

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE PERIOD ENDED 31 JANUARY 2006

#### 1. Purpose of Report

The purpose of this report is to provide the NHS Board with the summary financial position for the period ended 31 January 2006 and to update the forecast for the year end. The paper provides a review of the overall NHS Lanarkshire position.

#### 2. Summary

The detailed Finance Report presented to the Board in January 2006 provided an update of the Mid Year Financial Review, based on the results to 31 December 2005, and highlighted a potential range for the forecast surplus of between £7.509m and £13.009m.

During January there have been a number of further movements against budget identified, including the impact of increased energy costs, a reduction in the prescribing underspend, changes to the expected payments to other NHS Boards for specific services, further savings against Headquarters budgets and the financial impact of slippage in the mental health and learning disabilities resource transfer programmes. The overall result of these changes maintains the forecast within the range previously identified, although there is a clear movement toward the mid point of the range at this time.

The actual financial position to the end of January shows a year to date underspend of £5.437m, compared with an underspend of £3.365m at the end of December. This reflects the movements identified during the month. The table below sets out a summary of the year to date position.

***Table 1 - Summary Financial Position***

	<b>Budgeted Operating Costs 31/01/2006 £M</b>	<b>Actual Operating Costs 31/01/2006 £M</b>	<b>Actual saving / (excess) 31/01/2006 £M</b>
Corporate Division	108.204	107.336	0.868
Acute Operating Division	212.898	213.434	(0.536)
Primary Care Operating Division	289.805	289.702	0.103
NHSL - wide	20.400	15.398	5.002
<b>Net operating costs</b>	<b>631.307</b>	<b>625.870</b>	<b>5.437</b>

### 3. Revenue Resource Limit

At the end of January 2006, the revenue resource limit for NHS Lanarkshire was £712.048m. Table 2 provides details of the allocations notified during the month.

*Table 2 - Revenue Allocations 2005/06*

	£M
<b>Revenue Resource Limit as at 31 December 2005</b>	<b>711.032</b>
<b>Additional Allocations Confirmed:</b>	
Monitoring tool for NHS National Cleaning Services Specification	0.011
Cleanliness Champions Programme	0.004
Bacteriology Laboratories to Support HAI Surveillance	0.015
Implementation and Development Fund	0.129
Consultant Expansion Plan	0.370
OATs additions	0.451
Nurse Consultant (HAI)	0.010
HNC Contributions	0.027
<b>Revenue Resource Limit as at 31 January 2006</b>	<b><u>712.048</u></b>

As highlighted in the November report, any potential benefit of slippage on additional allocations received is assessed on an ongoing basis. As the year end approaches there is increasing likelihood that further slippage may arise on new allocations due to the difficulty in utilising funds in advance of 31 March.

### 4. Corporate Division

The Corporate Division is reporting an underspend of £0.868m at the end of January, a further improvement on the £0.192m reported at the end of December. The current underspend translates to an anticipated full year position of £1.144m, above and beyond the £1.000m reported through the Mid Year Review. This reflects further savings against a number of Headquarters budgets, unexpected reductions to the Cardiac Surgery and Westmarc agreements, and slippage on the mental health and learning disability resource transfer programmes. Work is ongoing to firm-up any potential for a recurring benefit from headquarters budgets in particular, as targeted in the Corporate Recovery Plan.

*Table 3 - Corporate Division*

	Year to Date		
	Budgeted Operating Costs £M	Actual Operating Costs £M	Actual saving / (excess) £M
Pay	13.880	13.641	0.239
Non Pay	96.380	95.751	0.629
Gross operating costs	110.260	109.392	0.868
Less: miscellaneous income	(2.056)	(2.056)	0.000
<b>Net operating cost</b>	<b><u>108.204</u></b>	<b><u>107.336</u></b>	<b><u>0.868</u></b>

## 5. Acute Operating Division

The Acute Division is reporting an overspend of £0.536m at the end of January 2006, with pay expenditure remaining underspent and the non-pay overspend increasing from the level reported previously. This movement from the break-even position reported following the Mid Year Review relates to the impact of increased energy costs with a three fold increase in tariffs experienced in the month. Whilst there had been an assumption made regarding the expected overall increase of approximately £0.800m for NHS Lanarkshire, the latest information available has shown that is likely to be closer to £1.800m. This reflects a consistent picture across NHS Scotland in general.

Other cost and service pressures are ongoing as a direct result of patient activity, both in volume and case mix terms, within surgery, orthopaedics, cardiology and interventional radiology.

The savings target for the year has been achieved and work is underway to identify areas of saving in 2006/07.

