

Board

19 August 2008

Paper No. 08/39

Director of Finance

Financial Monitoring Report for the 3 month period to 30 June 2008

Introduction

The attached report shows that the Board and its operational Divisions is currently reporting a breakeven out-turn position against its revenue budget after the first 3 months of the year of the year. The Board continues to forecast a revenue breakeven position for 2008/09.

The report also includes details of expenditure to date against the Board's 2008/09 capital allocation and a progress report on achievement of the Board's 2008/09 cost savings targets.

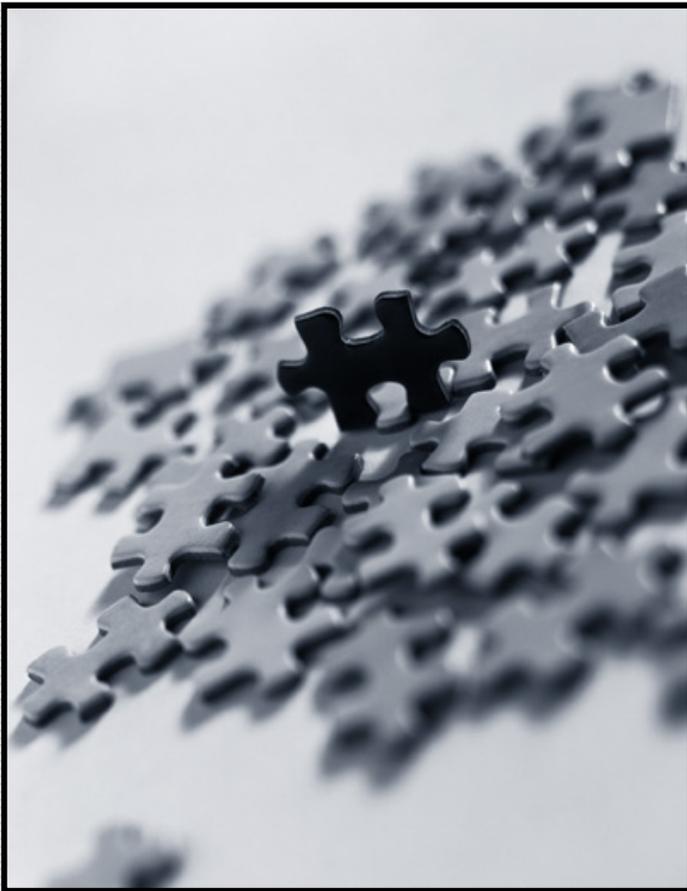
Recommendation

The Board is asked to note the Board's financial performance for the first 3 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 3
month period to
30 June 2008**

Introduction

The financial monitoring report which follows has been developed to mirror the new organisational structure which was introduced with NHSGG&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 cost savings targets – progress report.
9. Glossary of terms

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 which currently exists between funding and expenditure within the "Clyde" area of the Board's operations.

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	2,611.8	633.7	633.7	0.0
Expenditure	2,600.4	633.7	633.6	0.1
Surplus/(Deficit) for period	11.4	0.0	0.1	0.1
Capital Expenditure	127.2	7.1	7.1	0

- At 30 June 2008 NHS Greater Glasgow and Clyde is reporting expenditure levels running closely in line with budgeted levels . This confirms that the Board continues to manage its expenditure levels in line with budget.
- The Board's financial plan has set a target surplus of £11.4m for 2008/09 to cushion the impact of the additional cost commissioning two new Ambulatory Care Hospitals (ACHs) in 2009/10. Our ability to generate this level of planned surplus is dependent upon the timing of achieving cost savings targets which the Board has set itself as part of its cost savings plan for 2008/09.
- Expenditure on **Acute Services** is running close to budget during the year to date with expenditure running £0.3m over budget for the first 3 months of the year. At this stage all Clinical Directorates are operating reasonably close to budget. The most significant individual cost pressure is expenditure on energy costs "fuelled" by recent price rises. NHS Scotland is due to renew its contract for the supply of energy in October 2008. As current prices for gas and energy are in excess of the existing contract prices, dependent upon price movements between now and October the Board may face some further pressure in the second half of the year.
- Expenditure on **NHS partnerships** is also running slightly ahead of budget for the year to date. In particular, expenditure within the Renfrewshire CHP remains above budget. This is mainly 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. This will continue to feature in discussions with SGHD colleagues as part of the process to address the residual Clyde deficit.
- Total expenditure for the Clyde area is running in line with 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 has been approved and is incorporated in the Board's cost savings plan for 2008/09. Transitional funding of £8.0m has been confirmed for 2008/09 which together with £4.0m of internal non recurring cost savings should enable a breakeven position to be achieved within Clyde during 2008/09. Further details are provided on page 8 of this report.
- A detailed report on achievement of cost savings targets is included on page 10. At 30 June 2008 the Board has achieved savings of £9.2m against a year to date target of £9.5m with the shortfall being due to the timing of releasing Clyde prescribing savings. At this stage the Board is currently forecasting full achievement of its 2008/09 savings targets. This will continue to be closely monitored during the remainder of the year as delivery of this savings target is crucial not only to achievement of the Board's revenue target for the year but will also provide some cushion against the step up in revenue costs associated with commissioning the ACHs .

