

Meeting of
Lanarkshire NHS Board
24 March 2010

Lanarkshire NHS Board
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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2010

1. PURPOSE

The attached report provides the NHS Board with an update on the financial position for the eleven months ended 28 February 2010.

2. CONTENT/SUMMARY OF KEY ISSUES

During January the forecast overspend against the GP prescribing budget was increased from £3.6m to £4.4m due to a continuing rise in the volume of prescriptions. Despite this NHS Lanarkshire remains in position to meet its financial targets for 2009/10 due to tight control of pay budgets, particularly within the CHPs, as the impact of preparations for the 2010 efficiency programme show through.

Maintaining target performance has required an internal realignment of resources to manage the pressures round GP prescribing, clinical negligence, the capacity plan and out of area services. Slippage, reserves and an improved position round energy and pay estimates has been used to cover these risks.

The capital projects already underway are on track and being managed within the revised capital budget.

Efficiency schemes remain on track to deliver the 2% HEAT target for 2009/10.

3. FURTHER INFORMATION

For further information or clarification of any issues in this paper, please contact:

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NHS LANARKSHIRE

FINANCE REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2010

1. Introduction

- 1.1 The purpose of this report is to provide the NHS Board with a summary of revenue and capital financial performance for the first eleven months of the financial year 2009/10.

2. Overview

- 2.1 The financial position to the end of February 2010 shows an under spend of £8.100m, as detailed in Table 1 below. This takes into account the carried forward surplus from previous years. NHS Lanarkshire's year end financial target as agreed in its Local Delivery plan reported a year end under spend of £12.059m. Use of slippage, unutilised reserves, greater efficiency and non recurring benefits will allow the Board to meet its financial targets by 31st March 2010.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	230.413	230.275	0.138
North CHP	79.304	78.279	1.025
South CHP	46.372	46.209	0.163
Primary Care Other Services	235.837	240.111	(4.274)
Headquarters / Corporate Functions	103.974	103.975	(0.001)
Service Level Agreements / Other Healthcare Providers	117.724	118.227	(0.503)
NHSL - wide	23.125	11.573	11.552
Net operating costs	836.749	828.649	8.100

- 2.2 The financial position to the end of February 2009 reflects a £4m over spend against the GP prescribing budget based on nine months data. There continues to be a significantly higher level of items dispensed in year compared to last year with an average increase of 4.8% against a budgeted increase of 2.1%.
- 2.3 The main areas of increased prescribing are, calcium and vitamin D, anticoagulants, antiplatelets, lipid lowering drugs, inhaled steroids, diabetic drugs and drugs for urinary disorders. Anticipated savings of £0.560m from Losartin and Venlafaxine have not yet materialised as well as an additional spend of £0.100m incurred on Nicotine replacement therapy products within the Smoking Cessation service in Community Pharmacies.

3. Revenue Resources

- 3.1 At the end of February 2010, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £886.707m, details of which are noted in Annex A.
- 3.2 The February Revenue Resource Limit includes the reclassification of HAI resources from recurring to non recurring, additional resources of £0.259m for Primary Medical Services and also £0.050m for the efficiency and shared services feasibility study within eHealth.

4. Acute Division

- 4.1 The Acute Division is reporting an under spend of £0.138m for the period to the end of February, as detailed in Table 2, an increase of £0.013m from the previous month. The level of reserves needed to achieve this position (£1.895m) is £0.066m less than last month and £0.573m more than the amount required this time last year. The reasons behind the pay underspends and non pay overspends remain as previously reported.

