

<p>NHS 24 BOARD MEETING</p> <p style="text-align: right;">20 JUNE 2019 FOR ASSURANCE</p> <p style="text-align: center;">FINANCIAL PERFORMANCE TO 31 MAY 2019</p>	
Executive Sponsor:	Director of Finance and Performance
Lead Officer/Author:	Deputy Director of Finance
Action Required	The report is presented to the NHS 24 Board for assurance.
Key Points	This paper informs the NHS 24 Board of the financial performance for the period ending 31 May 2019. NHS 24 is reporting an underspend of £0.1 million for the period.
Financial Implications	In relation to the revenue resource limit, NHS 24 is reporting an underspend position of £0.1 million to date and a forecast break even position for the 2019/20 financial year.
Timing	The financial position of the organisation is reported on an ongoing basis to the Executive Management Team, the Finance & Performance Committee and the Board.
Contribution to NHS 24 strategy	This paper demonstrates progress against the NHS 24 organisational priority of meeting its financial targets and delivering best value through resource allocation.
Contribution to the 2020 Vision and National Health and Social Care Delivery Plan (Dec 2016)	The financial performance of NHS 24 is key to the contribution NHS 24 makes to the 2020 Vision and National Health and Social Care Delivery Plan (Dec 2016) on an ongoing basis.
Equality and Diversity	The NHS 24 financial position takes account of expenditure requirements in relation to equality and diversity.

1. RECOMMENDATION

- 1.1 The NHS 24 Board is asked to review this report on the NHS 24 financial performance as at 31 May 2019 and take assurance from the activities planned throughout the year to continuously review and manage the financial position of the Board.

2. INTRODUCTION

- 2.1 Scrutiny of all resource plans, revenue and capital, and the associated financial monitoring is considered by the Executive Management Team, the

Finance & Performance Committee and the Board. This report summarises the revenue and capital position at 31 May 2019

- 2.2 The 2019/20 Annual Operating Plan (AOP), which provided a high-level assessment of the Board’s anticipated financial requirement for 2019/20, was approved by the NHS 24 Board in April 2019 and thereafter was submitted to SGH&SCD. The AOP details the work NHS 24 has scheduled over the year and associated budget required to deliver on the agreed objectives.
- 2.3 The format of this and other internal NHS 24 finance reports are currently being reviewed. The intention is to utilise more of a digital approach and the use of Tableau will be piloted in-year. This will bring a dashboard and interactive element to financial reporting that can be incorporated into Board and EMT reports. Forecasting and best value will also be a focus and the finance team will be liaising with Directorates and Budget Holders based on the current Year to Date (YTD) position to ensure NHS 24 uses its allocation effectively.
- 2.4 This proposed approach aligns with Realistic Medicine and Value Based Healthcare. This is the need to ensure that we deploy resources so that best value is obtained. Although the focus on clinical quality and safety is essential, we need to articulate and evidence that we are practicing Value Based Healthcare that focuses on Triple Value. The aim is to start embedding the Triple Value into the resource allocation process.

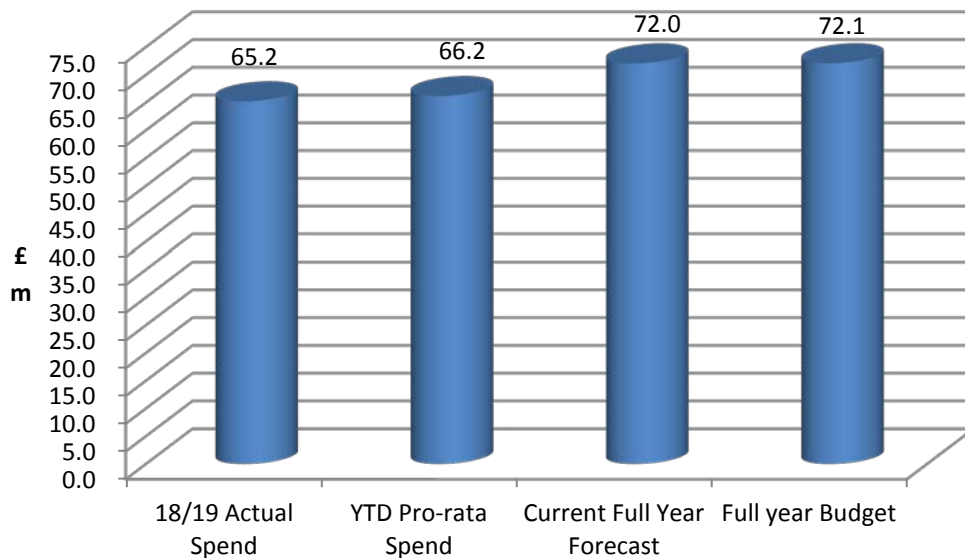
3. REVENUE RESOURCE LIMIT

- 3.1 In relation to the revenue resource limit, NHS 24 has an underspend of £0.1 million for the 2019/20 financial year against a year to date budget of £11.126 million and full year budget of £72.057 million. The forecast year-end position is breakeven.
- 3.2 Revenue allocations received to 31 May 2019 amounted to £68.658 million. This consisted of the baseline formula allocation for NHS 24 plus two other small allocations. All other allocations assumed in the AOP are still anticipated during the course of the financial year, taking the total budgeted funding in year to £72.057 million.

