Greater Glasgow NHS Board

BOARD MEETING
Tuesday 21 December 2004 Paper No: 04/65

Director of Finance

2004/05 MID YEAR REVIEW

A INTRODUCTION

As in previous years, this report reviews the in-year financial position for 2004/05 and sets out for the Board:

- The year end forecast position for 2004/05 for both the revenue limits.
- The implications for the 5 Year Financial Plan of the current position.

B SUMMARY AND RECOMMENDATIONS

Relative to the financial challenge and agreed in year financial plan, the Board is making good progress at the mid year point in 2004/05.

Divisions are able to forecast breakeven at the year end against both operational budgets and Recovery Plan targets.

The Wait Times non recurrent funding requirements can be met from a combination of 2004/05 Capital and land sales.

However, the remaining deficit "gap" is £9m; which would still leave a year end position of £4.6m deficit for 2004/05, to be carried non recurrently into 2005/06. Consequently, it remains crucial that a combination of :

- Further in year Recovery Plan savings are identified; and
- Strict continuation of monitoring of vacancy and other cost pressures is maintained.

Beyond that, the Board will hope to use year end reserves and technical accounting adjustments to achieve the planned outturn for 2004/05.

Members are, therefore, asked to:

- **Confirm the 2004/05 Mid Year Review position as continuing to forecast a year end deficit of £4.6m.**
- **Ask the CMT to further review opportunities in year for added savings to reduce the remaining deficit "gap".**
- **Ask the CMT to continue to maintain strict vacancy management and other cost control measures in year.**
- **Receive further financial monitoring reports for the remaining months of 2004/05.**
- **Note the immediate implications for the 5 Year Financial Plan, 2005/06 to 2009/10, ahead of its detailed consideration.**

C THE 2004/05 FINANCIAL STRATEGY

The Financial Plan for 2004/05 can be summarised as follows:

	£m	£m	
2004/05 Forecast Deficit		58.8	
Offset by:			
Non recurrent income:			
SEHD Allocation	12.6		
WOS Casemix Complexity	10.0		
Corporate Recovery Plan:	22.6		
		45.2	
		13.6	
Remaining "gap"		9.0	
Remaining deficit		4.6	
2004/05 Wait Times Targets			
Non recurrent requirements			
Revenue	8.6		To be met from land sales
Capital	3.3		To be met from Capital Plan

Divisional and Board allocations have been updated to include all inflation, cost pressures and service developments; together with agreed savings plan targets as set out in the Corporate Recovery Plan, reviewed in PRG Report 04/22a. Divisional and Board Financial Monitoring Reports have thereby been prepared against consistent baseline allocations.

D DIVISIONAL RESULTS AT END OCTOBER 2004

The attached Annexe A gives full details of the financial position in each Division at the end of October 2004.

The monthly financial reports from the Divisions now reflect both the ongoing operational spend and the agreed contributions to the Corporate Recovery Plan.

Acute Divisions

Each of the 3 Acute Divisions is able to forecast breakeven at the year end. This reflects both in year progress with individual savings plans and sustained close monitoring and control of staff vacancies and other expenditure.

Key underpinning assumptions include:

- That the cost of Agenda for Change will be within the budget provision made in 2004/05 (see below).
- That the impact of the Consultants' Contract will remain within the budget provision made. Arrears and new rates paid to date appear to be in line with funding available. However, approximately 25% of new contracts remain unsigned with resultant implications for additional cost if the current proposed level of sessions per consultant is exceeded.
- That the cost of superannuation will be matched by the funding devolved by the SEHD. Clearly this factor is linked to both the final cost of the New Consultant's Contract, the New GPs' Contract and the Agenda for Change (from October 2004).

- That there is no change to the capital charges costs as a result of the SEHD's review of "losers and gainers".
- That West of Scotland NHS Boards will pay the agreed uplift of 11% in year.
- That West of Scotland NHS Boards will pay for their waiting time cases.
- That "Winter Pressures" will not exceed the planned service provision.

Emerging issues identified include:

- Increased numbers of renal cases in North Division. (Estimate: £600k)
- Increased numbers of HepC and HIV cases in North Division. (Estimate: £200k)
- Increased costs as a result of Nationally negotiated gas tariffs. (Estimate: £1 – 1.25m). [North Division forecast outturn already makes some provision for this factor].

