Paper 16/55

NHS Greater Glasgow and Clyde

Financial Monitoring Report for the 3 month period to 30 June 2016

Introduction

The financial monitoring report comprises the following:

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3. NHS Partnerships
4. Corporate and Other Budgets
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1. Key Figures and Comments

Introduction

- The board approved the 2016/17 Financial Plan on 28 June 2016. The Plan highlights the significant and unprecedented financial challenge facing NHSGGC in 2016/17. Directors and Management have worked extensively to identify and design savings schemes to address the £69.0m financial gap identified.

- The Plan was approved with an unallocated financial gap of £10.0m, although there is an expectation this will be met through the National Workstreams. Due to the timing of the implementation and impact of cost savings schemes in-year, the Board has again recognised the need to cash manage the difference between the in year and recurring effect of these savings. This will be achieved through the further utilisation of non-recurring provisions and reserves including a timing benefit repayable in future years through the reversal of historic provisions totalling £32.5m which involves reclassifying the funding source of pre-2010 provisions, particularly in relation to Pension and Injury Benefit provisions thereby generating a one off revenue benefit in 2016/17.

- This position is clearly not sustainable as continued use of non-recurring funds and reserves to fund day-to-day business creates a significant risk to the sustainability of the Board into 2017/18 and beyond.

- In terms of quantifying risk inherent in achieving break-even, and in addition to the £10m FYE gap outlined above, it is estimated the Plan carries financial risk of between £20m to £25m. Should this risk crystallise, there are insufficient reserves to provide cover and would require receipts from projected land sales to ensure financial balance but this carries a high degree of risk due to the complexity and uncertainty over the timing and level of capital receipts.

- Whilst the Board at this point continues to work toward a balanced budget for 2016/17, it is apparent that again in 2016/17 the Board will be reliant on non-recurring sources of funding and reserves to achieve in-year balance. There is a real risk the Board enters 2017/18 with minimal reserves.

Overview of Financial Position at 30 June 2016

- The Board has reported a deficit of £9.5m for the first quarter of the year. The components of this deficit are broken down as follows:

Income/Expenditure by Divison	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	847.9	216.7	220.2	(3.5)
Partnerships	1,138.8	277.1	281.5	(4.5)
Corporate (including unallocated savings)	521.8	123.3	124.8	(1.5)
Total Net Income/Expenditure	**2,508.5**	**617.1**	**626.6**	**(9.5)**

1. Key Figures and Comments (ctd)

- The Board's Financial Plan identified that £32.5m of non recurring support is available in 2016/17 to offset the gap between in year and full year savings. At 30 June £6.0m has been made available to support the operational budgets and this will continue to be phased in during the remaining months of the year. The application of the non recurring support at 30 June 2016 is shown in the table below.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(7.5)	4.0	(3.5)
Partnerships	(4.5)	-	(4.5)
Corporate Departments	-	-	-
Unallocated Savings	(3.5)	2.0	(1.5)
Financial Position at 30 June	**(15.5)**	**6.0**	**(9.5)**

- Further details of key cost drivers and major variances are provided in later sections of this report.

Year end Forecast

- At this stage the Board continues to forecast that a breakeven position can be achieved for 2016/17 however this will only be achieved by the achievement of recurring savings and the use of non recurring funding. The Financial Plan still contains an unidentified "gap" of £10.0m which it is hoped will be covered by the impact of a number of national initiatives but there is no certainty of this.

- There are also a significant number of high risk "red" rated schemes which may not be able to be implemented and when taken together with the ongoing overspend within the Acute Division means there is potentially a £30.0m - £35.0m in year financial risk which will require to be covered. It is important that action is taken to reduce the monthly overspending within Acute Services (Cost Containment Programme) and that savings schemes are closely monitored to ensure they are deliverable if breakeven is to be achieved by 31 March 2017.

