

NHS 24 BOARD MEETING		26 AUGUST 2019 ITEM NO. 11.1 FOR ASSURANCE	
FINANCIAL PERFORMANCE TO 30 JUNE 2019			
Executive Sponsor:	Director of Finance and Performance		
Lead Officer/Author:	Deputy Director of Finance		
Action Required	The report is presented to the Board for assurance.		
Key Points	<p>This paper informs the Board of the financial performance for the period ending 30 June 2019.</p> <p>NHS 24 is reporting an underspend of £0.1 million at the end of June and forecasting break even for the 2019/20 financial year.</p>		
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 Planning & 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 Board is asked to note this report on NHS 24's financial performance as at 30 June 2019 for assurance.

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 Planning & Performance Committee and the Board. This report summarises the revenue and capital position at 30 June 2019

- 2.2 NHS 24 is forecasting a break even position. This is achievable but dependent of many factors. Over and above business as usual there are a number of complex programmes/projects underway in 2019/20 that could have a material impact on the financial outturn. This includes Technology Transformation, Estates Business Case, Better Working, Better Care and expanding mental health and primary care provision.
- 2.3 Finance will work with managers to ensure that robust forecasts are produced regularly with the aim of ensuring NHS 24 maximises the value achieved from its revenue and capital resource limits.

3. REVENUE RESOURCE LIMIT

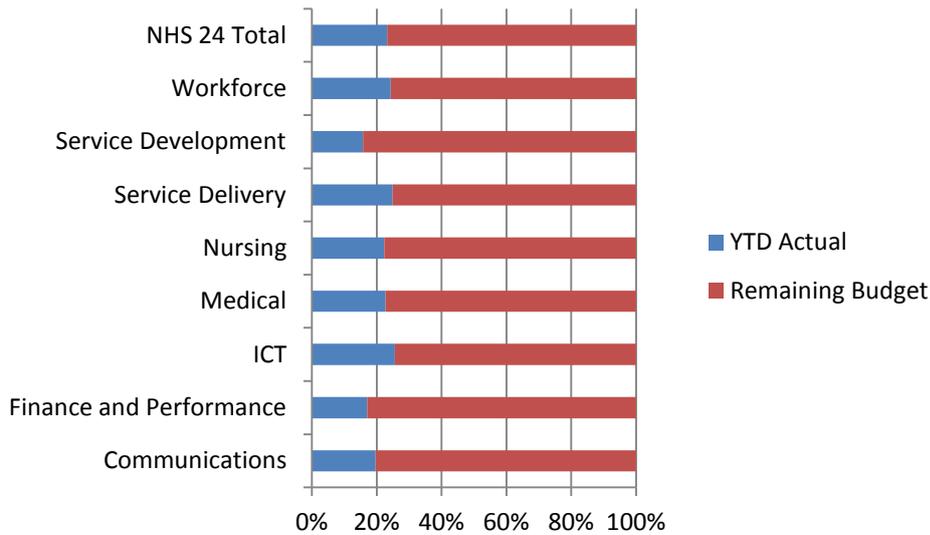
- 3.1 In relation to the revenue resource limit, NHS 24 has an underspend of £0.1 million for the 2019/20 financial year against a year to date (YTD) budget of £16.831 million and full year budget of £72.082 million. The forecast year-end position is breakeven.
- 3.2 Revenue allocations received by 30 June 2019 amounted to £70.638 million. The main allocation received in June was £1.995 million to fund the change in employers pension contributions from 14.9% to 20.9%. All other allocations assumed in the Annual Operating Plan (AOP) are still anticipated during the course of the financial year, taking the total budgeted revenue funding to £72.082 million.

