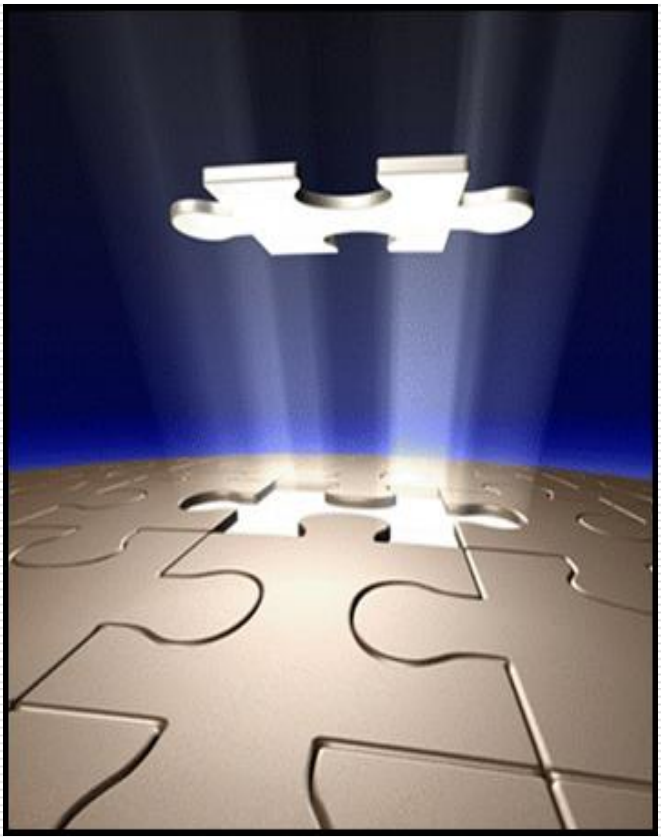
NHS Greater Glasgow & Clyde



Financial Monitoring Report for the 6 month period to 30 September 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. Financial outlook for 2009/10
10. 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.

In view of the significant financial challenges which the Board faces in developing a deliverable financial plan for 2009/10 an additional section has been added to this months report. This is included at section 9 and provides a preview of some of the key issues which will require to be taken into account in planning for 2009/10.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,610.4	1,280.8	1,280.8	0.0
Expenditure	2,610.4	1,280.8	1,281.2	(0.4)
Surplus/(Deficit) for period	**0**	**0**	**(0.4)**	**(0.4)**
Capital Expenditure	119.7	24.1	24.1	0.0

- At 30 September 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.
- Expenditure on **Acute Services** is running close to budget with expenditure running £0.6m under budget for the first 6 months of the year. The most significant individual cost pressure continues to be expenditure on energy costs due to price increases which will result in an additional in year cost pressure of £6-7 million for 2008/09. The Acute Division has indicated that the in year cost can be absorbed non recurrently using funds released from savings schemes and in year underspends.
- 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. Prescribing expenditure is in line with budget at this stage of the year and the Board is currently forecasting a breakeven position for prescribing for 2008/09.
- 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 September 2008 the Board has achieved savings of £22.2m against a year to date target of £24.2m with the main area of shortfall being the timing of releasing Clyde prescribing savings. At this stage the Board continues to forecast 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 to achievement of the Board's revenue target for the 2008/09.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,187.3	1,076.8	1,076.8	0.0
Other Health Boards	202.6	100.5	100.5	0.0
National Services Division (NSD)	55.4	27.7	27.7	0.0
Additional Cost of Teaching (ACT)	18.3	9.2	9.2	0.0
NHS Education	56.4	28.2	28.2	0.0
Other Income	90.4	38.4	38.4	0.0
Total Income	2,610.4	1,280.8	1,280.8	0.0

Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,430.6	709.8	709.2	0.6
CHCPs/CHPs	794.9	392.2	392.3	(0.1)
Other NHS Partnerships	173.2	88.4	88.8	(0.4)
Corporate Departments	29.4	15.5	16.2	(0.7)
Resource Transfer (Note 1)	90.0	45.0	45.0	0.0
Other Healthcare Providers	59.1	29.9	29.7	0.2
Approved Funding for Expenditure Commitments not yet underway	33.2	0.0	0.0	0.0
Total Expenditure	2,610.4	1,280.8	1,281.2	(0.4)
Surplus / (Deficit) for the Period	0.0	0.0	(0.4)	(0.4)

Notes:

1. In addition to budgeted Resource Transfer of £90.0m 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 £113.4m.

- 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. The West of Scotland model which is used to calculate payments due for the movement of patients between Health Boards has been updated for 2008/09. This confirms that budgeted income levels should be secure for 2008/09 with potential for a modest amount of additional income.
- 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 including agreement on an appropriate level of inflationary uplift. Current financial projections indicate that an uplift of 2.5% can now be accommodated within a deliverable financial plan for 2008/09 and so provision has been made to uplift resource transfer payments on this basis. However, further detailed discussions will be required with Local Authority partners on future levels of resource transfer payments due for 2009/10 and beyond.
- At 30 September 2008 the Board had £33.2m of funds allocated for expenditure commitments approved but not yet under way. This includes funding provisions for the remaining costs of 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	267.4	134.8	134.9	(0.1)
Emergency Care & Medical	201.0	100.9	100.9	0.0
Rehabilitation & Assessment	128.2	63.9	63.5	0.4
Diagnostics Directorate	161.4	80.9	80.8	0.1
Oral Health	20.1	10.9	10.1	0.8
Regional Services	115.9	58.9	58.2	0.7
Women & Childrens Services	148.6	75.3	75.5	(0.2)
Facilities Directorate	152.8	75.4	75.2	0.2
Capital Charges and Rates	87.6	49.3	49.3	0.0
Acute Divisional Services	121.1	59.5	60.8	(1.3)
Approved Funding For Expenditure not yet under way	26.5	0.0	0.0	0.0
Greater Glasgow & Clyde Acute Services	1,430.6	709.8	709.2	0.6

- At 30 September 2008, Acute Services are reporting overall expenditure levels running £0.6m lower than the year to date expenditure budget of £710m. Within individual Directorates the main cost pressures continue to be on non pay expenditure particularly on dressings. Expenditure on hospital drugs is running close to budget. Increased capital charges costs attributable to the scale of the Board's capital programme are being contained by the release of cost savings in the current year. This is an area of significant cost pressure at the present time and will continue to feature during 2009/10 when the impact of 2008/09 capital expenditure is felt on service budgets for capital charges.
- In October 2008 existing contract arrangements for gas and electricity came to an end. A new contract for electricity, covering the period to March 2009 came into effect while gas purchasing reverted to daily spot purchase arrangements. The new tariff in electricity will produce a significant increase of expenditure of more than £4m during the period to March 2009. The volatility of gas prices makes for difficult forecasting however the current upward trend suggests that there may be additional expenditure of between £2-3m in the second half year.
- In the current market circumstances the procurement approach adopted by NSS on behalf of NHS Scotland seems reasonable minimising exposure of NHS bodies to spikes in electricity charges during the winter period while leaving the door open to the potential for a downward movement in gas prices. The Acute Division has indicated that it can contain the in year cost pressure non recurrently using funds released from savings schemes and in year underspends. Looking forward to 2009/10 it appears almost certain that energy expenditure will continue to be a significant source of cost pressure for the Board with potential for further expenditure growth of £7m in addition to the £7m experienced in the second half of 2008/09.
- Overall expenditure within Clyde Acute Services has continued to run within budget. From 1 July 2008 Clyde Acute services have been fully integrated with their Greater Glasgow counterparts to form area wide directorates and therefore this and future monitoring reports will show expenditure against a combined budget. The overall position for Clyde will continue to be monitored and is 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	111.4			111.4	54.5	54.6	(0.1)
North Glasgow CHCP	65.3			65.3	32.5	32.7	(0.2)
South West Glasgow CHCP	69.1			69.1	34.0	33.9	0.1
South East Glasgow CHCP	73.2			73.2	36.1	35.9	0.2
West Glasgow CHCP	112.0			112.0	55.1	55.0	0.1
Total Glasgow CHCPs	431.0			431.0	212.2	212.1	0.1
East Renfrewshire CHCP	42.0			42.0	20.6	20.6	0.0
East Dunbartonshire CHP	49.2			49.2	23.8	23.8	0.0
South Lanarkshire CHP	31.9			31.9	15.7	15.7	0.0
North Lanarkshire CHP	7.6			7.6	4.0	4.0	0.0
West Dunbartonshire CHP	66.8			66.8	33.0	32.9	0.1
Inverclyde CHP	57.5			57.5	28.5	28.5	0.0
Renfrewshire CHP	108.9			108.9	54.4	54.7	(0.3)
Total Non Glasgow CHPs/CHCPs	363.9			363.9	180.0	180.2	(0.2)
Total CHPs/CHCPs	**794.9**			**794.9**	**392.2**	**392.3**	**(0.1)**

