

NHS LANARKSHIRE

BOARD MEETING 29 AUGUST 2007

Title of Report	Finance Report For The Month Ended 31 July 2007
Purpose of Report	The attached report provides the NHS Board with an update on the financial position for the four months of the financial year 2007/08.
Key Highlights	<ul style="list-style-type: none"> • An underspend of £1.778m as at 31 July 2007 • A forecast year end surplus of £3.971m per the approved financial plan • A verbal update on the work to develop a non recurring ‘invest to save’ plan for the year will be provided to the NHS Board at the meeting on 29th August • Capital expenditure of £1.295m has been incurred to date, against the annual plan of £27.258m
Action	The NHS Board are asked to note the contents of the report.

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 31 JULY 2007

1. Introduction

The purpose of this report is to provide the NHS Board with the summary financial position for the four months ended 31 July 2007.

2. Summary

The financial position to the end of July shows an under spend of £1.778m, as detailed in Table 1 below. This is in line with the position reported at the end of June and continues to show a slight improvement in comparison to the approved Financial Plan.

<i>Table 1 - Summary Financial Position</i>				
	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M	Forecast saving / (excess) 31/03/2008 £ 000
Acute Operating Division	70.910	71.051	(0.141)	0.000
North CHP	25.554	24.772	0.782	0.000
South CHP	12.933	12.875	0.058	0.000
Primary Care Other Services	82.683	82.787	(0.104)	0.000
Headquarters / Corporate Functions	31.120	31.177	(0.057)	0.000
Service Level Agreements / Other Healthcare				
Providers	34.591	34.806	(0.215)	0.000
NHSL - wide	20.024	18.569	1.455	3.971
Net Operating Costs	<u>277.815</u>	<u>276.037</u>	<u>1.778</u>	<u>3.971</u>

As reported last month, a non recurring financial plan is being prepared for the current year. This is due to be considered by the Corporate Management Team later this month and will be reported to the Board next month.

3. Revenue Resources

At the end of July 2007, the revenue resource limit for NHS Lanarkshire was £805.574m. Changes to the allocation during the month are highlighted in Annex A.

The requirement to achieve slippage against these allocations will be reviewed in the context of the overall non recurring plan for the year.

4. Acute Division

The Acute Division is reporting an over spend of £0.141m for the period to the end of July 2007, as detailed in Table 2, a significant decrease of £0.162m from the previous month.

This is predominantly as a result of the transfer of responsibility for Property and Support Services which is currently showing an overspend of £0.170m mainly within non pay expenditure, from the Acute Division into Headquarters and Area Wide Departments.

The under spend against the pay budgets has increased from the June position and includes the impact of vacancies within Senior Medical staffing, particularly Radiology and Microbiology, although this position masks the ongoing overspend on Nurse Bank costs.

In relation to the non pay over spend, the ongoing investigation work should make a significant positive contribution to the existing pressure areas such as Laboratory consumables, Theatre supplies and A&E providing a robust basis on which to make financial plan adjustments. The target year end position remains a break even.

Table 2- Acute Division 2007/08

	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M
Pay	65.262	64.632	0.630
Non Pay	17.203	17.939	(0.736)
Gross operating costs	82.465	82.571	(0.106)
Less: miscellaneous income	(11.555)	(11.520)	(0.035)
Net operating cost	70.910	71.051	(0.141)

5. Primary Care

Across the Primary Care sector, there is a net under spend of £0.736m for the period to the end of July 2007. This includes an under spend of £0.782m within the North Community Partnership (as detailed in Table 3), an under spend of £0.058m within the South Community Health Partnership (as detailed in Table 4) and an over spend of £0.104m within the Primary Care Other Services budgets (as detailed in Table 5).

The North CHP under spend shows a significant increase of £0.307m from the previous month. The under spend is predominantly across pay budgets as there remains many vacancies particularly within Mental Health in the Coatbridge locality, however this is expected to slow down in August and September due to vacancies being filled.

Table 3 - North CHP 2007/08

	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M
Pay	22.021	21.274	0.747
Non Pay	3.533	3.498	0.035
Net operating cost	25.554	24.772	0.782

The South CHP under spend shows an increase of £0.076m from the previous month. This includes an under spend of £0.136m against pay budgets, with non pays overspending by £0.078m.

	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M
Pay	11.225	11.089	0.136
Non Pay	1.708	1.786	(0.078)
Net operating cost	12.933	12.875	0.058

The Primary Care Other Services overspend shows an increase of £0.086m from the previous month mainly due to E-Health, in particular Medical Records staffing. A review of IM&T budget is currently being finalised to ensure the budget is aligned with the eHealth Strategy.

