

NHS 24 BOARD	<p style="text-align: right;">12 DECEMBER 2019 ITEM NO 11.1 FOR ASSURANCE</p> <p style="text-align: center;">FINANCIAL PERFORMANCE REPORT TO 31 OCTOBER 2019</p>
Executive Sponsor:	Director of Finance
Lead Officer/Author:	Deputy Director of Finance
Action Required	The report is presented to the NHS 24 Board for assurance.
Key Points	<ul style="list-style-type: none"> • NHS 24 is reporting a YTD underspend of £0.9 million • The year-end forecast is an underspend of £1 million • The underspend will be redirected to pay additional brokerage in 2019/20
Date presented to EMT and relevant Committee	<p>This presents the October report. The report has been presented to EMT in December 2019.</p> <p>Due to timing the November P&P Committee reviewed the September 2019 Finance Report.</p>
Summary of key discussion points/actions arising from respective Committees	A verbal update of the October 2019 position was provided to the P&P Committee. No changes to the document were requested.
Strategic alignment and link to overarching NHS Scotland priorities and strategies	This paper demonstrates progress against the NHS 24 organisational priority of meeting its financial targets and delivering best value through resource allocation.
Key Risks	RSPND036952 pertaining to risk of the forecast not factoring in all known variables. Visibility of the Finance paper and process to produce the forecast should help mitigate the risk.
Financial Implications	The paper details the financial position of NHS 24 and is for assurance.
Equality and Diversity	Financial management across NHS 24 reflects the financial plan and annual operating plan objectives which have all been assessed in line with the appropriate 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 October 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 NHS 24 Board. This report summarises the revenue and capital position at 31 October 2019.
- 2.2 The October position has been informed by the SPRA mid-year review and confirms an underspend of £0.9 million. A year-end underspend of £1 million is forecast and the EMT are asked to review and discuss the overall position.
- 2.3 A significant level of spend is planned in the final quarter including purchase of SAP licences for new starts, extended support for IT hardware and software, additional recruitment of staff to expand services and changes to software such as Respond and SAP to allow primary care triage expansion. It is critical that directorates ensure the agreed final quarter spend is delivered.

3. REVENUE RESOURCE LIMIT

- 3.1 In relation to the revenue resource limit, NHS 24 has an underspend of £0.9 million for the 2019/20 financial year against a year to date (YTD) budget of £40 million. As a percentage the YTD variance represents 2.2% of the YTD budget. The full year budget is £73 million.

The forecast underspend is driven by a number of non-recurring factors.

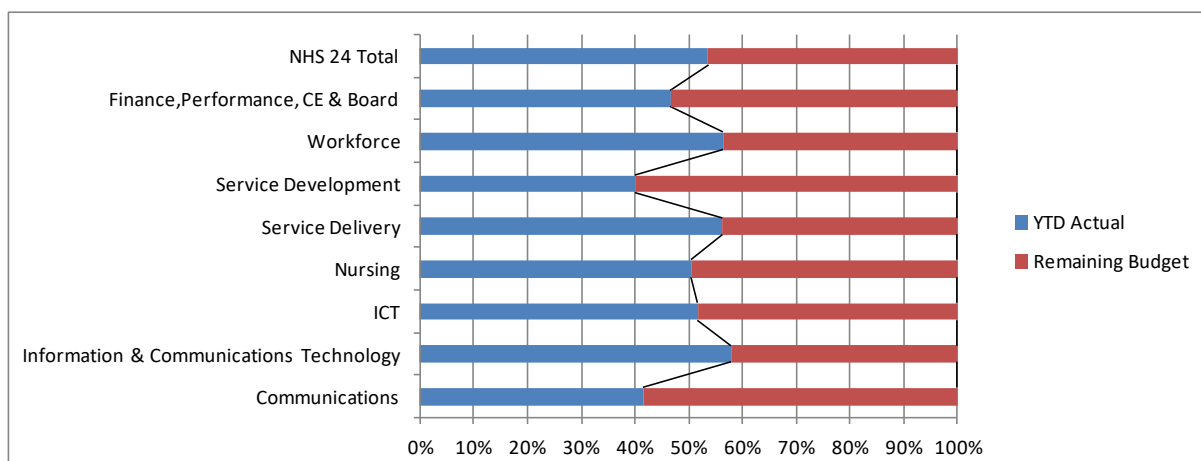
- A change to the IT expenditure as plans for the previous technology refresh programme now (SEDATE) have evolved throughout the year. The position was formalised through the Phase 1 Business Case presented to and approved at the November 2019 NHS 24 Board.
- Constructive dialogue with GJNH over the opportunity of a phased approach to vacating the current Clydebank site which has reduced previously forecast enabling costs in 2019/20.
- Slower than anticipated recruitment to planned numbers within frontline services and service development. Plans are in place to accelerate recruitment including approval for additional training posts.
- Income received from staff seconded has produced an underspend as backfill has not been necessary for the full year.

