

**NHS GREATER GLASGOW AND CLYDE**

**Board**  
**22 January 2008**

**Paper No. 08/9**

**Director of Finance**

**Financial Monitoring Report for the 8 month period to 30 November 2007**

**Introduction**

The attached report shows that the Board and its operational Divisions is reporting overall expenditure within £2.7m of budget for the first 8 months of the year of the year.

The report also includes details of expenditure against the Board's capital allocation and a progress report on achievement of the Board's 2007/08 cost savings targets.

Section 10 of the report details the results of the mid year review of financial performance against the Board's 2007/08 Financial Plan.

**Recommendation**

The Board is asked to note the financial performance for the first 8 months of the financial year and the comments relating to performance against the 2007/08 Financial Plan.

**Douglas Griffin**  
**Director of Finance**

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# **NHS Greater Glasgow & Clyde**

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## **Financial Monitoring Report for the 8 month period to 30 November 2007**

# Introduction

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The financial monitoring report which follows has been developed to mirror the new organisational structure which was introduced with NHS GG&C during the latter part of 2005/06. It is designed to provide an overview of financial outturn across all the Board's main operating Divisions and Directorates.

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 CHCP/CHP expenditure.
5. Summary of expenditure within other NHS partnerships.
6. Overview of "Clyde" financial outturn.
7. Overview of capital expenditure outturn.
8. Achievement of savings targets – progress report.
9. Glossary of terms
10. Supplementary Report – Mid Year Review of Financial Plan for 2007/08.

The overview of Clyde financial outturn is a "supplementary" report, which has been prepared by extracting the "Clyde" elements from each of the different Divisional and Directorate reports to form a consolidated picture of outturn for this geographical area of the Board's activities. This will continue to be provided for an initial period of 3 years and will assist with tracking progress in resolving the recurrent financial gap of around £30m which existed between funding and expenditure within the "Clyde" area of the Board's operations as at 1<sup>st</sup> April 2007.

It is hoped that the summary of CHCP/CHP expenditure will be further adapted in 2008/09 to incorporate a "memo" report of CHCP expenditure for those services managed by CHCP's which sit within Local Authority Service budgets. This will then enable a picture of CHCP expenditure outturn across all directly managed services, both NHS and Local Authorities, to be provided.

# 1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,646.2	1,700.9	1,700.9	0.0
Expenditure	2,646.2	1,700.9	1,698.2	2.7
<b>Surplus/(Deficit) for period</b>	<b>0</b>	<b>0</b>	<b>2.7</b>	<b>2.7</b>
<b>Capital Expenditure</b>	115.0	32.2	32.2	0

- At 30 November 2007 NHS Greater Glasgow and Clyde is reporting a close to breakeven position against a year to date budget of £1,701m. This confirms that the Board continues to manage its expenditure levels in line with budget.
- In 2006/07 the Board reported a revenue surplus of £27.3m which arose as a result of the impact of property disposals that were concluded during 2006/07. It was agreed with SGHD that this "one off" benefit could be carried forward into 2007/08 and deployed on a non recurring basis in the main to support the achievement of national waiting times targets by the required date of 31 December 2007. At this stage of 2007/08 the year end out-turn is forecast to be a breakeven position against the overall revenue budget. During November / December a detailed mid year financial review was undertaken covering all service areas and funding sources. This is reported in detail in Section 10 of this report.
- Expenditure on **Acute Services** continues to run within budget during the year to date with expenditure running £1.8m below budget for the first 8 months. At this stage all operational Directorates are operating reasonably closely in line with budgeted expenditure levels. The main cost pressures relate to non pay budgets, principally dressings, hospital drugs and instruments and sundries within the Surgery and Anaesthetics Directorate and utilities costs within the Facilities Directorate. The Acute Division continues to forecast an overall breakeven position for 2007/08.
- Expenditure on **NHS partnerships** was also running slightly below budget for the year to date. However, expenditure within the Renfrewshire CHP is exceeding budgeted levels at this stage of the year. This is due to additional expenditure on General Medical Services (GMS) within the Clyde area which continues to run at an annual level of £1.8m above available funding and increased expenditure on prescribing in the first half of the year. The additional expenditure on GMS will continue to feature in ongoing discussions with SGHD regarding the Board's plan for addressing the gap between funding and expenditure commitments within Clyde. The trend in prescribing expenditure has been examined in detail with our Prescribing Advisors and can be attributed to the commencement of a number of cost saving initiatives being delayed until the mid year point. As these begin to take effect during the second half year, expenditure levels are expected to fall back into line with plan.
- Total expenditure for the Clyde area has now moved below budget for the year to date. The Board continues to implement a 3 year cost savings plan for addressing the recurring deficit within the Clyde area of its management responsibilities. A firm plan for 2007/08 has been prepared and approved as part of the Board's financial plan for 2007/08. The process of finalising a firm plan for years 2 and 3 is largely dependent on the ability to implement the service strategies for the Clyde area as presented to and approved by the Board in June 2007. Discussions continue with SGHD colleagues to conclude arrangements for addressing the residual funding gap for 2007/08 not covered by cost savings plans or transitional funding currently set aside by SGHD. As in 2006/07 it is reasonable to anticipate that this will be met by a combination of additional transitional funding or further cost savings.
- A progress report on achievement of cost savings is included on page 10.

