

Board

17 August 2010

Paper No. 10/39

Director of Finance

Financial Monitoring Report for the 3 month period to 30 June 2010

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £3.7m in excess of its budget for the first 3 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 2010/11 capital allocation and a progress report on achievement of the Board's 2010/11 cost savings targets.

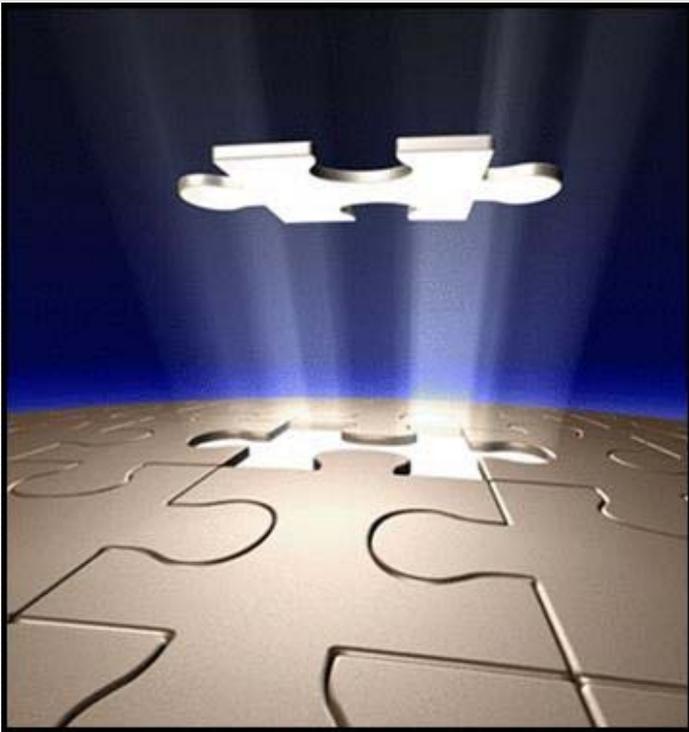
Recommendation

The Board is asked to note the Board's financial performance for the first 3 months of the financial year.

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Director of Finance

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NHS Greater Glasgow & Clyde



**Financial
Monitoring
Report for the 3
month period to
30 June 2010**



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 CHCP/CHP expenditure.
5. Summary of expenditure within other NHS partnerships.
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 | 2,727.7 | 672.6 | 672.6 | 0.0 |
| Expenditure | 2,727.7 | 672.6 | 676.3 | (3.7) |
| Surplus/(Deficit) for period | 0.0 | 0.0 | (3.7) | (3.7) |
| Capital Expenditure | 189.9 | 32.9 | 32.9 | 0 |

- At 30 June 2010 the Board is reporting expenditure levels running £3.7m ahead of budget. This is partly attributable to the timing of implementing cost savings plans, but also partly due to additional cost pressures pushing expenditure above budget, for example hospital prescribing within the Acute Division which was identified as a risk at the outset of the year and has crystallised as an area of significant additional expenditure within the first quarter's outturn. In addition, pay costs, unusually, are running ahead of budget for the year to date. This is currently being investigated to confirm the underlying reasons, and to confirm whether this can be linked to a slowing down in the rate of staff turnover.
- Looking forward, there are some additional cost pressures which can be expected to have a bearing on the 2010/11 outturn, and which were unforeseen at the start of financial year. Examples of these include:
 - The potential for increased costs as a result of the recent national rates revaluation exercise; and
 - An increase in irrecoverable VAT costs reflecting the increase in VAT rate from 17.5% to 20% which will occur in January 2011.
- At this early stage of the financial year, it is premature to be making firm predictions of the likely outturn. However, there are already some clear indications, based on trends to date, that expenditure levels are running at higher levels than we would want, to be confident that we can return to a breakeven financial position by the year end. Assuming that we can manage to secure full achievement of our cost savings plans month on month from October onwards and taking cognisance of the cost pressures identified above it is not unreasonable to anticipate that the Board will require to identify c.£10m of supplementary cost savings/cost reduction measures during 2010/11 if it is to succeed in managing expenditure within its Revenue Resource Limit for the year.
- During August/September the Board will work to confirm the extent to which its Acute Division and other Directorates can offset this additional cost pressure through catch up in implementing existing cost reduction/cost saving measures. It is planned to complete this work by the mid year point so that the Board is able to assess at this stage whether it remains on track to deliver a breakeven out-turn for 2010/11. It is assumed that the Board will be able to identify and implement the necessary measures and so, for the meantime, in reporting to SGHD, it continues to forecast a breakeven outturn for 2010/11.



