

**Board**

**16 February 2010**

**Paper No. 10/08**

**Director of Finance**

## **Financial Monitoring Report for the 8 month period to 30 November 2009**

### **Introduction**

The attached report shows that the Board is currently reporting an expenditure out-turn £1.6m in excess of its budget for the first 8 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.

Section 7 of the report contains a supplementary commentary to report the results of the Board's mid year review of its financial position against the 2009/10 Financial Plan.

### **Recommendation**

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

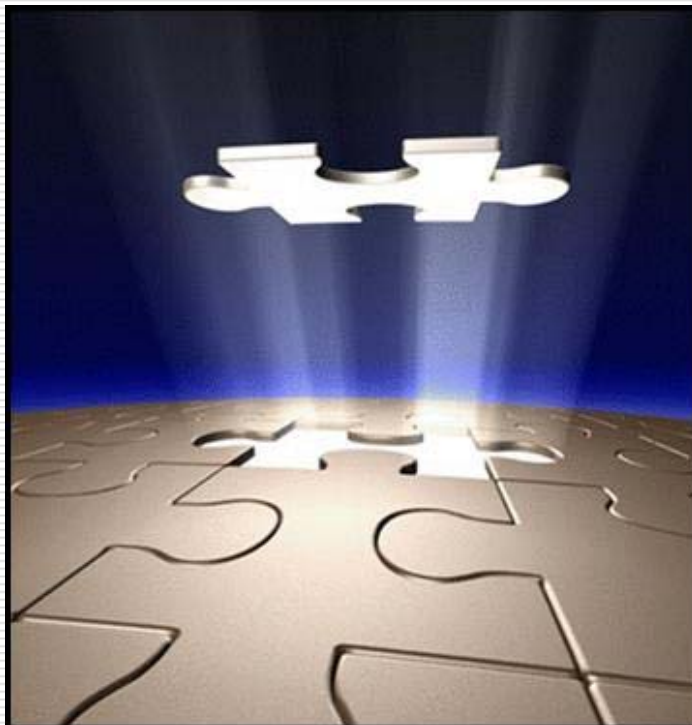
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# **NHS Greater Glasgow & Clyde**

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## **Financial Monitoring Report for the 8 month period to 30 November 2009 –(including Mid Year Review of 2009/10 Financial Position)**



# Introduction



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This abridged 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 capital expenditure outturn.
7. Mid Year Review of 2009/10 Financial Plan.
8. Glossary of terms

Section 7 of the report includes a commentary on the outcome of the Board's Mid year Review of its 2009/10 Financial Plan.



# 1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,726.8	1,807.0	1,807.0	0.0
Expenditure	2,726.8	1,807.0	1,808.6	(1.6)
<b>Surplus/(Deficit) for period</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.6)</b>	<b>(1.6)</b>
<b>Capital Expenditure</b>	149.2	62.1	62.1	0

- At 30 November 2009 NHS Greater Glasgow and Clyde is reporting expenditure levels running £1.6m ahead of budget for the first eight 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 £1.0m over budget for the first 8 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 ahead of budget for the year to date. The main cost pressure within CHPs and CHCPs is expenditure on inpatient elderly mental illness budgets within Renfrewshire CHP. The CHP is reviewing this area to identify how to bring expenditure back in line with budget.
- At 30 November 2009 Prescribing expenditure is running ahead of budget by £1.0m. In setting primary care prescribing budgets at the outset of the year provision was made for the repayment of funding to SGHD in respect of windfall savings anticipated from price reductions on specific drugs during 2009/10 as a consequence of the Government's Pharmaceutical Price Regulation Scheme (PPRS). The level of provision was established based on SGHD guidance and was justified on the basis of a reduction in reimbursement rates to pharmacists on account of drug price reductions. An analysis of actual expenditure for the period to August confirms that while the prices of a range of drugs embraced by PPRS have in fact reduced, expenditure on other drugs has increased beyond anticipated levels. This has generated some debate between SGHD and Health Boards regarding what an appropriate level of repayment related to windfall savings should be. It is anticipated that SGHD will reach a final position on this matter by late January/early February with the Board updating its final cost projections at this stage to reflect this.



