Board Official

Paper 17/09

NHS Greater Glasgow and Clyde

Financial Monitoring Report for the 9 month period to 31 December 2016

Introduction

The financial monitoring report comprises the following:

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2. Key Figures
3. HSCPs
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1. Summary

Introduction

- The purpose of this report is to provide the Board with an updated financial position at Month 9 (31 December 2016) and an assessment of the year end projection. It also provides an update on the actions being taken to deliver a break even outturn for the year.

- The key points for the Board to note can be summarised as follows;

    - **Operational Performance**

      At this point of the year the Corporate Directorates and the HSCPs are operating broadly within operational budget however Acute Services continues to significantly exceed its operational budget. However, whilst the impact of the Acute Cost Containment Programme has been negligible to date, Month 9 indicates that the measures and actions are beginning to take effect. Medical locum spend and premium rate nursing are showing particular decreases, with the monthly operation overspend at Month 9 reduced to £0.3m from an average run-rate of £1.5m

      Acute Directors and Management are continuing the current work on the Programme to further drive out costs. Added focus will also now be devoted to the non-pay element of the Acute budget where overspends have crept in during 2017/18.

      Due to the rate of operational overspends in the earlier parts of the financial year, the Acute Division are projecting an operational deficit of between £10.0m and £12.0m by the year end.

    - **Cash Releasing Efficiency Savings**

      The National Initiatives, which were to contribute savings to close the £10m gap identified in the Financial Plan, will not now contribute any savings in 2016/17. While the Board still anticipates achieving £50-55m of the savings outlined in the Financial Plan, it is estimated that an additional £10 - 15m of additional non-recurring support and/or use of reserves in-year may be required to cover this slippage. In addition, it is estimated £10 - 15m of these savings may be achieved non-recurrently. This has a knock on effect in 2017/18 as any unachieved savings will increase the financial challenge next year.

    - **Use of non-recurring/reserves**

      The Board has released £40.1m of non-recurring funding and reserves by the end of month 9 in order to support the Board's underlying deficit. It is likely that the Board may require to find up to £60m of non-recurring funding to break even by 31 March 2017. Whilst the Month 9 projection is that break-even should be achieved in 2016/17, it remains extremely challenging and will leave the Board with no non-recurring reserves for 2017/18.

- **Actions being taken**

  A number of actions have been implemented in recent months. The proposals examined reducing or eradicating discretionary spend which may have reflected adversely on current levels of performance in some areas. However, the Board secured additional funding from the Scottish Government to fund waiting list initiatives in the final 3 months of the year, and the Acute Services Committee decided to keep additional "winter beds" open until the 31st March 2017.

  Board Directors and Managers continue to work to identify new, recurring cash releasing efficiency schemes across all areas of the Board, and new sources of income, to ensure break-even is achieved in 2016/17.

  The Acute Services Committee and the six Integrated Joint Boards are continuing to monitor ongoing performance and financial issues. The Board's Finance & Planning sub-committee will continue to support the management of the budget as appropriate across NHSGGC.

2. Key Figures

- The Board approved the 2016/17 Financial Plan on 28 June 2016. This highlighted a requirement to deliver savings and efficiency schemes to address the £69m shortfall between the funds allocated (including the year on year uplift) and the forecast increase in expenditure due to rising costs, increased demand and delays in introducing planned efficiencies.

- The Financial Plan was approved with an unallocated financial gap of £10m. Based on consultation with the Scottish Government, it was expected this gap would be bridged through the outcome of the National Workstreams involving Chief Executives, Directors of Finance and the Scottish Government. At 31 December 2016 these National Initiatives have yet to yield any efficiencies and are unlikely to do so in 2016/17.

Financial Position at Month 9 (31 December 2016)

The financial position is outlined in the tables below.

