

Greater Glasgow and Clyde NHS Board

Board

Tuesday 21 April 2009

Director of Finance



Board Paper No. 09/20

Financial Monitoring Report for the 10 month period to 31 January 2009

Introduction

The attached report shows that the Board is currently reporting an out-turn in line with its revenue budget for the first 10 months of the year. The Board continues to forecast a revenue breakeven position for 2008/09.

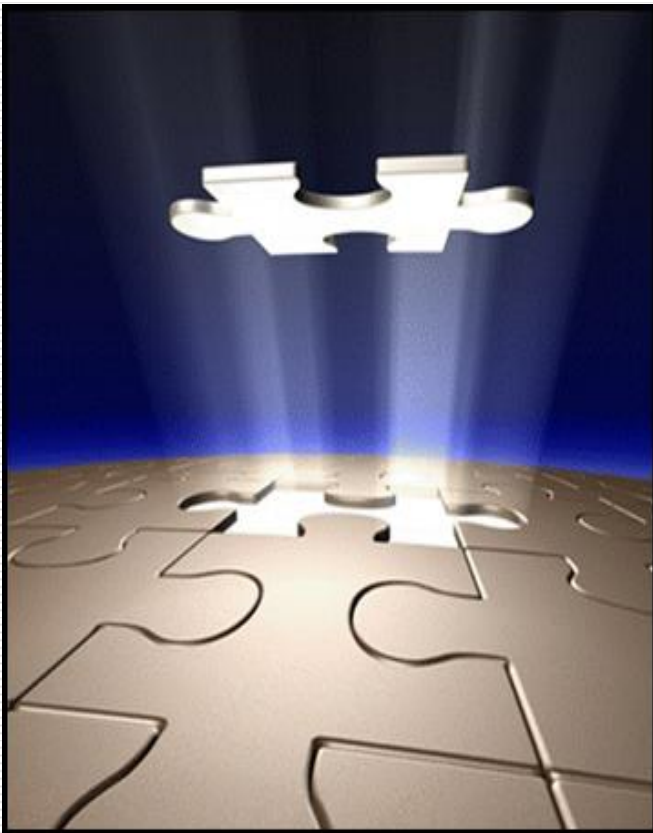
Recommendation

The Board is asked to note the Board's financial performance for the first 10 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
10 month
period to
31 January
2009**

Introduction

The financial monitoring report which follows has been developed to mirror the new organisational structure which was introduced with NHSGG&C during the latter part of 2005/06. It is designed to provide an overview of financial outturn across all the Board's main operating Divisions and Directorates.

The financial monitoring report comprises the following:

1. General overview, including key figures and key comments.
2. Overall income and expenditure summary.
3. Summary of Acute Services expenditure.
4. Summary of CHCP/CHP expenditure.
5. Summary of expenditure within other NHS partnerships.
6. Overview of "Clyde" financial outturn.
7. Overview of capital expenditure outturn.
8. Achievement of cost savings targets – progress report.
9. Glossary of terms

The overview of Clyde financial outturn is a "supplementary" report, which has been prepared by extracting the "Clyde" elements from each of the different Divisional and Directorate reports to form a consolidated picture of outturn for this geographical area of the Board's activities. This will continue to be provided for an initial period of 3 years and will assist with tracking progress in resolving the recurrent financial gap which currently exists between funding and expenditure within the "Clyde" area of the Board's operations.

1. Key Figures and Comments

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-------------------------------------|---------------------|------------------|------------------|--------------------|
| Income | 2,625.1 | 2,164.1 | 2,164.1 | 0.0 |
| Expenditure | 2,625.1 | 2,164.1 | 2,163.5 | 0.6 |
| Surplus/(Deficit) for period | 0.0 | 0.0 | 0.6 | 0.6 |
| Capital Expenditure | 122.4 | 54.0 | 54.0 | 0 |

