

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 30 SEPTEMBER 2007

1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the six months ended 30 September 2007.

2. Summary

- 2.1. The financial position to the end of September shows an under spend of £6.844m, as detailed in Table 1 below.

Table 1 - Summary Financial Position				
	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M	Forecast saving / (excess) 31/03/2008 £M
Acute Operating Division	108.082	108.190	(0.108)	0.000
North CHP	39.001	37.398	1.603	0.000
South CHP	19.967	19.564	0.403	0.000
Primary Care Other Services Headquarters / Corporate Functions	122.410	121.782	0.628	0.000
Service Level Agreements / Other Healthcare Providers	49.000	48.988	0.012	0.000
NHSL - wide	57.096	57.221	(0.125)	0.000
	26.291	21.860	4.431	3.971
Net Operating Costs	421.847	415.003	6.844	3.971
b/f surplus				7.961
				11.932

- 2.2. This is a further improvement against last month's position, particularly within Primary Care services as a result of an under spend on Prescribing. This is the result of additional category M price reductions beyond those already identified through the budget setting process, and has had an impact across Scotland. Early indications suggest this may add a further £3.000m to the surplus for the year. This has not yet been reflected in the forecast above and will be picked up through the mid year review process.

- 2.3. In addition to this underspends in both CHPs continue and although a breakeven position remains the forecast position it is clear that this is now highly unlikely.
- 2.4. The mid year review is nearing completion at the time of writing this report, and a verbal update will be provided to the NHS Board at the meeting on 31 October. The process includes a review of commitments made in the approved Financial Plan, operational budget performance, the impact of activity outwith Lanarkshire including national tariff issues, as well as the benefit of accruals and provisions from the 2006/07 accounts.
- 2.5. Recent correspondence from the Scottish Government Health Department (SGHD) has clearly indicated that any surplus beyond that set out in our approved LDP is unlikely to be honoured in future financial years. This needs to be set against the context of an increasingly difficult financial climate and the expected tight Spending Review settlement, as well as the impact of the Cabinet Secretary's decision in February next year in relation to the provision of A&E services across Lanarkshire.
- 2.6. From the early work on the mid year review process, and taking account of the issues raised above, it is clear that management action will be required to essentially minimise the under spend as we reach the end of the financial year. Some priority proposals have now been agreed by the Corporate Management Team, through the work undertaken over the last few months on non recurring proposals and 'invest to save' schemes. Further discussions will take place once the mid year review had been completed and there is greater clarity on the potential range of the surplus.

3. Revenue Resources

- 3.1. At the end of September 2007, the revenue resource limit for NHS Lanarkshire was £822.052m. Changes to the allocation during the month are highlighted in Annex A.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £0.108m for the period to the end of September 2007, as detailed in Table 2, an increase of £0.027m from the previous month.
- 4.2. The under spend against the pay budgets shows an increase of £0.210m from the previous month mainly due to funding being released for Agenda for Change backfill costs and also the continuing impact of vacancies within Admin and Clerical, Allied Health Professionals and Senior Medical staffing, particularly Radiology and Microbiology. Recent work within the Division in the area of Nursing and Midwifery including Nurse Bank has resulted in an improvement in expenditure.

- 4.3. The over spend against non pay budgets shows an increase of £0.204 from the previous month and continues largely to be pressures within A&E receiving units in particular Dressings and Surgical Appliances, Reagent and Consumable costs within Laboratories across the three sites and also the impact of Anaesthetics and Theatre supplies. Despite the on going cost pressures the target year end position for the Division remains break even.

	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M
Pay	99.670	98.475	1.195
Non Pay	25.819	27.030	(1.211)
Gross operating costs	125.489	125.505	(0.016)
Less: miscellaneous income	(17.407)	(17.315)	(0.092)
Net operating cost	108.082	108.190	(0.108)

5. Primary Care

- 5.1. Across the Primary Care sector, there is a net under spend of £2.634m for the period to the end of September 2007. This includes an under spend of £1.603m within the North Community Partnership (as detailed in Table 3), an under spend of £0.403m within the South Community Health Partnership (as detailed in Table 4) and an under spend of £0.628m within the Primary Care Other Services budgets (as detailed in Table 5).
- 5.2. The North CHP under spend for September, again shows a significant increase of £0.348m from the previous month. The under spend continues to be predominantly across pay budgets as there remains many vacancies particularly within Mental Health in the Coatbridge locality as previously reported. Only a few vacancies had been filled in September.

	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M
Pay	33.662	32.214	1.448
Non Pay	5.339	5.184	0.155
Net operating cost	39.001	37.398	1.603

- 5.3. The South CHP under spend shows a decrease of £0.029m from the previous month. The decrease in under spend is across non pay headings and is largely as a result of increased expenditure on drugs and dressings.

	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M
Pay	17.439	17.098	0.341
Non Pay	2.528	2.466	0.062
Net operating cost	19.967	19.564	0.403

- 5.4. Primary Care Other Services is now showing an under spend of £0.628m which is a significant increase of £0.775m from the previous month. This is predominantly due to prescribing and the impact of additional category M price reductions beyond those already identified through the budget setting process.

