



## **FORTH VALLEY NHS BOARD**

**This report relates to  
Item 4.2 on the agenda**

**FINANCE REPORT FOR THE PERIOD ENDED 28<sup>th</sup> February 2010**

## 1. Summary

This report provides a summary of the financial position for NHS Forth Valley as at 28<sup>th</sup> February 2010.

There is a statutory requirement for NHS Boards to ensure expenditure is within the Revenue Resource Limit (RRL) and Capital Resource Limit (CRL) set by the Scottish Government Health Department (SGHD).

The Table below provides a summary of the out-turn position:

	Actual Overspend / (Underspend) to 31/01/2010 £m	Actual Overspend / (Underspend) to 28/02/2010 £m	Forecast Overspend / (Underspend) 31/03/2010 £m
Corporate and External Boards inc Income	1.560	1.859	1.953
Acute Services	2.275	2.315	2.500
Forth Valley Facilities	(0.001)	0.000	0.000
Clackmannanshire CHP	0.005	(0.002)	0.000
Falkirk CHP	0.037	0.015	0.000
Stirling CHP	(0.003)	(0.008)	0.000
Other Primary Care	(0.004)	(0.001)	0.000
Complex Care	0.000	0.000	0.000
Prescribing	1.376	1.466	1.600
Sub Total	<u>5.285</u>	<u>5.644</u>	<u>6.053</u>
Financial Risk commitments	7.789	8.840	11.162
Financial Offset available	(15.471)	(17.559)	(20.730)
Balance still to be identified			(0.985)
<b>NHS Forth Valley – Revenue Out-turn</b>	<b><u>(2.397)</u></b>	<b><u>(3.075)</u></b>	<b><u>(4.500)</u></b>
<b>NHS Forth Valley – Capital Out-turn</b>	<b><u>(0.000)</u></b>	<b><u>(0.000)</u></b>	<b><u>(0.000)</u></b>

The Revenue Financial Position for NHS Forth Valley for the first eleven months of financial year 2009/10 is an underspend of £3.075m with a planned underspend of £4.500m by the year end. To achieve the planned surplus of £4.500m requires further slippage/ savings of £0.985m to be delivered – this is achievable dependant on the SGHD anticipated funding being confirmed in the final allocation letter and IFRS (International Financial Reporting Standards) being neutral. This surplus is predominantly achieved through carry forward of £3.525m from 2008/09.

The surplus of £4.500m is non-recurrent and this combined with funding banked with the S.G.H.D. in 2006/07 is planned to provide bridging funding for healthcare strategy including the transition to the new acute hospital in Larbert.

The Capital Financial Position for NHS Forth Valley to the end of February 2010 is a breakeven position; with a planned breakeven position at the year end also. In line

with SGHD requests, estimated slippage for 2009/10 has been returned to SGHD on the proviso that it is returned to NHS Forth Valley in 2010/11. Expenditure of £6.500m for Stenhousemuir Health Centre has now been included in 2009/10 with a corresponding allocation adjustment agreed with SGHD Capital Division. This figure requires to be confirmed by the District Valuer but it is not expected to change significantly.

The most significant issues to note are as follows:-

- April UK Budget confirmed the much tighter financial climate from 2010/11 onwards for the public sector. The draft plans for the impact for the Scottish public sector were announced on 17<sup>th</sup> September 2009. The Allocation Letter for 2010/11 was received on 11<sup>th</sup> March 2010 and confirmed the anticipated uplift pre-NRAC of 2.15%. As previously indicated the impact in 2010/11 on the Five Year Revenue Plan means additional savings of £4.000m (approx. 1%).
- The three areas of specific pressure last year and continuing into this year requiring maintained focus are:
  - Cross boundary flow both incoming to Forth Valley and where patients are referred outwith Forth Valley
  - Acute Services
  - Primary care prescribing including volume increases and monitoring of the top-slice of PPRS savings by the Scottish Government Health Department. NHS Boards across Scotland are finding it difficult to evidence savings arising from PPRS but SGHD have confirmed our allocation has been top-sliced by £1.455m. The projected overspend for prescribing has now been revised to £1.600m.
- Combining the original real cash savings requirement of £16.500m with the estimated £4.000m additional in 2010/11 plus addressing current pressure areas means a real recurrent cash savings of £26.500m must be delivered by March 2011.
- Waiting Times - A further revenue allocation of £0.300m is being anticipated, which leaves funding notified to date for waiting times is £1.199m less than received in 2008/09. The additional cost of delivering Access Targets beyond the allocation received is £2.289m including Glasgow and Lothian activity. This “overspend” is included in the Financial Risk commitments of £11.162m.
- The risk reported regarding the H1N1 Flu campaign is £0.152m following confirmation that the current immunisation programme will be centrally resourced.
- Current changes in Emergency Care have been fully costed and whilst affordable on a recurrent basis, bridging funding of £0.319m has been provided to end of March 2010 to ensure appointments in place to allow savings to be fully delivered in 2010/11.
- It is assumed, based on SGHD advice, that the IFRS impact will be cost neutral however until written confirmation is received this remains a risk. The February finance report has been prepared on an IFRS basis. (International Financial Reporting Standards).

