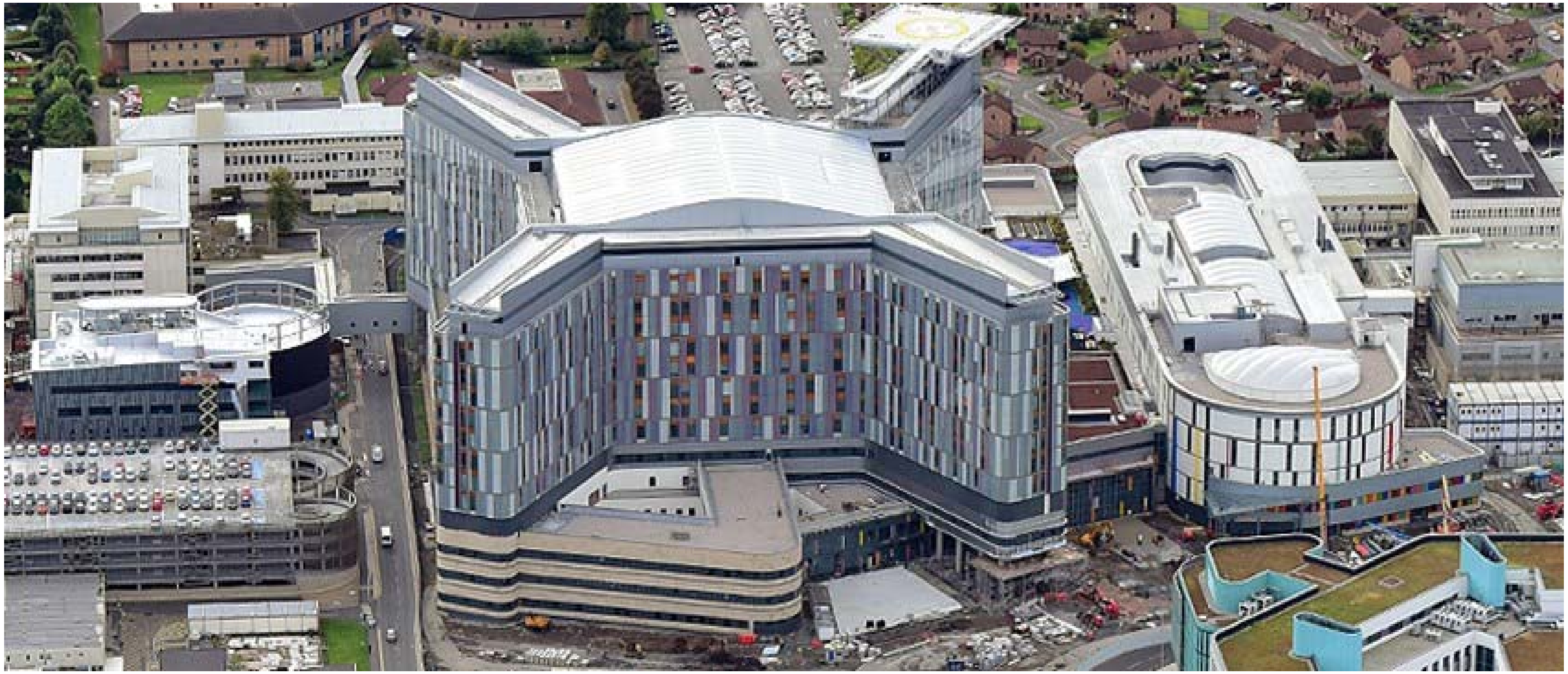
NHSGGC – 2020/21 Financial Plan
(Initial Draft)
Board Meeting
February 2020 (Paper 20/15)



Introduction

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Purpose and Format of Report

The purpose of this report is to provide the Board with an update of the 2020/21 projected revenue and capital positions, and outlines the planning process to deliver key financial targets.

i) The Budget and Indicative Projection (pages 3-9)

ii) The 2020/21 Financial Challenge (pages 10-14)

iii) The 2020/21 Planning Process (revenue) (pages 15-18)

iv) The 2020/21 Capital Plan (pages 19-22)

The FP&P Committee are asked to;

i) ***Note*** the assessment of the estimated 2020/21 financial challenge and outline planning process; and

ii) ***Note*** the initial 2020/21 Capital Plan.

