

Board

16 December 2014
Interim Director of Finance

Paper No. 14/68

Financial Monitoring Report for the 7 month period to 31 October 2014

Introduction

The attached report shows that the Board is currently reporting an overspend of £1.3m for the 7 month period to 31 October 2014. At this stage the Board is forecasting that a year end break even outturn will be achieved.

The report also includes details of expenditure to date against the Board's 2014/15 capital allocation.

Recommendation

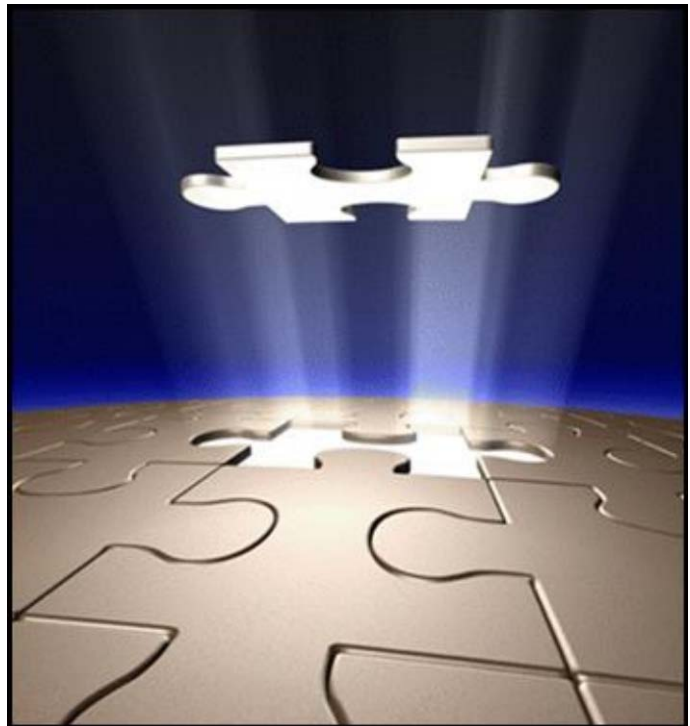
The Board is asked to note the financial performance for the first 7 months of the financial year.

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NHS Greater Glasgow and Clyde

Financial Monitoring Report for the 7 month period to 31 October 2014



Introduction

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 |
|---------------------------------------|-------|
| Overspend Reported to 31 October 2014 | (1.3) |

| | £m |
|--|------|
| Capital expenditure to 31 October 2014 | 60.0 |

| Expenditure by Division | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-----------------------------|---------------------|------------------|------------------|--------------------|
| Acute | 1,511.7 | 889.3 | 890.3 | (1.0) |
| NHS Partnerships | 1,137.3 | 649.5 | 649.8 | (0.3) |
| Corporate and Other Budgets | 334.2 | 116.9 | 116.9 | 0.0 |
| Total Expenditure | 2,983.2 | 1,655.7 | 1,657.0 | (1.3) |

- ❑ The Financial Plan for 2014/15 was approved by the Board on 24th June 2014.
- ❑ The non recurring surplus of £10m achieved in 2013/14 will be available to the Board in 2015/16 to fund double running costs on the opening of the New South Glasgow Hospitals. The new hospitals will be handed over to the Board in early 2015 and some of the available surplus can be released in 2014/15 if required.
- ❑ The Board's projected funding for 2014/15 is currently £2,983.2m. This includes funding received during October for quality initiatives in Mental Health, Musculoskeletal and Orthopaedics and Ophthalmology. Additional funding to address health inequalities was also received during the month.
- ❑ At 31 October 2014 the Board is reporting expenditure levels of £1.3m over budget. This represents an improvement of £0.1m since 30 September and is slightly ahead of the Board's planned trajectory to achieve breakeven by 31 March 2015.
- ❑ Expenditure on **Acute Services** is £1.0m over budget at the 31 October 2014.
- ❑ Expenditure on **NHS Partnerships** is over budget by £0.3m for the year to date.
- ❑ Expenditure on **Corporate Services and Other Budgets** is in line with budget for the first 7 months of the year.
- ❑ **Capital expenditure** in the year to date amounts to £60m and it is anticipated that a balanced year end position will be achieved.
- ❑ At this stage of the year the Board is ahead of its year to date **cost savings target** against plan.

