Greater Glasgow NHS Board

BOARD

Tuesday 22 March 2005 **Board Paper No 05/26**
Acting Director of Finance

2004/05 Financial Monitoring Report for Ten Months Ended January

OVERVIEW – KEY POINTS

	Annual Budget £'000	***Latest Forecast £'000***
REVENUE RESOURCES		
Allocated Funds	1,666,487	1,666,487
Add: Additional SEHD Funding	12,604	12,604
West of Scotland	10,000	8,200
Total	**1,689,091**	**1,687,291**
EXPENDITURE		
Overall Expenditure Budget	1,703,077	1,703,077
Less: Other Savings	(1,388)	(11,186)
Savings to be Identified	(7,998)	(-)
Total	**1,693,691**	**1,691,891**
DEFICIT	**4,600**	**4,600**

The Board continues to forecast a deficit of £4.6 million for the year to March 2005.

Each Division is now forecasting a breakeven position relative to allocated funds. Within Primary Care a slow down in the rate of growth of prescribing expenditure has helped to contain cost pressures associated with GMS contract implementation in 2004/05, allowing a forecast position of breakeven to be reported. Within the Acute Sector, each Division continues to highlight a range of pressure points, however, is holding to a forecast of breakeven for the year. Risk of non achievement is probably greatest in the case of South Glasgow, however, this is balanced by current expenditure trends within other Divisions, particularly Primary Care, therefore, it is appropriate to report a breakeven position.

A full review of the Corporate Recovery Plan, including savings targets for 2004/05, has recently been completed. This confirmed that total savings would be £22.2 million, in line with plan for 2004/05.

The forecast of additional income recoverable from other West of Scotland Boards in 2004/05, related to cross boundary patient activity, has been adjusted from £10 million to £8.2 million. This reflects the most recent, and final, iteration of the costing model used to apportion the cost of West of Scotland patient activity between Health Boards, and will be used to conclude agreement with other West of Scotland Boards on a realistic financial settlement for 2004/05.

With the year end now approaching, a full review of funding provision within the "not yet allocated" category has been undertaken. This category includes a mix of general provisions (eg Agenda for Change costs), specific provisions for planned service developments in the current year financial plan, and "new" funding provisions related to announcements made in year by SEHD. The purpose of the review was to establish an updated expenditure profile for each item, taking account of actual/planned implementation dates. This confirmed that approximately £9.8 million of expenditure can realistically be expected to roll forward into 2005/06, releasing £9.8 million of funding in 2004/05. This is now reflected in the latest forecast for 2004/05, bridging the "gap" previously reported as "unidentified schemes" and offsetting the change in the level of income assumed from other West of Scotland Boards.

This enables the Board to report a forecast deficit of £4.6 million, at this stage, for 2004/05.

	Annual Budget £'000	Variance Prior YTD £'000	Current Month £'000	Current YTD £'000	Annual Forecast Variance £'000	Recovery Plan Targets £'000
2004/5 DEFICIT						**(58,800)**
OWN BOARD DIVISIONS:						
North Glasgow	539,088	(171)	104	(67)	0	4,437
South Glasgow	259,926	(489)	295	(194)		1,000
Yorkhill	116,608	(153)	57	(96)	0	1,158
Primary Care	263,557	1,510	349	1,859	2,200	7,848
	1,179,179	697	805	1,502	2,200	14,443
FAMILY HEALTH SERVICE	347,667	(2,025)	192	(1,833)	(2,200)	0
OTHER NHS	44,314	0	0	0	0	3,846
NON NHS	83,258	0	0	0	0	1,500
Clinical Services Costs	**1,654,418**	**(1,328)**	**997**	**(331)**		**19,789**
BOARD SERVICES:						
Administration Costs	7,431	(221)	25	(196)	0	600
Health Promotion	8,040	0	0	0	0	1,400
Other Non Clinical Service Costs	8,017	10	51	61	0	0
Local Health Council	266	24	6	30	0	0
	23,754	(187)	82	(105)	0	2,000
NOT YET ALLOCATED	24,905	0	0	0	0	421
Non Clinical Services Costs	**48,659**	**(187)**	**82**	**(105)**	**0**	**2,421**
TOTAL	**1,703,077**	**(1,515)**	**1,079**	**(436)**	**0**	**22,210**
Remaining Deficit						**(36,590)**
RESERVES HELD TO OFFSET DEFICIT:						
Other Income:						
SEHD						12,604
West Of Scotland						8,200
Other Savings:						
Agreed						1,388
Annual Forecast Variance						-
Review of funding provisions for 2004/05						9,798
Total Offset						31,990
Remaining 'Gap'						-
Unidentified Schemes						-
REPORTED TO SEHD						**(4,600)**