	Budgeted Operating Costs 28/02/2010 £M	Actual Operating Costs 28/02/2010 £M	Actual saving / (excess) 28/02/2010 £M
Pay	209.088	207.414	1.674
Non Pay	59.404	60.955	(1.551)
Gross operating costs	268.492	268.369	0.123
Less: miscellaneous income	(38.079)	(38.094)	0.015
Net operating cost	230.413	230.275	0.138

- 4.2 Within the Women and Diagnostic Division and in particular Laboratory services, non pay costs are over spent by £1.674m, partly offset by pay under spends of £1.038m, the largest of which are in AHP services (physiotherapy) and medical staffing within radiology. In addition there are underspends in administrative budgets across Radiology and Womens' services.
- 4.3 Surgical and Critical Care non pay costs are £1.900m over spent, mainly within Theatres and ITU across all three sites. This is partly offset by a pay underspend of £0.622m, the net result of a £1.043m underspend from medical vacancies and a £0.670m overspend in nursing. The latter represents an increase from the previous month due to long and short term sickness levels and also the opening of additional beds at Hairmyres and Wishaw.
- 4.4 Nursing costs within the Emergency and Medical Division are also over spent by £1.183m, an increase of £0.041m from last month, mainly due to the opening of additional beds at Hairmyres and Wishaw. Again medical staff under spends (£0.723m) are covering this in part, along with under spends in the renal department and catheterisation laboratory.

5. Primary Care

5.1 Across the Primary Care sector, there is an over spend of £3.086m for the period to the end of February 2009, an increase of £0.304m from the previous month. Pay budgets reflect an under spend of £1.307m and are linked to the time taken to fill vacancies. Non pay budgets are £0.393m over spent mainly within printing and stationery, staff travel and dietetics supplies.

5.2 The North CHP is reporting an under spend of £1.025m at the end of February 2010, as detailed in Table 3, an increase of £0.281m from the previous month. Non pay budgets are £0.261m over spent mainly within staff travel, printing and stationery and dietetics supplies. Pay budgets are £1.286m under spent, across a range of areas including dental services, addictions and mental health.

	Budgeted Operating Costs 28/02/2010 £M	Actual Operating Costs 28/02/2010 £M	Actual saving / (excess) 28/02/2010 £M
Pay	67.723	66.437	1.286
Non Pay	11.581	11.842	(0.261)
Net operating cost	79.304	78.279	1.025

5.3 The South CHP is reporting an under spend of £0.163m for the period to the end of February 2010, as detailed in Table 4, a decrease of £0.041m from the previous month. Pay budgets are £0.264m under spent, mainly within the Audiology Service, the CHP Management team and the Cambuslang/Rutherglen Community services area. The over spend within non pays is mainly within printing and stationery, audiology supplies and staff travel.

	Budgeted Operating Costs 28/02/2010 £M	Actual Operating Costs 28/02/2010 £M	Actual saving / (excess) 28/02/2010 £M
Pay	40.350	40.086	0.264
Non Pay	6.022	6.123	(0.101)
Net operating cost	46.372	46.209	0.163

5.4 Primary Care Other Services are reporting an over spend of £4.274m to the end of February 2010, as detailed in Table 5, an increase of £0.544m from the previous month. The prescribing overspend of £4m is explained in paragraph 2.2. Pay budgets are £0.243m over spent mainly within mental health medical staffing. The non pay budgets are now reporting an over spend of £0.031m a movement of £0.065m from the previous months under spend.

	Budgeted Operating Costs 28/02/2010 £M	Actual Operating Costs 28/02/2010 £M	Actual saving / (excess) 28/02/2010 £M
Pay	24.477	24.720	(0.243)
Non Pay	10.379	10.410	(0.031)
Family Health Services	125.939	125.939	0.000
Prescribing	97.932	101.932	(4.000)
Gross operating costs	258.727	263.001	(4.274)
Less: Family Health Service income	(8.970)	(8.970)	0.000
Less: Miscellaneous income	(13.920)	(13.920)	0.000
Net operating cost	235.837	240.111	(4.274)

