

Meeting of  
Lanarkshire NHS Board  
23 June 2010

Lanarkshire NHS Board  
14 Beckford Street  
Hamilton ML3 0TA  
Telephone 01698 281313  
Fax 01698 423134  
[www.nhslanarkshire.org.uk](http://www.nhslanarkshire.org.uk)



## **SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 MAY 2010**

### **1. PURPOSE**

The attached report provides the NHS Board with the first review of financial performance for 2010/11, covering the 2 months to May 2010.

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

At the end of May 2010 the Board is reporting a £1.385m underspend against RRL which is broadly in line with the approved financial plan for the year.

To achieve the Board's objectives while still living within available funding the 2010/11 financial plan had to deliver £17.100m of efficiency savings and utilise £4.459m of the brought forward surplus. This plan left the Board with £7.600m of retained surplus at the end of the year (0.76%) which is fully committed over 2011 to 2013.

£1.500m of the £17.100m efficiency savings have been secured by capturing savings already made in 2009/10. A further £15.000m will be delivered through 123 separate schemes. At the end of May it has been estimated that actions already taken against these schemes means £7.350m of savings have been guaranteed. The remainder require ongoing effort throughout the year or further validation before they are recognised.

Key risks to achieving the Board's financial targets are being assessed and managed. The most significant is that prescribing costs cannot be contained as envisaged in the plan.

For 2010/11 the Board has a £37.922m capital programme which will see the completion of mental health facilities in Caird Street and Coathill, a learning disabilities assessment and treatment centre and primary and community care facilities in Coatbridge and Carluke. Construction work on the Airdrie health centre will continue throughout the year. £5.000m of upgrading work will take place in Monklands hospital as part of an initial £17.000m programme. The Board is replacing its patient management and laboratory information systems with integrated systems that will facilitate more effective and efficient patient care and is looking to rationalise its estate to ensure money is released for frontline care rather than locked in to supporting unnecessary property costs. Capital funding across Scotland is tight and the Board needs to make maximum use of this allocation to meet the above objectives whilst ensuring necessary medical equipment is replaced and the dental decontamination and premises improvement programme is advanced.

Capital work was proceeding to plan in the first 2 months.

### **3. CONCLUSION**

The NHS Board are asked to note the contents of the report.

### **4. FURTHER INFORMATION**

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

Laura Ace - Director of Finance  
01698 206355  
Laura.ace@lanarkshire.scot.nhs.uk

**Laura Ace**  
**Director of Finance**  
**18 June 2010**

# NHS LANARKSHIRE

## FINANCE REPORT FOR THE PERIOD ENDED 31 MAY 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 first two months of the financial year 2010/11.

### 2. Overview

- 2.1. The five year Financial Plan 2010/11 – 2014/15 was approved by the NHS Board in March 2009 and subsequently signed off by the Scottish Government in April 2009. This planned a year end recurring surplus of £0.552m, and a non-recurring overspend of £5.011m, to achieve a forecast in year deficit of £4.459m. When added to the predicted cumulative surplus of £12.059m at 31 March 2010, this left NHS Lanarkshire with £7.600m of accumulated funds for use in 2011/12 and beyond.
- 2.2. The financial position to the end of May 2010 shows an under spend of £1.358m, as detailed in Table 1 below. This is in line with ending the year with £7.600m of retained funds. However the first 2 months figures are recognised as not being a solid base for forecasting, particularly for GP prescribing where the latest figures are for March 2010.