## 2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SEHD Income	2,194.7	1,402.0	1,402.0	0.0
Other Health Boards	260.8	173.9	173.9	0.0
National Services Division (NSD)	56.2	37.4	37.4	0.0
Additional Cost of Teaching (ACT)	18.3	10.7	10.7	0.0
NHS Education	48.0	32.0	32.0	0.0
Other Income	68.2	44.9	44.9	0.0
<b>Total Income</b>	<b>2,646.2</b>	<b>1,700.9</b>	<b>1,700.9</b>	<b>0.0</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,432.9	955.0	953.2	1.8
CHCPs/CHPs	795.0	517.8	516.7	1.1
Other NHS Partnerships	174.3	114.1	113.8	0.3
Corporate Departments	29.5	21.8	22.3	(0.5)
Resource Transfer (Note 1)	87.6	58.6	58.6	0.0
Other Healthcare Providers	50.1	33.6	33.6	0.0
Approved Funding for Expenditure Commitments not yet underway	76.8	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,646.2</b>	<b>1,700.9</b>	<b>1,698.2</b>	<b>2.7</b>
<b>Surplus / (Deficit) for the Period</b>	<b>0.0</b>	<b>0.0</b>	<b>2.7</b>	<b>2.7</b>

### Notes:

1. In addition to budgeted Resource Transfer of £87.6m for Greater Glasgow, a further £22.9m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £110.5m.

- Service Level Agreements with other Health Boards are close to being finalised for 2007/08 confirming that the associated income and expenditure budgets are realistic. During October/November the West of Scotland Cross Boundary Flow Financial Model was updated for 2005/06 patient activity thereby allowing the precise amount of income due from other West of Scotland Boards to be finalised for 2007/08.
- The SLAs which were agreed with NHS Highland for 2006/07 related to the cost of providing services to Argyll & Bute CHP following disaggregation of NHS Argyll & Clyde continue to apply in 2007/08. The work undertaken to establish the cost of services provided to patients in Argyll & Bute CHP has now been concluded. This will result in additional recurring income of £4.0m from NHS Highland phased over a 3 year period with the first £1.0m payable in 2007/08.
- The additional expenditure on Corporate Department budgets can largely be explained by the timing of expenditure in the current year to date and can be expected to reverse in the period up to the year end.
- At 30 November 2007 the Board had £76.8m of funds allocated for expenditure commitments but not yet under way. This includes funding provisions for items such as pay inflation including Agenda for Change (£38m) and waiting times (£12m) and other approved service commitments. This funding will be transferred to Directorates when expenditure commitments are incurred.

