

NHS 24 BOARD MEETING		3 OCTOBER 2019 FOR ASSURANCE	
FINANCIAL PERFORMANCE TO 31 AUGUST 2019			
Executive Sponsor:	Director of Finance and Performance		
Lead Officer/Author:	Deputy Director of Finance		
Action Required	The report is presented to the Board assurance.		
Key Points	This paper informs the Board of the financial performance for the period ending 31 August 2019.		
Financial Implications	NHS 24 is reporting an underspend of £0.39 million at the end of August 2019. The year-end position is currently forecast as break-even. The SPRA mid-year review process has commenced as is likely to confirm a level of surplus which will facilitate a higher level of brokerage repayment in 2019/20. This will be reported formally to the Board for approval in November 2019.		
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 review and take assurance from this report on the NHS 24 financial performance at 31 August 2019.

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 31 August 2019.

3. REVENUE RESOURCE LIMIT

- 3.1 In relation to the revenue resource limit, NHS 24 has an underspend of £0.39 million for the 2019/20 financial year against a year to date (YTD) budget of £28.5 million. This is a variance YTD of 1.4%. The full year budget has increased to £72.8 million.

NHS 24 were forecasting a break even position, the SPRA mid-year critical review of financial performance and reassessment of spend to the year end is likely to provide the opportunity to facilitate a higher level of brokerage repayment in 2019/20. This will be reported formally to the Board for approval in November 2019.

The reallocation potential is being driven by a number of emerging factors, including:

- Phasing of expenditure on the Technology & Digital Enablement Transformation Programme will be lower than previously anticipated in 2019/20. This position will be formalised through the Phase 1 Business Case due for completion and approval in November 2019.
 - Constructive dialogue with GJNH over the opportunity of a phased approach to vacating the current Clydebank site which would reduce previously forecast enabling costs in 2019/20.
 - Slower than anticipated recruitment to planned numbers within frontline services and service development.
 - Additional allocations received over the past two months are also contributing to the underspend including funding for additional posts.
- 3.2 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.
- 3.3 The Director of Finance and Performance has advised Scottish Government Health Finance Directorate of the potential in-year underspend at the Q1 review in September 2019 who have indicated that any increase to the level of brokerage repayment would be helpful.
- 3.4 Revenue allocations received by 31 August 2019 amounted to £73.84 million. The allocations received in August amounted to just over £1 million (see appendix 2 for detail). Two new allocations had not been anticipated prior to August and therefore were not factored into previous projections.

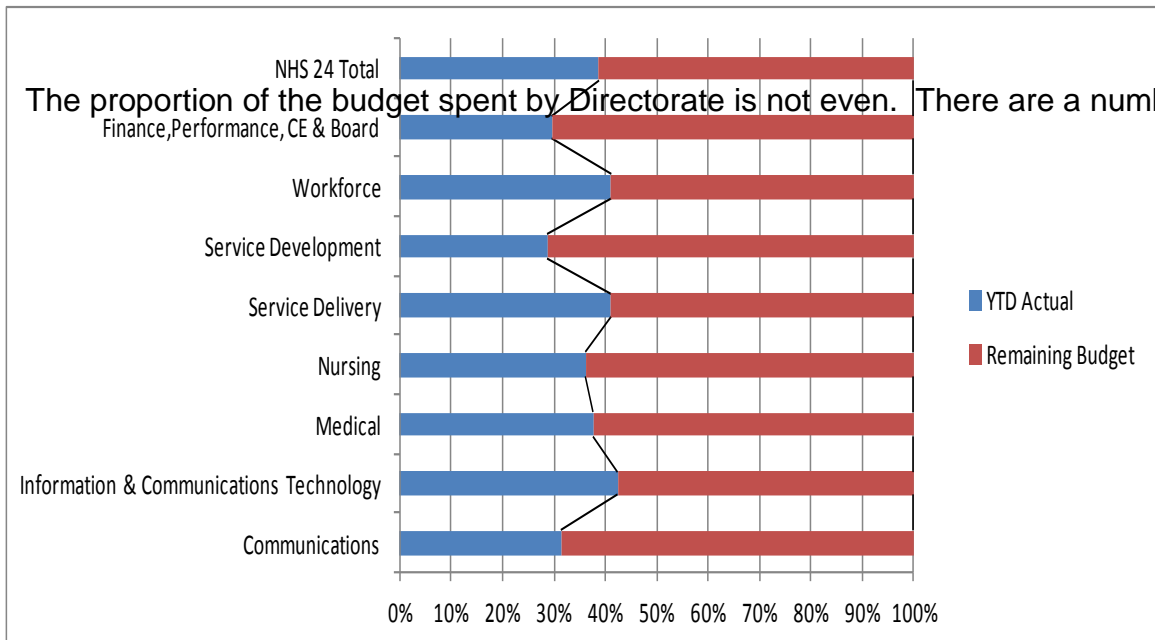
3.5 The allocation level received by August 2019 (£73.84 million) is higher than the expected revenue resource limit for the year (£72.8 million) as the brokerage repayment has yet to be actioned by SG. As well as expecting further SG allocations, including the remainder from the Transformation Fund, the forecast assumes SG will deduct £5.037 million in relation to brokerage by the end of the financial year.

