

LANARKSHIRE HEALTH BOARD

ANNUAL ACCOUNTS FOR YEAR TO 31 MARCH 2018

1 OVERVIEW

The Annual Accounts for the year to 31st March 2018 are presented to the Board for approval and signing. The external audit of the accounts is complete and an unqualified audit opinion has been issued for the accounts. The Audit committee has reviewed the accounts, along with the annual reports from external and internal audit, and endorses them for signing.

The audited accounts confirm the year end position reported to the Board in May 2018. All three financial targets were met. The Board's Local Delivery Plan for 2017/18 committed all of the Board's recurring funding and planned to use all of the £0.210m brought forward surplus to breakeven. The audited annual accounts give a final carry forward of £0.381m, marginally ahead of the planned position.

In 2017/18 NHS Lanarkshire spent £1.457bn (16/17 £1.428bn) providing for the full range of health needs of its 658,130 residents and the occupants of Shotts prison. £1.350bn (16/17 £1.342bn) of the funding for this came from through Scottish Government allocations and £106.8m (16/17 £84.6m) came from other sources, primarily NHS.

The Board provides these services using property and equipment valued at £552.8m (16/17 £551.2m).

The Board employed 11,362.8 whole time equivalent staff (16/17 11,259.3) with a pay cost of £514.2m (16/17 £501.6m)

2 ISSUES TO NOTE

Consolidated Accounts/ Accounting for IJBs

The IJB's became legal entities in June 2015 and started live operation on 1 April 2016. The planning, commissioning and monitoring of a wide range of services was delegated to IJBs on that date. The £751.500m budget delegated to IJBs is treated as other healthcare expenditure in Note 3 (page 59). The £748.224m that the IJBs directed back to the NHS to deliver services is treated as income in note 4 (page 60). The net result is real physical expenditure of £748.224m and a further payment of £4.264m to the IJBs which sits in IJB reserves for use in future years. In 2016/17 the excess of health funding provided to the IJBs over expenditure incurred by them in the financial year was £11.357m, giving a total of since the IJBs commenced live operation. The amount

the health services outside the IJB's have had available for carry forward over the 2 years was £0.591m, of which £0.210m has been fully used in 2017/18.

Under the accounting rules IJB's are viewed as joint ventures between the council and the NHS and, as membership is 50:50, any underspend in the IJBs (whether originating from health or the council budgets) is split 50:50 and consolidated back into the council/NHS accounts. As a result the SOCNE shows £6.449m in relation to the 50% share of the IJB underspends.

The endowment fund, although a separate legal entity and run separately from the Board's activities, has been consolidated with the Board's accounts since 13/14. Note 27 (page 98) shows the impact of doing this. Given the scale of the NHS Board's activities, the income and expenditure impact of consolidating the endowment funds is less than 0.008%. The areas where it does make a perceptible difference is in available for sale financial assets where the Board has £1.202m at 31/3/17 but the endowment fund investments add a further £4.455m.

Financial performance

The Scottish Government Health and Social Care Directorates (SGHSCD) set three financial targets for the Board on an annual basis. These are to stay within the:-

- Revenue Resource Limit - a resource budget for ongoing operations;
- Capital Resource Limit - a resource budget for new capital investment;
- Cash Requirement - a financing requirement to fund the cash consequences of the ongoing operations and new capital investment.

NHS Lanarkshire delivered on all 3 of these targets as reported on page 6 of the accounts. The Board underspent its main allocation, the core Revenue Resource Limit by £0.381m (0.03%). The table below shows the separate income streams and related expenditure.

15/16 Income £000s	16/17 Income £000s	Summary Resource Outturn	17/18 Income £000s	16/17 Expenditure £000s	16/17 U/spend £000s
1,161,190	1,204,514	Core	1,239,828	1,239,447	381
26,606	63,073	Non Core	35,715	35,715	0
74,302	74,900	FHS Non Discretionary	74,947	74,947	0
1,262,098	1,342,487	Total	1,350,490	1,350,109	381
74,608	85,722	Other Income (exc IJB payment)	106,834	106,834	0
1,336,706	1,428,209	Total	1,457,324	1,456,943	381

Income movements since 2016/17

The largest component of the £35.314m increase in the core RRL was an additional £12.54m for social care. This supplements £30.350m additional funding in 16/17 which was passed, via the IJBs, to councils, 50% to meet general council pressures and 50%

to meet social care policy commitments such as the living wage. Primary and community care received an increase of £4.37m across a range of allocations.

The value of the general allocation uplift, net of the decrease in funding available to support new medicines and in increase in national topslices, equates to £0.058m. This meant general inflationary and other cost pressures in pay, supplies and drugs had to be met through efficiency. The Board received £6m to address historic underfunding and this reduced the brought forward underlying deficit.

The non recurring funding provided to NHS Lanarkshire reduce waiting times was £2.17m more than in 16/17. As some of the funding allocated in 2016/17 had been for pass through contracts NHS Lanarkshire had commissioned for other Boards, the true additional benefit to Lanarkshire was £4.580m Deductions relating to technical issues or funding transfers for assets were £7.136m lower take than in 16/17.

