

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 30 SEPTEMBER 2008

1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the six months ended 30 September 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 September shows an under spend of £7.467m, as detailed in Table 1 below. This includes a range of cost pressures and offsetting benefits across the system.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	114.972	114.923	0.049
North CHP	41.104	40.033	1.071
South CHP	20.845	20.759	0.086
Primary Care Other Services	124.136	124.041	0.095
Headquarters / Corporate Functions	52.397	52.446	(0.049)
Service Level Agreements / Other Healthcare Providers	61.464	61.841	(0.377)
NHSL - wide	25.041	18.449	6.592
Net operating costs	439.959	432.492	7.467

- 2.2. The in year position remains consistent with the planned cumulative surplus of £14.835m for the year. However, the output of the mid year review has confirmed that there are a number of further non recurring costs and offsetting benefits which will increase the potential surplus beyond that approved in the five year financial plan and Local Delivery Plan.
- 2.3. A paper setting out the options for utilisation of the non recurring surplus, including specific areas of cost pressure, further investment in premises and other areas of 'invest to save' will be considered by the Corporate Management Team on 30 October. This will also take account of other potential financial risks such as the increasing costs of energy, the impact of

the overall financial climate on settlements in future years, and the implications of technical accounting adjustments required under the adoption of International Financial Reporting Standards across the public sector.

3. Revenue Resources

- 3.1. At the end of September 2008, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £789.587m, details of which are noted in Annex A.

4. Acute Division

- 4.1. The Acute Division is reporting an under spend of £0.049m for the period to the end of September 2008, as detailed in Table 2, an improvement of £0.063m from the previous months over spend.

	Budgeted Operating Costs 30/09/2008 £M	Actual Operating Costs 30/09/2008 £M	Actual saving / (excess) 30/09/2008 £M
Pay	106.188	105.828	0.360
Non Pay	28.448	28.808	(0.360)
Gross operating costs	134.636	134.636	0.000
Less: miscellaneous income	(19.664)	(19.713)	0.049
Net operating cost	114.972	114.923	0.049

- 4.2. The under spend of £0.360m against the pay budgets shows an increase of £0.135m from the previous month. This is mainly due to the continuing impact of vacancies particularly within Senior and Junior Medical staffing. These, however, are being partly offset against increasing overspends in Admin and Clerical and Nursing and Midwifery staffing. This is largely due to increased payments for unsocial hours and bank costs due to maternity cover and sickness absence levels.
- 4.3. The over spend of £0.360m against non pay budgets shows an increase of £0.072m from the previous month. As previously noted this is within Laboratories and is related to the new level of spend for Managed Services contracts for 2008/09, driven by increases in activity tests. An exercise is currently being carried out to quantify the financial impact of cost drivers in more detail. In addition, stock counts are planned to help substantiate the increased spending patterns within theatre supplies across all three sites.
- 4.4. It should be noted that the Division has utilised £0.784m of uncommitted reserves to achieve the reported position, an increase of £0.188m from the previous month. It is therefore essential that the Division meets its cost reduction targets to ensure financial stability particularly within nursing which is proving difficult to achieve.

5. Primary Care

5.1. Across the Primary Care sector, there is a net under spend of £1.252m for the period to the end of September 2008, an increase of £0.173m from the previous month.

5.2. The North CHP is reporting an under spend of £1.071m for the period to the end of September 2008, as detailed in Table 3, a reduction of £0.050m from the previous month. As noted previously, this continues to reflect vacancies particularly within Mental Health in the Coatbridge and Wishaw localities. New posts have been advertised but remain unfilled. The over spend against non pay budgets is due to higher expenditure incurred in month particularly staff travel and equipment.

	Budgeted Operating Costs 30/09/2008 £M	Actual Operating Costs 30/09/2008 £M	Actual saving / (excess) 30/09/2008 £M
Pay	35.459	34.213	1.246
Non Pay	5.645	5.820	(0.175)
Net operating cost	41.104	40.033	1.071

5.3. The South CHP is reporting an under spend of £0.086m for the period to the end of September 2008, as detailed in Table 4, a reduction of £0.037m from the previous month. The under spend against pay budgets is due to vacancies within Mental Health in the East Kilbride locality. The over spend against non pay budgets is due to higher expenditure incurred in month particularly equipment and telephones.

