

Board

17 December 2013

Paper No. 13/61

Director of Finance

Financial Monitoring Report for the 7 month period to 31 October 2013

Introduction

The attached report shows that the Board is currently reporting an out-turn which is £3.1m less than its budget for the first 7 months of the year. At this stage the Board is forecasting that a year end surplus of £8m will be achieved.

The report also includes details of expenditure to date against the Board's 2013/14 capital allocation.

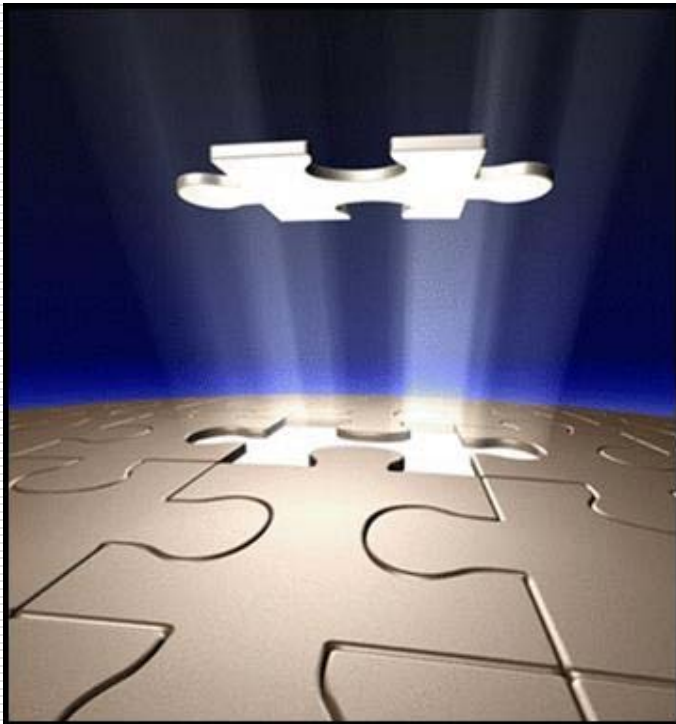
Recommendation

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



Financial Monitoring Report for the 7 month period to 31 October 2013

The financial monitoring report comprises the following:

1. Key Figures and comments
2. Income and Expenditure Report
3. Acute Services
4. NHS Partnerships
5. Corporate and other Budgets
6. Capital Expenditure
7. Cost Savings Targets
8. Glossary of terms



1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,910.1	1,659.4	1,659.4	0.0
Expenditure *	2,902.1	1,654.8	1,656.3	(1.5)
Surplus / (Deficit) for the Year to date	8.0	4.6	3.1	(1.5)
Capital Expenditure	296.1	135.1	135.1	0.0

- ❑ At 31 October the Board is reporting a surplus of £3.1m due to the release of previously unallocated funds. This compares to a deficit of £0.4m for the 7 month period to 31 October 2012.
- ❑ Expenditure on **Acute Services** is £1.2m over budget for the first 7 months of 2013/14. The Acute Division is working to contain these overspends and expects to achieve an overall breakeven out-turn on its expenditure budget by the year end.
- ❑ Expenditure on **NHS Partnerships** remains slightly over budget for the year to date. Cost pressures within Mental Health Elderly Services and Specialist Child Services budgets have been offset by reduced expenditure against other Care Group budgets. The Partnerships are reviewing all areas of expenditure and are developing plans to bring expenditure back in line with budget in 2013/14.
- ❑ Expenditure on **Corporate Services** is running £0.2m over budget after the first 7 months of the year although there are no significant variances.
- ❑ The level of **capital expenditure** is in line with plan and reflects the timing of expenditure across a wide range of programmes.
- ❑ At this stage of the year, based on discussions with Heads of Finance for Acute and Partnerships, our overall assessment is that at 31 October 2013 the Board is running around £0.7m behind its year to date **cost savings target** against plan.
- ❑ As noted above the Board has identified a surplus of **Unallocated Funds** which will not be required in 2013/14. We are now planning to achieve a year end surplus of £8m which, with the agreement of SGHSCD, will be carried forward to fund the transitional costs of the New South Glasgow Hospital in 2014/15. As at month 7 we have identified £4.6m of this funding surplus. Work continues to identify the balance.

