OFFICIAL SENSITIVE

NHSGGC – Month 11 Revenue and Capital Report

Board Meeting

April 2019(Paper 19/22)

Purpose and Format

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

The format of the report covers ;

i) The Month 11 revenue position (pages 4 to 9)

ii) The Month 11 FIP position (pages 10 to 14);

iii) The revenue projection to 31 March 2019 (pages 15 to 20).

iv) The Month 11 Capital position (pages 21 to 23)

This report was presented and the relevant approvals granted by the Finance and Planning Committee on the 2nd April 2019.

The Board are asked to ;

i) **Note** the revenue and capital position at Month 11 and the projections to 31 March 2019.

ii) **Note** the progress and current position with the FIP.

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Introduction

At 28 February 2019 the Board is reporting expenditure levels £2.5m over budget. This compares to £10.2m overspent at the previous month end and is significantly better than the initial trajectory forecast of £47.7m.

The Financial Improvement Programme (FIP) Tracker currently records projects totalling circa **£56.4m on a FYE and £40.3m 0n 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 breakeven position for 2018/19 (Month 9 prediction - £10m).

As such, the challenge and focus remains;

i) On converting all Gateway 1 projects to Gateway 2 and delivering the benefits either in the final month, or into 2019/20;

ii) Identifying further projects towards the £93m savings target; and

iii) Managing costs within current budgets in the last month.

Despite the recent Scottish Government announcement that Boards are now required to break-even over a three-year period, NHSGGC still has the primary objective to break-even each year. Considerable work has been undertaken throughout the year to eliminate the forecast deficit, particularly around achievement of savings, containing costs (known and emerging) and maximisation of non-recurring sources. The Board has worked closely with Scottish Government throughout the year to identify potential funding sources to close the forecast in year gap.

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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 2019.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(41.0)	0.0	(41.0)
Partnerships	3.6	0.0	3.6
Corporate Departments	(15.9)	0.0	(15.9)
Corporate Adjustments (non recurring)	0.0	50.8	50.8
Gross/Net Financial Position at 28 February 2019	**(53.3)**	**50.8**	**(2.5)**

At 28 February 2019 the Board is reporting expenditure levels £2.5m over budget.

The Board has factored in £50.8m 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.

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 £41.0m. Of this deficit £38.9m is related to unachieved savings, £0.3m is related to pay and £1.3m is associated with non-pay. The balance is an income under recovery of £0.5m.

Income/Expenditure by Directorate	Pay Variance £m	Non Pay Variance £m	FIP Variance £m	Total Variance £m
South Sector	(0.7)	(0.4)	(5.4)	(6.5)
North Sector	(2.0)	0.2	(3.1)	(4.9)
Clyde Sector	(1.3)	(0.3)	(3.3)	(4.8)
Diagnostics Directorate	2.4	(0.8)	(1.9)	(0.4)
Regional Services	2.0	0.4	(3.1)	(0.7)
Women & Childrens Services	(0.8)	(0.4)	(3.3)	(4.4)
Acute Directorates	**(0.3)**	**(1.3)**	**(20.1)**	**(21.7)**
Acute Divisional Services	0.0	0.0	(18.8)	(18.8)
Total Acute Expenditure	**(0.3)**	**(1.3)**	**(38.9)**	**(40.5)**
Acute Income				(0.5)
Total Acute	**(0.3)**	**(1.3)**	**(38.9)**	**(41.0)**

Month 11 Position – Acute Services

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Financial Performance – Month 11 (Cont'd)

The main pressures in pay are associated with medical (£2.9m) 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. The overspend in these areas has reduced throughout the year and with the exception of Junior Doctors are now effectively in financial balance.

Income / Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	385.6	357.6	364.1	(6.5)
North Sector	203.6	187.2	192.1	(4.9)
Clyde Sector	188.1	173.2	178.0	(4.8)
Diagnostics Directorate	189.9	174.1	174.5	(0.4)
Regional Services	291.8	268.1	268.8	(0.7)
Women & Childrens Services	201.3	183.8	188.2	(4.4)
Acute Directorates	**1,460.3**	**1,344.0**	**1,365.7**	**(21.7)**
Acute Divisional Services	(32.7)	(22.3)	(3.5)	(18.8)
Total Acute Expenditure	**1,427.6**	**1,321.7**	**1,362.2**	**(40.5)**
Acute Income	(544.3)	(496.0)	(495.5)	(0.5)
Total Acute	**883.3**	**825.7**	**866.7**	**(41.0)**

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 £15.9m.

