**Ref: GJF/2017/03/07**

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# Board Meeting: 30 March 2017

**Subject:** Finance Report – January 2017

**Recommendation:** Members are asked to note this   
report for the period to 31 January 2017

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#### Introduction/Key Issues

The year-to-date (YTD) results shows a total deficit of (£187k) 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. The non core position will be realigned at year end in line Scottish Government processes.

This deficit is made of the following:

* Core Position – breakeven YTD;
* Non-core Position – overspend of (£187k) YTD; and
* Total Position – overspend of (£187k) 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.

At this stage it is still 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 review is being undertaken as depreciation spend is currently above forecast. With this relating to the timing of items coming into operational use, we will therefore require to request a further move of depreciation funding from core to non-core; it is anticipated that this will be requested in the month 11 return and has been assumed within the year end forecast.

#### Financial Plan Interim Submission 2017/18

The fully detailed three year financial plan with supporting narrative will be completed for the deadline of 31 March with appropriate Board and Senior Management Team approval. In the interim, the Scottish Government have requested an update on the 2017/18 forecast position by 28 February with the Scottish Government templates.

A detailed paper is included on the agenda relating the financial plan with the key messages being:

* The Board is forecasting a balanced plan for 2017/18
* Efficiency plans are being developed with £4.1m out of a total of £5m at this point being identified. Specific plans are in place to deliver this gap albeit a number are high risk
* Share of the £15m of the National Boards contribution is progressing and the National Boards aim to have detailed actions in place for the March submission
* Focus of the plan in addition to the business as usual work is to ensure redesign is in place to support the additional capacity for the Golden Jubilee expansion and the elective treatment centres. The capital and revenue assumptions for 2017/18 have been included in the plan with further detail provided in the March submission.

#### Year-end Processing

As in prior years we have issued deadlines for processing goods and invoices for year-end, these have been summarised below:

**Invoices** – all invoices require to be with the Finance department for payment by 24 March to ensure sufficient time for processing before year-end;

**Non-recurring** – all non-recurring items require to be receipted by 24 March and invoiced for payment (managers will require be to have notified procurement that items have been received), any items from this year’s non-recurring allocation not accounted for in 2016/17 will be charged to the relevant department cost centre in the next financial year; and

**Capital** – as with non-recurring money procurement require to be advised of the receipt of all capital items by 24 March and invoices be received for payment by this date.

In addition to the above deadlines, any non- routine items that have not previously been discussed with finance require to be discussed with finance in order to be included in the year-end out-turn.

#### Capital – updated plan

Detailed work has been undertaken to forecast the out-turn for the capital spend for 2016/17. Based on work undertaken to date, it is forecast this will be delivered in line with the plan. A considerable amount of work has been undertaken to realign planned capital expenditure from 2016/17 to 2017/18 and identifying additional projects to match the projects moved to 2017/18. This movement has been agreed at the capital group and capital plan for 2017/18 has been agreed.

The Board continue to work closely with the Scottish Government Health and Social Care Directorates (SGHSCD) with regard to capital spend and future plans especially in relation to our planned expansion.

#### Off-Payroll Workers – IR35

Her Majesty’s Revenue and Customs (HMRC) Guidance on Off-Payroll workers issued as IR 35 has been in operation in the UK since 2000, with the Board formally reporting on this in the 2015/16 annual accounts as an intermediary year. The guidance has changed significantly since its introduction, with the most significant change for the public sector coming into force from 6 April 2017.

#### Efficiency Savings

At month 10, recurring efficiency savings achieved were £3.238m against a plan of £3.115m, which is demonstrating we are £123k ahead of plan at month 10. Details of this are included in Appendix 1, page 4. We also have non-recurring savings to date of £414k; these are also detailed in the appendix to this paper. Therefore total savings of £3.652m were delivered to the end of month 10.

#### Conclusion

Members are asked to note this finance report for the period ended 31 January 2017.

