NHS GREATER GLASGOW AND CLYDE

Board

21 December 2010 **Paper No. 10/60**

Director of Finance

Financial Monitoring Report for the 7 month period to 31 October 2010

Introduction

The attached report shows that the Board is currently reporting an expenditure out-turn £4.8m in excess of its budget for the first 7 months of the year. At this stage the Board considers that a year end breakeven position remains achievable.

Section 8 of the report includes a detailed assessment of the Board's mid year financial position.

The report also includes details of expenditure to date against the Board's 2010/11 capital allocation.

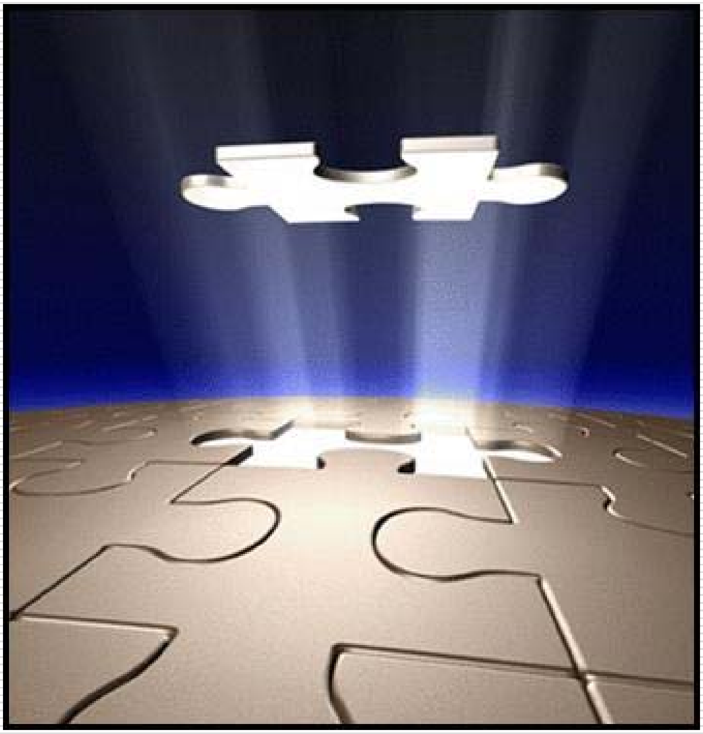
Recommendation

The Board is asked to note the financial performance for the first 7 months of the financial year and its assessment of its mid year financial position.

Douglas Griffin
Director of Finance

0141 201 4612.

NHS Greater Glasgow & Clyde



Financial Monitoring Report for the 7 month period to 31 October 2010

Introduction

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 capital expenditure outturn.
7. Achievement of cost savings targets – progress report.
8. Mid Year Review of the Board’s 2010/11 financial position.
9. Glossary of terms.

1. Key Figures and Comments

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	2,765.2	1,601.7	1,601.7	0.0
Expenditure	2,765.2	1,601.7	1,606.5	(4.8)
Surplus/(Deficit) for period	**0.0**	**0.0**	**(4.8)**	**(4.8)**
Capital Expenditure	186.7	67.9	67.9	0

- At 31 October the Board is reporting expenditure levels running £4.8m ahead of budget. This is partly attributable to the timing of implementing cost savings plans, but also partly due to additional cost pressures pushing expenditure above budget, for example hospital prescribing within the Acute Division which was identified as a risk at the outset of the year and has crystallised as an area of significant additional expenditure within the outturn for the first 7 months. In addition, pay costs continue to run ahead of budget for the year to date. This can be linked to a slowing down in the rate of staff turnover.

- Looking forward, there are some additional cost pressures which can be expected to have a bearing on the 2010/11 outturn, and which were unforeseen at the start of financial year. Examples of these include:

  - The potential for increased costs as a result of the recent national rates revaluation exercise;
  - Additional costs in relation to the incidence of clinical and medical negligence;
  - Additional pay costs as a result of incremental pay progression;
  - An increase in irrecoverable VAT costs reflecting the increase in VAT rate from 17.5% to 20% which will occur in January 2011; and
  - A significant increase in expenditure related to the dispensing of appliances. This has pushed primary care prescribing expenditure above budget for the first half of 2010/11 and could lead to an overspend on budget for the full year.

