

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE YEAR ENDED 31 MARCH 2008

#### 1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the year ended 31 March 2008, subject to external audit review.

#### 2. Summary

- 2.1. The detailed finance reports presented to the NHS Board over recent months highlighted a potential range for the forecast surplus of between £11.5m and £19.5m, against an agreed carry forward of £11.9m.
- 2.2. Subject to external audit review, the actual financial position for the year is a surplus of £12.137m. This includes the carry forward surplus of £7.961m from the previous financial year and, in terms of outturn, is in line with the approved financial plan for the year. There have been a number of cost pressures and offsetting benefits in arriving at this position and a summary of the movements from the plan is detailed below:

	£M
Forecast per Approved Financial Plan	11.932
Divisional Performance	8.455
Technical Accounting	2.369
Financial Plan / Reserves	(2.803)
SLAs / Resource Transfer / Independent Sector	2.217
CMT Approved Schemes	(4.986)
Premises Investments	(5.047)
<b>Year End Surplus 2007/08</b>	<b>12.137</b>

- 2.3. On a further positive note, the organisation has returned to recurring balance after a number of years of ongoing recurring deficit, with an underlying surplus of planned resource against planned expenditure of £5.256m as at 31 March 2008. This is included in the financial plan for next year as a source of funds.
- 2.4. This marks a huge achievement for NHS Lanarkshire at a time when significant financial challenges look set to continue into the future.

### 3. Year End Position

3.1 Throughout the year the Board has been advised on the various factors affecting the financial position, in particular the improving financial position arising from non recurring underspends giving the opportunity to invest in a number of areas:

- *Divisional Performance £8.455m* – This includes the significant underspends across mental health, primary care, and prescribing, particularly the benefit from Category M drugs savings across Scotland, of which our 'share' is in excess of £3m; offset by a number of cost pressures across the system. A summary of the outturn operational performance is included as Annex A. This shows performance broadly consistent with that previously forecast and for this reason no specific narrative is included in this month's report.
- *Technical Accounting £2.369m* – As in previous years there have been a number of technical accounting adjustments including accruals and provisions from the 2006/07 accounts, offset by increases to pensions provisions, injury benefits, medical negligence claims and the CNORIS premium. This also includes the cost of change control notices for the PFI contracts, which were previously paid for through the unitary charge. It should be noted that there still remains AfC provision for reviews, bank staff, repayment of acting up allowances, double assimilations and a small amount of outstanding arrears.
- *Financial Plan Adjustments (£2.803m)* – There are specific items within the financial plan where approved investment has slipped or the sums involved are lower than anticipated. This includes funding for pay and prices now included in the recurring surplus carried forward, high cost / low volume drugs and treatments; WoS / NSD developments and a range of local initiatives. To offset this, there are a number of items which were not previously anticipated, but given the overall financial position for the year, we have been in a position to address. This is highlighted in paragraphs 3.2 and 3.3 below.
- *SLAs / Resource Transfer / Independent Sector £2.217m* – There has been additional expenditure within NHS Lothian during the year, in relation to changes in activity levels and the use of national tariffs; as well as ongoing cost pressures arising from the use of the independent sector for forensic medicine services. These have been offset by lower than expected funding requirements for waiting times in NHS Greater Glasgow & Clyde and resource transfer underspends due to slippage in the Mental Health and Learning Disabilities discharge programmes.
- *CMT Approved Schemes (£4.986m)* - A number of priority proposals were approved by CMT and the NHS Board in the early part of the financial year, following the mid year review. This includes demolitions supporting estates rationalisation; early retirements; and waiting times.

- *Premises investment (£5.047m)* - The favourable financial position has also enabled a major programme of general refurbishment and investment to be put in place. This has been prioritised across Primary Care premises, Monklands and the retained estate at Hairmyres. It includes investment in the patient environment and Health and Safety issues. Much of this work is underway or already complete, and some provision has been made for works which have been committed and contracted but are not yet underway. A programme totalling £9m was developed over recent months, although it was recognised that a proportion of this may fall into 2008/09. In total, £5m of investment has been achievable in 2007/08 and the balance will be delivered early in 2008/09.

