Meeting of Lanarkshire
NHS Board
31st January 2018

NHS Lanarkshire
Kirklands
Fallside Road
Bothwell
G71 8BB
Telephone: 01698 855500
www.nhslanarkshire.org.uk

SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

1. PURPOSE

This paper is coming to the Board:

For approval	☒	For endorsement	☐	To note	☒

To allow essential planning and risk mitigation work to proceed, the Board is asked to approve the following expenditure commitments.

• £0.113m additional expenditure in 2018/19 to implement the revised Data protection requirements;

• £0.056m additional expenditure in 2018/19 to strengthen our resilience arrangements;

• Potential £0.198m additional depreciation from 2019/20 from approving the LIMS business case;

• The IJB budget offer of passing on the full 1.5% allocation uplift plus any specific funding relating to the IJB's.

2. ROUTE TO THE BOARD

As agreed, this report comes straight to the Board from the Director of Finance. The Operating Management Committees receive financial reports for their own area.

3. SUMMARY OF KEY ISSUES

At the end of December 2017 the Board is reporting a £0.546m over spend, £1.101m better than the LDP trajectory which had always recognised a gap between expenditure being incurred and savings schemes taking full effect. The forecast to be delivered from the efficiency schemes is now within £0.2m of target. Combined with corporate under spends and shallower cost growth than originally forecast in drug expenditure provides a route to year end breakeven. The current risk assessment is sitting at medium but given recent winter funding announcements could now be reduced further.

The capital programme is on track.

4. STRATEGIC CONTEXT

This paper links to the following:

Corporate objectives	☒	LDP	☒	Government policy	☐
Government directive	☒	Statutory requirement	☒	AHF/local policy	☐
Urgent operational issue	☐	Other	☐		

5. CONTRIBUTION TO QUALITY

This paper aligns to the following elements of safety and quality improvement:

Three Quality Ambitions:

Safe	☐	Effective	☒	Person Centred	☐

Six Quality Outcomes:

Everyone has the best start in life and is able to live longer healthier lives; (Effective)	☐
People are able to live well at home or in the community; (Person Centred)	☐
Everyone has a positive experience of healthcare; (Person Centred)	☐
Staff feel supported and engaged; (Effective)	☐
Healthcare is safe for every person, every time; (Safe)	☐
Best use is made of available resources. (Effective)	☒

6. MEASURES FOR IMPROVEMENT

Achievement of LDP agreed position for revenue resource limit, capital resource limit and efficiency target.

7. FINANCIAL IMPLICATIONS

As set out in the paper.

8. RISK ASSESSMENT/MANAGEMENT IMPLICATIONS

As set out in the paper.

9. FIT WITH BEST VALUE CRITERIA

This paper aligns to the following best value criteria:

Vision and leadership	☐	Effective partnerships	☐	Governance and accountability	☒
Use of resources	☒	Performance management	☒	Equality	☐
Sustainability	☒				

10. EQUALITY AND DIVERSITY IMPACT ASSESSMENT

An E&D Impact Assessment has not been completed

Yes ☐
No ☒

This is a factual position report prepared from information in the financial ledger. It contains no proposals with an equality and diversity impact.

11. CONSULTATION AND ENGAGEMENT

This is a factual position report prepared from information in the financial ledger. It contains no proposals on which to consult on.

12. ACTIONS FOR THE BOARD

The Board is asked to note the contents of the report.

Approval	☐	Endorsement	☐	Identify further actions	☐
Note	☒	Accept the risk identified	☐	Ask for a further report	

13. FURTHER INFORMATION

For further information about any aspect of this paper, please contact *Laura Ace, Director of Finance* Telephone: 01698 *858190.*

Laura Ace
Director of Finance

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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

1. PURPOSE

The attached report provides the Board with a review of financial performance for the 9 months to December 2017.

2. CONTENT/SUMMARY OF KEY ISSUES

The Board is expected to live within its Revenue Resource limit (RRL). The final LDP submitted to the Scottish Government Health and Social Care Department (SGHSCD) forecast £36.112m of savings would be needed to achieve this. At the time of submitting the LDP the Board had identified proposals for all but £6.586m of this total. At 31 December 2017 the assessed level of savings that could be delivered is within £0.152m of target. When this is combined with in year corporate under spends and shallower drug cost growth in the first 9 months than originally forecast, a breakeven position can be predicted for the year end.

