

NHS Health Scotland

Financial Plan 2019/20

	Notes	2018/19	2019/20 Plan
Income		£000	£000
Baseline Funding (Core)	1	18,405	19,009
c/f surplus	2	0	212
Non-recurring Funding	3	1,800	1,800
Efficiency saving (part of National Boards £15m)	4	(325)	0
		19,880	21,021
Expenditure			
Salaries	5	12,601	14,713
Non staff costs	6	6,994	6,333
Depreciation	7	285	245
Cost pressures	8		(270)
		19,880	21,021
Capital (formula allocation)	9	583	15
Finance Risks	10		

Notes

1. Baseline funding

Baseline funding in 2018/19 was £18,265k, with no uplift but part pay funding of £140k giving £18,405k.

Baseline funding in 2019/20 is £18,405k less a £400k contribution towards the £15m efficiency savings target (increase from £325k) with additional pay funding in 2018/19 of £97k (£140k forecast on lower pay award) and £237k pay funding in 2019/20 being a repeat of the 2018/19 award. In addition there is a 6% increase in the employer pension contribution which is to be fully funded by the Scottish Government in 2019/20 which will cost £670k.

Note: Confirmation of the funding amount in relation to the additional pension contribution is awaited across all the Health Boards for 2019/20 being an in-year allocation.

2. Carry forward surplus

For 2018/19 we planned no carry forward surplus but in 2019/20 we expect to carry forward £212k of funding. This is slightly out with our 1% flexibility as per Christine McLaughlin's letter of 8 October 2018 to boards.

Note: We are forecasting a higher surplus in 2018/29 but expect to carry forward the additional surplus to help meet our savings target in 2019/20.

3. Non-recurring funding

Non-recurring funding is expected to be around 10% of baseline funding at £1,800k each year.

4. Efficiency saving

Efficiency savings are the expected contribution towards collaborative working across the National Boards. This was £325k in 2018/29. There will be no additional contribution in 2019/20.

Note: As per note 1 above, our contribution increased by £75k in 2018/19 but we are taking this as our final contribution with no further contribution in 2019/20 despite the likely shortfall of £3m recurring across the National Boards against the £15m target and the £2.6m shortfall from 2018/19 being a carry forward item which will be non-recurring in 2019/20.

5. Salaries

Salaries at £12,601k reflect the cost of retaining our workforce at the budget levels for 2017/18 with pay uplifts for the 2018/19 year.

For 2019/20 we have increased our workforce to help deliver our objectives to £13,653k which together with estimated pay award increase of £390k gives a budget of £14,043k. These budgets have been increased by £670k being the 6% increase in the employer's pension contribution on the payroll cost of £11.1m (excluding on-costs) to give a salaries budget of £14,713k.

Note: Our staff budget is now at 77% of our core funding due to planned changes in our staff/project profile during 2018/19, pay awards and employer pension increases.

6. Non-staff costs

Non-staff costs are the cost of operational support including occupancy costs, HR, Finance and IT costs together with the cost of our normal business projects in the year. Our normal business projects are expected to reduce by some 20% from £2.33m in 2018/19 to £1.85m in 2019/20 to help fund the increase in our salaries budget as per note 5 above. This breaks down as:

Non-staff costs analysis	£k
Finance	210
Staffside	8
IT	325
Strategy – Communications/Change Oversight Group	146
People and Improvement	176
Estates	1,070
	1,935
Board and sub-committees	29
Directorate Travel and Subsistence	80
Health and Work	655
Projects - non-core	1,684
Projects - core	1,850
Contingency	100
Total	6,333

7. Depreciation

Depreciation is the charge made on the use of our fixed assets for the 2018/19 year. On review we have amended the useful life of our some of our assets giving us a slightly increased charge in 2018/19 and a consequent reduction of £15k to give a revised figure of £245k.

8. Cost Pressures

Cost pressures of £270k arise from the removal of the 1% baseline increase (£182k), the further contribution of £75k towards the £15m efficiency saving (see note 4 above), and pay funding in 2019/20 being at the same level as 2018/19 giving a shortfall of £13k all of which were not expected in the draft budgets for 2019/20.

Note: As our vacancy factor is likely to be higher than 6.25%, changes in our staffing profile are likely, our carry forward surplus from 2018/19 may be higher than £212k and we can overspend in 2019/20 by 1%, on the basis that we break-even over the three years (2019/20 – 2021/22) we should be able manage this cost pressure during 2019/20.

For the purposes of budgeting we will offset this cost against our salaries budget as a specific item similar to our vacancy factor but monitor reductions against this target in 2019/20.

9. Capital

Capital is our formula allocation which we expect to be pooled with the other National Boards in deciding our capital projects for 2018/19. The Scottish Government has retained a significant element of our capital allocation in 2018/19 leaving £15k for capital being our use in 2018/19 and a figure we need to work to in 2019/20.

10. Finance Risks in 2019/20

- i. Funding of employers pensions increase (6%) at £670k not fully funded
- ii. Carry forward surplus of £212k or higher not carried forward into 2019/20
- iii. National Boards £15m target shortfall in 2019/20 and further contribution needed
- iv. Cost pressure target of £270k not managed in 2019/20
- v. The project budget of £1.85m (see note 6) is insufficient to achieve our delivery plan.