



FORTH VALLEY NHS BOARD

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

FINANCE REPORT FOR THE PERIOD ENDED 31st March 2008

1. Summary

This report provides a summary of the financial position for NHS Forth Valley as at 31st March 2008.

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

	Forecast Overspend / (Underspend) to 31/03/2008 £m	Actual Overspend / (Underspend) 31/03/2008 £m
Corporate and External Boards	0.178	0.107
Acute Services	0.844	0.789
Forth Valley Facilities	0.000	(0.002)
Clackmannanshire CHP	0.000	(0.003)
Falkirk CHP	0.000	0.000
Stirling CHP	0.000	(0.001)
Other Primary Care	0.000	0.019
Complex Care	1.600	1.599
Prescribing	(1.000)	(0.924)
Annually Managed Expenditure		7.484
Financial Risk Assessment including savings slippage	9.025	10.226
Sub Total	<u>10.647</u>	<u>19.294</u>
Financial Risk - offsets available	(12.590)	(13.810)
Financial Risks – offsets still required	(0.057)	
Annually Managed Expenditure deduction		(7.484)
NHS Forth Valley – Revenue Out-turn	<u>(2.000)</u>	<u>(2.000)</u>
NHS Forth Valley – Capital Out-turn	<u>(9.779)</u>	<u>(9.779)</u>

Subject to **final audit confirmation** and receipt of our final Resource Limits NHS Forth Valley has

- Achieved a revenue surplus of £2.000m against a Revenue Resource Limit of £408.081m (0.49%)
- Achieved a capital surplus of £9.779m against a Capital Resource Limit of £17.557m (55.70%)

This confirms the projected surplus of £2.000m that has been reported to the Scottish Government Health Department since the September 2007 returns and the planned capital surplus of £9.779m. The funding for the capital surplus of £9.779m has been deducted from the Capital Resource Limit (CRL) and will be re-allocated to NHS Forth Valley in accordance with the Capital Plan.

The out-turns reported are subject to final confirmation by External Audit.

As previously reported the surplus of £2m is non-recurrent. It is planned to increase the surplus in 2008/09 to £3.5m and subsequently to £4.5m in 2009/10. This (£4.5m) 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.

2. Revenue Resource Limit

During the month of March, the following allocations were received from the SGHD:

	£m
Revenue Resource Allocation as at 29th February 2008	407.566
PACS Deployment 2007/08	0.123
Scottish Dental Access Initiatives	0.120
NSD Underspend 2007/08	0.084
Pharmacy IM&T Facilitator and Pharmacy Champions	0.054
Airways MCN	0.050
Distinction Awards	0.046
Other	0.038
Final Revenue Resource Allocation as at 31st March 2008	408.081

Within this there are specifically identifiable resources i.e. 'ring fenced funds' as follows:

- CHD and Stroke Strategy £0.711m
- Blood Borne Virus £0.331m

There has been a change in national accounting treatment in 2007/08 for some specific items for which allocations had previously been anticipated. These items defined as "Annually Managed Expenditure" include:

- Accelerated Depreciation £5.893m
- Impairments £1.282m
- Loss on Sale of Fixed Assets £0.309m
- £7.484m

Although no allocation will be provided, expenditure on these items does not count against the Revenue Resource Limit.

In addition funding of £24.486m to match the actual net expenditure during 2007/08 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 31st March 2008 is an overspend of £0.107m against a projection of £0.178m.