	Full Year Budget 2019/20 £m	Budget to 31 August £m	Expend to 31 August £m	Variance to 31 August (Over) / Under £m
Revenue Resource Limit	72.8	28.5	28.1	0.39

3.6 The summarised directorate financial position for the year is shown below. The first graph shows the percentage of the budget used, showing that 39% of the budget has been utilised. So, we are 2.6% behind a straight pro-rata of the budget. It still is anticipated that spend in the second half of the year will be higher as developments agreed in the SPRA and planned recruitment gathers pace.

Utilisation of Budget by Directorate at 31 August 2019

3.7 The proportion of the budget spent by Directorate is not even. There are a number of factors



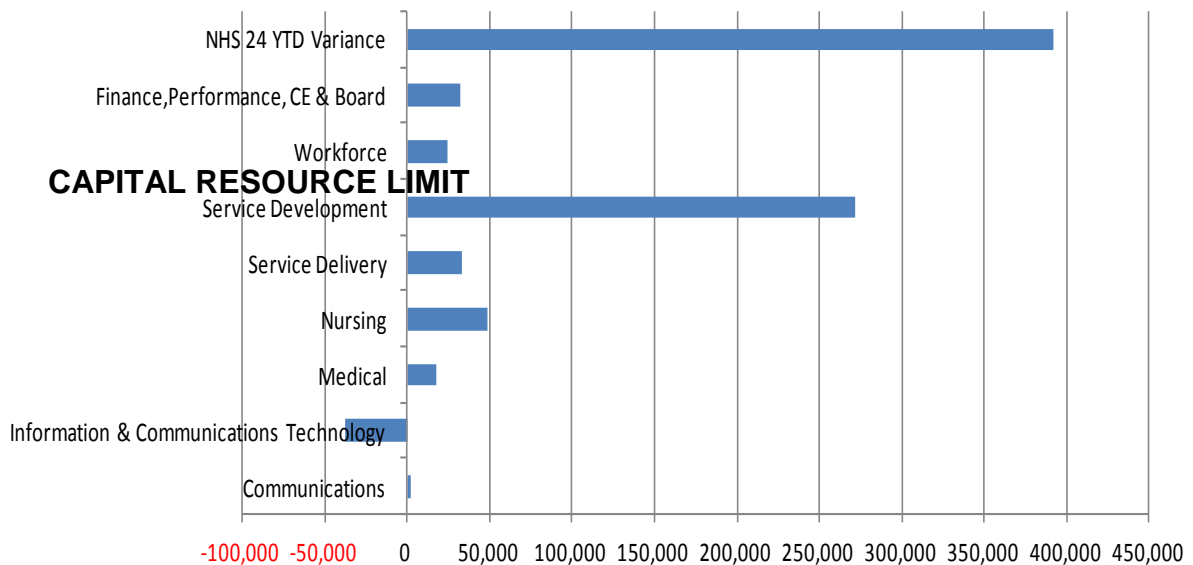
- Service Development with growing services such as mental health and GP Triage.
- Finance which includes the budget for the 2019/20 AOP investment priorities prior to being allocated out, including the technology refresh provision
- Communications with increased expenditure around the Winter/Easter campaigns expected in the second half of the year.

3.8 This does however highlight the risk that delays in progressing certain key deliverables will have a disproportionate impact on the financial position of certain Directorates that have spend weighted towards the second half of the year.