# 1. Key Figures and Comments

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- 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. In recent weeks the Board has been working to identify the likely impact of Agenda for Change appeals on the 2009/10 financial out-turn. This work has confirmed that the recurring cost impact of successful appeals is likely to be some £3m higher than originally estimated. This is offset by an equal and opposite movement in energy costs attributable to an easing of gas and energy prices in the second half year.
- Total expenditure for the **Clyde** area is within £0.7m of 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.
- At 30 November 2009 the Board has achieved savings of £28.5m against a year to date target of £30.2m. 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	2,263.5	1,499.6	1,499.6	0.0
Other Health Boards	212.2	141.1	140.9	(0.2)
National Services Division (NSD)	61.5	41.1	41.1	0.0
Additional Cost of Teaching (ACT)	18.3	12.2	12.2	0.0
NHS Education	59.4	39.9	40.2	0.3
Other Income	111.9	73.1	73.0	(0.1)
<b>Total Income</b>	<b>2,726.8</b>	<b>1,807.0</b>	<b>1,807.0</b>	<b>0.0</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,511.6	1,012.8	1,013.8	(1.0)
CHCPs/CHPs	839.3	554.9	556.0	(1.1)
Other NHS Partnerships	169.5	110.5	110.1	0.4
Corporate Departments	29.2	21.6	21.5	0.1
Resource Transfer (Note 1)	85.8	60.7	60.7	0.0
Other Healthcare Providers	68.9	46.5	46.5	0.0
Approved Funding for Expenditure Commitments not yet underway	22.5	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,726.8</b>	<b>1,807.0</b>	<b>1,808.6</b>	<b>(1.6)</b>
<b>Surplus / (Deficit) for the Period</b>	<b>0.0</b>	<b>0.0</b>	<b>(1.6)</b>	<b>(1.6)</b>

### Notes:

1. In addition to budgeted Resource Transfer of £85.8m 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 £109.7m.

- Discussions are currently taking place with other Health Boards to finalise service level agreement values for 2009/10. While final values still remain to be confirmed it is not anticipated there will be significant difficulties in securing budgeted values for 2009/10. These values are based on the West of Scotland Cross Boundary Flow Financial Model which is updated annually and has been used by the Board for several years to determine service level agreement values with other Health Boards.
- At 30 November 2009 the Board had £22.5m 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	275.7	186.6	186.8	(0.2)
Emergency Care & Medical	214.1	143.9	144.4	(0.5)
Rehabilitation & Assessment	130.4	88.5	89.1	(0.6)
Diagnostics Directorate	168.3	112.6	112.7	(0.1)
Oral Health	22.7	16.5	16.0	0.5
Regional Services	123.5	85.1	84.9	0.2
Women & Childrens Services	155.9	105.7	107.4	(1.7)
Facilities Directorate	177.5	119.8	122.0	(2.2)
Capital Charges and Rates	90.9	67.5	67.5	0.0
Acute Divisional Services	139.1	86.6	83.0	3.6
Approved Funding for Expenditure Commitments not yet underway	13.5	0.0	0.0	0.0
<b>Total Acute Services</b>	<b>1,511.6</b>	<b>1,012.8</b>	<b>1,013.8</b>	<b>(1.0)</b>

- At 30 November 2009, Acute Services are reporting expenditure levels running £1.0m higher than the year to date expenditure budget of £1,012.8m.
- 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 pressures related to additional activity within the Women and Childrens Services Directorate and expenditure due to additional activity on Orthotics supplies within the Rehabilitation & Assessment Directorate. Both Directorates are actively addressing these areas of additional expenditure.
- 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 all gas and electricity required for the winter period at tariffs that are considerably lower than the tariffs in place during 2008/09. As a consequence a reduction in energy expenditure approaching £3m is forecast for the second half of the 2009/10.