Primary Care Division

The Primary Care Division (PCD) has been forecasting a year end surplus of £0.5m. However, as highlighted previously, the GMS contract quality and outcomes framework (QOF) remains a key area of risk. To date the PCD has forecast an outturn for 2004/05 based on the assumption that expenditure on quality points would reflect the SEHD's funding assumption. GP practices have been asked to forecast their points achievement and in aggregate. The revised estimates potentially drive an additional £3m expenditure requirement in 2004/05.

This converts the previously reported forecast surplus of £0.5m into a forecast deficit of £2.5m. This funding shortfall, which affects most NHS Boards, has been raised with the SEHD.

In other areas of the Divisions activities, overall expenditure is running below budget. The overall position shown, therefore, on the summary table at Annexe A is:

	£m
PCD Forecast Outturn	1.3
GMS Quality and Outcomes Framework	(3.0)
Net deficit position	(1.7)

Agenda for Change

New pay arrangements under Agenda for Change are due to be implemented from October 2004.

The SEHD have provided modelling software with which to calculate the estimated cost of the new grades. Initial analysis of the results suggests that the funding held in reserve should be sufficient to cover the costs in year. This estimation is preliminary only and crucially relies on assumptions around aspects such as increased annual leave, on call arrangements etc.

Wait Times Targets

Funding required by Divisions to reflect expenditure undertaken to achieve wait times targets is added to baseline allocations as the cases are completed.

West of Scotland (WOS) cases are being undertaken on the strict understanding that corresponding payment will be made by those NHS Boards to the relevant Division. Discussions remain ongoing with those NHS Boards as to the final numbers of cases to be carried out by Glasgow.

2004/05 Funding for the Wait Times Initiative is as follows:

	£m	
Funding Required		
Recurrent	13.6	
Non recurrent	9.1	
Equipment	2.9	
	25.6	
Funding Available		
Divisional baselines	6.0	Agreed recurrent funding
WOS agreed cases	4.0	Or pro rata to agreed cases
SHED contribution	3.7	To be confirmed
Capital	3.3	£3.3m requested from Capital Programme
Revenue "profit" on land sales	8.6	
	25.6	

An Estates Group, led by D Griffin, has recently completed a review of potential land sales over a 5 year period. The Group's findings will be closely reviewed over the next few weeks to confirm the potential scope for releasing "profit" on land sales in 2004/05.

Chief Executives are currently reviewing the level of utilisation this year of the Golden Jubilee National Hospital, where additional cardiac cases have been treated during the first 2 quarters, to assess whether theses cases will replace activity planned "in-house" during this year and next. Two further additional schemes – involving the private sector locally in a "See and Treat" initiative in orthopaedics and an "in-house" initiative to reduce this year numbers at Yorkhill waiting beyond 6 months – are currently being assessed.

A full report on the totality of the waiting list capacity plan will be brought to the Review Group's next meeting. It is consequently important that confirmation of the SEHD contribution is agreed as soon as possible.

E THE OVERALL POSITION IN 2004/05

Following a detailed review of the position at end of October 2004, each Division has maintained good progress with both:

- Controlling operational expenditure by strict vacancy monitoring and other cost control measures.
- Delivering on agreed contributions to the Corporate Recovery Plan.

It is essential that both of these components of the in year Financial Strategy continue to be achieved. This should then result in each Division achieving year end breakeven against their baseline allocations.

A separate report to the PRG continues to confirm that the Recovery Plan Target of £22.6m will be achieved in 2004/05.

There remains a net residual gap of between £9m - £14m in 2004/05; equivalent to 1% of NHSGG funding. At this stage it is not realistic to expect further significant savings initiatives to bridge this gap: it will consequently be necessary to depend on maintaining existing initiatives aimed at local vacancy management and cost containment in combination with technical accounting adjustments to deliver the agreed forecast deficit of £4.6m in 2004/05.

F THE IMPLICATIONS FOR THE 5 YEAR FINANCIAL PLAN, 2005/06 ONWARDS

Although the results in year are (so far) good, it is crucial that progress towards breakeven at the end of 2004/05 is maintained.