	<b>YTD Budget £M</b>	<b>YTD Actual £M</b>	<b>YTD Variance £M</b>
Acute Operating Division	41.543	41.541	0.002
North CHP	16.510	16.420	0.090
South CHP	7.315	7.295	0.020
Primary Care Other Services	43.988	44.096	(0.108)
Headquarters / Corporate Functions Service Level Agreements / Other	16.697	16.699	(0.002)
Healthcare Providers	16.884	16.784	0.100
NHSL - wide	(3.238)	(4.494)	1.256
<b>Net operating costs</b>	<b>139.699</b>	<b>138.341</b>	<b>1.358</b>

### 3. Revenue Resources

- 3.1. At the end of May 2010, the Revenue Resource Limit (RRL) for NHS Lanarkshire was £810.629m, details of which are noted in Annex A.
- 3.2. We anticipate at least another £95.000m, including the carry forward and the GMS allocations. There is also likely to be a number of smaller allocations, the majority being of a non recurring nature. The two areas still to be confirmed with greatest impact on risk assessments round the plan are around access targets and the potential top slice for nationally negotiated drug price discounts. These, and any further allocations, will be monitored closely as part of the wider management of the overall financial position

### 4. Acute Division

- 4.1. The Acute Division is reporting an under spend of £0.002m for the period to the end of May 2010, as detailed in Table 2.

	<b>Budgeted Operating Costs 31/05/2010 £M</b>	<b>Actual Operating Costs 31/05/2010 £M</b>	<b>Actual saving / (excess) 31/05/2010 £M</b>
Pay	38.787	38.394	0.393
Non Pay	10.474	10.865	(0.391)
Gross operating costs	49.261	49.259	0.002
Less: miscellaneous income	0.000	0.000	0.000
<b>Net operating cost</b>	<b>49.261</b>	<b>49.259</b>	<b>0.002</b>

- 4.2. Within the Women and Diagnostic Division and in particular Laboratory services, non pay costs are over spent by £0.281m, offset by pay under spends of £0.215m, the largest of which being reported against medical staffing within radiology due to five consultant vacancies. In addition there are under spends in AHP services (physiotherapy) and administrative budgets across Radiology and Womens' services.
- 4.3. Surgical and Critical Care non pay costs are £0.320m over spent, mainly within Anaesthetics and Theatres. It is hoped that the implementation of the Theatre Stock system will assist in providing better analysis and control to reduce this over spend. This is partly offset by a pay under spend of £0.097m, the net result of a £0.191m under spend from medical staff vacancies and a £0.113m over spend in nursing which has slowed down compared with the latter months of 2009/10.

- 4.4. Nursing pay costs within the Emergency and Medical Division are £0.244m over spent, covered by £0.268m of medical staff underspends in line with last year's pattern. Non pay costs are contained, with an A&E department over spend of £0.078m offset by continuing under spends within Hairmyres cardiology and the catheterisation laboratory.
- 4.5. The figures reported for the period to the end of May 2010 continue to show previous years cost pressures having an impact within the Clinical Divisions. The under spend of £0.002m has only been achieved by utilising £0.211m of uncommitted reserves which is £0.434m less than the amount required this time last year.

## 5. Primary Care

- 5.1. Across the Primary Care sector, there is an under spend of £0.002m for the period to the end of May 2010. Budgets and reports have been amended to reflect the new structure and cash releasing efficiency savings have been removed. The figures below assume a prescribing overspend of £0.068m but at this stage actual prescribing figures for 2010/11 are not available.
- 5.2. The North CHP is reporting an under spend of £0.090m for the period to the end of May 2010, as detailed in Table 3. The under spend of £0.058m against pay budgets is mainly within the North Addictions service, CAMHS and Childrens Services. These are all areas where developments are taking place and not all posts have been filled. Non pay budgets are £0.032m under spent mainly within the eating disorder service.

	<b>Budgeted Operating Costs 31/05/2010 £M</b>	<b>Actual Operating Costs 31/05/2010 £M</b>	<b>Actual saving / (excess) 31/05/2010 £M</b>
Pay	14.378	14.320	0.058
Non Pay	2.132	2.100	0.032
<b>Net operating cost</b>	<b>16.510</b>	<b>16.420</b>	<b>0.090</b>

- 5.3. The South CHP is reporting an under spend of £0.020m for the period to the end of May 2010. The under spend of £0.057m against pay budgets is mainly within the South Addictions service and also the Occupational Therapy service. The over spend against non pay budgets is mainly within travel budgets across all areas of the South CHP.

