

Greater Glasgow and Clyde NHS Board

Board

Tuesday 15 April 2008

Director of Finance



Board Paper No. 08/23

FINANCIAL MONITORING REPORT TO 31 JANUARY 2008

RECOMMENDATIONS:

The NHS Board is asked to note the Financial Monitoring Report for the ten month period to 31 January 2008.

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Director of Finance
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NHS Greater Glasgow & Clyde



**Financial
Monitoring
Report for the
10 month
period to
31 January
2008**

Introduction

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

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	2,603.2	2,096.5	2,096.5	0.0
Expenditure	2,603.2	2,096.5	2,092.4	4.1
Surplus/(Deficit) for period	-0	-0	4.1	4.1
Capital Expenditure	119.7	44.3	44.3	0

- At 31 January 2008 NHS Greater Glasgow and Clyde is reporting expenditure levels running £4.1m below the year to date budget of £2096.5m . This confirms that the Board continues to manage its expenditure levels in line with budget.
- 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 in the final two months of the year, the impact of which could potentially produce a year end surplus of up to £5m for the Board.
- Expenditure on **Acute Services** continues to run within budget during the year to date with expenditure running £2.8m below budget for the first 10 months. At this stage all Clinical Directorates are operating reasonably close to budget. The main cost pressures continue to be non pay expenditure, 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 out-turn for 2007/08.
- Expenditure on **NHS partnerships** is also running slightly below budget for the year to date. However, expenditure within the Renfrewshire CHP remains above budget. 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. A number of prescribing cost savings initiatives will begin to take effect during the second half year and are expected to bring expenditure levels back into line with plan. Overall primary care prescribing expenditure levels within NHS Greater Glasgow & Clyde continue to run within budget during 2007/08. Reductions to drug tariff rates used to reimburse community pharmacists for dispensing a range of generic drugs will have the effect of lowering prescribing costs during the second half of 2007/08. This reduction will generate an estimated "windfall" non recurring saving of approximately £10m during 2007/08 which will contribute to meeting the level of non recurring funding required to fund planned levels of non recurring expenditure within the Board's Financial Plan.
- Total expenditure for the Clyde area continues to run 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 approved and implemented as part of the Board's financial plan for 2007/08. Discussions with SGHD colleagues to reach agreement on arrangements for addressing the residual funding gap for 2007/08 have now been successfully concluded with funding now in place allowing a breakeven position to be reported within Clyde in 2007/08. Further details are provided on page 8 of this report.
- A progress report on achievement of cost savings is included on page 10. The Board is currently forecasting full achievement of its 2007/08 savings targets.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SEHD Income	2,203.4	1,762.9	1,762.9	0.0
Other Health Boards	208.7	174.4	174.4	0.0
National Services Division (NSD)	56.2	46.8	46.8	0.0
Additional Cost of Teaching (ACT)	18.3	15.3	15.3	0.0
NHS Education	48.0	40.0	40.0	0.0
Other Income	68.6	57.1	57.1	0.0
Total Income	2,603.2	2,096.5	2,096.5	0.0
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,403.2	1,156.7	1,153.9	2.8
CHCPs/CHPs	795.8	647.7	646.6	1.1
Other NHS Partnerships	177.8	145.7	145.2	0.5
Corporate Departments	34.1	29.8	30.1	(0.3)
Resource Transfer (Note 1)	88.0	73.6	73.6	0.0
Other Healthcare Providers	51.0	43.0	43.0	0.0
Approved Funding for Expenditure Commitments not yet underway	53.3	0.0	0.0	0.0
Total Expenditure	2,603.2	2,096.5	2,092.4	4.1
Surplus / (Deficit) for the Period	(0.0)	(0.0)	4.1	4.1

Notes:

1. In addition to budgeted Resource Transfer of £88.0m 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 £110.9m.

- Service Level Agreements (SLAs) with other Health Boards have now been finalised for 2007/08 confirming that the associated income and expenditure budgets are realistic. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which has now been 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 work undertaken to establish the cost of inpatient, daycase and outpatient services provided to patients in Argyll & Bute CHP has now been concluded. This has resulted 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. In addition, the SLAs for community and non clinical services established in 2006/07 continue in place and income levels are expected to be in line with budgets.
- The additional expenditure on Corporate Department budgets can largely be explained by the timing of expenditure in the current year to date.
- At 31 January 2008 the Board had £53.3m of funds allocated for expenditure commitments approved but not yet under way. This includes funding provisions for inflation including Agenda for Change (£15.0m) and specific funding received for other approved service commitments. A full review has been carried out of these expenditure commitments and it is reasonable to anticipate full commitment of expenditure in February and March.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	198.3	165.7	165.5	0.2
Emergency Care & Medical	154.6	129.0	128.9	0.1
Rehabilitation & Assessment	100.4	81.7	81.0	0.7
Diagnostics Directorate	127.7	106.3	106.3	0.0
Oral Health	16.6	13.8	13.5	0.3
Regional Services	122.3	103.3	102.5	0.8
Women & Childrens Services	122.1	101.3	101.1	0.2
Facilities Directorate	105.4	87.4	88.9	(1.5)
Capital Charges and Rates	72.1	61.3	61.3	0.0
Acute Divisional Services	91.4	76.7	76.6	0.1
Approved Funding for Expenditure Commitments not yet underway	16.0	0.0	0.0	0.0
Greater Glasgow Acute Services	1,126.9	926.5	925.6	0.9
Clyde Acute Services	276.3	230.2	228.3	1.9
Total Acute Services	1,403.2	1,156.7	1,153.9	2.8

- At 31 January 2008, Acute Services are reporting expenditure levels running £2.8m below the year to date expenditure budget of £1,157m. At this stage the Acute Division is forecasting an overall out-turn close to budget for 2007/08.
- Within Directorates the main cost pressures continue to be expenditure on Drugs, Dressings and Instruments & Sundries. 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 £0.5m more than anticipated at this stage and initial forecasts for 2008/09 suggest that this could continue to be an area of significant cost pressure. This additional expenditure continues to be more than offset by a lower level of expenditure on pays due to timing factors related to staff turnover/vacancies etc.
- The overspend within the Facilities Directorate is almost entirely attributable to utilities cost pressures, in particular electricity and gas expenditure. This area was reviewed in detail as part of the mid year review process and it is now clear that energy costs are not likely to reduce therefore additional funding provided non recurrently in 2007/08 will require to be made recurrent in 2008/09.
- Overall expenditure within Clyde Acute Services has continued to run within budget with an underspend of £1.9m being reported for the first ten months of the year.

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	110.6			110.6	89.3	89.2	0.1
North Glasgow CHCP	67.8			67.8	54.7	54.6	0.1
South West Glasgow CHCP	69.1			69.1	56.3	56.1	0.2
South East Glasgow CHCP	72.6			72.6	58.9	58.6	0.3
West Glasgow CHCP	114.5			114.5	92.5	92.1	0.4
Total Glasgow CHCPs	434.6			434.6	351.7	350.6	1.1
East Renfrewshire CHCP	42.4			42.4	34.6	34.7	(0.1)
East Dunbartonshire CHP	48.4			48.4	39.0	38.9	0.1
South Lanarkshire CHP	32.1			32.1	26.0	26.0	0.0
North Lanarkshire CHP	8.1			8.1	6.7	6.7	0.0
West Dunbartonshire CHP	66.7			66.7	54.5	54.2	0.3
Inverclyde CHP	56.7			56.7	47.7	47.4	0.3
Renfrewshire CHP	106.8			106.8	87.5	88.1	(0.6)
Total Non Glasgow CHPs/CHCPs	361.2			361.2	296.0	296.0	0.0
Total CHPs/CHCPs	795.8			795.8	647.7	646.6	1.1

- Overall expenditure levels within CHCPs and CHPs are running slightly below budget at 31 January 2008. This position is expected to be maintained until the year end. 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 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. 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.
- As reported previously, expenditure on primary care prescribing continues to run within budget during 2007/08. Expenditure on the new Pharmacy Contract is also in line with expectations.
- The impact of changes to drug tariff rates used to reimburse community pharmacists for dispensing a range of generic drugs is now becoming visible with prescribing costs falling below budget in the second half of the year. It is expected that this will generate a one off windfall saving for NHS GG&C of approximately £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. This benefit will be applied during 2007/08 to contribute towards meeting the required level of non recurring funding which was assumed in the Board's overall Financial Plan for 2007/08.

