

NHS 24 BOARD	27 FEBRUARY 2019 ITEM NO 11.1 FOR ASSURANCE
FINANCIAL PERFORMANCE REPORT TO 31 DECEMBER 2019	
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 £1.1 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	The report has been presented to EMT the January EMT and February Planning & Performance Committee.
Summary of key discussion points/actions arising from respective Committees	Discussed that high level of spend is due in the final months of the year. Underspend potential to increase if recruitment targets are not met or delays to non recurrent spend.
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 December 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 December 2019.
- 2.2 A year-end underspend of £1 million is forecast and the Committee 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 to allow primary care triage (PCT) expansion. It is critical that directorates ensure the agreed final quarter spend is delivered.
- 2.4 Planned recruitment has been slower than previously forecast and some new posts are being filled with internal candidates which further reduces the projected spend. This has been offset in part by an increased NHS 24 contribution by £0.2 million to the National Boards savings target of £15 million.
- 2.5 Projected spend on items like Respond, Digital and PCT are behind schedule and will have an impact on the forecast if the projects cannot complete on time. At this moment the forecast still assumes they will spend as planned.
- 2.6 The two transformation funded projects are both expected to spend less than has been allocated. The forecast assumes funding will be returned to SG/Transformation fund and thus does not change the £1m projected underspend. Staff recently recruited into Primary Care Triage (PCT) will work on the 111 service this financial year so will not be charged to PCT. There have been 2 further resignations in Advanced Clinical Support (ACS) as they have been successful in applying for other roles within NHS 24, which further reduces the forecast spend.

3. REVENUE RESOURCE LIMIT

- 3.1 In relation to the revenue resource limit, NHS 24 has an underspend of £1.1 million for the 2019/20 financial year against a year to date (YTD) budget of £51.5 million. As a percentage the YTD variance represents 2.3% of the YTD budget. The full year budget is £72.2 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 Connect) have evolved throughout the year. The position was formalised through the Phase 1 Business Case presented to and approved at the January 2020 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.
- Income received from staff seconded has produced an underspend as backfill has not been necessary for the full year.

3.2 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.

3.3 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.

3.4 Core revenue allocations received by 31 December 2019 amounted to £75.5 million. The allocations received in December amounted to, £1.1 million and related mainly to mental health funding. There was also an expected deduction to fund O365 (see appendix 2 for detail). There are still allocations outstanding for mental health hub and MSK. Dialogue with Scottish Government is taking place and both are still anticipated in full.

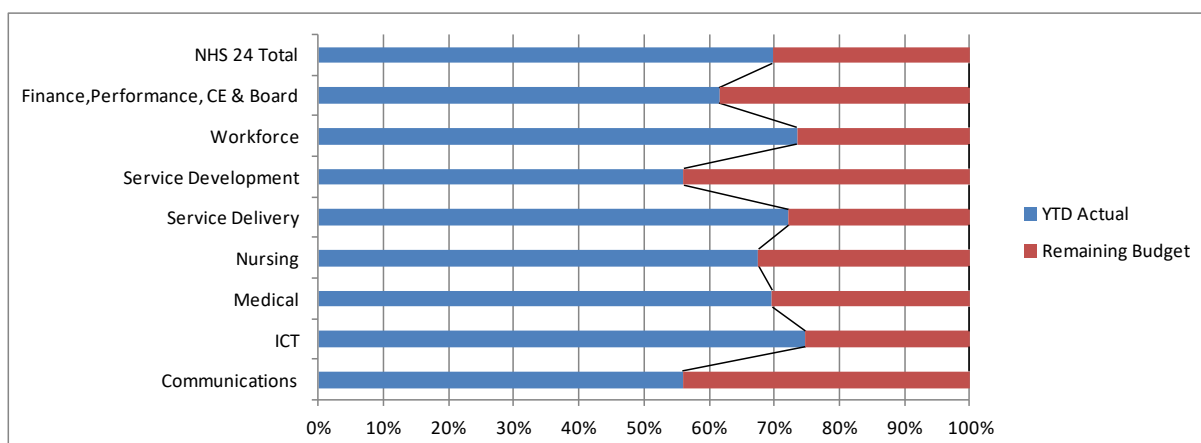
3.5 The allocation level received by December 2019 (£75.5 million) is higher than the expected revenue resource limit for the year (£72.2 million). NHS 24 are anticipating brokerage repayments to be deducted as well as a further £350,000 towards the National Boards £15 million saving target. The level of brokerage to be deducted by the end of the financial year was £5.037 million. The anticipation is that will now increase by £1 million.