The Non Core RRL covers transactions that are not immediately linked with a real cash transfer such as depreciation of assets and the creation of provisions for future liabilities. Future liabilities require to be “discounted” to reflect the economic view that a pound in the future has a different value from a pound today. There was a very significant change in the discount rate during 2016/17 which increased the level at which certain future liabilities were quantified. A £32.771m additional noncore allocation was issued by the SGHSCD in March 2017 to cover this.

Expenditure

The net expenditure of £1.350bn in the table above, is spread over NHS Lanarkshire's operating divisions as set out in the table below. (sourced from note 5 page 61).

	2016/17 £000s	2017/18 £000s	% Change
Acute	351,168	355,387	1.20%
Corporate	145,299	151,103	3.99%
North Partnership	317,912	331,454	4.26%
South Partnership	303,006	308,455	1.80%
Other	224,892	203,710	-9.42%
	1,342,277	1,350,109	0.58%

In 2017/18 there was a high level of expenditure on I M & T to ensure end user devices were up to date and using supported software as well as a £1.7m increase on the amount spent on backlog maintenance. Without this additional expenditure the increase in the corporate support services would have only been 0.9%. Corporate departments underspent their budget in year, helping the rest of the system stay in balance.

£1.43m was transferred from the Acute division to North IJB due to a change in management arrangements for the CARS service.

The drop in other is attributable to a far lower technical adjustment relating to provisions for clinical negligence.

Staff Numbers and costs

Pay costs per note 3 (page 59) were £516.3m, 2.4% up on the 2016/17 value of £504.3m. Increased investment in pharmacy and IT staff are the main reason behind the above inflationary increase in the "other" staff heading. The annual mean number of whole time equivalent staff for 2016/17 was 11,362.8 (2016/17 11,259.3). Further analysis can be found in the remuneration and staff report on (pages 33 to 35). Despite efforts to control the use of agency staff the costs increased from £14.952m to £16.219m.

Assets

NHS Lanarkshire operates using the following profile of non current assets (previously known as fixed assets)

Net Book Value of Assets	31/03/2015	31/03/2016	31/03/2017	31/03/2018
	£000s	£000s	£000s	£000s
Land	26,686	26,150	21,395	21,394
Owned Buildings	247,927	229,089	225,190	226,934
PFI Hospitals	223,599	268,002	272,212	273,968
Medical Equipment ,Plant, Machinery, Vehicles, fittings	22,398	22,386	23,257	24,930
IT Hardware and Software	6,441	6,517	5,498	7,142
	527,051	552,144	547,552	554,368

There is also £1.190m tied up in assets under construction, connected with the theatres refurbishment and other acute redesign work.

There was additional investment in IT, including the purchase of the Hepma system in 2017/18.

More detail can be found in the various sections of notes 6 and 7 (pages 62 – 70).

Assets judged as capable of being sold within a year are disclosed as current assets and shown in note 10 (page 74). The Board has £1.202m of assets within that category at 31/3/17.

Provision for Future Compensation claims

A provision should be recognised when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are shown in note 13 (page 78).

At the start of the year NHS Lanarkshire held a provision of £64.459m for clinical negligence claims. This sat at £84.911m at the end of the year. This was due to the progression of a number of high value claims and a new claim during the year. The total number of outstanding claims lodged against the Board has not increased.

There are a further £23.800m (2016/17 £25.568m) of claims which are judged as not likely to succeed (note 14 page 81).

3 ELEMENTS OF THE ACCOUNTS

a) Key Documents

Performance Report This gives an overview of financial and non financial performance during the year pages 1 - 11

Statement of Comprehensive Net Expenditure and Resource Outturn which shows the Board's financial operating performance.

(pages 40 and 41) The Statement shows a saving against Revenue Resource Limit (RRL) of £0.381m.

Balance Sheet (page 42) [details of specific elements, e.g. Property, Plant and Equipment, Receivables and Payables, are on pages 62 – 80].

Cash Flow Statement (page 43) details cash transactions for the year.

Statement of Changes in Taxpayers Equity (pages 44 and 45) shows the General Fund, Revaluation Reserve and the Donated Asset Reserve.

b) Policies Applied in Preparing the Accounts

Pages 46 – 57.

c) Other Operating Costs

Page 59; these should show items of interest to a reader of the Accounts.

d) Specific Items that Accounts must Disclose

Contingent Liabilities Page 81 (i.e. potential issues which could have a financial impact).

Post Balance Sheet Events Page 82 (i.e. events after the year end which could colour the view of the previous year).None.

Commitments Pages 83 - 86 These reflect contractual and business case commitments.

Pensions Costs Page 87.

4 CONCLUSION

The Board is asked to approve the draft Annual Accounts for the year ended 31 March 2018 for signing.

Laura Ace
Director of Finance
22 June 2018