

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 30 JUNE 2008

1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the three months ended 30 June 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 June shows an under spend of £1.514m, as detailed in Table 1 below. This includes a range of cost pressures and offsetting benefits across the system.
- 2.2. As noted last month, the five year Financial Plan 2008/09 – 2012/13 was approved by the NHS Board in March 2008 and subsequently signed off by the Scottish Government in June 2008. This identified a forecast year end recurring surplus of £3.684m, a non-recurring overspend of £0.634m, to achieve a forecast in year surplus of £3.050m.
- 2.3. Taking account of the cumulative surplus of £11.785m carried forward from previous years, this sets a revised forecast cumulative surplus as at 31 March 2008 of £14.835m. A process is underway to examine the impact of this on the management of the overall position with careful consideration given to options for utilisation of this non recurring benefit, including specific areas of cost pressure, further investment to premises including facilitating estate rationalisation and other areas of 'invest to save'.

Table 1 - Summary Financial Position			
	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	55.820	55.773	0.047
North CHP	19.876	19.269	0.607
South CHP	9.868	9.907	(0.039)
Primary Care Other Services Headquarters / Corporate	61.672	61.495	0.177
Functions	26.301	26.348	(0.047)
Service Level Agreements / Other Healthcare Providers	29.901	30.083	(0.182)
NHSL - wide	7.488	6.537	0.951
Net operating costs	210.926	209.412	1.514

3. Revenue Resources

- 3.1. At the end of June 2008, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £778.196m, details of which are noted in Annex A.

4. Acute Division

- 4.1. The Acute Division is reporting an under spend of £0.047m for the period to the end of June 2008, as detailed in Table 2, an increase of £0.047m from the previous month.

	Budgeted Operating Costs 30/06/2008 £M	Actual Operating Costs 30/06/2008 £M	Actual saving / (excess) 30/06/2008 £M
Pay	51.150	51.135	0.015
Non Pay	14.057	14.047	0.010
Gross operating costs	65.207	65.182	0.025
Less: miscellaneous income	(9.387)	(9.409)	0.022
Net operating cost	55.820	55.773	0.047

- 4.2. The under spend of £0.015m against the pay budgets shows a reduction of £0.208m from the previous month. This is mainly due to 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 levels, which are currently under investigation. Although these are being offset against vacancies within Admin and Clerical, Allied Health Professionals (Physiotherapy and Occupational Therapy), Junior Medical staffing (Surgical Specialties), Pharmacy and Senior Medical staffing (Radiology and Anaesthetics).
- 4.3. The under spend of £0.010m against non pay budgets shows an increase of £0.232m from the previous month. The under spend is largely due to surgical sundries within Cardiology departments including the Cardiac Catheterisation Laboratory and also additional funding being made available to reduce the over spend within the drugs budget. Pressures however remain across a number of non pay budgets reflecting the continuing trend from 2007/08; in particular laboratories, in excess of last years trend; theatre supplies across all three sites 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. The early indications are that the main cost pressures identified in 2007/08 are continuing to impact on the Divisional position with some areas requiring further analysis. Work will continue to ensure the forecast year end position remains break even.

5. Primary Care

- 5.1. Across the Primary Care sector, there is a net under spend of £0.745m for the period to the end of June 2008, an increase of £0.495m from the previous month.
- 5.2. The North CHP is reporting an under spend of £0.607m for the period to the end of June 2008, as detailed in Table 3, an increase of £0.111m from the previous month. This is predominantly across pay budgets, particularly within Mental Health in the Coatbridge and Wishaw localities, as vacancies still remain. This is expected to slow down as vacancies are in the process of being filled.
- 5.3. The South CHP is reporting an over spend of £0.039m for the period to the end of June 2008, as detailed in Table 4, a reduction of £0.045m from the previous month. The over spend in pay budgets is largely due to funding for Delayed Discharge which has not yet been received.
- 5.4. The financial position of both North CHP and South CHP is as follows:

	Budgeted Operating Costs 30/06/2008 £M	Actual Operating Costs 30/06/2008 £M	Actual saving / (excess) 30/06/2008 £M
Pay	17.036	16.443	0.593
Non Pay	2.840	2.826	0.014
Net operating cost	19.876	19.269	0.607

	Budgeted Operating Costs 30/06/2008 £M	Actual Operating Costs 30/06/2008 £M	Actual saving / (excess) 30/06/2008 £M
Pay	8.653	8.721	(0.068)
Non Pay	1.215	1.186	0.029
Net operating cost	9.868	9.907	(0.039)

- 5.5. Primary Care Other Services are reporting an under spend of £0.177m for the period to the end of June 2008, as detailed in Table 5, an increase of £0.429m from the previous month. This is mainly within Medical Mental Health and the Medical Directorate and largely due to the vacant Divisional Medical Director post to the end of June.

