

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE MONTH ENDED 31 DECEMBER 2006

#### 1. Introduction

The purpose of this report is to provide the NHS Board with the summary financial position for the nine months ended 31 December 2006 and a view on the forecast position for the year end.

#### 2. Overview

The actual financial position to the end of December shows an underspend of £0.215m compared with an underspend of £0.146m at the end of November. This is a further improvement and reflects an ongoing move towards financial balance for the year.

It is likely that there will be further improvement on this forecast position and an update of the mid year review estimates is currently underway in view of the December results.

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

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>	<b>Forecast saving / (excess) 31/03/2007 £ 000</b>
Acute Operating Division	213.530	213.937	(0.407)	<b>0.000</b>
North CHP	53.702	53.387	0.315	<b>0.000</b>
South CHP	27.710	27.544	0.166	<b>0.000</b>
Primary Care Other Services	178.252	178.351	(0.099)	<b>0.000</b>
Headquarters / Corporate Functions	13.619	13.618	0.001	<b>0.000</b>
Service Level Agreements / Other				
Healthcare Providers	81.486	81.795	(0.309)	<b>(0.511)</b>
NHSL - wide	31.689	31.141	0.548	<b>0.730</b>
<b>Net Operating Costs</b>	<b>599.988</b>	<b>599.773</b>	<b>0.215</b>	<b>0.219</b>

#### 3. Financial Plan – Year end forecast

At this stage there is no change to the position forecast per the mid year review. A further detailed assessment of the year end position is nearing completion and this addresses the potential risks and benefits highlighted in the previous finance report, with a key focus of attention being the full year impact of Agenda for Change.

Additional pressure was experienced across the system during the Christmas and New Year period, with a high number of emergency admissions arising as a result of a respiratory virus. The effect of this is likely to be seen in both primary and secondary care expenditure levels during January and this will be taken into consideration in the assessment of the year end forecast.

A further emerging issue is the national position with the Pharmacy Contract. Indications suggest that the additional costs may not be as high as expected and as a result there may be slippage on the funding set aside locally. An assessment of this will also be made through the review of the year end forecast, although the actual position is unlikely to be finalised until after the year end.

Board members should note that discussion is taking place with both PwC our external auditors, and the SEHD about the possibility of booking the Law Sale at 31<sup>st</sup> March 2007 if title transfer has not yet concluded. As previously, this will require confidence around “virtual certainty” of the sale concluding and PwC are currently exploring this with their technical department. In parallel significant progress is being made with the planning approvals although there still remains issues with the statutory consent for water and sewage. Clearly the ability to book the sale would have a significant impact on the year end outturn.

It is anticipated that an update will be provided to the Corporate Management Team in early February with a formal update to the NHS Board at the February Board Meeting.

**4. Revenue Resources**

At the end of December 2006, the revenue resource limit for NHS Lanarkshire was £760.718m. The details of the movements from November 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 £0.407m for the year to date, as detailed in Table 3, a decrease of £0.100m from the previous month.

***Table 3 - Acute Division 2006/07***

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>
Pay	154.320	151.678	2.642
Non Pay	82.896	85.995	(3.099)
Gross operating costs	237.216	237.673	(0.457)
Less: miscellaneous income	(23.686)	(23.736)	0.050
<b>Net operating cost</b>	<b>213.530</b>	<b>213.937</b>	<b>(0.407)</b>

There continues to be significant pressure on non pay budgets particularly in relation to activity including vascular, laboratories and in particular, theatres across all three sites. It is anticipated that some of this may relate to an underestimate of the non pay impact of waiting times initiatives and the GMS contract. If so this will require to be addressed in the 07/08 Financial Plan.

## 6. Primary Care

Across the Community Health Partnerships and other Primary Care services, there is an underspend of £0.382m for the period to the end of December 2006, a further improvement of £0.050m from the previous month.

The North Community Health Partnership shows an underspend of £0.315m for the period, as highlighted in Table 4, an increase of £0.83m from the previous month. The continuing underspend in pay budgets reflects the gradual introduction of the Community Nursing review.

**Table 4 - North CHP 2006/07**

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>
Pay	46.288	45.779	0.509
Non Pay	7.414	7.608	(0.194)
<b>Net operating cost</b>	<b>53.702</b>	<b>53.387</b>	<b>0.315</b>

The South Community Health Partnership shows an underspend of £0.166m, as highlighted in Table 5, an increase of £0.18m from the previous month. In line with the North CHP, the underspend in pay budgets is again linked to the gradual introduction of the Community Nursing review.

**Table 5 - South CHP 2006/07**

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>
Pay	23.604	23.342	0.262
Non Pay	4.106	4.202	(0.096)
<b>Net operating cost</b>	<b>27.710</b>	<b>27.544</b>	<b>0.166</b>

The Other Primary Care Services budgets show an overspend of £0.099m to the end of November, as highlighted in Table 6. This position has worsened from the £0.048m overspend reported in November mainly due to continuing pressure on non pay budgets particularly Mental Health supplies, patients and staff travel and training costs.

**Table 6 - Primary Care Other Services 2006/07**

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>
Pay	16.367	16.270	0.097
Non Pay	5.417	5.783	(0.366)
Family Health Services	86.996	86.996	0.000
Prescribing	84.630	84.630	0.000
Gross operating costs	193.410	193.679	(0.269)
Less: Family Health Service income	(9.038)	(9.038)	0.000
Less: Miscellaneous income	(6.120)	(6.290)	0.170
<b>Net operating cost</b>	<b>178.252</b>	<b>178.351</b>	<b>(0.099)</b>

## 7. Headquarters/Area Wide Departments

At the end of December the Headquarters Departments show a breakeven position as detailed in Table 7. This position has worsened from the £0.063m underspend reported in November and is mainly due to the withdrawal of savings from non pay budgets identified as part of the mid year review exercise.

