

NORTHERN AREA HEALTH BOARD

Report No F8/2002

*Report from Finance and Property Committee Meeting
held on Tuesday 5th November, 2002.*

1. Minutes from Meeting held on 30th September, 2002

The minutes of the meeting of the committee held on 30th September, 2002, were proposed by Cllr Burke, seconded by Cllr O'Brien, and agreed.

2. Financial Report for the period to 30th September, 2002 (Summary Attached)

The Chief Executive presented a report on the Financial Position at 30th Sept, 2002. Following discussions to which Cllr Devitt, Cllr Heney, Cllr O'Brien and Mr Crowley contributed, and to which the Chief Executive, Assistant Chief Executive, Director of Finance and Director of Human Resources responded, the report was noted.

3. Report on Audit Committee, Northern Area Health Board (Attached)

The Chief Executive presented a report on our Board's Audit Committee. Following discussion to which Mr Crowley, Cllr Devitt and Cllr Heney contributed, and to which the Chief Executive and Director of Finance responded, the report was noted.

The committee recommended that the Eastern Regional Health Authority be requested to arrange training seminar for members relating to financing and governance issues for members of Area Health Boards.

**M. WINDLE
CHIEF EXECUTIVE**

5th November, 2002

**CLLR. ANNE DEVITT
CHAIRMAN**

**NORTHERN AREA HEALTH BOARD
FINANCIAL PERFORMANCE REPORT
9 MONTHS ENDING 30th SEPTEMBER 2002**

Re: Report on the Financial Position of the Northern Area Health Board for the 9-month period ended 30th September 2002.

TO THE MEMBERS OF THE FINANCE AND PROPERTY COMMITTEE

This Financial Performance report covers the first three quarters of the financial year i.e. 01/01/2002 to 30/09/2002.

Summary details of the financial position and commentary in respect of the NAHB as at 30th September 2002 are set out hereunder.

Financial Outturn

9 Months ending 30th September 2002 (with comparison as at 30th June 2002)	<u>6 Months to 30/06/02</u>	<u>9 Months to 31/09/02</u>
Budget Determination	229,700	356,267
Actual Expenditure	<u>246,329</u>	<u>378,640</u>
Adverse Variance	16,629	22,373
Add: Demand Led Schemes – Favourable Variance	<u>2,104</u>	<u>892</u>
Adverse Variance net of Demand Leds	18,733	23,265
Less: Agreed and Anticipated Funding not yet formally allocated to NAHB:	<u>4,682</u>	<u>5,682</u>
Net restated Adverse Variance	<u>14,051</u>	<u>17,583</u>

Variance Analysis

The net adverse variance as restated is analysed by care group / programme as follows:		
	<u>To 30/06/02 €000</u>	<u>To 30/09/02 €000</u>
[1] Community Services	(38) (A)	(382) (F)
[2] Mental Health, Addiction, Health Promotion and Social Development	413 (A)	(2,490) (F)
[3] Acute Hospital and Services for the Elderly	7,041 (A)	9,582 (A)
[4] Persons with Disabilities	(722) (F)	(414) (F)
[5] Children & Families	1,939 (A)	2,357 (A)
[6] Central Services	5,418 (A)	8,930 (A)
Net restated Adverse Variance	<u>14,051 (A)</u>	<u>17,583 (A)</u>

The main constituents contributing to the adverse variances are un-funded expenditure in the following categories:

	To 30/06/02 €000's	To 30/09/02 €000's
Legal fees (90% Child Care)	3,648	7,743
JCMH deficit to date	6,249	10,547
Nursing Home contracted beds	2,013	614
Residential Childcare	2,355	4,080
Other net favourable variances	<u>(214)</u>	<u>(5,401)</u>
Total YTD	<u>14,051</u>	<u>17,583</u>

This is not an exhaustive listing of variances and there are a number of other adverse variances which have been offset by favourable ones.

Expenditure Commentary

The cumulative expenditure to the 30th September 2002 is substantially in line with the projected net expenditure outturn for 2002 as per the Financial Management Plan.

In examining the expenditure to date the main cost pressure items that are being experienced are as follows:

- 1) Childcare & other Legal Costs – expenditure in respect of legal fees amounts to €7,743k for nine months.
The significant level of expenditure to date includes accruals in respect of 1st charge in respect of 2001 overrun, additional 2001 3rd party costs and our estimate of the Board's share of former EHB legal bills.
- 2) Elderly Services – Private Nursing Home Beds Following receipt of a €2.7m allocation towards these costs in 2002 and the assignment of a further €1.016m. as agreed in our 2002 Service Plan, the remaining shortfall regarding the additional beds taken out during 2001, net of maintenance charges income, is €0.647m which equates to approximately 17 unfunded beds.
- 3) Pay Awards - we have received some additional funding in respect of certain pay awards in the revised 30th September allocation. We are in the process of reviewing the current status of pay / PPF awards versus allocation received and will revert to the Authority on completion.
- 4) Employer Liability and Public Liability Insurance - in addition to the unfunded premium increases experienced in 2001, the current escalating costs being experienced in the insurance market compounds this issue for 2002.
- 5) As previously reported , JCM hospital continues to experience significant cost pressures mainly in respect of pay, drugs, blood products, medical supplies, security and agency nursing fees.
A substantial portion of the adverse variance to September of €0.5m relates back to the inherited budget deficit at JCMH.

