

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE MONTH ENDED 31 JULY 2008

#### 1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the four months ended 31 July 2008.
- 1.2. A summary expenditure statement is set out for the overall NHS Lanarkshire position, with detailed schedules for the Acute Division; both the North and South CHPs, as well as Primary Care services; corporate/headquarters functions; and healthcare providers out with NHS Lanarkshire. In addition, an overview of the capital expenditure position is provided.

#### 2. Overview

- 2.1. The financial position to the end of July shows an under spend of £5.006m, as detailed in Table 1 below. This includes a range of cost pressures and offsetting benefits across the system.
- 2.2. The approved financial plan set the in year surplus at £3.050m. With a 'carry forward' surplus of £11.785m from 2007/08, there is a forecast cumulative surplus of £14.835m as at 31 March 2009. This will be formally reviewed following the month six results, as in previous years.
- 2.3. However, as highlighted in July, work is already underway to review options for utilisation of the non recurring surplus, including specific areas of cost pressure, further investment in premises and other areas of 'invest to save'. This needs to be set against any 'national' view on the use of cumulative surpluses to meet cost pressures and tight financial settlements in future years. Further discussion is required with the Scottish Government Health Directorates on this issue before any recommendations are made on the use of these resources.

	<b>YTD Budget £M</b>	<b>YTD Actual £M</b>	<b>YTD Variance £M</b>
Acute Operating Division	74.757	74.736	0.021
North CHP	26.434	25.801	0.633
South CHP	13.383	13.238	0.145
Primary Care Other Services	83.459	83.486	(0.027)
Headquarters / Corporate Functions	37.513	37.534	(0.021)
Service Level Agreements / Other Healthcare Providers	37.410	37.652	(0.242)
NHSL - wide	15.189	10.692	4.497
<b>Net operating costs</b>	<b>288.145</b>	<b>283.139</b>	<b>5.006</b>

### 3. Revenue Resources

- 3.1. At the end of July 2008, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £788.596m, details of which are noted in Annex A.

### 4. Acute Division

- 4.1. The Acute Division is reporting an under spend of £0.021m for the period to the end of July 2008, as detailed in Table 2, a reduction of £0.026m from the previous month.

	<b>Budgeted Operating Costs 31/07/2008 £M</b>	<b>Actual Operating Costs 31/07/2008 £M</b>	<b>Actual saving / (excess) 31/07/2008 £M</b>
Pay	69.209	69.000	0.209
Non Pay	18.545	18.783	(0.238)
Gross operating costs	87.754	87.783	(0.029)
Less: miscellaneous income	(12.997)	(13.047)	0.050
<b>Net operating cost</b>	<b>74.757</b>	<b>74.736</b>	<b>0.021</b>

- 4.2. The under spend of £0.209m against the pay budgets shows an increase of £0.194m from the previous month. This is due to a higher than anticipated trend within Junior Medical staffing as a result of the release of training grade funding, combined with the remaining vacancies within Allied Health Professionals (Physiotherapy and Occupational Therapy), Laboratories and Radiology. These, however, are being partly offset against increasing overspends in Nursing and Midwifery partly as a result of increased payments for unsocial hours and increased nurse bank costs as a result of sickness absence levels.
- 4.3. The over spend of £0.238m against non pay budgets shows an increase of £0.248m from the previous month. The is largely due to over spends across a number of non pay budgets, in particular laboratories, in excess of last years trend and increased theatre supplies across all three sites with costs driven by patient activity both in terms of numbers and complexity.
- 4.4. It should be noted that the Division has utilised £0.560m of uncommitted reserves to achieve the reported position, it is therefore essential that the Division meets its cost reduction targets to ensure financial stability.

