

Meeting of
Lanarkshire NHS Board
28 April 2010

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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 MARCH 2010

1. PURPOSE

The attached report provides the NHS Board with an update on the financial position for the year to 31 March 2010.

2. CONTENT/SUMMARY OF KEY ISSUES

The unaudited year end figures show the Board as achieving its revenue, capital and efficiency targets. The final audit work commences in May 2010.

The revenue position is in line with our agreed financial plan to spend all in year income and use £2.836m of the £14.895m carried forward funds to leave £12.059m as at 31 March 2010. Provisional figures sit at £12.059m. There are significant variations from the original plan underlying that position. GP prescribing overspent by £4.893m, costs of services from other health and social care providers were £0.641m over budget and the CNORIS scheme was £0.881m higher than expected. £1.200m additional in year funding had to be provided to supplement the central allocation to meet access targets. The financial position was actively managed throughout the year and slippage, reserves, an improved position round energy and pay estimates and an enhanced achievement of efficiency savings balanced off these overspends to maintain our target position.

Across Scotland all Boards had to revise their capital plans mid year to take account of lower than expected receipts from property sales due to the economic conditions and the high level of existing commitments. Our year end capital spend was £49.291m against our revised budget of £49.298m. The Board was managing a substantial portfolio of mental health and primary and community care developments during the year and these proceeded well against plan.

The early financial planning for 2010/11 and work done to identify and implement enhanced efficiency savings for that year boosted the Board's ability to guarantee full achievement of its 2 % HEAT target for 2009/10.

3. FURTHER INFORMATION

For further information or clarification of any issues in this paper, please contact:

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NHS LANARKSHIRE

FINANCE REPORT FOR THE PERIOD ENDED 31 MARCH 2010

1. Introduction

1.1 The purpose of this report is to provide the NHS Board with a summary of revenue and capital financial performance for the financial year 2009/10.

2. Overview

2.1 The detailed finance reports presented to the NHS Board throughout the year forecast a surplus of £12.059m in line with the approved Financial Plan for the year.

2.2 Subject to review by our external auditors, Pricewaterhouse Coopers, the actual revenue surplus for the year is £12.059m, as detailed in Table 1 below. This includes the carry forward of £14.895m from 2008/09 which is included in the NHSL – wide line in Table 1.

2.3 There have been a number of cost pressures and offsetting benefits in arriving at this position, use of slippage, unutilised reserves and greater efficiency has allowed the Board to meet its financial targets for 2009/10.

Table 1 - Summary Financial Position

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	255.288	255.143	0.145
North CHP	88.106	87.277	0.829
South CHP	50.664	50.482	0.182
Primary Care Other Services	265.646	270.321	(4.675)
Headquarters / Corporate Functions	126.447	126.443	0.004
Service Level Agreements / Other Healthcare Providers	141.500	142.151	(0.651)
NHSL - wide	33.052	16.827	16.225
Net operating costs	960.703	948.644	12.059

2.4 The financial position to the end of March 2010 reflects a £4.893m over spend against the GP prescribing budget based on ten months actual data and 2 months estimates. There continues to be a significantly higher level of items dispensed in year compared to last year with an average increase of 4.8% against a budgeted increase of 2.1%.

2.5 The main areas of increased prescribing are, calcium and vitamin D, anticoagulants, antiplatelets, lipid lowering drugs, inhaled steroids, diabetic drugs and drugs for urinary disorders. Anticipated savings of £0.560m from Losartin and Venlafaxine did not materialise. An additional spend of £0.100m was also incurred on Nicotine replacement therapy products within the Smoking Cessation service in Community Pharmacies. The forecast also reflects an anticipated charge for the Cambuslang/Rutherglen prescribing position of £0.146m.

3. Revenue Resources

3.1 At the end of March 2010, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £890.728m, details of which are noted in Annex A.

3.2 The March Revenue Resource Limit includes additional non recurring resources of £1.176m for Directly Enhanced Services, £1.116m for Waiting Times (access support) to meet year end targets, £0.224m for One Year Guaranteed funding for qualified Midwives and £0.880m for eHealth projects including the Patient Management System.