3.9 The graph below shows the year to date variance by Directorate. Only one Directorate (ICT) is reporting an overspend and this has now reduced to almost break-even. Staffing and the non-pay savings target are the main reason for the YTD overspend. It might be difficult for ICT to achieve recurrent non pay savings prior to the technology refresh being implemented.

3.10 Service Development are underspent mainly due to staff costs including secondee income. The Mental Health Hub also has a underspend, due to the additional £0.47 million of collaborative funding being confirmed very recently and partly utilised to provide budget for existing but previously unfunded posts. It is proposed that the Mental Health Hub operational budget should be moved to Service Delivery later this year. More detailed narrative by Directorate is included in section 6.

4. CAPITAL RESOURCE LIMIT



4.1 The capital resource limit as at 31 August 2019 is detailed below.

	Full Year Budget 2019/20 £m	Budget to 31 August £m	Expend to 31 August £m	Variance to 31 August (Over) / Under £m
Capital Resource	0.269	0.0	0.01	(0.01)

Limit				
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- 4.2 The capital plan for 2019/20 currently consists of the NHS 24 formula capital allocation, totalling £0.269 million.
- 4.3 Due to circumstances surrounding tenancy at Clydebank changing after the AOP was submitted there was a pause on the previously planned estate related capital expenditure. The organisation is expanding in relation to service development and there is a need to ensure that utilisation of the current estate is maximised to deliver capacity and resilience. To facilitate this, during September the Estates Programme Board and the EMT approved 2 immediate proposals to provide further frontline capacity in Cardonald through the establishment of workstations for dual usage plus a reconfiguration of the ground floor at Norseman House to reduce the number of offices to add additional workstations. This additional capacity will help with the planned expansion of the mental health hub and GP triage as well as improve resilience for our existing services at peak times. Both will be funded from the capital allocation and where appropriate from revenue, the total cost is currently estimated at £250,000.
- 4.4 It is anticipated that any additional capital costs associated with the decision by GJNH to ask us to vacate would be funded centrally but this is increasingly looking like any major costs would fall into subsequent financial years.

5. EFFICIENCY SAVINGS

- 5.1 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	832	Med
Non Pay Costs	331	139	Low
CRES to b/even	1,848	971	

- 5.2 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 factors in that each Directorate has a clear savings target for the year.
- 5.3 The largest savings targets is in Service Delivery (pay savings target of £1.2 million). This is an ambitious target but will be met this year, in part, from vacancies including slower than anticipated WTE recruitment (recent

recruitment has been on lower part-time contracts for call handlers, so high volume of recruitment has not translated into the expected WTE/cost). Service Delivery will be able to absorb the savings target this year but there may be less flexibility in future years as the required staffing levels to meet performance targets and new supervision model are recruited to.

- 5.4 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.

6. DIRECTORATE PERFORMANCE

- 6.1 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.

6.2 Service Delivery

- 6.2.1 The core unscheduled care cost centres are under budget by £32,000 (net of the savings target), mainly as a result of vacancies. Pay is over due to the phasing of the £1.2 million pay savings target to the first half of the year to reflect that a steady increase in staff was forecast throughout the year. Non Pay is under mainly as a result of the release of the pre-prioritised calls provision.
- 6.2.2 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 have and will continue to be recruited this year. However, recruitment has been on lower WTE contracted hours than predicted and thus a surplus is now predicted within Service Delivery.
- 6.2.3 MSK is over YTD, including core funding, by circa £26,000. This is a known issue and discussions ongoing between NHS 24 and Scottish Government to bring funding in line with expected service levels.
- 6.2.4 Mental Health had a budget of circa £2.6 million and is currently split between Service Delivery and Service Development Directorates. Previously a small overspend was forecast however additional allocations were received in August. This funding will cover the anticipated deficit and allow additional staff to be recruited to expand provision of the mental health hub.

6.2.5 Scottish Emergency Dental Service has an overspend of £30,000, driven by the savings target.

6.3 ICT

6.3.1 The non-pay savings target of £53k (YTD) is not fully delivered and contributing to the overspend. This might be difficult to achieve prior to the technology refresh implementation. Pay including a pay savings target are further contributing to the YTD overspend.