3.2 As a result of the level of premises investment that has actually been achievable by 31 March 2008, in comparison to that planned, this has allowed us to take the opportunity to address a number of other issues which have an impact on the revenue position, including the accounting treatment of 'change control notices' to the PFI contracts; the potential impact of AfC on these agreements; and the write off of security and other fees associated with capital developments and disposals.

3.3 In addition, provision has also been made to reflect the potential cost of delivering the HPV vaccination programme. Whilst funding will be made available by SGHD towards the vaccine costs, there is a risk that the level of funding available will not be sufficient to meet the actual costs. Any funding made available will not include the administrative costs of the programme and this will require to be met by individual Boards. Potential requests from females over 18 years of age will also not be funded nationally.

## **4 Revenue Resources**

4.1 At the end of March 2008, the revenue resource limit for NHS Lanarkshire was £821.914m. Changes to the allocation during the month are highlighted in Annex B.

## **5 Capital**

5.1 Capital expenditure of £17.494m has been incurred against the net capital allocation of £37.010m, with a year end under spend of £19.516m. Details of the actual expenditure are set out in table 2 on the following page. Annex C provides a more detailed analysis by scheme.

5.2 It is expected that the level of capital underspend seen in recent years is unlikely to continue over the next few years, with work on a number of major projects due to commence. The underspend from the current year is currently assumed to be made available by SGHD from 2009/10 onwards.

<b>Table 2 - Capital Expenditure 2007/08</b>		
	<b>Annual Plan £M</b>	<b>Actual Position 31/03/2008 £M</b>
<b>Capital Allocation</b>	37.010	37.010
<b>Capital Expenditure</b>		
B/fwd from 2006/07	3.666	0.210
Primary Care Premises	7.169	2.796
Modernising Psychiatric Services	2.033	1.862
Picture of Health - Acute & Mental Health	0.050	0.035
Rationalise Accommodation	1.000	0.171
Ring Fenced	8.552	7.901
Other	4.782	4.519
	<b>27.252</b>	<b>17.494</b>
<b>Net under / (over) spend</b>	<b>9.758</b>	<b>19.516</b>

## 6 Conclusion

The Board is asked to note:

- The revenue under spend of £12.137m, to be carried forward to 2008/09, subject to external audit review and SGHD approval;
- The capital under spend of £19.516m, to be 'banked' with SGHD until 2009/10;
- Final confirmation of performance against both the revenue and capital resource limits will be reported in the Annual Accounts for 2007/08 to be presented to the Audit Committee and NHS Board on 25 June 2008, following external audit review.