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	Full Year Budget 2019/20 £m	Budget to 31 December £m	Expend to 31 December £m	Variance to 31 December (Over) / Under £m
Revenue Resource Limit	72.2	51.5	50.4	1.1

- 3.6 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 70% of the budget has been utilised.
- 3.7 On a pro-rata basis would have expected 75% of the budget to have been utilised. To meet the £1m projected underspend, the spend in January-March will have to increase by circa £0.8m per month to attain the projected surplus. It still is anticipated that spend will accelerate in the final months and the Connect business case costs should materialise in January. However, the spend in December was lower than the average for the year, placing more pressure on the spend in the final qtr and Directors are asked to ensure managers are receipting on pecos.
- 3.8 The main areas that need to see an increase in expenditure are Communications, Finance and Service Development. The winter campaign and the items to be taken from reserves are fairly certain at this point.

Utilisation of Budget by Directorate at 31 December 2019



- 3.9 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.

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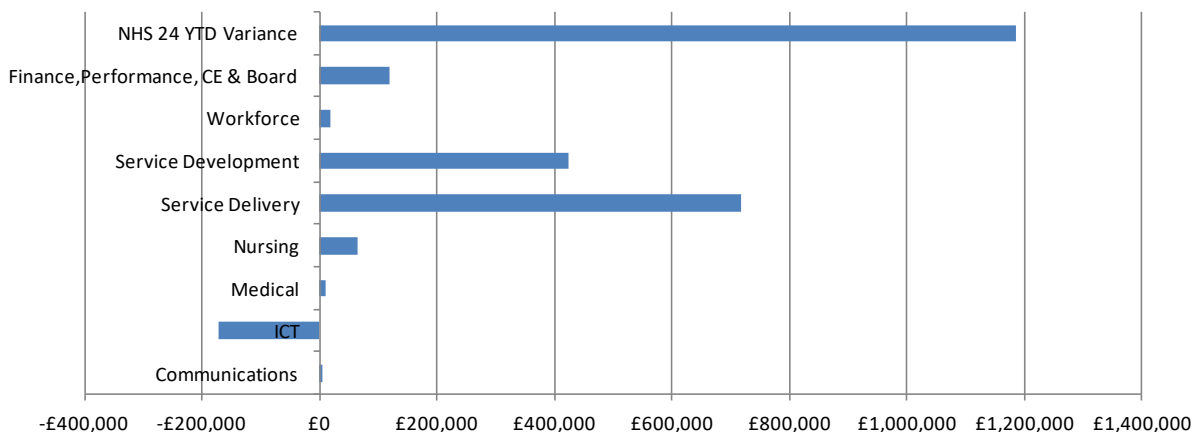
- Finance which includes the budget for the 2019/20 AOP investment priorities prior to being allocated out, including the technology refresh provision that will now be utilised for extending hardware and software support as agreed though the Connect Programme Phase 1 business case.
- Communications with increased expenditure around the Winter/Easter that is to come through before year end.

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

3.11 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.

3.12 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. There is a high degree of digital/IT related spend that is still forecast to come through in the final qtr.

3.13 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.



4. CAPITAL RESOURCE LIMIT

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

	Full Year Budget 2019/20 £m	Budget to 31 December £m	Expend to 31 December £m	Variance to 31 September (Over) / Under £m
Capital Resource Limit	0.269	0.02	0.02	0.00

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 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 £0.3 million. The capital allocations is anticipated to be used in full this financial year. Both are progressing and a lead advisor has been appointed to co-ordinate the works.

4.4 The costs associated with the move from GJNH are anticipated to fall outwith this financial year. Funding for any additional capital costs associated with the decision by GJNH to ask us to vacate have been factored into the AOP. There have been recent discussions with the Scottish Government, Health Finance Directorate but funding has not been confirmed and the delay to the budget announcement has further pushed back any announcement. Capital is overcommitted next financial year but Health Finance have asked for additional for Health.

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	1,338	Low
Non Pay Costs	331	248	Low
CRES to b/even	1,848	1,586	

- 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 break even spend factors in that each Directorate has a clear savings target for the year that has to be met.
- 5.3 The largest savings target relates to Service Delivery (pay savings target of £1.2 million). This is being absorbed and more due to the level of vacancies this year and not being able to recruit to the planned nurse or call handler WTE..
- 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 for 2019/20 has increased from £0.353 million to £0.55 million. £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 the remaining £0.35 million will be deducted from our allocation.

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 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.
- 6.2.2 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 to 435 contracted WTE by the end of the financial. Recent recruitment to new posts (PCT and Mental Health) has drawn upon existing staff within service delivery. These staff will not move this financial year. However, this will reduce the forecast spend in those areas.

