

## NHS LANARKSHIRE

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

#### 1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the ten months ended 31 January 2008.

#### 2. Summary

- 2.1. The financial position to the end of January shows an under spend of £10.469m, as detailed in Table 1 below.

<b>Table 1 - Summary Financial Position</b>			
	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Acute Operating Division	182.423	182.544	(0.121)
North CHP	65.650	62.854	2.796
South CHP	33.510	32.528	0.982
Primary Care Other Services	204.990	201.377	3.613
Headquarters / Corporate Functions	82.693	82.573	0.120
Service Level Agreements / Other Healthcare Providers	100.105	100.732	(0.627)
NHSL - wide	34.751	31.045	3.706
<b>Net Operating Costs</b>	<b>704.122</b>	<b>693.653</b>	<b>10.469</b>

- 2.1. The under spend to date remains in line with the forecast per the mid year review, which placed the year end surplus within the range £11.5m - £19.5m. As we approach the year end, however, this is being closely scrutinised, in order to identify any areas of potential risk.
- 2.2. The scoping work for the investment in premises was largely complete by the end of January. This indicated that up to £6.3m of the originally planned £9m is likely to be spent or committed in the current financial year. As highlighted previously, close liaison with our external auditors is essential in determining the extent to which 'provisions' can be made for planned commitments where there has not yet been actual *cash* spent. This will ultimately need to be tested through the annual accounts process, however initial discussions are scheduled for early March. In addition to the premises

investment there are a number of other potential provisions, including the developments within the Cardiac Catheterisation Laboratory at Hairmyres, the impact of Agenda for Change reviews, the transition costs of the move from the current PACS contract to the national agreement, and the 'catch up' costs associated with the Cervical Cancer vaccine programme.

- 2.3. The position is being actively managed to ensure the in year surplus does not exceed the level that the Scottish Government Health Directorates (SGHD) has indicated will be honoured through the revenue resource allocations in 2008/09.

### 3. Revenue Resources

- 3.1. At the end of January 2008, the revenue resource limit for NHS Lanarkshire was £820.718m. Changes to the allocation during the month are highlighted in Annex A.

### 4. Acute Division

- 4.1. The Acute Division is reporting an overspend of £0.121m for the period to the end of January 2008, as detailed in Table 2, an increase of £0.007m from the previous month.

	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Pay	168.107	165.923	2.184
Non Pay	44.537	46.812	(2.275)
Gross operating costs	212.644	212.735	(0.091)
Less: miscellaneous income	(30.221)	(30.191)	(0.030)
<b>Net operating cost</b>	<b>182.423</b>	<b>182.544</b>	<b>(0.121)</b>

- 4.2. The under spend against the pay budgets shows an increase of £0.524m from the previous month reflecting the on going trend within the Division. As previously noted the under spend is mainly due to the continuing impact of vacancies within Admin and Clerical, Allied Health Professionals (Physiotherapy and Occupational Therapy) and Senior Medical staffing (Radiology and Microbiology), although these are offset against increasing overspends in Nursing and Midwifery.
- 4.3. The over spend against non pay budgets shows an increase of £0.539m from the previous month, reflecting the continuing trend. Pressures remain across a number of non pay budgets, in particular drugs, laboratories, surgical sundries, surgical appliances and dressings, with costs driven by patient activity both in terms of numbers and complexity largely within the areas of Surgical, Anaesthetics and Critical Care.

4.4. Despite the on going cost pressures including £0.750m for the additional incremental cost of Agenda for Change the forecast year end position remains breakeven, with the Division confident this will be achieved. The 2008/09 financial position, however, will be challenging as historically the non pay over spend has been offset by under spends within pays and it is anticipated this will be significantly reduced.

## 5. Primary Care

5.1. Across the Primary Care sector, there is a net under spend of £7.391m for the period to the end of January 2008 an increase of £1.391m from the previous month this includes an increase of £1.026m within the Prescribing budget.

5.2. The under spend within pay budgets shows an increase of £0.437m from the previous month. In recent months this has shown signs of slowing down mainly due to some vacancies being filled however vacancy rates are currently running between 8% and 9%.

5.3. The financial position of both North CHP and South CHP is as follows:

	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Pay	56.474	53.767	2.707
Non Pay	9.176	9.087	0.089
<b>Net operating cost</b>	<b>65.650</b>	<b>62.854</b>	<b>2.796</b>

	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Pay	29.294	28.479	0.815
Non Pay	4.216	4.049	0.167
<b>Net operating cost</b>	<b>33.510</b>	<b>32.528</b>	<b>0.982</b>

5.4. Primary Care Other Services under spend shows an increase of £1.204m from the previous month. As noted last month, this is predominantly due to the impact of additional category M price reductions within prescribing, combined with under spends within the Medical Director Budget particularly Clinical Governance and also the Cancer budget. Further significant under spends have emerged within prescribing, beyond the £3.6m already identified through the mid year review of the year end position. This has resulted in a recurring benefit next year.