**Susan Goldsmith**  
**Director of Finance**

**25 April 2008**

<b>DIVISIONAL PERFORMANCE 2007/08</b>			
	<b>Budgeted Operating Costs 31/03/2008 £M</b>	<b>Actual Operating Costs 31/03/2008 £M</b>	<b>Actual saving / (excess) 31/03/2008 £M</b>
<b><u>Acute Division 2007/08</u></b>			
Pay	205,091	202,539	2,552
Non Pay	60,546	63,371	(2,825)
Total Gross Expenditure	<u>265,637</u>	<u>265,910</u>	<u>(273)</u>
Less: Miscellaneous Income	(37,864)	(37,878)	14
<b>Net Resource Outturn</b>	<b><u>227,773</u></b>	<b><u>228,032</u></b>	<b><u>(259)</u></b>
<b><u>North CHP 2007/08</u></b>			
Pay	68,307	64,744	3,563
Non Pay	11,541	12,441	(900)
Total Gross Expenditure	<u>79,848</u>	<u>77,185</u>	<u>2,663</u>
Less: Miscellaneous Income	0	0	0
<b>Net Resource Outturn</b>	<b><u>79,848</u></b>	<b><u>77,185</u></b>	<b><u>2,663</u></b>
<b><u>South CHP 2007/08</u></b>			
Pay	35,655	34,598	1,057
Non Pay	5,219	5,114	105
Total Gross Expenditure	<u>40,874</u>	<u>39,712</u>	<u>1,162</u>
Less: Miscellaneous Income	0	0	0
<b>Net Resource Outturn</b>	<b><u>40,874</u></b>	<b><u>39,712</u></b>	<b><u>1,162</u></b>
<b><u>Primary Care Others 2007/08</u></b>			
Pay	26,773	25,253	1,520
Non Pay	10,043	9,237	806
FHS	121,521	121,516	5
Prescribing	115,695	111,474	4,221
Total Gross Expenditure	<u>274,032</u>	<u>267,480</u>	<u>6,552</u>
Less: Miscellaneous Income	(9,197)	(9,495)	298
Less: FHS Income	(11,641)	(11,641)	0
<b>Net Resource Outturn</b>	<b><u>253,194</u></b>	<b><u>246,344</u></b>	<b><u>6,850</u></b>
<b><u>Headquarters / Corporate Functions (including PSSD)</u></b>			
Pay	32,504	30,869	1,635
Non Pay	73,540	74,920	(1,380)
Total Gross Expenditure	<u>106,044</u>	<u>105,789</u>	<u>255</u>
Less: Miscellaneous Income	0	0	0
<b>Net Resource Outturn</b>	<b><u>106,044</u></b>	<b><u>105,789</u></b>	<b><u>255</u></b>
<b><u>Service Level Agreements / Other Healthcare Providers</u></b>			
Service Level Agreements	81,929	79,711	2,218
Unpacs and Oats	5,394	5,468	(74)
Resource Transfer and Bridging	33,510	30,303	3,207
Independent Sector	10,924	11,772	(848)
HIF and SIP's	1,065	1,093	(28)
Mental Health	88	85	3
Total Gross Expenditure	<u>132,910</u>	<u>128,432</u>	<u>4,478</u>
Less: Miscellaneous Income	(3,790)	(3,894)	104
<b>Net Resource Outturn</b>	<b><u>129,120</u></b>	<b><u>124,538</u></b>	<b><u>4,582</u></b>

## ANNEX B

<b>REVENUE RESOURCE LIMIT 2007/08</b>			
	<b>Rec £M</b>	<b>Non-Rec £M</b>	<b>Total £M</b>
<b>Revenue Resource Limit as at 29 February 2008</b>	738.186	83.620	821.807
<b>Adjustments to Allocations Confirmed:</b>			
AHP Leadership Development Programme	0.000	0.001	0.001
NHS Superannuation Scheme - St. Andrews Hospice	0.000	0.007	0.007
IM&T Facilitator	0.000	0.034	0.034
Practitioner Champions	0.000	0.033	0.033
HNC Year 1 Funding for period February to March	0.000	0.012	0.012
HNC Years 2&3 Funding for period February to March	0.000	0.020	0.020
<b>Revenue Resource Limit as at 31 March 2008</b>	<b>738.186</b>	<b>83.727</b>	<b>821.914</b>

