

Meeting of  
Lanarkshire NHS Board  
24 February 2010

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**SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 JANUARY 2010**

**1. PURPOSE**

The attached report provides the NHS Board with an update on the financial position for the ten months ended 31 January 2010.

**2. CONTENT/SUMMARY OF KEY ISSUES**

During January the forecast overspend against the GP prescribing budget was increased from £3.6m to £4.4m due to a continuing rise in the volume of prescriptions. Despite this NHS Lanarkshire remains in position to meet its financial targets for 2009/10 due to tight control of pay budgets, particularly within the CHPs, as the impact of preparations for the 2010 efficiency programme show through.

Maintaining target performance has required an internal realignment of resources to manage the pressures round GP prescribing, clinical negligence, the capacity plan and out of area services. Slippage, reserves and an improved position round energy and pay estimates has been used to cover these risks.

The capital projects already underway are on track and being managed within the revised capital budget.

Efficiency schemes remain on track to deliver the 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 JANUARY 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 ten months of the financial year 2009/10.

### 2. Overview

- 2.1 The financial position to the end of January 2010 shows an under spend of £7.074m, as detailed in Table 1 below. This takes into account the carried forward surplus from previous years. NHS Lanarkshire's year end financial target as agreed in its Local Delivery plan was a year end underspend of £12.059m. Use of slippage, unutilised reserves, greater efficiency and non recurring benefits will allow the Board to meet its financial targets by 31<sup>st</sup> March 2010.

	<b>YTD Budget £M</b>	<b>YTD Actual £M</b>	<b>YTD Variance £M</b>
Acute Operating Division	209.566	209.441	0.125
North CHP	72.033	71.289	0.744
South CHP	41.894	41.690	0.204
Primary Care Other Services Headquarters / Corporate Functions	215.567	219.297	(3.730)
Service Level Agreements / Other Healthcare Providers	95.662	95.663	(0.001)
NHSL - wide	109.235	109.772	(0.537)
	24.271	14.002	10.269
<b>Net operating costs</b>	<b>768.228</b>	<b>761.154</b>	<b>7.074</b>

- 2.2 The financial position to the end of January 2009 reflects a £3.4m over spend against the GP prescribing budget based on eight months data. There continues to be a significantly higher level of items dispensed in year compared to last year with an average increase of 4.8%. It had been hoped that the rate of growth would slow down but the November figures show a continued increase and the year end forecast has been adjusted upwards by £0.8m to £4.4 m.
- 2.3 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 have not yet materialised as well as an additional spend of £0.100m incurred on Nicotine replacement therapy products within the Smoking Cessation service in Community Pharmacies.

### 3. Revenue Resources

- 3.1 At the end of January 2010, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £886.374m, details of which are noted in Annex A.
- 3.2 The January 2010 Revenue Resource Limit now includes the £2.475m deduction expected for the nationally negotiated reduction in drug prices and is broadly in line with the funds set aside to cover this.
- 3.3 NHS Lanarkshire has also returned funds of £0.250m for Hepatitis C and £0.191m for Children and Young People Specialist Services where the timetables for the Action Plan programmes and spend pattern have been re-profiled.

### 4. Acute Division

- 4.1 The Acute Division is reporting an under spend of £0.125m for the period to the end of January, as detailed in Table 2, a decrease of £0.048m from the previous month. The level of reserves needed to achieve this position (£1.941m) is £0.084m less than last month and £1.082m more than the amount required this time last year.

	<b>Budgeted Operating Costs 31/01/2010 £M</b>	<b>Actual Operating Costs 31/01/2010 £M</b>	<b>Actual saving / (excess) 31/01/2010 £M</b>
Pay	189.744	188.308	1.436
Non Pay	54.155	55.488	(1.333)
Gross operating costs	243.899	243.796	0.103
Less: miscellaneous income	(34.333)	(34.355)	0.022
<b>Net operating cost</b>	<b>209.566</b>	<b>209.441</b>	<b>0.125</b>

- 4.2 The reasons behind the pay underspends and non pay overspends remain as previously reported.
- 4.3 Within the Women and Diagnostic Division and in particular Laboratory services, non pay costs are over spent by £1.588m, partly offset by pay under spends of £0.922m, the largest of which are in AHP services (physiotherapy), pharmacy, radiology and administrative services.
- 4.4 Surgical and Critical Care non pay costs are £1.617m over spent, mainly in Theatres and ITU areas and includes increased Trauma activity particularly on the Hairmyres site. Surgical nursing costs across all three sites are over spent by £0.601m, being covered by a £0.876m under spend in medical staffing.

