OFFICIAL SENSITIVE

NHSGGC – Month 5 Finance Report

NHS Board

October 2019(Paper 19/58)

Purpose and Format

NHS Greater Glasgow and Clyde

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Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 5 financial position and year end projection, 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 12)

ii) The Month 5 FIP position (pages 13 to 16)

iii) The Month 5 capital position (pages 17 to 19)

The Board are asked to ;

i) Note the revenue position at Month 5.

ii) Note the position with the FIP.

iii) Note the capital position at Month 5.

Introduction

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Introduction

At 31 August 2019 the Board is reporting expenditure levels £17.2m over budget (Month 4 - £14.0m over).

The Financial Improvement Programme (FIP) Tracker currently records projects totalling circa £16.1m on a FYE and £19.2m on a CYE.

The 2019/20 Financial Plan presented to the Board outlined 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. Following the analysis of the Month 5 results the forecast potential gap has increased to £29.8m. Further details are included later in this report.

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

- Reign in areas of overspends and ensure delivery of balanced budgets by 31 March 2020;
- Identify additional financial improvement schemes (both locally and nationally);
- Focus on delivering existing schemes and 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 Organisation.

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.

The Month 5 Revenue Position

Month 5 Financial Position

NHS Greater Glasgow and Clyde

Financial Performance – Month 5

This section of the report provides analysis of the financial position at 31 August 2019.

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(21.3)	0.0	(21.3)
Partnerships	3.2	0.0	3.2
Corporate Departments	(9.1)	0.0	(9.1)
Corporate Adjustments (non recurring)	0.0	10.0	10.0
Gross/Net Financial Position at 31 August 2019	**(27.2)**	**10.0**	**(17.2)**

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At 31 August 2019 the Board is reporting expenditure levels £17.2m over budget (31st July - £14.0m)

The Board has factored in £10.0m 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 5 Position – Acute Services

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Financial Performance – Month 5 (Cont'd)

The Acute Division is reporting an expenditure overspend at Month 5 of £21.3m. Of this deficit £19.5m is related to unachieved savings and £1.6m is associated with non-pay. Pay budgets are showing an overall overspend of £0.2m

Directorate	Pay £000's	Non Pay £000's	FIP £000's	Month 5 Total £000's	Variance on Budget	Month 4 Total £000's	Prior Yr Mth 12 Total £000's
South Sector	420	(772)	(5,009)	**(5,361)**	(3.24%)	**(4,186)**	(6,637)
North Sector	(1,037)	(322)	(2,859)	**(4,218)**	(4.86%)	**(3,295)**	(5,422)
Clyde Sector	(529)	(176)	(2,533)	**(3,238)**	(4.01%)	**(2,579)**	(5,337)
Diagnostics Directorate	1,075	(396)	(2,621)	**(1,942)**	(2.40%)	**(1,495)**	61
Regional Services	680	192	(3,288)	**(2,416)**	(1.91%)	**(2,348)**	42
Women & Childrens Services	(790)	(159)	(3,199)	**(4,148)**	(4.82%)	**(3,108)**	(4,658)
Directorate Totals	**(181)**	**(1,632)**	**(19,510)**	**(21,324)**		**(17,010)**	**(21,951)**
Acute Corporate	2	21	0	**23**		**20**	(20,199)
Acute Expenditure Totals	**(179)**	**(1,611)**	**(19,510)**	**(21,300)**		**(16,990)**	**(42,150)**
Income (Under)/Over Recovery				**(25)**		**(25)**	(457)
Acute Total				**(21,326)**		**(17,015)**	**(42,607)**

Month 5 Position – Acute Services

NHS Greater Glasgow and Clyde

Financial Performance – Month 5 (Cont'd)

The main pressures in pay are associated with medical £0.9m and nursing £1.0m salaries due to the inherent cost of providing certain services in particular geographical locations, service demands (particularly in A&E attendances where A&E attendances are continuing to increase -by upto 5% at some sites since April 2019) 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 it should be highlighted that both medical (Month 5 2018/19 - £2.2m overspent) and nursing (Month 5 2018/19 - £1.9m overspent) are improved on the previous financial year.

The main non pay pressure is within prescribing which shows an overspend of £0.3m for the first 5 months of the year. The impact of the financial pressures associated with ultra-orphan drugs (refer to In-year Cost Pressures later in this report) are beginning to have an impact.