The Partnership and Corporate areas are under budget. The Acute Division is £3.151m over budget at month 9, in line with the year end forecast of £4.250m. Previous uncertainties over out of area expenditure with Glasgow are largely resolved.

The capital programme approved by the March 2017 Board has been progressed and adapted to any changed circumstances. In early December the final to capital transfer figure was agreed with SG in order to support the revised plan.

The Board is being asked to approve 3 items of essential expenditure and some outline planning assumptions for 2018/19 to allow Integrated Joint Boards to proceed with their own budget planning.

3. CONCLUSION

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

4. 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 2017

1. Introduction

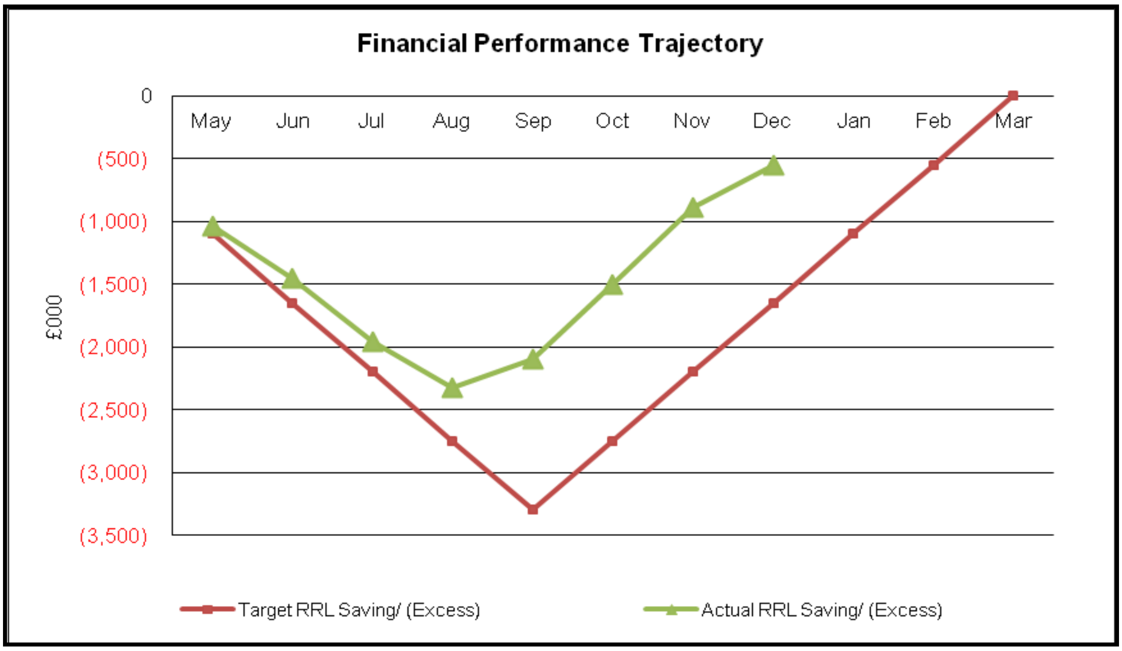
1.1. The purpose of this report is to provide the Board with a summary of revenue and capital financial performance for the first nine months of 2017/18.

2. Overview

2.1. The 3 year Financial Plan 2017/18 – 2019/20 was submitted by the NHS Board on the 31st March 2017 and signed off by Scottish Government in May 2017. In order to meet anticipated unavoidable cost rises plans for £36.112m of efficiency savings were sought.

2.2. At the time of submitting the plan £6.586m of those savings still had to be identified. The latest forecast takes delivery from the identified savings list to within £0.152m of the original target. When the forecast level of savings achievement is combined with a wider financial plan review, recognising in particular the corporate under spends and shallower drugs cost growth, the Board now has a reliable route to breakeven at the year end. In the remaining months the focus will be in ensuring forecast year end positions are maintained and looking for further efficiencies to support the 2018/19 financial plan.

2.3. The graph below shows how our financial position to date compares to the trajectory estimated at the time of setting the initial plan.



