NHSGGC– Finance Report

Board Meeting

June 2018 (Paper 18/29)

Introduction

Purpose and Format of Report

The purpose of this report is to provide the Board with an update of the year end out-turn position. It should be noted that a more detailed version of this report was presented to the May Finance and Planning Committee.

The format of the report covers:

i) The month 12 revenue position **(page 3 to 7);**

ii) Achieving breakeven at 31 March 2018 **(page 8- 12);**

iii) The month 12 capital position **(page 13-14).**

The Board is asked to:

i) ***Note*** the revenue position at month 12 and provisional out-turn for the year to 31 March 2018; and

ii) ***Note*** the capital position at month 12 and the provisional out-turn for the year to 31 March 2018.

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The Month 12 Revenue Position

Month 12 Position

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Financial Performance – month 12

This section of the report provides analysis of the financial position at 31 March 2018.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(47.9)	20.0	(27.9)
Partnerships	(7.6)	0.0	(7.6)
Corporate Departments	(14.3)	10.0	(4.3)
Corporate Adjustments (non recurring)	0.0	40.1	40.1
Gross/Net Financial Position at 31 March 2018	**(69.8)**	**70.1**	**0.3**

At 31 March 2018 the Board has reported expenditure levels £0.3m under budget (Month 11 £8.2m). However this out-turn is underpinned by £70.1m of non-recurring support.

Month 12 Position – Acute Services

Financial Performance – month 12 (Cont'd)

The Acute Division reported an expenditure overspend at month 12 of £27.9m. Of this deficit £24.5m is related to unachieved savings, £4.1m is related to pay and £0.7m is associated with non-pay. Additional income from Scottish Government of £2.1m for bed capacity helped to improve the position.

The monthly rate of overspend has reduced over the last quarter across the Division. The second half of the year has also witnessed an improvement in the run rate of variances across the Division. The month 7 cumulative pay pressure was £4.8m, compared to the total to month 12 of £4.1m. In terms of non-pay, the last 5 months have also shown a more favourable trend i.e. the month 7 cumulative overspend of £0.8m compared to a cumulative month 12 overspend of £0.7m.

The main overspends in pay remain associated with medical (£4.1m) and nursing (£2.6m) salaries due to service demands and the requirement to cover sickness / absence and vacancy via bank and agency spend.

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Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	372.0	372.0	383.6	(11.6)
North Sector	198.6	198.6	206.3	(7.7)
Clyde Sector	183.3	183.3	187.9	(4.5)
Diagnostics Directorate	185.9	185.9	187.6	(1.7)
Regional Services	281.6	281.6	281.1	0.5
Women & Childrens Services	194.9	194.9	199.1	(4.3)
Acute Directorates	**1,416.4**	**1,416.4**	**1,445.6**	**(29.3)**
Acute Divisional Services	(3.3)	(3.3)	(5.4)	2.1
Total Acute Expenditure	**1,413.1**	**1,413.1**	**1,440.3**	**(27.2)**
Total Acute Income	(534.0)	(534.0)	(533.3)	(0.7)
Total Acute	**879.0**	**879.0**	**906.9**	**(27.9)**

Month 12 Position – Corporate Directorates

Financial Performance – month 12 (Cont'd)

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Corporate Directorates reported an expenditure overspend at month 12 of £4.3m – underpinned by £10.0m of non recurring relief which has been allocated to Directorates to arrive at the reported position.

Expenditure was below budget for pay and non pay across all Directorates. However, this is offset by a shortfall against achievement of savings targets (with the majority in Property, Procurement and Facilities) resulting in the £4.3m overspend at 31 March 2018.

`	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	40.7	40.6	40.1	0.5
Centre For Population Health	1.4	1.4	1.4	0.0
Chief Executive	1.3	1.3	1.2	0.1
Corporate Affairs	3.5	3.5	3.4	0.1
Corporate Communications	0.8	0.8	0.8	0.0
Director of Corporate Planning & Policy *	7.9	7.9	7.9	0.0
Director of Finance	14.7	14.7	15.0	(0.3)
Director of eHealth	72.6	72.6	72.1	0.5
Director of Human Resources	13.0	13.0	13.3	(0.3)
Director of Nursing	6.2	6.2	5.8	0.4
Director of Public Health	13.8	13.8	13.8	0.0
HQ Accommodation Costs	0.4	0.4	0.4	0.0
Other Corporate Expenditure	53.2	53.2	53.5	(0.3)
Property Procurement & Facilities Directorate	231.8	231.8	236.8	(5.0)
Total Corporate Expenditure	**461.3**	**461.2**	**465.5**	**(4.3)**

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

Month 12 Position - HSCPs

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Financial Performance – month 12 (Cont'd)

Whilst each Partnership reported a breakeven out-turn at Month 12, the overall position was an overspend at month 12 of £7.6m. This is mainly due to the in year impact of primary care prescribing (£5.5m) including increased prices due to global short supply. In 2017/18 the Board has covered the risk of such price rises, under the "risk sharing arrangement". However , arrangement this will no longer apply in 2018/19.