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The Budget and Indicative Projection

The Budget and Indicative Projection

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Background – Historic Financial Performance

In 2018/19, the Board yet again achieved financial break even. This out-turn was underpinned by £42.3m of in-year savings, a record amount across the Scottish NHS. In addition, the Board was successful in reducing the underlying recurring deficit from £68m to £50m.

Following this, 2019/20 was another challenging year, with a number of significant unforeseen cost pressures emerging in-year. At the time of this report, break-even is likely, although there remains a range of risks around that achievement. In-year savings should be circa £35m, with the underlying recurring deficit predicted to have increased to £55m.

The Board are also currently predicting achievement of the other 2 key financial targets; the Capital Resource Limit and the Cash Requirement.

Projected Position 2020/21

Due to the UK General Election, the Scottish Budget was announced later than usual, on the 6th February 2020. In preparation, the finance started working in November 2019 through a range of scenarios for 2020/21 and beyond. On the advice of the Scottish Government, the main projections were based on the assumption of a 3% uplift.

These projections formed the basis of the report presented to the February 2020 Finance Planning and Performance Committee (FP&P). Since that report, the Scottish Budget has been announced, however there are no material changes to the assumptions made.

The following three slides are a result of the Budget announcement and were not reported to the FP&P Committee.

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Budget 2020/21 – Initial Allocation

The settlement is intended to support continued delivery of the core priorities set out in the Programme for Government, which focus on;

i) waiting times improvement,

ii) primary care,

iii) investment in mental health; and

iv) delivering further progress in the integration of health and social care, as well as continuing to shift the balance of spend towards community health services.

All Territorial Boards will receive a baseline uplift of 3%. In addition to the baseline funding uplift, a total of £461 million will be invested in improving patient outcomes in 2020-21, as set out below:

Improving Patient Outcomes	2019/20 Investment in Reform (£m)	2020/21 Investment in Reform (£m)	Increase for 2020/21 (£m)
Primary Care	155	205	50
Waiting Times Improvement	106	136	30
Mental Health and CAMHS	61	89	28
Trauma Networks	18	31	13
TOTAL	**340**	**461**	**121**

In terms of these various allocations of funding, they represent either "straight pass through" allocations to HSCPs or are earmarked for spend against direct improvements in performance. As such, they do not feature in the financial plan on Page 8.

The Budget and Indicative Projection

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Budget 2020/21 – Initial Allocation (Cont'd)

Key points to note in the settlement outlined above;

Primary Care

The investment in the Primary Care Fund will support the implementation of the GP contract and development of new models of primary care - where multidisciplinary teams of nurses, doctors, pharmacists, AHPs and other clinicians work together to meet the needs of their communities. This includes £10 million to be invested in GP premises.

Waiting Times Improvement Plan

The investment is intended to support waiting times improvement and reform. Work will continue to develop Annual Operational Plan submissions, with specific focus on inpatient and day cases, as well as wider plans to deliver sustainable solutions, including progress against the development of the elective centres. Included in this funding is £10 million for winter 2020-21, to allow Boards maximum opportunity to plan as appropriate.

Mental Health and CAMHS

Funding will be directed to a range of partners for investment to support mental health, and children and young people's mental health. In the year ahead there will be ongoing delivery of the Mental Health Outcomes Framework, the NHS Workforce Development Programme and support to improve access to high quality mental health services.

The Mental Health Services budget also includes funding to be directed to Integration Authorities for the recruitment of 800 additional mental health workers as outlined in action 15 of the Mental Health Strategy.

The Budget and Indicative Projection

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Budget 2020/21 – Initial Allocation (Cont'd)

Alcohol and drugs
The Portfolio budget includes an additional £12.7 million to tackle the harm associated with the use of illicit drugs and alcohol. The Minister for Public Health, Sport and Wellbeing and his officials will discuss investment plans in more detail with Boards and Integration Authorities in the coming months. It is expected investment by Boards and Integration Authorities will increase by 3% over and above 2019-20 agreed recurring budgets to address these issues.

