
**Manchester City Council
Report for Resolution**

Report To: Health and Well-being Overview and Scrutiny Committee - 4 February 2010

Subject: NHS Manchester – financial overview

Report of: John Scampion, Director of Finance, NHS Manchester

Summary:

This report provides Committee members with an overview of NHS Manchester's finances. It details the current financial position and summarises the financial challenges for the next few years.

Recommendations:

The Committee are asked to note the report both in its own right and as a background document for next month's agenda item on 'Securing our Shared Future'

Wards Affected:

All

Contact Officer:

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Background documents (available for public inspection):

None

1. Introduction

1.1 The Overview and Scrutiny Committee has asked for a report of NHS Manchester on our financial position in 2009/10, and our understanding of the position going forward. The following paper details:

- Our current financial position
- Our current areas of spend
- The likely financial scenario for the coming years.

2. The position in 2009/10.

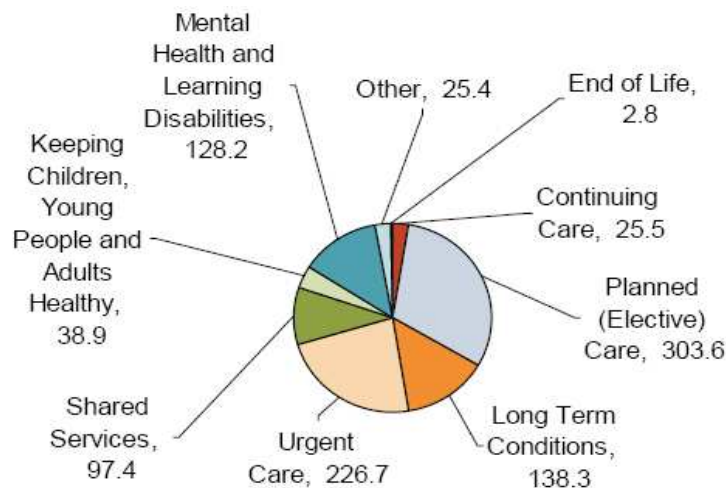
2.1 NHS Manchester has had a difficult year financially. Recent years have seen a substantial growth in demand for hospital services, with more Manchester residents being treated at all the acute hospitals in the City in addition to increases in the demand for long term healthcare and mental health services. For example, the number of patients admitted to our hospitals continues to rise by 3% per annum

2.2 There have been substantial increases in funding over the period, including an increase of 5.5% in 2009/10. However when budgets were finalised for 2009/10 there was a £20m gap between the funds available, £980m, and our projected spend.

2.3 Savings measures were put in place to address this, however the actual growth in demand for healthcare in general, and hospital services in particular, has been greater than anticipated. This has put further strain on our resources. A review of the position was carried out in September 2009 when it was calculated that, unless action was taken, we would overspend our allocation by up to £35m (about 3.5% of our total funds available). A recovery plan was put together which involved a review of all areas of expenditure. As a result our level of potential overspending has come down and we expect to balance our books by the year end. Unfortunately this has involved either stopping, or postponing, some service developments we had hoped to commence in 2009/10.

3. Areas of spend

3.1 NHS Manchester's total budget is currently invested in the following way (figures are £m).



3.2 To deliver this work we invest the following in local providers. The figures have been rounded to give Committee members an idea of the relative costs of the main providers.

Provider	Amount (approximate)
Central Manchester Foundation Trust	£200m
University Hospital of South Manchester	£125m
Pennine Acute Trust	£100m
Manchester Mental Health and Social Care Trust	£100M
Manchester Community Health	£100M
GP practices	£65m
Dentists	£25m
Pharmacists	£10m

4. 2010/11 and Beyond

4.1 No doubt Committee members will have heard in the media of the forecast for reductions in public spending for the next 3-5 years. The NHS as a whole has been told to plan for a savings target nationally in the range of £15-20bn. Manchester's share of that will be in the range of £150-£200m.

4.2 This is not expected to result in an absolute cut in resources, but existing budgets will be expected to cope with the inflation of costs which occurs naturally within the health service. A large part of this problem is likely to be caused by the continued increase in demand for health care as a result of our population growing and becoming more elderly, along with the increasing cost of healthcare delivery as a result of the development of new treatments and technologies.

4.3 To help address this issue the key stakeholders in Manchester's health economy, including the Acute hospitals, and the mental health Trust, are joining with the PCT and the City Council in a project we have called 'Securing our Shared Future'. The aim of this initiative is to develop a robust series of

measures which both maintains and improves the quality of services provided to our residents whilst making sure we extract the maximum value for money for every pound we spend so that we can live within the income levels we have been told to anticipate. A paper is coming to the March 2010 committee to explain the progress made so far with Securing our Shared Future.

4.4 A key area identified by the Department of Health for savings over the next 4 years is management costs. We have to develop plans to make cuts of 30% over this period with the main proportion of these reductions in 2010/11 and 2011/12. Work is already underway within the PCT to address this. However, given that our annual spend on management cost is £16m, a 30% cut will only make a relatively small contribution (in the order of £5m) towards the savings we need.

4.5 There is some good news in that we have been promised that the full impact of these cuts will not be implemented until 2011/12. Previously we had been promised growth of 5.5% in 2010/11 and this has been confirmed. As a result of the difficult times ahead we have been instructed to protect at least 2% of this growth in 2010/11 so it can be used to ease the problems in future years.