,500	5,500		5,500	5,500		5,500
Acute Services Redevelopment Project		7,800	7,800		7,800	7,800		4,000	4,000		0	0
TOTAL SOURCES	**18,885**	**15,952**	**34,837**	**12,747**	**14,104**	**26,851**	**10,690**	**14,304**	**24,994**	**10,874**	**8,240**	**19,114**
APPLICATIONS												
Uplifts:												
Pay Uplifts - Agenda for Change	2,731		2,731	2,288		2,288	2,135		2,135	2,115		2,115
Pay Uplifts - Medical Staff	816		816	898		898	766		766	778		778
Pension Increases	1,672		1,672			0			0			0
National Insurance Increases			0	1,719		1,719			0			0
Price Uplifts including energy	832		832	849		849	865		865	882		882
Primary Care Drugs	1,885		1,885	1,399		1,399	1,400		1,400	1,400		1,400
Secondary Care Drugs (incl NMF and SMC)	3,715		3,715	1,989		1,989	1,800		1,800	1,700		1,700
External Contract Indexation	750		750	765		765	780		780	780		780
Non recurring spend (matching ringfenced allocations)		2,200	2,200		2,200	2,200		2,200	2,200		2,200	2,200
Developments & Existing Pre Commitments												
Integration Fund		3,040	3,040		3,040	3,040		3,040	3,040		3,040	3,040
Delayed Discharge Funding		912	912		1,064	1,064		1,064	1,064		0	0
Spend to Save Schemes		500	500		500	500		0	0		0	0
Acute Services Redevelopment Project	3,000	1,000	4,000	0	1,000	1,000	0	5,000	5,000	0	4,000	4,000
Developments / Existing cost pressures	2,998	8,787	11,785	2,500	6,640	9,140	2,500	3,444	5,944	2,000	219	2,219
TOTAL APPLICATIONS	**18,398**	**16,439**	**34,837**	**12,407**	**14,444**	**26,851**	**10,246**	**14,748**	**24,994**	**9,655**	**9,459**	**19,114**
NET POSITION	**487**	**(487)**	**(0)**	**340**	**(340)**	**(0)**	**444**	**(444)**	**(0)**	**1,219**	**(1,219)**	**(0)**

APPENDIX 2

LDP Financial Plan 2015/16 Submission
Form 4 – Risks & Assumptions

Key Assumptions / Risks	Risk rating	Impact / £
Allocation Uplift	High Risk	Only 2015/16 uplift has been confirmed by the Scottish Government to date. The plan assumes the same % uplift over years 2-5 which can not be assessed with any certainty at this moment in time.
CRES Delivery	High Risk	Whilst plans to-date have identified almost 70% of the savings target required, over 75% of these have been categorised as either high or medium risk. Building upon the workshops already undertaken this year to identify savings plans, further reviews and meetings are planned to continue to monitor progress against the plan. 2015/16 represents an unprecedented level of challenge in identifying CRES recurrently in full and non-recurring schemes are being looked at to help redress the remaining balance.
Prescribing (General)	High Risk	Prescribing in general (both secondary and primary care) has been successful in identifying savings over the last 3 financial years. Opportunities to continue to deliver this level of saving are not as robust as in the past. Whilst the plan has assessed the on-going 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.
Prescribing - New Medicines Fund	High Risk	An assessment has been undertaken with in the plan to incorporate estimates of likely growth of drugs in this area. It is assumed that these will be matched with funding within the 5 year plan.
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. Whilst appropriate provision has been made in the financial plan (£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.
Health and Social Care Integration	High Risk	Plans for Health and Social Care integration are under development locally. No financial provision / risk is assumed in the LDP beyond ensuring provision has been made for supporting and resourcing the

Key Assumptions / Risks	Risk rating	Impact / £
		implementation within the allocation identified going forward. NHS D&G has made good progress with Council Colleagues in recent months in progressing H&SCI, however a significant level of system risk remains that will only be resolved once the IJB and new management structure have been recruited to and are up and running.
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 D&G has seen a substantial increase in activity undertaken outwith Board boundaries. Whilst financial provision has been made in the plan, changes relating to service redesign (particularly across Vascular and Cardiology services) in preparation of the new hospital opening has increased costs significantly.
Earmarked Recurring Allocations	Medium Risk	Earmarked recurring allocations will continue to be highlighted as a risk when assessing the recurrent nature of funding. These are continuously reviewed and where risks are highlighted funding is only released non-recurrently.
Inflation Uplifts	Medium Risk	In addition to building in the known inflation costs (including pay , NI and pension increases) already announced, an indepth 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 recurring sum of £3m and a non-recurring sum of £8.8m for 2015/16 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 2015/16 and beyond (based upon current assumptions of 1% pay awards).

Key Assumptions / Risks	Risk rating	Impact / £
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.
DGRI Funding for NPD	Medium Risk	Availability of bank lending to support new DGRI via NPD procurement link with SFT re mitigation of risk. Risk will reduce as the project progresses towards financial close.
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.
Capital Receipts	Medium Risk	Funding from retained receipts in future years is not guaranteed. The Capital Plan assumes this will be agreed in order for associated programmes of work to commence.
Carry Forward	Low Risk	The Board has agreed a carry-forward of £2m from 2014/15 to be used in 2015/16 in support of the planning of the new hospital. 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.