

NHS LANARKSHIRE

FINANCIAL PLAN 2010/11

1. Purpose of Paper

- 1.1. This paper presents a draft financial plan for 2010/11 for discussion and endorsement of the continuing work. The full plan for the five year period 2010/11 to 2013/14 will be brought before the Board in March 2010 for approval.

2. Overview

- 2.1. The Board maintains a five year financial plan which it keeps under regular review. In September 2009, following the draft Scottish budget and an internal review, it was recognised that lower income growth combined with higher than expected costs in a number of areas meant savings of between £16.500m and £18.500m would be needed to stay on track with our service plans.
- 2.2. Intense cross system work has taken place to identify potential efficiencies. 120 proposals which would deliver £15.364m in 2010/11 and a total of £18.832m in 2011/12 have developed. The proposals are being put in front of the Board for discussion and approval to proceed to the next stage, which for many of the schemes will involve further engagement with stakeholders.
- 2.3. The plan has been updated for latest available information. The allocation is expected to issued in February 2010 and between January and March the plan estimates will be further reviewed with particular emphasis on pay and cross boundary patient flow and national services. A strategy for bridging the gap non recurrently till the full value of savings is achieved is also being refined and we are hopeful at this stage that this will be achieved.
- 2.4. The impact of the economic downturn on property sales combined with the high value of projects already committed means public sector capital funding is, and will continue to be, under pressure. We are not likely to know our likely capital funding until February 2010 but for information a list of our priority capital projects is included as appendix 3 .

3. 2010/11 Uplift

- 3.1 The draft Scottish budget sheltered Health from the full impact of the £500m reduction in public spending. If its recommendations are approved Scottish NHS Boards are expected to receive a base uplift of 2.15%. In addition NHS Lanarkshire has received an assurance from the Finance director of the Scottish Government Health Department that the anticipated £3m phased movement towards the Board receiving its full share under the NRAC formula will be preserved despite the tighter financial times. NHS Lanarkshire sits £21m below its full share and is fourth furthest away from parity with only Lothian, Grampian and Forth Valley NHS Boards facing a wider gap.
- 3.2 The 2010/11 waiting times funding of £11.797 m is expected to be made recurrent.
- 3.3 At this stage £6.932m of other resources have been recognised. These include 2009/10 budgets or reserves which have been judged available for reinvestment and one off allocations.

4. Likely Deployment of 2010/11 Uplift

- 4.1 The table below summarises the likely deployment of the 2010/11 additional resources with more detail being provided in appendix 1.

Financial Plan 2010/11			
	Recurring £m	Non recurring £m	Total £m
Opening surplus	0.4		0.4
Additional resources			
Uplift	16.7		16.7
NRAC	3.0		3.0
Other	3.8	3.1	6.9
	23.5	3.1	26.6
Utilisation of resources			
Pay	15.3		15.3
Non Pay	4.6	0.9	5.5
Drugs	11.0		11.0
Local Priorities	3.0	2.6	5.6
National / Regional Priorities	2.6	4.6	7.2
Other	2.6	1.3	3.9
	39.1	9.4	48.5
CRES	15.4	1.6	17.0
Forecast Surplus	0.2	(4.6)	(4.5)
Cumulative Position			7.6