## 2. Revenue Resource Limit

During the month of February the following allocations were received from the SGHD:

	£m
<b>Revenue Resource Allocation as at 31<sup>st</sup> January 2010</b>	<b>437.850</b>
Triple Aim Project – interim 2	0.200
Psychological Assessment Exceptional referrals - Regional	0.150
Pharmacy April – Sept 2009 claw back adjustment	0.107
Other	0.099
<b>Revenue Resource Allocation as at 28<sup>th</sup> February 2010</b>	<b>438.406</b>

In addition to the notified Revenue Resource Limit of £438.406m, a further £1.811m is expected to be received during the year, resulting in an anticipated Resource Limit of **£440.217m**. This anticipated funding includes:

- Extended Hours for GP Practices £0.823m (now confirmed)
- New Directly Enhanced Services £0.149m (now confirmed)
- IFRS £0.099m
- H1N1 immunisation campaign £0.456m
- 18 weeks RTT Waiting Times funding £0.300m
- PET Scanning top slice £0.150m
- Various allocations totalling £0.134m

Wheelchair and Seating Services £0.319m is no longer anticipated as it has been confirmed that the funding has gone direct to the tertiary centres.

The Annually Managed Expenditure (AME) for impairments is now estimated to be £10.148m. This comprises the following:

Clackmannanshire Healthcare Facility (awaiting final valuation so figure estimated at present)	£3.000m
Meadowbank Health Centre	£0.773m
Langlees Dental Centre	£0.757m
Fair Valuation of Estate	£2.763m
Stirling/Falkirk Sites	£2.655m

Also indicative funding of £30.500m to match the net expenditure during 2009/10 has been provided for remaining Family Health Services (Dental, Ophthalmic and Pharmacy contractors) - this funding remains 'non-cash limited'.

### **3. Corporate and External Boards**

The financial position for Corporate and External Boards to 28<sup>th</sup> February 2010 is an overspend of £1.859m (£1.600m overspend to the end of January).

<b>Corporate and External Boards Revenue Resource Analysis for The Period to 28<sup>th</sup> Feb 2010</b>	Year to Date			Projection to 31st March 2010		
	Plan £m	Actual £m	Variance £m	Plan £m	Projected £m	Variance £m
Approved Revenue Resource Limit	387.645	387.645	0.000	438.406	440.217	1.811
Anticipated Allocations				1.811	0.000	(1.811)
Income from Other Scottish Boards	7.308	7.047	(0.261)	7.972	7.663	(0.309)
Miscellaneous Income	6.032	6.018	(0.014)	6.361	6.361	0.000
<b>Total Resources</b>	<b>400.985</b>	<b>400.710</b>	<b>(0.275)</b>	<b>454.550</b>	<b>454.241</b>	<b>(0.309)</b>
<b>Expenditure</b>						
Forth Valley Acute Services	124.295	124.295	0.000	135.595	135.595	0.000
F V Primary Care & CHPs	193.860	193.860	0.000	211.484	211.484	0.000
NHS Glasgow	17.431	17.560	0.129	19.030	19.117	0.087
NHS Lothian	9.234	9.142	(0.092)	10.413	10.413	0.000
Golden Jubilee NH	0.978	0.958	(0.020)	1.066	1.044	(0.022)
Other NHS Scotland	3.441	3.550	0.109	3.772	3.838	0.066
Other Healthcare Providers	1.954	2.326	0.372	2.131	2.534	0.403
UNPACS / NCAs / Exclusions	3.066	3.769	0.703	3.352	4.127	0.775
Community and Voluntary Sector	1.074	1.074	0.000	1.576	1.576	0.000
Area Corporate	32.014	31.941	(0.073)	34.980	34.980	0.000
Pandemic Flu	0.000	0.148	0.148	0.000	0.000	0.000
Healthcare Strategy	0.854	1.161	0.307	0.927	1.262	0.335
Capital Charges	12.784	12.766	(0.018)	13.946	13.844	(0.102)
Annually Managed Expenditure	0.000	0.000	0.000	10.148	10.148	0.000
Committed Balances / Contingency	0.000	0.000	0.000	16.278	16.278	0.000
<b>Total Expenditure</b>	<b>400.985</b>	<b>402.550</b>	<b>1.565</b>	<b>464.698</b>	<b>466.240</b>	<b>1.542</b>
<b>(Saving) / Excess</b>	<b>0.000</b>	<b>1.840</b>	<b>1.840</b>	<b>10.148</b>	<b>11.999</b>	<b>1.851</b>
Annually Managed Expenditure deduction	0.000	0.000	0.000	(10.148)	(10.148)	(0.000)
Add back Profit on Sale of Asset		0.019	0.019		0.102	0.102
<b>(Saving) / Excess</b>	<b>0.000</b>	<b>1.859</b>	<b>1.859</b>	<b>0.000</b>	<b>1.953</b>	<b>1.953</b>
<b>Indicative Allocation</b>						
FHS Non Discretionary	27.958	27.958	0.000	30.500	30.500	0.000
<b>Expenditure</b>						
FHS Non Discretionary	27.958	27.958	0.000	30.500	30.500	0.000

Externals Income: £0.261m under recovered (£0.257m under recovered at January)

Under recovery is due to the impact of activity adjustments mainly re NHS Fife and NHS Tayside, following a review of activity recharges at the end of the previous financial year. (This is specific to SCBU/NICU recharges). A similar position for NHS Lanarkshire is reflected in the projected year end out-turn.