## 5. Primary Care

- 5.1. Across the Primary Care sector, there is a net under spend of £0.751m for the period to the end of July 2008, an increase of £0.006m from the previous month.
- 5.2. The North CHP is reporting an under spend of £0.633m for the period to the end of July 2008, as detailed in Table 3, an increase of £0.026m from the previous month. As noted previously, this is predominantly across pay budgets, particularly within Mental Health in the Coatbridge and Wishaw localities due to ongoing vacancies.
- 5.3. The South CHP is reporting an under spend of £0.145m for the period to the end of July 2008, as detailed in Table 4, an improvement of £0.184m from the previous month's overspend. This is largely due to budget being released from primary care reserves to cover Delayed Discharge funding not yet received from the two Local Authorities.
- 5.4. The financial position of both North CHP and South CHP is as follows:

	<b>Budgeted Operating Costs 31/07/2008 £M</b>	<b>Actual Operating Costs 31/07/2008 £M</b>	<b>Actual saving / (excess) 31/07/2008 £M</b>
Pay	22.722	22.029	0.693
Non Pay	3.712	3.772	(0.060)
<b>Net operating cost</b>	<b>26.434</b>	<b>25.801</b>	<b>0.633</b>

	<b>Budgeted Operating Costs 31/07/2008 £M</b>	<b>Actual Operating Costs 31/07/2008 £M</b>	<b>Actual saving / (excess) 31/07/2008 £M</b>
Pay	11.775	11.619	0.156
Non Pay	1.608	1.619	(0.011)
<b>Net operating cost</b>	<b>13.383</b>	<b>13.238</b>	<b>0.145</b>

- 5.5. Primary Care Other Services are reporting an over spend of £0.027m for the period to the end of July 2008, as detailed in Table 5, a movement of £0.204m from the previous month's under spend. This reflects the release of budget from reserves to cover Delayed Discharge funding, combined with higher than anticipated agency costs within eHealth.

	<b>Budgeted Operating Costs 31/07/2008 £M</b>	<b>Actual Operating Costs 31/07/2008 £M</b>	<b>Actual saving / (excess) 31/07/2008 £M</b>
Pay	7.635	7.754	(0.119)
Non Pay	2.682	2.590	0.092
Family Health Services	43.627	43.627	0.000
Prescribing	36.039	36.039	0.000
Gross operating costs	89.983	90.010	(0.027)
Less: Family Health Service income	(3.739)	(3.739)	0.000
Less: Miscellaneous income	(2.785)	(2.785)	0.000
<b>Net operating cost</b>	<b>83.459</b>	<b>83.486</b>	<b>(0.027)</b>

5.6 The national position on Category M drugs has been finalised and the budgets revised accordingly. The final adjustment was higher than anticipated by £1m but this will be covered non recurrently in year. However it is expected that further savings from Category M will be received recurrently throughout the year to cover this from 2009/10.

## 6. Headquarters/Area Wide Departments

6.1. The Headquarters and Area Wide Departments are reporting an over spend of £0.021m for the period to the end of July 2008, as detailed in Table 6, a reduction of £0.026m from the previous month.

6.2. The under spend within pay budgets is being offset by an over spend within non pay budgets. The over spend within non pay budgets continues to be increased PSSD costs associated with transport, waste management, lease agreements and increased rates, due to a reduction in relief as a result of changes in use of NHS premises. These are currently being investigated and may require additional funding, albeit some provision has been set aside in the Financial Plan to cover cost pressures.

	<b>Budgeted Operating Costs 31/07/2008 £M</b>	<b>Actual Operating Costs 31/07/2008 £M</b>	<b>Actual saving / (excess) 31/07/2008 £M</b>
Pay	10.692	10.397	0.295
Non Pay	26.821	27.137	(0.316)
<b>Net operating cost</b>	<b>37.513</b>	<b>37.534</b>	<b>(0.021)</b>

## 7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.242m at the end of July 2008, as detailed in table 7, an increase of £0.060m from the previous month
- 7.2. The main area for concern continues to be within the independent sector and relates predominantly to referrals for Eating Disorders and Forensic Medicine. It is expected that this will be picked up and managed through the mid year review process. The trend is consistent with that seen in previous years with the over spend currently running at between £0.060m and £0.065m per month.

