

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 30 NOVEMBER 2006

1. Introduction

The purpose of this report is to provide the NHS Board with the summary financial position for the eight months ended 30 November 2006 and a view on the forecast position for the year end.

2. Overview

The actual financial position to the end of November shows an underspend of £0.146m compared with an overspend of £0.430m at the end of October. This is a significant improvement and further reflects the move towards financial balance for the year.

The main explanation for this improvement is the impact of significant staffing vacancies in CHPs and the release of funding from uncommitted reserves to cover both a shortfall against planned savings as well as the ongoing non pay cost pressures highlighted previously.

This is balanced by a continuing overspend position in the Acute division and thus the financial position remains extremely tight. It is imperative that the management actions outlined previously continue and are reinforced across the system, to ensure the position is brought into line with the year end forecast per the mid year review.

However, as highlighted in October, the assessment of financial performance undertaken through the mid year review process is sufficiently robust to give a degree of confidence on the delivery of financial balance in 2006/0 and the estimated year end position remains a surplus of £0.219m.

Table 1 below provides further details of the overall year to date position and year end forecast:

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M	Forecast saving / (excess) 31/03/2007 £ 000
Acute Operating Division	187.590	188.097	(0.507)	0.000
North CHP	47.593	47.361	0.232	0.000
South CHP	24.597	24.449	0.148	0.000
Primary Care Other Services	158.581	158.629	(0.048)	0.000
Headquarters / Corporate Functions	11.848	11.785	0.063	0.000
Service Level Agreements / Other				
Healthcare Providers	67.210	67.439	(0.229)	(0.511)
NHSL - wide	37.777	37.290	0.487	0.730
Net Operating Costs	535.196	535.050	0.146	0.219

3. Financial Plan – Year end forecast

At this stage there is no change to the position forecast in the mid year review. A further detailed assessment of the year end position will be undertaken following the month 9 results, including a review of the potential risks and benefits highlighted in the previous finance report. The main focus of attention at that time will be the full year impact of the Agenda for Change process.

An initial analysis of posts assimilated as at 30 November, as well as an estimate for the outstanding posts, has given a very high level assessment of the financial impact at this time. In total 92% of nursing, AHP and ancillary staff, and 68% of all other staff groups had been assimilated by the end of November.

Early indications suggest that the actual costs are more or less in line with the funding set aside within the financial plan. Due to the inclusion of the cost of living pay award within the overall assimilation process, the pay uplift component cannot be separated from the AfC component of the total costs. The full year effect of both elements is affordable within the combined funding available for both pay awards and Agenda for Change.

It should be noted that the true cost will not be fully known until all staff have been assimilated, arrears paid, and a ‘zero-based’ budget exercise has been undertaken.

4. Revenue Resources

At the end of November 2006, the revenue resource limit for NHS Lanarkshire was £762.316m. The details of the movements from October are noted in Annex A. Potential benefit of slippage on any new allocations will be reviewed on an ongoing basis for the remainder of the year.

5. Acute Division

The Acute Division is reporting an overspend of £0.507m for the year to date, as detailed in Table 3, a decrease of £0.344m from the previous month.

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M
Pay	134.488	133.895	0.593
Non Pay	74.029	75.220	(1.191)
Gross operating costs	208.517	209.115	(0.598)
Less: miscellaneous income	(20.927)	(21.018)	0.091
Net operating cost	187.590	188.097	(0.507)

The improved position during the month is the result of a further release of additional funding to support Original Pack Dispensing. Funding has also been released from uncommitted reserves on a non recurring basis to cover the shortfall against the Divisions savings plan to ensure the forecast balanced financial position at the year end per the mid year review exercise is achieved.

However there remains significant pressure on non pay budgets particularly in relation to activity with some areas such as vascular, laboratories and theatres across three sites requiring detailed analysis to be undertaken over the coming weeks to maintain tight financial control across the Division.

6. Primary Care

Across the Community Health Partnerships and other Primary Care services, there is an underspend of £0.332m for the period to the end of November 2006, an increase of £0.280m from the previous month.

The North Community Health Partnership shows an underspend of £0.232m for the period, as highlighted in Table 4, an increase of £0.270m from the previous month. The underspend in pay budgets has increased significantly due to the gradual introduction of the Community Nursing review, offsetting an overspend in non pay budgets mainly due to the introduction of the pneumococcal vaccine programme for children.

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M
Pay	40.986	40.490	0.496
Non Pay	6.607	6.871	(0.264)
Net operating cost	47.593	47.361	0.232

The South Community Health Partnership shows an underspend of £0.148m, as highlighted in Table 5, an increase of £0.116m from the previous month. In line with the North CHP, the underspend in pay budgets has increased significantly, again due to the gradual introduction of the Community Nursing review, offsetting an overspend in non pay budgets mainly due to the introduction of the pneumococcal vaccine programme for children.

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M
Pay	21.040	20.654	0.386
Non Pay	3.557	3.795	(0.238)
Net operating cost	24.597	24.449	0.148

The Other Primary Care Services budgets show an overspend of £0.048m to the end of November, as highlighted in Table 6. This position has worsened from the £0.058m underspend reported in October mainly due to pressure on non pay budgets particularly Mental Health supplies, patients and staff travel and training costs.

