OFFICIAL SENSITIVE

NHSGGC – Month 7 Finance Report

NHS Board

December 2019(Paper 19/69)

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

The format of the report covers;

i) The Month 7 revenue position (pages 6 to 16)

ii) The Month 7 FIP position (pages 17 to 20)

iii) The Month 7 capital position (pages 21 to 23)

The Board are asked to ;

i) Note the revenue position and projection at Month 7.

ii) Note the Month 7 position with the FIP.

iii) Note the capital position at Month 7.

Executive Summary

NHS Greater Glasgow and Clyde

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2019/20 Current Position and Projection

At 31 October 2019 the Board is reporting expenditure levels £22.6m over budget (Month 6 £20.7m over).

The Financial Improvement Programme (FIP) Tracker currently records projects totalling circa £19.7m on a FYE and £23.7m 0n a CYE.

The 2019/20 Financial Plan presented to the Board outlined a potential "gap" of £20m at 31 March 2020. The FIP process has continued into 2019/20 without external advisers and run internally through the PMO. Whilst a greater number of schemes have been identified and delivered compared to previous years and the projected achievement rate is 30-35%, the focus and profile of the FIP has dipped in 2019/20.

In addition, a greater number of significant, unforeseen, cost pressures have emerged in-year, all outlined later in this report. Coupled with a greater focus on improving performance and dealing with wider issues affecting the Board, the projected deficit for the Board at March 2020 was revised to £29.8m in Month 5.

Following extensive work by the finance team, including a line by line assessment of all assumptions, budgets and savings opportunities, the projected deficit at March 2020 is now estimated at £21.9m.

The Board have been working jointly with the Scottish Government Finance Directorate to identify and analyse options to address the projected deficit. A constructive meeting was held on the 5th December 2019 and progress has been good. Another meeting is scheduled before Xmas.

Executive Summary (Cont'd)

NHS Greater Glasgow and Clyde

2019/20 Current Position and Projection

In addition, the Board is taking a number of internal actions to address the financial position;

- Re-instate the "turnaround" approach adopted in 2018/19, including the consideration of short-term, specific external support.
- Increase financial grip in areas of overspends to minimise the impact in the last quarter and minimise projected overspends.
- 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 Board.

A full update on the projected position, including options for managing the year end position, will be presented to the February 2020 Finance Planning and Performance.

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Executive Summary (Cont'd)

NHS Greater Glasgow and Clyde

Planning 2020/21

The finance team have been working through a range of scenarios for 2020/21 and beyond. This is working on the assumption of a 2-3% uplift, as advised by the Scottish Government. Clearly the actual uplift is currently unknown and due to the U.K General Election, will not be confirmed until early February 2020.

However, the Board is facing significant cost pressures in 2020. The pay deal agreed in 2018 will alone add another 4% to the Boards recurring cost base.

The finance team continue to model the financial position, including challenging and assessing all potential cost pressures.

A financial plan will be presented to the February Finance Planning and Performance Committee and subsequent Board meeting.

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The Month 7 Revenue Position

Month 7 Position

NHS Greater Glasgow and Clyde

Financial Performance – Month 7

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

Area	Gross Position £m	Non Recurring Relief £m	Final Reported Position £m
Acute	(29.9)	0.0	(29.9)
Partnerships	0.0	0.0	0.0
Corporate Departments	(11.1)	0.0	(11.1)
Corporate Adjustments (non recurring)	0.0	18.4	18.4
Gross/Net Financial Position at 31 October 2019	**(41.0)**	**18.4**	**(22.6)**

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At 31 October 2019 the Board is reporting expenditure levels £22.6m over budget.

The Board has factored in £18.4m 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 7 Position – Acute Services

NHS Greater Glasgow and Clyde

Financial Performance – Month 7 (Cont'd)

The Acute Division is reporting an expenditure overspend at Month 7 of £29.9m (Month 6 - £25.6m). Of this deficit £26.7m is related to unachieved savings and £3.2m is associated with non-pay. On a positive, pay budgets are showing an overall break-even position.