4.5 Nursing costs within the Emergency and Medical Division are also over spent by £1.038m. Again medical staff under spends (£0.621m) are part covering this, along with under spends in the renal department and catheterisation laboratory including a reduction in drug eluting stent expenditure through both price reductions and the receipt of free of charge items via the recently agreed contract.

## 5. Primary Care

5.1 Across the Primary Care sector, there is an over spend of £2.782m for the period to the end of January 2009. This is an increase of £1.042m from the previous month.

5.2 The North CHP is reporting an under spend of £0.744m at the end of January 2010, as detailed in Table 3, an increase of £0.067m from the previous month. Non pay budgets are £0.297m over spent mainly within staff travel, printing and stationery and dietetics supplies. Pay budgets are £1.041m under spent, across a range of areas including dental, paediatrics, addictions and mental health. The latter underspends are linked to the time taken to fill vacancies recruit. Mental health pay budgets are included both in the South CHP and Area wide Primary Care finance tables below. Aggregating them shows a net overspend to date of £0.19m.

	<b>Budgeted Operating Costs 31/01/2010 £M</b>	<b>Actual Operating Costs 31/01/2010 £M</b>	<b>Actual saving / (excess) 31/01/2010 £M</b>
Pay	61.479	60.438	1.041
Non Pay	10.554	10.851	(0.297)
<b>Net operating cost</b>	<b>72.033</b>	<b>71.289</b>	<b>0.744</b>

5.3 The South CHP is reporting an under spend of £0.204m for the period to the end of January 2010, as detailed in Table 4, a decrease of £0.076m from the previous month. Pay budgets are £0.284m under spent, mainly within the Audiology Service, 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.

	<b>Budgeted Operating Costs 31/01/2010 £M</b>	<b>Actual Operating Costs 31/01/2010 £M</b>	<b>Actual saving / (excess) 31/01/2010 £M</b>
Pay	36.597	36.313	0.284
Non Pay	5.297	5.377	(0.080)
<b>Net operating cost</b>	<b>41.894</b>	<b>41.690</b>	<b>0.204</b>

- 5.4 Primary Care Other Services are reporting an over spend of £3.730m to the end of January 2010, as detailed in Table 5, an increase of £1.033m from the previous month. The prescribing overspend of £3.4m is explained in paragraph 2.2. Pay budgets are £0.352m over spent mainly within mental health medical staffing. The Non pays are now showing an under spend of £0.034m.

	<b>Budgeted Operating Costs 31/01/2010 £M</b>	<b>Actual Operating Costs 31/01/2010 £M</b>	<b>Actual saving / (excess) 31/01/2010 £M</b>
Pay	22.043	22.395	(0.352)
Non Pay	9.667	9.633	0.034
Family Health Services	116.089	116.089	0.000
Prescribing	88.638	92.038	(3.400)
Gross operating costs	236.437	240.155	(3.718)
Less: Family Health Service income	(8.218)	(8.218)	0.000
Less: Miscellaneous income	(12.652)	(12.640)	(0.012)
<b>Net operating cost</b>	<b>215.567</b>	<b>219.297</b>	<b>(3.730)</b>

## 6. Headquarters/Area Wide Departments

- 6.1 The Headquarters and Area Wide Departments are reporting an over spend of £0.001m for the period to the end of January 2010, as detailed in Table 6, an improvement of £0.057m from the previous month.
- 6.2 This includes a £0.121m over spend within Property and Support Services an improvement of £0.026m from the previous month. Pay budgets are £0.439m under spent, mainly due to vacancies within Clinical Liaison (£0.183m) and Hotel Services (£0.190m). Non Pay budgets are currently £0.560m over spent, £0.264m due to pressures within catering, transport and franking and £0.377m within Maintenance Services. £0.56m of this relates to additional maintenance because of the adverse weather conditions suffered throughout December and January.
- 6.3 All other Headquarters and Area Wide Departments are reporting an under spend of £0.121m, an increase of £0.032m from the previous month. This is mainly within pay budgets due to vacancies within the Modernisation, Public Health, Human Resources and Finance including the Procurement department.

