

Finance Paper

1. Author(s) of Paper

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2. Purpose of Paper

The purpose of the attached paper is to provide the financial performance year to date, as at 30 June 2010, with appropriate supporting commentary.

The Board is asked to note the attached document.

3. Service Implications

N/A

4. Other Key Issues

The Finance Paper presented includes a detailed review of both the revenue and balance sheet positions for the year to June 2010, and a review of the capital programme.

NSS is currently on track to meet its key financial targets for 2010/11, which can be summarised as:

NSS Target	RAG rating*
Revenue outturn	Green
Capital outturn	Green
Cash requirement	Green
Efficiency savings	Green

*Key

Red: Target will not be met

Amber: Uncertainty over whether target will be met

Green: On target

A summary of the full year revenue and capital positions is provided in Table 1 below.

Table 1	Actual YTD £m	Full Year Forecast £m
Revenue surplus/(deficit)	1.0	0.0
Capital surplus/(deficit)	N/A	0.4

Revenue

The year to date actual results to June show an under-spend of £1.0m. The main reasons being:

- Corporate Support under spend £0.4m mainly due to the HR realignment process meeting the targeted level of staff earlier than expected, and vacancies across the other departments.
- NISG under spend of £0.4m relating mainly to slippage on the N3 project for remote sites. NISG expect this to be completed in year.
- CLO surplus of £0.2m due to higher than budgeted levels of service provided to NHS Boards. This is in part due to budget phasing and is forecast to reverse during the remainder of the year.
- SNBTS under spend of £0.2m mainly due to vacancies and the higher than budgeted levels of income from the sale of waste plasma.

These are offset by

- ISD over spend of £0.3m mainly due to budget phasing of capital charges. This will be rectified in July.
- SHSC over spend of £0.1m due to lower than expected conference income for the first quarter which is not likely to be recovered in the remainder of the year. The full year target for conference income is likely to be challenging in the current climate. Both income levels and associated costs will be monitored closely to mitigate the level of over spend.

The current forecast is for a full year break even.

Capital

June has seen an increase in capital spend of £18.4m mainly due to the purchase of PMS licences by NISG. Spend against NSS funded capital remains low but the programme is forecast to be complete in full by the end of the year.

5. Resource Implications

N/A

6. Contracts

N/A

7. Risk Implications

The main risks associated with the financial position are that end year break even is dependent on:

- delivery of Divisional efficiency targets
- management of additional cost pressures which may arise
- receipt of all expected additional allocations from SGHD to match additional cost which are incurred.
- Slippage may result against capital projects putting pressure on future years capital allocation

8. Equality & Diversity Implications

N/A

9. Partnership Working

N/A

National Services Scotland

BOARD FINANCE REPORT FOR THE YEAR TO 30 June 2010

1. FINANCIAL REVIEW & FULL YEAR FORECAST

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The full year target for conference income is likely to be challenging in the current climate. Both income levels and associated costs will be monitored closely to mitigate the level of over spend.

The current forecast is for a full year break even.

Capital

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2. INCOME & EXPENDITURE – YEAR TO DATE SUMMARY

Table 2 summarises the Income and Expenditure position for the first quarter, and the full year forecast.

Table 2	Actual YTD £000	Budget YTD £000	Variance £000	Full Year Forecast £000
Allocations	(95,945)	(95,945)	0	404,730
Other Income	(44,120)	(43,337)	783	186,821
Total Income	(140,066)	(139,282)	783	591,551
Pay	33,013	33,717	705	137,347
Non-Pay	106,036	105,641	(395)	454,204
Expenditure	139,049	139,359	310	591,551
Surplus/ (Deficit)	1,017	(77)	(1,094)	(0)

The year to date position versus budget is an under spend of £1.1m, as explained in section 1.

The favourable income variance is mainly due to the higher than expected level of CLO services provided to NHS Boards, the increase in SNBTS revenue for plasma and waste plasma products, and the higher than forecast use of NDC Logistics by Health Boards.

The favourable variance against pay is as a result of vacancies across NSS, in particular HR.

The Full year forecast is break-even.

The summary Income and Expenditure report for June is attached at Appendix 1 for information.