	Budgeted Operating Costs 30/06/2008 £M	Actual Operating Costs 30/06/2008 £M	Actual saving / (excess) 30/06/2008 £M
Pay	5.767	5.652	0.115
Non Pay	1.832	1.770	0.062
Family Health Services	31.171	31.171	0.000
Prescribing	27.907	27.907	0.000
Gross operating costs	66.677	66.500	0.177
Less: Family Health Service income	(2.873)	(2.873)	0.000
Less: Miscellaneous income	(2.132)	(2.132)	0.000
Net operating cost	61.672	61.495	0.177

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an over spend of £0.047m for the period to the end of June 2008, as detailed in Table 6, an increase of £0.047m 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 is mainly due to 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.

	Budgeted Operating Costs 30/06/2008 £M	Actual Operating Costs 30/06/2008 £M	Actual saving / (excess) 30/06/2008 £M
Pay	8.031	7.823	0.208
Non Pay	18.270	18.525	(0.255)
Net operating cost	26.301	26.348	(0.047)

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.182m at the end of June 2008, as detailed in table 7, an increase of £0.075m 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 managed through slippage against funding set aside in the approved Financial Plan. Further consideration is required with regard the financial risk associated with these budgets and options to manage this across the system. The trend is consistent with that seen in previous years.

- 7.3. Unpacs and Oats are reporting a break even position at the end of June 2008, however activity in this area is subject to fluctuations and with the summer months activity not yet billed, the current break even position may not be maintained.

	Budgeted Operating Costs 30/06/2008 £M	Actual Operating Costs 30/06/2008 £M	Actual saving / (excess) 30/06/2008 £M
Service Level Agreements	19.198	19.191	0.007
Unpacs and Oats	0.730	0.730	0.000
Resource Transfer and Bridging	7.463	7.455	0.008
Independent Sector	2.245	2.442	(0.197)
HIF and SIP's	0.219	0.219	0.000
Mental Health	0.046	0.046	0.000
Gross operating costs	29.901	30.083	(0.182)

8. Capital

- 8.1. Capital expenditure of £3.002m has been incurred against the net capital allocation of £35.220m, with a year end under spend forecast at £0.970m. Details of the actual expenditure position for the three months ended 30 June 2008 are set out in table 8 below. Annex B provides a more detailed analysis by scheme.
- 8.2. 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. Full Business Cases are being developed for these projects and the development of a new health facility in Airdrie.
- 8.3. The main areas of expenditure in the first three months of the year are for the developments at Bellshill (£0.305m), Hunter Health Centre, East Kilbride (£0.204m) and Coathill Hospital Ward 2 & 3 refurbishment (£0.314m). These projects are all fully approved and scheduled for completion and operation within the current financial year. Expenditure of £0.383m has been incurred in respect of the Learning Disabilities Treatment and Assessment Centre at Kirklands to refurbish the cottage accommodation that will be used as a base for support services for the centre.

- 8.4. Information Management & Technology currently reflects expenditure of £1.543m against an allocation of £1.5m, largely due to the payment of £1.268m in respect of the national PACS system. This will be funded by a central allocation which will be reflected in an update of the capital plan upon final confirmation.

	Annual Plan £M	Actual Position to 30/06/2008 £M
Capital Allocation	35.220	3.002
Capital Expenditure		
Primary Care Premises	20.450	0.884
Modernising Psychiatric Services	3.191	0.394
Rationalise Accommodation	0.500	0.041
Ring Fenced	4.317	0.102
Car Parking	1.600	0.025
Other	4.192	1.556
	34.250	3.002
Net under / (over) spend	0.970	0.000

9. Conclusion

The Board is asked to note:

- the actual revenue under spend of £1.514m as at 30 June;
- 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;
- the forecast year end capital under spend of £0.970m per the approved Financial Plan.

