

NHS GREATER GLASGOW AND CLYDE

**Board Meeting
Tuesday 19 December 2006**

Paper No. 06/76

DIRECTOR OF FINANCE

FINANCE REPORT TO 30 SEPTEMBER 2006

Recommendation:

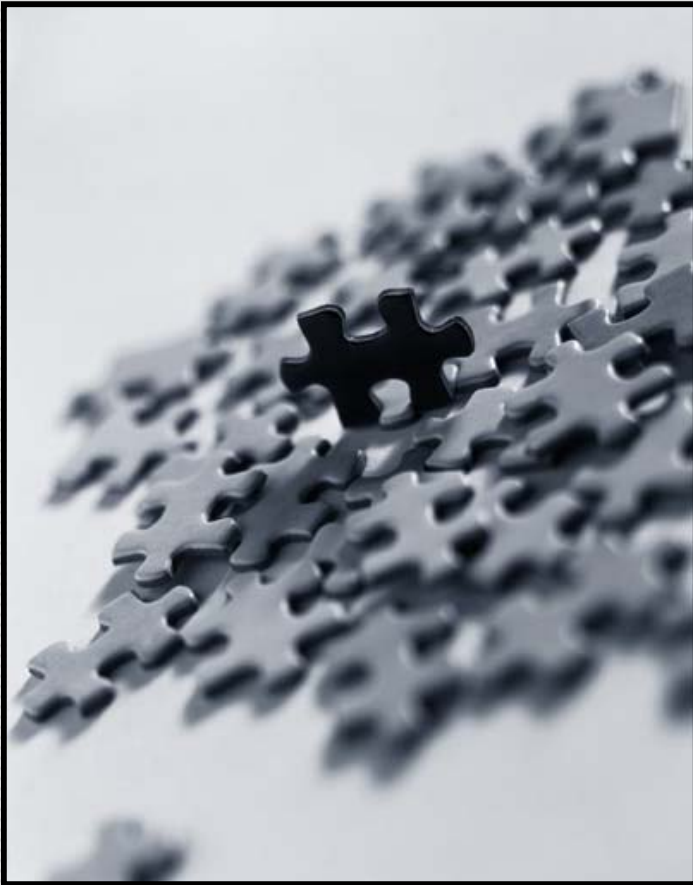
The NHS Board is asked to note the Finance Monitoring Report for the six month period to 30 September 2006.

Background

The attached Finance Monitoring Report has been developed to mirror the new organisational structure and is designed to provide an overview of financial out-turn across all of the Board's main operating divisions and directories.

Douglas Griffin
Director of Finance
0141 201 4612

NHS Greater Glasgow & Clyde



**Finance Report
for the 6 month
period to
30 September
2006**

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, replacing the summary analysis which was provided during the transitional period.

The new 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) 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 of around £30m which currently exists between funding and expenditure within the "Clyde" area of the Board's operations.

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

Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,426.7	1,154.5	1,154.5	0.0
Expenditure	2,426.7	1,154.5	1,153.4	1.1
Surplus/(Deficit)	0.0	0.0	1.1	1.1
Capital Expenditure	145.6	31.9	31.9	0.0

