

Greater Glasgow NHS Board

Board Meeting
19th August 2003

Board Paper No. 03/53A



Director of Finance

Consolidated Annual Accounts for 2002/03

Recommendation:

The Board is asked to note the consolidated financial position for NHS Greater Glasgow for the year to March 2003.

Background

- (1) The Trusts and the Board have each produced Annual Accounts which have been audited and approved by their respective Boards and submitted to the SEHD.
- (2) The annual Report for NHS Greater Glasgow will report on the consolidated position for the Trusts and the Board.
- (3) All of the Trusts and the Board achieved their individual financial targets.

The following tables show the consolidated position.

(a) Out-turn against the Revenue Resource Limit

INCOME	NGT £'000	SGT £'000	Yorkhill £'000	PCT £'000	GGHB £'000	TOTAL £'000
Clinical Services Costs						
Hospital and Community	326,709	150,070	68,573	125,960	119,279	790,591
Family Health	-	-	-	305,541	-	305,541
Total Clinical Services	326,709	150,070	68,573	431,501	119,279	1,096,132
Non Clinical Costs	141,691	67,636	27,638	81,400	17,919	336,284
Effect of Revaluation of Properties	2,729	4,862	-	-	-	7,591
(Profit) on Disposal of Fixed Assets	(176)	-	-	(199)	(1,255)	(1,630)
Interest Payable	-	-	-	-	-	-
Gross Operating Costs	470,953	222,568	96,211	512,702	135,943	1,438,377
Less Miscellaneous Income	(22,584)	(5,732)	(3,783)	(23,605)	(3,121)	(58,825)
Less Interest Receivable	(758)	(368)	(109)	(536)	-	(1,771)
Net Operating Cost	447,611	216,468	92,319	488,561	132,822	1,377,781
FHS non Discretionary Allocation						(111,108)
Transfer of Realised Element in respect of disposal/ impairment of fixed assets						(2,798)
Brought Forward Deferred Income						(9,102)
Brought Forward Income & Expenditure Balance						(13,816)
Local Health Council Allocation						(234)
Other Allocations (income re SCPGMDE)						(421)
Adjusted Net Resource Outturn						1,240,302
Resource Revenue Limit						1,252,465
Saving against Revenue Resource Limit						12,163

EMBARGOED UNTIL DATE OF MEETING

The total net expenditure for NHS Greater Glasgow was £1,240,302k and resulted in a saving against the Revenue Resource Limit (RRL) of £12,163k. This will be available to be added to the 2003/04 RRL. As noted in the Commentary of the Director of Finance in the Board's accounts, this saving does not represent underspending but reflects the timing of expenditure against commitments. The saving includes income deferred from Trusts of £6.4m in relation to projects funded but not fully completed in year, typically property maintenance and refurbishments.

(b) Out-turn against the Capital Resource Limit

	Capital Resource Limit £'000s	Actual Outturn £'000s	Under £'000s
North Glasgow NHS Trust	18,941	18,935	6
South Glasgow NHS Trust	9,079	9,079	-
Yorkhill NHS Trust	4,327	4,327	-
Primary Care NHS Trust	6,806	6,754	52
Board	1,341	1,123	218
Unallocated	1,117	-	1,117
TOTAL	41,611	40,218	1,393

The actual expenditure at £40,218k was £1,393k less than the Capital Resource Limit (CRL) and this will be available to be added to the 2003/04 CRL.

Greater Glasgow NHS Board

Board Meeting

Tuesday 19 August 2003

Board Paper No. 2003/53B

Director of Finance

FINANCIAL POSITION FOR 3 MONTHS ENDED 30 JUNE 2003

Recommendation:

The Board is asked to:

- Note the risk associated with the 2003/04 Revenue allocations and, in this context, to continue to monitor closely the financial data reported by each Trust for the First Quarter to June 2003.
- Finalise proposals to take forward the review of revenue spending with a view to ensuring that NHS Greater Glasgow is in recurrent balance ahead of the implementation of the Acute Services Reconfiguration.