1. Key Figures and Comments

- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £2.5m over budget for the first 3 months of the year. At this stage all Directorates are showing increased expenditure due to the timing of achieving planned cost savings and to a number of pay and non pay cost pressures. The Acute Division is working to ensure that it can contain this overspend and achieve an overall breakeven out-turn on its expenditure budget at the year end.
- Expenditure on **NHS partnerships** is also running ahead of budget for the year to date. The main cost pressures at this stage is additional expenditure within Health & Community Care budgets although these are being partially offset by reduced expenditure against other Care Group budgets. The most significant cost pressure within CHPs and CHCPs is expenditure on inpatient elderly mental illness budgets particularly within Renfrewshire CHP and North Glasgow CHCP. The Partnerships are reviewing these areas and developing plans to bring expenditure back in line with budget. The timing of delivery of cost savings is also a factor at this stage as budgets have been phased to assume they will be achieved evenly throughout the year but in reality a number of schemes will not be implemented until the second half of the year.
- At 30 June 2010 the Board has reported achievement of **cost savings** of £11.5m against a year to date target of £12.4m, a shortfall of £0.9m. At this stage the Board is forecasting full achievement of its 2010/11 recurring and non recurring savings targets. This will continue to be closely monitored as delivery of this savings target is crucial to achievement of the Board's revenue plan 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.

2. Income & Expenditure Report

| Income Resources | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|---|---------------------|------------------|------------------|--------------------|
| SGHD Income | 2,278.5 | 559.7 | 559.7 | 0.0 |
| Other Health Boards | 197.4 | 49.3 | 49.3 | 0.0 |
| National Services Division (NSD) | 60.6 | 15.1 | 14.7 | (0.4) |
| Additional Cost of Teaching (ACT) | 18.3 | 4.6 | 4.6 | 0.0 |
| NHS Education | 68.8 | 17.4 | 17.5 | 0.1 |
| Other Income | 104.1 | 26.5 | 26.8 | 0.3 |
| Total Income | 2,727.7 | 672.6 | 672.6 | 0.0 |
| Expenditure | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
| Acute | 1,505.5 | 376.3 | 378.8 | (2.5) |
| CHCPs/CHPs | 835.9 | 205.6 | 206.3 | (0.7) |
| Other NHS Partnerships | 171.4 | 39.7 | 40.3 | (0.6) |
| Corporate Departments | 30.8 | 8.7 | 8.6 | 0.1 |
| Resource Transfer | 84.8 | 22.5 | 22.5 | 0.0 |
| Other Healthcare Providers | 78.4 | 19.8 | 19.8 | 0.0 |
| Approved Funding for Expenditure Commitments not yet underway | 20.9 | 0.0 | 0.0 | 0.0 |
| Total Expenditure | 2,727.7 | 672.6 | 676.3 | (3.7) |
| Surplus / (Deficit) for the Period | 0.0 | 0.0 | (3.7) | (3.7) |

Notes:

1. In addition to budgeted Resource Transfer of £84.8m for Greater Glasgow, a further £23.2m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £108.0m

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2009/10 values and updating these to take account of inflation. While final values still remain to be confirmed we do not anticipate significant difficulties in securing budgeted values for 2010/11. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which when updated will enable the Board to reach agreement on final values.
- At 30 June 2010 the Board had £20.9m of funds allocated for expenditure commitments approved but not yet under way. This mainly consists of earmarked funding received to date in respect of specific service commitments and this funding will be applied to service budgets when deployment of the aforementioned funding allocations has been agreed.

3. Acute Services

| Directorate | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|---|------------------|---------------|---------------|-----------------|
| Surgery & Anaesthetics | 272.0 | 69.0 | 70.5 | (1.5) |
| Emergency Care & Medical | 208.9 | 54.3 | 56.9 | (2.6) |
| Rehabilitation & Assessment | 130.2 | 32.8 | 33.3 | (0.5) |
| Diagnostics Directorate | 164.5 | 41.9 | 42.9 | (1.0) |
| Oral Health | 19.3 | 6.2 | 6.2 | 0.0 |
| Regional Services | 121.2 | 32.8 | 32.8 | 0.0 |
| Women & Childrens Services | 150.7 | 38.8 | 40.2 | (1.4) |
| Facilities Directorate | 175.8 | 44.1 | 44.8 | (0.7) |
| Capital Charges and Rates | 97.6 | 20.3 | 20.3 | 0.0 |
| Acute Divisional Services | 144.4 | 36.1 | 30.9 | 5.2 |
| Approved Funding for Expenditure Commitments not yet underway | 20.9 | 0.0 | 0.0 | 0.0 |
| Total Acute Services | 1,505.5 | 376.3 | 378.8 | (2.5) |