	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Pay	18.972	18.623	0.349
Non Pay	5.926	5.883	0.043
Family Health Services	100.377	100.377	0.000
Prescribing	96.413	93.280	3.133
Gross operating costs	221.688	218.163	3.525
Less: Family Health Service income	(9.067)	(9.067)	0.000
Less: Miscellaneous income	(7.631)	(7.719)	0.088
<b>Net operating cost</b>	<b>204.990</b>	<b>201.377</b>	<b>3.613</b>

## 6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an under spend of £0.120m for the period to the end of January 2008, as detailed in Table 6, an increase of £0.008m from the previous month.
- 6.2. The under spend within pay budgets shows an increase of £0.022m from the previous month however this under spend has begun to show signs of slowing down in recent months mainly due to vacancies within Corporate departments including Property and Support Services now being filled.

	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Pay	25.997	25.256	0.741
Non Pay	56.696	57.317	(0.621)
<b>Net operating cost</b>	<b>82.693</b>	<b>82.573</b>	<b>0.120</b>

## 7. Service Level Agreements/Other Healthcare Providers

- 7.1. At the end of January 2008, there is an over spend of £0.627m against the service level agreements and other healthcare providers, as detailed in table 7, an increase of £0.063m from the previous month.
- 7.2. The over spend of £0.945m within the Independent Sector shows an increase of £0.089m from the previous month and continues to be within Mental Health particularly Forensic Services and Eating Disorders. Much of this activity is the direct result of lack of suitable NHS facilities for particular mental health services. It is expected that in the longer term developments

such as Caird House and the facility at Rowanbank, Glasgow will seek to resolve this.

	<b>Budgeted Operating Costs 31/01/2008 £M</b>	<b>Actual Operating Costs 31/01/2008 £M</b>	<b>Actual saving / (excess) 31/01/2008 £M</b>
Service Level Agreements	66.689	66.375	0.314
Unpacs and Oats	4.449	4.617	(0.168)
Resource Transfer and Bridging	22.340	22.321	0.019
Independent Sector	7.627	8.572	(0.945)
HIF and SIP's	0.694	0.674	0.020
Mental Health	0.088	0.085	0.003
Gross operating costs	101.887	102.644	(0.757)
Less: miscellaneous income	(1.782)	(1.912)	0.130
<b>Net operating cost</b>	<b>100.105</b>	<b>100.732</b>	<b>(0.627)</b>

## 8. Capital

- 8.1. Capital expenditure of £6.898m has been incurred against the net capital allocation of £37.010m, with a year end under spend forecast at £18.757m. Details of the actual expenditure position for the ten months ended 31 January 2008 are set out in table 8 below. Annex B provides a more detailed analysis by scheme. The year end position has been discussed with the SGHD and agreement reached on the level of under spend forecast.
- 8.2. The low level of expenditure to date remains an area of concern, with a further £11.355m to be spent during the last two months of the year if the forecast under spend of £18.757m for the year is to be achieved. The majority of this expenditure (c. £8.5m) will be on medical equipment, IM&T and dental decontamination. There is every indication that this investment will take place before 31 March 2008.

	<b>Annual Plan £M</b>	<b>Actual Position to 31/01/2008 £M</b>	<b>Year end Forecast to 31/3/2008 £M</b>
<b>Capital Allocation</b>	37.010	6.898	37.010
<b>Capital Expenditure</b>			
B/fwd from 2006/07	3.666	0.168	0.392
Primary Care Premises	7.169	1.541	3.279
Modernising Psychiatric Services	2.033	1.671	1.901
Picture of Health - Acute & Mental Health	0.050	0.024	0.050
Rationalise Accommodation	1.000	0.054	0.250
Ring Fenced	12.327	3.188	11.328
Other	1.007	0.252	1.053
	<b>27.252</b>	<b>6.898</b>	<b>18.253</b>
<b>Net under / (over) spend</b>	<b>9.758</b>	<b>0.000</b>	<b>18.757</b>

## **9. Conclusion**

**The Board is asked to note:**

- **the actual revenue under spend of £10.469m as at 31 January 2008;**
- **the range for the forecast year end surplus remains between £11.5m and £19.5m, however ongoing review of the likely spend on the approved premises investment, "invest to save" schemes, and the level of prescribing under spend is essential, as well as the ability to make 'provisions' for commitments where cash has not yet been spent;**
- **the forecast capital under spend of £18.757m for the year.**