- Overall expenditure levels within CHCPs and CHPs are running in line with budget at 30 September 2008 with most individual partnerships operating close to budget for the first half year. 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. This has continued to 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. The Board is currently forecasting a breakeven position against prescribing budgets for 2008/09. This will depend on the interaction of a number of factors including movements in nationally agreed tariffs and discounts during the second half 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. These initiatives will begin to take effect during the second half year and prescribing expenditure levels are then 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	126.1	63.8	64.3	(0.5)
Learning Disabilities Services	14.2	7.0	7.0	0.0
Addictions Services	17.3	8.3	8.3	0.0
Services for Homeless People	4.4	1.9	1.8	0.1
Other Partnership Budgets (note 1)	11.2	7.4	7.4	0.0
Total Partnerships	173.2	88.4	88.8	(0.4)

- Expenditure levels within other NHS Partnerships are running close to financial breakeven at this stage of the financial year.
- Within Mental Health Services the most significant cost pressure is ECRs (Extra Contractual Referrals) with other providers and steps continue to be taken to contain expenditure in 2008/09 where possible through greater use of locally provided services. 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 and on inpatient expenditure in the Inverclyde area. The Mental Health Partnership is actively reviewing these areas of expenditure.
- Expenditure on Learning Disabilities Services is running closely in line with budget. Within the Glasgow Learning Disabilities Service there is some ongoing cost pressure associated with medical staff costs and the provision of residential services as a result of the level of support required by residents however these are currently being offset by reduced costs in other areas.
- 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/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)	243.6	120.1	119.5	0.6
CHPs	222.9	110.6	110.7	(0.1)
Other NHS Partnerships	36.4	18.6	18.8	(0.2)
Total Expenditure	502.9	249.3	249.0	0.3

- The table above shows out-turn of the Clyde area against budget for the main operational service areas. At 30 September 2008 overall expenditure for the Clyde area was running under budget by £0.3m.
- 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 September 2008	133.6
Add: Anticipated Allocations	1.9
Less:final agreement on brokerage 2008/09	(15.8)
Total Capital resources for 2008/09	119.7
Use of Capital Funds	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	**119.7**
	====
Expenditure to Date	
Expenditure to 30 September 2008	24.1
Balance to be spent by 31 March 2009	95.6
Total Forecast Expenditure for 2008/09	119.7

- The Board's 3 year capital plan was approved by the Performance Review Group on 16 September 2008. The Board had previously agreed with SGHD that £38.1m of brokerage would be carried forward from 2007/08 and reached agreement with SGHD colleagues that this would be deployed in 2008/09 and 2009/10 to match the Board's capital expenditure plans, as follows:
  - 2008/09 - £7.0 million
  - 2009/10 – £31.1 million
- During November 2008 a full review of the Capital Plan for 2008/09 was undertaken by the Capital Planning Group to confirm the phasing of capital expenditure on approved capital schemes. This has confirmed that £15.8m of expenditure will now be incurred in the first quarter of 2009/10 rather than the final quarter of 2008/09. SGHD have agreed to the provision of the necessary additional brokerage to allow the Board to fund this expenditure when it is incurred during 2009/10.
- At 30 September 2008 expenditure of £24.1 million had been incurred on capital schemes leaving a balance of £110.0 million to spend by 31st March 2009.