	<b>Budgeted Operating Costs 31/07/2008 £M</b>	<b>Actual Operating Costs 31/07/2008 £M</b>	<b>Actual saving / (excess) 31/07/2008 £M</b>
Service Level Agreements	25.623	25.610	0.013
Unpacs and Oats	0.972	0.977	(0.005)
Resource Transfer and Bridging	7.491	7.479	0.012
Independent Sector	3.038	3.300	(0.262)
HIF and SIP's	0.239	0.239	0.000
Mental Health	0.047	0.047	0.000
<b>Gross operating costs</b>	<b>37.410</b>	<b>37.652</b>	<b>(0.242)</b>

## 8. Efficiency Programme

- 8.1 With full delivery of the required 2% Efficient Government Programme for 2008/09 confirmed work has been progressing on the programme for the following 2 years. NHS Lanarkshire is required to deliver a further £32m, and although it is possible to deliver this non recurrently, recurring savings will support any cost pressures or developments not currently in the Financial Plan. As an absolute minimum CRES targets set out in the Financial Plan must be delivered recurrently. Initial discussions across CMT have identified a wide range of potential savings and these have been grouped into 5 streams, Clinical Services, Prescribing, Workforce, Corporate Departments and Rationalisation of Estates. In addition CRES workshops are planned for both CHPs and the Acute Division next month, with a combined workshop to follow.
- 8.2 Work is currently ongoing within Finance to scope potential savings in each of these areas by looking at aligning HEAT targets with savings, reviewing the redesign work and whether this reduces the requirement for new earmarked funding, setting targets for corporate functions, and benchmarking Prescribing practice including our implementation of new drugs.

8.3 The aim is to identify the potential for cost savings for 2009/10 by mid October so that this can be built into the Financial Plan. The review will also take account of the potential for non recurring savings.

## 9. Capital

9.1. Capital expenditure of £7.581m has been incurred against the net capital allocation of £35.293m, with a revised year end under spend forecast at £0.867m. Details of the actual expenditure position for the four months ended 31 July 2008 are set out in table 8 below. Annex B provides a more detailed analysis by scheme.

9.2. As noted last month, a further update on the capital plan is currently being progressed as projects are developed and greater certainty of prices is established for the projects being managed under the 'partnering' arrangements. The Full Business Case for Carluke is presented under separate cover. The FBCs for the remaining projects in this 'bundle' are currently under development and the work required to determine the 'target price' for these projects is nearing completion.

9.3. The main item of expenditure during July was the purchase of the property at Douglas Street, Hamilton, to facilitate the Caird House Complex Needs development and the relocation of services from Beckford Lodge (£3.119m).

	<b>Annual Plan £M</b>	<b>Actual Position to 31/07/2008 £M</b>
<b>Capital Allocation</b>	35.293	7.581
<b>Capital Expenditure</b>		
Primary Care Premises	20.450	4.992
Modernising Psychiatric Services	3.249	0.358
Rationalise Accommodation	0.500	0.098
Ring Fenced	4.390	0.521
Car Parking	1.600	0.025
Other	4.237	1.587
	<b>34.426</b>	<b>7.581</b>
<b>Net under / (over) spend</b>	<b>0.867</b>	<b>0.000</b>

## **10. Conclusion**

The Board is asked to note:

- the actual revenue under spend of £5.006m as at 31 July;
- the forecast in year end surplus of £3.050m per the approved Financial Plan;
- the forecast cumulative surplus of £14.835m as at 31 March 2009; and
- the revised forecast year end capital under spend of £0.867m.

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

**19 August 2008**

## ANNEX A

<b>REVENUE RESOURCE LIMIT 2008/09</b>				
	<b>Baseline Recurring £M</b>	<b>Earmarked Recurring £M</b>	<b>Non Recurring £M</b>	<b>Total £M</b>
<b>Revenue Resource Limit as at 30 June 2008</b>	760.545	12.889	4.762	778.195
1st Quarter Allocation for Long Term Conditions Collaborative Funding	0.000	0.000	0.048	0.048
Scottish Dental Access Initiative - DMtC	0.000	0.000	0.040	0.040
Keep Well - Counterweight Payment for 2008-09	0.000	0.020	0.000	0.020
Scottish Dental Access Initiative - RL	0.000	0.000	0.040	0.040
Scottish Dental Access Initiative - IL	0.000	0.000	0.080	0.080
1st Quarter Allocation for Mental Health Collaborative Funding	0.000	0.000	0.048	0.048
ADAT Support Funding	0.000	0.202	0.000	0.202
Evaluation of Sickness Absence Project - SALLS	0.000	0.000	0.055	0.055
Quarter 2 Revenue Allocation - patient management system (PMS)	0.000	0.313	0.000	0.313
Revenue Allocation - GP Managed Technical Services Break Costs	0.000	0.000	0.016	0.016
Agreed Carry Forward 2007-08	0.000	0.000	11.785	11.785
Changes to the pregnancy and newborn screening programmes	0.000	0.000	0.620	0.620
AHP Support & Development Scheme 1st Year Outputs	0.000	0.000	0.002	0.002
AHP Support & Development Scheme 2nd Year Outputs	0.000	0.000	0.005	0.005
Implementation of Review of Mental Health Nursing	0.000	0.000	0.030	0.030
Funding to Support rehabilitation co-ordinator posts	0.000	0.000	0.055	0.055
Respiratory MCN	0.000	0.000	0.050	0.050
Tranche 2 against June Outturn	0.000	0.000	4.320	4.320
2008-09 Prescription Charges - reduction in income received	0.000	0.000	1.894	1.894
2008-09 TRP Adjustment	(3.209)	0.000	0.000	(3.209)
2008-09 CAT M	(6.427)	0.000	0.000	(6.427)
2008-09 New Interim Pharmacy Package	0.000	0.000	0.415	0.415
<b>Revenue Resource Limit as at 31 July 2008</b>	<b>750.909</b>	<b>13.423</b>	<b>24.264</b>	<b>788.596</b>