Health and Social Care Integration
In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 agreed recurring budgets. In addition to this, and separate from the Board Funding uplift, the Health Portfolio will invest a further £100 million in Local Authorities for investment in social care and integration, and continued support for school counsellors. This will take the total funding transferred from the health portfolio to £811 million in 2020-21.

The additional £100 million for local government includes a contribution to continued delivery of the Living Wage (£25 million), uprating of free personal and nursing care payments (£2.2 million), implementation of the Carers Act in line with the Financial Memorandum of the Carers Bill (£11.6 million), along with further support for school counselling services whether or not delegated under the Public Bodies (Joint Working) (Scotland) Act 2014 (£4 million).

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2019-20 recurring budgets for social care services that are delegated. Similarly, the £4 million for school counselling services must be additional. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100 million greater than 2019-20 recurring budgets.

The Budget and Indicative Projection

This section of the report highlights the 2020/21 indicative projection

In December 2018 the Scottish Government announced that Boards are now required to break-even over a three-year period. Whilst the Executive team are still assuming the primary objective to break-even each year, the 2020/21 Financial Plan has been drafted as outlined below.

NHS GGC Financial Plan 2020/21 - assuming 3% uplift from SGHD

	2020/21		
	Recurring £m	Non Recurring £m	Total £m
Total In-Year Funding	3,472.6	25.0	3,497.6
Applications of Funds			
Expenditure Base	3,391.6		3,391.6
(Under) / Overcommitment	55.0		55.0
Social Care Pass Through	0.0		0.0
Baselined Items	0.0		0.0
General Inflation / Growth etc			
Salaries	65.2		65.2
Supplies	8.2		8.2
Prescribing Growth - Primary Care	15.0		15.0
Prescribing Savings - Primary Care	(7.0)		(7.0)
Prescribing Growth - Acute	20.0		20.0
Energy Costs	0.0	0.0	0.0
All Other Inflation	2.4		2.4
PMS - Discretionary	1.0		1.0
PCS - Non Discretionary	0.8		0.8
All Investments	29.4	0.0	29.4
Other Commitments			
Provision for Future Developments	0.0	0.0	0.0
Cost Savings Plans	(20.0)	(5.0)	(25.0)
Expenditure Total	3,561.6	(5.0)	3,556.6
In Year Surplus / (Deficit)	(89.0)	30.0	(59.0)
IJB Adjustment	(2.7)		(2.7)
Surplus / (Deficit) c/f	(91.7)	30.0	(61.7)

The Budget and Indicative Projection

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This 2020/21 Projection

The projections above highlight that, based on an assumed consistent level of available non-recurring funding (£25m per annum) and projected savings (£25m per annum), the Board is facing a gross projected strucural deficit in 2020/21 of £112m. Deducting an estimate of non-recurring funding (£25m), and an estimate of potential savings (£25m) (both based on previous years achievements), the projected financial challenge is £62m.

Clearly, the impact of the pay award, with a pressure of £66.1m, is the biggest single factor in the projected deficit. The current projections also include the service's/directorate's initial projection of investments and pressures which totals £28m and the prescribing team's assessment of additional costs at £20m (Acute).

Both of these are very much a "first cut" and are currently the subject of scrutiny and challenge.

Notwithstanding, clearly the FIP, extensive cost containment measures and balance sheet management remains the key to short and medium term in-year financial balance.

The medium to longer term financial challenge, including returning to underlying recurring balance, will only be achieved through whole service redesign through the Transformation Programme (Moving Forward Together) and Regional Planning. This will require a longer term focus on outcomes, inclusion, accessibility and sustainable service design.

The organisation is working extensively on both these projects.

A three and five year projection is to be included in the 2020/21 Annual Operational Plan. This is currently in draft and will be presented to the April 2020 Board meeting.

The 2020/21 Financial Challenge

2020/21– The Financial Challenge Faced by NHSGGC

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This section of the report highlights the initial assessment of the 2020/21 costs

The Table below summarises the base uplift and additional sources of income for the Board in 2020/21. NHSGGC receives none of the NRAC adjustment.