	<b>Budgeted Operating Costs 31/05/2010 £M</b>	<b>Actual Operating Costs 31/05/2010 £M</b>	<b>Actual saving / (excess) 31/05/2010 £M</b>
Pay	6.538	6.481	0.057
Non Pay	0.777	0.814	(0.037)
<b>Net operating cost</b>	<b>7.315</b>	<b>7.295</b>	<b>0.020</b>

- 5.4. Primary Care Other Services are reporting an over spend of £0.108m for the period to the end of May 2010. The over spend of £0.109m against pay budgets is mainly within the eHealth partly due to waiting monies expected not yet received and Health Promotion due to savings being withdrawn which have not yet been fully realised at this stage.

	<b>Budgeted Operating Costs 31/05/2010 £M</b>	<b>Actual Operating Costs 31/05/2010 £M</b>	<b>Actual saving / (excess) 31/05/2010 £M</b>
Pay	2.895	3.004	(0.109)
Non Pay	1.603	1.512	0.091
Family Health Services	24.092	24.092	0.000
Prescribing	19.398	19.466	(0.068)
Gross operating costs	47.988	48.074	(0.086)
Less: Family Health Service income	(1.578)	(1.578)	0.000
Less: Miscellaneous income	(2.422)	(2.400)	(0.022)
<b>Net operating cost</b>	<b>43.988</b>	<b>44.096</b>	<b>(0.108)</b>

## 6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an over spend of £0.002m for the period to the end of May 2010, as detailed in Table 6.
- 6.2. Non pay budgets within Property and Support Services are £0.048m over spent, due to pressures within catering, transport, franking and Maintenance Services. Pay underspends within PSSD and other corporate areas are largely offsetting this.

	<b>Budgeted Operating Costs 31/05/2010 £M</b>	<b>Actual Operating Costs 31/05/2010 £M</b>	<b>Actual saving / (excess) 31/05/2010 £M</b>
Pay	5.669	5.632	0.037
Non Pay	11.028	11.067	(0.039)
<b>Net operating cost</b>	<b>16.697</b>	<b>16.699</b>	<b>(0.002)</b>

## 7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.100m for the period to the end of May 2010, as detailed in table 7.
- 7.2. The under spend of £0.099m in service level agreements is due to a revision in the agreement with NHS Forth Valley Acute primarily as to the way Obstetrics, NICU and SCBU activity levels are recorded and charged.
- 7.3. Formal agreement of the uplift to be applied to the other NHS Scotland Service Agreements has not yet been agreed across Scotland, however early indications are that Boards are most likely to settle for a 2.15% uplift.
- 7.4. Funding to cover an inflationary uplift for both pay and prices, and resources to support agreed service developments including funding to support the financial gap associated with the centralisation of West of Scotland Cardiothoracic services within the Golden Jubilee National Hospital which had previously been funded on a non recurring basis by Scottish Government have been factored into the approved Financial Plan. Any funding requests beyond that detailed in the Financial Plan will be notified to the Corporate Management Team, before any decision is taken.
- 7.5. The budget for the Independent sector in 2010/11 has already been enhanced by £0.750m of non recurring funding to cover the rise in forensic mental health referrals over recent years. Longer term our financial plan relies on a positive impact when the new facility opens at Caird Street as well as being able to influence the regional and national use of existing NHS provision.
- 7.6.

	<b>Budgeted Operating Costs 31/05/2010 £M</b>	<b>Actual Operating Costs 31/05/2010 £M</b>	<b>Actual saving / (excess) 31/05/2010 £M</b>
Service Level Agreements	14.574	14.475	0.099
Unpacs and Oats	0.523	0.521	0.002
Resource Transfer and Bridging	0.050	0.048	0.002
Independent Sector	1.693	1.697	(0.004)
HIF and SIP's	0.020	0.020	0.000
Mental Health	0.024	0.023	0.001
Gross operating costs	16.884	16.784	0.100
Less: miscellaneous income	0.000	0.000	0.000
<b>Net operating cost</b>	<b>16.884</b>	<b>16.784</b>	<b>0.100</b>

## 8. CRES / Efficiency

The Board has both a HEAT target and an internal target to meet in terms of efficiency.