### 3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	196.9	131.9	131.7	0.2
Emergency Care & Medical	150.7	101.1	101.1	0.0
Rehabilitation & Assessment	99.9	64.5	63.8	0.7
Diagnostics Directorate	125.6	83.6	83.6	0.0
Oral Health	16.1	11.2	10.9	0.3
Regional Services	120.9	82.5	81.9	0.6
Women & Childrens Services	121.0	80.4	80.1	0.3
Facilities Directorate	104.7	69.1	70.2	(1.1)
Capital Charges and Rates	62.3	44.4	44.4	0.0
Acute Divisional Services	73.9	57.6	57.8	(0.2)
Approved Funding for Expenditure Commitments not yet underway	17.0	0.0	0.0	0.0
<b>Greater Glasgow Acute Services</b>	<b>1,089.0</b>	<b>726.3</b>	<b>725.5</b>	<b>0.8</b>
Clyde Acute Services	343.9	228.7	227.7	1.0
<b>Total Acute Services</b>	<b>1,432.9</b>	<b>955.0</b>	<b>953.2</b>	<b>1.8</b>

- At 30 November 2007, Acute Services are reporting expenditure levels running £1.8m below the year to date expenditure budget of £955m. At this stage the Acute Division is forecasting an overall breakeven position for 2007/08.
- There are a number of significant cost pressures within non pay budgets across both the Greater Glasgow and Clyde Directorates but these are currently being offset by the temporary impact of vacancies within pay budgets.
- Within a number of Directorates expenditure on surgical instruments and dressings has continued to run above budgeted level(s). The increased spend can almost certainly be attributed to additional patient activity associated with the achievement of waiting times targets by 31 December 2007. Expenditure on hospital drugs is running at higher levels than expected at this stage and this will be kept under close review over the coming months.
- The overspend within the Facilities Directorate is attributable to utilities cost pressures, in particular electricity and gas expenditure. This was reviewed as part of the mid year review process and it is clear that as energy costs are not likely to reduce therefore additional funding provided non recurrently in 2007/08 will require to be made recurring in 2008/09. In addition, the Acute Division continues to review the alignment of its service budgets in a number of areas to ensure this continues to reflect current expenditure patterns.
- Overall expenditure within Clyde Acute Services has continued to run below budget with an underspend against expenditure budgets of £1.0m being reported for the first eight months of the year.

## 4. CHCPs and CHPs - NHS Budgets

	Initial Approved Budget £m	Virement £m	Supplementary Approvals £m	Revised Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	110.8			110.8	71.5	71.3	0.2
North Glasgow CHCP	67.8			67.8	44.0	44.0	0.0
South West Glasgow CHCP	69.1			69.1	45.1	45.0	0.1
South East Glasgow CHCP	72.4			72.4	47.2	46.9	0.3
West Glasgow CHCP	114.4			114.4	73.3	73.0	0.3
<b>Total Glasgow CHCPs</b>	<b>434.5</b>			<b>434.5</b>	<b>281.1</b>	<b>280.2</b>	<b>0.9</b>
East Renfrewshire CHCP	42.3			42.3	27.7	27.7	0.0
East Dunbartonshire CHP	48.4			48.4	31.5	31.4	0.1
South Lanarkshire CHP	32.1			32.1	20.9	20.9	0.0
North Lanarkshire CHP	8.1			8.1	5.3	5.3	0.0
West Dunbartonshire CHP	66.7			66.7	43.6	43.3	0.3
Inverclyde CHP	56.3			56.3	37.7	37.5	0.2
Renfrewshire CHP	106.6			106.6	70.0	70.4	(0.4)
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>360.5</b>			<b>360.5</b>	<b>236.7</b>	<b>236.5</b>	<b>0.2</b>
<b>Total CHPs/CHCPs</b>	<b>795.0</b>			<b>795.0</b>	<b>517.8</b>	<b>516.7</b>	<b>1.1</b>

- Expenditure levels within CHCPs and CHPs are showing an overall breakeven position against expenditure budgets at 30 November 2007. However, Renfrewshire CHP is currently reporting increased expenditure against budget. This is due to the impact of available General Medical Services funding for the Clyde area being less than related expenditure commitments and increased expenditure on prescribing for the first half of the year. The trend in prescribing expenditure has been examined in detail with our Prescribing Advisors and can be attributed to the commencement of a number of cost saving initiatives being delayed until the mid year point. As these begin to take effect during the second half year, expenditure levels are expected to fall back into line with plan.
- The columns for virement and supplementary approvals are consistent with the agreed format which will be used to report both NHS and Local Authority expenditure against budget over the course of the year. In time, changes to initial approved budgets will be tracked through these columns. However, at this stage we are only reporting NHS expenditure and we do not expect to be in a position to report Local Authority Expenditure until 2008/09. In due course, it is hoped that these reports will show both NHS and Local Authority expenditure separately and in a consolidated format.
- Notwithstanding the additional expenditure within Clyde, overall prescribing expenditure within NHS Greater Glasgow & Clyde remains within budget. As in 2006/07, prescribing expenditure continues to be managed on a risk sharing basis across all Partnerships. Further comments are included in section 10 of this report.
- The new Pharmacy Contract continues to be rolled out in 2007/08. It is anticipated that implementation will be cost neutral for the service in 2007/08. Our experience of managing the implementation of the GMS Contract where costs exceeded initial expectations, suggests that we require to carefully monitor progress with the implementation of the new payment arrangements for Pharmacists as these unfold. We will continue to do this during the remainder of 2007/08 and into 2008/09.