	Full Year Budget 2019/20 £m	Budget to 30 June £m	Expend to 30 June £m	Variance to 30 June (Over) / Under £m
Revenue Resource Limit	72.082	16.831	16.723	0.108

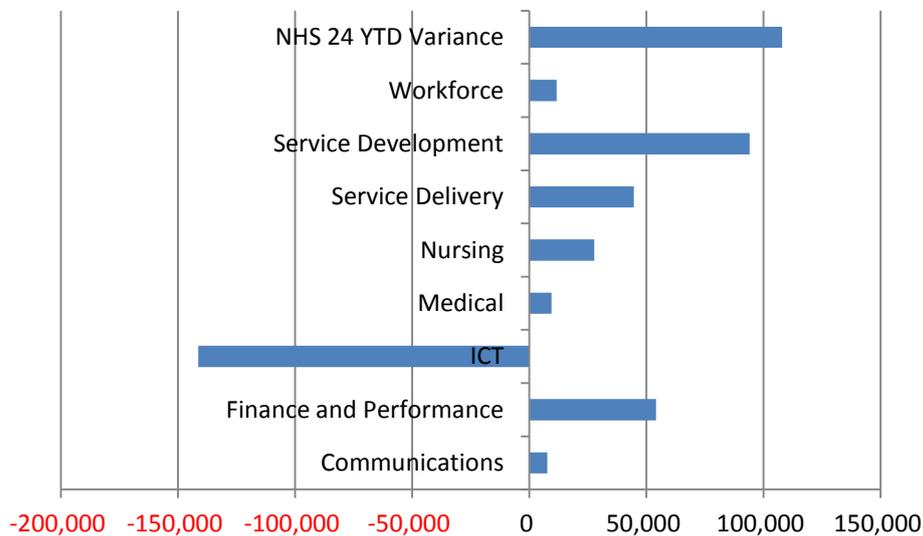
- 3.3 The summarised directorate financial position for the year is shown below. The first graph shows the percentage of the budget used, showing that 23% of the budget has been utilised by the end of the first quarter. Utilising less than a quarter of the budget was anticipated as some expenditure is forecast to increase in the 2nd half of the year. This includes developments agreed in the SPRA and planned recruitment. It is still anticipated that NHS 24 will come in on budget at the end of the financial year.

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Utilisation of Budget by Directorate at 30 June 2019



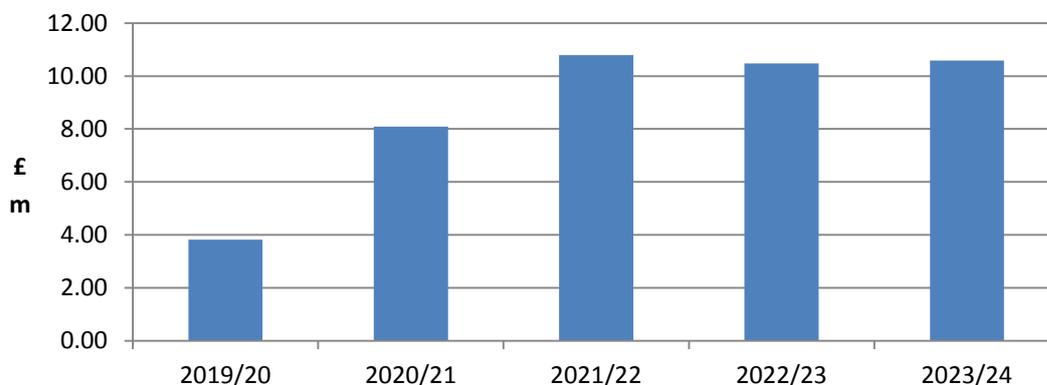
3.4 The graph below shows the year to date variance by Directorate. Only one Directorate is reporting an overspend. This is driven by a couple of factors that Finance are working with the department on understanding the full year impact. For example, there is a non-pay savings target that might be difficult to achieve prior to the tech refresh being implemented. More detailed narrative by Directorate is included in section 6.