- 2.3 Finance 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. The EMT have formally agreed the year-end forecast outturn as part of the SPRA mid-year review.
- 2.4 The Director of Finance and Performance advised Scottish Government Health Finance Directorate of the potential underspend in-year at the Q1 review in September 2019. It has been agreed that the underspend will be redirected to deliver an additional repayment of brokerage in this financial year.
- 2.5 Revenue allocations received by 31 October 2019 amounted to £74.4 million. The allocations received in October amounted to circa £0.24 million (see appendix 2 for detail).
- 2.6 The allocation level received by October 2019 (£74.4 million) is higher than the expected revenue resource limit for the year (£73 million). NHS 24 are anticipating brokerage repayments to be deducted as well as a further £153,000 towards the National Boards £15 million saving target. The level of brokerage to be deducted by the end of the financial year was £5.037 million. The anticipation is that would now increase by £1 million.

	Full Year Budget 2019/20 £m	Budget to 31 October £m	Expend to 31 October £m	Variance to 31 October (Over) / Under £m
Revenue Resource Limit	73	40	39.1	0.9

- 2.7 The summarised directorate financial position for the year is shown below. The first graph shows the percentage of the budget utilised to date, showing that overall 52% of the budget has been utilised. It still is anticipated that spend will accelerate in the final months of the year. This includes the extended hardware and software costs approved by the Board as part of the SEDATe Programme Phase 1 business case.

Utilisation of Budget by Directorate at 31 October 2019



2.8 The proportion of the budget spent by Directorate is not even. There are a number of factors driving this uneven spend profile and the budget phasing reflects this. For example, the Directorates with the lowest proportion spent YTD are:

- Service Development with growing services such as mental health and Primary Care Triage.
- Finance which includes the budget for the 2019/20 AOP investment priorities prior to being allocated out, including the technology refresh provision that will now be utilised for extending hardware and software support as agreed through the SEDATe Programme Phase 1 business case.
- Communications with increased expenditure around the Winter/Easter campaigns expected in the second half of the year.

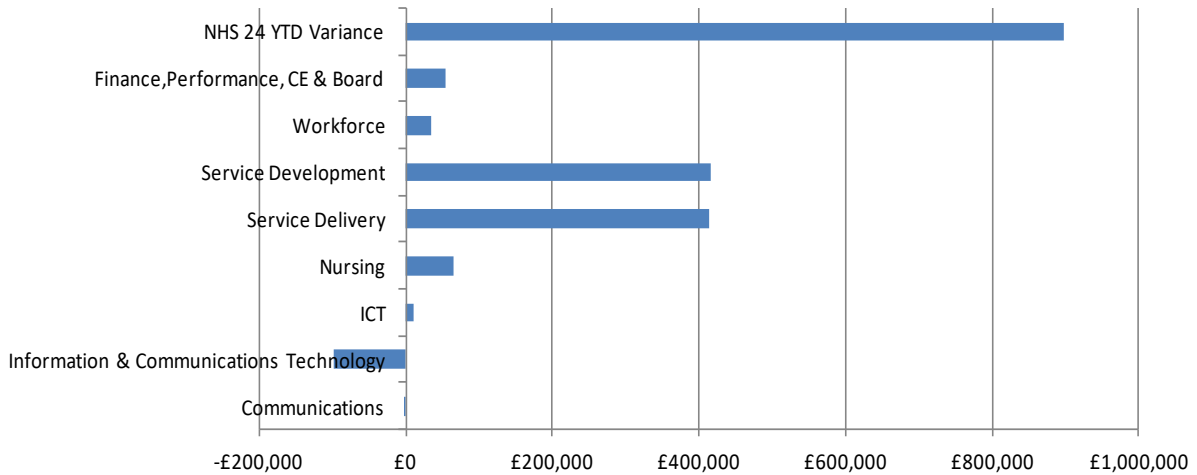
2.9 The forecast position was discussed in detail as part of the SPRA mid-year review process and updated by the SEDATe Phase 1 business case. Any potential deviations from the agreed position should be raised as soon as possible.

