Board Official

Paper 17/59

NHS Greater Glasgow and Clyde

Financial Monitoring Report for the 5 month period to 31 August 2017

Introduction

The financial monitoring report comprises the following:

1. Key figures and comments
2. Acute Services
3. HSCPs (Health budgets)
4. Corporate Directorates
5. Capital Expenditure
6. Glossary of Terms

1. Key Figures and Comments

- The purpose of this report is to provide the Board with an updated financial position at 31 August 2017 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.

Table 1 - Financial Position at 31 August 2017 (Month 5)

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(25.9)	8.3	(17.6)
Partnerships	(1.6)	-	(1.6)
Corporate Departments	(6.4)	4.2	(2.2)
Gross/Net Financial Position at 31 August	**(33.9)**	**12.5**	**(21.4)**

- At 31 August 2017 the Board is reporting expenditure levels £21.4m over budget. Although this is better than the Board's expected trajectory of £33.0m, the improvement is as a result of the Board releasing £12.5m of non-recurring support.
- The Acute Division is reporting an expenditure overspend at month 5 of £17.6m. Of this deficit, £12.4m is related to unachieved savings, £4.2m to pay, £0.7m to non-pay and an income under recovery of £0.3m.
- The Corporate Division is reporting an expenditure overspend at month 5 of £2.2m. This is mainly due to underachievement of CRES savings within Property, Procurement and Facilities Management, though the schemes are expected to start to deliver savings later in the year.
- Partnerships are reporting an expenditure overspend at month 5 of £1.6m. This is mainly due to underachievement of CRES savings, though, as with Corporate, the schemes are expected to start to deliver savings later in the year and it is expected that all HSCPs will achieve a balanced year end position.
- Directors and Management have worked extensively to reduce costs and identify and design savings schemes to address the financial gap identified. This remains a key area of focus, particularly in relation to both delivering current schemes and identifying additional schemes.

1. Key Figures and Comments (ctd.)

- Significant work continues on medical locum and nursing spend, with fortnightly meetings and dedicated actions. Work is also ongoing to reduce a number of areas of discretionary spend, with detailed analysis, monitoring and challenge.

- In addition, to increase both accountability and responsibility, a dedicated Sustainability and Value Action Group (S&V Group) has been established. This full-time group, led by a senior Executive Director, consists of dedicated resource from across the organisation. The S&V Group will lead wider savings initiatives, scrutinize and (where relevant) support existing schemes and harness the generation of new ideas.

- The S&V Group will also work with the Communications Department to create a series of new initiatives to ensure all staff are encouraged to contribute to achieving financial savings. This is intended to make the financial challenge "real" for all staff, ensuring buy-in and ownership of the need to reduce the cost base. The current initiative, a campaign around "small change matters", contains a range of advice and initiatives for staff to contribute. The campaign is being rolled out through the traditional routes, and through a range of interactive workshops.

- Whilst significant progress had been made to identify the full savings required, the Financial Plan highlighted a remaining financial gap of £18.5m (FYE). In addition, the savings schemes identified to date contain a high level of "red rated" risk and a number will not be realised until the later part of the financial year. As such, the Board's year-end position is estimated at a deficit of £26m. The graph (figure 1) below shows the estimated trajectories upto 31 March 2018.

