Greater Glasgow and Clyde NHS Board

Board
Tuesday 24 February 2009

Director of Finance **Board Paper No. 09/15**

Financial Monitoring Report for the 8 month period to 30 November 2008

Introduction

The attached report shows that the Board and its operational Divisions is currently reporting an out-turn in line with its revenue budget for the first 8 months of the year. The Board continues to forecast a revenue breakeven position for 2008/09.

The report also includes a section describing in detail the outcome of the Board's mid year review against the assumptions in the Financial Plan for 2008/09.

Recommendation

The Board is asked to note the Board's financial performance for the first 8 months of the financial year.

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Director of Finance

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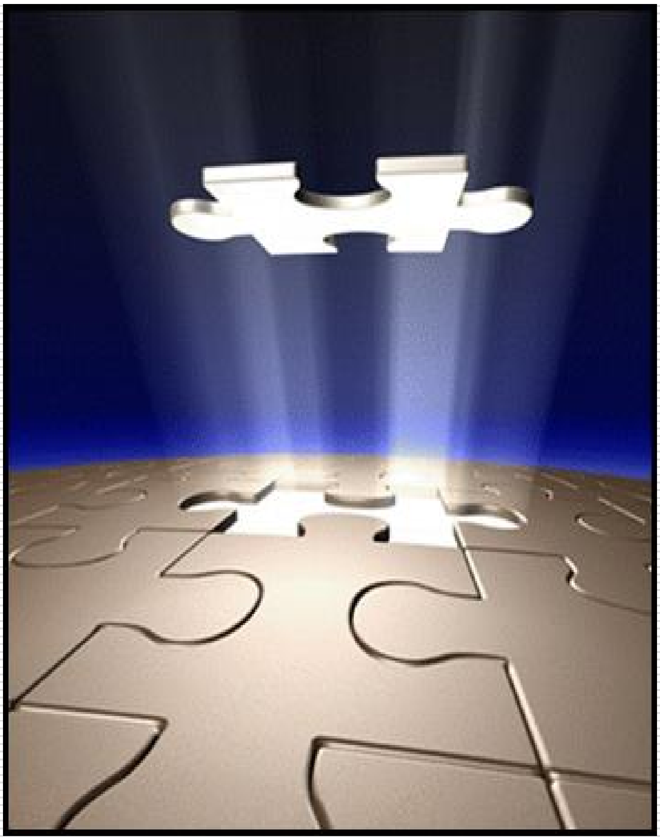
NHS Greater Glasgow & Clyde



Financial Monitoring Report for the 8 month period to 30 November 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. Mid year review of 2008/09 Financial Plan
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.

This report also includes a section commenting on the outcome of the Board's mid year review of its 2008/09 Financial Plan.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,619.9	1,720.7	1,720.7	0.0
Expenditure	2,619.9	1,720.7	1,720.3	0.4
Surplus/(Deficit) for period	**0.0**	**0.0**	**0.4**	**0.4**
Capital Expenditure	120.5	38.9	38.9	0

- At 30 November 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 8 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 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 for 2008/09 and is incorporated in the Board's overall cost savings plan. 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 November 2008 the Board has achieved savings of £32.4m against a year to date target of £33.3m with the 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 2008/09.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,174.2	1,440.7	1,440.7	0.0
Other Health Boards	201.6	134.6	134.6	0.0
National Services Division (NSD)	58.0	38.8	38.8	0.0
Additional Cost of Teaching (ACT)	18.3	12.2	12.2	0.0
NHS Education	60.0	38.2	38.2	0.0
Other Income	107.8	56.2	56.2	0.0
Total Income	2,619.9	1,720.7	1,720.7	0.0
Expenditure	**Annual Budget £m**	**YTD Budget £m**	**YTD Actual £m**	**YTD Variance £m**
Acute	1,451.2	954.7	954.1	0.6
CHCPs/CHPs	797.9	526.1	526.2	(0.1)
Other NHS Partnerships	171.9	115.5	115.5	0.0
Corporate Departments	30.1	21.0	21.4	(0.4)
Resource Transfer (Note 1)	85.1	60.3	60.3	0.0
Other Healthcare Providers	64.1	43.1	42.8	0.3
Approved Funding for Expenditure Commitments not yet underway	19.6	0.0	0.0	0.0
Total Expenditure	2,619.9	1,720.7	1,720.3	0.4
Surplus / (Deficit) for the Period	**0.0**	**0.0**	**0.4**	**0.4**

