Please note any items relating to Committee business are embargoed and should not be made public until after the meeting

Tayside NHS Board

A meeting of Tayside NHS Board **Finance and Resources Committee** will be held at **09:30am on Monday 27 March 2017 in the Board Room, Kings Cross Hospital, Dundee** Apologies/enquiries to: Lisa Green, 01382 496680, ext 36680 or email lisa.green7@nhs.net

	AGENDA	LEAD OFFICER	REPORT NUMBER	
1.	**Chairman's Welcome and Introduction**	D Cross		
2.	**Apologies**	D Cross		
3.	**Declaration of Interests**	D Cross		
4.	**GOVERNANCE ISSUES**			
4.1	NHS Tayside Financial Framework 2017/18 – 2021/22	L Bedford	FRC28/2017	Attached – for consideration and recommendation to Tayside NHS Board for approval
5.	**Any Other Competent Business**	D Cross		For discussion

6. Date of Next Meeting

The next meeting of the Finance and Resources Committee will take place at **9:30am on Thursday 18 May 2017 at 10:15am** in the **Board Room, King Cross Hospital, Dundee**.

Mr Doug Cross OBE, Chair
Finance and Resources Committee
March 2017

DISTRIBUTION

MEMBERS
Dr A Cowie
Mr D Cross, OBE, Chair F&R
Cllr D Doogan
Mrs L Dunion
Mrs J Golden, Vice Chair F&R
Cllr K Lynn

REGULAR ATTENDEES
Mr M Anderson
Mr L Bedford
Prof J Connell, Chair, NHST
Mr N Deuchar
Mr G Doherty
Mrs L Lyall
Mr S Lyall
Mr R MacKinnon
Ms L McLay
Representative Communications Team

FOR INFORMATION
Mr K Armstrong
Mrs J Bodie
Mrs G Costello
Ms M Dunning
Mr A Gall
Mrs F Gibson
Mr S Hay
Mr M Hussain
Mr R Marshall (APF)
Cllr G Middleton
Dr R Peat
Miss D Robertson (rep ACF)
Mr H Robertson
Mrs A Rogers
Professor A Russell
Professor M C Smith
Mrs S Tunstall-James
Dr D Walker

Audit Scotland
FTF Internal Audit – Mr B Hudson

Please note any items relating to Committee Business are embargoed and should not be made public until after the meeting

FRC28/2017
Finance and Resources Committee
27 March 2017

NHS TAYSIDE FINANCIAL FRAMEWORK 2017/18 – 2021/22

1. PURPOSE OF THE REPORT

The purpose of this paper is to set out the updated draft financial framework over the five year period 2017/18 to 2021/22, but with a particular focus on 2017/18.

2. RECOMMENDATION

The Finance and Resources Committee is asked to:-

i. consider the Financial Framework and the implications thereon;
ii. approve the direction outlined in the Financial Framework, and recommend adoption by Tayside NHS Board;
iii. note the level and context of cost reduction initiatives currently assessed as high risk, and recognise the risk to delivery of the required savings to deliver a financial breakeven position in 2017/18;
iv. note the discussions that will be maintained during 2017/18 with Scottish Government Health & Social Care Department (SGHSCD), and
v. delegated authority, as set out in the Code of Corporate Governance and reflected in Section 6 of this report, be approved for budget holders to spend up to their ring-fenced capital funds.

3. EXECUTIVE SUMMARY

3.1 National Context

Following the Scottish Parliament's approval of the 2017/18 Budget Bill on 23 February, 2017, the Cabinet Secretary for Finance and the Constitution announced initial revenue allocations for 2017/18. The assumptions within the Financial Framework utilises this information for 2017/18 and uses indicative planning assumptions for the period 2018/19 to 2021/22 for both revenue and capital.

In December 2016 the Health and Social Care Delivery Plan was presented that set out a programme to further enhance health and social care services that:-

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

3.2 Local Context

In terms of context, the initial recurring Revenue Resource Limit (RRL) for NHS Tayside set for the current financial year was £698.164 million. Subsequent allocation adjustments have reduced this by £0.244 million, with the single largest of these to reflect the national risk share agreement in place for specialist services. This is set out below:-

Table 1 - RRL

	£m
Baseline Allocation	678.628
Social Care Funding	19.536
Post initial allocation adjustments	(0.244)
Total	**697.920**

Cash uplifts for the five year period to 2021/22 have been planned for based on a GDP uplift of 1.5% for 2017/18, followed by a planned uplift of 2.1%, 1.8%, 1.9% and 2.0% respectively for each of the following four financial years to 2021/22. This is based on planning guidance received from SGHSCD.

The impact of the assumed Baseline Uplift for the next five years is set out in the table below:-

Table 2 - Baseline Uplift

	2017/18 1.5%	2018/19 2.1%	2019/20 1.8%	2020/21 1.9%	2021/22 2.0%
	£m	£m	£m	£m	£m
Baseline Uplift	10.50	15.1	13.3	14.2	15.3
Transfer to Social Care	(7.79)	(7.8)	(7.8)	(7.8)	(7.8)
Balance of Uplift	**2.71**	**7.3**	**5.5**	**6.4**	**7.5**

Nationally it has been agreed that £100.0 million of Health Boards' Baseline 2017/18 Uplift will be directed to Integration Authorities for delivery of improved outcomes in social care, and to support the commitment on Living Wage for social care workers. For NHS Tayside this equates to £7.79 million, leaving £2.7 million as a retained Baseline Uplift for 2017/18. This equates to 0.4%. Across the years of the Financial Framework the operating assumption is that a similar level of transfer will occur each year. This reduces the level of uplift available.

To reflect this additional support provided in 2017/18 through NHS, Local Authorities have been given the flexibility to reduce their contribution to the Integrated Joint Boards (IJBs) by their relative share of £80.0 million. Confirmation of the intentions of Local Authorities with the Tayside Health and Social Care Partnerships has taken place.

Over the past 18 months the Morbidity and Life Circumstances component of the Acute Care element of the NRAC formula has been reviewed nationally. This sub group reported earlier this year and the refinements to the formula have flowed through into adjustments to the Board's baseline position for 2017/18. Whilst Tayside has previously been reported as being at parity, this recent adjustment has altered the target share up from 7.71% to 7.85%. The Scottish Government has committed to bringing all Boards to within 1% of their target share for those Boards presently below their target share. In 2017/18 £50.0 million has been set aside, of which NHS Tayside, as part of the settlement, will receive £8.0 million. This investment will bring NHS Tayside to 1.0% below the target share. The gap to the target share is identified as £6.8 million. No assumption around future policy of SGHSCD eroding the gap to target share has been made within the Financial Framework. The expectation is that the Board will remain at 1% below target share for the full five year period. Any change to this position will provide additional revenue resources to the Board.

The uplift position for next financial year can be summarised as follows:-

Table 3 – Baseline Uplift

	2017/18	
	£m	%
Baseline Uplift	10.50	1.5
Support for Social Care transfer	(7.79)	(1.1)
Net Uplift	**2.71**	**0.4**
NRAC Adjustment	8.00	1.1
Net Total Uplift	**10.71**	**1.5**

SGHSCD have intimated their intention to Baseline the allocations in respect of Alcohol and Drugs Partnership (ADP) and Police Custody. These sums have been baselined at 2016/17 levels. Both allocations were previously provided as additional allocations with Police Custody forming part of the Outcomes Framework.

Members will recall in 2016/17, ADP funding provided nationally required to be supplemented from the Board's Revenue uplift to the extent of £1.2 million in order to maintain the overall spending in addressing alcohol and substance misuse, maintaining alcohol and drugs treatment performance at existing levels across ADP locales. In 2016/17 an efficiency of £0.3m was set with a further £0.2m required for 2017/18. In 2017/18 the ADP resource will be delegated to the three Health and Social Care Partnerships with subsequent investment/efficiency decisions sitting with the partnerships.

A recurring Revenue Resource Baseline for 2017/18 of £713.3 million has been provided for and is set out in the table below. This recognises the flow of funds to the Health and Social Care Partnerships for delivery of improved outcomes in social care.

Table 4 - Base RRL 2017/18

	£m
Baseline Allocation b/fwd	697.920
Net Total uplift	10.710
Alcohol & Drug Partnership	4.159
Police Custody	0.526
Total	**713.315**

The Outcomes Framework will continue to feature, providing a focus on delivering strategic priorities. In order to provide Boards with greater flexibility on decisions on how to maximise value from this resource against clearly defined outcomes, the "bundling" together of a range of earmarks previously distributed individually will continue. To this end, the Board will be provided with a total resource and left with the flexibility of deploying this resource to meet the targets set within the Outcomes Framework. In principle, the amount devolved to Boards will reflect the 2016/17 allocation.

