

## NHS LANARKSHIRE

### FINANCE REPORT FOR THE MONTH ENDED 29 FEBRUARY 2008

#### 1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the eleven months ended 29 February 2008.

#### 2. Summary

- 2.1. The financial position to the end of February shows an under spend of £11.651m, as detailed in Table 1 below.

<b>Table 1 - Summary Financial Position</b>			
	<b>Budgeted Operating Costs 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Acute Operating Division	201.975	202.095	(0.120)
North CHP	72.190	69.482	2.708
South CHP	36.869	35.726	1.143
Primary Care Other Services Headquarters / Corporate Functions	224.341	219.689	4.652
Service Level Agreements / Other Healthcare Providers	91.102	90.982	0.120
NHSL - wide	108.247	108.688	(0.441)
	36.128	32.539	3.589
<b>Net Operating Costs</b>	<b>770.852</b>	<b>759.201</b>	<b>11.651</b>

- 2.1. The under spend to date remains in line with the forecast per the mid year review. A separate agenda item for the March Board meeting is the paper "Financial Plan 2008/09 – 2012/13". For the purpose of financial planning, an assumption has been made that the year end surplus will be c £11.9m
- 2.2. At the time of writing, and as we near 31 March, work is continuing to ensure a robust approach is being taken to the management of the year end position within the CHPs and Acute Division, as well as the wider NHS Lanarkshire position.
- 2.3. As highlighted previously, close liaison with our external auditors is essential and it is worth noting that initial discussions have been generally positive.

- 2.4. The year end position remains extremely positive and the move into recurring balance for the first time in several years sets the organisation onto better footing to approach what is expected to be a challenging few years ahead.

### 3. Revenue Resources

- 3.1. At the end of February 2008, the revenue resource limit for NHS Lanarkshire was £821.807m. Changes to the allocation during the month are highlighted in Annex A.
- 3.2. It is proposed that a much more detailed review of new allocations will be undertaken in the new financial year, with discussion required within the Corporate Management Team on the approach to be taken with regard the distribution of resources. A significant level of resource is allocated throughout the year, the majority being of a non recurring nature. In the current year, non recurring funding of £83.62m has been allocated from the SGHD.

### 4. Acute Division

- 4.1. The Acute Division is reporting an overspend of £0.120m for the period to the end of February 2008, as detailed in Table 2, no change to the position previously reported in January.

	<b>Budgeted Operating Costs 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Pay	185.539	182.995	2.544
Non Pay	49.831	52.462	(2.631)
Gross operating costs	235.370	235.457	(0.087)
Less: miscellaneous income	(33.395)	(33.362)	(0.033)
<b>Net operating cost</b>	<b>201.975</b>	<b>202.095</b>	<b>(0.120)</b>

- 4.2. The under spend against the pay budgets shows an increase of £0.360m 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), Pharmacy and Senior Medical staffing (Radiology and Microbiology), although these are being offset against increasing overspends in Nursing and Midwifery.
- 4.3. The over spend against non pay budgets shows an increase of £0.356m 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 higher than anticipated drug costs within rheumatology, renal, cancer and Women and Diagnostics 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 £8.503m for the period to the end of February 2008 an increase of £1.112m from the previous month. This includes an increase of £0.907m within the Prescribing budget.
- 5.2. Pay budgets show an under spend of £0.457m for the period to the end of February 2008 an increase of £0.656m 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 still running between 8% and 9%.
- 5.3. Non pay budgets show an over spend of £0.025m for the period to the end of February 2008 an increase of £0.324m from the previous month and reflects additional expenditure on equipment and drugs, particularly vaccines.
- 5.4. The financial position of both North CHP and South CHP is as follows:

	<b>Budgeted Operating Costs 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Pay	62.053	59.203	2.850
Non Pay	10.137	10.279	(0.142)
<b>Net operating cost</b>	<b>72.190</b>	<b>69.482</b>	<b>2.708</b>