***Table 4 - Acute Division***

	Year to Date		
	Budgeted Operating Costs £M	Actual Operating Costs £M	Actual saving / (excess) £M
Pay	148.201	146.977	1.224
Non Pay	87.346	89.248	(1.902)
Gross operating costs	235.547	236.225	(0.678)
Less: miscellaneous income	(22.649)	(22.791)	0.142
<b>Net operating cost</b>	<b>212.898</b>	<b>213.434</b>	<b>(0.536)</b>

## 6. Primary Care Operating Division

The Primary Care Operating Division is reporting an underspend of £0.103m for the period to the end of January 2006 compared to an under spend of £0.733m in December 2005. The main reason for this movement is the significant increase in non-pay expenditure of £0.689m, relating to a number of factors including rates, rent and utilities, the latter being predominantly due to the increased energy costs highlighted above.

Prescribing budgets remain underspent. The January position shows a favourable position of £0.674m, virtually unchanged from December. However, it should be noted that a further review of the Prescribing forecast has been carried out and the range of outcomes has been revised to between £1m and £2m, in comparison to the previous estimate of between £1m and £3m. This is as a consequence of changes in the reimbursement of drug tariffs to community pharmacists introduced in January.

**Table 5 - Primary Care Division**

	Year to Date		
	Budgeted	Actual	Actual
	Operating	Operating	saving /
Costs	Costs	(excess)	
£M	£M	£M	
Pay	99.009	98.076	0.933
Non Pay	36.166	38.591	(2.425)
FHS	86.094	86.321	(0.227)
Prescribing	88.401	87.727	0.674
Gross operating costs	309.670	310.715	(1.045)
Less: miscellaneous income	(10.312)	(11.460)	1.148
Les: FHS income	(9.553)	(9.553)	0.000
<b>Net operating cost</b>	<b>289.805</b>	<b>289.702</b>	<b>0.103</b>

## 7. Corporate Recovery Programme

The Corporate Recovery Plan (CRP) was a key component of the approved Financial Plan, in order to meet the financial target for the year, to move toward a recurring balanced position, and to achieve the Efficient Government Targets set out by the Scottish Executive.

The Financial Plan includes a target of £9.666m against the CRP. The estimated recurring shortfall against this target has been reduced to £1.612m over recent months, following the emergence of previously unplanned savings against Headquarters budgets, offset by unachieved savings on the ward rationalisation projects in the current financial year. Additional non-recurring savings have also been identified, resulting in a net in-year shortfall against the £9.666m target of £1.152m. This represents a further improvement from the position reported at the end of December and is the result of ongoing non-recurring underspends against Headquarters budgets.

The detailed summary is shown in Table 6.

**Table 6 - Corporate Recovery Programme**

	Revised Annual Plan			Achieved to Date			Balance to be
	Rec	Non-Rec	Total	Rec	Non-Rec	Total	Achieved
	£M	£M	£M	£M	£M	£M	£M
Non Clinical Support Services	0.440	0.147	0.587	0.403	0.153	0.556	0.031
Procurement	0.290	0.000	0.290	0.260	0.000	0.260	0.030
Prescribing Management	0.000	1.000	1.000	0.000	1.000	1.000	0.000
Cross Boundary Flow	0.570	0.000	0.570	0.570	0.000	0.570	0.000
Corporate Management	0.400	0.459	0.859	0.400	0.383	0.783	0.076
CRES	3.065	2.143	5.208	2.554	1.729	4.283	0.925
	4.765	3.749	8.514	4.187	3.265	7.452	1.062
Shortfall against original plan	1.612	(0.460)	1.152				1.152
<b>Total NHS Lanarkshire Savings</b>	<b>6.377</b>	<b>3.289</b>	<b>9.666</b>	<b>4.187</b>	<b>3.265</b>	<b>7.452</b>	<b>2.214</b>

## 8. Capital

The capital investment programme for NHS Lanarkshire continues to be managed and monitored by the Capital Investment Group. Table 7 provides a summary of the planned investment for the year, the position to date and the resultant forecast expenditure for the year.

At the end of January, there is no change to the forecast underspend against the capital plan of £3.515m for the year, although it is clear that significant spend is anticipated over the last two months of the year.

It should be noted that the forecast underspend has already been notified to the SEHD with a request for carry forward.

*Table 7 - Capital Expenditure Summary*

	<b>Annual Plan £M</b>	<b>Year to Date £M</b>	<b>Year-end Forecast £M</b>
<b>Net Capital Allocation</b>	<b>12.031</b>	<b>3.261</b>	<b>13.854</b>
<b>Capital Investment</b>			
Hospital Infrastructure	1.680	0.141	2.171
Community Infrastructure	4.984	1.403	2.792
Medical Equipment	3.516	1.196	3.766
IM&T	1.160	0.521	1.160
Other	0.800	0.000	0.450
	<b>12.140</b>	<b>3.261</b>	<b>10.339</b>
<b>Capital Under / (Over) Spend</b>	<b>(0.109)</b>	<b>0.000</b>	<b>3.515</b>

## 9. Conclusion

*The Board is asked to*

- *Note the actual revenue underspend of £5.437m as at 31 January 2006*
- *Note the range for the forecast surplus remains between £7.509m and £13.009m against the Revenue Resource limit for the year 2005/06*

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**15 February 2006**