

**Board**

**20 October 2009**

**Paper No. 09/56**

**Director of Finance**

## **Financial Monitoring Report for the 5 month period to 31 August 2009**

### **Introduction**

The attached report shows that the Board is currently reporting an expenditure out-turn £1.5m in excess of its budget for the first 5 months of the year. At this stage the Board considers that a year end breakeven position remains achievable.

The report also includes details of expenditure to date against the Board's 2009/10 capital allocation and a progress report on achievement of the Board's 2009/10 cost savings targets.

### **Recommendation**

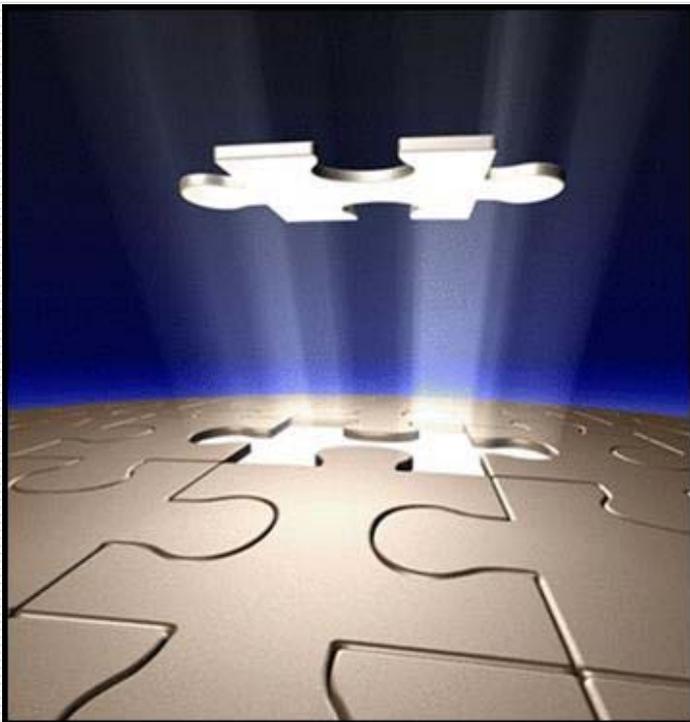
The Board is asked to note the Board's financial performance for the first 5 months of the financial year.

**Douglas Griffin**  
**Director of Finance**

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# NHS Greater Glasgow & Clyde

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**Financial  
Monitoring  
Report for the 5  
month period to  
31 August 2009**

# Introduction



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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 out-turn 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 out-turn for this geographical area of the Board's activities. 2009/10 will be the final financial year in respect of which this report is provided, this being year 3 of a transitional period during which SGHD has provided the Board with transitional funding support in resolving the recurrent financial gap. The purpose of this report has been to 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	2,699.1	1,116.9	1,116.9	0.0
Expenditure	2,699.1	1,116.9	1,118.4	(1.5)
<b>Surplus/(Deficit) for period</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.5)</b>	<b>(1.5)</b>
<b>Capital Expenditure</b>	159.4	39.1	39.1	0

- At 31 August 2009 NHS Greater Glasgow and Clyde is reporting expenditure levels running slightly ahead of budgeted levels for the first five months of the year. At this stage in the financial year the Board considers that a year end breakeven position remains achievable. There remain however a number of factors which could have a significant negative impact on the Board's financial position during 2009/10...pandemic flu, outcome of Agenda for Change appeals and prescribing expenditure trends. These are commented upon further below.
- The Board has approved a balanced Financial Plan for 2009/10 which deploys £14.9m of non recurring resources in order to achieve a balanced out-turn for the year. The Financial Plan also assumes that £45.4m of cost savings targets will be achieved. The timing of achieving these cost savings targets will be a key factor in achieving our overall financial target for 2009/10.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £1.2m over budget for the first 5 months of the year. At this stage a number of Directorates are showing increased expenditure due to the timing of achieving planned cost savings and to a number of pay and non pay cost pressures in particular the impact of implementing Agenda for Change and expenditure associated with pandemic flu.
- Expenditure on **NHS partnerships** is also running slightly ahead of budget for the year to date. This is largely due to additional prescribing expenditure due to the impact of preparing for pandemic flu which diverted staff from focusing on implementation of new cost savings measures in the early part of the year. This in turn contributed to a delay in recruitment to pharmacy posts associated with the delivery of these initiatives.
- With regard to Agenda for Change implementation, the Board has reached the stage where it is considering appeals which have been made against Agenda for Change gradings. A large number of appeals have been submitted, considerably more than had been anticipated. In preparing the Board's Financial Plan a modest provision has been made for the possibility of successful appeals with a recurring cost impact of up to £3m per annum provided for. By the end of October a clear picture should emerge of the likely impact of Agenda for Change appeals on the 2009/10 financial out-turn. This will enable the Board to determine the level of any supplementary cost savings target which may require to be set for the second half of 2009/10 to secure the achievement of a breakeven out-turn for the year. Until the position with regard to these appeals is confirmed this can be regarded as an area of potentially significant financial risk.