Table 5 – Outcomes Framework

	Anticipated Contributing Value 2017/18	**Executive Lead**
	£000	
e Health Bundle	5,341	Director of eHealth
HAI Bundle	475	Chief Operating Officer
Refreshed Framework for Maternity Care	132	Chief Operating Officer
Maternal and Infant Nutrition Framework	181	Director of Public Health
Dental Services Bundle	909	CO - Perth & Kinross IJB
IVF Heat target	873	Chief Operating Officer
Support for Neonatal Managed Clinical Networks	121	NOSPG
Effective Prevention Bundle		
Child Healthy Weight	133	Director of Public Health
Adult Weight Management	96	Director of Public Health
Smoking Prevention	844	Director of Public Health
Sexual Health and BBV Framework	2,228	Director of Public Health
Total	**11,333**	

The funding for the Keep Well programme has come to an end.

The Board's revenue resources will be supplemented by a range of allocations in 2017/18. The anticipated level of resource to be allocated in 2017/18 is set out on page 4.

Table 6 - Other Anticipated Allocations

	Anticipated Allocation 2017/18	Area of Delegation
	£000	
Distinction Award	1,609	Various
Health Visitors to Support GIRFEC	1,492	Core Operational Unit
Family Nurse Partnership	1,138	Core Operational Unit
Mental Health Bundle	706	IJB
Improving access to CAMHS & Psychological Therapies	525	IJB/Core Operat Unit
Salaried GDS	2,267	IJB
LUCAP	562	Core Operational Unit
Stracathro Regional Treatment Centre	5,000	Core Operational Unit
Core Research & Development	7,275	Core Operational Unit
Vaccines	886	Core Operational Unit
New Medicines Allocation	2,678	Core Operational Unit
NHS Board Carer Information Strategy Funding	366	IJB
War pensions & Pre Implementation work for Carers Act	540	IJB
Others	565	Various
Total	**25,609**	

The allocations for Family Nurse Partnership (FNP) and Health Visitors have been removed from the Outcomes Framework and will now be issued as in year allocations. The Scottish Budget shows an aggregate value of £33.5 million, which is effectively £14.5 million for FNP and £19.0 million for Health Visitors, although flexibility around this distribution could occur. This aggregate figure is up from £21.5 million in 2016/17. An NRAC share has been assumed for both.

No confirmation of support in relation to Access Support has been provided by SGHSCD at this stage. Discussions will continue with the national team recognising that without a level of support that waiting times target delivery will continue to be challenged.

The allocation anticipated in 2017/18 in relation to the New Medicines Fund is funded via resources received by SGHSCD via the UK Government from the recycling of benefits as a result of the Pharmaceutical Price Regulation Scheme (PPRS) agreement with the pharmaceutical industry. The level originally anticipated in 2016/17 did not materialise, and a further reduction is now forecast for 2017/18. The impact from the original forecast nationally is down from £60.0 million to £35.0 million. This reduction in resource nationally requires to be reinstated through the Financial Framework.

The Draft Budget set out an additional £7.0 million nationally that will be allocated to Boards separately in relation to war pensions and pre-implementation work for the Carers Act. This sum will flow directly to the Health and Social Care Partnerships and totals £0.54 million.

The Draft Scottish Budget also sets out an investment programme of £128.0 million to be allocated to Boards as part of the investment in reform. Of this sum, approximately £58.0 million is new investment.

This is set out in the Table below:-

Table 7 – Investment in Reform

	2017/18	
	Total Investment	**Of this: new investment**
	£m	**£m**
Primary Care	60.0	27.0
Mental Health	30.0	11.0
Transformational Change	25.0	15.0
Trauma Networks	5.0	5.0
Cancer	8.0	
Total Investment in Reform	**128.0**	**58.0**

At this stage, Scottish Government has not confirmed how this resource should be deployed, although some of this resource is an extension of existing programmes and may already be assumed in plans. The plan currently assumes that any new resources under the transformation heading will be matched by additional costs. The Primary Care and Mental Health resources will be directed towards the Health and Social care Partnerships for governing.

Additionally, further national investment is expected for both IVF treatment and Insulin Pumps. The principles are similar to the investment in reform in that any new resources will be matched by additional costs. The national investment is again outlined in the table below:-

Table 8 – Other Investment

	2017/18	
	Total Investment	**Of this: new investment**
	£m	**£m**
IVF	2.9	2.0
Insulin Pumps	2.0	2.0
Total Investment in Reform	**4.9**	**4.0**

A range of external contributions are provided for from the Board's Core Revenue Resource.

These are highlighted in the table below:-

Table 9 - External Contributions

	Anticipated Contribution 2017/18
	£000
National Services Risk Share	(2,794)
National Distribution Centre	(1,153)
ScotSTAR	(350)
Community Pharmacy Global Sum Contribution	(201)
Contribution to Pre Reg Pharmacist Scheme	(210)
Others	(155)
Total	**(4,863)**

Health and Social Care Partnerships

The indicative allocation letters from SGHSCD, shared with both Chief Officers and Chief Executives following the announcement of the Draft Budget, indicated that NHS contributions to Integration Authorities for delegated health functions will be maintained at least at 2016/17 cash levels. This was clarified in a subsequent communication that budgets to Integration Authorities for 2017/18 must be at least equal to the recurrent budget allocations in 2016/17, and not actual expenditure.

In terms of supporting social care, £107.0 million will be transferred from NHS Boards to Integration Authorities to support continued delivery of the Living Wage and sustainability in the care sector. Of this resource, £100.0 million will be provided from the Baseline Uplift received by all territorial Boards to support IJBs with continued delivery of the Living Wage and sustainability in the care sector. The remaining £7.0 million, which relates to war pensions and pre-implementation work for the Carers Act, will be allocated separately through an additional SGHSCD allocation. These allocations are to be treated as an additional allocation to the minimum Integration Authority budgets. To reflect this additional support provided through the NHS, Local Authorities will be able to adjust their allocations to Integration Authorities in 2017/18 by up to their share of £80.0 million below the level of budget agreed with their Integration Authority for 2016/17. The effectiveness of the current arrangements with respect to hospital budget delegation to Integration Authorities, including "set aside" budgets is also set to be reviewed.

The additional investment in relation to Primary Care and Mental Health identified under the Investment in Reform heading above will be directed through Health and Social Care Partnerships, with appropriate governance surrounding the distribution of this resource in place. For Primary Care, it is identified that particular focus should be given to developing and expanding multi disciplinary teams; sustainability of provision; development of GP clusters; and responsiveness to a new GP contract. For mental health, particular focus should be given to developing new models of care and support for mental health in primary care settings, improving the physical health of people with mental health problems, and improving mental health outcomes for people with physical health conditions, reducing unwarranted variation in access and assuring timely access, and developing services that focus on the mental health and wellbeing of children, young people and families, including improved access to perinatal mental health services. This investment will facilitate the commitment to shift the balance of care, so that by 2021/22 more than half of the NHS frontline spending will be in Community Health Services.

The current proposal in relation to the baseline resource to the Integration Authorities within Tayside for 2017/18 is as noted in Table 10. In principle, it reflects a proportionate share of the remaining 0.4% baseline uplift received by NHS Tayside following the support for social care transfer. The distribution of this uplift resource is at the discretion of the three IJBs.

Table 10 – Integration Authorities Recurring Baseline Resource

	Angus IJB	**Dundee IJB**	**Perth & Kinross IJB**
	£m	**£m**	**£m**
2016/17 Recurring Baseline			
Hospital & Community Services	49.0	70.7	69.4
FHS Prescribing	20.9	33.3	26.3
GMS	27.5	44.2	35.1
Total Baseline Recurring	**97.4**	**148.2**	**130.8**
Share of Baseline Uplift (0.4%)	0.3	0.4	0.4
2017/18 Baseline Allocation	**97.7**	**148.6**	**131.2**
Police Custody	0.5	0.0	0.0
Alcohol & Drug Partnership	1.6	1.7	1.6
Support for Social Care Transfer	2.1	3.1	2.6
War Pension/Carers Act	0.2	0.2	0.2
Total Baseline Resource	**102.1**	**153.6**	**135.6**
Hosted Services Transfer Out	**-7.0**	**-10.8**	**-19.7**
Hosted Services Transfer In	**12.9**	**15.5**	**9.1**
Large Hospital Set Aside	**11.8**	**21.1**	**17.7**

The Alcohol and Drug Partnership resource, of £4.9 million will be released at this stage equally to each of the three Partnerships, whilst further local discussions take place.

To meet SGHSCD's objective for integration of creating a single system for local joint strategic commissioning of health and social care, IJBs are responsible for the strategic planning, in partnership with the hospital sector, of those hospital services most commonly associated with the emergency care pathway, alongside primary and community health care and social care.

Fundamental to this is a clear understanding of how "large hospital" services are being consumed, and how that pattern of consumption and demand can be changed by a whole system redesign.

