

***NHSGGC – Revenue and Capital Report
Board Meeting
August 2018 (Paper 18/43)***



BOARD OFFICIAL

Purpose and Format



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 (revenue and capital), including the progress and position of the Financial Improvement Programme (FIP).

Members should note a version of this report was discussed in detail at the Finance and Planning Committee on the 7th August 2018.

The format of the report covers ;

- i) The Month 3 revenue position (page 4 to 8);
- ii) The Month 3 FIP position (page 10 to 16);
- iii) The revenue projection to 31 March 2019 (page 18 to 20)
- iv) The Month 3 capital position (page 22 to 23)

Members are asked to ;

- i) Note** the revenue position at Month 3 and the projection to 31 March 2019.
- ii) Note** the progress and current position with the FIP.
- iii) Note** the Month 3 capital position.

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Introduction

At 30 June 2018 the Board is reporting expenditure levels £9.7m over budget. This compares to £9.4m overspent at the previous month end and is better than the initial trajectory forecast of £14.5m.

The Financial Improvement Programme (FIP) Tracker currently records projects totalling **£50.3m on a FYE and £32.3m On a CYE**. Taking into account the need for a contingency to cover the pressures within the Acute Division and the use of non-recurrent funds to support the in-year financial challenge, the Board is predicting a £25m financial gap for 2018/19 (Month 2 prediction - £29m).

As such, in relation to the FIP, the challenge and focus remains;

- i) On converting all Gateway 1 projects to Gateway 2 and delivering the benefits;
- ii) Identifying further projects towards the £93m savings target.

In addition, and consistent with 2017/18, a major focus also remains on cost containment and financial grip to try and manage in-year and emergent financial pressures, particularly within the Acute Division in relation to medical and nursing costs. Robust budgetary control and monitoring and scrutiny will continue to form the cornerstone of this approach.

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The Month 3 Revenue Position

Month 3 Position

Financial Performance – Month 3

This section of the report provides analysis of the financial position at 30 June 2018.



Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(13.1)	0.0	(13.1)
Partnerships	0.4	0.0	0.4
Corporate Departments	(2.0)	0.0	(2.0)
Corporate Adjustments (non recurring)	0.0	5.0	5.0
Gross/Net Financial Position at 30 June 2018	(14.7)	5.0	(9.7)

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At 30 June 2018 the Board is reporting expenditure levels £9.7m over budget.

At this early stage of the year the Board has factored in £5.0m of non recurring relief to support the financial position. This relates to the proportionate share of the currently identified non-recurrent funds, estimated at £20m of the overall potential of £45m

Details of the financial performance of individual areas are shown below. This includes analysis of the key pressure areas – medical and nursing spend.

Month 3 Position – Acute Services

Financial Performance – Month 3 (Cont'd)



The Acute Division is reporting an expenditure overspend at Month 3 of £13.1m. Of this deficit £11.1m is related to unachieved savings, £1.6m is related to pay and £0.3m is associated with non-pay. The balance is an income under recovery of £0.2m. The rate of overspend in pay and non pay has improved from the month 2 position.

The main pressures in pay are associated with medical (£1.2m) and nursing (£1.2m) salaries due to service demands and the requirement to cover sickness / absence and vacancy via bank and agency spend. Medical and nursing pay budgets are a key focus for cost containment initiatives.

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	328.0	93.3	95.5	(2.2)
North Sector	183.5	49.1	50.9	(1.8)
Clyde Sector	168.8	45.8	46.7	(0.9)
Diagnostics Directorate	181.6	46.3	46.5	(0.2)
Regional Services	260.9	70.0	69.8	0.2
Women & Childrens Services	183.8	48.7	50.0	(1.3)
Acute Directorates	1,306.6	353.2	359.4	(6.2)
Acute Divisional Services	97.4	(10.3)	(3.6)	(6.7)
Total Acute Expenditure	1,404.0	342.9	355.8	(12.9)
Total Acute Income	(510.9)	(129.5)	(129.3)	(0.2)
Total Acute	893.1	213.4	226.5	(13.1)

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Month 3 Position – Corporate Directorates

Financial Performance – Month 3 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 3 of £2.0m.