Notes:

1. In addition to budgeted Resource Transfer of £85.1m for Greater Glasgow, a further £21.4m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £106.5m.

- 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. 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 will 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.
- At 30 November 2008 the Board had £19.6m 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 has been agreed.

3. Acute Services

Directorate	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Surgery & Anaesthetics	269.5	180.6	180.6	0.0
Emergency Care & Medical	205.2	136.4	136.3	0.1
Rehabilitation & Assessment	129.2	85.7	85.0	0.7
Diagnostics Directorate	164.4	108.7	108.6	0.1
Oral Health	21.0	14.7	13.7	1.0
Regional Services	118.0	79.2	78.4	0.8
Women & Childrens Services	150.5	101.2	101.1	0.1
Facilities Directorate	151.5	99.8	101.8	(2.0)
Capital Charges and Rates	85.7	57.4	59.1	(1.7)
Acute Divisional Services	137.2	91.0	89.5	1.5
Approved Funding For Expenditure not yet under way	19.0	0.0	0.0	0.0
Greater Glasgow & Clyde Acute Services	1,451.2	954.7	954.1	0.6

- At 30 November 2008, Acute Services are reporting overall expenditure levels running £0.6m lower than the year to date expenditure budget of £954.7m. 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 albeit with current trends in gas and electricity prices the level of expenditure growth may now be lower than had been originally anticipated.
- Overall expenditure within Clyde Acute Services has continued to run within budget. Since 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

`	Revised Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	112.8	73.6	73.7	(0.1)
North Glasgow CHCP	66.1	43.8	44.0	(0.2)
South West Glasgow CHCP	69.9	46.2	46.0	0.2
South East Glasgow CHCP	72.8	48.1	47.9	0.2
West Glasgow CHCP	111.8	73.6	73.5	0.1
Total Glasgow CHCPs	433.4	285.3	285.1	0.2
East Renfrewshire CHCP	42.0	27.5	27.5	0.0
East Dunbartonshire CHP	49.0	31.7	31.7	0.0
South Lanarkshire CHP	31.9	21.1	21.1	0.0
North Lanarkshire CHP	7.6	5.2	5.2	0.0
West Dunbartonshire CHP	67.1	44.1	44.0	0.1
Inverclyde CHP	57.6	38.3	38.3	0.0
Renfrewshire CHP	109.3	72.9	73.3	(0.4)
Total Non Glasgow CHPs/CHCPs	364.5	240.8	241.1	(0.3)
Total CHPs/CHCPs	**797.9**	**526.1**	**526.2**	**(0.1)**

- Overall expenditure levels within CHCPs and CHPs are running in line with budget at 30 November 2008 with most individual partnerships operating close to budget. However, Renfrewshire CHP is currently reporting increased expenditure against budget of £0.4m 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, relating to implementation of the new Pharmacy Contract, during the remainder of the year, however, it is reasonable to anticipate that the overall impact of these factors on the prescribing out-turn for 2008/09 will be cost neutral.
- 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.

5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	127.8	85.2	85.4	(0.2)
Learning Disabilities Services	14.2	9.2	9.3	(0.1)
Addictions Services	17.4	11.2	11.2	0.0
Services for Homeless People	3.9	2.6	2.3	0.3
Other Partnership Budgets (note 1)	8.6	7.3	7.3	0.0
Total Partnerships	171.9	115.5	115.5	(0.0)

- 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 £0.3m 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 a small amount of funding that remains to be allocated to service budgets.

