

**Board**

**18 October 2011**

**Paper No. 11/51**

**Director of Finance**

## **Financial Monitoring Report for the 5 month period to 31 August 2011**

### **Introduction**

The attached report shows that the Board is currently reporting an expenditure out-turn £4.0m in excess of its budget for the first 5 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**

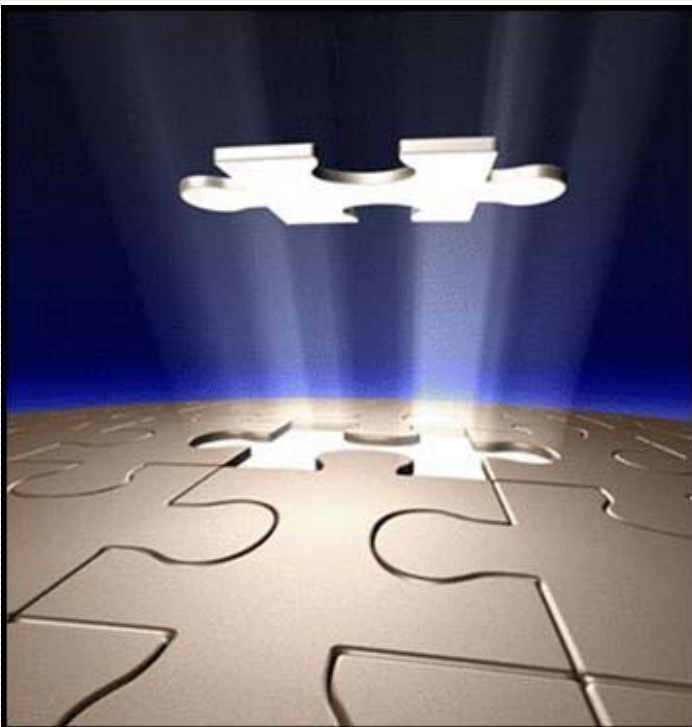
The Board is asked to note the financial performance for the first 5 months of the financial year.

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**Director of Finance**

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# NHS Greater Glasgow & Clyde

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**Financial  
Monitoring  
Report for the 5  
month period to  
31 August 2011**

# 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 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	2,799.8	1,136.6	1,136.6	0.0
Expenditure	2,799.8	1,136.6	1,140.6	(4.0)
<b>Surplus/(Deficit) for period</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.0)</b>	<b>(4.0)</b>
<b>Capital Expenditure</b>	248.4	71.5	71.5	0

- At 31 August 2011 the Board is reporting expenditure levels running £4.0m 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 £1.8m over budget for the first 5 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. This is mainly due to primary care prescribing expenditure which is reported at £1.5m in excess of budget for the first 5 months of the year. Further information on prescribing is included in section 4 of this report. Additional expenditure within Health & Community Care budgets is also being reported although this is being partially offset by reduced expenditure against other Care Group budgets. Apart from primary care prescribing expenditure 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 running slightly below budget at this stage.
- Expenditure on **Corporate Services** is currently running ahead of budget by £1.0m at this stage of the year. This is mainly due to additional legal costs being incurred including costs of handling the Vale of Leven public enquiry. Interpreting costs are another area where expenditure is running ahead of budget. This is currently being addressed and the interpreting service will be provided in house from 1 October 2011 with a gradual reduction in expenditure expected as a result of implementing the new arrangements.
- At this early stage of the year based on discussions with Heads of Finance for Acute and Partnerships our overall assessment is that at 31 August 2011 the Board is running approximately £2.3m 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 Board continues to 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	2,387.2	962.1	962.1	0.0
Other Health Boards	205.1	86.0	86.0	0.0
National Services Division (NSD)	59.5	25.0	25.0	0.0
Additional Cost of Teaching (ACT)	18.3	7.6	7.6	0.0
NHS Education	59.3	24.7	24.7	0.0
Other Income	70.4	31.2	31.2	0.0
<b>Total Income</b>	<b>2,799.8</b>	<b>1,136.6</b>	<b>1,136.6</b>	<b>0.0</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,466.5	615.8	617.6	(1.8)
NHS Partnerships	1,154.7	472.3	473.4	(1.1)
Corporate Departments	28.8	15.9	16.9	(1.0)
Other Healthcare Providers	78.4	32.6	32.7	(0.1)
Approved Funding for Expenditure Commitments not yet underway	71.4	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,799.8</b>	<b>1,136.6</b>	<b>1,140.6</b>	<b>(4.0)</b>
<b>Surplus / (Deficit) for the Period</b>	<b>0.0</b>	<b>0.0</b>	<b>(4.0)</b>	<b>(4.0)</b>

