NHS Greater Glasgow & Clyde

NHS Board Meeting

Mark White
Director of Finance

17 April 2018

Paper No: 18/20

Revenue and Capital Report for the period to 28 February 2018

Recommendation:-

The Board is asked to:

i) *Note* the revenue position at Month 11 and the projection to 31 March 2018; and
ii) *Note* the capital position at Month 11 and the projection to 31 March 2018.

Purpose of Paper:-

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

Key Issues to be considered:-

The Board is reporting a deficit of £8.2m for the 11 month period to 28 February 2018.

Despite the Month 11 position of an £8.2m overspend, the Board is predicting that achievement of in-year financial break-even may be possible.

Any Patient Safety /Patient Experience Issues:-

No

Any Financial Implications from this Paper:-

No

Any Staffing Implications from this Paper:-

No

Any Equality Implications from this Paper:-

No

Any Health Inequalities Implications from this Paper:-

No

Has a Risk Assessment been carried out for this issue? If yes, please detail the outcome:-

N/A

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

Efficient use of Resources

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Date – 9 April 2018

NHSGGC– Finance Report

Board Meeting

April 2018 (Paper 18/20)

Introduction

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Purpose and Format of Report

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

The Month 11 financial position was presented and debated at the Finance and Planning Committee of the 4th April 2018.

The format of the report covers:

i) The Month 11 revenue position **(page 3 to 7);**

ii) The revenue projection to 31 March 2018 **(page 8- 12); and**

iii) The Month 11 capital position (and projection to 31 March 2018) **(page 14).**

The Board is asked to:

i) ***Note*** the revenue position at Month 11 and the projection to 31 March 2018; and

ii) ***Note*** the capital position at Month 11 and the projection to 31 March 2018.

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The Month 11 Revenue Position

Month 11 Position

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Financial Performance – Month 11

This section of the report provides analysis of the financial position at 28 February 2018.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(47.6)	18.3	(29.3)
Partnerships	(8.2)	0.0	(8.2)
Corporate Departments	(12.8)	9.2	(3.6)
Corporate Adjustments (non recurring)	0.0	32.9	32.9
Gross/Net Financial Position at 28 February 2018	**(68.6)**	**60.4**	**(8.2)**

At 28 February 2018 the Board is reporting expenditure levels £8.2m over budget (Month 10 £15.3m). Although this is better than the Board's expected trajectory of £22m, the improvement is underpinned by £60.4m of non-recurring support.

Month 11 Position – Acute Services

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Financial Performance – Month 11 (Cont'd)

The Acute Division is reporting an expenditure overspend at Month 11 of £29.3m. Of this deficit £23.4m is related to unachieved savings, £4.6m is related to pay and £0.6m is associated with non-pay. The balance is an income under recovery of £0.7m. The monthly rate of overspend has considerably 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	365.8	339.1	350.4	(11.3)
North Sector	196.0	180.2	187.4	(7.2)
Clyde Sector	181.2	166.7	170.7	(4.0)
Diagnostics Directorate	183.9	168.9	170.7	(1.8)
Regional Services	276.8	254.9	254.7	0.2
Women & Childrens Services	190.5	175.8	180.3	(4.5)
Acute Directorates	**1,394.2**	**1,285.6**	**1,314.2**	**(28.6)**
Acute Divisional Services	9.0	8.8	8.8	0.0
Total Acute Expenditure	**1,403.2**	**1,294.4**	**1,323.0**	**(28.6)**
Total Acute Income	(520.4)	(476.0)	(475.3)	(0.7)
Total Acute	**882.8**	**818.4**	**847.7**	**(29.3)**

Month 11 Position – Corporate Directorates

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Financial Performance – Month 11 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 11 of £3.6m – underpinned by £9.2m of non recurring relief which has been allocated to Directorates to arrive at the reported position.

Expenditure is running below budget for pay and non pay across all Directorates with an overall underspend of £4.6m against pay budgets and £9.2m in non pay. However, there is a shortfall of £10.2m against savings targets (with the majority in Property, Procurement and Facilities) hence the overall position of £3.6m underspent at 28 February 2018.

