Greater Glasgow NHS Board

Board Meeting
17th December 2002 **Board Paper No. 02/90**

Director of Finance

2002/03 Financial Monitoring Report for seven months ended October

Recommendation:

The Board is asked to:

- note the results reported for the first seven months ended 31 October 2002.

Summary

The financial performance for the seven months ended 31 October 2002 has been reported by each Trust and summarised as follows:

TRUST FINANCIAL MONITORING

APRIL - OCTOBER 2002

	North £000	South £000	Yorkhill £000	PCT £000	Total £000
INCOME	265,574	119,444	52,364	288,381	725,763
EXPENDITURE	266,097	119,769	52,644	288,636	727,146
SURPLUS BEFORE INTEREST	(523)	(325)	(280)	(255)	(1,383)
INTEREST (NET)	431	160	46	255	892
SURPLUS/(DEFICIT)	(92)	(165)	(234)	0	(491)
FORECAST	(48)	0	46	0	(2)

Trusts are reporting a £491k deficit against the break-even target for the seven months to October, against a planned deficit of £2k. Given the degree of risk inherent in Trust startpoint revenue allocations, the results for the first seven months remain encouraging.

The overall forecast for the year-end remains break-even, but there are issues emerging that will be more fully analysed in the Mid Year Review, due to be presented to the January 2003 meeting of the Board. This will be based on the results to November which will be submitted by Trusts to the Board in the third week of December.

The commitment of Trusts to monitoring the overall balanced results through a series of individual and specific initiatives is acknowledged.

2002/03 Financial Monitoring Report for seven months ended October 2002

Introduction

At its May 2002 meeting, the Board approved the 2002/3 Startpoint Revenue Allocations and thereby confirmed the distribution of new monies available to the Trusts and other relevant healthcare organisations.

Those new funds have now been added to Trusts' existing baseline allocations to produce the 2002/3 startpoint budgets against which their performance will be monitored in year. This report therefore:

- reports on performance against those baselines for the seven months ended 31 October 2002.

In agreeing the allocation of new funds, the Board acknowledged the degree of risk inherent in Trust startpoint allocations. In this context, the results for the first seven months are encouraging as all Trusts continue to forecast break-even by the year end. However, concern exists around:

- difficulties in agreeing uplifts to existing service contracts with some West of Scotland NHS Boards;
- the impact of increased spending on GP Prescribing on the Primary Care Trust's overall financial balance, and the resultant implications for next year and beyond;
- difficulties in delivering agreed waiting times targets within the funding available;
- associated difficulties arising from delayed discharges and uncertainty over in year funding available;
- significantly increased costs of interpreting services provided by the City Council primarily to asylum seekers.

It remains the intention to present a more extended Mid Year Review to the January 2003 Board meeting. This timing allows strategy to be agreed in line with the SEHD's request for full and final year forecast out-turns to be submitted based on the October (Month 8) position.

This paper therefore updates the Board on some relevant emerging issues at each of the Trusts.

Additional Funding Available

Additional funds have been allocated in year by the SEHD for specific initiatives as follows:

Waiting Times Targets	**£'000**	
Included in 2002/3 startpoints	2,700	Allocated to Trusts
Additional non-recurring	811	Allocated to Trusts
Additional bids and cases dealt with at National Wait Times Unit	tba	
Delayed Discharges/Winter Pressures		**Allocated to Trusts for:**
Included in 2002/3 startpoints	3,800	Delayed Discharges
Additional non-recurring	230	Winter
Additional non-recurring	tba	Delayed discharges

Confirmation of the further tranches of non-recurring funding is awaited. This has led to some uncertainty in Trusts, particularly:

- South Trust has agreed cases to be undertaken by private sector in anticipation of further funding becoming available.

- North Trust is exploring proposals to help relieve "bed blocking", again in anticipation of additional funding.

