NHS Education for Scotland

Board Paper Summary

1. Title of Paper

Operational Planning 2017/18

2. Author(s) of Paper

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3. Purpose of Paper

To provide the Board with an update on Operational Planning for 2017/18.

4. Key Issue

It is expected that a draft Scottish Budget will not be published until the week beginning the 12th December 2016, 2 weeks after the Chancellor's Autumn Statement which is due on the 23rd November 2016.

The reasons for this are the potential implications for Scotland arising from the Autumn Statement and the uncertainty around the potential impact of Scottish Government decisions on tax raising powers and the implications of Brexit. If, on 23 November, the UK Government announces further cuts to departmental spending relative to what it set out in March, the Scottish block grant will bear the consequential effects.

The recent Fraser of Allander Institute (FAI) report on Scotland's Budget includes a number of hypothetical scenarios for the resource block grant arising from the Autumn Statement, one of which is a further cut of around £200m for 2017/18.

What this means for NES is that, like last year, we will have to begin our operational planning process without any formal SG planning guidelines in place.

This paper describes our proposed approach to operational planning and identifies the potential workforce priorities which will inform this process.

5. Educational Implications

Impact on educational outcomes will be considered throughout the process.

6. Financial Implications

A robust operational planning process (including developing a draft budget) is essential to ensure that we do not breach any of our delegated financial limits.

7. Which of the 9 Strategic Outcome(s) does this align to?

A robust operational planning process contributes to the achievement of all our strategic objectives.

8. Impact on the Quality Ambitions

The education and training that NES provides/commissions is designed to impact on all the quality ambitions.

9. Key Risks and Proposals to Mitigate the Risks

There is a risk that the planning assumptions we use at this stage are not sufficient to identify the amount of savings we are ultimately required to make. It is recognised, both internally and at SG that, given the current level of uncertainty, operational planning for 2017/18 will be an iterative process.

10. Equality and Diversity

At a later stage in the process the equality and diversity impact of any agreed efficiency savings will have to be assessed.

11. Communications Plan

A Communications Plan has been produced and a copy sent to the Head of Communications for information and retention:

Yes ☐ No ☐

A Communications Plan format template is available in the 'Meetings' and 'Communications' sections of the NES Intranet.

12. Recommendation(s) for Decision

The Board is asked to note and comment on the approach to operational planning and the areas identified as potential workforce development priorities.

NES
Donald Cameron
Audrey McColl
October 2016

1.0 Background

It is expected that a draft Scottish Budget will not be published until the week beginning the 12th December 2016, 2 weeks after the Chancellor's Autumn Statement which is due on the 23rd November 2016.

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The recent Fraser of Allander Institute (FAI) report on Scotland's Budget includes a number of hypothetical scenarios for the resource block grant arising from the Autumn Statement, one of which is a further cut of around £200m for 2017/18.

What this means for NES, is that like last year, we will have to begin our operational planning process without any formal SG planning guidelines in place.

Last year, for the first time, we set a budget which relied on achieving in-year savings to be in balance. We also increased our reliance on using recurrent funding on a non-recurrent basis which is unsustainable in the longer term and would require recurrent savings of £1.5m to address if current expenditure levels are maintained.

2.0 Planning Assumptions

Although no formal guidance has been issued, the following were confirmed at the most recent Directors of Finance meeting:

- Financial pressure in real terms will continue
- A real terms uplift of 1% can be used as a planning parameter but not assumed
- A pay increase of 1% can be used as a planning parameter
- Although there will be a requirement for savings this can't be quantified for individual Boards yet as the quantum of the total required is currently unknown.
- Given the scale of the uncertainty it is accepted that this will be an iterative process.

The Board will be aware of the significant amount of the NES budget which is committed to paying the salaries of doctors, dentists, pharmacists, clinical psychologists and others while they are in training. These commitments represent 62% of our budget spend, with our own payroll costs adding a further 7%. Given that there is still a commitment to no compulsory redundancy, it is anticipated that any percentage savings target required might be applied to those elements of the NES budget which we have the ability to actively influence, without merely transferring the cost to other Health Boards. Previous work in this area estimated this to be in the region of £50m - £55m therefore a savings target of 10% applied to this would represent a challenging target of between £5m and £5.5m. It is also possible that any savings target is removed from our baseline and not available for reinvestment

There are also other cost pressures which will need to be considered such as the Modern Apprenticeship Levy (£250k - if based on payroll costs, i.e. excluding trainees) and the ongoing impact of pension auto-enrolment.