Expenditure is running close to budget for pay and non pay across all Directorates however there is an overall shortfall of £14.8m against FIP savings targets hence the overall position of £15.9m overspent at 28 February 2019. The overspend in Public Health is mainly due to interpreting costs although the service has recently been redesigned which should result in reduced costs in 2019/20.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	43.5	38.9	38.6	0.3
Centre For Population Health	1.3	1.1	1.1	0.0
Chief Executive	0.3	0.3	0.3	0.0
Corporate Affairs	3.6	3.4	3.1	0.3
Corporate Communications	0.8	0.8	0.8	0.0
Director of Finance	14.8	10.8	10.7	0.1
Director of eHealth	67.2	57.3	57.2	0.1
Director of Human Resources	13.4	12.0	11.7	0.3
Director of Nursing	6.0	5.5	5.3	0.2
Director of Public Health	18.9	16.0	16.6	(0.6)
HQ Accommodation Costs	0.4	0.4	0.3	0.1
Other Corporate Expenditure	62.4	38.9	48.2	(9.3)
Estates and Facilities	237.1	214.9	222.3	(7.4)
Total Corporate Expenditure	**469.7**	**400.3**	**416.2**	**(15.9)**

Month 11 Position - Partnerships

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Financial Performance – Month 11 (Cont'd)

Partnerships are reporting an expenditure underspend at Month 11 of £3.6m. Any year end underspends will be transferred to reserves and this has been factored into the Board's out-turn forecast.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	47.5	37.1	36.7	0.4
Glasgow City - North East	162.5	148.0	146.2	1.8
Glasgow City - North West	185.2	165.5	165.9	(0.4)
Glasgow City - South	178.2	162.5	161.2	1.3
Resource Transfer To Local Authority	134.2	133.4	133.4	0.0
Glasgow HSCP	**707.6**	**646.5**	**643.4**	**3.1**
East Dunbartonshire	87.0	78.8	78.6	0.2
East Renfrewshire	72.7	65.2	65.2	0.0
Inverclyde	89.6	79.4	79.4	0.0
Renfrewshire	170.7	155.3	154.9	0.4
West Dunbartonshire	95.6	79.4	79.5	(0.1)
Non Glasgow HSCPs	**515.6**	**458.1**	**457.6**	**0.5**
Total HSCPs	**1,223.2**	**1,104.6**	**1,101.0**	**3.6**
Other Partnerships Budgets	46.6	41.1	41.1	0.0
Total Partnerships Expenditure	**1,269.8**	**1,145.7**	**1,142.1**	**3.6**
Total Partnerships Income	(61.7)	(55.8)	(55.8)	0.0
Net Expenditure	**1,208.1**	**1,089.9**	**1,086.3**	**3.6**

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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).

In addition, a range of cost containment initiatives have also been developed. Although they do not represent recurring savings, they have been included within the FIP to ensure the same rigour in terms of methodology, delivery and monitoring.

Financial Improvement Programme

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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.

At the time of drafting this report (25 March 2019) the following is a summary of the position.

NHSGGC FIP Position 21/03/19 - Gateway 2		
Project Totals	Risk Rating	Project Totals
FYE £m		CYE £m
31,047	Blue	26,919
1,751	Green	876
6,275	Amber	4,787
5,809	Red	2,895
44,882		35,477
NHSGGC FIP Position 21/03/19 - Gateway 1		
Project Totals	Risk Rating	Project Totals
FYE £m		CYE £m
-	Blue	-
-	Green	-
-	Amber	-
11,476	Red	4,849
11,476		4,849
56,358		40,326

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 **£56.4m on a FYE and £40.3m 0n a CYE.**

As part of the Mid-year Financial Review a comprehensive review of all the FIP schemes, known and emerging cost pressures, sources of income and non-recurring funds and the Balance Sheet, was undertaken. Together with an assessment of the risks and issues across each Workstream in conjunction with the PMO and our external advisors, a number of schemes were realised in the ledger, moved to Gateway 2 or had their risk rating amended.

Progress since month 10 can be summarised as;

i) An increase of £0.1m in the overall FYE number;

ii) An increase of £0.2m in the Gateway 2 FYE number;

iii) An increase of £4.8m in the “blue” rated schemes i.e. deemed as delivered and removed from the ledger.

Despite this progress, the overall recurring savings achieved and predicted is still expected to be significantly short of the £93m target. It is also clear that progress is variable across all the Workstreams.
Drugs, Non pay controls and Income have/will exceed the allocated targets, whilst Other Staffing, Outpatients and Estates and Facilities have made good progress.

Other Workstreams such as Medical and Nursing Workforce have made significant progress in improving processes and procedures, and whilst the progress to date has manifested itself in containing costs (refer above), recurring savings should be achievable towards the end of 2018/19 and into 2019/20.

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Financial Improvement Programme

The Financial Improvement Programme (FIP)

A number of other Workstreams, such as the Acute operational schemes around Theatres, Beds and Diagnostics have all made good progress in amending and improving underlying systems and processes. Real savings are always harder to achieve in these operational areas due to the absence of a link to actual income and the impact of any changes on performance. However, the focus remains on making sustainable improvements to our effectiveness and efficiency, and therefore as always expected, these Workstreams will yield benefits in the medium to longer term.