	<b>Budgeted Operating Costs 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Pay	32.258	31.333	0.925
Non Pay	4.611	4.393	0.218
<b>Net operating cost</b>	<b>36.869</b>	<b>35.726</b>	<b>1.143</b>

- 5.5. Primary Care Other Services under spend shows an increase of £1.039m 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 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Pay	20.970	20.218	0.752
Non Pay	6.413	6.514	(0.101)
Family Health Services	110.046	110.169	(0.123)
Prescribing	106.054	102.014	4.040
Gross operating costs	243.483	238.915	4.568
Less: Family Health Service income	(10.667)	(10.667)	0.000
Less: Miscellaneous income	(8.475)	(8.559)	0.084
<b>Net operating cost</b>	<b>224.341</b>	<b>219.689</b>	<b>4.652</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 February 2008, as detailed in Table 6, no change to the position previously reported in January.
- 6.2. The under spend within pay budgets shows an increase of £0.135m from the previous month mainly due to continuing vacancies within Corporate departments including Property and Support Services.
- 6.3. The overspend within non pay budgets shows an increase of £0.135m from the previous month 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 non recurring funding being released through the financial plan to cover cost pressures.

	<b>Budgeted Operating Costs 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Pay	29.028	28.152	0.876
Non Pay	62.074	62.830	(0.756)
<b>Net operating cost</b>	<b>91.102</b>	<b>90.982</b>	<b>0.120</b>

## 7. Service Level Agreements/Other Healthcare Providers

- 7.1. At the end of February 2008, there is an over spend of £0.441m against the service level agreements and other healthcare providers, as detailed in table 7, an decrease of £0.186m from the previous month.
- 7.2. The under spend of £0.055m within Unpacs and Oats has increased by £0.223m from the previous month and is primarily due to costs associated with the home ventilated service provided by Yorkhill Hospital, where nurse staffing costs are less than anticipated as a direct consequence of a reduction in activity.
- 7.3. The over spend of £1.007m within the Independent Sector shows an increase of £0.062m from the previous month and continues to be within Mental Health particularly Forensic Services and Eating Disorders.

	<b>Budgeted Operating Costs 29/02/2008 £M</b>	<b>Actual Operating Costs 29/02/2008 £M</b>	<b>Actual saving / (excess) 29/02/2008 £M</b>
Service Level Agreements	73.162	72.817	0.345
Unpacs and Oats	4.891	4.836	0.055
Resource Transfer and Bridging	22.343	22.324	0.019
Independent Sector	8.584	9.591	(1.007)
HIF and SIP's	0.965	0.951	0.014
Mental Health	0.088	0.085	0.003
Gross operating costs	110.033	110.604	(0.571)
Less: miscellaneous income	(1.786)	(1.916)	0.130
<b>Net operating cost</b>	<b>108.247</b>	<b>108.688</b>	<b>(0.441)</b>

## 8. Capital

- 8.1. Capital expenditure of £8.756m has been incurred against the net capital allocation of £37.010m, with a year end under spend forecast at £19.430m. Details of the actual expenditure position for the eleven months ended 29 February 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 majority of the expenditure required to meet the year end forecast is related to fees anticipated for the Coatbridge Integrated Dental and Resource Centre development, medical equipment, IM&T, and the release of capital grants for dental decontamination and Ophthalmic practices.

**Table 8 - Capital Expenditure 2007/08**

	<b>Annual Plan £M</b>	<b>Actual Position to 29/02/2008 £M</b>	<b>Year end Forecast to 31/3/2008 £M</b>
<b>Capital Allocation</b>	37.010	8.756	37.010
<b>Capital Expenditure</b>			
B/fwd from 2006/07	3.666	0.206	0.192
Primary Care Premises	7.169	1.701	2.806
Modernising Psychiatric Services	2.033	1.840	1.901
Picture of Health - Acute & Mental Health	0.050	0.024	0.050
Rationalise Accommodation	1.000	0.099	0.250
Ring Fenced	8.552	2.140	7.553
Other	4.782	2.746	4.828
	<b>27.252</b>	<b>8.756</b>	<b>17.580</b>
<b>Net under / (over) spend</b>	<b>9.758</b>	<b>0.000</b>	<b>19.430</b>

## 9. Conclusion

The Board is asked to note:

- the actual revenue under spend of £11.651m as at 29 February 2008;
- the range for the forecast year end surplus remains between £11.5m and £19.5m,
- the forecast capital under spend of £19.430m for the year.