# 1. Key Figures and Comments

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- 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. As in previous years it is expected that a breakeven position will be achieved through a combination of planned cost savings, transitional funding and non recurring cost savings. Further details are provided on page 9 of this report.
- A detailed report on achievement of cost savings targets is included on page 11. At 31 August 2009 the Board has achieved savings of £17.6m against a year to date target of £18.9m. At this stage the Board is currently forecasting full achievement of its 2009/10 savings targets. This will continue to be closely monitored as delivery of this savings target is crucial to achievement of the Board's revenue plan for the year.
- The level of capital expenditure is in line with plan and reflects the timing of expenditure across a wide range of programmes.

## 2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,251.6	925.8	925.8	0.0
Other Health Boards	212.3	88.9	88.9	0.0
National Services Division (NSD)	53.3	22.4	22.4	0.0
Additional Cost of Teaching (ACT)	18.3	7.6	7.6	0.0
NHS Education	58.8	24.3	24.5	0.2
Other Income	104.8	47.9	47.7	(0.2)
<b>Total Income</b>	<b>2,699.1</b>	<b>1,116.9</b>	<b>1,116.9</b>	<b>0.0</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,485.7	623.8	625.0	(1.2)
CHCPs/CHPs	815.7	338.9	339.1	(0.2)
Other NHS Partnerships	182.4	74.7	74.6	0.1
Corporate Departments	28.1	13.4	13.6	(0.2)
Resource Transfer (Note 1)	86.1	38.1	38.1	0.0
Other Healthcare Providers	66.2	28.0	28.0	0.0
Approved Funding for Expenditure Commitments not yet underway	34.9	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,699.1</b>	<b>1,116.9</b>	<b>1,118.4</b>	<b>(1.5)</b>
<b>Surplus / (Deficit) for the Period</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.5)</b>	<b>(1.5)</b>

### Notes:

1. In addition to budgeted Resource Transfer of £86.1m for Greater Glasgow, a further £23.9m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £110.0m.

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2008/09 values and updating these to take account of inflation. While final values still remain to be confirmed we do not anticipate significant difficulties in securing budgeted values for 2009/10. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which when updated will enable the Board to reach agreement on final values.
- At 31 August 2009 the Board had £34.9m 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	272.8	115.0	115.0	0.0
Emergency Care & Medical	209.6	87.8	88.0	(0.2)
Rehabilitation & Assessment	129.5	55.1	55.9	(0.8)
Diagnostics Directorate	166.1	69.6	69.8	(0.2)
Oral Health	20.1	9.6	9.2	0.4
Regional Services	119.4	52.1	51.8	0.3
Women & Childrens Services	153.5	65.6	66.6	(1.0)
Facilities Directorate	172.9	73.4	74.3	(0.9)
Capital Charges and Rates	90.9	41.1	41.1	0.0
Acute Divisional Services	141.9	54.5	53.3	1.2
Approved Funding for Expenditure Commitments not yet underway	9.0	0.0	0.0	0.0
<b>Total Acute Services</b>	<b>1,485.7</b>	<b>623.8</b>	<b>625.0</b>	<b>(1.2)</b>

- At 31 August 2009, Acute Services are reporting expenditure levels running £1.2m higher than the year to date expenditure budget of £623.8m.
- Within individual Directorates there are a number of areas where expenditure is running ahead of budgeted levels although these are currently being offset by reduced expenditure elsewhere. These are:
  - Nursing pay costs due to changes to enhancement rates arising from the implementation of Agenda for Change; also the impact of successful grading appeals within the Facilities Directorate;
  - Expenditure incurred as a result of the pandemic flu outbreak;
  - Delay in the delivery of cost savings against plan due to the timing of implementation of some initiatives; and
  - Cost pressure related to additional neonatal activity within the Women and Childrens Services Directorate.
- Board Members will recall that during 2008/09 the impact of increased costs of gas and electricity created a significant additional cost pressure for the Board. NHS Scotland has now forward purchased the majority of gas and electricity required for the winter period at tariffs that are considerably lower than the tariffs in place during 2008/09. At this stage the anticipated energy costs for NHS Scotland are expected to be in line with expectations for 2009/10 and to remain within budget.