IJBs and health boards are required to place a value on the Large Hospital Services resources, over which IJBs will have strategic responsibility in conjunction with the Chief Operating Officer. At this stage the value attached reflects a rollover of the sum identified in 2016/17. SGHSCD has indicated that the effectiveness of the current arrangements with respect to large hospital "set aside" budgets is set to be reviewed. Further work is

underway locally, in conjunction with SGHSCD, to review local budgets. It is likely that this work will require to conclude before final 2017/18 large hospital "set aside" budgets can be confirmed.

Formal IJB budgets are required to reflect the populations that IJBs serve. Consequently, the above table shows the inter-IJB adjustments reflecting the current hosting arrangements. All hosted services budgets are indicative at this point, based on January 2017 information.

3.3 The Revenue Plan

A summary position is set out below.

Table 11 – Strategic Financial Plan (Revenue)

	Year 1	Year 2	Year 3	Year 4	Year 5
	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
Forecast resources available					
Hospital & Community Health Services – Baseline Allocation	721.1	736.2	749.5	763.7	779.0
Transfer to Health and Social Care Partnerships/LA's	-7.8	-15.6	-23.4	-31.2	-39.0
Net Baseline Allocation	713.3	720.6	726.1	732.5	740.0
Hospital & Community Health Services – Outcome Framework Allocations	11.3	11.3	11.3	11.3	11.3
Hospital & Community Health Services – Other Anticipated Allocations	25.6	25.6	25.6	25.6	25.6
Investment in Reform	TBC	TBC	TBC	TBC	TBC
Other Investment	TBC	TBC	TBC	TBC	TBC
External Contributions	-4.9	-4.9	-5.0	-5.1	-5.2
Primary Medical Services	60.0	61.3	62.4	63.6	64.8
Depreciation	-18.1	-17.1	-16.5	-17.0	-18.1
Sub Total – Core RRL	**787.2**	**796.8**	**803.9**	**810.9**	**818.4**
Non Core RRL	31.6	31.8	38.0	47.6	33.3
Primary Care Services (Non-discretionary)	42.4	43.2	44.0	44.9	45.8
Total Resources	**861.2**	**871.8**	**885.9**	**903.4**	**897.5**
Expenditure Plan					
Core Operational Unit	425.1	434.7	441.4	446.4	429.1
Integrated Joint Boards	393.7	393.3	395.5	397.9	396.8
Board Corporate	33.5	33.7	33.6	33.4	32.5
Healthcare Providers outwith Tayside	20.2	19.2	18.2	17.2	16.2
Income	-78.9	-78.9	-78.9	-78.9	-78.9
Depreciation	21.8	21.0	20.8	21.3	22.4
Earmark to meet deferred expenditure c/f	22.5	16.5	13.5	10.5	7.5
Non-recurring funds from deferred expenditure	-16.5	-13.5	-10.5	-7.5	-4.5
Expenditure charged to non-core RRL	31.6	31.8	38.0	47.6	32.2
Other Committed Earmarks	6.9	8.8	4.4	0.7	26.9
Brokerage Repayment	0.0	1.6	6.9	11.8	14.3
Contingency	5.3	3.0	3.0	3.0	3.0
Total Expenditure	**865.2**	**871.8**	**885.9**	**903.4**	**897.5**
Surplus/(Deficit)	**(4.0)**	**0.0**	**0.0**	**0.0**	**0.0**

Against a required efficiency savings programme of £49.8m to deliver financial breakeven, the programme is currently assessed at £45.8m with £5m identified as high risk. The Board is continuing to work closely with SGHSCD to mitigate the high risk of £5m that remains within the plan.

The planning assumption is that in the forthcoming years a level of repayment to the outstanding brokerage being made. In order to do so, in years two to five of the plan, £40.0 million will be required annually in efficiency savings.

Commitments

Table 12 provides an assessment of the annual incremental changes within the planning horizon of the five year financial framework and indicates the key areas, together with a brief commentary. In addition, the Board is carrying forward a financial brokerage outstanding commitment to SGHSCD of £20.0 million prior to any firm conclusion to arrangements in drawing 2016/17 to a close. The assumption at present is up to a further £13.2 million, leaving £33.2 million to be repaid.

Table 12 – Summary of Budget Commitments

	2017/18	2018/19	2019/20	2020/21	2021/22
Pay Uplifts	5.1	5.0	4.9	4.9	4.9
Consultant Discretionary Points	0.5	0.5	0.5	0.5	0.5
Band 1 to 2 Incremental Drift	0.3	0.3	0.3	0.3	0.3
Apprenticeship Levy	2.0				
PPRS Receipts reduction	2.0				
Medicines Growth	5.1	7.3	7.7	8.0	8.3
General Uplifts	1.5	1.5	1.5	1.5	1.5
Children's Hospice Association	0.5				
NSD (top-sliced risk share)	1.0				
Revenue to Capital	1.5	(1.5)			
Patient Administration System	1.2	0.3	0.2	(0.3)	(0.5)
Depreciation	0.6	0.4	(0.8)	(0.5)	
Pressures/Developments	5.0	4.0	4.0	4.0	4.0
Board Contingency	4.0	3.0	3.0	3.0	3.0
Total New Commitments	**30.3**	**20.8**	**21.3**	**21.4**	**22.0**
Recurring Savings Gap b/fwd	30.2	24.9	17.3	13.2	11.2
Total Commitments	**60.5**	**45.7**	**38.6**	**34.6**	**33.2**
Less Uplift	(10.7)	(7.3)	(5.5)	(6.4)	(7.5)
Brokerage Repayment		1.6	6.9	11.8	14.3
Efficiency Savings to deliver Financial Balance	**49.8**	**40.0**	**40.0**	**40.0**	**40.0**
% of Baseline RRL	**7.0%**	**5.7%**	**5.7%**	**5.7%**	**5.7%**

Table 13 - Savings Delivery Assumptions

	2017/18	2018/19	2019/20	2020/21	2021/22
Recurring	50%	55%	60%	60%	60%
Non recurring	50%	45%	40%	40%	40%

Table 14 - Brokerage

	2017/18	2018/19	2019/20	2020/21	2021/22
Brought Forward	33.2	37.2	35.6	28.7	16.9
Further brokerage	4.0				
Repayment		(1.6)	(6.9)	(11.8)	(14.3)
Carried Forward	37.2	35.6	28.7	16.9	2.6

Pay Uplifts

This recognises a general 1% Pay Award, with a flat rate increase of £400 for staff earning below £22,000.

Apprenticeship Levy

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 £3.0 million to HMRC. Whilst the apprenticeship levy is a tax on employers, its proceeds will largely be replacing existing apprenticeship funding in England, of which Scotland will receive a proportionate share.

Medicines Uplifts

A 4% increase has been factored in on an annual basis to recognise both the growth in established agents and also the impact of new medicines within secondary care medicines and 3.1% within primary care medicines. The primary care uplift is informed by the work undertaken individually by the Chief Finance Officers. This impact is split £2.5 million for FHS Medicines and £2.6 million for secondary care medicines. The impact of the reduction in the Board's share of the High Cost Medicines Fund has had to be replaced through committing additional resources. A level of benefit is expected to be realised in both 2017/18 and 2018/19 from a number of drugs coming off patent. This is assessed presently at £2.4 million with a full year impact of £4.5 million. The 2017/18 expected benefit is reflected in Table 15. It is expected that through negotiations with Community Pharmacy Scotland (CPS) that a reduction in Tariff prices will be achieved in 2017/18. This sum is estimated nationally at £20.0 million with, under the margin sharing arrangements, a reinvestment with CPS of £2.0 million, leaving a net tariff reduction of £18.0 million. The NHS Tayside share of this is estimated at £1.4 million. This is again reflected in Table 15 below.

General Uplift

A general uplift is recognised specifically in relation to categories such as resource transfer, rates, energy and PFI inflation, but also recognises an element for general price increases across supplies headings.

Children's Hospice Association Scotland (CHAS)

Further to the Cabinet Secretary for Health and Wellbeing's announcement in October 2016 of an additional £30.0 million funding for CHAS over the next five years, Boards will be expected to contribute £6.0 million per annum from 2017/18 to meet this commitment. Scottish Government are involved in commissioning arrangements with CHAS. NHS Tayside's NRAC share of the additional commitment is close to £0.5 million.

National Services Top Slicing

The exposure in the current year from the agreement by Chief Executives to contribute towards agreed national priorities is recognised.

Patient Administration System

The implementation of the Trakcare system will go live in 2017/18. This strategic stepped change in the delivery of eHealth clinical services to one with greater emphasis on the utilisation of key nationally procured solutions will meet the rapidly changing information technology requirements of the organisation. The capital investment and revenue consequences were approved in February 2015 by Tayside NHS Board.

Revenue to Capital

This resource re-provides the resource released in the current year back into the planned capital programme for 2017/18. A £2.0 million recurring resource is also available to facilitate delivery of the capital plan.