2. Acute Services

Results by Directorate

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	324.5	88.9	91.1	(2.2)
North Sector	183.9	48.7	49.9	(1.1)
South Clyde Sector	166.2	44.6	45.8	(1.2)
Diagnostics Directorate	182.5	45.7	45.8	(0.0)
Regional Services	215.7	58.2	58.1	0.1
Women & Childrens Services	180.6	45.3	46.6	(1.3)
Acute Directorates	**1,253.3**	**331.5**	**337.3**	**(5.8)**
Acute Divisional Services	63.9	5.7	3.4	2.3
Total Acute Expenditure	**1,317.2**	**337.2**	**340.7**	**(3.5)**
Total Acute Income	(469.2)	(120.5)	(120.5)	(0.0)
Total Acute	**847.9**	**216.7**	**220.2**	**(3.5)**

- At 31 June 2016 Acute Services reported an overspend of £3.5m. In reaching this position £4.0m of non recurring support has been assumed from the Board to offset the in year savings gap and to provide transitional funding until the costs of keeping temporary beds open are no longer incurred. The position by Directorate split between pay, non pay and achievement of savings is shown in the table below (note figures below are in 000's).

Directorate	Pay £000's	Non Pay £000's	Savings £000's	Month 3 Total £000's
South Sector	(1,663)	(530)	(0)	(2,192)
North Sector	(610)	(531)	0	(1,141)
South Clyde Sector	(778)	(454)	0	(1,231)
Diagnostics Directorate	109	(112)	(19)	(22)
Regional Services	(68)	262	(86)	108
Women & Childrens Services	(441)	(880)	0	(1,322)
Directorate Totals	**(3,451)**	**(2,245)**	**(104)**	**(5,800)**
Acute Corporate	32	27	0	59
Corporate Adjustments	1,875	380	0	2,255
Acute Expenditure Totals	**(1,544)**	**(1,838)**	**(104)**	**(3,486)**

2. Acute Services (ctd.)

- The most significant overspend is within the South Sector which reported an overspend of £2.2m of which £1.5m related to medical and nursing salary costs.

- Medical salaries are overspent in total by £2.4m due to overspends in all Sectors / Directorates with the exception of Diagnostics. Junior Doctors have been budgeted for centrally and remain within overall budget available at this time. However changes to overall numbers, coverage and impending reductions in income from NES may adversely impact on this area as the year progresses.

- The use of Medical Agency staff has cost £4.7m for the first three months of the financial year with Senior Medical Agency spend at £2.5m and Junior Medical Agency at £2.2m being the key components and these levels of expenditure are greater than the corresponding levels reported in 2015/16 by £1.0m with the impact of activity, sickness / absence, and capacity all being contributing factors. The area of Medical Pays remains a key focus for cost containment initiatives and will be an important factor in dealing with the financial challenge in 2016/17.

- Nursing salaries were overspent by £1.3m for the first 3 months of the year. The main year-to-date overspend in nursing pay is within the South Sector which reported an overspend of £0.7m at 30 June. Whilst capacity and demand is a contributing factor to additional costs it is also clear that the level of sickness absence is adversely impacting on the financial position and clearly this needs to be addressed to bring the overall costs back into line with budget. This is resulting in the high use of bank nursing and increased agency spend where bank staff are not available hence contributing to the overall financial pressure being experienced.

- Non pay budgets are overspent by £1.8m with the main pressure area being surgical sundries at £1.1m. Hospital prescribing costs were reported at £0.4m overspent for the first quarter.

- The level of non-recurring support which is underpinning the reported deficit is not sustainable moving forward therefore the Division continues to work towards achieving an in month balanced position via a series of recurring and non-recurring actions.

- Further progression of the current work on Cost Containment and cost savings schemes moving through the year is required to achieve a positive impact on the current financial position and to provide a foundation for the on-going financial challenges of 2016/17 and impending need to plan for future years.