- The outturn for the period to September 2006 shows the level of overall expenditure running within available funding. This confirms that the Board continues to manage expenditure levels in line with budget.
- Expenditure on **Acute Services** moved back into line with budget during August/September. The most significant challenge faced by the Divisional Management Team in sustaining this position through to the year end will be managing expenditure on the achievement of waiting times targets, particularly the achievement of targeted waiting times for those patients with ASC codes, within available funding.
The estimated cost of the additional work required during 2006/07 and 2007/08 to secure the achievement of targeted waiting times for patients with ASC codes by December 2007 has still to be firmed up however is expected to be approximately £20M, spread evenly across the two years. A high proportion of this expenditure will be non-recurring in nature and will be funded accordingly, applying income from landsales as the main source of funding.
Expenditure on energy costs had been flagged up as a key area of risk in previous reports, due to volatility of energy prices, particularly during the winter period. NHS Scotland has recently put in place new energy contract arrangements for the supply of gas and electricity, fixing prices at current levels. This will enable Health Boards to contain the risk of rising energy costs associated with price rise(s), allowing them to focus specifically on managing energy efficiency and levels of energy usage.
- Expenditure in **NHS partnerships** was closely in line within budget for the year to date, with overall outturn some £1.3M below budget. This equates to 0.3% of the total expenditure budget for NHS partnerships. This reduced level of expenditure is not regarded as significant and can be attributed to the timing of actual expenditure relative to plan.
Expenditure on primary care prescribing remained closely in line with budget for the year to date. During the second half year, the impact of price changes to a range of generic drugs can be expected to take effect, producing a dampening effect on the rate of expenditure growth in the second half year. While the precise impact remains to be quantified, this should prove helpful in supporting efforts to secure cost savings and in containing expenditure within available funds.
- The financial outturn for the **"Clyde"** area of the Board's activities remained closely in line with expectations, with overall expenditure within £200K of budget. This meant that the "Clyde" area continued to operate at an expenditure level some £28M in excess of available recurrent funds. Work continues on the development of a cost savings plan aimed at addressing this funding gap...which will increase to around £30M when the additional costs of securing compliance with waiting times targets on an ongoing basis are taken into account. It is anticipated that a savings plan for 2007/08 will be firmed up by December 2006/January 2007 with completion of a full three year cost savings plan, aimed at addressing the full targeted amount of £30M, following on during 2007/08 as the various strands of work aimed at establishing future clinical service strategies reach their conclusion.
- With regard to 2006/07, discussions will take place with SEHD colleagues during December/January to finalise arrangements for addressing the residual funding gap of £4.9M - £7.4M which exists in 2006/07. This will include reaching agreement on arrangements for covering a funding gap of around £1.5M associated with GMS contract implementation within Clyde in 2006/07.

Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SEHD Income	2,035.3	964.8	964.8	0.0
Other Health Boards	258.1	127.1	126.6	(0.4)
National Services Division (NSD)	51.2	25.6	25.1	(0.4)
Additional Cost of Teaching (ACT)	18.6	8.9	9.0	0.1
NHS Education	12.3	6.2	6.7	0.5
Other Income	51.1	22.0	22.3	0.3
Total Income	2,426.7	1,154.5	1,154.5	(0.0)
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,252.1	618.2	618.2	0.0
CHCPs/CHPs	761.5	371.3	370.5	0.8
Other NHS Partnerships	137.7	66.6	66.1	0.5
Corporate Departments (Note 1)	58.8	29.5	29.8	(0.4)
Resource Transfer (Note 2)	91.2	45.6	45.6	0.0
Other Healthcare Providers	45.8	23.3	23.2	0.2
Approved Funding for Expenditure Commitments not yet underway	79.6	0.0	0.0	0.0
Total Expenditure	2,426.7	1,154.5	1,153.4	1.1
Surplus / (Deficit) for the Period	0.0	0.0	1.1	1.1

- At 30 September 2006 NHS Greater Glasgow and Clyde is reporting a financial position close to breakeven.
- At this stage service agreements with other Health Boards remain to be finalised. Annual budgets are based on prior year agreed values together with agreed inflationary uplifts and provisions for agreed service developments. Accordingly, annual income budgets can be regarded as realistic and achievable.
- The exercise to update the West of Scotland Cross Boundary Flow model for 2005/2006 patient activity, has recently been completed and the output of this is now being discussed with colleagues from other Boards. It is anticipated that discussions will be concluded during December, allowing income level(s) for 2006/07 to be confirmed at that stage.