Expenditure is running below budget for pay and non pay across all Directorates with an overall underspend of £1.5m against pay budgets and £1.0m in non pay. However, there is a shortfall of £4.5m against FIP savings targets hence the overall position of £2.0m overspent at 30 June 2018.



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	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	41.0	9.5	9.9	(0.4)
Centre For Population Health	0.3	0.3	0.3	0.0
Chief Executive	0.3	0.0	0.0	0.0
Corporate Affairs	3.7	0.9	0.7	0.2
Corporate Communications	0.8	0.2	0.2	0.0
Director of Finance	10.8	1.5	1.4	0.1
Director of eHealth	70.6	16.9	17.4	(0.5)
Director of Human Resources	12.7	3.3	3.2	0.1
Director of Nursing	6.1	1.6	1.5	0.1
Director of Public Health	17.0	3.6	3.7	(0.1)
HQ Accommodation Costs	0.4	0.1	0.1	0.0
Other Corporate Expenditure	116.7	14.7	15.3	(0.6)
Property Procurement & Facilities Directorate	228.2	58.1	59.0	(0.9)
Total Corporate Expenditure	508.6	110.7	112.7	(2.0)

Month 3 Position - Partnerships

Financial Performance – Month 3 (Cont'd)

Partnerships are reporting an expenditure underspend at Month 3 of £0.4m. At this stage primary care prescribing is being reported at a breakeven position, although there is only one month of expenditure data available for the year to date. This remains the most likely financial pressure area for HSCPs due to potential price increases due to short supply issues and the impact of a 3% reduction in the nationally agreed discount available to community pharmacists from certain suppliers from 1 January 2018.



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Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	45.9	8.7	9.0	(0.3)
Glasgow City - North East	155.1	39.3	38.9	0.4
Glasgow City - North West	176.7	44.7	44.7	0.0
Glasgow City - South	173.2	43.5	43.4	0.1
Resource Transfer To Local Authority	133.4	65.9	65.9	0.0
Glasgow HSCP	684.3	202.1	201.9	0.2
East Dunbartonshire	80.0	20.3	20.2	0.1
East Renfrewshire	70.6	17.4	17.4	0.0
Inverclyde	86.6	21.1	21.1	0.0
Renfrewshire	165.0	50.1	50.1	0.0
West Dunbartonshire	92.6	22.2	22.2	0.0
Non Glasgow HSCPs	494.8	131.1	131.0	0.1
Total HSCPs	1,179.1	333.2	332.9	0.3
Other Partnerships Budgets	42.6	9.8	9.7	0.1
Total Partnerships Expenditure	1,221.7	343.0	342.6	0.4
Total Partnerships Income	(55.7)	(13.5)	(13.5)	0.0
Net Expenditure	1,166.0	329.5	329.1	0.4

Financial Improvement Programme (FIP)

Financial Improvement Programme



The Financial Improvement Programme (FIP)

Organisational Wide and Sustainability and Value

As outlined in previous reports, to both the Board and the Finance and Planning Committee, management recognised the need for more organisational wide and centrally driven savings and efficiency initiatives. The Financial Improvement Programme (FIP) is a comprehensive programme to support the Board to return to recurring financial balance.

The programme, supported by external expertise, is based on a proven methodology, and is underpinned by a robust and comprehensive governance process. This includes a Programme Board led by the Director of Finance with both the Chief Executive and Employee Director as members. A Programme Management Office has been established (formerly the Sustainability and Value Group), with a dedicated full-time Programme Lead (internal transfer) and four dedicated project leaders.

Previous reports have included details of the governance process and the comprehensive supporting documentation.

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Progress to Date

The FIP has been running in earnest since mid February 2018. The process has involved a systematic and forensic analysis across every area of the Board to identify opportunities for savings and efficiencies. These have focused on areas of spend and working practices, identifying waste and the potential for efficiency improvements.

