

Board

16 October 2012

Paper No. 12/47

Director of Finance

Financial Monitoring Report for the 5 month period to 31 August 2012

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £0.7m in excess of its budget for the first 5 months of the year. At this stage the Board considers that a year end breakeven position remains achievable.

The report also includes details of expenditure to date against the Board's 2012/13 capital allocation.

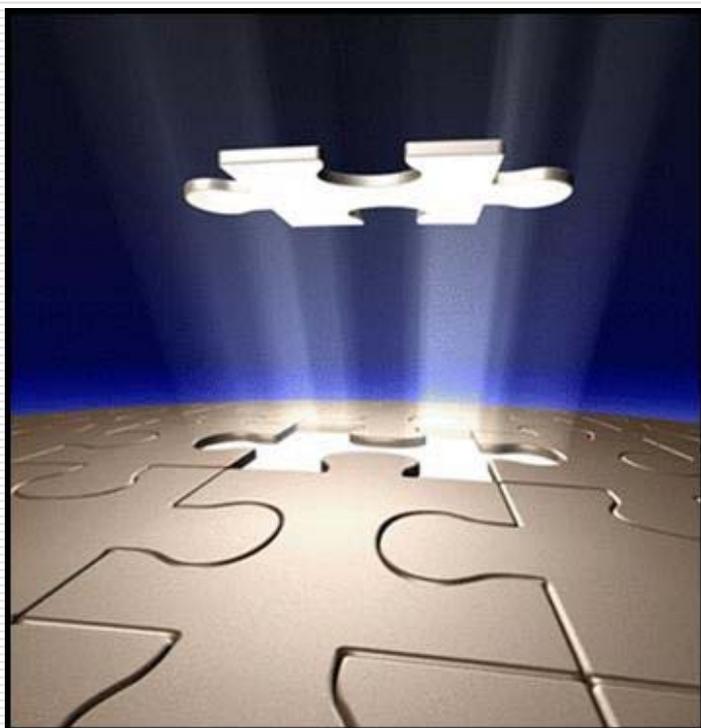
Recommendation

The Board is asked to note the financial performance for the first 5 months of the financial year.

Paul James
Director of Finance

0141 201 4612.

NHS Greater Glasgow & Clyde



Financial Monitoring Report for the 5 month period to 31 August 2012

Introduction



The financial monitoring report comprises the following:

1. General overview, including key figures and key comments.
2. Overall income and expenditure summary.
3. Summary of Acute Services expenditure.
4. Summary of NHS Partnerships expenditure.
5. Summary of expenditure on Corporate and other Budgets
6. Overview of capital expenditure outturn.
7. Achievement of cost savings targets – progress report.
8. Glossary of terms.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,947.8	1,161.3	1,161.3	0.0
Expenditure	2,947.8	1,161.3	1,162.0	(0.7)
Surplus / (Deficit) for the Year to date	0.0	0.0	(0.7)	(0.7)
Capital Expenditure	336.8	71.9	71.9	0