	Budgeted Operating Costs 30/09/2008 £M	Actual Operating Costs 30/09/2008 £M	Actual saving / (excess) 30/09/2008 £M
Pay	18.256	18.115	0.141
Non Pay	2.589	2.644	(0.055)
Net operating cost	20.845	20.759	0.086

5.5 Primary Care Other Services are reporting an under spend of £0.095m for the period to the end of September 2008, as detailed in Table 5, an improvement of £0.260m from the previous months over spend. The improved position has been helped by additional funding being received for discretionary awards.

	Budgeted Operating Costs 30/09/2008 £M	Actual Operating Costs 30/09/2008 £M	Actual saving / (excess) 30/09/2008 £M
Pay	11.411	11.566	(0.155)
Non Pay	4.729	4.504	0.225
Family Health Services	63.907	63.907	0.000
Prescribing	53.903	53.903	0.000
Gross operating costs	133.950	133.880	0.070
Less: Family Health Service income	(5.413)	(5.413)	0.000
Less: Miscellaneous income	(4.401)	(4.426)	0.025
Net operating cost	124.136	124.041	0.095

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an over spend of £0.049m for the period to the end of September 2008, as detailed in Table 6, a movement of £0.063m from the previous months under spend.
- 6.2. The under spend of £0.155m within pay budgets shows a decrease of £0.017m from the previous month. This is largely due to a budget phasing adjustment to reflect the expected withdrawal of savings per the financial plan from Headquarters / area wide departments which has not yet been identified.
- 6.3. The over spend of £0.204m against non pay budgets shows an increase of £0.046m from the previous month. This is largely due to cost pressures associated with waste management, increased rates due to a reduction in relief as a result of changes in use of NHS premises and also the impact of price increases within utilities, which is expected to be significant as the year progresses.

	Budgeted Operating Costs 30/09/2008 £M	Actual Operating Costs 30/09/2008 £M	Actual saving / (excess) 30/09/2008 £M
Pay	16.012	15.857	0.155
Non Pay	36.385	36.589	(0.204)
Net operating cost	52.397	52.446	(0.049)

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.377m at the end of September 2008, as detailed in table 7, a reduction of £0.023m from the previous month.
- 7.2. The reduction in overspend is mainly due to the under spend being reported within Resource Transfer and Bridging as a result of slippage against the Mental Health Discharge programme for both North and South Lanarkshire Councils.
- 7.3. The main area for concern continues to be within the independent sector and relates predominantly to referrals for Eating Disorders and Forensic Medicine. This will be managed through the mid year review process. The trend remains consistent with that seen in previous years. however this month's overspend has reduced when compared against the previous month.

	Budgeted Operating Costs 30/09/2008 £M	Actual Operating Costs 30/09/2008 £M	Actual saving / (excess) 30/09/2008 £M
Service Level Agreements	39.871	39.835	0.036
Unpacs and Oats	1.475	1.545	(0.070)
Resource Transfer and Bridging	15.162	15.011	0.151
Independent Sector	4.600	5.096	(0.496)
HIF and SIP's	0.309	0.307	0.002
Mental Health	0.047	0.047	0.000
Gross operating costs	61.464	61.841	(0.377)

8. Efficiency Programme

- 8.1 Initial work on the efficiency target for 2009/10 is focussed on ensuring that savings from redesign already underway are captured, and identifying other target areas. This will be reflected in initial draft of financial plan to be presented to the Board later in the year.

9. Capital

- 9.1. Capital expenditure of £9.199m has been incurred against the net capital allocation of £36.797m, with a revised year end under spend forecast at £6.451m. Details of the actual expenditure position for the six months ended 30 September 2008 are set out in table 8 on the following page. Annex B provides a more detailed analysis by scheme, along with an initial assessment of the likely outturn for the year.

- 9.2. An early draft of an updated capital plan was considered by the Capital Investment Group at the beginning of October, in light of the progress made with Business Cases for a number of priority projects. However, this work remains ongoing, and will be highlighted at a forthcoming Board Seminar on the financial plan for 2009/10 and beyond.