- A full review of the Board's financial performance for the year to date including the projection of the likely out-turn for the full year taking account of the aforementioned cost pressures is included in section 8 of this report.

- Expenditure on **Acute Services** is running ahead of budget during the year to date with expenditure running £3.2m over budget for the first 7 months of the year. At this stage all 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. The Acute Division is working to ensure that it can contain this overspend in an effort to achieve an overall breakeven out-turn on its expenditure budget at the year end.

1. Key Figures and Comments

- Expenditure on **NHS Partnerships** is now running below budget for the year to date. The main cost pressure is additional expenditure within Health & Community Care budgets although this is being offset by reduced expenditure against other Care Group budgets. The most significant cost pressure within CHPs and CHCPs is expenditure on inpatient elderly mental illness budgets particularly within Renfrewshire CHP and North Glasgow CHCP. The Partnerships are reviewing these areas and developing plans to bring expenditure back in line with budget. The timing of delivery of cost savings is also a factor at this stage as budgets have been phased to assume they will be achieved evenly throughout the year but in reality a number of schemes will not be implemented until the second half of the year. Primary Care prescribing expenditure is also running ahead of budget at the mid point of the year and further details are included in sections 4 and 8 of this report.

- At 31 October 2010 the Board has reported achievement of **cost savings** of £25.1m against a year to date target of £25.9m, a shortfall of £0.8m. At this stage the Board is forecasting full achievement of its 2010/11 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. When the 2010/11 Capital Plan was approved, the Board identified a level of expenditure slippage (£18m) which would be required to enable it to remain within its Capital Resource Limit for the year. The trend of expenditure incurred to date confirms it is reasonable to assume that by March 2011 the actual level of slippage will be in line with expectations. It should be noted however that the movement of this expenditure into 2011/12 may present the Board with a significant challenge in preparing a capital plan which is affordable within the context of its 2011/12 Capital Resource Limit, in the light of further reductions in likely 2011/12 capital funding levels.

- From 1 August 2010 responsibility for the management of the Board's **Oral Health Service** transferred from the Acute Division and the service is now hosted by East Dunbartonshire CHP. As a result of this change the financial performance for Oral Health Services for the first 4 months of 2010/11 has been reported within the Acute Division and the performance for the final 8 months will be reported within East Dunbartonshire CHP.

2. Income & Expenditure Report

Income Resources	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHD Income	2,285.0	1,326.6	1,326.6	0.0
Other Health Boards	208.2	121.6	121.6	0.0
National Services Division (NSD)	62.4	36.7	36.7	0.0
Additional Cost of Teaching (ACT)	18.3	10.7	10.7	0.0
NHS Education	69.0	40.4	40.4	0.0
Other Income	122.3	65.7	65.7	0.0
Total Income	2,765.2	1,601.7	1,601.7	0.0

Expenditure	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Acute	1,527.9	884.0	887.2	(3.2)
CHCPs/CHPs	858.0	499.9	499.6	0.3
Other NHS Partnerships	169.2	96.9	98.6	(1.7)
Corporate Departments	33.8	21.1	21.3	(0.2)
Resource Transfer	84.7	52.5	52.5	0.0
Other Healthcare Providers	80.4	47.3	47.3	0.0
Approved Funding for Expenditure Commitments not yet underway	11.2	0.0	0.0	0.0
Total Expenditure	2,765.2	1,601.7	1,606.5	(4.8)
Surplus / (Deficit) for the Period	**0.0**	**0.0**	**(4.8)**	**(4.8)**

Notes:

1. In addition to budgeted Resource Transfer of £84.7m for Greater Glasgow, a further £23.2m is directly managed within Clyde CHPs and the Mental Health Partnership in respect of Clyde giving a total Resource Transfer annual budget of £107.9m

