

**Board**

**20 March 2010**

**Paper No. 10/15**

**Director of Finance**

## **Financial Monitoring Report for the 11 month period to 28 February 2010**

### **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 11 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**

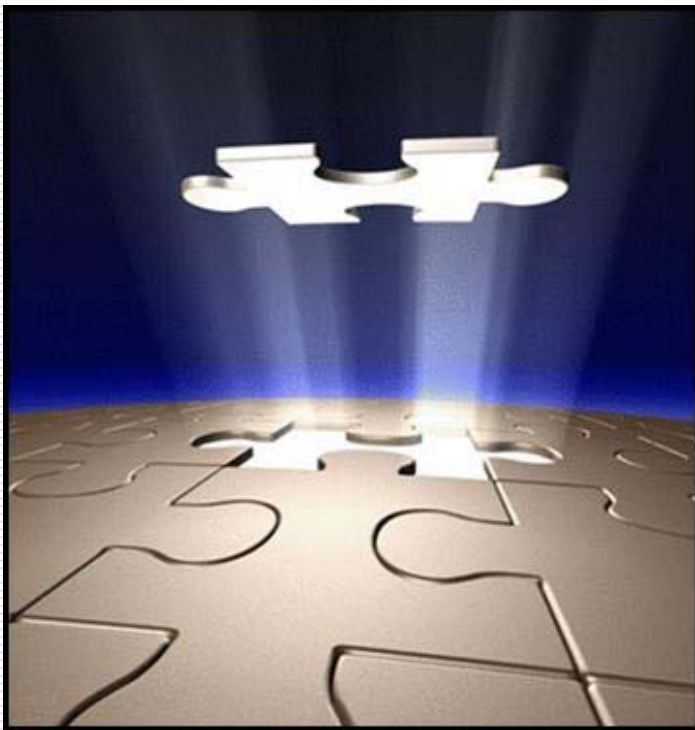
The Board is asked to note the Board's financial performance for the first 11 months of the financial year.

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**Director of Finance**

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# **NHS Greater Glasgow & Clyde**

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**Financial  
Monitoring  
Report for the  
11 month  
period to  
28 February  
2010**

# 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	2,742.1	2,499.4	2,499.4	(0.0)
Expenditure	2,742.1	2,499.4	2,501.0	(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>	154.7	96.1	96.1	0

- At 28 February 2010 NHS Greater Glasgow and Clyde is reporting expenditure levels running £1.6m ahead of budget for the first eleven months of the year. At this stage in the financial year the Board considers that a year end breakeven position remains achievable. This will be achieved by recalibrating the expenditure plan to release expenditure provisions that are no longer required.
- 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. At 28 February the Board has achieved savings of £39.7m against a year to date target of £41.5m. At this stage the Board is currently forecasting full achievement of its 2009/10 savings targets although £2.5m of this will be met by non recurring savings in the current year.
- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £0.4m over budget for the first 11 months of the year. At this stage a number of Directorates are continuing to show 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. The Acute Division continues to forecast that it can contain this overspend and achieve an overall breakeven out-turn on its expenditure budget at the year end.
- Expenditure on **NHS partnerships** is also running ahead of budget for the year to date. The main contributory factor is prescribing expenditure which at 28 February 2010 is running ahead of budget by £1.8m. 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 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 generated some debate between SGHD and Health Boards regarding what an appropriate level of repayment related to windfall savings should be. The deduction has now been finalised and the Board has updated its prescribing out-turn forecast to take account of this. A joint review involving SGHD and Health Board finance staff is now under way to better understand the factors which have contributed to the aforementioned increase in prescribing expenditure levels. This will help to inform the setting of a primary care prescribing budget for 2010/11. The net impact of this has been an additional cost pressure of £1.5m in the current financial year which the Board has managed to contain by recalibrating its expenditure plan to release an equivalent level of non recurring funding.