A SUMMARY

The revenue allocations agreed by the Board for 2003/04 are challenging. In-year, break even will only be achieved if Trusts contain expenditure within startpoints and manage unfunded cost pressures through cost improvement schemes.

The position reported by each of the Trusts for the first quarter, to June 2003, results in a cumulative deficit of £4.325m.

This is over and above the planned deficit built in to startpoints of £23m which will be funded, non-recurrently, from land sales and other reserves.

The imperative remains, therefore, to undertake a major review of current services so that NHS Greater Glasgow can return to recurrent balance ahead of Phase 1 of the Acute Service Review implementation. That process of review crucially needs to recognise that radical proposals to deliver service more efficiently will be required beyond the routine scope for cost improvements that Trusts are already developing to ensure breakeven against startpoints.

B CONTEXT

Revenue Startpoints for 2003/04 were agreed by the Board at its June 2003 meeting. As set out in that report, the financial strategy agreed for the current year is high risk for the following reasons:

- Revenue startpoints and new developments agreed for 2003/04 exceed recurrent funding available by over £23m.
- Sufficient non recurrent funding has been identified for the current year only: proposals are heavily reliant on securing a substantial in-year capital to revenue transfer.
- To break even against startpoint allocations, each Trust is required to deliver cost improvements of, at least, 2% to offset local "cost pressures".

EMBARGOED UNTIL MEETING

- A major service review is required to return NHS Greater Glasgow to recurrent balance ahead of the first phase of the Acute Services Reconfiguration.

Against this challenging context, it is essential that the overall position is not worsened by difficulties in delivering break even against the agreed, albeit deficit, startpoints.

This report sets out details of the position reported by each Trust at the end of the first quarter, June 2003. The overall pan Glasgow prospects are considered in relation to any remaining reserves and other contingency funding.

C FINALISING STARTPOINTS

Considerable detailed work has been undertaken with each Trust to ensure complete understanding of agreed funding available as follows:

Inflation

2003/04 startpoints have been uplifted @ 4.225% for salaries and 2% for non pay. In addition, Trusts have been allocated funds to address low pay issues (the move to £5.18 per hour minimum).

The salaries uplift does not include any allowance, at this stage, for the potential additional cost of the Consultant Medical staff contract negotiations.

The 2% uplift for supplies is assumed to include indexation of capital charges. A further detailed exercise will be undertaken to better understand volume changes on capital assets and thereby attempt to ensure each Trust has the same ability to “manage” the total cost of capital charges that will alter as a result of acquisitions, sales and changes in the cost of capital.

Junior Doctors

Non-recurrent funds of £3.1m were identified by the Board to further support the cost of Junior Doctors’ rotas. Various options to allocate the funding available between Trusts have been modelled. The proposed distribution is:

North Glasgow	£1.700m
South Glasgow	£0.890m
Yorkhill	£0.260m
Project Work	£0.250m
TOTAL	£3.100m

This distribution is based on current staff employed by each Trust, funding already required and Trusts’ aspirations for additional funding. Once agreed, these amounts will be added to each Trust’s revenue startpoint.

EMBARGOED UNTIL MEETING

Drugs

There is currently a provision of £0.4m for Drug Trials. A further £2m was agreed for increased use of drugs in hospitals (separate funding of £16.3m was identified for increased GP prescribing), giving a total of £2.4m. The agreed allocation between Trusts is as follows:

North Glasgow	£1.321m
South Glasgow	£0.700m
Yorkhill	£0.187m
Liquid Based Cytology	£0.140m
Herceptin	£0.052m
TOTAL	£2.400m

West of Scotland

West of Scotland (WOS) NHS Boards have been notified of the details of uplifts to Glasgow Trusts agreed by this Board and have been asked to match these uplifts: final confirmation of this agreement is awaited.

There is additionally a complex series of cross-boundary flow issues between ourselves and Lanarkshire. Agreement needs to be reached on the net position and the nature of the caseload involved.

Efficiency Gain Assumed in Startpoints

Implicit in startpoints is an expected 2% efficiency gain for all Trusts, in order to provide funding for local cost pressures. While progress has been made with such proposals, there is a clear distinction between a Trust's ability to deliver services with some improvements to efficiency and major savings that can only result from delivering services in a different way. Any such service rationalisation proposals are assumed to form the basis of the more radical pan Glasgow service review.

