

NHS LANARKSHIRE

BOARD MEETING 25 JULY 2007

Title of Report	Finance Report For The Month Ended 30 June 2007
Purpose of Report	The attached report provides the NHS Board with an update on the financial position for the first quarter of the financial year 2007/08.
Key Highlights	<ul style="list-style-type: none"> • An underspend of £1.140m as at 30 June 2007 • A forecast year end surplus of £3.971m per the approved financial plan • £2.8m of the £3m recurring savings target for the year has been identified to date. • A process is underway to manage the non recurring position in year and further reports will be provided to the NHS Board over the coming months • Capital expenditure of £1.043m has been incurred to date, against the annual plan of £25.131m
Action	The NHS Board are asked to note the contents of the report.

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 30 JUNE 2007

1. Introduction

The purpose of this report is to provide the NHS Board with the summary financial position for the three months ended 30 June 2007.

2. Summary

The financial position to the end of June shows an under spend of £1.140m, as detailed in Table 1 below. This includes a range of cost pressures and offsetting benefits across the system and is broadly in line with the position expected per the approved Financial Plan.

<i>Table 1 - Summary Financial Position</i>				
	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M	Forecast saving / (excess) 31/03/2008 £ 000
Acute Operating Division	71.539	71.842	(0.303)	0.000
North CHP	18.976	18.518	0.458	0.000
South CHP	9.556	9.574	(0.018)	0.000
Primary Care Other Services	59.875	59.893	(0.018)	0.000
Headquarters / Corporate Functions	4.925	4.867	0.058	0.000
Service Level Agreements / Other Healthcare				
Providers	26.739	26.850	(0.111)	0.000
NHSL - wide	20.211	19.137	1.074	3.971
Net Operating Costs	211.821	210.681	1.140	3.971

As noted last month, the five year Financial Plan 2007/08 – 2011/12 was approved by the NHS Board in February of this year. This identified a forecast year end recurring surplus of £4.988m, a non recurring overspend of £1.017m, to achieve a forecast in year surplus of £3.971m.

In addition to the forecast in year surplus, the approved Annual Accounts for 2006/07 identified a carry forward surplus of £7.961m to the current financial year, bringing the potential surplus for the year to £11.932m. A process is underway to examine the impact of this on the management of the overall position, both in the current year and in the longer term. Consideration will be given to options for utilisation of this non recurring benefit, including specific areas of cost pressure, further investment to facilitate estate rationalisation and other areas of 'invest to save'. An initial draft of a 'non recurring financial plan' for

2007/08 will be discussed with the Corporate Management Team in late August, with a further update to the NHS Board thereafter.

3. Revenue Resources

At the end of June 2007, the revenue resource limit for NHS Lanarkshire was £740.441m. Changes to the allocation during the month are highlighted in Annex A.

The approved financial plan is predicated on achieving a £1.500m slippage target against new allocations and as such, all additional allocations received during the year will be assessed on an ongoing basis and measures taken to identify areas to contribute to the £1.500m target.

The potential availability of non recurring resources beyond that planned for the year will have an impact on the requirement to achieve further slippage against allocations. This area will be reviewed through the exercise to address management of the 'non recurring financial plan' for the year, as highlighted above.

4. Acute Division

The Acute Division is reporting an over spend of £0.303m for the year to date, as detailed in Table 2. The under spend against the pay budgets has increased from the May position, although this may be related to the roll out of the Agenda for Change budget setting exercise across Lanarkshire. This area is being investigated further as the under spend masks cost pressures relating to a number of unfunded posts, overspends within midwifery, and a significant increase in Nursing Bank costs. In relation to the non pay over spend, the ongoing investigation work combined with financial planning assumptions should make a significant positive contribution to the existing pressure areas, and the target year end position remains a break even.

Table 2- Acute Division 2007/08

	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M
Pay	52.427	51.986	0.441
Non Pay	27.490	28.172	(0.682)
Gross operating costs	79.917	80.158	(0.241)
Less: miscellaneous income	(8.378)	(8.316)	(0.062)
Net operating cost	71.539	71.842	(0.303)

5. Primary Care

Across the Primary Care sector, there is a net under spend of £0.422m for the period to the end of June 2007. This includes an under spend of £0.458m within the North Community Partnership (as detailed in Table 3), an over spend of £0.018m within the South Community Health Partnership (as detailed in Table 4) and an over spend of £0.018m within the area wide Primary Care budgets (as detailed in Table 5).

Table 3 - North CHP 2007/08

	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M
Pay	16.326	15.886	0.440
Non Pay	2.650	2.632	0.018
Net operating cost	18.976	18.518	0.458

The under spend against the North CHP is predominantly across the pay budgets. There remain many vacancies, particularly within Mental Health in the Coatbridge locality. All pays budgets have been reset to reflect Agenda for Change and the implications of this will be reviewed over the next few months.