## Julie Carter

**Director of Finance**

**2 February 2017**

*(Lily Bryson, Assistant Director of Finance)*

###### For Board Members’ Information only

###### Finance Report for April 2016 – January 2017

1. **Introduction**

This paper gives detail of the financial results for the period ending 31 January 2017, as reported the Scottish Government Health and Social Care Directorate (SGHSCD).

The format of the information reported under this section of the finance report relating to management accounts information has been reviewed to align with activity changes and cost driven pressures.

1. **Income**

Total core income/funding position to date is £1.133m or 1.10% over year to date budget plan - Appendix 1 (page 2).

Total core year-end income is forecast as £126.921m against an annual current budget position of £125.563m. Adjustments are made on a monthly basis to the forecast income to include all additional income modifications as it is notified to the Board. The key movements for January are noted below;

* £67k re-alignment of budget plan in line with forecast plan for non-RRL SLA income. Greater Glasgow & Clyde are not in plan to utilise full Orthopaedic joint activity allocation by 31 March 2017
* £37k in month improved performance for Non-WoS Thoracic activity procedures
* £44k in month improved performance for Non-WoS Cardiology activity procedures

Total non-core funding for year-end is forecast at £6.786m against an annual budget of £6.786m, and therefore there is no movement on the forecast to plan at this stage.

The base Revenue Resource Limit (RRL) is detailed below along with additional allocations, which have been advised to the Board to date. Further adjustments to the RRL will be brought back to future meetings.

|  |  |  |  |
| --- | --- | --- | --- |
| **Core Revenue Allocation** | **Included in Strategic plan** |  | **£67.986m** |
| Elective Centres | No | Non-Recurring | (£0.250) |
| Infrastructure support | No | Non-Recurring | (£2.256) |
| **Core Allocation as at January 2017** |  |  | **£65.480m** |
|  |  |  |  |
| **Non-core allocation as Strategic plan** |  |  | **£6.486m** |
| No adjustments |  |  | £0 |
| **Non-core allocation as at January 2017** |  |  | **£6.486m** |
| **Total Available Funding** |  |  | **£71.97m** |

1. **Review of Expenditure Budget**

**Introduction**

This is now summarised in detail at Appendix 1 – page 3. A brief description of what has been included in each of the headings is shown below:

* **Staff costs** – this is as per prior year with each sub-heading including what is in the main descriptor;
* **Supplies – Clinical** – this is as prior year and split into Pharmacy (which includes drugs and dressings), Surgical Supplies (this includes all Orthopaedic supplies, Heart valves, implantable cardiac devices etc) and surgical appliances and Lab/Radiology supplies (this includes all clinical materials used in lab and radiology);
* **Supplies – Non-clinical**

As with clinical supplies this has now been split into appropriate headings with these being: Property, plant and equipment (this includes all expenditure associate with this area, eg maintenance cost, repairs and equipment purchases), facilities (this includes supplies related to housekeeping, portering, catering, security, heat, light and power and rates) and other non-clinical supplies (this includes items such as training, printing, stationery etc the reserve budget and spend is also now included in this line);

* **Non-Core**

This section includes depreciation, provisions (funded via annually managed expenditure) and impairment.

**Review**

**Staff Cost Variance**

In line with previous years a number of steps were taken at budget setting to address cost pressures in this area both for

* known national changes in and recognising
* nursing incremental drift,
* Orthopaedic and Ophthalmology expansions and
* Agreed service developments.

On completion of the nursing review papers and the work of the medical waiting list review group, increment reductions in overspends are predicted.

