

Board

21 February 2012

Paper No. 12/09

Director of Finance

Financial Monitoring Report for the 9 month period to 31 December 2011

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £1.1m 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 2011/12 capital allocation.

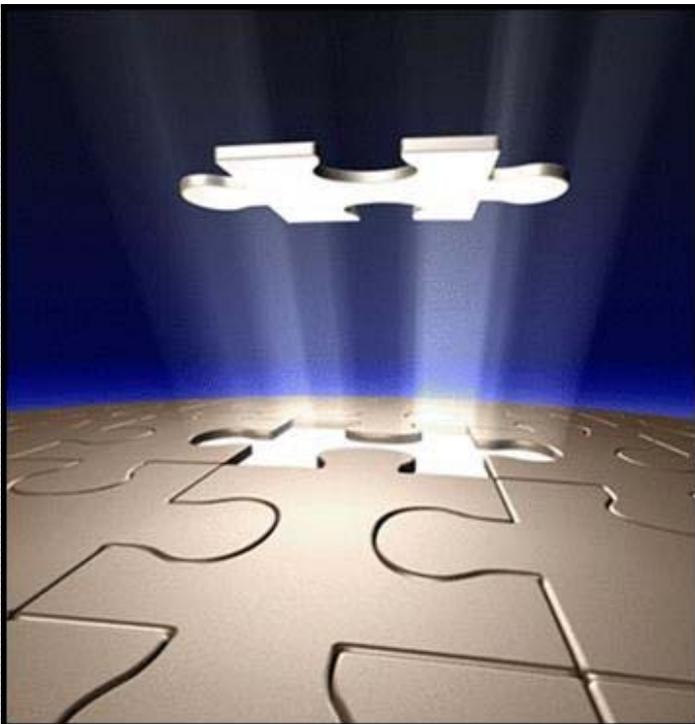
Recommendation

The Board is asked to note the financial performance for the first 9 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 9
month period to
31 December
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	2,821.7	2,051.8	2,051.8	(0.0)
Expenditure	2,821.7	2,051.8	2,052.9	(1.1)
Surplus/(Deficit) for period	0.0	0.0	(1.1)	(1.1)
Capital Expenditure	211.6	142.0	142.0	0

- At 31 December 2011 the Board is reporting expenditure levels running £1.1m ahead of budget (£1.6m at 30 November). This is partially attributable to the timing of implementing cost savings plans, but there are a number of 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 £4.3m for the corresponding 9 month period.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £0.9m over budget for the first 9 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 under budget for the year to date by £0.2m at 31 December 2011. Apart from primary care prescribing expenditure which is running £1.3m above budget 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. However, these pressures are offset by reduced expenditure in other areas resulting in an overall underspend of £0.2m for the year to date.
- Expenditure on **Corporate Services** is currently running ahead of budget by £0.4m 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.
- At 31 December 2011 our overall assessment is that the Board is running approximately £2.0m behind its year to date **cost savings target**. Achieving the Board's overall savings target of £57.0m for 2011/12 remains a key factor in determining whether the Board will achieve a breakeven out-turn for the year.
- The Board continues to forecast a balanced out-turn for 2011/12. At this stage it appears likely that the Board's Acute and Corporate Divisions will achieve a breakeven out-turn and national developments in respect of prescribing indicate it is increasingly likely that this will 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.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,376.1	1,710.1	1,710.1	0.0
Other Health Boards	210.9	160.0	160.2	0.2
National Services Division (NSD)	66.6	50.1	50.1	0.0
Additional Cost of Teaching (ACT)	18.3	12.6	12.6	0.0
NHS Education	58.9	44.1	44.1	0.0
Other Income	90.9	74.9	74.7	(0.2)
Total Income	2,821.7	2,051.8	2,051.8	(0.0)
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,498.4	1,111.0	1,111.9	(0.9)
NHS Partnerships	1,157.6	853.8	853.6	0.2
Corporate Departments	35.5	28.7	29.1	(0.4)
Other Healthcare Providers	77.6	58.3	58.3	0.0
Approved Funding for Expenditure Commitments not yet underway	52.6	0.0	0.0	0.0
Total Expenditure	2,821.7	2,051.8	2,052.9	(1.1)
Surplus / (Deficit) for the Period	0.0	0.0	(1.1)	(1.1)

- 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 December 2011 the Board had £52.6m of funds allocated for expenditure commitments approved but not yet under way. This consists of earmarked funding received to date or anticipated in respect of specific service commitments not yet under way and includes £37.1m for specific items of expenditure (eg asset 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	272.5	205.6	208.8	(3.2)
Emergency Care & Medical	228.0	173.0	175.7	(2.7)
Rehabilitation & Assessment	126.0	93.7	93.5	0.2
Diagnostics Directorate	171.7	129.5	130.4	(0.9)
Regional Services	127.8	97.5	96.7	0.8
Women & Childrens Services	156.3	118.6	120.8	(2.2)
Facilities Directorate	186.4	138.1	137.5	0.6
Total Directorate Services	1,268.7	956.0	963.4	(7.4)
Acute Divisional Services	160.2	97.7	91.2	6.5
Capital Charges and Rates	69.5	57.3	57.3	0.0
Total Acute Services	1,498.4	1,111.0	1,111.9	(0.9)