Pressures/Developments

Recurring pressures are apparent within the health system, whether that be from capacity issues, increasing demand, or changes in legislation that require increased cost commitment. A list will be brought forward through the Chief Executives meeting with Directors, and, subsequently, to the Finance and Resources Committee for ratification of the distribution of resources.

Board Contingency

The Financial Framework proposes a Board Contingency for each year of the Five Year Financial Framework. The Board Contingency is intended to address in year pressures and to address some of the emerging risks that appear continuously throughout the year. The use of this resource as a "pump priming" funding source should not be precluded. This is set at £3.0 million for each year of the plan. The sum set aside in 2016/17 of £1.3 million in relation to Mental Health environmental issues remains within Board reserves. In addition, a further £1.0 million is proposed to recognise the widening of the programme to other mental health sites and also to reflect the additional interim operational costs from the mental health contingency plan adopted in February 2017. A total of £2.3 million is, therefore, set aside.

Recurring Savings Gap

The Board has long recognised its shortfalls in delivering a high level of recurring savings on an annual basis, and is a significant factor in the performance position it finds itself in at present.

The Board has a clear desire to make inroads into the delivery of recurring efficiencies, and now has impetus to drive this forward on a number of fronts.

A higher level of delivery of recurring efficiencies each year will lessen the burden in each consequent year. The Transformation Board will have a key role in guiding the organisation through some of these difficult decisions going forward and assisted by clear, concise business cases/papers that facilitate an understanding of all options considered with appropriate officer recommendations.

Table 15 – 2017-18 Organisation Analysis

	Core Operational Unit	Angus IJB	Dundee IJB	Perth & Kinross IJB	Board Corporatre	Other Healthcare Services	Reserves/ Earmarks/Depn	Total
Pay Uplifts	3.4	0.3	0.5	0.5	0.4			5.1
Consultant Discret Points							0.5	0.5
Band 1 to 2 Incr Drift	0.3							0.3
Apprenticeship Levy	1.4	0.1	0.2	0.2	0.1			2.0
PPRS Receipts reduction							2.0	2.0
Medicines Growth	2.6	0.6	1.0	0.9				5.1
General Uplifts	1.0	0.1	0.1	0.1	0.1	0.1		1.5
Children's Hospice Assoc							0.5	0.5
NSD (top-sliced risk share)							1.0	1.0
Revenue to Capital							1.5	1.5
Patient Admin System							1.2	1.2
Depreciation							0.6	0.6
Pressures/Developments							5.0	5.0
Board Contingency							4.0	4.0
Total New Commitments	**8.7**	**1.1**	**1.8**	**1.7**	**0.6**	**0.1**	**16.3**	**30.3**
Recurr Savings Gap b/fwd	14.1	1.3	4.2	2.7	1.3	1.4	5.2	30.2
Total Commitments	**22.8**	**2.4**	**6.0**	**4.4**	**1.9**	**1.5**	**21.5**	**60.5**
Less Uplift	(1.3)	(0.3)	(0.4)	(0.4)	(0.2)	(0.1)	(8.0)	(10.7)
Financial Gap	**21.5**	**2.1**	**5.6**	**4.0**	**1.7**	**1.4**	**13.5**	**49.8**
FHS Medicines run rate		1.9	0.9	0.9				3.7
Off Patent Drugs		(0.7)	(1.0)	(0.7)				(2.4)
Tariff Price Reductions		(0.4)	(0.6)	(0.4)				(1.4)
Total Exposure	**21.5**	**2.9**	**4.9**	**4.0**	**1.7**	**1.4**	**13.5**	**49.7**
% of Recurring Budget	**6.6%**	**4.1%**	**4.7%**	**4.7%**	**5.0%**			

Included within the analysis for the IJBs is cognisance of the current run rate on FHS medicines, together with the assessed benefit to be derived in 2017/18 from a number of drugs coming off patent and the anticipated price tariff benefit. The assessed benefit is consistent with other Scottish Boards. The range of measures considered by Tayside NHS Board at its meeting in December 2016, if achieved, will contribute significantly to the efficiency challenge within the IJBs.

The differential rate of efficiency savings identified recognises the individual circumstances of each operating area and reflects, in particular for the IJBs individually, the progress in delivering recurring core savings offset by the unwarranted variation in primary care medicines.

Efficiency Savings and Productive Opportunities

The Efficiency Savings challenge to the organisation is recognised as being significant in terms of cash releasing savings. However, in bringing each of the commitments to the table as part of this framework, it provides the Board with a clear understanding of the full challenge, and, through the appropriate governance structure of the Board, the necessary control and assurance mechanisms can be scrutinised in order to provide a high level of reassurance to the Board of the medium term plan to return to a financially sustainable position.

Over the five years of the plan, approximately £210.0 million of efficiencies are identified as being required. This equates to 5.8% of the Board's RRL. If recurring savings were met in full year each year, then the savings profile would reduce to £144.0 million. This reflects that £67.0 million of savings over the five year period are assessed as being delivered on a non recurring basis. This savings target incorporates over the five year plan close to 1.3% of the Board's Revenue Limit to be returned to SGHSCD to repay the outstanding brokerage. Year 1 of the plan indicates the highest level of savings, but is consistent with the reported savings for 2016/17. In delivering on this agenda a focus on delivering a stepped change in mindset and focus is required that will see the organisation transform. The Health and Social Care Partnerships will be integral to the development of models of care within the primary care sector that will see the balance of care shifting towards more community based care.

The wider communication strategy of "Valuing Your NHS" has seen a dialogue open up with the wider community of both patients and the public. It is essential that this strategy is open and engaging. This will also involve all staff groups within the health and care environments.

The Sustainability and Value programme will require the Board to demonstrate:-

- implementation of the Effective Prescribing programme;
- deliver a quality and cost assessed improvement plan to respond to Productive Opportunities identified from benchmarked performance;
- reduce medical and nursing agency and locum expenditure, as part of a national drive to reduce spend by at least 25% in-year, and
- implementation of opportunities identified by the national Shared Services Programme.

In the Local Delivery Plan (LDP), Boards are requested to set out the practical early steps being taken to ensure they are prepared to co-operate fully in regional planning and delivery of services during 2017/18. Draft LDPs are to be submitted by 31 March, 2017, with final LDPs to be submitted by 30 September, 2017. The final LDPs in September will look for regional planning and delivery aspects to be more fully developed. In this interim period, it is expected that Scottish Ministers will review recommendations in Spring 2017 from the National Review of Targets and Indicators for health and social care lead by Sir Harry Burns.

The local workstreams programme will continue to drive opportunities for efficiency and will be reported through the Transformation Programme Board and to the Finance and

Resources Committee. The assurance to Tayside NHS Board will be provided by the Chair of the Finance and Resources Committee at each Board meeting.

The workstreams are:-

- Workforce and Care Assurance;
- Realistic Medicine;
- Better Buying and Procurement;
- Repatriating Services;
- Facilities and Estates;
- Service Redesign, and
- Property.

Cohesion also perforates through to the developing Clinical Strategy that ensures healthcare is fit to meet the needs of our population's changing needs and to respond effectively to NHS Scotland's 2020 vision, whilst also making effective use of resources in the current and future economic climate.

The key service strategies are:-

- Mental Health;
- Surgical Services;
- Maternity Services;
- Paediatric Clinical Services;
- Older People's Services;
- Medical Specialties;
- Primary Care, and
- Cancer.

Table 16 – Indicative Efficiency Savings Delivery

	2017/18	2018/19	2019/20
Workforce & Care Assurance	8.8	9.0	7.0
Realistic Medicine	3.4	2.5	2.5
Better Buying & Procurement	1.5	1.5	1.5
Repatriating Services	1.4	0.8	
Facilities & Estates/Site Services	0.7	0.8	0.6
Service Redesign & Productive Opportunities	6.8	4.0	4.7
Regional working opportunities		3.0	9.0
Property – Asset Proceeds	2.9	2.5	2.5
IJB's – Hosp & Comm Services	5.6	5.4	3.8
IJB's – Prescribing	4.2	3.5	1.5
Shared Services			
Financial Flexibility	10.5	7.0	7.0
Total	**45.8**	**40.0**	**40.0**

Table 17 – Indicative Efficiency Savings Delivery 2017/18

	2017/18	
	Recurring	Non Recurring
Workforce & Care Assurance	4.9	3.9
Realistic Medicine	2.4	1.0
Better Buying & Procurement	1.0	0.5
Repatriating Services	1.0	0.4
Facilities & Estates/Site Services	0.4	0.3
Service Redesign & Productive Opportunities	5.4	1.4
Regional working opportunities		
Property – Asset Proceeds		2.9
IJB's – Hosp & Comm Services	3.8	1.8
IJB's – Prescribing	4.2	
Financial Flexibility		10.5
Total	**23.1**	**22.7**

Table 18 – Risk Assessment of 2017/18 Efficiency Programme

	Risk Assessment		
	High	**Medium**	**Low**
Workforce & Care Assurance	0.7	3.9	4.2
Realistic Medicine	0.4	0.5	2.5
Better Buying & Procurement			1.5
Repatriating Services		1.4	
Facilities & Estates/Site Services			0.7
Service Redesign & Productive Opportunities	1.5	1.3	4.0
Regional working opportunities			
Property – Asset Proceeds		0.4	2.5
IJB's – Hosp & Comm Services	0.5	1.8	3.3
IJB's – Prescribing	1.9	0.7	1.6
Financial Flexibility		2.0	8.5
Total	**5.0**	**12.0**	**28.8**

Further details on the specific initiatives within the High Risk category are brought together in Appendix 1.