# 1. Key Figures and Comments

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- The only other significant cost pressure within CHPs and CHCPs is expenditure on inpatient elderly mental illness budgets within Renfrewshire CHP. The CHP is reviewing this area and is developing a plan to bring expenditure back in line with budget.
- With regard to Agenda for Change implementation, the Board has reached the stage where it has considered appeals which have been made against Agenda for Change gradings. A large number of appeals were 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 months 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. 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 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.
- Total expenditure for the **Clyde** area is within £0.9m 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.
- 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	2,266.6	2,062.1	2,062.1	0.0
Other Health Boards	208.8	192.6	192.5	(0.1)
National Services Division (NSD)	65.1	59.9	59.9	0.0
Additional Cost of Teaching (ACT)	18.3	16.8	16.8	0.0
NHS Education	60.2	55.2	55.2	0.0
Other Income	123.1	112.8	112.9	0.1
<b>Total Income</b>	<b>2,742.1</b>	<b>2,499.4</b>	<b>2,499.4</b>	<b>(0.0)</b>
Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,535.4	1,408.9	1,409.3	(0.4)
CHCPs/CHPs	844.1	765.9	767.6	(1.7)
Other NHS Partnerships	172.6	152.3	152.1	0.2
Corporate Departments	24.0	22.5	22.2	0.3
Resource Transfer (Note 1)	85.8	83.5	83.5	0.0
Other Healthcare Providers	72.7	66.3	66.3	0.0
Approved Funding for Expenditure Commitments not yet underway	7.5	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>2,742.1</b>	<b>2,499.4</b>	<b>2,501.0</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 with other Health Boards to finalise service level agreement values for 2009/10 are now largely concluded, with only a small number of outstanding items to be agreed. While final values still remain to be confirmed with some Boards 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 now been used by the Board for several years to determine service level agreement values with other Health Boards.
- At 28 February 2010 the Board had £7.5m 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 and 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	281.0	258.8	258.9	(0.1)
Emergency Care & Medical	217.7	200.2	200.7	(0.5)
Rehabilitation & Assessment	133.1	121.7	122.1	(0.4)
Diagnostics Directorate	170.4	156.1	156.1	0.0
Oral Health	24.9	23.0	22.2	0.8
Regional Services	128.1	118.5	118.1	0.4
Women & Childrens Services	159.1	147.0	148.0	(1.0)
Facilities Directorate	182.6	167.4	168.4	(1.0)
Capital Charges and Rates	105.5	96.7	96.7	0.0
Acute Divisional Services	130.2	119.5	118.1	1.4
Approved Funding for Expenditure Commitments not yet underway	2.8	0.0	0.0	0.0
<b>Total Acute Services</b>	<b>1,535.4</b>	<b>1,408.9</b>	<b>1,409.3</b>	<b>(0.4)</b>

- At 28 February 2010, Acute Services are reporting expenditure levels running £0.4m higher than the year to date expenditure budget of £1,408.9m.
- 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 forward purchased all gas and electricity required for the winter period at tariffs that were lower than the tariffs in place during 2008/09. As a consequence a reduction in energy expenditure of £2.8m 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	117.8	106.8	106.8	0.0
North Glasgow CHCP	71.0	64.3	64.4	(0.1)
South West Glasgow CHCP	75.2	67.9	67.8	0.1
South East Glasgow CHCP	77.5	70.5	70.7	(0.2)
West Glasgow CHCP	112.3	101.5	101.5	0.0
<b>Total Glasgow CHCPs</b>	<b>453.8</b>	<b>411.0</b>	<b>411.2</b>	<b>(0.2)</b>
East Renfrewshire CHCP	43.0	39.2	39.4	(0.2)
East Dunbartonshire CHP	50.5	46.3	46.6	(0.3)
South Lanarkshire CHP	35.6	32.4	32.4	0.0
North Lanarkshire CHP	8.0	7.2	7.2	0.0
West Dunbartonshire CHP	69.3	62.5	62.5	0.0
Inverclyde CHP	62.0	56.4	56.7	(0.3)
Renfrewshire CHP	121.9	110.9	111.6	(0.7)
<b>Total Non Glasgow CHPs/CHCPs</b>	<b>390.3</b>	<b>354.9</b>	<b>356.4</b>	<b>(1.5)</b>
<b>Total CHPs/CHCPs</b>	<b>844.1</b>	<b>765.9</b>	<b>767.6</b>	<b>(1.7)</b>

