

**Board**

**20 December 2011**

**Paper No. 11/59**

**Director of Finance**

## **Financial Monitoring Report for the 7 month period to 31 October 2011**

### **Introduction**

The attached report shows that the Board is currently reporting an expenditure out-turn £2.8m in excess of its budget for the first 7 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**

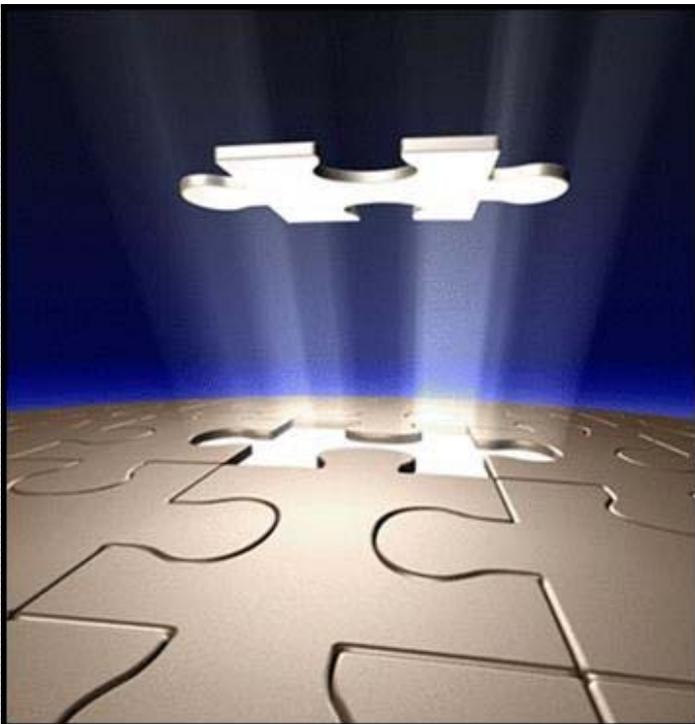
The Board is asked to note the financial performance for the first 7 months of the financial year.

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**Director of Finance**

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# NHS Greater Glasgow & Clyde

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**Financial  
Monitoring  
Report for the 7  
month period to  
31 October  
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. 2011/12 out-turn forecast
8. Glossary of terms.

# 1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,822.9	1,594.4	1,594.4	(0.0)
Expenditure	2,822.9	1,594.4	1,597.2	(2.8)
<b>Surplus/(Deficit) for period</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.8)</b>	<b>(2.8)</b>
<b>Capital Expenditure</b>	245.9	104.7	104.7	0

- At 31 October 2011 the Board is reporting expenditure levels running £2.8m ahead of budget (£3.6m at 30 September). 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 in some areas. This represents an encouraging improvement in the Board's position and compares favourably to the results for the same period last year when the Board reported an overspend of £4.8m for the corresponding 7 month period.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £1.5m over budget for the first 7 months of the year. At this stage all Directorates are showing increased expenditure due to a number of cost pressures, principally against non pay budgets. The results have shown a continuing improvement over the past few months. 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 running ahead of budget for the year to date by £0.4m continuing the month on month improvement in the overall position. The current overspend is mainly due to primary care prescribing expenditure which is reported at £1.4m in excess of budget for the first 7 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 fully 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 and expenditure on continence products. 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 £0.6m 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. Minor budgetary adjustments have been made to recognise unfunded expenditure.
- At 31 October 2011 our overall assessment is that the Board is running approximately £2.1m 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.

## 2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,378.7	1,341.9	1,341.9	0.0
Other Health Boards	204.5	120.0	120.1	0.1
National Services Division (NSD)	59.8	35.2	35.2	0.0
Additional Cost of Teaching (ACT)	18.3	10.6	10.6	0.0
NHS Education	59.1	34.6	34.6	0.0
Other Income	102.4	52.1	52.0	(0.1)
<b>Total Income</b>	<b>2,822.8</b>	<b>1,594.4</b>	<b>1,594.4</b>	<b>(0.0)</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,478.2	862.3	863.8	(1.5)
NHS Partnerships	1,158.2	665.0	665.4	(0.4)
Corporate Departments	33.3	21.4	22.0	(0.6)
Other Healthcare Providers	78.4	45.7	46.0	(0.3)
Approved Funding for Expenditure Commitments not yet underway	74.7	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,822.8</b>	<b>1,594.4</b>	<b>1,597.2</b>	<b>(2.8)</b>
<b>Surplus / (Deficit) for the Period</b>	<b>0.0</b>	<b>0.0</b>	<b>(2.8)</b>	<b>(2.8)</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 October 2011 the Board had £74.7m of funds allocated for expenditure commitments approved but not yet under way. This consists of earmarked funding received to date in respect of specific service commitments not yet under way and £35.2m 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	270.5	159.5	161.3	(1.8)
Emergency Care & Medical	223.3	133.6	135.9	(2.3)
Rehabilitation & Assessment	123.2	72.8	72.8	0.0
Diagnostics Directorate	168.9	100.6	101.4	(0.8)
Regional Services	125.8	75.5	74.9	0.6
Women & Childrens Services	153.9	91.1	93.7	(2.6)
Facilities Directorate	186.1	106.9	106.4	0.5
<b>Total Directorate Services</b>	<b>1,251.7</b>	<b>740.0</b>	<b>746.4</b>	<b>(6.4)</b>
Acute Divisional Services	157.5	78.2	73.3	4.9
Capital Charges and Rates	69.0	44.1	44.1	0.0
<b>Total Acute Services</b>	<b>1,478.2</b>	<b>862.3</b>	<b>863.8</b>	<b>(1.5)</b>

