

***NHSGGC – Revenue and Capital
Report to 31 August 2018
(Paper 18/54)***



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

The format of the report covers ;

- i) The Month 5 revenue position (pages 4 to 8);
- ii) The Month 5 FIP position (pages 9 to 13);
- iii) The revenue projection to 31 March 2019 (pages 14 to 17); and
- iv) The month 5 capital position (pages 18 to 20).

Members are asked to ;

- i) Note** the revenue position at Month 5 and the projection to 31 March 2019.
- ii) Note** the progress and current position with the FIP.
- iii) Note** the capital position at Month 5.

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Introduction



At 31 August 2018 the Board is reporting expenditure levels £16.3m over budget. This compares to £12.4m overspent at the previous month end but is better than the initial trajectory forecast of £23.4m.

The Financial Improvement Programme (FIP) Tracker currently records projects totalling circa **£51.2m on a FYE and £33.6m 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 £23m financial gap for 2018/19 (Month 3 prediction - £29m).

As such, 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.

The Finance team are also reviewing all current and potential sources of non-recurring income to ensure every opportunity is maximised.

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The Month 5 Revenue Position

Month 5 Position

Financial Performance – Month 5

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



Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(22.4)	0.0	(22.4)
Partnerships	0.6	0.0	0.6
Corporate Departments	(4.5)	0.0	(4.5)
Corporate Adjustments (non recurring)	0.0	10.0	10.0
Gross/Net Financial Position at 31 August 2018	(26.3)	10.0	(16.3)

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At 31 August 2018 the Board is reporting expenditure levels £16.3m over budget.

At this relatively early stage of the year the Board has factored in £10.0m of non recurring relief to support the financial position. This represents a relative portion of the prudent estimate of the available total.

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

Month 5 Position – Acute Services

Financial Performance – Month 5 (Cont'd)



The Acute Division is reporting an expenditure overspend at Month 5 of £22.4m. Of this deficit £18.7m is related to unachieved savings, £2.5m is related to pay and £0.9m is associated with non-pay. The balance is an income under recovery of £0.3m.

The main pressures in pay are associated with medical (£2.2m) and nursing (£1.9m) salaries due to; the inherent cost of providing certain services in particular geographical locations, 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	345.5	159.3	163.1	(3.8)
North Sector	190.3	83.5	86.3	(2.8)
Clyde Sector	175.1	78.0	79.8	(1.8)
Diagnostics Directorate	186.0	78.8	79.1	(0.3)
Regional Services	270.9	119.4	119.6	(0.2)
Women & Childrens Services	189.3	82.2	84.4	(2.2)
Acute Directorates	1,357.1	601.2	612.3	(11.1)
Acute Divisional Services	28.7	(15.3)	(4.3)	(11.0)
Total Acute Expenditure	1,385.8	585.9	608.0	(22.1)
Total Acute Income	(520.3)	(217.6)	(217.3)	(0.3)
Total Acute	865.5	368.3	390.7	(22.4)

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Month 5 Position – Corporate Directorates

Financial Performance – Month 5 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 5 of £4.5m.

Expenditure is running below budget for pay and non pay across all Directorates however there is a shortfall of £8.9m against FIP savings targets hence the overall position of £4.5m overspent at 31 August 2018.



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Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	43.3	17.4	17.4	0.0
Centre For Population Health	0.6	0.6	0.6	0.0
Chief Executive	0.3	0.1	0.1	0.0
Corporate Affairs	3.7	1.8	1.8	0.0
Corporate Communications	0.8	0.3	0.3	0.0
Director of Finance	11.8	3.9	3.9	0.0
Director of eHealth	63.4	28.6	29.4	(0.8)
Director of Human Resources	13.8	5.9	5.7	0.2
Director of Nursing	6.5	2.6	2.5	0.1
Director of Public Health	17.4	6.1	6.4	(0.3)
HQ Accommodation Costs	0.4	0.2	0.2	0.0
Other Corporate Expenditure	99.3	17.5	19.1	(1.6)
Property Procurement & Facilities Directorate	231.7	96.8	98.9	(2.1)
Total Corporate Expenditure	493.0	181.8	186.3	(4.5)

Month 5 Position - Partnerships

Financial Performance – Month 5 (Cont'd)