Equipment maintenance and repair budgets are also overspent by £0.5m at this stage, although are expected to equalise over the remaining 7 months.

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Month 5 Position - Partnerships

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Financial Performance – Month 5 (Cont'd)

Partnerships reported an expenditure underspend at Month 5 of £3.2m. Prescribing expenditure is reported at breakeven for the first five months of the year as practice budgets were finalised in month 4 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	41.6	17.1	16.5	0.6
Glasgow City - North East	167.8	69.2	68.4	0.8
Glasgow City - North West	192.5	78.4	78.2	0.2
Glasgow City - South	184.8	76.2	75.7	0.5
Resource Transfer To Local Authority	143.6	70.3	70.3	0.0
Glasgow HSCP	**730.3**	**311.2**	**309.1**	**2.1**
East Dunbartonshire	89.6	36.3	36.3	0.0
East Renfrewshire	74.4	28.0	28.0	0.0
Inverclyde	91.8	37.2	37.2	0.0
Renfrewshire	175.5	72.9	71.7	1.2
West Dunbartonshire	97.3	39.7	39.7	0.0
Non Glasgow HSCPs	**528.6**	**214.1**	**212.9**	**1.2**
Total HSCPs	**1,258.9**	**525.3**	**522.0**	**3.3**
Other Partnerships Budgets	39.1	16.1	16.2	(0.1)
Total Partnerships Expenditure	**1,298.0**	**541.4**	**538.2**	**3.2**
Total Partnerships Income	(78.3)	(35.1)	(35.1)	0.0
Net Expenditure	**1,219.7**	**506.3**	**503.1**	**3.2**

Month 5 Position – Corporate Directorates

Financial Performance – Month 5 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 5 of £9.1m. Pay and non pay expenditure is running close to budget across all Directorates with the exception of Estates and Facilities where there is a significant overspend in property maintenance at this stage of the year. However, there is an overall shortfall of £4.8m against FIP savings targets mainly within the Estates and Facilities Directorate hence the overall position of £9.1m overspent at 31 August 2019.

Corporate Director Summary	Pay Variance £m	Non Pay Variance £m	FIP Variance £m	Total Variance £m
Board Medical Director	0.3	0.1	(0.5)	(0.1)
Centre For Population Health	0.0	0.0	0.0	0.0
Corporate Affairs	0.0	(0.2)	0.0	(0.2)
Corporate Communications	0.0	0.0	0.0	0.0
Director of Finance	0.1	(0.1)	0.0	0.0
Director of eHealth	0.1	0.2	(0.8)	(0.5)
Director of Human Resources	0.2	0.2	(0.2)	0.2
Director of Nursing	0.1	0.1	(0.1)	0.1
Director of Public Health	0.1	0.1	(0.2)	0.0
Other Corporate Expenditure	0.0	(0.6)	(0.4)	(1.0)
Estates and Facilities	0.4	(5.4)	(2.6)	(7.6)
Total Corporate Expenditure	**1.3**	**(5.6)**	**(4.8)**	**(9.1)**

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Month 5 Position – Emerging Financial Pressures

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Financial Performance – Month 5 (Cont'd)

Emerging Financial Pressures

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

i) **Outcomes Framework** – The Scottish Government wrote to every territorial Board at the end of June notifying of 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 reductions will be passed straight through to the relevant services. The relevant Directors are finalising 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 following the termination of the existing contract pending a tender process and new contractor being appointed. The additional cost to the Board in 2018/19 was circa £0.4m**.**

Due to the delays in the new contractor being fully operational, particularly in gaining planning consent to build a new disposal facility in Scotland, the Board had provided an additional £1m in the 2019/20 Financial Plan. However, the new contractor is now experiencing 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 £3m for the 2019/20 financial year.

iii) **Medical Pay Award** – the pay award for medical staff was finalised and announced in early September 2019. The 2019/20 Financial Plan has assumed the same Agenda for Change agreement for other staff, including the £1,600 cap.

However, the award was 2.5% without the cap, resulting in an additional £2.5m financial pressure for the Board in 2019/20.

