

Board

21 August 2012

Paper No. 12/39

Director of Finance

Financial Monitoring Report for the 3 month period to 30 June 2012

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £0.9m in excess of its budget for the first 3 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 2012/13 capital allocation.

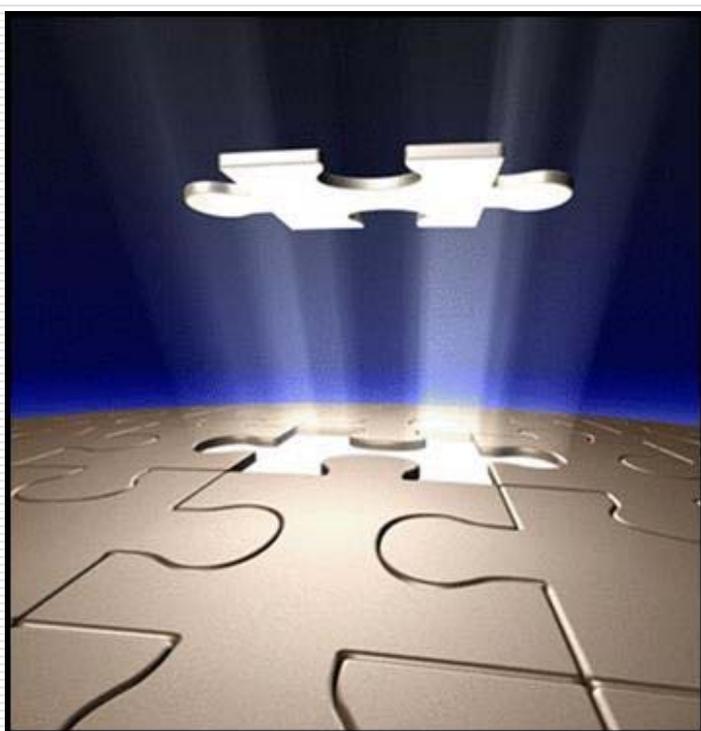
Recommendation

The Board is asked to note the financial performance for the first 3 months of the financial year.

Paul James
Director of Finance

0141 201 4612.

NHS Greater Glasgow & Clyde



**Financial
Monitoring
Report for the 3
month period to
30 June 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. Summary of expenditure on Corporate and other Budgets
6. Overview of capital expenditure outturn.
7. Achievement of cost savings targets – progress report.
8. Glossary of terms.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,946.7	702.1	702.1	0.0
Expenditure	2,946.7	702.1	703.0	(0.9)
Surplus / (Deficit) for the Year to date	0.0	0.0	(0.9)	(0.9)
Capital Expenditure	336.4	35.1	35.1	0

- At 30 June 2012 the Board is reporting expenditure levels running £0.9m ahead of budget (£2.5m at 30 June 2011).
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £0.7m over budget for the first 3 months of the year. At this stage all Directorates are showing increased expenditure due to the timing of achieving planned cost savings and to a number of cost pressures, principally against non pay budgets. 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 also running slightly ahead of budget for the year to date. The main cost pressures at this stage is additional expenditure within Mental Health Elderly Services budgets although these are being offset by reduced expenditure against other Care Group budgets. 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 slightly below budget.
- Expenditure on **Corporate Services** is currently running ahead of budget which is mainly due to additional legal costs being incurred. This includes the ongoing additional costs of handling the Vale of Leven public enquiry.
- At this early stage of the year based on discussions with Heads of Finance for Acute and Partnerships our overall assessment is that at 30 June 2012 the Board is running slightly behind its year to date **cost savings target**. Achieving the Board's overall savings target of £59.0m for 2011/12 will be a key factor in determining whether the Board will achieve a breakeven out-turn for the year.
- The level of **capital expenditure** is in line with plan and reflects the timing of expenditure across a wide range of programmes.
- During the next few months the Board will work to confirm the extent to which its operating Directorates can offset additional expenditure against budget through catch up in implementing existing cost reduction/cost saving measures and use of in year slippage against expenditure budgets. This work will be completed by October so that the Board is able to assess at that stage whether it remains on track to deliver a breakeven out-turn for 2012/13. At this stage it is assumed that the Board will be able to identify and implement any necessary measures and so, for the meantime, in reporting to SGHD, it will continue to forecast a breakeven outturn for the year.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,514.8	596.5	596.5	0.0
Other Health Boards	204.3	51.0	51.0	0.0
National Services Division (NSD)	60.6	15.1	15.1	0.0
Additional Cost of Teaching (ACT)	18.3	4.6	4.6	0.0
NHS Education	58.1	14.6	14.6	0.0
Other Income	90.6	20.3	20.3	0.0
Total Income	2,946.7	702.1	702.1	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,367.6	346.5	347.2	(0.7)
NHS Partnerships	1,151.9	282.0	282.1	(0.1)
Corporate and other Budgets	206.8	47.0	47.1	(0.1)
Approved Funding for Expenditure Commitments not yet underway	57.6	0.0	0.0	0.0
Non Core Expenditure (Depreciation, Impairments etc.)	162.8	26.6	26.6	0.0
Total Expenditure	2,946.7	702.1	703.0	(0.9)
Surplus / (Deficit) for the Year to date	0.0	0.0	(0.9)	(0.9)