Partnerships are reporting an expenditure underspend at Month 5 of £0.6m. At this stage primary care prescribing is being reported at a breakeven position, based on the first three months 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 Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	39.4	14.6	15.2	(0.6)
Glasgow City - North East	156.4	65.7	65.2	0.5
Glasgow City - North West	179.3	74.5	74.7	(0.2)
Glasgow City - South	174.0	73.4	72.8	0.6
Resource Transfer To Local Authority	134.4	66.1	66.1	0.0
Glasgow HSCP	683.5	294.3	294.0	0.3
East Dunbartonshire	84.6	34.1	33.8	0.3
East Renfrewshire	70.2	29.1	29.1	0.0
Inverclyde	86.3	35.2	35.2	0.0
Renfrewshire	164.7	75.9	75.8	0.1
West Dunbartonshire	92.5	36.4	36.4	0.0
Non Glasgow HSCPs	498.3	210.7	210.3	0.4
Total HSCPs	1,181.8	505.0	504.3	0.7
Other Partnerships Budgets	46.1	16.4	16.5	(0.1)
Total Partnerships Expenditure	1,227.9	521.4	520.8	0.6
Total Partnerships Income	(56.9)	(23.6)	(23.6)	0.0
Net Expenditure	1,171.0	497.8	497.2	0.6

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 Board, 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.

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.

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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, together with a “league table” presentation. These various tables associated with the Tracker are presented in Appendix 2 to this report.

At the time of drafting this report (17th September), the following is a summary of the position.

NHSGGC FIP Position 17/09 - Gateway 2			
Project Totals FYE £m		Risk Rating	Project Totals CYE £m
4,422		Blue	4,552
22,147		Green	15,943
6,781		Amber	4,368
3,275		Red	2,671
36,625			27,534
NHSGGC FIP Position 17/09 - Gateway 1			
Project Totals FYE £m		Risk Rating	Project Totals CYE £m
-		Blue	-
2,037		Green	1,125
5,993		Amber	2,402
6,559		Red	2,603
14,589			6,130
TOTAL	51,214		33,664

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Financial Improvement Programme

The Financial Improvement Programme (FIP)



The table above and Appendix 2 highlight 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 **£51.2m on a FYE and £33.6m On a CYE**.

To demonstrate progress, Appendix 1 highlights the figures reported to the last Board meeting on 21st August 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.

The programme has started to impact on changing the organisational climate to focus on delivery of financial targets. However, there are a range of challenges in both identifying schemes to close the gap, and in delivering the more complex and organisational wide projects.

As such, Executive Management are currently in discussion with the Scottish Government to secure funding to strengthen the PMO and to enable dedicated subject matter expertise to be freed from internal roles to increase the rate of delivery across a range of workstreams.

In addition, the process of handover from our external advisers is currently being scoped. It is clear the current financial challenges will remain for some time and therefore the FIP has to become a permanent feature of the Board and very much business as usual.

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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), a comprehensive review of potential in-year pressures and costs and available non-recurrent sources, the Board are currently projecting a £23m 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 and £26m in August 2018.

	CYE £m
Overall Savings Challenge - FIP Target	93.0
Assessment of potential in year cost pressures	9.0
Financial challenge	102.0
Potential non recurring income sources	(45.0)
FIP identified to date	(34.0)
Projected in year gap for 2018/19	23.0

