Greater Glasgow NHS Board

Board

Tuesday 16 December 2003 **Board Paper No. 2003/78**

Director of Finance

2003/04 FINANCIAL MONITORING REPORT FOR 7 MONTHS ENDED 31 OCTOBER 2003

This report updates the 2003/04 Mid Year Review presented and discussed in some detail at the November 2003 meeting of the Performance Review Group.

Recommendations:

The Board is asked to confirm and endorse the following:

- That the overall financial position forecasts a deficit at the year-end of up to £10m in terms of the underlying position, albeit with some potential offset through technical accounting.
- That the forecast continues to assume a further underwriting of up to £23m from, essentially, capital receipts and other "capital to revenue" transfers.
- That the measures in place within Trusts to contain expenditure will continue to the year-end and will be augmented by an ongoing review of any reserves that might be made available to offset the overall position.
- That the approach to risk management should now focus on the more radical cost recovery proposals for 2004/05 as set out in the Chief Executive's report.

A INTRODUCTION

In setting revenue budgets for 2003/04, a difficult balance had to be found between containing spending pressures being experienced within the Acute Trusts and the need to honour pre-existing investment decisions made in the Local Health Plan 2001 – 2006.

At the mid-year, this report attempts to review progress made by Trusts to manage and contain those cost pressures against the availability of any contingency reserves created by delays in implementing new service developments.

As set out in earlier months' financial reports, the forecast outturn remains a deficit of £10m. This is over and above the £23.1m over-commitment that is currently being covered non-recurrently in 2003/04 only.

The components of this overall forecast are set out in the following paragraphs, the detail of which is set out at Table 1 together with attached graph and summarised below.

All figures £'000	Variance Month 5	Variance Month 6	Variance Month 7	Year End Forecast Best Case	Year End Forecast Worst Case
Glasgow Acute Trusts					
North	(4,216)	(4,632)	(4,919)	(6,000)	(9,000)
South	(1,823)	(1,895)	(2,084)	(2,000)	(3,000)
Yorkhill	(765)	(888)	(883)	(1,723)	(2,000)
	(6,804)	(7,415)	(7,886)	(9,723)	(14,000)
Glasgow Primary Care Trust	(764)	(878)	(849)	(1,835)	
GP Prescribing Reserve				2,000	
				165	0
Other NHS Services				0	
Non NHS Services				0	
Board Services				0	
				0	0
Pan Glasgow					
Lanarkshire Arbitration				(1,500)	(3,100)
Senior Medical Contract in range				(3,000)	(8,000)
Other Pay Groups Backpay				tba	tba
Total Estimated Overspend				**14,058**	**25,100**
Offset by					
Slippage on Developments				2,000	4,000
PCT Specific				1,000	1,000
CNORIS Refund				900	900
Estimated Year End Position				**(10,158)**	**(19,200)**

B SUMMARY OF TRUSTS' POSITION

2003/04 Startpoint allocations for Glasgow's Trusts assumed 2-3% efficiency savings to achieve breakeven.

All Trusts have actively and rigorously implemented cost containment initiatives delivering approximately 2% savings overall. The forecast outturn position in the 3 Acute Trusts is, thereby, reduced to 1% overspend in each organisation. The PCT is currently at breakeven. The overall position is shown graphically for the 7 months to end October 2003 and the trend established used to estimate the year end position.

This has been achieved despite continuing pressure on expenditure as a result of:

- The cost of ensuring Junior Doctors rotas are compliant.
- The rising cost and usage of new medicines.
- The need to cover, particularly, nursing vacancies with bank and agency staff.
- The increasing use of medical consumables, including disposables required to combat "hospital acquired infections", despite savings through "better buying" initiatives.
- Capital charges.
- Continued increases in GP prescribing costs, over and above, initiatives to target "effective use" of medicines.

The improvement in the month-on-month spending position being reported reflects the impact of the moratorium agreed across all Trusts on the replacement of staff, agreed by Chief Executives and endorsed by the Performance Review Group.

In projecting their year end position, all Trusts have assumed a continuation of this staff moratorium and other cost containment initiatives through to the year end.

The focus in Trusts has now switched to the major challenge that the new Consultants' Contract will present, both in terms of management time to undertake the negotiations and to estimate the financial consequences. The National agreement makes a provision for back pay in 2003/04, and as indicated in the summary above, this cost will add to the year end deficit. The Board will be separately briefed on the complexities of the contract: as a consequence, any assessment of both the in year and full year cost of the award remain difficult to accurately estimate. The £3m - £8m range shown reflects costs of sessions beyond the basic 10 per week: provision for the annual uplift of 3.225% is held in the inflation reserve.