3. REVENUE ALLOCATION

The total forecast revenue allocation for the year is £404.7m. This is shown in Table 3 below:

Table 3	YTD Received £000	Outstanding £000	Full Year forecast £000
RRL Baseline	253,266	2,500	255,766
Additional Allocations	63,568	85,397	148,964
Total NSS	316,834	87,897	404,730
Additional Allocations %	43%	57%	100%
Total NSS %	78%	22%	100%

NSS has collected £63.6m (43%) of the total additional allocations anticipated. The collection profile of the additional allocation is given in Appendix 2 compared with last year's. As can be seen NSS is considerably ahead of this time last year.

The outstanding allocations of £87.9m will be monitored closely with both the Divisions and SGHD to ensure early receipt.

NHS boards will no longer incur cost of capital charges from 2010/11. SGHD have removed the full cost of capital of £3.4m in June, however NSS expect the return of £2.5m to the baseline for the cost of capital funded through other sources. This process is being coordinated by SGHD and will be finalised in September/October.

4. SUPPORT GROUP & DIVISIONAL PERFORMANCE

Revenue performance by Support Group can be summarised as follows:

Table 4	YTD Position	Full Year
	£m	Forecast £m
SNBTS	0.2	0.0
NSD	(0.1)	0.0
ISD	(0.3)	(0.0)
HPS	0.0	0.0
HFS	0.1	0.0
Health Support Group	(0.1)	0.0
PSD	0.1	0.0
CLO	0.2	(0.0)
NP	0.1	0.0
CFS	0.0	(0.0)
NISG	0.4	(0.0)
SHSC	(0.1)	(0.1)
Business Support Group	0.7	(0.1)
Facilities	(0.0)	(0.0)
Finance	0.0	0.0
IM&T	0.0	(0.0)
HR	0.2	0.1
Other central costs	0.2	0.1
Corporate Support Group	0.4	0.2
Reserves	(0.0)	(0.1)
Surplus/ (Deficit)	1.0	(0.0)

The main reasons for variances have been described above, in section 1.

The full year forecast is normally categorised as Red, Amber or Green on the following basis:

Table 5: RAG rating	Basis
Red	Full year forecast shows an adverse variance which is unlikely to be met by allocations/reserves in year.
Amber	Full year forecast shows a significant adverse variance which is likely to be met by allocations/reserves in year or a positive variance which will be a future cost pressure.
Green	Full year forecast shows no significant adverse variance.

HSG, BSG & CSG are all showing as Green status, as there are only minor variances to forecast.

5. EFFICIENCY SAVINGS

NSS is expecting to meet the efficiency target for 2010/11. Actual in-year delivery to date is £2.0m, 36% of full year target. The detail is provided in table 6.

Table 6	HSG £000	BSG £000	CSG £000	Total £000
Efficiency savings target per LDP	4,263	959	296	5,518
Savings reported to June 2010	1,796	149	40	1,986
Total savings forecast to March 2011	5,288	635	208	6,131
Total savings over/(under) achieved against target	1,025	(324)	(88)	613

6. CAPITAL

The NSS Capital budget was agreed as part of the LDP approval process. The total allocation for the year is £38.1m as shown in table 7. This includes £24.4m for eHealth related programmes. Appendix 3 provides a detailed breakdown of the capital programme. As agreed through the LDP process the approved capital programme is £0.5m greater than the anticipated allocation. It is expected that in year slippage against the programme will close this gap. The situation will be closely monitored throughout the year. In addition NSS are discussing with SGHD the possibility of using the SGHD slippage against NSS funded programmes.

The capital spend in month of £18.4m mainly relates to the purchase of PMS software licences by NISG. This spend has been approved by eHealth and SGHD have confirmed that the allocation will be transferred in July. Capital spend against NSS funded programmes in June is low however this is expected at this early stage in the financial year due to the lead times associated with many of the capital projects.

Table 7	YTD Received £000	Outstanding £000	Full Year Forecast £000
CRL Baseline	4,920	0	4,920
Additional Allocations	2,688	30,451	33,139
Total NSS	7,608	30,451	38,059

Additional Allocations %	8%	92%	100%
Total NSS %	20%	80%	100%

The table below shows the current capital plan against spend for both SGHD-funded and NSS-funded projects.

