OFFICIAL SENSITIVE

NHSGGC – Month 3 Revenue and Capital Report

Board Meeting

August 2019(Paper 19/44)

Purpose and Format

Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 3 financial position, including the progress and position of the Financial Improvement Programme (FIP).

The format of the report covers;

i) The Month 3 revenue position (pages 4 to 10)

ii) The Month 3 FIP position (pages 11 to 14)

iii) The Month 3 capital position (pages 15 to 17)

The Board are asked to ;

i) Note the revenue position at Month 3.

ii) Note the position with the FIP.

iii) Note the capital position at Month 3.

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Introduction

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Introduction

At 30 June 2019 the Board is reporting expenditure levels £11.1 m over budget (Month 2 £8.1m over).

The Financial Improvement Programme (FIP) Tracker currently records projects totalling circa £13.4m on a FYE and £14.1m 0n a CYE.

The 2019/20 Financial Plan presented to the Board identified a potential "gap" of £20m at 31 March 2020. In addition, the Financial Improvement schemes identified in the later part of this report still include a significant level of "red rated" risk and a number may not crystallise until the later part of the financial year.

In order to minimise the forecast deficit the Board continues to work to:

- Identify additional financial improvement schemes (both locally and nationally);
- Focus on delivering existing schemes, reduce the risk rating and increase the potential yield;
- Identify additional sources of income and balance sheet management opportunities; and
- Manage the capital allocation to ensure an optimal outturn for the Board.

In addition, Executive Management will continue to liaise and work closely with Scottish Government colleagues to jointly monitor finance and performance to determine possible actions and/or in-year support.

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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 2019.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(13.5)	0.0	(13.5)
Partnerships	1.5	0.0	1.5
Corporate Departments	(5.1)	0.0	(5.1)
Corporate Adjustments (non recurring)	0.0	6.0	6.0
Gross/Net Financial Position at 30 June 2019	**(17.1)**	**6.0**	**(11.1)**

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At 30 June 2019 the Board is reporting expenditure levels £11.1m over budget.

The Board has factored in £6.0m of non recurring to support the financial position. This is proportionate to the amount currently estimated to be available for the year.

Details of the financial performance of individual areas are shown below. This includes analysis of the key pressure areas.

Month 3 Position – Acute Services

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Greater Glasgow and Clyde

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Financial Performance – Month 3 (Cont'd)

The Acute Division is reporting an expenditure overspend at Month 3 of £13.5m. Of this deficit £12.9m is related to unachieved savings, £0.1m is related to pay and £0.5m is associated with non-pay.

Income/Expenditure by Directorate	Pay Variance £m	Non Pay Variance £m	FIP Variance £m	Total Variance £m
South Sector	0.2	(0.2)	(3.3)	(3.3)
North Sector	(0.7)	(0.2)	(1.9)	(2.8)
Clyde Sector	(0.2)	(0.1)	(1.7)	(2.0)
Diagnostics Directorate	0.6	(0.1)	(1.6)	(1.1)
Regional Services	0.3	0.1	(2.4)	(2.0)
Women & Childrens Services	(0.3)	0.0	(2.0)	(2.3)
Acute Directorates	**(0.1)**	**(0.5)**	**(12.9)**	**(13.5)**
Acute Divisional Services	0.0	0.0	0.0	0.0
Total Acute Expenditure	**(0.1)**	**(0.5)**	**(12.9)**	**(13.5)**
Acute Income				0.0
Total Acute	**(0.1)**	**(0.5)**	**(12.9)**	**(13.5)**

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Month 3 Position – Acute Services

Financial Performance – Month 3 (Cont'd)

The main pressures in pay are associated with medical £0.6m and nursing £0.4m salaries due to the inherent cost of providing certain services in particular geographical locations, service demands (particularly in A&E attendances) 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 and the overspends in these areas has reduced throughout the last 11 months.

The main non pay pressure is within prescribing which shows an overspend of £0.3m for the first 3 months of the year. The impact of the financial pressures associated with ultra-orphan drugs are beginning to have an impact.

