**Ref: GJF/2017/08/10**

# GJF Logo

# Board Meeting: 3 August 2017

**Subject:** Finance Update

**Recommendation:** Board members are asked to note this report for the period to 30 June 2017

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#### Introduction/Key Issues

The year-to-date (YTD) results show a total surplus of £932k. This includes both core and non-core expenditure, this is in line with the forecast in the finance plan of £1m under spend by the end of the first quarter. This surplus is made of the following:

* Income – over target by £133k YTD;
* Core Expenditure – under spend of £851k YTD; and
* Non-core Expenditure – overspend of £52k YTD.

The summary income and expenditure is included at appendix one.

At this stage it is anticipated that the Board will achieve the target agreed with the Scottish Government Health and Social Care Directorate. Forecasts will be undertaken from month four onwards.

The under spend at this stage is primarily due to phasing of a number of initiatives in line with the financial plan assumptions.

#### Month-end reporting

Within Finance, we have a deadline for reporting to the Scottish Government Health and Social Care Directorates (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 quarter one - reporting on month three onwards.
* Month 12, there are two dates for closing the ledger – an initial close approx three days later than the normal month end and the final close which is approx the last working day of the month.

However, the Finance department has its own internal timetable for closing the ledger. We are in the process of ensuring that we are working 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 – detailed review of the position by the senior finance team;
* Day 8-10 – review with the Director of Finance and final adjustments made; and
* Day 10 – internal ledger close.

Following our internal timetable, we should be in a position by the 13th working day to prepare the reports for the Senior Management Team and Performance and Planning meetings, 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 the month-end earlier. We are trying 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 Board dates already committed, we will strive to present the Board with the most up to date financial position.

We continue to review the month-end timetable and are planning to include dates for the issue of reports to all relevant parties internal and external, aiming to ensure we have the most up to date information for management reporting and action.

In addition, we are continuing to review the content of Appendix One to this report regarding fuller descriptions of movements in revenue expenditure. It is planned to continually review this and any amendments made on a quarterly basis. We are reviewing the reports that are issued to managers with the aim of tailoring them more to user requirements.

We are also working on a pilot project with Senior Charge Nurses to potentially provide weekly financial data.

#### Capital

As highlighted in the prior month report, the capital position for 2017/18 remains very tight. We have been holding detailed discussions with the Capital Department at SGHSCD with regard to this position.

As in prior year, we are permitted to request that an element of our Revenue Resource Limit be moved to our Capital Resource Limit to support the capital programme. This could reduce future capital pressures and/or deliver revenue efficiencies savings with invest to save schemes. However, there remain a number of considerations before actioning this. As in previous years, we will work through these before any recommendation is made.

Any switch from Revenue to Capital cannot be reversed once this has been undertaken. It is therefore critical that detailed revenue forecasts are accurate and capital plans will be delivered in this year. This switch, if agreed, would be for this year only and does not affect ongoing revenue income.

This work will be considered as part of our Board revenue and capital financial forecasts reviewed from month four onwards.

This move does not apply to items that are related to research or endowments, which follow a different set of accounting standards and regulations.

#### Capital Update

As noted at the previous meeting, the capital budget for 2017/18 for formula capital is £2.691m. In addition to this funding, it has been agreed that the £5m capital stimulus money will be returned to the Board in 2017/18 to support the MRI expansions and Phase One of the Board expansion.

Through the Capital 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 to cover unforeseen circumstances. This will be continually reviewed during the year with the full capital plan being delivered by March 2018.

In light of the potential financial cost for the planned work in the Central Sterile Processing Department (CSPD) being higher than originally planned, it has been agreed by the Capital Group that a detailed review of the allocations will be undertaken and a revised plan will be taken back to them on 19 July for discussion and agreement.

The Medical Equipment Group is also undertaking another review and prioritisation of the medical equipment plan prior to it being re-submitted to the Capital Group.

Specific project funding in 2017/18 relates to the element of the capital stimulus money that will be used to fund the two MRI scanners and the building work. The remaining balance of the £5m will be carried into 2018/19 to contribute to the funding of the Phase One build for the expansion.

Taking into account the future capital position in the next financial year, we have commenced detailed discussions with the leads for each area of the Capital Group. The aim is to present the Capital Group with a proposal by the end of July on the value that potentially could be transferred to capital from revenue, taking into account the forecast revenue position.

Consideration is also being given to ensure that we are able to achieve spend on any items that we include in the revised plan. The focus, as in prior years, will be on accelerating purchases on a risk based approach, on potential invest to save purchases and getting the Board in a stable capital position for the likely expansion delivering the new elective treatment centres announced by Scottish Ministers. This work will take into consideration the comments above.

As per the 2017/18 Capital Plan, an element of the Board specific funds in year were for the completion of specific projects, with these being Pharmacy redesign and CSPD works. The Pharmacy project has been completed and the expenditure is in line with budget. The CSPD project, as referred to above, has yet to commence and is demonstrating financial pressures due to additional costs. This is being reviewed by the Capital Group and a smaller working group as a matter of urgency, before a final decision is made.

The space utilisation project which is the enabling work for the location of the two new MRI scanners is progressing in line with plan and current forecast spend is in line with plan. The timetable is reported and monitored via the MRI project Board. All elements of this project are being funded via the capital stimulus monies.

#### Efficiency Savings

At month three, efficiency savings delivered were £805k against a target of £997k. This is split with recurring efficiency savings achieved £461k and non-recurring savings of £344k. Details of this are included in Appendix 1, page 5.

This is broadly in line with the trajectory at this early stage within the financial year.

#### 9. Conclusion

Members are asked to note the Finance report for the period ended 30 June 2017.

## Julie Carter

**Director of Finance**

**25 July 2017**

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