- 6.2.3 MSK is overspent YTD by circa £45,000. 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. So, the overspend in net of additional NHS 24 funding and a level of vacancy. £200k additional funding has been factored into the budget for next year for MSK.
- 6.2.4 Additional non-recurring funding in-year for the Mental Health Hub has facilitated recruitment of additional psychological wellbeing practitioners (PWP) to accelerate 24/7 service provision. The target is 27 WTE by start of next year and recruitment has been slower than forecast. 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 for next year.
- 6.2.5 Scottish Emergency Dental Service has an overspend of £44,000, driven by the savings target.
- 6.3 ICT**
- 6.3.1 ICT is overspent by circa £170,000 (YTD). This is due to a combination of being over on pay and non-achievement of the in-year non-pay savings target. There is a high level of ICT related spend expected in the final quarter. Not all will come through the ICT budget. There is a risk that all may now complete as forecast this financial year.
- 6.3.2 Just under £100k has been taken off NHS 24 to fund the national O365 programme. This is likely to rise to £200,000 next year. In year, this unexpected cost pressure has been funded from reserves rather than ICT.
- 6.3.3 The additional IT related costs related to the business case will be funded from outwith the IT budget.
- 6.4 Service Development**
- 6.4.1 The overspend on pay is due to backfilling posts that are seconded out. This is more than offset by Seconded income and other vacancies. A number of the vacancies have now been filled. A significant amount of the non pay budget has been phased to the final quarter. As a result a significant amount of non pay expenditure is expected in the final quarter including on Digital. Work is underway to try and ensure these projects stick to planned timetables and forecast spend.

- 6.4.2 Advanced Clinical Support (ACS) & Primary Care Triage (PCT) will both be under spent this financial year. Recent recruitment to PCT has seen staff initially placed within the 111 service to help. £0.25 million of IT related costs are expected in the final quarter that will enable to expansion of PCT into more practices.
- 6.4.3 Currently showing break even YTD against the two Transformation Funded projects. SG made the final allocation in December, which was around £0.4m less than requested at the start of the year. With the recent pause to recruitment for PCT and resignations within ACS there is a risk the amount allocated may still lead to an under spend.
- 6.4.4 Costs associated with the Mental Health Hub are now expected to increase slower than anticipated. Recruitment of additional PWPs is behind schedule, exacerbated by the fact around 5 WTE are internal applicants who will stay within their current departments until the end of the financial year.
- 6.4.5 Discussions are ongoing with the Directorate and Scottish Government regarding the funding required to extend these services next year and beyond.

6.5 **Medical**

- 6.5.1 Small underspend on pay, no significant variance to report. Additional funding was received and is forecast to be fully utilised for a successful value improvement fund bid.

6.6 **Nursing**

- 6.6.1 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.

6.7 **Finance, Performance, CE & Board**

- 6.7.1 YTD Underspend driven by vacancies, with non-pay over mainly due to the savings target.
- 6.7.2 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. This includes phase 1 of the Connect Business Case and purchasing additional SAP licences required for new staff.

6.8 **Workforce**

- 6.8.1 An overall underspend is reported, driven by Seconded income and partly offset by agency costs. Agency staff have been required in-year and extended

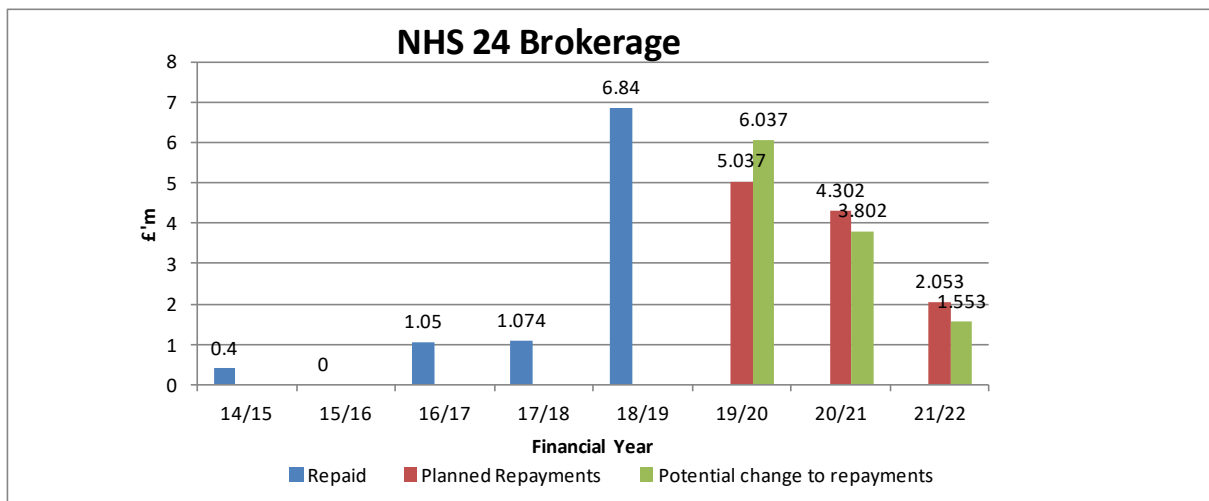
to the end of the financial year to help support the planned recruitment and cover for vacancies.