Corporate and External Boards Revenue Resource Analysis for The Period to 31st March 2008	Year to Date		
	Plan	Actual	Variance
	£m	£m	£m
Approved Revenue Resource Limit	408.081	408.081	0.000
Income from Other Scottish Boards	6.656	6.600	(0.056)
Miscellaneous Income	5.992	5.990	(0.002)
Total Resources	420.729	420.671	(0.058)
Expenditure			
Forth Valley Acute Services	130.124	130.124	0.000
Forth Valley Primary Care & CHPs	185.430	185.430	0.000
NHS Glasgow	18.629	18.613	(0.016)
NHS Lothian	9.740	9.745	0.005
Other NHS Scotland	3.167	3.140	(0.027)
Resource Transfer	17.661	17.662	0.001
Other Healthcare Providers	1.939	2.190	0.251
UNPACS / NCAs / Exclusions	3.395	3.165	(0.230)
Community and Voluntary Sector	2.920	2.938	0.018
Area Corporate	29.468	29.515	0.047
Capital Charges	13.184	13.184	0.000
Healthcare Strategy	1.488	1.488	0.000
Annually Managed Expenditure		7.484	7.484
Total Expenditure	417.145	424.678	7.533
(Saving) / Excess – Corporate & Externals	(3.584)	4.007	7.591
Remaining Balances / Contingency	3.584	0.000	(3.584)
Annually Managed Expenditure deduction		(7.484)	(7.484)
Acute Services – overspend against budget		0.789	0.789
Primary Care & CHPs – overspend against budget		0.688	0.688
(Saving) / Excess	0.000	(2.000)	(2.000)
Non-cash Limited Allocation			
FHS Non Discretionary	24.486	24.486	0.000
Expenditure			
FHS Non Discretionary	24.486	24.486	0.000

Annually Managed Expenditure (see explanation in Section 2) costs are not chargeable against the Revenue Resource Limit and are deducted from total expenditure prior to the final out-turn.

During March non-recurring funding was transferred from Reserves to Area Corporate for:

- Provision for potential Agenda for Change reviews and requests
- movement on provisions for Pensions and Injury benefits
- movement on provision for Litigation in respect of updated legal claim information as per the Central Legal Office quarter 4 report
- Procurement Team, £0.176m was transferred to cover previous reported overspend.

Following finalisation of Service Agreements for 2007/08 with External Boards including NHS Glasgow and Clyde for the Glasgow Costing Exercise, funding was released from Reserves to cover increases in SLAs due to additional Mental Health activity at Greater Glasgow Primary Care and additional Mental Health and Brain Injury Rehabilitation activity at Lothian Primary Care.

4. Acute Services

The Acute Services financial position at 31st March 2008 is an overspend of £0.789m (projected overspend £0.844m).

Forth Valley Acute Services Revenue Resource Allocations for the period ended 31st March 2008	Year to Date		
	Plan £m	Actual £m	Variance £m
Host Board	130.124	130.124	0.000
NHS Education	<u>5.740</u>	<u>5.740</u>	<u>0.000</u>
Total Resources	<u>135.864</u>	<u>135.864</u>	<u>0.000</u>
 Expenditure			
Surgical & Clinical Facilities	45.275	45.275	0.519
Medical & Emergency Care	44.667	44.958	0.291
Women & Children's & Clinical Services	35.986	36.055	0.070
Corporate and HQ costs	<u>9.937</u>	<u>9.846</u>	<u>(0.091)</u>
Total Expenditure	<u>135.864</u>	<u>136.653</u>	<u>0.789</u>
 (Saving) / Excess	 <u>0.000</u>	 <u>0.789</u>	 <u>0.789</u>

The financial position as at 31st March 2008 shows an overspend of £0.789m (0.58% of total resources for Acute Services) and for March reflects an in-month overspend of £0.088m consistent with trend. The overspend is an improvement on the projected overspend of £0.844m. Plans are in progress to ensure that services are managed within financial resources for 2008/09 onwards.

Transitional Arrangements savings of £0.785m have been reflected as achieved in 2007/08. A balance of £0.448m remains and will require to be met recurrently in 2008/09.

Cost pressures remain in respect of Critical Care (pay) and general nursing in Surgery and Clinical Facilities. Theatres continue to experience non-pay pressures associated with complex cases. The Directorate final position was an £0.519m overspend compared to that projected of £0.577m adverse. The Directorate is likely to continue to face financial challenges in 2008/09. This needs to be considered when reviewing funding for 18 week referral to treat target.

The Medical and Emergency Care Directorate final position was an £0.291m overspend compared to a projected £0.337m adverse and similarly the Directorate is likely to continue to face financial challenges in 2008/09.

Cost pressures continue in Clinical Services, particularly within radiology, and principally in respect of stents and catheters.