`	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	40.9	36.6	36.2	0.4
Centre For Population Health	1.4	1.1	1.1	0.0
Chief Executive	0.3	0.2	0.2	0.0
Corporate Affairs	3.5	3.9	3.6	0.3
Corporate Communications	0.8	0.7	0.7	0.0
Director of Corporate Planning & Policy *	7.3	6.3	6.4	(0.1)
Director of Finance	15.5	9.1	9.7	(0.6)
Director of HI&T	72.5	65.7	65.4	0.3
Director of Human Resources	13.1	12.1	12.4	(0.3)
Director of Nursing	6.7	6.1	5.6	0.5
Director of Public Health	13.9	12.1	12.1	0.0
HQ Accommodation Costs	0.4	0.3	0.3	0.0
Other Corporate Expenditure	95.5	73.2	73.2	0.0
Property Procurement & Facilities Directorate	231.9	207.8	211.9	(4.1)
Total Corporate Expenditure	**503.7**	**435.2**	**438.8**	**(3.6)**

* - This budget will be reallocated to appropriate Directors in 2018/19

Month 11 Position - HSCPs

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Financial Performance – Month 11 (Cont'd)

Whilst each Partnership is broadly in balance at Month 11, the overall position is an overspend at Month 11 of £8.2m. This is mainly due to the in year impact of certain primary care drugs suffering increased prices due to global short supply. As the Board currently covers the risk of such price rises, there is a predicted cost pressure to the Board of £6.7m in 2017/18 and the impact will continue into 2018/19.

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	50.9	46.0	47.2	(1.2)
Glasgow City - North East	160.1	146.3	145.6	0.7
Glasgow City - North West	175.3	160.4	160.1	0.3
Glasgow City - South	175.0	160.4	160.2	0.2
Resource Transfer To Local Authority	125.1	114.7	114.7	0.0
Glasgow HSCP	**686.4**	**627.8**	**627.8**	**0.0**
East Dunbartonshire	84.6	76.7	76.3	0.4
East Renfrewshire	71.7	66.2	66.3	(0.1)
Inverclyde	83.9	76.0	76.0	0.0
Renfrewshire	167.6	154.3	154.3	0.0
West Dunbartonshire	93.1	85.5	85.5	0.0
Non Glasgow HSCPs	**500.9**	**458.7**	**458.4**	**0.3**
Total HSCPs	**1,187.3**	**1,086.5**	**1,086.2**	**0.3**
Other Partnerships Budgets	**35.7**	**24.0**	**32.5**	**(8.5)**
Total Partnerships Expenditure	**1,223.0**	**1,110.5**	**1,118.7**	**(8.2)**
Total Partnerships Income	(62.9)	(58.6)	(58.6)	0.0
Net Expenditure	**1,160.1**	**1,051.9**	**1,060.1**	**(8.2)**

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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 slipping to crystallise later in the financial year, resulted in a revised projected year-end deficit of £26m at Month 4.

In response, the Board increased and accelerated a range of actions, measures and monitoring procedures to control costs in year, improve "financial grip" and try to achieve financial balance in-year.

This 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 11 overspend of £0.1m compared to an overspend of over £5.0m 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 total agency to £1.6m for the first 11 months of 2017/18 compared to £3.4m for the first 11 months of 2016/17.

Projection to 31 March 2018

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- Medical locums – 10 of the Board's "top 20" most expensive locums were replaced by October 2017, with another 5 replaced 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 medical locum spend by £1.1m for the first 11 months of 2017/18 compared to 2016/17.

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. An exercise was also completed to identify additional sources of income and balance sheet management.

Continuing to adopt a prudent approach to managing the financial position, particularly considering potential winter pressures and the risks around achieving savings, the year-end projected deficit position was revised to £20m at month 7 and £17.5m at Months 8 and 9. This included £8m of unforeseen financial pressure in relation to short supply drugs.

At the turn of the calendar year, the success of the cost containment measures outlined above, coupled with the delivery of savings schemes and the management of winter pressures within the additional funding allocated by the Scottish Government, enabled the projected year-end deficit to be reduced to £15m – close to the initial estimate in the original Financial Plan.