2. Acute Services

| Directorate | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-----------------------------------|---------------------|------------------|------------------|--------------------|
| Surgery & Anaesthetics | 288.4 | 170.5 | 171.6 | (1.1) |
| Emergency Care & Medical | 254.2 | 155.2 | 157.1 | (1.9) |
| Rehabilitation & Assessment | 133.7 | 77.9 | 77.8 | 0.1 |
| Diagnostics | 175.5 | 102.4 | 102.7 | (0.3) |
| Regional Services | 166.9 | 101.9 | 102.0 | (0.1) |
| Women & Children's Services | 168.6 | 99.8 | 100.9 | (1.1) |
| Facilities | 197.0 | 113.4 | 113.1 | 0.3 |
| Total Directorate Services | 1,384.3 | 821.1 | 825.2 | (4.1) |
| Acute Divisional Services | 127.4 | 68.2 | 65.1 | 3.1 |
| Total Acute Services | 1,511.7 | 889.3 | 890.3 | (1.0) |

- ❑ Expenditure on Acute Services was £1.0m over budget at 31 October 2014. This represents an improvement of £0.1m on the position reported at 30 September 2014.
- ❑ The main cost pressures are within medical and nursing pay budgets due to additional activity, including that generated by waiting list initiatives. In addition, the overspend on Agency and Locum budgets is because of delays in recruitment of medical staff and the impact of incremental drift. The directorates are reviewing the additional spend on Medical Agency, locums and waiting list initiatives across a number of specialities with a view to returning to a balanced position later in the year. The Board has provided additional funding for incremental drift in relation to medical consultants which will assist the Division to achieve this.
- ❑ Overall supplies costs and other non pay costs excluding prescribing are running marginally ahead of budget at the end of month 7. This is mainly due to additional expenditure on surgical sundries in Women & Children's and Regional Services directorates.
- ❑ Hospital prescribing expenditure is over budget by £0.3m at the end of month 7 principally due to a newly licensed medicine for the treatment of Hepatitis C. This is a new class of drug which has been used to treat a greater number of patients than anticipated. Work is ongoing to assess the financial impact of this new treatment over the remaining months of the year.

3. NHS Partnerships

| | Annual Budget £m | YTD Budget Total £m | YTD Actual Total £m | Overall Variance YTD £m |
|---------------------------------------|---------------------|------------------------|------------------------|----------------------------|
| Glasgow CHP Citywide | 102.5 | 58.5 | 58.5 | 0.0 |
| Glasgow City CHP - North East | 192.7 | 110.5 | 110.8 | (0.3) |
| Glasgow City CHP - North West | 181.0 | 104.4 | 104.2 | 0.2 |
| Glasgow City CHP - South | 176.5 | 102.3 | 102.1 | 0.2 |
| Mental Health Specialist Directorates | 35.1 | 20.4 | 20.5 | 0.1 |
| Total Glasgow CHP | 687.8 | 396.1 | 396.1 | 0.0 |
| East Dunbartonshire CHP | 85.2 | 49.5 | 49.5 | 0.0 |
| East Renfrewshire CHCP | 52.2 | 29.6 | 29.6 | 0.0 |
| Inverclyde CHCP | 73.5 | 41.8 | 41.7 | 0.1 |
| Renfrewshire CHP | 143.8 | 81.6 | 81.6 | 0.0 |
| West Dunbartonshire CHCP | 79.1 | 45.1 | 45.1 | 0.0 |
| Total Non Glasgow CHPs/CHCPs | 433.8 | 247.6 | 247.5 | 0.1 |
| Total CHPs/CHCPs | 1,121.6 | 643.7 | 643.6 | 0.1 |
| Other Partnership Budgets | 15.7 | 5.8 | 6.2 | (0.4) |
| Total NHS Partnerships | 1,137.3 | 649.5 | 649.8 | (0.3) |

- ❑ Overall expenditure levels within NHS Partnerships are marginally over budget by £0.3m at 31 October 2014.
- ❑ At this stage of the year it is forecast that Partnerships will deliver a balanced overall position against budget for the current financial year. In general, most operational budgets are in a balanced position and the reported deficit largely relates to a potential shortfall in income arising from the boundary change with NHS Lanarkshire. Work continues to close this gap but until final agreement on transitional funding is reached the Board continues to recognise and report this as a potential cost pressure.
- ❑ There are a number of other areas where cost pressures are being experienced including GMS premises and seniority payments, community equipment budgets and continence services but these are being offset by underspends in other areas, principally within pay budgets.
- ❑ GP Prescribing expenditure is currently in line with budget based on actual expenditure for the quarter to 31 August extrapolated to 31 October. Prescribing can be volatile and, therefore, will be closely monitored during the remaining months of 2014/15.

