

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 31 MAY 2008

1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the two months ended 31 May 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 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.
- 2.2. 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
- 2.3. The financial position to the end of May shows an under spend of £0.504m, as detailed in Table 1 below. This includes a range of cost pressures and offsetting benefits across the system and is line with the position expected per the approved Financial Plan.

Table 1 - Summary Financial Position			
	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	35.962	35.961	0.001
North CHP	13.022	12.526	0.496
South CHP	6.466	6.460	0.006
Primary Care Other Services	41.822	42.074	(0.252)
Headquarters / Corporate Functions	15.411	15.412	(0.001)
Service Level Agreements / Other Healthcare Providers	13.392	13.499	(0.107)
NHSL - wide	9.080	8.719	0.361
Net operating costs	135.155	134.651	0.504

3. Revenue Resources

- 3.1. At the end of May 2008, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £760.490m. This represents a 3.52% increase over the allocation for the previous year, details of which are noted in Annex A.
- 3.2. Following discussion at the Corporate Management Team in May 2008, it was agreed that a detailed review of new allocations will be undertaken as and when we are notified of adjustments by SGHD. The review will determine how the allocation is utilised both recurrently and non recurrently.
- 3.3. A significant level of resource is allocated throughout the year, the majority being of a non recurring nature and this will be monitored closely as part of the wider management of the overall financial position and delivery of both local and national efficiency savings targets

4. Acute Division

- 4.1. The Acute Division is reporting a break even position for the period to the end of May 2008, as detailed in Table 2.

	Budgeted Operating Costs 31/05/2008 £M	Actual Operating Costs 31/05/2008 £M	Actual saving / (excess) 31/05/2008 £M
Pay	33.851	33.628	0.223
Non Pay	9.012	9.234	(0.222)
Gross operating costs	42.863	42.862	0.001
Less: miscellaneous income	(6.901)	(6.901)	0.000
Net operating cost	35.962	35.961	0.001

- 4.2. The under spend of £0.223m against the pay budgets is mainly due to the impact of 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), although these are being offset against increasing overspends in Nursing and Midwifery partly due to increased payments for unsocial hours.
- 4.3. The over spend of £0.222m against non pay budgets reflects the continuing trend from 2007/08. Pressures remain across a number of non pay budgets; in particular laboratories, in excess of last years trend; theatre supplies across all three sites including surgical sundries; and surgical appliances, 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. Furthermore, within the area of Emergency and Medical Care increased drug costs in particular (BBV, rheumatology, Anti-TNF and Cancer) have contributed to the over spend. Funding set aside in the Financial Plan will, however, help to reduce this.
- 4.5. 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 £0.250m for the period to the end of May 2008.
- 5.2. The North CHP is reporting an under spend of £0.496m for the period to the end of May 2008 and is predominantly across pay budgets, particularly within Mental Health areas, 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 under spend of £0.006m for the period to the end of May 2008, with an over spend in pay budgets being offset against an under spend in non pay budgets. The over spend in pay budgets is largely due to funding for Delayed Discharge and Macmillan nursing posts which has not yet been received. The under spend in non pay budgets is mainly within equipment.
- 5.4. The financial position of both North CHP and South CHP is as follows:

	Budgeted Operating Costs 31/05/2008 £M	Actual Operating Costs 31/05/2008 £M	Actual saving / (excess) 31/05/2008 £M
Pay	11.213	10.754	0.459
Non Pay	1.809	1.772	0.037
Net operating cost	13.022	12.526	0.496

	Budgeted Operating Costs 31/05/2008 £M	Actual Operating Costs 31/05/2008 £M	Actual saving / (excess) 31/05/2008 £M
Pay	5.724	5.757	(0.033)
Non Pay	0.742	0.703	0.039
Net operating cost	6.466	6.460	0.006

- 5.5. Primary Care Other Services are reporting an over spend of £0.252m for the period to the end of May 2008 and is expected to return to break even once specific anticipated funding is received. This position also reflects £5.4m of category M price reductions being withdrawn from prescribing budgets for release to the Scottish Government with further savings of £2.2m identified in 2007/08 also withdrawn as part of the approved financial plan. The over spend associated with these reductions to budget will be resolved as the year progresses, as the impact of the price reductions is seen through actual expenditure patterns.

	Budgeted Operating Costs 31/05/2008 £M	Actual Operating Costs 31/05/2008 £M	Actual saving / (excess) 31/05/2008 £M
Pay	3.761	4.032	(0.271)
Non Pay	0.787	0.768	0.019
Family Health Services	22.189	22.189	0.000
Prescribing	18.605	18.605	0.000
Gross operating costs	45.342	45.594	(0.252)
Less: Family Health Service income	(1.991)	(1.991)	0.000
Less: Miscellaneous income	(1.529)	(1.529)	0.000
Net operating cost	41.822	42.074	(0.252)

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting a break even position for the period to the end of May 2008, as detailed in Table 6. The under spend within pay budgets is being offset by an over spend with non pay budgets. The over spend within non pay budgets is mainly due to professional fees and also increased PSSD costs associated with Parksprings, Kingshill Medical Centre and Monklands Laboratories. 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.
- 6.2. Further work is required with budget holders to manage expenditure levels, agree withdrawal of savings and provide a robust assessment of any potential financial risks or benefits.