Susan Goldsmith
Director of Finance

19 July 2008

ANNEX A

REVENUE RESOURCE LIMIT 2008/09				
	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Revenue Resource Limit as at 31 May 2008	760.490	0.000	0.000	760.490
Cochlear Implant Service	(0.034)	0.000	0.000	(0.034)
Audiology Services Modernisation	0.077	0.000	0.000	0.077
Implementation of HPV	0.000	0.000	0.161	0.161
Alcohol Brief Interventions and Treatment	0.000	2.456	0.000	2.456
2007-08 Scottish Enhanced Services	0.000	1.385	0.000	1.385
Pre-implantation Genetics Diagnosis	(0.025)	0.000	0.000	(0.025)
Blood Borne Virus Prevention	0.000	0.532	0.000	0.532
Keep Well Wave II	0.000	0.000	0.500	0.500
Sexual Health	0.000	0.483	0.000	0.483
Smoking Cessation including Keep Well	0.000	1.147	0.000	1.147
Nutrition Co-ordinator Posts	0.000	0.000	0.040	0.040
Equal Pay Unit costs recharged to Boards for 2008-09	0.000	0.000	(0.031)	(0.031)
Child Healthy Weight Intervention	0.000	0.217	0.000	0.217
Administrative Support for Scottish Dental Access Initiative	0.000	0.010	0.000	0.010
Scottish Primary Care Collaborative Project Managers 2008-09	0.000	0.000	0.054	0.054
AHP Support & Development Scheme 1st & 2nd Year Outputs	0.000	0.000	0.022	0.022
Cardiac Funding	0.000	0.146	0.000	0.146
General Waiting Times Funding	0.000	1.069	0.000	1.069
Diagnostic Funding	0.000	1.537	0.000	1.537
Pre-Registration Training - Community Pharmacy 2008-09	0.000	(0.119)	0.000	(0.119)
Additional Oral Health Educator Posts	0.000	0.000	0.146	0.146
Patients Rights & Waiting Times - First Tranche Share of £10M	0.000	1.844	0.000	1.844
Patients Rights & Waiting Times - First Tranche Share of £50M	0.000	0.000	3.580	3.580
Scottish Dental Access Initiative - Mrs F & Mrs F	0.000	0.000	0.002	0.002
Health Clearance for New Health Workers	0.038	0.000	0.000	0.038
SDANP Co-ordinator	0.000	0.000	0.060	0.060
Scottish Dental Access Initiative - Mrs S Percival	0.000	0.000	0.010	0.010
Rutherglen and Cambuslang Community Health Initiative	0.000	0.000	0.300	0.300
Tranche 1 2008-09 funding to support use of CHI number	0.000	0.000	0.057	0.057
Implementation Carer Information Strategy	0.000	0.000	0.108	0.108
Infrastructure for Health Boards - capital charges 2008-09	0.000	0.213	0.000	0.213
Support for Board Implementation of eHealth Programme 2008-09	0.000	0.269	0.000	0.269
GDS IM & T Facilitator Support	0.000	0.093	0.000	0.093
Quarter 1 Revenue - patient management system (PMS)	0.000	0.000	0.313	0.313
HNC Year 1 Funding	0.000	0.000	0.097	0.097
Implementation of Senior Charge Nurse Review	0.000	0.000	0.025	0.025
Hepatitis C Action Plan Phase II	0.000	0.000	0.303	0.303
R&D Funding Allocation 2008-09	0.000	0.521	0.000	0.521
HNC Years 2 & 3 Funding	0.000	0.000	0.153	0.153
Review of Community eyecare Services in Scotland	0.000	0.000	0.080	0.080
HIB vaccine for young children catch up programme	0.000	0.000	0.042	0.042
Mental Health partnership spend	0.000	0.000	0.477	0.477
Dental Action Plan support costs and Childsmile Projects	0.000	0.618	0.000	0.618
90% Marginal costs for Golden Jubilee National Hospital	0.000	(3.640)	0.000	(3.640)
Dental Action Plan Oral Health support costs	0.000	0.553	0.000	0.553
School Dental Service	0.000	0.012	0.000	0.012
Funding for Treatment and Rehabilitation for Drug Misuse	0.000	0.000	1.651	1.651
Implementation of Smoking Action Plan	0.000	0.157	0.000	0.157
	760.545	9.502	8.149	778.196

**NHS LANARKSHIRE
CAPITAL EXPENDITURE TO 30 JUNE 2008**

	ORIGINAL PLAN £M	ACTUAL TO DATE £M
ADJUSTED NET ALLOCATION	35.220	3.002
<i>CAPITAL EXPENDITURE:</i>		
<i>Primary Care Premises</i>		
Airdrie Resource Centre	3.000	0.000
Bellshill Resource Centre	3.300	0.305
Beckford Lodge Relocation	5.000	0.000
Carluke Resource Centre	2.500	0.006
Dalziel Centre - Lymphoedema Centre	0.400	0.033
Coatbridge Dental & Integrated Resource Centre	5.500	0.022
Hunter Health Centre, EK	0.342	0.204
Coathill Hospital Extension	0.408	0.314
	20.450	0.884
<i>Modernising Psychiatric Services</i>		
LD Assessment & Treatment Centre	0.890	0.383
Adults Complex Needs Ward - Coathill	1.000	0.005
Adults Complex Needs - Caird House	1.301	0.006
	3.191	0.394
<i>Rationalise Accommodation</i>		
New H.Q.	0.500	0.041
	0.500	0.041
<i>Ring-Fenced</i>		
Medical Equipment	3.034	0.102
Extension to Biggar Dental	0.592	0.000
Ophthalmic Practices	0.691	0.000
	4.317	0.102
<i>Car Parking</i>		
Law House - Site Carpark	1.600	0.000
Car Parking	0.000	0.025
	1.600	0.025
<i>Other</i>		
Statutory	1.000	0.000
Glennie Group Technical Requirements	0.615	0.000
Hairmyres Records Storage	0.900	0.000
I M & T	1.500	1.543
North Lanarkshire Council (CAPITAL GRANT)	0.177	0.000
Other	0.000	0.013
	4.192	1.556
TOTAL CAPITAL EXPENDITURE	£34.250	£3.002
(OVER) / UNDER COMMITTED	£0.970	£0.000