- 4.2 The single largest increase is the pay uplift. The 3 year deal for Agenda for Change set the 2010/11 cost of living rise at 2.25%. The medical and dental pay uplift is not known but in 2009/10 was 1.5%. The senior managers' pay uplift is uncertain.
- 4.3 In addition staff on Agenda for Change payscales are entitled to an annual increment of 3.3% on average until they reach the top of the scale. The staff budgets are calculated near the mid point of the scale but as staff have progressed the average pay point is in excess of this. In 2009/10 the divisions have been managing this cost pressure, but modelling suggests – even allowing for turnover – that the pressure will intensify. It is anticipated that any money freed up from the lower cost of living rise will be needed to address this. Work on how best to target available resources is underway.
- 4.4 The £11m uplift estimated as needed on the £132m opening drugs budget covers an expected 4% growth in GP prescriptions, new high cost drugs approved by the Scottish Medicines Consortium and an estimated £3.565m needed to cover the excess costs experienced in 2009/10. As such the uplift is exceptionally high. There are however several schemes for more cost effective prescribing within the savings proposals.
- 4.5 The £5.600m for local priorities largely represents commitments made in previous financial plans. It includes £3.600m to support the revenue consequences of our capital programme and previous aspirations regarding phased investment in Acute, Primary Care and medical staffing. These will be reassessed as we proceed to a final plan in March 2010. The only new commitment entered is £0.200m to allow repatriation of patients from the Southern General.
- 4.6 The £7.200m for national and regional priorities represents a £2m increase from the plans set out a year ago. It re-provides £0.900m of the £1.900m shortfall in waiting times funding. It also proposes a further £1.400m of largely non recurring funding to cover the rising cost of secure, and other specialist, mental health placements. This proposal is for less than the expected 2009/10 overspend. When Caird House opens in December 2010 this will alleviate some of the pressure. However there remains a pressing need to look at this issue regionally and to look at the recurring position.
- 4.7 As with local priorities these will be reassessed before the final plan in March 2010.
- 4.8 The “other” commitments reflect an increase in NHS Lanarkshire's contribution to the national clinical negligence and other risks (CNORIS) pool. The budget is £1.500m, the expected 2009/10 bill is £3.500m and the proposal is to increase the budget to £3m.

5. Efficiency Saving

- 5.1 Predicted additional expenditure exceeds predicted income growth by £21.842m. The Board had always planned to spend £4.500m more than its annual income in 2010/11, using part of the £12.059m cfwd funds to cover this. The lower income growth and higher than expected costs now means the Board will have to increase the level of direct cash releasing efficiency savings from the £4.500m originally envisaged to £17.000m.
- 5.2 The requirement to make this level of savings has been recognised since the September 2009 Board. Given the magnitude of the challenge, work started immediately to identify potential areas of efficiency, assess their feasibility and map what steps would be needed to progress these.
- 5.3 At this stage there are 120 separate draft proposals which could deliver £15.364m of savings in 2010/11 rising to £18.832m in 2011/12. Appendix 2 puts these in front of the Board for consideration. If the Board was comfortable with the thrust of the proposals then each project would be advanced as appropriate, engaging with stakeholders and appraising options as required.
- 5.4 If the Board wishes to remain on track £17m of savings require to be delivered on a recurring basis. The list itself leaves a £1.636m gap and if any scheme proves not viable or experiences delay this gap will widen. Work will continue to identify other schemes and means of bridging the gap non recurrently will be explored.
- 5.5 Although the fine detail of public sector finances from 2011 onwards isn't available it is known funding will be tighter still. It is essential we deliver the 2010 requirement in full so we do not start 2011 from a position of recurring deficit.

6. Capital

- 6.1 Across Scotland income from property sales has substantially decreased. Due to the need to reduce public sector borrowing there will be less public sector capital and several large schemes have already been committed to.
- 6.2 Because of this the SGHD is having to review all future capital priorities and to this end has asked Boards to submit a five year return by the end of January.
- 6.3 Appendix 3 lists the Board's capital priorities for 2010/11 for information.
- 6.4 Board's are expected to be notified in February 2010 of their capital funding.

7. Conclusion

The Board is asked to:

- note the financial estimates for 2010/11 and the capital priorities;
- endorse the approach taken so far to bridge the financial gap and approve further work on the 120 schemes identified;
- delegate to the Chief Executive and Director of Finance the authority to submit in February the required financial section of the Local Delivery Plan, pending full Board approval of the 5 year financial plan in March 2010.