As such, the challenge and focus in the last month remains;

i) On converting all Gateway 1 projects to Gateway 2 and delivering the benefits in either 2018/19 or 2019/20; and

ii) Continuing to manage costs within current budgets in the last month.

In addition to the above, we are now to build on the learning from the FIP and identify and work up further Organisational wide initiatives to form the foundation of the Programme into 2019/20 and beyond.

This work includes an assessment of how all areas of the FIP fit with the Board's Moving Forward Together Programme, and the Government's Waiting Times Improvement Programme.

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Projection to 31 March 2019

2018/19 – Financial Projection

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This section of the report highlights the current projected financial position

The table on page 18 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 2019, highlighted a potential financial gap of £49m. The previous iteration of this Financial Plan presented to the Board in April 2019 highlighted the financial landscape and the requirement to utilise non-recurring funds to cash manage in-year.

As previously reported to the F&P Committee and the Board, that expected gap has reduced as the anticipated savings from the FIP have been increased, as certain initial assumptions have been updated and as certain costs have been funded and/or contained.

As outlined above, the Finance team recently completed the comprehensive Mid-year Review. This assessed all the FIP schemes, known and emerging cost pressures, sources of income and non-recurring funds and the Balance Sheet.

Progress with the FIP has been outlined above. Finance have also reviewed each Workstream and assessed the risks and challenges and taken that into account in the year end projection. In terms of the other key elements of cost pressures and non-recurring income, the following are the current key points ;

Cost Pressures

i) The water issue at the QUEH campus has created a projected revenue pressure of £1.5m.

ii) The fire at Stobhill will require £1.5m of demolition costs.

iii) The Scottish Government have allocated £2.1m towards Winter. An additional (upto) £4m has been accounted for within the revised Financial Plan.

2018/19 – Financial Projection

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This section of the report highlights the current projected financial position

In addition, the impact of the temporary closure of the Cowlairs Decontamination Unit and the potential settlement of paid-as-if-at-work claims are still being quantified and are not included within the current year end projection.

Income

i) The National New Medicines Fund is expected to yield £2m more than anticipated.

ii) An additional discount clawback and rebates of £1.5m is expected in relation to Acute prescribing.

Non-recurring Income / Accounting Adjustments

i) The capital charges budget is anticipated to be less than originally budgeted.

ii) The delay in major capital schemes such as Rowanbank creates scope for some transfer to revenue.

iii) The sale of the former Johnstone Hospital was confirmed in March 2019.

iv) Our accrual within the 2017/18 Accounts for road traffic income, as instructed by Audit Scotland, will require to be increased in-year following further analysis and more information.

Taking all the above into account, the amount of non-recurring income has continued to be prudently assessed and has not changed from the assumptions used throughout the year of £45m. Additional sources of funding have been identified during the year and this has enabled the financial forecast to be revised positively in recent months.

Taking all of the above into account, the Board is currently predicting a balanced out-turn at 31 March 2019.

2018/19 – Financial Projection

This section of the report highlights the current projected financial position

	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 - original estimate	(45.0)
Additional cost reductions/ non recurring funding identified	(17.0)
FIP identified to date	(40.0)
Projected in year gap for 2018/19	**0.0**

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Despite the recent Scottish Government announcement that Boards are now required to break-even over a three-year period, NHSGGC still has the primary objective to break-even each year. Considerable work has been undertaken throughout the year to eliminate the forecast deficit, particularly around achievement of savings, containing costs (known and emerging) and maximisation of non-recurring sources. The Board has worked closely with Scottish Government throughout the year to identify potential funding sources to close the forecast in year gap.

