

Board

17 April 2012

Paper No. 12/16

Director of Finance

Financial Monitoring Report for the 11 month period to 29 February 2012

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £0.3m 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 is achievable.

The report also includes details of expenditure to date against the Board's 2011/12 capital allocation.

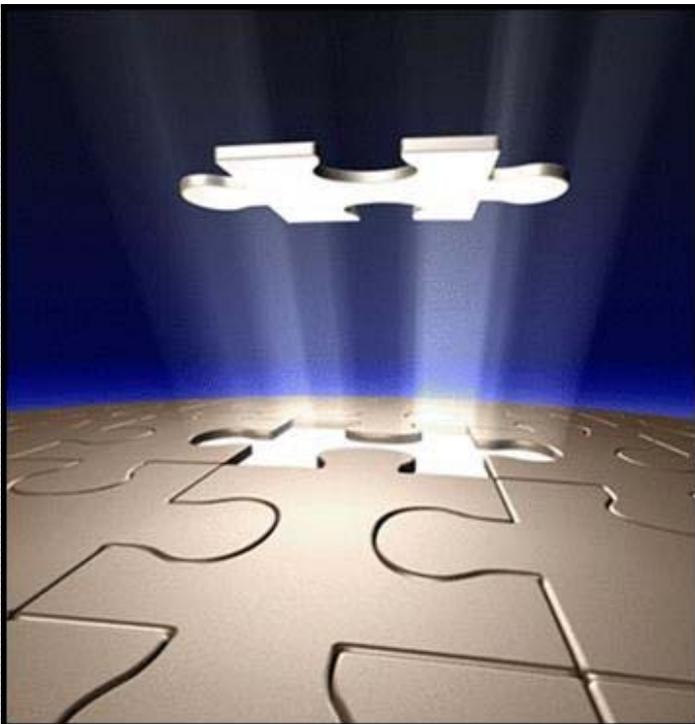
Recommendation

The Board is asked to note the financial performance for the first 11 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
11 month
period to
29 February
2012**

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	2,838.1	2,539.9	2,539.9	0.0
Expenditure	2,837.3	2,539.9	2,540.2	(0.3)
Surplus / (Deficit) for the Year to date	0.8	0.0	(0.3)	(0.3)
Capital Expenditure	213.4	172.7	172.7	0

- At 29 February 2012 the Board is reporting expenditure levels running £0.3m ahead of budget (£0.6m at 31 January 2012). This continues to reflect an overall 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 £1.7m for the corresponding 11 month period.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £0.3m over budget for the first 11 months of the year. At this stage a number of Directorates are showing increased expenditure due to a number of cost pressures, principally against non pay budgets. The Division's results have shown a continuing improvement over the past few months. The Division expects to 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 29 February 2012 and this position is expected to be sustained until the year end. Apart from primary care prescribing expenditure where the variance increased to £1.7m above budget the most significant cost pressure within CHPs and CHCPs is expenditure on inpatient elderly mental illness budgets and expenditure on continence products as a result of price increases earlier in the year. 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 and other Services** is currently running ahead of budget by £0.2m at this stage of the year. This variance is mainly due to additional legal costs being incurred including costs of handling the Vale of Leven public enquiry.
- The Board continues to forecast a balanced out-turn for 2011/12. At this stage it appears likely that the Board's Acute, Corporate Divisions and NHS Partnerships will achieve a breakeven out-turn. 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	2,389.0	2,124.4	2,124.4	0.0
Other Health Boards	210.5	193.2	193.6	0.4
National Services Division (NSD)	66.9	61.4	61.4	0.0
Additional Cost of Teaching (ACT)	18.3	16.8	16.8	0.0
NHS Education	58.8	53.6	53.6	0.0
Other Income	94.6	90.5	90.1	(0.4)
Total Income	2,838.1	2,539.9	2,539.9	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,513.6	1,376.1	1,376.4	(0.3)
NHS Partnerships	1,156.4	1,056.1	1,055.9	0.2
Corporate Departments	39.3	36.3	36.4	(0.1)
Other Healthcare Providers	77.8	71.4	71.5	(0.1)
Approved Funding for Expenditure Commitments not yet underway	50.2	0.0	0.0	0.0
Total Expenditure	2,837.3	2,539.9	2,540.2	(0.3)
Surplus / (Deficit) for the Year to date	0.8	0.0	(0.3)	(0.3)

- The annual budget for income from other Health Boards is based on the rolled forward 2010/11 service level agreement values, plus inflation and updated to reflect agreed changes from the service level agreement costing model used by West of Scotland Boards. Most values have now been agreed at the anticipated values and no changes to forecast values are expected for those where discussions have yet to be concluded.
- At 29 February 2012 the Board had £50.2m 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 £37.9m of specific allocations for specific items of expenditure (eg asset impairments and depreciation) 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	278.5	254.1	256.6	(2.5)
Emergency Care & Medical	232.9	213.6	215.3	(1.7)
Rehabilitation & Assessment	127.9	117.1	116.3	0.8
Diagnostics Directorate	175.9	161.1	161.1	0.0
Regional Services	130.4	119.8	118.1	1.7
Women & Childrens Services	158.6	145.5	147.4	(1.9)
Facilities Directorate	188.1	171.3	169.5	1.8
Total Directorate Services	1,292.3	1,182.5	1,184.3	(1.8)
Acute Divisional Services	150.8	123.0	121.5	1.5
Capital Charges and Rates	70.5	70.6	70.6	0.0
Total Acute Services	1,513.6	1,376.1	1,376.4	(0.3)