2.10 The graph below shows the year to date variance by Directorate. Only one Directorate (ICT) is reporting an overspend. Staffing and the non-pay savings target are the main reason for the YTD overspend. It may be difficult for ICT to meet their non-pay savings target until benefits or contractual opportunities from the technology refresh are crystallised.

2.11 Service Development underspend (YTD and forecast) is driven by a few factors. Vacancies including seconding staff out, expenditure being slower than planned and allocations received in year with a lag on when costs will be incurred.

2.12 The Service Delivery underspend is mainly driven by vacancies and recruitment being slower than anticipated at the start of the year. More detailed narrative by Directorate is included in section 5.

NHS 24 GREEN



3. CAPITAL RESOURCE LIMIT

3.1 The capital resource limit as at 31 October 2019 is detailed below.

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

3.2 The capital plan for 2019/20 currently consists of the NHS 24 formula capital allocation, totalling £0.269 million.

3.3 Due to circumstances surrounding tenancy at Clydebank changing after the AOP was submitted there was a pause on the planned estate related capital expenditure. In response the EMT approved resilience and capacity building improvement capital and revenue schemes for both Norseman and Cardonald sites in 2019/20. Both will be funded from the capital allocation and where appropriate from revenue, the total cost is currently estimated at £250,000. The capital allocations is anticipated to used in full this financial year.

3.4 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. There

have been recent discussions with the Scottish Government, Health Finance Directorate where this position has been confirmed. The Director of Finance and Performance will confirm this position formally with the Scottish Government by the end of the calendar year.

4. EFFICIENCY SAVINGS

- 4.1 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	1,085	Low
Non Pay Costs	331	193	Low
CRES to b/even	1,848	1,123	

- 4.2 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 that has to be met.
- 4.3 The largest savings target relates to Service Delivery (pay savings target of £1.2 million). This is an ambitious target however service delivery will be able to absorb the savings target due to the level of vacancies this year. However, there may be less flexibility in future years as the required staffing levels to meet performance targets and new supervision model are recruited to.
- 4.4 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.

5. DIRECTORATE PERFORMANCE

- 5.1 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.

5.2 Service Delivery

- 5.2.1 The pay underspend is net of the pay savings target. Non Pay is under mainly as a result of the release of the pre-prioritised calls provision.
- 5.2.2 Plans are in place to recruit additional call handlers. However, recruitment has been on lower WTE contracted hours than predicted. This has impacted the YTD position and the forecast. Approval has been given for additional 4.5 WTE into the training team to accelerate the on boarding of new starts. The forecast assumes ambitious recruitment in January to March will get closer to the 475 WTE by the end of the financial year through a combination of contracted and additional hours.
- 5.2.3 MSK is overspent YTD, by circa £30,000. The level of funding in place to support this service is not sufficient to cover the spend required and discussions are ongoing between NHS 24 and Scottish Government to bring funding in line with expected service provision.
- 5.2.4 Additional non-recurring funding in-year for the Mental Health Hub has facilitated recruitment of 27 additional psychological wellbeing practitioners (PWP) to accelerate 24/7 service provision. It should be noted that there is an element of organisational risk associated with this, due to the non-recurrent nature of the funding, however discussions are ongoing with SG to ensure full funding on a recurrent basis from 2020/21. The Mental Health Hub budget will be transitioned from Service Development to Service Delivery later this year.
- 5.2.5 Scottish Emergency Dental Service has an overspend of £30,000, driven by the savings target.

