

**Board**

**15 February 2011**

**Paper No. 11/08**

**Director of Finance**

## **Financial Monitoring Report for the 9 month period to 31 December 2010**

### **Introduction**

The attached report shows that the Board is currently reporting an expenditure out-turn £4.3m 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 remains achievable.

The report also includes details of expenditure to date against the Board's 2010/11 capital allocation.

### **Recommendation**

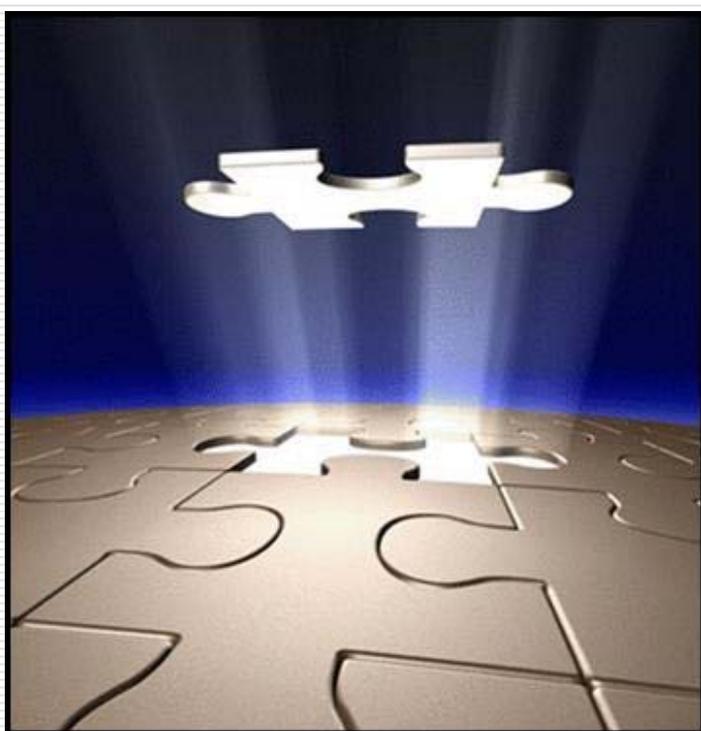
The Board is asked to note the financial performance for the first 9 months of the financial year.

**Douglas Griffin**  
**Director of Finance**

0141 201 4612.

## NHS Greater Glasgow & Clyde

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### **Financial Monitoring Report for the 9 month period to 31 December 2010**

# Introduction



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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	2,796.3	2,055.5	2,055.5	0.0
Expenditure	2,796.3	2,055.5	2,059.8	(4.3)
<b>Surplus/(Deficit) for period</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.3)</b>	<b>(4.3)</b>
<b>Capital Expenditure</b>	163.5	103.9	103.9	0

- At 31 December the Board is reporting expenditure levels running £4.3m ahead of budget. This is largely attributable 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 outturn for the first 9 months. In addition, pay costs continue to run ahead of budget for the year to date. This can be linked to a slowing down in the rate of staff turnover. This has delayed the release of savings from some cost savings plans which have been implemented in the year to date albeit this has been offset by savings from alternative initiatives.
- As previously reported there are a number of further cost pressures which will impact on the out-turn in the final quarter of the year, these include:

  - An increase in irrecoverable VAT costs reflecting the increase in VAT rate from 17.5% to 20% which occurred in January 2011;
  - The potential for increased costs as a result of the recent national rates revaluation exercise;
  - Additional costs in relation to the incidence of clinical and medical negligence; and
  - Additional pay costs as a result of incremental pay progression.
- Within NHS partnerships there has been a significant increase in expenditure related to the dispensing of appliances. Action has been taken to address this however additional expenditure of £2.2m in the first 8-9 months will almost certainly lead to an equivalent level of overspend on budget for the full year.
- The total of the aforementioned cost pressures combined with the excess of expenditure over budget for the year to date is expected to generate an additional financial challenge of circa £17-18m in 2010/11. The Board has identified and implemented a series of actions which are capable of addressing this additional financial challenge and so is able to maintain a forecast of financial breakeven for the year. The measures being taken are as previously reported and include a mix of supplementary cost savings schemes, release of funding allocations not fully required in 2010/11 and the release of non recurring funds from provisions carried forward from 2009/10 which were not fully required in 2010/11.

