

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 31 AUGUST 2007

1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the five months ended 31 August 2007.

2. Summary

- 2.1. The financial position to the end of August shows an under spend of £2.625m, as detailed in Table 1 below.

Table 1 - Summary Financial Position			
	Budgeted Operating Costs 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Acute Operating Division	90.202	90.283	(0.081)
North CHP	32.387	31.132	1.255
South CHP	16.593	16.161	0.432
Primary Care Other Services Headquarters / Corporate Functions	102.189	102.336	(0.147)
Service Level Agreements / Other Healthcare Providers	39.509	39.587	(0.078)
NHSL - wide	42.160	42.371	(0.211)
	23.994	22.539	1.455
Net Operating Costs	347.034	344.409	2.625

- 2.2. This is a further improvement against last month's position, particularly within the CHPs. A detailed mid year review will be undertaken following the September results and will take account of the in year position across all budget areas as well as issues raised to date in the context of discussion around the 'invest to save' plan.
- 2.3. Given the financial uncertainty around the outcome of both the Spending Review Process towards the end of the calendar year and the Cabinet Secretary's decision in February next year in relation to the provision of A&E services across Lanarkshire, it is becoming increasingly evident that any non recurring surplus should be protected for future use. As such the level of resource used for the 'invest to save' proposals needs to be considered carefully, although some priority proposals have now been agreed.

3. Revenue Resources

- 3.1. At the end of August 2007, the revenue resource limit for NHS Lanarkshire was £818.661m. Changes to the allocation during the month are highlighted in Annex A.
- 3.2. The requirement to achieve slippage against these allocations will be reviewed in the context of the overall non recurring plan for the year.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £0.081m for the period to the end of August 2007, as detailed in Table 2, a decrease of £0.060m from the previous month.
- 4.2. The under spend against the pay budgets shows a significant increase of £0.355m from the July position and includes the impact of vacancies within Admin and Clerical, Allied Health Professionals and Senior Medical staffing, particularly Radiology and Microbiology, and also includes the benefit of additional Agenda for Change funding for Pharmacy and Laboratories staffing. This position however continues to mask the ongoing overspend within Nursing and Midwifery including Nurse Bank costs.
- 4.3. The over spend against non pay budgets shows a significant increase of £0.271m from the July position and continues largely to be pressures within A&E receiving units in particular Disposables, Reagent and Consumable costs within Laboratories across three sites and also the impact of Anaesthetics and Theatre supplies. Despite the on going cost pressures the target year end position remains break even.

	Budgeted Operating Costs 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Pay	82.898	81.913	0.985
Non Pay	21.717	22.724	(1.007)
Gross operating costs	104.615	104.637	(0.022)
Less: miscellaneous income	(14.413)	(14.354)	(0.059)
Net operating cost	90.202	90.283	(0.081)

5. Primary Care

- 5.1. Across the Primary Care sector, there is a net under spend of £1.540m for the period to the end of August 2007. This includes an under spend of £1.255m within the North Community Partnership (as detailed in Table 3), an under spend of £0.432m within the South Community Health Partnership (as detailed in Table 4) and an over spend of £0.147m within the Primary Care Other Services budgets (as detailed in Table 5).

- 5.2. The North CHP under spend for August, again shows a significant increase of £0.473m from the previous month. The under spend is predominantly across pay budgets as there remains many vacancies particularly within Mental Health in the Coatbridge locality. Some vacancies have been filled in August, however additional backfill funding for Agenda for Change staffing and the release of reserves to cover cost pressures within management allowance areas have further improved the under spend.

	Budgeted Operating Costs 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Pay	27.989	26.828	1.161
Non Pay	4.398	4.304	0.094
Net operating cost	32.387	31.132	1.255

- 5.3. The South CHP under spend shows a significant increase of £0.374m from the previous month. The increase in under spend is across both pay and non pay headings and is largely as a result of additional backfill funding for Agenda For Change staffing and also the release of reserves to cover cost pressures both within the Clydesdale locality and also management allowance areas.

	Budgeted Operating Costs 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Pay	14.464	14.174	0.290
Non Pay	2.129	1.987	0.142
Net operating cost	16.593	16.161	0.432

- 5.4. The Primary Care Other Services overspend shows an increase of £0.043m from the previous month mainly due to E-Health, in particular Medical Records staffing. The overspend within pays however, shows an improvement of £0.039m largely as a result of three consultant posts now recently vacant within Mental Health.

