

Meeting of
Lanarkshire NHS Board
27 January 2010

Lanarkshire NHS Board
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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2009

1. PURPOSE

The attached report provides the NHS Board with an update on the financial position for the nine months ended 31 December 2009.

2. CONTENT/SUMMARY OF KEY ISSUES

NHS Lanarkshire remains in position to meet its financial targets for 2009/10. Achieving this will require 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 will be used to cover these risks.

The capital projects already underway are on track and being managed within the revised capital budget. The IM & T programme and the projects at the preconstruction stage are still subject to agreement with SGHD in January.

Efficiency schemes are 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 DECEMBER 2009

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 nine months of the financial year 2009/10.

2. Overview

- 2.1 The financial position to the end of December 2009 shows an under spend of £7.286m, as detailed in Table 1 below. This, and other pressures identified in the mid year review will be managed corporately, through the ongoing system-wide review of additional non recurring costs and benefits.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	188.167	187.994	0.173
North CHP	64.727	64.050	0.677
South CHP	37.636	37.356	0.280
Primary Care Other Services Headquarters / Corporate Functions	193.661	196.358	(2.697)
Service Level Agreements / Other Healthcare Providers	83.383	83.441	(0.058)
NHSL - wide	100.750	101.262	(0.512)
	26.447	17.024	9.423
Net operating costs	694.771	687.485	7.286

- 2.2 The financial position to the end of December 2009 reflects a £2.4m over spend against the GP prescribing budget based on the first seven 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%. 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 December 2009, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £888.913m, details of which are noted in Annex A.
- 3.2 The December Revenue Resource Limit includes additional funding for Healthcare Associated Infections (HAI) in response to the recent publication of Healthcare Environment Inspectorate (HEI) reports. To support these work streams NHS Lanarkshire received £0.496m towards improvements in the healthcare environment, £0.106m for Care Governance and £0.070m for tissue viability.
- 3.3 The December Revenue Resource Limit also includes resources of £1.116m for waiting times (access support). This will secure delivery of HEAT targets and especially in orthopaedics which has had high levels of emergency activity over the icy period.
- 3.4 £0.200m was received for the North/South Lanarkshire reablement service.
- 3.5 In the remaining 3 months there will be a number of miscellaneous smaller allocations. The one remaining allocation of significance is the deduction expected for the nationally negotiated reduction in drug prices. We have been given provisional figures which suggest the deduction would be £2.4m which is in line with the funds set aside to cover this.

4. Acute Division

- 4.1 The Acute Division is reporting an under spend of £0.173m for the period to the end of December, as detailed in Table 2, an increase of £0.063m from the previous month.

	Budgeted Operating Costs 31/12/2009 £M	Actual Operating Costs 31/12/2009 £M	Actual saving / (excess) 31/12/2009 £M
Pay	170.488	169.251	1.237
Non Pay	48.256	49.338	(1.082)
Gross operating costs	218.744	218.589	0.155
Less: miscellaneous income	(30.577)	(30.595)	0.018
Net operating cost	188.167	187.994	0.173

- 4.2 The reasons behind the pay underspends and non pay overspends remain as previously reported. Within the Women and Diagnostic Division and in particular Laboratory services, non pay costs are overspent by £1.421m, partly offset by pay under spends of £0.833m, the largest of which are in AHP services (physiotherapy), pharmacy, radiology and administrative services. Surgical and Critical Care non pay costs are £1.617m over budget, mainly in Theatres and ITU areas. Surgical nursing costs across the three sites are over budget by £0.559m, being covered by a £0.721m under spend in medical staffing. Nursing costs within the Emergency and Medical Division are also over budget by £0.905m. Again medical staff under spends (£0.542m) are part covering this, along with underspends in the renal department and catheterisation laboratory.
- 4.3 The level of reserves needed to achieve this position (£2.045m) is £0.235m more than last month and £1.158m more than the amount required this time last year.

5. Primary Care

- 5.1 Across the Primary Care sector, there is an over spend of £1.740m for the period to the end of December 2009. This is an increase of £0.261m from the previous month.
- 5.2 The North CHP is reporting an under spend of £0.677m at the end of December 2009, as detailed in Table 3, an increase of £0.002m from the previous month. Pay budgets are £0.881m under spent, largely within the Dental Service and Mental Health areas including Addictions. New mental health posts continue to be filled this year however there remains hard to fill dental posts which have now been given up as part of the 2010/11 CRES programme. A new service provision has been agreed to ensure there is no detriment to the delivery of patient care. The over spend continues to be in the areas of staff travel, printing and stationery and AHP supplies.

