EMBARGOED UNTIL DATE OF MEETING.

Greater Glasgow NHS Board

Board Meeting

January 21 2003 **Board Paper No. 03/2**

Director of Finance

2002/3 REVENUE ALLOCATIONS
YEAR END FORECAST

Recommendation:

The Board is asked to:

- receive this report for information.
- note the progress made by Trusts in managing their in-year financial position.
- confirm the release of NHS Greater Glasgow in-year reserves and other contingencies as required to ensure overall financial break-even at the year end.

Summary

The report takes an in-depth look at the financial position across NHS Greater Glasgow at the end of November 2002. As requested by the SEHD, the position is then used to forecast the outturn at the year end.

As the analysis indicates, Trusts continue to maintain financial break-even. A number of issues continue to require funding from Health Board-wide resources. No new or unforeseen factors have been identified. The extent of financial "exposure" appears to be £2-2.5m and therefore remains within the flexibility available. West of Scotland issues, which may yet be resolved, account for £700,000 of this total. Consequently year end financial targets will be achieved by releasing to the Trust the equivalent funding held in:

- cumulative surpluses reported in Trusts' Annual Accounts.
- reduced requirements for carry forward into the next financial year, 2003/4.

and

- other unspent reserves remaining.

Note

Since drafting this Report, the "capital to revenue" transfer requested from the SEHD has been confirmed at £19.975m. This considerably reduces the risk associated with the financial management of the year end, 2002/3.

2002/3 Revenue Allocations:

Year End Forecast

INTRODUCTION

The in-year revenue spend has been reported monthly to the Board during 2002/3. While there are clearly issues and challenges, the target of achieving financial break-even by the year end across NHS Greater Glasgow has been consistently confirmed.

With details of expenditure to the end of November 2002 now available, it is appropriate to undertake a more detailed review of the year end position: both to confirm that the risk associated with in-year issues can be managed and to identify those factors that may have an impact on budget setting for next year, 2003/4.

THE IN-YEAR, 2002/3, REVENUE ALLOCATION AVAILABLE

As is the case in most years, additional revenue allocations have been received in-year from the SEHD.

The table below confirms the total allocation available and highlights additional revenue allocations of particular significance received in year, 2002/3.

	£'000	£'000
2002/3 Startpoint Allocation		**910,599**
Add: Primary Care Non Discretionary		
- GP Prescribing		
- ACT(T)	27,164	
		937,763
In-Year Allocations		
Drug Treatment Services	4,488	
Health Improvement Funding	2,713	
Cancer Services	8,772	
Delayed Discharges	2,847	
Winter Pressures	2,278	
Waiting Times	811	
Waiting Times	726	
Orthopaedic Waiting List	1,440	
Starting Well Project	1,120	
Flu Vaccine to 65's and over	772	
		25,967
All other Allocation Uplifts		38,925
2002/3 Current Allocation		**1,002,655**

These amounts, as indicated above, have been incorporated into Trust's baseline revenue allocations against which in-year expenditure is monitored.

THE POSITION FOR 8 MONTH ENDED NOVEMBER 2002

The attached tables and narrative give full details of the results reported by each Trust to the end of November 2002, a summary of which is as follows:

	Allocation Income	Interest	Total Income	Expenditure	Variance to date
North	304,470	511	304,981	305,087	(106)
South	136,152	193	136,345	136,707	(362)
Yorkhill	60,137	46	60,183	60,767	(584)
PCT	330,719	307	331,026	332,509	(1,483)
Health Promotion/Other Services			10,797	10,711	86
Board HQ			4,907	5,006	(99)
Other Reserves/Contingencies			59,726	59,726	0
TOTALS			907,965	910,513	(2,548)

The variance columns are reported against agreed allocations for each Trust. A reconciliation exercise has been undertaken to confirm updates from the 2002/3 Revenue Startpoints agreed by the Board in May 2002. Those startpoints assumed that in year up to £10m would be available from a combination of non recurrent sources including:

- cumulative surpluses shown in Trusts' Annual Accounts;
- minimizing the need for year-on-year revenue carry forward requirements;
- other unused reserves and contingency funds.