## 4. CHCPs and CHPs - NHS Budgets

	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	117.5	77.4	77.4	0.0
North Glasgow CHCP	70.5	46.5	46.6	(0.1)
South West Glasgow CHCP	74.2	49.1	49.1	0.0
South East Glasgow CHCP	76.9	51.3	51.5	(0.2)
West Glasgow CHCP	111.5	73.5	73.5	0.0
<b>Total Glasgow CHCPs</b>	<b>450.6</b>	<b>297.8</b>	<b>298.1</b>	<b>(0.3)</b>
East Renfrewshire CHCP	42.9	28.5	28.6	(0.1)
East Dunbartonshire CHP	50.3	33.5	33.5	0.0
South Lanarkshire CHP	35.2	23.4	23.4	0.0
North Lanarkshire CHP	7.8	5.2	5.2	0.0
West Dunbartonshire CHP	69.2	45.2	45.2	0.0
Inverclyde CHP	62.1	41.1	41.3	(0.2)
Renfrewshire CHP	121.2	80.2	80.7	(0.5)
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>388.7</b>	<b>257.1</b>	<b>257.9</b>	<b>(0.8)</b>
<b>Total CHPs/CHCPs</b>	<b>839.3</b>	<b>554.9</b>	<b>556.0</b>	<b>(1.1)</b>

- Overall expenditure levels within CHCPs and CHPs are running £1.1m ahead of budget at 30 November 2009 largely due to increased expenditure on prescribing. This can be attributed in part 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. Another area of concern is expenditure levels on prescribing activity, including the impact of the Pharmaceutical Price Regulation Scheme (PPRS) which has been described in more detail in Section 1 above.
- Excluding prescribing expenditure most Partnerships are operating close to budget with the main exception being Renfrewshire CHP which is experiencing cost pressures within Inpatient Elderly Mental Illness Budgets and is reviewing the position to identify how to bring expenditure back in line with budget. Renfrewshire CHP is also 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.



## 5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	126.9	84.4	84.4	0.0
Learning Disabilities Services	12.9	8.7	8.9	(0.2)
Addictions Services	18.1	12.4	12.3	0.1
Services for Homeless People	3.9	2.5	2.0	0.5
Other Partnership Budgets (note 1)	7.7	2.5	2.5	0.0
<b>Total Partnerships</b>	<b>169.5</b>	<b>110.5</b>	<b>110.1</b>	<b>0.4</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.
- Learning Disability services are running at an overspend due to the residential and medical costs of a resident with special needs placed with an external service. There is currently a Learning Disability service review underway the results of which should improve services and address current cost pressures.
- The reduced level of spend relative to budget of £0.5m on services for homeless people can be attributed a number of current vacancies and 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. Capital Expenditure Summary

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL) at 30 November 2009	117.7
Add: Anticipated Allocations	7.0
Add: Specific Anticipated Allocation for New South Glasgow Hospital	17.5
Add: Brokerage b/fwd from 2008/09	47.0
Less: Adjustment to 2009/10 CRL agreed with SGHD	(40.0)
<b>Total Capital resources for 2009/10</b>	<b>149.2</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	149.2
<b>Total utilisation of funds for 2009/10</b>	<b>149.2</b>
<b>Expenditure to Date</b>	
Expenditure to 30 November 2009	62.1
Balance to be spent by 31 March 2010	87.1
<b>Total Forecast Expenditure for 2009/10</b>	<b>149.2</b>

- The Board's Capital Plan for 2009/10 was approved by the Board on 23 June 2009.
- At 30 November 2009 the Board's anticipated capital funding (Capital Resource Limit) for 2009/10 was £117.7m. Further allocations of £7.0m are anticipated together with a specific allocation of £17.5m for the New South Glasgow Hospital which will increase the allocation for 2009/10 to £142.2m. 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 reviewed its likely out-turn for 2009/10 to assess the potential for capital slippage to assist SGHD to manage the impact of a reduced forecast in capital receipts from property sales across NHS Scotland. This has now been confirmed at £40.0m which is reflected in the summary above.
- As a result the Board's estimated capital funding for use on 2009/10 approved schemes is currently shown to be £149.2m.
- Total expenditure incurred to 30 November 2009 on capital schemes which had already been approved in earlier years was £62.1m.