Notes:

1. Corporate departments include budgets for Corporate Services. Also included are budgets for a range of functions relating to the former Argyll & Clyde Health Board where work to disaggregate budgets to Acute, CHPs and the Mental Health Partnership has yet to be completed.
2. In addition to budgeted Resource Transfer of £91.2M for Greater Glasgow, a further £22.2M is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £113.4M

Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	180.7	91.3	92.0	(0.7)
Emergency Care & Medical	131.2	66.4	66.5	(0.2)
Rehabilitation & Assessment	89.3	45.2	45.2	(0.0)
Diagnostics Directorate	119.6	59.3	59.5	(0.2)
Oral Health	13.1	6.9	6.9	(0.0)
Regional Services	112.0	58.2	58.2	0.0
Women & Childrens Services	109.4	55.8	56.0	(0.2)
Facilities Directorate	94.2	48.5	48.4	0.1
Capital Charges	55.1	27.5	27.5	0.0
Acute Divisional Services	76.0	37.6	37.6	0.0
Approved Funding for Expenditure Commitments not yet underway	26.1	2.2	1.3	0.9
Greater Glasgow Acute Services	1006.7	499.0	499.2	(0.3)
Clyde Acute Services	245.4	119.3	119.0	0.3
Total Acute Services	1252.1	618.2	618.2	0.0

- ❑ At 30 September, Acute Services are reporting expenditure overall in line with budget.
- ❑ The most significant area experiencing cost pressures within GG&C continued to be the Surgery and Anaesthetics Directorate where expenditure on surgical instruments and dressings 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.
- ❑ Expenditure incurred on energy costs...managed within the Facilities Directorate...remained close to budget, reflecting the new contract arrangements put in place by NSS on behalf of NHS Scotland.
- ❑ Overall expenditure within Clyde Acute Services was closely in line with budget.

CHCPs and CHPs - NHS Budgets

Service	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	102.5			102.5	50.0	49.8	0.2
North Glasgow CHCP	62.9			62.9	30.9	30.8	0.1
South West Glasgow CHCP	65.5			65.5	32.4	32.4	0.1
South East Glasgow CHCP	68.8			68.8	33.8	33.8	0.1
West Glasgow CHCP	104.5			104.5	51.9	51.7	0.2
Total Glasgow CHCPs	404.2	0.0	0.0	404.2	199.1	198.4	0.6
East Renfrewshire CHCP	37.7			37.7	18.4	18.4	0.1
East Dunbartonshire CHP	45.4			45.4	22.5	22.5	0.0
South Lanarkshire CHP	29.9			29.9	14.7	14.7	0.0
North Lanarkshire CHP	7.6			7.6	3.8	3.8	(0.0)
West Dunbartonshire CHP	56.6			56.6	27.3	27.0	0.3
Inverclyde CHP	44.3			44.3	21.6	21.6	(0.0)
Renfrewshire CHP	84.2			84.2	40.8	40.8	(0.0)
Total CHPs/CHCPs	710.0	0.0	0.0	710.0	348.2	347.3	0.9
Shared Support Services (Note1)	51.5			51.5	23.1	23.2	(0.1)
Total Partnerships Expenditure	761.5	0.0	0.0	761.5	371.3	370.5	0.8

- Expenditure levels within CHCPs and CHPs are overall showing a small underspend of £0.8m against budget at 30 September 2006. In addition, all individual partnerships are all reporting expenditure levels close to or better than breakeven.
- 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. As the year progresses changes to initial approved budgets will be tracked through these columns.
- At this stage Local Authority budgets are still being finalised and so reported expenditure relates only to the NHS component of CHP budgets. We expect to be in a position to report Local Authority Expenditure during the second half of the year and future reports will show both NHS and Local Authority expenditure separately and in a consolidated format.
- Within Greater Glasgow, expenditure on GMS contract is running at an annual level of £0.5M in excess of available funds and is being managed within the envelope of available funding in 2006/07. Comments on GMS expenditure and funding issues related to Clyde are included in a separate section covering the Clyde financial position on page 8.
- At this stage, Primary Care prescribing spend is running closely in line with expected levels. Actual expenditure for the first five months is now known and is close to budget.
- The financial implications of implementing the new Pharmacy contract remain to be fully understood. It was anticipated based on Scottish Executive Health Department projections that implementation would be cost neutral for the service in 2006/07. Updated expenditure projections are now available which confirm that a cost neutral outturn is likely for 2006/07, and so this remains our assumption. 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 2006/07 and into 2007/08.