- **Figure 1** describes the year to date operational performance at Month 9.
- **Figure 2** describes the annual operational budget, including the allocation of the £29.5m non recurring outlined in the Financial Plan, and the projected operational position at 31 March 2017.
- **Figure 3** describes the CRES position at Month 9 and the projected variance on CRES at 31 March 2017.

FIGURE 1 – OPERATIONAL PERFORMANCE AT MONTH 9

Income/Expenditure by Division	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	667.6	675.3	(7.7)
HSCPs	819.0	827.2	(8.2)
Corporate	397.7	397.7	0.0
Total Net Income/Expenditure	**1,884.3**	**1,900.2**	**(15.9)**

- Figure 1 highlights that the Acute Division and HSCPs are currently over budget with the Corporate Division in operational balance.

- The overspend in HSCPs is largely due to the level of unidentified savings for 2016/17 plus unachieved savings of £7.8m carried forward from 2015/16. The HSCPs however remain broadly in operational financial balance for the year although there are overspends within Inverclyde HSCP and in Specialist Children's Services. As with every part of the business, the Board funded the in year shortfall, and prior year unachieved savings non recurrently. However, as the Board no longer has the capacity to continue to do this in 2017/18, budgets will be adjusted in 2017/18.

2. Key Figures (cont.)

- The Acute Division remains overspent at the end of 31 December 2016 with a gross overspend of £32.9m on operational budget at the end of the first 9 months supported by £25.2m from the release of non recurring funds. The main pressures are;
  - The increasing demand for services, staff vacancies driving locum agency spend and sickness absence rates driving nurse bank and agency spend.
  - The number of temporary unscheduled care beds remaining open has now been reduced but without funding in place they remain a significant cost pressure.

FIGURE 2 – ANNUAL OPERATIONAL BUDGET

	Annual Budget £m	Annual Non-Recurrent Available £m	Total Annual Available £m	Projected Y/E Variance £m
Acute	894.2	7.5	901.7	(11.0)
HSCPs	1,115.4	-	1,115.4	0.0
Corporate	632.4	-	632.4	(5.0)
Total	**2,642.0**	**7.5**	**2,649.5**	**(16.0)**

- Figure 2 shows that if the operational run rates continue the Acute Division is forecasting an operational deficit of £10 - 12m at 31 March 2017.

- The forecast overspend in the Corporate Division mainly reflects the in year reduction in the New Medicines Fund national allocation from £60m to £45m, reducing NHSGGC's share by £4.5m.

- All HSCPs are expecting to report a breakeven position in respect of the NHS component of their budgets.

FIGURE 3 – CRES AT MONTH 9 AND PROJECTED Y/E, TOGETHER WITH NON-RECURRENT SUPPORT ALLOCATION

	Amount per Financial Plan £m	Available Annual Non-Recurrent Relief £m	YTD Variance £m	Projected Y/E Variance £m
CRES per Financial Plan	59	12	(12.1)	(10)
Gap (National Initiatives)	10	10	(6.4)	(10)
Total	**69**	**22**	**18.5**	**(20)**

2. Key Figures (cont.)

- Due to the timing of the Board's 2016/17 planning process, the achievement of CRES was always heavily loaded into the last quarter of the financial year. While a number of schemes have only recently been presented to IJB Boards for approval, Directors and Chief Officers have experienced difficulties in implementing CRES across all areas of the Board. This includes implementing some of the "red rated" schemes described in the Financial Plan and the uncertainty around the outcome of the engagement and consultation on the proposed service changes in the Local Delivery Plan.

- Slippage has meant there is a variance of £18.5m to expected levels at Month 9. This includes the failure so far of the National Initiatives to contribute to the profiled £6.4m savings to close the £10m gap identified in the Financial Plan. Directors are currently working to bring forward CRES and identify additional CRES to fill the gap.

3. HSCPs

3.01 The HSCPs are reporting a breakeven position forecast position for 2016/17 against the budgets for delegated NHS services. It is the HSCPs intention that any surplus funds will be taken to reserves in accordance with the financial provisions arising from the integration legislation. HSCPs tend to report under the local authority financial convention which is to report the forecast year end position as opposed to an in year position.