3. NHS Partnerships

Results by HSCP

- At 30 June 2016 the overall partnerships position was an overspend of £4.5m as shown in the table below. At this stage no non recurring in year relief has been allocated to individual partnerships but this will be confirmed and allocated by the end of the month 5 reporting period.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Glasgow Citywide	74.3	21.6	22.9	(1.3)
Glasgow City HSCP - North East	154.7	38.6	38.4	0.1
Glasgow City HSCP - North West	179.7	44.5	44.5	0.1
Glasgow City HSCP - South	175.0	43.9	44.0	(0.1)
Glasgow HSCP	**583.8**	**148.6**	**149.9**	**(1.3)**
East Dunbartonshire HSCP	81.3	18.9	18.9	0.1
East Renfrewshire HSCP	69.6	15.8	16.0	(0.1)
Inverclyde HSCP	79.1	18.3	18.6	(0.3)
Renfrewshire HSCP	157.6	36.2	36.5	(0.3)
West Dunbartonshire HSCP	85.6	19.8	20.0	(0.2)
Non Glasgow HSCPs	**473.2**	**109.1**	**109.9**	**(0.8)**
Total HSCPs	**1,056.9**	**257.7**	**259.8**	**(2.1)**
Other Partnerships Budgets	**132.4**	**32.3**	**34.1**	**(1.9)**
Partnerships Non Integrated Budgets	**16.8**	**3.8**	**4.3**	**(0.5)**
Total Partnerships Expenditure	**1,206.2**	**293.8**	**298.2**	**(4.5)**
Total Partnerships Income	(67.5)	(16.7)	(16.7)	(0.0)
Total Partnerships	**1,138.8**	**277.1**	**281.5**	**(4.5)**

- With the full introduction of HSCPs from 1 April 2016 there area number of changes to how partnerships expenditure will be reported. There are three main “blocks” of expenditure, as follows:
  - HSCP integrated budgets - £2.1m overspend;
  - Non integrated services (eg Specialist Children - hosted in West Dunbartonshire, Secondary Care Oral Health – hosted in East Dunbartonshire and Forensic Services - which will transfer to Regional Services within Acute) - £0.5m overspend; and
  - Centrally managed budgets – £1.9m overspend mainly due to unachieved savings carried forward from 2015/16.

3. NHS Partnerships (ctd)

- The overspends reported within HSCPs were largely due to the impact of unachieved savings as savings targets have been phased into budgets in equal twelfths. At this stage of the year the non recurring relief available to offset the current year shortfall against targets where savings has yet to be identified has not yet been allocated to individual partnerships but in future months this will be allocated to individual HSCPs which should bring them back into a balanced financial position in terms of achievement of savings.

- GP prescribing is being reported at a breakeven position for the 3 months to 30 June. As prescribing results are not available until 2 months after the period in which the prescriptions are issued the only actual results available for the year to date are for the 2 month period to 30 May which showed an overspend of £0.3m. It is only towards the mid point of the year that it becomes possible to make an informed estimate of the in year position and importantly a forecast for the year end position. Prescribing expenditure within NHSGGC is managed under a risk share arrangement where the risk remains with the Board. Overspends at practice and HSCP levels are neutralised for reporting purposes and are offset by discounts and rebates managed centrally. Practices and HSCPs are advised of their actual position relative to budgets and the Board's Prescribing Advisors work closely with them throughout the year to address overspends and to achieve targeted savings.

- Other service budgets are generally reporting a balanced position but there are some specific cost pressures, for example the community nursing aids budget across Glasgow and higher than normal agency costs for inpatient services within Inverclyde, however, these are being offset by underspends in other budgets.

4. Corporate and Other Budgets

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Corporate Directorates	389.7	74.7	76.2	(1.5)
Healthcare Purchases	66.0	16.6	16.7	(0.1)
Impairments and Provisions	20.9	20.9	20.9	0.0
Others	58.2	15.0	14.9	0.1
Total Corporate Expenditure	**534.8**	**127.1**	**128.6**	**(1.5)**
Total Corporate Income	(13.0)	(3.8)	(3.8)	(0.0)
Total Corporate & Other Budgets	**521.8**	**123.3**	**124.8**	**(1.5)**

- Overall Corporate Departments have reported a balanced position for the first quarter of the year. Savings targets have been fully allocated and have been phased in equal twelfths. This represents a prudent approach as generally a higher proportion of savings tend to be achieved in the second part of the year so it is therefore encouraging that a balanced position has been reported by most Directorates and therefore they are largely on track to meet their savings targets.

