

**NHS LANARKSHIRE**  
**BOARD MEETING 27 JUNE 2007**

<b>Title of Report</b>	<b>Finance Report For The Month Ended 31 May 2007</b>
<b>Purpose of Report</b>	<b>The attached report provides the NHS Board with an update on the financial position for the first two months of the financial year 2007/08.</b>
<b>Key Highlights</b>	<ul style="list-style-type: none"> <li>• <b>An underspend of £0.732m as at 31 May 2007</b></li> <li>• <b>A forecast year end surplus of £3.971m per the approved financial plan</b></li> <li>• <b>Work is progressing to meet the recurring and non-recurring savings target for the year</b></li> </ul>
<b>Action</b>	<b>The NHS Board are asked to note the contents of the report.</b>

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE MONTH ENDED 31 MAY 2007

#### 1. Introduction

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

#### 2. Summary

The financial position to the end of May shows an under spend of £0.732m, 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 31/05/2007 £M	Actual Operating Costs 31/05/2007 £M	Actual saving / (excess) 31/05/2007 £M	Forecast saving / (excess) 31/03/2008 £ 000
Acute Operating Division	58.489	58.836	(0.347)	0.000
North CHP	12.574	12.384	0.190	0.000
South CHP	6.338	6.391	(0.053)	0.000
Primary Care Other Services	40.658	40.706	(0.048)	0.000
Headquarters / Corporate Functions	2.993	2.959	0.034	0.000
Service Level Agreements / Other Healthcare				
Providers	12.113	12.231	(0.118)	0.000
NHSL - wide	16.248	15.174	1.074	3.971
<b>Net Operating Costs</b>	<b>149.413</b>	<b>148.681</b>	<b>0.732</b>	<b>3.971</b>

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. The reported position does not take account of any benefit from the non recurring carry forward relating to 2006/07. This will be subject to discussion with the SEHD over the next month or two.

#### 3. Revenue Resources

At the end of May 2007, the revenue resource limit for NHS Lanarkshire was £734.969m. This represents a 6.71% increase over the allocation for the previous year, the details of which are noted in Table 2 on the following page.

**Table 2 - Revenue Allocations 2007/08**

	£M
<b>Baseline Revenue Resource Limit</b>	686.476
<b>Adjustments to Baseline Allocations Confirmed:</b>	
Balance of Change and Innovation funding	1.190
Scottish Ambulance Service Adjustment	(0.251)
Stoma Appliance Remuneration	0.278
NSD Allocations Top Sliced	(0.699)
Audiology Service Modernisation	0.389
Water Rates for Hospice	0.004
CHD/Stroke	1.458
Stroke Audit	0.030
Positron Emission Tomography	(0.108)
	<b>688.767</b>
Standard uplift @ 6.00%	41.326
Further move to Arbuthnott parity	4.876
<b>Revenue Resource Limit as at 31 May 2007</b>	<b>734.969</b>

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.

New allocations will be highlighted to the NHS Board on a monthly basis.

#### **4. Acute Division**

The Acute Division is reporting an overspend of £0.347m for the year to date, as detailed in Table 3. The approved financial plan has recognised future cost pressures and contractual obligations, for example laboratory supplies, maintenance of medical equipment and changes to the PFI contracts. However, the historic position remains to be addressed, with ongoing concerns relating to high cost drugs; the impact of the repatriation of oncology activity; increased Cardiology pacemaker activity; and theatre supplies. Work to investigate these ongoing cost pressures continues and every effort will be taken to manage these within the resources available.

**Table 3 - Acute Division 2007/08**

	<b>Budgeted Operating Costs 31/05/2007 £M</b>	<b>Actual Operating Costs 31/05/2007 £M</b>	<b>Actual saving / (excess) 31/05/2007 £M</b>
Pay	34.746	34.456	0.290
Non Pay	18.621	19.258	(0.637)
Gross operating costs	53.367	53.714	(0.347)
Less: miscellaneous income	(5.122)	(5.122)	0.000
<b>Net operating cost</b>	<b>48.245</b>	<b>48.592</b>	<b>(0.347)</b>

## 5. Primary Care

Across the Primary Care sector, there is a net under spend of £0.089m for the period to the end of May 2007. This includes an under spend of £0.190m within the North Community Partnership (as detailed in Table 4), an overspend of £0.053m within the South Community Health Partnership (as detailed in Table 5) and an overspend of £0.048m within the area wide Primary Care budgets (as detailed in Table 6).

	<b>Budgeted Operating Costs 31/05/2007 £M</b>	<b>Actual Operating Costs 31/05/2007 £M</b>	<b>Actual saving / (excess) 31/05/2007 £M</b>
Pay	10.835	10.484	0.351
Non Pay	1.739	1.900	(0.161)
<b>Net operating cost</b>	<b>12.574</b>	<b>12.384</b>	<b>0.190</b>

	<b>Budgeted Operating Costs 31/05/2007 £M</b>	<b>Actual Operating Costs 31/05/2007 £M</b>	<b>Actual saving / (excess) 31/05/2007 £M</b>
Pay	5.536	5.497	0.039
Non Pay	0.802	0.894	(0.092)
<b>Net operating cost</b>	<b>6.338</b>	<b>6.391</b>	<b>(0.053)</b>