# 1. Key Figures and Comments

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- Expenditure on **Acute Services** is running ahead of budget with expenditure running £2.8m over budget for the first 9 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 in an effort to achieve an overall breakeven out-turn on its expenditure budget at the year end.
- Excluding expenditure on the dispensing of appliances, overall expenditure on **NHS Partnerships** is now running below budget for the year to date. There are some cost pressures within Health & Community Care budgets although this is being 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 the North East sector of the Glasgow CHP. The Partnerships are reviewing these areas and developing plans to bring expenditure back in line with budget.
- **Primary Care prescribing** expenditure is running ahead of budget by £2.3m at this stage of the year due to a specific issue relating to the prescribing costs of appliances. It has become apparent from a review of primary care prescribing expenditure for the period to October that there has been a significant growth in expenditure in the prescribing of appliances during the year to date which is set to generate a cost pressure of circa £2.2m in 2010/11. The reasons for this growth in expenditure have now been fully investigated and this has confirmed that a significant proportion of this expenditure is not attributable to NHSGGC patients. The Board has taken steps to address this and is currently working with SGHD colleagues to identify the potential remedies which can be available to mitigate the impact of costs incurred to date.
- At 31 December 2010 the Board has reported achievement of **cost savings** of £36.5m against a year to date target of £36.5m. At this stage the Board is forecasting full achievement of its 2010/11 cost savings plan. This will continue to be closely monitored as delivery of its 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. The level of slippage required to be generated in year increased to £16.5m at 30 November 2010 following a review by SGHD of forecast expenditure against funding allocations across NHS Scotland. This has led to the Board's capital resource limit being adjusted to reflect forecast spend on a range of specific capital funding allocations in 2010/11. Expenditure plans for all remaining schemes have been reviewed and by 31 January 2011 almost 100% of the slippage target has been identified. As a result it is still considered reasonable to assume that the Board will meet its Capital Resource Limit for the year.
- It should be noted however that the movement of capital expenditure into 2011/12 will present the Board with a significant challenge in preparing a capital plan which is affordable within the context of its 2011/12 Capital Resource Limit, in the light of further reductions in likely 2011/12 capital funding levels.

## 2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,291.8	1,702.2	1,702.2	0.0
Other Health Boards	204.9	154.2	154.2	0.0
National Services Division (NSD)	64.9	49.3	49.3	0.0
Additional Cost of Teaching (ACT)	18.3	13.7	13.7	0.0
NHS Education	69.1	51.8	51.8	0.0
Other Income	147.3	84.3	84.3	0.0
<b>Total Income</b>	<b>2,796.3</b>	<b>2,055.5</b>	<b>2,055.5</b>	<b>0.0</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,545.1	1,134.1	1,136.9	(2.8)
CHCPs/CHPs	954.4	712.6	712.1	0.5
Other NHS Partnerships	170.9	120.0	121.9	(1.9)
Corporate Departments	38.6	28.0	28.1	(0.1)
Other Healthcare Providers	80.4	60.8	60.8	0.0
Approved Funding for Expenditure Commitments not yet underway	6.9	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,796.3</b>	<b>2,055.5</b>	<b>2,059.8</b>	<b>(4.3)</b>
<b>Surplus / (Deficit) for the Period</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.3)</b>	<b>(4.3)</b>
<b>Note: From 1 December 2010 Resource transfer budgets have been fully delegated from the NHS Board to individual CHPs/CHCP and is now reported within CHP/CHCP budgets.</b>				

- 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 has now been updated and will enable the Board to reach agreement on final values.
- At 31 December 2010 the Board had £6.9m 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	276.3	207.8	211.6	(3.8)
Emergency Care & Medical	219.2	166.4	171.6	(5.2)
Rehabilitation & Assessment	129.3	98.8	99.6	(0.8)
Diagnostics Directorate	168.8	127.7	129.0	(1.3)
Oral Health	8.5	8.5	8.4	0.1
Regional Services	128.6	98.7	99.2	(0.5)
Women & Childrens Services	156.2	118.2	120.5	(2.3)
Facilities Directorate	180.7	136.3	136.3	0.0
Acute Divisional Services	204.5	112.0	101.0	11.0
Capital Charges and Rates	73.0	59.7	59.7	0.0
<b>Total Acute Services</b>	<b>1,545.1</b>	<b>1,134.1</b>	<b>1,136.9</b>	<b>(2.8)</b>