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	52.0	52.0	53.1	(1.1)
Glasgow City - North East	161.3	161.3	160.5	0.7
Glasgow City - North West	176.8	176.8	176.6	0.3
Glasgow City - South	175.8	175.8	175.7	0.1
Resource Transfer To Local Authority	125.0	125.0	125.0	(0.0)
Glasgow HSCP	**690.9**	**690.9**	**690.9**	**0.0**
East Dunbartonshire	85.4	85.4	85.4	0.0
East Renfrewshire	73.0	73.0	73.0	0.0
Inverclyde	85.0	85.0	85.0	0.0
Renfrewshire	169.7	169.7	169.7	0.0
West Dunbartonshire	94.2	94.2	94.2	0.0
Non Glasgow HSCPs	**507.2**	**507.2**	**507.2**	**0.0**
Total HSCPs	**1,198.1**	**1,198.1**	**1,198.1**	**0.0**
Other Partnerships Budgets	29.6	29.6	37.2	(7.6)
Total Partnerships Expenditure	**1,227.7**	**1,227.7**	**1,235.3**	**(7.6)**
Total Partnerships Income	(64.6)	(64.6)	(64.6)	(0.0)
Net Expenditure	**1,163.1**	**1,163.1**	**1,170.7**	**(7.6)**

Achieving Breakeven at 31 March 2018

Projection to 31 March 2018

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This section of the report highlights how the Board achieved breakeven in 2017/18

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, Surgical Sundries was £0.021 underspent at month 12 compared to an overspend of £2.9m in 2016/17 and CSSD / Diagnostic Supplies were £0.235m overspent at month 12 compared to £0.832m in month 12 in 2016/17. Total non pay in 2017/18 was £0.706m overspent compared to £6.8m overspent 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 spend to £1.8m for 2017/18 compared to £3.6m for 2016/17.

Achieving Breakeven at 31 March 2018

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This section of the report highlights how the Board achieved breakeven in 2017/18

- Medical locums – 10 of the Board's "top 20" most expensive locums were replaced by October 2017, with another 5 replaced by January 2018. The benefits of this has become evident in the final quarter as increased control has reduced medical locum spend by £2m for 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. Further additional funding allocations, including a transfer from capital to revenue and additional non recurring savings in the final two months of the year enabled the Board to generate a total of £70.1m of non recurring funding therefore enabling a breakeven out-turn to be reported at 31 March 2018. Full details are shown in the table below.

The graph on page 12 shows the monthly trajectory for the year shows how non recurring funding was utilised in-year. This level of non recurring funding represents a significant risk to the Board's ability to achieve breakeven in future years.

Achieving Breakeven at 31 March 2018

Greater Glasgow and Clyde

This section of the report highlights how the Board achieved breakeven in 2017/18

The Financial Plan approved in June 2017 outlined a financial gap of £99m for the Board (£122m including IJBs). The Board achieved £42.6m of recurring savings.

The table below show how the Board's deficit was mitigated by £70.1m of non recurring funding to achieve the out-turn of £0.3m underspent at 31 March 2018.

The corresponding graph tracks the position from the original Financial Plan to the year-end position.

Description	Value £	Comment
Funding		
Additional DEL	20.0	Additional funding from SG.
Capital to Revenue	10.0	Agreed transfer from SG
Release of GRN Accruals	7.2	Normal in-year release.
Capital Charge Savings	6.8	Actual charges lower than budget. Agreed with SG.
CNORIS	4.6	Costs across Scotland lower than budgeted.
Road Traffic Income	3.4	Income accrual now included (2016/17 Audit recommendation)
Additional Acute Savings	3.3	Realised in the final quarter
Cladding Enabling	3.0	Sunk costs - within Acute & Corporate run rate.
New Medicines Fund	2.9	Funding across Scotland greater than budgeted
Gain on Sale of Lenzie	2.3	
Corporate Underspends	1.9	
2016/17 Surplus	1.2	Permitted to retain
Brookfield Multiplex Accrual Release	1.1	Agreement to reached and accrual no longer required.
Revenue from Schemes funded by Capital	1.1	Original plan was to fund from capital.
Healthcare Purchases Underspend	0.8	In-year underspend.
Modern Apprenticeships Underspend	0.5	In-year underspend.
Funding	**70.1**	