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M
Pay	14.517	14.429	0.088
Non Pay	4.862	5.177	(0.315)
Family Health Services	77.483	77.483	0.000
Prescribing	75.227	75.227	0.000
Gross operating costs	172.089	172.316	(0.227)
Less: Family Health Service income	(8.148)	(8.148)	0.000
Less: Miscellaneous income	(5.360)	(5.539)	0.179
Net operating cost	158.581	158.629	(0.048)

7. Headquarters/Area Wide Departments

At the end of November the Headquarters Departments show an underspend of £0.63m as detailed in Table 7. This position has worsened from the £0.244m underspend reported in October and is mainly due to the withdrawal of savings from non pay budgets identified as part of the mid year review exercise.

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M
Pay	8.241	8.265	(0.024)
Non Pay	3.607	3.520	0.087
Net operating cost	11.848	11.785	0.063

8. Service Agreements/Other Health Care Providers

Table 8 below shows a year to date overspend of £0.229m against service agreements and other healthcare providers, an improvement of £0.73m from the £0.302m overspend reported at the end of October.

The year to date position reflects the risk around the service agreement with NHS Lothian Acute Division; additional expenditure on forensic medicine both within NHS Lothian and the independent sector; the impact of increases to the 'top slicing' allocation for national services; as well as other unplanned activity in the independent sector, which is difficult to predict and fluctuates from period to period.

Table 8 - Service Agreements / Other Healthcare Providers 2006/07

	Budgeted Operating Costs 30/11/2006 £M	Actual Operating Costs 30/11/2006 £M	Actual saving / (excess) 30/11/2006 £M
Service Level Agreements	44.166	44.369	(0.203)
Unpacs and Oats	3.020	3.014	0.006
Resource Transfer and Bridging	14.335	14.268	0.067
Independent Sector	5.802	5.959	(0.157)
HIF and SIP's	0.585	0.565	0.020
Mental Health	0.064	0.064	0.000
Gross operating costs	67.972	68.239	(0.267)
Less: miscellaneous income	(0.762)	(0.800)	0.038
Net operating cost	67.210	67.439	(0.229)

9. Corporate Recovery Programme (CRP)

A target of £8.000m was set for 2006/07 and savings identified to date total £6.448m. There is no change from the previous reported position.

Table 9 below summarises the position to date.

Table 9 - Corporate Recovery Programme 2006/07

	Annual Plan			Savings withdrawn			Balance
	Rec £M	Non-Rec £M	Total £M	Rec £M	Non-Rec £M	Total £M	£M
Estate Rationalisation	1.000	0.000	1.000	1.000	0.000	1.000	0.000
Non Clinical Support Services	0.713	0.000	0.713	0.613	0.070	0.683	0.030
Ward Rationalisation	0.200	0.000	0.200	0.200	0.000	0.200	0.000
Headquarters Departments	0.250	0.250	0.500	0.250	0.250	0.500	0.000
Workforce Cost Reductions	0.329	0.000	0.329	0.329	0.000	0.329	0.000
CRES	0.346	3.360	3.706	0.346	3.360	3.706	0.000
Total Savings Identified	2.838	3.610	6.448	2.738	3.680	6.418	0.030
Shortfall against original plan	2.162	(0.610)	1.552	0.000	0.000	0.000	1.552
Total Savings Planned	5.000	3.000	8.000	2.738	3.680	6.418	1.582

10. Capital

Capital expenditure of £4.287m has been incurred against the net allocation of £21.462m, with a year end underspend forecast at £20.558m taking account of potential capital receipts of £13.700m.

A major factor influencing the potential year end position is the disposal of surplus property and the corresponding capital receipt on completion of sale. The capital plan for the year assumed receipts for Birkwood Hospital, Stonehouse Hospital and the site of the former Law Hospital. As has been highlighted throughout the year, the sale of the Law site has major revenue implications for NHS Lanarkshire, as a result of the potential profit on sale if completed during 2006/07.

Table 10 provides a summary of expenditure to date and an indication of the year end forecast:

<i>Table 10 - Capital Expenditure 2006/07</i>			
	Revised Annual Plan £M	Actual Position to 30/11/06 £M	Year end Forecast to 31/03/07 £M
Capital Allocation	21.462	4.287	21.462
Capital Expenditure			
Hospital Infrastructure	3.429	0.572	2.008
Community Infrastructure	2.758	0.345	2.218
Medical Equipment	4.751	0.965	4.763
IM&T	2.164	0.624	2.125
Other	5.640	1.781	3.490
	18.742	4.287	14.604
Capital Receipts	(13.700)	0.000	(13.700)
Net under / (over) spend	16.420	0.000	20.558

11. Conclusion

The Board is asked to note:

- *the actual revenue underspend of £0.146m as at 30 November 2006*
- *the forecast revenue underspend of £0.219m at 31 March 2007*
- *the forecast capital underspend of £20.558m at 31 March 2007 assuming all anticipated capital receipts are achieved*
- *the ongoing risks affecting the year end position*
- *a further assessment of the year end forecast will be prepared following the month 9 results*

Susan Goldsmith
Director of Finance
18 December 2006

Annex A – Revenue Resources

<u>Revenue Allocations 2006/07</u>	
	£M
Revenue Resource Limit as at 31 October 2006	767.476
Superannuation Funding - St. Andrews Hospice	0.005
Funding for Dental Clinical and Special Waste	0.070
Carry Forward from 2005/06	(8.393)
Delayed Discharge Funding	3.121
Scottish Dental Access Initiative	0.030
AHP Support and Development	0.006
Revenue Resource Limit as at 30 November 2006	762.316