2.4. The Divisional split of the £0.546m over spend to the end of December 2017 is set out in table 1. This is £1.101m better than the estimates made at the time of the LDP submission.

Table 1 - Summary Financial Position 2017/18	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	254.106	257.257	(3.151)
North Lanarkshire Health & Social Care Partnership	195.427	193.813	1.614
South Lanarkshire Health & Social Care Partnership	144.959	144.822	0.137
Primary Care Other Services	124.035	123.829	0.206
Headquarters / Corporate Functions	117.130	115.213	1.917
Service Level Agreements / Other Healthcare Providers	144.414	144.536	(0.122)
NHSL - wide	8.411	7.601	0.810
Net operating costs	**988.482**	**987.071**	**1.411**
Remove IJB Position	(464.421)	(462.464)	(1.957)
Revised Net operating costs	**524.061**	**524.607**	**(0.546)**

3. Revenue Resources

3.1. At the end of December 2017, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,241.470m and the Non Core Revenue Resource Limit was £28.023m, details of which are noted in Annex A.

3.2. The December 2017 Core Revenue Resource Limit includes confirmation of £0.988m being our share of the recently announced £8.4m Scottish Government funding being given to NHS Boards to support winter resilience across health and social care and £1.168m for waiting times delivery from the access support unit. These sums are additional to anything previously anticipated and will be used to support additional activities.

3.3. The December 2017 Core Revenue Resource Limit also includes confirmed resources of £1.280m to SALUS for fit for work Scotland service provision on behalf of Scottish Government, £1.380m for HEPMA, £0.845m building capacity to meet 18 week referral to treatment for Psychological Therapies and specialist CAMHS services, £0.730m for Core Health Board Research, £0.175m for distinction awards paid to NHS Consultants and £0.145m for additional pharmacists from the Primary Care Fund. These allocations are in line with previous expectations.

3.4. The December 2017 Core Revenue Resource Limit also includes confirmation of £3.831m funding towards the unitary charges of the three new Health Centres which opened in 2015/16 and £0.801m funding being transferred to National Shared Services for PET scanning. These too are in line with financial plan expectations.

3.5. The infrastructure support final adjustment (£1.377m) is the final adjustment needed to ensure the required amount of revenue funding has been reclassified as capital so it can be used to support our capital plan. The capital plan is progressing on the basis of the budget set out in annex B.

4. Acute Division

4.1. The Acute Division is reporting an over spend of £3.151m for the period to the end of December 2017, as detailed in Table 2. A provisional year end forecast of £4.250m has been entered into our planning assumptions. It is expected the January expenditure will be higher than any original forecast as a result of the various additional support measures needed to ensure the hospitals could continue to function safely during the recent period of exceptional pressure. The December announcement of £0.988m additional winter funding however will provide a budget source for this, and the cost of additional community support, to be covered.

Table 2 - Acute Division 2017/18

	Budgeted Operating Costs 31/12/2017 £M	Actual Operating Costs 31/12/2017 £M	Actual saving / (excess) 31/12/2017 £M
Pay	207.014	208.799	(1.785)
Non Pay	71.540	72.884	(1.344)
Healthcare Purchases	0.842	0.864	(0.022)
Gross operating costs	279.396	282.547	(3.151)
Less: miscellaneous income	(25.290)	(25.290)	0.000
Net operating cost	**254.106**	**257.257**	**(3.151)**

4.2. The nursing expenditure for the first 9 months of 17/18, at £99.877m, is £1.215m (1.2%) more than in the first 9 months of the previous year, with the pay rise accounting for 1.1% of the rise. The £0.974m over spend against budget is higher than the cost reduction plans aspired, given the extent of site pressures, it is unlikely any further cost reduction will be seen in the final 3 months. £0.767m of the month 9 over spend is in the Hairmyres site. Site meetings earlier in the year to look at what more could be done had not resulted in any reduction in the monthly overspend, with the Quarter 3 level 19% higher than in the previous 6 months.