- At this stage the annual budget for income from other Health Boards is based on rolling forward 2009/10 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 2010/11. The majority of these agreements are based on the West of Scotland Cross Boundary Flow Financial Model which has now been updated and will enable the Board to reach agreement on final values.
- At 31 October 2010 the Board had £11.2m 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	275.8	161.7	164.7	(3.0)
Emergency Care & Medical	216.5	129.1	133.2	(4.1)
Rehabilitation & Assessment	131.5	78.3	79.1	(0.8)
Diagnostics Directorate	167.7	99.2	100.3	(1.1)
Oral Health	8.5	8.5	8.4	0.1
Regional Services	126.2	76.8	77.0	(0.2)
Women & Childrens Services	154.2	91.2	93.6	(2.4)
Facilities Directorate	179.8	105.6	105.5	0.1
Acute Divisional Services	166.6	86.3	78.1	8.2
Capital Charges and Rates	101.1	47.3	47.3	0.0
Total Acute Services	**1,527.9**	**884.0**	**887.2**	**(3.2)**

- At 31 October 2010, Acute Services are reporting expenditure levels running £3.2m higher than the year to date expenditure budget of £884.0m.
- The Division continues to work towards achievement of a breakeven out-turn by the year end but achievement of the Division's savings target of £29.0m will be a crucial factor in the ability to achieve this. In order to manage the significant level of risk associated with this target the Division has set itself a higher internal target of £39.0m and has sought to develop schemes aimed at the achievement of this higher target to manage the risk of the non achievement of some schemes. The scope for realising cost savings from this tranche of additional schemes may prove key to delivering a breakeven out-turn for the year.
- In general pay budgets across Directorates are reporting an adverse position with particular cost pressures within Nursing pay budgets in particular within Women & Childrens Services and the Emergency Care & Medical Directorate. All Directorates are currently reviewing the position to identify how costs can be brought back in line with budget. In addition, the Division has identified the potential for a significant cost pressure in respect of incremental pay progression commencing in the second half year and is currently reviewing whether it is possible to absorb all or part of this within its existing budgets.
- Although overall supplies costs are broadly running in line with budget across the Directorates, the Division is reporting adverse non pay variances in respect of Drugs, and Instruments & Sundries across most Directorates. There are a number of areas where hospital prescribing expenditure is running ahead of expected levels, in particular Anti TNF drugs mainly within the Emergency Care & Medical Directorate, HIV drugs and Beta-Interferon within the Regional Services Directorate. The growth in expenditure in Anti TNF drugs which are regarded as highly effective in treating a range of conditions serves as a good example of just how difficult it is to manage expenditure within available funds within the acute hospital sector.

4. CHCPs and CHPs - NHS Budgets

`	Annual Budget £m	YTD Budget Total £m	YTD Actual Total £m	Variance YTD £m
East Glasgow CHCP	113.7	66.6	66.6	0.0
North Glasgow CHCP	71.5	42.4	42.6	(0.2)
South West Glasgow CHCP	75.9	44.0	44.0	0.0
South East Glasgow CHCP	75.8	44.0	43.9	0.1
West Glasgow CHCP	110.0	64.4	64.3	0.1
Total Glasgow CHCPs	446.9	261.4	261.4	0.0
East Renfrewshire CHCP	45.1	26.4	26.4	0.0
East Dunbartonshire CHP	63.7	35.9	35.7	0.2
South Lanarkshire CHP	34.4	20.2	20.2	0.0
North Lanarkshire CHP	7.7	4.6	4.6	0.0
West Dunbartonshire CHP	71.7	41.2	41.1	0.1
Inverclyde CHP	64.8	37.9	37.9	0.0
Renfrewshire CHP	123.7	72.3	72.3	0.0
Total Non Glasgow CHPs/CHCPs	411.1	238.5	238.2	0.3
Total CHPs/CHCPs	**858.0**	**499.9**	**499.6**	**0.3**

- Overall expenditure levels within CHCPs and CHPs are running under budget by £0.3m at 31 October 2010.

- The main areas experiencing cost pressures are North Glasgow where there are currently cost pressures within Elderly Medical Inpatient services. The North CHCP has already taken steps which will address this cost pressure and so expenditure should progressively fall back into line with budget during the remaining months of the year. Renfrewshire CHP is also experiencing similar cost pressures in this service area and has taken a range of measures to offset this expenditure in the year to date and is also looking at measures which it can take to hold expenditure as close as possible to budget during the second half of the year.