In month staff costs show an overspend of (£49k) (overspend of (£1.101m) ytd), this is greater than anticipated spend with the key drivers having been identified below:

* **Medical**

The in month variance is (£121k) overspend (overspend of (£1.885m) ytd) the main reasons for this are noted below and comprise the following in each area:

**Regional Medicine** – (£927k) overspend ytd with an in month adverse movement of (£38k), caused by;

* Continued WLI sessions cover, particularly within EP, coronary with Cath Lab 4 closure and associated evening & weekend sessions and NSD services;
* Cardiology Medical SLA pressure and Golden Jubilee sessions worked at Greater Glasgow and Clyde (GG&C). GG&C and approval has agreed financial values on a quarterly basis to reduce this going forward from April 2017. This will remove the significant impact of variance on timing of payments as opposed to any true cost pressure ;
* Labs Medical SLA unachieved efficiency saving, discussions with NHS GG&C are ongoing with a further meeting arranged in March to agree a resolution to this service issue ; and
* CMR activity by cardiology consultants to cover NSD gap
* Radiology medical staff with budget to due on receipt of funding for MRI bus

**Surgical** –(£971k) overspend ytd with an in month adverse movement of (£89k), this has been caused by the following:

Orthopaedics (£554k)

* Waiting list payments covering Theatres session gaps of 288.5 sessions from April to January 2017 this is over and above funded Saturday lists. The substantive consultant post has been appointed in addition to the locum replacement and going forward 96 Saturday lists (45%) will be covered from within job plans from April 2017. An action will be taken to review all Saturday WLI lists within job plans throughout 2017-18.
* Agency usage to cover vacancies within junior doctor rotations, and this has now ceased;
* Physician Assistant posts
* Recurring medical session costs with anticipated funding due on income receipt.

Anaesthetics (£442k)

* Waiting list payments covering sickness absence, study leave and vacancies. There is a continued improvement in routine sessions requiring cover, with 340 sessions less worked for the 10 months to 2017 compared at January 2016;
* Recurring medical session costs worked on behalf of GG&C, e-health clinical lead and clinical lead in organ donation (CLOD) with anticipated funding due on income receipt; and
* GGC approved reduced Gen Medicine SLA cover on 8.25 PA basis with revised invoice processed for 2015-16. Recurring efficiency of £103k will be released.
* Cardiac Anaesthesia WLI sessions reduced rate to be applied although agreement has not yet been achieved.

Cardiac (£322k)

* Waiting list payments covering service gaps, sickness and post cover on non-clinical duties and reflecting a reduction on December 2015 although this has now reached a plateau;
* Junior doctor rotation pressure, dependent on experience of staff rotating and applied banding;
* Prior months cost pressure from agency cover used; and
* A review of historical Scottish Organ retrieval (SORT) to National organ retrieval service (NORS) and SNAHF budget in line with current funding profiles within 2017-18 budget setting.

Further detailed work on the draft WLI policy and on the key points is required prior to any wider circulation at this stage for approval. It is however anticipated this will reduce waiting list payments further.

The Surgical Division pressures are partly offset by an under spend within General Surgery and Plastics medical of £350k as a result of activity behind original plan although there is additional funding due in relation to various weekend General Surgery sessions on receipt of funding.

* **Nursing**

There is an overspend in nursing year to date (£216k) with an in month movement of (£6k) adverse.

The Surgical Division nursing position reflects a favourable £224k under spend this is driven by a positive £89k variance position within Critical Care as a result of vacancies and a comparative spend reduction of £273k on 2015-16 against the full year efficiency target set at £93k. The remaining variance is a reflection of vacancies within outpatients; with a £103k positive position however there is staff cost categorised under clinical support staffing which reduces the outpatients underspend to £75k

Within Regional & National Medicine there continues to be a pressure of (£491k), as previously reported the Regional Division nursing position paper, which is being reviewed and update to reflect the current year position, is to be presented at the Performance and planning meeting and incorporates a detailed action plan to take forward key points to address this pressure some of which will be re-dressed through the 2017-18 formal budget process.

Corporate nursing budget continues with a positive variance of £48k, again associated with prior month vacancy within manual handling post, although some research & development nursing budget allocation to be applied.