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2011/12 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 will be updated during the year enabling the Board to reach agreement on final values for 2012/13.
- At 30 June 2012 the Board had £57.6m of funds allocated for expenditure commitments approved but not yet under way. This consists of funding provisions and earmarked funding received to date in respect of specific service commitments which will be applied to service budgets when deployment of the aforementioned funding allocations has been agreed.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	268.9	68.7	69.6	(0.9)
Emergency Care & Medical	222.7	59.8	60.3	(0.5)
Rehabilitation & Assessment	124.1	31.1	30.8	0.3
Diagnostics Directorate	168.3	42.6	42.7	(0.1)
Regional Services	123.9	32.9	32.9	0.0
Women & Childrens Services	150.2	39.5	40.4	(0.9)
Facilities Directorate	182.9	46.3	46.3	0.0
Total Directorate Services	1,241.0	320.9	323.0	(2.1)
Acute Divisional Services	126.6	25.6	24.2	1.4
Total Acute Services	1,367.6	346.5	347.2	(0.7)

- At 30 June 2012, Acute Services are reporting expenditure levels running £0.7m higher than the year to date expenditure budget of £346.5m.
- The Acute Division is working to ensure it can mitigate this overspend, and contain additional expenditure incurred within budget. Achievement of the Division's savings target of £29.3m will continue to be a crucial factor in its ability to contain expenditure within budget for the year to March 2013.
- In general overall pay costs across Directorates are running slightly under budget with the exception of nursing pay budgets which are showing an overspend of £0.7m at this stage of the year. This is mainly within the Women and Children's and Surgery and Anaesthetics Directorates and the Acute Director of Nursing is reviewing the Directorates action plans to improve the position.
- Overall supplies costs are running slightly ahead of budget by £1.2m across the Directorates at this stage of the year mainly due to additional expenditure on dressings and instruments & sundries. Hospital prescribing budgets are currently running slightly under budget as the funding provision for prescribing within the financial plan has been made applied. Utilities costs are running slightly ahead of budget at this time of year largely due to inclement weather conditions over the first quarter and to double running costs in respect of the recently opened laboratory block on the Southern General site.
- At this stage of the year the Division is reporting a slight underachievement of £0.2m against its year to date savings target of £4.5m. The overall Acute Savings target for 2012/13 is £29.3m although a number of schemes are not scheduled to commence until the second half of the year.

4. NHS Partnerships

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Overall Variance YTD £m
Glasgow CHP Citywide	31.2	5.3	5.4	(0.1)
Glasgow City CHP - North East	185.2	45.6	45.5	0.1
Glasgow City CHP - North West	180.5	44.2	44.2	0.0
Glasgow City CHP - South	169.0	42.5	42.5	0.0
Mental Health Specialist Directorates	33.3	8.0	8.0	0.0
Resource Transfer	62.5	15.6	15.6	0.0
Total Glasgow CHP	661.7	161.2	161.2	0.0
East Dunbartonshire CHP	80.3	19.5	19.5	0.0
East Renfrewshire CHCP	50.8	12.5	12.5	0.0
Inverclyde CHCP	72.5	17.6	17.6	0.0
North Lanarkshire CHP	9.5	2.4	2.4	0.0
Renfrewshire CHP	142.5	35.3	35.3	0.0
South Lanarkshire CHP	41.1	10.8	10.8	0.0
West Dunbartonshire CHCP	77.4	19.3	19.3	0.0
Total Non Glasgow CHPs/CHCPs	474.1	117.4	117.4	0.0
Total CHPs/CHCPs	1,135.8	278.6	278.6	0.0
Other Partnership Budgets	16.1	3.4	3.5	(0.1)
Total NHS Partnerships Expenditure	1,151.9	282.0	282.1	(0.1)

- Overall expenditure levels within NHS Partnerships are running over budget by £0.1m at 30 June 2012. All partnerships are currently running close to budget although there are a few areas, mainly Elderly Mental Health services and property costs where cost pressures are being offset by underspends in other service areas.
- At this early stage in the year, based on the expenditure information we have received to date prescribing expenditure is reported in line with budget. Costs reported for the first 3 months to 30 June are based on the actual costs for April extrapolated for the year to date. Only when the actual expenditure information is available for the first 3-4 possible will it be possible to make a more accurate assessment of the in year position against budgets and to monitor progress towards achievement of the Boards 2012/13 prescribing cost savings target of £16.5m.
- The Board has received an allocation of £16.9m from SGHD in respect of its share of the Change Fund for improving Older Peoples Services. The majority of this funding has already been transferred to the appropriate partnership budgets as schemes are implemented in partnership with Local Authorities and the independent and voluntary sectors to improve community services and provide increased capacity within acute hospitals. Local arrangements are in place to monitor the effectiveness of these schemes to ensure the impact of this investment is maximised.