- In the early months of the year prescribing expenditure was reported as running in line with budget as it is extremely difficult to make an accurate assessment of the in year position against budgets and to monitor achievement of the Boards 2010/11 prescribing cost savings target of £9.5m. This is because prescribing information is not available until two months after the month in which prescriptions are dispensed. Expenditure for the 5 months to 31 August appears to confirm that the achievement of cost savings is broadly in line with expectations however there has been a significant increase in expenditure related to the dispensing of appliances. This has pushed primary care prescribing expenditure above budget for the first half of 2010/11 and could if it continues lead to an overspend on budget for the full year. At 31 October the Board has reported a £1.7m overspend against its primary care prescribing budget which has been attributed to this additional expenditure on appliances. Because of the nature of this expenditure for the meantime it is reported against central partnership budgets (ie not allocated to CHPs/CHCPs). The impact of these factors is not yet certain but could potentially create an additional cost pressure of circa £3.0m in 2010/11. Further details are included in section 8 of this report.

5. Other NHS Partnerships

	Annual Budget £m	YTD Budget £m	YTD Actual £'m	YTD Variance £m
Mental Health Services	122.6	70.5	70.7	(0.2)
Learning Disabilities Services	12.2	6.9	7.0	(0.1)
Addictions Services	20.6	11.8	11.8	0.0
Services for Homeless People	3.6	2.1	1.8	0.3
Other Partnership Budgets	10.2	5.6	7.3	(1.7)
Total Partnerships	169.2	96.9	98.6	(1.7)

- Expenditure levels within other NHS Partnerships are running over budget by £1.7m at this stage of the financial year however this can be mainly attributed to the additional prescribing costs of appliances referred to within section 4.
- Within Mental Health services the main cost pressures are within Adult Services in the North East Greater Glasgow Area which currently show an overspend of £0.3m - it is expected that the anticipated cost savings from ward reconfigurations will increase in the second half of the year to reduce this overspend. Clyde Mental Health services are currently reporting an overspend of £0.1m with the main pressures being within Inverclyde due to inpatient nursing cost pressures. The Mental Health Partnership continues to work on a recovery plan to address the current budget overspends and to deliver on the required level of savings to ensure a balanced budget position is achieved within this financial year.
- Addictions Services are running closely in line with budget and Services for Homeless People are showing an underspend due to slippage at this stage of the year.

Note:

1. Other Partnership budgets include budgets for support services (HR/Finance/Estates/HI&T 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
Sources of Funds	
Gross Capital Resource Limit (CRL) at 31 October 2010	89.2
Add: Anticipated Allocations	83.1
Add: Brokerage b/fwd from 2009/10	11.0
Total Capital Resources for 2010/11	**183.3**
Use of Capital Funds	
Allocated to Approved Schemes (based on forecast annual expenditure)	188.5
Total allocation of funds for 2010/11	**188.5**
Required slippage (to be generated in year)	**(5.2)**
Anticipated expenditure for 2010/11	**183.3**
Expenditure to Date	
Expenditure to 31 October 2010	77.7
Balance to be spent by 31 March 2011	105.6
Total Forecast Expenditure for 2010/11	**183.3**

- The Board's Capital Plan for 2010/11 was approved by the Board on 22 June 2010.
- At 31 October 2010 the Board's confirmed capital funding (Capital Resource Limit) for 2010/11 was £89.2m. Further allocations of £83.1m are anticipated which will increase the allocation for 2010/11 to £172.3m. The Board had previously agreed with SGHD that £11.0m of brokerage carried forward from 2009/10 would be available for use in 2010/11. As a result the Board's estimated capital funding for use on 2010/11 approved schemes is anticipated to be £183.3m.
- At the start of the year the Board's Capital Planning Group allocated £18m in excess of the anticipated available funding and it was assumed that this would be managed by generating in year slippage on approved capital schemes. Re-forecasting expenditure on approved schemes at the mid year point has confirmed that £13m of the required slippage has been identified leaving £5m to be identified in the second half of the year and it is reasonable to assume that this will be identified by 31 March 2011. Looking forward to 2011/12 it is clear that the levels of capital funding available to the Board might be even lower than had been anticipated when the indicative figures for 2011/12 were presented to the Board in June. This could present the Board with some difficult choices in constructing an affordable capital plan for 2011/12.
- Total expenditure incurred to 31 October 2010 on approved capital schemes was £77.7m.