Expenditure: Other Healthcare Providers £0.373m overspend (£0.337m overspend last month)

Financial pressures associated with high cost and low volume activity consistent with the previous financial year, continuing high cost of drugs for Multiple Sclerosis patients and Rheumatology drugs delivered for home care patients.

Expenditure: UNPACS/ NCAs/ Exclusions £0.704m overspend (£0.488m overspend last month)

Exclusions for NHS Lothian and NHS Greater Glasgow & Clyde together show a year to date overspend of £0.559m (last month £0.369m). Activity information has been received for NHS Greater Glasgow & Clyde to the end of December, and for NHS Lothian for the first three quarters of this financial year.

Exceptionally high costs for Quarter 3 (ended 31<sup>st</sup> December 2010) have been received from Glasgow relating broadly to the following:-

- Bone Marrow Transplants including high cost complex case
- Pacemakers/ Implantable devices

Other areas causing financial pressure include drugs for both oncology and HIV/AIDs.

Expenditure: SLAs

The forecast overspend for patients treated in the SLAs to NHS Greater Glasgow & Clyde has been revised from £0.355m to £0.087m this month due to revised costings from Yorkhill and notified reduction in activity within Primary and Community Care.

The East Coast Costing Model work has broadly been completed resulting in an increase to NHS Forth Valley of £0.269m which will be phased over a 3 year period from 2009/10.

Area Corporate: £0.073m underspend (£0.085m overspend to end of January)

A number of small overspends are partly offset by continuing staff underspends in Pharmacy services. Savings identified for financial year 2009/10 have been deducted from budgets on a recurring basis with full year effect withdrawn for 2010/11.

Pandemic Flu Planning

Costs for Pandemic Flu to the end of February are £0.148m covering staffing costs and kit such as gowns, masks and hand gels. Based on confirmation that SGHD will resource the current “at risk” public immunisation programme, the projected out-turn has been revised to £0.152m.

Healthcare Strategy: £0.307m overspend (£0.283m overspend to end of January)

Year end projection is estimated as £0.355m overspend – part of initial overspend reflects increased advisors role in early months of year supporting conclusion of Clackmannanshire.

Capital Charges: £0.018m underspend (£0.018m at end of January)

Capital charges estimates were updated in January to take account of changes in property being retained as part of the Strategy and the move to IFRS accounting. Monthly capital charges as a result of this have decreased. Capital Charge spend is expected to match budget by the Financial Year end.

Community and Voluntary Sector

In January funding of £0.943m for Alcohol and Drugs projects and the related expenditure was transferred to Clackmannanshire CHP as part of the redesign of the Community Addictions Service.

#### 4. Acute Services

Forth Valley Acute Services Revenue Resource Allocations  for the period ended 28 <sup>th</sup> Feb. 2010	Year to Date			Projection
	Plan £m	Actual £m	Variance £m	31.03.2010 £m
Baseline budget	123.785	123.785	0.000	135.595
NHS Education	5.675	5.675	0.000	6.177
Total Resources	<u>129.460</u>	<u>129.460</u>	<u>0.000</u>	<u>141.772</u>
<b>Expenditure</b>				
Surgical & Cancer Services	43.659	44.351	0.692	48.534
Medical & Emergency Care	46.724	48.045	1.321	52.514
Women & Children's & Clinical Services	32.323	32.391	0.068	35.418
Corporate and HQ costs	6.754	6.988	0.234	7.806
Total Expenditure	<u>129.460</u>	<u>131.775</u>	<u>2.315</u>	<u>144.272</u>
<b>(Saving) / Excess</b>	<u><b>0.000</b></u>	<u><b>2.315</b></u>	<u><b>2.315</b></u>	<u><b>2.500</b></u>

The Acute Services financial position as at 28<sup>th</sup> February 2010 is a cumulative overspend of £2.315m (£2.275m last month).

The February in-month overspend of £0.040m (January: £0.142m) reflects a significant reduction in the monthly overspend however this is predominantly due to the inclusion of funding for VAT on medical agency expenditure totalling £0.123m to the end of February 2010.

The main areas of overspend, continue as previously reported:-

- Emergency Care Services in particular Day Medicine
- Medical Services covering general ward areas
- Rehab Services in particular AHPs and Nursing
- Surgical Services
  - Nursing
  - Administration
- Clinical Chemistry and Haematology
- Hospital at Night

Funding for the winter months of £0.600m was retained as a reserve at the start of the year and this has been utilised to meet additional capacity required to cover pressures associated with the recent norovirus outbreak, and additional capacity issues in recent months. £0.386m remains in the reserve at the end of February.

The projected deficit of £2.500m remains consistent with earlier projections. The approach to savings is based on as a first priority achieving in month balance and

thereafter tackling the historical deficit. Savings Plans have been prepared for each of the Directorate areas and monitoring of delivery has been incorporated into the wider savings programme monitoring.

### **Surgical and Cancer Services Directorate**

The Surgery & Cancer Services Directorate's financial performance in month for February reflects an underspend of £0.001m (January: £0.021m overspend). The Directorate received £0.066m in respect of funding for Medical Agency VAT. Expenditure has reduced in respect of medical locum and agency however this has been offset by an increase in Nursing bank and agency. The most notable rises in expenditure are in respect of Theatres, in both pay and non-pay categories.