Table 8	NSS	SGHD	Other	Total
YTD Spend	190	18,339	-	18,529
Additional Spend to 31 March 2010	4,730	13,044	1,300	19,074
Full Year Forecast	4,920	31,383	1,300	37,603
LDP Budget	4,920	31,839	1,300	38,059
Forecast vs Budget	0	456	-	456

7. BALANCE SHEET

Table 9	As at 30 June 2010 £000	As at 31 May 2010 £000	Movement £000
FIXED ASSETS	135,146	117,694	17,452
CURRENT ASSETS			
Stock	14,552	14,383	169
Debtors	35,575	24,032	11,543
Government Banking Service	3,995	15,154	(11,159)
Cash at bank and in hand	128	78	50
	54,249	53,647	602
CURRENT LIABILITIES			
Creditors due within one year	(56,492)	(80,803)	24,311
Net current assets/(liabilities)	(2,243)	(27,156)	24,913
Total assets less current liabilities	132,903	90,538	42,365
PROVISIONS FOR LIABILITIES AND CHARGES			
Creditors due after one year	(5,817)	(5,400)	(417)
	110,597	68,679	41,918
FINANCED BY:			
General Fund	104,598	62,707	41,891
Revaluation Reserve	5,957	5,930	27
Donation Reserve	42	42	0
	110,597	68,679	41,918

The balance sheet for June is compared to May 2010. The main movements are noted below:

- Fixed Assets (increase £17.4m)
The increase relates to the purchase of the PMS licences by NISG, this is offset by depreciation charges in month.
- Debtors (increase £11.5m)
The increase relates to the £12.7m FHS payments made on behalf of the NHS Boards which exceed the funds drawn down in June, offset by a reduction in accrued income and prepaid expenditure as expected at the end of the first quarter.

- OPG Balance (decrease £11.1m)
This balance has reduced considerably due to the payment of £18.4m for the capital licences discussed previously.
- Creditors (decrease £24.3m)
This is mainly due to the reduction in the level of accruals for NSD in June, as reported previously NSD accrue payments to boards in the first two months of the year and pay the first quarter core charges in June.

8. FINANCIAL SHARED SERVICES PROJECT UPDATE

The various short-life working groups developing targets for the current and final phases of the programme have made excellent progress in developing national deadlines and benefits targets. Targets for current phase and final outcome will be approved by the programme board in August 2010.

Health Boards have been tasked with providing a refreshed baseline of in-scope staffing and activities as at 1st April 2010 by the end of July.

The roll out of the Scottish Standard Time System continues and coverage has risen from 47% to 50% across NHSS, a significant milestone for the programme.

Similarly, eExpenses coverage has increased to 38% across the country.

The full year savings figures have been finalised for FY10. The cumulative savings were £2.9m recurring against a target of £3.0m recurring. However, additional non recurring savings of £2.7m were also made in the period totalling £5.6m.

9. CONCLUSION

At the end of the first quarter NSS is forecasting to meet its financial targets. The financial position will be closely monitored to ensure NSS stays on track.

Simon Belfer
Director of Finance

APPENDIX 1

Income	Total		Comments
	Actual	Var To Budget	
NHSS HEALTH BOARD TRADING	39,779	200	This under spend relates mainly to National Procurement, revenue is currently ahead of target which has had a favourable impact on the level of service charge received.
NON-NHSS INCOME	2,070	195	This is due to the higher than expected sale of plasma products, which is offset by an increase in other operating costs
NSS BASELINE ALLOCATION	59,841	0	
NSS CARRY FORWARD ALLOCATION	0	0	
NSS NON-RECURRING ALLOCATION	498	0	
NSS RECURRING ALLOCATION	892	0	
SG EARMARKED BIDS O/STANDING	14,786	0	
SG EARMARKED RECURRING ALLOC	231	0	
SGHD TRADING	2,271	388	This relates mainly to the increased services provided by CLO to NHSScotland
SG NON RECURRING ALLOCATION	3,800	0	
SG NON RECURRING BIDS O/STAND	15,187	0	
SG RECURRING ALLOCATION	15	0	
SG RECURRING BIDS O/STANDING	684	0	
Total Income	174,760	783	

Pay	Total		Comments
	Actual	Var To Budget	
PAY AGENCY	1,775	(558)	A number of posts within the NP and SNBTS are currently filled on a temporary basis, this is offset by the under spend within Other Pay.
PAY SECONDEE	590	(51)	
OTHER PAY	30,492	1,466	This is due to a number of vacancies across all divisions and the earlier than expected reduction of staff in HR, this is offset by the over spend in Agency Staff as noted above.
NSS OTHER PAYROLL COSTS	157	(152)	
Total Pay	33,013	705	