## 5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	129.2	85.1	85.1	0.0
Learning Disabilities Services	14.5	9.6	9.7	(0.1)
Addictions Services	17.4	10.6	10.6	0.0
Services for Homeless People	4.3	2.9	2.5	0.4
Other Partnership Budgets (note 1)	8.9	5.9	5.9	0.0
<b>Total Partnerships</b>	<b>174.3</b>	<b>114.1</b>	<b>113.8</b>	<b>0.3</b>

- ❑ Expenditure levels within other NHS Partnerships continue to run close to financial breakeven at this stage of the financial year.
- ❑ Expenditure on Mental Health Services is showing an overall breakeven position and expenditure on Learning Disabilities Services is also running closely in line with budget. Within the Glasgow Learning Disabilities Service there is some cost pressure associated with the provision of residential services as a result of the level of support required by residents.
- ❑ Within the Clyde area there are a number of cost pressures which can be attributed to expenditure on a range of care packages exceeding available budgets, also to a number of cost pressures including increased nursing costs to provide special observation cover and non recurring transitional costs associated with closure of Merchiston Hospital. The Mental Health Partnership is actively reviewing these areas of expenditure and the position is now improving.
- ❑ At this stage the financial out-turn is not highlighting any other significant cost pressures with compensating overspends and underspends generally levelling out to a close to breakeven position across all Partnerships. The reduced level of spend relative to budget on services for homeless people can be attributed to the timing of expenditure items relative to plan.

**Note:**

1. Other Partnership budgets include budgets for support services (HR/Finance/Estates/HI&T etc) for all Partnerships and CHPs/CHCPs.

## 6. Clyde Financial Position

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	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Acute (including Facilities)	343.9	228.7	227.7	1.0
CHPs	220.8	148.2	148.5	(0.3)
Other NHS Partnerships	44.4	30.1	30.2	(0.1)
<b>Total Expenditure</b>	<b>609.1</b>	<b>407.0</b>	<b>406.4</b>	<b>0.6</b>

- The table above shows performance of the Clyde area against budget for the main operational service areas.
- PRG and Board Members will be aware that the total Clyde expenditure budget for 2007/08 is set at a level of £22m in excess of available recurring funding.
- The Board has developed a cost savings plan to address this gap on a recurring basis. Discussions with SGHD colleagues have taken place to agree transitional funding levels for 2007/08 but at this stage there remains a residual gap of £8.0m that will require to be bridged by either additional cost savings or by further transitional funding. The Board is in ongoing discussions with SGHD to review how this residual gap will be addressed in 2007/08.
- Further comments are included in section 10 of this report.

## 7. Capital Expenditure Summary

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	<b>£m</b>
<b>Sources of Funds</b>	
Gross Capital Resource Limit at 30 November 2007	127.5
Add: Anticipated Allocations	1.2
Add: Capital Income	0
<b>Total Capital resources for 2007/08</b>	<b>128.7</b>
Add: Brokerage agreed with SEHD from 2006/07	24.9
Less: Brokerage agreed with SEHD for 2007/08	-38.6
<b>Adjusted Capital Resource Limit for 2007/08</b>	<b>115.0</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	115.0
<b>Expenditure to Date</b>	
Expenditure to 30 November 2007	32.2
Balance to be spent between December 2007 and March 2008	82.8
<b>Total Forecast Expenditure for 2007/08</b>	<b>115.0</b>