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 (from 14.9% to 20.9%). 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, it is prudent that NHS 24 engages now with sponsors and the Health Finance Directorate on this matter.
- 4.3 To illustrate, 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). For example, the changes could add up to £0.2 million (full year impact) on the plan to increase call handlers by 50 WTE.
- 4.4 Funding for the two Transformational Change Fund projects (GP Triage and Advanced Clinical Support) is now expected in two tranches. With 30% to be allocated in December on the basis of a detailed projected spending profile including key milestones and anticipated outcomes being submitted to the Scottish Government. This detail is prepared monthly for these projects but Finance is working with the PMO to update the current assumptions and remodel the benefits and costs in August.

5. CAPITAL RESOURCE LIMIT

5.1 The capital resource limit as at 30 June 2019 is detailed below.

	Full Year Budget 2019/20 £m	Budget to 30 June £m	Expend to 30 June £m	Variance to 30 June (Over) / Under £m
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 AOP for the planned refurbishment of Cardonald and Clydebank.

5.3 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. It is anticipated that any additional capital costs associated with the decision by GJNH to ask us to vacate would be funded centrally. Dialogue with Scottish Government has begun.

5.4 Other calls on capital are being explored, with the potential for £0.18 million of software to be treated as capital. There is revenue funding to cover this and if required a revenue to capital transfer would be requested. There is also the potential to increase the number of desks available at Norseman and this is being explored with design consultants.

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	1,517	379	Med / High
Non Pay Costs	331	83	Low
CRES to b/even	1,848	462	

- 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 The largest savings targets is in Service Delivery (pay savings target of £1.2 million). This is an ambitious target and is being met out of vacancy and turnover. The Directorate are currently meeting this target, however as recruitment of call handlers increases throughout the year it will become harder to achieve.
- 6.4 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 Service Delivery

- 7.2.1 A £1.268 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. YTD the core unscheduled care cost centres are under budget by circa £85,000 (net of the savings target), mainly as a result of pay.
- 7.2.2 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. As staff are recruited, the surplus will reduce.
- 7.2.3 MSK is over YTD, including core funding, by circa £12,000. This is a known issue and discussions ongoing between NHS 24 and Scottish Government to bring funding in line with expected service levels.
- 7.2.4 Mental Health Hub has a budget of circa £2.8 million and is showing a YTD overspend of £0.03 million. This is a budget phasing issue and the expectation is that this will be on budget at the end of the financial year.

7.2.5 Scottish Emergency Dental Service has a minor overspend (£18,000) due to the savings target.

7.3 **ICT**

7.3.1 ICT will start to see some support costs increase as they become unsupported as part of the managed service contracts. There has also been an increase in the cost of the Vodafone contract and the N3 contract is higher than expected in 2019. A non-pay savings target of £53k (YTD) is further contributing to the overspend.

7.3.2 Pay including a pay savings target are contributing to the YTD overspend.

7.4 **Service Development**

7.4.1 Underspend due to greater than budgeted secondee income and vacancy within Health Information Scotland. A number of recruitment forms have recently been approved and thus the underspend is expected to reduce in the 2nd half of the year.

7.4.2 Expenditure in relation to Advanced Clinical Support (ACS), GP Triage (GPT) and Mental Health are expected to increase through the year as service provision is increased in line with plans. Currently showing break even for YTD and in discussions with the Directorate regarding the full year forecast and monitoring of benefits.

7.5 **Medical**

7.5.1 Slight underspend, no significant variance to report.

7.6 **Nursing**

7.6.1 Slight underspend, no significant variance to report

7.7 **Finance & Performance**

7.7.1 Small underspend YTD driven by vacancy and expect to be on budget. However, potential for additional costs associated with the estates business case and planning for any potential relocation.