* We have revised the disclosure of the expenditure budgets to reflect the planned reduction of £8m by the end of the year. This has had the effect of creating a year to date variance which reflects the correct levels of overspend. This is in line with the reporting for months 1 to 5 but reverses the change which was made in the month 6 report.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Core Allocation	2,194.1	1,263.7	1,263.7	0.0
FHS Non Cash Limited Allocation	149.8	86.5	86.5	0.0
Non Core Allocation	133.3	43.5	43.5	0.0
SGHSCD Income (Core & Non Core RRL)	2,477.2	1,393.7	1,393.7	0.0
Other Health Boards	212.3	123.4	123.4	0.0
National Services Division (NSD)	62.3	36.5	36.5	0.0
Additional Cost of Teaching (ACT)	18.3	10.7	10.7	0.0
NHS Education	57.0	33.3	33.3	0.0
Other Income	83.0	61.8	61.8	0.0
Total Income	2,910.1	1,659.4	1,659.4	0.0
Expenditure by Division	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,457.0	842.4	843.6	(1.2)
NHS Partnerships	1,169.0	663.7	663.8	(0.1)
Corporate and other Budgets	139.7	105.2	105.4	(0.2)
Unallocated Funds	3.1	0.0	0.0	0.0
Non Core Year End Expenditure	133.3	43.5	43.5	0.0
Total Expenditure	2,902.1	1,654.8	1,656.3	(1.5)

- ❑ The annual budget for income from other Health Boards is based on the rolled forward 2012/13 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. Proposed service level agreements for 2013/14 in line with this model have been issued to other Boards and we are awaiting agreement on final values for 2013/14.
- ❑ Overall pay expenditure is running at £4.7m under budget for the 7 month period with non pay expenditure running over budget by £6.5m. Further details are included later in this report.
- ❑ At this stage of the year prescribing expenditure is marginally over budget by £0.3m due to increased premiums payable for drugs on short supply.
- ❑ The overspends incurred at a divisional level have been offset by £4.6m of unallocated funds which will not be required in year to produce a year to date surplus of £3.1m.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	281.8	166.8	167.5	(0.7)
Emergency Care & Medical	239.1	144.5	145.6	(1.1)
Rehabilitation & Assessment	129.2	75.4	75.3	0.1
Diagnostics Directorate	170.4	100.0	100.0	0.0
Regional Services	152.5	94.4	94.4	0.0
Women & Childrens Services	163.7	96.4	97.0	(0.6)
Facilities Directorate	193.7	111.9	112.0	(0.1)
Total Directorate Services	1,330.4	789.4	791.8	(2.4)
Acute Divisional Services	126.6	53.0	51.8	1.2
Total Acute Services	1,457.0	842.4	843.6	(1.2)

- ❑ At 31 October 2013, Acute Services are reporting expenditure levels running £1.2m higher than the year to date expenditure budget of £842.4m. The Division is working to ensure it can mitigate this overspend and contain any additional cost pressures within budget.
- ❑ Overall pay costs across the Directorates are currently running over budget by £0.3m with overspends in Medical and Nursing pay being offset by underspends in other clinical and non clinical pay at this stage of the year.
- ❑ Overall supplies costs and other non pay costs are running ahead of budget by £1.2m across the Directorates at this stage of the year mainly due to additional expenditure on surgical sundries and diagnostic supplies.
- ❑ Hospital prescribing expenditure is currently running slightly under budget by £0.3m.
- ❑ The Division is reviewing its base budget position and potential cost pressures as part of the Board's mid year review. Pressures in the first 7 months of the year include the under achievement of bed model savings and additional surgical and diagnostic supplies. The Division is currently forecasting a breakeven out-turn and a key factor will be the achievement of cost savings to mitigate increased costs in other areas.

4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Overall Variance YTD £m
Glasgow CHP Citywide	35.6	16.5	16.8	(0.3)
Glasgow City CHP - North East	186.3	106.2	106.1	0.1
Glasgow City CHP - North West	178.6	103.3	103.1	0.2
Glasgow City CHP - South	172.0	99.8	99.8	0.0
Mental Health Specialist Directorates	33.1	19.2	19.2	0.0
Resource Transfer to Local Authority *	63.7	37.2	37.2	0.0
Total Glasgow CHP	669.3	382.2	382.2	0.0
East Dunbartonshire CHP	85.2	48.3	48.3	0.0
East Renfrewshire CHCP	51.9	29.5	29.5	0.0
Inverclyde CHCP	73.5	42.8	42.8	0.0
North Lanarkshire CHP	9.6	5.6	5.6	0.0
Renfrewshire CHP	143.6	81.8	81.8	0.0
South Lanarkshire CHP	41.4	24.3	24.3	0.0
West Dunbartonshire CHCP	79.3	44.6	44.5	0.1
Total Non Glasgow CHPs/CHCPs	484.5	276.9	276.8	0.1
Total CHPs/CHCPs	1,153.8	659.1	659.0	0.1
Other Partnership Budgets	15.2	4.6	4.8	(0.2)
Total NHS Partnerships Expenditure	1,169.0	663.7	663.8	(0.1)