- At 30 June 2010, Acute Services are reporting expenditure levels running £2.5m higher than the year to date expenditure budget of £376.3m.
- The Division continues to forecast that it will achieve a breakeven out-turn by the year end but achievement of the Division's savings target of £29.0m will be a crucial factor in the ability to achieve this. In order to manage the significant level of risk associated with this target the Division has set itself a higher internal target of £39.0m and has sought to develop schemes aimed at the achievement of this higher target to manage the risk of the non achievement of some schemes.
- In general pay budgets across Directorates are reporting an adverse position with particular cost pressures within Nursing pay budgets in particular within Women & Childrens Services and the Emergency Care & Medical Directorate. All Directorates are currently reviewing the position to identify how costs can be brought back in line with budget and to determine whether the additional expenditure can be linked with a slowing down in the rate of staff turnover.
- Although overall supplies costs are broadly running in line with budget across the Directorates, the Division is reporting adverse non pay variances in respect of Drugs, and Instruments & Sundries across most Directorates. There are a number of areas where hospital prescribing expenditure is running ahead of expected levels, in particular within the Emergency Care & Medical Directorate, the Surgery & Anaesthetics Directorate and the Regional Services Directorate.

4. CHCPs and CHPs - NHS Budgets

| | Annual Budget £m | YTD Budget Total £m | YTD Actual Total £m | Variance YTD £m |
|-------------------------------------|---------------------|------------------------|------------------------|--------------------|
| East Glasgow CHCP | 113.7 | 27.7 | 27.8 | (0.1) |
| North Glasgow CHCP | 70.9 | 18.3 | 18.5 | (0.2) |
| South West Glasgow CHCP | 74.8 | 18.3 | 18.4 | (0.1) |
| South East Glasgow CHCP | 74.7 | 18.4 | 18.5 | (0.1) |
| West Glasgow CHCP | 109.8 | 26.9 | 26.9 | 0.0 |
| Total Glasgow CHCPs | 443.9 | 109.6 | 110.1 | (0.5) |
| East Renfrewshire CHCP | 44.8 | 11.0 | 11.0 | 0.0 |
| East Dunbartonshire CHP | 49.6 | 12.2 | 12.2 | 0.0 |
| South Lanarkshire CHP | 34.1 | 8.3 | 8.3 | 0.0 |
| North Lanarkshire CHP | 7.7 | 1.9 | 1.9 | 0.0 |
| West Dunbartonshire CHP | 70.8 | 17.1 | 17.1 | 0.0 |
| Inverclyde CHP | 63.9 | 15.7 | 15.7 | 0.0 |
| Renfrewshire CHP | 121.1 | 29.8 | 30.0 | (0.2) |
| Total Non Glasgow CHPs/CHCPs | 392.0 | 96.0 | 96.2 | (0.2) |
| Total CHPs/CHCPs | 835.9 | 205.6 | 206.3 | (0.7) |

- ❑ Overall expenditure levels within CHCPs and CHPs are running over budget by £0.7m at 30 June 2010.
- ❑ The main areas experiencing cost pressures are North Glasgow where there are currently cost pressures within Elderly Medical Inpatient services. The North CHCP has already taken steps which will address this cost pressure and so expenditure should progressively fall back into line with budget during the remaining months of the year. Renfrewshire CHP is also experiencing similar cost pressures in this service area and has taken a range of measures which will assist in bringing expenditure more closely into line with budget.
- ❑ At this early stage in the year prescribing expenditure is being reported as running in line with budget. 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 3 months to 30 June are based on the actual costs for April extrapolated for the year to date. As a result at this stage of the year it is extremely difficult to make an accurate assessment of the in year position against budgets and to monitor progress towards achievement of the Boards 2010/11 prescribing cost savings target of £9.5m.
- ❑ The Board's ability to achieve this savings target represents a key risk element to the Board's ability to achieve financial balance for 2010/11. Due to the scale of the cost savings target and the large number of individual cost saving initiatives that will require to be implemented there is potentially a greater risk of non achievement than in previous years. and therefore the position will require to be closely monitored during the year as expenditure trends become clear.

5. Other NHS Partnerships

| | Annual Budget £m | YTD Budget £m | YTD Actual £'m | YTD Variance £m |
|------------------------------------|---------------------|------------------|-------------------|--------------------|
| Mental Health Services | 121.7 | 29.9 | 30.5 | (0.6) |
| Learning Disabilities Services | 11.9 | 2.9 | 2.9 | 0.0 |
| Addictions Services | 19.8 | 4.8 | 4.9 | (0.1) |
| Services for Homeless People | 3.6 | 0.9 | 0.8 | 0.1 |
| Other Partnership Budgets (note 1) | 14.4 | 1.2 | 1.2 | 0.0 |
| Total Partnerships | 171.4 | 39.7 | 40.3 | (0.6) |

- Expenditure levels within other NHS Partnerships are running over budget by £0.6m at this stage of the financial year. This is due to cost pressures within Mental Health services and also to the timing of implementation of cost savings measures.
- Within Mental Health services the main cost pressure areas are within Adult Services in the North East Glasgow Sector and also within Clyde Mental Health Services where the main pressures are within the Inverclyde area and also within Extra Contractual Referrals (ECRs) due to additional costs associated with treatment of 2 patients for a 3 month period. ECR expenditure is currently being reviewed to minimise any additional expenditure in this area and processes are in place to monitor expenditure closely across all major service areas to identify the actions required to bring expenditure back into line with budget during the second quarter of the year. As the Mental Health Partnership follows through with the implementation of its cost savings plans it is anticipated that this will bring expenditure back into line with budget.
- Expenditure on Learning Disabilities Services, Addictions Services and on Services for Homeless People are running closely in line with budget at this stage of the year.