	All Boards £m	NHSGGC £m
New Resources		
Baseline Increase @ 3.0%	301.0	68.8
Additional for Pay Awards		
NRAC Parity Adjustment	30.0	
	331.0	68.8
Uplift from Other Boards		10.4
Change in New Medicines Fund		
Total New Resources		79.2
less Uplift Allocation to IJBs		(26.9)
Total New Resources		52.3

The potential base uplift equates to £69m, or 3% of the Boards baseline budget brought forward from 2019/20.

By applying an agreed general inflationary uplift to the value of service level agreements with other Boards related to patient services provided by NHSGGC, the Board can reasonably expect to receive further income of around £10.4m in 2020/21. National PPRS receipts which are used to support the New Medicine Fund are estimated to remain at 2019/20 levels, with no change assumed in the allocation to NHSGGC. This maybe amended as the year progresses.

2020/21– The Financial Challenge faced by NHSGGC

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This section of the report highlights the financial challenge faced by NHSGGC in 2020/21

A summary of the projected deficit carried forward, uplift, inflation and financial pressures are highlighted in the table below.

Total New Resources	79.2
Carry Forward from 2019/20	
Recurring Deficit b/f	(55.0)
Cost Drivers	
Pay Cost Growth	(66.1)
Prescribing - Acute	(20.0)
Prescribing - Primary Care	(8.0)
Supplies, PPP & Other Inflation	(11.1)
Cost Pressures	(17.3)
Investments	(10.8)
Cost Drivers	(188.3)
Cash Efficiency Challenge	(109.1)
IJB Uplift in Resources	(26.9)
IJB Expenditure	24.2
Net Cash Efficiency Challenge	(111.8)
Net Cash Efficiency Challenge	(7.6%)

2020/21 – The Financial Challenge faced by NHSGGC

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This section of the report highlights the financial challenge faced by NHSGGC in 2020/21

The table above highlights the key pressures to be funded from the £79m uplift.

Pay Cost Growth

	£m
Pay Uplift	48.5
Discretionary Points	1.7
Incremental Progression	15.9
Total Pay Uplift	66.1

A 3-year pay deal for Agenda for Change staff commenced on 1 April 2018. The deal promised that the value of the top pay point of Bands 1 to 8c would increase by 9% cumulatively over 3 years from 2018/19 to 2020/21, with a £1,600 flat rate annual increase for higher paid staff. The 9% cumulative figure breaks down to 3.00% in 2018/19, 2.80% in 2019/20 and 2.95% in 2020/21.

In addition, existing pay bands are being restructured and the number of pay points is being reduced. The enables certain staff to access the top of the pay band more quickly with particular additional costs coming through in 2020/21. Our pay modelling has indicated that staff turnover by itself will not result in a cost pressure, but the banding changes will result in a cost pressure of £15.9m in 2020/21.

Prescribing

The prescribing cost growth projection for 2020/21 is at a very early stage of development and is little more than a marker based on previous years. It includes provision for likely cost increases related to growth in new and existing drug treatments within Acute Sector, including new drugs approved by SMC, and makes a realistic level of provision for likely growth in volume / prices, based on current trends, related to drug treatments prescribed within Primary Care.

The results of horizon-scanning exercises will be known soon and prescribing projections will be updated.

2020/21 – The Financial Challenge faced by NHSGGC

Greater Glasgow and Clyde

Cost Inflation, Pressures and Developments

1.0% general provision has been set aside for inflation on non-pay costs excluding prescribing costs, energy costs, and capital charges costs. 2.5% has been set aside for inflation on legal / contractual cost commitments and inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to SLAs. This amounts to £11.1m.

In terms of pressures and investments, as outlined above, the initial proposition from the service indicates a list totalling £28.1m. This is currently the subject of scrutiny and challenge and will likely involve decisions between different areas of spend.

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The 2020/21 Planning Process

2020/21– High Level Financial Plan

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The initial 2020/21 financial planning process

As outlined above, the Board is facing another significant financial challenge in 2020/21, potentially equating to circa 6-7% savings and efficiencies.

