

NHS LANARKSHIRE

FINANCE REPORT FOR THE MONTH ENDED 31 AUGUST 2008

1. Introduction

- 1.1. The purpose of this report is to provide the NHS Board with the summary financial position for the five months ended 31 August 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 August shows an under spend of £6.144m, 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	94.649	94.663	(0.014)
North CHP	33.968	32.847	1.121
South CHP	17.342	17.219	0.123
Primary Care Other Services	104.250	104.415	(0.165)
Headquarters / Corporate Functions	44.868	44.854	0.014
Service Level Agreements / Other Healthcare Providers	44.871	45.271	(0.400)
NHSL - wide	20.952	15.487	5.465
Net operating costs	360.900	354.756	6.144

- 2.2. As noted in previous months, the approved financial plan set the in year surplus at £3.050m. With a 'carry forward' surplus of £11.785m from 2007/08, there is a forecast cumulative surplus of £14.835m as at 31 March 2009.
- 2.3. Work on the formal Mid Year Review has already commenced, particularly in light of potential non recurring costs and offsetting benefits. 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' are being considered, along with other potential financial risks such as the

increasing costs of energy and the impact of the overall financial climate on settlements in future years.

- 2.4. An early overview of the Mid Year Review will be considered by the Corporate Management Team in early October, with the formal submission to the NHS Board in November.

3. Revenue Resources

- 3.1. At the end of August 2008, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £788.868m, details of which are noted in Annex A.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £0.014m for the period to the end of August 2008, as detailed in Table 2, a movement of £0.035m from the previous months under spend.

	Budgeted Operating Costs 31/08/2008 £M	Actual Operating Costs 31/08/2008 £M	Actual saving / (excess) 31/08/2008 £M
Pay	87.943	87.718	0.225
Non Pay	23.269	23.557	(0.288)
Gross operating costs	111.212	111.275	(0.063)
Less: miscellaneous income	(16.563)	(16.612)	0.049
Net operating cost	94.649	94.663	(0.014)

- 4.2. The under spend of £0.225m against the pay budgets shows an increase of £0.016m from the previous month. This is mainly due to the continuing impact of vacancies within Medical staffing, Out Patients and Laboratories combined with the remaining vacancies within Pharmacy and Allied Health Professionals (Physiotherapy and Occupational Therapy). These, however, are being partly offset against increasing 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 absence levels.
- 4.3. The over spend of £0.288m against non pay budgets shows an increase of £0.050m from the previous month. This is mainly within Laboratories related to the new level of spend for Managed Services contracts for 2008/09 driven by increases in activity tests.
- 4.4. It should be noted that the Division has utilised £0.596m of uncommitted reserves to achieve the reported position, an increase of £0.036m 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 £1.079m for the period to the end of August 2008, an increase of £0.328m from the previous month.

5.2. The North CHP is reporting an under spend of £1.121m for the period to the end of August 2008, as detailed in Table 3, an increase of £0.488m 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 the supply of vaccines.

	Budgeted Operating Costs 31/08/2008 £M	Actual Operating Costs 31/08/2008 £M	Actual saving / (excess) 31/08/2008 £M
Pay	29.365	28.154	1.211
Non Pay	4.603	4.693	(0.090)
Net operating cost	33.968	32.847	1.121

5.3. The South CHP is reporting an under spend of £0.123m for the period to the end of August 2008, as detailed in Table 4, a reduction of £0.022m from the previous month. The decrease in under spend is predominantly against non pay budgets due to higher expenditure incurred in month particularly the supply of vaccines.

	Budgeted Operating Costs 31/08/2008 £M	Actual Operating Costs 31/08/2008 £M	Actual saving / (excess) 31/08/2008 £M
Pay	15.180	14.945	0.235
Non Pay	2.162	2.274	(0.112)
Net operating cost	17.342	17.219	0.123

5.5. Primary Care Other Services are reporting an over spend of £0.165m for the period to the end of August 2008, as detailed in Table 5, an increase of £0.138m from the previous month. The over spend in pays is largely due to funding expected from external sources which has not yet been received.

