

## Greater Glasgow NHS Board

**Board Meeting**  
18<sup>th</sup> February 2003

Board Paper No.03/12

Director of Finance

### Financial Prospects for 2003/4

#### Summary

Outline details of the 2003/4 Revenue Allocations to NHS Boards have been notified. This report sets out the main points. Overall NHS Greater Glasgow has received growth monies of +7.4%, equating to £66.7m new funds. This sum is considerably above the anticipated cost of inflation and pay awards and will provide investment opportunities to modernise and improve services to patients, in line with national priorities.

The declining population identified in the 2001 Census, combined with the recognised levels of ill health do present the Board with significant challenges in setting a balanced budget in 2003/4.

#### Recommendations

The Board is asked to:

- note this report for information;
- note that a more detailed analysis of the implications for investment and budget decisions in 2003/4 will be presented at a later meeting.

#### Introduction

This brief report sets out details of the recently announced NHS Board Revenue Allocations for 2003/4.

Nationally, a total of £4.997m will be distributed between the 15 NHS Boards in Scotland, representing an increase of £364.5m, or 7.8%, over the comparable budget for 2002/3.

In announcing this funding, the Health Minister has confirmed that the priority remains "delivering real change and improvements that most matter to patients: cancer treatment and care, tackling waiting and improving standards of hospital cleanliness".

This investment must be achieved while maintaining financial balance.

The following paragraphs unpick the national figures to provide a "first look" at financial prospects for NHS Greater Glasgow in 2003/4.

#### Growth in Unified Budgets

The national growth factor is reflected in a 7.4% increase for NHS Greater Glasgow. All NHS Boards receive this percentage increase as a minimum in 2003/4. The Arbutnott Formula is used nationally to

## EMBARGOED UNTIL DATE OF MEETING.

determine each Board's share of the total funding available. The formula reflects relative health need and the calculation is based on:

- the proportion of Scotland's total population living in each NHS Board area;
  - the morbidity and life circumstances of the population (deprivation);
  - the age and sex structure of that population, on the premise that elderly people require more care;
- and
- the proportion of the population living in remote and rural areas.

The 2001 Census confirmed that Glasgow's population had fallen below that previously used for such modelling, although arguably the remaining population is more elderly and more socially deprived. This change has been incorporated into the re-working of the Arbutnott Formula and as a consequence, NHS Greater Glasgow is no longer a "gaining" Board. As such, the year-on-year allocation uplift for 2003/4 will be 7.4% for NHS Greater Glasgow, equating to new monies of £66.7m in 2003/4.

This figure does not yet include funds for GP premises, computer, support staff and out-of-hours services [the GMS Cash Limited Allocation]. These sums are excluded pending completion of negotiations on the new GP contract.

### **The Impact of Inflation and Other Baseline Requirements**

In allocating new monies to each NHS Board, the Executive has confirmed that "funds must be used to implement the modernisation agenda and the Executive's expressed priorities".

Funding provided is therefore assumed to include the following:

- costs of pay awards to all staff in 2003/4, including the new Consultants' Contract and the costs associated with preparing for "Agenda for Change";
- other price increases, including the cost of drugs and 'GP Prescribing';
- implementation of the New Deal for junior doctors;
- implementation costs of the proposed Mental Health legislation;
- measures to improve cleanliness and reducing 'health care acquired infections';
- implementation of the Scottish Framework for Nursing in Schools.

Consequently, an early priority is to refine current preliminary modelling of the financial consequences of the various pay negotiations, together with the impact of other supplies inflation, including particularly the trends established in year-on-year medicines prescribing.

### **Next Steps**

Clearly much detailed analysis is required locally to assess how the new monies available to NHS Greater Glasgow can be used to best effect to achieve national priorities. With a start point budget for 2003/4 now confirmed at over £957m, this is a complex and challenging task given the levels of ill health and deprivation.

From the new monies available, adequate provision will need to be made for pay costs and related baseline requirements. Thereafter, the Board will need to decide how best to commit remaining funds to ensure national targets and priorities are met.

All of this, against a backdrop of continuing the need to ensure that the Acute Services Reconfiguration can be afforded as new developments come on stream.