# GJF LogoBoard Meeting: 2 August 2018

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**Subject:** Finance Report – June 2018

**Recommendation:** Members are asked to discuss and note the report

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#### Introduction/Key Issues

In previous years, there was no formal financial reporting requirement to the Scottish Government Health and Social Care Directorates (SGHSCD) relating to financial performance until quarter one (June reporting). However, following the introduction of a revised financial performance template and SGHSCD consolidated reporting, this has resulted in the requirement for more formal reporting to SGHSCD from month two (May reporting). SGHSCD will now formally publish combined financial performance from May 2018 for all Scottish NHS Boards.

Board members should note that internal reporting has always been in place from month two and budgets are reported on this basis.

The month three results show a total surplus of £1.171m. This includes both core and non-core expenditure, this is in line with the forecast in the finance plan of £1.1m underspend by the end of the first quarter, June 2018 against core RRL. This surplus is made of the following:

* Income – above target by £354k YTD;
* Core Expenditure – underspend of £740k YTD; and
* Non-core Expenditure – underspend of £77k YTD.

The summary income and expenditure is included at appendix one.

At this early stage, it is anticipated that the Board will achieve the target agreed with the Scottish Government Health and Social Care Directorates.

Given 2018/19 discussions on pay awards and pay progression, paid as if at work, expansion approvals, and other potential developments, forecasts will be undertaken from month three onwards for both revenue and capital expenditure and associated funding streams.

#### Budgets 2018/19

The Board’s financial plan 2018/19 has been completed and approved, with the aim of achieving the delivery of a balanced financial position by March 2019.

The detail for the expenditure budgets for 2018/19 has been agreed by the Heads of Operations and the Corporate Heads of Department, including the Executive Nurse Director and Acting Medical Director.

The 2018/19 Budget paper was approved by the Senior Management Team on 7 July 2018 and reported separately to Performance and Planning Committee on 12 July 2018.

As per our approved financial plan, the level efficiency savings for 2018/19 required a savings target of £4.206m, or 3.13%, with £3.722m or 2.77% of these projects agreed at this stage.

The total budget allocated equates to the financial value of £141.242m, which is in line with our balanced financial plan.

#### 2018/19 Pay Policy

The initial three-tier pay policy was reflected in the May 2018 financial position as originally advised by the Scottish Government. The final pay circular was received from the Scottish Government after month two reporting and the new final two-tier pay policy is now reflected from month three financial reporting. The Scottish Government has confirmed funding for Agenda for Change staffing above the initial 1% in line with this pay circular.

The financial reports include a corporate provision made to account for the pay award allocation prior to processing in future months by NHS Greater Glasgow & Clyde (NHS GG&C) payroll services. NHS GG&C payroll have confirmed the pay award uplift will be processed in July 2018 employee pay, with arrears reflected from August 2018. Budgets will be reallocated thereafter.

#### Month end Reporting

Within finance, we have a deadline for reporting to SGHSCD each month and an external timetable for the closure of the ledger; both of these deadlines are on the thirteenth working day of each month. There are a number of exceptions to this:

* There is no formal report to SGHSCD until the end of month two;
* In month 12, there are two dates for closing the ledger – an initial close approximately three days later than the normal month-end and the final close, which is approximately the last working day of the month.

However, the department has its own internal timetable for closing the ledger; we ensure that we work to this internal timetable and have a detailed review meeting each month to discuss issues that we have encountered during the month. In summary our internal timetable, with the exception of month 12, follows the following indicative dates:

* Day 5 – initial soft close of the ledger meaning all primary systems are closed and all accruals/prepayments have been accounted for;
* Day 6-10– detailed review of the position by the senior finance team with final adjustments made with day 10 final internal close;
* Day 13 – Ledger Hard close and return to SGHSCD.

Following this internal timetable, we are in a position by the 13th working day to prepare the reports for the Senior Management Team/ Performance and Planning Committee and for reports to be ready for issue to managers.

On a continuous basis, we strive to identify efficiencies within the timetable that would enable us to close month-end earlier. We aim to align this timetable to Senior Management Team and Board reporting to ensure the most up to date information is presented to the Board. Where this is not possible due to fixed Board dates already committed, we will present the Board with the most up to date financial position.

In addition we are continuing to review the content of the detailed Appendix One to this report regarding fuller descriptions of movements in revenue expenditure. It is planned to continually review this.

In light of this we have included the recommendation from the recent external review of NHS Tayside reporting and governance. There are no specific points to highlight.

We are reviewing the reports that are issued to managers with the aim of tailoring them more to user requirements and would aim to conclude this work in line with the implementation of Tableau self service reporting during this financial year.

