NHS Greater Glasgow & Clyde **BOARD OFFICIAL**

NHS Board Meeting

Director of Finance **19 December 2017** **Paper No: 17/70**

Financial Monitoring Report for the 7 month period to 31 October 2017

Recommendation:-

The Board is asked to note the financial position at 31 October 2017.

Purpose of Paper:-

To report on the Board's revenue and capital out-turns for the 7 month period to 31 October and to update members on the likely year end position.

Key Issues to be considered:-

The Board is currently reporting a revenue overspend of £22.7m for the year to date and is forecasting a year end deficit of £20.0m plus a potential overspend of £7.5m as a result of supply chain issues with a number of drugs.

Any Patient Safety /Patient Experience Issues:-

None

Any Financial Implications from this Paper:-

Detailed in report

Any Staffing Implications from this Paper:-

None

Any Equality Implications from this Paper:-

None

Any Health Inequalities Implications from this Paper:-

None

Highlight the Corporate Plan priorities to which your paper relates:-

Better value –

- Develop a five year financial plan for the NHS Board, outlining plans to ensure the best use of available resources with a view to returning NHS Greater Glasgow and Clyde to recurring balance
- Deliver recurring efficiency savings as outlined in the LDP

- Draft and deliver the agreed 17/18 capital plan and review all existing schemes to ensure aligned to strategic objectives

Author - Mark White
Tel No - 0141 201 4770
Date - 11 December 2017

Board Official

Paper 17/70

NHS Greater Glasgow and Clyde

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

- The 2017/18 Financial Plan was approved by the Board on 15 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 be realised 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 will continue to try to address the gap.

Financial Position at 31 October 2017

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(34.4)	11.7	(22.7)
Partnerships	(2.4)	-	(2.4)
Corporate Departments	(8.8)	8.8	-
Gross/Net Financial Position at 31 October	**(45.6)**	**20.5**	**(25.1)**

- At 31 October 2017 the Board is reporting expenditure levels £25.1m over budget. Although this is better than the Board's expected trajectory of £32.0m, the improvement is as a result of the Board releasing £20.5m of non-recurring support. Therefore, the underlying position against core budgets is significantly worse than the reported position for the first 7 months of the year.
- The Acute Division is reporting an expenditure overspend at Month 7 of £22.7m. Of this deficit £16.7m is related to unachieved savings, £4.8m is related to pay and £0.8m is associated to non-pay. The balance is an income under recovery of £0.4m.
- Corporate Directorates are reporting an expenditure overspend at Month 7 of £8.8m. This is mainly due to underachievement of CRES savings within Property, Procurement and Facilities Management. Additional non recurring funding of £8.8m has been released (which has not been allocated to individual Directorates) resulting in a reported net breakeven position.