Note:

1. The annual budget shown for Shared Support Services includes £38M of budgeted expenditure on Primary Care Contractor (Non Cash Limited) services related to Clyde which has yet to be disaggregated into individual CHP budgets.

Other NHS Partnerships

NHS Greater Glasgow & Clyde	Annual Budget £'000	YTD Budget £'000	YTD Actual £'000	YTD Variance £'000
Mental Health Services	100.5	48.8	48.8	(0.1)
Learning Disabilities Services	15.7	7.9	7.9	0.0
Addictions Services	15.7	7.1	6.9	0.1
Services for Homeless People	5.8	2.8	2.4	0.4
Total Partnerships	137.7	66.6	66.1	0.5

- Expenditure levels within other NHS Partnerships are running close to financial breakeven at the mid point of the year.
- At this stage the financial out-turn is not highlighting any cost pressures of significant proportions with compensating overspends and underspends levelling out to a close to breakeven position. 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.

Clyde Financial Position

	Annual Budget £000	YTD Budget £000	YTD Actual £000	Variance £000
Income	538.9	249.9	250.0	0.1
Acute (including Facilities)	260.8	125.2	125.0	0.2
CHPs	198.0	94.2	94.4	(0.2)
Other NHS Partnerships	28.6	14.5	14.4	0.1
Corporate Departments and Approved Funding for Expenditure Commitments not yet underway	51.5	15.9	15.9	(0.1)
Total Expenditure	538.9	249.9	249.8	0.0
Surplus / (Deficit) for the Period	0.0	0.0	0.2	0.2

- ❑ At 30 September 2006 Clyde continued to report expenditure in the line with budget.
- ❑ The total Clyde expenditure budget for 2006/06 is set at a level £28M in excess of available recurring funding. The Board is currently developing a cost savings plan to address this gap on a recurring basis. The annual income budget assumes that transitional funding will be available to achieve a breakeven position for 2006/07.
- ❑ Within Clyde expenditure on GMS Contract is running at £1.5M per annum in excess of available funds. This is attributable to the approach taken by Scottish Executive Health Department in making available additional funding for enhanced services provision in 2006/07. The additional funding has been targeted specifically at DES (Direct Enhanced Services) limiting any flexibility for this to be used to cover cost pressures associated with GMS Contract implementation in Clyde. This particular issue will be discussed further with Scottish Executive Health Department colleagues in addressing the residual funding gap which exists in 2006/07.
- ❑ The underlying level of additional expenditure on GMS relative to budget is being offset by reduced expenditure in other areas principally against pay budgets at this stage of the year.

Capital Expenditure Summary

Capital Resources	Greater Glasgow £m	Clyde £m	Total £m
Available Capital Funding	127.7	25.3	153.0

Capital Expenditure	Greater Glasgow £m	Clyde £m	Total £m
Allocated to Capital Projects	124.7	20.9	145.6
Expenditure to 30 September 2006	29.4	2.5	31.9
Balance to be spent by 31 March 2007	95.3	18.5	113.8

- The Board's available capital funding for 2006/07 is £153.0M. Of this £145.6M has been allocated for expenditure on approved schemes during 2006/07, within £7.4M planned for carry forward into 2007/08 to fund capital schemes scheduled to commence at that stage.
- After the first 6 months of the financial year total expenditure is £31.9M against allocated funds of £145.6m, leaving £113.8M forecast for expenditure in the second half year.
- The Capital Planning Group has recently completed a review of forecast expenditure on all capital schemes for the second half year and will review this at its forthcoming meeting in 27 November. This will enable the Board to firm up its capital funding requirement for the remainder of 2006/07 identifying any schemes where funding will require to be carried forward into 2007/08. The Scottish Executive Health Department are keen to receive this information to inform their own capital planning process across the NHS in Scotland for 2006/07 and beyond, and will meet with us in early December to review our latest forecast outturn for 2006/07.

Glossary of Terms

Income:

- ❑ **SEHD Income** - This represents the funding allocation received directly from the SEHD 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 SEHD 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.