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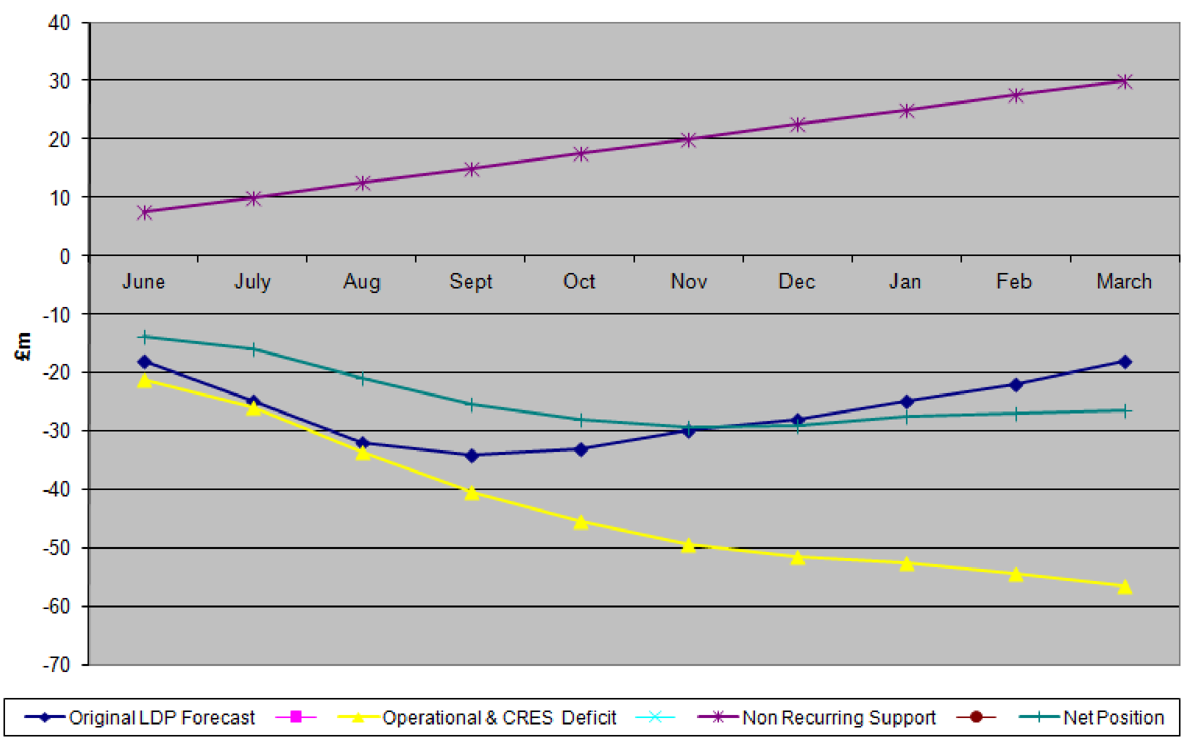
Figure 1 - Monthly Revenue Trajectory 2017/18



- 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.

- In addition, Executive Management continues to liaise and work closely with Scottish Government colleagues to jointly monitor finance and performance to determine possible actions and/or in-year support.

2. Acute Services

Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
South Sector	330.3	151.5	158.2	(6.7)
North Sector	182.4	80.9	84.5	(3.6)
Clyde Sector	168.7	75.1	77.5	(2.4)
Diagnostics Directorate	177.1	75.5	77.1	(1.6)
Regional Services	259.1	114.8	115.6	(0.8)
Women & Childrens Services	180.3	77.9	80.1	(2.2)
Acute Directorates	**1,297.9**	**575.7**	**593.0**	**(17.3)**
Acute Divisional Services	63.9	(0.6)	(0.6)	(0.0)
Total Acute Expenditure	**1,361.8**	**575.1**	**592.4**	**(17.3)**
Acute Income	(504.0)	(211.0)	(210.7)	(0.3)
Net Expenditure	**857.8**	**364.1**	**381.7**	**(17.6)**

- The Acute Division is reporting an expenditure overspend at month 5 of £17.6m. Of this deficit £12.4m is related to unachieved savings, £4.2m is related to pay and £0.7m is associated to non-pay. There is an under recovery of income from NES of £0.3m so the overall position is a deficit of £17.6m at 31 August 2017.

- The main pressures in pay are associated with medical (£3.3m) and nursing (£1.6m) salaries with service demands and the requirement to cover sickness / absence and vacancy via bank and agency spend. As outlined above, programmed reductions in agency are planned to take effect in nursing from August which should significantly reduce the cost in the second half of the year. 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.

- The total Acute savings target for the year is £62.1m. Of this annual target, £23.8m has been phased into month 5, which has an achieved level of £8.0m full year effect. The Board has allocated £8.3m of non-recurring relief for the year to date period hence the net deficit in CRES achievement of £12.4m at month 5.

- There is an element of "red risk" around a number of the Acute savings schemes, particularly significant service redesign projects i.e Lightburn and Ward 15. Both of these schemes are with the Scottish Government for approval.

- 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
Glasgow Citywide	48.2	21.1	21.9	(0.8)
Glasgow City - North East	156.8	66.8	66.5	0.3
Glasgow City - North West	180.4	76.0	76.1	(0.1)
Glasgow City - South	173.0	73.1	73.4	(0.3)
Resource Transfer	119.7	49.9	49.9	0.0
Glasgow HSCPs	**678.1**	**286.9**	**287.8**	**(0.9)**
East Dunbartonshire	83.9	35.0	34.6	0.4
East Renfrewshire	71.7	27.8	27.8	0.0
Inverclyde	83.2	34.5	34.7	(0.2)
Renfrewshire	165.7	69.9	69.9	(0.0)
West Dunbartonshire	91.4	35.7	35.7	0.0
Non Glasgow HSCPs	**495.9**	**202.9**	**202.7**	**0.2**
Total HSCPs	**1,174.0**	**489.8**	**490.5**	**(0.7)**
Other Partnerships Budgets	35.8	6.9	7.9	(1.0)
Partnerships Non Integrated Budgets	5.1	2.1	2.0	0.1
Total Partnerships Expenditure	**1,214.9**	**498.8**	**500.4**	**(1.6)**
Total Partnerships Income	(57.2)	(22.7)	(22.7)	0.0
Net Expenditure	**1,157.7**	**476.1**	**477.7**	**(1.6)**