Note:

1. Other Partnership budgets include budgets for support services (HR/Finance/Estates/HI&T etc) for all Partnerships and CHPs/CHCPs and funding for approved expenditure commitments that has not yet been passed out to service budgets.

6. Capital Expenditure Summary

| | £m |
|--|---------------|
| Sources of Funds | |
| Gross Capital Resource Limit (CRL) at 30 June 2010 | 86.1 |
| Add: Anticipated Allocations | 92.8 |
| Add: Brokerage b/fwd from 2009/10 | 11.0 |
| Total Capital Resources for 2010/11 | 189.9 |
| Use of Capital Funds | |
| Allocated to Approved Schemes (based on forecast annual expenditure) | 207.8 |
| Total allocation of funds for 2010/11 | 207.8 |
| | |
| Estimated slippage (to be generated in year) | (17.9) |
| | |
| Anticipated expenditure for 2010/11 | 189.9 |
| Expenditure to Date | |
| Expenditure to 30 June 2010 | 32.9 |
| Balance to be spent by 31 March 2011 | 157.0 |
| Total Forecast Expenditure for 2010/11 | 189.9 |

- The Board's Capital Plan for 2010/11 was approved by the Board on 22 June 2010.
- At 30 June 2010 the Board's confirmed capital funding (Capital Resource Limit) for 2010/11 was £86.1m. Further allocations of £92.8m are anticipated which will increase the allocation for 2010/11 to £178.9m. The Board had previously agreed with SGHD that £11.0m of brokerage carried forward from 2009/10 would be available for use in 2010/11. As a result the Board's estimated capital funding for use on 2010/11 approved schemes is anticipated to be £189.9m.
- The Board's Capital Planning Group has allocated funding totalling £207.8m to approved capital schemes for 2010/11. An early review of forecast expenditure out-turn for all capital schemes has confirmed that slippage of approximately £18m can reasonably be anticipated for 2010/11 enabling overall capital expenditure to be contained within the available funding of £189.9m.
- Total expenditure incurred to 30 June 2010 on approved capital schemes was £32.9m.



7. Cost Savings Targets

- In developing its Financial Plan for 2010/11 the Board requires to set a cost savings target that will:
 - enable the Board to achieve a balanced out-turn; and
 - meet the SGHD requirement to achieve a 2% recurring reduction in costs against its revenue allocation as part of the Scottish Government Efficiency Savings Initiative.
- Achieving the Board's cost savings target will be a key element in determining whether a balanced out-turn for 2010/11 will be achieved. The total cost savings challenge for 2010/11 has been set at £56.9m 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 targets from local initiatives total £36.7m (£29.2m from the Acute Division and £7.5m from NHS Partnerships) with the balance of £20.2m represented by the strategic reviews.
- At this early stage of the year based on discussions with Heads of Finance for Acute and Partnerships our overall assessment is that at 30 June 2010 the Board is running £0.9m behind its year to date cost savings target and this has been reported to SGHD. Future reports will provide a more detailed breakdown of progress with the delivery of cost savings schemes for Acute, Partnerships and Area Wide Strategic reviews.
- At this stage the Board continues to forecast full achievement of savings targets for 2010/11 but this will be kept under close review on a monthly basis during the remaining months of the year.

| Description | Recurring Target £'m | Expected at 30 June £'m | Achieved at 30 June £'m | Under Achieved £'m |
|-----------------------------|-------------------------|----------------------------|----------------------------|-----------------------|
| Acute Local Schemes | 29.2 | | | |
| Partnerships Local Schemes | 7.5 | | | |
| Area Wide Strategic Reviews | 20.2 | | | |
| Total | 56.9 | 12.4 | 11.5 | 0.9 |

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 Arbutnott 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.
- ❑ **Other NHS Partnerships** – This 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.
- ❑ **Unplanned Activity (UNPACS)** - This is a provision for expenditure on services provided by hospitals within other Health Board areas for the treatment of Greater Glasgow & Clyde patients, which are not embraced within service agreements.
- ❑ **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.
- ❑ **Approved Funding for Expenditure Commitments not yet Underway** - 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.