#### Capital Budget

The three elements which make up the capital budget as agreed with the Board and SGHSCD for 2018/19 are noted below:

* Formula Capital – this allocation is the money that the Board is provided with the fund all capital requirements within year that are not subject to approval by the National Capital Investment Group. This funding is broken down into three components:
  + Estates (Building Infrastructure);
  + Medical Equipment); and
  + IM&T.
* Capital Stimulus Monies – this allocation was funding provided by SGHSCD to increase imaging capacity across Scotland, the residual balance in year of £2.105m has been agreed with SGHSCD with the monies in the prior year being used to fund two additional MRI scanners and an additional Ultrasound Scanner.
* Elective Centre Funding – this is the Board allocation for the funding of the development at the site and is split between phase one and phase two. Phase one relates to the Ophthalmology expansion with funding of £1.7m included in the plan for the year; this spend will vary dependent on Outline Business Case approval. Phase two relates to the creation of a three-storey facility to increase Orthopaedic Surgery capacity; £500k has been allocated in the capital plan in year with regard to this.

The **Formula Capital**

The base formula allocation for 2018/19 is £2.691m. The detail of what has been included in the plan for the year was agreed at the Capital Group meeting on 15 March 2018. The anticipated spend is summarised in the table below:

|  |  |
| --- | --- |
| **Area** | **2018/19**  **£000s** |
| Property | 608 |
| Medical Equipment | 1,591 |
| IM&T | 492 |
| **Formula** | **2,691** |

Through the Capital Group (informed by the Medical Equipment Group, the Property and Asset Management Strategy group and the e-Health Steering Group) we have undertaken a detailed review of all the plans which form part of these allocations to ensure that all items within the plan will be undertaken in the current year.

We have also created a contingency budget which will be utilised to fund items not on the approved plans or developments and is aimed to reflect urgent and unplanned replacements due to breakdowns etc; this is held in the property line. This will be continually reviewed during the year with the full capital plan being delivered by March 2019.

Detailed reports will be presented to the Capital Group on a monthly basis to ensure that spend can be monitored against budget and corrective action taken when necessary.

The **Capital Stimulus**

Residual balance of the capital stimulus money (originally £5m) includes an underspend in the current year of circa £2.105m. The majority of this is earmarked to support a second CT scanner. Discussions are ongoing with Scottish Government in seeking the waiting times demand and associated revenue costs to support this. With agreement from SGHSCD, £190k has been approved to fund equipment in relation to the Endoscopy expansion.

The **Elective Centre**

The current anticipated spend for the phase one development in 2018/19 will be circa £1.783m. This has been agreed with Scottish Government although acknowledging this may change as the year progresses. Detailed reports will be prepared after each cost control meeting with these being presented to SMT and the Expansion Steering Group.

The cost of the phase two development is being worked on in detail and the likely spend not developed in sufficient detail to inform the plan for future years. It is anticipated that further detail will be developed following the submission of the Initial Agreement. A small amount of funding has been earmarked within the Board financial plan at this stage (£500k).

#### Cost Book 2017/18

Work has now commenced within the finance department with regard to the completion of the annual Cost Book returns, detailing the cost per hospital and Board across NHSScotland. The deadline for submission is 6 August 2018; it is anticipated that this deadline will be met as has been achieved in prior years.

The publication for the Cost Book will be later this year with the information obtained from this being used to facilitate various benchmarking exercises and will be presented to the Efficiency and Productivity Group.

As part of this development work, NHSScotland Boards have been requested to identify improved and robust costs associated with both Psychology and Mental Health Services within Boards. This has not specific impact on this Board reporting.

#### Realistic Medicine and Value Based Healthcare

Recently the Board secured Scottish Government funding to support the appointment of Realistic Medicine clinical leads to undertake the role of Facilitators. The leads will be working in collaboration with Regional finance leads in parallel with values based healthcare principles and across the clinical services, supporting this important initiative.

The Board has made a joint appointment to the Clinical lead role with both an Orthopaedic and Anaesthetic Consultant in place. The first meeting to identify the process, remit and steps to facilitate realistic medicine within the Board’s clinical practice and patient education was scheduled for 25 June 2018; feedback was that a focus on quality improvement and value based Healthcare already imbedded within the Board. Both clinical leads will be keen to work with interested clinicians in these areas to build a plan detailing projects already in place relating to realistic medicine or where support is required to develop new projects. The Director of Quality, Innovation and People will lead this work and the production of a project plan in collaboration with the Medical Director.

Over the last financial year, the Board has commenced value management based Health care projects within the Patient Level Costs (PLICS’s) scope of work which identifies patient level costing and variation in specific Orthopaedic procedures. Plans are in place to widen the scope of this work within other specialty and service areas. This is an important initiative and funds have been identified within the Strategic Projects work-plan to progress this. This is also very closely linked to the work on developing patient pathways through the Electronic Patient Record development. Progress updates on this will be presented to the Senior Management Team.

#### 9. Conclusion

Members are asked to note this finance report for the period ended 30 June 2018.

## Julie Carter

**Director of Finance**

**12 July 2018**

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

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