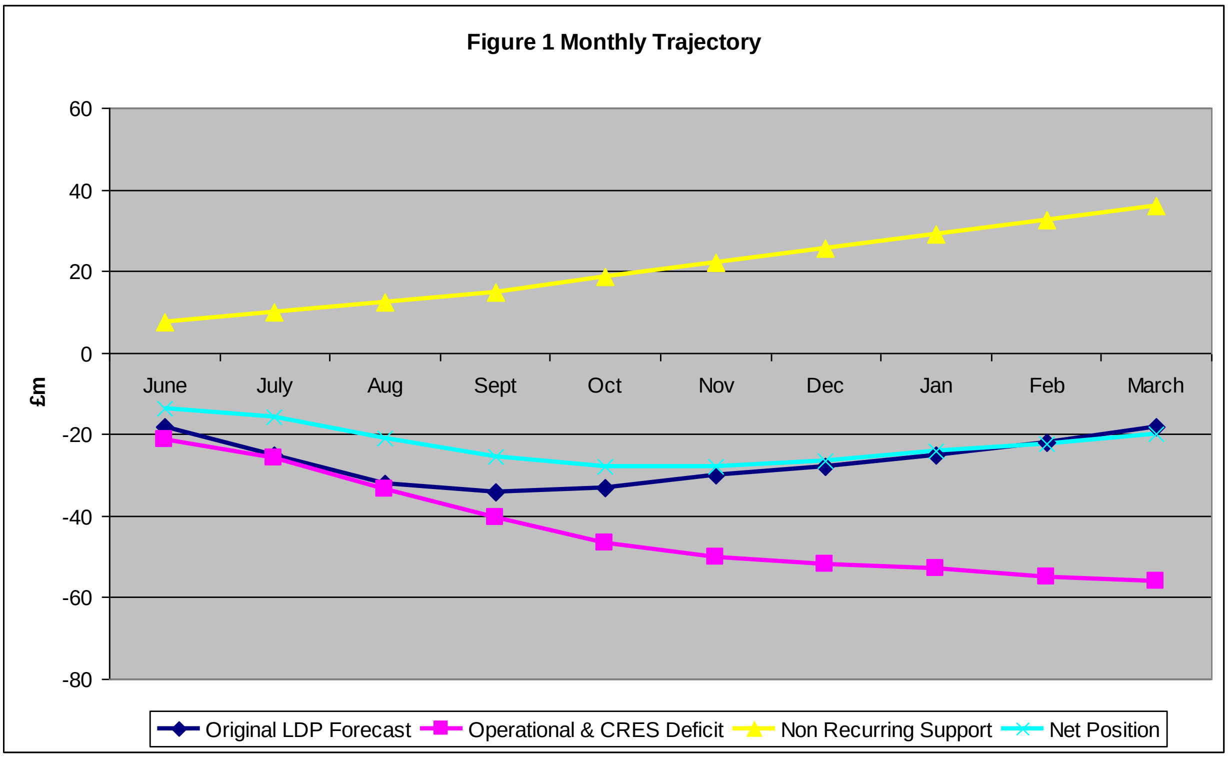
- Partnerships are reporting an expenditure overspend at Month 7 of £2.4m. This is mainly due to underachievement of CRES savings, though, as with Corporate, the schemes are expected to start to deliver savings later in the year and it is expected that all HSCPs will achieve a balanced year end position.

1. Key Figures and Comments (ctd.)

- The 2017/18 Financial Plan highlighted a financial gap of £18.5m (FYE). However, the savings schemes identified contained a high level of "red rated" risk and a number have slipped, or will not crystallise until the later part of the financial year. As such, the year end position was revised at Month 4 to a deficit of £26.0m.

- As part of the mid-year process, a comprehensive review of the initial Financial Plan assumptions, detailed analysis of every budgetary line and balance sheet assessments was undertaken. As a result, £6m of additional, in-year non-recurring support, has been identified and will be released in the last quarter.

- As such, the Board is currently predicting a year end deficit of £20m - reflected in Figure 1 below.



- 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	341.9	213.3	222.1	(8.8)
North Sector	186.5	113.4	118.5	(5.1)
Clyde Sector	172.8	105.2	108.3	(3.1)
Diagnostics Directorate	179.6	106.5	108.4	(1.9)
Regional Services	264.5	161.5	161.8	(0.3)
Women & Childrens Services	183.5	110.4	113.5	(3.1)
Acute Directorates	**1,328.8**	**810.3**	**832.6**	**(22.3)**
Acute Divisional Services	35.5	(0.7)	(0.7)	0.0
Total Acute Expenditure	**1,364.3**	**809.6**	**831.9**	**(22.3)**
Acute Income	(507.2)	(296.9)	(296.5)	(0.4)
Net Expenditure	**857.1**	**512.7**	**535.4**	**(22.7)**

- The Acute Division is reporting an expenditure overspend at Month 7 of £22.7m. Of this deficit £16.7m is related to unachieved savings, £4.8m is related to pay and £0.8m is associated to non-pay. There is an under recovery of income from NES of £0.4m so the overall position is a deficit of £22.7m at 31 October 2017.

- The main pressures in pay are associated with medical (£4.0m) and nursing (£2.1m) salaries with service demands and the requirement to cover sickness / absence and vacancy via bank and agency spend.

- Programmed reductions in agency have taken place since July 2017 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. Ten of the Board's "top 20" most expensive locums were replaced by October 2017, with another three due for replacement by January 2018. 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 total Acute savings target for the year is £62.1m. Of this annual target, £33.7m has been phased into Month 7, which has an achieved a level of £11.5m full year effect and £5.4m current year effect. The Board has allocated £11.7m of non-recurring relief for the year to date period hence the net deficit in CRES achievement of £16.7m at Month 7.