**Susan Goldsmith  
Director of Finance**

**21 February 2008**

## ANNEX A

### REVENUE RESOURCE LIMIT 2007/08

	<b>Rec £M</b>	<b>Non-Rec £M</b>	<b>Total £M</b>
<b>Revenue Resource Limit as at 31 December 2007</b>	738.154	81.309	819.463
<b>Adjustments to Allocations Confirmed:</b>			
TAMFS Discussion Event	0.000	0.005	0.005
eCare Data Sharing Partnerships	0.000	0.150	0.150
Delivery & Sustainability of 4 Hour Emergency Access Target	0.000	0.050	0.050
Healthy Cooking Course For Parents in Motherwell Primary Schools	0.000	0.003	0.003
Dental Clinical and Special Wastes	0.000	0.060	0.060
2006/07 Final DES Payments and IT DES	0.000	0.797	0.797
Cancer Waiting Times - eHealth Records	0.000	0.190	0.190
<b>Revenue Resource Limit as at 31 January 2008</b>	<b>738.154</b>	<b>82.564</b>	<b>820.718</b>

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

	ORIGINAL PLAN £M	REVISED PLAN £M	ACTUAL TO DATE £M	FORECAST YEAR END £M
<b>ADJUSTED NET ALLOCATION</b>	<b>34.092</b>	<b>37.010</b>	<b>6.898</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	0.000
Greenhills Health Centre / Dental	0.401	0.401	0.392	0.392
Other	2.136	2.136	(0.224)	0.000
	<b>3.666</b>	<b>3.666</b>	<b>0.168</b>	<b>0.392</b>
<b><u>Primary Care Premises</u></b>				
Airdrie Resource Centre	0.802	0.802	0.012	0.500
Bellshill Resource Centre	2.200	2.200	0.991	1.300
Carluke Resource Centre	1.000	1.000	0.288	0.300
Dalziel Centre - Lymphoedema Centre	0.000	0.025	(0.001)	0.025
Larkhall Institute	0.800	0.800	0.000	0.000
Coatbridge Dental & Integrated Resource Centre	1.080	1.080	0.005	0.650
Hunter Health Centre, EK	0.550	0.550	0.020	0.208
Forth General Medical Practice	0.000	0.189	0.190	0.190
Coathill Hospital Extension	0.000	0.523	0.036	0.106
	<b>6.432</b>	<b>7.169</b>	<b>1.541</b>	<b>3.279</b>
<b><u>Modernising Psychiatric Services</u></b>				
LD Assessment & Treatment Centre	0.150	0.150	0.128	0.318
LD Housing (CAPITAL GRANT)	1.000	1.000	1.200	1.200
Adults Complex Needs Ward - Coathill incl Car Park	0.499	0.499	0.103	0.140
Adults Complex Needs - extend Caird House	0.384	0.384	0.240	0.243
	<b>2.033</b>	<b>2.033</b>	<b>1.671</b>	<b>1.901</b>
<b><u>Picture of Health - Acute &amp; Mental Health</u></b>				
Acute MH - Monklands	0.499	0.026	0.000	0.026
Cumbernauld Casualty Unit	0.000	0.024	0.024	0.024
	<b>0.499</b>	<b>0.050</b>	<b>0.024</b>	<b>0.050</b>
<b><u>Rationalise Accommodation</u></b>				
New H.Q.	1.000	1.000	0.054	0.250
	<b>1.000</b>	<b>1.000</b>	<b>0.054</b>	<b>0.250</b>
<b><u>Ring-Fenced</u></b>				
Medical Equipment	4.192	4.192	0.837	4.192
Extension to Biggar Dental	0.592	0.592	0.000	0.000
I M & T	2.550	3.750	2.351	3.750
Diagnostic / Cancer Waiting Times	0.000	3.002	0.000	2.595
Dental Decontamination (CAPITAL GRANT)	0.000	0.536	0.000	0.536
Vitek Susceptibility - Transfer from NSS	0.000	0.025	0.000	0.025
Ophthalmic Practices	0.000	0.230	0.000	0.230
	<b>7.334</b>	<b>12.327</b>	<b>3.188</b>	<b>11.328</b>
<b><u>Car Parking</u></b>				
Law House - Site Carpark	1.600	0.000	0.000	0.000
Wishaw General Hospital - Site Car Park	1.500	0.000	0.000	0.000
	<b>3.100</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b><u>Other</u></b>				
Relocation of Kirklands Pharmacy	0.300	0.300	0.111	0.300
Maggies Centre (CAPITAL GRANT)	0.000	0.450	0.000	0.450
Finance Fixed Asset System Investment	0.000	0.000	0.000	0.016
Professional Fees	0.000	0.000	0.021	0.021
Laundry	0.000	0.000	0.009	0.009
Energy	0.257	0.257	0.110	0.257
	<b>0.557</b>	<b>1.007</b>	<b>0.252</b>	<b>1.053</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>£24.621</b>	<b>£27.252</b>	<b>£6.898</b>	<b>£18.253</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>£9.471</b>	<b>£9.758</b>	<b>£0.000</b>	<b>£18.757</b>