5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	130.5	107.9	107.8	0.1
Learning Disabilities Services	14.5	11.9	12.1	(0.2)
Addictions Services	17.6	13.4	13.3	0.1
Services for Homeless People	4.3	3.6	3.1	0.5
Other Partnership Budgets (note 1)	10.9	8.9	8.9	0.0
Total Partnerships	177.8	145.7	145.2	0.5

- 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 with a forecast year end out-turn of £0.5m under budget. 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 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.
- 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

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Acute (including Facilities)	276.3	230.2	228.3	1.9
CHPs	221.6	185.6	186.0	(0.4)
Other NHS Partnerships	44.1	37.6	37.8	(0.2)
Total Expenditure	542.0	453.4	452.1	1.3

- The table above shows performance of the Clyde area against budget for the main operational service areas. At 31 January 2008 overall expenditure for the Clyde area was running below budget and as this is expected to be maintained until 31 March Clyde will report a revenue breakeven position for 2007/08.
- 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 after taking account of 2007/08 savings targets.
- For 2007/08 the Board has now reached an agreed position with SGHD and NHS Highland regarding how the residual gap of £22m will be addressed. The final position for 2007/08 is summarised in the table below.

Funding Source	£m	Status
Original recurring funding gap (after 2007/08 recurring cost savings, NHSGG&C £7.0m, NHS SH £1.0m)	22.0	
Less:		
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	5.0	Received from SGHD
Additional non recurring savings (including £0.5m contribution from NHS SH)	3.0	Currently being implemented and achieved in 2007/08
Net out-turn	0.0	

7. Capital Expenditure Summary

	£m
Sources of Funds	
Gross Capital Resource Limit at 31 January 2008	132.6
Add: Anticipated Allocations	0.6
Add: Capital Receipts	0
Total Capital resources for 2007/08	133.2
Add: Brokerage agreed with SEHD from 2006/07	24.9
Less: Brokerage agreed with SEHD for 2007/08	-38.4
Adjusted Capital Resource Limit for 2007/08	119.7
Use of Capital Funds	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	117.9
Expenditure to Date	
Expenditure to 31 January 2008	44.3
Balance to be spent by March 2008	75.4
Total Forecast Expenditure for 2007/08	119.7

- At 31 January 2008 the Board's available capital funding (Capital Resource Limit) for 2007/08 was £132.6m. Further allocations of £0.6m are anticipated which will increase the allocation for 2007/08 to £133.2m.
- 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 £119.7m of which £117.9m has been allocated to capital schemes. After the first 10 months of the financial year total expenditure is £44.3m leaving £75.4m available for expenditure in the remaining two months of the year.
- The approved brokerage that can be carried forward to 2008/09 has now been fixed at £38.4m and can not be increased to accommodate any further in year slippage against approved schemes.
- 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. A number of measures have been put in place by Estates and Finance staff to monitor the certification and recording of capital expenditure over the final few weeks of the year to minimise the risk of further slippage arising on capital schemes which would require to be "re-funded" out of the 2008/09 capital allocation.

8. Savings Targets

Description	Current Year Target £'000	Full Year Effect £'000	Confirmed & being Achieved £'000	To be Confirmed £'000	Total £'000
Clyde					
Primary Care Prescribing	3,800	3,800	3,800	0	3,800
Acute Prescribing	250	250	250	0	250
Management Costs	250	250	250	0	250
Financial Services	200	300	300	0	300
Internal Audit	100	200	200	0	200
Payroll	100	200	200	0	200
Estates	130	130	130	0	130
Laundry	600	600	600	0	600
Laboratories	150	150	150	0	150
General Procurement	200	200	200	0	200
Mental Health Unplanned Activity	500	500	500	0	500
Nurse Agency / Overtime	100	100	100	0	100
Junior Doctors	655	655	655	0	655
Clyde	7,035	7,335	7,335	0	7,335
Glasgow					
General Procurement	1,800	1,800	1,800	0	1,800
Prescribing	2,800	2,800	2,800	0	2,800
Sickness Absence Reduction	1,500	1,500	0	1,500	1,500
Service Reconfiguration Initiatives	1,650	1,650	1,650	0	1,650
Local Schemes	1,600	1,600	1,600	0	1,600
Glasgow	9,350	9,350	7,850	1,500	9,350
Cost Savings Schemes - Total	16,385	16,685	15,185	1,500	16,685

- 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. The level of saving attributable to sickness absence reduction in 2007/08 will be confirmed at the financial year end. At this stage the Board is forecasting full achievement of the overall target for 2007/08.

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 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.