# GJF/2018/02/11

# GJF LogoBoard Meeting: 15 February 2018

**Subject:** Finance Report – December 2017

**Recommendation:** Members are asked to discuss and note this report for the period to 31 December 2017

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#### Introduction/Key Issues

The year-to-date (YTD) results show a total surplus of £288k. This includes both core and non-core expenditure, this is in line with the forecast in the finance plan. This planned surplus is made of the following:

* Income – ahead of target by £269k YTD;
* Core Expenditure – overspend of (£50k) YTD; and
* Non-core Expenditure – underspend of £70k YTD.

#### Budget Setting and Efficiency Savings 2018/19

The budget setting process for 2018/19 commenced in December, following the Scottish Budget announcement, with the initial first pass of the budget being planned for completion by the end of January. As part of this exercise, individual meetings will be arranged with the Associate Directors of Operations, budget managers and heads of corporate departments to review this, consider cost pressures, non-recurring expenditure and service activity change and revise as appropriate.

Parallel to the detailed budget process, meetings will also take place with Divisional and Corporate teams, Nursing Director and Medical Director to compile efficiency schemes to support the Financial Plan process for 2018/19, with initial review indicating a 4% efficiency target. It is anticipated that this exercise will be completed to inform the Board’s financial plan. As in previous years detailed budget assumptions will be presented to the Performance and Planning committee.

Continuing with prior years’ process, the Board will utilise the roll-over budget function for recurring budgets within the finance system; this will enable the Board to report on month one of 2018/19. Therefore providing a more robust financial planning and reporting process.

#### Financial Planning 2018/19

In conjunction with the 2018/19 budget setting, a top-down exercise is also being undertaken which will form part of the Boards draft financial plan which is due for submission to the Scottish Government Health and Social Care Directorates (SGHCD) in February 2018.

Each NHS Board is expected to meet their statutory financial targets. These are, effectively, three annual budget limits which must not be exceeded:

1. Revenue Resource Limit – resource funding for net revenue expenditure allocated by the Scottish Government for ongoing operations
2. Capital Resource Limit - resource funding for net capital expenditure allocated by the Scottish Government for investment in fixed assets
3. Cash Requirement – cash required to fund the net payments for all ongoing operations and capital investment

The financial plans will cover a five year period to align with Regional and National Delivery Plans, as requested by Scottish Government. In addition a five year plan is required where any of the following apply:

* major infrastructure development,
* brokerage arrangements are in place,
* underlying deficit of over 1% of baseline resource funding,
* major service redesign.

The financial plan will also incorporate a 10 year capital and revenue plan reflecting the Board expansion plans.

The financial plan will also incorporate the Scottish Government Pay Policy, which recommends a 3% pay increase for public sector workers earning £30,000 or less and a cap of 2% on the increase pay bill for staff earning more than £30,000. There will be a cap on pay applied for highest paid, with a maximum cash increase of £1,600 for those earning above £80,000. The final pay settlement for NHS staff will of course be subject to the NHS pay reviews process, as in previous years.

The Scottish Budget announced in December reflects the commitment that more than half of frontline spending will be in community health services by the end of this parliament. The 2018/19 funding is designed to support a further shift in the share of the frontline NHS budget dedicated to mental health and to primary, community and social care. It is expected that NHS Boards and Integration Authorities contribute to this Programme for Government commitment and it will be essential that this is clearly evidenced as part of plans for 2018/19. Whilst this is not directly relevant to this Board all opportunities to support this will be included within the Board financial and local delivery plans.

The other key points from the Scottish budget announced that require to be reflected within the Board financial plans for 2018/19 are:

* Similar to the other national ‘patient facing’ Boards the Golden Jubilee will receive an uplift of 1%
* The National Board savings requirement of £15 million in 2017-18 will be made recurring in 2018/19; the allocation of this will be agreed in advance of the new financial year.

A total of £303m has been identified for reform, this is an increase of £175m on last year and includes a transformational change fund of £126 million to support the regional delivery plans for implementation of new service delivery models, improved elective performance and investment in our digital capability. This is an increase of £101m in this financial year. The balance of the increase of £74m is planned to support investment in mental health, trauma networks, primary care and cancer. The table below summarises this:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2017/2018 | 2018/2019 | Increase for 2018/2019 |
| Transformational Change Fund | £25m | £126m | £101m |
| Primary Care Fund | £60m | £110m | £50m |
| Mental Health Fund | £30m | £47m | £17m |
| Trauma Networks | £5m | £10m | £5m |
| Cancer Fund | £8m | £10m | £2m |
| Total Investment in reform | £128m | £303m | £175m |

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

#### Annual Accounts 2017/18

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.

As in prior years, the finance team will roll-over the accounts template during February taking account of the changes in the accounts template. At this point we will ensure that the working papers for the year-end are prepared. The roll-over process will enable familiarisation with the new template and enable the year-end timetable to be met.

The annual audit of the Directors Report and Annual Accounts will commence in 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 to the Audit and Risk Committee for approval on 12 June prior to the formal presentation to the Board on 21 June. The draft accounts will also be presented to the Senior Mangers meeting on 7 June.

#### Capital Update

The capital group was provided with an update on the financial position in the three key areas which make up the financial plan with this noted below.

|  |  |  |
| --- | --- | --- |
|  | Allocation  £’000 | Spend to date  £’000 |
| Formula capital | 4,291 | 262 |
| Capital Stimulus | 3,283 | 2,427 |
| Elective Centre | 250 | 228 |
| **Total** | **7,824** | **2,918** |

The **Formula Capital** spend is in line with anticipated spend for month seven, meetings have been held with all leads in the main spend areas and business cases will be presented for the majority of spend by the first week in January. All major items have been tendered for in advance of the business cases being submitted to ensure that the most accurate price is included in the business case.

The **Capital Stimulus** spend in year relates to the MRI suite, including the two new MRI scanners. At this point it would appear that spend in year will be lower than budget, with the final out-turn for the project to be confirmed in late January. As agreed with SGHSCD the residual balance in year will be carried over to 2018/19 to contribute to the ophthalmology project and/or other increasing capacity projects including the potential purchase of a second CT scanner.

The **Elective Centre** spend in year relates to advisor fees which will be incurred in advance of building work being commenced. These fees relate to Cost Advisor, Project Manager and design cost for the PSCP. In order to monitor this spend there are fortnightly operational cost control review meetings established to ensure that costs are monitored closely. In addition a formal monthly cost control group chaired by the Director of Finance has been established to provide a single point of authority to ensure effective delivery of the Board’s expansion expenditure and investment plan and maintain a co-ordinated fiscal approach to all aspects of capital and revenue expenditure associated with the expansion project and the corresponding link to the Board’s capital investment plan.

#### Efficiency Savings

At month nine, total efficiency savings delivered were £3.48m against a Local Delivery Plan (LDP) target of £3.38m, reporting £100k favourable performance against plan at this stage. This is ahead of the planned trajectory and efficiency projects forecast achieving our Board efficiency savings annual target.

The savings achieved to date are split with recurring efficiency savings achieved of £2.67m and non recurring savings of £0.811m. Details of this are included in Appendix 1, page 5.

#### Conclusion

Members are asked to discuss and note this finance report for the period ended 31 December 2017.

## Julie Carter

**Director of Finance**

**30 January 2018**

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

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