- 8.1. The HEAT target requires the Board to demonstrate, from a 2007/08 baseline, £47.106m of accumulated resources released through greater efficiency by 31<sup>st</sup> March 2011. In the first two years of the programme the Board identified £30.921m of recurring savings, leaving an additional £16.185m to be found in 2010/11. This will be found through the direct targets passed to the Divisions, savings identified at a corporate level during the financial planning process and action to pull back over spends against budgets.
- 8.2. The table below sets out the distribution of targets reported per the Board's Local Delivery Plan submission signed off by Scottish Government in April 2010.

	Annual Plan		Total
	R £M	NR £M	£M
<b>Efficiency savings for reinvestment</b>			
- Clinical Productivity	1.986	0.000	<b>1.986</b>
- Prescribing and Drugs	4.302	0.140	<b>4.442</b>
- Estates & Facilities	0.717	0.000	<b>0.717</b>
- Procurement	1.542	0.000	<b>1.542</b>
- Support Services	1.612	0.000	<b>1.612</b>
- Workforce / control of recruitment	4.830	0.000	<b>4.830</b>
- Other reinvestment	1.500	0.600	<b>2.100</b>
<b>In Year Savings</b>	<b>16.489</b>	<b>0.740</b>	<b>17.229</b>
Recurring Savings from prior year	30.921	0.000	<b>30.921</b>
<b>Total</b>	<b>47.410</b>	<b>0.740</b>	<b>48.150</b>
Efficient Government Target			<b>47.106</b>

- 8.3. The internal target is largely a subset of the above and represents the £15.0m of direct cash releasing efficiency savings that the divisions were tasked with finding in the financial plan.
- 8.4. Progress against the 122 schemes that seek to deliver the £15.000m of efficiency savings is being monitored on an ongoing basis with a standard monthly review for all. At the end of May 2010, the assessment was that the actions to date were sufficient to guarantee £7.350m of this target. At this stage there is no information to suggest the balance won't be delivered – the schemes are mostly proceeding to plan - it is just that capturing the saving requires ongoing action and monthly validation.
- 8.5. A full report will be brought to subsequent Board meetings.

## 9. Risks

- 9.1 Key risks at this stage are set out in Annex B. Both on likelihood of materialising and potential value, the inability to fully contain GP prescribing costs sits as the highest risk.

## 10. Capital

- 10.1 The Scottish Government has agreed the NHS Lanarkshire Capital Resource Limit at £37.922m for 2010/11 but confirmation around the balance between use of previously banked funds and allocations around Primary Care Modernisation Fund and E-health projects requires to be confirmed.
- 10.2 Capital expenditure of £2.851m has been incurred against the net capital allocation of £37.922m. Details of the actual expenditure position for the two months ended 31 May 2010 are set out in table 10 below. Annex C provides a more detailed analysis by scheme.
- 10.3 Following the conclusion of the 2009/10 external audit confirmation can now be given that the Capital Resource Limit for that year was successfully achieved.

	<b>Annual Plan</b>	<b>Actual 31/05/2010</b>
	<b>£M</b>	<b>£M</b>
<b>Capital Allocation</b>	37.922	2.851
<b>Capital Expenditure</b>		
Developments under construction	22.642	2.634
Business cases in progress	3.500	0.100
Business cases under discussion	0.500	0.000
Ring Fenced Equipment	3.350	0.000
Capital Grants	1.800	0.117
Other	6.130	0.000
	<b>37.922</b>	<b>2.851</b>
<b>Net under / (over) spend</b>	<b>0.000</b>	<b>0.000</b>

- 10.4 The bundled projects, being delivered by Graham Construction are proceeding well as reported in previous months, some minor delays are anticipated and these are currently being confirmed with Grahams and an update on the position will be contained in next months report. It is however anticipated that these will not have any adverse impact on our plans to occupy the buildings or the financial position of the bundled projects.
- 10.5 The Buchanan Centre at Coatbridge was handed over in May and has now been successfully occupied. A final account will be received and the final cost of the project determined and reported at that stage.

