

NHS Education for Scotland

Board Paper Summary

1. Title of Paper

Finance Report as at 30th November 2015

2. Author(s) of Paper

Audrey McColl – Acting Director of Finance
Janice Sinclair – Acting Deputy Director of Finance

3. Purpose of Paper

To update the Board on the year to date spend position as at 30th November 2015 compared to the planned budget and, based on this, provide a forecast of anticipated outturn at 31st March 2016.

4. Key Issues

The detailed financial position by budget heading is attached at Appendix 1. This shows that, after all agreed budget amendments and the adjustment of £2m to the amount of funding to be drawn down from Scottish Government in relation to expansion medical training grades, the current year to date position is an underspend of £2.9m, with an underspend of £549k forecast at year-end.

A verbal update will be provided at the meeting of the revised forecast outturn position based on the December month end figures.

5. Educational Implications

This report sets out the financial impact of the ongoing activity of the organisation in the delivery of its educational objectives. Areas where we see significant movements may also indicate issues with the delivery of targets.

6. Financial Implications

It is essential that we have effective mechanisms to ensure that appropriate financial information for decision making is available at all levels of our Governance structures.

7. Which NES Strategic Objective(s) does this align to?

An improved organisation

8. Recommendation(s) for Decision

The Board is asked to:

- (i) Note the current financial position

NES
AMcC/JS
21/Jan/2016

Board Report
Statement of Comprehensive Net Expenditure to 30th November 2015

1. Summary

The total allocation expected from the Scottish Government Health and Social Care Directorate (SGHSC) in 2015/16 is £432.3 million.

Our November allocation letter confirmed funding of £424.8 million and we have anticipated allocations of £7.5 million, which we are working with colleagues to ensure are received as quickly as possible.

2. Year to date position

The net revenue spend for the 8 months to November is £283.1 million resulting in a £2.9 million underspend against budget. The *main* areas contributing to the current position are:

2.1 Medical – underspend of £1.6m. The total Medical underspend breaks down across the 4 key budget and operational areas as follows;

- Training Programme Management (TPM) is currently £652k underspent of which £122k relates to Training Grades. This is less than previous months due to the agreement with SGHSC to reduce the amount of additional expansion funding required. The balance of £530k is comprised of vacancies in training fellowships (mainly Forensic Pathology and Clinical Scientist), vacancies within General Management and increased ePortfolio income related to increased development work for existing customers and contract extensions. There is also a timing difference relating to the outstanding payment to HEE for NES contribution for the upgrade and additional functionality of Oriel.
- Strategic Planning and Directorate Support (SPDS). The £285k underspend is mainly related to vacancies in several senior posts. Although both Postgraduate Dean posts have now been filled there are still vacant Associate PG Dean and sessional posts.
- Quality Management. The £275k underspend is mainly vacancies in Consultant sessions and lower expenditure on Medical ACT management.
- Professional Development. The £424k underspend from Professional Development is mainly related to vacancies and timing differences within GP Training Support and GP Appraisal arrangements in the West of Scotland.

2.2 Dental – underspend of £361k

The main contributors to the current underspend are slippage in recruitment to posts in the new structure of £232k and vacant trainee posts of £96k.

2.3 Pharmacy – underspend of £215k

The year to date underspend is due mainly to savings from vacant posts; however the variance also includes £90k that is due to timing of expenditure for remedial payments and Prescription for Excellence contracts.

2.4 Psychology – underspend of £469k

The majority of the current underspend is a result of vacancy savings. Most of the staff posts are now filled and there are revised delivery plans agreed with SGHSC to accommodate delays in recruitment while meeting service delivery.

2.5 Knowledge Services – underspend of £106k

This is primarily from the renegotiation of subscription contracts.

2.6 Leadership – underspend of £148k

This is mainly due to delays in filling posts and delayed timing of the Delivering the Future events to later in the year.

2.7 Finance and Corporate Resources – underspend of £315k

The majority of the underspend is in Properties and Facilities Management as a result of disputed and unconfirmed utility and service charges and a higher than expected VAT rebate for the 2CQ relocation works;

2.8 Digital Transformation – underspend of £250k

The main factors in the current underspend are delays in the set-up of the Scottish Wide Area Network (SWAN) that is replacing N3 as well as pay savings from recruitment delays.