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

**20 March 2008**

## ANNEX A

### REVENUE RESOURCE LIMIT 2007/08

	Rec £M	Non-Rec £M	Total £M
<b>Revenue Resource Limit as at 31 January 2008</b>	738.154	82.564	820.718
<b>Adjustments to Allocations Confirmed:</b>			
JFU Allocation for Early Implementors Programme	0.000	0.110	0.110
Waiting Times - Cardiology	0.146	0.000	0.146
Long Term Conditions	0.000	0.025	0.025
Waiting Times - Additional Support	0.000	0.750	0.750
Mental Health	0.000	0.025	0.025
Transfer 3 SHO Posts	(0.113)	0.000	(0.113)
Keeping Childbirth Natural and Dynamic	0.000	0.014	0.014
AHP Support & Development - Flying Start 1st Outputs	0.000	0.005	0.005
Vocational Physiotherapy Posts	0.000	0.034	0.034
GDS IM & T Facilitator Support	0.000	0.093	0.093
<b>Revenue Resource Limit as at 29 February 2008</b>	<b>738.186</b>	<b>83.620</b>	<b>821.807</b>

**NHS LANARKSHIRE  
CAPITAL EXPENDITURE TO 29 FEBRUARY 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>8.756</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	0.406	0.392
Other	2.136	2.136	(0.200)	(0.200)
	<b>3.666</b>	<b>3.666</b>	<b>0.206</b>	<b>0.192</b>
<b><u>Primary Care Premises</u></b>				
Airdrie Resource Centre	0.802	0.802	0.012	0.017
Bellshill Resource Centre	2.200	2.200	1.133	1.300
Carlisle Resource Centre	1.000	1.000	0.291	0.300
Dalziel Centre - Lymphoedema Centre	0.000	0.025	(0.002)	0.025
Larkhall Institute	0.800	0.800	0.000	0.000
Coatbridge Dental & Integrated Resource Centre	1.080	1.080	0.014	0.660
Hunter Health Centre, EK	0.550	0.550	0.027	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>1.701</b>	<b>2.806</b>
<b><u>Modernising Psychiatric Services</u></b>				
LD Assessment & Treatment Centre	0.150	0.150	0.297	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>1.840</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	0.099	0.250
	<b>1.000</b>	<b>1.000</b>	<b>0.099</b>	<b>0.250</b>
<b><u>Ring-Fenced</u></b>				
Medical Equipment	4.192	4.192	2.140	4.192
Extension to Biggar Dental	0.592	0.592	0.000	0.000
Diagnostic / Cancer Waiting Times	0.000	3.002	0.000	2.595
Dental Decontamination (CAPITAL GRANT)	0.000	0.536	0.000	0.536
Ophthalmic Practices	0.000	0.230	0.000	0.230
	<b>4.784</b>	<b>8.552</b>	<b>2.140</b>	<b>7.553</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	0.207	0.300
I M & T	2.550	3.750	2.428	3.750
Vitek Susceptibility - Transfer from NSS	0.000	0.025	0.000	0.025
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	0.000	0.021
Laundry	0.000	0.000	0.000	0.009
Energy	0.257	0.257	0.110	0.257
	<b>3.107</b>	<b>4.782</b>	<b>2.746</b>	<b>4.828</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>£24.621</b>	<b>£27.252</b>	<b>£8.756</b>	<b>£17.580</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>£9.471</b>	<b>£9.758</b>	<b>£0.000</b>	<b>£19.430</b>