DIVISIONAL REPORTS

1 North Glasgow

The financial result in January represents a favourable movement of £104k in comparison with the December position. The favourable trend over the past few months has, therefore, continued. In summary, since August the Division's deficit position has reduced by £305k (i.e. Deficit to August £372k reduced to £67k in January.). This confirms that the controls and efficiency schemes implemented throughout the Division are progressing towards achieving the set targets.

Revenue Expenditure

The recent financial results also confirm that the Division is on course to meet the breakeven target for this financial year. The following key factors, however, should be noted:

- Consultants' Contract - Recognising the level of actual costs incurred in the ten-month period, it remains a concern that the ultimate final cost may exceed the funding available in this financial year. The Division continues, however, to assume within the financial forecast a neutral position on this matter.
- Agenda For Change - There is likely to be fairly significant costs associated with the implementation of Agenda for Change. Again, however, the Division has assumed that all costs will be funded.
- Recovery Plan – Significant Recovery Plan targets have been set throughout the Division. Current trends suggest that the target savings are achievable.
- Non-Recurring Relief – The Division will continue to be reliant on substantial levels of non-recurring relief being achieved.

The Division also faces other extreme challenges including Winter Pressures and increasing Renal and HIV activity levels.

2 South Glasgow

The January out turn of (£194k) overspent, based on a YTD budget of approx £214 million, returns a further favourable movement from the (£489k) overspend reported at month 9. The two predominant factors from last month, namely an increase in Gas prices and an under recovery in income relating to OATS have seen favourable in month actions. The Gas pressure has been covered via non-recurring under spends on finance schemes whilst the OATS pressure is being partly managed by additional non-recurring income via VAT liaison. The later however leaves a balance of under-recovery in income and the division are reviewing any further opportunities to alleviate this on a non-recurring basis. Importantly, however, the overall position in month reports betterment to the value of £295k, which will impacts favourably on the year-end forecast.

Income - £104,000 under recovery

An under recovery in income at month 10 relates to OATS. Some non-recurring relief became possible in year due to income form VAT Liaison, whilst the division are pursuing further opportunities to completely alleviate this non-recurring under recovery.

It also remains that SGD are accruing income, as final West of Scotland sign-off remains outstanding. This therefore remains a key financial assumption in the delivery of the outturn being reported at month 10 and delivery of the year-end financial forecast being noted below.

Pay - £366,000 under spend

The out-turn can be summarised as follows: -

Clinical Support	(£18k) Over
Medical Services	(£80k) Over
Operational Support	(£48k) Over
Regional Services	£299k Under
Surgical Services	£234k Under
Corporate	(£21k) Over

At a Divisional level, month 10 continues to demonstrate a break even position in Nursing with the pressures in Support Services of (£48k), being Hotel Services, showing continued signs of recovery. Lab /Technical Officers and AHP's Salaries also provide financial pressures with the main offset being in Medical Salaries where vacancies offset the pressures above to derive the £366k under spend reported.

Within nursing it remains that compensating variances are reported with the significant ones being in Clinical Services (£78k) over, due to the Anaesthetics directorate, and Medical Services are (£297k) over, with Gen Med & A&E continuing to provide financial pressures. Surgical Services are £202k under spent, due to vacancies within some directorates, and a £163k under spend is reported within Regional Services for Neurosciences and ENT/OMF which when consolidated with the above derives a (£10k) Nursing Pressure being reported in totality for the South Glasgow Division and demonstrates break-even on a YTD budget of around £58 million.

The under spend of £366k is relative to a YTD Budget of £147 million and continues to indicate that work is ongoing at Divisional level regarding vacancy control and cost containment.