Month 5 Position – Emerging Financial Pressures

Financial Performance – Month 5 (Cont'd)

Emerging Financial Pressures

iv) **Property Maintenance** - The Board has responded to concerns from various sources (internal an 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 £5.7m overspent at Month 5 on an annual budget of circa £10m (Month 4 - £3.7m overspent). The current level of property maintenance spend is unsustainable, unless alternative funding can be sourced. 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.

v) **Access Funding** – The Board expects to receive £22.1m of access funding in 2019/20 to improve waiting times. It was also agreed with SG that income of £5.9m would be recovered from other Health Boards for treating their residents through premium rate activity, as was the process in 2018/19. However, other Boards have rejected this concept and NHSGGC's (albeit cavaeted) waiting times trajectories will be adjusted accordingly.

Taking all of the above risks into account the Board has revised its forecast deficit to £29.8m although work continues to mitigate the impact of these pressures.

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Month 5 Position – Emerging Financial Pressures

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Financial Performance – Month 5 (Cont'd)

Emerging Financial Pressures

vi) Cystic Fibrosis drugs

As previously presented to this Committee, the Scottish Government introduced a new PACS Tier Two arrangement to enhance consistency amongst Boards in the ways that clinicians can consider requests for certain medicines that have not been recommended by the Scottish Medicines Consortium (SMC).

Two such drugs, which were rejected by the SMC but available through the PACS process, is the treatment for cystic fibrosis, Orkambi and Symkevi. These drugs cost circa £110k per patient per annum. The Board had made a provision of £5m recurrently in the initial 2019/20 Financial Plan for all ultra-orphan drugs.

However, in September 2019, following negotiation with the manufacturer, the Scottish Government claimed to have secured a discount on these drugs and over-ruled the SMC finding to make these drugs available to all eligible patients.

As such, the cost to the Board of this drug alone in 2019/20 will be circa £6m.

Taking all of the above risks into account the Board has revised its forecast deficit to £29.8m although work continues to mitigate the impact of these pressures.

Back

Financial Improvement Programme (FIP)

Financial Improvement Programme

NHS Greater Glasgow and Clyde

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 Programme target and has been allocated across all service areas and equates to a savings challenge of 4.36%. Sectors and Directorates have been asked to develop plans to achieve these targets and these were due for submission by 2 May 2019.

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.

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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 (22 September 2019) the following is a summary of the position.

NHSGGC FIP Position 22/09/19 - Gateway 2			
	Project Totals FYE £m	**Risk Rating**	**Project Totals CYE £m**
	6,957	Blue	6,895
	2,746	Green	4,610
	998	Amber	468
	-	Red	329
TOTAL	**10,701**		**12,302**
TOTAL	**14,445**		**17,709**
NHSGGC FIP Position 22/09/19 - Gateway 1			
	Project Totals FYE £m	**Risk Rating**	**Project Totals CYE £m**
	-	Blue	-
	3,717	Green	2,532
	1,017	Amber	998
	671	Red	3,370
	5,405		**6,900**
TOTAL	**16,106**		**19,202**

Financial Improvement Programme

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The Financial Improvement Programme (FIP)

The table above and Appendices 1 and 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 £16.1m on a FYE and £19.2m on a CYE.

Despite this progress, the overall recurring savings identified are still significantly short of the £75m target. It is also evident 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 (refer above), 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 2018/19 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.

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Capital Position

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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 significant unallocated sum. A list of potential projects are currently being assessed and prioritised.

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Conclusion

Conclusion

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Conclusion

The purpose of this report is to provide the Board with an update of NHSGGCs 2019/20 Month 5 revenue position, the projection to 31 March 2019 and the progress and position with the FIP at 31 August 2019.

The Month 5 financial position is £17.2m over budget. However, £10.0m 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 £16.1m on a FYE and £19.2m on a CYE.

However, the Board is in a precarious financial position and the lack of recurrent savings identified, coupled with an unusually high number and high value of in-year cost pressures, has resulted in a revision of the projected year end deficit to £29.8m.

A range of actions have been implemented or are under consideration to address areas of overspend, identify further savings opportunities and increase non-recurring sources of income and balance sheet management.

In summary, Members are asked to;

i) Note the revenue position at Month 5.
ii) Note the progress and current position with the FIP.
iii) Note the capital position at Month 5.