

Financial plan

	Notes (see commentary below)	£'000
Baseline	1	18,405
Funding (Core)		
Non-recurring	2	1,800
Funding		
Efficiency	10	(325)
saving (part of National Boards £15m)		
TOTAL Income		19,880
Salaries	3	12,601
Operational	4	2,011
Support Costs		
Project Costs – HWL	5	655
Project Costs – Other Core	6	2,346
Project Costs – Non-Core	7	1,642
Depreciation	8	285
Contingency – General	9	200
Contingency - Specific	9	140
Total Expenditure		19,880
Capital (formula allocation)	11	583

Financial commentary and assumptions

Income

1. Baseline Uplift

2018/19

1% uplift removed for 2018/19, loss of uplift is £183k on baseline of £18,265k. Pay Award for Agenda for Change Staff above 1% will be funded but subject to approval and allocation from SG in summer 2018. Estimate is that the pay award above 1% will cost £175k and AFC element is 80% so £140k. Held as a specific contingency at present to be released once funding confirmed.

2. Non-recurring income

2018/19

Similar levels to 2017/18 excluding one off funding at £1.8m
Detailed workings are available in an excel format for this income.

Expenditure

3. Salaries

2018/19

Post strategic realignment taken as base point for 2017/18 and for 2018/19 by tracking changes overseen by the Workforce Review Group (WRG) throughout 2017/18. A summary of this in WTE and finance terms on establishment and vacancy is noted in the worksheet in excel working file.

As we prepare for significant organisational change at the end of 2018/19, our approach is to make no further major changes to our established workforce during this financial year. The Corporate Management Team will oversee all proposed changes to staffing in light of a number of external drivers and changing context. The best way to work with the other structures in the organisation in order to achieve this is currently being reviewed.

Working closely with the Change Oversight Group and other structures, the Corporate Management Team will also keep a close overview of how workforce resources will need to shift in year to meet the demands of managing change in the context of the new public health body and the national boards collaboration plans. As a first step, a dedicated Change Support team has been created from existing staff resources, but this will also need input from staff across the organisation over the course of 2018/19.

Any upward impact on budget from workforce bids will need to have compensating savings identified.

Establishment and budget (95% of establishment, vacancy factor of 5%) are expected to remain in place with any changes from leavers either contributing towards the vacancy factor or providing some funding towards staff pressure areas for one-off during 2018/19.

As a result of this no efficiency saving is expected in salaries as the vacancy factor of 5% which equates to circa £660k on establishment will be monitored and reported to the WPG/Directors each month.

Our salaries budget is at £12,601k after the vacancy factor of circa £660k for 2018/19 after the Directors review on 20 February.

4. Operational Support Costs (overheads)

2017/18

NHS Health Scotland has operational support costs of £2.1m mainly in Estates being the occupancy costs of Meridian Court (£528k) and Gyle Square (£400k). In addition to the initial £300k made in 2017/18 from consolidating to one floor at Meridian Court a further saving of £60k was made on reviewing the occupancy % and other property costs such as cleaning, catering in 2017/18 in relation to both sites.

A review of the remaining costs in CEO – Finance, Governance (including Board costs) and staff side, Strategy – People (HR) & Improvement and in Estates, and Health Equity - IT has identified £101k on the remaining near £1.2m of overheads being a saving of around 8.4%.

Please note that the UK Government Apprentice Levy of 0.5% of payroll less £15k has resulted in a £34k pa costs from 2017/18 with little benefit expected from any potential schemes identified at this stage.

Directorate Travel & subsistence and Support Costs of near £200k are also included in this figure

5. Contracts

2018/19

Contracts re HWL – Boards has little scope for savings as £600k of costs were taken from HWL – Boards with the reconfiguration of services in 2015/16.

The HWL – Board Support costs of £655k in 2017/18 will remain for 2018/19

6. Projects – Core

2017/18 – 2018/19

The balance of resources between staff and projects is under constant review in order to achieve our corporate priorities. In 2016/17 it was decided to increase the staff resource and reduce the project commitment in order to better achieve our objectives. This managed rebalancing continues into 2018/19 as our staff resource is now at 68% of core funding (excluding efficiency target of £325k) compared to 65% in prior years but is still within our manageable tolerance. The external funding of core projects has reduced from £3.4m (HWL £655k, Other £2,734k) in 2017/18 to £3m (HWL £655k, Other £2,346k) in 2018/19 being a managed reduction in this resource in line with our strategic planning.

Internal staff costs of £12.6m v the external costs of projects at £3m means it is important that we focus and prioritise staff resources on our strategic priorities.

7. Projects – Non-core

2018/19

The external costs of non-core projects are funded from non-recurring income as identified in 2 above with the part exception of the Fit for work/Advice Line service and Distinction Awards (in part) which funds a small element of our salaries.