- At 31 December 2010, Acute Services are reporting expenditure levels running £2.8m higher than the year to date expenditure budget of £1,134.1m.
- The Division continues to work towards achievement of a breakeven out-turn by the year end, 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 achieving this target the Division had 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. The scope for realising cost savings from this tranche of additional schemes will be important in getting to a breakeven out-turn for the year.
- In general pay budgets across Directorates are reporting an adverse position and although the position has improved during the year there are still 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. The Division is currently experiencing a further cost pressure in respect of incremental pay progression which is constraining its ability to contain pay costs within its existing budgets.
- Overall supplies costs are also above budget across the Directorates with the Division 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 Anti TNF drugs mainly within the Emergency Care & Medical Directorate, HIV drugs and Beta-Interferon within the Regional Services Directorate. The growth in expenditure in Anti TNF drugs which are regarded as highly effective in treating a range of conditions serves as a good example of just how difficult it is to manage expenditure within available funds within the acute hospital sector.

## 4. CHCPs and CHPs

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
North East Glasgow Sector	157.4	117.9	117.9	0.0
North West Glasgow Sector	145.4	109.6	109.5	0.1
South Glasgow Sector	150.2	111.9	111.9	0.0
Glasgow City Resource Transfer	66.7	50.1	50.1	0.0
<b>Total Glasgow CHP</b>	<b>519.7</b>	<b>389.5</b>	<b>389.4</b>	<b>0.1</b>
East Renfrewshire CHCP	48.4	36.2	36.2	0.0
East Dunbartonshire CHP	74.8	55.3	54.9	0.4
South Lanarkshire CHP	39.7	29.8	29.8	0.0
North Lanarkshire CHP	9.9	7.4	7.4	0.0
West Dunbartonshire CHP	73.7	54.2	54.0	0.2
Inverclyde CHP	62.8	46.9	46.9	0.0
Renfrewshire CHP	125.4	93.3	93.5	(0.2)
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>434.7</b>	<b>323.1</b>	<b>322.7</b>	<b>0.4</b>
<b>Total CHPs/CHCPs</b>	<b>954.4</b>	<b>712.6</b>	<b>712.1</b>	<b>0.5</b>

### Notes:

1. From 1 November 2010 the management arrangements for NHS budgets within Glasgow City have changed with the dissolution of the 5 CHCPs and the formation of the Glasgow City CHP.
2. From 1 December 2010 Resource transfer budgets have been fully delegated from the NHS Board to individual CHPs/CHCP and is included in the figures reported above. The Glasgow City Resource Transfer balance is reported centrally above as it has not yet been allocated to geographical sectors.

- Overall expenditure levels within CHCPs and CHPs are running under budget by £0.5m at 31 December 2010.
- The main areas experiencing cost pressures are North East Glasgow where there are currently cost pressures within Elderly Medical Inpatient services although this is being offset by reduced expenditure in other areas. The CHP 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 to offset this expenditure in the year to date and is also looking at measures which it can take to hold expenditure as close as possible to budget during the second half of the year.

## 4. CHCPs and CHPs (ctd.)

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- In the early months of the year prescribing expenditure was reported as running in line with budget as it is extremely difficult to make an accurate assessment of the in year position against budgets and to monitor achievement of the Boards 2010/11 prescribing cost savings target of £9.5m. This is because prescribing information is not available until two months after the month in which prescriptions are dispensed. Expenditure for the 7 months to 31 October excluding expenditure on appliances shows that expenditure on GP prescribing is running close to budget giving a reasonable indication that the achievement of cost savings is broadly in line with expectations. The significant increase in expenditure related to the dispensing of appliances has been explained in section 1 of this report. This has pushed primary care prescribing expenditure above budget for the year to date by some £2.2m. Because of the nature of this additional expenditure for the meantime it is reported against central partnership budgets (ie not allocated to CHPs/CHCPs).