Table 8 - Capital Expenditure 2008/09

	Annual Plan £M	Actual Position to 31/08/2008 £M	Year end Forecast to 31/3/2009 £M
Capital Allocation	36.797	9.199	36.797
Capital Expenditure			
Primary Care Premises	20.450	5.934	18.464
Modernising Psychiatric Services	3.249	0.484	2.308
Acute	0.000	0.010	1.650
Rationalise Accommodation	0.500	0.130	0.119
Ring Fenced	4.926	0.844	4.213
Picture Archiving and Communication System	0.968	1.269	0.968
Car Parking	1.600	0.024	0.000
Other	4.237	0.504	2.624
	35.930	9.199	30.346
Net under / (over) spend	0.867	0.000	6.451

- 9.3. There is a significant level of expenditure required to deliver the level of investment planned in the current year for Primary Care Premises. This budget heading includes the developments in Coatbridge, Carluke and Bellshill, as well as Douglas Street which provides the enabling work for the Caird House Complex Needs facility. Expenditure is expected to increase as the year progresses and further clarity has been sought from the contractors involved to determine the likely cash flow phasing. The initial assessment of the forecast position has taken this into account
- 9.4. As highlighted previously, payment in respect of the National Picture Archiving and Communication System (PACS) has been separately identified in the report. This programme is fully funded by the Scottish Government Health Directorates and is not expected to overspend.
- 9.5. A number of schemes are being examined further to determine the extent to which there is 'non added' value expenditure included within the capital position. This will require a formal valuation on completion of the project and any such expenditure will be transferred out of capital into revenue. A valuation exercise is usually undertaken toward the end of the financial year, but given the number of projects currently underway, and the relative size of the overall capital programme over the coming years, it is expected that more regular, planned input from the valuers will be required. There is funding set aside within the revenue plan to meet the costs associated with 'non added' value expenditure in the current year eg for Coathill and Douglas Street.

- 9.6. Nationally, the position on capital expenditure is expected to be tight, with little scope for any significant movement from the planned position. The initial forecast under spend of £6.451m has been discussed with Finance, Property Services and Planning colleagues and compares with an original planned under spend of £0.970m per the Local Delivery Plan.
- 9.7. Ongoing management action is required to progress the developments timeously, and to ensure there are no significant delays in projects which may result in any further increase to the forecast underspend. Should any further slippage arise, options to address this will need to be considered by the Capital Investment Group, to either seek approval from the Scottish Government Health Directorates to 'bank' further funds, or to identify other areas for potential minor investment. It should be noted that an underspend of £19.4m from previous years has been 'banked' with the Scottish Government Health Directorates for use in 2009/10 and beyond.

10. Conclusion

The Board is asked to note:

- the actual revenue under spend of £7.467m as at 30 September;
- 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; and
- the forecast year end capital under spend of £6.451m.

Susan Goldsmith
Director of Finance

22 October 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 August 2008	750.909	12.476	25.483	788.868
Emergency Response Centre	0.000	0.000	0.227	0.227
Alcohol Misuse Communications Funding	0.000	0.008	0.000	0.008
Transfer 3 SHO Posts HME (J) 34/2004, 19/2005, 46/2005	(0.117)	0.000	0.000	(0.117)
Nutrition of Women of childbearing age, pregnant women and children under 5	0.000	0.315	0.000	0.315
PACS Hairmyres DGH	0.000	0.000	0.061	0.061
1st Quarter Allocation from the 18 weeks RTT Programme	0.000	0.000	0.146	0.146
Palliative Care Model	0.000	0.000	0.045	0.045
Community Pharmacy Practitioner Champions	0.000	0.000	0.033	0.033
Revenue Resource Limit as at 31 September 2008	750.792	12.799	25.996	789.587