	Budgeted Operating Costs 31/08/2008 £M	Actual Operating Costs 31/08/2008 £M	Actual saving / (excess) 31/08/2008 £M
Pay	9.541	9.711	(0.170)
Non Pay	4.030	4.025	0.005
Family Health Services	53.958	53.958	0.000
Prescribing	44.919	44.919	0.000
Gross operating costs	112.448	112.613	(0.165)
Less: Family Health Service income	(3.623)	(3.623)	0.000
Less: Miscellaneous income	(4.575)	(4.575)	0.000
Net operating cost	104.250	104.415	(0.165)

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an under spend of £0.014m for the period to the end of August 2008, as detailed in Table 6, an improvement of £0.035m from the previous month's over spend.
- 6.2. The under spend of £0.172m within pay budgets shows a significant reduction of £0.123m 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 £0.158m against non pay budgets shows a significant improvement of £0.158m from the previous month. This reflects the release of additional funding from the financial plan to cover 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.

	Budgeted Operating Costs 31/08/2008 £M	Actual Operating Costs 31/08/2008 £M	Actual saving / (excess) 31/08/2008 £M
Pay	13.456	13.284	0.172
Non Pay	31.412	31.570	(0.158)
Net operating cost	44.868	44.854	0.014

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.400m at the end of August 2008, as detailed in table 7, an increase of £0.158m 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 picked up and managed through the mid year review process. The trend remains consistent with that seen in previous years however this month's overspend has increased by £0.153m when compared with previous months overspends which were running at between £0.060m and £0.065m per month.

	Budgeted Operating Costs 31/08/2008 £M	Actual Operating Costs 31/08/2008 £M	Actual saving / (excess) 31/08/2008 £M
Service Level Agreements	32.022	31.991	0.031
Unpacs and Oats	1.215	1.247	(0.032)
Resource Transfer and Bridging	7.495	7.481	0.014
Independent Sector	3.796	4.211	(0.415)
HIF and SIP's	0.296	0.294	0.002
Mental Health	0.047	0.047	0.000
Gross operating costs	44.871	45.271	(0.400)

8. Efficiency Programme

- 8.1 Work is currently ongoing to consolidate the overall savings identified for the current year, both in terms of the CRES target required to achieve the in year forecast surplus, as well as the wider 2% efficiency target.
- 8.2 This will be considered as a major component of the Mid Year Review, and as highlighted in the Overview section, will be discussed initially by the Corporate Management Team at the beginning of October. The formal Mid Year Review will be submitted to the NHS Board in November.
- 8.3 In addition, it is anticipated that potential for cost savings for 2009/10 will be identified by mid October so that this can be built into the financial planning process which will commence later this year.

9. Capital

- 9.1. Capital expenditure of £9.468m has been incurred against the net capital allocation of £36.261m, with a revised year end under spend forecast at £0.867m. Details of the actual expenditure position for the five months ended 31 August 2008 are set out in table 8 on the following page. Annex B provides a more detailed analysis by scheme.
- 9.2. Work is ongoing to prepare a formal update on the capital plan, now that significant progress has been made with Business Cases for a number of projects. The timescales for the completion of this have been delayed pending a 'value engineering' exercise as part of the establishment of target prices for the projects being managed under the 'partnering' arrangements. Nationally, the position on capital expenditure is expected to be tight, with

little scope for any significant movement from the planned position. This will be taken into consideration in reviewing the in year capital programme and to what extent any management action is required to contain expenditure. It should be noted that the underspend from previous years has been 'banked' with the Scottish Government Health Directorates and is not available for use in the current year.

- 9.3. The Full Business Cases for the Caird House Low Secure / Complex Needs facility and the Coathill Complex Needs facility are close to completion and every effort is being made to complete these for consideration at the October meeting of the Capital Investment Group, in advance of submission to the NHS Board and Scottish Government Health Directorates.

	Annual Plan £M	Actual Position to 31/08/2008 £M
Capital Allocation	36.261	9.468
Capital Expenditure		
Primary Care Premises	20.450	5.367
Modernising Psychiatric Services	3.249	0.443
PoH Acute & Mental Health	0.000	0.010
Rationalise Accommodation	0.500	0.119
Ring Fenced	4.390	1.856
Picture Archiving and Communication System	0.968	1.269
Car Parking	1.600	0.024
Other	4.237	0.380
	35.394	9.468
Net under / (over) spend	0.867	0.000

- 9.4. There is a significant level of expenditure required to deliver the level of investment planned in the current year for Primary Care Premises. This is under review as part of the wider review of the capital plan. This budget heading includes the developments in Coatbridge, Carlisle 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 will be sought from the contractors involved to determine the likely cash flow phasing and whether the forecast spend is achievable.
- 9.5. 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. The overspend reported has been investigated and it has been established that there is an element of revenue expenditure within the total payment made. This requires to be transferred out of capital and matched with the revenue funding available.
- 9.6. The overspend on the Coathill Hospital extension is 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. There is funding within the revenue plan to meet these costs.