4. Corporate and Other Budgets

| | Annual Budget £m | YTD Budget Total £m | YTD Actual Total £m | Variance YTD £m |
|---|---------------------|------------------------|------------------------|--------------------|
| Corporate Directorates and Other Budgets | | | | |
| Corporate Directorates | 135.7 | 74.4 | 74.1 | 0.3 |
| Healthcare Purchases | 64.6 | 37.5 | 37.8 | (0.3) |
| Impairments and Provisions | 55.6 | 5.0 | 5.0 | 0.0 |
| Other | 78.3 | 0.0 | 0.0 | 0.0 |
| Total Corporate & Other Budgets | 334.2 | 116.9 | 116.9 | 0.0 |

- ❑ At 31 October 2014 overall expenditure on Corporate and other Budgets is running in line with budget.
- ❑ It is anticipated that overall expenditure within the Corporate Directorates and on Healthcare Purchases will be contained within the available budget at the year end.

5. Capital Expenditure

| | £m |
|--|--------------|
| Sources of Funds | |
| Anticipated Gross Capital Resource Limit (CRL) at 31 October | 179.3 |
| Total Capital Resources for 2014/15 | 179.3 |
| Use of Capital Funds | |
| Allocated to Approved Schemes | 179.3 |
| Anticipated slippage 2014/15 | 0.0 |
| Anticipated Expenditure for 2014/15 | 179.3 |
| Expenditure to Date | |
| Expenditure to 31 October | 60.0 |
| Balance to be spent by 31 March 2015 | 119.3 |
| Total Forecast Expenditure for 2014/15 | 179.3 |

- ❑ The Board's Capital Plan for 2014/15 was approved by the Board on 24 June 2014.
- ❑ The Board's anticipated Gross Capital Resource Limit for 2014/15 is currently £179.3m.
- ❑ Forecast capital expenditure for 2014/15 includes the following main schemes:
 - Acute Division – New South Glasgow Hospital and Laboratory (£116.6m), Radiotherapy Equipment replacement (£4.8m) and Medical Equipment Allocation (£5.0m);
 - Partnerships – Older Peoples Mental Health Scheme at Stobhill (£3.2m) and the new health facility at East Pollokshields (£2.3m)
 - Health Information & Technology – formula allocation (£4.0m).
- ❑ Programme reviews are continuing in respect of each capital scheme in order to review the Capital Plan and identify the extent to which revised plans may need to be put in place. However, it is anticipated that the Board's capital expenditure will remain within the Capital Resource Limit for 2014/15. Discussions continue with Scottish Government colleagues to "bank" in year slippage. This helps balance the overall capital position for NHS Scotland and protects funding for NHSGGC until it is required.
- ❑ Total expenditure incurred to 31 October 2014 on approved capital schemes was £60m.

6. Cost Savings Targets

- ❑ In developing its Financial Plan for 2014/15, the Board required to set a cost savings target that will enable the Board to achieve a balanced out-turn.
- ❑ The total cost savings challenge for 2014/15 was set at £32.9m 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 - £18.9m
 - Partnership targets - £6.0m
 - Corporate - £1.5m
 - Prescribing - £6.5m
- ❑ At this stage of the year our overall assessment is that at 31 October 2014 the Board is running ahead of its year to date cost saving target.
- ❑ Achievement of the Board's overall cost saving target remains crucial to achieving the forecast break even outturn on operating activities at the end of the year.

7. Glossary of Terms

Expenditure:

- Acute – This represents expenditure on the Acute Division clinical and management support services.
- CHCPs/CHPs – This represents expenditure on services provided within CH(C)Ps 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.
- Healthcare Purchases - This represents the cost of services provided by other healthcare providers to Greater Glasgow and Clyde patients, including Independent Hospices and HIV/AIDS & Drugs Misuse.
- Impairments – This represents the accelerated depreciation required to write off the net book value of an asset over its remaining life.
- Provisions - This represents the total of provisions made within the Board's Revenue Plan where which have not yet been distributed to divisions.
- Other – This represents funds received which have not yet been allocated to an expenditure budget.