

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 28 FEBRUARY 2007

1. Introduction

The purpose of this report is to provide the NHS Board with the summary financial position for the eleven months ended 28 February 2007 and an update on the forecast position for the year end.

2. Overview

The actual financial position to the end of February shows an underspend of £2.209m compared with an underspend of £2.038m at the end of January.

The most significant issue to note in relation to the year end forecast is the impact of “booking” the Law Hospital sale. ‘Virtual certainty’ has now been reached, with the achievement of detailed planning consent on 27 February 2007 and the removal of objections from SEPA and Scottish National Heritage. This allows the receipt to be recorded as revenue income. The net value of the receipt is anticipated at £17.7m, and with a net book value of £5.0m, this will translate into a revenue benefit in the region of £11m to £12.7m, subject to confirmation of costs for a distributor road, professional fees, site security and other costs. However it is unlikely to be any lower than the £11m included in the forecast.

The impact of the Law Hospital sale will allow NHS Lanarkshire to clear the brought forward deficit in totality and, subject to formal approval by the Scottish Executive Health Department, to carry forward a surplus into 2007/08. The current forecast year end surplus is in line with that highlighted in the previous month’s report, within the range £5.5m - £7.7m.

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

<i>Table 1 - Summary Financial Position</i>				
	Budgeted Operating Costs 28/02/07 £M	Actual Operating Costs 28/02/07 £M	Actual saving / (excess) 28/02/07 £M	Forecast saving / (excess) 31/03/2007 £ 000
Acute Operating Division	261.732	261.894	(0.162)	0.000
North CHP	66.763	66.201	0.562	0.000
South CHP	34.355	34.266	0.089	0.000
Primary Care Other Services	216.281	216.901	(0.620)	0.000
Headquarters / Corporate Functions Service Level Agreements / Other	17.058	16.997	0.061	0.000
Healthcare Providers	102.466	102.456	0.010	(0.284)
NHSL - wide	31.787	29.518	2.269	5.737
Net Operating Costs	730.442	728.233	2.209	5.453

3. Financial Plan – Year end forecast

Table 2 below provides an analysis of the year end forecast set out in the January Finance Report. This has been updated to show the potential revenue benefit of the Law Hospital sale at its lowest level.

<i>Table 2 - Potential Year End Position 2006/07</i>		
	Low £M	High £M
Mid Year Review forecast surplus / (deficit)	0.219	0.219
Financial Plan Adjustments	2.238	2.238
Income Adjustments	0.858	1.158
National & Regional Issues	(0.033)	(0.033)
Other Healthcare Providers	0.061	0.061
Divisional Issues	0.382	0.382
Allocation Slippage	0.526	0.526
Glasgow Issues	0.377	0.908
Technical Accounting Provisions	(0.207)	(0.207)
Further Benefits	0.500	1.900
Further Risks	(2.075)	(2.075)
Updated forecast surplus / (deficit)	2.846	5.077
Cumulative deficit b/fwd	(8.393)	(8.393)
Sale of Law Hospital site (tbc)	11.000	11.000
Revised forecast surplus / (deficit)	5.453	7.684

At the time of writing, and as we near 31 March, work is continuing to ensure a robust approach is taken to the management of the year end position. This includes considering the opportunity to support requests for premature retirement as part of the Redeployment Policy.

In view of the financial position of NHS Lanarkshire over the last few years, the forecast year end position is extremely positive. This sees the organisation returning to recurring balance at a time when we are embarking on a period of significant strategic change and the financial challenges are likely to be significant.

4. Revenue Resources

At the end of February 2007, the revenue resource limit for NHS Lanarkshire was £761.465m. The details of the movements from January are noted in Annex A.

5. Acute Division

The Acute Division is reporting an overspend of £0.162m for the year to date, as detailed in Table 3, a decrease of £0.095m from the previous month. Pressures remain across a number of non pay budgets, in particular laboratories, drugs and theatres, with costs driven by patient activity both in terms of numbers and complexity. With the distribution of specific funding

from within Divisional funds and an SEHD allocation, for Planned Care and Capacity Planning, and a slowing down of the supplies overspend within theatres, there is confidence that a break even position will be achieved within the Division.

Table 3 - Acute Division 2006/07

	Budgeted Operating Costs 28/02/2007 £M	Actual Operating Costs 28/02/2007 £M	Actual saving / (excess) 28/02/2007 £M
Pay	189.509	186.702	2.807
Non Pay	102.195	105.198	(3.003)
Gross operating costs	291.704	291.900	(0.196)
Less: miscellaneous income	(29.972)	(30.006)	0.034
Net operating cost	261.732	261.894	(0.162)

6. Primary Care

Across the Community Health Partnerships and other Primary Care services, there is an underspend of £0.031m for the period to the end of February 2007.

The North Community Health Partnership shows an underspend of £0.562m for the period, as highlighted in Table 4, an increase of £0.165m from the previous month, reflecting the ongoing trend for this year. As previously noted, this is the result of the gradual introduction of the Community Nursing review and underspends within Mental Health.

The South Community Partnership shows an underspend of £0.089m for the period, as highlighted in Table 5, a decrease of £0.109m from the previous month.