The following paragraphs give fuller details of the overall position in each Trust:

North Glasgow

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	265,578	265,574	(4)
Expenditure	265,889	266,097	(208)
Surplus	(311)	(523)	(212)
Interest	263	431	168
Surplus/(Deficit)	(48)	(92)	(44)

The financial position for the seven-month period to October 2002 shows a net adverse variance of £44k from plan. The financial results are summarised as follows:

The October accounts show a deficit of £92k against the financial breakeven target. This represents a modest favourable movement of £15k in comparison with the September position.

The Trust continues to be dependant on non recurring relief to offset new cost pressures (i.e. not funded within the Financial Plan). It is estimated that approximately £4m of non recurring relief has been accumulated throughout the divisions over the seven month period to October.

Income continues to be reasonably consistent with the planned position. Concern remains however, over the funding levels still to be agreed with other NHS Boards in respect of cost per case activity.

The Pay Budget continues to show a favourable trend with the cumulative underspend now totalling £692k. As previously reported, this is primarily due to staff vacancies throughout the divisions. Again it should be emphasised that no provision has been made in the accounts to cover potential material costs in respect of pay issues currently under review e.g. Admin & Clerical grading and Lab Harmonisation issues.

The main contributor to the overspend position on Non Pay continues to be Pharmacy Supplies. High expenditure levels have been recorded in general against Drugs, Dressings and Surgical Instruments (which has been influenced by the increasing requirement for single use instruments). Each division has established an Action Plan with the aim of minimising the overspend position.

Other significant contributors to the overall Non Pay overspend include Equipment Repairs and Advertising/Recruitment costs. Again detailed work is underway with budget holders to better understand and establish action plans where appropriate.

South Glasgow

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	119,444	119,444	0
Expenditure	119,604	119,769	(165)
Surplus	(160)	(325)	(165)
Interest	160	160	0
Surplus/(Deficit)	0	(165)	(165)

The financial position for the seven months to October shows a net adverse variance of £165k from the plan. An exercise will be undertaken to reconcile the Trust's total allocation with updates issed by the NHS Board.

At the end of October there was an underspend of £121k in relation to salaries.

There were underspends in Nursing (£163k), Paramedical (£112k) and Admin (£39,000) which were offset by an overspend of £193k within Medical salaries. In medical salaries the main causes of this out-turn were junior doctor mid-point funding and consultants' discretionary points.

The non-pay overspend at the end of October at £307k which was in line with previous monthly trends.

In Clinical Support there still remains smaller overspends in Anaesthetics, Laboratories and Pharmacy. In each of these areas the divisions and finance are looking at methods of ensuring that a year-end break-even target is achieved.

The Medical Services division continued to show overspends in both admin and pharmacy supplies, with both the Department of Medicine for the Elderly and General Medicine showing significant pressures in pharmacy supplies.

In Regional Services the two main areas continued to be Ear, Nose and Throat/Oral and Maxillofacial theatre costs and the interventional radiology costs within neurosciences.

In line with previous months there were no significant directorate overspends but the underspend within Orthopaedics helped to significantly reduce the overall division total.

The Operational Support division although not showing significant increases in October still had problem areas such as utilities.

In Corporate divisions there continued to be almost a break-even out-turn although Human Resources costs in relation to advertising and recruitment remained well over budget. The major advertising costs within human resources relate to adverts for Nursing vacancies and this is unlikely to reduce as the Trust continues to try to fill the substantial number of nursing vacancies.

Forecast Out-turn 2002/03

Following the six-month review meetings the year-end forecast is that the Trust will achieve its year ends target of break-even. They will however have to continue to monitor the main pressure areas within clinical divisions such as medical salaries and pharmacy supplies as well as monitoring the level of expenditure in relation to advertising costs in Human Resources.

In addition to the above there are also potential risks in respect of Waiting List Initiatives, transfer of Sodexho contract, OATS income and the loss of income from Forth Valley NHS Board in respect of neurosciences activity.

Yorkhill Trust

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	52,435	52,364	(71)
Expenditure	52,435	52,644	(209)
Surplus	0	(280)	(280)
Interest	46	46	0
Surplus/(Deficit)	46	(234)	(280)

The financial position for the seven months to October shows a net £280k adverse variance from the plan.