6.3.2 There has been an increase in expected Microsoft licence costs nationally with the expected contribution towards implementing Office 365 being discussed. Office 365 could be an additional £100k cost pressure in year rising to £200k next year.

6.4 Service Development

6.4.1 The underspend is due to greater than budgeted secondee income and vacancies. A number of recruitments are now underway and thus the underspend is expected to increase at a slower rate in the second half of the year.

6.4.2 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 against these services but funding may need to be returned for the two Transformation Funded projects. Discussions are ongoing with the Directorate and SG regarding the funding required to extend these services next year and beyond. Positive discussions regarding extending mental health services provision are taking place and a paper will be submitted to SG in September outlining the potential resources required.

6.4.3 A significant proportion of the budget for Service Development is weighted towards the second half of the year. The mid year review should highlight if any virements are required but the current forecast assumes the non pay budget will be utilised.

6.5 Medical

6.5.1 Slight underspend on pay, no significant variance to report.

6.6 Nursing

6.6.1 Regular underspend on pay due to vacancy and Nursing Director post being split between NHS 24 and D&G

6.7 Finance, Performance, CE & Board

6.7.1 YTD Underspend driven by vacancies, with non pay over mainly due to the savings target.

6.8 Workforce

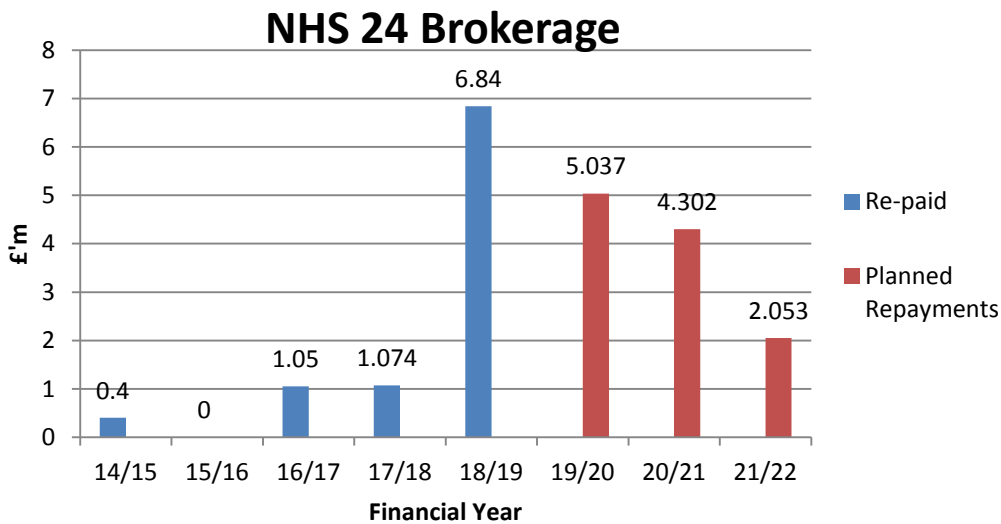
6.8.1 Overall surplus, secondee income and a small number of vacancies, partly offset by agency costs. Costs for backdated pay/pension in relation to an ongoing claim (circa £50k) appears under pay but budget was released against legal claims. This will be corrected.

6.9 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.

7. REPAYMENT OF BROKERAGE

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



7.2 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 includes a further £5.037 million being repaid in 2019/20. As discussed earlier in the paper there is an option to repay more brokerage this year if a surplus is confirmed through the SPRA mid-year review process. This would reduce the

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brokerage to be re-paid next financial year and potentially allow NHS 24 to clear brokerage earlier than anticipated.