- At 31 January 2009 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 £0.7m under budget for the first 10 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 £3-4 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 below budget for the year to date. However, 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 close to 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 31 January 2009 the Board is within £0.9m of achieving its year to date savings target of £41.2m. This provides assurance that the Board can achieve its 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 | 2,177.0 | 1,796.3 | 1,796.3 | 0.0 |
| Other Health Boards | 200.0 | 166.3 | 166.3 | 0.0 |
| National Services Division (NSD) | 60.3 | 49.5 | 49.5 | 0.0 |
| Additional Cost of Teaching (ACT) | 18.3 | 15.2 | 15.2 | 0.0 |
| NHS Education | 57.9 | 48.7 | 48.7 | 0.0 |
| Other Income | 111.6 | 88.1 | 88.1 | 0.0 |
| Total Income | 2,625.1 | 2,164.1 | 2,164.1 | 0.0 |
| Expenditure | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
| Acute | 1,453.5 | 1,202.9 | 1,202.2 | 0.7 |
| CHCPs/CHPs | 802.4 | 661.0 | 661.0 | 0.0 |
| Other NHS Partnerships | 175.9 | 143.4 | 143.2 | 0.2 |
| Corporate Departments | 32.1 | 27.2 | 28.0 | (0.8) |
| Resource Transfer (Note 1) | 85.1 | 75.2 | 75.2 | 0.0 |
| Other Healthcare Providers | 64.5 | 54.4 | 53.9 | 0.5 |
| Approved Funding for Expenditure Commitments not yet underway | 11.6 | 0.0 | 0.0 | 0.0 |
| Total Expenditure | 2,625.1 | 2,164.1 | 2,163.5 | 0.6 |
| Surplus / (Deficit) for the Period | 0.0 | 0.0 | 0.6 | 0.6 |

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.

- 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 have now been confirmed and are in line with budgets.
- Additional expenditure on Corporate Departments can be attributed in part to the timing of non recurring expenditure commitments however it is also due to overspends within a small number of Corporate Departments. These are currently being reviewed to identify actions which require to be taken to bring expenditure back into line with budget.
- At 31 January 2009 the Board had £11.6m of funds allocated for expenditure commitments approved but not yet under way. This mainly consists of earmarked funding received to date in respect of specific service commitments together with residual provision for Agenda for Change assimilation costs. 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 | 270.7 | 227.0 | 226.9 | 0.1 |
| Emergency Care & Medical | 208.3 | 172.4 | 172.5 | (0.1) |
| Rehabilitation & Assessment | 129.9 | 107.8 | 107.2 | 0.6 |
| Diagnostics Directorate | 165.7 | 137.4 | 137.3 | 0.1 |
| Oral Health | 22.2 | 18.8 | 17.8 | 1.0 |
| Regional Services | 119.6 | 99.8 | 98.7 | 1.1 |
| Women & Childrens Services | 152.0 | 127.1 | 127.1 | 0.0 |
| Facilities Directorate | 153.0 | 127.1 | 130.7 | (3.6) |
| Capital Charges | 86.0 | 71.7 | 74.1 | (2.4) |
| Acute Divisional Services | 137.4 | 113.8 | 109.9 | 3.9 |
| Approved Funding for Expenditure Commitments not yet underway | 8.7 | | | 0.0 |
| Total Acute Services | 1,453.5 | 1,202.9 | 1,202.2 | 0.7 |

- At 31 January 2009, Acute Services are reporting overall expenditure levels running £0.7m lower than the year to date expenditure budget of £1,202.9m. Within individual Directorates the main cost pressures continue to be on non pay expenditure particularly on dressings. Expenditure on hospital drugs is running within £0.2m of budget. Increased capital charges costs of £2.5m attributable to the scale of the Board's current capital programme are being contained by the release of cost savings in the current year. This has been identified as a specific cost pressure within the Board's Financial Plan for 2009/10.
- 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 between £3-4m during the period to March 2009.
- 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 | 112.9 | 92.9 | 92.9 | 0.0 |
| North Glasgow CHCP | 66.3 | 55.0 | 55.2 | (0.2) |
| South West Glasgow CHCP | 70.1 | 58.0 | 57.8 | 0.2 |
| South East Glasgow CHCP | 73.0 | 60.4 | 60.2 | 0.2 |
| West Glasgow CHCP | 112.1 | 92.7 | 92.6 | 0.1 |
| Total Glasgow CHCPs | 434.4 | 359.0 | 358.7 | 0.3 |
| East Renfrewshire CHCP | 42.1 | 34.5 | 34.5 | 0.0 |
| East Dunbartonshire CHP | 49.2 | 39.8 | 39.8 | 0.0 |
| South Lanarkshire CHP | 32.0 | 26.5 | 26.4 | 0.1 |
| North Lanarkshire CHP | 7.6 | 6.4 | 6.4 | 0.0 |
| West Dunbartonshire CHP | 67.1 | 55.2 | 55.0 | 0.2 |
| Inverclyde CHP | 60.0 | 47.9 | 47.9 | 0.0 |
| Renfrewshire CHP | 110.0 | 91.7 | 92.3 | (0.6) |
| Total Non Glasgow CHPs/CHCPs | 368.0 | 302.0 | 302.3 | (0.3) |
| Total CHPs/CHCPs | 802.4 | 661.0 | 661.0 | 0.0 |

