

Greater Glasgow NHS Board

BOARD

Tuesday 20 December 2005

Board Paper No 2005/78

Acting Director of Finance

FINANCE REPORT TO SEPTEMBER 2005

KEY FIGURES

Key Figures	<i>Year To Date</i>			<i>Annual</i>
	<i>Actual £'m</i>	<i>Plan £'m</i>	<i>Variance £'m</i>	<i>Plan £'m</i>
Income	861.6	855.9	5.7	1,802.0
Expenditure	862.9	855.9	(7.0)	1,802.0
Surplus/(Deficit)	(1.3)	-	(1.3)	-

KEY COMMENTS

The outturn for the first 6 months shows overall expenditure exceeding available funding by £1.3m. This can be attributed to additional expenditure incurred within Acute Services relative to Plan. An explanation of the main contributory factors is provided below:

i Prescribing Expenditure

The Local Health Plan provided an additional £3.1m for expenditure on prescribing within Acute Services. A significant proportion of this related to cancer services, where a growth in the volume of treatment(s) had been anticipated. Patient activity levels in the first 6 months have exceeded expectations generating net additional costs of £400k, after making allowance for what is recoverable from other Health Boards related to increased activity.

ii Energy Prices

Energy costs have risen significantly relative to 2004/05 levels, on account of price rises of in excess of 40%. Divisions have been unable to contain this growth in expenditure within allocated funding for non pay inflation, resulting in a cost pressure of circa £1.1m in the first 6 months. Each Division has been actively exploring the scope for introducing energy efficiency measures which might offset, at least in part, this growth in expenditure. In a drive to progress this work, a pan-Glasgow project group has recently been set up under the leadership of the new Director of Facilities, working within the framework of the Corporate Recovery Planning process.

iii Nursing Expenditure Levels

The second quarter of the financial year has seen a general growth in expenditure on nursing, notwithstanding the use of a range of measures to control expenditure, including increased use of bank staff and tight authorisation procedures for additional hours/overtime. This has resulted in additional costs of circa £2m in the first half of the year relative to budget. Divisional management are closely reviewing this area of expenditure to confirm the main contributory factors and determine whether there is a need to adapt the containment measures which are currently in place.

It is possible that some of the additional expenditure can be attributed to the impact of changed terms/conditions associated with the implementation of Agenda for Change; and in particular to the costs of backfill. This is currently being reviewed to assess whether it is appropriate to release funding from the provision set aside for backfill costs within the Local Health Plan for 2005/06 to offset, at least in part, this additional cost.

Additional expenditure in the areas described above has been mitigated in part by the impact of cost containment measures within other areas of the Board's activities, to produce a net overall deficit of £1.3m for the first half year.

A firm projection of the likely annual outturn is made within a separate paper which provides a full Mid Year Review of the 2005/06 Financial Plan.

At the half year stage, after taking account of additional income received from other Boards related to increased levels of patient activity, net total Divisional spend was within £1.3m of Plan, with Divisions projecting full year expenditure at £2m above plan (0.16% of total plan). On this basis, a breakeven forecast is maintained for Divisional expenditure for the full year.

At the half year stage, there remains £73m of "approved funding to be allocated". This broadly represents the total of funding commitments made within the 2004/05 and 2005/06 Local Health Plans where expenditure has as yet to get fully underway. This includes provisions for additional expenditure where there is little discretion on implementation dates (eg Agenda for Change back pay provision of £18m), and a whole range of service commitments, both national and local, where implementation dates are not fixed and there remains scope to manage expenditure levels in the current year.

The Mid Year Review assumes that it will be possible to manage the timing of expenditure within this category to release £21m of funds towards achieving financial balance in 2005/06. This is considered reasonable, both in the light of previous years' experience, and also in the light of having carried out a review of likely start dates for all major expenditure commitments of £250k and above.

The Mid Year Review confirms that the Board continues to forecast a balanced financial position for the full year, and explains the main assumptions on which this forecast is based. The release of £21m which is described above is a key assumption underpinning this forecast. The robustness of this assumption will continue to be tested on a monthly basis during the remainder of the year and will feature in future reports to PRG in the period up to the financial year end.

