1. INTRODUCTION AND BACKGROUND

1.1 The Financial Framework for 2010/11 requires to be approved by the Board to allow the detailed budgets to be issued to budget holders.

1.2 The Financial Framework 2010/11 was considered and approved by the Finance and Resources Committee at its meeting of 30 March 2010.

1.3 The Board has received its initial Revenue Allocation for 2010/11 which at £491.841m is an uplift of 2.40%. This compares with a minimum uplift for Scottish Health Boards of 2.15%.

1.4 Based on the latest NRAC projections NHS Fife is still £7.9m from its NRAC target allocation.

1.5 Draft Financial Plans were submitted as part of the Draft LDP to the SGHD. These plans have subsequently been updated and agreed by the Senior Management Team.

2. BUDGETS FOR 2010/11

2.1 The Financial Plans for 2010/11 make appropriate allowances for pay and price movements and incorporates a range of agreed new investments.

2.2 The following assumptions have been included in arriving at the estimated expenditure for the year.

- An uplift of 2.25% has been allowed for Agenda for Change budgets and Consultant salaries. In addition a provision has been set aside for the costs associated with Consultant Seniority payments, Incremental progression and Discretionary Points, equating to an additional 0.2% of the total paybill. A provision for Agenda for Change increments has also been included, amounting to a further 0.39% of the total paybill. Future year provisions for uplift have been adjusted to reflect expected future pay awards, and the changes to National Insurance charges from 2011/12.

- Price increases of 5% have been assumed for hospital drugs and all direct medical supplies.

- GP Prescribing inflation has been assumed at 4%

- Energy costs have been inflated by 1%

- Other supplies headings have received no uplifts.
• Service Level Agreements with other Health Boards have been inflated by 2.15% in line with National Agreements.
• Non-NHS Service Agreements have been inflated by 2%
• Payments to Voluntary Organisations have assumed a 1% uplift
• Additional £500k has been included to cover the additional cost of increased activity flows to NHS Tayside. This is the final year of a previously agreed funding pathway.
• Carry-forward of expenditure from 2009/10 into 2010/11 has been allowed for a small number of projects.

2.3 The plans also include a range of new investment, including:
• Decontamination Single Use Instruments and other issues (£0.600m)
• Optimal Reperfusion Services to be provided by both NHS Lothian and Tayside (£0.450m)
• Services funded on a National / Regional Basis (£0.460m)

2.4 The plans also include:
• The previously agreed level of savings; and
• Additional savings levels have been assumed to ensure financial balance.

3. EFFICIENCY SAVINGS

3.1 To ensure NHS Fife both lives within its available resources for 2010/11 and that sufficient resources are available to fund new investments, the Board is required to deliver a challenging Efficiency Savings Programme. The Board has previously agreed to savings of £4.2m in the year. This target is now required to be supplemented by a further £5.5m of savings.

3.2 The full details for the achievement of the savings will be developed through the work of the SMT and the Efficiency and Productivity group.

3.3 The Board will be aware that the Scottish Government introduced a Cash Efficiency Target for the period 2008/09 to 2010/11. Boards are required to demonstrate that 2% of their allocation year on year has been saved. For 2010/11 the cumulative 2% Efficiency Target is £29.7m but the Board has already delivered £19.5m for the previous two years.

4. PROPOSED BUDGET 2010/11

4.1 The overall initial budgets for the year are shown in the attached Appendix 1 for the main service areas.
4.2 The budgets listed in Appendix 1 result in a breakeven position being shown for the year. The full year budget for 2009/10 as at January 2010 is also shown for comparison.

4.3 The attached Appendices 1(a), 1(b), 1(c) & 1(d) provide a break-down of some of the key figures within the budget.

4.4 Appendix 1(a) provides details of expenditure with other Health Boards within Scotland, as well as the total cost of activity with Health Authorities in England, Wales and Northern Ireland (OATS) and Unplanned Activity with either Health Boards or the Private Sector (UNPACS).

4.5 Appendix 1(b) provides details of on-going expenditure commitments funded either through additional time-limited allocations from SGHD or from the Board’s baseline funding and Appendix 1(d) lists the service areas where carry-forward of 2009/10 allocations have been requested. Both of these lists will be reviewed prior to any release of funding.

4.6 Appendix 1(c) lists new investments and initiatives at either a national level or within NHS Fife

5. **LONG TERM FINANCIAL PLANS**

5.1 The long term financial plans (Appendix 2) have been revised to take account of known changes to the planning assumptions. Based on the current economic situation, assumptions on future years’ increases in available resources have been reduced.

5.2 Along with developments which are taking place and the increasing demands and activity increases, financial balance will only be achieved through the achievement of substantial additional savings.

5.3 The level of additional savings which are required to be made to ensure the Boards current plans are affordable are shown in Appendix 2.

6. **RECOMMENDATIONS**

6.1 The Board is asked to:

   • **approve** the budget for 2010/11 including the Local Delivery Plan Financial Templates; and

   • **approve** the overall long term Financial Plans.

CHRIS BOWRING  
Director of Finance  
30 March 2010