3.02 The forecast position on the NHS side of the integrated budgets is underpinned by non recurring relief from the Board of £6.6m for the year to date as a contribution towards the projected in year shortfall against the tranche II 2016/17 savings of £9.8m. The Board had agreed to provide in year cover for this target provided plans were agreed by the HSCP Boards to achieve the recurring requirement by 31 March 2017.

3.03 Board Members should also note that in addition to the shortfall described above there remains an unachieved balance of £7.8m from savings plans that were not not achieved 2015/16. These were collective plans amongst the Partnerships, and as such, the Board held this balance centrally and funded it non-recurrently in 2015/16 and 2016/17. However, the Board no longer has the capacity to continue this into 2017/18 and as such, all unachieved savings carried forward will be adjusted from opening 2017/18 allocations across every part of the business. This issue is currently under discussion with HSCP Chief Officers as opening allocations to HSCPs for 2017/18 are being finalised.

4. Capital Expenditure

	£m
Sources of Funds	
Anticipated Gross Capital Resources at 31 December	88.8
Total Capital Resources for 2016/17	**88.8**
Expenditure to Date	
Expenditure to 31 December 2016	32.2
Balance to be spent by 31 March 2017	56.6
Total Forecast Expenditure for 2016/17	**88.8**

- The Board's Capital Plan for 2016/17 was approved by the Board on 28 June 2016.

- The level of capital resources available to the Board has increased by £0.2m since 31 October due to internal revenue to capital transfers.

- The revised level of gross capital resources for 2016/17 currently amounts to £88.8m.

- The main areas of expenditure in 2016/17 are:

    - QEUH and RHC campus completion - £24.7m;
    - Gartnavel General Hospital - £7.5m;
    - Mental Health schemes – £4.1m; and
    - Formula capital/backlog maintenance - £12.6m

- These allocations account for 55.1% of the total available resources for the year.

- There remains a small balance of unallocated general capital in 2016/17 of £5.3k and an unallocated amount of £1.8m in 2017/18. This unallocated amount reflects the full provision of all slippage encountered during 2016/17. An indicative over-commitment of £5.2m is also reflected in 2018/19 chiefly as a result of incorporating schemes at Wards 67 and 68 at Neurology and the partial reprofiling of previously planned work at the QEUH. The capital plans for 2017/18 and 2018/19 will continue to be developed in detail during February and March 2017 in line with the Board's requirements.

- Gross capital expenditure to 31 December 2016, amounted to £32.2m, which was incurred chiefly in respect of continuing works at the QEUH and RHC campus. Regular programme reviews will be undertaken throughout the remaining months of the year in order to identify the extent to which revised plans need to be put in place to ensure that the 2016/17 capital position remains in balance.

- In addition, discussions are currently on-going with the Scottish Government around managing any slippage towards the year end.

4. Glossary of Terms

Expenditure:

- Acute – This represents expenditure on the Acute Services clinical and management support services.
- HSCPs – This represents expenditure on services within the scope of Health and Social Care Partnerships including services provided by Primary Care practitioners, expenditure on Mental Health and Learning Disabilities inpatient services, services for patients with addictions and also services for homeless persons.
- Corporate Departments – This represents expenditure on area wide and support services and other costs where budgets are not devolved to operational service areas, for example Payroll, Facilities, Corporate Planning and Public Health.
- Healthcare Purchases - This represents the cost of services provided by other healthcare providers to Greater Glasgow and Clyde patients, including Independent Hospices and HIV/AIDS & Drugs Misuse.
- Impairments – This represents the accelerated depreciation required to write off the net book value of an asset over its remaining life.
- Provisions - This represents the total of provisions made within the Board's Revenue Plan where which have not yet been distributed to divisions.
- Other – This represents funds received which have not yet been allocated to an expenditure budget.