The CMT will review opportunities for further savings in year, but given that only 4 months remain, this will be relatively difficult. Consequently, the strict vacancy management and other cost controls must be maintained throughout the year.

The Board will want to minimise any carry forward deficit into 2005/06.

The Corporate Recovery Plan delivers a combination of non recurrent and recurrent savings in 2004/05. The extent to which the "full year effect" of those recurrent savings into 2005/06 replaces non recurrent savings in 2004/05 is currently being analysed.

Additional, non recurrent, funding will also be required to:

- Complete the wait times targets - £7m
- Provide transitional funding for TSSU transfer - £2m
- Pick up reduction in SHED funding of £70m in 2004/05 to £50m in 2005/06; Glasgow's share £4m.

A more detailed 5 Year Profile is being prepared for consideration by CMT and PRG. However, at a headline level, it will highlight:

- The need for further recurrent savings to reflect recent bed and manpower modelling.
- The need to hold new developments, beyond those considered absolute priority, to a minimum in 2005/06.

Corporate Recovery Plan
Update report to
Performance Review Group
(November 2004)

Introduction

The purpose of this report is to update the Performance Review Group on progress with the development of the Corporate Recovery Plan during October/November 2004.

Overview of Progress

(a) Process - Projects

Implementation plans have been completed for all projects currently underway. These provide the basic data required for monitoring purposes.

Cost savings targets, with one minor exception, remain in line with original expectations. One minor exception is the pharmacy procurement project where a later start date has led to a slightly reduced forecast for 2004/05. A full year cost saving in line with original plan is still predicted for 2005/06.
Cost savings targets for all projects currently underway have now been allocated to Divisions/Board for financial reporting purposes.

It is anticipated that a number of additional projects will be formally constituted during December/January, e.g. laboratories procurement (reagents), pan Glasgow estates services, pan Glasgow catering services, shared HR service, shared pharmacy service. Project leads will be asked to submit implementation plans for each of these projects which are expected to commence contributing to NHSGG's corporate recovery plan in 2005/06.

Another project which is forecast to contribute further cost savings in 2005/06 is project No 4, "junior doctors hours". Work is currently underway to firm up the level of cost saving (original forecast : £1M) which can be anticipated from securing improvements to junior doctor rotas in 2005/06.

During December, it is also planned to circulate all project leads to seek confirmation of the level of ongoing savings related to projects which have already commenced in 2004/05. This will enable the ongoing impact of the Corporate Recovery Plan to be forecast for 2005/06 so that this can be taken into account in developing NHSGG's financial plan for 2005/06.

Project monitoring has now commenced in earnest with the submission of the first batch of monitoring reports by project leads on 19th November 2004. These, together with follow up discussions with project leads, inform the overview of progress with the achievement of targeted savings which is provided in section (c) below.

(b) **Process - Communication**

Project leads are responsible for forming project teams to take forward each project, involving staff side representatives(s) appropriate to that particular project. Project team members are identified within project initiation documents (PIDs).

Each project lead is also responsible for putting in place communication arrangements, as applicable, for:

- patient/patient representatives
- staff/staff representatives
- service users
- suppliers
- external agencies

The Area Partnership Forum (APF) has been anxious to ensure that this process is operating effectively, particularly for those projects potentially affecting jobs and/or job location, and has asked for detailed information to be provided on relevant projects together with names of staff representatives. These have been supplied within the context of update reports provided to the previous two APF meetings. It has also been agreed that, where required, project leads will make themselves available to attend APF meetings to report/discuss their particular project. This is in addition to the corporate recovery plan programme manager attending each APF with representatives of the corporate management team to brief members and answer questions on the development of the corporate recovery plan.

By following this approach, the Chief Executive has ensured that the APF is fully appraised of the process for developing the corporate recovery plan and in particular for securing the involvement of staff representatives on each project group.

This should provide the necessary foundation for joint discussion of any issues which arise in future months related to the implementation of particular projects.

(c) **Implementation – achievement of targeted savings**

On the basis of submissions received to date from project leads, it is reasonable to maintain savings targets for 2004/05 at previously reported levels. This means that the Corporate Recovery Plan is still forecast to contribute £22.56M towards NHSGG's efforts to achieve a balanced revenue budget in 2004/05. This excludes the additional funding of £10M which is targeted from West of Scotland Boards but includes savings targets for all other projects.