Directorate	Pay £000's	Non Pay £000's	FIP £000's	Month 7 Total £000's	Variance on Budget	Month 6 Total £000's	Prior Yr Mth 12 Total £000's
South Sector	492	(1,096)	(6,913)	**(7,517)**	(3.19%)	**(6,640)**	(6,637)
North Sector	(1,371)	(356)	(4,016)	**(5,743)**	(4.66%)	**(4,943)**	(5,422)
Clyde Sector	(607)	(320)	(3,545)	**(4,472)**	(3.91%)	**(3,771)**	(5,337)
Diagnostics Directorate	1,522	(664)	(3,487)	**(2,629)**	(2.29%)	**(2,405)**	61
Regional Services	1,037	(365)	(4,398)	**(3,726)**	(2.08%)	**(2,873)**	42
Women & Childrens Services	(985)	(411)	(4,395)	**(5,791)**	(4.75%)	**(4,938)**	(4,658)
Directorate Totals	**87**	**(3,212)**	**(26,755)**	**(29,879)**		**(25,571)**	**(21,951)**
Acute Corporate	0	15	0	**15**		**14**	(20,199)
Acute Expenditure Totals	**88**	**(3,197)**	**(26,755)**	**(29,864)**		**(25,558)**	**(42,150)**
Income (Under)/Over Recovery				**(25)**		**(25)**	(457)
Acute Total				**(29,890)**		**(25,583)**	**(42,607)**

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Month 7 Position – Acute Services

NHS Greater Glasgow and Clyde

Financial Performance – Month 7 (Cont'd)

The non pay pressures are a concern, increasing from the 2018/19 position which was a significant decrease on previous years. The main overspends are equipment maintenance repair and service contracts of £0.56m followed by an overspend in drugs of £0.7m, surgical sundries of £0.7m, CSSD and Diagnostics £0.5m and hotel services overspend of £0.43m. The run rate for non-pay has increased in comparison to last month and work needs to be done to bring this area back into control.

Although in overall breakeven, the main pressures in pay are associated with medical £1.3m and nursing £1.5m overspent 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 it should be highlighted that both medical (Month 7 2018/19 - £2.7m overspent) and nursing (Month 7 2018/19 - £2.4m overspent) are an improvement on the previous financial year.

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Month 7 Position - Partnerships

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Financial Performance – Month 7 (Cont'd)

Partnerships reported an expenditure underspends on the Health element of their budgets at Month 7 of £4.4m. However, this is largely irrelevant to the financial results of the Board as any underspends are held within IJB reserves.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Citywide	43.5	25.4	25.0	0.4
Glasgow City - North East	169.8	98.1	97.1	1.0
Glasgow City - North West	193.9	111.5	111.1	0.4
Glasgow City - South	187.5	108.4	107.6	0.8
Resource Transfer To Local Authority	145.4	108.4	108.4	0.0
Glasgow HSCP	**740.1**	**451.8**	**449.2**	**2.6**
East Dunbartonshire	91.0	52.9	52.9	0.0
East Renfrewshire	75.4	40.2	39.9	0.3
Inverclyde	93.0	52.6	52.6	0.0
Renfrewshire	178.2	103.6	102.1	1.5
West Dunbartonshire	98.4	56.4	56.4	0.0
Non Glasgow HSCPs	**536.0**	**305.7**	**303.9**	**1.8**
Total HSCPs	**1,276.1**	**757.5**	**753.1**	**4.4**
Other Partnerships Budgets	45.5	24.3	28.7	(4.4)
Total Partnerships Expenditure	**1,321.6**	**781.8**	**781.8**	**0.0**
Total Partnerships Income	(81.2)	(50.5)	(50.5)	0.0
Net Expenditure	**1,240.4**	**731.3**	**731.3**	**0.0**

Month 7 Position - Partnerships

NHS Greater Glasgow and Clyde

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Financial Performance – Month 7 (Cont'd)

The following table outlines the projected year end position within the HSCPs, including both the Health and Social Care elements.