- 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 has recently been updated enabling the Board to reach agreement on final values for 2011/12. These discussions have not yet been concluded however at this stage it is unlikely that there will be a material risk to the Boards income assumptions for 2011/12.
- At 31 August 2011 the Board had £71.4m 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	267.9	113.4	114.5	(1.1)
Emergency Care & Medical	218.3	95.1	96.8	(1.7)
Rehabilitation & Assessment	121.7	51.6	52.2	(0.6)
Diagnostics Directorate	165.5	70.7	72.5	(1.8)
Regional Services	121.7	53.8	53.8	0.0
Women & Childrens Services	149.7	65.0	66.8	(1.8)
Facilities Directorate	184.3	75.8	76.0	(0.2)
Acute Divisional Services	168.5	59.0	53.6	5.4
Capital Charges and Rates	68.9	31.4	31.4	0.0
<b>Total Acute Services</b>	<b>1,466.5</b>	<b>615.8</b>	<b>617.6</b>	<b>(1.8)</b>

- At 31 August 2011, the Acute Division is reporting expenditure levels running £1.8m (31 July £1.8m) higher than the year to date expenditure budget of £615.8m. This is mainly due to underachievement of cost savings plans at this early stage of the year which accounts for £1.6m of the year to date variance.
- The Division is working to ensure it can mitigate this overspend, and contain additional expenditure incurred within budget. Achievement of the Division's savings target for 2011/12 of £33.3m will continue to be a crucial factor in its ability to contain expenditure within budget for the year to 31 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 with an overall pay underspend of £0.3m reported for the first 5 months of the year. However there are particular cost pressures within Nursing pay budgets which are showing an overspend of £1.5m at this stage although this still represents a significant improvement from the position reported this time last year mainly due to a significant reduction in bank and agency nursing costs.
- Overall supplies costs are running slightly ahead of budget 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 even though significant funding provision has been made available in 2011/12 to meet energy cost pressures.

## 4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
North East Glasgow Sector	188.2	77.8	78.1	(0.3)
North West Glasgow Sector	178.3	74.3	74.3	0.0
South Glasgow Sector	175.0	72.6	73.2	(0.6)
Glasgow CHP Shared Services	8.3	1.2	1.2	0.0
Glasgow City Resource Transfer	67.9	28.3	28.3	0.0
Mental Health Specialist Directorates	33.5	13.7	13.5	0.2
Mental Health Central Services	19.8	7.8	7.6	0.2
<b>Total Glasgow CHP</b>	<b>671.0</b>	<b>275.7</b>	<b>276.2</b>	<b>(0.5)</b>
East Renfrewshire CHCP	51.6	20.9	21.0	(0.1)
East Dunbartonshire CHP	81.1	32.8	32.9	(0.1)
South Lanarkshire CHP	41.2	17.2	17.3	(0.1)
North Lanarkshire CHP	9.5	4.0	4.0	0.0
West Dunbartonshire CHCP	74.9	30.7	30.8	(0.1)
Inverclyde CHP	75.0	30.6	30.8	(0.2)
Renfrewshire CHP	139.4	56.2	56.2	0.0
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>472.7</b>	<b>192.4</b>	<b>193.0</b>	<b>(0.6)</b>
<b>Total CHPs/CHCPs</b>	<b>1,143.7</b>	<b>468.1</b>	<b>469.2</b>	<b>(1.1)</b>
<b>Other Partnership Budgets</b>	<b>11.0</b>	<b>4.2</b>	<b>4.2</b>	<b>0.0</b>
<b>Total NHS Partnerships Expenditure</b>	<b>1,154.7</b>	<b>472.3</b>	<b>473.4</b>	<b>(1.1)</b>