Table 4 - South CHP 2007/08

	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M
Pay	8.348	8.242	0.106
Non Pay	1.208	1.332	(0.124)
Net operating cost	9.556	9.574	(0.018)

The over spend within the South CHP includes an under spend of £0.106m against the pay budgets, with supplies overspending by £0.124m. As reported last month, Audiology supplies are overspent due to significant purchases of digital hearing aids as a result of ENT waiting list activity. This overspend is not expected to continue into the next quarter.

Table 5 - Primary Care Other Services 2007/08

	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M
Pay	5.407	5.517	(0.110)
Non Pay	1.732	1.667	0.065
Family Health Services	29.461	29.461	0.000
Prescribing	27.981	27.981	0.000
Gross operating costs	64.581	64.626	(0.045)
Less: Family Health Service income	(2.896)	(2.896)	0.000
Less: Miscellaneous income	(1.810)	(1.837)	0.027
Net operating cost	59.875	59.893	(0.018)

The Area Wide Services position is a total overspend of £0.045m mainly due to E-Health, in particular Medical Records staffing.

6. Headquarters/Area Wide Departments

At the end of June the Headquarters Departments show an under spend of £0.058m, as set out in table 6. This is mainly reflected across pay expenditure. 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.

	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M
Pay	3.656	3.589	0.067
Non Pay	1.269	1.278	(0.009)
Net operating cost	4.925	4.867	0.058

7. Service Agreements/Other Health Care Providers

The work of the National Tariff Project Board has concluded that 4.25% uplift is to be applied to the other NHS Scotland Service Agreements for the current financial year. The impact of this is being assessed at the time of writing of this report. Provision has been made in the approved financial plan for pay and prices uplift. Any funding required above this level will impact on the recurring position and will need to be considered in the context of the wider provision of funding for developments approved via the regional prioritisation process. A further update will be provided in due course.

At the end of June 2007, there is an over spend of £0.111m 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 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.

	Budgeted Operating Costs 30/06/2007 £M	Actual Operating Costs 30/06/2007 £M	Actual saving / (excess) 30/06/2007 £M
Service Level Agreements	17.875	17.835	0.040
Unpacs and Oats	1.236	1.244	(0.008)
Resource Transfer and Bridging	7.200	7.204	(0.004)
Independent Sector	2.251	2.410	(0.159)
HIF and SIP's	0.340	0.320	0.020
Mental Health	0.000	0.000	0.000
Gross operating costs	28.902	29.013	(0.111)
Less: miscellaneous income	(2.163)	(2.163)	0.000
Net operating cost	26.739	26.850	(0.111)

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 June, £2.800m of the recurring plan has been targeted against specific areas within the approved financial plan, and against corporate or area-wide departments.

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 £25.131m against a number of schemes. Details of the actual expenditure position for the first quarter of the current financial year are set out in table 8 below. It is important to note that capital expenditure is often heavily weighted toward 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 30/6/2007 £M
Capital Allocation	36.349	1.043
Capital Expenditure		
Property	18.389	0.786
Equipment	4.192	0.217
IM&T	2.550	0.040
	25.131	1.043
Net under / (over) spend	11.218	0.000

10. Conclusion

The Board is asked to:

- *Note the actual revenue underspend of £1.140m as at 30 June 2007*
- *Note the forecast year end surplus of £3.971m per the approved financial plan*

- *Note £2.8m of the £3m recurring savings target for the year has been identified to date.*
- *Note that a process is underway to manage the non recurring position in year and further reports will be provided to the NHS Board over the coming months*
- *Note capital expenditure of £1.043m has been incurred to date, against the planned expenditure for the year of £25.131m.*

Carol Potter
Deputy Director of Finance

17 July 2007

ANNEX A

REVENUE RESOURCE LIMIT 2007/08			
	£M	£M	£M
	Recurring	Non - Recurring	Total
Revenue Resource Limit as at 31 May 2007	734.969	0.000	734.969
Adjustments to Allocations Confirmed:			
Hepatitis C Action Plan		0.176	0.176
Scottish Dental Access Initiative		0.040	0.040
HNCs		0.294	0.294
Support of Science		0.445	0.445
Dental Services - Decontamination		0.268	0.268
AHP Flying Start Round 18		0.002	0.002
ADAT		0.068	0.068
ADAT Treatment and Support Funding		2.546	2.546
AST Diagnostic Funding		0.784	0.784
Diana Nurses		0.025	0.025
Implementation of Review of Mental Health Nursing		0.030	0.030
Eye Care Redesign and Cataract Delivery Programme		0.079	0.079
Planned Care Improvement Programme		0.299	0.299
Unscheduled Care Collaborative		0.175	0.175
SPCC CHP Funding		0.005	0.005
SPCC Project Managers Funding		0.054	0.054
Diagnostics Collaborative		0.182	0.182
Revenue Resource Limit as at 31 May 2007	734.969	5.472	740.441