5. CHP, Prescribing and Other Area Services

CHP, Prescribing & Other Revenue Resource Analysis For period to 31st March 2008	Year to Date		Variance
	Plan	Actual	
	£m	£m	
Resources			
NHS Forth Valley	209.916	209.916	0.000
Prescribing	2.959	2.961	0.002
Total Resources	212.875	212.877	0.002
Expenditure			
Clackmannanshire CHP	27.937	27.934	(0.003)
Falkirk CHP	15.131	15.131	0.000
Stirling CHP	16.515	16.514	(0.001)
Prescribing	58.888	57.966	(0.922)
FV Facilities	30.906	30.904	(0.002)
Complex Care	2.863	4.462	1.599
Primary Medical Services	36.149	36.168	0.019
Family Health Services	24.486	24.486	0.000
Total Expenditure	212.875	213.565	0.690
(Saving) / Excess	0.000	0.688	0.688

Clackmannanshire CHP

Clackmannanshire CHP financial outturn for the year was an underspend of £0.003m. Efforts to reduce costs, particularly in relation to the Lochview Learning Disabilities inpatient facility at Larbert has allowed the CHP to recover from a overspend position reported earlier in the financial year. In addition to Lochview the CHP is experiencing significant financial pressures within Child & Adolescent Mental Health Services, Community Addictions Services, Behavioural Psychotherapy and Clinical Psychology which have been offset by flexibilities in Adult Mental Health and Pharmacy Services.

Falkirk CHP

Falkirk CHP achieved its forecast breakeven position at the end of the financial year. Pressures within Services for Older People and some community services remained high throughout the year. However, savings arising from vacancies and non pay budgets contributed to the final outturn. The most significant issue to note from the year end position is the importance of continued robust financial management if the CHP is to continue to achieve a balanced budget in 2008/09.

Stirling CHP

Stirling CHP financial position has been stable and remained close to budget throughout the financial year and this continued financial control has resulted in a year end outturn of an underspend of £0.001m. Financial pressures within the CHP, notably in Older Peoples Services, Physiotherapy, Podiatry and Occupational Therapies, were offset by flexibilities in other budgets, mainly Speech and Language Therapy, Community Dental Services and Primary Care Administration.

Complex Care

Complex care recorded an overspend at the end of the financial year of £1.600m. The primary cost pressures during the year included the spend on Eating Disorders £0.803m and the full year effect of the commitment to Marchglen £0.600m. A further £0.300m was incurred on 3 patients requiring mental health services out of area. A small number of patients passed away during the financial year whilst funding for a number of new jointly funded patients was approved.

Forth Valley Facilities

Forth Valley Facilities achieved a balanced financial position at the end of the financial year. Services experiencing significant cost pressures include domestic, portering and catering services. Domestic services budgets are under pressure as they respond to sickness outbreaks across NHS Forth Valley. Increasing service need is having a substantial financial effect on the portering budgets which led to the introduction of a new service delivery model. It is anticipated the new service delivery model will provide an improved and more cost effective portering service. Catering budgets are under pressure from the widely publicised global increase in food costs. Every effort to manage costs will continue if Forth Valley Facilities are to achieve a balanced budget in the new financial year.

Prescribing

The anticipated £1.000m savings from the revised drugs tariff effective from October were realised. However the introduction of reduced prescription charges from 1st April has already had an impact on income to the Board. Sales of annual certificates for example fell from an average £0.020m per month to £0 per month from January onwards. Overall £0.076m of prescription charge income was lost to the Board in the final quarter of 2007/8 compared to the trends earlier in the year and this contributed to a final net position of £0.924m underspend.

Primary Medical Services

The year end position is a small overspend of £0.019m. Global Sum payments to GP Practices (basic income) exceed the Boards allocation by £0.016m. Practices also achieved an average of 990 points out of 1,000 available under the Quality Outcomes Framework (QOF). The Board receives funding for 80% achievement and this resulted in local funds of £1.400m being required.

6. Capital Resource Limit

Overall Position

The final Capital expenditure for year-ended 31st March 2008 was £9.735m. This represented a saving of £9.779m against available gross capital funds of £19.514m. This is made up of £17.557m Net Capital Resource Limit available to NHS Forth Valley and £1.957m relating to the Net Book Value and Proceeds of asset sales. The underspend has been deducted from the Capital Resource Limit with the agreement of the Scottish Government Health Department to be used for future spend on the Healthcare Strategy. Details can be seen at Annex 1 to this report.