Appendix 1 Directorate Financial Position as at 31 August 2019 £

Directorate	Category	FY Bud	YTD Bud	YTD Act	YTD Var
Service Delivery	Income	-50,742	-21,143	-59,684	38,541
	Non Pay	510,429	185,815	48,543	137,272
	Pay	42,608,766	17,544,167	17,687,019	-142,851
Service Delivery Total		43,068,453	17,708,840	17,675,878	32,961
Information & Communications Technology	Income	-251	-105	-75	-30
	Non Pay	9,074,627	3,832,019	3,834,473	-2,454
	Pay	1,721,982	717,492	752,801	-35,309
Information & Communications Technology Total		10,796,357	4,549,407	4,587,200	-37,793
Service Development	Income	-97,717	-40,715	-316,025	275,309
	Non Pay	3,424,886	842,609	353,845	488,763
	Pay	4,059,011	1,590,017	2,082,229	-492,213
Service Development Total		7,386,181	2,391,910	2,120,050	271,860
Finance, Performance, CE & Board	Income	-81,776	-34,073	-30,581	-3,493
	Non Pay	5,519,420	1,444,539	1,463,822	-19,284
	Pay	1,906,351	793,693	738,853	54,841
Finance, Performance, CE & Board Total		7,343,996	2,204,158	2,172,094	32,065
Workforce	Income	-4,404	-1,835	-44,117	42,282
	Non Pay	277,819	119,150	51,604	67,547
	Pay	1,375,648	585,075	670,387	-85,312
Workforce Total		1,649,063	702,391	677,874	24,517
Nursing	Income	-3,396	-1,415	-67,021	65,606
	Non Pay	26,296	10,957	15,062	-4,105
	Pay	1,014,566	413,840	426,541	-12,701
Nursing Total		1,037,466	423,382	374,581	48,800
Communications	Income	-64	-27	-5,231	5,204
	Non Pay	415,988	90,828	90,550	277
	Pay	402,850	167,854	171,512	-3,657
Communications Total		818,775	258,655	256,831	1,824
Medical	Income	-29,480	-12,283	-12,275	-9
	Non Pay	66,294	15,123	19,522	-4,399
	Pay	706,861	294,525	272,658	21,867
Medical Total		743,675	297,364	279,905	17,459
Grand Total		72,843,965	28,536,107	28,144,413	391,694

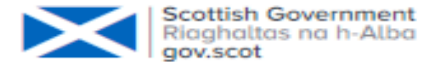
Note 1 – Service Development: virements are required between pay and non-pay to ensure the budget is aligned with actual expenditure. Due to the nature of some of the mental health and transformation fund cost centres the budget was not split between pay and non pay in the same detail as other cost centres at the start of the year.

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Appendix 2 – SG Allocations:

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Core Revenue Allocations 2019-20



Ref	Description	Board Contact	SGHSCD Contact	SGHSCD Division	Baseline Recurring £	Earmarked Recurring £	Non- Recurring £	Total £
May								
2	2019-20 initial baseline	Margo McGurk	Richard McCallum	Health Finance	68,602,000	-	-	68,602,000
3	2018-19 recurring allocations - adjustment	Margo McGurk	Beth Grieve	Health Finance	13,572	-	-	13,572
10	The Health and Care (Staffing) (Scotland) Bill	Eddie Docherty	Susan Stewart	Chief Nursing Officer	-	-	32,048	32,048
18	Professional Careers Programme salary contribution	Gill McInnes	Kerry Chalmers	Service Transformation	-	10,000	-	10,000
					68,615,572	10,000	32,048	68,657,620
June								
35	Realistic Medicine Clinical Leads - Year 2	Brenda Wilson	Mary Hucker	Chief Medical Officer	-	-	30,000	30,000
61	Employer Pension Contributions	Margo McGurk	Alasdair Black	Health Finance	1,995,000	-	-	1,995,000
					1,995,000	-	30,000	2,025,000
July								
89	Transforming NHS Services	Margo McGurk	Karen Fraser	Service Transformation	-	-	1,475,474	1,475,474
93	Implementation of Excellence in Care	Eddie Docherty	Susan Campbell	Chief Nursing Officer	-	-	20,600	20,600
94	Excellence in Care, E-health	Eddie Docherty	Susan Campbell	Chief Nursing Officer	-	-	9,750	9,750
					-	-	1,505,824	1,505,824
August								
444	eHealth Strategic Fund	Margo McGurk	Gary Johnston	eHealth	-	-	135,660	135,660
479	6EA -Unscheduled Care	Stephanie Phillips	Helen Maitland	Elective & Unscheduled Care	-	-	150,000	150,000
488	TEC funding to support local scale up	Lynne Huckerby	Alistair Hodgson	eHealth	-	-	452,600	452,600
489	Draw down of 2018/19 carry forward	Margo McGurk	Stuart Wilson	Health Finance	-	-	299,000	299,000
					-	-	1,037,260	1,037,260
					70,610,572	10,000	2,605,132	73,225,704