**NHS LANARKSHIRE  
CAPITAL EXPENDITURE TO 31 MARCH 2008**

	ORIGINAL PLAN £M	REVISED PLAN £M	ACTUAL TO DATE £M
<b>Initial Capital Allocation:</b>	<b>28.390</b>	<b>28.390</b>	<b>28.390</b>
<b>Revisions:</b>			
Medical Equipment	2.610	2.610	2.610
Primary Care Modernisation Fund - Dental	3.092	3.092	3.092
Primary Care Modernisation Fund CHSC-JW	2.500	2.500	2.500
Diagnostic Waiting Time Allocation	0.000	2.127	2.127
Cancer Waiting Time Allocation	0.000	0.875	0.875
Dental Decontamination	0.000	0.536	0.536
Vitek Susceptibility - Transfer from NSS	0.000	0.025	0.025
Ophthalmic Practices	0.000	0.230	0.230
Diagnostic Waiting Time Allocation		(0.407)	(0.407)
Primary Care Modernisation Fund - Kilsyth (Returned)	(2.500)	(2.500)	(2.500)
Contribution to NHS GG&C re Adolescent Centre		(0.468)	(0.468)
<b>ADJUSTED NET ALLOCATION</b>	<b>34.092</b>	<b>37.010</b>	<b>37.010</b>
<b><u>CAPITAL EXPENDITURE:</u></b>			
<b>2006-07 B/fwd:</b>			
Adolescent Mental Health (NHS GG&C)	1.129	1.129	0.000
Greenhills Health Centre / Dental	0.401	0.401	0.538
Other	2.136	2.136	(0.328)
	<b>3.666</b>	<b>3.666</b>	<b>0.210</b>
<b><u>Primary Care Premises</u></b>			
Airdrie Resource Centre	0.802	0.802	0.012
Bellshill Resource Centre	2.200	2.200	1.464
Carluke Resource Centre	1.000	1.000	0.303
Dalziel Centre - Lymphoedema Centre	0.000	0.025	(0.002)
Larkhall Institute	0.800	0.800	0.000
Coatbridge Dental & Integrated Resource Centre	1.080	1.080	0.535
Hunter Health Centre, EK	0.550	0.550	0.185
Forth General Medical Practice	0.000	0.189	0.190
Coathill Hospital Extension	0.000	0.523	0.109
	<b>6.432</b>	<b>7.169</b>	<b>2.796</b>
<b><u>Modernising Psychiatric Services</u></b>			
LD Assessment & Treatment Centre	0.150	0.150	0.319
LD Housing (CAPITAL GRANT)	1.000	1.000	1.200
Adults Complex Needs Ward - Coathill	0.499	0.499	0.106
Adults Complex Needs - Caird House	0.384	0.384	0.237
	<b>2.033</b>	<b>2.033</b>	<b>1.862</b>
<b><u>Picture of Health - Acute &amp; Mental Health</u></b>			
Acute MH - Monklands	0.499	0.026	0.011
Cumbernauld Casualty Unit	0.000	0.024	0.024
	<b>0.499</b>	<b>0.050</b>	<b>0.035</b>
<b><u>Rationalise Accommodation</u></b>			
New H.Q.	1.000	1.000	0.171
	<b>1.000</b>	<b>1.000</b>	<b>0.171</b>
<b><u>Ring-Fenced</u></b>			
Medical Equipment / Diagnostic & Cancer Waiting Times	4.192	7.194	7.135
Extension to Biggar Dental	0.592	0.592	0.000
Dental Decontamination (CAPITAL GRANT)	0.000	0.536	0.536
Ophthalmic Practices (CAPITAL GRANT)	0.000	0.230	0.230
	<b>4.784</b>	<b>8.552</b>	<b>7.901</b>
<b><u>Car Parking</u></b>			
Law House - Site Carpark	1.600	0.000	0.000
Wishaw General Hospital - Site Car Park	1.500	0.000	0.000
	<b>3.100</b>	<b>0.000</b>	<b>0.000</b>
<b><u>Other</u></b>			
Relocation of Kirklands Pharmacy	0.300	0.300	0.279
I M & T	2.550	3.750	3.845
Vitek Susceptibility - Transfer from NSS	0.000	0.025	0.000
Maggies Centre (CAPITAL GRANT)	0.000	0.450	0.450
Finance Fixed Asset System Investment	0.000	0.000	0.016
Professional Fees	0.000	0.000	0.000
Laundry	0.000	0.000	0.000
Energy	0.257	0.257	0.110
Other	0.000	0.000	(0.181)
	<b>3.107</b>	<b>4.782</b>	<b>4.519</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>£24.621</b>	<b>£27.252</b>	<b>£17.494</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>£9.471</b>	<b>£9.758</b>	<b>£19.516</b>