Income

Within the final financial allocation letter issued by S.G.H.D. confirmation was received that the previously anticipated allocation for the Picture Archive Communication System (PACS) had been included within the Capital Resource Limit along with the final instalment of funding equating to £0.062m to assist with improving Energy Efficiency. The previously anticipated brokerage repayment of £2.744m was also confirmed bringing the final net Capital Resource Limit to £17.557m.

Expenditure

Expenditure to 31st March 2008 was £9.735m that represents breakeven against the total planned year-end forecast. During the month of March major expenditure can be categorised as:

Strategic Priorities – During March £0.171m was spent on preparatory work to equip the new Acute Hospital in Larbert bringing the total expenditure within this category to £1.317m.

Primary Care Health Centre Programme – as at 31st March 2008 expenditure on Primary Care Health Centre programme equated to £0.242m. The in-month increases related to the final payments for the upgrade to Bonnybridge Healthy Centre and planning fees for the new Meadowbank Health Centre.

Acute Sector – expenditure on this category increased by £1.777m during March bringing the total to £5.220m. This was from an Acute Sector specific allocation of £5.221m. Major expenditure on equipment and other Acute Services projects during the month included:

- **Waiting Times Reduction** – to assist with reducing Diagnostic and Cancer waiting times, in-month items of expenditure included £0.171m on Flexible Videoscopes, £0.170m on two Ultrasound Machines, £0.058m on an Endo Anal Ultrasound Scanner with a further £0.117m being spent on other items of medical equipment bring the total March 2008 expenditure to £0.516m.
- **Picture Archiving Communication System (PACS)** – during March the second and final phase of this project incurred a charge of £0.327m in relation to the introduction of the system on the Falkirk and District Royal Infirmary site.
- **FV Facilities Allocations** – £0.571m was spent on Acute Services property upgrades and other schemes being managed by Forth Valley Facilities.

- **Dental Treatment Rooms** – a further £0.053m was spent on improving the Dental Treatment Room facilities at Falkirk and District Royal Infirmary.
- **Contingency Purchases** – during March £0.108m was spent on urgent equipment replacements required to allow patient services to be maintained.

Primary and Community Care – final expenditure on Primary and Community Care projects was £1.038m from a budgeted allocation of £1.132m. During March £0.216m was allocated to Dental Practices to procure Decontamination equipment and in addition, a further £0.095m was allocated to General Practices for the purchase of ophthalmic equipment. There was also £0.035m spent on Primary Care property upgrades managed by Forth Valley Facilities.

Area Wide Expenditure - as at 31st March 2008 expenditure on Area-Wide projects equated to £1.918m from a budget of £2.077m. The in-month increase can be summarised as £0.483m on the continued development of the IM&T Strategy and £0.079m released to facilitate the urgent replacement of specialised equipment.

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

Capital Resource Limit for the period to 31st March 2008	Plan £m	Actual £m	Variance £m	Plan £m
Resources				
SGHD Allocation – General	12.583	12.583	0.000	15.327
SGHD - Medical Equipment	1.325	1.325	0.000	1.325
SGHD – c/f from 2006/07	0.015	0.015	0.000	4.060
SGHD - Additional Allocations	3.634	3.634	0.000	3.634
Property Sales – Other	0.169	0.169	0.000	0.314
Property Sales - Bellsdyke	1.788	1.788	0.000	2.007
Total Income	19.514	19.514	0.000	26.667
Expenditure				
Regional Priorities	0.000	0.000	0.000	0.000
Strategic Priorities	1.124	1.317	0.193	5.442
Health Centre Programme	0.181	0.242	0.061	1.910
Acute Sector	5.221	5.220	(0.001)	5.311
Primary Care	1.132	1.038	(0.094)	1.952
Area Wide Expenditure	2.077	1.918	(0.159)	2.273
Total Expenditure	9.735	9.735	0.000	16.888
Saving/ (Excess) Against CRL	9.779	9.779	0.000	9.779