- At 30 November 2007 the Board's available capital funding (Capital Resource Limit) for 2007/08 was £127.5m. Further allocations of £1.2m are anticipated which will increase the allocation for 2007/08 to £128.7m.
- After adjustments are incorporated to add brokerage carried forward from last year and deduct the brokerage SGHD colleagues have confirmed can be carried forward into 2008/09 the revised Capital Resource Limit for 2007/08 is £115.0m and this amount has been fully allocated to capital schemes. Further comments are included in section 10 of this report.
- The Board's Capital Planning Group monitors the current and forecast out-turn position on a regular basis and liaises with SGHD Colleagues to enable them to manage the overall capital expenditure funding allocation for NHS Scotland. The group meets on a regular basis.
- After the first 8 months of the financial year total expenditure is £32.2m leaving £82.8m available for expenditure in the remaining four months of the year.

## 8. Savings Targets

Description	Current Year Target £'000	Full Year Effect £'000	Confirmed & being Achieved £'000	To be Confirmed £'000	Total £'000
<b>Clyde</b>					
Primary Care Prescribing	3,800	3,800	3,800		3,800
Acute Prescribing	250	250	250		250
Management Costs	250	250	250		250
Financial Services	200	300		300	300
Internal Audit	100	200	120	80	200
Payroll	100	200		200	200
Estates	130	130	130		130
Laundry	600	600	600		600
Laboratories	150	150	150		150
General Procurement	200	200	200		200
Mental Health Unplanned Activity	500	500	500		500
Nurse Agency / Overtime	100	100	100		100
Junior Doctors	655	655	655		655
<b>Clyde</b>	<b>7,035</b>	<b>7,335</b>	<b>6,755</b>	<b>580</b>	<b>7,335</b>
<b>Glasgow</b>					
General Procurement	1,800	1,800	1,800		1,800
Prescribing	2,800	2,800	2,800		2,800
Sickness Absence Reduction	1,500	1,500	0	1,500	1,500
Service Reconfiguration Initiatives	1,650	1,650	1,650		1,650
Local Schemes	1,600	1,600	1,600		1,600
<b>Glasgow</b>	<b>9,350</b>	<b>9,350</b>	<b>7,850</b>	<b>1,500</b>	<b>9,350</b>
<b>Cost Savings Schemes - Total</b>	<b>16,385</b>	<b>16,685</b>	<b>14,605</b>	<b>2,080</b>	<b>16,685</b>

- In 2007/08 the Board is required to deliver a cost savings plan of £16.4m as part of the Scottish Government Efficient Government – Efficiency savings Initiative.
- The Board has identified recurring savings plans of £16.385m for 2007/08, as follows:
  - Greater Glasgow Cost Savings targets - £9.350m
  - Clyde Cost Savings Plan targets - £7.035m (in addition, a target of £4.0m has been included within the Financial Plan for non recurring savings from Clyde budgets)
- The table above shows the targets for each of the main schemes together with the values confirmed as achieved to date and balance yet to be confirmed. At this stage the Board is forecasting full achievement of the overall target for 2007/08.

## 9. Glossary of Terms

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### **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 Arbutnott 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.

# 10. Mid Year Review of Financial Plan

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## **Overview**

A review of the Board's Financial Plan for 2007/08 has recently been completed. This confirms that it is reasonable for the Board to continue to forecast that it will manage total expenditure within available resources in 2007/08, and thereby remain within its revenue and capital resource limits for 2007/08.

The Board continues to forecast a revenue breakeven position for 2007/08. However, our ability to achieve this will depend in measure on the timing of expenditure against further ring fenced funding allocations received between now and 31 March, the impact of which could potentially produce a year end surplus of up to £5m for the Board.

The Board approved its annual Financial Plan for 2007/08 in June 2007. This mid year review has encompassed a comprehensive assessment of each element of the Financial Plan. The most significant points to emerge are detailed below.

## **Recurring Financial Position**

This remains unchanged from the position previously reported, with recurring expenditure commitments now exceeding available funding by around £22m (after taking account of 2007/08 recurring cost savings). This is wholly attributable to the imbalance between recurring expenditure commitments and funding related to the Clyde area of the Board's management responsibilities. The position related to the Greater Glasgow area of the Board management responsibilities continues to be one of financial breakeven.