Projection to 31 March 2018

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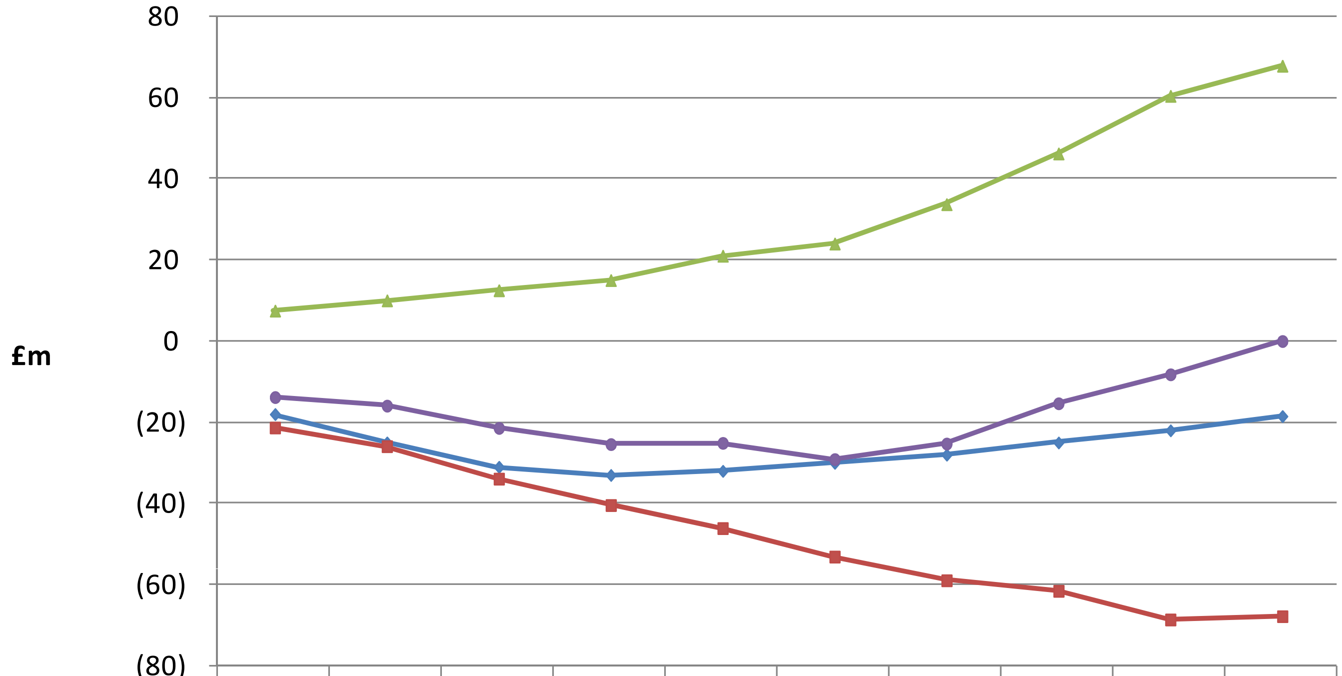
This section of the report highlights the current projection to the year end

At Month 11, this trajectory has continued and the projected deficit can therefore be reduced. In recent months further non recurring funding has been secured from the Scottish Government regarding unfunded beds and additional income secured from other NHS Boards for additional elective work performed in NHSGGC. In addition, estimates around a number of national forecast areas of spend have reduced, such as CNORIS costs and capital charges expenditure. This has also been evidenced through an initial, first, assessment of the Month 12 results.

As such, despite the Month 11 position of an £8.2m overspend, the Board is predicting that achievement of in-year financial break-even maybe possible. Close scrutiny and management of the financial position will continue as Month 12 is finalised, and we remain in close dialogue with the Scottish Government regarding the associated risks. The diagram below demonstrates the financial trajectory through the year, and the current projection to Month 12.

Projection to 31 March 2018

Figure 1 Monthly Trajectory



	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Original LDP Forecast	(18.0)	(25.0)	(31.0)	(33.0)	(32.0)	(30.0)	(28.0)	(25.0)	(22.0)	(18.5)
Operational & CRES Deficit	(21.3)	(25.9)	(33.9)	(40.4)	(46.1)	(53.1)	(59.0)	(61.5)	(68.6)	(67.8)
Non Recurring Support	7.5	10.0	12.5	15.0	21.0	24.0	33.7	46.2	60.4	67.8
Net Position	(13.8)	(15.9)	(21.4)	(25.4)	(25.1)	(29.1)	(25.3)	(15.3)	(8.2)	0.0

Original LDP Forecast — Operational & CRES Deficit — Non Recurring Support — Net Position

Capital Position

Capital Position

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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 £53.9m.

Gross capital expenditure to 28 February 2018, amounted to £29.6m which leaves £24.3m (45%) of the annual allocation to be spent in March. At 28 February the out-turn forecast was a potential underspend of £0.7m against the CRL but this is considered to be a manageable variance and therefore the Board is currently predicting achievement of the CRL at 31 March 2018.

	£m
Sources of Funds	
Anticipated Capital Resource Limit (CRL) at 28 February	53.9
Total Capital Resources for 2017/18	**53.9**
Expenditure to Date	
Expenditure to 28 February	29.6
Balance to be spent by 31 March 2018	24.3
Total Forecast Expenditure for 2017/18	**53.9**