Savings plans in the Unit focus on reduced bank/ agency nursing cost and a focus on administrative staffing through the Admin and Clerical Review.

### **Medical, Emergency Care & Rehabilitation Directorate (MECR)**

In-month overspend continues and whilst savings plans have been prepared to date there has not been a tangible impact. August service changes have been fully costed and bridging finance of £0.319m has been confirmed this financial year. However a number of the current cost pressures appear to have arisen where historical cost changes have not been costed/ affordable.

The Medicine, Emergency Care & Rehabilitation (MECR) Directorate's financial performance figures for February (£0.060m adverse), reflect a significant reduction in overspend compared to January (£0.129m adverse). MECR received additional funding (£0.044m) in respect of Medical Agency VAT.

There have been significant rises in pay expenditure across each of the main units; Emergency Care, Medicine Services and Rehabilitation Services, principally in respect of nursing pay, bank and agency. Where expenditure relates to the expected activity and bed challenges associated with winter, this has been financially supported as part of the Acute Services winter planning strategy. £0.060m was used from winter pressures to support MECR in February.

Non-pay expenditure has reduced principally related to three issues; plasma products and implantable devices which are both matched by budget, and biologic drugs. Elsewhere, expenditure has remained consistent with January.

### **Women & Children and Clinical Services Directorate**

The Women & Children and Clinical Services Directorate's financial performance for February reflects an underspend of £0.034m after reflecting the impact of additional funding (£0.013m) in respect of Medical Agency VAT. The underlying level of financial performance is consistent with previous months' break-even and continues the trend of tight financial management. The overall pay budgets continue to be underspent, due to current vacancies, although this is expected to present a challenge in 2010/11. Significant pay cost pressures continue within both Clinical Chemistry & Haematology and Histopathology. Non-pay supplies remain an overall cost pressure, specifically within the Women & Children wards, Clinical Chemistry & Haematology, Microbiology and Radiology.

## 5. CHP, Prescribing and Other Area Services

<b>CHP, Prescribing &amp; Other Revenue Resource Analysis For period to 28<sup>th</sup> February</b>	Year to Date			Year End to 31 <sup>st</sup> March 2010		
	Plan £m	Actual £m	Variance £m	Plan £m	Forecast £m	Variance £m
<u>Resources</u>						
NHS Forth Valley	190.245	190.245	0.000	211.484	211.484	0.000
Family Health Services	27.412	27.412	0.000	30.500	30.500	0.000
<b>Total Resources</b>	<b>217.657</b>	<b>217.657</b>	<b>0.000</b>	<b>241.984</b>	<b>241.984</b>	<b>0.000</b>
<u>Expenditure</u>						
Clackmannanshire CHP	29.854	29.852	(0.002)	32.827	32.827	0.000
Falkirk CHP	17.236	17.251	0.015	18.937	18.937	0.000
Stirling CHP	15.531	15.523	(0.008)	17.056	17.056	0.000
Prescribing	52.357	53.823	1.466	57.025	58.625	1.600
FV Facilities	23.273	23.273	0.000	25.872	25.872	0.000
Complex Care	3.728	3.728	0.000	3.986	3.986	0.000
Resource Transfer	16.158	16.156	(0.002)	17.627	17.627	0.000
Primary Medical Services	32.108	32.108	0.000	38.154	38.154	0.000
Family Health Services	27.412	27.412	0.000	30.500	30.500	0.000
<b>Total Expenditure</b>	<b>217.657</b>	<b>219.126</b>	<b>1.469</b>	<b>241.984</b>	<b>243.584</b>	<b>1.600</b>
<b>(Saving) / Excess</b>	<b>0.000</b>	<b>1.469</b>	<b>1.469</b>	<b>0.000</b>	<b>1.600</b>	<b>1.600</b>

### Clackmannanshire CHP

Clackmannanshire CHP's financial position for the first eleven months of the year is an underspend of £0.002m. This represents a further improvement in the CHPs financial position in the period as the CHP endeavours to achieve financial breakeven for the year.

There are financial pressures within Adult Mental Health Services, Older Peoples Services and Learning Disabilities which are being offset by underspends in Child & Adolescent Mental Health Services, Management and Administration budgets and Community Nursing as a result of delays and difficulties in filling specialist vacancies, cost avoidance measures and reviews of workforce structures to release cash savings linked to productivity and improvement work (Community Nursing).

It should be noted that in the previous financial year the CHP relied on an underspend within Adult Mental Health Services to achieve breakeven. Adult Mental Health Services are now overspent making it increasingly important that all services focus on operating within their delegated resource limits.

The most significant financial issue within the CHP in the previous financial year related to financial pressures within Older People's Services (Dementia / Memory Clinic Services and Old Age Psychiatry (OAP) Nursing). Older People Services overall are overspent in the year to date as a result of ongoing financial pressures in relation to prescribing of Dementia drugs which are overspent by £0.153m for the year to date. The sustainability of Old Age Psychiatry services including Dementia

services is being considered as part of the redesign project however changing demographics are likely to make this an area of ongoing demand in future years.

