NHSGGC – Revenue Report

NHS Board

February 2018 (Paper 18/10)

Introduction

Purpose and Format of Report

The purpose of this report is to provide the Board with an update of the Board's current and projected financial position.

The format of the report covers ;

i) The Month 9 revenue position **(page 5 to 9);**

ii) The revenue projection to 31 March 2018 **(page 11- 14); and**

iii) The Month 9 capital position (and projection to 31 March 2018) **(page 16).**

The Board are asked to;

i) ***Note*** the revenue position at Month 9 and the projection to the 31 March 2018; and

ii) ***Note*** the capital position at Month 9 and the projection to the 31 March 2018.

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Introduction

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Introduction

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 (see separate section on year end projection). 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.

The Month 9 Revenue Position

Month 9 Position

Financial Performance – Month 9

This section of the report provides analysis of the financial position at 31 December 2017.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(42.1)	15.0	(27.1)
Partnerships	(5.5)	-	(5.5)
Corporate Directorates	(11.0)	11.3	0.3
Corporate Adjustments (additional N/R)	-	7.0	7.0
Gross/Net Financial Position at 31 December	**(58.6)**	**33.3**	**(25.3)**

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At 31st December 2017 the Board is reporting expenditure levels £25.3m over budget (Month 8 £29m). Although this is better than the Board's expected trajectory of £28m, the improvement is underpinned by the Board releasing £33.3m of non-recurring support.

Month 9 Position – Acute Services

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Financial Performance – Month 9 (Cont'd)

The Acute Division is reporting an expenditure overspend at Month 9 of £27.1m. Of this deficit £20.6m is related to unachieved savings, £5.0m is related to pay and £0.9m is associated with non-pay. The balance is an income under recovery of £0.6m. The monthly rate of overspend has reduced over the past few months across the Division.

The main pressures in pay are associated with medical (£4.6m) and nursing (£2.3m) salaries due to service demands and the requirement to cover sickness / absence and vacancy via bank and agency spend.

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	354.7	276.7	287.1	(10.4)
North Sector	191.6	146.7	153.2	(6.5)
Clyde Sector	177.2	135.8	139.4	(3.6)
Diagnostics Directorate	181.4	137.3	139.6	(2.3)
Regional Services	271.1	208.6	208.8	(0.2)
Women & Childrens Services	187.2	143.7	147.2	(3.5)
Acute Directorates	**1,363.2**	**1,048.8**	**1,075.3**	**(26.5)**
Acute Divisional Services	20.1	(1.9)	(1.9)	0.0
Total Acute Expenditure	**1,383.3**	**1,046.9**	**1,073.4**	**(26.5)**
Total Acute Income	(513.2)	(386.9)	(386.3)	(0.6)
Total Acute	**870.1**	**660.0**	**687.1**	**(27.1)**

Month 9 Position – Acute Services

Financial Performance – Month 9 (Cont'd)

Programmed reductions in agency have taken place since July 2017 which are designed to 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. 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.

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Month 9 Position – Corporate Directorates

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Financial Performance – Month 9 (Cont'd)

Corporate Directorates are reporting an expenditure underspend at Month 9 of £0.3m. However £11.3m of non recurring relief has been allocated to Directorates in order to arrive at the reported position.

Expenditure is running below budget for pay and non pay across all Directorates with an overall underspend of £3.6m against pay budgets and £5.9m in non pay. However, there is a shortfall of £9.3m against savings targets hence the overall position of £0.3m underspent at 31 December 2017.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	40.8	29.6	29.3	0.3
Centre For Population Health	1.4	0.9	0.9	0.0
Chief Executive	0.3	0.2	0.2	0.0
Corporate Affairs	3.5	3.1	2.8	0.3
Corporate Communications	0.8	0.6	0.5	0.1
Director of Corporate Planning & Policy	7.3	5.2	5.3	(0.1)
Director of Finance	15.3	6.4	6.9	(0.5)
Director of HI&T	72.5	53.1	53.2	(0.1)
Director of Human Resources	13.1	10.0	10.4	(0.4)
Director of Nursing	6.7	5.1	4.6	0.5
Director of Public Health	14.6	10.0	10.0	0.0
HQ Accommodation Costs	0.4	0.3	0.3	0.0
Other Corporate Expenditure	75.7	34.9	31.0	3.9
Property Procurement & Facilities Directorate	230.6	168.6	172.3	(3.7)
Total Corporate Expenditure	**483.0**	**328.0**	**327.7**	**0.3**

(the "Director of Corporate Planning and Policy budget will be reallocated to appropriate Directors in 2018/19)

Month 9 Position

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Financial Performance – Month 9 (Cont'd)

Partnerships are reporting an expenditure overspend at Month 9 of £5.5m. This is mainly due to the in year impact of increased expenditure within primary care prescribing as a result of a number of drugs going onto short supply resulting in considerable price increases. The latest estimate is that this will create a cost pressure to the Board of £8.0m in 2017/18.

Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Glasgow	685.1	515.7	515.8	(0.1)
East Dunbartonshire	84.7	63.0	62.6	0.4
East Renfrewshire	71.8	54.4	54.6	(0.2)
Inverclyde	84.0	62.5	62.5	(0.0)
Renfrewshire	167.6	126.6	126.6	0.0
West Dunbartonshire	92.5	72.3	72.3	(0.0)
Non Glasgow	**500.6**	**378.8**	**378.6**	**0.2**
Total HSCPs	**1,185.7**	**894.5**	**894.4**	**0.1**
Other Partnerships Budgets	**29.2**	**15.7**	**21.3**	**(5.6)**
Partnerships Non Integrated Budgets	**5.5**	**3.8**	**3.8**	**0.0**
Total Partnerships Expenditure	**1,220.4**	**914.0**	**919.5**	**(5.5)**
Total Partnerships Income	61.8	47.9	47.9	(0.0)
Net Expenditure	**1,158.6**	**866.1**	**871.6**	**5.5**

Projection to 31 March 2018

Projection to 31 March 2018

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This section of the report highlights the current projection to the year end.

The 2017/18 Financial Plan approved in June 2017 highlighted an £18.5m gap. Significant risk in identified savings schemes, and schemes crystallising late in the financial year, resulted in a revised projected year-end deficit of £26m at Month 4. The Board has implemented a range of actions, measures and monitoring procedures to control costs in year, improve "financial grip" and achieve medium to longer term financial sustainability.

This has involved significant focus on reducing non-pay spend, reducing overspends on nursing and medical locums, driving further efficiencies from prescribing and identifying additional sources of income and balance sheet management.

In terms of monitoring, the Chief Executive and the Director of Finance have held monthly review meetings with every Acute Director and every HSCP Chief Officer throughout the year.

Examples where positive impacts have been achieved include;

- Non-pay spend – A range of cost containment measures, such as standardise and rationalise programmes, and tighter financial control, have resulted in a significant reduction in the surgical sundries and CSSD recorded spend. Within the current year, there is a recorded Month 9 overspend of £0.8m compared to an overspend of £5.7m at Month 9 in 2016/17.
- Nursing spend – the primary focus on nursing spend in the early part of the year focused on premium rate agency nursing. A range of actions and close monitoring have reduced the spend to £1.2m for the first 9 months of 2017/18 compared to £3.1m for the first 9 months of 2016/17.

Projection to 31 March 2018

This section of the report highlights the current projection to the year end.

- Medical locums – 10 of the Board's "top 20" most expensive locums were replaced by October 2017, with another 5 due for replacement by January 2018. Whilst the financial impact should become evident in the final quarter, (although much of this relates to cost containment due to the inflationary increases in locum rates) increased control has reduced senior medical locum spend by £0.8m for the first 9 months of 2017/18 compared to 2016/17.
- Additional sources of income and balance sheet management – as part of the mid-year review, the Finance team have been working extensively to review the initial Financial Planning assumptions, additional sources of income and balance sheet management. As outlined above, this has already identified £6m of additional non-recurring in-year funding. Areas currently under review that look likely to yield further in-year benefit include activity performed for other Boards vis-a-vis additional SG Access Funding; slippage in the demolitions programme and assumptions and benchmarking around estimated balance sheet liabilities.
- HSCPs are all predicting a break-even position at 31 March 2018.

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Projection to 31 March 2018

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This section of the report highlights the current projection to the year end.

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 such, the year-end deficit position was revised to £20m at month 7 and £17.5m at Month 8. Whilst cost containment measures have resulted in a good operational financial result for Month 9, we continue to work hard to ensure savings are delivered, costs are contained and further sources of income and non-recurring funding are identified and maximised.

Due to the relentless operational pressures and the emerging unforeseen pressure around pharmacy short supply, the current projected year-end deficit remains at £15-£20m. This includes £8m of unforeseen financial pressure in relation to short supply drugs.