	<b>Budgeted Operating Costs 31/01/2010 £M</b>	<b>Actual Operating Costs 31/01/2010 £M</b>	<b>Actual saving / (excess) 31/01/2010 £M</b>
Pay	28.889	28.320	0.569
Non Pay	66.773	67.343	(0.570)
<b>Net operating cost</b>	<b>95.662</b>	<b>95.663</b>	<b>(0.001)</b>

## 7. Service Level Agreements/Other Healthcare Providers

- 7.1 Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.537m for the period to the end of January 2010, as detailed in Table 7, an increase of £0.025m from the previous month.

	<b>Budgeted Operating Costs 31/01/2010 £M</b>	<b>Actual Operating Costs 31/01/2010 £M</b>	<b>Actual saving / (excess) 31/01/2010 £M</b>
Service Level Agreements	70.724	70.685	0.039
Unpacs and Oats	3.352	3.451	(0.099)
Resource Transfer and Bridging	25.597	25.426	0.171
Independent Sector	8.949	9.597	(0.648)
HIF and SIP's	0.528	0.528	0.000
Mental Health	0.085	0.085	0.000
Gross operating costs	109.235	109.772	(0.537)
Less: miscellaneous income	0.000	0.000	0.000
<b>Net operating cost</b>	<b>109.235</b>	<b>109.772</b>	<b>(0.537)</b>

- 7.2 The most significant areas of over spend continue to be within the Independent sector and relate to referrals to the Brain injury rehabilitation unit at Murdostoun Castle (£0.373m) and forensic mental health (£0.385m) in particular Cheadle Young Person's Unit (£0.119m) and Huntercombe Manor Hospital (£0.177m). The budget for 2009/10 had already been enhanced by £1m of non recurring funding. Expenditure has slowed down recently however it has been rising year on year and this represents a significant risk area in our future plans.
- 7.3 Although formal agreements with NHS Lothian and NHS Greater Glasgow & Clyde have still to be finalised the current iteration of costs for both of these are affordable within our financial plan.

## 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 2007/08 and 31<sup>st</sup> 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.

Broad Theme	Recurring	Non Recurring	Containing	Total	Achieved to date
	Saving	Saving	Cost		
	£M	£M	£M	£M	£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	0.768
Reduce use of Bank, Agency staff and excess hours	0.000	0.000	1.114	1.114	0.203
More effective use of supplies	0.944	0.008	0.061	1.013	0.991
Better procurement/ product standardisation	0.392	0.000	0.091	0.483	0.479
Cease discretionary spend	0.741	0.000	0.000	0.741	0.688
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	0.039
Reducing training budgets	0.132	0.000	0.021	0.153	0.123
	<b>3.702</b>	<b>0.557</b>	<b>1.883</b>	<b>6.142</b>	<b>4.668</b>

## 9. Capital

- 9.1 The Board's original capital plan envisaged calling down £18.570m of previously banked money on top of the annual allocation to support the 2009/10 programme which was estimated to cost £53.916m. As previously reported, SGHD has asked Boards to review their capital plans based on current information and timescales, thus reducing our capital spend to an estimated £48.890m. The Capital forecast previously incorporated in the report for December has been updated to monitor progress against this Revised Plan.
- 9.2 Capital expenditure of £31.553m has been incurred to date as shown in Table 9 and in detail at Annex B.

	Revised Plan	Forecast	Actual 31/01/2010
	£M	£M	£M
<b>Capital Allocation inclusive of net sales proceeds</b>	48.890	48.950	31.553
<b>Capital Expenditure</b>			
Business cases approved	34.051	33.830	23.135
Business cases in progress	4.500	4.500	1.096
Business cases under discussion	2.150	2.268	0.898
Ring Fenced Equipment	3.582	4.242	3.178
Car Parking	1.600	1.470	1.470
Capital Grants	0.900	1.200	0.904
Other	2.107	1.440	0.872
	<b>48.890</b>	<b>48.950</b>	<b>31.553</b>
<b>Net under / (over) spend</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 9.3 The bundled projects, being delivered by Graham Construction are proceeding to plan and the current position on these projects remains unchanged from last month as shown in Table 10. There is confidence these will be delivered within target price.