3.3 The March 2010 Revenue Resource Limit letter is still provisional with further allocations expected such as £0.364m for H1N1 vaccination costs carried out by General Practitioners and £0.523m for Cytogenetic laboratory costs previously top sliced and now deemed cost neutral for 2009/10.

4. Acute Division

4.1 The Acute Division is reporting an under spend of £0.145m for the period to the end of March 2010, as detailed in Table 2, an increase of £0.007m from the previous month. The level of reserves needed to achieve this position (£1.463m) is £0.432m less than last month and £0.039m less than the amount required this time last year. The reasons behind the pay under spends and non pay overspends remain as previously reported.

	Budgeted Operating Costs 31/03/2010 £M	Actual Operating Costs 31/03/2010 £M	Actual saving / (excess) 31/03/2010 £M
Pay	228.798	226.773	2.025
Non Pay	67.996	69.860	(1.864)
Gross operating costs	296.794	296.633	0.161
Less: miscellaneous income	(41.506)	(41.490)	(0.016)
Net operating cost	255.288	255.143	0.145

- 4.2 Within the Women and Diagnostic Division and in particular Laboratory services, non pay costs are over spent by £1.816m, partly offset by pay under spends of £1.187m, the largest of which are in AHP services (physiotherapy) and medical staffing within radiology. In addition there are under spends in administrative budgets across Radiology and Womens' services.
- 4.3 Surgical and Critical Care non pay costs are £2.035m over spent, mainly within Theatres and ITU across all three sites. This is partly offset by a pay under spend of £0.716m, the net result of a £1.205m under spend from medical vacancies and a £0.747m over spend in nursing. The latter represents an increase from the previous month due to long and short term sickness levels and also the opening of additional beds at Hairmyres and Wishaw.
- 4.4 Nursing costs within the Emergency and Medical Division are also over spent by £1.331m, an increase of £0.148m from last month, mainly due to the opening of additional beds at Hairmyres and Wishaw. Again medical staff under spends (£0.875m) are covering this in part, along with under spends in the renal department and catheterisation laboratory.

5. Primary Care

- 5.1 Across the Primary Care sector, there is an over spend of £3.664m for the period to the end of March 2010, an increase of £0.578m from the previous month. Pay budgets reflect an under spend of £1.687m and are linked to the time taken to fill vacancies. Non pay budgets are £0.688m over spent mainly within printing and stationery, staff travel and dietetics supplies.
- 5.2 The North CHP is reporting an under spend of £0.829m at the end of March 2010, as detailed in Table 3, a decrease of £0.196m from the previous month. Non pay budgets are £0.978m over spent mainly within staff travel, printing and stationery and dietetics supplies. Pay budgets are £1.807m under spent, across a range of areas including dental services, addictions and mental health.

	Budgeted Operating Costs 31/03/2010 £M	Actual Operating Costs 31/03/2010 £M	Actual saving / (excess) 31/03/2010 £M
Pay	74.883	73.076	1.807
Non Pay	13.223	14.201	(0.978)
Net operating cost	88.106	87.277	0.829

- 5.3 The South CHP is reporting an under spend of £0.182m for the period to the end of March 2010, as detailed in Table 4, an increase of £0.019m from the previous month. Pay budgets are £0.161m under spent, mainly within the Palliative Care and Audiology Services, the CHP Management team and the Cambuslang/Rutherglen Community services area. The over spend within non pays is mainly within printing and stationery, audiology supplies and staff travel.

	Budgeted Operating Costs 31/03/2010 £M	Actual Operating Costs 31/03/2010 £M	Actual saving / (excess) 31/03/2010 £M
Pay	44.034	43.873	0.161
Non Pay	6.630	6.609	0.021
Net operating cost	50.664	50.482	0.182

- 5.4 Primary Care Other Services are reporting an over spend of £4.675m to the end of March 2010, as detailed in Table 5, an increase of £0.401m from the previous month. The Prescribing over spend of £4.893m is explained in paragraph 2.2. Family Health Services are reporting an under spend of £0.358m due to an over accrual in 2008/09 relating to the quality and outcome framework part of the GMS contract. Pay budgets are £0.281m over spent mainly within mental health medical staffing. The non pay budgets are now reporting an under spend of £0.269m a movement of £0.300m from the previous months over spend.