- 10.6 The land sale at Airdrie was successfully concluded at the end of 2009/10 and minor expenditure has been incurred in respect of the preparation of the site services and demolition.
- 10.7 Biggar Dental facility has been successfully completed and handed over with the project being completed on time and within budget.
- 10.8 The Monklands Electrical upgrade has been completed and planning for the next tranche of projects is progressing. An update on the projects commencing in June 2010 will be contained in the July report.
- 10.9 Estates rationalisation is mainly in respect of the development of a Headquarters facility on the site utilising the main building and Kirklands House. Work with Interserve, the Board's Preferred Supply Chain Partner, is progressing to deliver this for inclusion within the Standard Business Case.
- 10.10 Work is currently being undertaken by the Core Equipment Group to develop the 2010/11 Investment Programme.
- 10.11 As part of the Airdrie Final Business Case the board are required to contribute to the cost of provision of car parking to support this development. The agreed accounting treatment of this is by way of a Capital Grant and expenditure in the two months to May 2010 represents the board's contribution to the design fees incurred in respect of the car park facility.

## **11. Conclusion**

The Board is asked to note:

- the actual revenue under spend of £1.358m as at 31 May 2010;
- the planned in year deficit of £4.459m per the approved Financial Plan;
- the forecast cumulative surplus of £7.600m as at 31 March 2011;
- the capital expenditure plan of £37.922m.

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

## REVENUE RESOURCE LIMIT 2010/11

	£M
<b>Baseline Revenue Resource Limit</b>	777.424
<b>Adjustments to Baseline Allocations Confirmed:</b>	
Community Pharmacy Palliative Care Model Schemes	0.045
Blood Plasma - Transfer from NSS	0.532
GDS IM&T Facilitator Support	0.093
Electroconvulsive Therapy Audit - Transfer to NSS	(0.011)
Contribution towards the provision of WIGS	0.088
Return of PPRS drug savings for 2009-10	(2.475)
HAI Funding Adjustment	(0.072)
<b>Revised Baseline Revenue Resource Limit</b>	<b><u>775.625</u></b>
Standard Uplift @ 2.15%	16.676
Access Support Funding @ 0.40%	3.103
Arbuthnott/NRAC adjustment 0.39%	3.000
<b>Revised Baseline Revenue Resource Limit - 1 April 2010</b>	<b><u><u>798.404</u></u></b>

## ANNEX A (continued)

### REVENUE RESOURCE LIMIT 2010/11

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
<b>Revenue Resource Limit as at 01 April 2010</b>	798.404	0.000	0.000	<b>798.404</b>
Mental Health Delivery and Partnership spend	0.000	0.477	0.000	<b>0.477</b>
Scottish Enhanced Services Programme	0.000	1.388	0.000	<b>1.388</b>
PET Scan adjustment 2010/11	0.000	0.000	(0.066)	<b>(0.066)</b>
Implementation Carer Information Strategy	0.000	0.000	0.539	<b>0.539</b>
Microsoft Enterprise Agreement	0.000	0.000	0.028	<b>0.028</b>
Drug Treatment Allocation 2010-11	0.000	2.091	0.000	<b>2.091</b>
WISH Pilot 2010-11	0.000	0.000	0.118	<b>0.118</b>
Scottish Dental Access Initiative - Mr A D	0.000	0.000	0.100	<b>0.100</b>
Contribution to SALUS for 'Fit for Work Service Pilot'	0.000	0.000	1.092	<b>1.092</b>
Access Support Team - Waiting Times Initial Allocation 2010/11	0.000	6.458	0.000	<b>6.458</b>
<b>Revenue Resource Limit as at 31 May 2010</b>	<b>798.404</b>	<b>10.413</b>	<b>1.812</b>	<b>810.629</b>

