**Ref: GJF/2017/06/09**

# Board Meeting: 8 June 2017



**Subject:** Finance Report – April 2017

**Recommendation:** Members are asked to note this   
report for the period to 30 April 2017

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#### Introduction/Key Issues

As in previous years, there is no formal financial reporting to the Scottish Government Health and Social Care Directorates (SGHSCD) for month one. The Finance system used by NHSScotland has the functionality to undertake health sector budgeting, which means that all budget items marked as recurring in the system will automatically rollover from one financial year to the next. This now means that we can report to the Board for month one as opposed to month three, providing more robust financial management.

At this early stage, the month one reporting focuses on expenditure trends while the final budget adjustments are being actioned.

The month one results show a total surplus of £1,071k. 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 £53k YTD;
* Core Expenditure – underspend of £1,158k YTD; and
* Non-core Expenditure – overspend of £34k YTD.

The summary income and expenditure is included at appendix one. As there is no reporting on efficiency schemes or capital, these have not been included in the appendix.

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.

#### Budgets 2017/18

The Board’s financial plan 2017-2020 has been completed and approved, demonstrating the delivery of a balanced financial position by March 2018.

The detail for the expenditure budgets for 2017/18 has been agreed by the Heads of Operations, the Corporate Heads and Director of Nursing, as the key budget holders. A meeting has also been scheduled with the Medical Director and Associate Medical Directors.

The level of efficiency savings for 2017/18 was based upon a list of cost pressures anticipated during the year ahead. The efficiency saving target for 2017/18 is £4.482m.

The significant 2017/18 cost pressures identified at the time of the financial plan which drove this value are as follows:

* Pay pressures including Band 1 review, incremental drift and unsocial hours, discretionary points and job planning.
* Increased Energy and clinical waste costs.
* Pharmacy drugs pressures.
* National apprenticeship Levy and impact of IR35.
* Continuation of cost pressures of waiting list payments for visiting consultants and hard to fill posts until a sustainable model can be put in place.
* non recurring revenue funded by the Board to support the expansion project team.
* Continued investment in e-health including scanning Bureau and Electronic Patient Record (EPR).

The budget has been included for these within the 2017/18 budget allocation.

In addition funds have been identified for the delivery of e-rostering, 24 over seven working, strategic projects and innovation.

The financial position will be reviewed over the next few months to assess if, and when, funds can be released in this financial year and to what level of support.

The total budget allocated equates to the financial value of £134.8m, demonstrating a balanced budget plan.

The budget has been agreed by all budget holders with some final adjustments to be actioned; these relate to:

* Theatre pays to specialty specific lines to be re-aligned from within existing base pay budget.
* A cost versus budget review exercise for Cardiology medical.
* The completion of the Cath Lab non-pays paper.
* The work commenced during 2016/17 on both Radiology and Labs reviews.

The budget has been approved by the Senior Management Team.

#### Land Sale

The Board previously agreed to sell a piece of land on the industrial estate site close to the hospital.

Two formal offers were received at the closing date. Following receipt and review of both offers, the Board property advisor recommended that the Board proceed with the highest offer submitted. The Board therefore instructed the appointed legal advisors to proceed with this sale. The sale was concluded on 5 May 2017.

In line with the Property Transaction Handbook and advice from the Scottish Government Capital Department, there is no formal requirement to present the sale to the Board prior to proceeding, given that the Board were initially involved in declaring the land surplus. The requirement is that the sale is notified to the Chief Executive and the Director of Finance, both of who have been involved in the process.

The net book value of the land has been reflected in the Board’s balance sheet as £65,000 as per the annual accounts, with open market value being £85,000. The price has been agreed as £135,000. This reflects a profit on sale of land of £70,000 on net book value. This profit on sale will be returned to the Scottish Government in line with sale of assets. Final agreement on the appropriate accounting treatment will be approved by the finance department of the Scottish Government Health and Social Care Directorate and the Board’s auditors.

This transaction will be reviewed by the internal auditors as part of the 2017/18 annual audit in line with the property transaction handbook.

#### Capital Budget

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. The current capital allocations detailed in the table below:

|  |  |
| --- | --- |
| **Area** | **2017/18**  **£000s** |
| Property | 711 |
| Medical Equipment | 1,500 |
| IM&T | 480 |
| **Formula** | **2,691** |
| Projects | 3,533 |
| **Total** | **6,224** |

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, but covers unforeseen circumstances. This will be continually reviewed during the year with the full capital plan being delivered by March 2018.

The Medical Equipment Group has also reviewed and prioritised the medical equipment plan prior to it being submitted to the capital group.

The 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 for the funding of phase one build for the expansion.

#### Cost Book 2016/17

Work is ongoing within the Finance Department with regard to the completion of the annual cost book returns. The deadline for submission is 31 July; it is anticipated that this deadline will be met. 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.

#### National Fraud Initiative

The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland (assisted by the Audit Commission), which has been undertaken in the Board in every two years since 2006/07. 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.

Due to issues with the matching process in the current exercise, the matches were only fully released on 19 May 2017.

The team, which will undertake the work for this exercise is represented by Finance, Procurement and HR with exercise being led by the Assistant Director of Finance (Governance and Financial Accounting). The initial focus of the work will be investigation of the recommended matches. It will be the aim as in prior years to clear a minimum of 75% of the payroll matches.

The outcomes from the above exercise are contained in Appendix two. Details of the investigations will be reported back to the SMT and Audit and Risk Committee. No issues have been identified at this early review stage.

#### 9. Conclusion

Members are asked to note this finance report for the period ended 30 April 2017.

## Julie Carter

**Director of Finance**

**2 June 2017**

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