The financial planning process started pre-Xmas with the following steps;

i) Identification and assessments of the costs, pressures and investments required in 2020/21, offset against uplifts, and identification of the savings target;

ii) Roll-forward of the organisational wide FIP Workstreams, including initiatives already underway and a process to identify new ones;

iii) CRES to be identified locally within each Acute Directorate and Corporate Division;

iv) Identification and quantification of non-recurring sources of income/funding; and

v) Initial discussions with the HSCPs regarding the 2020/21 budget settlement.

Identification of costs, income and savings target

As outlined above, a detailed analysis of additional budgetary uplifts and associated costs and developments has been undertaken. This includes detailed calculations of pay growth, horizon scanning and analysis of prescribing and discussions with key budget holders around emerging cost pressures and the extent to which they require to be absorbed as part of day to day financial management.

2020/21– High Level Financial Plan

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Continuation of the Financial Improvement Programme (FIP)

As outlined in previous finance reports, the FIP process has continued into 2019/20 and will continue int0 2020/21. The programme has been successful in reducing the Board's underlying recurring deficit by circa £18m in 2019/20, raised the profile of cost control and financial grip, and embedded a comprehensive process around the identification, documentation and monitoring of savings schemes.

In 2019/20 the Programme ran internally through the PMO without external advisers. A greater number of schemes have been identified and delivered compared to previous years, albeit for a smaller total value, with a consistent projected achievement rate of 41%.

The FIP will be rolled forward into 2020/21. The Head of the PMO left to lead the Scottish Government's internal Efficiency Programme and a replacement is currently being sought. At the time of drafting this report, the tracker is already currently showing £9m of schemes for 2020/21.

It is also clear that progress has been variable across different Workstreams. Over the 2 years, drugs, non pay controls and income (2018/19) have exceed the allocated targets, whilst other staffing, outpatients and estates and facilities (2018/19) have made good progress. Other Workstreams such as medical and nursing workforce have made significant progress in improving processes and procedures, although the progress to date has largely manifested itself in containing costs.

One area where progress has been limited rests with the Acute operational schemes around Theatres, Beds and Diagnostics. Whilst real cash is always difficult to save in these operational areas due to the link to actual income, it is clear from both the impending financial challenge and the decision to escalate the Board to Level 4 for performance, sustainable improvement in this area is a key priority for 2020/21 and additional expert external resource has been allocated to this programme.

2020/21– High Level Financial Plan

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Local CRES

To ensure accountability and ownership for the savings target, and to dovetail with the FIP Workstreams, CRES targets will be set across the organisation. Pending the budget communication and final savings target, each Divisional and Corporate Director has already started to identify savings schemes both locally or through the FIP Workstreams.
A series of workshops and meetings is taking place to support each Department and Division to start identifying, drafting and implementing plans to support their local CRES targets. This is a "tried and tested" process which has previously yielded recurring savings, albeit not at the required level over the last two financial years.

A number of initiatives have already been identified and are underway.

Non-recurring sources of income and funding

As in recent years, the strategic use of non-recurring funding will be critical if break-even is to be achieved. Senior Finance Management have, and will continue to, identify and analyse all available sources. This involves discussions at national forums such as the Corporate Finance Network, discussions with the Scottish Government, discussions with External Audit and good balance sheet management.

Budget settlement with HSCPs

As in previous years, the Board will seek to agree a budget settlement with IJBs by the 31st March 2020.

As outlined above, the settlement is "straight proportionate pass through" of the Boards funding uplift. The Director of Finance has met with a number of Chief Officers and Council Directors of Finance to discuss the budget process, particularly in lieu of the potential delayed budget announcement.

No issues are anticipated agreeing the settlement.

2020/21 Capital

2020/21 Capital

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The 2020/21 Capital Plan

The Board is still developing a Capital Plan which will respond to our clinical strategy and prioritises investment. The current planned Capital Funding for 2020/21 will include:

i) The Board's share of new national capital funding for 2020/21, which is made available on a formula basis to all Health Boards;

ii) Ring-fenced funding for specific projects;

iii) The capital (Net Book Value) element of those asset disposals where it has been agreed that the Board can retain proceeds for local use.

