

Board

19 February 2013

Paper No. 13/07

Director of Finance

Financial Monitoring Report for the 9 month period to 31 December 2012

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £0.2m in excess of its budget for the first 9 months of the year. At this stage the Board considers that a year end breakeven position will be achieved.

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

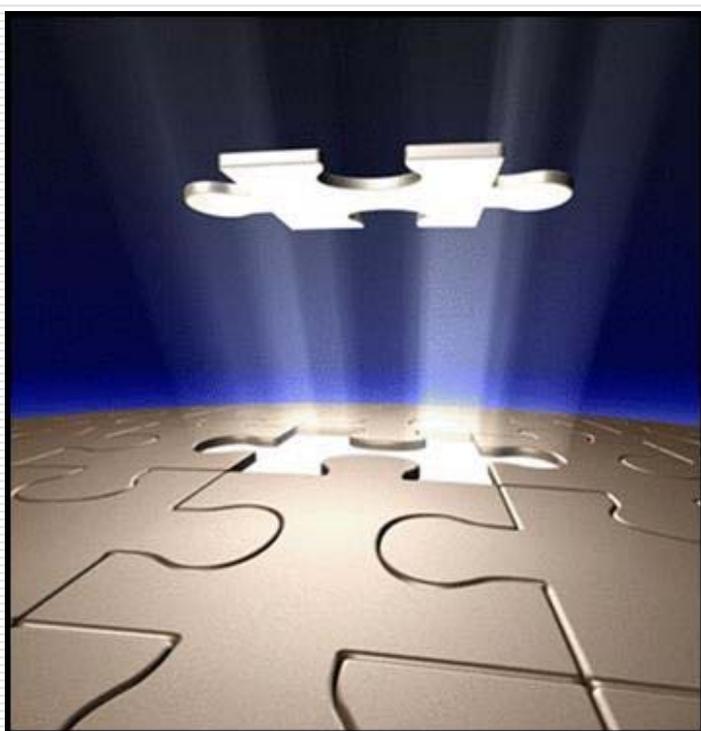
Recommendation

The Board is asked to note the financial performance for the first 9 months of the financial year.

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NHS Greater Glasgow & Clyde



Financial Monitoring Report for the 9 month period to 31 December 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	2,878.1	2,047.3	2,047.3	0.0
Expenditure	2,878.1	2,047.3	2,047.5	(0.2)
Surplus / (Deficit) for the Year to date	0.0	0.0	(0.2)	(0.2)
Capital Expenditure	331.7	182.6	182.6	0

- At 31 December 2012 the Board is reporting expenditure levels running £0.2m ahead of budget. This represents a further improvement of £0.1m from the November 2012 results.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure now only running £0.2m over budget for the first 9 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 continue to be additional expenditure within Mental Health Elderly Services budgets although these are being offset by reduced expenditure against other Care Group budgets. The Partnerships have reviewed these areas and developed plans to bring expenditure back in line with budget in 2013/14. In addition, the level of cost savings achieved in the year to date is running slightly below budget although this is being offset by non recurring savings in other areas.
- Expenditure on **Corporate Services** continues to run at slightly under budget although there were some in year cost pressures. These appear to have stabilised and included the additional costs of handling the Vale of Leven public enquiry.
- At this stage of the year based on discussions with Heads of Finance for Acute and Partnerships our overall assessment is that at 31 December 2012 the Board is running around £1.9m behind its year to date **cost savings target** against original plans although this is currently being offset by additional non recurring savings against other budgets. Achieving the Board's overall savings target of £59.0m for 2012/13 remains one of the key factors in determining whether the Board will achieve a breakeven out-turn for the year.
- The Board has considered the extent to which its operating Directorates can offset additional in year expenditure. As part of its mid year review the Board reviewed its available unallocated funding and identified funds that could be made available to support operational budgets. This funding has now been allocated to service budgets and should ensure that the Board and its operational Divisions are able to achieve a breakeven out-turn for 2012/13.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,421.2	1,705.3	1,705.3	0.0
Other Health Boards	211.6	159.2	159.2	0.0
National Services Division (NSD)	66.7	50.9	50.9	0.0
Additional Cost of Teaching (ACT)	18.3	13.7	13.7	0.0
NHS Education	57.1	43.0	43.0	0.0
Other Income	103.2	75.2	75.2	0.0
Total Income	2,878.1	2,047.3	2,047.3	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,415.1	1,047.1	1,047.3	(0.2)
NHS Partnerships	1,154.7	853.5	853.6	(0.1)
Corporate and other Budgets	209.5	146.7	146.6	0.1
Unallocated Funds	11.9	0.0	0.0	0.0
Non Core Year End Expenditure	86.9	0.0	0.0	0.0
Total Expenditure	2,878.1	2,047.3	2,047.5	(0.2)
Surplus / (Deficit) for the Year to date	0.0	0.0	(0.2)	(0.2)

