Paper 16/83

NHS Greater Glasgow and Clyde

Financial Monitoring Report for the 7 month period to 31 October 2016

Introduction

The financial monitoring report comprises the following:

1. Summary
2. Key Figures
3. HSCPs
4. Capital Expenditure
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1. Summary

Introduction

1.01 The purpose of this report is to provide the Board with an updated financial position (revenue and capital) at Month 7 (31 October 2016) and an assessment of the year end projection. It also provides an update on the actions being taken to deliver a break even outturn for the year.

1.02 The key points for the Board to note can be summarised as follows;

- **Operational Performance**

  At this point of the year the Corporate Division and HSCPs are operating broadly within operational budget. However the Acute Division continues to exceed its operational budget. If the current operational run rates continue and the areas of overspend are not addressed by the Acute Cost Containment Plan, then the Acute Division is projecting an operational deficit of £12.7m by the year end.

- **Cash Releasing Efficiency Savings**

  The National Initiatives, which were to contribute savings to close the £10m gap identified in the Financial Plan, have yet to yield any efficiencies. While the Board still anticipates achieving £50-55m of the savings outlined in the Financial Plan, it is estimated that an additional £10m of additional non-recurring support and/or use of reserves in-year may be required to cover the gap, and slippage in identified schemes.

- **Use of non-recurring/reserves**

  The Board has released £31.4m of non-recurring funding and reserves by the end of month 7 in order to support the Board's underlying deficit. If break-even is to be achieved at 31 March 2017, it is likely this will be underpinned by upto £70m in total of non-recurring funding. This will be extremely challenging and will leave the Board with no non-recurring reserves for 2017/18.

- **Action**

  Several options on the financial position were presented to the October 2016 Board meeting and discussed in further detail at the November 2016 Board Away Day. This involved the Acute Division operating within budget in the remaining part of 2016/17 and into 2017/18 by eradicating discretionary spend and, in addition, identifying £10m of new, recurring CRES schemes.

  The Acute Cost Containment Programme has been successful in reducing costs in some areas such as medical locums. Additional funding was received to support waiting list initiative spend in the final quarter, so the focus remains on reducing spend around premium rate agency nursing, additional beds, sickness absence cover and further reduction in medical locum spend.

  However, the continued absence of the Acute Chief Operating Officer (COO) is impacting on the Acute Divisions ability to drive difficult decisions and implement change, and the bed rationalisation programme is looking extremely challenging due to winter pressures and declining unscheduled care performance.

2. Key Figures

2.01 The Board approved the 2016/17 Financial Plan on 28 June 2016. This highlighted a requirement to deliver savings and efficiency schemes to address the £69m shortfall between the funds allocated (including the year on year uplift) and the forecast increase in expenditure due to rising costs, increased demand and delays in introducing planned efficiencies.

2.02 The Financial Plan was approved with an unallocated financial gap of £10m. Based on consultation with the Scottish Government, it was expected this gap would be bridged through the outcome of the National Workstreams involving Chief Executives, Directors of Finance and the Scottish Government. At 31 October 2016 these National Initiatives have yet to yield any efficiencies.

Financial Position at Month 7 (31 October 2016)

2.03 The financial position is outlined in the tables below.

- **Figure 1** describes the year to date **operational** performance at Month 7.
- **Figure 2** describes the annual **operational** budget, including the allocation of the £29.5m non recurring outlined in the Financial Plan, and the projected operational position at 31 March 2017.
- **Figure 3** describes the CRES position at Month 7 and the projected variance on CRES at 31 March 2017.

2.04 Each table highlights the level of non-recurrent support underpinning the in-year financial position.

FIGURE 1 – OPERATIONAL PERFORMANCE AT MONTH 7

Income/Expenditure by Division	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	518.5	524.9	(6.4)
HSCPs	644.5	650.6	(6.1)
Corporate	293.0	293.0	0.0
Total Net Income/Expenditure	**1,456.0**	**1,468.5**	**(12.5)**

2.05 Figure 1 highlights that the Acute Division and HSCPs are currently over budget with the Corporate Division in operational balance.

2.06 Although the HSCPs outturn is £6.1m overspent for the year to date the overspend is largely due to the current year shortfall in savings for 2016/17 plus unachieved savings brought forward from 2015/16. The Board has funded the in year shortfall and prior year unachieved savings non recurrently but will not have the capacity to continue to do this in 2017/18.

2. Key Figures (cont.)

2.07 The Acute Division remains overspent at the end of 31 October 2016 with a gross overspend of £25.7m on operational budget at the end of the first 7 months supported by £19.3m from the release of non recurring funds. The main pressures are;

- The increasing demand for services, staff vacancies driving locum agency spend and sickness absence rates driving nurse bank and agency spend.
- The winter beds from previous years remain open without funding although action has been taken to reduce these bed numbers in recent months.

FIGURE 2 – ANNUAL PROJECTED OPERATIONAL BUDGET

	Annual Budget £m	Annual Non-Recurrent Available £m	Total Annual Available £m	Projected Y/E Variance £m
Acute	861.1	7.5	868.6	(12.7)
HSCPs	1,113.4	-	1,113.4	0.0
Corporate	568.4	-	568.4	(5.0)
Total	**2,542.9**	**7.5**	**2,550.4**	**(17.7)**

2.08 Figure 2 shows that if the operational run rates continue the Acute Division is forecasting an operational deficit of £12.7m at 31 March 2017.

