Dear Richard

NHS GRAMPIAN: LOCAL DELIVERY PLAN 2010-11

I wrote to you on 1 April 2010 advising that I was unable to agree your financial plan for 2010-11 on account of the significant savings challenge and the level of associated risk. At that time, the financial plan was awaiting formal approval by your Board and I wished to reflect upon the outcome of the local approval process as part of my consideration of your plan. The Board was unable to approve the plan when it met on 6 April 2010 because of concerns about the level of risk attached to savings plans, and delegated authority to the Performance Governance Committee to scrutinise the plan and thereafter to approve the plan if sufficient assurance was obtained. The Performance Governance Committee subsequently approved the 2010-11 financial plan on behalf of the Board on 1 June 2010.

I am pleased to note that your Board has undertaken further work since local approval of the plan to ensure that revenue and capital plans are robust, realistic and achievable. The revenue plan relies upon the successful delivery of £34m cost reductions during 2010-11. Your Director of Finance has provided written assurance to support the Board’s view that these cost reductions can be achieved in full in 2010-11 and enable the Board to deliver a breakeven position.

I note that your financial plan templates assume that impairments with a value of £12.5m will be funded by SGHD in 2010-11; this represents an increase from the previous estimate of £3.1m. As you note in the templates, this remains a risk until funding is confirmed in November 2010.

A robust and sustainable financial framework is essential for delivering overall targets, including delivering against the planned savings programme for 2010-11. I look to the Board to ensure the highest standards of financial management, planning and governance and to discharge its responsibility for the use of public funds in a way that delivers best value. Regular reports on in-year financial performance and progress against the savings
programme should continue to be provided to Health Finance colleagues throughout the year.

I also expect that in considering your financial plan for approval the Board sought and received assurance that the key risks associated with the delivery of the financial plan have been identified and that the necessary action is in hand to ensure that these risks are managed over the lifetime of the LDP, with a particular focus on 2010-11.

You should ensure that your Director of Finance continues to keep in close contact with the Health Directorates, particularly in relation to your management of new and emerging risks and the overall achievement of targets as outlined in the plan. I have asked officials in Health Finance and Performance Management to maintain regular contact with the Board, and to continue to provide support and challenge to your Board in taking these plans forward.

In recognition of the ongoing work to identify robust and sustainable savings plans for future years, I am agreeing your financial plan as set out in Annex 4 on a one-year basis, allowing your Board to progress plans for the future whilst simultaneously focussing on the immediate requirements to successfully deliver your financial targets for 2010-11.

I wish to thank all in your Board who have worked hard to revise and strengthen the financial plan over recent months.

Yours sincerely

KEVIN WOODS