Comments on specific projects, including those where specific risks have been identified, are given below:

1. **Project 1.5 – implement new model of service for homeopathy Care – target saving £143K in 2004/05**

   Project monitoring report not yet received so verbal update will be provided at PRG. Consultation and implementation timescales continue to be regarded as highly challenging, given the nature of the service change which is being planned. Achievability of savings in 2004/05 is regarded as high risk.

3. **Project 3 – reconfiguration of surgical beds – Yorkhill Hospital – target saving £65K in 2004/05**

   Project monitoring report confirms achievability of planned savings of £65K in 2004/05, £250K FYE in 2005/06. This is a net saving, with Yorkhill proposing to retain £60K in 2004/05, £350K FYE in 2005/06, to (a) maintain required nurse staffing level for patients transferring to HDU and (b) increase night nursing staffing levels in surgical wards to comply with the recommendations of a recent F.A.I.

   It is anticipated that a paper, seeking approval for this proposal, will be submitted to the Corporate Management Team in December.

2. **projects 2.1.4, 2.1.8, 2.1.9, 2.1.11 –implementation of planned changes to continuing care beds – target saving £1.681M**

Project monitoring report confirms that all planned changes have now been agreed with key stakeholders, however timescale to complete contract negotiations with providers is extended by 2 months for projects 2.1.4, 2.1.8 and 2.1.9. Result is a reduction in anticipated savings in 2004/05. Additional savings on project 2.1.11 will offset this in part resulting in a current overall forecast savings level of £1.5M in 2004/05.

4. **Project 5.4 – primary care prescribing expenditure – various schemes - £3.898M of overall total of £5M**

Expenditure levels reported to end August confirm potential to achieve savings level of this amount in 2004/05. Projected annual outturn based on August expenditure forecasts a further cost reduction of £500K in 2004/05…this is taken account of in the DOF's "mid year review report".

Current expenditure trends would suggest that there is every likelihood of this reduced level of expenditure being sustained through to the year end. However, the potential risk of a rise in expenditure in the second half year should also not be ignored, recognising that the full year impact of GMS contract implementation remains unpredictable.

5. **Project 5.5 – pharmacy procurement – target saving £740K of overall total of £5M**

As highlighted above, the timing of procurement initiatives getting underway has meant that achievement of the full year saving is not anticipated until 2005/06. A part year saving of approximately £570K is currently forecast for 2004/05.

6. **Project 6.1 – Glasgow Integrated Financial Services – G.I.F's – target saving £300K**

Project Monitoring report indicates that target saving being achieved through vacancy management within Divisional finance functions, in advance of establishment of single financial accounting service for NHSGG. Report highlights practical difficulty of ring-fencing savings from vacancies during this transitional period prior to formal implementation, recognising that each Division is targeting savings from vacancies within local CRES schemes.

It is likely that the target savings will be achieved in 2004/05, albeit these can be expected to surface within other projects during the second half of the financial year. On this basis, it would not be appropriate to "discount" this saving from the Corporate Recovery Plan. Rather, it would be appropriate to take account of it in establishing an updated savings target for the GIF's project in 2005/06.

(d) **<u>Conclusion</u>**

At this stage, my view is that it is reasonable to assume that the recovery plan is capable of contributing £22.56M, plus or minus £1M, towards NHSGG's efforts to achieve a balanced revenue budget in 2004/05. With the exception of the estates working group, where work carried out to review the valuation of the estate may still yield a level of cost saving in 2004/05, it is not reasonable to anticipate that the recovery plan will generate additional savings in 2004/05: Accordingly, NHSGG ability to achieve a breakeven position on its revenue budget will depend on other factors which are addressed within the DOF's report, in particular the movement of expenditure in the second part of the year in response to local cost containment measures.

Looking forward to 2005/06, it is planned during December/January to firm up forecasts of the ongoing recurrent impact of those projects which are currently underway together with forecasts of cost savings for projects which are planned to get underway during the forthcoming months. The objective of this work will be to identify a sustainable level of cost reduction which can be relied upon in preparing NHSGG's financial plan for 2005/06.