2.09 The forecast overspend in the Corporate Division mainly reflects the in year reduction in the New Medicines Fund national allocation from £60m to £45m, reducing NHSGGC's share by £4.5m.

2.10 All HSCPs, with the exception of Renfrewshire, are expecting to report a breakeven position. Renfrewshire HSCP is forecasting a deficit on the health budget of £1.4m as it has plans in place to deliver the 2016/17 savings target.

FIGURE 3 – CRES AT MONTH 7 AND PROJECTED Y/E, TOGETHER WITH NON-RECURRENT SUPPORT ALLOCATION

	Amount per Financial Plan £m	Available Annual Non-Recurrent Relief £m	YTD Variance £m	Projected Y/E Variance £m
CRES per Financial Plan	59	12	(12.1)	(10)
Gap (National Initiatives)	10	10	(6.4)	(10)
Total	**69**	**22**	**18.5**	**(20)**

2. Key Figures (cont.)

2.11 Due to the timing of the Board's 2016/17 planning process, the achievement of CRES was always heavily loaded into the last quarter of the financial year. While a number of schemes are currently going through IJB Boards for approval, Directors and Chief Officers have experienced difficulties in implementing CRES across all areas of the Board. This includes implementing some of the "red rated" schemes described in the

2.12 Financial Plan and the uncertainty around the outcome of the engagement and consultation on the proposed service changes in the Local Delivery Plan.

2.13 Slippage has meant there is a variance of £12.4m to expected levels at Month 7. This includes the failure so far of the National Initiatives to contribute to the profiled £6.4m savings to close the £10m gap identified in the Financial Plan. Directors are currently working to bring forward CRES and identify additional CRES to fill the gap.

3. HSCPs

3.01 The reported year end forecasts for the NHSGGC Health and Social Care Partnerships at 31 October 2016 are shown in the table below.

3.02 The majority of the HSCPs are reporting a breakeven position forecast position. It is the HSCPs intention that any surplus funds will be taken to reserves in accordance with the financial provisions arising from the integration legislation. HSCPs tend to report under the local authority financial convention which is to report the forecast year end position as opposed to an in year position.

3.03 The forecast position on the NHS side of the integrated budgets is underpinned by non recurring relief from the Board of £8.2m as a contribution towards the projected in year shortfall against the tranche II 2016/17 savings of £9.8m. The Board had agreed to provide in year cover for this target provided plans were agreed by the HSCP Boards to achieve the recurring requirement by 31 March 2017.

3.04 With the exception of Renfrewshire HSCP all partnerships have identified and approved recurring plans to achieve their allocated share of the £9.8m by 31 March 2017 and the non recurring relief enables them to achieve breakeven. Renfrewshire HSCP does not have plans in place to achieve their allocated share and as a result the HSCP is forecasting a deficit of £1.4m for 2016/17.

3.05 Board Members should note that there remains an unachieved balance of £7.8m from savings pans that were not allocated in 2015/16. As agreed, this has been covered non recurrently by the Board in 2015/16 and again in 2016/17 but the Board will not have the capacity to continue this into 2017/18.

FIGURE 4 – HSCPs Month 7 Position (as reported to their HSCP Boards)

HSCP	Overall Position £m	Social care £m	Health £m
East Dunbartonshire	0.0	0.0	0.0
East Renfrewshire	0.0	0.0	0.0
Glasgow	0.0	0.0	0.0
Inverclyde	0.0	0.0	0.0
Renfrewshire	(1.4)	0.0	(1.4)
West Dunbartonshire	0.0	0.0	0.0
Total	**(1.4)**	**0.0**	**(1.4)**

4. Capital Expenditure

FIGURE 5 – Capital Position (Month 7)

	£m
Sources of Funds;	
Anticipated Gross Capital Resources at 31 October	88.6
Total Capital Resources for 2016/17	**88.6**
Expenditure to Date;	
Expenditure to 31 October	24.2
Balance to be spent by 31 March 2017	64.4
Total Forecast Expenditure for 2016/17	**88.6**

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

4.02 The level of capital resources available to the Board increased by £0.9m in September and October. This is due to £0.5m of internal revenue to capital transfers and to an increase of £0.4m in minor capital equipment disposals forecast for the year.

4.03 The revised level of gross capital resources for 2016/17 currently amounts to £88.6m.

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

- QEUH and RHC campus completion - £26m;
- Gartnavel General Hospital - £8.4m;
- Mental Health schemes – £5.4m; and
- Formula capital/backlog maintenance - £12.7m

4.05 These allocations account for 59.3% of the total allocation for the year.

4.06 There remains a small balance of unallocated general capital in 2016/17 of £25k and an unallocated amount of £84k in 2017/18. An indicative over-commitment of £3.576m is also reflected in 2018/19. This over-commitment arises chiefly as a result of the incorporation of schemes at Wards 67 and 68 at Neurology and the partial reprofiling of previously planned work at the QEUH.

4.07 Gross capital expenditure to 31 October 2016, amounted to £24.2m, 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.

5. 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.