7.8 **Workforce**

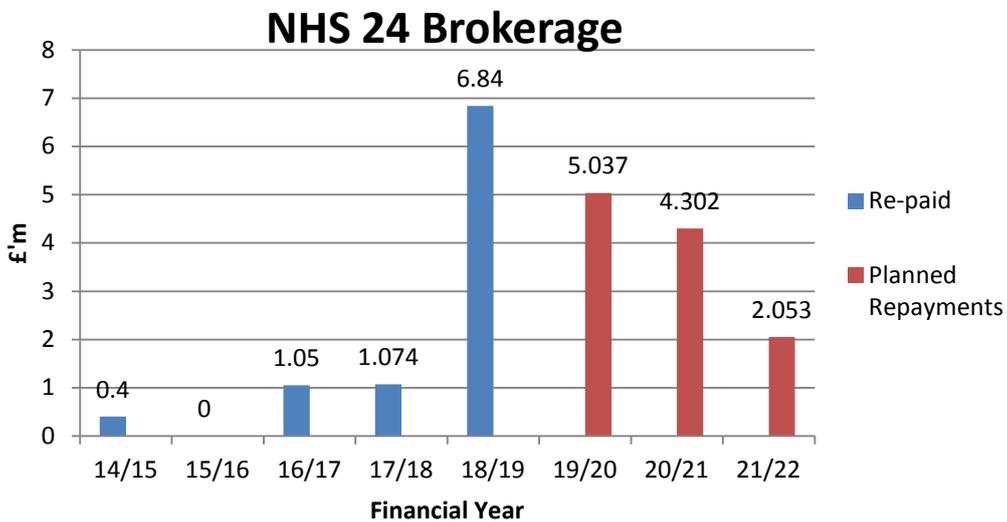
7.8.1 There are a small number of vacancies, partly offset by agency costs, within the Human Resources department that have contributed to the underspend.

7.9.1 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.

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Appendix 1 Directorate Financial Position as at 30 June 2019 £

Directorate	Category	FY Bud	YTD Bud	YTD Act	YTD Var
Service Delivery	Income	-50,742	-12,686	-38,495	25,810
	Non Pay	-840,753	-174,188	147,085	-321,273
	Pay	43,655,404	10,891,851	10,551,727	340,125
Service Delivery Total		42,763,909	10,704,978	10,660,316	44,661
Information & Communications Technology	Income	-251	-63	-45	-18
	Non Pay	9,074,627	2,187,985	2,314,934	-126,948
	Pay	1,721,982	430,495	444,937	-14,442
Information & Communications Technology Total		10,796,357	2,618,418	2,759,826	-141,408
Finance and Performance	Income	-81,776	-20,444	-28,227	7,783
	Non Pay	5,493,420	862,921	835,525	27,397
	Pay	1,906,351	460,588	441,635	18,952
Finance and Performance Total		7,317,996	1,303,065	1,248,933	54,132
Service Development	Income	-97,717	-24,429	-186,989	162,560
	Non Pay	3,096,389	279,710	66,701	213,010
	Pay	4,027,453	948,475	1,229,963	-281,488
Service Development Total		7,026,125	1,203,756	1,109,675	94,081
Workforce	Income	-4,404	-1,101	-27,118	26,017
	Non Pay	229,039	56,746	30,466	26,280
	Pay	1,374,428	344,121	384,832	-40,712
Workforce Total		1,599,063	399,766	388,180	11,585
Nursing	Income	-3,396	-849	-34,214	33,365
	Non Pay	26,296	6,574	8,102	-1,528
	Pay	993,216	248,304	252,399	-4,095
Nursing Total		1,016,116	254,029	226,287	27,742
Communications	Income	-64	-16	-5,211	5,195
	Non Pay	415,988	67,997	60,751	7,246
	Pay	402,850	100,713	105,486	-4,773
Communications Total		818,775	168,694	161,025	7,668
Medical	Income	-29,480	-7,370	-7,365	-5
	Non Pay	66,294	9,074	12,080	-3,007
	Pay	706,861	176,715	164,255	12,460
Medical Total		743,675	178,419	168,971	9,448
Grand Total		72,082,015	16,831,124	16,723,213	107,911

Note 1 – Savings targets have been netted off against either pay or non pay

Note 2 – Service Development: virements are required between pay and non-pay to ensure the budget is aligned with actual expenditure.