Any overspending "above the line" will therefore increase the pressure on these "below the line" resources and need consequently to be clearly understood and managed.

The following section draws on the detail set out in each of the Trust specific annexes, to provide a review of the overall financial risk anticipated at the end of 2002/3. [See Attached Annex A].

NORTH GLASGOW UNIVERSITY HOSPITALS NHS TRUST

Financial Position review for year-end March 2003

The Trust is forecasting that it will achieve the break-even target at the year-end. The current forecast however includes assumed income that has not yet been confirmed for payment and certain expenditure assumptions that could impact on the final position. The details of the items in question are as follows. Only significant items are addressed as full details of the Trust financial plans are available separately.

	£'000	**Comments**
Forecast Surplus/(Deficit)	0	Per NGT November 2002 Finance report
Income Assumptions		Additional payment assumed by Trust in income projection.
Transitional Costs to manage closure of	(750)	Trust has assumed agreement to fund so have built in to projected out-turn.
Other WoS Board Income	(250)	Relates to assumed income from Lanarkshire HB re SLA. This has not yet been agreed.
Drug pressures	(250)	£548k was identified in the current year for three named Oncology drugs. Actual use is forecast as less than planned. Trust assumed full £548k income.
Lenzie development	(150)	Trust to provide information before payment agreed. Funding is available.
Income at Risk – Potential Deficit	**(1,400)**	
Analysed as:		
GGNHSB funding source identified	1,150	
Other West of Scotland	250	
Net NHSGG Position	**0**	

Key Risk areas in achieving break-even target

1. Additional income items as detailed above not being achieved.
2. Pay settlements not included in plan - relates to current industrial action.
3. The capital to revenue transfer of £6.2m not agreed.
4. Junior doctor rotas not compliant by December 02 – potential impact on final quarter -not yet sized.
5. No reduction assumed in income from Lanarkshire as a result of XBF changes.
6. Trust has applied to SE to cover the impairment loss of approximately £1m arising from the valuation of Lenzie Hospital. If this is not approved will impact on Trust's final financial position.

Issues that have a significant impact on next year's financial targets:

1. The current year's target will only be achieved by including £7.9m of non-recurring cost reductions.
2. It is assumed that the Trust will have no impact from change in capital charges.
3. Wait Time targets remain challenging, particularly in Orthopaedic Services.

SOUTH GLASGOW UNIVERSITY HOSPITALS NHS TRUST

Financial Position Review for year-end March 2003

The Trust is forecasting that it will achieve the break-even target at the year-end. The current forecast however includes assumed income that has not yet been confirmed for payment and certain expenditure assumptions that could impact on the final position. The details of the items in question are as follows. Only significant items are addressed as full details of the Trust financial plans are available separately.

	£'000	Comments
Forecast Surplus/(Deficit)	0	Per SGT November 2002 Finance report
Income Assumptions		Additional payment assumed by Trust in income projection.
West of Scotland Neurosciences	(620)	Letter from GGNHSB has gone to WoS Boards to assist recovery of this income. £274k relates to GGNHSB of which £194k is unfunded.
Beta Interferon	(240)	On the basis of HDL issued in 2003/04 further patients have been treated with Beta Interferon.
OATS	(192)	SE allocation to SGT less than expected and created budget pressure.
Waiting List Initiatives – Ross Hall	(600)	Breachers sent to Ross Hall were unfunded within the WLI allocations from the SE.
– Manchester	(650)	Further caseload to be done in Manchester agreed by Trust, part funded by SEHD, £350k.
Income at Risk – Potential Deficit	**(2,302)**	
Analysed as:		
GGNHSB funding source identified	430	
GGNHSB no funding source	1,526	
Other West of Scotland	346	
Net NHSGG Position	**(1,526)**	

Key risk areas in achieving break-even target

1. Income items as detailed above not being achieved.
2. The Trust are managing emerging pressures in telecomms (up to £100k) and clinical negligence (£250k).
3. The capital to revenue transfer of £4.537m not yet agreed.
4. Potential loss on laundry account of up to £300k – further discussion required on how this will be managed.

Issues that have a significant impact on next year's financial targets:

1. Prescribing levels for Beta Interferon projected to increase to £800k-£1m in 2003/4.
2. Wait time targets likely to remain both operationally and financially challenging.