- Overall expenditure levels within CHCPs and CHPs are running in line with budget at 31 January 2009 with most individual partnerships operating close to budget. However, Renfrewshire CHP is currently reporting increased expenditure against budget of £0.6m 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 final 2 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 final months 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 was running behind plan in the first part of the year. This could be attributed to the timing of commencement of a number of cost saving initiatives. These initiatives have now begun to take effect and prescribing expenditure levels are then expected to begin to fall back into line with budget towards the end of the year.

5. Other NHS Partnerships

| | Annual Budget £m | YTD Budget £m | YTD Actual £'m | YTD Variance £m |
|------------------------------------|---------------------|------------------|-------------------|--------------------|
| Mental Health Services | 131.6 | 108.5 | 108.4 | 0.1 |
| Learning Disabilities Services | 14.3 | 11.5 | 11.8 | (0.3) |
| Addictions Services | 17.2 | 14.0 | 14.0 | 0.0 |
| Services for Homeless People | 3.9 | 3.3 | 2.9 | 0.4 |
| Other Partnership Budgets (note 1) | 8.9 | 6.1 | 6.1 | 0.0 |
| Total Partnerships | 175.9 | 143.4 | 143.2 | 0.2 |

- 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 £0.4m 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) | 245.1 | 203.0 | 202.3 | 0.7 |
| CHPs | 224.2 | 185.8 | 186.2 | (0.4) |
| Other NHS Partnerships | 37.6 | 30.7 | 30.9 | (0.2) |
| Total Expenditure | 506.9 | 419.5 | 419.4 | 0.1 |

- The table above shows out-turn of the Clyde area against budget for the main operational service areas. At 31 January 2009 overall expenditure for the Clyde area was running under budget by £0.1m.
- 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 31 January 2009 | 129.5 |
| Add: Anticipated Allocations | 1.8 |
| Add: Capital Receipts | 0.0 |
| Add: Brokerage b/fwd from 2007/08 | 38.1 |
| Less: Brokerage c/fwd to 2009/10 | (47.0) |
| Total Capital resources for 2008/09 | 122.4 |
| Use of Capital Funds | |
| Allocated to Approved Schemes (based on latest forecast annual expenditure) | 122.4 |
| Total utilisation of funds for 2008/09 | 122.4 |
| Expenditure to Date | |
| Expenditure to 31 January 2009 | 54.0 |
| Balance to be spent by 31 March 2009 | 68.4 |
| Total Forecast Expenditure for 2008/09 | 122.4 |

- 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 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 31 January 2009 expenditure of £54.0million had been incurred on capital schemes leaving a balance of £68.4 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 31 January 2009 the Board is reporting achievement of £40.3m against its year to date target of £41.2m of recurring savings and it is anticipated that the full £50.7m will be achieved by 31 March 2009.

| Description | Recurring Target £'m | Expected at 31 Jan £'m | Achieved at 31 Jan £'m | Under Achieved £'m |
|-----------------------|-------------------------|---------------------------|---------------------------|-----------------------|
| Acute | 29.1 | 23.2 | 23.2 | 0.0 |
| Partnerships | 14.9 | 12.4 | 11.5 | 0.9 |
| Corporate Departments | 6.7 | 5.6 | 5.6 | 0.0 |
| Total | 50.7 | 41.2 | 40.3 | 0.9 |

9. Glossary of Terms

Income:

- ❑ **SGHD Income** - This represents the funding allocation received directly from the SGHD for the treatment of Greater Glasgow & Clyde patients and is based on the Arbuthnott formula. This can also be described as the Greater Glasgow & Clyde NHS Board's Revenue Resource Limit (RRL).
- ❑ **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.