4.3. The over spend against the medical staffing budget in Month 9 was £0.007m (0.1% of budget) taking the total overspend to date to £0.558m. This is linked to continuing locum costs as a result of sickness and national difficulties in filling posts. This compares with £2.104m of excess costs in the same period of 16/17 indicating successful cost control. The areas which are experiencing the largest medical staffing cost pressure are A&E at all three sites (£0.750m) and Trauma and Orthopaedics (£0.781m). Success in filling gaps in the junior doctor rota at Hairmyres has meant the overall medical staffing over spend for T & O has reduced from an average of £0.092m per month in the first 6 months to £0.074m per month in quarter 3. Other gaps emerging have meant the drop however is not as much as expected. Monklands has had particular success in reducing reliance on very high cost locums and an under spend in the Access Division, largely in Radiology, is partly offsetting the overall over spend. The radiology vacancies have had an impact on our internal imaging capacity and some additional external capacity has had to be purchased.

4.4. All non pay categories are overspent against budget apart from drugs and admin supplies. The expenditure on laboratory and theatres supplies in the first 9 months of 17/18, at £24.647m, is £0.909m (3.8%) more than in the first 9 months of the previous year and sits £0.977m over budget. As budgetary provision had only been made for an average of 2.5% inflation this growth is higher than expected. One significant factor in this is an increase in laboratory activity which is estimated at circa 5%. There are a number of efficiency schemes to reduce supplies costs which have yet to fully deliver.

4.5. The Lanarkshire hospitals drug spend in month 9 is £0.263m (0.7%) greater than at the same point last year, less than forecast.

5. Health and Social Care Partnerships

5.1. Across the Health and Social Care Partnerships, there is an under spend of £1.957m for the period to the end of December 2017, an increase of £0.152m from the previous month.

5.2. With 7 months data now available, the previous breakeven forecast for GP prescribing has had to be downgraded, with an estimated £0.606m over spend reflected at month 9. The average price per item in April was £9.93, the lowest it had been since December 2014 as a result of the success of the Prescribing Quality and Efficiency Programme (PQEP). A further favourable movement was expected in June 2017 when a new drug tariff took effect, to be followed later by a further reduction in September when new pricing was to apply to a pain medication coming off patent. Combined with the continuing PQEP efficiencies, the target (to stay within the 16/17 financial envelope for prescribing) should have been easily achievable. Across the UK however, shortages in supply have pushed the prices charged for a range of drugs up considerably, wiping out other beneficial movements and resulting in an average price per item of £10.36 in July and £10.34 in October. Although the month 6 drug expenditure was still lower than at the same point of the previous year, the continued short supply issues meant that by the end of month 7, expenditure was 0.4% higher than at month 7 last year. A £1.2m year end overspend is now being forecast.

5.3. Tables 3 and 4 show the position in each partnership.

Table 3 - North Lanarkshire Health & Social Care Partnership 2017/18

	Budgeted Operating Costs 31/12/2017 £M	Actual Operating Costs 31/12/2017 £M	Actual saving / (excess) 31/12/2017 £M
Pay	83.556	81.943	1.613
Non Pay	39.132	38.877	0.255
Prescribing	54.027	54.236	(0.209)
Sub Total	176.715	175.056	1.659
Primary Care Transformational Fund	0.000	0.000	0.000
Healthcare Purchase - Out of Area	2.631	2.687	(0.056)
Resource Transfer	16.081	16.070	0.011
Net operating cost	**195.427**	**193.813**	**1.614**

Table 4 - South Lanarkshire Health & Social Care Partnership 2017/18	Budgeted Operating Costs 31/12/2017 £M	Actual Operating Costs 31/12/2017 £M	Actual saving / (excess) 31/12/2017 £M
Pay	40.487	39.706	0.781
Non Pay	33.007	32.996	0.011
Prescribing	49.928	50.325	(0.397)
Sub Total	123.422	123.027	0.395
Primary Care Transformational Fund	2.206	1.703	0.503
Healthcare Purchase - Out of Area	2.742	3.503	(0.761)
Resource Transfer	16.589	16.589	0.000
Net operating cost	**144.959**	**144.822**	**0.137**

5.4. The over spend of £0.761m in South IJB Healthcare Purchase (Out of Area) includes a high cost care package in Glasgow and higher referrals to the Ayr Clinic. The patient in Glasgow is clinically fit for discharge but providing for appropriate care in the community involves complex planning and preparation. In December 2017 the South IJB approved a plan to convert an existing building into a suitable facility.