<b>Table 10 – Capital Projects Progress</b>			
<b>Project</b>	<b>Start Date</b>	<b>End Date</b>	<b>Status</b>
Adult with Complex Needs - Caird House	May – 09	Nov – 10	On Target.
Adult with Complex Needs – Coathill	April - 09	May – 10	On Target.
Carluke Community Health Centre	Oct – 08	Jun – 10	Construction 1 week ahead of schedule.
LD Assessment & Treatment Centre	Apr – 09	Aug – 10	Construction 3 weeks ahead of schedule.
Douglas Street – Phase II	May– 09	Sept – 09	Delivered.

- 9.4 Work is progressing on delivery of the Coatbridge Development and, as reported last month, some problems have been encountered and the forecast amended to reflect this.
- 9.5 Construction work on the Medical Education Centre within Kirklands Hospital Main Building has now been completed and the building passed to NHS Lanarkshire on the 8<sup>th</sup> February 2010. The final Phase of the car parking works on the site are nearing completion, minor delays having been experienced due to the severe weather conditions experienced in January.
- 9.6 Airdrie Community Health Centre currently reflects expenditure of £1.096m for the ten months to January 2010. The planned full year spend of £4.5m remains achievable given SGHD approval of the Full Business Case, thus allowing conclusion of the land sale of £3.265m.
- 9.7 Work has continues on the building of the Biggar Dental Unit with completion anticipated, as planned, in May 2010.
- 9.8 As previously reported Larkhall Community Health Clinic tenders have now been received and evaluated. A decision on the progress of this project will be required in line with the SGHD review of the NHSL five year Capital Plan referred to in 9.2 above.
- 9.9 Interserve Health Scotland Ltd the Board's Preferred Supply Chain Partner under the National Framework is proceeding with the Monklands Electrical upgrade as the first stage of the prioritised rolling programme. A target price has now been given at £2.2m and significant progress has been made during January 2010 with the project scheduled to complete by the end of the current financial year.
- 9.10 The work on developing the car park at Law House is now complete and the final cost for this project is expected to be £1.470m.

- 9.11 The Medical Equipment Programme is being tightly managed, recognising that the demand exceeds the allocation in 2009/10 and subsequent years to meet recognised pressures. The in year forecast has been updated to reflect this.
- 9.12 Private Practitioners have been asked to submit proposals in respect of capital grants and these are being assessed to ensure that they satisfy the conditions to allow a grant to be made to the applicant. To date uptake of these grants has not been high and potential slippage is being closely monitored.
- 9.13 We have received notification from SGHD that approval has been granted in respect of the additional £0.590m IM&T bid submitted in January 2010. This takes the overall IM&T allocation to £1.190m and plans are in place to ensure that the allocation will be fully utilised within the current financial year.

## **10. CONCLUSION**

The Board is asked to:

- note the revenue underspend of £7.074m and the expectation that NHS Lanarkshire will meet its financial targets in 2009/10;
- note progress against the capital plan.

**LAURA ACE**  
**DIRECTOR OF FINANCE**  
**17 February 2010**

## REVENUE RESOURCE LIMIT 2009/10

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
<b>Revenue Resource Limit as at 31 December 2009</b>	778.172	81.051	29.689	<b>888.913</b>
R&D Funding Allocation 2009-10 Uplift	0.000	0.000	0.016	<b>0.016</b>
Reprofiling Hep C Action Plan Phase II	0.000	0.000	(0.250)	<b>(0.250)</b>
AHP Consultant SALUS	0.000	0.000	0.034	<b>0.034</b>
Mental Health Collaborative - 4th Quarter Funding	0.000	0.000	0.048	<b>0.048</b>
Capital Charges - Correction Infrastructure year 3 of 5	0.000	0.000	(0.220)	<b>(0.220)</b>
Capital Charges - Correction Infrastructure year 3 of 5	0.000	0.000	0.213	<b>0.213</b>
Anticipatory Care - Community Pharmacy	0.000	0.011	0.000	<b>0.011</b>
CYP Specialist Services National Delivery Plan	0.000	0.000	(0.191)	<b>(0.191)</b>
Nutrition Champions Funding	0.000	0.000	0.020	<b>0.020</b>
Scottish Dental Access Initiative - Mr G & Mrs T	0.000	0.000	0.010	<b>0.010</b>
Distinction Awards	0.000	0.095	0.000	<b>0.095</b>
Living and Dying Well - ePCS and DNACPR	0.000	0.000	0.009	<b>0.009</b>
AHP Consultant Post in Mental Health (Dementia)	0.000	0.004	0.000	<b>0.004</b>
HNC Continuing Students - 1st Quarter 2009-10	0.000	0.000	0.092	<b>0.092</b>
Transition to new cancer targets	0.000	0.000	0.027	<b>0.027</b>
Return of PPRS drug savings for 2009-10	(2.475)	0.000	0.000	<b>(2.475)</b>
Contribution towards Unscheduled Care Social Marketing	0.000	0.000	0.018	<b>0.018</b>
<b>Revenue Resource Limit as at 31 January 2010</b>	<b>775.698</b>	<b>81.161</b>	<b>29.515</b>	<b>886.374</b>

