

Board

16 August 2011

Paper No. 11/41

Director of Finance

Financial Monitoring Report for the 3 month period to 30 June 2011

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £2.5m 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 2011/12 capital allocation.

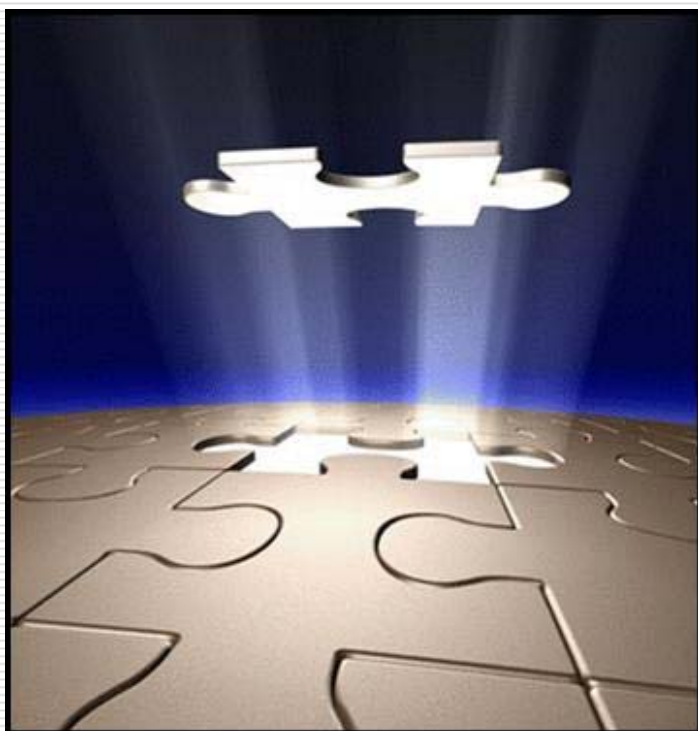
Recommendation

The Board is asked to note the 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 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 NHS Partnerships expenditure.
5. Overview of capital expenditure outturn.
6. Achievement of cost savings targets – progress report.
7. Glossary of terms.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,792.3	673.2	673.2	0.0
Expenditure	2,792.3	673.2	675.7	(2.5)
Surplus/(Deficit) for period	0.0	0.0	(2.5)	(2.5)
Capital Expenditure	248.4	43.4	43.4	0

- At 30 June 2011 the Board is reporting expenditure levels running £2.5m ahead of budget. This is mainly attributable to the timing of implementing cost savings plans, but there are also some in year cost pressures pushing expenditure above budget.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £1.3m 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 cost pressures, principally against non pay budgets. 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. The Partnerships are reviewing these areas and developing plans to bring expenditure back in line with budget. In addition, the level of cost savings achieved in the year to date is slightly below budget.
- Expenditure on **Corporate Services** is currently running ahead of budget which is mainly due to additional legal costs being incurred. This includes costs of handling the Vale of Leven public enquiry.
- 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 2011 the Board is running between £1.2m and £1.3m behind its year to date **cost savings target**. Achieving the Board's overall savings target of £57.0m for 2011/12 will be a key factor in determining whether the Board will achieve a breakeven out-turn 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.
- During the next few weeks the Board will work to confirm the extent to which its Acute Division and other Directorates can offset additional expenditure against budget through catch up in implementing existing cost reduction/cost saving measures. This work will be completed by the mid year point so that the Board is able to assess at that stage whether it remains on track to deliver a breakeven out-turn for 2011/12. At this stage it is assumed that the Board will be able to identify and implement any necessary measures and so, for the meantime, in reporting to SGHD, it will continue to forecast a breakeven outturn for 2011/12.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,334.4	558.8	558.8	0.0
Other Health Boards	204.3	51.3	51.5	0.2
National Services Division (NSD)	59.3	14.8	14.8	0.0
Additional Cost of Teaching (ACT)	18.3	4.6	4.6	0.0
NHS Education	58.6	14.7	14.7	0.0
Other Income	117.4	29.0	28.8	(0.2)
Total Income	2,792.3	673.2	673.2	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,443.5	365.9	367.2	(1.3)
NHS Partnerships	1,128.2	280.2	280.6	(0.4)
Corporate Departments	30.9	8.1	8.9	(0.8)
Other Healthcare Providers	76.0	19.0	19.0	0.0
Approved Funding for Expenditure Commitments not yet underway	113.7	0.0	0.0	0.0
Total Expenditure	2,792.3	673.2	675.7	(2.5)
Surplus / (Deficit) for the Period	0.0	0.0	(2.5)	(2.5)