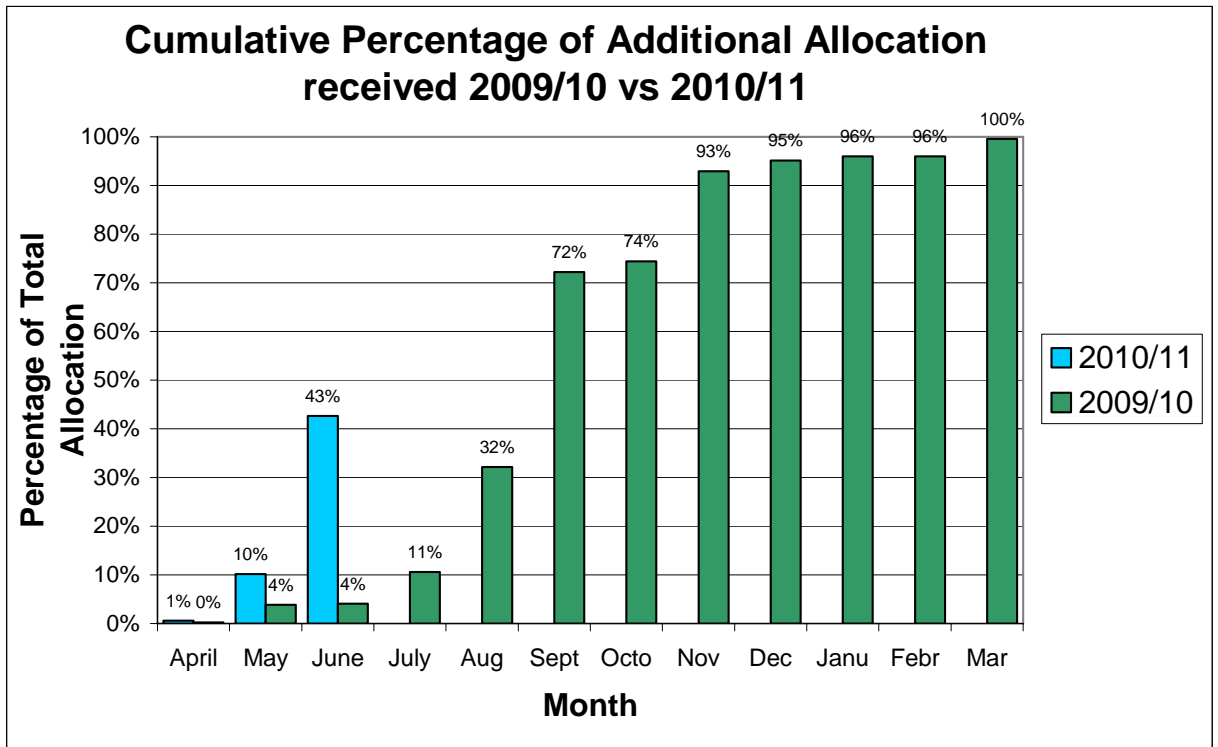
Non Pay	Actual		Var To Budget	Comments
PROFESSIONAL FEES/CHGS	1,168	24		
TRAVEL & SUBSISTENCE	582	(15)		
PRINTING & STATIONERY	567	(77)		
TRANSPORT	909	32		
POST AND CARRIAGE	355	(42)		
PUBLICITY & ADVERTISING	192	(9)		
TRAINING EXPENSES	122	212		This is due to budget phasing for HR realignment and SNBTS. This budget is expected to be spent in full as the realignment process continues and vacancies are filled in SNBTS.
SAVING TARGET NON-RECUR	0	78		
IM&T Costs	18,095	279		This under spend relates to N3 IM&T costs in NISG as a result of the slippage on remote set up.
PROPERTY RUNNING COSTS	1,234	(282)		Mainly due to National Procurement, a review of costs will be carried out in July
RENT, RATES, LEASE & S CHG	2,948	87		
MEDICAL & OTHER COSTS	2,554	30		
OTHER OPERATING COSTS	755	(462)		This over spend is partially offset by the additional allocation received for Plasma. Other over spend is due to additional third party storage costs within National Procurement.
	29,482	(140)		

	Actual	Var To Budget
DEPRECIATION / CAP CHARGES	5,656	(165)
PURCHASE OF HEALTHCARE	40,901	(176)
REVENUE TO CAPITAL	(163)	(21)
COST OF SALES	30,154	107
	76,549	(255)

Total Non-Pay	29,482	(145)
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	Actual	Var To Budget
Total Expenditure	139,038	310