Non-Pay - £456,000 overspend

The total overspend of (£456k) has adversely moved by (£62k) this month. As intimated the recent price increase for Gas is being covered on a non-recurring basis however portering charges have experienced an in month hit for retrospective charges. This has arisen following portering services reverting to "in house". The company previously responsible have on consolidation of their accounts picked up on items that have never been charged as part of the contract dating back to 2002. The effect of this being in the region of £100k has been accrued into the accounts whilst dialogue continues with the company. Drugs, dressings, instruments and reagents pressures remain evident throughout the directorates whilst these are partly offset by under spends in finance schemes.

The pressures within the clinical areas at month 10 relate to Clinical Services (£77k), being mainly Labs Reagents, Medical Services (£145k) over, being mainly drugs, Surgical Services (£158k) over, being a mix of drugs and instruments and sundries.

Acting as an offset to the above are the continued under spends in corporate areas within HR, Trust Management and N&Q with the former being due to under spends in advertising and removal expenses, which is linked to the vacancy control. These under spends when combined with under spends in finance schemes are assisting to offset the clinical pressures reported above.

Summary Assumptions

The position at month 10 incorporates the following baseline assumptions in deriving the summary figures outlined above: -

1. Laundry Trading Account assumes income from all users /payment of current invoices and a balanced position.

2. Delivery of Income assumptions from Other Health Boards via NHS Greater Glasgow i.e. incorporating uplift at 11% and all West of Scotland assumptions etc.

3. 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 Health Boards. This includes the 03/04 provision and further review across Glasgow will be required to determine whether this will remain cost neutral. SGD currently expect the year-end provision to be circa £180k light and have not reflected this into the month 10 out turn until a consolidated NHSGG position is known against the total provision. This also requires the full receipt of income relating to Other Health Boards.

4. 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 nearing completion as the number of consultants outstanding for SGD is at a manageable number to enable final forecast figures.

5. All outstanding CAMS to follow.

6. Capacity Plan Funding income has been assumed to derive the Month 10 out turn and from the Recurring Funding of £4.163m and N/R funding £2.661 all budget is expected to follow with the exception of £750k identified slippage. All Capital funding is assumed to be utilised in full.

3 Yorkhill

The financial returns to January show an adverse variance of £96k, an improvement of £57k on the December position.

Income

Service Agreements have now been concluded with the National Services Division and three Health Boards. The above result therefore does not incorporate any potential shortfall of income from the remaining outstanding Service Agreements. The slight deterioration of the position during January is due to lower cardiac surgery (NSD) activity.

Expenditure

An adverse result of £0.203m is reported after ten months. This reflects the following remaining pressure areas:

- Drug pressures (incl. Cancer and PICU) £297k
- Nursing (incl. Ventilation and cancer) £158k

Overall the impact of these two main pressure areas has 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 above result. 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 as part of the NHSGG Corporate Recovery Plan.
- 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 nine Health Boards. Recent discussions suggest that the Health Boards will now settle funding at actual cost levels rather than by using an average national uplift. The risk identified last month around the NSD/NES superannuation increase has now been resolved non-recurrently by NHSGG.
- 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.
- Funding from the High Cost/Low Volume risk sharing arrangements across the West of Scotland Boards has now been fully utilised. An excess cost of around £400k could be realized in this area by the end of the financial year. If matching funding is not received from the Boards will cause a forecast deficit to be reported in future months.

4 Primary Care

The Primary Care Division expenditure reported for the period to January 2005 is in line with budget. Additional expenditure on the GMS contract related to the achievement of points on the Quality Outcomes Framework has been offset in part by a reduced level of expenditure on primary care prescribing costs. This is explained further below.

The forecasts of quality points achievement for 2004/05, based on a mid year assessment, point towards an average 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. At this stage, the assumed level of achievement is 900 points, which is the lower end of the range of outcomes forecast by most GP practices. This takes cognisance of the possibility that the updated forecasts may still contain an element of optimism - the appropriateness of this judgement will be reviewed in the light of the availability of further forecast data in future months. This results in a cost pressure of approximately £3M.

The outturn for primary care prescribing has improved and is currently projected to outturn some £2.0m within budget based on actual expenditure through to November. This includes the impact of the introduction of new tariffs for certain branded products that now include a significant discount following the negotiation for revised prices for these drugs. In other areas of the Division's activities, overall expenditure continues to run below budget.

The net outcome, after taking account of the movements in forecast expenditure explained above, is a projected breakeven for the year to March 2005. The result reported for the period to January, reflects this.