Since the Financial Plan for 2007/08 was completed work to identify the cost of services provided to NHS Highland in respect of Argyll & Bute CHP patients has been concluded. This has confirmed that an additional £4.0m is due by NHS Highland thereby reducing the Board's share of the inherited Clyde deficit by £4.0m. NHS Highland will pay an additional £1.0m to the Board in 2007/08 stepping up to full reimbursement by 2009/10.

The plan for addressing this funding gap in 2007/08 remains unchanged, and comprises a mix of locally generated recurring and non-recurring cost savings and transitional funding "relief" provided by SGHD. A brief summary, identifying progress made to date in securing the required level of non-recurring funding in 2007/08, is provided below:

<b>Funding Source</b>	<b>£m</b>	<b>Status</b>
Cost Savings Plan 2007/08 (£4.0m non recurring savings contribution)	4.0	Currently being implemented and achieved in 2007/08
SGHD transitional funding relief	10.0	Received from SGHD
Further SGHD transitional funding relief/locally generated cost savings	8.0	Agreement remains to be finalised
<b>Total</b>	<b>22.0</b>	

## 10. Mid Year Review of Financial Plan

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The summary shows that a residual funding gap of £8.0m remains in 2007/08. It is reasonable to anticipate that this can be resolved with SGHD following the same approach as in 2006/07 and that during January/February joint discussions will continue with SGHD colleagues to finalise an agreement for achieving this.

### **Non-Recurring Financial Position**

There has been no significant change from the position reported within the original financial plan for 2007/08.

In 2006/07 the Board generated a revenue surplus of £27.3m mainly as a result of the non recurring benefit of the sale of the former Woodilee Hospital site. This surplus was carried forward into 2007/08 and has been used as a source of funding to meet the national waiting times targets and other non recurring commitments in the Financial Plan. From 1 April 2007 all gains on disposals of land assets are required to be accounted for as additional capital allocations so land disposals will no longer feature as sources of non recurring revenue funds. It should however be noted that there are no land sales scheduled for completion in 2007/08.

During the year, the Acute Division has implemented its plans for securing the achievement of targeted waiting times for patients with ASC codes by December 2007. The cost of this has been largely non-recurring in nature, and after taking account of that proportion of the cost to be contributed by other Health Boards related to their patient activity, has been in line with the levels of funding provided for within the Board's Financial Plan.

It is possible that the Board will generate a small level of non-recurring "surplus" in 2007/08 related to those ring fenced funding allocations which are received in year, particularly within the second half year, where expenditure will not get fully underway until 2008/09. At this stage it is impossible to predict with accuracy what this figure might be, however based on previous experience it is reasonable to expect that it may be up to £5m.

### **Capital Expenditure**

A full review of forecast expenditure in 2007/08 across all capital schemes has been carried out during November and December 2007.

In 2006/07 the Board secured year end brokerage of £24.9m of funding to be carried forward and added to the 2007/08 funding allocation. Following an initial review of the Board's Capital Plan for 2007/08 which was carried out at an earlier stage of financial year, year end brokerage of £28.4m was agreed with SGHD to be carried forward into 2008/09. A more recent review of the capital plan by the Capital Planning Group has identified that there was additional in year slippage of £10.2m against the approved schemes in the plan. This slippage was initially reallocated to other schemes but subsequent discussions with SGHD colleagues confirmed that they are content for this to be carried forward into 2008/09 giving total year end brokerage of £38.6m. This is a particularly high level of brokerage which can be attributed in large measure to the following factors:

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- The withdrawal of the facility to vire a proportion of capital funding into revenue to cover expenditure on minor equipment, buildings refurbishment, repairs etc. This undoubtedly contributed to a slower rate of consumption of capital funding during 2006/07 and 2007/08 relative to previous years as “replacement” projects, particularly new build, experienced longer planning lead times and were consequently slower to get underway.

- A general increase in the level of capital funding made available in 2006/07 and 2007/08. This combined with the withdrawal of the capital and revenue virement facility has contributed to considerable pressure on the Board, in terms of its management capacity, to deploy its capital allocation in full in both years.

### **Divisional/Directorate outturns**

At the mid year point, Acute Services reported an overall breakeven financial position on an expenditure budget of £696m, and are projecting an annual breakeven outturn on a full year budget in excess of £1.4 billion.