7. Cost Savings Targets

- In developing its Financial Plan for 2010/11 the Board requires to set a cost savings target that will:
  - enable the Board to achieve a balanced out-turn; and
  - 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.
- Achieving the Board's cost savings target will be a key element in determining whether a balanced out-turn for 2010/11 will be achieved. The total cost savings challenge for 2010/11 has been set at £56.9m and targets have been set from a combination of local initiatives applied to all service areas and a number of Area Wide Strategic Reviews. The targets from local initiatives total £36.7m (£29.2m from the Acute Division and £7.5m from NHS Partnerships) with the balance of £20.2m represented by the strategic reviews.
- At this stage of the year based on information received from Heads of Finance for Acute and Partnerships our overall assessment is that at 31 October 2010 the Board is running £0.8m behind its year to date cost savings target and this has been reported to SGHD.
- At this stage the Board continues to forecast full achievement of savings targets for 2010/11 but this will be kept under close review on a monthly basis during the remaining months of the year.

Description	**Recurring Target £'m**	**Expected at 31 October £'m**	**Achieved at 31 October £'m**	**Under Achieved £'m**
Acute Local Schemes	29.2	15.0	14.2	0.8
Partnerships Local Schemes	7.5	4.4	4.4	0.0
Area Wide Strategic Reviews	20.2	6.5	6.5	0.0
Total	**56.9**	**25.9**	**25.1**	**0.8**

8. Mid Year Review of Financial Position

Overview

A review of the Board's Financial Plan for 2010/11 has been carried out 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. The purpose of this review was to assess whether it is reasonable for the Board to continue to forecast that it will manage total expenditure within available resources in 2010/11, and thereby remain within its revenue and capital resource limits for the year.

At the mid point of the year the Acute Division reported additional expenditure of £3.3m relative to budget. In the course of its recent performance management meeting it identified further cost pressures which it expected to incur in the second half year which added to its challenge to manage total expenditure within budget for the year. The most significant individual cost pressure identified was the cost associated with incremental pay progression of potentially £2.0m. In addition, it reported that expenditure on acute prescribing significantly exceeded budget (£2.0m) a risk which had been identified at the start of the year. The scale of the additional financial challenge which the Acute Division believes it requires to address in order to strike a financial breakeven position at the year end is currently assessed at circa £11.0m. This includes the impact of the forthcoming increase in the VAT rate and increased Local Authority rates costs.

With regard to NHS Partnerships the most significant issue to emerge from the mid year performance review was the growth in expenditure related to the prescribing of appliances. This is set to generate a cost pressure approaching £3.0m in 2010/11. The reasons for this growth in expenditure have now been fully investigated and it appears that a significant proportion of this expenditure may not be attributable to NHSGGC patients. The Board is currently reviewing this matter to identify the potential remedies which are available to it to resolve this issue.

With regard to "corporate" budgets the mid year review process has identified a significant area of additional cost pressure related to the incidence of clinical and medical negligence claims. Information which has recently become available from the CNORIS scheme managers has confirmed a further significant increase in expenditure across NHS Scotland in 2010/11 which had not been fully anticipated in setting the Board's 2010/11 budget. The Board's share of this additional cost is expected to create an additional cost pressure of £3.0m in 2010/11.

The total of the aforementioned cost pressures, combined with the excess of expenditure over budget reported at the half year point can realistically be expected to generate an additional financial challenge of circa £17 – 18m in 2010/11.

In the light of the above the Board has been investigating options for addressing this additional financial challenge so that it is able to confirm whether it can continue to forecast a breakeven out-turn for the year based on its existing plans or whether supplementary measures are necessary.

8. Mid Year Review of Financial Position

A comprehensive review has been carried out of all planned remaining funding allocations for 2010/11. This has confirmed that it should be possible to release circa £4.0m from existing funding provisions. The scope for additional cost savings is also being explored and this has identified the potential for additional cost savings of approximately £9.0m to be delivered from cost savings schemes currently under way particularly within the Acute and Corporate areas of the Board's operations.