- At 31 October 2011, the Acute Division is reporting expenditure levels running £1.5m (30 September £1.6m) higher than the year to date expenditure budget of £862.3m. 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 £34.4m (including £1.1m for hosted services) 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 of £41m, £7.4m more than is required as its contribution to the Board's overall target. The Acute Division accounts for this difference through the Acute Divisional Services line and not through individual Directorates. This results in a £4.3m credit which is included in the £4.9m variance above.
- Overall supplies costs are running slightly over 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. This is an area of risk and will require to be closely monitored over the winter period as usage may increase if there is a prolonged period of severe winter weather.

### 3. Acute Services

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- In general overall pay costs across Directorates are running under budgeted levels with an overall underspend of under £1.3m reported for the first 7 months of the year. However there are particular cost pressures within Nursing pay budgets which are showing an overspend of £1.6m at this stage of the year and meetings with the overspending Directorates have taken place to identify necessary remedial actions. There are particular pay pressures within the Rehabilitation & Assessment Directorate (£0.9m) and Women and Childrens Services (£0.6m) and Emergency Care & Medical (£0.3m) but all Directorates are currently reviewing the position to identify how these costs can be brought back in line with budget. The cost of incremental pay progression within the Division is a contributory factor to the current position and could potentially be an area of financial risk for the second half of 2011/12 despite a significant funding uplift having been provided within the Board's overall financial plan for 2011/12.

## 4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Overall Variance YTD £m
North East Glasgow Sector	188.8	109.7	109.4	0.3
North West Glasgow Sector	178.9	104.6	104.2	0.4
South Glasgow Sector	175.3	102.4	103.0	(0.6)
Glasgow CHP Shared Services	9.0	1.9	1.8	0.1
Glasgow City Resource Transfer	67.9	39.6	39.6	0.0
Mental Health Specialist Directorates	33.9	18.9	18.9	0.0
Mental Health Central Services	18.5	10.8	10.7	0.1
<b>Total Glasgow CHP</b>	<b>672.3</b>	<b>387.9</b>	<b>387.6</b>	<b>0.3</b>
East Renfrewshire CHCP	51.7	29.6	29.6	0.0
East Dunbartonshire CHP	81.1	46.4	46.4	0.0
South Lanarkshire CHP	41.4	24.6	24.8	(0.2)
North Lanarkshire CHP	9.5	5.6	5.6	0.0
West Dunbartonshire CHCP	75.1	43.3	43.4	(0.1)
Inverclyde CHP	75.8	43.3	43.7	(0.4)
Renfrewshire CHP	139.9	79.7	79.7	0.0
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>474.5</b>	<b>272.5</b>	<b>273.2</b>	<b>(0.7)</b>
<b>Total CHPs/CHCPs</b>	<b>1,146.8</b>	<b>660.4</b>	<b>660.8</b>	<b>(0.4)</b>
<b>Other Partnership Budgets</b>	<b>11.4</b>	<b>4.6</b>	<b>4.6</b>	<b>0.0</b>
<b>Total NHS Partnerships Expenditure</b>	<b>1,158.2</b>	<b>665.0</b>	<b>665.4</b>	<b>(0.4)</b>

- Overall expenditure levels within NHS Partnerships are running over budget by £0.4m at 31 October 2011. Primary care prescribing costs, which are included in the above results, are currently being reported at £1.4m over budget for the first 7 months of the year (£1.4m at 30 September). 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 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 pressures and so expenditure should progressively fall back into line with budget during the remaining part of the year.
- Primary care prescribing expenditure is currently reporting an overspend of £1.4m for the first 7 months of the year based on the actual results for the period to 31 August which have been evaluated by the Board's prescribing Advisors and Finance staff. This analysis shows that savings appear to be on target but actual expenditure for the first 5 months was significantly higher than budgeted levels. 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 and as a result the prescribing Advisors and Finance staff consider it is appropriate to report a variance of £1.4m for the first 7 months of the year. If this trend continues this would result in an overspend of £1.9m for 2011/12 however, in recent weeks there have been developments at a national level which are likely to result in reduced expenditure in the final quarter of the year. These improvements are likely to provide further support to the Board in delivering a breakeven result.