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2010/11 service level agreement values and updating these to take account of inflation. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which will shortly be updated enabling the Board to reach agreement on final values for 2011/12.
- At 30 June 2011 the Board had £113.7m 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	266.8	68.5	69.0	(0.5)
Emergency Care & Medical	213.5	57.1	58.0	(0.9)
Rehabilitation & Assessment	120.6	30.6	31.3	(0.7)
Diagnostics Directorate	164.0	42.4	43.9	(1.5)
Regional Services	118.8	32.3	32.5	(0.2)
Women & Childrens Services	148.2	39.1	39.9	(0.8)
Facilities Directorate	183.6	45.5	45.6	(0.1)
Acute Divisional Services	159.2	30.9	27.5	3.4
Capital Charges and Rates	68.8	19.5	19.5	0.0
Total Acute Services	1,443.5	365.9	367.2	(1.3)

- At 30 June 2011, Acute Services are reporting expenditure levels running £1.3m higher than the year to date expenditure budget of £365.9m. This is mainly due to underachievement of cost savings plans at this early stage of the year.
- The Acute Division is working to ensure it can mitigate this overspend, and contain additional expenditure incurred within budget. Achievement of the Division's savings target of £32.9m will continue to be a crucial factor in its ability to contain expenditure within budget for the year to March 2012. In order to minimise any slippage against this target and to offset the impact of in year cost pressures the Division has set a higher internal cost savings target than is required as its contribution to the Board's overall target and is developing plans to achieve this higher target.
- In general overall pay costs across Directorates are running close to budgeted levels however there are particular cost pressures within Nursing pay budgets. All Directorates are currently reviewing the position to identify how costs can be brought back in line with budget.
- Overall supplies costs are running slightly ahead of budget by £0.2m across the Directorates in particular in respect of Drugs, and Instruments & Sundries. There are a number of areas where hospital prescribing expenditure is running ahead of expected levels, with the main cost pressure being oncology drugs within the Regional Services Directorate. Increased energy costs due to recent price increases are also causing some additional cost pressures against budget.

4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
North East Glasgow Sector	185.8	45.1	45.4	(0.3)
North West Glasgow Sector	175.3	44.9	44.9	0.0
South Glasgow Sector	172.1	42.9	43.1	(0.2)
Glasgow CHP Shared Services	2.0	0.4	0.4	0.0
Glasgow City Resource Transfer	68.7	17.2	17.2	0.0
Mental Health Specialist Directorates	32.7	8.3	8.2	0.1
Mental Health Central Services	19.7	4.6	4.6	0.0
Total Glasgow CHP	656.3	163.4	163.8	(0.4)
East Renfrewshire CHCP	48.9	12.2	12.2	0.0
East Dunbartonshire CHP	78.4	19.6	19.6	0.0
South Lanarkshire CHP	40.3	10.1	10.1	0.0
North Lanarkshire CHP	9.6	2.4	2.4	0.0
West Dunbartonshire CHCP	72.6	18.3	18.3	0.0
Inverclyde CHP	79.2	19.7	19.7	0.0
Renfrewshire CHP	128.4	31.2	31.2	0.0
Total Non Glasgow CHPs/CHCPs	457.4	113.5	113.5	0.0
Total CHPs/CHCPs	1,113.7	276.9	277.3	(0.4)
Other Partnership Budgets	14.5	3.3	3.3	0.0
Total NHS Partnerships Expenditure	1,128.2	280.2	280.6	(0.4)

Note: The Mental Health Partnership was dissolved with effect from 1 April 2011 and as a result those budgets formerly managed by the Mental Health Partnership have been allocated to the appropriate CHP/CHCP.