D Griffin
Acting Director of Finance
3 November 2005

	2005/06			2005/06	2004/05
	Actual £k	Year to Date Plan £k	Var £k	Full Year Plan £k	Prior Year £k
Income Sources					
GGNHSB Allocation	670,446	669,524	922	1,414,618	1,345,416
Income from other Scottish NHS Boards	122,415	118,597	3,818	247,935	226,450
NHS Education	25,444	24,420	1,024	50,869	44,159
ACT	13,326	13,326	0	26,650	29,855
Other	21,501	21,585	(84)	45,637	38,957
Family Health Service Income	8,482	8,482	0	16,300	16,168
Total Income	861,614	855,934	5,680	1,802,009	1,701,005
Expenditure					
Clinical Services					
GGNHSB Divisions					
North	282,006	275,549	(6,457)	564,012	537,046
South	135,013	134,491	(522)	271,582	266,956
Yorkhill	60,552	59,825	(727)	123,666	119,101
Primary Care	123,081	124,161	1,080	261,330	258,200
Total Own Divisions	600,652	594,026	(6,626)	1,220,590	1,181,303
Family Health Services	183,211	182,869	(342)	371,100	350,677
Other NHS Scotland Providers	7,097	7,097	0	13,904	20,436
UNPACS	730	980	250	1,952	1,812
Resource Transfer	44,926	44,926	0	89,510	76,828
Other Healthcare Providers	13,627	13,627	0	27,251	24,847
Total Clinical Service Costs	850,243	843,525	(6,718)	1,724,307	1,655,903
Non - Clinical Costs					
Administration Costs	5,598	5,301	(297)	8,614	11,721
Other Expenditure	7,108	7,108	0	17,028	21,278
Approved Funding to be allocated	0	0	0	73,460	0
CIP to be identified / Deferred Expenditure	0	0	0	(21,400)	0
Total Non - Clinical Costs	12,706	12,409	(297)	77,702	32,999
Total Revenue Expenditure	862,949	855,934	(7,015)	1,802,009	1,688,902
Surplus/(Deficit)	(1,335)	0	(1,335)	(0)	12,103

GGNHSB FINANCIAL MONITORING REPORT

Glossary of Terms

A Income Sources

1 GGNHSB Allocation

This represents the funding allocation received directly from the SEHD for the treatment of Greater Glasgow patients and is based on the Arbutnott formula. This can also be described as the Greater Glasgow NHS Board's Revenue Resource Limit (RRL)

2 Income from other Scottish NHS Boards

This represents income received from other Scottish Health Board areas for the treatment of their patients in Glasgow hospitals.

3 NHS Education

The represents funding received from NHS Education to cover the basic salary of doctors in training

4 Additional Cost of Teaching(ACT)

This represents funding received from the SEHD to provide training to junior doctors

5 Other

This includes all other Hospital and Community Services income sources

6 Family Health Service Income

This includes income received from patients for GP Prescriptions and Dental charges

B Expenditure

1 Own Divisions

This represents expenditure on Hospital and Community services provided by NHSGG's own internal Divisions

2 Family Health Services

This represents expenditure on Practitioner Services (Medical, Pharmacy, Dental and Optometrist), including GP prescriptions

3 Other NHS Providers

This represents expenditure on services provided by hospitals within other Health Board areas for the treatment of Glasgow patients where service agreements are in place

4 Unplanned Activity (UNPACS)

This is a provision for expenditure on services provided by hospitals within other Health Board areas for the treatment of Glasgow patients , which are not embraced within service agreements

5 Resource Transfer

This represents funding transferred to local authorities under partnership arrangements for the provision of care in the community and related services

6 Other Healthcare Providers

This represents the cost of services provided by other healthcare providers to Glasgow patients , including Independent Hospices and HIV/AIDS & Drugs Misuse

7 Administration

This represents expenditure incurred on all Board functions including Administration, Corporate Governance, Health Planning and Commissioning and other central services

8 Other Expenditure

The main items of expenditure included in this line are: Health Promotion, Public Health, Occupational Health etc.

9 Approved Funding to be allocated

This represents the total of provisions made within the Board's Revenue Plan where expenditure estimates remain to be firmed up. It is anticipated that this will reduce over the remainder of the year as expenditure estimates are firmed up and funding is released to service providers

10 CIP to be identified/Deferred Expenditure

This represents the residual amount of cost savings/cost recovery measures which require to be identified and anticipated slippage of planned, but not committed, expenditure. This is required to secure the achievement of a balanced financial plan for 2005/06.