

## Greater Glasgow NHS Board

### Board Meeting

23rd July 2002

Board Paper No. 02/50

Director of Finance

### STATEMENT OF ACCOUNTS FOR 2001/02

#### **Recommendation:**

The Board is asked to:

1. Adopt the Statement of Accounts for the financial year ended 31 March 2002 and approve its submission to the Scottish Executive Health Department.
2. Authorise:
  - (i) the Chairman and Director of Finance to sign the Statement of Health Board Members responsibilities in respect of Accounts;
  - (ii) the Chief Executive to sign the Statement of Internal Control;
  - (iii) the Chief Executive and Director of Finance to sign the Revenue Income & Expenditure Account (Form A1.0) and the Balance Sheet (Form A2.0).

#### **Background**

- 1 The Board is required to have the Statement of Accounts adopted by the Board, certified by its External Auditors and submitted to the Scottish Executive Health Department by 31 July 2002.
- 2 The External Auditors have completed their audit of the Accounts and have issued their Final Report to Board Members which confirms that their audit certificate on the Board's financial statements for the year ended 31 March 2002 will be unqualified in respect of their true and fair opinion. Their regularity opinion will be qualified on the grounds that a limitation of scope has been placed on their work due to the absence of a systematic programme of post payment verification (PPV) of Family Health Services (FHS) expenditure throughout the year processed by the Practitioner Services Division of the Common Service Agency. This organisation is not under the Board's direct control.  
  
Their Report on the Board's Statement of Internal Control is also unqualified. The External Auditors' Report is the subject of a separate paper to the Board.
- 3 In accordance with its Remit, the Audit Committee considered the Statement of Accounts on 2 July 2002 and again at an earlier meeting today. The decision of the Audit Committee was that the Statement of Accounts should be presented to the Board at its meeting on 23 July 2002 with a recommendation that the Accounts be adopted by the Board and submitted to the Scottish Executive Health Department.

**EMBARGOED UNTIL DATE OF MEETING.**

- 4 The Statement of Accounts for the financial year ended 31 March 2002 is attached to this paper. The Statement includes a Directors' Report in a format specified by the Scottish Executive Health Department and a Statement of Accounting Policies.

The Accounts comprise four principal forms:

1. Revenue Income and Expenditure Account (Form A 1.0);
2. Balance Sheet (Form A 2.0);
3. Cashflow Statement (Forms A 3.0 and 3.1);
4. Statement of Recognised Gains and Losses (Form A 4.0).

These are supported by notes which provide analysis of the principal forms while further detail is provided in a series of Scottish Financial Returns (SFRs).

5. The Accounts also incorporate the following statements in a prescribed format :

Directors Report  
Statement of Health Board Members Responsibilities in respect of the Accounts  
Statement of Internal Controls

The Internal Control Statement is discussed further in the paper on the Review of Systems of Internal Control which is being presented to this meeting of the Board.

Wendy Hull  
Director of Finance  
0141 201 4609

# **GREATER GLASGOW NHS BOARD**

## **STATEMENT OF ACCOUNTS FOR 2001/02 FINANCIAL YEAR**

### **COMMENTARY BY THE DIRECTOR OF FINANCE**

#### **1. INTRODUCTION**

The format of the Statutory Annual Accounts is laid down by national regulations and consequently perhaps appears not particularly helpful to the lay reader. In interpreting the results it is important to remember that these are the final accounts for the Health Board only: similar processes in each Trust will result in equivalent statements of their financial performance in 2001/02. The final year-end out turn for the combined "unified" NHS Greater Glasgow will only be available once the five individual sets of Accounts have been consolidated. The process appears to confirm the predicted modest surplus for 2001/02, but a full year-end report will be made to the Board at its August 2002 meeting. The pan Glasgow position will also be reported in the published Annual Report.

The Statutory Accounts have been prepared on an income and expenditure basis in accordance with the Standard Accounting Practices prescribed for the National Health Service.

The financial commentary that follows is based upon data extracted from the Accounts. The comparable Scottish Health Service Cost Book, published later in the year, will contain comprehensive costing data for all Health Boards and Trusts.

#### **2. FINANCIAL TARGETS**

The Annual Accounts for the Health Board record income received and its onward distribution to Trusts and related bodies. In undertaking this function, the Board is required by the Scottish Executive to achieve 3 budget limits or targets on an annual basis to;

- Stay within the allocated Revenue Resource Limit, reflecting spend on ongoing healthcare services,
- Stay within the allocated Capital Resource Limit, reflecting spend on new capital investment, and
- Stay within the agreed cash requirement forecast, a cash management requirement reflecting the financing of the cash consequences of the above ongoing service revenue and new capital investment requirements.

During 2001/02 the Board has achieved all of these required targets.

|                        | <b>Limit as set by<br/>SEHD<br/>£'000</b> | <b>Actual<br/>Outturn<br/>£'000</b> | <b>Variance<br/>(Over)/Under<br/>£'000</b> |
|------------------------|---|-------------------------------------|--|
| Revenue Resource Limit | 951,162                                   | 943,490                             | 7,672                                      |
| Capital Resource Limit | 962                                       | 226                                 | 736  |
| Cash Requirement       | 938,744                                   | 938,522                             | 222  |

## GREATER GLASGOW NHS BOARD

### STATEMENT OF ACCOUNTS FOR 2001/02 FINANCIAL YEAR

#### COMMENTARY BY THE DIRECTOR OF FINANCE

##### **Revenue Resource Limit**

The revenue resource limit is the figure allocated by the Scottish Executive and includes £7.2m carried forward from 2000/01.