Capital Funding

Pending the final budget announcement, the Board have assumed a consistent level of funding into 2020/21 i.e £52m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £10.5m, an estimated amount of £2.4m in respect of Capital Receipts generated through property disposals and a revenue to capital transfer of £1.3m.

Schemes classified as "ring-fenced" represent specific funding that is provided via a direct allocation from the Scottish Government. For 2020/21 this amount includes £6.6m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans submitted to the Scottish Government. Included within this figure is an allowance in respect of further national investment in a PET Scanner. As agreed with the Scottish Government, the draft plan also assumes that central funding will be made available over the next five years in respect of the proposed North East Glasgow Health & Social Care Centre, for which an Outline Business Case is currently being developed.

2019/20 Capital

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2020/21 Capital Plan

The following are the key highlights;

i) Queen Elizabeth University Hospital Campus - provision of £1.14m has been set aside in 2020/21 to continue the programme of infrastructure upgrades at the Neurosurgery and Neurology Buildings, £o.6m has also been recognised to carry out an essential upgrade to the Automated Guided Vehicles (AGVs) and an amount of £1.7m forecast slippage from 2019/20 in relation to the ongoing works at Ward 2A at the RHC, has also been re-provided in 2020/21.

ii) Hub schemes - provision for the initial equipping of Greenock Health Centre (£1.3m) and the two Mental Health Wards under construction at Stobhill Hospital of £0.6m.

iii) An amount of £5.5m for investment in e-Health priorities. This represents a general e-health allocation of £2m to invest in priority areas, plus the reprovision of £2.5m in respect of the Laboratory Information Management System (LIMS) that slipped from 2019/20, together with just under £1m in respect of PACS funding that was slipped from 2019/20.

iv) An overall allocation of £5m in respect of Medical Equipment replacement. In line with previous years it is proposed that this allocation be split to reflect an amount of £1.5m to target a planned Diagnostic Imaging Replacement Programme (DIRP) with the balance of £3.5m being allocated for planned and emergency replacements of general medical equipment.

An amount £9.0 m is currently included under Corporate schemes for local minor works projects that will mainly be targeted to address the top building infrastructure and backlog maintenance priorities recorded in the Board's Estate Asset Management System (EAMS).

However, as a result of the need to provide additional support via Capital Resources to the Estates Maintenance Budgets during 2019/20 it has been necessary to effectively accelerate some of this allocation during the current year and it is therefore anticipated that the remaining budget in 2020/21 will be nearer £6m.

2018/19 Capital

The 2019/20 Capital Plan (Cont'd)

The proposed Capital Plan currently reflects unallocated capital of c.£14m in 2020/21 pending confirmation that all known priorities have been identified. This will be worked on through February and March.

This balance will also be dependent on the final capital out-turn position for 2019/20 and will be impacted by all slippage and acceleration adjustments required to be actioned in the final months of the current year.

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Conclusion

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Conclusion

The purpose of this report is to provide the Board with an update of the 2020/21 projected revenue and capital positions, and outlines the planning process in place to deliver key financial targets.

However, it is clear the Board is facing another year of significant financial challenge. The analysis of the 2020/21 outlook and indicative 3 year projection are evidence of the real requirement for further financial and cost control, and continued delivery of significant savings through both local CRES and FIP.

This report also sets out some of the steps proposed to improve Acute efficiency and productivity through engaging external expertise with a view to also improving TTG performance following escalation to Level 4.

However, the outlook highlights that the projected deficit will not be sustainable at current levels of uplift and against current pay and prescribing pressures. As such, the medium to longer term, recurring financial balance will only be achieved through increased productivity and efficiency and service redesign, underpinned by transformational change. This will involve cultural change, difficult decisions, greater collegiate working within the Board and with IJBs, and embracing the Regional agenda.

In summary, the Board are asked to;

i) ***Note*** the assessment of the estimated 2020/21 financial challenge and outline planning process; and

ii) ***Note*** the estimated 2020/21 Capital Plan.