Given the anticipated scale of the challenge the operational planning process for 2017/18 needs to;

- Reduce the degree by which recurrent expenditure is currently supported by non- recurrent funding

- Ensure we free-up sufficient resource to be able to support our strategic intent of being the 'People organisation for NHS Scotland'
- Ensure all activity has a clear link to the Programme for Government
- Identify any potential for delivering activity on a 'Once for NES' basis
- Identify any potential for delivering activity on a 'Once for Scotland' basis.

All areas of our expenditure will be carefully reviewed to agree what is essential and must continue, what can be scaled back and what could stop. In making these decisions it will be necessary to ensure that we have a clear and common understanding of what our priorities for delivery are in 2017/18.

3.0 Potential Workforce Development Priorities 2017-18

As a national special health board, our role is delivery of education, training and workforce development to support a skilled, person-centred workforce which is well prepared to respond to the demands placed on our health and care services. Our work supports national policy priorities and key agendas including; Everyone Matters: 2020 Workforce Vision, public sector reform, and health and social care integration.

In the Local Delivery Plan (LDP) guidance for 2016/17 NHS Scotland identified nine planning priority areas as follows;

(1) Health Inequalities and Prevention;
(2) Antenatal and Early Years;
(3) Safe Care;
(4) Person-Centred Care;
(5) Primary Care;
(6) Integration;
(7) Scheduled Care;
(8) Unscheduled Care and;
(9) Mental Health.

In advance of our 2017-18 operational planning and LDP preparation we have analysed all available NHS Board LDPs and workforce plans as well as IJB strategic plans and workforce plans. From this work the following have been identified as potential priority areas which should be considered as part of the operational planning process;

- Recruitment and retention
- Role development / service redesign
- Health and social care integration
- Leadership and management.

Recruitment and retention
Recruitment and retention remains a key issue. This is the case across the NHS Scotland workforce, particularly in medical staffing, although other areas such as paediatric dentistry, IT, nursing, health visiting and diagnostic and investigative services were also identified. Proposed solutions included; attracting people from a broader range of backgrounds, more flexible entry and career pathways and recruitment strategies with a specific focus on 'hard-to-fill' posts.

Role development/Service redesign
There are significant workforce challenges presented by changing demographics, increased public expectations, technological advancement and new models of delivering integrated care. The development of new and extended roles was identified as an important enabler of service redesign and cited as a potential opportunity to help address recruitment and retention issues.

Amongst the specific roles highlighted were Advanced Critical Care Practitioners, MSK Advanced Practitioners, Advanced Practitioner Physiotherapists, Health Care Support Workers, Modern Apprenticeships and new Estates and Facilities roles to target risk, compliance and governance arrangements.

The development of extended and advanced practitioner roles was often cited as a way of supporting medical practitioners within multi-disciplinary teams.

Health and social care integration
Key issues in the integration of health and social care were the development of primary care and community service models in order to better manage older people and chronic disease in the community and to enable acute care to be focussed on patients with acute needs.

One aspect highlighted was the improvement of the interface between the community and hospital to ensure care is provided at the right time in the right place. A clinical focus on prevention, supporting self management within people's community or locality, along with an intensive nurse led and supported care management approach, are emphasised.

A stronger focus on supporting self management rather than on intervention will change the role of staff within community settings, while a shift in staffing into the community workforce will require a change in patterns of work (e.g. greater 24 x 7 working). With the development of Telecare and Telehealth solutions to give people more control over the management of their health problems at home, more staff will need to operate within a digital environment, utilising innovative approaches, including digital platforms to support self management, hospital at home and the delivery of outpatient services.

Many Partnerships have either created or are planning the development of multi-disciplinary teams, some including input from the third sector. The development of multi-disciplinary teams will be a crucial aspect of transforming primary care services in integrated settings, which envisages GPs becoming expert-generalist in complex care and focusing more on quality and leadership.

In secondary care, the strategy is to consider the potential for developing fewer inpatient sites, that will provide more highly specialised services, linked to local hospitals.

Leadership and management
Leadership was highlighted in a number of IJB workforce plans and is also a key element of the Scottish Government's Executive Leadership, Talent and Succession Planning agenda.

Many of the areas identified would be supported by the adoption of the NHS Scotland / SSSC Leadership Qualities at all level in organisations. Leadership skills in relation to change management, performance improvement, collaborative working, and the development of a culture of partnership were all specifically highlighted.