Income/Expenditure by Directorate	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
South Sector	348.2	98.1	101.4	(3.3)
North Sector	196.7	51.7	54.5	(2.8)
Clyde Sector	182.0	48.4	50.4	(2.0)
Diagnostics Directorate	190.7	48.2	49.3	(1.1)
Regional Services	279.0	75.1	77.1	(2.0)
Women & Childrens Services	197.4	51.8	54.1	(2.3)
Acute Directorates	**1,394.0**	**373.3**	**386.8**	**(13.5)**
Acute Divisional Services	24.1	(7.1)	(7.1)	0.0
Total Acute Expenditure	**1,418.1**	**366.2**	**379.7**	**(13.5)**
Acute Income	(540.0)	(136.5)	(136.5)	0.0
Total Acute	**878.1**	**229.7**	**243.2**	**(13.5)**

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Month 3 Position - Partnerships

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Greater Glasgow and Clyde

Financial Performance – Month 3 (Cont'd)

Partnerships reported an expenditure underspend at Month 3 of £1.5m. Prescribing expenditure is reported at breakeven for the first quarter of the year as practice budgets are still being finalised and due to the 2 month delay between prescriptions being dispensed and the financial information being processed by Practitioner Services Division.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	34.7	10.0	9.4	0.6
Glasgow City - North East	165.4	41.5	41.1	0.4
Glasgow City - North West	190.1	47.0	46.9	0.1
Glasgow City - South	183.0	45.6	45.2	0.4
Resource Transfer To Local Authority	143.8	31.5	31.5	0.0
Glasgow HSCP	**717.0**	**175.6**	**174.1**	**1.5**
East Dunbartonshire	83.0	21.5	21.5	0.0
East Renfrewshire	72.6	17.0	17.0	0.0
Inverclyde	89.8	22.2	22.2	0.0
Renfrewshire	172.5	44.2	44.2	0.0
West Dunbartonshire	95.9	22.4	22.4	0.0
Non Glasgow HSCPs	**513.8**	**127.3**	**127.3**	**0.0**
Total HSCPs	**1,230.8**	**302.9**	**301.4**	**1.5**
Other Partnerships Budgets	41.6	10.4	10.4	0.0
Total Partnerships Expenditure	**1,272.4**	**313.3**	**311.8**	**1.5**
Total Partnerships Income	(70.7)	(21.4)	(21.4)	0.0
Net Expenditure	**1,201.7**	**291.9**	**290.4**	**1.5**

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Month 2 Position – Corporate Directorates

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Financial Performance – Month 3 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 3 of £5.1m. Expenditure is running close to budget for pay and non pay across all Directorates however there is an overall shortfall of £4.0m against FIP savings targets mainly within the Estates and Facilities Directorate hence the overall position of £5.1m overspent at 30 June 2019.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	46.1	11.1	11.2	(0.1)
Centre For Population Health	1.3	0.2	0.2	0.0
Corporate Affairs	4.0	1.0	1.4	(0.4)
Corporate Communications	0.8	0.2	0.2	0.0
Director of Finance	11.0	0.9	1.0	(0.1)
Director of eHealth	67.9	15.1	15.4	(0.3)
Director of Human Resources	17.9	4.4	4.5	(0.1)
Director of Nursing	6.1	1.4	1.3	0.1
Director of Public Health	14.4	2.8	2.9	(0.1)
HQ Accommodation Costs	0.3	0.1	0.1	0.0
Other Corporate Expenditure	107.3	12.5	12.8	(0.3)
Estates and Facilities	239.6	59.7	63.5	(3.8)
Total Corporate Expenditure	**516.7**	**109.4**	**114.5**	**(5.1)**

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Financial Performance – Month 3 (Cont'd)

Emerging Financial Pressures

The Organisation is experiencing a range of emerging financial pressures in-year which are impacting on the current deficit position and the forecast year end out-turn. These can be summarised as follows;

i) **Outcomes Framework** – The Scottish Government wrote to every territorial Board at the end of June informing a 5% cut in the Outwork Framework funding. For NHSGGC, funding in 2019/20 will now be £16.06m, a reduction of £0.85m from the funding of £16.90m in 2018/19. This cut affects a number of areas including Acute, Health Prevention, General Dental Services and Sexual Health. Due to the Boards overall financial position, these cuts will be passed straight through to the relevant services. The relevant Directors are currently working out plans to mitigate the impact.

ii) **Clinical Waste –** as previously reported, the NHS in Scotland was forced to adopt contingency measures to collect and dispose of clinical waste mid-way through 2018/19. The additional cost to the Board in 2018/19 was circa £0.4m. Due to the delays in the new contractor being fully operational, the Board had provided an additional £1m in the 2019/20 Financial Plan. However, the new contractor has experienced delays in obtaining planning consent for a new facility, therefore the contingency arrangements will be in place for longer. This will cost the Board an additional £0.25m per month from August 2019.

iii) **Property Maintenance** - The Board has responded to concerns from various sources (internal and external) regarding the condition of our Estate. This has resulted in significant spend in the last quarter of 2018/19 and continued into 2019/20. As a result, the property maintenance budget is £1.6m overspent at 30 June 2019. The current level of property maintenance spend is unsustainable, unless funds can be released from another area of business. Estates management are currently working on a trajectory, identifying the levels of known planned maintenance and anticipated reactive maintenance, and assessing that against available remaining budget.