In addition, the difficulties of continuing to "protect" the wait time targets and the need to cover winter emergencies is recognised. As a consequence, Chief Executives are not proposing further service reductions in year. Instead, the extent to which further non-recurrent funding can be identified has been re-examined.

C PROSPECTS FOR ACHIEVING "BREAKEVEN" BY 2003/04 YEAR END

The strenuous efforts currently being made by Trusts to contain the in-year spend have been acknowledged. This includes "sign off" of West of Scotland in year income uplifts. However, as the summary above indicates, forecasts suggest that year end breakeven will not be achieved.

As further indicated in the text, there are additional year-end costs associated with the decision on the Lanarkshire repatriation and the implementation of the Consultants' Contract.

Together, these aspects are estimated to total between £14 - £25m at the year-end.

Even at this figure, the outturn is requires on agreement to the "capital to revenue" transfer requested from the SEHD.

There are limited further revenue reserves available to offset the overall position. Essentially, all such reserves are sourced from delays in implementing new service investments: be they primed from the Board's decisions at the start of the year or against subsequent allocations from the SEHD. The latter are generally "earmarked" for specific purposes, and the agreement of the SEHD would be required to offset relevant expenditure on a non-recurrent basis in year. On this basis, the total slippage available is possibly in a range of £2m - £4m.

This is augmented by further progress made by the PCT in achieving in year cost reductions of £1m, and the "windfall" gain of £900k against earlier contributions to the CNORIS scheme.

The analysis does not yet factor in the extent to which some in-year spend will be deferred/carried forward into the New Year. Potentially, this could provide perhaps an additional £5m non-recurrent "technical accounting reserve", but its use will considerably reduce flexibility in the New Year, 2004/05.

However, it remains the case, that even if the in year position could be covered non recurrently, the underlying recurrent deficit remains of at least £30m and will be added to next year. The Corporate Management Team took time out on 12 November 2003 to review, in detail, the 4 Year Financial Plan, 2004/05 – 2007/08 and this will be shared with the Performance Review Group in due course.

The more radical service rationalisations identified in the Acute Services Reconfiguration cannot be implemented before 2006/07. Consequently, the focus now needs to be on proposals to manage through a planned reduction in expenditure into 2004/05 and, thereby, avoid the unplanned consequences that will inevitably follow stricter vacancy management.

GREATER GLASGOW NHS BOARD

FINANCIAL MONITORING SEVEN MONTHS ENDED OCTOBER

	A	B	C	D	E	F	G
1		**Cumulative YTD @ Month 7**					
3	**Expenditure**	**RRL / Plan**	**Actual**	**Variance**	**Variance Month 6**	**Change**	**Year End Forecast**
4	**Healthcare Services**	**£'000**	**£'000**	**£'000**	**£'000**	**%**	**£'000**
6	**From Trusts' Returns**						
7	**Own Board's - Acute**						
8	North Glasgow Trust	284,970	289,889	(4,919)	(4,632)	6%	(6,000)
9	South Glasgow Trust	129,932	132,016	(2,084)	(1,895)	10%	(3,000)
10	Yorkhill Trust	57,126	58,009	(883)	(888)	(1%)	(1,801)
12		472,028	479,914	(7,886)	(7,415)		(10,801)
14	**Own Board's - Primary Care**						
15	HCH	124,219	122,420	1,799	667	170%	3,340
16	FHS	187,213	189,861	(2,648)	(1,545)	71%	(4,540)
18		311,432	312,281	(849)	(878)		(1,200)
20	**From Board Returns**						
21	**Other NHS**						
22	Other NHS Service Level Agreements	8,702	8,702	0			
23	Unplanned Activity (UNPACS)	317	317	0			
24	Other Healthcare Providers	12,735	12,735	0			
26		21,754	21,754	0	0		0
28	**Non NHS**						
29	Resource Transfer	38,697	38,697	0			
30	**Board Services**						
31	Management Costs	5,610	5,793	(183)			
32	Health Promotion	4,679	4,632	47			
33	Other Board Services	3,158	3,157	1			
34	Pensions & Compensation Payments	2,234	2,234	0			
36		15,681	15,816	(135)	28		0
38	**Reserves & Contingencies**						
39	GP Prescribing			0			2,000
41	Total Revenue Expenditure	859,592	868,462	(8,870)	(8,265)	9%	(10,001)
43	**add**						
44	Lanarkshire Repatriation						(3,000)
45	Senior Medical Contract						(3,000)
47							(16,001)
49	**Offset by**						
50	Slippage on Developments						2,000
51	PCT Contribution to Deficit						1,000
52	CNORIS Refund						900
54	**Total Revenue Expenditure**						(12,101)