NHS LANARKSHIRE		Annex B	
CAPITAL EXPENDITURE TO 31 JANUARY 2010			
	REVISED PLAN	FORECAST	ACTUAL TO DATE
	£M	£M	£M
<b>Initial Capital Formula Allocation:</b>	<b>29.950</b>	<b>29.950</b>	<b>31.323</b>
<b>Capital Resource limit adjustments:</b>			
Medical Equipment	3.034	3.034	
Primary & Community Care Modernisation Fund	3.020	3.020	
Mobile Decontamination Units	0.112	0.112	
I.M & T Allocation	1.160	1.190	
<b>Total Capital Allocation:</b>	<b>37.276</b>	<b>37.306</b>	<b>31.323</b>
<b>Carry Forwards:</b>			
Carry forward 2007/08	10.430	10.430	
Carry forward 2008/09	0.984	0.984	
<b>Disposal Programme:</b>			
Potential sales	<b>0.200</b>	<b>0.230</b>	<b>0.230</b>
<b>ADJUSTED NET ALLOCATION</b>	<b>48.890</b>	<b>48.950</b>	<b>31.553</b>
<b><i>CAPITAL EXPENDITURE:</i></b>			
<b><i>Business Cases ~ Approved</i></b>			
Adults Complex Needs - Caird House	4.560	4.560	1.992
Adults Complex Needs Ward - Coathill	3.603	3.603	1.650
Airdrie Resource Centre	4.500	4.500	1.096
Biggar Dental	0.488	0.355	0.260
Carlisle Community Health Centre	9.196	9.196	6.201
Coatbridge Dental & Integrated Resource Centre	9.400	9.200	7.890
David Matthews Diabetes Centre	0.547	0.584	0.584
Douglas Street (Caird House Enabling) - Phase II	0.500	0.575	0.575
Estates Rationalisation - Phase I	1.170	1.170	0.967
LD Assessment & Treatment Centre	4.587	4.587	3.016
Monklands	1.600	2.200	0.830
	<b>40.151</b>	<b>40.530</b>	<b>25.061</b>
<b><i>Business Cases ~ In Progress</i></b>			
	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b><i>Business Cases ~ Under Discussion</i></b>			
Acute Mental Health	0.050	0.005	0.005
Larkhall Community Health Clinic	0.500	0.063	0.063
	<b>0.550</b>	<b>0.068</b>	<b>0.068</b>
<b><i>Ring-Fenced Expenditure</i></b>			
Medical Equipment	3.470	4.100	3.044
Mobile Decontamination Units	0.112	0.142	0.134
	<b>3.582</b>	<b>4.242</b>	<b>3.178</b>
<b><i>Car Parking</i></b>			
General	1.600	1.470	1.470
	<b>1.600</b>	<b>1.470</b>	<b>1.470</b>
<b><i>Capital Grants</i></b>			
Capital Grants	0.900	1.200	0.904
	<b>0.900</b>	<b>1.200</b>	<b>0.904</b>
<b><i>Other Expenditure</i></b>			
Board Risk Pool	0.100	0.000	0.000
Other Capital Works	0.000	0.000	0.047
I M & T	1.160	1.190	0.630
Statutory	0.647	0.000	0.000
Laboratory	0.100	0.000	0.000
Haematology Beds	0.100	0.000	0.000
Dental Decontamination & Premises Refurbishment	0.000	0.250	0.195
	<b>2.107</b>	<b>1.440</b>	<b>0.872</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>48.890</b>	<b>48.950</b>	<b>31.553</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>