2003/04 Service Developments

At the same June 2003 meeting, the Board further agreed service investments totalling:

Acute	£22.46m	Makes recurrent 2002/03 developments
Yorkhill	£0.45m	Makes recurrent 2002/03 developments
West of Scotland/Neurosciences	£1.00m	
Mental Health	£3.02m	
Child and Maternal Health	£4.73m	
Primary Care and Community	£9.40m	
TOTAL	£41.06m	

Trusts have been asked to confirm starting dates for the implementation of each development: any slippage will be retained as a Board-wide reserve, so that no Trust gains from the differential extent of funding available and unplanned delays in starting dates, etc. A first priority against any reserves will be to reinstate funding for Beta interferon.

EMBARGOED UNTIL MEETING

Confirmation of Non-Recurrent Support In-year

The in-year strategy, proposed that the planned recurrent deficit is offset by non recurrent funds as follows:

Delay in Consultants' Contract	£4.00m
Land Sales	£14.00m
Other Slippage on Capital Schemes	£5.00m
TOTAL	£23.00m

Preliminary feedback from the Capital Monitoring Group suggests that the target requirement of £5m slippage, over and above land sales, already exists. Some further analysis is required to assess the impact on the 2004/05 capital proposals of the transfer to revenue in 2003/04.

Given the priority given to ASR "enabling" schemes, it is important that remaining capital schemes should go ahead as planned: any further slippage is unlikely to get approved as a "capital to revenue" transfer.

Individual Trust Reports at End June 2003

The full detail of the financial position in each of the Trusts at the end of June 2003 will be made available in the Performance and Resources Monitoring Group.

In summary, the cumulative position at the end of June 2003 is as set out in the table below: given that Trusts are currently developing proposals to ensure break even against startpoint allocations, it is too early in the financial year to predict the year end outturn.

EXPENDITURE:	Cumulative YTD		
	RRL/ Plan £'000	Actual £'000	Variance £'000
HEALTHCARE SERVICES:			
<u>FROM TRUSTS' RETURNS:</u>			
OWN BOARD'S ACUTE:			
North Glasgow Trust	112,661	115,100	(2,439)
South Glasgow Trust	48,268	49,538	(1,270)
Yorkhill Trust	18,433	19,155	(722)
	179,362	183,793	(4,431)
OWN BOARD'S – PRIMARY CARE:			
HCH	39,894	40,144	(250)
FHS	82,552	82,552	0
Specific Reserve released	250	0	250
	122,696	122,696	0
<u>FROM BOARD RETURNS:</u>			
OTHER NHS:			
Other NHS Service Level Agreements	1,699	1,699	0
Unplanned Activity (UNPACS)	194	88	106
Other Healthcare Providers	3,928	3,928	0
	5,821	5,715	106
NON NHS:			
Resource Transfer	18,062	18,062	0
BOARD SERVICES:			
Management Costs	3,022	3,022	0
Health Promotion	1,736	1,736	0
Other Board Services	736	736	0
Pensions & Compensation Payments	0	0	0
	5,494	5,494	0
TOTAL REVENUE EXPENDITURE	331,435	335,760	(4,325)

D RISK MANAGEMENT

To reiterate, the need to focus on recovery plans to offset the £23m recurrent deficit remains the priority. Although, it will be possible to cover this amount in year predominantly from non recurrent capital transfers, NHS Greater Glasgow needs to be returned to recurrent revenue balance over the next 2 - 3 years.

Proposals on the process to take forward the necessary service review are being formulated and will crucially include a key role for the Performance Review and Monitoring Sub Committee of the Board.

Beyond this, Trusts need to concentrate on achieving break even against agreed 2003/04 startpoints. Details of cost improvement and other efficiency savings proposed have been requested.

Finally, the Board is reviewing remaining funds held and will continue to monitor any delay in startpoints for developments and so on, so that any slippage so created can be made available against the overall deficit position.