	Budgeted Operating Costs 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Pay	9.441	9.538	(0.097)
Non Pay	2.922	3.031	(0.109)
Family Health Services	49.533	49.533	0.000
Prescribing	48.206	48.206	0.000
Gross operating costs	110.102	110.308	(0.206)
Less: Family Health Service income	(3.113)	(3.172)	0.059
Less: Miscellaneous income	(4.800)	(4.800)	0.000
Net operating cost	102.189	102.336	(0.147)

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an over spend of £0.078m for the period to the end of August 2007, as detailed in Table 6, an increase of £0.021m from the previous month.
- 6.2. This 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 £0.218m mainly within non pay expenditure.
- 6.3. The under spend within pay budgets shows a decrease of £0.010m from the previous period mainly due to some vacancies having being filled.
- 6.4. 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 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Pay	12.369	12.278	0.091
Non Pay	27.140	27.309	(0.169)
Net operating cost	39.509	39.587	(0.078)

7. Service Agreements/Other Health Care Providers

- 7.1. At the end of August 2007, there is an over spend of £0.211m against the service agreements and other providers, as detailed in table 7, a slight improvement of £0.004m from the previous period.

- 7.2. The main area of concern continues to be within the Independent Sector and predominantly referrals for Eating Disorders and 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. Confirmation on the NHS Lanarkshire likely commitment for 2007/08 is expected from NHS Glasgow and Clyde.

	Budgeted Operating Costs 31/08/2007 £M	Actual Operating Costs 31/08/2007 £M	Actual saving / (excess) 31/08/2007 £M
Service Level Agreements	30.135	30.138	(0.003)
Unpacs and Oats	2.195	2.048	0.147
Resource Transfer and Bridging	7.293	7.285	0.008
Independent Sector	3.686	4.090	(0.404)
HIF and SIP's	0.398	0.378	0.020
Mental Health	0.036	0.036	0.000
Gross operating costs	43.743	43.975	(0.232)
Less: miscellaneous income	(1.583)	(1.604)	0.021
Net operating cost	42.160	42.371	(0.211)

8. Capital

- 8.1. Capital expenditure of £2.368m has been incurred against the net capital allocation of £39.351m, with a year end underspend forecast at £11.218m. Details of the actual expenditure position for the five months ended 31 August 2007 are set out in table 8 below.
- 8.2. Through the mid year review process, the level of capital spend will be assessed and an estimate made of the likely year end position.

	Annual Plan £M	Actual Position to 31/08/2007 £M
Capital Allocation	39.351	2.368
Capital Expenditure		
Community Infrastructure	9.758	1.451
Hospital Infrastructure	0.805	0.055
IM&T	2.550	0.820
Equipment	7.194	0.067
Other	7.826	(0.025)
	28.133	2.368
Net under / (over) spend	11.218	0.000

9. Conclusion

The Board is asked to:

- **Note the actual revenue underspend of £2.625m as at 31 August 2007**
- **Note the forecast year end surplus of £3.971m per the approved financial plan**
- **Note capital expenditure of £2.368m has been incurred to date, against the planned expenditure for the year of £28.133m.**

**Susan Goldsmith
Director of Finance**

20 September 2007

ANNEX A

REVENUE RESOURCE LIMIT 2007/08			
	Rec	Non-Rec	Total
	£M	£M	£M
Revenue Resource Limit as at 31 July 2007	734.969	70.605	805.574
Adjustments to Allocations Confirmed:			
Oral Health Aspects of the Action Plan	0.000	0.553	0.553
Palliative Care Model Schemes	0.000	0.045	0.045
Infrastructure for Health Boards	0.213	0.000	0.213
AHP Support & Development Flying Start Outputs	0.000	0.002	0.002
Marginal cost for Golden Jubilee National Hospital	0.000	(3.054)	(3.054)
Delayed Discharge Funding	0.000	3.121	3.121
HAI - Funding for C.diff lab referrals	0.024	0.000	0.024
HAI - Funding for Nurse Consultants	0.000	0.010	0.010
Distinction Awards	0.000	0.496	0.496
Mental Health Delivery	0.000	0.477	0.477
Respiratory MCN	0.000	0.050	0.050
Smoking Cessation Services	0.000	1.147	1.147
Mental Health Delivery	0.000	0.477	0.477
Agreed Carry Forward from 2006-07	0.000	7.961	7.961
Keep Well - Wave One	0.000	1.000	1.000
Pre-registration training community pharmacy transfer to NES	0.000	(0.119)	(0.119)
Pre-registration training community pharmacy residual payment	0.000	(0.069)	(0.069)
Diagnostic Funding	0.753	0.000	0.753
Revenue Resource Limit as at 31 August 2007	735.959	82.702	818.661