The bulk of our other cost pressures, in respect of which detailed costing information has already been submitted have continued at similar levels from 2001 into 2002. The main headings are as previously reported i.e.:

- Child Care Cost Pressures
- NAHB Funded Day Nurseries

- Mental Health Services Capitation Fees
- NAHB HQ Set / Operating Costs
- Exceptional Costs of Nurse Recruitment (including Overseas Recruitment) and Nurse Replacement (Agency Nursing Hours and Additional Hours).
We are currently reviewing the cost benefit arising from the expenditure on overseas recruitment.
- Essential Minor Capital
- Increased Security and Gas Price Costs

Projection of 2002 Outturn

1. The board was advised at its special meeting on the 5th July that the projected 2002 deficit at that stage was **€17.08m** and that a series of cost containment measures were being identified to mitigate this funding shortfall.
2. My report to the Finance and Property Committee Meeting of the 30th September advised members that a programme of cost containment totalling **€7.0m** had been put in place coupled with the phased commencement of service developments where practicable.

The committee was also advised that the projected deficit for 2002 at that stage based on figures to the end of August was **€13.7m** and that it was expected that the full impact of the cost containment measures would be evident from September and this should assist in further reducing the projected funding shortfall .

3. I now wish to advise members that based on figures to the end of September the significant impact of the cost containment programme is evident. Based on this and a rigorous review of all expenditure and potential commitments to year end I wish to advise members that this deficit will be further reduced.

Conclusion

It must be borne in mind that the latest level of projected funding shortfall remains contingent on further anticipated funding from the Authority and a further meeting with the Authority is scheduled for week ending 1st November, with a view to finally establishing the level of additional allocations to be received by our Board for this financial year.

Also in this context we are using full flexibility in the application of all available funding, including new service development funding, to meet our primary statutory obligations of responding to service needs while operating within our approved allocation.

In addition to addressing the outstanding funding issues with the Authority, we continue to work with the relevant operational managers to further refine our expenditure commitments with the firm objective of achieving our statutory obligation to manage our net expenditure within the 2002 funding allocation.

Management at all levels have placed the cost containment programme measures at the top of their agenda and it is under constant review. In particular the management team is reviewing progress on a weekly basis and any additional corrective action will be addressed as information on achievement of the cost containment targets becomes available.

M Windle
Chief Executive

29th October 2002

Chief Executives Report to Finance & Property Committee

Audit Committee

The NAHB Audit Committee was established in 2001 and held its first meeting on 18th June 2001. Matters relating to its role and function are set out in detail in the Audit Committee Charter.

Role of Audit Committee

The primary responsibility for internal control within the Area Health Board rests with the Chief Executive and management.

The role of the Audit Committee is to assist the Chief Executive to fulfil her responsibilities by providing assurance on the adequacy of the system of internal controls, and governance procedures generally within the Area Health Board.

The board at its special meeting held on the 5th July 2002 considered matters relating to corporate governance including the revised code of practice for the governance Finance in October 2001 and approved the revision of our boards Financial Regulations.

The Northern Area Health Board's Audit Committee was also discussed at this meeting and this report is intended to advise and update board members in relation to same.

Membership of Audit Committee

There are six members of the Audit Committee

- (1) Chairperson -- Ms Valerie Little , Head of Internal Audit , ESB
- (2) Vice Chairperson -- Financial Controller-Beaumont Hospital –(resigned October 2002 – replacement being sought)
- (3) Director of Audit – ERHA – Ms Geraldine Smith
- (4) Assistant Chief Executive – NAHB - Ms Laverne McGuinness
- (5) Director of Human Resources – NAHB – Ms Mary Kelly
- (6) Director of Finance – NAHB – Mr Stephen Mulvany

Reporting

The Head of Internal Audit will prepare an annual report of audit activity within two months following the end of the calendar year for review by the committee.

The committee will prepare an annual report, within three months following end of calendar year, addressed to Chief Executive, on its work in relation to the organisation's system of internal control, which will include *interalia*, the results of the activity of the Internal Audit Department. The Committee will proffer such advice and recommendations, as it may deem appropriate.

Meetings

The committee is to meet on at least four occasions per year and to-date in 2002 three meetings have been held and a fourth is scheduled for the 25th of November 2002.

Audit Committee Work Programme 2002

The main focus of the Audit Committee's work in the current year has been on reviewing internal audit reports and satisfying itself that recommendations contained therein are being appropriately implemented. This work is progressing satisfactorily.

Corporate Governance

The Audit Committee along with the Internal Audit Department coupled with External Audit by the Comptroller and Auditor General represents a significant element of the overall assurance process around the effectiveness of corporate governance within our board.

Conclusion

I will update members periodically regarding the ongoing work of the Audit Committee

M Windle
Chief Executive

5th November 2002