A review of provisions carried forward from 2009/10 has also been carried out. This has identified the possibility of the release of non recurring funding in 2010/11 of up to £4.0m.

The work to confirm the viability of the various measures described has now been completed and at this stage the Board considers that further cost savings measures other than those referred to above will not be required during 2010/11. As a result, on the basis that a breakeven out-turn remains feasible, the Board continues to forecast this as the outcome for the year.

Divisional / Directorate out-turns

At 31 October 2010, Acute Services reported an overall deficit of £3.2m on an expenditure budget of £884.0m.

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, Women and Childrens and Facilities Directorates and as a result the Division is currently seeking to develop alternative plans in an effort to deliver a breakeven out-turn for the year.

At 31 October 2010 CHCP's and CHP's are reporting expenditure running £0.3m under budget and latest projections forecast that this position will be maintained through to the year end. Other NHS partnerships are operating slightly over budget at the mid year point but plans are in place to reduce this overspend and return to a balanced position by the year end.

8. Mid Year Review of Financial Position

Primary Care Prescribing expenditure

In setting Primary Care prescribing budgets for 2010/11 it was assumed that savings of £9.5m would be achieved and that overall prescribing costs increases would be contained within an overall envelope of £19.5m. As reported in Section 1, overall prescribing expenditure across NHSGGC is running ahead of budget (by £1.7m for the 7 months to 31 October).

It has become apparent from a review of primary care prescribing expenditure for the period to August that there has been a significant growth in expenditure in the prescribing of appliances which is set to generate a cost pressure approaching £3.0m in 2010/11. The reasons for this growth in expenditure have now been fully investigated and it appears that a significant proportion of this expenditure may not be attributable to NHSGGC patients. The Board is currently reviewing this matter to identify the potential remedies which are available to resolve this issue in the current financial year.

Taking the impact of the above matters into account it is expected that an additional primary care prescribing cost pressure of 3.0m will arise in 2010/11.

Agenda for change costs

The forecast out-turn for the year includes provision for the anticipated cost of implementing the final stages of Agenda for Change including dealing with the final batches of grading appeals. The level of additional cost anticipated is £1.5m non recurring and £0.5m recurring.

However, a more significant cost to emerge from the mid year review process is the capacity of service divisions to contain the cost of incremental pay progression within existing budgets. This is a significant challenge in particular for the Board's Acute Division which has identified the possibility of an additional £2.0m of incremental pay costs (full year effect £4.0m) incurred in the second half of the year which it may not be able to absorb within budget.

Energy Costs

In recent years the Board has experienced in year cost pressures as a result of volatility in energy price tariffs. At the time when the Financial Plan for 2010/11 was developed NHS Scotland had forward purchased supplies and had contracts in place for the bulk of 2010/11. Subsequent contracts have now been confirmed for the remaining months of the year and as a result the Board will not be exposed to in year price movements. At the mid point of the year costs are being contained within the available budgets and this position is expected to be maintained until the year end although a cost pressure could arise if there is abnormally high energy usage during the winter months in the event of a prolonged period of severe weather.

8. Mid Year Review of Financial Position

CNORIS Contributions

Scottish Health Boards participate in the CNORIS (Clinical Negligence and Other Risks Indemnity Scheme). This is in effect a self insuring fund pool where each Board's contributions are set on the basis of the costs of settled claims and the projected cost of future claims. The fund meets the full cost of settlement apart from an "excess" for the first £25,000 of each claim. In 2009/10 the Board's contribution was £3.0m higher than the available budget and this was covered from non recurring funding sources as it was considered that 2009/10 expenditure was something of a spike. However, the scheme managers have recently indicated to SGHD that this is not the case reporting further significant growth in 2010/11 relative to 2009/10. SGHD have indicated that they will provide additional funding to meet the 2010/11 increase in contributions above 2009/10 actual expenditure levels however this means that the Board will have an additional recurring cost pressure of £3.0m in respect of the difference between its budget and the 2009/10 actual costs.

Access Funds

In setting the Financial Plan for 2010/11 the Board has made provision for the step up in costs required to meet the government's 18 weeks referral to treatment target. The Acute Division has finalised its plans for delivering its 2010/11 waiting times activity and expects that they can be achieved within the funding envelope available and therefore that the additional activity required to meet the target will not create a cost pressure during the second half of the year.