To date, 12 separate Workstreams have been identified, each led by an Executive sponsor, and allocated a cash savings target (totalling £93m). Each Workstream has a series of substreams, supported with dedicated program resource, including a finance and clinical lead (where relevant). A 13th Workstream has also been identified which relates to the 5 MSG targets and each is led by an HSCP Chief Officer.



The Financial Improvement Programme (FIP)

Gateway Review Process

The Gateway process is a key element of the FIP. In order to present the current progress of the FIP, it is important to outline the key elements the process.

There are 2 key stages;

- i) Gateway 1 captures all the key elements of the project – resources, personnel, outline scope, benefits and risks;
- ii) Gateway 2 captures more detail - ensuring the project is properly scoped, viable and will deliver the required benefits through a detailed project plan, risks and issues log, phasing of benefits and KPIs.

In line with previous years, savings schemes were identified within the Board and allocated a “risk rating” (green, amber or red) in terms of;

- i) achievability/likelihood;
- ii) accuracy of the projected saving;
- iii) extent of impact and consequences;
- iv) requirement for Board approval / public consultation.

Schemes allocated blue have been delivered and savings recognised in the financial ledger.

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Financial Improvement Programme

The Financial Improvement Programme (FIP)



As outlined above, a detailed Programme Tracker report captures the progress with the FIP, both on a project and individual Workstream lead basis.

At the time of drafting this report, the following is a summary of the position;

NHSGGC FIP Position 30/07 - Gateway 2				
	Project Totals		Risk Rating	Project Totals
	FYE £m			CYE £m
	2.1		Blue	2.1
	18.9		Green	14.6
	7.1		Amber	5.5
	1.7		Red	1.1
	29.8			23.3
NHSGGC FIP Position 30/07 - Gateway 1				
	Project Totals		Risk Rating	Project Totals
	FYE £m			CYE £m
	-		Blue	-
	0.03		Green	0.02
	6.5		Amber	3.6
	13.8		Red	5.4
	20.33			9.02
TOTAL	50.13			32.32

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Financial Improvement Programme

The Financial Improvement Programme (FIP)



The table above highlights the total projects split between those at Gateway 1 and those at Gateway 2. Also shown is the RAG scheme rating, with the in-year and full year effect financial benefit. It highlights that progress is **£50.13m on a FYE and £32.3m On a CYE.**

To demonstrate progress, Appendix 1 highlights the figures reported to the last Board meeting on 26th June 2018. Whilst progress on the overall number has slowed, there has been significant progress in reducing risks and in moving Programmes from Gateway 1 to Gateway 2.

The key focus remains on

- i) Converting all Gateway 1 projects to Gateway 2 and delivering the benefits;
- ii) Identifying further projects upto the £93m target set at the inception of the FIP.

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Financial Improvement Programme

The Financial Improvement Programme (FIP)

Progress and Key Benefits



As outlined above, the FIP Programme is currently highlighting total savings of £50.13m on a FYE and £32.3m On a CYE. Whilst this remains short of the overall £93m target, it is a vastly improved position at this stage of the year compared to 2016/17 and 2017/18.

Staff at all grades across the organisation have been working extensively in partnership with both the PMO and the appointed specialist external support. This has involved a significant time investment, through Workstream meetings, project groups and reporting through the FIP Executive.

As previously reported, Executive Management have been working in partnership with, external, temporary, expertise to drive the FIP.

The primary objective of the engagement was for the change management expert to provide expertise and experience around the NHSGGC cost savings and sustainability and value programme. This involved working with NHSGGC management to devise and design the delivery of the Financial Improvement Programme (FIP) to deliver sustainable financial balance, and transfer skills and knowledge to NHSGGC management.

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The Financial Improvement Programme (FIP)

Progress and Key Benefits



Progress with the FIP is based on several key pillars;

- i) The comprehensive methodology and governance process have introduced a level of discipline, rigour and consistency;
- ii) The time, focus and innovation to identifying, monitoring and managing savings programmes across the Executive and Senior Manager group has greatly increased;
- iii) Active Programmes to save money in new and complex areas of business;
- iv) The application of a more commercial approach to our interaction and provision of services to neighbouring Boards and external organisations;
- v) Reviews and subsequent improvement programmes around the procedures and practices in fundamental operational areas; and
- vi) A parallel programme to improve financial projections, budgetary control and scrutiny and accountability.