6.9 Depreciation

SG provide Annually Managed Expenditure (AME) to cover the cost of depreciation in year, £0.4 million had been factored into the plan for 2019/20. This has been reduced to £0.22 million as depreciation is expected to be lower than anticipated this year. 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 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 beyond 2019/20. The table above shows a possible scenario for illustration. The details of brokerage need to be firmed up as part of the overall financial plan for 2020/21.

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Appendix 1 Directorate Financial Position as at 31 December 2019 £

Directorate	Category	FY Bud	YTD Bud	YTD Act	YTD Var	FY F'cast Variance
Service Delivery	Income	-50,742	-38,057	-114,253	76,196	100,652
	Non Pay	900,875	515,491	200,660	314,831	381,944
	Pay	42,608,766	31,616,488	31,291,009	325,479	660,182
Service Delivery Total		43,458,899	32,093,923	31,377,416	716,507	1,142,778
Information & Communications Technology	Income	-251	-188	-135	-53	-71
	Non Pay	9,097,627	6,629,221	6,683,411	-54,190	7,296
	Pay	1,656,768	1,242,576	1,360,347	-117,771	-165,967
Information & Communications Technology Total		10,754,144	7,871,609	8,043,622	-172,013	-158,742
Service Development	Income	-97,717	-73,288	-507,347	434,059	495,405
	Non Pay	3,511,972	600,829	653,907	-53,078	583,141
	Pay	4,171,798	4,150,999	4,107,717	43,282	-311,795
Service Development Total		7,586,052	4,678,540	4,254,277	424,264	766,750
Finance, Performance, CE & Board	Income	-81,776	-61,332	-79,168	17,836	19,631
	Non Pay	3,465,155	2,515,609	2,522,956	-7,347	-36,632
	Pay	1,854,351	1,429,498	1,321,597	107,901	83,683
Finance, Performance, CE & Board Total		5,237,731	3,883,775	3,765,385	118,390	66,682
Workforce	Income	-4,404	-3,303	-71,269	67,966	85,846
	Non Pay	277,819	185,725	167,081	18,644	-2,469
	Pay	1,375,648	1,047,821	1,115,841	-68,020	-102,320
Workforce Total		1,649,063	1,230,243	1,211,654	18,589	-18,942
Nursing	Income	-3,396	-2,547	-120,560	118,013	152,988
	Non Pay	26,296	19,722	41,845	-22,123	-30,478
	Pay	1,049,566	771,837	803,040	-31,203	-57,050
Nursing Total		1,072,466	789,012	724,325	64,687	65,460
Communications	Income	-64	-48	-5,271	5,223	5,237
	Non Pay	415,988	171,011	171,490	-480	-9,893
	Pay	434,850	310,138	310,226	-88	5,505
Communications Total		850,775	481,100	476,445	4,655	849
Medical	Income	-29,480	-22,110	-22,095	-15	-21
	Non Pay	76,294	27,221	44,036	-16,816	-21,546
	Pay	706,861	530,146	503,358	26,787	41,165
Medical Total		753,675	535,256	525,300	9,956	19,599
Non Directorate Budgets		880,765	0	0	0	-880,000
Grand Total		72,243,569	51,563,457	50,378,424	1,185,034	1,004,433

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

Appendix 2 – Current Month SG Allocations:

NHS 24
Core Revenue Allocations 2019-20



Ref	Description	Board Contact	SGHSCD Contact	SGHSCD Division	Baseline Recurring £	Earmarked Recurring £	Non- Recurring £	Total £
December								
923	Microsoft National Licensing	Margo McGurk	Gary Johnston	eHealth	-	-	(97,952)	(97,952)
984	Primary Care NHS 24 Projects 2019-20 Tranche 2	Danian Snedden	Chloe Adam-Gallagher	Primary Care	-	-	80,603	80,603
1000	Mental Health Services and Development Programme	Margo McGurk	Ewen Cameron	Mental Health & Protection of Rights	-	-	1,125,000	1,125,000
					-	-	1,107,651	1,107,651
					70,610,572	10,000	4,909,809	75,530,381