

Greater Glasgow NHS Board

Board Meeting
Tuesday 21 February 2006

Board Paper No: 06/9

Director of Finance

FINANCE REPORT TO NOVEMBER 2005

RECOMMENDATION

The Board is asked to note the Finance Report to November 2005

KEY FIGURES

Key Figures	YEAR TO DATE			ANNUAL
	Actual £m	Plan £m	Variance £m	Plan £m
Income	1,143.4	1,133.0	10.4	1,814.9
Expenditure	1,144.6	1,133.0	11.6	1,814.9
Surplus/(Deficit)	(1.2)	0	(1.2)	0

KEY COMMENTS

The outturn for the period to November 2005 shows overall expenditure exceeding available funding by £1.2m. This presents a very similar picture to that reported at the mid year point, confirming that, in overall terms, the Board is continuing to manage expenditure levels closely in line with plan.

The main areas of cost pressure continue to be experienced within the Acute Services Divisions. Previous reports have highlighted a growth in nursing expenditure, particularly within the second quarter of the year. The reasons for this have now been carefully analysed by Divisional Management resulting in a strengthening of controls applied to govern the use of bank staff and additional hours/overtime. It is likely that these actions are responsible, at least in part, for an easing back of nursing expenditure levels relative to plan during October/November 2005.

Previous reports have also identified a rise in expenditure on energy, driven by a significant rise in prices, as an area of significant cost pressure in the year to date. Recent developments in energy markets have led to further price rises during October/November 2005, now making energy expenditure the most prominent individual area of cost pressure to arise during 2005/06. The additional expenditure incurred within Acute Services and the Board's overall deficit, reported for the period to November 2005, can largely be attributed to this factor alone.

Based on outturn to November 2005, Divisions are projecting an overall full year net expenditure level of £2.4m above plan. This reflects the impact of increased energy prices, as experienced to date. With prices set to escalate further in December 2005/January 2006 before falling back, it remains to be seen whether Divisions can maintain this forecast. Using the latest projected prices obtained by NSS (who contract for energy supply on behalf of NHS Scotland) to forecast expenditure through to the year end, it is estimated that expenditure levels in 2005/06 may grow by as much as 60% - 70% relative to 2004/05, equivalent to a growth in annual spend by NHSGG of circa £5 million. This area will be kept under close review during the remaining months of the financial year to confirm the scope which Divisions have for absorbing these additional costs and determine the requirement to release funding from remaining expenditure provisions to offset this exceptional cost increase.

In view of the significant growth in energy costs, the Director of Facilities has recently carried out a review of potential measures which might be taken to achieve cost savings through improved energy use. This has identified scope for annual cost savings of between £700k - £800k, commencing in 2006/07. This will be reflected within the financial planning process for 2006/07.

Brief updates on two areas of potential risk identified within the mid year review of the annual financial plan are provided below. These are:

- i Land Sales
- ii General West of Scotland Cross Boundary Flow.

With regard to item (i), progress continues to be made with both planned disposals (ie Belvidere Hospital site, Woodilee Hospital site) accordingly it continues to be reasonable to assume that NHSGG will secure the achievement of its income forecast from land sales in 2005/06.

With regard to item (ii), work to validate the updated values incorporated within the financial model used by the West of Scotland Boards to cost cross boundary patient activity flows is now at an advanced stage and so it should be possible to engage with other Boards by end January 2006 to finalise financial negotiations for 2005/06.

Based on the financial outturn to end November 2005, the Board continues to forecast a balanced financial position for the year to 31 March 2006.

OTHER ISSUES - 2006/07 FINANCIAL PLAN

SEHD have now confirmed that the facility to convert a proportion of each Health Board's annual capital funding allocation into revenue funds (ie capital to revenue virement) will definitely not be made available in 2006/07. This is a facility which has been made available annually to Health Boards for many years and which has enabled Health Boards to fund many important items of one off expenditure of a more minor nature (eg small items of equipment, IT expenditure on PCs and other infrastructure, buildings refurbishment, building repairs, health and safety expenditure etc) where accounting rules rendered capitalisation difficult, using the funding to cover the cost of writing off expenditure in the year in which it was incurred. This facility is also typically used, with SEHD encouragement, to cover the costs of professional advice received in support of negotiating contracts for new buildings provided under PPP financing arrangements. In 2005/06, NHSGG converted almost £20m of its total capital allocation to be used for the purposes described within this paragraph. The purpose of commenting on this issue here is to alert Board Members to this change in funding approach and to the fact this will feature as a significant new factor in preparing our financial plan for 2006/07.

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 Arbuthnott 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 recognise the additional costs incurred by Boards that have responsibilities for training 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 for Expenditure Commitments not yet Underway

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 and 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.

	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	889,624	886,538	3,086	1,426,970	1,345,416
Income from other Scottish NHS Boards	162,488	156,527	5,961	246,218	221,872
NHS Education	33,964	32,348	1,616	51,241	44,159
ACT	10,473	10,473	0	15,709	15,433
Other	35,596	35,873	(277)	58,497	57,957
Family Health Service Income	11,276	11,276	0	16,300	16,168
Total Income	1,143,420	1,133,034	10,386	1,814,933	1,701,005
Expenditure					
Clinical Services					
GGNHSB Divisions					
North	386,904	375,808	(11,096)	590,348	537,046
South	181,367	180,513	(854)	277,898	266,956
Yorkhill	80,514	79,939	(575)	124,447	119,101
Primary Care	165,693	167,006	1,313	262,754	258,200
Total Own Divisions	814,478	803,266	(11,212)	1,255,447	1,181,303
Family Health Services	245,312	244,894	(418)	371,100	350,677
Other NHS Scotland Providers	8,232	8,232	0	16,030	20,436
UNPACS	848	1,142	294	1,952	1,812
Resource Transfer	45,323	45,323	0	88,543	76,828
Other Healthcare Providers	15,473	15,473	0	27,429	24,847
Total Clinical Service Costs	1,129,666	1,118,330	(11,336)	1,760,501	1,655,903
Non - Clinical Costs					
Administration Costs	6,438	6,177	(261)	9,007	11,721
Other Expenditure	8,527	8,527	0	18,793	21,278
Approved Funding for expenditure commitments not yet underway	0	0	0	48,032	0
CIP to be identified / Deferred Expenditure	0	0	0	(21,400)	0
Total Non - Clinical Costs	14,965	14,704	(261)	54,432	32,999
Total Revenue Expenditure	1,144,631	1,133,034	(11,597)	1,814,933	1,688,902
Surplus/(Deficit)	(1,211)	0	(1,211)	0	12,103