5.3 ICT

- 5.3.1 ICT is overspent by circa £100,000 (YTD). This is due to a combination of being over on pay and non-achievement of the in-year non-pay savings target.
- 5.3.2 There has been an increase in expected Microsoft licence costs nationally with the expected contribution towards implementing O365 being discussed. O365 could be an additional £100,000 cost pressure in-year rising to £200,000 next year. These costs have been factored into the forecast but are not reflected in the YTD position.

5.4 Service Development

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

- 5.4.2 Expenditure in relation to Advanced Clinical Support (ACS), Primary Care Triage and Mental Health are expected to increase through the year as service provision is increased in line with plans.
- 5.4.3 As discussed above, additional funding for mental health has been received and recruitment of additional PWP's is underway. If recruitment is slower than planned then the projected underspend will increase.
- 5.4.4 Currently showing break even for YTD against the two Transformation Funded projects, however funding of around £500,000 will require to be returned to Scottish Government.
- 5.4.5 Discussions are ongoing with the Directorate and Scottish Government regarding the funding required to extend these services next year and beyond.

5.5 **Medical**

- 5.5.1 Small underspend on pay, no significant variance to report.

5.6 **Nursing**

- 5.6.1 Underspend on pay due to vacancy and Nursing Director post being shared between NHS 24 and NHS Dumfries & Galloway. Seconded income also increasing the underspend.

5.7 **Finance, Performance, CE & Board**

- 5.7.1 YTD Underspend driven by vacancies, with non-pay over mainly due to the savings target.
- 5.7.2 Lower proportion of the budget spent as Finance holds central investment reserve budget prior to it being allocated out based on SPRA and AOP investment priorities. The forecast assumes budget will be vired to the appropriate Directorates as the priorities are delivered. It is anticipated that the majority of this will be re-allocated towards phase 1 of the SEDATE Business Case.

5.8 **Workforce**

- 5.8.1 An overall underspend is reported, driven by seconded income and a small number of vacancies, partly offset by agency costs. Agency staff have been required in-year and extended to the end of the financial year to help support the planned recruitment.

5.9 **Depreciation**

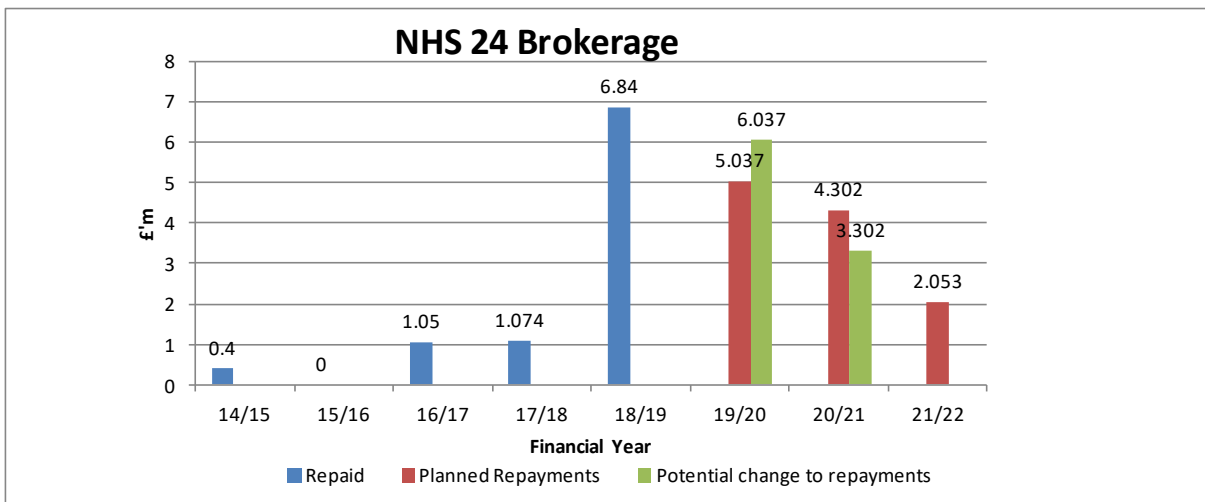
SG provide Annually Managed Expenditure (AME) to cover the cost of depreciation in year, £0.4 million has been factored into the plan for 2019/20.