- Overall partnership budgets reported an overspend of £1.6m for the first five months of the year largely due to delays in achieving savings. HSCPs collectively reported an overspend of £0.7m with the balance being within central funds. The slight overspend in Inverclyde HSCP is due to long standing pressures within mental health inpatient services.

- HSCPs internal savings targets were set at £17.4m. The majority of this target is supported by identifiable schemes, with a small element projected to be covered by HSCPs reserves. At the end of period 5, HSCPs are forecasting that all savings targets will be met in full for 2017/18.

- The Board has now reached agreement 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 initially not accepted by HSCP Boards. However, all IJBs have approved the proposal that HSCPs will use non-recurring gains from prescribing to fund the £3.6m for 2017/18. Work is ongoing to find a recurring solution.

- HSCPs are responsible for the budgets for the services delegated to them and therefore for identifying and approving any cost savings plans required to deliver a balanced out-turn. Allocations are on a “flat cash” basis where closing recurring budgets from 2016/17 roll forward into the current year which means that HSCPs have to internally fund inflationary pressures in pay, non pay and prescribing budgets. The Board is continuing to underwrite any overall prescribing overspend that may arise during 2017/18 but it is unlikely that this arrangement will continue beyond 31 March 2018.

4. Corporate Directorates

Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Board Medical Director	39.0	15.8	15.9	(0.1)
Centre For Population Health	1.4	0.5	0.5	0.0
Chief Executive	0.3	0.1	0.1	0.0
Corporate Affairs	3.5	2.3	2.2	0.1
Corporate Communications	0.8	0.3	0.3	0.0
Director of Corporate Planning & Policy	7.1	2.8	3.0	(0.2)
Director of Finance	10.4	4.6	4.8	(0.2)
Director of eHealth	69.0	28.1	28.5	(0.4)
Director of Human Resources	13.0	5.7	5.9	(0.2)
Director of Nursing	6.8	2.9	2.6	0.3
Director of Public Health	13.3	4.5	4.5	0.0
HQ Accommodation Costs	0.4	0.2	0.2	0.0
Other Corporate Expenditure	111.5	14.1	14.0	0.1
PP + FM Directorate	194.2	82.0	83.6	(1.6)
Service Planning	29.2	11.4	11.4	0.0
Total Corporate Expenditure	**499.9**	**175.3**	**177.5**	**(2.2)**

- Corporate Directorates reported an overall overspend of £2.2m for the first five 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 £4.2m so the gross position is a £6.4m overspend for the first five months.

- Expenditure is running below budget for pay and non pay across all Directorates with an overall underspend of £2.4m against pay budgets and £2.1m in non pay. However, there is a shortfall of £6.7m against savings targets hence the overall variance of £2.2m at 31 August 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.

- The forecast position at the ends of August highlights that £31.9m of the target has been identified and is likely to be achieved by 31 March 2018. The area of greatest risk is the Property, Procurement & Facilities Directorate where at present there is a likely in year shortfall of £6.6m and a recurring shortfall of £14.5m.

- It is expected that levels of achievement will increase in the second half of the year and with the exception of the Property, Procurement & Facilities Directorate that all Directorates will achieve their targets on a current year basis.

5. Capital Expenditure

	£m
Sources of Funds	
Anticipated Gross Capital Resources at 31 August	61.5
Total Capital Resources for 2017/18	**61.5**
Expenditure to Date	
Expenditure to 31 August 2017	9.1
Balance to be spent by 31 March 2018	52.4
Total Forecast Expenditure for 2017/18	**61.5**

- The Board's Capital Plan for 2017/18 was approved by the Board on 15 June 2016.
- 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. This has increased to £61.5m as a result of capital receipts and reprogramming of the national Radiotherapy Equipment Replacement Programme.
- 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 31 August 2017, there are unallocated funds available for 2017/18 of £8.8m. This will be managed to ensure the optimal overall hfinancial out-turn for the Board. Gross capital expenditure to 31 August 2017, amounted to £9.1m 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.