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The Financial Improvement Programme (FIP)

Challenges and Next Steps



The programme has started to impact on changing the organisational climate to focus on delivery of financial targets. However, in order to deliver the schemes currently listed on the tracker and close the existing 'gap' in savings target, Management are working to resolve a range of challenges;

- i) The size and diversity of the wider organisation creates challenges around ownership, accountability and can result in inefficient duplication and variation of service provision.
- ii) Ensuring penetration and impact of the FIP below general management level, including the clinical community.
- iii) Raising the prioritisation of service delivery, quality and finance and performance.
- iv) Increased focus on proactive planning rather than reactive actions.
- v) There is a prevailing belief that the organisation has achieved good CRES performance – it is not correct and confuses front-line staff.

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These challenges continue to be worked through to underpin successful delivery of the FIP.

The Scottish Government have been kept informed of progress with the FIP, and are fully supportive of the delivery model, including the use of external expertise.

Projection to 31 March 2019

2018/19 – Financial Projection



This section of the report highlights the current projected financial position

The table below highlights the current assessment of the projected 2018/19 financial position and out-turn. The initial financial assessment, outlined in the Operational Plan submitted to the Scottish Government in February 2018, highlighted a potential financial gap of £49m. The previous iteration of this Financial Plan presented to the Board in April 2018 highlighted the financial landscape and the requirement to utilise non-recurring funds to cash manage in-year.

Taking into account the current progress and position with the FIP (as outlined above), the finalisation of the 2017/18 accounts and Audit process, a comprehensive review of potential in-year pressures and costs and available non-recurrent sources, the Board are currently projecting a £25m in-year financial gap. This includes an in-year contingency of £9m to manage emerging in-year cost pressures, particularly in the Acute Division. The projected gap has reduced from £29m in June 2018.

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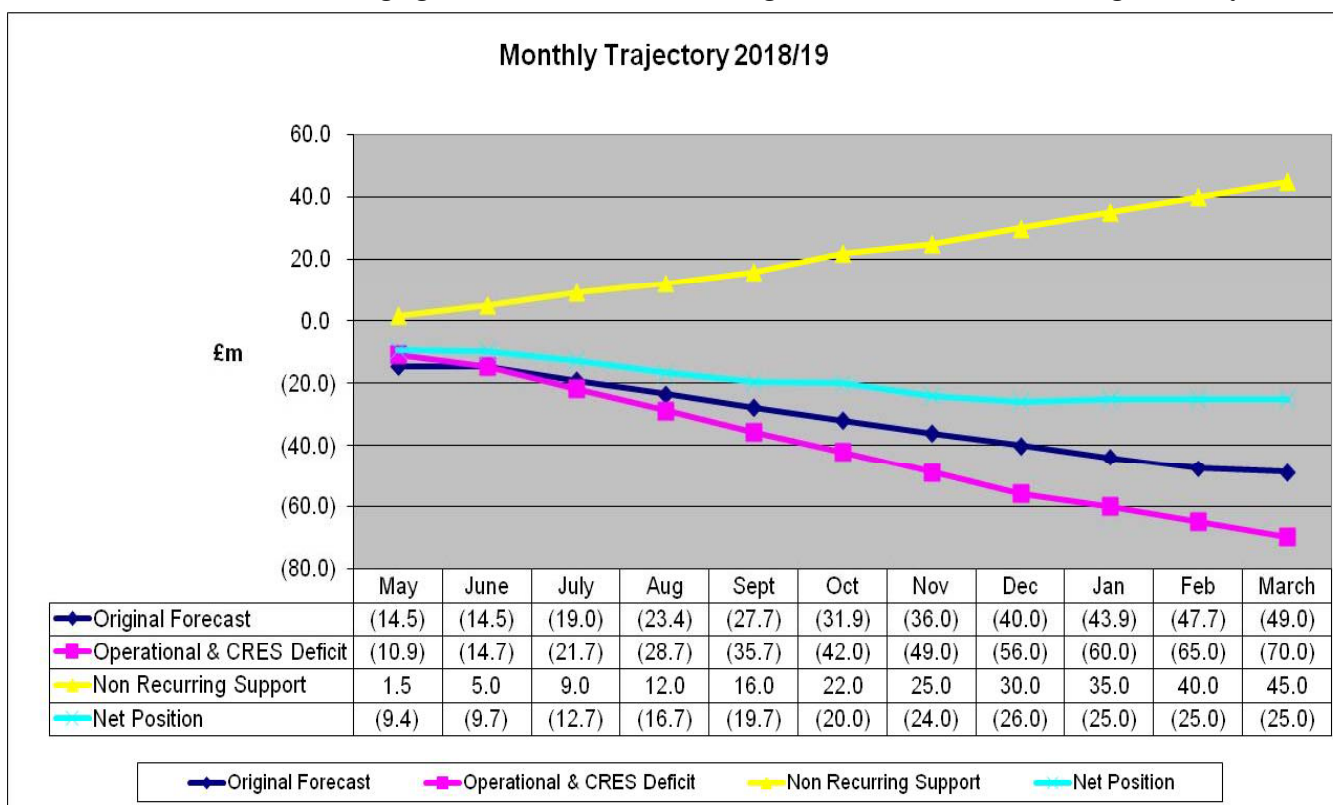
	£m CYE
Overall Savings Challenge – FIP Target	93
Assessment of potential in-year cost pressures	9
	102
Potential non-recurring sources	(45)
FIP identified to date	(32)
Projected in-year gap	25