6. Clyde Financial Position

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Acute (including Facilities)	244.4	161.4	160.9	0.5
CHPs	223.5	148.2	148.4	(0.2)
Other NHS Partnerships	37.0	24.5	24.5	0.0
Total Expenditure	504.9	334.1	333.8	0.3

- The table above shows out-turn of the Clyde area against budget for the main operational service areas. At 30 November 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 £m**	**Non Recurring £m**	**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 November 2008	120.5
Add: Anticipated Allocations	0.0
Add: Capital Receipts	0.0
Total Capital resources for 2008/09	120.5
Use of Capital Funds	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	120.5
Total utilisation of funds for 2008/09	120.5
Expenditure to Date	
Expenditure to 30 November 2008	38.9
Balance to be spent by 31 March 2009	81.6
Total Forecast Expenditure for 2008/09	120.5

- 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 November 2008 expenditure of £38.9 million had been incurred on capital schemes leaving a balance of £81.6 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 £8.5m 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 November 2008 the Board is reporting achievement of £32.4m 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 Nov £'m**	**Achieved at 30 Nov £'m**	**Under Achieved £'m**
Acute	29.1	19.1	19.1	0.0
Partnerships	14.9	9.8	8.9	0.9
Corporate Departments	6.7	4.4	4.4	0.0
Total	50.7	33.3	32.4	0.9

9. Mid Year Review of 2008/09 Financial Plan

Overview

A review of the Board's Financial Plan for 2008-09 has recently been completed. The process consisted of a series of meetings with Directors and senior finance officers from the Acute Division, CHCPs and CHPs and other partnerships. This confirms that it is reasonable for the Board to continue to forecast that it will manage total expenditure within available resources in 2008-09, and thereby remain within its revenue and capital resource limits for 2008/09.

The Board had initially forecast a revenue surplus of £11m for 2008/09. However, some of the savings generated in 2009/10 have been required to be used in year to mitigate the impact additional in year cost pressures principally relating to energy costs and capital charges increases. The Board is now forecasting a revenue breakeven for 2008/09.

The Board approved its annual Financial Plan for 2008/09 in June 2008. This mid year review has encompassed a comprehensive assessment of each element of the Financial Plan. The most significant points to emerge are detailed below.

Recurring Financial Position

This remains unchanged from the position previously reported, with recurring expenditure commitments now exceeding available funding by around £12m (after taking account of 2008/09 recurring cost savings). This is wholly attributable to the imbalance between recurring expenditure commitments and funding related to the Clyde area of the Board's management responsibilities. The position related to the Greater Glasgow area of the Board management responsibilities continues to be one of financial breakeven.

The plan for addressing this funding gap in 2008/09 remains unchanged, and comprises a mix of locally generated recurring and non-recurring cost savings and transitional funding "relief" provided by SGHD. A brief summary, identifying progress made to date in securing the required level of non-recurring funding in 2008/09, is provided below:

Funding Source	Recurring £m	Non Recurring £m	Net Position £m
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
SGHD transitional funding relief		8.0	8.0
Additional non recurring savings		4.0	4.0
Residual gap at 31 March 2009	**12.0**	**(12.0)**	**0.0**

9. Mid Year Review of 2008/09 Financial Plan

The summary shows that there is no residual gap for 2008/09. Discussions with SGHD colleagues on arrangements for 2009/10 are already under way. As the consultation processes associated with a number of strategic initiatives planned by the Board have proved to be more extensive than originally anticipated the increase in time required to release planned savings means that an increased level of transitional funding will be required for 2009/10.

Non-Recurring Financial Position

There has been no significant change from the position reported within the original financial plan for 2008/09.

The Board has now become reliant on generating in year slippage from funding allocations or service budgets as a source of non recurring funding since from 1 April 2007 all gains on disposals of land assets are required to be accounted for as capital receipts. This has in effect removed the main historical source of non recurring income and as a result it has therefore become increasingly challenging to identify a funding source to cover one off building maintenance costs, transitional funding to facilitate service change and other projects such as the ASR Project Team.