HSCP	Forecast outturn - Health	Forecast outturn – Social Care	Overall Forecast	Comments
Glasgow	Underspend £4.1m	Underspend £5.3m	Underspend £9.4m	At mid year there are underspends in both health and social care mainly due to high levels of vacancies. Year end underspends will transfer to general reserves.
East Dunbartonshire	Underspend £1.0m	Overspend - £3.8m	Overspend £2.8m	The overall forecast position is currently an overspend of between £2.5m to £2.8m. The overspend is entirely on the social care side and can be attributed to funding issues and demographic pressures. There will be health resources of circa £1.0m offsetting the social care position.
East Renfrewshire	Underspend £0.1m	Overspend - £0.4m	Breakeven	Currently forecasting an overspend of £400k on the social care side and an underspend on the health side of £100k. Position may improve and in the event of an overspend will be covered from reserves.
Inverclyde	Breakeven	Breakeven	Breakeven	Minor overspend forecast on social care side of budget (£15k) but will be covered from reserves.
Renfrewshire	Underspend £2.0m	Underspend £0.5m	Underspend £2.5m	Currently forecasting underspend on both social care and health budgets – current forecast is underspend of £2.5m. The Health underspend will transfer to reserves at 31 March 2020.
West Dunbartonshire	Breakeven	Overspend £1.0m	Breakeven	There is a forecast overspend on the social work side of £1.0m but this is covered by reserves. Health budget is in balance and will breakeven or have a small underspend.

Month 7 Position - Partnerships

NHS Greater Glasgow and Clyde

Financial Performance – Month 7 (Cont'd)

In above table highlights, every HSCP is projecting to finish the year in an underspend position (and transfer the surplus to reserves), or in the event of an overspend, cover it from reserves.

The exception is East Dunbartonshire where the HSCP is predicting an £1m underspend on the Health budget, but an £3.8m overspend on the Social Care side. This projected out-turn is after the general reserve has been used as cover.

The Council and Board Chief Executives and respective Directors of Finance have met several times through the year with the Chief Officer and Chief Finance Officer to analyse the financial position and identify options to address the deficit. Whilst this has helped to some extent to manage the in-year position, it has not addressed the issue of the overspend position at the year end.

More discussions are planned in the last quarter.

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Month 7 Position – Corporate Directorates

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Financial Performance – Month 7 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 7 of £11.1m. Expenditure is running close to budget for pay and non pay across all Directorates.

However, Estates and Facilities are significantly overspent by £10.4m. Action has been implemented in the last quarter to slow down the rate of overspend. However, this overspend is the main contributory to the Boards year end deficit projection.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	46.9	27.2	27.2	0.0
Centre For Population Health	1.3	0.6	0.6	0.0
Corporate Affairs	4.1	2.4	2.6	(0.2)
Corporate Communications	0.8	0.5	0.4	0.1
Director of Finance	12.1	5.2	5.1	0.1
Director of eHealth	72.7	38.9	39.0	(0.1)
Director of Human Resources	17.9	10.4	10.2	0.2
Director of Nursing	6.4	3.0	2.9	0.1
Director of Public Health	16.3	8.4	8.3	0.1
Other Corporate Expenditure	108.2	29.6	30.6	(1.0)
Estates and Facilities	246.1	142.8	153.2	(10.4)
Total Corporate Expenditure	**532.8**	**269.0**	**280.1**	**(11.1)**

Month 7 Position – Emerging Financial Pressures

NHS Greater Glasgow and Clyde

Financial Performance – Month 7 (Cont'd)

Emerging Financial Pressures

The Organisation has experienced a range of emerging financial pressures in-year which are impacting on the current deficit 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.

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Month 7 Position – Emerging Financial Pressures

NHS Greater Glasgow and Clyde

Financial Performance – Month 7 (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 £10.4m overspent at Month 7 (Month 6 - £8.6m 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.

In addition, the SG have allocated the annual funding on the basis 75% paid up front (received), and 25% to be paid in December 2019 depending on achievement of trajectories. As such, £4.4m is currently outstanding and at risk.

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Month 7 Position – Emerging Financial Pressures

NHS Greater Glasgow and Clyde

Financial Performance – Month 7 (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 had revised its forecast deficit to £29.8m at Month 5, reducing this to £20-£25m as at Month 7.