## RISKS

Area	Description	Level
Prescribing 2010/11	The plan relied on £3.4m of savings to bring prescribing, which at the time of the plan was forecast to overspend by £4.4m, back within the financial plan parameters. The final prescribing figures released in June 2010, showed a £5.7m overspend. This has not only increased the challenge but has decreased optimism about the speed of impact of our savings plans.	H
Prescribing 2009/10 – Laboratory Information System	The funding that had originally been set aside to cover the implementation of the laboratory information system had to be realigned in the 2009/10 accounts to cover the £0.845m shift in prescribing between the April 2010 submission to SGHD and the annual accounts. The capital funding has been secured and the scheme proceeding well so immediate action is needed to look at the revenue costs and revise the funding strategy	M
Cost containment/ growth in demand and other cost pressures	There is a possibility that the actions to use resources more efficiently (eg use of bank and overtime or reduction in supplies costs) may be successful but the cash impact will not be seen because of growth in demand or other cost pressures. This is being explored in detail	M
Technical adjustments round asset valuations	The accounting treatment and funding rules for assets classed as available for disposal under IFRS need to be discussed fully with SGHD as there is a risk that technical adjustments could have an adverse impact on our revenue position. Also, although the £5.000m capital funding for Monklands is secure, only expenditure which the valuer deems to have added to the overall value of the building can technically be classed as capital so early dialogue with the valuer and SGHD is required	H
Schemes involving wider engagement	4 of the schemes, 2 of which had savings built in for 2010/11 involve wider engagement and the timescale for this is already extending beyond initial plans. The overall savings relied on in 2010/11 from these were £162k. A further scheme sought to remove the £108k the subsidy from non patient catering and engaging to find a satisfactory outcome may take longer than anticipated	L
Unavoidable costs	There is a risk that unavoidable costs around the provision of new technologies or through securing medical rotas in emergency medicine require to be funded, bringing the need for further in year savings	M/H

## ANNEX C

NHS LANARKSHIRE  
CAPITAL EXPENDITURE TO 31 MAY 2010

	ANNUAL PLAN £M	ACTUAL TO DATE £M
<b>Initial Capital Formula Allocation:</b>	<b>25.398</b>	<b>2.851</b>
Medical Equipment	3.034	
E-Health	0.574	
<b>Total Capital Allocation:</b>	<b>29.006</b>	<b>2.851</b>
Banked Funds & Unconfirmed Allocations	8.416	
Potential Sales	0.500	
<b>ADJUSTED NET ALLOCATION</b>	<b>£37.922</b>	<b>£2.851</b>
<b><u>CAPITAL EXPENDITURE:</u></b>		
<b><u>Business Cases ~ Approved</u></b>		
Adults Complex Needs - Caird House	3.269	0.726
Adults Complex Needs Ward - Coathill	1.140	0.515
Airdrie Resource Centre	9.500	0.264
Biggar Dental	0.100	0.085
Carlisle Community Health Centre	1.568	0.523
Coatbridge Dental & Integrated Resource Centre	0.500	-
LD Assessment & Treatment Centre	1.565	0.521
Monklands Projects	5.000	0.000
	<b>22.642</b>	<b>2.634</b>
<b><u>Business Cases ~ In Progress</u></b>		
Estates Rationalisation	3.500	0.100
	<b>3.500</b>	<b>0.100</b>
<b><u>Business Cases ~ Under Discussion</u></b>		
Acute Mental Health	0.500	-
	<b>0.500</b>	<b>0.000</b>
<b><u>Ring-Fenced Expenditure</u></b>		
Medical Equipment	3.350	-
	<b>3.350</b>	<b>0.000</b>
<b><u>Capital Grants</u></b>		
Airdrie Car Park	1.000	0.117
Dental Decontamination & Refurbishment	0.500	-
Patient Management System	0.300	-
	<b>1.800</b>	<b>0.117</b>
<b><u>Other Expenditure</u></b>		
Board Risk Pool	0.400	-
I M & T	1.500	-
Statutory	1.000	-
Patient Management System	1.400	-
Single Lab System	1.200	-
GPAS	0.630	-
	<b>6.130</b>	<b>0.000</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>37.922</b>	<b>2.851</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>0.000</b>	<b>0.000</b>