- There remains 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	48.7	29.2	29.7	(0.5)
Glasgow City - North East	160.0	93.9	93.4	0.5
Glasgow City - North West	175.2	102.6	102.6	0.0
Glasgow City - South	174.4	102.9	103.1	(0.2)
Resource Transfer	125.2	73.0	73.0	0.0
Glasgow HSCPs	**683.5**	**401.6**	**401.8**	**(0.2)**
East Dunbartonshire	84.6	49.0	48.7	0.3
East Renfrewshire	71.5	38.9	39.0	(0.1)
Inverclyde	84.1	48.8	48.8	0.0
hRenfrewshire	167.3	98.6	98.6	0.0
West Dunbartonshire	92.3	50.6	50.6	0.0
Non Glasgow HSCPs	**499.8**	**285.9**	**285.7**	**0.2**
Total HSCPs	**1,183.3**	**687.5**	**687.5**	**0.0**
Other Partnerships Budgets	**30.1**	**12.5**	**14.9**	**(2.4)**
Partnerships Non Integrated Budgets	**5.4**	**2.9**	**2.9**	**0.0**
Total Partnerships Expenditure	**1,218.8**	**702.9**	**705.3**	**(2.4)**
Total Partnerships Income	(59.8)	(35.5)	(35.5)	0.0
Net Expenditure	**1,159.0**	**667.4**	**669.8**	**(2.4)**

- Overall partnership budgets reported an overall overspend of £2.4m for the first seven months of the year largely due to legacy unachieved savings and an overspend in primary care prescribing as a result of drugs going on short supply. HSCPs collectively reported a breakeven position and this is expected to continue until the year end.

- The Board is continuing to underwrite any overall prescribing overspend that may arise during 2017/18 but this arrangement will not continue beyond 31 March 2018. The financial pressures due to short supply are a national issue, and discussions are ongoing at NHS Scotland level on dealing with this.

4. Corporate Directorates

Corporate Director Summary	Annual Budget £'000	YTD Budget £'000	YTD Actuals £'000	YTD Variance £'000
Board Medical Director	40.1	22.4	22.4	0.0
Centre For Population Health	1.4	0.7	0.7	0.0
Chief Executive	0.3	0.2	0.2	0.0
Corporate Affairs	3.5	3.2	3.0	0.2
Corporate Communications	0.8	0.5	0.5	0.0
Director of Corporate Planning & Policy	7.0	4.0	4.2	(0.2)
Director of Finance	11.6	5.8	6.0	(0.2)
Director of HI&T	72.6	41.0	41.0	0.0
Director of Human Resources	13.1	7.9	8.3	(0.4)
Director of Nursing	6.7	4.0	3.7	0.3
Director of Public Health	15.6	7.8	7.9	(0.1)
HQ Accommodation Costs	0.4	0.2	0.2	0.0
Other Corporate Expenditure	100.1	25.5	22.4	3.1
Property Procurement & Facilities Directorate	201.0	115.5	118.4	(2.9)
Service Planning	29.1	15.6	15.6	0.0
Total Corporate Expenditure	**503.3**	**254.3**	**254.5**	**0.0**

- Individual Corporate Directorates reported an overall overspend of £8.8m for the first seven months of the year although this was offset by an additional release of £8.8m of non recurring funding in October to allow an overall breakeven to be reported. Much of this overspend can be attributed to unachieved savings due to the timing of implementing savings plans in particular within the Property, Procurement and Facilities Management Directorates.

- Expenditure is running below budget for pay and non pay across all Directorates with an overall underspend of £2.7m against pay budgets and £2.7m in non pay. However, there is a shortfall of £8.4m against savings targets hence the overall breakeven at 31 October 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 31 October	62.5
Total Capital Resources for 2017/18	**62.5**
Expenditure to Date	
Expenditure to 31 October 2017	16.3
Balance to be spent or allocated by 31 March 2018	46.2
Total Forecast Expenditure for 2017/18	**62.5**

- 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 which has now been revised to £4.0m due to the timing of receipts. This has now increased to £62.5m 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 £8.8m. The indicative plans for 2018/19 and 2019/20 reflect unallocated capital of £5.5m and £3.1m respectively. Scottish Government have confirmed that the unallocated balance for 2017/18 will remain under the control of the Board and may be used to achieve the optimum capital and revenue out-turn for 2017/18

- Gross capital expenditure to 31 October 2017, amounted to £16.3m which reflects the normal seasonal pattern of capital spend.

- In addition, discussions are currently on-going with the Scottish Government around managing any further 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.