YORKHILL NHS TRUST

Financial Position review for year-end March 2003

The Trust is forecasting that it will achieve the break-even target at the year-end. This forecast is based on some assumptions of anticipated income. The following table describes those items

	£'000	**Comments**
Forecast Surplus/(Deficit)	0	Per Yorkhill November 2002 Finance report
Income Assumptions		
Junior Doctors	(158)	Funding shortfall for junior doctor's new deal costs.
NHS Lanarkshire	(100)	Shortfall for agreed investments psychiatry consortium.
Legal Fees	(200)	
Junior Doctors	(200)	Continuing, Junior Doctors banding issues.
Income at Risk – Potential Deficit	**(658)**	
Analysed as:		
GGNHSB funding source identified	350	Slippage on Child and Maternal Programme
GGNHSB no funding source	208	
Other West of Scotland	100	
Net NHSGG Position	**(208)**	

Key risk areas in achieving break-even target:-

1. The Trust are managing in-year pressures in oncology drugs spend and increased usage of disposables reflecting new guidance.

GREATER GLASGOW PRIMARY CARE NHS TRUST

Financial Position review for year-end March 2003

The Trust is forecasting that, as a result of the continuing pressure on GP Prescribing costs, there will be an in-year deficit of £2.5m. This will be funded from the accumulated surplus brought forward from prior years. So the in-year growth in Prescribing expenditure of 13% will result in a total overspend of £4.5m of which the Trust will be able to manage £2m from its own resources. Equally importantly, the Trust has agreed a series of initiatives aimed at improving the cost effectiveness of GP Prescribing, which should reduce the current growth in certain drug types.

Given this prediction of break-even by the PCT, the following table reflects aspects of "Other Healthcare Programmes", outwith the management remit of the Trust.

Other Care Programme	**£'000**	**Comments**
Forecast Surplus/(Deficit)	0	
Income Assumptions		
Methadone Funding	300	Additional funding not yet identified to cover actual costs resulting from increase patient throughput.
Other Services		
Interpreting Service	300	Similarly, increased usage of this service has resulted in additional costs to City Council.
Income at Risk – Potential Deficit	**(600)**	
Analysed as:		
GGNHSB funding source identified	**-**	
GGNHSB no funding source	**(600)**	
Other West of Scotland	**-**	
Net NHSGG Position	**(600)**	

Key Risk areas in achieving break-even target within PCT:

1. Cost of GP Prescribing does not exceed current year end forecast estimates.
2. Trust are managing in-year increased costs of services for asylum seekers.
3. Spending pressures within the Mental Health Programme to an estimated £1m can be managed from slippage and other reserves specific to that Programme.
4. The capital to revenue transfer of £5.468m not yet agreed.

Issues that have a significant impact on next year's financial targets:

1. GP Prescribing trends established in year will require significant additional recurring funds, with current annual growth running 5% above that assumed in the ASR affordability.
2. Current growth in referrals to methadone service.
3. Provision of services to asylum seekers, including related increase in use of interpreting services provided by Glasgow City Council.
4. Need to update costs in mental health programme financial plans for impact of inflation and other charges.

THE OVERALL NHS GREATER GLASGOW POSITION

The preceding tables reassuringly demonstrate the attention given by the Glasgow Trusts to managing the financial position in-year. All have been able to manage most of their in year pressures, with a limited number of issues requiring action on a pan-Glasgow basis.

From the tables, the net 2002/3 year end position so produced is:

	NHS Greater Glasgow Issue £'000	Attributable to Shortfall in WOS Income £'000	Comments
North Trust	0	(250)	Predominately relates to Lanarkshire Neurosciences.
South Trust	1526	(346)	Relates mainly to short fall in Wait Times funding.
Yorkhill	208	(100)	
PCT	0	0	Assumes £4.5m GP Prescribing can be managed.
Other Programmes	600	0	
	(2334)	(696)	

It is disappointing that there remains unresolved issues with other West of Scotland Boards. All such issues are acknowledged as complex and changing: but more effective mechanisms for the resolution continue to be required.