5.5. The £0.503m slippage in the primary care transformation fund is ring fenced.

5.6. Health & Social Care Partnership Other Services are reporting an under spend of £0.206m for the period to the end of December 2017, as detailed in Table 5, an increase of £0.052m from the previous month.

Table 5 - Health & Social Care Partnership Other Services 2017/18	Budgeted Operating Costs 31/12/2017 £M	Actual Operating Costs 31/12/2017 £M	Actual saving / (excess) 31/12/2017 £M
Pay	6.495	6.387	0.108
Non Pay	2.343	2.245	0.098
Family Health Services	131.055	131.055	0.000
Gross operating costs	139.893	139.687	0.206
Less: Miscellaneous income	(8.501)	(8.501)	0.000
Less: Family Health Service income	(7.357)	(7.357)	0.000
Net operating cost	**124.035**	**123.829**	**0.206**

6. Headquarters/Area Wide Departments

6.1. The Headquarters and Area Wide Departments are reporting an under spend of £1.917m for the period to the end of December 2017, as detailed in Table 6, an increase of £0.336m from the previous month.

6.2. The under spend is spread across Corporate Departments (£0.470m), Central Services (£0.467m) and Property and Support Services (£0.980m). £0.467m of this will be removed from budget as it represents agreed savings plans, still leaving a better than planned position at month 9. The under spend will be used non recurringly to close the gap in the original savings plan list.

Table 6 - Headquarters / Corporate Functions 2017/18			
	Budgeted Operating Costs 31/12/2017 £M	Actual Operating Costs 31/12/2017 £M	Actual saving / (excess) 31/12/2017 £M
Pay	41.963	40.351	1.612
Non Pay	79.812	79.507	0.305
Gross operating costs	121.775	119.858	1.917
Less: miscellaneous income	(4.645)	(4.645)	0.000
Net operating cost	**117.130**	**115.213**	**1.917**

7. Service Level Agreements/Other Healthcare Providers

7.1. Service Level Agreements and Other Healthcare Providers are provisionally reporting an over spend of £0.116m for the period to the end of December 2017, as detailed in table 7 a movement of £0.145m from the previous months under spend.

Table 7 - Service Agreements / Other Healthcare Providers 2017/18			
	Budgeted Operating Costs 31/12/2017 £M	Actual Operating Costs 31/12/2017 £M	Actual saving / (excess) 31/12/2017 £M
Service Level Agreements	127.377	127.211	0.166
Unpacs and Oats	16.371	16.732	(0.361)
Independent Sector	0.672	0.593	0.079
Net operating cost	**144.420**	**144.536**	**(0.116)**

7.2. Service level agreements with other Boards are progressing well with all regional services now agreed for 17/18. The above figures do anticipate an increase in the cost of Lanarkshire’s agreement with Glasgow beyond the inflationary uplift of 0.4% due to a combination of revised pricing, following the move to the Queen Elizabeth Hospital, and activity increases in some specialties. Resolution in principle has been reached on the disputed Glasgow invoices although these have not yet been withdrawn.

8. CRES/Efficiency

8.1. Through the LDP process, Board’s have traditionally been given a minimum target of achieving cash releasing efficiency savings equal to 3% of their recurring baseline allocation which equates to £33.897m for NHS Lanarkshire.

8.2. To balance the financial plan in 2017/18 the Board estimated it needed to release £36.112m of cash from budgets (or reduce existing cost pressures) through efficiency savings (CRES). At the time of submitting the final LDP the Board had identified proposals for all but £6.586m of this total. A further assessment of savings and cost estimates carried out as at 31st December 2017 has now closed the efficiency savings gap to £0.152m. The actual achievement to date is recorded in table 8.

8.3. Some aspects of expenditure have not, so far, risen as steeply as forecast and some elements of income have been higher. The under spends in the corporate departments can also make a non recurring contribution to closing the gap. Based on the assessment, financial balance at 31/3/18 could be achieved without closing the gap. This is true even after taking account of the fact that some of the cost reducing targets, particularly round reduced nursing spend, are not being achieved and the impact of lower forecast achievement is offset by £2m of the newly identified savings which relate to cost avoidance by using more effective models to manage increased demand. A continued focus on efficiencies is essential both to ensure anticipated year end delivery and to generate further opportunities for 2018/19 which is likely to be a more challenging year financially.

