

NHS Tayside

Finance Plan – Three Year period ending 31 March, 2022

April 2019

Contents

Introduction

Section 1: Setting the budget

Section 2: 2019/20 Budget: allocation of resources and savings

Section 3: Financial savings plan

Introduction

1.1 The purpose of this paper is to set out the following:-

- Section 1: assumptions underpinning the budget, taking account of new resources available to the Board and an estimate of the projected increases in costs in the coming year;
- Section 2: summarise the financial plan based on these assumptions for 2019/20 and the following two years, and
- Section 3: the actions that will be taken to achieve savings and the projected end of year forecast.

1.2 This three year plan sets out at a high level how the Board aim to achieve financial balance by 31 March, 2022.

1.3 The steps taken by the Board during 2018/19 to stabilise the financial position have had a positive impact, and the following benefits will be carried forward into 2019/20:-

- Reduced the monthly overspend by close to £1.0 million over the course of 2018/19;
- Reduced the recurring deficit by £6.0 million through increasing the level of recurring savings;
- Addressed historic reliance on earmarked slippage - £8.0 million benefit (in future years), and
- Open, transparent and timely reporting.

1.4 The financial plan anticipates further significant progress during 2019/20. The key outcomes that will be delivered will be:-

- An improved position regarding performance against the national access standards for in-patients, out-patients, diagnostics, cancer and CAMHS in line with agreed trajectories, and
- A further reduction in the recurring deficit to £17.8 million.

Section 1: Setting the plan – key assumptions

Introduction

1.1 Following approval of the 2019/20 Budget Bill by Scottish Parliament, the Cabinet Secretary for Health and Sport confirmed the allocations for Health Boards in February 2019. Whilst the Scottish Government budget covers only 2019/20, the Health and Social Care: Medium Term Financial Framework published in October references future years. The framework highlighted the focus of the financial framework and the main health and social care expenditure commitments, as set out below, which we have used to base the planning for 2020/21 and 2021/22:-

- over the course of this parliament, baseline allocations to frontline Health Boards will be maintained in real terms, with additional funding over and above inflation being allocated to support the shift in the balance of care. This means that health expenditure will be protected from the impact of rising prices and will continue to grow in excess of GDP deflator projections;
- over the course of the next five years, hospital expenditure will account for less than 50% of frontline NHS expenditure. This relates to the policy commitment to 'shift the balance of care', with a greater proportion of care provided in a setting close to a person's home rather than in a hospital;
- funding for primary care will increase to 11% of the frontline NHS budget by 2021/22. This will amount to increased spending of £500.0 million, and about half of this growth will be invested directly into GP services. The remainder will be invested in primary care services provided in the community, and
- the share of the frontline NHS budget dedicated to mental health, and to primary, community, and social care will increase in every year of the parliament. For adults and, in some cases, for children, these services, along with unscheduled hospital care, are now managed by Integration Authorities.

Baseline uplift

1.2 The baseline uplifts for NHS Tayside in 2019/20 (including NRAC parity funding) have been confirmed and we have assumed a similar level of baseline uplift in the following two years:-

	2019/20 £m	2020/21 £m	2021/22 £m
Baseline funding (2.6% uplift)	18.9	19.1	19.6

1.3 In addition, those Boards furthest from NRAC parity received a further allocation to ensure that no Board is further than 0.8% from NRAC parity in 2018/19. NHS Tayside received an allocation of £2.1 million in recognition of this commitment in 2019/20.

Specific allocations - Health and Social Care Partnerships

- 1.4 The Scottish Government budget also confirmed that in 2019/20, NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018/19 cash levels. This financial plan assumes an allocation to the Integration Joint Boards (IJBs) of £7.4 million, which is a full share of the Board's 2.6% baseline uplift. In addition to this, and separate from the Board Funding uplift, will be three elements of funding for Health Social Care:-
- Investment in the Primary Care Fund will increase to £155.0 million in 2019/20. This will support the transformation of primary care by enabling the expansion of multi-disciplinary teams for improved patient care, and a strengthened and clarified role for GPs as expert medical generalists and clinical leaders in the community.
 - £120.0 million will be transferred from the Health Portfolio to the Local Authorities in-year for investment in integration, including delivery of the Living Wage and up-rating free personal care, and school counselling services, and
 - £40.0 million has been included directly in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s, as set out in the Programme for Government.