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

	ORIGINAL PLAN £M	REVISED PLAN £M	ACTUAL TO DATE £M
<b>ADJUSTED NET ALLOCATION</b>	<b>35.220</b>	<b>35.293</b>	<b>7.581</b>
<b><u>CAPITAL EXPENDITURE:</u></b>			
<b><u>Primary Care Premises</u></b>			
Airdrie Resource Centre	3.000	3.000	0.000
Bellshill Resource Centre	3.300	3.300	0.540
Beckford Lodge Relocation	5.000	5.000	3.119
Carlisle Resource Centre	2.500	2.500	0.006
Dalziel Centre - Lymphoedema Centre	0.400	0.400	0.060
Coatbridge Dental & Integrated Resource Centre	5.500	5.500	0.024
Hunter Health Centre, EK	0.342	0.342	0.280
Coathill Hospital Extension	0.408	0.408	0.963
	<b>20.450</b>	<b>20.450</b>	<b>4.992</b>
<b><u>Modernising Psychiatric Services</u></b>			
LD Assessment & Treatment Centre	0.890	0.890	0.343
Adults Complex Needs Ward - Coathill	1.000	1.000	0.009
Adults Complex Needs - Caird House	1.301	1.301	0.006
Old Age Psychiatry Integrated Day Service (CAPITAL GRANT)	0.000	0.058	0.000
	<b>3.191</b>	<b>3.249</b>	<b>0.358</b>
<b><u>Picture of Health - Acute &amp; Mental Health</u></b>			
Acute MH - Monklands	0.000	0.000	0.000
Cumbernauld Casualty Unit	0.000	0.000	0.000
	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b><u>Rationalise Accommodation</u></b>			
New H.Q.	0.500	0.500	0.098
	<b>0.500</b>	<b>0.500</b>	<b>0.098</b>
<b><u>Ring-Fenced</u></b>			
Medical Equipment	3.034	3.034	0.201
Extension to Biggar Dental	0.592	0.592	0.000
Ophthalmic Practices	0.691	0.691	0.320
Capital Transfer from NHS NSS	0.000	0.009	0.000
GP Managed Technical Services Break Costs	0.000	0.065	0.000
	<b>4.317</b>	<b>4.390</b>	<b>0.521</b>
<b><u>Car Parking</u></b>			
Law House - Site Carpark	1.600	1.600	0.000
Car Parking	0.000	0.000	0.025
	<b>1.600</b>	<b>1.600</b>	<b>0.025</b>
<b><u>Other</u></b>			
Statutory	1.000	1.000	0.000
Glennie Group Technical Requirements	0.615	0.615	0.000
Hairmyres Records Storage	0.900	0.900	0.000
I M & T	1.500	1.500	1.580
North Lanarkshire Council (CAPITAL GRANT)	0.177	0.177	0.000
Rapid Response Vehicle (CAPITAL GRANT)	0.000	0.015	0.000
Other	0.000	0.030	0.008
	<b>4.192</b>	<b>4.237</b>	<b>1.588</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>£34.250</b>	<b>£34.426</b>	<b>£7.581</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>£0.970</b>	<b>£0.867</b>	<b>£0.000</b>