The focus of the plan is:-

Agency Spend

The Auditor General drew attention to the rates incurred for nursing agency staff at three times the rate for an employed member of staff. Whilst recognising the challenge of delivering a sustainable service, the LDP submissions will require the Board to demonstrate an in year reduction in spend on medical and nursing agency of at least 25%. The stretch target the Board has set itself is to deliver a 50% reduction, with the benefit to be derived from decreasing costs from 25% to 50% recognised as high, given the circumstances that need to be in place to achieve this.

Approximately 85% of the agency costs incurred to December 2016 are within Medical and Nursing, and totalling close to £6.6 million. Whilst the desire is to eliminate the premium through either internal locum appointments or locally employed staff through the nurse bank, it is recognised that specific specialties may still need to access external bodies given the specialist skills required. The ability to recruit to recruit to permanent posts outwith the period when Newly Qualified Practitioners become available remains a challenge. The paper presented to Tayside NHS Board in December 2016 on the Governance and Risk Plan for Safe Quality Patient Care indicated both the challenges and opportunities on delivering on this. A stepped reduction has already been seen in 2016/17 in nursing external agency spend.

A managed service agreement is in place with regard to medical agency engagement with consequent efficiency savings generated.

Driving the Efficiency

A range of actions are in place to drive efficiency. From a manpower perspective and the deployment of the existing resource the ongoing work around:-

- roll out of eRostering;
- Centralised Rostering Bureau;
- Nurse Bank revised operational arrangements;
- provision of timeous RAG status data for each ward, and
- piloting of standardised shift patterns.

will all drive greater efficiency through the approval of compliant rosters linked to the NHS Tayside policy.

The investment in the Centralised Rostering Bureau sees less time spent by senior nursing staff on non clinical duties, resulting in more time spent leading better care, and a more consistent approach taken across the organisation to rostering practice.

At the same time as driving direct costs out through more effective rostering, the organisation needs to consider productive opportunities for all staff groups.

Productive Opportunities

The operating premise of NHS Tayside is that we should be delivering upper quartile performance against identified Key Performance Indicators. The availability and interpretation of this data will require to drive clinical decision-making, leading to a more efficient and effective clinical environment, and, as a consequence, change the pattern of existing spend. This will require investment in both time and resource and acceptance that clinical and operational mindsets should be open to appropriate tests of change.

The national Discovery tool identifies for a broad range of performance measures the Board's position and indicatively the opportunity presenting. In addition, a bespoke report for each Board is being developed by the Scottish Government Health Performance & Delivery Team, and will inform further opportunities the Board should be considering. This programme will be taken forward through the Transformation Programme Board.

The LDP submission requires the Board to provide a quality and cost assessed improvement plan to respond to Productive Opportunities identified from benchmarked performance.

Service Reconfiguration/Remodelling

The Board continues to actively progress the Clinical Strategy on a number of fronts. Its key clinical strategy programmes of:-

- Mental Health optimisation;
- Shaping Surgical services;
- Primary Care strategy;
- Paediatric Clinical Services strategy;
- Maternity Services, and
- Older People's strategy.

will all provide the clear direction for the organisation. Whilst quality and patient centred care will always be to the fore, the organisation must live within the overall financial envelope of its resources. Options being brought forward as part of these strategies need to be clear how this will be delivered. The challenge is to sustain or improve service quality at a lower cost.

The Estates Strategy will be fundamental to the rationalisation of our existing property base.

Delayed Discharge

The Board continues to encounter significant avoidable costs in relation to delayed discharges. A delayed discharge is a hospital in-patient who has been judged clinically ready for discharge by the responsible clinician in consultation with all agencies involved in planning that patient's discharge, and who continues to occupy the bed beyond the ready for discharge date.

Table 19 - Lost Bed days April 2016 to January 2017

Delay	Non Complex	Complex	Total
0-14 days	6,686	75	6,761
15-28 days	5,935	238	6,173
29-42 days	3,793	338	4,131
42+ days	7,057	4,647	11,704
Total	**23,471**	**5,298**	**28,769**
Total >14 days	**16,785**	**5,223**	**22,008**
Ave beds per day	**55**	**17**	**72**

This represents services within both the delegated responsibility of the IJBs and also the core Operational Unit of the Board.

In recent years the investment through the SGHSCD announcement in 2014/15 of £30.0 million to facilitate the reduction in Delayed Discharges, of which the Tayside share of this is £2.358 million, and, in addition to this, the Budget Bill in 2016/17 saw the investment of £250.0 million in a Social Care allocation. Half of this resource was set aside specifically to support additional spend on expanding social care services to support the objectives of integration. For Tayside this equated to £9.76 million. The operating assumption remains that these resources will contribute to a reduction in delayed discharges within the hospital setting, thereby providing the ability to reconfigure the bed complement. The target remains the 72 hour timescale following assessment of being medically fit for discharge. A cornerstone of the partnership working in 2017/18 will be the open engagement on the joint actions being taken to deliver on the 72 hour target, and recognition financially from Health and Social Care partners of the implications from the resources committed within the hospital sector where the target is not achieved.

The table on page 14 demonstrates that even for patients delayed after two weeks of being assessed as being medically fit for discharge, the equivalent of two wards are occupied for non complex patients. The inability to reconfigure the bed base is clearly inhibited through this patient cohort, but, through the significant national investment, and through the close collaboration with social care partners and, in particular, the IJBs, a plan requires to be set out that identifies the trajectories for reconfiguring the bed base as a consequence of the action plans. These are costs that are being incurred within the health vote that require to be released to take NHS Tayside towards a sustainable financially balanced future. At a cost of about £150 per day and based on the levels identified above, a sum close to £4.0 million is tied up in Delayed Discharges in the hospital sector. The figure would be substantially higher to recognise the 72 hour target.

Medicines Management

Medicines management activities and the evolving plans over the period of the strategic plan was presented to Tayside NHS Board in December 2016. The report considered the outlier status of Tayside in the context of unexplained variation and areas of good performance. Five focussed programmes are in place reflecting quality prescribing visits, the use of particular medicines, together with a review of formulary compliance and the stated intention of implementing a refreshed and combined NHS Tayside/NHS Fife drug formulary. The review of six national therapeutic indicators, where the Board is ranked lowest in Scotland, will also take place.

In 2017/18 a number of medicines are expected to come off patent, the most significant of these being Pregabalin. Boards across Scotland are reflecting on the impact of these medicines now being classified as generic medicines with a consequent expected impact on a reduction in costs. The present estimate of a cost reduction of £2.4 million in 2017/18 and a Full Year Effect of £4.5 million is consistent with other Boards. In addition national negotiations with pharmacy contractors is expected to lead to a reduction in tariff prices from April 2017 of £18.0 million with the NHS Tayside share equating to £1.4 million.

Whilst these changes are welcome, the real drive remains in reducing the identified level of unwarranted variation, which, together with individual IJB local initiatives, will close the gap to the Scottish Average Cost Per Head of Weighted Patient.

Within secondary care in particular the adoption of the national recommendations for the introduction of biosimilars has been successfully rolled out in Tayside with a greater full year benefit expected in 2017/18. The review of discharge medication, reduction in medicines waste and the adoption of generic medicines when coming to market will all require to be implemented during 2017/18.

Property – Asset Disposals

The Board continues to actively progress a range of property disposals where the Board has already declared them as "surplus to requirements".

The Board is also extremely cognisant of the difficulties on occasions of either generating interest in assets held for sale, depending on either market conditions, or the constraints of properties on offer. All of this makes for challenging forecasting of either both timing of sales, or indeed the sales proceeds. The most lucrative offers often have significant conditions attached to them, all of which potentially delay the progress. Any offer that is subject to planning conditions also factors in the potential for not only delay, but also the risk of not completing. The Board, however, has to maximise the sales disposal proceeds and demonstrate best value.

In recognising this, asset proceeds in 2017/18 indicated at £2.9 million, with the two subsequent years set at £2.5 million, with an operating assumption that over this period that the Board will be able to retain the full asset receipt within the revenue stream.

In the light of the developing Clinical Strategies, it is anticipated that further site rationalisation will be identified. This, in particular, will come to fruition through consideration of the Older People's Strategy, although other non clinical sites will also be considered. Collaboration with our Local Authority partners to consider opportunities for Smarter Office working will also feature.

