

NHS Education for Scotland

Board Paper Summary

1. Title of Paper

Finance Report as at 30th September 2016

2. Author(s) of Paper

Andrew Brown – Principal Lead, Finance Business Partnering
Audrey McColl – Director of Finance

3. Purpose of Paper

To update the Board on the current year to date spend (YTD) position compared to the planned budget and provide a forecast of anticipated out-turn at 31st March 2017.

4. Key Issues

At 30th September 2016, the YTD position is an underspend of £1.0m with a forecast underspend of £0.4m at year-end.

The forecast underspend now reflects the expected impact of recruitment to foundation, core and speciality training commencing in August. In addition, it reflects the progression of existing trainees to the next stage of their respective training programme and curricula.

The majority of the £0.5m decrease in forecast underspend since the previous report relates to changes in the Training Programme Management forecast to reflect the costs of recruiting new GPs in February as part of the GP100 programme, the return of £0.2m of Community Hub Fellow allocations, and lower than budgeted less than full time gap savings on Hospital Training Grades for the August trainee rotation.

There are inherent risks to the accuracy of the financial forecast and the main report examines these and the potential impact on the forecast outturn. Although the forecast underspend is currently £0.4m there are requests for additional funding under consideration which would reduce this to approximately £0.2m. This is considered a satisfactory position at this point in the financial year.

5. Educational Implications

This report sets out the financial impact of the on-going 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 invited to note the information contained in this report.

1 Current financial position and context

NES' baseline budget for 2016/17 (inclusive of uplift of 1%) is £409.7m. The total budget, inclusive of allocations from Scottish Government for non-recurrent activities, is projected as £438.6m. At 30th September 2016, the YTD position is an underspend of £1.0m, with a forecast underspend of £0.4m at year-end.

Setting a balanced budget for 2016/17 relied on, for the first time, agreeing an in-year savings target of £1.2m. In addition, changes were made to the rules for the payment of training grade vacancies to boards. As a result, our approach to managing the overall position towards approximately a breakeven position has become more complex.

The YTD position reflects overspends in NHAMP (£0.8m) where spend has been incurred against budgets not yet allocated by SGHD, such as for the Care Home Education Facilitators programme offset by underspends in the Training Programme Management (TPM) workstream (£0.4m, primarily related to GP vacancies and Fellows payments), the £0.4m carry forward agreed with SGHD, and phasing related underspends in Workforce, Digital, Properties, and the Professional Development workstream. The largest element of the full year forecast underspend is the TPM underspend of £0.7m which is examined in detail at section 2.1.

The current forecast is for an underspend of £0.4m. Included in this position are a number of previously reported allocations of funds to support projects, agreed through operational planning as priorities, but for which funding was not initially available. This approach of on-going review of funds available, allows us to deliver on the largest number of organisational priorities within our budget envelope.

Against the forecast underspend currently identified, there are a number of funding requests which, if approved, will reduce the forecast underspend by around £0.2m. Examples include:

- Providing an additional consultant lead teaching session in the Glasgow Teach and Treat Clinic (WOScOTT) where existing sessions are fully booked into March 2017. These clinics provide community Optometrists with the opportunity to manage a variety of ophthalmic conditions in a fully supervised clinical setting.
- Developing a successor to the Delivering the Future programme for delivery by the Workforce Directorate from 2017/18, in support of Scottish Government's Executive Leadership, Talent and Succession Planning agenda; the development and delivery of e-learning modules to support adoption of the NHS Scotland / SSSC Leadership Qualities at all levels; and establishing the scope for NES to provide leadership development that supports the digital transformation of Health and Care, and potentially wider public services.

2 Directorate Analysis

Appendix 1 details the YTD and forecast position by Directorate. Material variances are as follows.

2.1 Medical

The YTD position for Medical is an £700k underspend. The largest element of this is in the Training and Programme Development workstream, which is £361k underspent, due primarily to a £379k underspend on GP training (resulting from volume variances against budget, particularly at ST1 level). There is a related underspend of £105k on GP training grants and benefits. The Professional Development workstream is underspent by £312k, due primarily to phasing variances on GP Training Support (£103k), GP Speciality Training (£93k) and SAS Doctor Training (£55k).

For the full year, Medical is forecast to be underspent by £609k. The majority of this underspend is in the Training Programme Management workstream, which has a forecast underspend of £692k. This is due primarily to underspends on Training Grades (£441k), which in turn is made up of an underspend of £468k on GP trainees and £105k on Training Grants and Benefits for GP trainees, offset by an overspend of £133k on Hospital Training Grades.

