

**Board**

**18 January 2014**

**Paper No. 14/06**

**Director of Finance**

## **Financial Monitoring Report for the 9 month period to 31 December 2013**

### **Introduction**

The attached report shows that the Board is currently reporting a surplus of £5.0m for the first 9 months of the year. At this stage the Board is forecasting that a year end surplus of £8.0m will be achieved.

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

### **Recommendation**

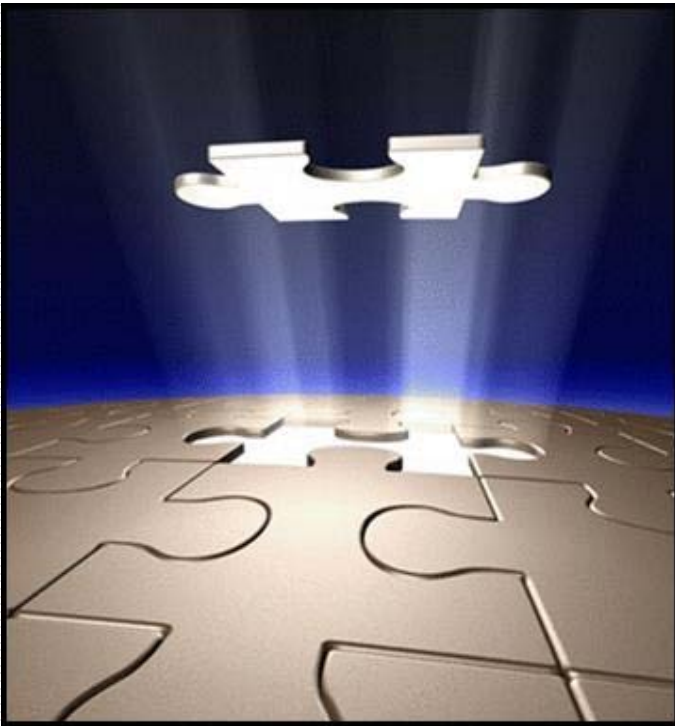
The Board is asked to note the financial performance for the first 9 months of the financial year.

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**Director of Finance**

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# NHS Greater Glasgow & Clyde

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## Financial Monitoring Report for the 9 month period to 31 December 2013

The financial monitoring report comprises the following:

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



# 1. Key Figures and Comments

	£m
Funds Contributed to Planned Year End Surplus	6.1
Actual Surplus/(Deficit) at 31 December 2013	(5.0)
<b>Operational Variance</b>	<b>(1.1)</b>
<b>Capital Expenditure to 31 December 2013</b>	192.8

Expenditure by Division	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,484.2	1,094.8	1,095.8	(1.0)
NHS Partnerships	1,168.4	854.5	854.6	(0.1)
Corporate and other Budgets	291.1	166.8	160.7	6.1
<b>Total Expenditure</b>	<b>2,943.7</b>	<b>2,116.1</b>	<b>2,111.1</b>	<b>5.0</b>

- ❑ The Board's projected funding for 2013/14 is £2,943.7m. At 31 December the Board is reporting a surplus of £5.0m due to the release of previously unallocated funds. This compares to a surplus of £3.7m for the period to 30 November 2013.
- ❑ Expenditure on **Acute Services** is £1m over budget for the first 9 months of 2013/14 which represents an in month improvement of £0.2m. The Acute Division reports the year to date cost savings target being achieved and is working towards 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 breakeven after the first 9 months of the year.
- ❑ There has been some slippage in the level of **capital expenditure** compared to plan and action is being taken to address this to ensure that a balanced year end position is achieved.
- ❑ At this stage of the year, based on discussions with Heads of Finance for Acute and Partnerships, our overall assessment is that at 31 December 2013 the Board is running around £1m behind its year to date **cost savings target** against plan. This is being rectified by the inclusion of alternative savings.
- ❑ As noted above the Board has identified a surplus of **Unallocated Funds** which will not be required in 2013/14. The Board is 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 9 £6.1m of this funding surplus has been identified. Work continues to identify the balance.

## 2. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	284.4	215.7	217.2	(1.5)
Emergency Care & Medical	244.6	186.0	187.9	(1.9)
Rehabilitation & Assessment	129.8	96.8	96.6	0.2
Diagnostics Directorate	172.2	129.0	128.7	0.3
Regional Services	157.1	122.9	122.7	0.2
Women & Childrens Services	166.5	124.9	125.6	(0.7)
Facilities Directorate	196.5	145.4	145.4	0.0
<b>Total Directorate Services</b>	<b>1,351.1</b>	<b>1,020.7</b>	<b>1,024.1</b>	<b>(3.4)</b>
Divisional Services	133.1	74.1	71.7	2.4
<b>Total Acute Services</b>	<b>1,484.2</b>	<b>1,094.8</b>	<b>1,095.8</b>	<b>(1.0)</b>

- ❑ At 31 December 2013, Acute Services are reporting expenditure levels running £1m higher than the year to date expenditure budget of £1,094.8m. The Division is working to mitigate this overspend and contain any additional cost pressures within overall budget by 31 March 2014.
- ❑ Overall pay costs across the Directorates are currently running over budget by £0.1m with overspends in Medical and Nursing pay being offset by underspends in other clinical and non clinical pay at month 9.
- ❑ Supplies costs and other non pay costs are running ahead of budget by £1.1m across the Directorates at month 9 which is mainly due to additional expenditure on surgical sundries and cssd/diagnostic supplies.
- ❑ Hospital prescribing expenditure is now running slightly under budget by £0.2m.
- ❑ The Division continues to work towards a breakeven out-turn and a key factor will be the achievement of cost savings in the final quarter combined with the management of the increased costs in other areas as noted above.