The Local Authorities will have flexibility to offset their adult social care allocations to Integration Authorities in 2019/20 by 2.2% compared to 2018/19.

- 1.5 For the years 2020/21 and 2021/22, we have assumed that all allocations confirmed in the Scottish Government budget will pass directly to the Health and Social Care Partnerships and that the Board will receive no direct benefit from such funding.

Other allocations

- 1.6 The budget also included additional investment in reform, and a renewed focus on alcohol and drugs. The allocation of funding to Boards is in the process of being confirmed:-
- Investment of £146.0 million will be provided to support delivery of the trajectories set out in the Waiting Times Improvement Plan. Up to £40.0 million will be accelerated into 2018/19 to allow Boards to support immediate priorities. We assumed a share of this funding in the financial plan. Further details of the improved performance trajectories are set out in the Annual Operational Plan.
 - To support the mental health strategy, in 2019/20 a further £14.0 million will be invested, which will go towards the commitment to increase the workforce by an extra 800 workers; for transformation of CAMHS; and to support the recent Programme for Government commitments on adult and children's mental health services. In order to maximise the contribution from this direct investment, this funding is provided on the basis that it is in addition to a real terms increase in existing 2018/19 spending levels by NHS Boards and Integration Authorities. This means that funding for 2019/20 must be at least 1.8% greater than the recurrent budgeted allocations in 2018/19, plus £14.0 million. Directions regarding the use of £14.0 million will be issued in year.
 - Trauma Networks funding will increase by £8.0 million to £18.0 million, taking forward the implementation of the major trauma networks.
 - Continued investment in the £100.0 million cancer strategy.

1.7 The following additional recurring resources are also reflected in NHS Tayside's current financial plan:-

	£m
Pharmaceutical Specials Service Unitary Charge	2.1
PPRS	2.7
Outcomes Framework	-0.3

1.8 For the years 2020/21 and 2021/22 we have assumed that all other allocations confirmed by in the Scottish Government budget will pass directly to the services, and we will receive no direct benefit from such funding.

Summary

1.9 The following key assumptions have been made in relation to the budgets for 2019/20:-

- All budgets in each of the three years of the plan will be uplifted by a share of the 2.6% uplift, in line with the increase in baseline funding. This includes the allocation of funding to meet the implications of the pay uplifts.
- NRAC parity funding where received will be used to offset existing costs. We have not assumed any additional NRAC parity funding other than that confirmed for 2019/20. The £1.2 million of 2018/19 NRAC parity funding allocated to the IJBs on a non-recurring basis will be allocated on a NRAC share basis on a recurring basis to contribute towards primary care prescribing cost pressures. Furthermore, £0.5 million of the 2019/20 NRAC parity funding will be used to fund the additional cost of prison healthcare expected to occur in 2019/20 as a result of the increases in the local prison population.
- No new service developments will be funded during the three year period, other than for clinical quality or safety issues.
- Cost pressures for all services will have to be managed from within existing allocated budgets.
- A contingency of £3.0 million in each of the three years of the plan has been established to address any **exceptional** circumstances that could not have been envisaged at the start of the financial year.
- We have assumed that slippage on current and prior year allocations from SGHSCD will be £5.0 million throughout the three year period.

Section 2: Forecast budget for the three year period

Financial Budget 2019/20

2.1 In terms of the calculation of the financial budget for 2019/20, the following analysis sets out the basis on which the 2018/19 baseline budget has been rolled forward. The table refers to Board directed services.