	Budgeted Operating Costs 31/03/2010 £M	Actual Operating Costs 31/03/2010 £M	Actual saving / (excess) 31/03/2010 £M
Pay	27.731	28.012	(0.281)
Non Pay	15.309	15.040	0.269
Family Health Services	139.357	138.999	0.358
Prescribing	109.388	114.281	(4.893)
Gross operating costs	291.785	296.332	(4.547)
Less: Family Health Service income	(16.371)	(16.435)	0.064
Less: Miscellaneous income	(9.768)	(9.576)	(0.192)
Net operating cost	265.646	270.321	(4.675)

6. Headquarters/Area Wide Departments

- 6.1 The Headquarters and Area Wide Departments are reporting an under spend of £0.004m for the period to the end of March 2010, as detailed in Table 6, a movement of £0.005m from the previous months over spend.
- 6.2 This includes an over spend of £0.323m within Property and Support Services an increase of £0.156m from the previous month. Pay budgets are £0.481m under spent, mainly due to vacancies within Clinical Liaison (£0.294m), Hotel Services (£0.166m) and Maintenance Services (£0.009m). Non Pay budgets are currently £0.804m over spent with the main areas being Clinical Liaison (£0.128m) mainly due to costs associated with non recurring lifecycle maintenance project costs, Hotel Services (£0.230m) due to pressures within catering, transport and franking and Maintenance Services (£0.432m).

- 6.3 All other Headquarters and Area Wide Departments are reporting an under spend of £0.328m, an increase of £0.161m from the previous month. This is mainly within pay budgets due to vacancies within the departments of Modernisation, Public Health, Organisation Development, Human Resources and Finance including Procurement.

	Budgeted Operating Costs 31/03/2010 £M	Actual Operating Costs 31/03/2010 £M	Actual saving / (excess) 31/03/2010 £M
Pay	34.949	34.077	0.872
Non Pay	91.498	92.366	(0.868)
Net operating cost	126.447	126.443	0.004

7. Service Level Agreements/Other Healthcare Providers

- 7.1 Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.651m for the period to the end of March 2010, as detailed in Table 7, an increase of £0.148m from the previous month.

	Budgeted Operating Costs 31/03/2010 £M	Actual Operating Costs 31/03/2010 £M	Actual saving / (excess) 31/03/2010 £M
Service Level Agreements	89.212	89.140	0.072
Unpacs and Oats	5.473	6.497	(1.024)
Resource Transfer and Bridging	34.607	33.89	0.717
Independent Sector	11.307	11.821	(0.514)
HIF and SIP's	0.806	0.711	0.095
Mental Health	0.095	0.092	0.003
Gross operating costs	141.500	142.151	(0.651)
Less: miscellaneous income	0.000	0.000	0.000
Net operating cost	141.500	142.151	(0.651)

- 7.2 The most significant areas of over spend are within unplanned activity and out of area treatments (Oat's) £1.024m and the Independent sector £0.514m.
- 7.3 The main over spends within the unplanned activity and Out of area Treatments (Oats) budget relate to high cost low volume activity within North Glasgow £0.408m and increased activity costs with Yorkhill relating to home ventilation £0.270m. The Out of area Treatments (Oats) budget is also showing an over spend of £0.278m largely due to increased activity.

7.4 The main areas of over spend within the Independent sector relate to referrals to the Brain injury rehabilitation unit at Murdostoun Castle (£0.403m) and forensic mental health (£0.439m) in particular Cheadle Young Person's Unit (£0.119m), Huntercombe Manor Hospital (£0.177m) and The Ayr Clinic (£0.143m).

8. CRES/Efficiency

8.1 The Board has identified efficiency schemes to deliver the target of £30.907m of resources released annually through greater efficiency between 1st April 2008 and 31st March 2010.

8.2 In 2009/10 £4.0m was removed directly from budget to release for reinvestment. Progress against the schemes identified to achieve this is set out in Table 8. Some of the cost containment plans, particularly around use of bank and overtime, did not yield the reductions anticipated but the financial plan target was met overall.