In line with the CHPs operational financial plan efforts are continuing to ensure services are delivered on a financially sustainable basis via the following 4 strands of work:

- Ensuring sustainable and affordable workforce structures linked to individual service delivery and workforce plans including identification, where possible, of more efficient ways of working and prioritisation of core services to contribute to savings requirements.
- Scrutiny of the use of specific funding streams
- Addressing outstanding savings targets on a recurrent basis; and
- Identification and, where possible, mitigation of financial risks

### **Falkirk CHP**

Falkirk CHP is reporting an overspend of £0.015m at the end of February, an improvement of £0.022m on the overspend reported at January 2010. The continued improvement in the overspend is largely due to a reduction in staff bank costs across the CHP and underspends in non pay budgets. The CHP remains on target to deliver a break even position at the end of the financial year.

### **Stirling CHP**

Stirling CHP's financial position for the first eleven months of the financial year continues the trend of running close to financial balance with a net underspend of £0.008m.

The significant financial pressures within the CHP are related to pressures in pay costs within some Allied Health Professional (AHP) Services (Podiatry, Occupational and Garden Therapies and Physiotherapy) and CHP Administrative and Management Budgets. These pressures are largely being offset by underspends in Dental Services, Mental Health Services and Speech and Language Therapy budgets due to delays and difficulties in recruitment to vacant posts and an emergent underspend in Community Nursing as workforce structures are reviewed to release savings linked to productivity and improvement work.

It should be noted that the financial pressures in the budgets which are currently overspend have increased as a result of a number of successful reviews of Agenda for Change pay bandings.

In line with the CHPs operational financial plan efforts are continuing to ensure services are delivered on a financially sustainable basis via the following 3 strands of work:

- Ensuring sustainable and affordable workforce structures linked to individual service delivery and workforce plans including identification, where possible, of more efficient ways of working and prioritisation of core services to contribute to savings requirements.
- Addressing outstanding savings targets on a recurrent basis; and
- Identification and, where possible, mitigation of financial risks

### **Complex Care**

Complex Care continues to report a balanced position at the end of February and forecasts a breakeven position at March 2010. The service continues to robustly review care packages bi-annually to ensure they continue to meet the criteria for complex care funding and value for money is achieved.

### **Forth Valley Facilities**

Forth Valley Facilities' financial position continues to be broadly balanced at the end of February and remains on target to deliver a break even financial position at the end of March. The cost pressures within Medical Physics improved in the month with a reduction in expenditure levels on service contracts. However, this reduction was offset by an increase in estates maintenance contracts, particularly the winter maintenance contracts with the three local authorities (gritting/snow clearing). Underspends within other services managed by FVF continue to be utilised to offset cost pressures and manage the continued financial stability of FVF.

### **Prescribing**

Prescribing remains a key risk area.

An overspend of £1.466m is reported for the eleven month period ended 28<sup>th</sup> February 2010 (based on 9 months actual data combined with estimates for January and February). This represents an adverse movement of £0.091m compared to the overspend reported last month.

The most recent actual data (December) confirms that the number of items prescribed rose by an additional 38,766 items above the average number of items per month for 2009-10. Further volume increases are expected in January and February (currently estimated at 2.9% and 3.9% respectively compared with the same period last year) and this is reflected in the forecast outturn.

The average cost per item reported for the month of December is £12.11, which represents a slight increase of £0.02 compared to November. This is a key area of uncertainty which will be kept under review as more information becomes available.

SGHD deducted £1.455m from the RRL (Revenue Resource Limit) in January in respect of the initial 3.9% PPRS price cut implemented in March 2009. National discussions are ongoing with SGHD to understand the basis of the savings calculation, and other factors which appear to be offsetting the savings across NHS Scotland.

The forecast out-turn has been revised to £1.600m overspend compared to a forecast high at December of £2.000m overspend.

### **Primary Medical Services**

Breakeven is reported for the 11 month period ending 28<sup>th</sup> February 2010 in respect of Primary Medical Services. This position is expected to continue to the year end in line with the balanced forecast outturn previously reported.

Financial pressures continue to be reported in relation to Enhanced Services (specifically within Local Enhanced Services re Care Homes and Sexual Health

Services) and some elements of Board Administered Funds (e.g. Maternity Leave and Golden Hellos).

There is no change to the forecast outturn which remains at breakeven.

### **Family Health Services**

Funding for the remaining Family Health Services (Dental, Ophthalmic and Pharmacy contractors) remains 'non-cash limited'. Details of expenditure are identified below.

<b>Family Health Services</b>	Year to Date	Year End
<b>For period to 28<sup>th</sup> February</b>	Actual	Forecast
	£m	£m
General Ophthalmic Services	4.440	5.000
General Dental Services	14.060	15.600
General Pharmaceutical Services	8.914	9.900
Total Family Health Services	<u>27.412</u>	<u>30.500</u>

The year end forecast continues to be reviewed each month. As a result of increased expenditure and income for General Dental Services this year the projected year end forecast for gross expenditure has been increased to £19.300m with income of £3,700m giving a net year end forecast of £15.600m. The forecast expenditure for General Pharmaceutical Services has been revised down to £9.900m.

### **Resource Transfer**

Resource Transfer is currently showing a small favourable position and is expected to be break even at the year end.

## **6. Capital Resource Limit**

### **Overall Position**

The forecast Capital expenditure for year-ended 31<sup>st</sup> March 2010 is £48.866m inclusive of forecast property sales during the financial year. This funding stream is made up of £16.999m confirmed from the Scottish Government Health Department, £30.335m in anticipated allocations and also £1.532m expected from property sales. Details can be seen at Annex 1 to this report.

