

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 31 DECEMBER 2007

1. Introduction

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

2. Summary

- 2.1. The financial position to the end of December shows an under spend of £9.518m, as detailed in Table 1 below.

Table 1 - Summary Financial Position			
	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Acute Operating Division	164.166	164.280	(0.114)
North CHP	59.162	56.308	2.854
South CHP	30.159	29.422	0.737
Primary Care Other Services Headquarters / Corporate Functions	184.790	182.381	2.409
Service Level Agreements / Other Healthcare Providers	74.489	74.377	0.112
NHSL - wide	91.817	92.381	(0.564)
	32.727	28.643	4.084
Net Operating Costs	637.310	627.792	9.518

- 2.2. This position is in line with the forecast per the mid year review, which placed the year end surplus within the range £11.5m - £19.5m. However there is evidence of further underspending on prescribing and the year end position is being reassessed. In view of the Scottish Government's position regarding the level of carry forward to the following financial year, it is imperative that the under spend is managed to support reinvestment in NHS Lanarkshire.
- 2.3. Work on the scoping of the investment in premises is progressing well and is due to be complete by the end of January. Due to the procurement process it is unlikely that large elements of this expenditure will be incurred in *cash* terms before 31 March 2008 and as a result close liaison with our external auditors is essential in determining the extent to which 'provisions' can be made in the current financial year for these planned commitments.

- 2.4. The Corporate Management Team will receive a further, more detailed update on any changes to the potential forecast in early February, allowing time to consider progress made on the non recurring premises investment and the other priority proposals previously approved.
- 2.5. The NHS Board will receive an update on the year end forecast as well as the initial draft of next year's financial plan in February. This will reflect any recurring or ongoing non recurring risks or benefits which have arisen this year

3. Revenue Resources

- 3.1. At the end of December 2007, the revenue resource limit for NHS Lanarkshire was £819.463m. 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 £0.114m for the period to the end of December 2007, as detailed in Table 2, an increase of £0.114m from the previous month.

	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Pay	150.579	148.919	1.660
Non Pay	40.096	41.832	(1.736)
Gross operating costs	190.675	190.751	(0.076)
Less: miscellaneous income	(26.509)	(26.471)	(0.038)
Net operating cost	164.166	164.280	(0.114)

- 4.2. The under spend against the pay budgets shows an increase of £0.133m from the previous month reflecting the on going trend. As previously noted the under spend is mainly due to the continuing impact of vacancies within Admin and Clerical, Allied Health Professionals and Senior Medical staffing, particularly Radiology and Microbiology being offset against increasing overspends in Nursing and Midwifery.
- 4.3. The over spend against non pay budgets shows an increase of £0.247m 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.

4.4. The next two months could see a further rise in costs as a result of the winter vomiting outbreak, however despite the on going cost pressures within non pay budgets the forecast year end position for the Division remains break even.

5. Primary Care

5.1. Across the Primary Care sector, there is a net under spend of £6.000m for the period to the end of December 2007. It should be noted that this level of underspend assumes a re-investment of £3m, from in year CHP budget underspends, on a number of specific projects, including physio self referral waiting times and the intensive home treatment pilot within community nursing.

5.2. There are 3 main strands to this underspend: Mental Health, Community Services and the build up of CRES for next year. The level of underspend in Mental Health is mainly due to the implementation of the Mental Health strategy. Some reinvestment of resources released from bed closures has now been agreed in priority areas including CAMHS. However the remainder requires to be agreed in partnership with both SLC and NLC. Initial discussions have taken place but it is likely that it will take sometime to agree and implement priorities and therefore resources will be available non recurringly into 08/09.

5.3. The underspends in Community Services largely relate to the implementation of the Community nursing review and the slippage in the introduction of the Care Home team. This has been exacerbated by many of the new posts being filled internally. As a consequence vacancy rates are currently running at between 8% to 10%.