* **Clinical Support**

The position reflects a favourable variance of £338k ytd with a favourable variance of £24k in month both the in-month and ytd position continue to be due to:

* + Perfusion incremental drift funding not fully utilised; and vacant hours in place
  + Theatre vacancies currently in place, however there is budget within clinical support that offsets some Theatre staff costs against nursing
  + Orthopaedic Research nurse prior vacancy
  + Radiology General positive variance in agency, on-call and vacancies; and
  + Rehabilitation underspend from prior vacancies
  + Medical Physics Band 6 positive variance
  + The above positive variances are partly offset by pressures in both Clinical Psychology with funding release managed at year-end, Haematology pay protection and Cardiac Physiology budget release on funding receipt for NES trainee post and SACC’s post
* **Non-clinical Support**

The position continues to reflect a favourable variance of £396k ytd with a favourable £36k in month position.

Vacancies within the following services continue to be the cause of the favourable variance ytd; CSPD and Housekeeping (with ongoing recruitment in progress to these posts), catering (prior month vacancies now filled) and Maintenance vacancies incorporated within a detailed service review not yet approved and to be considered in 2017-18.

* **Admin**

The position now reflects a positive variance of £269k ytd with a favourable £17k in month movement. This is caused by;

* + Clinical Governance as a result of prior month band 7 and current band 6 vacancy;
  + E-health band 5 vacancies with a staff review approved and in process of implementation;
  + Vacancy within non-executive director role;
  + Corporate favourable variance from previous HR Director vacancy and now in post and;
  + Hotel favourable position from vacancies.

**Supplies**

**Clinical**

The in month variance is £287k favourable (overspend year to date against clinical supplies of (£757k)). The primary area of overspend year to date are detailed below:

* **Pharmacy – (£211k) overspend ytd with a breakeven position in month**

The main area of pressure relates to Theatres drugs and some efficiency schemes identified had planned implementation later in the financial year and this is starting to realise.

* **Surgical Supplies – (£22k) overspend ytd with an in month positive variance of £329k**

The majority of the in month improvement is within Theatres and in relation to efficiencies within Orthopaedic in addition to critical care dialysis sundries lower than budget plan from patient acuity.

The paper on the Cath-lab supplies overspend is planned to be presented to Performance &Planning meeting, which is the main reason for the cumulative cost pressure to date. This is partly offset by a positive position against long term ventricular assisted devices as no activity for this has been completed to date.

* **Labs/Radiology – (£323k) overspend ytd with an in month adverse variance of (£42k)**

A large element of this relates to radiology supplies in the Cath-lab and as detailed within surgical supplies this will be picked up as part of the review paper noted above.

**Non-Clinical**

The in month variance is (£398k) over budget (to date this area is demonstrating an underspend of £725k). This reflects the approved expenditure plan in line with the previous forecast and the impact of supported non-recurring bids.

**Non-core Variance**

A separate tab has now been included in Appendix one (page 4) to show non-core funding and expenditure.

This tab shows the three discrete element of non-core funding that are included within the Board:

* Depreciation – this is an annual transfer from core RRL each year and the budget is based on a detailed depreciation budget prepared annually;
* Provisions – this is part of Annually Managed Expenditure and is managed and funded centrally, this provision for the Board is compiled of the movement on legal claims; and
* Impairment – this also is part of Annually Manager Expenditure and is managed and funded centrally.

There is a slight underspend in depreciation YTD, this relates to depreciation which has been caused by assets coming into use later than planned. It is proposed to request an additional movement between core and non-core funding to cover this increase in expenditure.

There has been significant movement in the value of provisions in month due to the increase in value of a specific clinical claim which we are having detailed discussions with the CLO about.

It is proposed to reduce the funding for impairment further in month eleven to reflect the position in relation to building works in the current year. This will be reduced to zero as the building work element of the capital plan was been moved into 2017/18.

1. **Capital Spend**

A report on the capital spend position has been included at appendix 1 page 6; at the end of month eleven capital expenditure is £1.711m, this is line with the plan for the year as the majority of the spend routinely takes place in the second half of the year.

1. **Conclusion**

The core position to date demonstrates an in-year underspend in line with the finance plan

**Julie Carter**

**Director of Finance**

**21 March 2017**

(Lily Bryson, Assistant Director of Finance, Governance and Financial Accounting)

(Elizabeth O’Brien, Assistant Director of Finance, Financial Management)