### **Funding**

Within the February 2010 financial allocation letter issued by S.G.H.D. no further allocations were made to NHS Forth Valley. Anticipated allocations have however increased by £6.500m in relation to funding anticipated from the Scottish Government Health Department for the capitalisation of the Stenhousemuir Health Centre finance lease, and also deduction of £0.100m to the anticipated eHealth Infrastructure funding. Anticipated income from property sales has also increased by £0.282m as a result of the Stenhousemuir project completion. Total anticipated gross capital funding for 2009/10 as at 28<sup>th</sup> February 2010 therefore equates to £47.334m.

### **Expenditure**

Expenditure to 28<sup>th</sup> February 2010 was £36.398m inclusive of an in-month increase to the value of £24.493m. Category expenditure can be summarised as:

***Strategic Priorities*** – expenditure to date on Strategic Priorities projects totals £31.894m and incorporates an in-month increase equating to £23.831m. The main increase relates to the capitalisation of the new Clackmannanshire Health Resource funded through the Public Finance Initiative (PFI) to the value of £20.491m. Additional expenditure has also been incurred on the New Acute Hospital equipping project to the value of £3.263m and a further £0.077m has been spent on projects linked to developing Community Hospital facilities.

***Primary Care Health Centre Programme*** – expenditure on the Primary Care Health Centre Programme as at 28<sup>th</sup> February 2010 totals £1.528m from an available budget of £1.584m solely relating to the Meadowbank Health Centre Development.

***Acute Sector*** – expenditure committed on Acute Sector projects as at 28<sup>th</sup> February 2010 totals £1.463m and incorporates an in-month increase of £0.114m relating to the purchase of equipment funded from the area-wide Scottish Government Medical Equipment allocation. Significant items purchased from this category included:

- ***Laparoscopic Camera System*** – a Laparoscopic Camera System to the value of £0.050m was purchased for Theatres in Falkirk Royal Infirmary.
- ***X-Ray Tube*** – an X-Ray tube to the value of £0.040m was purchased for the Radiology department in Falkirk Royal Infirmary.
- ***Calibrator*** – the sum of £0.006m was spent on a calibrator to be used within Nuclear Medicine.
- ***Diathermy Machine*** – during February a further Diathermy Machine was purchased to the value of £0.012m to be used within Theatres at Stirling Royal Infirmary.

**Primary & Community Care Modernisation Programme** – as at 28<sup>th</sup> February 2010 expenditure within this category equates to £0.122m from a forecast allocation of £0.456m. During February a further £0.020m was spent on developments within this category.

**Area Wide Expenditure** - Area Wide expenditure to the end of February amounted to £1.391m from a budgeted allocation of £1.790m. £0.759m has now been spent on the IM&T Strategy and a further £0.143m on the creation of a new Plant Room at Stirling Royal Infirmary as part of the IT Disaster Recovery project. There has also been £0.489m spent on the Digital Dictation project being taken forward as part of the area-wide Admin & Clerical review.

The summarised position is identified below and a more detailed analysis is attached as Annex 1.

<b>Capital Resource Limit for the period to 28<sup>th</sup> February 2010</b>	<b>Plan</b>	<b>Actual</b>	<b>Variance</b>	<b>Revised</b>		
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>Plan £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
<b>Resources</b>						
SGHD Allocation – General	12.985	13.228	0.243	12.428	13.964	1.536
SGHD - Medical Equipment	1.428	1.428	0.000	1.495	1.495	0.000
SGHD – Primary Care Modernisation	0.062	0.062	0.000	1.520	1.520	0.000
SGHD - Additional Allocations	0.000	0.020	0.020	0.000	0.020	0.020
SGHD – NSS Equipping ETB	0.000	0.000	0.000	0.000	0.464	0.464
SGHD – IFRS Impact	20.491	20.491	0.000	257.430	20.491	(236.939)
SGHD – Returned 2007/08	0.000	0.000	0.000	2.744	2.744	0.000
SGHD – Carry forward 2007/08	0.000	0.000	0.000	9.779	7.449	(2.330)
SGHD – Brokerage as per LDP	0.000	0.000	0.000	1.187	1.187	0.000
SGHD – Returned 2009/10	0.000	0.000	0.000	0.000	(2.000)	(2.000)
Property Sales	1.169	1.169	0.000	1.490	1.532	0.042
<b>Total Income</b>	<b>36.135</b>	<b>36.398</b>	<b>0.263</b>	<b>288.073</b>	<b>48.866</b>	<b>(239.207)</b>
<b>Expenditure</b>						
Regional Priorities*	0.000	0.000	0.000	0.794	0.000	(0.794)
Strategic Priorities	31.675	31.894	0.219	273.926	36.938	(237.764)
Health Centre Programme	1.528	1.528	0.000	1.746	1.584	(0.162)
Acute Sector	1.463	1.463	0.000	1.537	1.530	(0.007)
Primary Care	0.121	0.122	0.001	1.906	0.456	(1.450)
Area Wide Expenditure	1.348	1.391	0.043	1.664	1.790	0.126
Leasing Arrangements	0.000	0.000	0.000	6.500	6.568	0.068
<b>Total Expenditure</b>	<b>36.135</b>	<b>36.398</b>	<b>0.263</b>	<b>288.073</b>	<b>48.866</b>	<b>(239.207)</b>
<b>Saving/ (Excess) Against CRL</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Memorandum</b>						
Donated Asset Additions	0.000	0.000	0.000	0.085	0.085	0.000