The above underspends are offset by overspends of:

2.9 NMAHP – overspend of £203k

Mainly as a consequence of the agreement with SGHSC that NES would support Postgraduate Radiotherapy training at QMU of £264k, offset by the timing of payments to NHS Boards in relation to Leading Better Care and AHP Practice Placement Facilitators

2.10 Workforce – overspend of £92k

This is primarily due to late funding from SGHSC in relation to eKSF team transferred to NES and the recruitment costs for the CEO post.

2.11 £354k in Capital Charges & Provisions – overspend of £354k

Primarily due to the underspend carried forward from 2014/15 being lower than anticipated when the budget was set as well as the movement in the provision required for the potential costs on termination of Fixed Term Contracts, offset by the refund received from the pension buy-out.

3. Forecast Outturn

The current year end forecast is an underspend of £549k, a net increase of £130k from the October forecast.

The table below identifies the most significant elements in the change in forecast:

Budget Area	Detail	Impact £'000
Dental	In year resignations within Hospital Dental Service resulting in vacancies	73
Medical Professional Development	Historic trend analysis of GP Support Costs now indicates an expected underspend	74
Finance & Corporate Resources	Delayed expenditure on pre-acquisition work for Aberdeen Property Strategy due to uncertainty of funding in 2016/17	55
In Year Funds Available	Correction to Medical Act budget for Calman 100 students	36
Specific Provisions	Increase in Voluntary Severance applications approved by Change Management Board	(111)
		127

The current forecast out-turn would represent an acceptable year end position. However, there are some requests for additional support for Corporate priorities which are likely to reduce this.

4. Identified risks to the forecast outturn position

During review of the detailed variance analysis reports for each Directorate, several potential risks to the forecast have been identified. The most significant of these are;

4.1 Training Programme Management (TPM)

- The anticipated spend for Study Leave includes a higher level of spend in the month of March of £175k for non recurring courses. This sum is based on prior year spend rather than actual planned courses for this year.
- There is £200k in the Recruitment budget which was the amount distributed to Boards in prior years, but there is no confirmation that this will be repeated.

4.2 Professional Development

- There is lack of clarity of budget phasing in-year and across financial years with regard to SGHSC and Health Improvement Scotland (HIS) funding for Quality Improvement projects which could impact on forecast.

4.3 Dental

- There is unpredictability in trainee numbers due to in year resignations from the Hospital Dental Service. The continuing high level of vacancies and recruitment delays, which are also impacting on service leading to delays in the development of standard operating procedures for CPD

4.4 NMAHP

- The non-receipt of £1.048m of allocations from SGHSC remains an issue (£573k anticipated and £420k confirmed and £55k unconfirmed). Of these allocations £246k has been spent to date and forecasts assume receipt of the full funding amount requested.

4.5 Psychology

- Risk to funding where vacancies exist within programs where earmarked funding is received from SGHSC.
- Appointments to Fixed Term Contracts of experienced NHS professionals with significant existing service create liabilities to pay severance costs at the end of contract period.
- Training expenses for trainees are based on actual costs incurred and are only known when the invoices are received from the boards.

4.6 Healthcare Sciences

- Further underspends are expected as it is anticipated that more trainees will leave to take up permanent posts due to be advertised by Boards in the near future.

4.7 Leadership

SGHSC has indicated that any savings arising from a delay in recruiting to posts will have to be returned. This will reduce our flexibility at a corporate level to manage our own position if this approach is adopted across all disciplines. We are currently trying to establish if this is the case.

- There is a potential cost pressure within the Management Training scheme relating to the bursary model utilised which allows trainees flexibility to complete their MSc. This means that costs can move across financial years if Trainees choose to delay the start of their study or take a break.

4.8 Finance and Corporate Resources

- There is uncertainty over the outcome of the on-going disputes over electricity and service charges at 2CQ and West Port..
- Further invoices are still being received relating to the work on the final pension buy-out – a review of the costs for work charged to date is to be undertaken.
- The increase to the forecast underspend is mainly due to a £60k reduction in the planned spend for design and pre-acquisition work for the Aberdeen Property Strategy due to the uncertainty of funding in 2016/17

4.9 Digital Transformation

- Work is still on-going to confirm costs for NHMAHP portfolio (included in forecast at £60k).
- The delayed implementation of SWAN circuits is expected to complete within this financial year but there remains some uncertainty over expected charges.