Projection to 31 March 2019

Projection to 31 March 2019



The table below shows the inter-relationship between the monthly operational and FIP performance, provision of non recurring support and the impact on the Board's net position. Actual information for May and June has been included but the remaining figures are estimates at this stage and will be amended throughout the year.



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2018/19 – High Level Financial Plan

Current projected financial position



Moving Forward Together (MFT) and West of Scotland Regional Delivery Plan

The MFT Programme is NHSGG&C's transformational programme to deliver the National Clinical Strategy, Health and Social Care Delivery Plan and other associated National and Regional strategies and policies.

The aim of the Programme is to develop and deliver transformational change, aligned to National and Regional policies and strategies, and describe NHSGG&C's delivery plan across the health and social care services provided by our staff, which is optimised for safe, effective, person centred and sustainable care to meet current and future needs of our population.

The Programme is divided into four phases. A comprehensive report was presented to the June 2018 Board meeting.

In tandem with the MFT Programme is the West of Scotland Regional planning work. This extensive programme has been on-going for almost 12 months, with key NHSGGC Executive Managers playing leading roles.

As previously reported to the Board, the Scottish Government were due to publish their overall Financial Framework towards the end of June 2018. However, the appointment of a new Cabinet Secretary has resulted in a postponement of this. A separate report on the West of Scotland discussion document is included within these August Finance and Planning Committee papers.

Both of these projects are regarded as medium to longer term projects for the Board. As such, it is not anticipated they will yield material savings for the Board in 2018/19.

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Capital

The 2018/19 Capital Plan

The Board has developed a Capital Plan which responds to our clinical strategy and prioritises investment. The planned Capital Funding for 2018/19 will include:

- i) The Board's share of new national capital funding for 2018/19, which is made available on a formula basis to all Health Boards;
- ii) Ring-fenced funding for specific projects;
- iii) The capital (Net Book Value) element of those asset disposals where it has been agreed that the Board can retain proceeds for local use.

Capital Funding

The current forecast core capital resources available to the Board for investment in 2018/19 amount to just over £53.7m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £11.3m and an estimated amount of £4.8m in respect of Capital Receipts generated through property disposals. Since the start of the financial year a small amount of revenue funded capital expenditure, amounting to £0.2m has also been recognised.