## 7. Savings Programme

A cash savings programme of £2.195m was approved as part of the 2009/10 Financial Plan. This comprised:

- Procurement (£0.100m)
- New Resources (£0.500m)
- Women & Children's Services (£0.639m) – already achieved some years ago – funding protected recurrently for Strategy implementation
- Area Corporate (£0.931m)
- Mobile 'Phones (£0.025m)

Rather than looking at cash releasing savings requirements in the short term, the Financial Plan approved in March 2008 identified cash releasing savings of £9.500m by 2010/11. As previously reported this has increased to an estimated £16.500m outlined in 2009/10 Financial Plan. Following the recent Budget Report and as noted in the summary, savings will increase further from 2010/11 resulting in recurrent savings totalling £26.500m required by March 2011.

The real cash releasing savings are at a level that it is unlikely that traditional approaches to efficiency will fully deliver. Every opportunity therefore must be taken as part of the strategic change resulting from the Healthcare Strategy to improve efficiency and more importantly release cash savings to meet the shortfall envisaged. It is also important that the culture of the organisation reflects efficiency and best use of public sector funding at all levels of the organisation.

Recurrent Savings Plans take time to achieve – this financial year the majority of real cash savings have been achieved non-recurrently. This has subsequently created significant pressure on 2010/11 financial position.

Progress is summarised as follows:

- Prescribing - £1m savings target included in 2009/10 budget rising to £3m in 2010/11. Whilst progress has been made this has been offset by volume increases (reflects national position) and top slicing of PPRS.
- Use of bank/agency staff across the area (manage existing overspends - ongoing)
- Use of New Funding – achieved
- Benchmarking – to identify potential savings areas where NHS Forth Valley is an outlier
- Area Corporate - £0.480m of the £0.931m identified to date for 2009. Plans available for full year impact albeit some areas will not be achieved until 2011/12.
- Clinical change as part of the Change and Improvement Programme (target £7.5m) – details will be included in 2010/11 Plan.
- Admin Review (£1.088m) – progress slower in this area – now incorporated into management target for 2010/11

NHS Boards are required to demonstrate 2% efficiency savings per annum for the next three years – delivery of this target has been achieved but the majority of identified efficiency improvements through this mechanism will not help meet the actual cash savings required.

## 8. Contingency and Risk

The recurrent contingency reserve of £1.739m is held centrally to assist in managing any unforeseen events and to assist with areas of risk to be managed – this has now been included to offset the Financial Risk Assessment of £11.162m.

The Financial Risk Assessment includes the following:

	£'m
Bridging Finance - MECR	0.319
CNORIS premium	1.079
Savings slippage	1.334
Slippage incorporated into original Plan	2.795
H1N1 Flu	0.152
Waiting Times	2.289
Blood Plasma Products	0.138
WEEE Provision*	0.100
Staff Savings Provision	2.000
Other	<u>0.956</u>
Financial Risk	<u>11.162</u>

\* The Waste Electrical and Electronic Equipment Directive details regulations on the disposal of equipment introduced in January 2007.

Risks such as these occur each financial year and mechanisms to manage include further identification of slippage on approved funded schemes and non-recurrent underspends. To date, £20.730m has been identified, with a further £0.985m required to ensure that £4.500m surplus is achieved.

Appendix 2 provides an overall Financial Risk Assessment.

A short summary of the most significant risks are outlined in the table below:

<b>Key Assumptions/Risks</b>	<b>Risk rating/Impact/£</b>
Impact of Pre-budget report on 2011/12 onwards	High Risk : High Impact : up to £12m per annum cash savings. Advised by SGHD to exclude from Planning assumptions

Delivery of real cash savings	High Risk : High Impact : £26.500m. NHS Forth Valley will achieve the 2% efficiency savings required by the Scottish Government - in part through the major redesign of services as part of the Healthcare Strategy. However it is estimated that NHS Forth Valley needs to achieve £26.500m real cash savings to meet pay, price and prescribing pressures by March 2011. Whilst a range of plans are in progress to achieve to meet this the risk remains extremely high - the impact is likely to start to be apparent in late 2009/10 / early 2010/11
Equal Pay	High Risk : High Impact : unquantified
IFRS : Impact on PFI projects	Low Risk : High Impact : Capital Resource Limit adjustment. Funding assumed to be received for IFRS impact including that on PFIs but no written confirmation of funding.
Capital Resource Limit beyond 2010/11	Medium Risk : High Impact : up to £14m. Impact of the pre-Budget Report on NHS Capital Funding combined with a review of the allocation formula means that the current approx. £14m that is received per annum for Capital could be reduced. Capital allocation for 2010/11 expected to be notified on 22 <sup>nd</sup> March 2010.
Property Sales reduction	High Risk : Medium Impact : under review. Whilst NHS Forth Valley has reviewed their Capital Programme to reflect the down-turn in Property Sales there remains a risk around the phasing of abnormal costs incurred regarding Bellsdyke Development.
Waiting Times	High Risk : High Impact : £2.289m Funding from SGHD £1.199m lower than 2008/09.
Unitary Charge Inflation	Medium Risk : Medium Impact : £0.360m per 0.1%. Current inflation assumptions estimate that inflation for Unitary Charge Payments is approx. 2.5%. Risk that RPI increases beyond public sector uplift on future years.