Broad Theme	Recurring Saving £M	Non Recurring Saving £M	Containing Cost £M	Total £M	Achieved to date £M
Evaluating all vacant posts and replacing only essential	0.737	0.549	0.020	1.306	1.214
Refine skill mix or deployment of staffing	0.538	0.000	0.515	1.053	0.785
Reduce use of Bank, Agency staff and excess hours	0.000	0.000	1.114	1.114	0.267
More effective use of supplies	0.944	0.008	0.061	1.013	0.996
Better procurement/ product standardisation	0.392	0.000	0.091	0.483	0.505
Cease discretionary spend	0.741	0.000	0.000	0.741	0.741
Benefits of shared services/new technologies	0.163	0.000	0.000	0.163	0.163
Reducing Travel,printing,stationery, advertising ,venue hire	0.055	0.000	0.061	0.116	0.041
Reducing training budgets	0.132	0.000	0.021	0.153	0.123
	3.702	0.557	1.883	6.142	4.835

9. Capital

9.1 Capital allocations received from SGHD inclusive of net sales proceeds resulted in a capital budget of £49.298m.

9.2 Capital expenditure of £49.291m has been incurred for the full year as shown as shown in Table 9 and in detail at Annex B.

Table 9 - Capital Expenditure 2009/10			
	Revised Plan	Forecast	Actual 31/03/2010
	£M	£M	£M
Capital Allocation inclusive of net sales proceeds	49.268	49.298	49.291
Capital Expenditure			
Business cases approved	40.151	40.530	41.079
Business cases in progress	0.000	0.000	0.000
Business cases under discussion	0.550	0.068	0.068
Ring Fenced Equipment	3.730	4.390	4.461
Car Parking	1.600	1.470	0.800
Capital Grants	0.900	1.200	1.276
Other	2.337	1.640	1.607
	49.268	49.298	49.291
Net under / (over) spend	0.000	0.000	0.000

- 9.3 The bundled projects, being delivered by Graham Construction are proceeding well as reported in previous months, with no major anticipated delays in the delivery of these projects. The year end valuations in respect of these projects resulted in the costs reflected in 2009/10 being £0.567 greater than previously forecast by Graham Construction and is to a large extent indicative of the progress being made across these projects. The forecast costs for these projects are still anticipated to be within the Target Price. The impact of this has been offset by the valuer's assessment of Non-Added Value in respect of the David Matthews Centre and the Law House Car Park.
- 9.4 The Coatbridge development will be ready for handover in mid-May.
- 9.5 The Airdrie Community Health Centre full year planned expenditure was achieved, following successful conclusion of the Land Sale.
- 9.6 Work continues on the building of the Biggar Dental Unit with completion anticipated, as planned, in May 2010.
- 9.7 The Monklands Electrical upgrade, the first stage of the prioritised investment programme was successfully completed in year and handed over on the weekend of 10/11th April 2010 .
- 9.8 The Medical Equipment and IM&T Programmes were managed to deliver the forecast level of spend.
- 9.9 The first tranche of community pharmacy and independent dental practitioners proposals in respect of capital grants were approved in March and grants to be made to the applicants.

10. CONCLUSION

The Board is asked to:

- note the revenue under spend of £12.059m and the capital under spend of £0.007m, to be carried forward to 2010/11, subject to external audit review and SGHD approval;
- note that final confirmation of performance against both the revenue resource limit (RRL) and capital resource limit (CRL) will be reported in the Annual Accounts for 2009/10 to be presented to the Audit Committee and NHS Board in June 2010, following external audit review.