The "ring-fenced specific funding" represents a direct allocation from SG. For 2018/19 this amount includes £5.3m in respect of the recently revised spend profile for the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans submitted to SGHSCD, and includes the proposed replacement of a PET Scanner, the timing of which is currently under review. Also included is an amount of £6m to be provided by SGHSCD for Cladding works at QEUH and RHC Hospitals.



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Capital Expenditure Highlights



- i) The programme of ward refurbishments continues at GRI with a £2.2m allocation being provided for an upgrade of Ward 30.
- ii) At the QEUH campus, provision for £2.2m for various Buildings' infrastructure upgrade schemes at the Institute of Neurosciences (INS) and the Neurology Building.
- iii) A £2.1m in year allocation to complete the £4.5m upgrade and redevelopment of the Intensive Care Unit at the RAH.
- iv) Additional medium secure forensic Mental Health accommodation at Stobhill Hospital through extending the existing Rowanbank Clinic. The initial in-year allocation is £4.2m and this figure will be reviewed as work continues on completing the Full Business Case.
- v) An overall allocation of £5m in respect of Medical Equipment replacement – planned to be split between emergency replacement and a planned replacement programme.
- vi) An earmarked amount of £3.7m for investment in e-Health priorities, including an allowance of £1.5m for the investment requirements associated with the development of Medicines Management (HEPMA).
- vii) Provision of £2m for the Board's Hub Schemes that are either underway or under development. For 2018/19 this includes investment in subordinated debt for the proposed new Health Centres at Clydebank and Greenock.

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An amount of £9m is currently included under Corporate schemes for local minor works projects. Similar to previous years, this allocation has been delegated to the Director of Estates and Facilities to address the top Building Infrastructure and Backlog maintenance priorities recorded in the Board's Estate Asset Management System (EAMS), in line with SGHSCD expectations.

The Plan currently includes £5m of unallocated capital. The CMT is currently prioritising a range of projects and working up detailed specifications.

Conclusion

Conclusion



Conclusion

The purpose of this report is to provide the F&P Committee with an update of NHSGGCs 2018/19 Month 3 revenue position, the progress and position with the FIP and the projected revenue out-turn at 31 March 2019.

The Month 3 financial position is £9.7m over budget, ahead of the initial trajectory of £14.5m. The majority of the deficit is attributable to unachieved savings, however pressures around medical and nursing costs have also emerged.

To mitigate this, the FIP has been launched, embedded and is receiving a significant amount of dedicated senior time and focus. Progress has been good to date, with the FIP Tracker currently recording projects totalling **£50.1m on a FYE and £32.3m On a CYE**. However, current progress needs to be improved.

The challenges required for success need to continue to be managed, with the challenge and focus remaining on;

- i) Converting all Gateway 1 projects to Gateway 2 and delivering the benefits;
- ii) Identifying further projects to the £93m target.

In addition, and consistent with 2017/18, a major focus will remain on cost containment and financial grip to try and manage in-year and emergent financial pressures. Robust budgetary control and monitoring and scrutiny will continue to form the cornerstone of this approach.

The full delivery of both local CRES, achievement of the FIP and cost containment processes will be required to ensure the NHS Board can break-even in-year.

In summary, Members are asked to;

- i) Note** the revenue position at Month 3 and the projection to 31 March 2019.
- ii) Note** the progress and current position with the FIP.
- iii) Note** the Month 3 capital position.

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Appendices

Appendix 1

Previous FIP Position (as reported to June Board)



NHSGGC FIP Position 18/06- Gateway 2			
	Project Totals FYE £m	Risk Rating	Project Totals CYE £m
	6.7	Green	6.1
	13.3	Amber	8.9
	3.1	Red	2.3
	23.1		17.3
NHSGGC FIP Position 18/06- Gateway 1			
	Project Totals FYE £m	Risk Rating	Project Totals CYE £m
	0.3	Green	0.3
	6.6	Amber	4.2
	16.3	Red	7.7
	23.2		12.2

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