8. Depreciation

2018/19

Depreciation is part of our baseline funding but is not separately identified as such so any reduction will release resource for other requirements.

In 2016/17 we took a one-off impairment adjustment of £130k in writing off the remaining net book value (NBV) of the leasehold improvements of the vacated part floor of Meridian Court. This impairment enabled us to reduce our future depreciation by £35k for future years to give an ongoing charge of £275k pa

In 2017/18 our forecast depreciation is £285k being around £10k ahead of our original budget with the forecast for 2018/19 also at £285k

No major changes are now expected although the extension of our property leases in 2018/19 will hopefully provide a depreciation saving as our capital costs can be allocated

over a longer period.

9. Contingencies

2018/19

The Directors have reviewed the level of contingencies taking into account that the main demands in the lead up to the new public health body will be managed within the existing staff resource. A general contingency of £200k being close to 10% of our baseline funding has been set for 2018/19.

A specific contingency relating to the part funding of the pay awards has been set-up at £140k being our expected additional baseline funding as noted at 1 above but as this is a high risk which the Scottish Government will only confirm in the late summer of 201 it is being held as a specific contingency.

10. Efficiency Savings

2017/18

Our initial share of the £15m savings target to the Nationals/Specials was a capital contribution of £500k and a revenue saving of £250k. Due to the lack of savings notably from some non-patient facing boards we increased our revenue saving by a further £75k in February 2018. The 2017/18 total is £14.6m against the £15m with the remaining £0.4m being underwritten by NSS (using a previously agreed c/f) against y/e surpluses produced by the Nationals/Specials. Our y/e forecast is circa £50k which is not expected to be c/f due to the NSS underwriting arrangement.

2018/19

The National/Specials Working Groups are finding it difficult to achieve transformational changes across the National/Special Boards which will contribute meaningful to the £15m recurring savings target for 2018/19.

HS has reserved £325k in its 2018/19 plan being the same revenue saving as in 2017/18 with its capital allocation being considered as part of the National/Special Board capital pot which will be reviewed across all boards which may result in consequent revenue savings. At present the £325k should be seen as non-recurring to allow transformational changes to be put in place and recurring savings realised across the National/Special Boards.

Capital expenditure

11. Capital

2017/18

With the office improvements to Meridian Court and Gyle Square in 2016/17 we expected no other major changes to property in 2017/18. An element of renewal of IT hardware was expected in 2017/18 but this has now moved to a revenue basis through third parties, in line with industry practice so there is no need for IT capital going forward. Any further property changes will be part of the shared service review which is expected to standardise property occupation and support across the NHS estate. We transferred £568k of our capital allocation to NES and NSS who released revenue savings in 2017/18. The remaining £15k was held to cover residual property costs from the improvements in 2016/17.

2018/19

The £583k formula allocation to NHS Health Scotland will be considered across the National

Boards which is expected to release revenue savings.

Risks

12. Financial Risks

Key Assumptions / Risks	£ Value Risk/ £ Assumption/ % Assumption	Impact/Description of Risk	High/ Medium/ Low
Savings can be achieved through by working with fellow special boards in transformational change projects across the whole service	£325k	Savings will be very difficult to achieve in 2018/19 on a recurring basis especially when a number of staff will be assigned to working towards the set-up of the new public health body as noted below	HIGH
Savings in relation to the lack of baseline uplift of 1% will present an additional challenge to the organisation at a time it is preparing for transition to be part of the new public health body	£183k	An additional savings program in addition to the expected contribution to the £15m recurring savings program of £325k will be required	HIGH
Impact of cost of staff receiving pay award >1% but not on agenda for changes terms	£35k	Yet more savings will need to be assessed in addition to the £325k (Special Boards £15m target) and the £183k (lack of uplift) so will be a high risk.	HIGH
Recovery of Pay Award > 1% for staff on Agenda for Change Terms from the Scottish Government	£140k	Recovery assumed in baseline funding. Any reduction in funding would mean further savings in an already difficult to achieve savings target. At present a recovery of 80% on staff costs above 1% is assumed being an assessment of the impact of the cost for staff on Agenda for Changes terms	HIGH
The organisation can manage the demands of the work required in relation to the set-up of the new Public Health Body within its existing staff resource	£150k	A small number of staff will be reassigned into a program/project role to ensure we have a dedicated team to manage the transition. These staff will call on others as required to help manage the process. Our current planned outputs may need to be prioritised/reprioritised in year	MEDIUM
Staff currently working on the Fit For Work Initiative (to 31/5/18) will be redeployed across the organisation as equivalent vacancies arise when the funding stream ends	£63k	Absorption will depend on staff turnover in posts which could absorb the changes	LOW