

Board

19 April 2011

Paper No. 11/17

Director of Finance

Financial Monitoring Report for the 11 month period to 28 February 2011

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £1.7m in excess of its budget for the first 11 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.

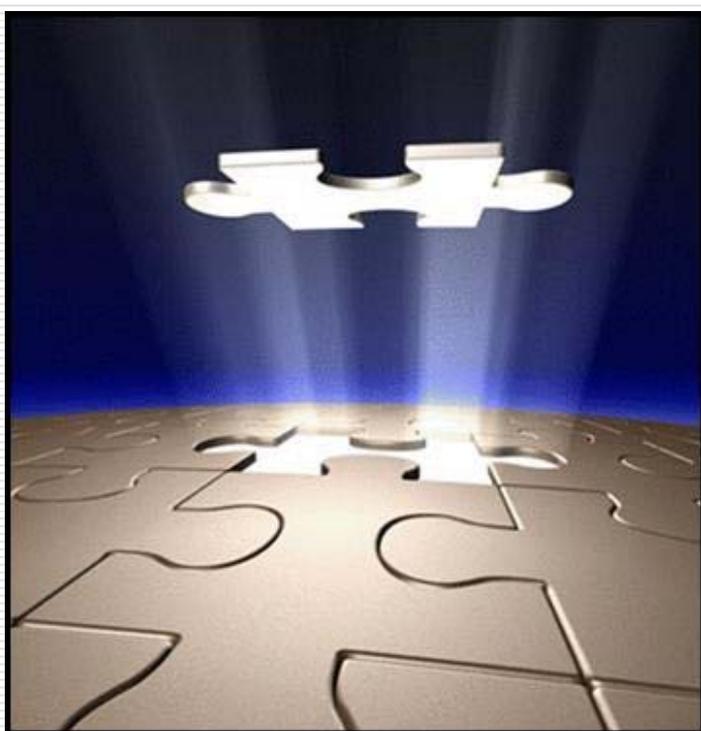
Recommendation

The Board is asked to note the financial performance for the first 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
2011**

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 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	2,827.4	2,514.5	2,514.5	0.0
Expenditure	2,827.4	2,514.5	2,516.2	(1.7)
Surplus/(Deficit) for period	0.0	0.0	(1.7)	(1.7)
Capital Expenditure	159.7	126.6	126.6	0

- At 28 February 2011 the Board is reporting expenditure levels running £1.7m ahead of budget. This represented a significant improvement on the position reported at 31 January and can be attributed to the implementation of a series of actions by the Board during the final quarter of the year to offset the implementation of additional cost pressures arising during the year. The actions 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. These measures will continue to have a positive impact on the Board's out-turn for March and can reasonably be expected to bring the Board's out-turn to a breakeven position by the year end.
- Notwithstanding some significant additional cost pressures the **Acute Division** continues to manage its expenditure levels closely in line with budget and at 28 February its total expenditure was only £1.4m over budget. The main areas of additional expenditure were hospital prescribing 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 11 months, and increased utilities expenditure which can be attributed to a combination of price increases related to transmission costs and VAT and increased consumption over the winter months. Much of this additional expenditure can be attributed to external factors outwith the capacity of the Acute Division to control.
- Within **NHS partnerships** there has been a significant increase in expenditure related to the dispensing of appliances during the year which has generated 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 was not attributable to NHSGGC patients. The Board has taken steps to address this and has worked closely with SGHD colleagues to reach agreement on how the impact of costs incurred to date can be mitigated. On account of the exceptional nature of the circumstances which gave rise to this additional expenditure SGHD have released an additional non recurring funding allocation of £1.0m to the Board and this is reflected in the Board's financial out-turn to 28 February 2011. This will reduce the forecast out-turn on the primary care prescribing budget to a £1.3m adverse variance for the year to 31 March 2011.