The £468k underspend on GP Trainees has been reported in previous months, and is due to higher than budgeted vacancies in the GP establishment from April – July. This is partly offset by small price variances, and the impact of recruiting additional GPs from February as part of the GP100 scheme. Recruitment figures from the first round of recruitment to these posts are known and have been included in the forecast, however, further recruitment or price variances on appointment may cause the forecast to move. 15 of the recruits are eligible for a bursary; this is not included in the forecast as it has been agreed that additional funding will be provided by the Scottish Government.

The £133k overspend on Hospital Training Grades is due to lower less than full time gaps on core and ST posts than were budgeted (we budgeted for 87.0 WTE gaps, and now forecast an average gap of 84 WTE), resulting in a £66k overspend. Additionally, we have had fewer than budgeted vacant posts from August onwards. As a result of the new payment rules, vacant posts are paid at a lower rate than filled posts, and the higher than budgeted fill rates have therefore increased our costs by £200k. These overspends are partly offset by a small underspend on FY2 payments due to higher than budgeted vacancy savings.

Other variances in TPM include an underspend on Fellows of £95k, which is lower than in previous months as we have agreed with SGHD to reduce our allocation receivable for Community Hub Fellows by £205k to reflect vacancies for part of the year in several of these posts. There is also external income of £67k from the e-Portfolio (Version 2) that was not budgeted and has therefore increased the forecast underspend.

The Strategic Planning and Directorate Support workstream (SPDS) is currently overspent by £50k, and this is expected to increase to an overspend of £120k at year end. This is driven mainly by a £139k overspend on the payments of overtime and additional allowances. This is because of spend in three main areas; agency cover, incremental drift and additional payments to senior medical staff.

The most significant element relates to the replacement of senior medical staff who had distinction awards (which are funded directly by SG) by new staff who, whilst not being eligible for distinction awards did in fact have a range of other additional payments which require to be funded by NES.

Despite the appointments above budgeted levels, it is anticipated that a balanced budget will be submitted in the 2017/18 financial year and such overspends will not recur.

2.2 Dental

The YTD position for Dental is an underspend of £475k. This is mainly due to an underspend on training grades of £211k, of which £123k is timing due to budget phasing which will reduce as costs from higher trainee numbers from the August intake are incurred, and £88k which will carry to year end, as average training numbers will be lower than budgeted. Business Support costs have been lower than budgeted by £23k.

There are further phasing related underspends from the Portal exceeding budget by £51k due to high uptake of CPD masterclasses and £148k of Dental ACT payments withheld from a Board whilst awaiting confirmation of how the funding will be used. In the Scottish Dental Clinical Effectiveness Programme, Rural Fellow spend is £42k underspent due to the timing of training costs.

The year-end forecast is an underspend of £159k. This is largely due to underspends of £88k on training grades, £30k income from income above budget for training event provision, and £40k lower than budgeted non-pay support costs (such as non-staff travel, and training and development).

The forecast underspend has increased by £101k from last month end. £60k relates to START (train the trainer) where funding for this is now expected from SG, £22k due to lower STR numbers in the September intake and some trainees starting later than planned and £40k of lower costs for Business Support. These were offset by a cost increase of £14k for Hygiene Therapy Vocational Training expenses.

2.3 Net Provisions

The current full year budget is -£448k. This is made up of costs for depreciation and other provision charges, as well as top-slicing of external income to cover overheads, and available funds. In addition, as efficiency savings are realised, in-year transfers to support additional investment are made from the net provisions position.

The forecast is that depreciation and capital charges will be in line with budget. We have recognised funding from Scottish Government of £431k, the 2015/16 agreed carry-forward, and vacancy savings of £250k more than budgeted. In addition, income recognised in provisions exceeds budget as a result of greater than budgeted demand for CPD masterclasses in Dental, and greater than budgeted income from the ACT levy relating to overseas students in Dental (£153k).

Against these movements, as previously reported we have allocated additional funds of £1,317k to support projects in Digital, Professional Development and Workforce. No further allocations have been made since the last report, but bids have been received and are being considered in the context of NES' overall financial position.

2.4 Year to date phasing variances

There are a number of Directorates where the year-end forecast is close to budget, but the year to date position shows a significant variance.