Greater Glasgow NHS Board

Director of Finance

2004/05 Financial Monitoring Report for seven months ended October

SUMMARY

This report updates the Board by providing details of the financial position for the seven months ended 31st October 2004 for the Divisions and the Board. A deficit of £4,600k is forecast for the full year. The following sections give fuller details of the position in each Division.

	Annual Budget	Variance Prior YTD	Variance Current Month	Variance Current YTD	Annual Forecast Variance	Recovery Plan Targets
	£'000	£'000	£'000	£'000	£'000	£'000
2004/5 DEFICIT	Includes Recovery Plan Targets					**(58,800)**
OWN BOARD DIVISIONS:						
North Glasgow	539,289	(295)	57	(238)	0	3,469
South Glasgow	252,840	(192)	61	(131)	0	798
Yorkhill	114,550	(283)	48	(235)	0	1,078
Primary Care	255,775	100	1,065	1,165	2,013	7,748
	1,162,454	(670)	1,231	561	2,013	13,093
FAMILY HEALTH SERVICE	347,667	0	(2,152)	(2,152)	(3,700)	0
OTHER NHS	44,301	0	0	0	0	3,846
NON NHS	83,502	0	0	0	0	1,502
Clinical Services Costs	**1,637,924**	**(670)**	**(921)**	**(1,591)**	**(1,687)**	**18,441**
BOARD SERVICES:						
Administration Costs	6,828	(11)	(33)	(44)	0	600
Health Promotion	5,816	0	0	0	0	1,400
Other Non Clinical Service Costs	7,974	54	(46)	8	0	0
Local Health Council	260	18	(2)	16	0	0
	20,878	61	(81)	(20)	0	2,000
NOT YET ALLOCATED	57,120	0	0	0	0	2,119
Non Clinical Services Costs	**77,998**	**61**	**(81)**	**(20)**	**0**	**4,119**
TOTAL	**1,715,922**	**(609)**	**(1,002)**	**(1,611)**	**(1,687)**	**22,560**
Remaining Deficit						**(36,240)**
RESERVES HELD TO OFFSET DEFICIT:						
Other Income:						
SEHD						12,604
West Of Scotland						10,000
Other Savings:						
Agreed - Capital Charges re-assessment						1,388
Annual Forecast Variance						(1,687)
Total Offset						22,305
Remaining 'Gap'						(13,935)
Unidentified Schemes						9,335
REPORTED TO SEHD						**(4,600)**

NORTH GLASGOW

The financial result in October represents a further improvement in the Division's position. Over the past two months the deficit has reduced by £134k (i.e. Deficit to August £372k reduced to £238k in October). This suggests that the controls and efficiency schemes implemented throughout the Division are progressing towards achieving the set targets.

The Division had previously updated the financial forecast to reflect the new deficit funding allocation from the Health Board. A revised deficit of £900k for the financial year was predicted. The recent financial results, however, are encouraging and the Division will endeavour to ensure that the positive trend continues. The Chief Executive and Director of Finance have arranged finance performance reviews with the respective budget managers within the Division. On completion, a revised financial forecast will be presented.

The Health Board has issued relevant CAMs to cover the Deficit Funding Allocation (appropriately reduced for the Division's target 'Contribution to the GGHB Corporate Recovery Plan'). In addition, CAMs have also been issued in respect of the Lanarkshire Repatriation adjustment, Deferred Income and to fund the estimated increase to Capital Charges. Furthermore, an 11% inflation uplift has now been agreed with West of Scotland NHS Boards. All of these factors have been included in the above summary.

Revenue Expenditure

In respect of the revised Consultants' Contract arrangements, a total charge of £4.7m (actual cost plus accrual) is included in expenditure to match the income accrual for the seven month period to October. In addition, £5.1m, relating to the back payment for 2003/04, has been charged against the provision. (Note, payment has been made to approximately 70% of Consultants in October – the remaining cohort is currently being reviewed to enable a revised forecast of the total cost to be determined). Recognising the level of actual costs incurred in the seven month period, it remains a concern that the ultimate final cost will exceed the funding available in this financial year. The Division continues, however, to assume within the financial forecast a neutral position on this matter.

The figures also continue to assume that implementation of Agenda for Change will be neutral.

