# Ref: GJF/2017/12/09



# Board Meeting: 7 December 2017

**Subject:** Finance Report – October 2017

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

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#### Introduction/Key Issues

The year-to-date (YTD) results show a total surplus of £152k. 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 – behind target by (£31k) YTD;
* Core Expenditure – underspend of £191k YTD; and
* Non-core Expenditure – overspend of (£8k) YTD.

The summary income and expenditure is included at appendix one. The key points in our income and expenditure to highlight are detailed below (efficiency savings are discussed in section five).

**Income**

* This is showing a small reduced performance against plan for non Revenue Resource Limit (RRL) Service Level Agreement (SLA) activities; this is associated with foot and ankle activity mix.

**Expenditure**

* Pay pressures are the main causes of the small overspend in Core Expenditure. The increased costs continue mainly within Medical Staff pay costs due to an increased reliance on Waiting List sessions due to vacancies, unplanned leave and the requirement for additional sessions.
* Nursing retains a positive financial position with cost pressure within Cardiology wards and Cath Lab within Regional and National Medicine offset by under-spends within Surgical Services’ Orthopaedic wards. A non-recurring use of nurse agency within Critical Care units was offset by vacancies within the service.
* Surgical Supplies continues with an underspend; this is mostly attributable to Theatres and Cardiology Devices as a result of planned efficiency benefits realised.

At this stage, it is anticipated that the Board will achieve the target agreed with the Scottish Government Health and Social Care Directorates (SGHSCD) and in line with the Board’s financial plan.

The full year forecast undertaken at month seven, and monitored monthly, supports that a breakeven position will be achieved by year-end with no significant risks to highlight.

#### National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a counter fraud exercise led by Audit Scotland. It has been undertaken in the Board every two years since 2006/07, with the last exercise being in 2014/15. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify circumstances (matches) that might suggest the existence of fraud or error.

The exercise this year (2016/17) identified 1,195 matches with 144 of these recommended for review (as a minimum). At the end of October, the Board had investigated and closed 143 matches with a further 22 in progress. In line with the NFI reporting timetable, the deadline for matches to be investigated is 31 March 2018. A detailed paper providing detail of the matches was presented to the Audit and Risk Committee on 7 November and presented separately to the Senior Management Team (SMT) meeting.

The exercise did not identify any instances of fraud from the reviews undertaken.

#### Counter Fraud Update

The Board continues to work closely with Counter Fraud Services (CFS) to deter, disable, detect and deal with financial crime in line with the CFS proactive plan for the year. Following the issue of the CFS proactive plan, the Board produces its plan on an annual basis to support these aims. The key elements of this are noted below with a working group established to take forward the plan for 2017/18.

* **Fraud Awareness Campaign**

Detailed discussions have taken place with CFS and the Communications team within the Board regarding steps we can take to raise fraud awareness within the Board. The campaign for 2017/18 will include the following:

* A fraud awareness day has been agreed with CFS for 1 December 2017 and will consist of a similar format to prior year events;
* Increase awareness of e-Learning through a communications plan;
* Promotion of CFS website; and
* Use of Counter Fraud Media, this will be also be agreed with the communications team.
* **Fraud Awareness Workshops**

As presented at previous meetings, a number of workshops are now available from CFS. We have run a number of sessions which are available for some teams and are looking to widen the uptake of available sessions within the Board. There are still two sessions to be attended by Board staff, details are provided below:

* Procurement Fraud – session attended by Procurement and Finance staff, other sessions are being arranged to cover other key staff groups such as estates and medical physics and e-health;
* Bank Account Takeover - session attended by Procurement and Finance staff;
* Cybercrime – a session was arranged for the SMT, which was very well received. Following this, two further sessions have been organised as joint events between CFS and the Board. The Head of e-Health, in partnership with CFS, has planned further sessions to run to the end of the financial year; and
* Bribery and Corruption – following the SMT presentation, a further workshop was held during October with attendance from Finance, Procurement, Pharmacy and Estates. It is planned to run further workshops, focusing on clinical and operational teams.
* **Fraud Impact Assessment**

We are liaising with CFS to utilise the planned offerings to assist in disabling fraud by removing potential weaknesses in the system and highlighting potential loopholes in Board policies and processes. This review will be undertaken by the Board with assistance from CFS if required.

* **Annual Visit**

As in prior years, the annual visit with the team from CFS is being arranged for the start of quarter four of the financial year; this includes the Director of Finance, Assistant Director of Finance (Governance and Financial Accounting and the Board Chair as our Fraud Champion.

#### 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 | 2,691 | 231 |
| Capital Stimulus | 3,283 | 1,241 |
| Elective Centre | 250 | - |
| **Total** | **6,224** | **1,472** |

The **Formula Capital** spend is in line with anticipated spend for month six. Meetings have been held with all leads in the main spend areas and business cases will be presented for the majority of spend by mid-December. 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 early 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 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 costs for the PSCP. In order to monitor this spend there are fortnightly cost control review meetings established to ensure that costs are monitored closely. In addition, a formal 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 coordinated fiscal approach to all aspects of capital and revenue expenditure associated with the project, and the corresponding link to the Board’s capital investment plan.

Following a detailed review of the revenue forecast to year-end, and the output from the work of the capital group in updating the capital plan, it is proposed to request a revenue to capital transfer of £1.6m; this would increase the formula allocation from £2.691m to £4.291m. This would support capital spend brought forward from next year, recognising the likely pressures arising from the development of the expansion project and consideration of the Board role in developing robotic surgery.

The £1.6m revenue which is now available to transfer to capital has arisen due to the following:

* value of inflation which was included in the financial plan which has been a lower value than planned;
* funding included in the financial plan for pressures which have not arisen in year; and
* higher than anticipated non-recurring efficiency savings.

Discussions with SGHSCD have been held with regard to this funding movement. Prior to the position being finalised, approval will be sought from the Board.

#### Efficiency Savings

At month seven, total efficiency savings delivered were £2.800m against a Local Delivery Plan (LDP) target of £2.558m, reporting £242k favourable performance against plan at this stage. This is ahead of the planned trajectory and we expect to meet our Board efficiency savings annual target at this stage.

The savings achieved to date are split with recurring efficiency savings achieved of £2.224m and non-recurring savings of £0.567m. Details of this are included in Appendix 1, page 5.

The key movements are described below.

* A movement between recurring and non-recurring categories in recognition of the year on year achievement of Orthopaedic Theatre surgical supplies efficiencies identifies as non-recurring in nature but continued each year for the last three financial years.
* Implementation of the reduced sessional rate for Cardiac Anaesthesia waiting list sessions.

#### Conclusion

Board Members are asked to discuss and note the report for the period to 31 October 2017

## Julie Carter

**Director of Finance**

**21 November 2017**

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

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