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>
Pay	9.369	9.361	0.008
Non Pay	4.250	4.257	(0.007)
<b>Net operating cost</b>	<b>13.619</b>	<b>13.618</b>	<b>0.001</b>

## 8. Service Agreements/Other Health Care Providers

Table 8 below shows a year to date overspend of £0.309m against service agreements and other healthcare providers, this position has worsened from the £0.229m overspend reported at the end of November.

The year to date position continues to reflect the risk around the service agreement with NHS Lothian Acute Division, additional expenditure on forensic medicine both within NHS Lothian and the independent sector and the impact of increases to the 'top slicing' allocation for national services. However it does not include the expected impact of slippage identified within a number of specific areas of expenditure and the position may improve during the remainder of the year.

	<b>Budgeted Operating Costs 31/12/2006 £M</b>	<b>Actual Operating Costs 31/12/2006 £M</b>	<b>Actual saving / (excess) 31/12/2006 £M</b>
Service Level Agreements	50.048	50.343	(0.295)
Unpacs and Oats	3.366	3.359	0.007
Resource Transfer and Bridging	21.422	21.347	0.075
Independent Sector	6.676	6.828	(0.152)
HIF and SIP's	0.627	0.607	0.020
Mental Health	0.064	0.064	0.000
Gross operating costs	82.203	82.548	(0.345)
Less: miscellaneous income	(0.717)	(0.753)	0.036
<b>Net operating cost</b>	<b>81.486</b>	<b>81.795</b>	<b>(0.309)</b>

## 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.

	Annual Plan			Savings withdrawn			Balance
	Rec £M	Non-Rec £M	Total £M	Rec £M	Non-Rec £M	Total £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
<b>Total Savings Identified</b>	<b>2.838</b>	<b>3.610</b>	<b>6.448</b>	<b>2.738</b>	<b>3.680</b>	<b>6.418</b>	<b>0.030</b>
Shortfall against original plan	2.162	(0.610)	1.552	0.000	0.000	0.000	1.552
<b>Total Savings Planned</b>	<b>5.000</b>	<b>3.000</b>	<b>8.000</b>	<b>2.738</b>	<b>3.680</b>	<b>6.418</b>	<b>1.582</b>

## 10. Capital

Capital expenditure of £5.060m has been incurred against the net allocation of £21.822m, with a year end underspend forecast at £20.346m taking account of potential capital receipts of £13.700m. To achieve the forecast year end position, capital expenditure in excess of £10.000m is required during the period January to March. It is essential that further action is taken by all concerned to ensure this level of spend is achieved as any underspend beyond that already notified to the Scottish Executive may not be made available for carry forward to future years.

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

	Revised Annual Plan £M	Actual Position to 31/12/06 £M	Year end Forecast to 31/03/07 £M
<b>Capital Allocation</b>	21.822	5.060	21.822
<b>Capital Expenditure</b>			
Hospital Infrastructure	2.365	0.809	1.566
Community Infrastructure	3.158	0.876	2.659
Medical Equipment	4.326	1.241	4.338
IM&T	2.813	0.818	2.813
Other	6.626	1.316	3.800
	<b>19.288</b>	<b>5.060</b>	<b>15.176</b>
<b>Capital Receipts</b>	(13.700)	0.000	(13.700)
<b>Net under / (over) spend</b>	<b>16.234</b>	<b>0.000</b>	<b>20.346</b>

## 11. Conclusion

*The Board is asked to note:*

- *the actual revenue underspend of £0.215 as at 31 December 2006*
- *the forecast revenue underspend of £0.219m at 31 March 2007*
- *the forecast capital underspend of £20.346m at 31 March 2007 assuming all anticipated capital receipts are achieved*
- *a further assessment of the year end forecast in nearing completion and will be reported to the Corporate Management Team in early February and formally to the NHS Board at the February Board Meeting*

**Susan Goldsmith**  
**Director of Finance**  
**18 January 2007**

## Annex A – Revenue Resources

<u>Revenue Allocations 2006/07</u>	
	£M
<b>Revenue Resource Limit as at 30 November 2006</b>	<b>762.316</b>
AHP Development & Support Scheme	0.003
Additional Diagnostics Allocation	0.323
Diagnostics Project	0.018
Recombinant Factors VIII and IX - Transfers to NSS	(2.482)
Pre-implantable Genetic Diagnosis - Transfers to NSS	(0.023)
One year Guarantee funding for Midwives	0.053
Additional Dental Practice Rent Reimbursement for 2005/06	0.022
Neonatal Observation Study	0.001
Return to Practice	0.005
Transition of Specialist Registrars to Consultants	0.071
Transfer of funding for 3 SHO Posts	(0.107)
Scottish Dental Access Initiative	0.042
Local Hand Hygiene Co-ordinator	0.025
Hepatitis C Action Plan	0.176
Transfer of Childsmile Funding	0.060
HAI: Mandatory C. diff Monitoring - lab funding	0.012
Keeping Childbirth Natural	0.014
Community Health Index (CHI) Programme (Phase II)	0.043
AHP Support & Development - Flying Start	0.006
Unscheduled Care element of new community pharmacy contract	0.140
<b>Revenue Resource Limit as at 31 December 2006</b>	<b><u>760.718</u></b>