- In general pay budgets are showing an underspent position totalling around £1.6m across all service areas with supplies costs reporting an almost equal overspend.

- The major service pressure continues to be interpreting costs where demand continues to increase for this service. There have been a number of recent reviews to identify how costs might be reduced in this area. A number of measures have been identified including moving towards an employed service model and encouraging use of the telephony service where possible but as this is a demand led and mandatory service it will be difficult to eliminate the overspend.

- Facilities is by some way the largest Corporate directorate with an annual budget of £200m and to 30 June it reported an overall underspend of £0.082m against a year to date budget of just under £50m. Most of the cost pressures are within the Acute Division South Sector (QEUH) and relate to catering and portering costs. There is additional expenditure on agency staff covering a number of pressures due to sickness levels within portering, sterile services and procurement. Facilities has a significant cost savings target for 2016/17 and at the end of the first quarter was £0.35m behind the planned position but at this stage of the year this is balanced by underspends in other areas resulting in a net underspend position.

5. Capital Expenditure

	£m
Sources of Funds	
Anticipated Gross Capital Resources at 30 June	86.0
Total Capital Resources for 2016/17	**86.0**
Expenditure to Date	
Expenditure to 30 June	8.3
Balance to be spent by 31 March 2016	77.7
Total Forecast Expenditure for 2016/17	**86.0**

- The Board's capital Plan for 2016/17 was approved by the Board on 28 June 2016.

- The initial level of capital resources for 2016/17 amounted to £85.6m. This included an amount of £11.5m to be generated from asset disposals. Since the initial approval of the plan, a minor increase of £0.03m has been made to the Board's overall capital allocation from Scottish Government and internal revenue to capital transfers amounting to £0.3m have also been agreed. The revised level of gross capital resources for 2016/17 currently amounts to £86.0m.

- The main areas of expenditure in 2016/17 are:

    - QUEH and RHC campus completion - £31m;
    - Gartnavel General Hospital - £11m;
    - Mental Health schemes – 5m; and
    - Formula capital/backlog maintenance - £12m

- These allocations account for 70% of the total allocation for the year.

- There remains a small balance of unallocated general capital in 2016/17 of £0.4m and an unallocated amount of £0.8m in 2017/18. An indicative unallocated balance of £0.9m is also reflected in 2018/19.

- Gross capital expenditure to 30 June 2016, amounted to £8.3m, which was incurred chiefly in respect of continuing works at the QEUH and RHC campus. Regular programme reviews will be undertaken throughout the year in order to identify the extent to which revised plans need to be put in place to ensure that the 2016/17 capital position remains in balance.

6. Achievement of Cost Savings

- In developing its Financial Plan for 2016/17, the Board required to set a cost savings target that will enable the Board to achieve a balanced out-turn. The total cost savings challenge for 2016/17 was set at £69.0m. The assessment of achievability of savings is shown in the table below.

NHSGC&C	CYE	FYE
Savings Summary	**16/17**	**16/17**
	£m	**£m**
2016/17 Savings Target	**69.00**	**69.00**
Savings summary achievability		
Green	20.08	20.35
Green/Amber	9.40	12.85
Amber	5.16	10.25
Total Green and Amber	**34.64**	**43.45**
Red	8.15	11.46
Total savings identified to date	**41.79**	**54.91**
Remaining gap - further savings required	**27.21**	**14.09**
Revisions to initial assumptions/investments	-3.30	-3.30
	23.91	10.79
Acute Division - cost containment cover	7.50	0
Cash requirement in-year	**31.41**	**10.79**

- Service budgets have been adjusted to incorporate savings targets although there is still a gap to be allocated. The analysis above shows that the Board has sufficient non recurring funding to cover the in year gap but there is a significant degree of risk if “red” rated schemes cannot be implemented later in the year.

- Achievement of savings is phased towards the second half of the year so at this stage it is too early to provide a detailed forecast. This will feature in future monitoring reports.

7. 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.