NHS 24 GREEN

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.

6. REPAYMENT OF BROKERAGE

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



6.2 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 AOP had £5.037 million being repaid in 2019/20. As discussed earlier in the paper there is an option to repay more brokerage this year of c £1 million. This would reduce the brokerage to be repaid. The table above shows the 2020/21 brokerage reduced but this is for illustration only as the details of brokerage need to be firmed up as part of the overall financial plan for 2020/21. Another option would be for NHS 24 to clear brokerage earlier than anticipated.

NHS 24 GREEN

Appendix 1 Directorate Financial Position as at 31 October 2019 £

Directorate	Category	FY Bud	YTD Bud	YTD Act	YTD Var	FY F'cast Variance
Service Delivery	Income	-50,742	-29,600	-84,806	55,207	94,063
	Non Pay	900,875	399,824	141,295	258,529	365,459
	Pay	42,608,766	24,528,380	24,427,190	101,190	364,668
Service Delivery Total		43,458,899	24,898,604	24,483,678	414,926	824,191
Information & Communications Technology	Income	-251	-146	-105	-41	0
	Non Pay	9,097,627	5,160,620	5,177,843	-17,223	-2,822
	Pay	1,656,768	966,448	1,046,786	-80,338	-156,838
Information & Communications Technology Total		10,754,144	6,126,922	6,224,524	-97,603	-159,659
Service Development	Income	-97,717	-57,002	-426,213	369,212	493,156
	Non Pay	3,940,094	551,645	546,648	4,998	587,789
	Pay	4,201,071	3,140,143	3,097,997	42,146	-358,470
Service Development Total		8,043,448	3,634,787	3,218,432	416,355	722,476
Finance, Performance, CE & Board	Income	-81,776	-47,703	-61,767	14,064	17,726
	Non Pay	3,645,155	2,002,860	2,056,324	-53,463	-99,289
	Pay	1,906,351	1,111,596	1,018,653	92,943	134,781
Finance, Performance, CE & Board Total		5,469,731	3,066,753	3,013,210	53,544	53,218
Workforce	Income	-4,404	-2,569	-57,145	54,576	83,359
	Non Pay	277,819	147,437	117,648	29,789	23,309
	Pay	1,375,648	820,722	870,226	-49,505	-104,784
Workforce Total		1,649,063	965,590	930,730	34,861	1,885
Nursing	Income	-3,396	-1,981	-93,899	91,918	150,045
	Non Pay	41,296	15,339	33,866	-18,526	-15,726
	Pay	1,014,566	582,934	591,325	-8,390	21,735
Nursing Total		1,052,466	596,293	531,291	65,002	156,055
Communications	Income	-64	-37	-5,251	5,214	5,237
	Non Pay	415,988	104,577	111,391	-6,814	-8,327
	Pay	402,850	234,996	234,075	921	3,390
Communications Total		818,775	339,535	340,215	-680	300
Medical	Income	-29,480	-17,197	-17,185	-12	-21
	Non Pay	106,294	21,172	34,637	-13,465	-22,184
	Pay	706,861	412,335	387,169	25,167	32,986
Medical Total		783,675	416,310	404,621	11,689	10,782
Non Directorate Budgets		994,265	0	0	0	-600,000
Grand Total		73,024,465	40,044,795	39,146,700	898,095	1,009,247

The Non Directorate Budget line is the accumulation of items discussed as part of the SPRA Mid-Year Review and the SEDATe Phase 1 Business Case. These items have been separated from the Directorate budget for transparency. It includes SAP, O365 and other licences plus the Phase 1 SEDATe business case costs for 2019/20.

NHS 24 GREEN

Appendix 2 – SG Allocations:

October								
694	Open University Nursing Students 1st & 2nd Quarter Payments	Dawn Orr	Ann Pullar	Chief Nursing Officer	-	-	15,000	15,000
710	Adastra Programme Management	Anne Marie Gallacher	Gillian Stocks	Primary Care	-	-	23,000	23,000
725	Winter funding	Angiolina Foster	Helen Maitland	Elective & Unscheduled Care	-	-	200,000	200,000
							238,000	238,000
					-	-	238,000	238,000