- Overall expenditure levels within NHS Partnerships are running over budget by £0.4m at 30 June 2011. The main areas experiencing cost pressures are in North East Glasgow where within Elderly Medical Inpatient services although this is being offset by reduced expenditure in other areas and in South Glasgow where there are a number of minor cost pressures in a number of Health & Community Care budgets. The CHP is taking steps which will address these cost pressure and so expenditure should progressively fall back into line with budget during the remaining part of the year.
- At this early stage in the year, based on the expenditure information we have received to date prescribing expenditure is reported in line with budget. Costs reported for the first 3 months to 30 June are based on the actual costs for April extrapolated for the year to date. Only when the actual expenditure information is available for the first 3-4 possible will it be possible to make an accurate assessment of the in year position against budgets and to monitor progress towards achievement of the Boards 2011/12 prescribing cost savings target of £6.6m.
- The Board has received an allocation of £14.8m from SGHD in respect of its share of the Change Fund for improving Older Peoples Services. This funding will be transferred to the appropriate partnership budgets as schemes are implemented in partnership with Local Authorities and the independent and voluntary sectors to improve community services and provide increased capacity within acute hospitals.

5. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 30 June 2011	248.4
Total Capital Resources for 2011/12	248.4
Use of Capital Funds	
Allocated to Approved Schemes	248.4
Total allocation of funds for 2011/12	248.4
Slippage identified to date	0.0
Anticipated Expenditure for 2011/12	248.4
Expenditure to Date	
Expenditure to 30 June 2011	43.4
Balance to be spent by 31 March 2012	205.0
Total Forecast Expenditure for 2011/12	248.4

- The Board's Capital Plan for 2011/12 was approved by the Board on 28 June 2011.
- The Board's anticipated Capital Resource Limit for 2011/12 is £248.4m consisting of the following elements:
 - Allocation for specific ring fenced projects eg New South Glasgow Hospitals, GRI University Tower (£184.2m);
 - Funding in respect of 2010/11 being returned to us in 2011/12 that had been passed back to SGHD during 2010/11 to be managed as part of the overall NHS Scotland capital programme (£9.0m);
 - Funding for existing legal and irrevocable commitments (£27.0m);
 - The Board's share of the national formula allocation (£24.7m); and
 - Other technical funding allocations eg IFRS (£3.5m).
- Total expenditure incurred to 30 June 2011 on approved capital schemes was £43.4m.

6. Cost Savings Targets

- In developing its Financial Plan for 2011/12 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 3% 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 2011/12 will be achieved. The total cost savings challenge for 2011/12 has been set at £57.0m 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 targets from local initiatives total £39.9m (£32.9m from the Acute Division and £7.5m from NHS Partnerships) with the balance represented by area wide reviews (£11.3m) and savings from Corporate Departments (£5.8m).
- At this stage of the year based on information received from Heads of Finance for Acute and Partnerships our overall assessment is that at 30 June 2011 the Board is running between £1.2m and £1.3m behind its year to date cost savings target. 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.
- The Board approved its Financial Plan including its Cost Savings Plan on 28 June 2011. Within the Cost Savings Plan there remains £1.5m of schemes to be confirmed. In addition, there are a number of schemes where deliverability may prove challenging in 2011/12. This is recognised by the Corporate Management Team who are focused on identifying additional cost savings initiatives which may require to be implemented in 2011/12.

7. 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.