4.0 Proposed Approach to Budget Setting for 2017/18 within Operational Planning

Although it is expected that the savings we will have to deliver will be significant, it is recognised that, as in setting the budget for 2016/17, any methodology will need to ensure that those Directorates with predominately staffing costs and very low non pay budgets, are not disadvantaged.

Therefore, to ensure that we undertake a critical review of all our activities, it has been agreed that each Directorate will work with their finance manager to analyse their 2016/17 budget into expenditure which is committed and that which is non-committed. This will then become the starting point for development of the 2017/18 indicative budget.

It has been agreed by the Executive team that, in this context, committed expenditure is defined as expenditure we **must** incur which, for example, will include the following;

The pay budget for a permanent established post, occupied by a permanent member of staff at 31/8/16, including those on maternity or sick leave. In theory, we have more flexibility in how we choose to use fixed term contracts or agency contracts.

Within the Non-pay element of budgets - committed expenditure will include;

- an activity which arises from a statutory obligation (such as PVG's, Tier 2 visa, medical revalidation or external audit).
- an activity which arises from a regulatory requirement such as recognition of trainers.
- a commercial contractual obligation in place, at an agreed price, with costs for 2017/18 falling before any break clauses (such as lease agreements for buildings).
- activity where a reduction would have a *significant* impact on delivery of *essential* services in another Board
- activities where contractual obligations could be ceased but the activity must continue and it is demonstrated that the costs of switching would exceed any saving generated.

Within the training grade element of budgets, we will consider posts which are filled and those where there is an existing obligation to pay Boards for vacancies, as being committed. All other elements, such as gaps generated by Less Than Full Time, will be considered as uncommitted at this stage.

The classification between committed and non-committed is purely for the purpose of creating an indicative budget and to ensure an open and transparent approach to budget setting.

Whilst recognising that the senior operational leadership group is at the early stages of development, this group will have a role in reviewing the classification of current expenditure as committed or uncommitted, to ensure that there has been a consistent approach across directorates.

Once this is complete, it has been agreed that all directorates will be asked to prepare a draft 2017/18 budget based on achieving a 10% reduction in 'uncommitted' 2016/17 expenditure, as detailed in the example below.

	Committed Expenditure	**Non-committed Expenditure**	**Total**
2016/17 recurring/earmarked budget	£700,000	£300,000	£1,000,000
Less superannuation not required for staff not in the pension scheme	£12,000	£3,000	£15,000
	£688,000	**£297,000**	**£985,000**
Plus 1% uplift	£6,880	£2,970	£9,850
	£694,880	**£299,970**	**£994,850**
Less 10% Savings target (noncommitted)	£0	£29,997	£29,997
2017/18 Indicative budget	**£694,880**	**£269,973**	**£964,853**

- Treatment of externally generated income is unchanged from previous years, there is a requirement for a 20% contribution to NES' overheads.

In the event that the savings identified through a 10% cut in non-committed activities is insufficient to produce a balanced budget, Finance and Directorates will work together to identify further savings, with a focus on the non-committed activities identified when creating the indicative budget.

In the event that funds are available once the savings target has been achieved, unconfirmed bids will be considered.

4.1 Criteria for assessment

Whether the savings target is higher or lower than anticipated, the criteria below will be used to either allocate funding to unconfirmed bids or rank non-committed activities to the level of funding available.

Refinement and ranking of these criteria will be led by Senior Operational Leadership Group as part of the ongoing operational planning process.

a) Spend to save are activities where investment in 2017/18 will result in financial savings in current and/or future years. Any such activities should be supported by a business case discussed and agreed with the relevant Finance Manager.
b) Self-funded/profitable activities that generate sufficient income to cover the costs of delivery, including a 20% contribution to central overheads (and where such income would not be received unless the activity was undertaken). This means that, although there is no commitment to deliver, delivery will impact on the funding of other activities.
c) Included in the current Programme for Government.
d) Service Provision impact (desirable) these are activities within other Boards, supported by NES, that are of demonstrable benefit in improving service delivery but are not essential.
e) Improved education provision or patient safety such activities demonstrate clear benefits for NES' strategic goals and meet Directorate targets.
f) Efficiency improvement such activities will improve the breadth or range of service provision, or deliver cost savings. These activities do not meet the criteria for spend to save but will allow NES to deliver an improved service and greater value for money.
g) New statutory/regulatory requirements - for which a 2016/17 budget was not required.

5.0 Recommendation

The Board is asked to note and comment on the approach to operational planning and the areas identified as potential workforce development priorities.