1. Key Figures and Comments

- ❑ 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. In overall terms the forecast out-turn for NHS Partnerships is breakeven with a forecast underspend on core service budgets set to balance the additional prescribing expenditure of £1.3m described above.
- ❑ At 28 February 2011 the Board has reported achievement of **cost savings** of £46.6m against a year to date target of £46.6m. At this stage the Board is forecasting full achievement of its 2010/11 cost savings plan. This will continue to be closely monitored until the year end 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 the slippage target has been identified in full. As a result the Board is on track to achieve its Capital Resource Limit for the year.
- ❑ In the lead up to the year end the Board will continue to work closely with SGHD colleagues as they work to balance capital expenditure and funding allocations across NHS Scotland for 2010/11. In the event that this results in the Board's Capital Resource Limit for 2010/11 being reduced SGHD have confirmed that the Board's Capital Resource Limit for 2011/12 will be increased by an equivalent amount.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,342.6	2,077.5	2,077.5	0.0
Other Health Boards	208.6	191.2	191.5	0.3
National Services Division (NSD)	67.5	62.1	62.1	0.0
Additional Cost of Teaching (ACT)	18.3	16.8	16.8	0.0
NHS Education	70.2	64.0	64.0	0.0
Other Income	120.2	102.9	102.6	(0.3)
Total Income	2,827.4	2,514.5	2,514.5	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,534.2	1,363.7	1,365.1	(1.4)
CHCPs/CHPs	959.5	875.4	874.7	0.7
Other NHS Partnerships	172.1	149.2	150.0	(0.8)
Corporate Departments	55.3	53.1	53.3	(0.2)
Other Healthcare Providers	79.2	73.1	73.1	0.0
Approved Funding for Expenditure Commitments not yet underway	27.1	0.0	0.0	0.0
Total Expenditure	2,827.4	2,514.5	2,516.2	(1.7)
Surplus / (Deficit) for the Period	0.0	0.0	(1.7)	(1.7)

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.

- 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 assisting the Board in its efforts to reach agreement on final values.
- At 28 February 2011 the Board had £27.1m of funds allocated for expenditure commitments approved but not yet under way and for specific items of expenditure (eg impairments) which are typically accounted for at the year end.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	277.9	254.5	258.0	(3.5)
Emergency Care & Medical	223.6	205.1	210.6	(5.5)
Rehabilitation & Assessment	131.8	120.6	121.1	(0.5)
Diagnostics Directorate	170.5	156.7	157.9	(1.2)
Oral Health	8.5	8.5	8.4	0.1
Regional Services	130.6	120.1	120.4	(0.3)
Women & Childrens Services	157.8	144.9	147.4	(2.5)
Facilities Directorate	182.1	167.2	167.1	0.1
Acute Divisional Services	178.4	113.5	101.6	11.9
Capital Charges and Rates	73.0	72.6	72.6	0.0
Total Acute Services	1,534.2	1,363.7	1,365.1	(1.4)

- At 28 February 2011, Acute Services are reporting expenditure levels running £1.4m higher than the year to date expenditure budget of £1,363.7m.
- The Acute Division is working to ensure that it can contain this overspend, and minimise the extent of additional expenditure incurred relative to budget for the year to March 2011. Achievement of the Division's savings target of £29.0m continues to be a crucial factor in its ability to achieve this. At 28 February 2011 the Division continues to forecast that it is on track to achieve an overall cost savings target of £29.0m for 2010/11.
- 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 have been reviewing the position to identify how costs can be brought back in line with budget. It should be noted that the cost of incremental pay progression is now becoming a significant challenge to the Board and is generating significant additional cost pressure which is unable to be contained within existing pay budgets. This has necessitated the release of additional cost savings in year in order to maintain a balanced financial position. This will continue to feature as a key issue in preparing the Board's Financial Plan for 2011/12 and will be a cost which the Board requires to specifically plan for rather than rely on the assumption that cost increments can be contained within existing pay budgets.