Overall the Pay Budget underspend position increased by £119k in October as the favourable trend continued for the majority of staff categories.

Pharmacy, Lab/CSSD supplies, Equipment Maintenance and Laundry remain as the main contributors to the non pay cumulative adverse variance.

SOUTH GLASGOW

The October out turn being (£131k) overspent compares favourably to the (£192k) overspend reported at month 6. This overspend is based on a YTD budget of around £148 million.

The out turn incorporates the (£58k) Prescribing savings and the (£740k) Local Cres target, both of which have been achieved in full and no longer represent any variance to the YTD position.

Income

Income remains to be assumed at break-even given information to date and the 2003/04 final out turn, whilst contract uplifts are awaited with some NHS Boards.

Pay - £31,000 overspend

The out-turn can be summarised as follows: -

Clinical Support	(£86k) Over
Medical Services	(£63k) Over
Operational Support	(£61k) Over
Regional Services	£146k Under
Surgical Services	£68k Under
Corporate	(£35k) Over

At a Divisional level, month 6 demonstrates an overspend in Nursing of (£38k) and continues to report pressures in Support Services of (£61k), being Hotel Services and Estates. Lab /Technical Officers' and AHPs' Salaries also provide financial pressures with the main offset being in Medical Salaries where vacancies offset much of the pressures above to derive the (£31k) overspend being reported.

Within nursing it remains that compensating variances are reported with the significant ones being in Clinical Services (£85k) over, primarily due to the Anaesthetics directorate, and Medical Services are (£163k) over, with Gen Med & A&E being continuing to provide financial pressures. Surgical Services are £122k underspent and a £88k underspend is reported within Regional services for Neurosciences and ENT/OMF which when consolidated with the above derives the (£38k) Nursing Pressure being reported.

The total overspend of (£31k) is relative to a YTD Budget of £101.7million and continues to indicate the significant work being successfully undertaken at Divisional level regarding vacancy control and cost containment whilst sourcing a full contribution to the Local Cres target.

Non-Pay - £100,000 overspend

The Recovery Plan target figure of £740k has now been met in full for this financial year.

The total overspend of £100,000 is a combination of a £170,000 mainly in areas of drugs, dressings, instruments and reagents pressures. The pressure throughout the directorates being offset by underspends in finance schemes of £70,000.

The pressures within the clinical areas at month 6 relate to Clinical Services (£28k), being mainly Labs Reagents, Medical Services (£50k) over, being mainly drugs, Surgical Services (£66k) over, being a mix of drugs and Instruments and sundries, and Support Services (£42k) being Hotel Services.

The underspend in corporate areas exist within HR, Trust Management and N&Q with the former being due to underspends in advertising and removal expenses. These underspends are currently negating an ongoing pressure in storage charges within Medical Records.

As indicated in the summary the month end outturn for non-pay does not incorporate any value associated with potential savings being targeted by the Pan Glasgow Procurement group and as such the outturn does not incorporate, or expect to include, any material budget reduction for the period to date.

Summary Assumptions

The position at month 7 incorporates the following baseline assumptions in deriving the summary figures outlined above: -

Laundry Trading Account assumes income from all users and payment of current invoices. There remains outstanding North Glasgow invoices for 2003/04 and 2004/05.

1. Laundry Trading Account assumes income from all users and payment of current invoices. There remains outstanding North Glasgow invoices for 2003/04 and 2004/05.

2. Delivery of Income assumptions from Other NHS Boards via NHS Greater Glasgow

3. Cost of Capital – The Division anticipates full funding for this area from NHSGG to allow a break even to be reported.

4. The impact of Consultants' Contract remains to be reported as break-even with full funding expected to flow from NHSGG, including that element relating to other NHS Boards.

5. Employers' superannuation increase is taken as cost neutral and full funding has been included. The allocation from NHS Greater Glasgow has been increased, for the Glasgow element only, and forecast figures are being consolidated regarding the FYE impact of Consultant contract, Vacancies and any Development funding. This is reaching the final stages as the number of consultants outstanding for SGD is at a manageable number to enable final forecast figures.

6. All outstanding income CAMS to follow.

7. Capacity Plan Funding income has been assumed in the Month 7 out turn based on achievement of targeted activity and correspondence with NHSGG.