## 5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	123.0	90.9	90.9	0.0
Learning Disabilities Services	12.4	9.0	9.0	0.0
Addictions Services	20.5	15.1	15.0	0.1
Services for Homeless People	3.6	2.7	2.4	0.3
Other Partnership Budgets	11.4	2.3	4.6	(2.3)
<b>Total Partnerships</b>	<b>170.9</b>	<b>120.0</b>	<b>121.9</b>	<b>(1.9)</b>

- Expenditure levels within other NHS Partnerships are running over budget by £1.9m at this stage of the financial year however this can be mainly attributed to the additional prescribing costs of appliances referred to within section 1.
- Within Mental Health services the main cost pressures are within Adult Services in the North East Greater Glasgow Area which currently show an overspend of £0.5m although this is offset by reduced expenditure in other areas. It is expected that the anticipated cost savings from ward reconfigurations will increase in the last quarter of the year to reduce this overspend. The Mental Health Partnership continues to work on a recovery plan to address the current budget overspends and to deliver on the required level of savings to ensure a balanced budget position is achieved within this financial year.
- Expenditure on learning Disabilities and Addictions Services are running in line with budget and Services for Homeless People are showing an underspend due to slippage at this stage of the year.

**Note:**

1. Other Partnership budgets include budgets for support services (HR/Finance/Estates/IT 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
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL) at 31 December 2010	88.0
Add: Anticipated Allocations	64.5
Add: Brokerage b/fwd from 2009/10	11.0
<b>Total Capital Resources for 2010/11</b>	<b>163.5</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	180.0
<b>Total allocation of funds for 2010/11</b>	<b>180.0</b>
<b>Slippage identified to date</b>	<b>(16.5)</b>
<b>Anticipated Expenditure for 2010/11</b>	<b>163.5</b>
<b>Expenditure to Date</b>	
Expenditure to 31 December 2010	103.9
Balance to be spent by 31 March 2011	59.6
<b>Total Forecast Expenditure for 2010/11</b>	<b>163.5</b>

- The Board's Capital Plan for 2010/11 was approved by the Board on 22 June 2010.
- At 31 December 2010 the Board's confirmed capital funding (Capital Resource Limit) for 2010/11 was £88.0m. Further allocations of £64.5m are anticipated which will increase the allocation for 2010/11 to £152.5m. 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 £163.5m.
- The level of capital expenditure is in line with plan and reflects the timing of expenditure across a wide range of programmes. The level of slippage required to be generated in year increased to £16.5m at 30 November 2010 following a review by SGHD of forecast expenditure against funding allocations across NHS Scotland. As a result the Board's capital resource limit was adjusted to reflect the Board's forecast spend against a range of specific capital funding allocations in 2010/11. Expenditure plans for all remaining schemes have been reviewed and by 31 January 2011 almost 100% of the slippage requirement has been identified. As a result it is still considered reasonable to assume that the Board will meet its Capital Resource Limit for the year.
- Total expenditure incurred to 31 December 2010 on approved capital schemes was £103.9m.

## 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 is 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 stage of the year based on information received from Heads of Finance for Acute and Partnerships our overall assessment is that at 31 December 2010 the Board is on target to achieve its year to date cost savings target and this has been reported to SGHD.
- 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.
- Taking account of the additional cost savings which the Board will require to achieve to offset additional cost pressures the Board's overall cost savings for 2010/11 is likely to be in the region of £65m for 2010/11.

Description	Recurring Target £'m	Expected at 31 December £'m	Achieved at 31 December £'m	Under Achieved £'m	Year end Forecast £'m
Acute Local Schemes	29.2	20.3	20.3	0.0	29.2
Partnerships Local Schemes	7.5	5.6	5.6	0.0	7.5
Area Wide Strategic Reviews	20.2	10.6	10.6	0.0	20.2
<b>Total</b>	<b>56.9</b>	<b>36.5</b>	<b>36.5</b>	<b>0.0</b>	<b>56.9</b>

## 8. Glossary of Terms

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### 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.
- ❑ **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.