The position for the South Trust reflects the need to undertake further Wait Times target cases over and above those funded by SEHD additional monies. The actual year end spend relative to allocation has yet to be finalised. Hopefully, the position reported will be "worst case".

To an extent, the table does not adequately reflect the impact of GP Prescribing in year : The early response by the PCT and the agreement to a multi-component programme to improve cost-effective prescribing should offset some of the growth patterns on several drug categories.

Finally, both the North and South Trusts have flagged further year end spend may result from non-compliant rotas for Junior Medical Staff and the resolution of the current industrial action : both of these issues are difficult to quantify.

Risk Management

The overall risk indicated in the above tables, will in part be mitigated by further detailed work in hand to try and finalise the extent to which remaining in year reserves and other fund held for in year developments will be spent before the year end. Initial indications suggest that the overall position at the end of 2002/3 for NHS Greater Glasgow will continue to break-even. Clearly, the extent to which the three components of that in year flexibility, namely:

- cumulative surpluses shown in Trusts' Annual Accounts

- year end carry forward flexibility
- other unused reserves and contingency funds

are "used-up" will further reduce prospects for 2003/4.

Equally critical to the year end position, is confirmation of the £19,975 "Capital to Revenue" transfer requested is agreed by the SEHD. Further details of this aspect are in the accompanying January 2003 Board Paper, "2002/3 Capital Allocations".

Greater Glasgow NHS Board

Board Meeting
21 January 2003 **Annex A to Board Paper No. 03/2**

Director of Finance

2002/03 Financial Monitoring Report for eight months ended November

Recommendation:

The Board is asked to:

- note the results reported for the first eight months ended 30 November 2002.

Summary

The financial performance for the eight months ended 30 November 2002 has been reported by each Trust and summarised as follows:

TRUST FINANCIAL MONITORING

APRIL - NOVEMBER 2002

	North £000	South £000	Yorkhill £000	PCT £000	Total £000
INCOME	304,470	136,152	60,137	330,719	831,478
EXPENDITURE	305,087	136,707	60,767	332,509	835,070
SURPLUS BEFORE INTEREST	(617)	(555)	(630)	(1,790)	(3,592)
INTEREST (NET)	511	193	46	307	1,057
SURPLUS/(DEFICIT)	(106)	(362)	(584)	(1,483)	(2,535)
FORECAST	(46)	0	45	0	(1)

Trusts are reporting a £2,535k deficit against the break-even target for the eight months to November, against a planned deficit of £1k. Given the degree of risk inherent in Trust startpoint revenue allocations, the results for the first eight months remain encouraging.

The overall forecast for the year-end remains break-even, but there are issues emerging that are more fully analysed in the Out-turn Review, being 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 eight months ended November 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 eight months ended 30 November 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 eight 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 November (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 (including Orthopaedics)	2,166	
Delayed Discharges/Winter Pressures		**Allocated to Trusts for:**
Included in 2002/3 startpoints	3,800	Delayed Discharges
Additional non-recurring	2,847	Winter
Additional non-recurring	2,278	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	304,257	304,470	213
Expenditure	304,603	305,087	(484)
Surplus	(346)	(617)	(271)
Interest	300	511	211
Surplus/(Deficit)	(46)	(106)	(60)

The November accounts show a deficit of £106k against the financial breakeven target. This represents a modest adverse movement of £14k in comparison with the October 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 £5m of non-recurring relief has been accumulated throughout the divisions over the eight month period to November.

Income shows a favourable variance primarily due to a higher level of funds from the Post Graduate Dean than planned. Note, we are currently reviewing the income position with GGNHSB to identify any CAMs which have been accrued in our accounts but not as yet paid e.g. GRI Transitional Funds £750k.

The Pay Budget continues to show a favourable trend with the cumulative underspend now totalling £729k. However, the increased banding payments for Junior Doctors, effective from 1 December 2002, may affect this underspending trend. Again it should also 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.

Capital Expenditure

Total capital expenditure for the period to November 2002 is £4,570k.

Expenditure on 'pool schemes' (e.g. ERCPB and Linaccs Phase 1), amounts to £2,440k in the eight month period. Occupancy of the new ERCPB building has now commenced and should be finalised over the next few months.