The spend against the revenue resource limit is derived as follows from the Income and Expenditure account, adjusted for expenditure not included in the resource allocation:

|  | <b>£'000</b>     |
|--|------------------|
| Total Revenue Expenditure (Form A1.0 line 680) | 1,067,854        |
| Less:  |                  |
| FHS non-discretionary expenditure              | (112,598)        |
| Health Council Expenditure                     | (209)            |
| SCPGMDE Income                                 | (416)            |
| Miscellaneous Income (excludes NCL)            | (11,141)         |
|  | <u>(124,364)</u> |
| 2001/02 Total spend                            | 943,490          |
| 2001/02 Total Revenue Resource Limit           | <u>951,162</u>   |
| Year End Outturn                               | <u>7,672</u>     |

### **3. FINANCIAL SUMMARY**

|   | <b>2001/02</b> | <b>2000/01</b> | <b>Movement</b> |          |
|---|----------------|----------------|-----------------|----------|
|   | <b>£m</b>      | <b>£m</b>      | <b>£m</b>       | <b>%</b> |
| <b>Income</b>                           | 1,068.4        | 977.2          | 91.2            | 9.3      |
| <b>Expenditure</b>                      |                |                |                 |          |
| <b>Health Care Purchases:</b>           |                |                |                 |          |
| Hospital & Community                    | 784.0          | 709.0          | 75.0            | 10.6     |
| Family Health                           | 268.6          | 253.0          | 15.6            | 6.1      |
| <b>Total</b>                            | 1,052.6        | 962.0          | 90.6            | 9.4      |
| <b>Management Costs</b>                 | 8.0            | 7.4            | 0.6             | 8.1      |
| <b>Other Board Services</b>             | 7.3            | 7.3            | -               | -        |
| <b>Total Expenditure</b>                | 1,067.9        | 976.7          | 91.2            | 9.2      |
| <b>Board Surplus/(Deficit) for Year</b> | 0.5            | 0.5            | -               | -        |

Total income received for 2001/02 shows an increase of £91.2m from 2000/01. £18.4m of this increase relates to one off additional funding allocated by the SEHD to Glasgow Trusts, including £13.6m allocated to eliminate accumulated deficits in the North (£9.5m) & South (£4.1m) Trusts. This additional funding is passed to the Trusts by the Board and therefore also accounts for some of the increase in Hospital and Community expenditure.

A more detailed analysis of Family Health Expenditure is provided later in this report.

**GREATER GLASGOW NHS BOARD**

**STATEMENT OF ACCOUNTS FOR 2001/02 FINANCIAL YEAR**

**COMMENTARY BY THE DIRECTOR OF FINANCE**

Total expenditure on Management Costs shows an increase of £0.6m (8.1%) from 2000/01.

£0.2m of the increase is due to revenue expenditure on replacing and upgrading IT equipment.

Expenditure has also increased due to several new Glasgow wide projects, including the Telecoms voice project, and the ECCI (Electronic Clinical Communications Implementation) - together accounting for £0.1m in total.

The remainder of the increase (£0.3m or 4.1%) relates to Salary expenditure. This is mainly due to pay awards.

Overall expenditure on other board services which includes: compensation payments (£2.1m), pension costs (£1.8m) and GP ACT (Additional Cost of Teaching) (£1.6m), has remained at the same level as 2000/01.

**4. FAMILY HEALTH SERVICES (FHS)**

The expenditure on Family Health Services can be analysed as follows:

|                                | <b>2001/02</b> | <b>2000/01</b> | <b>Movement</b> |            |
|--------------------------------|----------------|----------------|-----------------|------------|
|                                | <b>£m</b>      | <b>£m</b>      | <b>£m</b>       | <b>%</b>   |
| Medical                        | 69.7           | 71.5           | (1.8)           | 2.5        |
| Pharmaceutical                 | 153.9          | 138.5          | 15.4            | 11.1       |
| Dental                         | 36.7           | 34.7           | 2.0             | 5.8        |
| Ophthalmic                     | 8.3            | 8.3            | -               | -          |
| <b>Total Gross Expenditure</b> | <b>268.6</b>   | <b>253.0</b>   | <b>15.6</b>     | <b>6.2</b> |

Expenditure on Family Health is managed by the Primary Care Trust and is reported in their Annual Accounts at a more interesting level of detail. Again, increases in year tend to reflect uplifts in primary care contractors fees and allowances.

**5. GP FUNDHOLDING**

GP Fundholding came to an end on 31 March 1999. At that time there remained a balance of unspent savings of £4.5m. In the period since then a total of £4.2m of these saving were spent by fundholders, reducing the balance to £0.3m. This provision has now been released.

**GREATER GLASGOW NHS BOARD**

**STATEMENT OF ACCOUNTS FOR 2001/02 FINANCIAL YEAR**

**COMMENTARY BY THE DIRECTOR OF FINANCE**

**6. CONCLUSION**

The Board achieved the three required financial targets during the year and has reported a carry forward of £7.7m from its revenue resource limit. This cash is required to cover some specific projects carried forward into 2002/03. The financial out-turn for 2001/02 is therefore regarded as satisfactory.

The Board also has also carried forward £0.7m capital resources to 2002/03. This figure excludes capital carryforward requirements reported by individual Trusts.

The Income & Expenditure out-turn is in line with the financial plan as reported to the Board throughout the year, and confirms a modest surplus.

Thanks are due to all the staff involved in managing the Board's finances, and in particular those who contribute to the financial planning and monitoring process and the preparation of the Board's Statutory Annual Accounts. Their efforts and support make a major contribution to this satisfactory outcome.