	<b>Budgeted Operating Costs 31/05/2007 £M</b>	<b>Actual Operating Costs 31/05/2007 £M</b>	<b>Actual saving / (excess) 31/05/2007 £M</b>
Pay	3.508	3.644	(0.136)
Non Pay	1.168	1.060	0.108
Family Health Services	20.371	20.371	0.000
Prescribing	18.683	18.683	0.000
Gross operating costs	43.730	43.758	(0.028)
Less: Family Health Service income	(1.913)	(1.913)	0.000
Less: Miscellaneous income	(1.159)	(1.139)	(0.020)
<b>Net operating cost</b>	<b>40.658</b>	<b>40.706</b>	<b>(0.048)</b>

The overall position for the North CHP masks an under spend on pays of £0.351m and an overspend on supplies of £0.161m. The main areas of overspend within supplies are drugs and staff travel. The drugs overspend is due to vaccine costs which will be covered with additional funding from the total drugs budget.

The South CHP position includes an under spend of £0.039m on pays and a supplies over spend of £0.092m. The main areas of overspend are vaccines within the drugs expenditure and this will be covered with additional funding from the total drugs budget. Audiology supplies are also overspent due to significant purchases of digital hearing aids as a result of ENT waiting list activity.

## 6. Headquarters/Area Wide Departments

At the end of May the Headquarters Departments show an under spend of £0.034m. This is mainly reflected across non pay expenditure. Further work is required with budget holders to manage expenditure levels, agree withdrawal of savings and provide a robust assessment of any potential financial risks or benefits.

	<b>Budgeted Operating Costs 31/05/2007 £M</b>	<b>Actual Operating Costs 31/05/2007 £M</b>	<b>Actual saving / (excess) 31/05/2007 £M</b>
Pay	2.221	2.219	0.002
Non Pay	0.772	0.740	0.032
<b>Net operating cost</b>	<b>2.993</b>	<b>2.959</b>	<b>0.034</b>

## 7. Service Agreements/Other Health Care Providers

Formal agreement of the uplift to be applied to the other NHS Scotland Service Agreements has not been agreed across Scotland. In previous years, the National Directors of Finance group has discussed this matter and agreed a consensus approach. It is likely that this will be determined in the current year by the Scottish Executive Health Department, through the work of the National Tariff Group.

Funding to cover an inflationary uplift for both pay and prices, and resources to support agreed service developments in specific areas such as the Beatson Oncology Centre, Glasgow waiting times and the Interventional Cardiology service have been factored into the approved Financial Plan. Any funding requests beyond that detailed in the Financial Plan will be notified to the Corporate Management Team, before any decision is taken.

The budgets for Unplanned Activity (UNPACs) and the Independent Sector will also be increased to reflect pay and prices increases, per the Financial Plan. These areas are subject to fluctuations in expenditure from month to month and will be monitored closely to ensure robust financial control is maintained. Work is underway to transfer the approval process and financial reporting arrangements for a number of budgets within this area to the CHPs. At the end of May 2007, there is an overspend of £0.118m against the service agreements and other providers, as detailed in table 8, with the main area of concern being the Independent Sector. This relates predominantly to referrals for Forensic Medicine, and 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. Further consideration is required with regard the financial risk associated with these budgets and options to manage this across the system.

***Table 8 - Service Agreements / Other Healthcare Providers 2007/08***

	<b>Budgeted Operating Costs 31/05/2007 £M</b>	<b>Actual Operating Costs 31/05/2007 £M</b>	<b>Actual saving / (excess) 31/05/2007 £M</b>
Service Level Agreements	11.922	11.890	0.032
Unpacs and Oats	0.833	0.831	0.002
Resource Transfer and Bridging	0.023	0.026	(0.003)
Independent Sector	1.410	1.559	(0.149)
HIF and SIP's	0.088	0.088	0.000
Mental Health	0.000	0.000	0.000
Gross operating costs	14.276	14.394	(0.118)
Less: miscellaneous income	(2.163)	(2.163)	0.000
<b>Net operating cost</b>	<b>12.113</b>	<b>12.231</b>	<b>(0.118)</b>

## 8. Savings

'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 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 May, £2.000m of the recurring plan has been targeted against specific areas within the approved financial plan, and against corporate or area-wide departments. Further work is required to firm up the remaining balance, although this is well advanced, along with the allocation of the non recurring target across the system.

As yet, no budget adjustments for CRES have been made to the funding levels for the Acute Division and the CHPs. These will be amended over the coming months through discussion with the individual operational management teams. Any shortfall will be addressed through discussion and action of the Corporate Management Team.

## 9. Capital

The capital plan for 2007/08 is presented under separate cover for approval by the NHS Board.

During the year capital expenditure will be reported within the overall finance report to the NHS Board, with management and monitoring of capital expenditure carried out by the Capital Investment Group.

## 10. Conclusion

*The Board is asked to:*

- *Note the actual revenue underspend of £0.732m as at 31<sup>st</sup> May 2006*
- *Note the requirement to continue to address the recurring and non recurring savings targets for the year*
- *Note the discussion required with the SEHD about the carry forward from 2006/07.*

**Susan Goldsmith**  
**Director of Finance**  
**21 June 2007**