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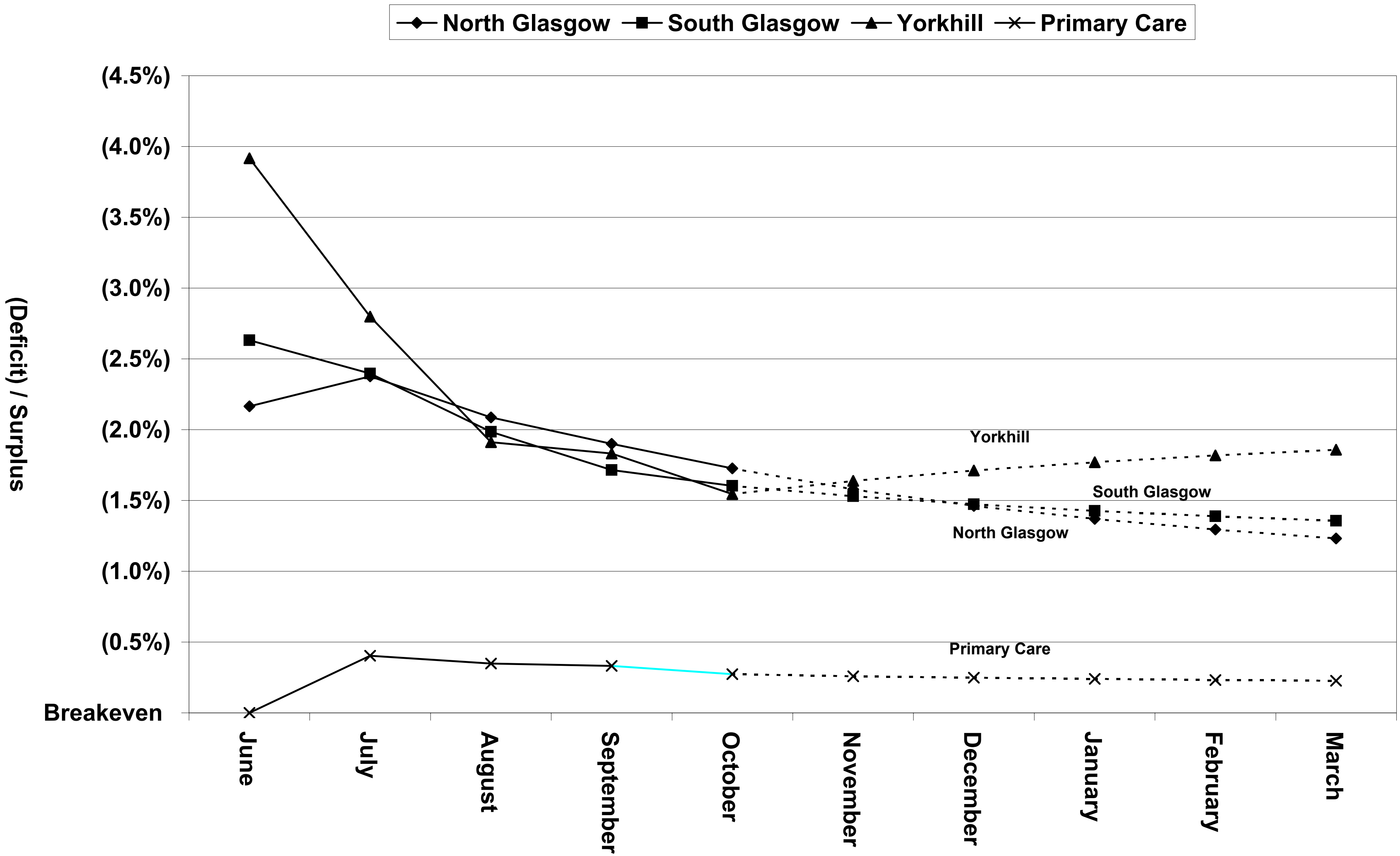
YTD (DEFICIT) / SURPLUS
FORECAST THROUGH TO YEAR-END