- Overall expenditure levels within CHCPs and CHPs are running £1.7m ahead of budget at 28 February 2010 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 continues to experience cost pressures within Inpatient Elderly Mental Illness Budgets and is developing a plan 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	128.1	117.6	117.4	0.2
Learning Disabilities Services	12.8	11.7	12.1	(0.4)
Addictions Services	18.9	17.2	17.1	0.1
Services for Homeless People	3.5	3.2	2.9	0.3
Other Partnership Budgets (note 1)	9.3	2.6	2.6	0.0
<b>Total Partnerships</b>	<b>172.6</b>	<b>152.3</b>	<b>152.1</b>	<b>0.2</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 patient 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 £0.3m 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. Clyde Financial Position

	Annual Budget £m	YTD Budget £m	YTD Actual £m	Variance £m
Acute (including Facilities)	253.6	233.3	233.3	0.0
CHPs	183.9	167.3	168.3	(1.0)
Other NHS Partnerships	34.9	29.8	29.7	0.1
<b>Total Expenditure</b>	<b>472.4</b>	<b>430.4</b>	<b>431.3</b>	<b>(0.9)</b>

- The table above shows the out-turn of the Clyde area against budget for the main operational service areas. At 28 February 2010 overall expenditure for the Clyde area was running over budget by £0.9m. Details of the specific cost pressures in Renfrewshire CHP have been included on page 7 of this report.
- 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>	(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>	

## 7. Capital Expenditure Summary

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL) at 28 February 2010	122.1
Add: Anticipated Allocations	8.1
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>154.7</b>
<b>Use of Capital Funds</b>	
Allocated to Approved Schemes (based on latest forecast annual expenditure)	154.7
<b>Total utilisation of funds for 2009/10</b>	<b>154.7</b>
<b>Expenditure to Date</b>	
Expenditure to 28 February 2010	96.1
Balance to be spent by 31 March 2010	58.6
<b>Total Forecast Expenditure for 2009/10</b>	<b>154.7</b>

- The Board's Capital Plan for 2009/10 was approved by the Board on 23 June 2009.
- At 28 February 2010 the Board's anticipated capital funding (Capital Resource Limit) for 2009/10 was £122.1m. Further allocations of £8.1m 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 £147.7m. 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 £154.7m.
- Total expenditure incurred to 28 February 2010 on approved capital schemes was £96.1m.

## 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.
- 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 ten months of the year. "Expected savings" reflects the phasing of savings plans during the year.
- At 28 February 2010 the Board is reporting achievement of £39.7m of savings against a year to date target of £41.5m. At this stage the Board continues to forecast full achievement of savings targets for 2009/10 but this will be kept under close review as the year end position is finalised.

Description	Recurring Target £'m	Expected at 28 February £'m	Achieved at 28 February £'m	Under Achieved £'m
Acute Local Schemes	23.0	21.0	19.2	1.8
Partnerships Local Schemes	6.2	5.7	5.7	0.0
Area Wide Strategic Reviews <b>(Note 1)</b>	16.2	14.8	14.8	0.0
<b>Total</b>	<b>45.4</b>	<b>41.5</b>	<b>39.7</b>	<b>1.8</b>

**Note 1:** £2.5m of the Area Wide Strategic Reviews savings achieved non recurrently mainly the anticipated cost savings related to the deployment of earmarked funds.

## 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.