Board Official

Paper 17/47

NHS Greater Glasgow and Clyde

Financial Monitoring Report for the 3 month period to 30 June 2017

Introduction

The financial monitoring report comprises the following:

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1. Key Figures and Comments

- The purpose of this report is to provide the Board with an updated financial position at 30 June 2017 and an assessment of the year end projection. It also provides an update on the actions to try and deliver year-end break-even.

- The 2017/18 Financial Plan was approved by the Board on the 15th June 2017. The Plan was approved with an unallocated financial gap of £18.5m. In addition, the savings schemes identified to date contain a high level of "red rated" risk and a number will not crystallise until the later part of the financial year. As a result, the Board was unable to predict a break-even position for 2017/18, although work continues to address the gap.

Table 1 - Financial Position at 30 June 2017

Income/Expenditure by Division	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute Services	1,331.1	341.1	351.6	(10.5)
HSCP & Community Budgets	1,207.3	299.9	301.9	(2.0)
Corporate Directorates and Budgets	544.5	127.3	128.5	(1.2)
Total Expenditure	**3,082.9**	**768.3**	**782.0**	**(13.7)**

- At 30 June 2017 the Board is reporting expenditure levels £13.7m over budget. Although this is more positive than the Board's expected trajectory of £18.0m, this is after the Board released £7.5m of non-recurring support.

- The Acute Division is reporting an overspend at month 3 of £10.5m. Of this deficit £7.6m is related to unachieved savings (which are phased in through the year), £2.3m is related to pay and £0.6m is associated to non-pay with the balance being a slight under recovery in income of £0.2m - a consequence of reductions in income from NES for Junior Doctors rates.

- The Corporate Division is reporting an overspend at month 3 of £1.2m. This is attributable to underachievement of CRES savings within Property, Procurement and Facilities Management, although the schemes are expected to start to deliver savings later in the year.

- Partnerships are reporting an overspend at month 3 of £2.0m. This is attributable to underachievement of CRES savings, though, as with Corporate, the schemes are expected to start to deliver savings later in the year.

- The Board's financial plan had an unallocated financial gap of £18.5m, although there were a number of risks which had to be managed to achieve that outcome. A comprehensive review of the progress against the plan, additional actions taken to address the gap, and an assessment of risk is underway. This will be discussed at the forthcoming Finance and Planning Committee.

1. Key Figures and Comments (cont.)

- In order to minimise the forecast deficit the Board continues to work to:
  - Identify additional savings schemes (both locally and nationally);
  - Focus on delivering existing schemes and reduce the risk rating;
  - Identify additional sources of income and balance sheet management opportunities; and
  - Manage the capital allocation to ensure an optimal revenue outturn for the Board.
- The Board also continues to work closely with Scottish Government colleagues to jointly monitor finance and performance to determine possible actions.

2. Acute Services

Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	319.0	89.8	93.6	(3.8)
North Sector	178.0	48.4	50.8	(2.4)
Diagnostics Directorate	175.8	45.3	46.1	(0.9)
Regional Services	253.0	68.1	68.8	(0.6)
Women & Childrens Services	177.8	46.1	47.5	(1.5)
Acute Directorates	**1,103.6**	**297.7**	**306.9**	**(9.1)**
Acute Divisional Services	63.1	(1.7)	(1.7)	0.0
Glasgow Acute Services	**1,166.7**	**296.0**	**305.1**	**(9.1)**
Clyde Sector	164.4	45.1	46.4	(1.3)
Total Acute Expenditure	**1,331.1**	**341.1**	**351.6**	**(10.5)**

- The Acute Division is reporting an overspend at month 3 of £10.5m. Of this deficit £7.6m is related to unachieved savings, £2.3m is related to Pay and £0.6m is associated to non-pay with the balance being a slight under recovery in income of £0.2m, which is a consequence of reductions in income from NES for Junior Doctors rates.
- The main pressures in pay are associated with medical (£1.5m) and nursing (£1.2m) salaries with service demands and the requirement to cover sickness / absence and vacancy via bank and agency spend. Programmed reductions in agency are planned to take effect in nursing from July which should significantly reduce the cost. A number of permanent appointments to senior medical posts should result in a reduction to senior medical agency during the second half of the year. A number of temporary unscheduled care beds remain open on non-recurring funding. These remain under rolling review to try and both rationalise, and mitigate the costs, during this financial year.
- The Division continues to work on cost containment initiatives to deal with the ongoing pressures and look to source further efficiencies to support the savings programme, which at this stage of the year is causing the predominant element of the reported deficit.

3. HSCPs (Health Budgets)

Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	45.6	13.7	14.2	(0.5)
Glasgow City - North East	155.4	40.0	40.3	(0.3)
Glasgow City - North West	177.6	46.2	46.4	(0.2)
Glasgow City - South	171.1	43.8	44.2	(0.4)
Glasgow HSCPs	**549.6**	**143.7**	**145.1**	**(1.4)**
East Dunbartonshire	81.4	20.4	20.2	0.2
East Renfrewshire	70.4	16.6	16.6	(0.0)
Inverclyde	82.0	20.5	20.7	(0.2)
Renfrewshire	164.3	42.0	42.0	0.0
West Dunbartonshire	90.7	20.3	20.3	(0.0)
Non Glasgow HSCPs	**488.8**	**119.8**	**119.9**	**(0.1)**
Total HSCPs	**1,038.4**	**263.5**	**265.0**	**(1.4)**
Other Partnerships Budgets	**164.7**	**35.2**	**35.8**	**(0.6)**
Partnerships Non Integrated Budgets	**4.2**	**1.2**	**1.2**	**0.0**
Total Partnerships	**1,207.3**	**299.9**	**301.9**	**(2.0)**

- Overall partnership budgets reported an overspend of £2.0m for the first quarter of the year largely due to delays in achieving savings. HSCPs collectively reported an overspend of £1.4m with the balance being within central funds. The overspend in Inverclyde HSCP is due to pressures within mental health inpatient services.