	Budgeted Operating Costs 31/05/2008 £M	Actual Operating Costs 31/05/2008 £M	Actual saving / (excess) 31/05/2008 £M
Pay	5.162	5.003	0.159
Non Pay	10.249	10.409	(0.160)
Net operating cost	15.411	15.412	(0.001)

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.107m at the end of May 2008, as detailed in table 7.
- 7.2. The main area for concern is 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. Formal agreement of the uplift to be applied to the other NHS Scotland Service Agreements has not been agreed across Scotland. In previous years, the National Directors of Finance group has discussed this matter and agreed a consensus approach.
- 7.4. Funding to cover an inflationary uplift for both pay and prices, and resources to support agreed service developments in specific areas such the Beatson Oncology Centre, Interventional Neuro-radiology, Primary Percutaneous Coronary Intervention and NHS Lothian activity cost pressures have all been factored into the approved Financial Plan. Any funding requests beyond that detailed in the Financial Plan will be notified to the Corporate Management Team, before any decision is taken.
- 7.5. The budgets for Unplanned Activity (UNPACs) and the Independent Sector will also be increased to reflect pay and price increases, per the Financial Plan. These areas are subject to fluctuations in expenditure from month to month and will be monitored closely to ensure robust financial control is maintained. Work is underway to transfer the approval process and financial reporting arrangements for a number of budgets within this area to the Acute Division and both CHPs.

	Budgeted Operating Costs 31/05/2008 £M	Actual Operating Costs 31/05/2008 £M	Actual saving / (excess) 31/05/2008 £M
Service Level Agreements	12.856	12.866	(0.010)
Unpacs and Oats	0.788	0.778	0.010
Resource Transfer and Bridging	0.030	0.026	0.004
Independent Sector	1.451	1.588	(0.137)
HIF and SIP's	0.008	0.009	(0.001)
Mental Health	0.000	0.000	0.000
Gross operating costs	15.133	15.267	(0.134)
Less: miscellaneous income	(1.741)	(1.768)	0.027
Net operating cost	13.392	13.499	(0.107)

8. Capital

- 8.1. Capital expenditure of £2.968m has been incurred against the net capital allocation of £34.220m, with a year end under spend forecast at £0.970m. Details of the actual expenditure position for the two months ended 31 May 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 through the Local Delivery Plan on the level of under spend forecast. It should be noted that the under spend of £19.516m from 2007/08 has been 'banked' with SGHD for reinstatement in future years.
- 8.2. A further update on the capital plan will be provided over the coming months. This will reflect refinements to the phasing of investment as projects are further developed, greater certainty of prices is established for the projects being managed under the 'partnering' arrangements, and Full Business Case stage is reached in a number of areas.

	Annual Plan £M	Actual Position to 31/05/2008 £M
Capital Allocation	35.220	2.968
Capital Expenditure		
Primary Care Premises	20.450	0.325
Modernising Psychiatric Services	3.191	0.823
Rationalise Accommodation	0.500	0.000
Ring Fenced	4.317	0.070
Car Parking	1.600	0.291
Other	4.192	1.459
	34.250	2.968
Net under / (over) spend	0.970	0.000

9. Conclusion

The Board is asked to note:

- the actual revenue under spend of £0.504m as at 31 May;
- 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 June 2008

ANNEX A

REVENUE RESOURCE LIMIT 2008/09	
	£M
Baseline Revenue Resource Limit	734.969
Adjustments to Baseline Allocations Confirmed:	
Bowel Cancer Screening Top Slice	(0.333)
New MCN's (6) Top Slice	(0.013)
Audiology Modernisation Adjustment	0.029
Revised Baseline Revenue Resource Limit	734.652
Standard Uplift @ 3.15%	23.142
Arbuthnott/NRAC adjustment	2.696
Revenue Resource Limit as at 31 May 2008	760.490

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

	ORIGINAL PLAN £M	ACTUAL TO DATE £M
ADJUSTED NET ALLOCATION	35.220	2.968
<u>CAPITAL EXPENDITURE:</u>		
<u>Primary Care Premises</u>		
Airdrie Resource Centre	3.000	0.000
Bellshill Resource Centre	3.300	0.137
Beckford Lodge Relocation	5.000	0.000
Carluke Resource Centre	2.500	0.000
Dalziel Centre - Lymphoedema Centre	0.400	0.000
Coatbridge Dental & Integrated Resource Centre	5.500	0.094
Hunter Health Centre, EK	0.342	0.094
Coathill Hospital Extension	0.408	0.000
	20.450	0.325
<u>Modernising Psychiatric Services</u>		
LD Assessment & Treatment Centre	0.890	0.490
Adults Complex Needs Ward - Coathill	1.000	0.333
Adults Complex Needs - Caird House	1.301	0.000
	3.191	0.823
<u>Rationalise Accommodation</u>		
New H.O.	0.500	0.000
	0.500	0.000
<u>Ring-Fenced</u>		
Medical Equipment	3.034	0.070
Extension to Biggar Dental	0.592	0.000
Ophthalmic Practices	0.691	0.000
	4.317	0.070
<u>Car Parking</u>		
Law House - Site Carpark	1.600	0.000
Wishaw General Hospital - Site Car Park	0.000	0.291
	1.600	0.291
<u>Other</u>		
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	1.460
North Lanarkshire Council (CAPITAL GRANT)	0.177	0.000
Other	0.000	(0.001)
	4.192	1.459
TOTAL CAPITAL EXPENDITURE	£34.250	£2.968
(OVER) / UNDER COMMITTED	£0.970	£0.000