

Board

16 April 2013

Paper No. 13/16

Director of Finance

Financial Monitoring Report for the 11 month period to 28 February 2013

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £0.5m below its budget for the first 11 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.

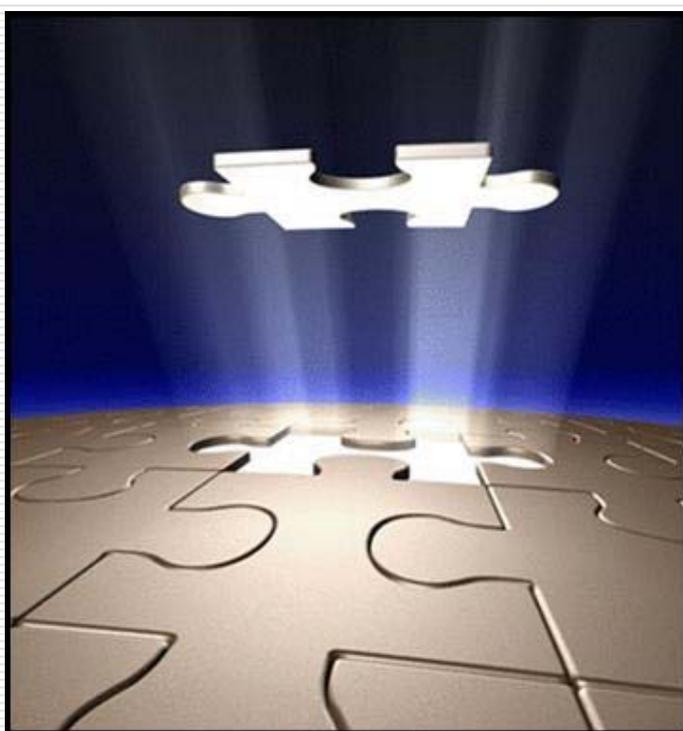
Recommendation

The Board is asked to note the financial performance for the first 11 months of the financial year.

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NHS Greater Glasgow & Clyde



**Financial
Monitoring
Report for the
11 month
period to
28 February
2013**

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	2,874.1	2,534.1	2,534.1	0.0
Expenditure	2,874.1	2,534.1	2,533.6	0.5
Surplus / (Deficit) for the Year to date	0.0	0.0	0.5	0.5
Capital Expenditure	333.7	240.5	240.5	0.0

- At 28 February 2013 the Board is reporting expenditure levels running £0.5m under budget. This represents a further improvement of £0.2m from the January 2013 results.
- Expenditure on **Acute Services** is now running under budget for the year to date with expenditure now £0.3m below budget for the first 11 months of the year. At this stage a number of Directorates are continuing to show 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 these overspends and expects to achieve an overall breakeven out-turn on its expenditure budget by the year end.
- Expenditure on **NHS partnerships** is now running under budget for the year to date and it is expected this will be maintained until the year end. The main cost pressures continue to be additional expenditure within Mental Health Elderly Services budgets although these have been 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 now 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 28 February 2013 the Board is running around £2.2m 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 has been one of the key factors in determining whether the Board will achieve a breakeven out-turn for the year.
- During the year the Board considered the extent to which its operating Directorates could offset additional in year expenditure and as part of its mid year review it identified unallocated funds within the financial plan that could be made available to support operational budgets. This funding was allocated to service budgets during the November reporting period and has helped to improve the financial position over the second half of the year. This should ensure that the Board and its operational Divisions will be 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
Core Allocation	2,096.0	1,868.1	1,868.1	0.0
FHS Non Cash Limited Allocation	156.4	143.0	143.0	0.0
Non Core Allocation	162.7	97.6	97.6	0.0
SGHD Income (Core & Non Core RRL)	2,415.1	2,108.7	2,108.7	0.0
Other Health Boards	211.7	194.6	194.6	0.0
National Services Division (NSD)	66.8	61.5	61.5	0.0
Additional Cost of Teaching (ACT)	18.3	16.8	16.8	0.0
NHS Education	57.3	52.3	52.3	0.0
Other Income	104.9	100.2	100.2	0.0
Total Income	2,874.1	2,534.1	2,534.1	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,441.2	1,303.5	1,303.2	0.3
NHS Partnerships	1,154.0	1,046.4	1,046.3	0.1
Corporate and other Budgets	212.9	184.2	184.1	0.1
Unallocated Funds	0.9	0.0	0.0	0.0
Non Core Year End Expenditure	65.1	0.0	0.0	0.0
Total Expenditure	2,874.1	2,534.1	2,533.6	0.5