Deferred Spend

Over many years the Board's financial plan has had a stated assumption around the level of deferred spend. During the course of any financial year, the Board receives a number of SGHSCD financial allocations which are in addition to the baseline revenue allocation confirmed at the start of the year. There is, however, normally an unavoidable timing difference between the receipt of an allocation and the expenditure being incurred, due to the necessary inter-agency consultation and the governance approvals process. This means that allocations received in a year may not be expended until the following financial year. Health Boards have no ability to carry forward reserves as distinct from the regime within the Health and Social Care Partnerships.

The annual budget, therefore, includes two elements:-

i. a planned level of slippage on funding allocations received during the course of the year, or on allocations remaining from previous years, and
ii. a level of new funding to reinstate funding for deferred expenditure carried forward from a previous year.

It has always been the stated position that the Board is looking to reduce this planned level of deferred spend annually. Given the direction that more resources are to be channelled through the Health and Social Care Partnerships, the ability of the Board to manage deferred spend will be reduced.

To recognise this, the proposal for 2017/18 is to release the recurring Board Contingency remaining from 2016/17, together with internal reserves to formally reduce the slippage requirement. A sum of £6.0 million is set aside for this purpose. Going forward, the proposal is that any remaining recurring Board contingency would reduce this requirement further.

It is proposed that allocations from the most immediate financial year concluded would be made good, while any slippage on allocations which are older than one year will only be made good following appropriate challenge. This policy will be reviewed annually by the Finance and Resources Committee, who will also be provided routinely with appropriate updates.

Where allocations result in the requirement to provide additional support from a corporate function then the application of an administration/management top-slice to the allocation should be considered.

Business Planning and Budgeting Process

The Board Development Event held in November 2016 considered a revised business planning and budgeting process for NHS Tayside.

A key development is the implementation of a resource allocation process which takes account of historical spend patterns, cost pressures and efficiency savings requirements, as is current practice, but then also requires each area to identify their own 'business plan'.

The business plan will include key service priorities and challenges, develop workforce and service models, and include details of efficiency measures required to achieve realistic and agreed financial targets.

The key principle is that each area will have responsibility to balance their financial position, including developments and pressures.

The process will engage and involve service teams in the build of business planning and budgeting and progressively restore ownership, responsibility and accountability at clinical and operational service level.

A truncated approach is in place in the final quarter of this year for 2017/18. This will lay the foundations for full implementation of the process in the next financial year.

3.4 Capital Plan

Development of NHS Tayside's Capital Forecast

This section deals with the capital forecast covering the period 2017/18 to 2021/22, and reflects the limited availability of funds expected over that period.

Funding

The capital funding estimated to be available over the five years from 2017/18 to 2021/22 is as follows:-

Funding Source	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s
Formula capital allocation	9,473	9,473	9,473	9,473	9,473
Project specific	911	13,802	33,115	30,014	4,205
Radiotherapy	270	766	2,614	625	3,160
Transfer from RRL to CRL	3,500	2,000	2,000	2,000	2,000
Totals	**14,154**	**26,041**	**47,202**	**42,112**	**18,838**

SGHSCD has advised of a formula allocation of £9.473 million for NHS Tayside in 2017/18.

The transfers from the RRL to support the capital programme are included in NHS Tayside's five year Financial Framework.

For planning purposes, Boards have been advised to assume a flat position on formula capital allocations. No further SGHSCD allocations have been anticipated in 2017/18 over and above the indicative formula capital allocation, the ringfenced Radiotherapy rolling replacement programme, the ringfenced energy initiatives agreed in conjunction with Health Facilities Scotland, and the agreed slippage from 2016/17 to be returned from SGHSCD in 2017/18.

Project specific funding includes charitable sources of funding.

The net book value (NBV) of asset sales is deducted from capital funding in order to supplement the national Capital Resource Limit. Discussions will be advanced with SGHCSD for a continuation of the agreement reached in 2016/17 that the NBV of asset disposals can be transferred to revenue in order to assist the overall NHS Tayside revenue position for the period up to and including 2019/20.

It is unclear the level of national support to be provided beyond 2017/18. Boards have been advised to indicate, however, those key projects that would potentially attract support from SGHSCD. These schemes are detailed later in the paper.

Capital Forecast

A short life working group (SLWG) was established in the latter half of 2016/17 to undertake an initial review of the wider capital planning process. The SLWG included the representatives from the Transformation Programme and Capital Finance Team.

The recommendation from the SLWG is to establish a group similar to the previous Clinical Services Advisory Group (CSAG) that includes representation from both clinical and technical groups and balances secondary, primary and health and social care partnerships. This group would assess and prioritise prospective projects locally, using the criteria employed nationally by SGHSCD to ensure compliance, prior to projects being proposed for inclusion in the five year capital plan. Given the timescales for the production of the draft five year Capital Plan 2017/18 to 2021/22, and the level of project slippage from 2016/17 to 2017/18, no formal prioritisation exercise has been undertaken during 2016/17. The CSAG group would be established in early 2017/18 to review the prioritisation of potential projects for future iterations of the rolling five year capital plan.

NHS Tayside is currently developing a Masterplan, in conjunction with Health Facilities Scotland and partner NHS Boards, which will build on the national and developing local Clinical Strategies and policies. The Masterplan will inform the development of the Property Asset Management Strategy and Financial Strategies, and underpin any future cases for investment, and disinvestment, within the existing estate in NHS Tayside.

The draft Capital Forecast is attached at Appendix 2 and is subject to change in the face of changing clinical risks and priorities and the availability of sources of funding. An earlier version of the draft Capital Plan was shared with the Director of Finance, Director of eHealth, Head of Property, representatives from the Transformation Programme and members of the Capital Projects Team for review and comment.

During the development of the capital plan in previous financial years, it became clear that there was a need for preliminary infrastructure works (e.g. power supplies, air handling) on the Board's ageing facilities necessary to provide resilience and compliance, before major improvement projects can be commenced. This has a particular impact on the Ninewells site, and a revised Initial Agreement has been shared with SGHCSD colleagues for comment prior to the formal submission to the Scottish Government CIG Capital Investment Group (CIG) for approval. Accordingly, amounts for infrastructure have been earmarked in the plan, subject to a successful approval process through CIG.

It is assessed that key clinical priorities for the organisation are not able to progress until the Infrastructure works have been carried out. As a result, the timing of clinical projects has been adjusted in the draft capital plan.

The draft Capital Plan in financial year 2019/20 is currently unbalanced. Should the capital programme progress as outlined, an additional transfer of circa £1.7 million from revenue to capital funding would be required in 2019/20. There are also a number of other initiatives currently under review which may require support from the capital programme. Any such requirement for capital funding will be considered through the prioritisation process to be undertaken in 2017/18.

The new Scottish Capital Investment Manual (SCIM) currently being piloted, places greater emphasis around service modelling prior to embarking on developing an Initial Agreement. The requirement for capital investment should grow out of good service redesign. Projects need to be set in the broader strategic context of the organisation, and Boards have been encouraged to engage with SGHSCD colleagues around the development of business cases as early as possible in the process.

The draft forecast schedules the projects according to clinical priority and ability to deliver within the anticipated available resources, recognising the requirement for appropriate decant facilities. An overview of the Capital Forecast is set out as follows:-

Statutory Compliance and Backlog Maintenance

The expectation of SGHSCD is that a proportion of the formula capital allocation should be spent addressing statutory compliance and backlog maintenance as identified through the Estates Asset Management System (EAMS) and Property and Asset Management Strategy (PAMS). An earmark of circa £2.3 million has been included in 2017/18 to progress such works.

A programme of works has been developed to address theatre maintenance.

The planned transfer from revenue to capital in support of the capital programme is £3.5 million in 2017/18 and £2.0 million per annum thereafter.

Medical Equipment

In 2016/17 the top-slice for medical equipment was reduced from £4.0 million to £3.0 million in the face of the restrictions in Capital Funding. In 2017/18 the earmark has been increased to £3.5 million, before reverting back to the reduced level of £3.0 million in subsequent years. The earmark increases to £4.0 million in 2021/22.

There is an expectation that £2.0 million of the medical equipment top-slice will be utilised by the Rolling Replacement Programme, which covers radiology, scopes, anaesthetics, renal and ultrasounds.

SGHSCD provides capital funding for certain projects of national significance. The replacement CT Scanner and PET CT Scanner for cancer treatment, funded in 2016/17, are expected to become operational in early 2017/18. Additional funding to purchase radiotherapy supporting equipment in between Linac purchases is expected in 2017/18.

Non- Medical Equipment

£1.016 million has been allocated in respect of the replacement Hamo Instrument Tunnel Washer system within the Central Decontamination Unit (CDU) at Ninewells. Approval for this project was given in May 2015 under delegated authority.