	Full Year Budget 2019/20 £m	Budget to 31 May £m	Expend to 31 May £m	Variance to 31 May (Over) / Under £m
Revenue Resource Limit	72.057	11.126	11.027	0.1

3.3 The summarised directorate cost statement for the 2019/20 financial year is attached at **Appendix 1** and more detailed narrative is included at section 6. It is early in the year to have a detailed forecast but initial projections are that a break even position will be achieved. Finance will work with managers to ensure that robust forecasts are produced regularly and shared with management. The graph below highlights that initial forecasts and budgets are predicated on phasing aligned to planned service delivery, factoring in developments agreed in the SPRA including planned recruitment. Using a pro-rata YTD spend as the basis of the forecast would result in a £6 million underspend but costs will increase throughout the year as these developments progress and NHS 24 is forecasting a break even position. The graph also highlights that a significant increase in funding has been secured in 2019/20.

NHS 24 Projected Year End Spend 2019/20



3.4 Within the £72.057 million is £2.5 million to cover the increase in pay costs associated with the change to the Agenda for Change (AfC) pay scales and the increase in employer pension contributions from 14.9% to 20.9%. Scottish Government (SG) have advised Boards to assume the costs will be funded. However, SG have advised that the funding will be at a point in time at the end of last financial year. This means that the planned growth in headcount in 2019/20 will place a cost pressure on NHS 24 as no additional funding to cover the incremental pay costs has been earmarked at this stage. This issue has been raised with Scottish Government Health Finance Directorate. The two factors (payscale and pension contribution) will add around 7% to the pay cost (varies depending what increment a person is on and whether they are in the pension scheme).

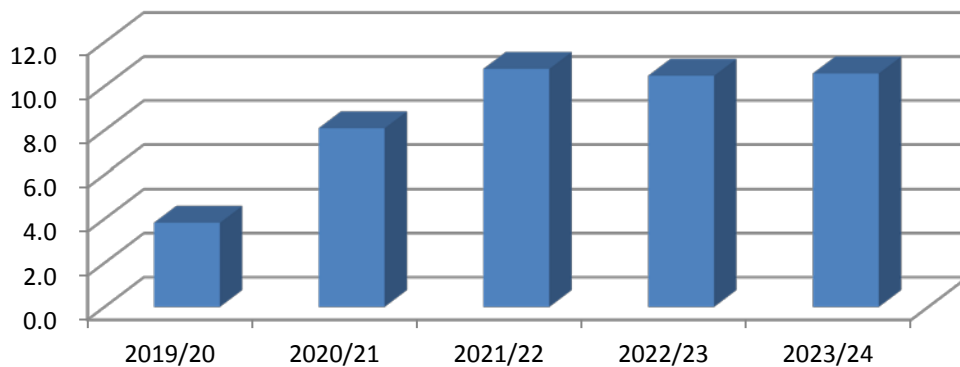
3.5 To illustrate, the full year impact of increasing the call handlers by 50 WTE to support the better working better care model will cost in the region of an addition £0.2 million due to changes to the AfC scale points and increased pension contribution. This and other funding for new posts in 2019/20 and

beyond is an incremental cost that NHS 24 will require to seek additional funding for through discussion with Scottish Government Health Finance Directorate.

4 NHS 24 PLANNED GROWTH

4.1 NHS has ambitious and important plans in place to further support Health and Social Care over the next few years. This includes supporting mental health and primary care. The additional external funding assumed in the AOP is on the graph below.

Service Development (Mental Health, GP Triage, Advanced Clinical Support)



4.2 A significant proportion of this funding is to allow additional staff to provide new services. The funding would have been predicated on pay costs prior to the change to AfC bands and increased pension contributions. This means that what can be delivered within the funding envelope will have to be evaluated by budget holders if additional funding cannot be secured, although at this stage the planning assumption is that there remains flexibility in the formal notification of total strategy funding of £5 million to cover this additional cost. Given the financial constraints Scottish Government are operating under, as an example the reduction in the funding available from the Transformation Change Fund, it is prudent that NHS 24 engages now with sponsors and the Health Finance Directorate on this matter.