- At 31 August 2012 the Board is reporting expenditure levels running £0.7m ahead of budget (£4.0m at 31 August 2011). This represents an overall improvement of £0.3m from the July 2012 results.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £0.7m over budget for the first 5 months of the year. At this stage a number of Directorates are showing increased expenditure due to the timing of achieving planned cost savings and to a number of cost pressures, principally against non pay budgets. The Acute Division continues to work to contain this overspend and achieve an overall breakeven out-turn on its expenditure budget by the year end.
- Expenditure on **NHS partnerships** is also running slightly ahead of budget for the year to date. The main cost pressures at this stage is additional expenditure within Mental Health Elderly Services budgets although these are being offset by reduced expenditure against other Care Group budgets. The Partnerships are reviewing these areas and developing plans to bring expenditure back in line with budget. In addition, the level of cost savings achieved in the year to date is running slightly below budget although this is offset by non recurring savings in other areas.
- Expenditure on **Corporate Services** continues to run at slightly under budget although there are some ongoing cost pressures due to additional legal costs being incurred. This includes the ongoing additional costs of handling the Vale of Leven public enquiry.
- At this early stage of the year based on discussions with Heads of Finance for Acute and Partnerships our overall assessment is that at 31 August 2012 the Board is running slightly behind its year to date **cost savings target**. Achievement of the Board's overall savings target of £59.0m for 2012/13 will remain a key factor in determining whether the Board will achieve a breakeven out-turn for the year.
- The level of **capital expenditure** is in line with plan and reflects the timing of expenditure across a wide range of programmes.
- As the mid point of the financial year approaches the Board is working to confirm the extent to which its operating Directorates can offset additional in year expenditure against budget through catch up in implementing existing cost reduction/cost saving measures and use of in year slippage and underspends within expenditure budgets. The Board is also reviewing the potential impact of a number of emerging cost pressures and to what extent funding can be made available to mitigate their impact. The work completed to date has indicated that at this stage the Board appears to be on track to achieve a breakeven out-turn so, for the meantime, in reporting to SGHD, it continues to forecast a breakeven outturn for the year.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,510.8	974.8	974.8	0.0
Other Health Boards	211.6	88.5	88.5	0.0
National Services Division (NSD)	60.9	25.6	25.6	0.0
Additional Cost of Teaching (ACT)	18.3	7.6	7.6	0.0
NHS Education	57.3	24.0	24.0	0.0
Other Income	88.9	40.8	40.8	0.0
Total Income	2,947.8	1,161.3	1,161.3	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,395.2	579.3	580.0	(0.7)
NHS Partnerships	1,156.1	465.8	466.0	(0.2)
Corporate and other Budgets	210.1	74.0	73.8	0.2
Unallocated Funds	23.6	0.0	0.0	0.0
Non Core Expenditure	162.8	42.2	42.2	0.0
Total Expenditure	2,947.8	1,161.3	1,162.0	(0.7)
Surplus / (Deficit) for the Year to date	0.0	0.0	(0.7)	(0.7)

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2011/12 service level agreement values and updating these to take account of inflation. These agreements are based on the West of Scotland Cross Boundary Flow Financial Model which will be updated during the year enabling the Board to reach agreement on final values for 2012/13.
- At 31 August 2012 the Board had £23.6m of unallocated funds. A significant element of these funds will be required during the year to fund known expenditure commitments and emerging cost pressures but there are a number of funding provisions that may be available provide a degree of flexibility to the Board during 2012/13. The Board is undertaking a review to confirm to what extent funding may be available for additional investment or to offer relief for cost pressures or to relieve slippage against savings targets.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	270.5	115.6	116.0	(0.4)
Emergency Care & Medical	230.8	101.3	101.7	(0.4)
Rehabilitation & Assessment	123.7	51.8	51.4	0.4
Diagnostics Directorate	170.4	71.9	71.8	0.1
Regional Services	126.8	55.5	55.3	0.2
Women & Childrens Services	154.2	66.5	67.3	(0.8)
Facilities Directorate	187.4	79.1	79.0	0.1
Total Directorate Services	1,263.8	541.7	542.5	(0.8)
Acute Divisional Services	131.4	37.6	37.5	0.1
Total Acute Services	1,395.2	579.3	580.0	(0.7)

- At 31 August 2012, Acute Services are reporting expenditure levels running £0.7m higher than the year to date expenditure budget of £579.3m.
- The Acute Division is working to ensure it can mitigate this overspend, and contain additional expenditure incurred within budget. Achievement of the Division's savings target of £29.3m will continue to be a crucial factor in its ability to contain expenditure within budget for the year to March 2013.
- In general overall pay costs across Directorates are running under budget with the exception of nursing pay budgets which are showing an overspend of £0.8m at this stage of the year. This is mainly within the Women and Children's and Surgery and Anaesthetics Directorates and the Acute Director of Nursing is reviewing the Directorates action plans to improve the position.
- Overall supplies costs are running slightly ahead of budget at this stage of the year mainly due to additional expenditure on dressings and instruments & sundries. Hospital prescribing budgets are currently running under budget as the funding provision for prescribing horizon scanning within the financial plan has been fully applied to the appropriate budget lines. Utilities costs are running in line with budget at this time of year despite the inclement weather conditions over the first five months and incurring an element of double running costs in respect of the recently opened laboratory block on the Southern General site.
- At this stage of the year the Division is reporting a slight underachievement against its year to date savings target of £7.8m. The overall Acute Savings target for 2012/13 is £29.3m although a number of schemes are not scheduled to commence until the second half of the year.