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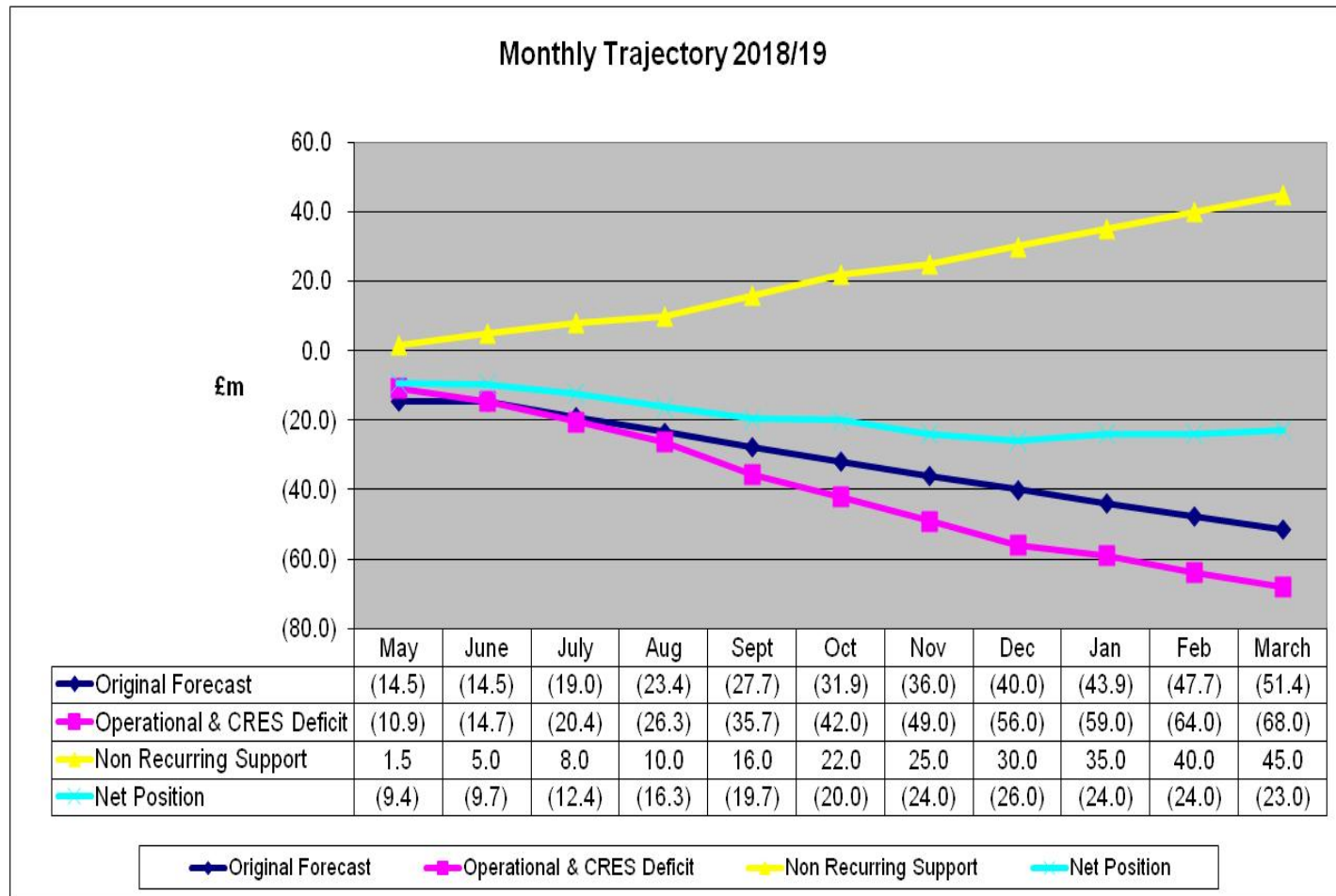
2018/19 – Financial Projection

This section of the report highlights the current projected financial position



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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 August 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.

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 Position

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 includes:

- 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 £51.9m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £8.9m and an estimated amount of £5.4m 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 £2.6m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans submitted to SGHSCD. This recognises a recent revision to the programme associated with the proposed replacement programme of a PET Scanner, which is now reflected in 2019/20. Also included is an amount of £6.0m to be provided by SGHSCD for Cladding works at QEUH and RHC Hospitals, together with £0.3m for investment in specific items of medical equipment.

The Board has agreed with SGHSCD that the capital element of property disposals planned for the next couple of years can be retained locally to support essential elements of its capital programme.



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Capital Expenditure Highlights



- i) The programme of ward refurbishments continues at GRI with a £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. It is forecast that the majority of the initial in-year allocation is £4.2m will be reprofiled into 2019/20 to reflect the latest programme of work that is being developed as part of 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 £2.0m 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.

An amount of £9.0m 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 £6m of unallocated capital. The CMT is currently prioritising a range of projects and working up detailed specifications.

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Conclusion

Conclusion



Conclusion

The purpose of this report is to provide the Board with an update of NHSGGCs 2018/19 Month 5 revenue position, the progress and position with the FIP and the projected revenue out-turn at 31 March 2019.

The Month 5 financial position is £16.3m over budget, ahead of the initial trajectory of £23.4m. 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 **£51.2m on a FYE and £33.6m 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 5 and the projection to 31 March 2019.
- ii) Note** the progress and current position with the FIP.
- iii) Note** the capital position at month 5.