3. Acute Services



- 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	156.8	142.3	142.3	0.0
North West Glasgow Sector	144.5	132.9	132.7	0.2
South Glasgow Sector	148.5	135.5	135.5	0.0
Glasgow CHP Headquarters	5.4	4.2	4.2	0.0
Glasgow City Resource Transfer	66.8	61.2	61.2	0.0
Total Glasgow CHP	522.0	476.1	475.9	0.2
East Renfrewshire CHCP	48.5	44.6	44.6	0.0
East Dunbartonshire CHP	76.1	69.5	69.0	0.5
South Lanarkshire CHP	39.8	36.5	36.5	0.0
North Lanarkshire CHP	9.9	9.1	9.1	0.0
West Dunbartonshire CHP	73.7	66.8	66.6	0.2
Inverclyde CHP	63.2	58.0	58.0	0.0
Renfrewshire CHP	126.3	114.8	115.0	(0.2)
Total Non Glasgow CHPs/CHCPs	437.5	399.3	398.8	0.5
Total CHPs/CHCPs	959.5	875.4	874.7	0.7

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 £0.7m at 28 February 2011. It is reasonable to assume that this will continue to the year end and will contribute to an overall underspend of £1.3m across all partnerships.
- 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 part 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.)

- 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 9 months to 31 December 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 £1.3m. 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	110.9	110.9	0.0
Learning Disabilities Services	12.4	11.0	11.1	(0.1)
Addictions Services	21.0	18.8	18.6	0.2
Services for Homeless People	3.6	3.3	2.8	0.5
Other Partnership Budgets	12.1	5.2	6.6	(1.4)
Total Partnerships	172.1	149.2	150.0	(0.8)

- Expenditure levels within other NHS Partnerships are running over budget by £0.8m at this stage of the financial year however this can be 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 close to budget and Services for Homeless People are showing an underspend due to slippage at this stage of the year.
- Excluding the additional expenditure on appliances overall expenditure to date is running £0.5m below budget. It is reasonable to assume that this will continue to the year end and will contribute to an overall underspend of £1.3m across all partnerships.

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
Sources of Funds	
Gross Capital Resource Limit (CRL) at 28 February 2011	91.4
Add: Anticipated Allocations	57.3
Add: Brokerage b/fwd from 2009/10	11.0
Total Capital Resources for 2010/11	159.7
Use of Capital Funds	
Allocated to Approved Schemes	176.2
Total allocation of funds for 2010/11	176.2
Slippage identified to date	(16.5)
Anticipated Expenditure for 2010/11	159.7
Expenditure to Date	
Expenditure to 28 February 2011	126.6
Balance to be spent by 31 March 2011	33.1
Total Forecast Expenditure for 2010/11	159.7

- The Board's Capital Plan for 2010/11 was approved by the Board on 22 June 2010.
- At 28 February 2011 the Board's confirmed capital funding (Capital Resource Limit) for 2010/11 was £91.4m. Further allocations of £57.3m are anticipated which will increase the allocation for 2010/11 to £148.7m. 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 £159.7m.
- 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 28 February 2011 all of this slippage requirement has been identified. As a result the Board is on track to achieve its Capital Resource Limit for the year.
- In the lead up to the year end the Board will continue to work closely with SGHD colleagues as they work to balance capital expenditure and funding allocations across NHS Scotland for 2010/11. In the event that this results in the Board's Capital Resource Limit for 2010/11 being reduced SGHD have confirmed that the Board's Capital Resource Limit for 2011/12 will be increased by an equivalent amount.
- Total expenditure incurred to 28 February 2011 on approved capital schemes was £126.6m.

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 28 February 2011 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 until the end 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 28 February £'m	Achieved at 28 February £'m	Under Achieved £'m
Acute Local Schemes	29.2	26.8	26.8	0.0
Partnerships Local Schemes	7.5	6.9	6.9	0.0
Area Wide Strategic Reviews	20.2	12.9	12.9	0.0
Total	56.9	46.6	46.6	0.0

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.
- ❑ **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.