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,213.1	537.7	537.7	0.0
Other Health Boards	208.9	50.3	50.3	0.0
National Services Division (NSD)	66.3	16.5	16.5	0.0
Additional Cost of Teaching (ACT)	18.3	4.5	4.5	0.0
NHS Education	48.9	12.6	12.6	0.0
Other Income	56.3	12.1	12.1	0.0
Total Income	2,611.8	633.7	633.7	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,424.5	352.2	352.5	(0.3)
CHCPs/CHPs	778.0	193.5	193.9	(0.4)
Other NHS Partnerships	181.4	44.8	44.7	0.1
Corporate Departments	28.7	8.3	7.8	0.5
Resource Transfer (Note 1)	90.1	22.5	22.5	0.0
Other Healthcare Providers	48.4	12.4	12.2	0.2
Approved Funding for Expenditure Commitments not yet underway	49.3			0.0
Total Expenditure	2,600.4	633.7	633.6	0.1
Surplus / (Deficit) for the Period	11.4	0.0	0.1	0.1

Notes:

1. In addition to budgeted Resource Transfer of £90.1m for Greater Glasgow, a further £23.4m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £113.5m.

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2007/08 values and updating these to take account of inflation. While final values still remain to be confirmed we do not anticipate significant difficulties in securing budgeted values for 2008/09. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which has now been updated allowing the Board to reach agreement on final values.
- The work undertaken to establish the cost of inpatient, daycase and outpatient services provided to patients in Argyll & Bute CHP was concluded during 2007/08. This resulted in additional recurring income of £4.0m from NHS Highland. In addition, the SLAs for community and non clinical services established in 2006/07 have continued in place and income levels for 2008/09 are expected to be in line with budgets.
- Discussions are ongoing with Local Authority colleagues within the context of local planning groups to reach final agreement on resource transfer levels for 2008/09.
- At 30 June 2008 the Board had £49.3m of funds allocated for expenditure commitments approved but not yet under way. This includes funding provisions for pay inflation including Agenda for Change together with earmarked funding received to date in respect of specific service commitments (eg Addictions funding). This funding will be applied to service budgets when deployment of the aforementioned funding allocations is agreed as the related expenditure is incurred.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	194.0	48.9	49.5	(0.6)
Emergency Care & Medical	144.6	37.7	38.1	(0.4)
Rehabilitation & Assessment	99.7	24.9	24.9	0.0
Diagnostics Directorate	127.6	32.1	32.5	(0.4)
Oral Health	15.4	4.6	4.5	0.1
Regional Services	104.8	27.8	27.8	0.0
Women & Childrens Services	120.2	30.6	31.7	(1.1)
Facilities Directorate	105.2	26.7	26.9	(0.3)
Capital Charges and Rates	68.5	19.5	19.5	0.0
Acute Divisional Services	153.8	35.3	33.0	2.3
Approved Funding for Expenditure Commitments not yet underway	24.5			0.0
Greater Glasgow Acute Services	1,158.4	288.1	288.4	(0.3)
Clyde Acute Services	266.1	64.2	64.2	(0.0)
Total Acute Services	1,424.5	352.2	352.5	(0.3)