Income from West of Scotland Health Boards

As in 2009/10, a full 3 years rolling average activity will used to calculate income due from other West of Scotland Boards based on an updated West of Scotland Costing Model. In setting the Financial Plan for 2010/11 the Board has assumed that additional income of £1.0m will be secured from other Scottish Health Boards based on increased activity levels. The costing model has now been updated for 2010/11 and confirms that the Board's income forecast remains reasonable.

8. Mid Year Review of Financial Position

Other Cost Pressures

There are a number of other cost pressures that have emerged during 2010/11 and these are described briefly below:

- Based on the out-turn of the recent national rating revaluation, it is forecast that property rates costs will rise by some 7% in 2010/11, equivalent to £0.7m. The impact of this is likely to be offset in year by some non recurring rates rebates received on properties no longer used but the full year cost will be a pressure during 2010/11.

- In the final quarter of the financial year, irrecoverable VAT costs will increase by some £2m (£8m full year effect), reflecting the increase in VAT rate from 17.5% to 20% which will occur in January 2011.

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. A number of schemes, for example, the area wide review of asset lives, are not scheduled to be implemented until the second half of the year but at the mid point of the year the Board is within £1.0m of its year to date target.

In overall terms, the Board continues to forecast full achievement of the cost savings target of £56.9m for 2010/11. This is reflected in Divisional outturns reported to date. The Board's achievement of its 2010/11 cost savings target and forecast out-turn is summarised in the table below.

Description	Recurring Target £'m	Expected at 31 October £'m	Achieved at 31 October £'m	Under Achieved £'m	Year end Forecast £'m
Acute Local Schemes	29.2	15.0	14.2	0.8	29.2
Partnerships Local Schemes	7.5	4.4	4.4	0.0	7.5
Area Wide Strategic Reviews	20.2	6.5	6.5	0.0	20.2
Total	**56.9**	**25.9**	**25.1**	**0.8**	**56.9**

8. Mid Year Review of Financial Position

Scottish Government Funding

At the start of each financial year the Board sets its expenditure plan based on an assessment of the funding that is likely to become available during the year. The Board receives an annual core funding base allocation at the start of each year. Each month the Board receives additional allocations which may be "recurring", "earmarked recurring" (ie may become recurring at a future date) and "non recurring". The Board's Financial Plan and out-turn forecast are continuously updated during the year to reflect receipt and allocation of these additional funding sources. Funds are initially held by the Board and issued to Acute Division and Partnerships when required to fund approved expenditure commitments. Slippage generated by timing differences between receipt and allocation of funds is used on a non recurring basis to provide funding to cover non recurrent expenditure or offset in year cost pressures within the Board's overall budget.

At 31 October 2010 the Board's projected SGHD funding for 2010/11 was £2,285.0m as detailed in the table below.

Income Resources	Annual Budget £m
Allocation letter - October 2010 confirmed allocations	1,925.8
Anticipated allocations	359.2
Anticipated Scottish Government Income for 2010/11	**2,285.0**

The list of anticipated allocations is reviewed on a monthly basis with colleagues at the Health Department who have confirmed it is reasonable for the Board to continue to assume that the amounts included as anticipated will be received in 2010/11.

8. Mid Year Review of Financial Position

Capital Expenditure

A full review of forecast expenditure in 2010/11 across all capital schemes was carried out during September 2010.

At the start of the year the Board's Capital Planning Group allocated £18m in excess of the anticipated available funding and it was assumed that this would be managed by generating in year slippage on approved capital schemes. Re-forecasting expenditure on approved schemes at the mid year point has confirmed that £13m of the required slippage has been identified leaving £5m to be identified in the second half of the year and it is reasonable to assume that this will be identified by 31 March 2011. Looking forward to 2011/12 it is clear that the levels of capital funding available to the Board might be even lower than had been anticipated when the indicative figures for 2011/12 were presented to the Board in June. This could present the Board with some difficult choices in constructing an affordable capital plan for 2011/12.

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 National Resource Allocation Committee 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.