Unitary Charge Variations	Medium Risk : Medium impact : under review. Range of Issues as part of the completion of the new Acute Hospital that are requested as part of contract variations. Whilst these are low value at present there remains a risk that as the project nears completion that they increase in volume and cost to reach conclusion.
Prescribing	High Risk : High Impact : £1.600m. Deduction of Cat M savings and PPRS Savings by SGHD at the same time as proprietary prices are increasing and generic volumes are rising is causing financial pressure at present : risk increases as prescription charges are phased out. Significant Savings target set for Prescribing.
Acute Services - MECR - Surgical & Cancer Services	High Risk : High Impact: up to £2.525m if current trend continued Initial action Plan in place In light of initial months out-turn further plans prepared by each General Manager and currently under review
Cross Boundary Flow	High Risk : High Impact : up to £2.500m on a full year basis. Group in place to review – requires ongoing case mix activity information to assist with clinical involvement
SGHD Allocations	High Risk : Medium Impact : TBC. Notification is being received in-year of allocation reductions from original plans across a range of areas. Slippage in spend retained by Boards has historically always been used to meet risks and in-year pressure. If this flexibility is removed then it will become increasingly difficult to accept any central charge unless funding is provided or to meet in-year pressures

## 9. Balance Sheet and Cash Requirement

The Balance Sheet indicates the value of fixed and current assets and liabilities for the period and the position at the year-end.

### Balance Sheet as at 28<sup>th</sup> February 2010

	Opening Balance £m	Current Position £m	Closing Balance £m
<b>Non-Current Assets</b>			
Property, Plant & Equipment	156.985	184.711	173.622
Intangible Fixed Assets	1.629	1.629	1.629
Financial Assets	14.778	16.350	14.778
<b>Total Non-current Assets</b>	<b>173.392</b>	<b>202.690</b>	<b>190.029</b>
<b>Current Assets</b>			
Assets classified as held for sale	1.126	0.000	0.000
Inventories	1.166	0.961	1.166
Other current assets	0.000	0.000	0.000
Trade & other receivables	10.129	7.129	10.129
Cash & cash equivalents	0.027	0.429	0.027
<b>Total Current Assets</b>	<b>12.448</b>	<b>8.519</b>	<b>11.322</b>
<b>Total Assets</b>	<b>185.840</b>	<b>211.209</b>	<b>201.351</b>
<b>Current Liabilities</b>			
Provisions	-1.870	-0.593	-1.870
Trade & other payables	-48.564	-52.543	-48.564
Other financial liabilities	0.000	0.000	0.000
<b>Total Current Liabilities</b>	<b>-50,434</b>	<b>-53.136</b>	<b>-50,434</b>
<b>Total Assets Less Current Liabilities</b>	<b>135.406</b>	<b>158.073</b>	<b>150.917</b>
<b>Non-current Liabilities</b>			
Provisions	-14.411	-16.601	-14.411
Trade & other payables	0.000	-20.254	-20.000
Other financial liabilities	0.000	0.000	0.000
<b>Total Non-current Liabilities</b>	<b>-14.411</b>	<b>-36.855</b>	<b>-34.411</b>
<b>Total Net Assets</b>	<b>120.995</b>	<b>121.218</b>	<b>116.506</b>
<b>Taxpayers Equity</b>			
General Fund	41.579	42.870	41.579
Revaluation Reserve	78.916	77.915	74.427
Donated Asset Reserve	0.500	0.433	0.500
<b>Total Taxpayers Equity</b>	<b>120.995</b>	<b>121.218</b>	<b>116.506</b>

The Balance Sheet has been updated to reflect IFRS (International Financial Reporting Standards) and the Opening Balances, Current position and closing balances have all been adjusted.

Main movements in current month balance sheet from January

- “Non-current Assets - Property, Plant & Equipment” and “Non-current Liabilities – Trade and Other Payables” with Clackmannanshire Community Resource Centre being taken onto balance sheet in February.
- “Current Liabilities – Trade and Other Payables” i.e. Creditors £5.000m increase this being mainly an increase in capital accruals in respect of equipment for the new Acute Hospital, (£3.500m), trade creditors £0.600m higher than last month (timing of payment), NHS accrual £0.500m higher (CNORIS premium), IFRS adjustments re Finance Leases for equipment £0.200m and Annual Leave accrual £0.166m.

The system also has an indicative “Cash Requirement” which is the amount of cash that can be drawn down from the SGHD in-year. The Cash Requirement has been estimated at £454.343m for the year. To date £412.639m including FHS Non discretionary has been drawn down.

## **10. Conclusion**

*The Board is asked to*

- *note the revenue underspend of £3.075m to 28<sup>th</sup> February 2010*
- *note the projected revenue surplus of £4.500m as per the financial plan*
- *note the increased cash savings requirement to £26.500m recurrently required by March 2011, the progress to date and the steps being taken to address savings. Further information is contained in 2010/11 – 2014/15 Financial Plan*
- *note significant further savings are likely to be required from 2011/12 onwards*
- *note the balanced capital position to 28<sup>th</sup> February 2010*
- *note the projected capital breakeven position as per the financial Plan*

**Fiona Ramsay,  
Director of Finance and Planning  
22<sup>nd</sup> March 2010**