## 4. CHCPs and CHPs - NHS Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	109.5	45.3	45.3	0.0
North Glasgow CHCP	66.7	27.3	27.4	(0.1)
South West Glasgow CHCP	69.5	28.7	28.7	0.0
South East Glasgow CHCP	79.4	33.3	33.3	0.0
West Glasgow CHCP	113.9	46.9	46.8	0.1
<b>Total Glasgow CHCPs</b>	<b>439.0</b>	<b>181.5</b>	<b>181.5</b>	<b>0.0</b>
East Renfrewshire CHP	40.2	16.9	16.9	0.0
East Dunbartonshire CHP	48.6	20.4	20.4	0.0
South Lanarkshire CHP	34.5	14.5	14.5	0.0
North Lanarkshire CHP	8.5	3.5	3.5	0.0
West Dunbartonshire CHP	68.4	28.3	28.2	0.1
Inverclyde CHP	59.7	25.0	25.0	0.0
Renfrewshire CHP	116.8	48.8	49.1	(0.3)
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>376.7</b>	<b>157.4</b>	<b>157.6</b>	<b>(0.2)</b>
<b>Total CHPs/CHCPs</b>	<b>815.7</b>	<b>338.9</b>	<b>339.1</b>	<b>(0.2)</b>

- Overall expenditure levels within CHCPs and CHPs are running close to budget at 31 August 2009. Most Partnerships are operating close to budget but Renfrewshire CHP and North Glasgow CHCP are experiencing cost pressures within Elderly Mental Health Budgets and are reviewing the position to identify how to bring expenditure back in line with budget. In addition, Renfrewshire CHP is experiencing cost pressures within the community equipment budget and is working closely with its Local Authority partner to identify remedial action.
- In previous years, Clyde CHPs reported increased expenditure against budget as a result of the impact of available General Medical Services funding for the Clyde area being less than related expenditure commitments largely related to the Quality and Outcomes Framework (QOF) of the GMS Contract. Within its Financial Plan the Board has made available funding cover for this particular cost pressure for 2009/10 and 2010/11. This is reflected in the Clyde CHP budgets for 2009/10 thereby removing the deficit. It should be noted that Clyde CHPs are tasked with developing plan(s) to contain these costs within service budgets by 2011/12.
- Overall prescribing expenditure across NHSGGC continues to run slightly ahead of budget albeit there has been a modest improvement from the position reported to July. As expenditure trends become clearer with the availability of data relating to August it will be possible to obtain a clearer picture of progress towards achieving the Board's cost savings target of £7.0m related to primary care prescribing. The continuing adverse position can be attributed to preparing for the impact of pandemic flu which diverted staff from the implementation of new cost savings initiatives in the early part of the year. This in turn contributed to a delay in recruitment to pharmacy posts associated with the delivery of these initiatives. The prescribing position will continue to be kept under close scrutiny during the remaining months of the year.

## 5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	126.1	52.4	52.3	0.1
Learning Disabilities Services	13.7	5.6	5.8	(0.2)
Addictions Services	17.2	7.4	7.5	(0.1)
Services for Homeless People	3.9	1.6	1.3	0.3
Other Partnership Budgets (note 1)	21.5	7.7	7.7	0.0
<b>Total Partnerships</b>	<b>182.4</b>	<b>74.7</b>	<b>74.6</b>	<b>0.1</b>

- ❑ Expenditure levels within other NHS Partnerships are running close to financial breakeven at this stage of the financial year.
- ❑ Within Mental Health Services the costs associated with Extra Contractual Referrals have moved back into line with budget as a result of planned action taken by the Mental Health Partnership to contain costs. There remain some cost pressures within inpatient nursing costs in both Greater Glasgow and Clyde however these are being offset by reduced expenditure in other areas. The cost pressures within inpatient services are being reviewed with a view to bringing expenditure back into line with budget by the year end.
- ❑ Expenditure on Learning Disabilities Services is running closely in line with budget.
- ❑ 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.
- ❑ 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.

**Note:**

1. Other Partnership budgets include budgets for support services (HR/Finance/Estates/IT 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)	250.5	104.7	104.8	(0.1)
CHPs	176.5	73.8	74.1	(0.3)
Other NHS Partnerships	34.8	14.8	14.8	0.0
<b>Total Expenditure</b>	<b>461.8</b>	<b>193.3</b>	<b>193.7</b>	<b>(0.4)</b>

- The table above shows the out-turn of the Clyde area against budget for the main operational service areas. At 31 August 2009 overall expenditure for the Clyde area was running close to budget.
- The opening Clyde expenditure budget for 2009/10 was £12.0m in excess of available funding before taking account of 2009/10 cost savings targets attributable to Clyde of £6.0m. After taking account of these cost savings targets and the cost of playing in additional funding of £1.2m to cover a long standing Clyde GMS cost pressure, the net recurrent deficit is £7.2m.
- For 2009/10 the Board has now reached an agreed position with SGHD regarding how the residual gap at 1 April 2009 will be addressed. The planned final position for 2009/10 is summarised in the table below. Assuming savings targets are achieved the remaining recurring gap for Clyde at 1 April 2010 will be £7.2m.

