

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE PERIOD ENDED 28 FEBRUARY 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 28 February 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 February there have been further movements against budget identified. Although there have been further savings identified against the Headquarters budgets, the major movement during the month is the reduction in the year end forecast underspend against prescribing. The update of the Mid Year Financial Review, undertaken following the December financial results, set this in the region of £1.0 to £3.0m. Current forecasts have resulted in this being revised downwards to £0.500m. This is an area which will require close scrutiny at the year end and onwards into 2006/07. The overall result of these changes maintains the forecast surplus within the range previously identified, with the mid point of the range remaining the most likely outcome circa £10.000m.

The actual financial position to the end of February shows a year to date underspend of £6.622m, compared with an underspend of £5.437m at the end of January. 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*

	Budgeted Operating Costs 28/02/2006 £M	Actual Operating Costs 28/02/2006 £M	Actual saving / (excess) 28/02/2006 £M
Corporate Division	119.421	118.428	0.993
Acute Operating Division	234.374	234.374	0.000
Primary Care Operating Division	320.487	320.248	0.239
NHSL - wide	23.018	17.628	5.390
<b>Net operating costs</b>	<b>697.300</b>	<b>690.678</b>	<b>6.622</b>

### 3. Revenue Resource Limit

At the end of February 2006, the revenue resource limit for NHS Lanarkshire was £714.097m. Table 2 provides details of the allocations notified during the month.

<b>Revenue Resource Limit as at 31 January 2006</b>	<b>712.048</b>
<b>Additional Allocations Confirmed:</b>	
Interim Rent Payments to General Dental Practitioners	0.367
Additional Waiting Times	0.550
Fair To All, Personal to Each Diagnostic Funding	0.429
AHP's - Support & Development Scheme for New Graduates	0.045
Community Health Index (CHI) - Number Programme	0.050
CHD & Stroke Strategy	0.061
Scottish Dental Access Initiative	0.050
Funding to Achieve Cardiac Waiting Times	0.146
Completion of latest phase eCare Project	0.158
Diagnostic Collaborative Programme	0.049
Practice Education Facilitators	0.037
Further allocations received	0.108
<b>Revenue Resource Limit as at 28 February 2006</b>	<b><u>714.097</u></b>

As previous highlighted, 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 £0.993m at the end of February, a further improvement on the £0.868m reported at the end of January. The current underspend translates to an anticipated full year position of £1.282m, above and beyond the £1.000m reported through the Mid Year Review. This reflects further savings against a number of Headquarters budgets.

*Table 3 - Corporate Division*

	Year to Date		
	Budgeted Operating Costs £M	Actual Operating Costs £M	Actual saving / (excess) £M
Pay	15.266	14.972	0.294
Non Pay	106.244	105.545	0.699
Gross operating costs	121.510	120.517	0.993
Less: miscellaneous income	(2.089)	(2.089)	0.000
<b>Net operating cost</b>	<b><u>119.421</u></b>	<b><u>118.428</u></b>	<b><u>0.993</u></b>

## 5. Acute Operating Division

The Acute Division is reporting a breakeven position at the end of February 2006, with pay expenditure remaining underspent and the non-pay overspend decreasing from the level reported previously. The movement back to break-even position, which had been reported following the Mid Year Review, relates to the release of non-recurring funding to cover the increased costs associated with energy.

Other cost and service pressures continue as a direct result of patient activity, both in volume and case mix terms, within surgery, orthopaedics, interventional radiology and cardiology including the catheterisation laboratory, with overspends being reported against drugs, surgical sundries, dressings, CSSD and surgical appliances.

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	163.519	162.098	1.421
Non Pay	96.353	97.976	(1.623)
Gross operating costs	259.872	260.074	(0.202)
Less: miscellaneous income	(25.498)	(25.700)	0.202
<b>Net operating cost</b>	<b>234.374</b>	<b>234.374</b>	<b>(0.000)</b>

## 6. Primary Care Operating Division

The Primary Care Operating Division is reporting an underspend of £0.239m for the period to the end of February 2006 compared to an underspend of £0.103m in January 2006. The current underspend translates to an anticipated full year position of £0.500m which is below the £1.000m which had been reported previously.

The main reason for this movement is due to the forecast year end underspend on prescribing being revised downwards from £1.000m to £0.500m to reflect a continuing reduction in suppliers discounts up to December 2005.

*Table 5 - Primary Care Division*

	Year to Date		
Budgeted Operating Costs £M	Actual Operating Costs £M	Actual saving / (excess) £M	
Pay	109.358	107.899	1.459
Non Pay	40.112	42.423	(2.311)
FHS	94.704	94.967	(0.263)
Prescribing	97.241	96.974	0.267
Gross operating costs	341.415	342.263	(0.848)
Less: miscellaneous income	(11.375)	(12.462)	1.087
Les: FHS income	(9.553)	(9.553)	0.000
<b>Net operating cost</b>	<b>320.487</b>	<b>320.248</b>	<b>0.239</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 £1.064m. This represents a further improvement from the position reported at the end of January 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 Achieved £M
	Rec £M	Non-Rec £M	Total £M	Rec £M	Non-Rec £M	Total £M	
Non Clinical Support Services	0.440	0.147	0.587	0.404	0.153	0.557	0.030
Procurement	0.290	0.000	0.290	0.275	0.000	0.275	0.015
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	0.547	0.947	0.400	0.501	0.901	0.046
CRES	3.065	2.143	5.208	2.810	1.972	4.782	0.426
	<u>4.765</u>	<u>3.837</u>	<u>8.602</u>	<u>4.459</u>	<u>3.626</u>	<u>8.085</u>	<u>0.517</u>
Shortfall against original plan	1.612	(0.548)	1.064				1.064
<b>Total NHS Lanarkshire Savings</b>	<b><u>6.377</u></b>	<b><u>3.289</u></b>	<b><u>9.666</u></b>	<b><u>4.459</u></b>	<b><u>3.626</u></b>	<b><u>8.085</u></b>	<b><u>1.581</u></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 February, there is no change to the forecast underspend against the capital plan of £3.515m for the year, although it has been confirmed that significant spend is anticipated in the last month 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>4.984</b>	<b>13.814</b>
<b>Capital Investment</b>			
Hospital Infrastructure	1.680	0.326	1.377
Community Infrastructure	4.984	1.575	2.530
Medical Equipment	3.516	2.189	4.829
IM&T	1.160	0.565	1.200
Other	0.800	0.329	0.363
	<b>12.140</b>	<b>4.984</b>	<b>10.299</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 £6.622m as at 28 February 2006*
- *Note the range for the forecast surplus remains between £7.509m and £13.009m however the most likely outcome is a forecast surplus of circa £10.000m against the Revenue Resource limit for the year 2005/06*

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16 March 2006**