2003/04

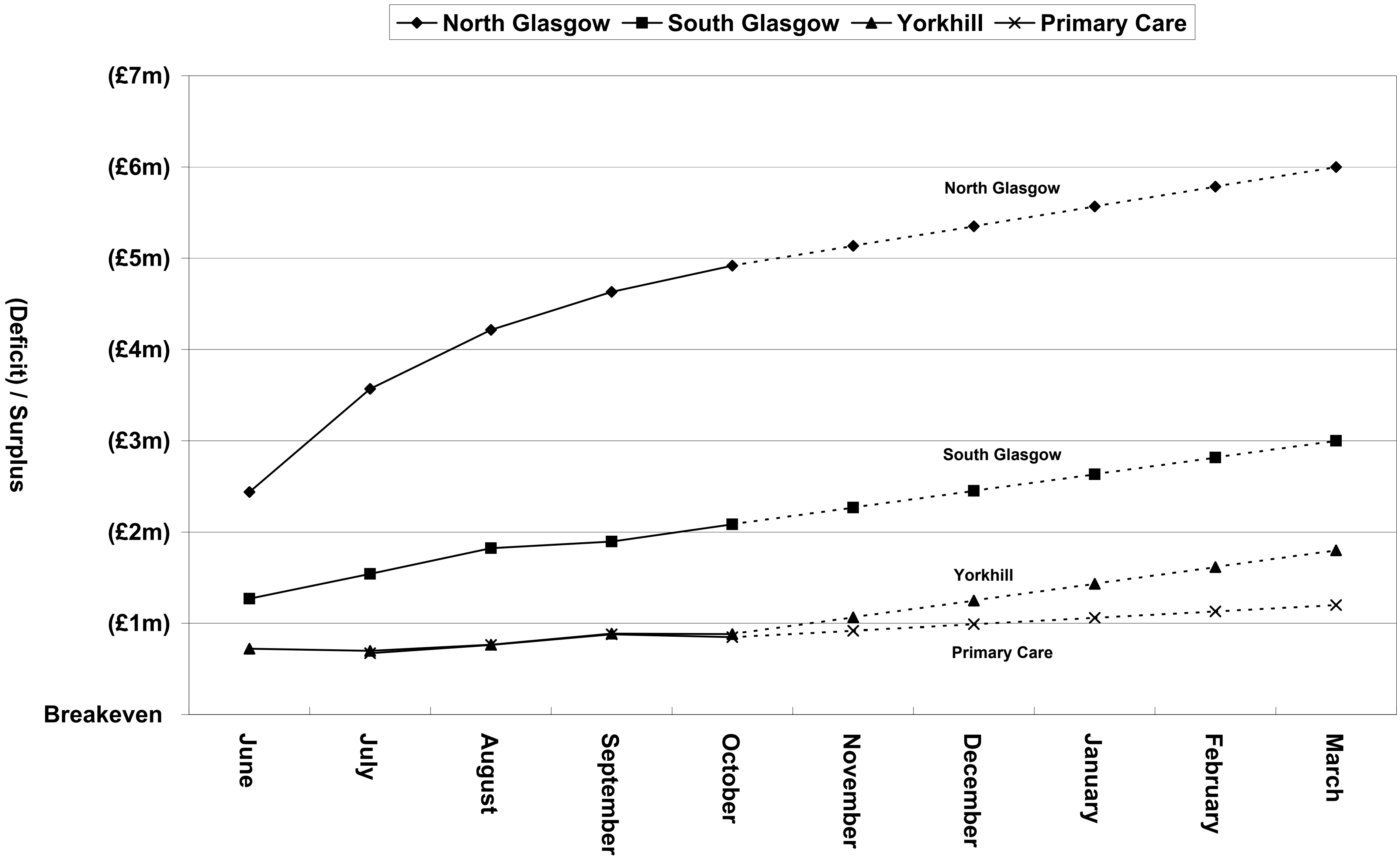


Mid Year (October) brd attach.xls YTD % AND 10/12/2003 16:43

GREATER GLASGOW NHS BOARD

YTD (DEFICIT) / SURPLUS
FORECAST THROUGH TO YEAR-END

2003/04



Mid Year (October) brd attach.xls YTD Value AND 10/12/2003 16:44