Funding Source	Recurring £m	Non Recurring £m	Net Position £m	Status
Recurring funding gap at 1 April 2009 (original £26.0m less £7.0m recurring savings achieved in 2007/08 and £7.0m in 2008/09)	12.0	0.0	12.0	
<b>Less: Savings/Transitional Funding</b>				
Cost Savings Plan 2009/10 (£6.0m recurring savings contribution attributable to Clyde)	6.0		6.0	Currently being implemented
<b>Add: Funding provision for long standing Clyde GMS Pressure</b>				
SGHD transitional funding relief	(1.2)	4.0	(1.2)	Confirmed by SGHD
Additional non recurring savings		3.2	3.2	Currently being implemented
<b>Residual gap at 31 March 2010</b>	<b>7.2</b>	<b>(7.2)</b>	<b>0.0</b>	

## 7. Capital Expenditure Summary

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit at 31 August 2009	115.3
Add: Anticipated Allocations	9.5
Add: Specific Anticipated Allocation for New South Glasgow Hospital	17.5
Add: Capital Schemes funded from Revenue	0.1
Add: Brokerage b/fwd from 2008/09	47.0
Less: Brokerage c/fwd to 2010/11 (to be confirmed)	(30.0)
<b>Total Capital resources for 2009/10</b>	<b>159.4</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	189.4
Less: Slippage to be carried forward (specific schemes to be identified)	(30.0)
<b>Total utilisation of funds for 2009/10</b>	<b>159.4</b>
<b>Expenditure to Date</b>	
Expenditure to 31 August 2009	39.1
Balance to be spent by 31 March 2010	120.3
<b>Total Forecast Expenditure for 2009/10</b>	<b>159.4</b>

- The Board's Capital Plan for 2009/10 was approved by the Board on 23 June 2009.
- At 31 August 2009 the Board's anticipated capital funding (Capital Resource Limit) for 2009/10 was £115.3m. Further allocations of £9.5m and capital receipts of £0.1m are anticipated together with a specific allocation of £17.5m for the New South Glasgow Hospital which will increase the allocation for 2008/09 to £142.4m. The Board had previously agreed with SGHD that £47.0m of brokerage carried forward from 2008/09 would be available for use in 2009/10. At SGHD's request the Board is currently reviewing its likely out-turn for 2009/10 to assess the potential for capital slippage. Initial indications are that this could be of the order of £30m which is reflected in the summary above. SGHD are seeking early confirmation of potential slippage to assist with managing the impact of a reduced forecast in capital receipts from property sales across NHS Scotland. The Board expects to finalise its forecast of capital slippage with SGHD within the next few weeks. It is likely that the level of brokerage which is agreed with SGHD to be carried forward to 2010/11 will be in excess of £30m and indeed may reach £40m and the Board is currently reviewing expenditure forecasts to see if this level of slippage can be accommodated. At this stage £30m is assumed and as a result the Board's estimated capital funding for use on 2009/10 approved schemes is shown to be £159.4m.
- Total expenditure incurred to 31 August 2009 on capital schemes which had already been approved in earlier years was £39.1m.

## 8. Cost Savings Targets

- In developing its Financial Plan for 2009/10 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 2010/11.
- Achieving the Board's cost savings target will be a key element in determining whether a balanced out-turn for 2009/10 will be achieved. The total cost savings challenge for 2009/10 has been set at £45.4m and targets have been set from a combination of local initiatives applied to all service areas and eleven Area Wide Strategic Reviews. The targets from local initiatives total £29.2m (£23.0m from the Acute Division and £6.2m from NHS Partnerships) with the balance of £16.2m represented by the strategic reviews. At the end of August savings targets for all but £1.0m of the Board's Cost Savings plan have been confirmed.
- 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 four months of the year. "Expected savings" reflects the phasing of savings plans during the year.
- At 31 August 2009 the Board is reporting achievement of £17.6m of recurring savings against a year to date target of £18.9m. At this stage the Board continues to forecast full achievement of savings targets for 2009/10 but this will be kept under close review during the remaining months of the year.

**Note:**

Dependent on the outcome of the Agenda for Change appeals process it may be necessary to introduce a supplementary cost savings target in the second half of 2009/10 which would increase the overall cost savings target for the year.

Description	Recurring Target £'m	Expected at 31 August £'m	Achieved at 31 August £'m	Under Achieved £'m
Acute Local Schemes	23.0	9.6	8.7	0.9
Partnerships Local Schemes	6.2	2.6	2.6	0.0
Area Wide Strategic Reviews	16.2	6.7	6.3	0.4
<b>Total</b>	<b>45.4</b>	<b>18.9</b>	<b>17.6</b>	<b>1.3</b>

## 9. Glossary of Terms

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### 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).
- ❑ **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.