	Budgeted Operating Costs 31/12/2009 £M	Actual Operating Costs 31/12/2009 £M	Actual saving / (excess) 31/12/2009 £M
Pay	55.185	54.304	0.881
Non Pay	9.542	9.746	(0.204)
Net operating cost	64.727	64.050	0.677

- 5.3 The South CHP is reporting an under spend of £0.280m for the period to the end of December 2009, as detailed in Table 4, an increase of £0.065m from the previous month. Pay budgets are £0.307m under spent, mainly within the Audiology Service, the CHP Management team and the Cambuslang/Rutherglen Community services area. The over spend within non pay is mainly within printing and stationery and staff travel.

	Budgeted Operating Costs 31/12/2009 £M	Actual Operating Costs 31/12/2009 £M	Actual saving / (excess) 31/12/2009 £M
Pay	32.957	32.650	0.307
Non Pay	4.679	4.706	(0.027)
Net operating cost	37.636	37.356	0.280

- 5.4 Primary Care Other Services are reporting an over spend of £2.697m to the end of December 2009, as detailed in Table 5, an increase of £0.328m from the previous month. The prescribing overspend of £2.400m is explained in paragraph 2.2. Pay budgets are £0.273m over spent mainly within mental health medical staffing. The over spend within non pays continues to improve this month (£0.018m) and is mainly within the staff travel budget.

	Budgeted Operating Costs 31/12/2009 £M	Actual Operating Costs 31/12/2009 £M	Actual saving / (excess) 31/12/2009 £M
Pay	19.750	20.023	(0.273)
Non Pay	8.609	8.627	(0.018)
Family Health Services	103.236	103.236	0.000
Prescribing	81.396	83.796	(2.400)
Gross operating costs	212.991	215.682	(2.691)
Less: Family Health Service income	(7.472)	(7.472)	0.000
Less: Miscellaneous income	(11.858)	(11.852)	(0.006)
Net operating cost	193.661	196.358	(2.697)

6. Headquarters/Area Wide Departments

- 6.1 The Headquarters and Area Wide Departments are reporting an over spend of £0.058m for the period to the end of December 2009, as detailed in Table 6, an increase of £0.047m from the previous month.
- 6.2 This includes a £0.147m over spend within Property and Support Services an increase of £0.053m from the previous month. Pay budgets are £0.440m under spent which reflects the continuing level of vacancies across the Directorate mainly within Clinical Liaison (£0.176m), Hotel Services (£0.183m), and Maintenance Services (£0.081m). Non Pay budgets are currently £0.587m over spent and are mainly within Hotel services (£0.255m due to pressures within catering, transport and costs associated with franking) and Maintenance Services (£0.346m particularly within the areas of flooring, engineering, electrical contractors and painting services).

- 6.3 All other Headquarters and Area Wide Departments are reporting an under spend of £0.089m, an increase of £0.005m from the previous month. This is mainly within pay budgets due to vacancies within the Modernisation, Public Health, Human Resources and Procurement departments.

	Budgeted Operating Costs 31/12/2009 £M	Actual Operating Costs 31/12/2009 £M	Actual saving / (excess) 31/12/2009 £M
Pay	26.033	25.499	0.534
Non Pay	57.350	57.942	(0.592)
Net operating cost	83.383	83.441	(0.058)

7. Service Level Agreements/Other Healthcare Providers

- 7.1 Service Level Agreements and Other Healthcare Providers are reporting an over spend of £0.512m for the period to the end of December 2009, as detailed in Table 7, an increase of £0.086m from the previous month consistent with previous months' trends.

	Budgeted Operating Costs 31/12/2009 £M	Actual Operating Costs 31/12/2009 £M	Actual saving / (excess) 31/12/2009 £M
Service Level Agreements	63.631	63.603	0.028
Unpacs and Oats	3.036	3.139	(0.103)
Resource Transfer and Bridging	25.515	25.355	0.160
Independent Sector	8.105	8.702	(0.597)
HIF and SIP's	0.378	0.378	0.000
Mental Health	0.085	0.085	0.000
Gross operating costs	100.750	101.262	(0.512)
Less: miscellaneous income	0.000	0.000	0.000
Net operating cost	100.750	101.262	(0.512)

- 7.2 The most significant areas of over spend are within the Independent sector and relate to referrals to the Brain injury rehabilitation unit at Murdostoun Castle (£0.349m) 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 been rising year on year and this represents a significant risk area in our future plans.