Board Directed Budgets	Revenue Allocation £m	Forecast Expenditure £m	Financial Gap £m
2018/19 Recurring Baseline B/Fwd*	474.5		
2019/20 Anticipated Allocations (note 1 opposite)	15.0		
Baseline Expenditure		(511.5)	
Recurring Deficit**	489.5	(511.5)	(22.0)
New Resources			
2018/19 Baseline Uplift (exc IJB uplift of £7.4m)	11.5		
NRAC Parity Funding	2.1		
Other	4.5		
Total New Resources	18.1		(3.9)
Growth/Cost Pressures			
Pay Uplifts		(11.2)	
Non pay uplifts		(12.1)	
Contingency		(3.0)	
Miscellaneous Uplifts		(5.5)	
Total Growth/Cost Pressures		(31.8)	(35.7)
BOARD OPERATING COSTS/FINANCIAL GAP	507.6	(543.3)	(35.7)

Note 1:

2019/20 Board Anticipated Allocations (excludes IJB-related allocations)	£m
Outcomes Framework	5.0
CSO - R&D	7.5
SRTC	5.0
Other	4.1
New Medicines Fund	3.5
Public Dental Services	2.2
eHealth - ICT	2.2
Early Years Family Nurse Partnership	1.6
Mental Health Outcomes Framework	1.6
Distinction Awards for NHS Consultants	1.5
Scottish Trauma Network	1.4
Top Slice	-4.1
Depreciation	-16.5
Total	15.0

* Includes baseline RRL & non-core RRL

** The recurring deficit against baseline budget for 2019/20 totals £26.0 million. However, £4.0 million of this total relates to budgets delegated to IJBs, which are included in IJB financial plans.

2.2 Based on IJB budget papers taken through their respective Boards, the forecast position for each of the three IJBs is noted below:

IJB Deficits	Angus £m	Dundee City £m	Perth & Kinross £m	Total £m
IJB Financial Gap – covering both health and social care budgets	0	(0.6)	(3.6)	(4.2)

2.3 As set out within the Integration Schemes, the Board and the Local Authority are required to make financial allocations where IJBs are in a deficit position. The total deficit of £4.2 million reflects both health and social care budgets. It should be noted that the figure of £4.2 million is a provisional figure, and subject to further change. IJB Risk Share agreements in Dundee City and Angus now allocate a share of any overall deficit between the two partner organisations, irrespective of the source of the overspend. Discussions continue with all three IJBs and Local Authority partners to confirm the basis for risk share and the related financial implications. At this stage we have not reflected a share of the IJB deficit in the Board forecast position.

Risks

2.4 In preparing the three year plan we would highlight the following risks:-

- IJB positions - the IJBs' ability to operate within available budget allocations and the exposure to the Board as a result of the IJB Risk Share agreements.
- Operational performance - delivery of waiting times improvement plan targets within available resource where additional funding from Scottish Government is linked to improved performance.
- Secondary care medicines - managing a projected growth in secondary care medicine costs;
- Property and estates - decisions are required around Board property and infrastructure to maximise the use of resource and mitigate operational risks.
- eHealth - resource required for appropriate IT infrastructure and support for service transformation.

Three year financial plan

2.5 Based on the above budget position for 2019/20 and the assumptions noted in Section 1, the forecast three year position is noted below. In setting this forecast position in context we would highlight the following:-

- The forecast level of savings is lower than the £48.1 million required to be delivered by the Board in 2018/19, and
- The recurring deficit in 2019/20 is £6.0 million lower than the prior year reflecting the increasing level of recurring savings identified and delivered. The level of recurring deficit will reduce in each of the three years of the plan, with the assumed level of recurring savings from 2019/20 being 50%.

	2019/20	2020/21	2021/22
	£m	£m	£m
Recurring deficit	(22.0)	(17.8)	(16.1)
New resources (excluding IJB share of baseline allocation)	18.1	13.8	14.1
New commitments (including pay and non-pay increases)	(28.8)	(25.1)	(24.1)
Contingency	(3.0)	(3.0)	(3.0)
Projected financial savings required	(35.7)	(32.1)	(29.1)