7. Savings Programme

A cash savings programme of £2.250m was approved as part of the 2007/08 Financial Plan. This comprised:

- Prescribing (£0.500m) – included in reports and achieved
- Procurement (£0.250m) – £0.139m achieved recurrently for 2007/08
- a further £0.150m was achieved non-recurrently
- General (£1.500m)
 - £0.199m achieved from Area Corporate on a recurrent basis
 - Target remaining £1.301m plus a small residual risk from previous years
- Savings delivery will have an even greater significance in 2008/29. The large increase in cash efficiency savings required to augment the S.G.H.D. uplift to ensure that pay and prices increases can be met will be a major challenge in the next 2 to 3 years.

8. Contingency and Risk

Aside from the contingency reserve of £1.735m which is held centrally to assist in managing any unforeseen events and to assist with areas of risk to be managed, the following table identifies the final items in the outturn where funding was provided from Reserves to meet risks that were identified during the year. This totals £10.226m and the majority of this is non-recurrent.

	Feb Risk £'m	Mar Risk £'m
Efficiency Savings	1.608	1.608
Property / Land Transaction	0.763	0.763
Waiting Times – over commitment at start of year (funding received in offsets)	1.000	1.000
Discretionary Points	0.134	0.259
Provisions – injury benefits/ pensions/ claims	1.615	1.465
CNORIS premium 2007/08	0.267	0.267
Cross Boundary Flow (see tariffs)	0.671	0.835
Complex care cases		0.169
Agenda for Change – reviews requested	1.400	1.841
Healthcare Strategy	0.300	0.240
Balance sheet – stock movement	0.150	0.254
Procurement Staff		0.176
Other	1.117	1.349
Total Financial Risk Assessment	<u>9.025</u>	<u>10.226</u>

Funding identified to offset the risks and projected overspends totals £13.810m and includes the contingency reserve.

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 31st March 2008

	Opening Balance £m	Closing Balance £m
Fixed Assets		
Intangible Fixed Assets	0.322	0.000
Tangible Fixed Assets	182.316	184.352
Total Fixed Assets	182.638	184.352
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Debtors Falling Due > 1 Year	12.590	13.816
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Current Assets		
Stocks	2.377	1.986
Debtors	11.507	9.498
Investments	0.000	0.000
Cash in bank and in hand	0.027	0.027
Total Current Assets	13.911	11.511
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Current Liabilities		
Creditors: amounts falling due < 1 year:		
Creditors due within 1 year	-42.628	-47.997
Net Current Assets/ (Liabilities)	-28.717	-36.486
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Total Assets Less Current Liabilities	166.511	161.682
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Creditors: amounts falling due > 1 year		
Provisions for liabilities and charges	-12.480	-16.090
Total Net Assets	154.031	145.592
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Financed By: Capital & Reserves		
General Fund	80.588	65.733
Revaluation Reserve	72.717	79.148
Donated Asset Reserve	0.726	0.711
Total Capital and Reserves	154.031	145.592

The Closing Balance Sheet includes the ‘write down’ of Stirling and Falkirk sites, the write down of intangible assets and Agenda for Change calculations. The balance sheet will be finalised in the Board’s Annual Accounts.

The system also has an indicative “Cash Requirement” which is the amount of cash that can be drawn down from the SEHD in-year. The potential Cash Requirement which could have been drawn down was £425.723m based on Resource limits. The actual cash drawn down was £414.773m, a difference of £10.950m. Following a request to the S.G.H.D, the Cash requirement will be reduced on the last allocation letter to match the in year need. The difference relates to a number of expenditure items that will not be paid in cash terms until 2008/09 which include Agenda for Change, year end balances with other NHS Organisations and various capital costs.

10. Conclusion

The Board is asked to

- *note the forecast revenue underspend of £2.000m to 31st March 2008 has been achieved*
- *note the projected capital surplus of £ 9.779m has been achieved with the in year surplus being deducted from the Capital Resource Limit. This will subsequently be added as part of the Healthcare Strategy Capital Programme*
- *note that the positions outlined above are subject to audit*

**Fiona Ramsay,
Director of Finance and Planning
19th May 2008**