6. Headquarters/Area Wide Departments

- 6.1 The Headquarters and Area Wide Departments are reporting an over spend of £0.001m for the period to the end of February 2010, as detailed in Table 6, no movement from the position previously reported.
- 6.2 This includes an over spend of £0.167m within Property and Support Services an increase of £0.046m from the previous month. Pay budgets are £0.425m under spent, mainly due to vacancies within Clinical Liaison (£0.203m), Hotel Services (£0.190m) and Maintenance Services (£0.023m). Non Pay budgets are currently £0.592m over spent with the main areas being Hotel Services (£0.234m) due to pressures within catering, transport and franking and Maintenance Services (£0.417m).
- 6.3 All other Headquarters and Area Wide Departments are reporting an under spend of £0.168m, an increase of £0.047m from the previous month. This is mainly within pay budgets due to vacancies within the Modernisation, Public Health, Human Resources and Finance including the Procurement department.

	Budgeted Operating Costs 28/02/2010 £M	Actual Operating Costs 28/02/2010 £M	Actual saving / (excess) 28/02/2010 £M
Pay	31.657	31.071	0.586
Non Pay	72.317	72.904	(0.587)
Net operating cost	103.974	103.975	(0.001)

7. Service Level Agreements/Other Healthcare Providers

- 7.1 Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.503m for the period to the end of February 2010, as detailed in Table 7, a decrease of £0.034m from the previous month.

	Budgeted Operating Costs 28/02/2010 £M	Actual Operating Costs 28/02/2010 £M	Actual saving / (excess) 28/02/2010 £M
Service Level Agreements	77.798	77.741	0.057
Unpacs and Oats	3.803	3.889	(0.086)
Resource Transfer and Bridging	25.601	25.426	0.175
Independent Sector	9.909	10.558	(0.649)
HIF and SIP's	0.528	0.528	0.000
Mental Health	0.085	0.085	0.000
Gross operating costs	117.724	118.227	(0.503)
Less: miscellaneous income	0.000	0.000	0.000
Net operating cost	117.724	118.227	(0.503)

- 7.2 The most significant areas of over spend continue to be within the Independent sector and relate to referrals to the Brain injury rehabilitation unit at Murdostoun Castle (£0.397m) and forensic mental health (£0.385m) in particular Cheadle Young Person's Unit (£0.119m) and Huntercombe Manor Hospital (£0.177m). The budget for 2009/10 had already been enhanced by £1m of non recurring funding. Expenditure has been rising year on year and although there is some recent evidence of this slowing , it represents a significant risk area in our future plans. Further non recurring funding of £0.750m has been set aside in the financial plan for 2010/11. It is anticipated that the opening of the new low secure unit at Caird Street will alleviate this cost pressure in the future.
- 7.3 Formal service level agreements for the treatment of Lanarkshire patients have now been finalised with all other NHS Boards and are affordable within our financial plan with increased activity costs being offset against lower activity costs across all geographical areas.

8. CRES/Efficiency

- 8.1 The Board has identified efficiency schemes to deliver the target of £30.907m of resources released annually through greater efficiency between 1st April 2008 and 31st March 2010.
- 8.2 In 2009/10 £4.0m was removed directly from budget to release for reinvestment. Progress against the schemes identified to achieve this is set out in Table 8.

Broad Theme	Recurring	Non Recurring	Containing	Total	Achieved to date
	Saving	Saving	Cost		
	£M	£M	£M	£M	£M
Evaluating all vacant posts and replacing only essential	0.737	0.549	0.020	1.306	1.214
Refine skill mix or deployment of staffing	0.538	0.000	0.515	1.053	0.763
Reduce use of Bank, Agency staff and excess hours	0.000	0.000	1.114	1.114	0.240
More effective use of supplies	0.944	0.008	0.061	1.013	0.995
Better procurement/ product standardisation	0.392	0.000	0.091	0.483	0.493
Cease discretionary spend	0.741	0.000	0.000	0.741	0.727
Benefits of shared services/new technologies	0.163	0.000	0.000	0.163	0.163
Reducing Travel,printing,stationery, advertising ,venue hire	0.055	0.000	0.061	0.116	0.040
Reducing training budgets	0.132	0.000	0.021	0.153	0.123
	3.702	0.557	1.883	6.142	4.758