Section 3: Financial Plan

Introduction

- 3.1 Based on the allocation of resources and the detailed budget prepared, it is forecast that the Board will require to deliver savings of £35.7 million, plus a share of the potential IJB deficit, in 2019/20 in order to achieve financial breakeven and £32.1 million and £29.1 million in each of the following two years.
- 3.2 The engagement with and involvement of all staff in managing budgets and operating within available resources is key, and significant progress is being made in providing the necessary leadership and support to ensure that all steps to reduce the cost base are considered, alongside delivery of high quality and safe patient care.
- 3.3 Within this section we summarise the actions to reduce the cost base and increase productivity in line with the recommendations made by the Assurance and Advisory Group.
- 3.4 Transforming Tayside describes our high level direction, in response to the National Clinical Strategy¹, the Health and Social Care Delivery Plan² and the challenges posed to modern healthcare by Realistic Medicine³. The design of new clinically-led, sustainable models of care, developed in partnership with our communities, will transform our future approach to health and social care.
- 3.5 The Board is adopting a five tier approach to achieving a position of financial break even by the end of the three year period:-
- Level 1 Transforming Tayside
 - Level 2 Regional and National opportunities
 - Level 3 Productivity and improvement gains
 - Level 4 Cost reduction plans (each service)
 - Level 5 Financial flexibility
- 3.6 While progress is anticipated with transformation of services in 2019/20, the 2019/20 efficiency savings plan will continue to be reliant on actions within levels 3 to 5. As detailed in the 2019/20 Annual Operational Plan, the immediate goal will be to improve productivity within our clinical services. The Transforming Tayside plan, which will be presented to the Board shortly, will set out in more detail how the longer term financial strategy will be delivered through Transformation.

¹ (2016) "National Clinical Strategy for Scotland" Feb 2016, Edinburgh. www.gov.scot. ISBN: 978-1-78652-002-9

² (2016) "Health and Social Care Delivery Plan" 19 Dec 2016, Edinburgh. www.gov.scot/publications. ISBN: 978-1-78652-701-1

³ (2018) "Practicing Realistic Medicine: CMO Summary Report 2016-17" April 2018, Edinburgh www.gov.scot/publications. ISBN: 978-1-78851-3

Supporting action plans

3.7 A summary of the actions that will be taken to achieve the forecast financial position is noted below:-

	2019/20	2020/21	2021/22
	£m	£m	£m
Projected financial savings	(35.7)	(32.1)	(29.1)
Transforming Tayside	0.5	7.5	12.5
Regional and National	-	-	-
Productivity Gains (elective and unscheduled care)	8.6	4.6	2.2
Cost reduction plans	11.4	10.4	10.4
Financial flexibility	4.0	4.0	4.0
Forecast deficit	(11.2)	(5.6)	-

Transforming Tayside

3.8 In February the Board considered a discussion document relating to Transforming Tayside. Tayside NHS Board and the three Integration Joint Boards are committed to building a health and social care system that:-

- is integrated;
- focuses on prevention, anticipation and supported self-management;
- makes day case the norm, where hospital treatment is required and cannot take place in a community setting;
- provides care to the highest standards of quality and safety, whatever the setting, with the person at the centre of decisions, and
- ensures people get back into their home or community environment as soon as appropriate, with minimal risk of re-admission.

3.9 Transforming Tayside 2019/2022 sets out a new way of planning and delivering changes to health and social care services based on the following key programmes:-

- Transforming Primary Care;
- Transforming Unscheduled Care, Capacity & Flow;
- Transforming Inpatient Elective Care;
- Transforming Outpatient Care;
- Cancer Care Improvement;
- Child and Adolescent Mental Health Services Care Improvement;
- Prescribing Improvement, and
- Mental Health Improvement.

3.10 The three year financial plan assumes a level of savings from these programmes and business cases will be considered by the Board in relation to each of these programmes throughout 2019/20. To support these plans a Project Management Office (PMO) will be established to ensure that there is a structure and process for

prioritising and planning critical initiatives. Those that require significant changes and stakeholder adoption will be supported by NHS Tayside Improvement Academy advisors and organisational development colleagues.

Regional and national initiatives

- 3.11 We continue to work collaboratively with our regional and national healthcare partners across a range of projects and services. Most of the current projects are focused on providing improved service resilience and maintaining access to services, rather than delivery productivity or efficiency savings. We will continue to monitor the regional and national work programmes and reflect any financial savings that may be delivered in due course. At present we are not assuming any financial benefit during the three year period of this plan.