# 7. Mid Year Review of Financial Plan



## Overview

A review of the Board's Financial Plan for 2009/10 has recently been completed as part of the Board's overall performance management arrangements. 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 2009/10, and thereby remain within its revenue and capital resource limits for the year.

The Board approved its annual Financial Plan for 2009/10 in June 2009. This 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

The Board had initially forecast a balanced revenue position for 2009/10 by deploying £14.9m of non recurring funding sources to offset an excess of £14.9m of additional recurring expenditure commitments.

This remains relatively unchanged from the position previously reported, with recurring expenditure commitments now forecast to exceed available funding by £15.7m (after taking account the impact of of 2009/10 recurring cost savings). This is partly attributable (£7.2m) to the residual imbalance between recurring expenditure commitments and funding related to the Clyde area of the Board's management responsibilities.

The changes to the position previously reported in the Financial Plan are summarised in the table below.

	£m
Recurring funding gap previously reported in Financial Plan - June 2009	(14.9)
Agenda for Change – anticipated additional recurring cost related to successful grading appeals	(2.7)
Release of funding provisions following review of planned expenditure commitments	2.1
Recurring gain from energy price movements	2.8
Prescribing - additional recurring costs in 2009/10	(1.0)
Deployment of earmarked funds – non achievement of planned recurrent cost savings	(2.0)
<b>Estimated recurring gap at 31 March 2010</b>	<b>(15.7)</b>

# 7. Mid Year Review of Financial Plan

The Clyde position is summarised in the table below.

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:</b> Funding provision for long standing Clyde GMS Pressure	(1.2)		(1.2)	
SGHD transitional funding relief		4.0	4.0	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>	

The plan for addressing this funding gap in 2009/10 remains unchanged, and comprises a mix of locally generated recurring and non-recurring cost savings and transitional funding "relief" provided by SGHD.

The summary shows that there is no residual gap for 2009/10. The challenge associated with closing this gap will be carried forward and addressed as an integral part of the Board's 2010/11 Cost Savings Plan.

## Non-Recurring Financial Position

The shortfall in recurring cost savings associated with the deployment of earmarked funds is fully covered in 2009/10 by the release of non recurring funds from this source in relation to the timing of new commitments getting under way. With this exception there has been no significant change from the position reported within the original financial plan for 2009/10.

In recent years the Board has become reliant on generating in year slippage from funding allocations or service budgets as a source of non recurring funding to cover one off building maintenance costs, transitional funding to facilitate service change and other projects such as the ASR Project Team in addition to any excess of recurring expenditure commitments over recurring funding.

In 2009/10 the Board has managed to identify a sufficient level of non recurring funding to cover these costs in year and to offset the £15.7m shortfall in recurring funding described above.

# 7. Mid Year Review of Financial Plan

## **Divisional/Directorate out-turns**

At 30 November 2009, Acute Services reported an overall deficit of £1.0m on an expenditure budget of £1,012.8m, and are projecting an annual breakeven outturn on a full year budget in excess of £1.5 billion.

The Division is currently experiencing cost pressures in a number of areas as described in Section 3 of this report. In addition, some cost savings targets are not being achieved as quickly as planned mainly within the Rehabilitation & Enablement and Facilities Directorates and as a result the Division is currently seeking to develop alternative plans to ensure the forecast breakeven position is achieved.

At 30 November 2009 CHCP's and CHP's are reporting expenditure running £1.1m ahead of budget although majority of this variance (£1.0m) can be attributed to additional prescribing expenditure which is discussed in greater detail in the section on Primary Care Prescribing Expenditure below.