- 7.3 NHS Lothian is reviewing the way it shares its costs amongst the other Boards using its services and has held discussions with NHS Boards on the fairest method for do so without causing financial turbulence. The 2009/10 agreement has still to be finalised.
- 7.4 NHS Greater Glasgow and Clyde has now completed its annual update of the agreed West of Scotland charging model and the latest iteration shows an under payment of £0.341m against NHS Lanarkshire. In view of the late availability of this update NHS Greater Glasgow and Clyde has proposed that £0.171m which represents 50% of the additional increase be added to the 2009/10 service level agreement. This phased approach is consistent with prior years. In addition NHS Greater Glasgow and Clyde has also requested a £1.054m contribution to the £14.500m additional investment it is making to meet access targets in 2010/11.

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 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 and currently shows a 76% rate of achievement for the period to the end of December 2009.

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	0.821
Reduce use of Bank, Agency staff and excess hours	0.000	0.000	1.114	1.114	0.193
More effective use of supplies	0.944	0.008	0.061	1.013	0.986
Better procurement/ product standardisation	0.392	0.000	0.091	0.483	0.477
Cease discretionary spend	0.741	0.000	0.000	0.741	0.659
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
	3.702	0.557	1.883	6.142	4.675

- 8.3 A structured planning process is now in place to identify how to achieve the 2010/11 efficiency requirement, currently estimated to be a minimum of £17.0m.

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. A Capital forecast has been incorporated in the report for December to monitor progress against this Revised Plan.
- 9.2 Capital funding will be significantly restricted in coming years and demand against available funding is, as previously reported, being rigorously reviewed by SGHD. Much of NHS Lanarkshire's first tranche of schemes are underway and the full business case for Airdrie Health Centre submitted to SGHD Capital Investment Group in December is awaiting final confirmation of the 2010 to 2012 capital position.
- 9.3 Capital expenditure of £26.969m has been incurred to date as shown in Table 9 and in detail at Annex B.

	Revised Plan	Forecast	Actual 31/12/2009
	£M	£M	£M
Capital Allocation inclusive of net sales proceeds	48.890	48.350	26.969
Capital Expenditure			
Business cases approved	34.051	33.883	21.354
Business cases in progress	4.500	4.500	1.096
Business cases under discussion	2.150	2.350	0.103
Ring Fenced Equipment	3.582	4.067	2.392
Car Parking	1.600	1.500	1.470
Capital Grants	0.900	1.200	0.350
Other	2.107	0.850	0.204
	48.890	48.350	26.969
Net under / (over) spend	0.000	0.000	0.000

- 9.4 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.

Project	Start Date	End Date	Status
Adult with Complex Needs - Caird House	May – 09	Nov – 10	On Target.
Adult with Complex Needs – Coathill	April - 09	May – 10	On Target.
Carluk 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.

- 9.5 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.
- 9.6 Construction work on the Medical Education Centre within Kirklands Hospital Main Building continues and remains on target to be completed by February 2010.
- 9.7 Airdrie Community Health Centre currently reflects expenditure of £1.096m for the nine months to December 2009. The planned full year spend of £4.5m remains achievable assuming January 2010 SGHD approval of the Full Business Case to allow conclusion of the land sale of £3.265m.
- 9.8 Work has continues on the building of the Biggar Dental Unit with completion anticipated, as planned, in May 2010.
- 9.9 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.
- 9.10 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 work has now commenced on site.
- 9.11 The work on developing the car park at Law House is now complete and the final cost is expected to be around £0.150m under the allocation for this project.
- 9.12 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.
- 9.13 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.
- 9.14 We expect to receive an additional £0.590m against an IM&T bid submitted in January 2010.