	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M
Pay	11.529	11.442	0.087
Non Pay	3.507	3.615	(0.108)
Family Health Services	59.141	59.141	0.000
Prescribing	57.848	57.285	0.563
Gross operating costs	132.025	131.483	0.542
Less: Family Health Service income	(5.798)	(5.798)	0.000
Less: Miscellaneous income	(3.817)	(3.903)	0.086
Net operating cost	122.410	121.782	0.628

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an under spend of £0.012m for the period to the end of September 2007, as detailed in Table 6, an increase of £0.090m from the previous month.
- 6.2. The under spend within pay budgets shows an increase of £0.116m from the previous period mainly due to the release of budget to cover HNC Student Nursing costs. Following a review of all staffing vacancies within PSSD and Corporate departments the latest advice given suggests that vacancies will be filled at a slower rate than previously anticipated.
- 6.3. The overspend in non pays 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 £0.212m, an increase of £0.026m from the previous month and is mainly within non pay expenditure as a result of higher than anticipated maintenance costs.

- 6.4. A recurring savings target of £0.285m has been set across these budgets, although no specific actions have been identified to date. The priority remains to agree withdrawal of savings with budget holders for 2007/08 and to provide a robust assessment of any potential financial risks or benefits. Further discussion is required within the Corporate Management Team on the approach to be taken in this area.

	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M
Pay	15.196	14.989	0.207
Non Pay	33.804	33.999	(0.195)
Net operating cost	49.000	48.988	0.012

7. Service Agreements/Other Health Care Providers

- 7.1. At the end of September 2007, there is an over spend of £0.125m against the service agreements and other providers, as detailed in table 7, an improvement of £0.086m from the previous period. The main area of pressure continues to be for Forensic services.

	Budgeted Operating Costs 30/09/2007 £M	Actual Operating Costs 30/09/2007 £M	Actual saving / (excess) 30/09/2007 £M
Service Level Agreements	36.334	36.304	0.030
Unpacs and Oats	2.664	2.457	0.207
Resource Transfer and Bridging	14.844	14.833	0.011
Independent Sector	4.568	4.987	(0.419)
HIF and SIP's	0.411	0.391	0.020
Mental Health	0.043	0.043	0.000
Gross operating costs	58.864	59.015	(0.151)
Less: miscellaneous income	(1.768)	(1.794)	0.026
Net operating cost	57.096	57.221	(0.125)

8. Capital

- 8.1. Capital expenditure of £2.481m has been incurred against the net capital allocation of £37.351m, with a year end underspend forecast at £13.508m. Details of the actual expenditure position for the six months ended 30 September 2007 are set out in table 8 below.

8.2. In light of a number of factors including the ongoing A&E Review and the uncertainty of both the outcome of the spending review and the wider availability of public capital in future years, it is essential that we secure agreement with the SGHD that the forecast capital under spend is carried forward until such time as NHS Lanarkshire requires the resources. However, consideration must be given to whether there are other areas of short term investment out with the approved Capital Plan which would have a strategic benefit, without compromising the longer term affordability of the capital plan. This work is being taken forward through the Capital Investment Group and will also include areas of 'non added value' expenditure which would impact on the revenue position rather than being deemed to be capital investment.

	Annual Plan £M	Actual Position to 30/09/2007 £M	Year end Forecast to 31/3/2008 £M
Capital Allocation	37.351	2.481	37.351
Capital Expenditure			
Community Infrastructure	9.055	1.482	7.787
Hospital Infrastructure	4.399	0.034	3.926
IM&T	3.550	0.860	3.550
Equipment	4.192	0.105	4.192
Other	5.616	0.000	4.388
	26.812	2.481	23.843
Net under / (over) spend	10.539	0.000	13.508

9. Conclusion

The Board is asked to:

- Note the actual revenue underspend of £6.844m as at 30 September 2007
- Note the forecast year end surplus of £11.932m per the approved financial plan
- Note that there will be a further surplus identified by the Mid Year Review
- Note the forecast capital underspend of £13.508m at 31 March 2008.

Susan Goldsmith
Director of Finance

19 October 2007

ANNEX A

REVENUE RESOURCE LIMIT 2007/08			
	Rec	Non-Rec	Total
	£M	£M	£M
Revenue Resource Limit as at 31 August 2007	735.959	82.702	818.661
Adjustments to Allocations Confirmed:			
Delayed Discharge Funding	0.000	3.121	3.121
Mental Health Delivery	0.000	(0.477)	(0.477)
Sexual Health Funding	0.000	0.483	0.483
Pre-registration training community pharmacy residual payment	0.000	0.069	0.069
To Assist with 62 day Cancer Target	0.000	0.079	0.079
HAI: Hand Hygiene Co-ordinator	0.000	0.050	0.050
HAI: Infection Control Manager	0.000	0.040	0.040
Alcohol and Drugs Local Committees Funding	0.000	0.016	0.016
Admin Support for Scottish Dental Access Initiative	0.000	0.010	0.010
Revenue Resource Limit as at 30 September 2007	735.959	86.093	822.052