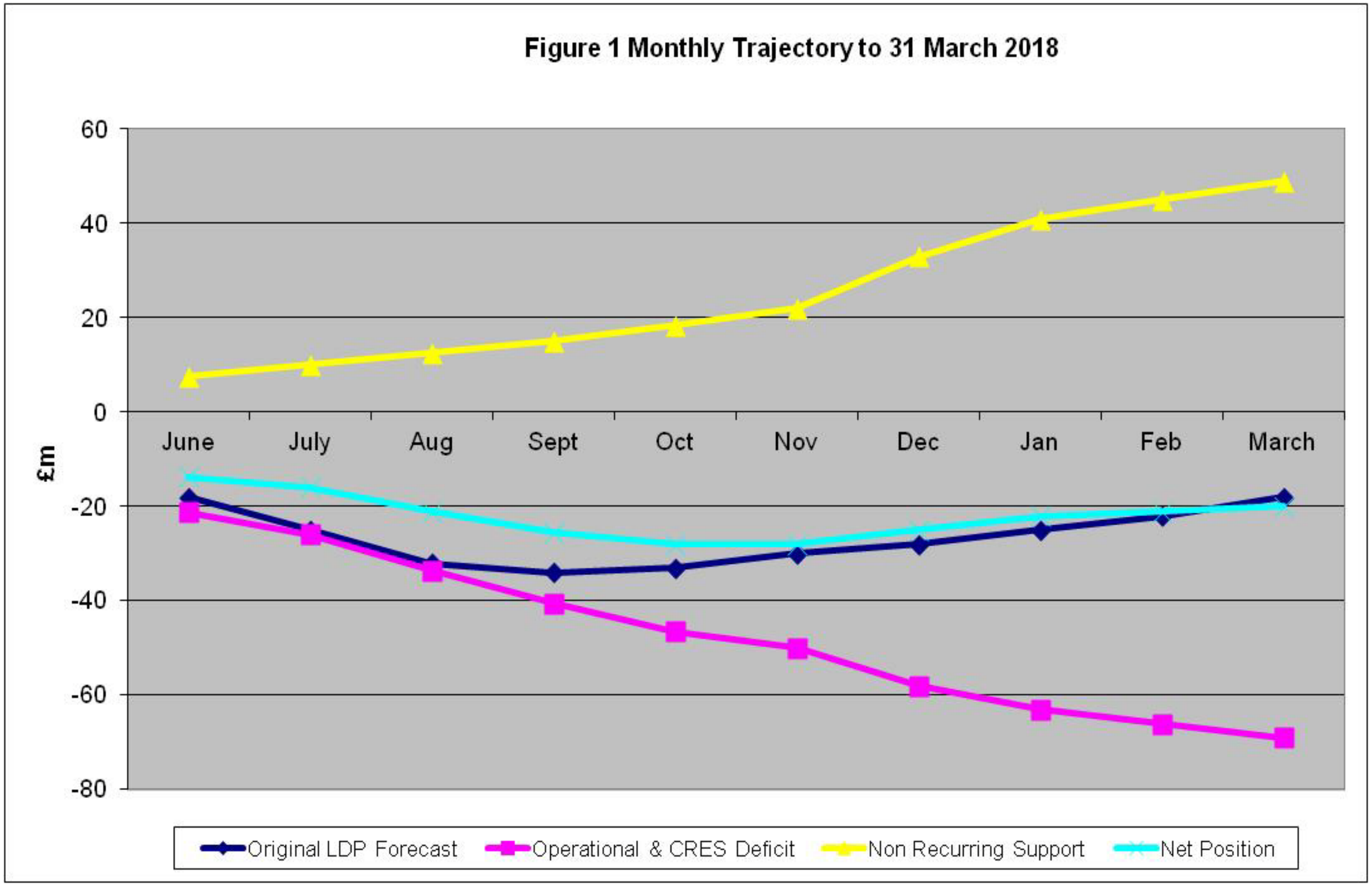
Recurring savings for the year are projected to be £41m (£23m Acute and £18m Corporate). This represents 40% of the target / 2% of baseline.

Key risks in this projection include further managing this drugs pressure, and controlling additional winter spend within additional budgets through January and February. The projected year end position is presented in the graph below.

The Scottish Government are fully aware of our financial position and the Board remain in discussions with the Scottish Government around the projected year end position and achieving break even. They remain supportive of the position and Executive leadership. Whilst the initial Financial Plan indicated the need for brokerage, it is not envisaged at this time that it will be required to achieve break-even.

Projection to 31 March 2018

This section of the report highlights the current projection to the year end



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Capital Position

Capital Position

This section of the report highlights the current capital position.

The initial level of Capital Resources (CRL) 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.

The overall level of resource was later increased to £62.5m as a result of capital receipts and reprogramming of the national Radiotherapy Equipment Replacement Programme.

Discussions with Scottish Government colleagues on how best to manage the Board's overall revenue and capital out-turn have resulted in a transfer of £10.0m from capital to revenue. This, and other minor adjustments have resulted in the CRL has been revised to £53.7m.

Gross capital expenditure to 31 December 2017, amounted to £21.4m which reflects the normal seasonal pattern of capital spend. The Board is currently predicting achievement of the CRL at 31 March 2018.

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	£m
Sources of Funds	
Anticipated Gross Capital Resources at 31 December	53.7
Total Capital Resources for 2017/18	**53.7**
Expenditure to Date	
Expenditure to 31 December 2017	21.4
Balance to be spent or allocated by 31 March 2018	32.3
Total Forecast Expenditure for 2017/18	**53.7**