The remaining spend of £2,130k has been incurred on various IT schemes (£978k), medical equipment (£1,104k) and minor works (£48k).

The Trust is currently forecasting capital expenditure of £18,152k for the year. This is broadly consistent with the latest capital allocation letter that we have from Greater Glasgow NHS Board and the capital charging exercise that was completed in October. However, the Trust is continuing to pursue additional capital monies from the Health Board for Decontamination, IM&T and Acute Strategy Review fees. This could add up to £4m to the Trust's capital allocation. The forecast expenditure will be adjusted if and when these funds are secured.

Treasury

The Trust has a cash balance of £10,342k as at 30 November 2002, an increase of £4,163k in comparison with the October balance.

The increase in cash funds is predominantly due to the Trust receiving a contract payment of £2,922k from the Scottish Executive in respect of Dental Hospital funding covering the period October'02 to March'03. In addition, a further £1,100k was received during the month in respect of reimbursement of capital expenditure costs incurred to date.

The Trust has still to transfer the sales proceeds from the sale of Knightswood Hospital, the second and final instalment of £4m, and Glasgow Royal Maternity Hospital, £600k, to the Health Department. The Knightswood proceeds were part of a package agreed with the Scottish Executive whereby the Trust was able to retain a higher proportion of the overall receipts than is normally the case. In exchange, the Trust has to return the proceeds from the sale once these have been received.
The effect of returning the Knightswood and Maternity Hospital proceeds will be to reduce the Trust's cash balance to a more realistic level.

During the eight-month period to November, the Trust earned £511k interest on its cash funds, a surplus of £211k over the plan.

Gain/Loss on Disposal to 30th November 2002

There is currently a gain on disposal in the Trust's accounts of £178k primarily due to the Knightswood Laundry. As this site was available for disposal in advance of the originally agreed date a gain of £162k was achieved. There is also a £16k gain recorded against the disposal of the last block of residences at Western Court. Note, however, that further costs associated with this sale are expected which will diminish the currently reported gain.

Financial Forecast

The Trust continues to forecast a breakeven position for the 2002/03 financial year. It should be emphasised, however, that this forecast is dependant on achieving a significant level of non recurring relief to offset the unfunded cost pressures encountered throughout the divisions this year. The detail of the individual cost drivers has been shared with the HB in each of the last 2 months and we will continue to update them on a monthly basis.

Consistent with other parts of the Acute Sector the Trust is currently experiencing and anticipates ongoing pressure in Pharmacy, Junior doctor rota compliance, various workforce and pay issues and delivery of internal efficiencies. As indicated above we believe that the Trust will still achieve its financial targets but is reliant on non recurring relief to do so.

The main source of non-recurring relief comes through unfilled posts (despite best endeavours), stock management and use of specific non-recurring income streams.

There are also some significant in year risks that have not been played into the forecast at this stage on the basis they are not definite at this point. It is important however that we do not lose sight of either the short or longer term implication of these:

- Pay issues associated with A&C and Ancillary staff which are still part of an ongoing process.
- Unresolved activity issues with surrounding NHS Boards, principally Lanarkshire.
- Winter activity growth above available planned and agreed clinical capacity.
- Potential necessity to deliver waiting list activity above current agreed plan.
- O/S agreement to impairment request to SEHD in relation to site disposals.

With regard to 2003/04, work has commenced with the Divisions to highlight the impact of the pressures in 2002/03 and we will bring back a first pass of this to the February TMT meeting.

South Glasgow

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	136,152	136,152	0
Expenditure	136,345	136,707	(362)
Surplus	(193)	(555)	(362)
Interest	193	193	0
Surplus/(Deficit)	0	(362)	(362)

Income

There were no major income movements in November.

Pay

At the end of November there was an underspend of £236k in relation to salaries. There were under spends in Nursing (£207k), Paramedical (£202k) and Admin (£11k) which were offset by an overspend of £184k within Medical salaries.

In terms of medical salaries the main pressures relate to junior doctor mid-point funding and consultants' discretionary points. The underspend in other areas is primarily due to staff vacancies.