10. Conclusion

The Board is asked to note:

- the actual revenue under spend of £6.144m as at 31 August;
- 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 £0.867m.

Susan Goldsmith
Director of Finance

18 September 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 July 2008	750.909	12.341	25.346	788.596
Scottish Dental Access Initiative - R L	0.000	0.000	0.010	0.010
Scottish Dental Access Initiative - R B To support implementation of Smoking Prevention Action Plan	0.000	0.000	0.010	0.010
PACS Monklands DGH	0.000	0.000	0.061	0.061
To support boards in achieving the 62 day cancer target	0.000	0.000	0.054	0.054
Implementation of Senior Charge Nurse Review Shortfall	0.000	0.000	0.001	0.001
Provision of Wigs	0.000	0.135	0.000	0.135
Revenue Resource Limit as at 31 August 2008	750.909	12.476	25.483	788.868

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

	ORIGINAL PLAN £M	REVISED PLAN £M	ACTUAL TO DATE £M
Initial Capital Allocation:	29.495	29.495	9.468
Revisions:			
Medical Equipment	3.034	3.034	
Ophthalmic Practices	0.691	0.691	
Potential Receipts	2.000	2.000	
Capital Transfer from NHS NSS	0.000	0.009	
GP Managed Technical Services Break Costs	0.000	0.065	
PACS Funding - Monklands	0.000	0.295	
Anticipated Allocations:			
PACS Funding - Wishaw & Hairmyres	0.000	0.673	
ADJUSTED NET ALLOCATION	35.220	36.261	9.468
<u>CAPITAL EXPENDITURE:</u>			
<u>Primary Care Premises</u>			
Airdrie Resource Centre	3.000	3.000	0.000
Bellshill Community Health Clinic	3.300	3.300	0.741
Douglas Street - Caird House Enabling works	5.000	5.000	3.119
Carluke Community Health Centre	2.500	2.500	0.178
Dalziel Centre - Lymphoedema Centre	0.400	0.400	0.060
Coatbridge Dental & Integrated Resource Centre	5.500	5.500	0.025
Hunter Health Centre	0.342	0.342	0.279
Coathill Hospital Extension	0.408	0.408	0.965
	20.450	20.450	5.367
<u>Modernising Psychiatric Services</u>			
LD Assessment & Treatment Centre	0.890	0.890	0.429
Adults Complex Needs - Coathill	1.000	1.000	0.009
Adults Complex Needs - Caird House	1.301	1.301	0.005
Old Age Psychiatry Integrated Day Service (CAPITAL GRANT)	0.000	0.058	0.000
	3.191	3.249	0.443
<u>Acute</u>			
Monklands Modular Building	0.000	0.000	0.010
	0.000	0.000	0.010
<u>Rationalise Accommodation</u>			
New H.O.	0.500	0.500	0.119
	0.500	0.500	0.119
<u>Ring-Fenced</u>			
Medical Equipment	3.034	3.034	1.856
Extension to Biggar Dental	0.592	0.592	0.000
Ophthalmic Practices	0.691	0.691	0.000
Capital Transfer from NHS NSS	0.000	0.009	0.000
GP Managed Technical Services Break Costs	0.000	0.065	0.000
Picture Archiving and Communication System	0.000	0.968	1.269
	4.317	5.358	3.125
<u>Car Parking</u>			
Law House - Site Carpark	1.600	1.600	0.024
	1.600	1.600	0.024
<u>Other</u>			
Statutory	1.000	1.000	0.000
Glennie Group Technical Requirements	0.615	0.615	0.000
Hairmyres Records Storage	0.900	0.900	0.000
I M & T	1.500	1.500	0.304
North Lanarkshire Council (CAPITAL GRANT)	0.177	0.177	0.000
Rapid Response Vehicle (CAPITAL GRANT)	0.000	0.015	0.000
Professional Fees	0.000	0.000	0.002
Energy	0.000	0.000	0.068
Other	0.000	0.030	0.006
	4.192	4.237	0.380
TOTAL CAPITAL EXPENDITURE	£34.250	£35.394	£9.468
(OVER) / UNDER COMMITTED	£0.970	£0.867	£0.000