## 5. Capital Expenditure Summary

	£m
<b>Sources of Funds</b>	
Anticipated Gross Capital Resource Limit (CRL) at 31 October 2011	245.9
<b>Total Capital Resources for 2011/12</b>	<b>245.9</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	245.9
<b>Total allocation of funds for 2011/12</b>	<b>245.9</b>
<b>Slippage identified to date</b>	<b>0.0</b>
<b>Anticipated Expenditure for 2011/12</b>	<b>245.9</b>
<b>Expenditure to Date</b>	
Expenditure to 31 October 2011	104.7
Balance to be spent by 31 March 2012	141.2
<b>Total Forecast Expenditure for 2011/12</b>	<b>245.9</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 £245.9m consisting of the following main 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, including technical funding allocations eg IFRS (£5.0m).
- Total expenditure incurred to 31 October 2011 on approved capital schemes was £104.7m.

## 6. Cost Savings Targets

	Annual Target	Planned to date	Achieved to date	Variance
	£m	£m	£m	£m
Acute Division	33.3	16.2	14.8	(1.4)
Partnerships	12.1	7.1	6.4	(0.7)
Other Savings	5.0	3.0	3.0	0
Primary Care Prescribing	6.6	3.8	3.8	0
Total	57.0	30.1	28.0	(2.1)

- 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 £57m 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 £45.4m (£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 our overall assessment is that at 31 October 2011 the Board is running £2.1m (September £1.7m) behind its year to date cost savings target.

## 7. 2011/12 Out-turn Forecast

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### **Introduction**

- In recent weeks the Board has been working 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 or by identifying additional funding sources to offset additional expenditure incurred in the year to date. The conclusions from this review were reported at the Board seminar on 8 December and are reproduced below.

### **Acute Division**

- In the period to 31 October the Acute Division reported additional expenditure of £1.5m relative to budget. This represented an improvement from the position reported in previous months and compared favourably to £3.2m for the corresponding period in 2010/11. The Division has identified a potential cost pressure as being due to incremental pay progression and, although funding has been made available to cover anticipated costs, there remains a risk that this pressure may emerge in the second half of the year. In addition, there is potential for additional expenditure if there is a prolonged period of severe winter weather. It is difficult to estimate the potential cost of winter pressures but an estimate of £2.9m has been used based on experience in prior years. At 31 October the Division has reported underachievement of cost savings of £1.4m against its required contribution to the Board's savings target. The Division has recently reviewed its financial forecast following the most recent financial results and is now forecasting a breakeven position at 31 March 2012.

### **NHS Partnerships**

- Expenditure on NHS partnerships is running ahead of budget for the year to date by £0.4m although there has been a significant improvement of £0.7m in the last 2 months. The current overspend is mainly due to primary care prescribing expenditure which is reported at £1.4m in excess of budget for the first 7 months of the year and based on current projections is forecast to generate a cost pressure approaching £1.9m by 31 March 2012. An element of the overspend to 31 October is due to short supply drugs where prices increase when demand temporarily exceeds availability. This is therefore expected to be non recurring in nature. If this trend continues this would result in an overspend of £1.9m for 2011/12 however, in recent weeks there have been developments at a national level which are likely to result in reduced expenditure in the final quarter of the year. These improvements are likely to provide further support to the Board in delivering a breakeven result. Other partnership costs are currently running under budget by £1.0m at 31 October 2011. It is expected that this position will be maintained, and possibly improved upon, until the year end which could mean that overall Partnership budgets achieve a breakeven outturn.

## 7. 2011/12 Out-turn Forecast

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### **Corporate and Other Budgets**

- For the period to 31 October all other expenditure, including corporate costs and other healthcare purchases was reported at a total of £0.9m over budget. These other budgets include care packages with private providers and out of area treatments. There are also significant areas of additional cost pressure related to expenditure on legal fees and on interpreting costs. Interpreting costs, which are now being managed differently, are likely to remain within the originally budgeted figures in future years. Expenditure in other corporate areas is running close to budget at the mid point of the year and this is expected to be maintained until the end of the year. Some additional non recurring funding has been identified to offset above pressures so at this stage it is reasonable to assume that other budgets will break even.

### **Concluding Comments**

- In conclusion the Board continues to forecast a balanced out-turn for 2011/12 based on a review of the financial position at 31 October. At this stage it appears likely that the Board's Acute and Corporate Divisions will achieve a breakeven out-turn and it is increasingly likely that this may also be achieved across the Board's NHS Partnerships. The Board continues to forecast full achievement of its 2011/12 cost savings target which would result in a balanced recurring position at 31 March 2012.

## 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.