Table 4 - North CHP 2006/07

	Budgeted Operating Costs 28/02/2007 £M	Actual Operating Costs 28/02/2007 £M	Actual saving / (excess) 28/02/2007 £M
Pay	57.637	56.759	0.878
Non Pay	9.126	9.442	(0.316)
Net operating cost	66.763	66.201	0.562

Table 5 - South CHP 2006/07

	Budgeted Operating Costs 28/02/2007 £M	Actual Operating Costs 28/02/2007 £M	Actual saving / (excess) 28/02/2007 £M
Pay	29.299	29.087	0.212
Non Pay	5.056	5.179	(0.123)
Net operating cost	34.355	34.266	0.089

The Other Primary Care Services budgets show an overspend of £0.620m to the end of February, as highlighted in Table 6. The non recurring underspends seen across the CHP budgets through the year have been withdrawn from the central primary care reserves and have resulted in an increase to the overspend in this area.

Prescribing data for the first nine months of the year has now been received and reflects a break even position. There is an anticipated underspend against the overall prescribing budget for the year and this has been factored into the overall year end forecast. There continues to be uncertainty however about the year end position of the Pharmacy Contract.

Table 6 - Primary Care Other Services 2006/07

	Budgeted Operating Costs 28/02/2007 £M	Actual Operating Costs 28/02/2007 £M	Actual saving / (excess) 28/02/2007 £M
Pay	19.186	19.571	(0.385)
Non Pay	6.730	7.096	(0.366)
Family Health Services	106.075	106.075	0.000
Prescribing	102.979	102.979	0.000
Gross operating costs	234.970	235.721	(0.751)
Less: Family Health Service income	(10.893)	(10.893)	0.000
Less: Miscellaneous income	(7.796)	(7.927)	0.131
Net operating cost	216.281	216.901	(0.620)

7. Headquarters/Area Wide Departments

At the end of February the Headquarters Departments show an underspend of £0.061 as detailed in Table 7, an increase of £0.008m from the previous month.

Table 7 - Headquarters / Corporate Functions 2006/07

	Budgeted Operating Costs 28/02/2007 £M	Actual Operating Costs 28/02/2007 £M	Actual saving / (excess) 28/02/2007 £M
Pay	11.601	11.575	0.026
Non Pay	5.457	5.422	0.035
Net operating cost	17.058	16.997	0.061

8. Service Agreements/Other Health Care Providers

Table 8 shows a year to date underspend of £0.010m against service agreements and other healthcare providers, this position has decreased from the £0.078m overspend reported at the end of January.

Table 8 - Service Agreements / Other Healthcare Providers 2006/07

	Budgeted Operating Costs 28/02/2007 £M	Actual Operating Costs 28/02/2007 £M	Actual saving / (excess) 28/02/2007 £M
Service Level Agreements	68.392	68.268	0.124
Unpacs and Oats	4.422	4.419	0.003
Resource Transfer and Bridging	21.573	21.481	0.092
Independent Sector	8.155	8.389	(0.234)
HIF and SIP's	0.647	0.625	0.022
Mental Health	0.088	0.085	0.003
Gross operating costs	103.277	103.267	0.010
Less: miscellaneous income	(0.811)	(0.811)	0.000
Net operating cost	102.466	102.456	0.010

9. Capital

Capital expenditure of £8.043m has been incurred against the net allocation of £21.927m, with a year end underspend forecast at £19.348m, taking account of potential capital receipts of £13.700m.

Work is ongoing within the Finance Department, in conjunction with Property Services, IM&T and representatives of the Core Equipment Group, to take appropriate action to ensure the capital expenditure for the year is in line with that forecast.

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

Table 10 - Capital Expenditure 2006/07

	Revised Annual Plan £M	Actual Position to 28/02/07 £M	Year end Forecast to 31/03/07 £M
Capital Allocation	21.927	8.043	21.927
Capital Expenditure			
Hospital Infrastructure	1.750	0.766	1.750
Community Infrastructure	1.460	0.736	1.460
Medical Equipment	4.276	2.501	4.276
IM&T	3.798	2.211	3.798
Other	5.369	1.829	4.995
	16.653	8.043	16.279
Capital Receipts	(13.700)	0.000	(13.700)
Net under / (over) spend	18.974	0.000	19.348

The Scottish Executive Health Department has confirmed a capital carry forward of £12.554m to 2007/08. This is based on the forecast position as at January 2007, less the receipt for the Stonehouse sale. Further progress has been made on this land sale and it is evident that, like Law, this will be 'booked' by 31 March 2007. In view of the extensive and complex capital investment programme over the coming years, it is essential that the full carry forward of circa £19m is agreed by the SEHD, and a formal request will be made on this basis as part of the year end process.

10. Conclusion

The Board is asked to note:

- *The year to date underspend of £2.209m*
- *The sale of the Law Hospital site will be 'booked' as at 27 February 2007*
- *The forecast year end revenue surplus of £5.6m - £7.7m*
- *The forecast year end capital underspend of £19.348m.*

Susan Goldsmith
Director of Finance
21 March 2007

Annex A – Revenue Resources

<u>Revenue Allocations 2006/07</u>	
	£M
Revenue Resource Limit as at 31 January 2007	761.189
AHP Consultant Post	0.050
6 Month Secondment of Diana Campbell Senior Charge Nurse	0.035
Transition of Specialist Registrars to Consultants	0.035
AHP Development and Scheme - Flying Start	0.006
Prisms Funding - Transfer to NSS	(0.124)
NHS Lanarkshire - Case Management Project	0.100
Emergency Dental Services	0.174
Revenue Resource Limit as at 28 February 2007	761.465