	Actual	Var To Budget
Variance	1,017	1,094



APPENDIX 3

Division	NSS Funded Programmes	Approved Capital Plan £'000	YTD Spend	Full Year Forecast	Change against approved plan £'000	YTD as % of Full Year Forecast
ISD	In-House Application Developments	245	0	245	0	
	New Ways	170	1	170	0	
	ESASM	100	48	100	0	
	SCI Referrals Datamart	126	0	126	0	
	Navigator	115	3	115	0	
	Prescribing Information Warehouse Upgrade	113	0	113	0	
	Heat 7	97	30	97	0	
	CHD	91	0	91	0	
	PCCIU Datamart	91	2	91	0	
	PIS-CMS	83	0	83	0	
	Metadata	70	12	70	0	
	Cancer Data Processing	60	8	60	0	
	SMR00	50	0	50	0	
	Contractor dbase	50	1	50	0	
	PRISMS/PIS Merge	42	0	42	0	
	ACaDEMe	39	0	39	0	
	NeSCWa	30	5	30	0	
	SBR	30	8	30	0	
	Amids	21	0	21	0	
	Other ISD Systems	189	26	189	0	
Subtotal	ISD	1,791	145	1,791	0	8%
PSD	10g	5	0	5	0	
Subtotal	PSD	5	0	5	0	0%
NP	Facilities Upgrade / Development	50	-33	50	0	
	Additional Racking	125	0	125	0	
	Warehouse IT upgrades	200	0	200	0	
Subtotal	NP	375	-33	375	0	-9%
SNBTS	National Fleet (MDC)	285	0	285	0	
	Account for Blood	150	43	150	0	
	National Fleet Rolling Programme	302	0	302	0	
	Expansion of LN2 storage Liberton (09/10 prog)	130	0	130	0	
	Capital programme	370	19	370	0	
Subtotal	SNBTS	1,276	63	1,276	0	5%
CFS	Various Projects	215	0	215	0	
Subtotal	CFS	215	0	215	0	0%
SHSC	SACDA IT System	60	0	60	0	
Subtotal	SHSC	60	0	60	0	0%
HQ	Corporate Portal	350	0	350	0	
	Cedar Implementation Project	120	0	120	0	
	IT Infrastructure Upgrade	150	0	150	0	
	SNBTS Infrastructure Upgrade	50	15	50	0	
	Service Orientated Architecture	300	0	300	0	
Subtotal		970	15	970	0	2%
	In house capitalisation	750	0	750	0	
	Capital savings to be identified	-522	0	-522	0	
	Total NSS Funded Programmes	4,920	190	4,920	0	4%

Division	SGHD Funded Programmes	Approved Capital Plan £'000	YTD Spend	Latest Forecast £'000	Change against approved plan £'000	YTD as % of Full Year Forecast
ISD	SDMD	53	-4	53	0	
	ESASM	50	0	50	0	
	Hep 'C'	50	0	50	0	
	Patient Safety Extranet	10	0	10	0	
	Health Board Formularies	60	0	60	0	
	Subtotal	ISD	223	-4	223	0
NISG	Patient Management System	18,264	18,036	18,264	0	
	Identity & Access Management	2,729	0	2,729	0	
	Patient Management System	1,300	0	1,300	0	
	National Theatres	1,029	0	1,029	0	
	CEPAS Woscan	439	0	439	0	
	SCI Store	211	53	211	0	
	CEPAS Noscan	208	0	208	0	
	RIS	144	0	144	0	
	Emergency Care Summary	32	8	32	0	
Subtotal	NISG	24,355	18,097	24,355	0	74%
NSD	General Capital Programme	500	0	500	0	
	Molecular Genetics	300	0	300	0	
	Diabetic Retinopathy Screening	109	0	109	0	
	Breast Screening Replacement	430	0	410	20	
	Abdominal Aortic Aneurysm	1,650	0	1,650	0	
Subtotal	NSD	2,989	0	2,969	20	0%
SNBTS	To 80% apheresis platelets	435	0	399	36	
	Prion Filtration	23	0	23	0	
Subtotal	SNBTS	458	0	422	36	0%
HQ	Glasgow Consolidation	4,614	201	4,614	0	
	SNBTS National Centre	500	44	100	400	
Subtotal	HQ	5,114	245	4,714	400	5%
	Total SGHD Funded Programmes	33,139	18,339	32,683	456	56%