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

Table 3 - North CHP 2007/08			
	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Pay	50.917	48.339	2.578
Non Pay	8.245	7.969	0.276
Net operating cost	59.162	56.308	2.854

	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Pay	26.342	25.724	0.618
Non Pay	3.817	3.698	0.119
Net operating cost	30.159	29.422	0.737

- 5.5. Primary Care Other Services under spend shows an increase of £0.957m from the previous month. This is predominantly due to the impact of additional category M price reductions within prescribing, the improving over spend within eHealth, combined with under spends within the Medical Director and Cancer budgets. Further significant under spends are emerging within prescribing, beyond the £3.6m already identified through the mid year review of the year end position. This will provide a recurring benefit next year.

	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Pay	17.173	16.935	0.238
Non Pay	5.479	5.491	(0.012)
Family Health Services	89.628	89.628	0.000
Prescribing	86.771	84.664	2.107
Gross operating costs	199.051	196.718	2.333
Less: Family Health Service income	(8.189)	(8.189)	0.000
Less: Miscellaneous income	(6.072)	(6.148)	0.076
Net operating cost	184.790	182.381	2.409

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an under spend of £0.112m for the period to the end of December 2007, as detailed in Table 6, an increase of £0.112m from the previous month.
- 6.2. The under spend within pay budgets shows an increase of £0.128m from the previous month mainly due to vacancies within Corporate departments being filled at a slower rate than previously advised.

	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Pay	23.483	22.764	0.719
Non Pay	51.006	51.613	(0.607)
Net operating cost	74.489	74.377	0.112

7. Service Level Agreements/Other Healthcare Providers

- 7.1. At the end of December 2007, there is an over spend of £0.564m against the service level agreements and other healthcare providers, as detailed in table 7, an increase of £0.151m from the previous month.
- 7.2. Following the mid year review the year to date position now reflects funding being released to cover the risk around service level agreements driven by the impact of the roll out of national tariffs.
- 7.3. The over spend of £0.856m within the Independent Sector shows an increase of £0.162m from the previous month largely due to significant increases in activity within the Brain injury rehabilitation unit at Murdostoun Castle, largely as a direct consequence of head injuries sustained from violent assaults and also the continuing overspend 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.

	Budgeted Operating Costs 31/12/2007 £M	Actual Operating Costs 31/12/2007 £M	Actual saving / (excess) 31/12/2007 £M
Service Level Agreements	59.687	59.408	0.279
Unpacs and Oats	3.985	4.138	(0.153)
Resource Transfer and Bridging	22.337	22.319	0.018
Independent Sector	6.829	7.685	(0.856)
HIF and SIP's	0.694	0.674	0.020
Mental Health	0.064	0.064	0.000
Gross operating costs	93.596	94.288	(0.692)
Less: miscellaneous income	(1.779)	(1.907)	0.128
Net operating cost	91.817	92.381	(0.564)

8. Capital

- 8.1. Capital expenditure of £5.816m has been incurred against the net capital allocation of £37.012m, with a year end under spend forecast at £18.733m. Details of the actual expenditure position for the nine months ended 31 December 2007 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 it is anticipated that this will be agreed shortly.
- 8.2. The low level of expenditure to date remains an area of concern, with a further £12.387m to be spent during the last three months of the year if the forecast spend of £18.203m for the year is to be achieved. The majority of this expenditure (c. £9m) will be on medical equipment, IM&T and dental decontamination. There is every indication that this investment will take place before 31 March 2008.

	Annual Plan £M	Actual Position to 31/12/2007 £M	Year end Forecast to 31/3/2008 £M
Capital Allocation	37.012	5.816	37.012
Capital Expenditure			
B/fwd from 2006/07	3.666	0.114	0.401
Primary Care Premises	7.144	1.519	4.683
Modernising Psychiatric Services	2.033	1.600	1.615
Picture of Health - Acute & Mental Health	0.499	0.024	0.026
Rationalise Accommodation	1.000	0.043	0.043
Ring Fenced	12.072	2.283	11.073
Other	1.007	0.233	1.007
Transfer to Revenue	(0.569)	0.000	(0.569)
	26.852	5.816	18.279
Net under / (over) spend	10.160	0.000	18.733

9. Conclusion

The Board is asked to note:

- the actual revenue under spend of £9.518m as at 31 December 2007;
- the range for the forecast year end surplus remains between £11.5m and £19.5m, however further analysis of the likely spend on the approved premises investment, "invest to save" schemes, and the level of prescribing under spend is essential;
- the forecast capital under spend of £18.279m for the year.