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Financial Improvement Programme (FIP)

Financial Improvement Programme

NHS Greater Glasgow and Clyde

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

The FIP Programme has continued 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 overall financial challenge for 2019/20 was been estimated as £75m. This was confirmed as the FIP Programme target and 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 and these were submitted in May 2019.

A number of changes were 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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Financial Improvement Programme

NHS Greater Glasgow and Clyde

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 (25th November 2019) the following is a summary of the position.

NHSGGC FIP Position 25/11/19 (at Month 7) - Gateway 2				
Project Totals FYE £m		Risk Rating		Project Totals CYE £m
9,341		Blue		12,605
1,203		Green		1,789
2,680		Amber		1,893
5		Red		5
13,228				16,291
NHSGGC FIP Position 25/11/19 (at Month 7)- Gateway 1				
Project Totals FYE £m		Risk Rating		Project Totals CYE £m
-		Blue		-
3,164		Green		2,594
2,348		Amber		4,108
990		Red		780
6,502				7,482
19,730				23,773

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Financial Improvement Programme

NHS Greater Glasgow and Clyde

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 circa £19.7m on a FYE and £23.7m 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 (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 2020/21 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

NHS Greater Glasgow and Clyde

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The 2019/20 Capital Position – Month 7

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 £46.9m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £6.2m and an estimated amount of £2.6m 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 £0.7m, has also been recognised.

The "ring-fenced specific funding" represents a direct allocation from SG. For 2019/20 this amount includes £4.0m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans submitted to SG. Also included is an amount of £1.2m to be provided by SGHSCD to progress work on developing the Outline Business Case for the proposed North East Glasgow Hub Scheme, a £0.5m contribution for the development of Healthcare and Forensic Medical Services at William Street Clinic in Glasgow being undertaken by Glasgow City HSCP, and £0.5m from NSD 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. The disposal programme is reviewed regularly, and the Capital Plan updated accordingly, to reflect the latest forecast position.

Capital Position

NHS Greater Glasgow and Clyde

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Major areas of planned spend include:

i) The programme of ward refurbishments continues at GRI with £2.2m on the upgrade of Ward 27.

ii) At the QEUH campus, provision for £3.7m for ventilation upgrade and associated works, £1.8m on completing cladding works and £1.2m to undertake essential works to the pedestrian walkways.

iii) An overall allocation of £5.6m in respect of Medical Equipment replacement – split between emergency replacement and a planned general replacement programme. This amount is in addition to specific replacement programmes, totalling £5.4m, for Radiotherapy and major Diagnostic Imaging Equipment.

iv) An amount of £7m has been set aside for investment in e-Health priorities.

v) Provision of £1.9m for the Board's Hub Schemes that are either underway or under development. This includes investment in subordinated debt for the proposed new Health Centre at Clydebank, which is forecast to reach financial close during 2019/20, together with an amount of £1.2m to progress the development of the Outline Business Case for the proposed North East Glasgow Hub Scheme. The amount also includes provision for the initial equipping requirements for Woodside Health Centre which was handed over early in 2019/20.

vi) An amount of £10.8m is currently included under Corporate schemes for local minor works projects. Similar to previous years, this allocation has largely 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 £3.5m of unallocated capital.

Conclusion

Conclusion

NHS Greater Glasgow and Clyde

Conclusion

The purpose of this report is to provide the Board with an update of NHSGGC's 2019/20 Month 7 revenue position, and the progress and position with the FIP at 31 October 2019.

The Month 7 financial position is £22.6m over budget, including £18.4m of non recurring support 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 circa £19.7m on a FYE and £23.7m 0n a CYE.

Taking this into account, and taking cognisance of a range of significant unforeseen cost pressures in year, the Board had revised its forecast deficit to £29.8m at Month 5, reducing this to £21.9m as at Month 7.

A number of actions have been taken or under consideration to address the financial position and financial sustainability of the Board.

In summary, Members are asked to;

i) Note the revenue position and projection at Month 7.
ii) Note the progress and current position with the FIP.
iii) Note the capital position at Month 7.

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