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Financial Improvement Programme (FIP)

Financial Improvement Programme

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The Financial Improvement Programme (FIP) – Approach for 2019/20

The FIP Programme continues into 2019/20, with the Project Management Office now well established to support the programme and with the Programme Board continuing to meet on a weekly basis. The Associate Director of Planning had joined the Programme Board, and the Deputy Medical Director has been invited.

The overall financial challenge for 2019/20 has been estimated as £75m. This has been confirmed as the FIP target and has been allocated across all service areas and equates to a savings challenge of 4.36%. Sectors and Directorates were asked to develop plans to achieve these targets.

A number of changes have been made to the approach including:

i) Rationalising and changing the numbering of workstreams;
ii) Simplifying the mandates and streamlining processes, including drafting mandates that measure performance instead of money.
iii) Allocating targets to Sectors and Directorates as opposed to workstreams with the exception of the procurement and drugs workstreams;
iv) Workstreams will continue to develop proposals to support the Sectors and Directorates to achieve their targets.

These measures are designed to reduce bureaucracy and to promote accountability.

Financial Improvement Programme

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The Financial Improvement Programme (FIP)

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 the Appendices to this report.

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

	NHSGGC FIP Position 24/07/19 (at Month 3) - Gateway 2		
	Project Totals	**Risk Rating**	**Project Totals**
	FYE £m		**CYE £m**
	3,503	Blue	3,531
	5,728	Green	5,814
	666	Amber	1,522
		Red	
	9,897		10,867
	NHSGGC FIP Position 24/07/19 (at Month 3)- Gateway 1		
	Project Totals	**Risk Rating**	**Project Totals**
	FYE £m		**CYE £m**
	-	Blue	-
	2,723	Green	2,488
	813	Amber	700
	-	Red	-
	3,536		3,189
TOTAL	13,433		14,056

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 £13.4m on a FYE and £14.06m 0n a CYE.

Despite this progress, the overall recurring savings identified are still significantly short of the £75m target. It is also clear that progress has been variable across all the Workstreams.

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, recurring savings need to be achieved.

In addition to the above, the Organisation needs to now build on the learning from the FIP and identify and work up further Organisational wide initiatives to form the foundation of the Programme through 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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Capital Position

Capital Position

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The 2019/20 Capital Position

The Board has developed a Capital Plan which was approved by the February 2019 Finance and Planning Committee . The planned Capital Funding for 2019/20 includes:

i) The Board's share of new national capital funding for 2019/20, 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 current forecast core capital resources available to the Board for investment in 2019/20 amount to just over £51.3m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £9.9m and an estimated amount of £3.0m in respect of Capital Receipts generated through property disposals.

The "ring-fenced specific funding" represents a direct allocation from SG. For 2019/20 this amount includes £7.3m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans submitted to SG. Also included is an allowance in respect of future investment in a PET Scanner, reprofiled from 2018/19.

The Plan also includes £1m capital funding to be provided jointly from Glasgow City HSCP and the SG to enable refurbishment work at the William Street Clinic in respect of relocating and improving service provision of the sexual assault and referral centre currently sited at the Sandyford Centre.

Capital Position

Major areas of planned spend include;

i) The programme of ward refurbishments continues at GRI with £2.7m on the upgrade of Ward 27.

ii) At the QEUH campus, provision for £1.7m for ventilation upgrade, £2.5m on completing cladding works and £1.2m to undertake essential works to the pedestrian walkways.

iii) An overall allocation of £5m in respect of Medical Equipment replacement –split between emergency replacement and a planned replacement programme.

iv) An earmarked amount of £6.65m for investment in e-Health priorities, including an allowance of £1.5m for the investment requirements associated with the development of Medicines Management (HEPMA), a £2m general allocation for investment in priority areas and £0.5m for continuation of the PC refresh programme.

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 SG expectations.

Of the total allocation, the Plan still highlights a (constantly changing) unallocated sum. A list of potential projects are currently being assessed and prioritised.

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Conclusion

Conclusion

Conclusion

The purpose of this report is to provide the Board with an update of NHSGGCs 2019/20 Month 3 revenue and capital positions, and the progress and position with the FIP at 30 June 2019.

The Month 3 financial position is £11.1m over budget. However, £6.0m of non recurring support has been applied to reduce the operational deficit the majority of which is attributable to unachieved savings.

To mitigate this, the FIP programme is now embedded and is receiving a significant amount of dedicated senior time and focus. Progress has been moderate to date, with the FIP Tracker currently recording projects totalling £13.4m on a FYE and £14.1m on a CYE.

In summary, Members are asked to;

i) Note the revenue position at Month 3.
ii) Note the progress and current position with the FIP.
iii) Note the capital position at Month 3.

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