- At 31 December 2011, the Acute Division is reporting expenditure levels running £0.9m (30 November £1.2m) higher than the year to date expenditure budget of £1,111.0m. 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 £5.5m credit which is included in the £6.5m variance reported for Acute Divisional Services 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 pressures being within the Surgery & Anaesthetics and Emergency Care & Medical Directorates. Increased energy costs due to recent price increases are currently being contained within budget as additional funding provision has been made available in 2011/12 to meet energy cost pressures. However, this remains an area of risk and will require to be closely monitored over the winter months as usage may increase significantly in the event that there is a prolonged period of severe weather.

3. Acute Services

- In general overall pay costs across Directorates are running under budgeted levels with an overall underspend of £3.2m reported for the first 9 months of the year. However there are particular cost pressures within Nursing pay budgets which although the position is improving is showing an overspend of £0.9m 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 (£0.8m) and Women and Childrens Services (£0.2m) 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 was considered to have been a potential area of financial risk during the later months of 2011/12 but at this stage the additional cost has been contained within the funding uplift that was 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	188.6	140.5	140.1	0.4
North West Glasgow Sector	179.7	134.1	133.4	0.7
South Glasgow Sector	175.5	131.5	131.8	(0.3)
Glasgow CHP Shared Services	10.7	3.0	3.2	(0.2)
Glasgow City Resource Transfer	67.9	50.9	50.9	0.0
Mental Health Specialist Directorates	34.0	24.9	24.7	0.2
Mental Health Central Services	17.9	13.9	13.8	0.1
Total Glasgow CHP	674.3	498.8	497.9	0.9
East Renfrewshire CHCP	51.8	37.7	37.7	0.0
East Dunbartonshire CHP	82.3	60.3	60.3	0.0
South Lanarkshire CHP	41.5	31.3	31.5	(0.2)
North Lanarkshire CHP	9.5	7.2	7.2	0.0
West Dunbartonshire CHCP	75.2	55.6	55.6	0.0
Inverclyde CHP	76.0	55.5	56.0	(0.5)
Renfrewshire CHP	140.0	102.5	102.5	0.0
Total Non Glasgow CHPs/CHCPs	476.3	350.1	350.8	(0.7)
Total CHPs/CHCPs	1,150.6	848.9	848.7	0.2
Other Partnership Budgets	7.0	4.9	4.9	0.0
Total NHS Partnerships Expenditure	1,157.6	853.8	853.6	0.2

- Overall expenditure levels within NHS Partnerships are running under budget by £0.2m at 31 December 2011. The main areas experiencing cost pressures are in North East Glasgow within Elderly Medical Inpatient services although this has been 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 in prescribing and within the continence service which is hosted within that sector. Inverclyde CHCP is also reporting a significant prescribing overspend at this stage in the year. The CHP's are 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 £1.3m. Following evaluation by the Board's Prescribing Advisors and Finance staff it is believed that savings appear to be on target but a significant 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 recent weeks there have also been developments at a national level which are being evaluated to establish their impact on the year end out-turn.

5. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 31 December 2011	211.6
Total Capital Resources for 2011/12	211.6
Use of Capital Funds	
Allocated to Approved Schemes	211.6
Anticipated slippage 2011/12	0.0
Anticipated Expenditure for 2011/12	211.6
Expenditure to Date	
Expenditure to 31 December 2011	142.0
Balance to be spent by 31 March 2012	69.6
Total Forecast Expenditure for 2011/12	211.6

- The Board's reported Capital Resource Limit for 2011/12 has been revised to £211.6m following recent discussions with Scottish Government colleagues. Discussions with Scottish Government have concluded that capital expenditure will be delayed by £35m this year in order to enable the national capital programme to achieve a balanced overall position for 2011/12. This funding will subsequently be returned to the Board in 2012/13 to supplement the 2012/13 capital allocation.
- The recent Scottish Government spending review has significantly reduced the capital that will be available to NHS Boards over the next few years although specific allocations have been guaranteed for completion of a number of current schemes including completion of the New South Glasgow Hospital.
- Total expenditure incurred to 31 December 2011 on approved capital schemes was £142.0m. Expenditure on the New South Glasgow Hospital accounts for £117.0m of the total year to date expenditure.

6. Cost Savings Targets

	Annual Target	Planned to date	Achieved to date	Variance
	£m	£m	£m	£m
Acute Division	33.3	19.7	18.2	(1.5)
Partnerships	12.1	9.1	8.6	(0.5)
Other Savings	5.0	3.7	3.7	0
Primary Care Prescribing	6.6	5.0	5.0	0
Total	57.0	37.5	35.5	(2.0)

- 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 December 2011 the Board is running £2.0m (October £2.1m) behind its year to date cost savings target.

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.