4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Overall Variance YTD £m
Glasgow CHP Citywide	33.1	9.1	9.2	(0.1)
Glasgow City CHP - North East	185.5	75.6	75.6	0.0
Glasgow City CHP - North West	181.1	74.5	74.4	0.1
Glasgow City CHP - South	169.5	70.2	70.2	0.0
Mental Health Specialist Directorates	33.5	13.5	13.5	0.0
Resource Transfer	62.4	26.0	26.0	0.0
Total Glasgow CHP	665.1	268.9	268.9	(0.0)
East Dunbartonshire CHP	79.5	32.1	32.1	0.0
East Renfrewshire CHCP	51.0	20.8	20.8	0.0
Inverclyde CHCP	73.1	29.4	29.4	0.0
North Lanarkshire CHP	9.5	4.0	4.0	0.0
Renfrewshire CHP	144.0	58.4	58.3	0.1
South Lanarkshire CHP	41.2	17.5	17.5	0.0
West Dunbartonshire CHCP	77.5	32.0	32.0	0.0
Total Non Glasgow CHPs/CHCPs	475.8	194.2	194.1	0.1
Total CHPs/CHCPs	1,140.9	463.1	463.0	0.1
Other Partnership Budgets	15.2	2.7	3.0	(0.3)
Total NHS Partnerships Expenditure	1,156.1	465.8	466.0	(0.2)

- Overall expenditure levels within NHS Partnerships are running over budget by £0.2m at 31 August 2012. All partnerships are currently running close to budget although there are a few areas, mainly Elderly Mental Health services and property costs where cost pressures are being offset by underspends in other service areas. All partnerships are currently reviewing their savings plans and out-turn forecasts in advance of the forthcoming round of OPR meetings.
- Primary Care prescribing information is not available until two months after the month in which prescriptions are dispensed which means that the costs reported for the first 5 months to 31 August are based on the actual for the first quarter extrapolated for the year to date. At this stage of the year it is therefore not possible to make an accurate assessment of the in year position against budgets or estimate the likely out-turn for 2012/13 and monitor progress towards achievement of the Boards prescribing cost savings target of £16.5m. We anticipate that some additional underspends may arise due to Atorvastatin off patent price reductions which are greater than was anticipated in the financial plan and these are currently being assessed. As a result, for the year to date overall prescribing expenditure continues to be reported as running in line with budget within Primary Care Services.
- The Board has received an allocation of £16.9m from SGHD in respect of its share of the Change Fund for improving Older Peoples Services. The majority of this funding has already been transferred to the appropriate partnership budgets as schemes are implemented in partnership with Local Authorities and the independent and voluntary sectors to improve community services and provide increased capacity within acute hospitals. Local arrangements are in place to monitor the effectiveness of these schemes to ensure the impact of this investment is maximised.

5. Corporate and Other Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
Corporate Budgets	19.3	8.3	8.3	0.0
Boardwide Services	108.5	38.9	38.8	0.1
Healthcare Purchases and Other Budgets	82.3	26.8	26.7	0.1
Total Corporate & Other Budgets	210.1	74.0	73.8	0.2

- At 31 August 2012 overall expenditure on Corporate and other Budgets is running under budget by £0.2m.
- The main areas of cost pressure continues to be within Board Administration where expenditure on legal fees continues to exceed budget. This is largely non recurring in nature and can be attributed to additional legal fees being incurred in respect of the Vale of Leven public enquiry.

6. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 31 August 2012	336.8
Total Capital Resources for 2012/13	336.8
Use of Capital Funds	
Allocated to Approved Schemes	336.8
Anticipated slippage 2012/13	0.0
Anticipated Expenditure for 2012/13	336.8
Expenditure to Date	
Expenditure to 31 August 2012	71.9
Balance to be spent by 31 March 2013	264.9
Total Forecast Expenditure for 2012/13	336.8

- The Board's Capital Plan for 2012/13 was approved by the Board on 26 June 2012.
- The Board's anticipated Capital Resource Limit for 2012/13 is £336.8m. The main capital schemes for 2012/13 are:
 - Acute Division – New South Glasgow Hospital (£221.6m), Glasgow Royal Infirmary University Tower (£11.7m), Formula Capital Allocation (£12.7m) and Medical Equipment Allocation (£8.4m);
 - Partnerships – Vale Centre for Health & Care (£16.9m), Possilpark Health Centre (9.4m) and development of Leverndale Hospital (£7.1m); and
 - Health Information & Technology – various schemes (£7.4m).
- The Capital Planning Group undertakes an ongoing review of forecast expenditure for each scheme in the Capital Plan to assess the likely out-turn against the Board's Capital Resource Limit. Where slippage has been identified on a scheme other schemes will be reprofiled to ensure the Board does not underspend against its capital allocation for 2012/13.
- Total expenditure incurred to 31 August 2012 on approved capital schemes was £71.9m.