Susan Goldsmith
Director of Finance

23 January 2008

ANNEX A

REVENUE RESOURCE LIMIT 2007/08

	Rec £M	Non-Rec £M	Total £M
Revenue Resource Limit as at 30 November 2007	738.154	79.871	818.025
Adjustments to Allocations Confirmed:			
2007-08 Scottish Enhanced Services Programme	0.000	0.692	0.692
Adjustment to Audiology Modernisation Funding to Reflect Arbutn	0.000	0.104	0.104
HAI: Implementation & Development Fund	0.000	0.129	0.129
Additional Oral Health Educator Posts	0.000	0.146	0.146
Rehabilitation Framework	0.000	0.030	0.030
Eyecare Pump Priming Funding	0.000	0.080	0.080
Emergency Dental Services	0.000	0.174	0.174
Diabetes Foot Care Initiative	0.000	0.084	0.084
Revenue Resource Limit as at 31 December 2007	738.154	81.309	819.463

**NHS LANARKSHIRE
CAPITAL EXPENDITURE TO 31 DECEMBER 2007**

	ORIGINAL PLAN £M	REVISED PLAN £M	ACTUAL TO DATE £M	FORECAST YEAR END £M
ADJUSTED NET ALLOCATION	34.349	37.012	5.816	37.012
<u>CAPITAL EXPENDITURE:</u>				
2006-07 B/fwd:				
Adolescent Mental Health (NHS GG&C)	1.129	1.129	0.000	0.000
Greenhills Health Centre / Dental	0.401	0.401	0.254	0.401
Other	2.136	2.136	(0.140)	0.000
	3.666	3.666	0.114	0.401
<u>Primary Care Premises</u>				
Airdrie Resource Centre	0.802	0.802	0.012	0.500
Bellshill Resource Centre	2.200	2.200	0.990	2.200
Carluke Resource Centre	1.000	1.000	0.269	0.300
Larkhall Institute	0.800	0.800	0.000	0.000
Coatbridge Dental & Integrated Resource Centre	1.080	1.080	0.003	0.650
Hunter Health Centre, EK	0.550	0.550	0.024	0.320
Forth General Medical Practice	0.000	0.189	0.190	0.190
Coathill Hospital Extension	0.000	0.523	0.031	0.523
	6.432	7.144	1.519	4.683
<u>Modernising Psychiatric Services</u>				
LD Assessment & Treatment Centre	0.150	0.150	0.048	0.048
LD Housing (CAPITAL GRANT)	1.000	1.000	1.200	1.200
Adults Complex Needs Ward - Coathill	0.499	0.499	0.109	0.124
Adults Complex Needs - Caird House	0.384	0.384	0.243	0.243
	2.033	2.033	1.600	1.615
<u>Picture of Health - Acute & Mental Health</u>				
Acute MH - Monklands	0.499	0.499	0.000	0.002
Cumbernauld Casualty Unit	0.000	0.000	0.024	0.024
	0.499	0.499	0.024	0.026
<u>Rationalise Accommodation</u>				
New H.Q.	1.000	1.000	0.043	0.043
	1.000	1.000	0.043	0.043
<u>Ring-Fenced</u>				
Medical Equipment	4.192	4.192	0.629	4.192
Extension to Biggar Dental	0.592	0.592	0.000	0.000
I M & T	2.550	3.750	1.654	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
	7.334	12.072	2.283	11.073
<u>Car Parking</u>				
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
	3.100	0.000	0.000	0.000
<u>Other</u>				
Relocation of Kirklands Pharmacy	0.300	0.300	0.105	0.300
Maggies Centre (CAPITAL GRANT)	0.000	0.450	0.000	0.450
Energy	0.257	0.257	0.128	0.257
Catering	0.000	0.000	0.000	0.000
Transfer to revenue expenditure re Profess Fees	0.000	(0.569)	0.000	(0.569)
	0.557	0.438	0.233	0.438
TOTAL CAPITAL EXPENDITURE	£24.621	£26.852	£5.816	£18.279
(OVER) / UNDER COMMITTED	£9.728	£10.160	£0.000	£18.733