5. CAPITAL RESOURCE LIMIT

5.1 The capital resource limit as at 31 May 2019 is detailed below.

	Full Year Budget 2019/20 £m	Budget to 31 May £m	Expend to 31 May £m	Variance to 31 May (Over) / Under £m

NHS 24 GREEN

Capital Resource Limit	0.269	0.0	0.0	0.000
-------------------------------	-------	-----	-----	-------

- 5.2 The capital plan for 2019/20 currently consists of the NHS 24 formula capital allocation, totalling £0.269 million. A request for an additional £0.6 million of capital was included in the Annual Operating Plan for the planned refurbishment of Cardonald and Clydebank.
- 5.3 The capital plan is detailed in the table below.

Capital Scheme	Allocation 2019/20 £m	Expenditure to 31 May £m
Capital Resource Limit	0.269	0.000
Estates Strategy	0.6	0.000
Total - Capital	0.869	0.0

- 5.4 Due to circumstances surrounding tenancy at Clydebank changing after the AOP was submitted there has been a pause on the planned estate related capital expenditure. Work is underway to determine what will be required with regard to our estates strategy and whether the funding will be required this financial year. Other calls on capital are being explored including IT developments/licences.

6. EFFICIENCY SAVINGS

- 6.1 In line with the national planning guidance, annual efficiency savings targets are set and a phasing or trajectory is agreed with SGH&SCD, this forms part of the AOP. For 2019/20, NHS 24 is required to identify efficiency savings in order to achieve breakeven totalling £1.848 million (2.6%).

Savings Category	Savings Annual Target £000s	Savings Achieved YTD £000s	Risk Rating
Pay Costs	1,548	258	Med / High
Non Pay Costs	300	50	Low
CRES to b/even	1,848	308	

- 6.2 For 2019/20 a non recurrent savings target of 3% pay and 2% non pay was added to each Directorate. This means the 2019/20 savings are already factored into the budgets for each area but on a non recurrent basis. The forecast break even spend factors in that each Directorate has a clear savings target for the year.
- 6.3 In addition to the above savings target, the National Health Boards have again been set a collaborative target to reduce operating costs by £15 million to be reinvested in frontline NHS Scotland priorities. The NHS 24 share of this was

£0.353 million in 2018/19 and the same value has been assumed for 2019/20. £0.2 million has already been removed from the NHS 24 2019/20 allocation and the assumption is that by the end of the financial year NHS 24 will have contributed the full £0.353 million in 2019/20.

7. DIRECTORATE PERFORMANCE

7.1 Appendix 1 outlines the expenditure against budget for the 2019/20 financial year on a directorate basis. Explanations for the main variances are detailed below.

7.2 Unscheduled Care Service

There is a small underspend of £0.011 million on the Unscheduled Care Core Service. Unscheduled Care Core Services represent just under 50% of the total NHS 24 budget. A £1.1 million savings target has been factored into the budget. The savings target is achievable but needs to be closely monitored in light of planned recruitment.

A commitment was made in the SPRA to help deliver the new service model and additional funding was provided. Plans are in place and additional call handlers will be recruited this year. Within Unscheduled Care Core there are a few over and underspends that contribute to the net position.

7.2.1 Unscheduled Care Regional & Local Services

Three things are driving the YTD overspend. Large purchase of uniforms at the start of the year, staff and travel costs.

7.2.2 Service Delivery - Non Clinical

Small YTD surplus due to vacancy at band 5.

7.2.3 Scheduled Clinical Services

YTD overspend due to historic MSK funding issue. Discussions ongoing between NHS 24 and Scottish Government to bring funding in line with expected service levels.

7.2.4 Technology – staffing

The YTD Budget, including savings target, is lower YTD than actual costs. Staff related costs such as course fees have contributed to the current overspend.

7.2.5 Technology - contracts

Underspend at the start of the year as charge from NSS for ECS no longer applicable.

Forecasting break even at end of year due to potential cost pressures that will have to be funded from the Technology budget or reserves. For example, an upgrade to Respond has been approved and this could add an unbudgeted £0.2 million cost pressure. This can be managed within the existing budget by re-prioritisation.

7.2.6 Breathing Space

No significant deviation from budget for the period ending 31 May. In future a Mental Health section will be included and work is underway to streamline the financial reporting to make it easier to report on the Mental Health Hub and its constituent parts and funding streams.

7.2.7 Scottish Emergency Dental Service

Overspend due to savings target.

7.2.8 Service Development

Underspend due to greater than budgeted secondee income and vacancy within Health Information Scotland.

7.2.9 Strategic Delivery Programme

Expenditure in relation to Advanced Clinical Support (ACS), GP Triage (GPT) and Mental Health is expected to increase through the year as service provision is increased in line with plans.

7.2.10 Medical

No significant variance to report.

7.2.11 Nursing

No significant variance to report.

7.2.12 CEO & Board

No significant deviation from budget for the period ending 31 May.

7.2.13 Finance & Performance

Small underspend due to vacancy.