- ❑ Overall expenditure levels within NHS Partnerships continue to run marginally ahead of budget by £0.1m at 31 October 2013. The main cost pressures at this stage of the year are in Elderly Mental Health services and Specialist Child services. Prescribing costs are being affected by short supply. These pressures are all being offset by underspends in other service areas.
- ❑ All areas of expenditure in Partnerships are currently being reviewed as part of the Board's mid year review.
- ❑ At this stage of the year it is forecast that Partnerships will deliver a balanced overall position against budget for the current financial year.

* Within Glasgow the resource transfer figures are not broken down by sector and hence they are shown separately under the sector analysis above.

5. Corporate and Other Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
Corporate Directorates	66.6	62.5	62.4	0.1
Healthcare Purchases	73.1	42.7	43.0	(0.3)
Total Corporate & Other Budgets	139.7	105.2	105.4	(0.2)

- At 31 October 2013 overall expenditure on Corporate and other Budgets is running over budget by £0.2m although there are no significant variances.
- A mid year review of all areas of expenditure is currently being undertaken and it is anticipated that overall expenditure will be contained within available budget at the year end.

6. Capital Expenditure



	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 31 October	296.1
Total Capital Resources for 2013/14	296.1
Use of Capital Funds	
Allocated to Approved Schemes	296.1
Anticipated brokerage 2013/14	0.0
Anticipated Expenditure for 2013/14	296.1
Expenditure to Date	
Expenditure to 31 October	135.1
Balance to be spent by 31 March 2014	161.0
Total Forecast Expenditure for 2013/14	296.1

- ❑ The Board's Capital Plan for 2013/14 was approved by the Board on 25 June 2013.
- ❑ The Board's anticipated Capital Resource Limit for 2013/14 is currently £296.1m.
- ❑ The main capital schemes for 2013/14 are:
 - Acute Division – New South Glasgow Hospital (£218.6m), Formula Capital Allocation (£8.9m) and Medical Equipment Allocation (£5.8m);
 - Partnerships – Possilpark Health Centre (£6.3m) and phase 1 of the Older Peoples Mental Health inpatient beds scheme (£4.1m); and
 - Health Information & Technology – formula allocation (£4.5m).
- ❑ At each meeting of the Board's Capital Planning Group a review of forecast expenditure for each scheme in the Capital Plan is undertaken to assess the likely out-turn against the Board's Capital Resource Limit. The Chief Executive has recently reviewed the current expenditure against the Board's Capital Plan, recognising that some slippage has occurred. He has agreed a series of actions which, when implemented, should help the Board to achieve a balanced outturn. As a result it is anticipated that the Board's capital expenditure will remain within the Capital Resource Limit for 2013/14.
- ❑ Total expenditure incurred to 31 October 2013 on approved capital schemes was £135.1m.

7. Cost Savings Targets

- ❑ In developing its Financial Plan for 2013/14 the Board requires to set a cost savings target that will enable the Board to achieve a balanced out-turn.
- ❑ The total cost savings challenge for 2013/14 was set at £33.7m 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 main categories of savings were:
 - Acute Division targets - £7.3m
 - Partnerships targets - £2.4m
 - Prescribing - £24m
- ❑ At this stage of the year our overall assessment is that at 31 October 2013 the Board is running approximately £0.7m behind its year to date cost savings plans. Within Partnerships the shortfall of £0.6m against the in year savings target is mainly due to delays in planned ward closures within Elderly Mental Health services. Slippage against the Acute Division's savings target is £0.1m at this stage of the year.
- ❑ A comprehensive assessment of progress against savings targets is being undertaken as part of the Board's mid year financial review.

8. Glossary of Terms

Income:

- ❑ **SGHSCD Income** - This represents the funding allocation received directly from the SGHSCD 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 SGHSCD 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 and 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.
- ❑ **Non Core Expenditure** – This represents expenditure charged against the Board's non core allocation from SGHSCD and typically includes expenditure on PFI schemes, depreciation of assets and asset impairments.
- ❑ **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.
- ❑ **Unallocated Funds** - 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.