- The annual budget for income from other Health Boards is based on the rolled forward 2011/12 service level agreement values, plus inflation and updated to reflect agreed changes from the service level agreement costing model used by West of Scotland Boards. The main agreements have now been agreed at the anticipated values and no changes to forecast values are expected for those where discussions have yet to be concluded.
- At 31 December 2012 the Board had £11.9m of unallocated funds which represents specific allocations that will be required to fund specific expenditure commitments but there may be some further slippage that will provide a degree of flexibility to the Board during the final quarter of the year. It should be noted that in 2012/13 the Board has received an unexpectedly higher level of savings from off patent drugs price reductions than was anticipated when the budget was set at the start of the year which has enabled the Board to make some additional funding available on a non recurring basis in 2012/13 to offer relief for cost pressures including winter pressures and to invest in some "spend to save" initiatives to assist to reduce costs in future years. This funding was allocated to priority service areas during the November reporting period.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	274.8	208.9	209.7	(0.8)
Emergency Care & Medical	239.5	183.5	184.4	(0.9)
Rehabilitation & Assessment	124.5	92.3	92.0	0.3
Diagnostics Directorate	173.8	130.1	129.8	0.3
Regional Services	130.7	100.4	99.9	0.5
Women & Childrens Services	157.5	119.6	120.7	(1.1)
Facilities Directorate	190.2	142.8	142.4	0.4
Total Directorate Services	1,291.0	977.6	978.9	(1.3)
Acute Divisional Services	124.1	69.5	68.4	1.1
Total Acute Services	1,415.1	1,047.1	1,047.3	(0.2)

- At 31 December 2012, Acute Services are reporting expenditure levels running £0.2m higher than the year to date expenditure budget of £1,047.1m. The Directorates currently in an overspend position are Surgery & Anaesthetics, Women & Children's Services and Emergency Care & Medical. Pay budgets are £2.4m underspent, non pay is £1.7m overspent and savings plans are around £0.9m underachieved. This results in a net £0.2m adverse variance and therefore shows that an element of the unachieved savings are being offset by other underspends. The Division is currently reviewing its base budget position and potential cost pressures as part of the programme of work over the second half of the financial year. Pressures include increased winter demand, the achievement of bed model savings and additional costs for junior doctors. The Division continues to work towards achieving a breakeven out-turn and a key factor will be the ability to manage the increased demand over the winter months within the available funding whilst delivering on the final quarter financial plans.
- In general overall pay costs across Directorates are running under budget with the exception of nursing pay which is showing an overspend of £1.0m at this stage of the year. It should be noted that this overspend has stabilised in recent months given that the September outturn was £1.1m. The Acute Director of Nursing is currently reviewing the position and meeting with each Directorate to review action plans and to review the implementation of the Keith Hurst workforce planning model.
- Overall supplies costs and non pay are running ahead of budget across the Division at this stage of the year mainly due to additional expenditure on dressings, instruments & sundries and general diagnostic, facilities and ward supplies. Hospital prescribing expenditure is currently running under budget. Utilities costs are running in line with budget at this time of year despite the inclement weather conditions over recent months and despite an element of double running costs during the first half of the year in respect of the recently opened laboratory block on the Southern General site. These pressures have been covered on a non recurring basis.