- At 30 June 2008, Acute Services are reporting expenditure levels running £0.3m higher than the year to date expenditure budget of £352m.
- Within individual Directorates the main cost pressures continue to be on non pay expenditure particularly on Dressings and Instruments & Sundries. Expenditure on hospital drugs is running close to budget at this stage. Additional expenditure on Women & Children's services is currently being investigated to understand the factors that are contributing to the variance.
- The overspend reported by the Facilities Directorate can mainly be attributed to overall spending on energy within the Board. Notwithstanding the fact that in recent years £7m of additional recurring funding has been played in, energy costs continue to exceed budget by a significant margin. This continues to be attributable to increased prices for gas and electricity which to date have shown little sign of easing back. NHS Scotland is seeking to put a contract in place for energy costs beyond October 2008 when the existing national contract expires. Contract tariffs will depend on movements in prices in energy markets and could result in a further cost pressure in the second half of the year. The position will be kept under close review during the remaining months of the year.
- Overall expenditure within Clyde Acute Services has continued to run within budget with a breakeven position being reported for the first three months of the year. From 1 July 2008 Clyde Acute services will be integrated with their Greater Glasgow counterparts to form area wide directorates and so future monitoring reports will therefore show expenditure against a combined budget. The overall position for Clyde will continue to be monitored and reported in the memorandum report included on page 8.

4. CHCPs and CHPs - NHS Budgets

	Initial Approved Budget £m	Virement £m	S'mentary Approvals £m	Revised Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	107.7			107.7	26.8	27.0	(0.2)
North Glasgow CHCP	64.3			64.3	16.3	16.4	(0.1)
South West Glasgow CHCP	68.1			68.1	17.0	17.0	0.0
South East Glasgow CHCP	71.6			71.6	17.6	17.5	0.1
West Glasgow CHCP	109.3			109.3	27.2	27.2	0.0
Total Glasgow CHCPs	421.0			421.0	104.9	105.1	(0.2)
East Renfrewshire CHCP	41.6			41.6	10.3	10.3	0.0
East Dunbartonshire CHP	48.0			48.0	11.7	11.7	0.0
South Lanarkshire CHP	31.5			31.5	7.8	7.8	0.0
North Lanarkshire CHP	7.9			7.9	2.0	2.0	0.0
West Dunbartonshire CHP	65.9			65.9	16.1	16.1	0.0
Inverclyde CHP	58.1			58.1	14.5	14.4	0.1
Renfrewshire CHP	104.0			104.0	26.2	26.5	(0.3)
Total Non Glasgow CHPs/CHCPs	357.0			357.0	88.6	88.8	(0.2)
Total CHPs/CHCPs	778.0			778.0	193.5	193.9	(0.4)

- Overall expenditure levels within CHCPs and CHPs are running slightly over budget at 30 June 2008 with most individual partnerships operating within £0.1m of budget for the first quarter. However, Renfrewshire CHP is currently reporting increased expenditure against budget of £0.3m as a result of the the impact of available General Medical Services funding for the Clyde area being less than related expenditure commitments. It is anticipated that this will feature in discussions with SGHD colleagues as part of the process of addressing the residual Clyde deficit.
- At this stage of the year overall prescribing expenditure is running in line with budgeted levels. Expenditure forecasts have been examined in detail and these will continue to be kept under close review during the remaining months of the year.
- Within the Clyde area achievement of the targeted prescribing savings of £1.4m for 2008/09 is running behind plan at this stage of the year. This can be attributed to the timing of commencement of a number of cost saving initiatives. As these begin to take effect during the second half year, prescribing expenditure levels are expected to fall back into line with budget.
- 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. This provides a facility to track changes to initial approved budgets through these columns. At this stage we are only reporting NHS expenditure however in due course, it is hoped that this report will be able to show both NHS and Local Authority expenditure separately and in a consolidated format.

5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	119.9	30.2	30.2	0.0
Learning Disabilities Services	14.1	3.5	3.5	0.0
Addictions Services	17.0	4.0	4.0	0.0
Services for Homeless People	4.4	1.0	0.9	0.1
Other Partnership Budgets (note 1)	26.0	6.1	6.1	0.0
Total Partnerships	181.4	44.8	44.7	0.1

- Expenditure levels within other NHS Partnerships are running close to financial breakeven at this stage of the financial year.
- Expenditure on Mental Health Services is showing a close to breakeven position at this stage of the year. The most significant cost pressure is ECRs (Extra Contractual Referrals) with other providers and steps are being taken to contain expenditure in 2008/09 where possible through greater use of locally provided services.
- Expenditure on Learning Disabilities Services is also running closely in line with budget. Within the Glasgow Learning Disabilities Service there is some ongoing 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 within Mental Health Services which can be attributed to expenditure on increased nursing costs to provide special observation cover. The Mental Health Partnership is actively reviewing this area of expenditure.
- 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 of £0.1m 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 and funding for approved expenditure commitments that has not yet been passed out to service budgets.