2019/19 – Financial Projection

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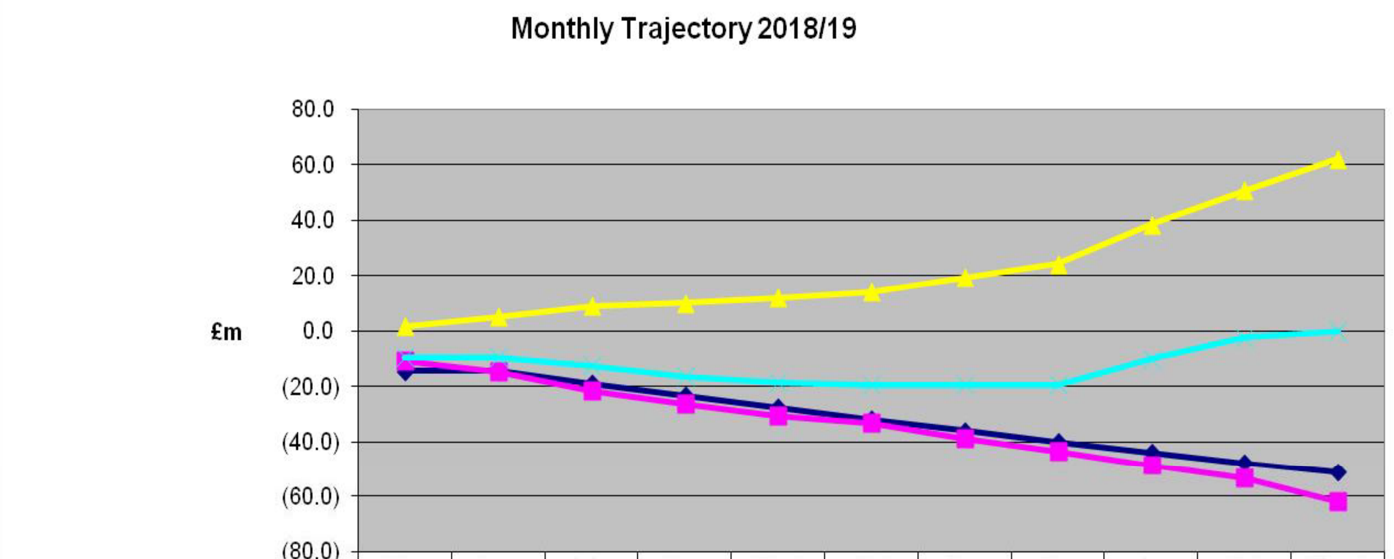
This section of the report highlights the current projected financial position



	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March
Original Forecast	(14.5)	(14.5)	(19.0)	(23.4)	(27.7)	(31.9)	(36.0)	(40.0)	(43.9)	(47.7)	(51.4)
Operational & CRES Deficit	(10.9)	(14.7)	(21.7)	(26.3)	(30.5)	(33.3)	(38.8)	(43.5)	(48.6)	(53.3)	(62.0)
Non Recurring Support	1.5	5.0	9.0	10.0	12.0	14.0	19.3	24.2	38.4	50.8	62.0
Net Position	(9.4)	(9.7)	(12.7)	(16.3)	(18.5)	(19.3)	(19.5)	(19.3)	(10.2)	(2.5)	0.0

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

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. Reports have been presented to recent Board meetings and an update is being provided to this 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.

The Scottish Government published in Mid October 2018 their National Financial Framework which projected forward the funding landscape for Health and Social Care up to 2023/24. This Framework included a range of assumptions around Barnett consequentials, future levels of funding and demographic changes.

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Capital Position

Capital Position

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The 2018/19 Capital Position

The Board developed a Capital Plan which responded 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.

The core capital resources available to the Board for investment in 2018/19 amounted to £59.6m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £18.4m and an estimated amount of £3.8m 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 £0.4m 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. Also included is an amount of £6m 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, £1.5m for investment to support Energy Efficiency schemes at GRI and £1.6m for minor works across the estate.

Capital Position

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Other major areas of spend have been;

i) The programme of ward refurbishments continues at GRI with a £1.8m spent on the 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 on the upgrade and redevelopment of the Intensive Care Unit at the RAH.
iv) An overall allocation of £5m in respect of Medical Equipment replacement –split between emergency replacement and a planned replacement programme.
v) An earmarked amount of £4.0m for investment in e-Health priorities, including an allowance of £1.5m for the investment requirements associated with the development of Medicines Management (HEPMA).

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.

One key area of change within the Capital Plan has been the deferment of spend into 2019/20 in relation to the proposed extension of additional medium secure forensic Mental Health accommodation at Stobhill Hospital through extending the existing Rowanbank Clinic. This is pending the outcome of a national review of pathways for women through Forensic Mental Health services, and to enable the completion of a review of low-secure provision.

Of the £59.6m allocated, allowing for a £10m re-provision to revenue, the Board is predicting it will achieve its Capital Resource Limit (CRL) at 31st March 2019.

Conclusion

Conclusion

Greater Glasgow and Clyde

Conclusion

The purpose of this report is to provide the Board with an update of NHSGGCs 2018/19 Month 11 revenue position, the progress and position with the FIP and the projected revenue out-turn at 31 March 2019.

The Month 11 financial position is £2.5m over budget, ahead of the initial trajectory of £47.7m. However, £50.8m of non recurring support has been applied to reduce the underlying operational deficit the majority of which is attributable to unachieved savings. However, there has been evidence of cost containment, the medical and nursing budgets reaching in month balance, a range of cost pressures within Estates and Facilities have emerged in-year.

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 **£56.4m on a FYE and £40.3m 0n 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 breakeven position for 2018/19 (Month 9 prediction - £10m).

In summary, Members are asked to;

i) **Note** the revenue and capital position at Month 11 and the projection to 31 March 2019.
ii) **Note** the progress and current position with the FIP.

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