In 2008/09 the Board has managed to identify a sufficient level of non recurring funding to cover these costs in year.

Capital Expenditure

A full review of forecast expenditure in 2008/09 across all capital schemes has been carried out during November and December.

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, effectively giving a year end brokerage total of £47m carried forward at 31 March 2009.

This is a particularly high level of brokerage which can be attributed in large measure to the following factors:

9. Mid Year Review of 2008/09 Financial Plan

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

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

•A measure of support provided to SGHD to enable them to manage the impact of reduced levels of capital receipts across NHS Scotland through some re-phasing of planned capital expenditure within the Board.

Divisional/Directorate outturns

At the mid year point, Acute Services reported an overall breakeven financial position on an expenditure budget of £709m, and are projecting an annual breakeven outturn on a full year budget in excess of £1.4 billion.

The Division is currently containing cost pressures of approximately £7m - £8m principally relating to energy costs and the impact of capital charges increases, managing these within the context of its overall expenditure budget. Additional non recurring funding was made available to offset energy cost pressures during 2007/08 and was provided on a recurring basis from 2008/09 but the Division is still absorbing cost pressures in this area as a result of the recent further increases in energy prices. Hopefully in 2009/10 energy cost pressures will begin to reduce as prices begin to ease back.

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

Within Clyde, unfunded expenditure on GMS contract implementation has continued to push individual CHP’s ahead of budget although Inverclyde CHP is absorbing this funding shortfall with positive variances from other service budgets. This cost pressure was directly linked with the approach taken by SGHD in making available additional funds for enhanced services in 2006/07, and so will continue to feature as part of the Board’s ongoing discussions with SGHD aimed at addressing the residual funding gap which exists within Clyde.

9. Mid Year Review of 2008/09 Financial Plan

Specific areas of risk

Primary Care Prescribing expenditure

As reported previously, expenditure on primary care prescribing continues to run within budget during 2008/09. There will be a number of variables that will impact on the results in the second half of the year in relation to nationally agreed tariffs and discount levels. However, our assessment is that the amounts currently set aside as funding provisions within NHSGG&C should be sufficient to cover the full amount of new Pharmacy Contract related costs in 2008/09. In summary, there should be no significant cost exposure related to primary care prescribing in 2008/09.

Agenda for change costs

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

Cost savings plans

Cost savings targets were embedded within Division/Directorate cost budgets at the inception of the year. For the large majority of “projects” cost savings are being achieved. In overall terms, the Board is forecasting full achievement of the cost savings target of £50.7m for 2008/09. This is reflected in Divisional outturns reported to date.

Energy Costs

It has previously been reported that there has been a significant increase in energy costs across the NHS in Scotland in recent years and additional provision was made for this within the Board’s Financial Plan. In setting the financial plan for 2008/09 funding previously provided on a non recurring basis was made recurring in recognition of the upwards movement in costs.

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.

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 albeit with current trends in gas and electricity prices the level of expenditure growth may now be lower than had been originally anticipated.

9. Mid Year Review of 2008/09 Financial Plan

Income from West of Scotland Health Boards

As in 2007/08, a full 3 years rolling average activity has been used to calculate income due from other West of Scotland Boards. This has remained broadly unchanged and therefore income levels for 2008/09 will be in line with expected levels with the potential to secure a modest increase in income.

Income from NHS Highland Service Level Agreements

During early 2007/08 work commissioned jointly with NHS Highland to establish the cost of services provided to Argyll & Bute patients was concluded. This increased the Board's income by £4.0m, phased over a 3 year period beginning in 2007/08. In addition, the majority of Service Level Agreements for non clinical and community based services established in 2006/07 continue in place and income levels are expected to be in line with budgets with no significant risks identified to date in our regular review meetings with NHS Highland.

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.