9. Capital

- 9.1 In year agreements with SGHD had resulted in a capital budget of £48.890m. An additional allocation for £0.2m was received from SGHD in February in respect of harmonisation of desktop services; it is anticipated that this will be spent in full. The Capital forecast previously incorporated in the report for January has been updated to monitor progress against this Revised Plan.
- 9.2 Capital expenditure of £37.348m has been incurred to date as shown in Table 9 and in detail at Annex B.

	Revised Plan	Forecast	Actual 31/01/2010
	£M	£M	£M
Capital Allocation inclusive of net sales proceeds	49.120	49.150	37.348
Capital Expenditure			
Business cases approved	40.151	40.530	30.356
Business cases in progress	0.000	0.000	0.000
Business cases under discussion	0.550	0.068	0.068
Ring Fenced Equipment	3.582	4.242	3.402
Car Parking	1.600	1.470	1.470
Capital Grants	0.900	1.200	0.904
Other	2.337	1.640	1.148
	49.120	49.150	37.348
Net under / (over) spend	0.000	0.000	0.000

- 9.3 The bundled projects, being delivered by Graham Construction are proceeding well but due to adverse weather over the last three months there has been some slippage in the programmes as reflected in Table 10. There is confidence however, that all projects will be delivered within target price.

Table 10 – Capital Projects Progress			
Project	Start Date	End Date	Status
Adult with Complex Needs - Caird House	May – 09	Nov – 10	On Target.
Adult with Complex Needs – Coathill	April - 09	May – 10	Currently 3 weeks behind schedule.
Carluke Community Health Centre	Oct – 08	Jun – 10	Currently 4 weeks behind schedule.
LD Assessment & Treatment Centre	Apr – 09	Aug – 10	Construction 3 weeks ahead of schedule.
Douglas Street – Phase II	May– 09	Sept – 09	Delivered.

- 9.4 Work is progressing on delivery of the Coatbridge development and, as reported last month, the forecast has been amended to reflect problems encountered .
- 9.5 Construction work on the Medical Education Centre within Kirklands Hospital Main Building has now been completed and the building passed to NHS Lanarkshire on the 8th February 2010. The final phase of the car parking works on the site are nearing completion, minor delays having been experienced due to the severe weather conditions experienced in January and February which may have an impact in the final cost.
- 9.6 Airdrie Community Health Centre currently reflects expenditure of £1.096m for the eleven months to February 2010. The planned full year spend of £4.5m remains achievable and progress is being made to conclude the land sale of £3.265m.
- 9.7 Work has continues on the building of the Biggar Dental Unit with completion anticipated, as planned, in May 2010.
- 9.8 Interserve Health Scotland Ltd the Board's Preferred Supply Chain Partner under the National Framework is proceeding with the Monklands Electrical upgrade as the first stage of the prioritised rolling programme. A target price has now been given at £2.2m and significant progress has been made. All major components are now on site and the project is scheduled to complete by the end of the current financial year.
- 9.9 The work on developing the car park at Law House is now complete and the final cost for this project is expected to be £1.470m.
- 9.10 The Medical Equipment Programme is being tightly managed, recognising that the demand exceeds the allocation in 2009/10 and subsequent years to meet recognised pressures. The in year forecast has been updated to reflect this.
- 9.11 Private Practitioners have submitted proposals in respect of capital grants and these are being assessed to ensure that they satisfy the conditions to allow a grant to be made to the applicant by the end of the current financial year.

9.12 The overall IM&T allocation is £1.390m and plans are in place to ensure that the allocation will be fully utilised within the current financial year.

10. CONCLUSION

The Board is asked to:

- note the revenue underspend of £8.1m and the expectation that NHS Lanarkshire will meet its financial targets in 2009/10;
- note progress against the capital plan.

