**Ref: GJF/2017/02/11**

# GJF Logo

# Board Meeting: 16 February 2017

**Subject:** Finance Report – December 2016

**Recommendation:** Members are asked to note this   
report for the period to 31 December 2016

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#### Introduction/Key Issues

The year-to-date (YTD) results show a total deficit of (£164k) with a deficit in non-core budget against a breakeven in core expenditure; this is broadly in line with the forecast in the finance plan for this period.

This deficit is made of the following:

* Core Position – breakeven YTD;
* Non-core Position – overspend of (£164k) YTD; and
* Total Position – overspend of (£164k) YTD.

The income and expenditure reports are included at appendix one. The format of the report has been amended slightly to show the total core position and total non-core separately.

The full detailed analysis of variances is discussed in this report.

Discussions have been held with the Scottish Government Health and Social Care Directorates (SGHSCD) with regard to revenue funding to support the project team for the hospital expansion project during 2017/18. It has been agreed that £250,000 can be carried forward from 2016/17 to 2017/18 to fund this. Further non- recurring transitional costs and funding to support this project until 2021 when it is due to be completed will be identified within the Board financial plan. The Board is able to fund this in 2016/2017 due to the over achievement of planned efficiencies. This carry forward funding will be recognised in the financial plan.

At this stage it is anticipated that the Board will achieve break-even by year-end with the deficit against non-core funding due to a shift in provisions that will be managed by year-end. A detailed forecast has been completed to support this, with updates on this forecast undertaken from month four onwards.

#### Financial Planning

In line with previous years, we are developing the Board’s financial plan for the next three years. The budget exercise has commenced and Directorate Accountants will be picking this up with heads of department.

In conjunction with the budget setting exercise, a top-down exercise is also being undertaken; this will form part of the Board’s draft financial plan which is due for submission to SGHSCD in March 2017.

Each NHS Board is expected to meet their statutory financial targets. The financial plan will describe:

* NHS Board Revenue out-turn.
* NHS Board Capital out-turn.
* Actions being taken to shift the balance of care from acute to community settings, as part of the commitment to deliver more than half of the NHS frontline spending in community health services by 2021-22.
* Planned actions in relation to the Sustainability and Value programme, including:
  + Implementation of the Effective Prescribing programme;
  + Delivering a quality and cost assessed improvement plan to respond to Productive Opportunities identified from benchmarked performance;
  + Reducing medical and nursing agency and locum expenditure, as part of a national drive to reduce this spend by at least 25% in-year; and
  + Implementation of opportunities identified by the national Shared Services Programme.

In addition, all Boards submit an infrastructure investment capital plan which requires to be completed for five years.

#### Budgets 2017/18

The budget setting process for 2017/18 formally commenced in January with the initial first pass of the budget being planned for completion by the end of January. As part of this exercise, individual meetings have been arranged with the Heads of Operations and heads of corporate departments to review this and revise as appropriate. It is anticipated that this exercise will be completed by mid February to inform the Board’s financial plan. As in previous years, detailed budget assumptions will be presented to the Performance and Planning Committee.

As in the prior year, the Board will utilise the roll-over budget function for recurring budgets in the finance system, this will enable the Board to report on month one of 2017/18 and therefore provides a more robust financial planning and reporting process.

#### Efficiency plans 2017/18

In relation to financial savings a similar process as in previous years is being completed for every department. These savings are required to meet both unavoidable cost pressures (including pay and inflationary pressures) and be reinvested in services as we continue to deliver our Board vision. To date, these savings have been maintained within the Board and have allowed us to develop and expand our services, invest in medical equipment, e-Health initiatives, and deliver high quality services.

In previous years, we have worked to a savings target of 3% of budgets and have delivered this consistently over the last few years. However for this year, this target has been reviewed. The reasons for this are as follows:

* The three year financial plan completed last year forecast a savings target of 3.53% for 2016/17 – equating to approx £4.6m per annum.
* Given the recent budget announcement and the very tight fiscal position, national NHS Boards have been asked to contribute towards an efficiency savings target of £15m per annum to support reinvestment in frontline NHSScotland priorities. This should focus on a ‘Once for Scotland’ approach and working together to identify ways to standardise and share services across the national Boards.
* The development of our expansion project has commenced and we need to secure revenue funding for at least the next three to five years to support this, with the exciting redesign opportunities this offers.
* We need to ensure that any change management process is fully resourced and supported for staff and we accept this will involve some pump priming of funds.
* We are also progressing our innovation work and again accept that, to do this effectively, we need to be able to ‘invest to save’ to really make this successful.

Whilst we work through the detail of the impact of the above, it would be reasonable to assume at this stage that we should be working to an efficiency target of 5% across our departments. Whilst this is challenging, it should be noted that the Board has an opportunity, especially with our recent investments in equipment and e-Health, our robust governance, and our quality improvement skills, in addition to our ‘can do’ attitude, to think about how we can deliver our services on a more efficient and effective basis.

#### Innovation Fund

A significant amount of work has been undertaken with the Scottish Government with regard to the Small Business Research Initiative (SBRI) projects. It has been agreed by our Board and the Board of Trustees, in collaboration with the Scottish Government, that the Charity will make use of the Innovation Fund created as part of the charity to administer the individual projects that are approved as part of the initiative.

As the Board will be responsible for the administration of the financial elements of the projects, it has been agreed that all contracts relating to the projects will be held by the Board and all income and expenditure relating to the projects will be administered via the Charity.

As part of this initiative, we have received allocations and allocation letters for three projects. These are for the Dermatology project (£150k) and the Emergency Care project (£75k). Funds have been transferred to the innovation fund within the charity as part of the SBRI work as agreed with the SGHSCD.

#### Capital – updated plan

Detailed work has been undertaken to forecast the outturn for the capital spend for 2016/17. Based on work undertaken to date, it is forecast that at this stage it will be delivered in line with the plan. This is dependent on some key projects being delivered by year-end. This is being monitored closely with a contingency plan developed to support any potential fluctuations.

The Board continue to work closely with SGHSCD with regard to capital spend and future plans, especially in relation to our planned expansion.

#### Annual Accounts 2016/17

The external audit interim visit will be completed in February. The output from this visit will be formally reported by Scott Moncrieff to the April Audit and Risk Committee.

The annual audit of the Directors’ Report and Annual Accounts will commence on 3 May; it is anticipated that the auditors will be on site for two weeks.

Following completion of the audit, the Directors’ Report and Annual Accounts will be presented for approval to the Audit and Risk Committee on 6 June, the Senior Management Team on 8 June, and the Board on 15 June.

#### Efficiency Savings

At month nine, recurring efficiency savings achieved were £2.756m against a plan of £2.699m, which is demonstrating we are £57k ahead of plan. Details of this are included in Appendix 1, page 4. We also have non-recurring savings to date of £343k; these are also detailed in the appendix to this paper. Therefore total savings of £3.099m were delivered to the end of month nine.

#### Conclusion

Members are asked to note this finance report for the period ended 31 December 2016.

## Julie Carter

**Director of Finance**

**20 January 2017**

(Lily Bryson, Assistant Director of Finance)