- Overall expenditure levels within NHS Partnerships are running over budget by £1.1m at 31 August 2011 (31 July £0.9m) which would have represented an improvement in the financial position if prescribing had continued to be reported in line with budget. However, primary care prescribing costs are currently being reported at £1.5m over budget for the first 5 months of the year. Further comments on prescribing are included below. The other main areas experiencing cost pressures are in North East Glasgow where within Elderly Medical Inpatient services although this is being partially 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 and more significantly within the continence service which is hosted within that sector. 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.
- In the first quarter of the year prescribing costs were reported as running in line with budget in the absence of actual information in respect of in year performance. Only when the actual expenditure information became available for the first 3 months was it possible to make a more 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.

## 4. NHS Partnerships

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- The prescribing results for the first quarter to June 2011 are now available and these have been evaluated by the Board's prescribing Advisors and Finance staff. This analysis shows that actual expenditure for the first quarter was significantly higher than budgeted levels. However, an element of this overspend is due to short supply drugs where prices increase when demand temporarily exceeds availability and as a result an element of additional expenditure is expected to be non recurring in nature. In addition, there are some non recurring prescribing provisions and rebates which can be used to offset an element of the current variance and as a result the prescribing Advisors and Finance staff consider it is appropriate to report a variance of £1.5m for the first 5 months of the year.
- 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 has now been passed 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. Work to allocate this funding is almost complete as a result of recent reviews ensuring it meets the Change Fund outcome indicators.



## 5. Capital Expenditure Summary

	£m
<b>Sources of Funds</b>	
Anticipated Gross Capital Resource Limit (CRL) at 31 August 2011	248.4
<b>Total Capital Resources for 2011/12</b>	<b>248.4</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	248.4
<b>Total allocation of funds for 2011/12</b>	<b>248.4</b>
<b>Slippage identified to date</b>	<b>0.0</b>
<b>Anticipated Expenditure for 2011/12</b>	<b>248.4</b>
<b>Expenditure to Date</b>	
Expenditure to 31 August 2011	71.5
Balance to be spent by 31 March 2012	176.9
<b>Total Forecast Expenditure for 2011/12</b>	<b>248.4</b>

- 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 31 August 2011 on approved capital schemes was £71.5m.

## 6. Cost Savings Targets

	Annual Target	Planned to date	Achieved to date	Variance	
	£m	£m	£m	£m	Comments
Acute Division	33.3	9.6	8.0	(1.6)	
Partnerships	12.1	5.8	5.1	(0.7)	
Shared Corporate Savings and Finance	5.0	2.1	2.1	0	
Primary Care Prescribing	6.6	2.7	2.7	0	Assumes savings achieved and overspend attributed to additional activity and short supply drugs
Total	57.0	20.2	17.9	(2.3)	

- 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 (£33.3m from the Acute Division and £12.1m from NHS Partnerships) with the balance represented by primary care prescribing (£6.6m) and savings from Corporate Departments and area wide reviews (£5.0m).
- At this stage of the year based on reports provided by Heads of Finance for Acute and Partnerships our overall assessment is that at 31 August 2011 the Board is running around £2.3m behind its year to date cost savings target. Future reports for the period to August onwards 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 and at that stage £1.5m of schemes remained to be confirmed. In addition, there were a number of schemes where deliverability was likely to prove challenging in 2011/12. This was recognised by the Corporate Management Team who are focused on identifying additional cost savings initiatives which may require to be implemented in 2011/12. This challenge was subsequently confirmed at £4.3m and this target has now been devolved across the Board's operational service areas.

## 7. 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.