Prescribing expenditure aside the overall position is that CHPs and CHCPs with the exception of the Renfrewshire CHP are 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.

## **Primary Care Prescribing expenditure**

In setting Primary care prescribing budgets for 2009/10 it was assumed that savings of £7m would be achieved and that overall prescribing costs would be contained within an overall envelope of £12m. As reported in Section 1, overall prescribing expenditure across NHS GGC is running ahead of budget (by £1.0m for the 8 months to 30 November). The adverse position can be attributed in part 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.

However, another area of concern is expenditure on prescribing activity, including the impact of the Pharmaceutical Price Regulation Scheme (PPRS). In setting primary care prescribing budgets at the outset of the year provision was made for the repayment of funding to SGHD in respect of windfall savings anticipated from price reductions on specific drugs during 2009/10 as a consequence of the Government's Pharmaceutical Price Regulation Scheme (PPRS). The level of provision was established based on SGHD guidance and was justified on the basis of a reduction in reimbursement rates to pharmacists on account of drug price reductions.

## 7. Mid Year Review of Financial Plan

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An analysis of actual expenditure for the first half of the year confirms that while the prices of a range of drugs embraced by PPRS have in fact reduced expenditure on other drugs has increased beyond anticipated levels. This has generated some debate between SGHD and Health Boards regarding what an appropriate level of repayment related to windfall savings should be. Until the outcome of this debate is known there remains the potential for an additional cost pressure of up to £2m to the Board in 2009/10. In the event that this risk crystallised the Board would seek to recalibrate its expenditure plan to release an equivalent level of non recurring funding in the period up to the year end.

### **Agenda for change costs**

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. The Board has now reached the stage where it is considering appeals which have been made against Agenda for Change gradings. Several thousand appeals have been submitted, considerably more than had been originally anticipated and therefore there was a risk that the number that would be upheld would be higher than was originally assumed. In recent weeks the Board has been working to assess the likely impact of Agenda for Change appeals on the 2009/10 financial out-turn. This work has confirmed that the recurring cost impact of successful appeals is likely to be some £2m to £3m higher than originally estimated and this has been reflected in the analysis of the Board's recurring position set out above. However, there remain a number of posts where review panels could not agree on a grade. These may be subject to further review and depending on the outcome of this review may generate a further cost pressure of between £1m to £2m in 2009/10. In the event of an additional cost pressure crystallising in 2009/10 the Board would require to manage this by recalibrating its expenditure plan to release an equivalent level of non recurring funding in the period up to the year end.

### **Cost savings plans**

Cost savings targets were embedded within Division/Directorate expenditure budgets at the start of the year. For the large majority of "projects" cost savings are being achieved. In overall terms, the Board continues to forecast full achievement of the cost savings target of £45.4m for 2009/10. This is reflected in Divisional outturns reported to date. The Board's achievement of the 2009/10 cost savings target is summarised in the table below.

## 7. Mid Year Review of Financial Plan

Description	Recurring Target £'m	Expected at 30 November £'m	Achieved at 30 November £'m	Under Achieved £'m
Acute Local Schemes	23.0	15.3	14.0	1.3
Partnerships Local Schemes	6.2	4.1	4.1	0.0
Area Wide Strategic Reviews	16.2	10.8	10.4	0.4
<b>Total</b>	<b>45.4</b>	<b>30.2</b>	<b>28.5</b>	<b>1.7</b>
		Note 1	Note 1	

**Note 1:** £2.0m of the Area Wide Strategic Reviews savings achieved non recurrently

### Energy Costs

The Financial Plan was prepared on the basis that the Board could contract for energy supplies at prices quoted at the time the plan was developed. This left an area of potential financial exposure for the second half of 2009/10 as supply contracts were initially only confirmed to September 2009 although the price trend was moving downwards and it was anticipated that there could be some potential for the Board to benefit from a reduction in costs relative to 2008/09 levels. During spring and summer 2009 NHS Scotland forward purchased the gas and electricity required for the winter period at tariffs that are somewhat lower than the tariffs in place during 2008/09. This is expected to realise a benefit of £2.8m for the Board during 2009/10.