A further circa £1.0 million has been earmarked in financial years 2017/18 to 2019/20, £0.045m in 2020/21 and £0.540 million earmarked in 2021/22, to support replacement plant and equipment within the CDU at Ninewells, subject to approval of business cases through the appropriate governance route.

Information Management and Technology (IMT)

In 2016/17 the top-slice for IMT was reduced to £0.8 million (£0.65 million Acute and £0.15 million Primary Care). This has been increased to £1.1 million (£0.95 million Acute and £0.15 million Primary Care) in 2017/18, before reverting back to the lower earmark of £0.8 million in subsequent years up to 2021/22. The top-slice earmark in 2021/22 is £0.868 million (£0.718 million Acute and £0.15 million Primary Care).

There is also a further £0.905 million earmarked in 2017/18, and £0.03 million in both 2018/19 and 2019/20, for the eHealth Investment Programme to support the implementation of Trakcare. Approval for this project was given in February 2015 by Tayside NHS Board.

An earmark of £1.0 million has been included in 2017/18 to support the replacement of the current telephony system. This earmark is subject to the successful approval of the business case through the appropriate governance process.

Primary Care Developments

A top-slice of circa £0.25 million per annum is applied to fund Primary Care works.

NHS Tayside has previously been provided with funding from SGHSCD for a primary care development in Bridge of Earn. A range of options have been developed which require further detail to be worked up in conjunction with the Capital Projects Team. Options for the provision of Primary Care facilities across the Carse of Gowrie are also being reviewed.

Funding to progress the Bridge of Earn and Carse of Gowrie proposals has been earmarked across 2017/18 and 2018/19, subject to a successful approvals process.

Other Commitments

The Board is working in conjunction with the Macmillan and ARCHIE charities, who have offered to fund substantial parts of developments in oncology in Dundee and Angus, and a children's theatre project respectively. The costs of the projects are shown gross in the forecast, with the estimated funding within the funding section.

Several projects are proposed that reflect key planned developments for NHS Tayside, and assumptions have been made around additional SGHSCD funding support. These projects include:-

- Neonatal Intensive Care Unit;
- Critical Care Unit, and
- Regional Diagnostic Treatment Centre.

A high level assumption has been made around NHS Tayside's share of the £200.0 million capital funding available nationally to support the development of the Regional Diagnostic Treatment Centres. As work progresses around the development of the Strategic Assessment and business cases there will be greater clarity around the scope of the project and funding requirements

Revenue Funded Projects

Primary and Community Care capital projects exceeding £10.0 million build cost require to use the hub initiative DBFM procurement route, which is a revenue funded solution. The capital requirement for such projects is limited to enabling works, moveable (Groups 2, 3 and 4) equipment and subordinated debt. SGHSCD will provide capital funding for moveable equipment associated with revenue financed hub projects.

The NHS Scotland Pharmaceuticals Specials Service (NHSSPSS) is being delivered via the hub procurement route.

The Tayside Community Care (Kingsway) project is also expected to be delivered by this route. In November 2014 there was a ministerial announcement of financial support for the Kingsway project, quoting a notional capital equivalent estimate of £20.0 million. The overall bed modelling for the Care Centre has been completed and verified by external health care planners. The service model and resulting accommodation is now being added to the potential workforce modelling work to produce both capital and revenue requirements for the proposed new facility. Dundee Health and Social Care Partnership are reviewing the community facilities provision, and until the outcome of this review is

known, this potential project is on hold. An update is expected to be taken to NHS Tayside Directors early 2017/18.

Caveats

Members should note that the amounts and scheduling of projects beyond 2017/18 are subject to change. Future projects cannot be robustly costed until design work has been completed. Furthermore, priorities and resources are subject to change and should align with the Board's Clinical Strategy and Property and Asset Management Strategy (PAMS). The forecast for 2018/19 onwards should be treated as indicative at this stage.

The forecast for 2017/18 is subject to change, depending on the outturn for 2016/17. Should further slippage occur from 2016/17, changes may be required depending on whether consequent slippage funding is returned to NHS Tayside in 2017/18.

The forecast from 2018/19 onwards assumes that additional capital funding, over and above the formula capital allocation, will be made available by SGHSCD to support a number of key infrastructure projects on the Ninewells site. Any potential additional funding will be subject to a successful business case approvals process.

4. MEASURES FOR IMPROVEMENT

The development of the Financial Framework forms a key component of the process for taking forward both national and local objectives. Whilst financial plans continually evolve, it provides a financial framework within which the Board must implement its service and health improvement plans.

5. RESOURCE IMPLICATIONS

Financial
The financial implications will be rigorously reviewed as part of the development process for the Plan.

6. DELEGATION LIMIT

The approval of the Financial Framework is reserved to the Board on the recommendation of the Finance and Resources Committee.

7. RISK ASSESSMENT

A list of financial risks in 2017/18 is attached at Appendix 1.

8. IMPLICATIONS FOR HEALTH

The development of the Financial Framework is central to both national and local objectives for health improvement, efficiency, access and treatment.

As ever, there is a requirement to balance service demand with resource availability.

9. TIMETABLE FOR IMPLEMENTATION AND LEAD OFFICER

The lead officer is the Chief Executive in her role as Accountable Officer, with support from the Executive Team, and specifically the Director of Finance.

10. IMPACT ASSESSMENT & INFORMING, ENGAGING & CONSULTING

Wider engagement opportunities have been initiated with the clinical fraternity and senior management groups on the Board's financial framework, and associated challenges and opportunities. A programme to widen this exposure is presently under consideration and will be presented to the Board in due course.

11. EQUALITY & DIVERSITY IMPACT ASSESSMENT

The equality and diversity impact is considered as part of each business case.

12. PATIENT EXPERIENCE

Contributes to the delivery of care and services across a range of environments in NHS Tayside. As part of the engagement programme highlighted above, a wider dialogue with both patients staff and public will be initiated

Lesley McLay
Chief Executive
March 2017

Lindsay Bedford
Director of Finance

RISK ASSESSMENT 2017/18 - EXCHEQUER Appendix 1

Risks – Revenue	Risk Assessment		Risk Management/Comment
	Likelihood	Impact	
Cost reduction target of c£50m for 2017/18 not achieved in full.			
FHS Prescribing – Level of unwarranted variation remains	High	Up to £4.0m	Implementation of revised formulary will require full engagement with both Primary and Secondary Care practitioners and for a progressive dialogue with the relevant professionals to take place in order that any intended benefits are realised. Achievement of this in full are anticipated to be in 2018/19.
Balance of risk associated with sustaining service delivery performance against national targets through maintaining additional on site theatre capacity.	High	Up to £1.4m	Agreement to be reached on delivery of access performance within the 2017/18 financial framework
Delivery of 72 hour delayed discharge target in order to support the required: Improvement in patient flow Reconfiguration of bed base Minimisation of cancelled planned surgery	High	Up to £1.5m	Achievement requires the combined investment within Social Care by the Local Authorities and the successful decrease in emergency admissions and corresponding length of stay.
Reduction & delivery in unscheduled care admissions in line with strategic plans of Health & Social Care Partnerships leading to reconfiguration of acute beds	High	£0.5m	Open dialogue on evidence of active changes in sustaining both a reduced level of admission and shorter lengths of stay
Target of reducing non contract agency staff by additional 25% from LDP requirement of 25% from 2016/17 baseline	High	£1.7m	Dependency on successful recruitment of NQPs and Return to Practice programme together with effective deployment of staff
Target of reducing non contract agency by 25% from 2016/17 baseline & overtime by 25%	Medium	£3.0m	Dependency on successful recruitment of NQPs and Return to Practice programme together with effective deployment of staff
Reduction in training grade rota breaches	Medium	£0.4m	Clinical engagement and effective management between Clinical training leads and training grade doctors
Full implementation of standardised shift patterns across Tayside by September 2017	Medium	£0.5m	Proposed full partnership approach to develop timeline associated with engagement and testing.
Identification and delivery of areas to contain secondary care medicines spend	Medium	£0.5m	Maximum achievement of use of biosmilar medicines Review discharge medication. Early adoption of generic medicines when coming to market. Reduction in medicines waste.
Implement outcomes of National Burns Review	Medium	£0.2m	Early implementation required.
Engagement with clinical fraternity on identified productive opportunities and securing agreement on redefined patient pathways including reducing average length of stay leading to bed reconfiguration	Medium	£0.5m	Early engagement on top 5 identified opportunities and securing expert advice and support to assist in agreeing actions.
Reduction in private sector placements	Medium	£1.4m	Continuous review of patients to ensure assessment of repatriation back to Tayside is undertaken and engagement with other Scottish Boards to explore income generation opportunities.

contd./

Risks – Revenue	Risk Assessment		Risk Management/Comment
	Likelihood	Impact	
Cost reduction target of c£50m for 2017/18 not achieved in full.			
Property Disposals	Medium	£0.4m	Property team continue to drive disposal programme ensuring legal and professional advisors assist in achieving timeous sales and obtaining best value.
Financial flexibility	Medium	Up to £2.0m	Continued monitoring in early stages of year to identify opportunities to contain spend.
Medicines cost and volume increases higher than planned.	Medium	Up to £1.0m	Primary Care growth forecast by Chief Finance Officers based on IJB specific assumptions. Horizon scanning on secondary care medicines. Continue to monitor SMC decisions.
Activity growth, patient acuity levels, or service pressures greater than anticipated.	Medium	Up to £2.0m	Position subject to ongoing review, with implementation of revised efficiency plans where necessary.
The source of planned carry forward and deferred expenditure at March 2018 uncertain at this stage.	Medium	Up to £2.0m	The Financial Framework reduces the planned level of deferred spend by £6.0m from the previous year.
Inability to maintain costs in line with central funding allocations, including Outcomes Framework funding.	Medium	c£1.0m	Implications recognised within the Financial Framework. Current and future commitments subject to review.
Costs for healthcare provided through other NHS Boards higher than planned.	Medium	Up to £0.75m	Patient activity trends closely monitored together with opportunities for repatriation identified.