NHS LANARKSHIRE
CAPITAL EXPENDITURE TO 30 SEPTEMBER 2008

	ORIGINAL PLAN £M	REVISED PLAN £M	ACTUAL TO DATE £M	FORECAST YEAR END £M
Initial Capital Allocation:	29.495	29.495		29.495
Revisions:				
Medical Equipment	3.034	3.034		3.034
Ophthalmic Practices	0.691	0.691		0.691
	33.220	33.220		33.220
Additional Allocations received:				
GP Managed Technical Services Break Costs	0.000	0.065		0.065
Capital Transfer from NHS NSS	0.000	0.009		0.009
PACS Funding - Monklands	0.000	0.295		0.295
PACS Funding - Hairmyres	0.000	0.295		0.295
Dental Decontamination	0.000	0.536		0.536
	33.220	34.419		34.419
Anticipated Allocations:				
PACS Funding - Wishaw	0.000	0.378		0.378
Total Revised Allocation	33.220	34.797		34.797
Disposal Programme:				
Actual Sales	0.000	1.600		1.600
Potential Sales	2.000	0.400		0.400
Total Disposal Proceeds	2.000	2.000		2.000
ADJUSTED NET ALLOCATION	35.220	36.797	9.199	36.797
<u>CAPITAL EXPENDITURE:</u>				
<u>Primary Care Premises</u>				
Airdrie Resource Centre	3.000	3.000	0.000	1.000
Bellshill Community Health Clinic	3.300	3.300	1.252	3.100
Douglas Street - Caird House Enabling works	5.000	5.000	3.121	4.000
Carlisle Community Health Centre	2.500	2.500	0.222	2.850
Dalziel Centre - Lymphoedema Centre	0.400	0.400	0.116	0.400
Larkhall Institute	0.000	0.000	0.000	0.800
Coatbridge Dental & Integrated Resource Centre	5.500	5.500	0.024	5.800
Hunter Health Centre	0.342	0.342	0.279	0.106
Coathill Hospital Extension	0.408	0.408	0.920	0.408
	20.450	20.450	5.934	18.464
<u>Modernising Psychiatric Services</u>				
LD Assessment & Treatment Centre	0.890	0.890	0.464	0.750
Adults Complex Needs - Coathill	1.000	1.000	0.011	1.000
Adults Complex Needs - Caird House	1.301	1.301	0.009	0.500
Old Age Psychiatry Integrated Day Service (CAPITAL GRANT)	0.000	0.058	0.000	0.058
	3.191	3.249	0.484	2.308
<u>Acute</u>				
Monklands Modular Building	0.000	0.000	0.010	1.650
	0.000	0.000	0.010	1.650
<u>Rationalise Accommodation</u>				
New H.Q.	0.500	0.500	0.130	0.119
	0.500	0.500	0.130	0.119
<u>Ring-Fenced</u>				
Medical Equipment	3.034	3.034	0.844	3.034
Extension to Biggar Dental	0.592	0.592	0.000	0.050
Ophthalmic Practices	0.691	0.691	0.000	0.520
Picture Archiving and Communication System	0.000	0.968	1.269	0.968
Dental Decontamination	0.000	0.536	0.000	0.536
Capital Transfer from NHS NSS	0.000	0.009	0.000	0.009
GP Managed Technical Services Break Costs	0.000	0.065	0.000	0.065
	4.317	5.894	2.113	5.181
<u>Car Parking</u>				
Law House - Site Carpark	1.600	1.600	0.024	0.000
	1.600	1.600	0.024	0.000
<u>Other</u>				
Statutory	1.000	1.000	0.000	1.000
Glennie Group Technical Requirements	0.615	0.615	0.000	0.000
Hairmyres Records Storage	0.900	0.900	0.000	0.000
I M & T	1.500	1.500	0.366	1.500
Wishaw General Hospital NLC (CAPITAL GRANT)	0.177	0.177	0.000	0.000
Professional Fees	0.000	0.000	0.061	0.002
Energy	0.000	0.000	0.068	0.068
Rapid Response Vehicle (CAPITAL GRANT)	0.000	0.015	0.000	0.015
Other	0.000	0.060	0.009	0.039
	4.192	4.267	0.504	2.624
TOTAL CAPITAL EXPENDITURE	£34.250	£35.960	£9.199	£30.346
(OVER) / UNDER COMMITTED	£0.970	£0.837	£0.000	£6.451