YORKHILL

The financial returns to October show an adverse variance of £235k, an improvement of £49k on the September position.

Income

Service Agreements have now been concluded with the National Services Division but remain outstanding with the various NHS Boards (except NHSGG). The results therefore do not incorporate any potential shortfall of income from Service Agreements. The improvement in income recovery during October is due to high non-Scottish activity.

Expenditure

An adverse result of £0.254m is reported after seven months. This reflects the following remaining pressure areas :

- Drug pressures (incl. Cancer and PICU) £0.268m
- Nursing (incl. Ventilation and cancer) £0.185m

Overall the impact of these two main pressure areas have been reduced by staff vacancies and the impact of our moratorium.

Forecast Out-Turn

An internal Cost Improvement Programme (CIP) has been agreed at £1.3m for 2004/05. This plan has been incorporated into the results. The funding released by these measures has been reinvested into the budgets to cover unavoidable cost and service pressures.

In addition to this, a further programme of cost savings amounting to £1.3m over two years is being pursued.

Until the extent of potential income shortfalls from Service Agreements are known a full evaluation of the Divisions financial position cannot be determined. At this time it has been assumed that our Cost Improvement Programme will be successfully delivered and the expenditure overspends can be reversed. On these assumptions it is forecast that financial targets will be met.

Potential Risks

Service level agreements remain outstanding with all the NHS Boards except NHSGG. Recent discussions suggest that the NHS Boards propose funding at the average national uplift level rather than on actual costs being incurred. If this position is realised a forecast deficit of almost £1m will be reported in future months.

Agenda for Change costs may not be fully covered by the provisions held by the Boards.

The financial challenge facing NHSG has now been assessed but the full impact of the Corporate Recovery Plan on the Division is subject to ongoing work.

PRIMARY CARE

In previous months' reports the funding arrangement for the achievement of quality points by GP practices within the quality and outcomes framework of the new GMS contract (QOF) was identified as a key area of risk which could affect the Division's ability to achieve a breakeven position in 2004/05.

Updated forecasts of quality points achievement for 2004/05 have now been received from most GP practices, based on an assessment carried out at the mid year point. These updated forecasts are in line with earlier predictions and point towards an average points achievement by GP practices of between 900 and 950 points in 2004/05. This compares with an original SEHD funding assumption of 850 points, which was subsequently revised downwards to 672 points.

Thus far the Division has forecast an outturn for 2004/05 based on the assumption that expenditure on quality points would fall closely in line with the level on which the SEHD's funding assumption was based. In the light of the forecast information now received, it is necessary to revise this assumption and make provision for the achievement of a level of quality points significantly in excess of 672 in 2004/05. At this stage, the assumed level of achievement is raised to an average of 900 points, which is the lower end of the range of outcomes forecast by most GP practices. This is deliberate and takes cognisance of the possibility that the updated forecasts may still contain an element of optimism regarding the level of points which will ultimately be achieved. The appropriateness of this judgement will be reviewed on a monthly basis in the light of the availability of further forecast data in future months.

The requirement to increase the provision for expenditure on quality points introduces a cost pressure of approximately £3M into 2004/05, converting a previously reported forecast annual surplus of £500K into a forecast deficit of £2.5M.

In other areas of the Division's activities, overall expenditure continues to run below budget. Expenditure on primary care prescribing, based on actual expenditure through to August, is currently projected to outturn some £500K within budget. In addition, due to the impact of local cost containment initiatives, an additional underspend of approximately £300K is anticipated across all other service budgets (i.e. additional to a previously reported total of £1.4M).

The net outcome, after taking account of each of the movements in forecast expenditure explained above, is a projected deficit of £1.7M for the year to March 2005. The result reported for the period to October, a deficit of £1M, reflects this. In view of the impact which the QOF is expected to have on the Division's financial position for the year, it is planned to write to SEHD providing a full commentary on the financial impact which the GMS contract is forecast to have in 2004/05. In particular SEHD will be requested to review the approach taken thus far on funding payments due to GP practices under the QOF.

BOARD SERVICES

The Recovery Plan target of £2m has already been deducted from this year's budget. Half year financial results show a position of virtual breakeven, thereby confirming that the full target saving of £2m will be secured.