RISK ASSESSMENT 2017/18 - CAPITAL **APPENDIX 1**

Risks – Capital 2017/18	Risk Assessment		Risk Management/Comment
	Likelihood	Impact	
Capital funding insufficient for necessary projects leading to prioritisation and consequent potential impact on services.	High	Up to £4.0m	Non added value budget for capital projects agreed at £3.5m. Budgets for estate statutory compliance and backlog maintenance reduced. Spend is risk prioritised and capital expenditure only incurred where budget allows. Statutory and backlog maintenance issues to be addressed over the next 7/8 year period. CSG monitors slippage of projects and manages annual capital budget. Risks associated with changing project schedules managed by service leads.
Timing of the completion of disposal of assets unpredictable.	High	Up to £3.0m	A number of sales expected in 2017/18. Offers already received for a two properties. SFT providing master planning services to enable large sites for sale. Progress with disposals is being monitored through the Property Workstream of the Transformation Programme.
Non added value capital spending may not be classified as impairments leading to risk of revenue cost pressure.	Medium	Up to £2.0m	Non added value capital spend reviewed by valuers annually for completed projects to confirm level of impairments. Previous experience indicates that impairments will be accepted.
National impairment budgets may be insufficient leading to deferral of revenue savings and risk of revenue cost pressure.	Medium	Up to £0.5m	Forecast impairments from planned rationalisation of estate communicated to SGHSCD.
Capital projects unaffordable in either revenue or capital terms.	Medium	Not quantifiable	New projects scrutinised by CSG for affordability. Projects managed and prioritised.
Project does not deliver outcomes expected with consequent impact on services and additional funding required to resolve.	Medium	Not quantifiable	Focussed design work undertaken with stakeholders prior to project approval. PPEs and POEs performed and recommendations and action plans developed.
CRL exceeded.	Medium	Up to £1.0m	CSG manages capital budget and reports monthly to the Finance and Resources Committee.
Hub initiative: Complexity and governance process leading to delays and slippage with consequent impact on services.	Medium	Up to £1.0m	hub processes being managed. The NHSSPSS Project is now in the construction phase. The Tayside Community Care project is on hold pending the outcome of the property review being undertaken by Dundee Health and Social Care Partnership. Risks associated with delayed projects managed by service leads.

ARCHIVED RISKS

Hub initiative: Expectation to use general CRL for subordinated debt for DBFM projects.	N/A	N/A	No requirement for subordinated debt investment in 2017/18.

NHS TAYSIDE DRAFT CAPITAL FORECAST **Appendix 2**

Based on period ending 28 February 2017

2017/18 - 2021/22

	2017/18	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000	£000
Formula Capital					
Committed Projects - Project Specific					
DD2 Radiotherapy - Linac	20				
Radiotherapy - CT Scanner	704				
Radiotherapy - PET CT Scanner	14				
Radiotherapy - Archive System		153			
Radiotherapy - Treatment Planning System		613			
Radiotherapy - Linac	2		2,614		2,664
Radiotherapy - Brachytherapy Unit				355	
Radiotherapy - Small Centre Ancillary Items	270			270	
Radiotherapy - Record & Verify System					496
Topsliced					
State of the Estate					
Estate Investment - Statutory Compliance & Backlog Maintenance	2,313	2,772	1,786	3,277	3,000
IM&T Rolling Programme Tayside	950	650	650	650	718
Medical Equipment - MEG	3,500	3,000	3,000	3,000	4,000
Non-Medical Equipment (Hammo Instrument Washer Replacement)	1,016				
Primary Care Fund Programme	250	250	250	250	250
Project Management & Staff Costs	495	500	505	510	515
High Priority Projects					
Ninewells Infrastructure Works - Polyclinic Area	260	4,086	3,113		
Ninewells Infrastructure Works - Phase 2. Zones 1,2,3		50	3,100	3,150	4,205
Children's Fundraising Project/ARCHIE paediatric theatres	117	2,588	3,246		
Neonatal Intensive Care NW	80	2,406	2,024		
Critical Care Unit incl SHDU and ICU NW Phase 1	50	2,925			
Critical Care Unit incl SHDU and ICU NW Phase 2			6,215	9,000	
MacMillan Haematology & Oncology Unit NW	50	500	5,118	5,118	
Regional Diagnostic Treatment Centre	50	1,610	15,837	15,837	
Bridge of Earn / Carse of Gowrie	321	750			
Biomass Boiler (Energy Initiatives Funding)	234				
Energy Initiatives funded from recycled savings	110				
eHealth Investment Programme	905	30	30		
ICT Telephony	1,000				
CDU Tracking & Traceability System	46				
Production Unit 5 Year Forecast	1,000	1,000	1,050	45	540
Local Care Centres - Dundee (Maxwelltown, Menzieshill) Equipment		300	200		
Maternity services review, incl theatres					1,300
Cardiac Cath Lab & Coronary Care Unit upgrade NW				50	1,000
Total Committed, Topsliced and Priority Projects	***13,757***	***24,183***	***48,738***	***41,513***	***18,688***
Other Formula Capital					
Capital Grants including IM&T Primary Care and Angus Dental	150	150	150	150	150
Retraction programme	200				
Total Other Formula	***350***	***150***	***150***	***150***	***150***
Total Formula Capital	***14,107***	***24,333***	***48,888***	***41,663***	***18,838***
Hub					
Hub NHSSPSS Fees	30	30	10		
Hub Tayside Community Care Project Enabling	17				
Hub NHSSPSS Equipment		1,678			
Kingsway 2 project - equipment				250	
Kingsway 2 project - subordinated debt				200	
Total Hub Projects	***47***	***1,708***	***10***	***450***	
TOTAL EXPENDITURE	**14,154**	**26,041**	**48,898**	**42,113**	**18,838**

FUNDING	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Confirmed Funding via allocation letters					
Formula	9,473	9,473	9,473	9,473	9,473
Total Confirmed Funding via allocation letters	**9,473**	**9,473**	**9,473**	**9,473**	**9,473**
Anticipated CRL Allocations:					
2016/17 CRL slippage returned to NHST	500				
Radiotherapy Funding	270	766	2,614	625	3,160
Ninewells Infrastructure Works - Polyclinic Area - Addtl SG Funding		4,086	3,113		
Ninewells Infrastructure Works - Phase 2. Zones 1,2,3 - Addtl SG Funding		50	3,100	3,150	4,205
Statutory Compliance & Backlog Maintenance (NICU) - Addtl SG funding		2,406	2,024		
Critical Care Unit Phase 1 and Phase 2 - Addtl SG funding		2,925	6,215	9,000	
Regional Diagnostic Treatment Centre - Addtl SG funding	50	1,610	15,837	15,837	
Slippage of Biomass Boiler (Energy Initiatives Funding)	234				
Energy Initiatives funded from recycled savings	110				
Hub NHSS PSS Equipment		1,678			
Hub Kingsway Equipment				250	
Total Anticipated CRL Allocations	**1,164**	**13,521**	**32,903**	**28,862**	**7,365**
Total Anticipated CRL	**10,637**	**22,994**	**42,376**	**38,335**	**16,838**
Other Funding Sources (Non CRL)					
Hub NHSS PSS Subordinated Debt					
Hubco draw down of senior debt for repayment of Stage 1 & Interim Stage 2 fee loan					
MacMillan Angus					
Children's Fundraising Project/ARCHIE paediatric theatres - Archie contribution		880	1,120		
MacMillan NW - MacMillan contribution	17	167	1,706	1,777	
Transfer From Revenue	3,500	2,000	2,000	2,000	2,000
TOTAL FUNDING	**14,154**	**26,041**	**47,202**	**42,112**	**18,838**
OVER / (UNDER) SPEND			**1,696**		