	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M
Pay	7.204	7.340	(0.136)
Non Pay	2.285	2.308	(0.023)
Family Health Services	40.722	40.722	0.000
Prescribing	38.835	38.835	0.000
Gross operating costs	89.046	89.205	(0.159)
Less: Family Health Service income	(3.899)	(3.899)	0.000
Less: Miscellaneous income	(2.464)	(2.519)	0.055
Net operating cost	82.683	82.787	(0.104)

6. Headquarters/Area Wide Departments

The Headquarters and Area Wide Departments are reporting an over spend of £0.057m for the period to the end of July 2007, as detailed in Table 6, a significant increase of £0.115m from the previous month.

This is predominantly as a result of the transfer of responsibility for Property and Support Services (PSSD) from the Acute Division. This area is currently showing an overspend of £0.170m mainly within non pay expenditure.

The under spend within pay budgets continues to improve with an increase of £0.034m from the previous period.

A recurring savings target of £0.285m has been set across these budgets. There is an immediate priority to agree withdrawal of savings with budget holders and to provide a robust assessment of any potential financial risks or benefits.

Table 6 - Headquarters / Corporate Functions 2007/08

	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M
Pay	9.736	9.635	0.101
Non Pay	21.384	21.542	(0.158)
Net operating cost	31.120	31.177	(0.057)

7. Service Agreements/Other Health Care Providers

At the end of July 2007, there is an over spend of £0.215m against the service agreements and other providers, as detailed in table 7, with the main area of concern continuing to be within the Independent Sector. This relates predominantly to referrals for Eating Disorders and Forensic Medicine, and as reported last month, it is expected that this will be managed through slippage against the funding set aside in the approved Financial Plan for the Medium Secure Unit in Glasgow. Confirmation on the NHS Lanarkshire likely commitment for 2007/08 is expected from NHS Glasgow and Clyde.

Table 7 - Service Agreements / Other Healthcare Providers 2007/08

	Budgeted Operating Costs 31/07/2007 £M	Actual Operating Costs 31/07/2007 £M	Actual saving / (excess) 31/07/2007 £M
Service Level Agreements	23.772	23.770	0.002
Unpacs and Oats	1.754	1.617	0.137
Resource Transfer and Bridging	7.234	7.228	0.006
Independent Sector	2.985	3.365	(0.380)
HIF and SIP's	0.398	0.378	0.020
Mental Health	0.028	0.028	0.000
Gross operating costs	36.171	36.386	(0.215)
Less: miscellaneous income	(1.580)	(1.580)	0.000
Net operating cost	34.591	34.806	(0.215)

8. Savings

Board members will note that 'CRES' savings remain 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 approved Financial Plan includes a savings target of £5.000m, with £3.000m to be achieved on a recurring basis and £2.000m required on a non-recurring basis in year.

At the end of July, £2.800m of the recurring plan has now been identified against specific areas.

In view of the potential surplus for the year, taking account of the in year approved financial plan as well as the carry forward from 2006/07, any allocation of the non recurring savings target across the system will be considered through the work underway on the 'non recurring financial plan'.

9. Capital

The capital plan for 2007/08 was approved by the NHS Board in June 2007. This set out forecast expenditure of £27.258m against a number of schemes. Details of the actual expenditure position for the four months ended 31 July 2007 are set out in table 8 below. As noted last month, capital expenditure is often heavily weighted towards the end of the financial year and as such it is not appropriate to extrapolate this figure as an estimate of the likely spend for the year.

	Annual Plan £M	Actual Position to 31/07/2007 £M
Capital Allocation	38.476	1.295
Capital Expenditure		
Community Infrastructure	9.758	0.671
Hospital Infrastructure	0.805	0.200
IM&T	2.550	0.222
Equipment	6.319	0.074
Other	7.826	0.128
	27.258	1.295
Net under / (over) spend	11.218	0.000

10. Conclusion

The Board is asked to:

- *Note the actual revenue underspend of £1.778m as at 31 July 2007*
- *Note the forecast year end surplus of £3.971m per the approved financial plan*
- *Note capital expenditure of £1.295m has been incurred to date, against the planned expenditure for the year of £27.258m.*

Susan Goldsmith
Director of Finance

22 August 2007

ANNEX A

REVENUE RESOURCE LIMIT 2007/08			
	Recurring	Non -	Total
	£M	Recurring	£M
	£M	£M	£M
Revenue Resource Limit as at 30 June 2007	734.969	5.470	740.439
Adjustments to Allocations Confirmed:			
CHI Programme		0.065	0.065
PMS - Global Sum Equivalent		37.438	37.438
PMS - Quality Payments		11.308	11.308
PMS - NHS Board Funds		14.914	14.914
Workforce and Workload - Nurse Bank		0.052	0.052
General Waiting times Funding - Tranche 1		1.078	1.078
Support for Local e-Health Teams		0.269	0.269
AHP Support & Development Flying Start Outputs		0.002	0.002
Scottish Dental Access Initiative		0.010	0.010
Revenue Resource Limit as at 31 July 2007	734.969	70.605	805.574