- The Board has now reached agreement in principle with HSCPs for 2017/18 allocations. In February 2017 the Board decided that the £7.8m unachieved balance of 2015/16 partnership savings should be split in proportion to overall base budgets (£4.2m NHSGGC /£3.6m HSCPs). This proposition was not accepted by HSCP Boards. However, Chief Officers have now agreed that subject to IJB Board approval HSCPs will use non-recurring gains from prescribing to fund the £3.6m for 2017/18 to allow time for a recurring solution to be agreed.

- HSCPs have budgetary responsibility for the services delegated to them and therefore for identifying and approving any cost savings plans required to deliver a balanced out-turn. In line with Scottish Government guidance, allocations are on a “flat cash” basis, where closing recurring budgets from 2016/17 roll forward into 2017/18. HSCPs have to internally fund inflationary pressures in pay, non pay and prescribing budgets. The Board is continuing to underwrite any prescribing overspend that may arise during 2017/18.

4. Corporate Directorates

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Board Administration	0.3	0.1	0.1	0.0
Board Medical Director	38.5	9.3	9.4	(0.1)
Centre For Population Health	1.4	0.3	0.3	0.0
Corporate Affairs	3.5	1.4	1.4	0.0
Corporate Communications	0.8	0.2	0.2	0.0
Corporate Finance	10.2	2.8	2.9	(0.1)
Corporate Planning & Policy	6.8	1.7	1.8	(0.1)
Board Headquarters Costs	0.7	0.2	0.1	0.1
Director of e-Health	68.6	16.5	16.9	(0.4)
Human Resources Directorate	12.5	3.2	3.4	(0.2)
Director of Nursing	5.3	1.4	1.3	0.1
Other Corporate Budgets	83.0	(0.4)	(0.7)	0.3
Public Health Directorate	13.1	2.6	2.6	0.0
Property, Procurement & Facilities Management	191.8	49.6	50.5	(0.9)
Capital Planning	29.3	6.9	6.9	0.0
Healthcare Purchases	44.7	11.2	11.1	0.1
Impairments and Provisions	20.3	20.3	20.3	0.0
Total Expenditure	**530.8**	**127.3**	**128.5**	**(1.2)**

- Corporate Directorates reported an overall overspend of £1.2m for the first three months of the year. Much of this overspend can be attributed to unachieved savings due to the timing of implementing savings plans in particular within the eHealth and Property, Procurement and Facilities management Directorates. The reported position is net of non recurring support of £2.5m.

- Expenditure is running below budget for pay and non pay across all Directorates with an overall underspend of £1.1m against pay budgets and £2.5m in non pay. However, there is a shortfall of £4.8m against savings targets hence the overall variance of £1.2m at 30 June 2017.

- The total savings target for Corporate Directorates is £38.6m which includes unachieved savings from prior years. This is an extremely challenging target representing 10% for a number of services. Monthly meetings have been arranged with each Corporate Director to review performance and monitor progress against plans.

5. Capital Expenditure

	£m
Sources of Funds	
Anticipated Gross Capital Resources at 30 June	59.5
Total Capital Resources for 2017/18	**59.5**
Expenditure to Date	
Expenditure to 30 June 2017	4.5
Balance to be spent by 31 March 2018	55.0
Total Forecast Expenditure for 2017/18	**59.5**

- The Board's Capital Plan for 2017/18 was approved by the Board on 15 June 2017.
- The initial level of Capital Resources for 2017/18, approved at the Board meeting on 15 June 2017, amounted to £59.5m. This included an amount of £4.9m to be generated from asset disposals.
- The main areas of expenditure (over £5.0m) are:
    - QEUH and RHC campus completion - £8.9m;
    - GRI campus £6.3m;
    - Mental Health schemes – £5.4m; and
    - Formula capital/backlog maintenance - £8.2m.
- These allocations account for 55.1% of the total funds allocated to capital schemes to date.
- The 2017/18 Capital Plan currently reflects unallocated capital of £7.2m pending confirmation that all known priorities have been identified, and to retain an element of flexibility going forward. The indicative plans for 2018/19 and 2019/20 reflect unallocated capital of £5.5m and £3.1m respectively.
- At 30 June 2017, £7.1m of the general Minor Works budget of £8.2m had been prioritised and allocated out, leaving a balance of £1.1m available for further prioritisation by the Director of Property, Procurement and Facilities Management.
- Gross capital expenditure to 30 June 2017, amounted to £4.5m which reflects the normal seasonal pattern of capital spend.
- In addition, discussions are currently on-going with the Scottish Government around managing any slippage towards the year end.

6. Glossary of Terms

Expenditure:

- Acute – This represents expenditure on the Acute Services clinical and management support services.
- HSCPs – This represents expenditure on services within the scope of Health and Social Care Partnerships including services provided by Primary Care practitioners, expenditure on Mental Health and Learning Disabilities inpatient services, services for patients with addictions and also services for homeless persons.
- Corporate Departments – This represents expenditure on area wide and support services and other costs where budgets are not devolved to operational service areas, for example Payroll, Facilities, Corporate Planning and Public Health.
- Healthcare Purchases - This represents the cost of services provided by other healthcare providers to Greater Glasgow and Clyde patients, including Independent Hospices and HIV/AIDS & Drugs Misuse.
- Impairments – This represents the accelerated depreciation required to write off the net book value of an asset over its remaining life.
- Provisions - This represents the total of provisions made within the Board's Revenue Plan where which have not yet been distributed to divisions.
- Other – This represents funds received which have not yet been allocated to an expenditure budget.