The Division is currently containing cost pressures of approximately £3m - £5m in total across a wide range of different services, managing these within the context of its overall expenditure budget. The main areas experiencing cost pressures are within supplies budgets for surgical instruments and dressings and energy costs. Additional non recurring funding has been made available to offset energy cost pressures during 2007/08 but is almost certain that this will now require to be provided on a recurring basis from 2008/09.

CHCP's and CHP's are collectively, and individually with the exception of the Clyde CHP's, managing expenditure levels on NHS services within available funds for the year to date, as are other NHS Partnerships. Latest projections forecast that this position will be maintained through to the year end.

Within Clyde, unfunded expenditure on GMS contract implementation has continued to push individual CHP's into the red. This cost pressure is directly linked with the approach taken by SGHD in making available additional funds for enhanced services in 2006/07, and so will be kept under review as part of the Board's ongoing discussions with SGHD aimed at addressing the residual funding gap which exists within Clyde.

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## **Specific areas of risk**

### **Primary Care Prescribing expenditure**

As reported previously, expenditure on primary care prescribing continues to run within budget during 2007/08. Our assessment is that the amounts currently set aside as funding provisions within NHSGG&C should be sufficient to cover the full amount of new Pharmacy Contract related costs in 2007/08. In summary, there should be no significant cost exposure related to primary care prescribing in 2007/08.

Significant reductions to drug tariff rates used to reimburse community pharmacists for dispensing a range of generic drugs are now beginning to take effect, pulling prescribing costs down below budgeted levels of expenditure. This was to be anticipated, being part of a plan to draw back resource to fund the provision of services by community pharmacists under the terms of a new Pharmacy Contract. Our current assessment of the impact of this reduction is that it will generate a one off windfall saving for NHSGG&C of up to £10m in 2007/08. However, it should be noted that SGHD has indicated that the recurring benefit of this saving will be retained centrally and not made available to Boards as part of the 2008/09 funding allocation.

The Board's Financial Plan included an assumption that £10.0m of non specific non recurrent revenue funds would be generated during 2007/08 within Greater Glasgow to meet in year non recurring expenditure commitments and a further £4.0m of non recurring revenue funds to utilise towards bridging the "Clyde" funding gap. This "windfall" makes a significant contribution towards meeting this funding requirement.

### **Agenda for change costs**

Feedback received related to the actual costs incurred for those staff assimilated to date has continued to confirm that the assumptions used to establish pay cost provisions appear to have been realistic. This provides reassurance that overall cost provisions made to date for Agenda for Change implementation are likely to be robust.

### **Cost savings plans**

Cost savings targets were embedded within Division/Directorate cost budgets at the inception of the year. For the large majority of "projects" cost savings are being achieved.

In overall terms, the Board is forecasting full achievement of the cost savings target of £16.4m for 2007/08. This is reflected in Divisional outturns reported to date.

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### **Energy Costs**

It has previously been reported that there has been a significant increase in energy costs across the NHS in Scotland in recent years and additional provision was made for this within the Board's Financial Plan. In setting the original financial plan for 2007/08, 50% of the provision for increased energy costs was made on a non-recurrent basis pending further clarity emerging on price trends during 2007/08. National Shared Services Scotland is currently negotiating with suppliers however initial feedback is that it is unlikely that reductions in prices and therefore costs are achievable.

In the light of actual expenditure levels in 2007/08, the Board will require to convert this provision from non-recurrent to recurrent in setting a financial plan for 2008/09. However, even with this adjustment it should be noted that the Acute Division will continue to absorb a significant energy cost pressure of around £3m per annum within its overall expenditure budget.

### **Income from West of Scotland Health Boards**

As in 2006/07, a full 3 years rolling average activity has been used to calculate income due from other West of Scotland Boards. This has remained broadly unchanged and therefore income levels for 2007/08 will be in line with expected levels.

### **Income from NHS Highland Service Level Agreements**

During the early part of the year work commissioned jointly with NHS Highland to establish the cost of services provided to Argyll & Bute patients was concluded. This will increase the Board's income by £4.0m, phased over a 3 year period, with the first £1.0m being paid in 2007/08. In addition, the Service Level Agreements for non clinical and community based services established in 2006/07 continue in place and income levels are expected to be in line with budgets.