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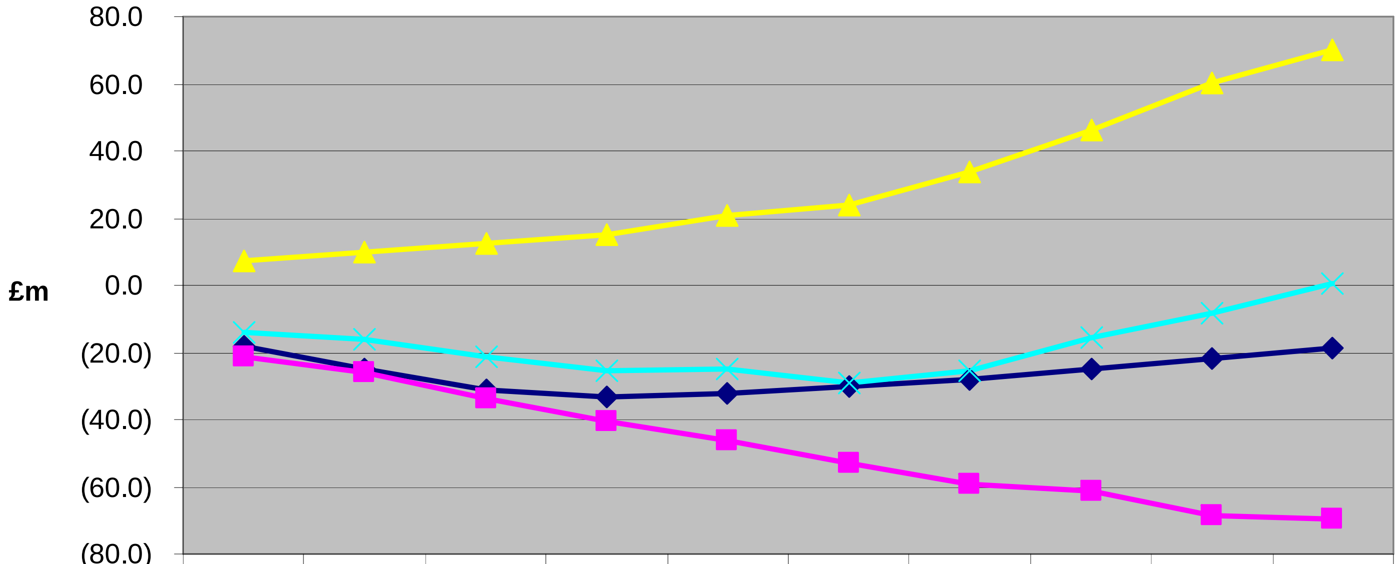
Achieving Breakeven at 31 March 2018

Monthly Trajectory 2017/18



	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
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)	(69.8)
Non Recurring Support	7.5	10.0	12.5	15.0	21.0	24.0	33.7	46.2	60.4	70.1
Net Position	(13.8)	(15.9)	(21.4)	(25.4)	(25.1)	(29.1)	(25.3)	(15.3)	(8.2)	0.3

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

Capital Position

Capital Position

NHS
Greater Glasgow and Clyde

This section of the report highlights the year end capital position

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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 was 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 gross CRL being revised to £52.8m.

One of the key financial targets that Health Boards are required to achieve each year is to operate within the CRL set by the SGHSCD. The Core CRL agreed with SGHSCD for 2017/18, and confirmed in the final year end allocation letter dated 30th April 2018, amounted to £46.2m.

Under NHS Accounting rules, Health Boards are required to compare net capital expenditure when comparing final spend against the Capital Resource Limit. The Board's net capital expenditure is derived by making certain adjustments to the total gross expenditure as detailed below.

Capital Position

This section of the report highlights the year end capital position

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Net Capital Expenditure	£m
Gross Capital Expenditure	52.8
<u>Other Adjustments</u>	
Less: Transfer to Revenue of expenditure which does not add value to the Board's Estate	-3.0
Less: NBV of Disposals in Year, including repayment of Subordinated Debt on Hub Schemes	-3.5
Net Capital Expenditure	46.3

Capital Outturn	£m
Core Capital Resource Limit	46.3
Net Capital Expenditure	46.3
Surplus on Core Capital Resource Limit	0.0

The Board has therefore operated within its capital Resource limit for 2017/18 subject to external audit confirmation.