7.2.14 Human Resources

There are a small number of vacancies within the Human Resources department that have contributed to the underspend.

7.2.18 Facilities

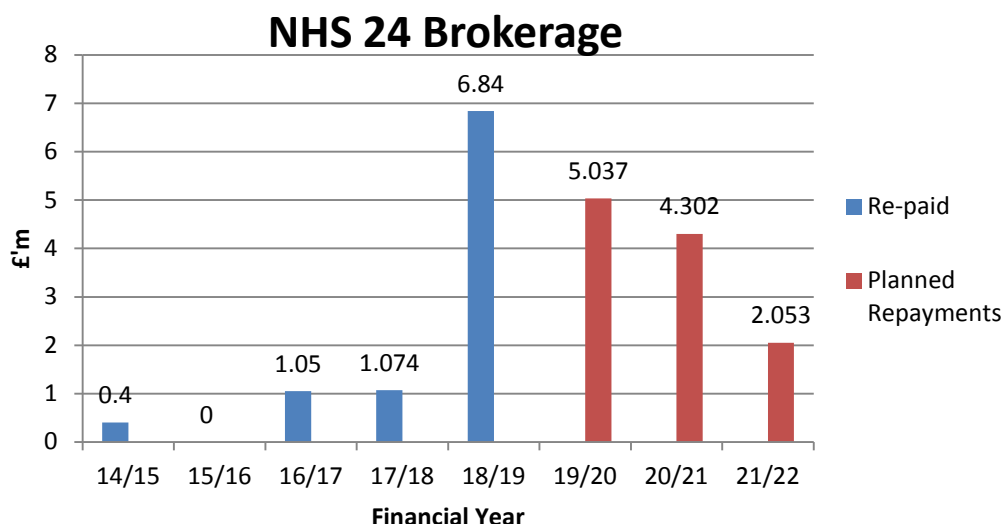
The current overspend is due timing issue with rental payments. We expect to be on budget but potential for additional costs associated with the estates business case and planning for any potential relocation.

7.2.19 Depreciation

SG provide Annually Managed Expenditure (AME) to cover the cost of depreciation in year. £0.4 million has been factored into the plan for 2019/20. Before any in year additions have been factored in the projected level required is circa £0.2 million. The amount of AME provided to cover depreciation will be adjusted by SG to match the amount required. So, a breakeven position will be reported each month.

8. REPAYMENT OF BROKERAGE

8.1 Total brokerage provided to NHS 24 by SGH&SCD was £20.756 million. The table below shows the actual and planned repayments.



8.2 NHS 24 has repaid £9.364 million to date and the table above shows the planned repayments to fully clear brokerage by 2021/22. The forecast has built in £5.037 million being repaid in 2019/20.

NHS 24 GREEN

Appendix 1

Income and Expenditure Summary for NHS 24 for the period to 31 May 2019						
	Full Year Budget	YTD Budget as %age of FY budget	Year to Date Budget	Year to Date Spend	Year to Date Variance	Variance as %age of Budget
Unscheduled Care Core Service	34,398,308	17%	5,957,344	5,946,479	10,866	0%
Unscheduled Care Regional & Local Services	1,284,245	17%	221,608	235,266	(13,658)	-6%
Service Delivery - Non Clinical	1,540,484	17%	262,132	248,294	13,838	5%
Scheduled Clinical Services	714,627	17%	123,591	139,051	(15,460)	-13%
ICT - staffing	1,633,804	17%	283,539	300,986	(17,448)	-6%
ICT - contracts	9,035,127	16%	1,458,740	1,393,325	65,416	4%
Breathing Space	1,178,033	21%	244,004	244,655	(651)	0%
Scottish Emergency Dental Service	1,938,820	17%	336,639	346,635	(9,996)	-3%
Service Development	2,963,114	15%	447,922	411,333	36,588	8%
Strategic Delivery Programme	4,025,396	6%	246,995	214,120	32,875	0%
Medical	685,996	17%	118,946	112,470	6,476	5%
Nursing	978,480	16%	153,353	153,657	(305)	0%
Corporate Reserve	3,933,333	0%	0	0	0	0%
Total Frontline and Clinical Services	64,309,768	15%	9,854,812	9,746,272	108,540	1%
CEO & Board	1,249,376	15%	185,334	181,300	4,034	2%
Finance & Performance	2,084,290	16%	339,813	321,852	17,961	5%
Human Resources	1,545,272	17%	266,511	260,592	5,919	2%
Facilities	2,468,309	18%	445,270	483,076	(37,806)	-8%
Depreciation	400,000	8%	33,878	33,878	0	0%
Total Support Services	7,747,248	16%	1,270,806	1,280,699	(9,893)	-1%
Total	72,057,015	15%	11,125,618	11,026,971	98,647	1%