LAURA ACE
DIRECTOR OF FINANCE
17 March 2010

REVENUE RESOURCE LIMIT 2009/10

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Revenue Resource Limit as at 31 January 2010	775.698	81.161	29.515	886.374
HAI Recurring Funding Adjustment 2008-09	(0.072)	0.072	0.000	0.000
Stroke Vocational Rehabilitation Pilot	0.000	0.000	0.005	0.005
Pharmacy April-Sep OOF Pt7 Clawback Adjustments	0.000	0.000	0.213	0.213
Harmonisation of Desktops - Capital Charge	0.000	0.000	0.001	0.001
Efficiency & Shared Services Feasibility Study	0.000	0.000	0.050	0.050
OOF Pt8 Clawback Adjustments	0.000	0.000	0.046	0.046
CAMHS Workforce Development	0.000	0.018	0.000	0.018
Revenue Resource Limit as at 28 February 2010	775.625	81.251	29.830	886.707

ANNEX B			
NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 28 February 2010			
	REVISED PLAN	FORECAST	ACTUAL TO DATE
	£M	£M	£M
Initial Capital Formula Allocation:	29.950	29.950	37.118
Capital Resource limit adjustments:			
Medical Equipment	3.034	3.034	
Primary & Community Care Modernisation Fund	3.020	3.020	
Mobile Decontamination Units	0.112	0.112	
IM&T Allocation incl additional allocation	1.390	1.390	
Total Capital Allocation:	37.506	37.506	37.118
Carry Forwards:			
Carry forward 2007/08	10.430	10.430	
Carry forward 2008/09	0.984	0.984	
Disposal Programme:			
Potential sales	0.200	0.230	0.230
ADJUSTED NET ALLOCATION	£49.120	£49.150	£37.348
<i>CAPITAL EXPENDITURE:</i>			
<i>Business Cases - Approved</i>			
Adults Complex Needs - Caird House	4.560	4.560	2.699
Adults Complex Needs Ward - Coathill	3.603	3.603	2.818
Airdrie Resource Centre	4.500	4.500	1.096
Biggar Dental	0.488	0.355	0.318
Carlisle Community Health Centre	9.196	9.196	7.200
Coatbridge Dental & Integrated Resource Centre	9.400	9.200	8.444
David Matthews Diabetes Centre	0.547	0.584	0.584
Douglas Street (Caird House Enabling) - Phase II	0.500	0.575	0.575
Estates Rationalisation - Kirklands incl METC	1.170	1.170	1.106
LD Assessment & Treatment Centre	4.587	4.587	3.870
Monklands Switchgear Project	1.600	2.200	1.646
	40.151	40.530	30.356
<i>Business Cases - In Progress</i>			
	0.000	0.000	0.000
<i>Business Cases - Under Discussion</i>			
Acute Mental Health	0.050	0.005	0.005
Larkhall Community Health Clinic	0.500	0.063	0.063
	0.550	0.068	0.068
<i>Ring-Fenced Expenditure</i>			
Medical Equipment	3.470	4.100	3.268
Mobile Decontamination Units	0.112	0.142	0.134
	3.582	4.242	3.402
<i>Car Parking</i>			
General	1.600	1.470	1.470
	1.600	1.470	1.470
<i>Capital Grants</i>			
Capital Grants	0.900	1.200	0.904
	0.900	1.200	0.904
<i>Other Expenditure</i>			
Board Risk Pool	0.100	-	
Other Capital Works	-	-	0.050
I M & T	1.390	1.390	0.862
Statutory	0.647	-	-
Laboratory	0.100	-	-
Haematology Beds	0.100	-	-
Dental Decontamination & Premises Refurbishment	-	0.250	0.236
	2.337	1.640	1.148
TOTAL CAPITAL EXPENDITURE	£49.120	£49.150	£37.348
(OVER) / UNDER COMMITTED	£0.000	£0.000	£0.000