4.10 Workforce

- There is a risk that some elements of the HCSW programme funded with £30k of corporate underspend may not be delivered. However, there has been good progress this month in procuring services to deliver the majority of the demonstrator projects before the 31st of March 2016.
- Lack of confirmation of funding from SGHSC with regards to the eKSF team could put pressure on the year end forecast as we are currently anticipating income of £96k. The issue revolves around the funding mechanism since the posts are joint funded by the Management Steering Group and SGHSC.
- NES has agreed to fund £50k to purchase the IPR for e-KSF in 2015/16 which, due to timing, was not included in this forecast.

4.11 Capital Charges and Provisions

- Extent of additional provision required for Fixed Term Contracts where data collection of prior length of service is incomplete. Work is underway to acquire the missing data which will have an impact on the value of the accrual we need to include in the annual accounts for 2015/16.
- Final costs for the VS scheme are subject to confirmation and the receipt of the acceptance to the proposal from staff.

AMcColl/JS
January 2016

Statement of Comprehensive Net Expenditure from 1st April 2015 to 30th November 2015

Budget Area	Annual Budget £'000	YTD Budget £'000	YTD Actuals £'000	YTD Variance £'000	Previous Forecast Outturn £'000	Current Forecast Outturn £'000	Change in Forecast £'000	Training Grade Only						
								Annual Budget £'000	YTD Variance £'000	Previous Forecast Outturn £'000	Current Forecast Outturn £'000	Change in Forecast £'000		
Medical														
Training Programme Mgmt	238,949	158,432	157,780	652	298	321	23	232,537	122	(101)	(55)	46		
Strategic Planning & Ds	5,960	4,033	3,748	285	231	201	(30)	0	0	0	0	0		
Quality Mgmt	78,059	51,873	51,597	275	292	284	(8)	0	0	0	0	0		
Professional Development	4,922	2,906	2,482	424	(64)	10	74	0	0	0	0	0		
Total Medical	327,889	217,244	215,607	1,636	757	816	59	232,537	122	(101)	(55)	46		
Dental	44,459	29,547	29,186	361	410	483	73	14,771	97	2	79	78		
NMAHP	14,306	10,080	10,284	(203)	(415)	(404)	11	0	0	0	0	0		
Pharmacy	6,502	4,076	3,861	215	(57)	(28)	29	4,526	24	(41)	(12)	29		
Psychology	14,064	9,198	8,729	469	103	99	(4)	7,383	113	164	164	(1)		
Healthcare Scientists	2,677	1,776	1,739	38	82	113	31	2,207	99	0	0	0		
Optometrists	1,048	747	711	36	14	14	0	0	0	0	0	0		
Knowledge Services	3,496	2,395	2,289	106	84	80	(5)	0	0	0	0	0		
Leadership	1,906	1,199	1,050	148	28	(13)	(41)	0	0	0	0	0		
Finance & Corporate Resources	7,614	4,947	4,633	315	217	272	55	0	0	0	0	0		
Digital Transformation	4,191	2,751	2,501	250	(471)	(471)	0	0	0	0	0	0		
Workforce	2,137	1,385	1,478	(92)	(94)	(89)	5	0	0	0	0	0		
Capital Charges & Provisions														
Depreciation & Central Charges	1,703	1,012	985	27	256	248	(8)	0	0	0	0	0		
Specific Provisions	705	0	0	0	0	(111)	(111)	0	0	0	0	0		
In Year Funds Available	(428)	(381)	0	(381)	(494)	(458)	36	0	0	0	0	0		
Total Capital Charges & Provisions	1,980	631	985	(354)	(238)	(321)	(83)	0	0	0	0	0		
Net Revenue Expenditure	432,272	285,978	283,053	2,925	419	549	130	261,425	454	24	176	152		
Capital Expenditure	0	0	0	0	0	0	0	0	0	0	0	0		

Training Grade figures include Trainers Grants in GP Medicine and Dentistry