- 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 28 February 2013 the Board had £0.9m of funding still to be allocated. During the year 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 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. The majority of 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	278.5	255.8	256.3	(0.5)
Emergency Care & Medical	244.6	226.1	226.9	(0.8)
Rehabilitation & Assessment	125.6	114.6	114.4	0.2
Diagnostics Directorate	175.7	160.1	159.8	0.3
Regional Services	134.1	124.3	123.9	0.4
Women & Childrens Services	161.2	148.0	148.9	(0.9)
Facilities Directorate	191.8	175.4	175.0	0.4
Total Directorate Services	1,311.5	1,204.3	1,205.2	(0.9)
Acute Divisional Services	129.7	99.2	98.0	1.2
Total Acute Services	1,441.2	1,303.5	1,303.2	0.3

- At 28 February 2013, Acute Services are reporting expenditure levels running £0.3m lower than the year to date expenditure budget of £1,305.5m. The Directorates currently in an overspend position are Surgery & Anaesthetics ,Women & Children’s Services and Emergency Care & Medical. Pay budgets are £2.9m underspent, non pay is £1.5m overspent and savings plans are around £1.1m underachieved. This results in a net £0.3m positive variance and highlights that any unachieved savings are being offset by other underspends. The Division continues to review its base budget position and potential cost pressures as part of the programme of work over the final quarter of the financial year and in preparation for 2013/14. Pressures include increased winter demand, the achievement of bed model savings and additional costs for junior doctors. The Division is forecasting forecast a breakeven out-turn and a key factor has been the ability to manage the increased demand over the winter months within the available funding whilst delivering on the final quarter financial plans.
- Overall pay costs across Directorates are running under budget with the exception of nursing pay which is showing an overspend of £0.9m at this stage of the year. It should however be noted that this overspend has begun to reduce slightly over recent months and given that the September outturn was £1.1m overspent represents a significant improvement in the second half of the year. There is an ongoing review process with Directorates to review 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 over budget by £0.1m. Utilities costs are running £0.2m under budget despite the inclement weather conditions in the summer and autumn and the cold period during the early part of 2013 and also despite an element of double running costs during the first half of the year in respect of the new laboratory block on the Southern General site. These pressures have been covered in year 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	34.7	30.6	31.4	(0.8)
Glasgow City CHP - North East	185.2	167.8	167.7	0.1
Glasgow City CHP - North West	179.5	164.6	164.1	0.5
Glasgow City CHP - South	169.5	154.9	154.8	0.1
Mental Health Specialist Directorates	33.5	30.5	30.3	0
Resource Transfer	62.4	57.2	57.2	0.0
Total Glasgow CHP	664.8	605.6	605.5	0.1
East Dunbartonshire CHP	79.5	71.8	71.6	0.2
East Renfrewshire CHCP	51.5	46.0	46.0	0.0
Inverclyde CHCP	73.7	66.7	66.7	0.0
North Lanarkshire CHP	9.5	8.7	8.7	0.0
Renfrewshire CHP	144.3	128.2	128.2	0.0
South Lanarkshire CHP	40.9	37.4	37.4	0.0
West Dunbartonshire CHCP	78.1	70.8	70.8	0.0
Total Non Glasgow CHPs/CHCPs	477.5	429.6	429.4	0.2
Total CHPs/CHCPs	1,142.3	1,035.2	1,034.9	0.3
Other Partnership Budgets	11.7	11.2	11.4	(0.2)
Total NHS Partnerships Expenditure	1,154.0	1,046.4	1,046.3	0.1

- ❑ Overall expenditure levels within NHS Partnerships are now running under budget by £0.1m at 28 February 2013. All partnerships are continuing to operate close to budget although there remain a few areas, mainly Elderly Mental Health services and property costs where cost pressures are being offset by underspends in other service areas.
- ❑ 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 11 months to 28 February are based on the actual for the first 9 months extrapolated for the year to date. Analysis by the Board's Prescribing Advisors and Finance Staff have confirmed that the Board will fully achieve its 2012/13 prescribing savings target and that overall GP Prescribing will be contained within the budget for the year. 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 continues to be reported as running in line with budget.
- ❑ It is forecast that Partnerships will deliver a balanced overall 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	134.8	112.7	112.6	0.1
Healthcare Purchases	78.1	71.5	71.5	0.0
Total Corporate & Other Budgets	212.9	184.2	184.1	0.1

- At 28 February 2013 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 and this position is expected to be maintained until the year end.

6. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 28 February	333.7
Total Capital Resources for 2012/13	333.7
Use of Capital Funds	
Allocated to Approved Schemes	333.7
Anticipated slippage 2012/13	0.0
Anticipated Expenditure for 2012/13	333.7
Expenditure to Date	
Expenditure to 28 February	240.5
Balance to be spent by 31 March 2013	93.2
Total Forecast Expenditure for 2012/13	333.7

- 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 £333.7m. 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 28 February 2013 on approved capital schemes was £240.5m.

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 28 February 2013 the Board is running approximately £2.2m behind its original year to date cost savings plans. Within partnerships a shortfall of £1.1m 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 (£1.1m) 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.