8.4. Whilst in year balance can be achieved by a mixture of recurring and non recurring means, ongoing financial stability depends on savings being delivered recurringly. In the month 9 submission to Scottish Government £5.560m of savings to date have been labelled as non recurring, with £9.607m being the forecast year end reliance. Within the spectrum of savings classed as non recurring however, there are ones which, although not guaranteed on a permanent basis, do have the prospect of continuing into future years. It is possible that our year end reliance on true non recurring savings will be less than the £9.648m estimated in the opening LDP and this will be subject to detailed review as the forward financial plan is built up.

8.5. The performance to date is better than the straight line trajectory used for simplicity at the time of the LDP but is slightly behind our more sophisticated internal revised plan. The Acute Division is demonstrating progress but not yet enough to fulfil its savings requirement for reducing locum and agency costs and supplies costs. Generally there has been an over achievement on prescribing savings but an under achievement against plans to control costs from use of the temporary workforce or to reduce various non pays overspends. £2m of productivity savings were recognised in December.

8.6. There are still risks associated with the IJB savings plans, but overall the assessment is that the required level of savings will be delivered. Corporate departments are delivering under spends in excess of savings targets (not reflected in the table below) which will help close the gap.

Table 8

LDP description	**LDP Plan £m**	**Revised Plan £m**	**Plan to date £m**	**Actual to Date £m**
Service productivity	5.341	8.260	6.250	6.252
Drugs & Prescribing	6.876	8.080	5.623	6.048
Procurement	3.230	3.989	2.877	1.883
Workforce	1.427	3.258	2.381	2.366
Support Services (Non-Clinical)	2.245	1.779	1.464	1.237
Estates & facilities	0.330	0.517	0.404	0.404
Shared Services	0.115	0.115	0.114	0.114
Other	9.962	9.962	8.137	8.137
Unidentified Savings	6.586	0.152	-	-
Total	**36.112**	**36.112**	**27.250**	**26.441**

9. Capital

9.1 Scottish Government has confirmed the initial NHS Lanarkshire Capital Formula Allocation for 2017/18 at £12.392m. This has been supplemented by a £2m contribution to the theatre refurbishment. NHS Lanarkshire was given permission to retain property receipts to support capital plans although these are now forecast only to be £0.040m.

9.2 Funding to support HEPMA and LIMS has been played in through a revenue to capital transfer. As our high capital requirements (Theatres, Monklands business continuity, Regional Cardiac Catheterisation Laboratory replacement on top of other equipping and service needs) outstrip the capital funding available, a further transfer from revenue was necessary to support the programme of essential works.

9.3 The HEPMA implementation programmes spans 2 financial years and the LIMS implementation 3. Scottish Government have verbally given approval to re-phase the money identified to fund this and, now the full business case is available for LIMS, we will write formally seeking agreement to funding profile.

9.4 The best estimate of the plan at present is set out in appendix 2. There are still some minor uncertainties which may not be resolved till the final quarter. We are in dialogue with Scottish Government as to how best to manage these.

9.5 Expenditure to the value of £8.503m has been incurred in the first nine months as detailed in Annex B.

10. Development and Approvals

The CMT has also considered a paper on the new Data Protection requirements which will gain legal force in May 2018. These present more onerous duties and are accompanied by potentially high fines for breach. To prepare ourselves for this it is assessed that additional staffing, at a cost of £0.113m, is required. This would represent an ongoing commitment and will be included in the 2018/19 financial plan. As recruitment however needs to start now, CMT approval was given on risk grounds. The Board is asked to endorse this decision.

The CMT has also been reviewing the Board's resilience arrangements in the light of the cyber attack. A proposal to invest funding non recurringly to allow sites to further develop their arrangements had previously been approved but the request includes the creation of a permanent post which would need to feature as an £0.056m additional expense in the 2018/19 plan. The Board is asked to endorse this position

The full business case for LIMS is being presented to the Board in January. Providing Scottish Government support for the revised funding profile is given, the NHS Board has identified funding sources for all the implementation costs. The ongoing maintenance cost is covered by existing budgets. Once fully up and running there will be depreciation charges on the new system in excess of those on the current system. Once the depreciation forecast for all assets for 2019/20 has been updated it will be determined whether there is scope within the existing envelope to absorb this cost. The worst case position would be £0.198m of additional charges from 19/20 onwards.