LAURA ACE
DIRECTOR OF FINANCE
21 April 2010

REVENUE RESOURCE LIMIT 2009/10

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Revenue Resource Limit as at 28 February 2010	775.625	81.789	29.292	886.707
Patient Management System - Co-ordination Team	0.000	0.000	0.280	0.280
2009/10 Expenditure for DESs introduced in 2008/09	0.000	0.000	1.176	1.176
Cochlear Implant - End Year Adjustment	0.000	0.028	0.000	0.028
HNC Year 1 Student Funding - 3rd Quarter	0.000	0.000	0.042	0.042
Scottish Dental Access Initiative - Mr K and Mrs G Preston	0.000	0.000	0.100	0.100
One Year Guarantee Funding - 8 full time +1 part time Qualified	0.000	0.000	0.224	0.224
Ownership Commission	0.000	0.000	0.100	0.100
PMS Implementation	0.000	0.000	0.250	0.250
PMS Flexible Package	0.000	0.000	0.250	0.250
Waiting Times - 2nd Tranche delivery of HEAT and MMI Dec 09	0.000	0.000	1.116	1.116
Rehabilitation Equipment	0.000	0.000	0.007	0.007
Relocation financial assistance F J Do Rego	0.000	0.000	0.164	0.164
Year End Access Target Delivery n/r support	0.000	0.000	0.500	0.500
PET Scan Adjustment	0.000	(0.334)	0.000	(0.334)
H1NI Vaccination Phase I - Workforce and pregnant women	0.000	0.000	0.043	0.043
H1NI Vaccination Phase II - Infants vaccinated by Boards	0.000	0.000	0.075	0.075
Revenue Resource Limit as at 31 March 2010	775.625	81.482	33.620	890.728

NHS LANARKSHIRE
CAPITAL EXPENDITURE TO 31 March 2010

	REVISED PLAN	FORECAST	ACTUAL TO DATE
	£M	£M	£M
Initial Capital Formula Allocation:	29.950	29.950	49.068
Capital Resource limit adjustments:			
Medical Equipment	3.182	3.182	
Primary & Community Care Modernisation Fund	3.020	3.020	
Mobile Decontamination Units	0.112	0.112	
IM&T Allocation incl additional allocation	1.390	1.390	
Total Capital Allocation:	37.654	37.654	49.068
Carry Forwards:			
Carry forward 2007/08	10.430	10.430	
Carry forward 2008/09	0.984	0.984	
Disposal Programme:			
Potential sales	0.200	0.230	0.230
ADJUSTED NET ALLOCATION	£49.268	£49.298	£49.298
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases ~ Approved</u>			
Adults Complex Needs - Caird House	4.560	4.560	4.433
Adults Complex Needs Ward - Coathill	3.603	3.603	3.802
Airdrie Resource Centre	4.500	4.500	4.600
Biggar Dental	0.488	0.355	0.324
Carlisle Community Health Centre	9.196	9.196	9.533
Coatbridge Dental & Integrated Resource Centre	9.400	9.200	9.406
David Matthews Diabetes Centre	0.547	0.584	0.333
Douglas Street (Caird House Enabling) - Phase II	0.500	0.575	0.620
Estates Rationalisation - Kirklands incl METC	1.170	1.170	1.074
LD Assessment & Treatment Centre	4.587	4.587	4.700
Monklands Switchgear Project	1.600	2.200	2.254
	40.151	40.530	41.079
<u>Business Cases ~ In Progress</u>			
	0.000	0.000	0.000
<u>Business Cases ~ Under Discussion</u>			
Acute Mental Health	0.050	0.005	0.005
Larkhall Community Health Clinic	0.500	0.063	0.063
	0.550	0.068	0.068
<u>Ring-Fenced Expenditure</u>			
Medical Equipment	3.618	4.248	4.327
Mobile Decontamination Units	0.112	0.142	0.134
	3.730	4.390	4.461
<u>Car Parking</u>			
General	1.600	1.470	0.800
	1.600	1.470	0.800
<u>Capital Grants</u>			
Capital Grants	0.900	1.200	1.276
	0.900	1.200	1.276
<u>Other Expenditure</u>			
Board Risk Pool	0.100	-	-
Other Capital Works	-	-	-
I M & T	1.390	1.390	1.358
Statutory	0.647	-	-
Laboratory	0.100	-	-
Haematology Beds	0.100	-	-
Dental Decontamination & Premises Refurbishment	-	0.250	0.249
	2.337	1.640	1.607
TOTAL CAPITAL EXPENDITURE	£49.268	£49.298	£49.291
(OVER) / UNDER COMMITTED	£0.000	£0.000	£0.007