Non-Pay

The non-pay overspend at the end of November at £628k was increased due to the inclusion of two pressures in Support Services which had previously been noted but have now been included in the month 8 out-turn. These are the laundry trading account deficit at £133k (£200k FYE) and the additional costs in relation to the new telecom contract at £60k (£100k FYE).

In the clinical divisions the supplies excluding the two additional costs above were in line with the trend from previous months.

In Clinical Support there were small overspends in individual directorates but there were no significant areas.

The Medical Services division showed overspends in both admin and pharmacy supplies. The overspends in pharmacy occurred in Accident & Emergency, General Medicine and DME, in areas such as fibrinolytics, anti fungals and cytoxic drugs. Both equipment purchases and repairs within General Medicine were the causes of the overspend in Admin supplies.

In Regional Services the two main areas continued to be ENT theatre costs and the interventional radiology costs within neurosciences.

As with previous months the out-turn in Surgical Division primarily due to pharmacy supplies was spread over a number of directorates although Orthopaedics continues to be significantly underspent and this is reducing the impact of the pressures being shown within other directorates.

The Operational Support division is obviously significantly over due to both the laundry and telecom additional costs.

As for 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.

Summary

The out-turn at the end of November is after taking account of the following assumptions: -

1. Due to a change in protocol in relation to the prescribing of Beta Interferon additional costs for NHSGG patients of £150k (£250k FYE) have been included on the basis that additional funds will be provided by the Board.

2. There is a current income shortfall of £563k in respect of funding for Neurosciences by West of Scotland/Forth Valley Health Boards. The month 8 out-turn has assumed that this shortfall will be covered by additional income from NHS Boards.

3. At the end of November expenditure of £405k (£600k FYE) in respect of WLI has been incurred which to date no income has been received. It has been assumed at period 8 that this expenditure will be matched by additional income.

If the above assumptions are not achieved there is a potential year end out-turn of approximately £1.8m.

Yorkhill Trust

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	60,409	60,137	(272)
Expenditure	60,410	60,767	(357)
Surplus	(1)	(630)	(629)
Interest	46	46	0
Surplus/(Deficit)	45	(584)	(629)

Income

For the first time this year, annual income shortfalls with NHS Lanarkshire (£100k) and NHS Glasgow (£158k) have been incorporated into the result at a total of £172k for the eight-month period. Low UNPAC activity caused the remaining movement during November.

Expenditure

An overspending of £357k is reported after eight months. This deterioration of £148k in November occurred due to the purchase of ventilators for Glasgow patients (£73k), ongoing high legal fees (£25k) and ongoing junior doctors and nursing agency costs.

Pharmacy pressures continue to rise (£51k in November, £356k year to date) due to high cancer drugs and the impact of 'single use' guidelines. In year, this has been offset by high staff turnover and recruitment difficulties.

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.

A funding shortfall exists within NHS Lanarkshire for £100k for the year. This covers agreed investments, psychiatry consortium changes and inflationary uplifts that have been secured from all other members of the West of Scotland Purchasing Consortium.

A funding shortfall exists within NHS Glasgow for £158k for the year. This relates to the junior doctors' new deal and will be recovered if the board identifies slippage from other programmes.

The Trust will endeavour to manage in year all other service pressures and the CIP plan. Other recurring major risks include the ventilator service, junior doctor banding pressures, cancer drugs and single use instruments. Non recurring pressures include high legal fees.

Primary Care Trust

	BUDGET £000	ACTUAL £000	VARIANCE £000
Income	330,826	330,719	(107)
Expenditure	331,026	332,509	(1,483)
Surplus	(200)	(1,790)	(1,590)
Interest	200	307	107
Surplus/(Deficit)	0	(1,483)	(1,483)

Overview

The Trust reported a deficit of £1.483M for the period to November 2002. This reflects the current trend of primary care prescribing expenditure which continues to run at a level some 3% above budget.

Projected annual prescribing costs, based on the first six months figures, are now forecast to out-turn at the top end of the range quoted in August's financial report, at some £4.5m above budget. In percentage terms, this represents a 13% growth in expenditure relative to 2001/02, and compares with an anticipated 10% growth rate, the assumed growth factor on which the Trust's 2002/03 budget was based. The growth in expenditure experienced within Greater Glasgow is consistent with that experienced by most other NHS Boards, and is reflected in an overall pan-Scotland growth rate of around 13%.