- At 29 February 2012, the Acute Division is reporting expenditure levels running £0.3m (31 January £0.5m) higher than the year to date expenditure budget of £1,376.1m. The Division is working to ensure this overspend has been mitigated by 31 March 2012. The Division is currently reporting underachievement of savings of £1.6m against the 2011/12 target but this is largely being offset by non-recurring cover via reduced expenditure against other budgets and the Division is forecasting that it will therefore achieve a breakeven out-turn for the year.
- Overall supplies costs are running ahead of over budget by £2.1m across the Division with particular pressures in Instruments and Sundries (£1.2m) and diagnostic supplies (£0.4m). Dressings are (£0.1m) overspent but hospital prescribing expenditure is running below budget for the year to date and this is expected to be maintained until the year end. Increased energy costs due to recent price increases are currently being contained within budget.
- In general overall pay costs across Directorates are running under budgeted levels with an overall underspend of £3.6m reported for the first 11 months of the year. However there are particular cost pressures within Nursing pay budgets which are showing an overspend of £1.1m at this stage of the year (£5.5m overspend in 2010/11) and necessary remedial actions have largely taken place. This is evidenced by the largely static position over the last few months indicating in-month breakeven positions albeit there is a small month 11 deficit. The particular pay pressures are within the Rehabilitation & Assessment Directorate (£1.0m), Women & Childrens Services (£0.2m) and Surgery & Anaesthetics (£0.3m). 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	188.2	172.3	171.8	0.5
North West Glasgow Sector	180.4	165.4	164.6	0.8
South Glasgow Sector	175.4	160.8	161.2	(0.4)
Glasgow CHP Shared Services	13.0	10.5	10.6	(0.1)
Glasgow City Resource Transfer	67.9	62.2	62.2	0.0
Mental Health Specialist Directorates	34.0	30.6	30.4	0.2
Mental Health Central Services	18.1	16.1	16.2	(0.1)
Total Glasgow CHP	677.0	617.9	617.0	0.9
East Renfrewshire CHCP	51.8	47.5	47.5	0.0
East Dunbartonshire CHP	81.8	74.3	74.3	0.0
South Lanarkshire CHP	41.5	38.2	38.3	(0.1)
North Lanarkshire CHP	9.5	8.8	8.8	0.0
West Dunbartonshire CHCP	75.2	69.1	69.1	0.0
Inverclyde CHP	75.9	68.6	69.1	(0.5)
Renfrewshire CHP	140.0	127.7	127.6	0.1
Total Non Glasgow CHPs/CHCPs	475.7	434.2	434.7	(0.5)
Total CHPs/CHCPs	1,152.7	1,052.1	1,051.7	0.4
Other Partnership Budgets	3.7	4.0	4.2	(0.2)
Total NHS Partnerships Expenditure	1,156.4	1,056.1	1,055.9	0.2

- Overall expenditure levels within NHS Partnerships are running under budget by £0.2m at 29 February 2012. 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 and Renfrewshire CHP are also reporting a significant prescribing overspend at this stage in the year although in Renfrewshire this is being offset by underspends in other areas.
- Primary care prescribing expenditure is currently reporting an overspend of £1.7m with a forecast year end position being an overspend of £1.9m. 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 in year 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. The current year end out-turn forecast for prescribing remains a £1.9m overspend although this will be offset by underspends in community and mental health services to produce a balanced overall position across the Board's NHS Partnerships.

5. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 29 February 2012	213.4
Total Capital Resources for 2011/12	213.4
Use of Capital Funds	
Allocated to Approved Schemes	213.4
Anticipated slippage 2011/12	0.0
Anticipated Expenditure for 2011/12	213.4
Expenditure to Date	
Expenditure to 29 February 2012	172.7
Balance to be spent by 31 March 2012	40.7
Total Forecast Expenditure for 2011/12	213.4

- The Board's reported Capital Resource Limit for 2011/12 has been revised to £213.4m following recent discussions with Scottish Government colleagues. Discussions with Scottish Government have concluded that capital expenditure will be delayed by £35.1m 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 29 February 2012 on approved capital schemes was £172.7m. Expenditure on the New South Glasgow Hospital accounts for £137.7m of the total year to date expenditure.

6. Cost Savings Targets

	Annual Target	Variance
	£m	£m
Acute Division	33.3	(1.6)
Partnerships	12.1	(0.6)
Other Savings	5.0	0
Primary Care Prescribing	6.6	0
Total	57.0	(2.2)

- In developing its Financial Plan for 2011/12 the Board 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 was a key element in determining whether a balanced out-turn for 2011/12 will be achieved. The total cost savings challenge for 2011/12 was set at £57m and targets were 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 29 February 2012 the Board is running £2.2m (January £2.0m) behind its original year to date cost savings plans although the shortfall against the in year savings target has been offset by reductions in other areas that were not included within the 2011/12 savings plan proposals. As a result we continue to forecast a breakeven out-turn for 2012/13.

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.