### 3. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Overall Variance YTD £m
Glasgow CHP Citywide	100.5	70.4	71.3	(0.9)
Glasgow City CHP - North East	187.2	137.8	137.6	0.2
Glasgow City CHP - North West	178.2	133.4	132.9	0.5
Glasgow City CHP - South	172.4	128.6	128.4	0.2
Mental Health Specialist Directorates	33.5	25.0	25.0	0.0
<b>Total Glasgow CHP</b>	<b>671.8</b>	<b>495.2</b>	<b>495.2</b>	<b>0.0</b>
East Dunbartonshire CHP	85.3	62.2	62.2	0.0
East Renfrewshire CHCP	52.1	38.4	38.3	0.1
Inverclyde CHCP	73.6	54.8	54.8	0.0
North Lanarkshire CHP	9.6	7.1	7.1	0.0
Renfrewshire CHP	144.1	105.7	105.7	0.0
South Lanarkshire CHP	41.4	30.8	30.8	0.0
West Dunbartonshire CHCP	79.6	57.8	57.7	0.1
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>485.7</b>	<b>356.8</b>	<b>356.6</b>	<b>0.2</b>
<b>Total CHPs/CHCPs</b>	<b>1,157.5</b>	<b>852.0</b>	<b>851.8</b>	<b>0.2</b>
<b>Other Partnership Budgets</b>	10.9	2.5	2.8	(0.3)
<b>Total NHS Partnerships Expenditure</b>	<b>1,168.4</b>	<b>854.5</b>	<b>854.6</b>	<b>(0.1)</b>

- ❑ Overall expenditure levels within NHS Partnerships continue to run marginally ahead of budget by £0.1m at 31 December 2013. The main cost pressure at this stage of the year is the delay in implementing savings schemes within Elderly Mental Health services.
- ❑ Prescribing costs are running marginally under budget due to lower than anticipated cost and volume increases.
- ❑ All areas of expenditure in Partnerships have been reviewed in order to identify additional savings to address the shortfall in the year to date savings target.
- ❑ At this stage of the year it is forecast that Partnerships will deliver a balanced overall position against budget for the current financial year.

## 4. Corporate and Other Budgets

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	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
Corporate Directorates	139.6	95.9	95.5	0.4
Healthcare Purchases	73.3	54.9	55.3	(0.4)
Impairments and Provisions	67.0	14.1	14.1	0.0
Other	11.2	1.9	(4.2)	6.1
<b>Total Corporate &amp; Other Budgets</b>	<b>291.1</b>	<b>166.8</b>	<b>160.7</b>	<b>6.1</b>

- At 31 December 2013 overall expenditure on Corporate and other Budgets is running under budget by £6.1m. This is due to the surplus that has been generated from unallocated funds that will not require to be spent in the current financial year.
- It is anticipated that overall expenditure within the Corporate Directorates and on Healthcare Purchases will be contained within available budget at the year end.
- Impairments and Provisions represents funding received to match annual expenditure for fixed asset impairments, PFI costs and increases to provisions.

## 5. Capital Expenditure

	£m
<b>Sources of Funds</b>	
Anticipated Gross Capital Resource Limit (CRL) at 31 December	299.3
<b>Total Capital Resources for 2013/14</b>	<b>299.3</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes	299.3
Anticipated slippage 2013/14	0.0
<b>Anticipated Expenditure for 2013/14</b>	<b>299.3</b>
<b>Expenditure to Date</b>	
Expenditure to 31 December	192.8
Balance to be spent by 31 March 2014	106.5
<b>Total Forecast Expenditure for 2013/14</b>	<b>299.3</b>

- ❑ 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 £299.3m.
- ❑ The main capital schemes for 2013/14 are:
  - Acute Division – New South Glasgow Hospital and Laboratory (£222.6m), Formula Capital Allocation (£9.0m) and Medical Equipment Allocation (£9.7m);
  - Partnerships – Possilpark Health Centre (£6.3m), phase 1 of the Older Peoples Mental Health inpatient beds scheme (£3.1m) and the relocation of Psychiatry inpatient beds from the Southern General to Leverndale (£3.1m); and
  - Health Information & Technology – formula allocation (£6.0m).
- ❑ 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. Under a brokerage agreement with SGHSCD £5m of capital funding was returned during December. Actions have also been agreed to address slippage in the capital expenditure programme to date and 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 December 2013 on approved capital schemes was £192.8m.



## 6. Cost Savings Targets

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- ❑ 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 December 2013 the Board is running approximately £1m behind its year to date cost saving target due to slippage in the Partnerships savings plan. This shortfall is mainly due to delays in planned ward closures within Elderly Mental Health services. Alternative schemes and savings are being identified which enable the Division to forecast a breakeven out-turn. The Acute Division has achieved it's year to date savings target of £4.5m at the end of month 9.
- ❑ Achievement of the Board's overall cost saving target remains crucial to achieving the forecast break even outturn at the end of the year.

# 7. Glossary of Terms

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## 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.