Elective Care Productivity

- 3.12 The finance plan is dependent on delivery of a significant increase in capacity from within existing resources. Individual plans will be agreed with each service across a range of measures, taking into account national benchmarking and reducing internal variation of performance. Demand and capacity has been modelled by the Business Unit who, along with each service area, will produce a capacity plan to achieve sustainable performance. Contained within each plan are required improvements expected to improve productivity and efficiency. The actions will also be underpinned by the support and resources around quality improvement areas, for example.

a. Transforming Outpatients

The Board is currently a national outlier in relation to new:review outpatient ratios and out-patient DNA:-

- New:Review ratio measures the ratio of return appointments delivered for every new out-patient appointment attended. NHS Tayside's performance is consistently above the national benchmark (Scottish Average).
- Did Not Attend rates measures the percentage of new out-patient appointments that were not attended by patients. NHS Tayside's performance is consistently above the national benchmark (Scottish Average).

Delivering performance at the national benchmarks will create capacity to increase the number of new out-patient appointments and reduce the overall waiting list. There are a number of interventions currently being modelled.

b. Inpatient Capacity and Flow

Significant work has been made in reviewing the current service model and there are opportunities to increase capacity by redesign in the following areas:-

- Optimising admission processes, including same day admission;
- Embed integrated discharge processes and reducing hospital length of stays;
- Review capacity and flow pathways to reduce variation and bottlenecks, and
- Phased reconfiguration of services across the main sites at Ninewells, Perth Royal Infirmary and Stracathro.

c. Theatre Utilisation

Similar to in-patient flow and capacity, significant work has been undertaken to inform decision making regarding a more efficient and productive use of theatre capacity focused on:-

- Optimising effective and efficient booking and scheduling;
- Improving data quality (OPERA) to inform improvement and key performance measures, and
- Provide a deliverable, cost effective theatre workforce plan and implement the target elective schedule.

3.13 Clinical Care Groups have developed their proposals to meet the October 2019 waiting times standard, for inclusion in NHS Tayside 2019/20 submission for national waiting times funding. These proposals, together with indicative funding requirements and trajectories for the following two years, have been included in the Board Annual Operational Plan.

3.14 The delivery of the agreed metrics and trajectories will be rigorously monitored through the implementation of formal performance reviews both internally within the operational unit and by the Executive Leadership Team. Progress against the plans will be reported to the Performance and Resources Committee, and Tayside NHS Board.

Service Cost reduction plans

3.15 In line with prior years, services have been allocated a 2% cost reduction target and plans will be implemented to support delivery of these savings. This will include the outputs of the Safe Affordable Workforce process reported to the Board and opportunities to reduce expenditure through local service actions. The savings assigned to services are consistent with prior years, where the Board has delivered financial savings of £11.4 million in 2018/19 and £11.9 million in 2017/18.

Integration Joint Boards (IJBs)

- 3.16 We would acknowledge the continued close working relationships with the three IJBs and support provided by the respective Chief Officers and Chief Financial Officers and Local Authority Directors of Finance. The key risks as identified in the Integration Joint Board financial plans include:-
- The impact of prescribing cost pressures. Benchmarking data would, however, highlight that two of the three IJBs remain outliers in terms of prescribing volumes compared to the Scottish average (Angus and Perth and Kinross). Support to assist the three IJBs will be co-ordinated through the Prescribing Management Group.
 - The integration schemes for Angus and Dundee City from 1 April result in the Health Board and Local Authority sharing the responsibility for any overspends within the IJBs, irrespective of the source of the overspend.
 - The cost of funding complex care packages continues to rise, and further consideration will be required to assess the associated financial risk.
 - The overspend with Mental Health and Learning and Disability Services; a significant element of which relates to the levels of resource within learning disability and CAMHS services compared to peer Boards in Scotland.
- 3.17 As noted above, we will continue to work closely with the three IJBs and our respective local authority partners to ensure that Health and Social Care Partnerships are able to develop and sustain plans to operate within the budgets delegated to them.