5. Corporate and Other Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
Corporate Directorates				
Board Administration	3.0	1.4	1.6	(0.2)
Corporate Planning & Policy	4.0	0.8	0.9	(0.1)
Finance	7.6	1.9	1.9	0.0
Public Health	10.3	3.1	3.0	0.1
Nursing	2.9	1.0	1.0	0.0
Corporate Communications	0.8	0.2	0.2	0.0
Human Resources	2.2	0.9	0.9	0.0
Medical	0.3	0.1	0.1	0.0
Facilities	1.5	0.4	0.4	0.0
Health Information & Technology	2.7	1.6	1.6	0.0
Centre for Population Health	1.3	0.1	0.1	0.0
Total Corporate Budgets	36.6	11.5	11.7	(0.2)
Hosted Corporate Budgets				
HI&T	28.3	2.3	2.3	0.0
Human Resources	5.3	1.3	1.1	0.2
Medical Records	22.1	5.8	5.8	0.0
Medical Director	5.4	1.3	1.3	0.0
Prescribing Policy & Support Unit	25.0	6.2	6.2	0.0
Total Hosted Budgets	86.1	16.9	16.7	0.2
Other Corporate Budgets				
Healthcare Purchases	77.5	19.4	19.5	(0.1)
Other	6.6	(0.8)	(0.8)	0.0
Total Other Budgets	84.1	18.6	18.7	(0.1)
Total Expenditure	206.8	47.0	47.1	(0.1)

Note: From 1 April 2012 budgets for a number of boardwide services previously hosted within the Acute Division have been transferred back to the Board. These are reported as "Hosted Corporate Budgets" in the above analysis.

- At 30 June 2012 overall expenditure on Corporate and other Budgets is running ahead of budget by £0.1m.
- The main areas of cost pressure are within Board Administration where expenditure on legal fees continues to exceed budget. This is largely non recurring in nature and can be attributed to additional legal fees being incurred in respect of the Vale of Leven public enquiry.

6. Capital Expenditure Summary

	£m
Sources of Funds	
Anticipated Gross Capital Resource Limit (CRL) at 30 June 2012	336.4
Total Capital Resources for 2012/13	336.4
Use of Capital Funds	
Allocated to Approved Schemes	336.4
Anticipated slippage 2012/13	0.0
Anticipated Expenditure for 2012/13	336.4
Expenditure to Date	
Expenditure to 30 June 2012	35.1
Balance to be spent by 31 March 2013	301.3
Total Forecast Expenditure for 2012/13	336.4

- The Board's Capital Plan for 2012/13 was approved by the Board on 26 June 2012.
- The Board's anticipated Capital Resource Limit for 2012/13 is £336.4m. The main capital schemes for 2012/13 are:
 - Acute Division – New South Glasgow Hospital (£221.6m), Glasgow Royal Infirmary University Tower (£11.7m), Formula Capital Allocation (£12.7m) and Medical Equipment Allocation (£8.4m);
 - Partnerships – Vale Centre for Health & Care (£16.9m), Possilpark Health Centre (9.4m) and development of Leverndale Hospital (£7.1m); and
 - Health Information & Technology – various schemes (£7.4m).
- Total expenditure incurred to 30 June 2012 on approved capital schemes was £35.1m.

7. Cost Savings Targets

- In developing its Financial Plan for 2012/13 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 2012/13 has been set at £59.0m 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 are:
 - Acute Division targets - £29.3m
 - Partnership Care Group Redesign targets - £7.8m
 - Primary Care Prescribing - £16.5m
 - Partnerships Local targets – 3.0m
 - Corporate Services targets - £2.4m
- At this stage of the year based on information received from Heads of Finance for Acute and Partnerships our overall assessment is that at 30 June 2012 the Board is running slightly behind its year to date cost savings target. Future reports will provide a more detailed breakdown of progress with the delivery of cost savings schemes for Acute, Partnerships and Area Wide Strategic reviews.
- A comprehensive assessment of progress against savings targets will be undertaken over the next few months as part of the Board's mid year financial review. This will identify whether alternative schemes or actions may be required to enable the Board to achieve a breakeven out-turn.

8. 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.