11. Risk Assessment

There are a number of areas of risk and uncertainty within the financial plan. Only one of any significance remains and there is a mitigation plan in place.

- GP prescribing has slipped into an over spend position due to national short supply issues. Assumptions have been made about the final 5 months but these will require to be reassessed each month. The £1.2m overspend forecast could yet be exceeded but no modelled scenario produces an over spend higher than can be absorbed by under spends in other areas or, as a last resort, the IJB's prescribing reserve;

- An agreement in principle has been reached to recognise some of the legitimate additional cost pressures being experienced by NHS Greater Glasgow & Clyde in delivering care to Lanarkshire residents in return for Glasgow withdrawing invoices not regarded to be justified by other West of Scotland Boards. Any residual risk from these invoices is therefore regarded to be very low;

- £0.750m of timing uncertainties round the capital plan have been resolved by an agreement with Scottish Government on funding.

The risk of not achieving the yearend financial targets is now judged to be low.

12. 2018/19 Financial Planning

Following the draft budget on 14 December 2017, NHS Boards have been given indicative allocations.

Territorial Board's will be given a 1.5% uplift to their base allocation which for NHS Lanarkshire stands at £1.135m. There will also be a share of £110m national funding for Primary care (£60m more than in 2017/18), a share of £47m funding for mental health (£17m more than in 2017/18) and a share of an additional £20m for Alcohol and Drug Partnerships.

There are still a number of uncertainties to be resolved before a financial plan can be brought to the NHS Board. However, in order to give the Integrated Joint Boards time to conclude their own budget setting, it is proposed that the Board commits to uplifting the IJB budgets by the full 1.5% allocation uplift as well as passing over the full amount of any new monies relating to directly managed functions once NHS Lanarkshire's share is known. The Board is asked to approve this approach.

NHs Lanarkshire, despite SG's efforts over many years, still sits below its fair share of NHS funding as calculated by the NRAC formula. Up until 2015/16, NHS Lanarkshire had managed to keep recurring expenditure in check, in line with the below NRAC allocation. In 15/16 however rapid growth in costs across the system, outstripped the Board's ability to generate recurring savings and since then there has been a reliance on non recurring actions to balance the budget. The current estimate of that gap is £9.6m In 2018/19 SG are making further efforts to move Boards nearer to their NRAC share and the indicative allocations bring 8 mainland territorial Boards to 0.8% below their target share (3 mainland Boards sit above their target share). The £3.6m parity funding received by NHS Lanarkshire will reduce the £9.6m recurring deficit. It is estimated that NHS Lanarkshire is now £9.1m away from its target share.

Pay policy for 2018/19 has been announced as 3% for those under £30k, 2% between £30k and £80k and a capped £1.6k rise for salaries over £80k. This has been modelled for NHS Lanarkshire. In England the prospect of further Treasury funding for the AFC pay rise is still under discussion. It may be summer time before the potential of consequential funding for Scotland from a Treasury decision is known.

Earlier Directors were asked to develop savings plans for 2% efficiency. This still appears necessary and the plans are being developed further.

13. Conclusion

The Board is asked to note:

- the actual revenue over spend of £0.546m as at 31 December 2017, £1.101m better than the LDP trajectory of £1.647m;

- the £26.441m of efficiency savings recorded as achieved to date, £0.810m behind the revised plan to date, however ahead of the LDP trajectory;

- the £8.503m expenditure to 31 December 2017 against the revised capital plan of £20.773m which has now been finalised;

- the residual risks highlighted in section 11.

The Board is also asked to approve:

- The £0.113m additional expenditure in 2018/19 to implement the revised Data protection requirements;

- The £0.056m additional expenditure in 2018/19 to strengthen our resilience arrangements;

- The potential £0.198m additional depreciation from 2019/20 from approving the LIMS business case;

- The IJB budget offer of passing on the full 1.5% allocation uplift plus any specific funding relating to the IJB's.