6. Clyde Financial Position

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Acute (including Facilities)	266.1	64.2	64.2	(0.0)
CHPs	217.4	54.3	54.4	(0.1)
Other NHS Partnerships	33.4	8.4	8.4	0.0
Total Expenditure	516.9	126.9	127.0	(0.1)

- The table above shows out-turn of the Clyde area against budget for the main operational service areas. At 30 June 2008 overall expenditure for the Clyde area was running close to budget.
- The total Clyde expenditure budget for 2008/09 is set at a level of £12.0m in excess of available recurring funding after taking account of 2008/09 cost savings targets.
- For 2008/09 the Board has now reached an agreed position with SGHD regarding how the residual gap of £12.0m will be addressed. The planned final position for 2008/09 is summarised in the table below. Assuming savings targets are achieved the remaining recurring gap for Clyde at 1 April 2009 will be £12.0m.

Funding Source	Recurring £	Non Recurring £	Net Position £m	Status
Recurring funding gap at 1 April 2008 (original £26.0m less £7.0m recurring savings achieved in 2007/08)	19.0	0.0	19.0	
Less Savings/Transitional Funding: Cost Savings Plan 2008/09 (£7.0m recurring savings contribution)	7.0		7.0	Currently being implemented
SGHD transitional funding relief		8.0	8.0	Confirmed by SGHD
Additional non recurring savings		4.0	4.0	Currently being implemented
Residual gap at 31 March 2009	12.0	(12.0)	0.0	

7. Capital Expenditure Summary

	£m
Sources of Funds	
Gross Capital Resource Limit at 30 June 2008	115.4
Add: Anticipated Allocations	11.8
Add: Capital Receipts	0
Total Capital resources for 2008/09 prior to final agreement on brokerage	127.2

- At 30 June 2008 the Board's anticipated capital funding (Capital Resource Limit) for 2007/08 was £115.4m. Further allocations of £11.8m are anticipated which will increase the allocation for 2008/09 to £127.2m. The Board has agreed with SGHD that £38.1m of brokerage will be carried forward from 2007/08 and is currently in discussion with SGHD colleagues to reach final agreement on how this can be deployed in 2008/09 and 2009/10 to best match the Board's capital expenditure plans. When the final brokerage position is agreed the Board's Capital Resource Limit will be adjusted to incorporate this.
- The Board is currently in the closing stages of finalising a capital plan for the 3 year period to 2010/11. This will confirm the precise amount to be allocated for expenditure on capital schemes in 2008/09.
- Total expenditure incurred to 30 June 2008 on capital schemes which had already been approved in earlier years was £7.1m.

8. Cost Savings Targets

- In developing its Financial Plan for 2008/09 the Board requires to set a cost savings target that will:
 - enable the Board to achieve a balanced out-turn;
 - meet the SGHD requirement to achieve a 2% recurring reduction in costs against its revenue allocation as part of the Scottish Government Efficiency Savings Initiative;
 - enable a balanced financial position to be restored Clyde by 2009/10; and
 - release 50% of the additional revenue costs associated with commissioning its new Ambulatory Care Hospitals in 2009/10.
- In its Financial Plan for 2008/09 the Board identified a cost savings challenge of £42.2m for 2008/09. It also identified further real cost pressures of c£8m associated with expenditure on energy, capital charges and hospital drugs. This combines to produce a total cost savings target for 2008/09 of £50.7m.
- The table below shows how this overall savings target breaks down across the main service areas, the associated savings target for each area and the actual savings achieved for the first three months of the year. "Expected savings" reflects the phasing of savings plans during the year, in particular the fact that there are a number of areas where plans are currently under development.
- At 30 June 2008 the Board is reporting achievement of £9.2m of recurring savings. Clyde Prescribing Savings are running behind the expected levels and can be attributed to the commencement of a number of cost saving initiatives being delayed until the mid year point. As these take effect during the second half year, prescribing expenditure levels are expected to fall back into line with budget to confirm that the required savings have been achieved.

Description	Recurring Target £'m	Expected at 30 June £'m	Achieved at 30 June £'m	Under Achieved £'m
Acute	29.1	5.2	5.2	0.0
Partnerships	14.9	3.4	3.1	0.3
Corporate Departments	6.7	0.9	0.9	0.0
Total	50.7	9.5	9.2	0.3

9. 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 Arbuthnott 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.