The Trust's capacity for absorbing this significant growth in expenditure, in what was identified as a key risk area within its annual financial plan, is limited. £1m of resources have already been released to bridge the funding gap associated with providing services to asylum seekers in 2002/03. Remaining opportunities for cost containment and virement, without impacting on current service provision, have now been investigated. It is anticipated that in total these will be capable of absorbing up to £2m of the additional prescribing expenditure, leaving a residual forecast deficit of around £2.5m.

It is planned to cover this in 2002/03 by utilising £2.5m of retained surplus brought forward from prior years. This is consistent with Scottish Executive guidance and will enable the Trust to remain within its overall revenue resource limit at 31st March 2003.

It should be noted that the sources of funds which have been used to achieve financial balance in 2002/03 are largely non-recurrent in nature. Accordingly, the Trust has already begun the process of planning for 2003/04 by developing and implementing an action plan aimed at addressing those areas of prescribing practice where it is believed there is scope for achieving appropriate reductions in expenditure. In addition, other opportunities for cost containment and virement of resources in 2003/04, both of a recurrent and non-recurrent nature, are being actively investigated.

Finally, the requirement for additional funding for primary care prescribing will also be explored with NHS Greater Glasgow in the context of agreeing an appropriate allocation of funds within Greater Glasgow's financial framework for 2003/04.

Divisional Review

(i) Mental Health Division

Overall expenditure for the period to November was within plan. Expenditure on 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.

(ii) Learning Disabilities

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

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

(iii) Primary Care

Expenditure trends within the Primary Care Division are overshadowed by the out-turn of prescribing expenditure. Excluding expenditure on prescribing, other areas of Divisional expenditure remain within budget.

The key factor explaining the growth in prescribing expenditure experienced in 2002/03 is the significant growth in prescribing of those drug categories associated with chronic disease management (CDM) within primary care, in particular heart disease. Increased prescribing of lipid lowering drugs (reducing cholesterol levels), anti-hypertensives (lowering blood pressure) and anti-platelets (thinning the blood) together accounted for over 80% of the additional expenditure incurred in 2002/03. This growth in prescribing activity, insofar as it is consistent with established guidelines and protocols supporting CDM, represents a demonstrable improvement in the quality of prescribing carried out within primary care. It is envisaged that the requirement for additional resource to support these prescribing growth areas will feature in discussions with NHSGG to agree an appropriate allocation of funds for primary care prescribing for 2003/04.

As explained above, the Trust has developed and is now in the process of implementing an action plan aimed at achieving appropriate cost improvements in specific areas of prescribing practice. Through a range of focussed interventions, it is forecast that annual cost savings of £1.4m can be achieved to offset, in part, the rising trend in prescribing expenditure. The impact of these interventions will be closely monitored by the Trust's Medicine Resource Management Group, with progress reported to future TMT meetings.

Capital Expenditure

Capital expenditure funding has now been approved for almost all planned schemes, albeit the start dates for many of these will be later than originally envisaged. The most significant change is the Goldenhill Resource Centre scheme where the landlord with whom the Trust had been negotiating to acquire a property, decided at a late stage of negotiations to pursue an alternative development opportunity, forcing the Trust to explore alterative options within the Clydebank area. The preferred option is now a new build costing £1.3M, which will not commence until early 2003/04. Accordingly, the Trust has written to NHSGG, advising of the related slippage in expenditure and requesting allocation of the required level of funds in 2003/04. Provision has been made for this within NHSGG's initial capital plan for 2003/04.

The forecast revenue resources available now include all expected capital to revenue virements totalling £5.5m (accounting for the majority of the increase from the original plan re overall revenue resources from the Host Health Board).

Conclusion

(i) The Trust is forecasting a deficit of £2.5m on its income and expenditure account for 2002/03. It plans to offset this with £2.5m of retained surplus brought forward from prior years, in order to remain within its revenue resource limit at 31st March 2003.

(ii) The Trust is forecasting that it will remain within its capital resource limit for 2002/03.