Laura Ace
Director of Finance

21 January 2010

**NHS LANARKSHIRE
DRAFT 2010/11 FINANCIAL PLAN**

	Rec £m	2010/11 Non-Rec £m	Total £m
Recurring Surplus / (Deficit) brought forward	0.4		0.4
ADDITIONAL SOURCES OF FUNDING			
Scottish Executive Uplift	16.7		16.7
Arbuthnott / NRAC	3.0		3.0
HCH Allocations			
- Sexual Health		0.5	0.5
- Smoking Cessation		0.7	0.7
- Keep Well & Anticipatory Care		1.9	1.9
- HPV Vaccination	1.0		1.0
Other Sources			
- Re-investment of existing budgets - various	1.6		1.6
- Superannuation	1.3		1.3
Total Additional Funding Available	23.5	3.1	26.6
PLANNED UTILISATION OF FUNDING			
Uplifts			
- Pay	(15.3)		(15.3)
- Non Pay	(4.6)	(1.0)	(5.6)
- Acute Drugs / GP Prescribing	(11.0)		(11.0)
NHS Lanarkshire			
- Acute Services	(0.7)		(0.7)
- Primary Care Services	(0.5)	(0.1)	(0.6)
- Revenue Consequences of Capital Programme	(1.0)	(2.6)	(3.6)
- Investment in Staffing	(0.6)		(0.6)
National & Regional Priorities			
- Cancer Services	(0.4)		(0.4)
- Childrens Services			
- Health Improvement		(0.4)	(0.4)
- Healthcare Associated Infection (HAI)	(0.1)		(0.1)
- HPV Vaccination Programme	(1.0)		(1.0)
- Long Term Conditions		(1.9)	(1.9)
- Mental Health	(0.7)	(1.2)	(1.9)
- National / Regional Issues	(0.5)		(0.5)
- Palliative Care		(0.2)	(0.2)
- Waiting Times		(0.9)	(0.9)
Other			
- IM&T			
- Other	(2.6)	(1.3)	(3.9)
Total Additional Expenditure Commitments	(39.0)	(9.5)	(48.5)
CRES			
Target	15.4	1.6	17.0
In year Surplus / (Deficit)	0.3	(4.7)	(4.4)
Cumulative position (assuming 09/10 c/f of £12.059m)			7.6

NHS LANARKSHIRE: CAPITAL EXPENDITURE PLANS 2010/11

Schemes	£000s	Detail
Existing schemes under construction	8,542	Coatbridge, Caird House, Carluke, Coathill complex needs and the LD assessment and treatment facility
Patient management system: centrally funded	1,700	Procurement at final stages as part of national consortium. Existing system unsupported.
Patient management system: locally funded	1,500	
Monklands phased investment plan	5,000	Highest priority investments in Monklands. Risk register for all backlog issues in place and Framework partner on site working through agreed plan.
Statutory work in all other premises	1,000	Risk assessment of estate already undertaken. Bare minimum investment on highest risks.
Medical Equipment minimum requirements	3,350	Equipment procured as part of two PFIs now at end of life and unsupported. Total requirement in excess of £7m. £3.35m based on highest risks.
GPPAS replacement and MIDAS	630	Programme underway
Dental Decontamination	500	Bids being sifted. Estimate of minimum requirement
Airdrie	10,500	Airdrie was one of the highest priorities within Lanarkshire's first tranche of picture of health developments but the complexities of the scheme have meant it is only ready to start now. The Board has signed the FBC, the project has been tendered and the contract with the developer are all in place. Over £1m has been committed in professional fees and enabling work including additional carparking already under construction by North Lanarkshire council. The scheme is ready to proceed once confirmation of the 2010 capital position is obtained.
Acute Mental Health: minimum IPCU scoping	500	Capital plan included new mental health unit for North Lanarkshire. Absolute minimum requirement is for IPCU facility for Lanarkshire which is required to enable closure of Hartwoodhill hospital.
Single Labs system	1,200	2 of existing systems at end of life. Choosing single system interfaced with patient management system will allow site rationalisation of services, efficiencies through reduced duplication and better patient management.
Estates Rationalisation	3,500	2 schemes which will allow better service provision, release £1m of revenue savings per annum and generate capital receipts in excess of capital investment required on disposal of 3 existing sites (2 of which are very marketable)
Larkhall health centre	1,427	Long awaited development to upgrade and extend poor facility. Business case has been approved. Scheme has been tendered. Estimates fall within business case. Awaiting confirmation of 2010 capital position.
Primary Care grants deferred from 2009	3,170	Balance of specific funding deferred to manage within 2009/10 available capital.
Medical Equipment 2nd tranche	3,650	See above
Total Capital Requirement	46,169	