4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Overall Variance YTD £m
Glasgow CHP Citywide	33.4	22.2	22.7	(0.5)
Glasgow City CHP - North East	186.1	137.6	137.4	0.2
Glasgow City CHP - North West	180.8	134.4	134.1	0.3
Glasgow City CHP - South	170.1	127.3	127.2	0.1
Mental Health Specialist Directorates	33.5	25.0	25.0	0.0
Resource Transfer	62.4	46.8	46.8	0.0
Total Glasgow CHP	666.3	493.3	493.2	0.1
East Dunbartonshire CHP	79.3	59.0	58.8	0.2
East Renfrewshire CHCP	51.1	37.7	37.7	0.0
Inverclyde CHCP	73.5	54.9	54.9	0.0
North Lanarkshire CHP	9.5	7.1	7.1	0.0
Renfrewshire CHP	144.3	105.0	105.0	0.0
South Lanarkshire CHP	41.2	31.0	31.0	0.0
West Dunbartonshire CHCP	78.4	57.8	57.8	0.0
Total Non Glasgow CHPs/CHCPs	477.3	352.5	352.3	0.2
Total CHPs/CHCPs	1,143.6	845.8	845.5	0.3
Other Partnership Budgets	11.1	7.7	8.1	(0.4)
Total NHS Partnerships Expenditure	1,154.7	853.5	853.6	(0.1)

- ❑ Overall expenditure levels within NHS Partnerships are running over budget by £0.1m at 31 December 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 reviewed their savings plans and out-turn forecasts as part of the Board's mid year financial review and OPR processes. In addition, work is well under way to assess the robustness of planned cost savings for 2013/14 as part of the Board's financial planning for 2013/14 and beyond.
- ❑ 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 9 months to 31 December are based on the actual for the first 7 months extrapolated for the year to date. At this stage of the year it is now possible to make an informed assessment of the in year position against budgets and estimate the likely out-turn for 2012/13 and to monitor progress towards achievement of the Boards prescribing cost savings target of £16.5m. During the first half of the year additional underspends have arisen due to off patent price reductions which are greater than was anticipated in the financial plan. These budgets have been reallocated and as a result, for the year to date overall prescribing expenditure now continues to be reported as running in line with budget.
- ❑ It is forecast that Partnerships will deliver a balanced position against budget for the current financial year.

5. Corporate and Other Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
Corporate Directorates	131.6	88.4	88.3	0.1
Healthcare Purchases	77.9	58.3	58.3	0.0
Total Corporate & Other Budgets	209.5	146.7	146.6	0.1

- At 31 December 2012 overall expenditure on Corporate and other Budgets is running under budget by £0.1m.
- A cost pressure arose due to expenditure on legal fees that have been incurred in respect of the Vale of Leven public enquiry.
- All Corporate Departments are running in line with or close to budget at this stage of the year.

6. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 31 December	331.7
Total Capital Resources for 2012/13	331.7
Use of Capital Funds	
Allocated to Approved Schemes	331.7
Anticipated slippage 2012/13	0.0
Anticipated Expenditure for 2012/13	331.7
Expenditure to Date	
Expenditure to 31 December	182.6
Balance to be spent by 31 March 2013	149.1
Total Forecast Expenditure for 2012/13	331.7

- 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 currently £331.7m. 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 (£15.8m) and Medical Equipment Allocation (£12.3m);
 - Partnerships – Vale Centre for Health & Care (£16.9m), Possilpark Health Centre (5.0m) and development of Leverndale Hospital (£6.1m); and
 - Health Information & Technology – various schemes (£8.4m).
- At each meeting of the Board's Capital Planning Group a review of forecast expenditure for each scheme in the Capital Plan is undertaken to assess the likely out-turn against the Board's Capital Resource Limit. During the year it was identified that there was potential for a significant level of in year slippage across a number of schemes and as a result the expenditure profile on some schemes initially approved for 2013/14 has required to be brought forward to compensate for this underspend. Discussions with Scottish Government colleagues have also taken place to finalise the level of brokerage available (where SGHD carries capital funding forward on the Board's behalf) to manage the Board's capital position within the overall NHS Scotland context. This work has now been successfully concluded and at this stage the Board has a balanced overall capital position for 2012/13 as shown above.
- Total expenditure incurred to 31 December 2012 on approved capital schemes was £182.6m.

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 was 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 were:
 - 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 December 2012 the Board is running approximately £1.9m behind its original year to date cost savings plans. Within partnerships a shortfall of £1.0m against the in year savings target (mainly due to delays in planned ward closures within Elderly Mental Health services) 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 (£0.9m) is being experienced at this stage of the year and is largely being offset by underspends which were not included in the original savings plan.
- A comprehensive assessment of progress against savings targets was undertaken as part of the Board's mid year financial review. This review has confirmed that the Board and its Divisions 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.