### Income from West of Scotland Health Boards

As in 2008/09, a full 3 years rolling average activity has been used to calculate income due from other West of Scotland Boards based on an updated West of Scotland Costing Model. This has remained broadly unchanged and therefore income levels for 2009/10 will be in line with expectations with the potential, albeit unlikely to secure a modest increase in income.

# 7. Mid Year Review of Financial Plan

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## **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. Following a further review the Board has identified that a further sum in excess of £0.5m is due and discussions with NHS Highland are under way to secure this sum.

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 from our regular review meetings with NHS Highland.

## **Capital Expenditure**

A full review of forecast expenditure in 2009/10 across all capital schemes has been carried out during November 2009.

The Board's capital plan was approved by the Board in June 2009. The Board had previously agreed with SGHD that £47.0m of brokerage would be carried forward from 2008/09 and reached agreement with SGHD colleagues that this would be deployed in 2009/10 to match the Board's capital expenditure plans.

A full review of the Capital Plan for 2009/10 has been undertaken by the Capital Planning Group to confirm the phasing of capital expenditure on approved capital schemes. In addition, at SGHD's request the Board reviewed its likely out-turn for 2009/10 to assess the potential for generating additional capital slippage to assist SGHD to manage the impact of a reduced forecast in capital receipts from property sales across NHS Scotland. This exercise has been completed and slippage has now been confirmed at £40.0m with the Board's Capital Resource Limit for 2009/10 adjusted accordingly.



## 8. 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 Arbutnott formula. This can also be described as the Greater Glasgow & Clyde NHS Board's Revenue Resource Limit (RRL).
- ❑ **Income from other Scottish NHS Boards** - This represents income received from other Scottish Health Board areas for the treatment of their patients in Greater Glasgow & Clyde hospitals.
- ❑ **National Services Division** – This represents income received for national services provided by Greater Glasgow & Clyde hospitals.
- ❑ **Additional Cost of Teaching (ACT)** - This represents funding received from the SGHD to recognise the additional costs incurred by Boards that have responsibilities for training junior doctors.
- ❑ **NHS Education** - This represents funding received from NHS Education to cover the basic salary of doctors in training.
- ❑ **Other** - This includes all other Hospital and Community Services income sources and miscellaneous income.

### Expenditure:

- ❑ **Acute** – This represents expenditure on the Acute Division clinical and management support services.
- ❑ **CHCPs/CHPs** – This represents expenditure on services provided within CHCPs including services provided by Primary Care practitioners.
- ❑ **Other NHS Partnerships** – This includes expenditure on Mental Health and Learning Disabilities inpatient services and also services for patients with addictions and for homeless persons.
- ❑ **Corporate Departments** – This represents expenditure on area wide and support services and other costs where budgets are not devolved to operational service areas, for example Payroll, Corporate Planning and Public Health.
- ❑ **Other NHS Providers** - This represents expenditure on services provided by hospitals within other Health Board areas for the treatment of Greater Glasgow & Clyde patients where service agreements are in place.
- ❑ **Unplanned Activity (UNPACS)** - This is a provision for expenditure on services provided by hospitals within other Health Board areas for the treatment of Greater Glasgow & Clyde patients, which are not embraced within service agreements.
- ❑ **Resource Transfer** - This represents funding transferred to local authorities under partnership arrangements for the provision of care in the community and related services.
- ❑ **Other Healthcare Providers** - This represents the cost of services provided by other healthcare providers to Greater Glasgow & Clyde patients, including Independent Hospices and HIV/AIDS & Drugs Misuse.
- ❑ **Approved Funding for Expenditure Commitments not yet Underway** - This represents the total of provisions made within the Board's Revenue Plan where expenditure estimates remain to be firmed up. It is anticipated that this will reduce over the remainder of the year and expenditure estimates are firmed up and funding is released to service providers.