LAURA ACE
DIRECTOR OF FINANCE
19 January 2018

ANNEX A

REVENUE RESOURCE LIMIT 2017/18

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Core Revenue Resource Limit as at 30 November 2017	**1,136.128**	**10.866**	**83.211**	**1,230.205**
SDAI recovery RA	0.000	0.000	(0.058)	(0.058)
eESS Implementation Support - NHS Lanarkshire	0.000	0.000	0.074	0.074
CSO Core Health Board Research Allocation	0.000	0.000	0.730	0.730
Project support for Best Start Early Adopter Boards	0.000	0.000	0.050	0.050
Allied Health Professions Musculoskeletal (MSK MATS)	0.000	0.000	(0.054)	(0.054)
SACT non medical prescribing	0.000	0.000	0.013	0.013
Local Plastics Service	0.000	0.000	0.024	0.024
Surgical Assistants	0.000	0.000	0.025	0.025
Lanarkshire Bundle Unitary Charge	0.000	3.831	0.000	3.831
Fit for Work Scotland Service Provision	0.000	0.000	1.280	1.280
LDP Capacity Building for Psychological Therapies and CAMHS	0.000	0.000	0.845	0.845
Funding towards HePMA	0.000	0.000	1.380	1.380
Develop National IV Fluids Protocol	0.000	0.000	0.060	0.060
Additional Winter Pressures Contribution	0.000	0.000	0.988	0.988
Ophthalmology	0.000	0.000	0.014	0.014
Primary Care Fund - Additional Pharmacists	0.000	0.145	0.000	0.145
Distinction Awards fo NHS Consultants	0.000	0.175	0.000	0.175
Waiting Times Support - Interim Payment	0.000	0.000	1.168	1.168
Infrastructure Support	0.000	0.000	1.377	1.377
Positron Emission Tomography (PET) Scans Adjustment	0.000	(0.801)	0.000	(0.801)
Core Revenue Resource Limit as at 31 December 2017	**1,136.128**	**14.217**	**91.126**	**1,241.470**
Non Core Revenue Resource Limit as at 30 November 2017	**0.000**	**0.000**	**28.023**	**28.023**
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 31 December 2017	**0.000**	**0.000**	**28.023**	**28.023**
Total Revenue Resource Limit as at 31 December 2017	**1,136.128**	**14.217**	**119.149**	**1,269.493**

ANNEX B

NHS LANARKSHIRE CAPITAL EXPENDITURE TO 31st December 2017			
	2017/18 LDP £M	**2017/18 Forecast £M**	**Actual £M**
Initial Capital Formula Allocation:	**12.392**	**12.392**	**8.503**
Capital Resource limit adjustments:			
Additional Central Resource Allocation	2.000	2.000	
Capital Resource Limit Adjustments	2.182	6.341	
ADJUSTED NET ALLOCATION	**£16.574**	**£20.733**	**£8.503**
Disposal Programme:			
Property Disposals	3.050	0.040	
Property Disposals returned to S.G.			
	£3.050	**£0.040**	**£0.000**
	£19.624	**£20.773**	**£8.503**
CAPITAL EXPENDITURE:			
Business Cases			
Monklands general business continuity	2.352	2.840	1.206
Monklands Theatres/ICU	4.282	3.976	2.927
Decontamination estates work	1.200	1.737	1.751
Acute Property Works	1.313	1.831	1.066
HUB Investment	0.000	0.310	0.000
New Monklands Fees	0.500	0.200	0.120
	£9.647	**£10.894**	**£7.070**
Medical Equipment	5.069	6.132	1.063
	£5.069	**£6.132**	**£1.063**
Capital Grants			
	£0.000	**£0.000**	**£0.000**
Other Expenditure			
Statutory Maintenance	0.000	0.000	0.000
PSSD Equipment	0.075	0.075	0.000
subtotal	**£0.075**	**£0.075**	**£0.000**
I.M.&T Projects	4.833	3.672	0.370
	£4.908	**£3.747**	**£0.370**
TOTAL CAPITAL EXPENDITURE	**£19.624**	**£20.773**	**£8.503**
(OVER) / UNDER COMMITTED	**£0.000**	**£0.000**	**£0.000**