10. CONCLUSION

The Board is asked to:

- note the revenue underspend of £7.286m 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
19 January 2010

REVENUE RESOURCE LIMIT 2009/10

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Revenue Resource Limit as at 30 November 2009	778.108	80.974	27.200	886.282
Alcohol Communications Funding	0.000	0.000	0.008	0.008
Pregnancy and Newborn Screening Programmes	0.000	0.000	0.043	0.043
Pre-Registration Training - Community Pharmacy 2009-10	0.000	(0.123)	0.000	(0.123)
Mental Health Collaborative - 3rd Quarter Funding	0.000	0.000	0.048	0.048
Scottish Intensive Care Society Audit Group	0.000	0.000	(0.015)	(0.015)
SBC funding NLC/SLC reablement service	0.000	0.200	0.000	0.200
HNC Student Funding Year 1 - Quarters 1 & 2	0.000	0.000	0.044	0.044
Scottish Dental Access Initiative - Mr McManus & Mrs Scott	0.000	0.000	0.080	0.080
18 Weeks RTT 2009-10 Allocation - Quarters 3 & 4	0.000	0.000	0.293	0.293
Vocational Mental Health Post	0.000	0.000	0.060	0.060
Promoting Attendance at Work and Employee Director Support	0.000	0.000	0.006	0.006
Contribution towards the provision of WIGS	0.088	0.000	0.000	0.088
Long Term Conditions Collaborative - Quarters 3 & 4	0.000	0.000	0.096	0.096
Keeping Childbirth Natural and Dynamic	0.000	0.000	0.014	0.014
Tissue Viability	0.000	0.000	0.070	0.070
Support Improvements in the Healthcare Environment	0.000	0.000	0.496	0.496
HAI: Leading Better Care/Releasing Time to Care	0.000	0.000	0.106	0.106
Waiting Times - 2nd Tranche delivery of HEAT and MMI Dec 09	0.000	0.000	1.116	1.116
Revenue Resource Limit as at 31 December 2009	778.196	81.051	29.665	888.913

NHS LANARKSHIRE
CAPITAL EXPENDITURE TO 31 DECEMBER 2009

	REVISED PLAN £M	FORECAST £M	ACTUAL TO DATE £M
Initial Capital Formula Allocation:	29.950	29.950	26.739
Capital Resource limit adjustments:			
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	0.590	
Total Capital Allocation:	37.276	36.706	26.739
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	48.890	48.350	26.969
<i>CAPITAL EXPENDITURE:</i>			
<i>Business Cases ~ Approved</i>			
Adults Complex Needs - Caird House	4.560	4.560	1.807
Adults Complex Needs Ward - Coathill	3.603	3.603	1.569
Carlisle Community Health Centre	9.196	9.196	5.555
Coatbridge Dental & Integrated Resource Centre	9.400	9.200	7.466
Douglas Street (Caird House Enabling) - Phase II	0.500	0.575	0.575
LD Assessment & Treatment Centre	4.587	4.587	2.794
David Matthews Diabetes Centre	0.547	0.584	0.584
Estates Rationalisation - Phase I	1.170	1.170	0.774
Biggar Dental	0.488	0.408	0.230
	34.051	33.883	21.354
<i>Business Cases ~ In Progress</i>			
Airdrie Resource Centre	4.500	4.500	1.096
	4.500	4.500	1.096
<i>Business Cases ~ Under Discussion</i>			
Acute Mental Health	0.050	0.000	0.000
Larkhall Community Health Clinic	0.500	0.150	0.063
Monklands	1.600	2.200	0.040
	2.150	2.350	0.103
<i>Ring-Fenced Expenditure</i>			
Medical Equipment	3.470	3.925	2.258
Mobile Decontamination Units	0.112	0.142	0.134
	3.582	4.067	2.392
<i>Car Parking</i>			
General	1.600	1.500	1.470
	1.600	1.500	1.470
<i>Capital Grants</i>			
Capital Grants	0.900	1.200	0.350
	0.900	1.200	0.350
<i>Other Expenditure</i>			
Board Risk Pool	0.100	0.000	0.000
Other Capital Works	0.000	0.000	0.024
I M & T	1.160	0.770	0.180
Statutory	0.647	0.080	0.000
Laboratory	0.100	0.000	0.000
Haematology Beds	0.100	0.000	0.000
	2.107	0.850	0.204
TOTAL CAPITAL EXPENDITURE	48.890	48.350	26.969
(OVER) / UNDER COMMITTED	0.000	0.000	0.000