Service Agreements have been concluded with ten NHS Boards and the National Services Division. Discussions are continuing with the remaining two Boards. During October the reclassification of the National ECMO service as a 'block' contract improved the position. This was offset by a lack of BMT (Non West of Scotland) and Renal Transplant discharges during the month.

Expenditure

An overspending of £209k on expenditure is reported after seven months. The pharmacy supplies are now £335k over budget, a deterioration of £29k in the month. This overspending includes high cancer costs (now £166k), hormone and metabolic drugs and antibiotics. The instrumentation supplies are also materially overspent including surgeons gloves, needles/syringes, feeding tubes, oxygen masks and ventilator sundries. These areas are materially impacted by 'single use' guidelines. In addition ongoing high central legal fee costs result in an overspending of over £56k. The impact of these two main pressure areas has been offset by high staff turnover and recruitment difficulties throughout the Trust.

Forecast Out-Turn 2002/2003

A Cost Improvement Programme (CIP) of £942k has been agreed with all budget holders and is reflected in the period's result.

The successful delivery of the agreed £942k Cost Improvement Programme and the management of cost pressures including pharmacy costs will provide a significant challenge in 2002/03. Any material shortfall in the funding received from the NHS Boards is likely therefore to prove to be beyond the scope of internal management control and may result in financial targets not being met. This risk is currently estimated at a maximum of £250k based on current offers received. This is not included in the result reported above.

All winter funding has now been confirmed and no financial risk is now expected in this area.

Non-recurring funding received in 2001/02 for single use instruments for tonsillectomies and adenoidectomies will shortly run out. No recurring funding has been secured to continue this practice resulting in a further risk of £50k.

Primary Care Trust

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	288,461	288,381	(80)
Expenditure	288,636	288,636	0
Surplus	(175)	(255)	(80)
Interest	175	255	80
Surplus/(Deficit)	0	0	0

The Trust reported a break-even position for the period to October 2002.

Divisional Review

Mental Health Division

Overall expenditure for the period to October was within plan. Expenditure on mainstream acute inpatient services continued to exceed plan, however this continued to be offset by a reduced level of expenditure, due to timing factors, in other areas of the Division's budget.

Learning Disabilities

Expenditure within the Learning Disabilities Division continued to run in line with plan during the period to October.

Current projections of annual expenditure indicate that service costs should remain within planned levels for the remainder of the year.

Primary Care

Overall expenditure for the year to date has exceeded plan due to the significant increase in prescribing expenditure. The Trust has now received data on its prescribing expenditure for the first five months of the year. This has confirmed an increasing trend and the full impact of this in 2002/03 could be of the order of magnitude of £4.5m.

In percentage terms, this equates to expenditure levels that are consistent with the experience of most other NHS Boards, indicating an overall pan-Scotland growth rate of around 13%. The impact of this issue will be reflected in a review of the overall Trust position at November.

Drug categories showing particularly high growth rates relative to expected levels include lipid lowering drugs, anti-hypertensive therapy, anti-platelet drugs and ulcer healing drugs. Current projections for these categories indicate an annual out-turn significantly above the maximum of the range forecast at the beginning of the year.

The Trust's special task group has identified interventions to change established practice which cover therapeutic switches, nursing homes, medication reviews, generic switches, information to LHCCs and combined secondary/primary care intervention re oral nitrate prescribing. When fully implemented, it is estimated that these interventions could reduce the increasing trend by £1.4m per annum.

Forecast Out-turn 2002/03

The projected out-turn for primary care prescribing costs presents a significant risk.

The interventions identified by the special task group will start to have an impact in the final quarter. In addition, opportunities for cost containment and virement across divisional budgets together with some additional non recurring resources will contribute about £2m towards the deficit.

While the Trust continues to forecast break-even for the full year, the impact of prescribing will be reflected in the review of the November returns which will take into account all aspects of Trust finances.