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; and
  - enable a balanced financial position to be restored Clyde by 2009/10; and
- 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. This level of savings target was planned to generate an in year surplus of £11.4m to cushion the impact of the additional revenue costs of the two Ambulatory Care Hospitals that will be commissioned early in 2009/10. However, the impact of additional in year cost pressures relating to energy price increases and additional capital charges due to the scale of the Board's capital programme will mean that this "cushion" will now require to be used in 2008/09 to offset these additional recurring pressures. As a result it is appropriate for the Board to revise its forecast outturn position to breakeven for 2008/09.
- 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 six 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 September 2008 the Board is reporting achievement of £22.2m 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. The shortfall in savings reported by the Acute Division is currently being offset by non recurring in year underspends and work is ongoing to ensure full achievement of the target by 31 March 2009.

Description	Recurring Target £'m	Expected at 30 Sept £'m	Achieved at 30 Sept £'m	Under Achieved £'m
Acute	29.1	13.3	12.0	1.3
Partnerships	14.9	7.5	6.8	0.7
Corporate Departments	6.7	3.4	3.4	0.0
Total	50.7	24.2	22.2	2.0

9. Financial Outlook for 2009/10

- Within sections 1-8, the report has identified some significant areas of cost pressure which can be expected to feature in the Board's financial planning process for 2009/10, in particular a growth in energy costs fuelled by price increases and a growth in capital charges costs attributable to the scale of the Board's current capital programme.

2009/10 promises to be a severely challenging year for the Board in terms of developing a deliverable financial plan which balances funding and expenditure. This is highlighted within the summary below:

	2009/10 Areas of projected expenditure growth	**Amount £'M**
1.	General/unavoidable expenditure growth (includes 2.4% general pay uplift, increase in energy costs, prescribing growth, increase in capital charges costs, legal commitments to fund cost inflation, cost inflation on payments to other providers including Resource Transfer)	75 - 85
2.	Compliance with national policy and other statutory changes	10
3.	Contribution to national service developments and other national initiatives	6
4.	Local service commitments (includes 2 ACH's (£21m) **plus** other previously agreed commitments (£5m) **less** cost savings carried forward from 2008/09 (£11m)	15
		106 - 116
	Add : requirement to address residual Clyde deficit in 2009/10	12
	Overall financial challenge, before offsetting new funding	118 – 128
	2009/10 New Funding	
	Assume 3.15% minimum uplift, after any NRAC adjustment	62
	NET FINANCIAL CHALLENGE	**56 – 66**

- In the light of the above, the cost savings challenge faced by the Board in 2009/10, if it is to succeed in balancing funding with expenditure, is £56m - £66m. At this stage no provision has been made for potential additional costs related to implementing Modernising Medical Careers (MMC), any further reductions to waiting times beyond current national targets and other service initiatives which may be decided upon in the run up to April 2009, nor for any potential growth in pay costs beyond the previously agreed national uplift for 2009/10. As a result, it would be prudent to add a further general provision of say £5m - £10m to the above giving an overall net funding challenge of £61m - £76m in 2009/10.

To address this, a cost savings programme equivalent to 3.5% would be required, and is expected to feature as a key element of the Board's financial planning process for 2009/10.

10. 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).
- **Other Health 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 (NSD)** – 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 Income** - 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 Healthcare 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.
- **Resource Transfer** - This represents funding transferred to local authorities under partnership arrangements for the provision of care in the community and related services.
- **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.