



Greater Glasgow NHS Board

Board Meeting
15 July 2003

Board Paper No 03/48

Director of Finance

STATEMENT OF ACCOUNTS FOR 2002/03

Recommendation:

The Board is asked to:

- 1 adopt the Statement of Accounts for the financial year ended 31 March 2003 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 Balance Sheet (Form A3.0).

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 2003.
- 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 2003 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 1 July 2003. The decision of the Audit Committee was that the Statement of Accounts should be presented to the Board at its meeting on 15 July 2003 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 2003 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 4 principal forms:

- (a) Operating Cost Statement (Form A 1.0)
- (b) Statement of Recognised Gains and Losses (Form A 2.0)
- (c) Balance Sheet (Form A 3.0)
- (d) Cashflow Statement (Forms A 4.0 and A 4.1)

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

STATEMENT OF ACCOUNTS FOR 2002/03 FINANCIAL YEAR

COMMENTARY BY 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 2002/03. 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. Each of the Glasgow Trusts achieved the break-even target. A full year-end report will be made to the Board at its August 2003 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 NHS 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 three budget limits or targets on an annual basis to:

- Stay within the allocated Revenue 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 2002/03 the Board has achieved all of these required targets.

	Limit as set by SEHD £,000	Actual Out-turn £'000	Variance (Over)/Under £'000
Revenue Resource Limit	1,034,677	1,022,542	12,135
Capital Resource Limit	1,341	1,123	218
Cash Requirement	1,048,500	1,048,489	11

STATEMENT OF ACCOUNTS FOR 2002/03 FINANCIAL YEAR

COMMENTARY BY DIRECTOR OF FINANCE

Revenue Resource Limit

The Revenue Resource Limit (RRL) is the amount allocated by the Scottish Executive, and includes £7.7m carried forward from 2001/02.

	£'000
Net Operating Costs (from A1.08 line 700)	1,134,553
Less:	
Family Health Service – Non-discretionary spend	111,111
Local Health Council	234
Other Allocations	421
Realised Element in respect of Property Disposal	<u>245</u>
Net Revenue Out-turn	1,022,542
Revenue Resource Limit	<u>1,034,677</u>
Savings Against Resource Revenue Limit	<u>12,135</u>

The savings include income deferred by Trusts of £6.4m in relation to projects funded but not fully completed in year. This funding will be required in 2003/04 to match the expenditure.

The balance of £5.7m relates to Board projects and reserves not fully utilised by 31st March 2003 but in progress for completion in 2003/04.

STATEMENT OF ACCOUNTS FOR 2002/03 FINANCIAL YEAR

COMMENTARY BY DIRECTOR OF FINANCE

3. FINANCIAL SUMMARY

Operating Costs	2002/03 £m	2001/02 £m	Movement	
			£m	%
<u>Clinical Services</u>				
Hospital & Community	848.7	784.0	64.7	7.6
Family Health	288.1	268.5	19.6	6.8
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Total Clinical Services	1,136.8	1,052.5	84.3	7.4
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<u>Non Clinical Services</u>				
Administrative Costs	9.5	8.0	1.5	18.8
Other Board Services	8.2	7.1	1.1	13.4
Local Health Council	0.2	0.2	-	-
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	17.9	15.3	2.6	16.9
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(Profit)/Loss on Disposal of fixed assets	(1.2)	-	(1.2)	100.0
Gross Operating Costs	1,153.5	1,067.8	85.7	8.0
Less: Miscellaneous Income	18.9	19.9	(1.0)	5.0
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Net Operating Costs	1,134.6	1,047.9	86.7	8.3
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STATEMENT OF ACCOUNTS FOR 2002/03 FINANCIAL YEAR

COMMENTARY BY DIRECTOR OF FINANCE

4. FAMILY HEALTH SERVICES

The expenditure in Family Health Services can be analysed as follows

	2002/03	2001/02	Movement	
	£m	£m	£m	%
Medical	73.5	69.7	3.8	5.2
Pharmaceutical	165.9	153.9	12.0	7.8
Dental	39.9	36.6	3.3	9.0
Ophthalmic	8.8	8.3	0.5	6.0
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Total from Expenditure	288.1	268.5	19.6	7.3
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Expenditure on Family Health Services is managed by the Primary Care Trust and their Annual Report contains more meaningful analysis and explanation.

5. NON CLINICAL SERVICES

Administrative Costs

Overall, administrative costs have increased by £1.5m, this is due to several new, pan-Glasgow projects:

- Work associated with the Acute Services Review is ongoing and resulted in increased expenditure of £67k.
- The new Corporate Communications directorate was established during the year and several new initiatives implemented by the department have resulted in an increased spend of £159k.
- Work commenced in year on implementing a pan-Glasgow Network for data communications, this resulted in increased expenditure of £163k.
- The ECCI project (Electronic Clinical Communications Implementation) continues to be rolled out and expenditure has increased by £244k this year.
- The implementation of other pan-Glasgow IT projects (for example Diabetes, Labs, etc) has resulted in increased expenditure of £370k during the financial year.

Other Board Services

Expenditure on Other Board Services has increased by £1.1m. This increase relates to three main areas:

- The cost of supplying drugs for the treatment of Arthritis directly to the homes of patients has resulted in increased expenditure of £340k. These costs were previously recharged to Trusts with funding to match, but this year the cost has been shown as Board spend.
- Expenditure on the Starting Well project has increased by £413k.
- Commissioning work relating to specific services has resulted in a further increase of £268k. This includes work in relation to sensory impairment and heart disease.

6. CONCLUSION

The Board can report a successful out-turn against the three financial targets.

The savings of £12.1m (1.2%) against the RRL does not represent underspending but reflects the timing of expenditure against commitments. Exceptionally this year the Board was able to utilise brought forward accumulated resources from Trusts of £13.8m to support the achievement of the financial out-turn.

The financial out-turn is in line with earlier forecasts and can be regarded as satisfactory.

Thanks are due to all staff involved in managing the Board's finances through planning, monitoring, accounting, reporting and the preparation of the Statutory Annual Accounts for audit and submission to the SEHD.