7. Cost Savings Targets

- In developing its Financial Plan for 2012/13 the Board requires to set a cost savings target that will enable the Board to achieve a balanced out-turn.
- The total cost savings challenge for 2012/13 has been set at £59.0m and targets have been set from a combination of local initiatives applied to all service areas and a number of Area Wide Strategic Reviews. The main categories of savings are:
 - Acute Division targets - £29.3m
 - Partnership Care Group Redesign targets - £7.8m
 - Primary Care Prescribing - £16.5m
 - Partnerships Local targets – 3.0m
 - Corporate Services targets - £2.4m
- At this stage of the year our overall assessment is that at 31 August 2012 the Board is running £1.0m behind its original year to date cost savings plans. Within partnerships a shortfall of £0.5m against the in year savings target is being managed by expenditure reductions in other areas that were not included within the savings plan proposals. Within the Acute Division a similar level of slippage is being experienced at this stage of the year and the Division is actively reviewing potential substitute schemes and availability of non recurring funding to offset costs in the areas where there have been some delays to original start dates.
- A comprehensive assessment of progress against savings targets is currently being undertaken as part of the Board's mid year financial review which is due to be completed by mid October. This will identify whether alternative schemes or actions may be required to enable the Board to achieve a breakeven out-turn for the year or whether the Board has sufficient in year flexibility to provide non recurring relief until savings plans can be fully implemented.

8. Glossary of Terms

Income:

- ❑ **SGHD Income** - This represents the funding allocation received directly from the SGHD for the treatment of Greater Glasgow & Clyde patients and is based on the National Resource Allocation Committee formula. This can also be described as the Greater Glasgow & Clyde NHS Board's Revenue Resource Limit (RRL).
- ❑ **Income from other Scottish NHS Boards** - This represents income received from other Scottish Health Board areas for the treatment of their patients in Greater Glasgow & Clyde hospitals.
- ❑ **National Services Division** – This represents income received for national services provided by Greater Glasgow & Clyde hospitals.
- ❑ **Additional Cost of Teaching (ACT)** - This represents funding received from the SGHD to recognise the additional costs incurred by Boards that have responsibilities for training junior doctors.
- ❑ **NHS Education** - This represents funding received from NHS Education to cover the basic salary of doctors in training.
- ❑ **Other** - This includes all other Hospital and Community Services income sources and miscellaneous income.

Expenditure:

- ❑ **Acute** – This represents expenditure on the Acute Division clinical and management support services.
- ❑ **CHCPs/CHPs** – This represents expenditure on services provided within CHCPs including services provided by Primary Care practitioners and includes expenditure on Mental Health and Learning Disabilities inpatient services and also services for patients with addictions and for homeless persons.
- ❑ **Corporate Departments** – This represents expenditure on area wide and support services and other costs where budgets are not devolved to operational service areas, for example Payroll, Corporate Planning and Public Health.
- ❑ **Other NHS Providers** - This represents expenditure on services provided by hospitals within other Health Board areas for the treatment of Greater Glasgow & Clyde patients where service agreements are in place.
- ❑ **Non Core Expenditure** – This represents expenditure charged against the Board's non core allocation from SGHD and typically includes expenditure on PFI schemes, depreciation of assets and asset impairments.
- ❑ **Resource Transfer** - This represents funding transferred to local authorities under partnership arrangements for the provision of care in the community and related services.
- ❑ **Other Healthcare Providers** - This represents the cost of services provided by other healthcare providers to Greater Glasgow & Clyde patients, including Independent Hospices and HIV/AIDS & Drugs Misuse.
- ❑ **Unallocated Funds** - This represents the total of provisions made within the Board's Revenue Plan where expenditure estimates remain to be firmed up. It is anticipated that this will reduce over the remainder of the year and expenditure estimates are firmed up and funding is released to service providers.