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Appendices

Appendix 1

APPENDIX 1 - FIP Position Tracker Extract (17/09)



Pos	Workstream	Executive Lead	Workstream Target £000s	Plan FYE £000s	Benefits Forecast (PYE) £000s	FYE %	PYE %
1	5 Non Pay Controls	Mark White	1,000	1,932	1,915	193%	191%
2	11 Income & SLA	Mark White	5,000	5,212	5,369	104%	107%
3	7 Drugs	Jennifer Armstrong	10,000	10,140	7,249	101%	72%
4	3c Other Staffing - Admin	William Edwards	4,000	3,421	2,073	86%	52%
5	6 Estates and Facilities	Mary Anne Kane	10,500	5,919	5,204	56%	50%
6	9 P&E - Outpatients	Jonathan Best	4,000	3,285	1,600	82%	40%
7	5 Non Pay Procurement	Mark White	7,500	5,327	2,763	71%	37%
8	3a Other Staffing - Non admin and Pay	Anne McPherson	6,000	2,581	1,516	43%	25%
9	10 Financial Grip	Mark White	1,380	562	330	41%	24%
10	8 Clinical Practice	Jonathan Best	4,000	2,094	883	52%	22%
11	12 Restructure and Rationalisation	Mark White	3,000	900	635	30%	21%
12	9 P&E - Theatres	Jonathan Best	8,000	2,672	1,420	33%	18%
13	9 P&E - Beds	Jonathan Best	7,000	1,828	1,047	26%	15%
14	1 Medical Workforce	Linda de Caestecker	7,000	3,014	889	43%	13%
15	2 Nursing Workforce	Mags McGuire	9,000	767	343	9%	4%
16	9 P&E - Diagnostics	Jonathan Best	5,000	974	152	19%	3%
17	4 Workforce and Premium	Anne McPherson	350			0%	0%
18	9 P&E - WLI Controls	Jonathan Best	-	586	275		
	Grand Total		92,730	51,214	33,664	55%	36%

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Appendix 2

APPENDIX 2 - FIP Position Tracker Extract (17/09)



History Tracker Benefits £000s FYE

RAG and Workstream	30/07/2018	06/08/2018	13/08/2018	20/08/2018	27/08/2018	03/09/2018	10/09/2018	17/09/2018	24/09/2018	28/09/2018
Blue	2,160	2,201	2,201	2,201	2,729	3,039	2,781	4,421		
Green	18,956	19,335	20,228	24,046	24,205	24,422	24,552	25,176		
Amber	13,626	14,755	13,550	12,028	11,349	10,822	10,477	11,783		
Red	15,492	14,820	13,920	11,609	11,609	11,609	11,609	9,834		
Total Programme	50,234	51,110	49,899	49,884	49,892	49,892	49,418	51,214	-	-
Target Week	73,000	81,000	85,000	87,000	88,500	90,500	92,000	92,000	92,000	92,000
1 Medical Workforce	2911	2911	2911	2911	3014	3014	3014	3014		
2 Nursing Workforce	2500	2500	888	898	803	767	767	767		
3a Other Staffing - Non admin and Pay	2375	2375	2447	2447	2447	2638	2391	2581		
3c Other Staffing - Admin	3421	3421	3421	3421	3421	3421	3421	3421		
4 Workforce and Premium	0	0		0	0	0	0	0		
5 Non Pay Procurement	5647	6103	5852	5827	5827	5672	5327	5327		
5 Non Pay Controls	341	341	592	592	592	592	592	1932		
6 Estates and Facilities	5919	5919	5919	5919	5919	5919	5919	5919		
7 Drugs	9352	9725	9875	9875	9875	9875	9875	10140		
8 Clinical Practice	2094	2094	2094	2094	2094	2094	2094	2094		
9 P&E - Beds	1828	1828	1828	1828	1828	1828	1828	1828		
9 P&E - Outpatients	3285	3285	3285	3285	3285	3285	3285	3285		
9 P&E - Diagnostics	928	974	974	974	974	974	974	974		
9 P&E - Theatres	2553	2553	2553	2553	2553	2553	2672	2672		
9 P&E - WLI Controls	586	586	586	586	586	586	586	586		
10 Financial Grip	562	562	562	562	562	562	562	562		
11 Income & SLA	5032	5032	5212	5212	5212	5212	5212	5212		
12 Restructure and Rationalisation	900	900	900	900	900	900	900	900		
Grand Total	50234	51110	49899	49884	49892	49892	49419	51214	0	0

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Appendix 3

APPENDIX 3 - FIP Position Tracker Extract (30/07)



NHSGGC FIP Position 30/07 - Gateway 2			
Project Totals FYE £m	Risk Rating	Project Totals 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 FYE £m	Risk Rating	Project Totals CYE £m	
-	Blue	-	
0.03	Green	0.02	
6.5	Amber	3.6	
13.8	Red	5.4	
20.33		9.02	
TOTAL		32.32	

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