The largest of these is NMAHP, which is currently overspent by £857k. This is due to spend being incurred against project budgets which have been agreed and confirmed, but not yet formally allocated. Examples of this are the spend on Practice Education of £307k due to the appointment of Care Home Education Facilitators, and spend of £208k on staff supporting projects such as Dementia, Health Visiting, and Palliative and End of Life Care). There is also ongoing work to support the Post-registration, Postgraduate and CPD programmes which has incurred costs of £186k.

There is a YTD underspend of £233k in Workforce, due mainly to the sector decision not to deliver Cohort 12 of the Leading for the Future programme (£107k) and underspends to date of £101k on leadership, organisational development and continuing education. These programmes are forecast to spend full budget by year end.

Psychology is underspent by £183k to date, and is forecast to be very close to budget by year end (£11k underspend). The phasing variances are mainly to underspends in Therapies areas (£101k), caused by delays in programme delivery and payment timings. A further £36k underspend is caused by a delay in delivery of the Autism and Parent Training activity.

Digital is underspent YTD by £178k, made up of a number of small timing variances, and some areas where spend has been reduced, such as subscriptions (£30k saving), SWAN rental charges (£27k) and reduction in support contract costs (£41k). New projects, partly supported by additional funding, will reduce this underspend to a forecast £40k by year end.

Optometry has a forecast underspend of £138k, with £69k forecast at year-end (against which a virement request has been submitted). The variance carrying through the year is mainly due to the cessation of a pre-registration training course. Timing variances relate mainly to the Directorate of Optometric Continuing Education and Training programme (£54k) and to the Dundee project (£14kk).

3 Key risks to achievement of financial targets

In order to deliver outturn in line with budget, the following key risks will need to be managed across NES:

- We have anticipated allocations of £18.1m that have been agreed with colleagues at SGHD but are not yet included in the monthly allocation letter. In some cases, expenditure has already been incurred against this funding in order to ensure agreed

delivery timescales can be achieved. We continue to work with SGHD to ensure that all outstanding allocations are finalised and received as soon as possible.

- NES continue to work with SGHD on the recruitment of 100 new GP training grade posts from February 2017. These positions have been recruited, and the forecast includes projected costs of recruitment and training however, pay variances on the February intake of GP trainees are still possible.
- The last three months have seen significant movement in the forecast costs for training grades. Whilst there is inherent risk and complexity in forecasting these costs, colleagues from Finance and TPM are collaborating to improve modelling based on historic trends. The aim, where possible, is to increase the consistency and accuracy of these forecasts. A permanent Training Grade Analyst (Business Partner) has been recruited and will begin work on 1 November.
- The Property budget is forecast to underspend by £19k. However, this includes £800k of costs for the Aberdeen Relocation Project. Although the Heads of Terms have now been agreed, there is a possibility of some cost slippage into 2017/18. There is also an ongoing dispute over service charge costs for Westport.

Andrew Brown and Audrey McColl
October 2016

Appendix One

Financial Position by Directorate

(All figures in £'000s)

Directorate	Year to Date			Full Year		
	Current Budget	Outturn	Variance	Current Budget	Forecast	Variance
<i>Quality Management</i>	38,597	38,520	77	77,306	77,312	-6
<i>Strategic Planning and Directorate Support</i>	3,015	3,065	-50	6,345	6,465	-120
<i>Training Programme Management</i>	125,045	124,683	361	251,412	250,720	692
<i>Professional Development</i>	2,101	1,789	312	5,898	5,854	43
Medical Total	168,758	168,057	700	340,960	340,351	609
Dental	22,486	22,011	475	45,143	44,984	159
NMAHP	5,722	6,578	-857	11,214	11,127	88
Psychology	7,024	6,842	183	16,090	16,078	11
Healthcare Sciences	1,052	1,082	-30	2,585	2,594	-9
Optometry	559	420	138	1,027	959	69
Digital	4,402	4,224	178	9,159	9,119	40
Workforce	2,223	1,991	233	4,482	4,426	56
Finance	1,054	1,026	28	2,134	2,174	-40
Properties	1,925	1,810	115	4,482	4,463	19
Facilities Management	316	298	18	640	655	-15
Planning (including OPIP)	553	563	-10	1,103	1,132	-29
Net Provisions	273	430	-157	-448	81	-529
NES Total	216,347	215,333	1,014	438,571	438,142	429