

Meeting of Lanarkshire,
NHS Board
30th January 2019

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



SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

1. PURPOSE

This paper is coming to the Board:

For approval	<input checked="" type="checkbox"/>	For endorsement	<input type="checkbox"/>	To note	<input checked="" type="checkbox"/>
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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 2018 the Board is reporting a £0.500m over spend, £0.256m better than the Annual Operating Plan (AOP) trajectory which had always recognised a gap between expenditure being incurred and savings schemes taking full effect. A deliverable plan for closing the £5.473m gap remaining at the time of submitting the AOP is now in place. The forecast is for year-end breakeven, including being able to use underspends and slippage to ensure additional winter capacity is in place and to advance some high priority infrastructure spending.

The portfolio of capital projects identified at the start of the year are being actively monitored with the trajectory amended as appropriate to ensure available resources are used to best effect.

4. STRATEGIC CONTEXT

This paper links to the following:

Corporate objectives	<input checked="" type="checkbox"/>	LDP	<input checked="" type="checkbox"/>	Government policy	<input type="checkbox"/>
Government directive	<input checked="" type="checkbox"/>	Statutory requirement	<input checked="" type="checkbox"/>	AHF/local policy	<input type="checkbox"/>
Urgent operational issue	<input type="checkbox"/>	Other	<input type="checkbox"/>		

5. CONTRIBUTION TO QUALITY

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

Three Quality Ambitions:

Safe	<input type="checkbox"/>	Effective	<input checked="" type="checkbox"/>	Person Centred	<input type="checkbox"/>
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Six Quality Outcomes:

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

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	<input type="checkbox"/>	Effective partnerships	<input type="checkbox"/>	Governance and accountability	<input checked="" type="checkbox"/>
Use of resources	<input checked="" type="checkbox"/>	Performance management	<input checked="" type="checkbox"/>	Equality	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>				

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.

12. ACTIONS FOR THE BOARD

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

Approval	<input type="checkbox"/>	Endorsement	<input type="checkbox"/>	Identify further actions	<input type="checkbox"/>
Note	<input checked="" type="checkbox"/>	Accept the risk identified	<input type="checkbox"/>	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 2018

1. PURPOSE

The attached report provides Board members with an update on financial performance for the 9 months to December 2018.

2. CONTENT/SUMMARY OF KEY ISSUES

The Board is expected to live within its Revenue Resource limit (RRL). The 2018/19 financial plan submitted to the Scottish Government Health and Social Care Department (SGHSCD) in March 2018 identified a potential gap between expenditure and income growth and assessed that £25.821m of savings would be required to achieve breakeven. At the 8 month point delivery against the identified schemes, new opportunities and corporate underspends are judged sufficient to close the gap by the 31st of March 2019.

At the end of December 2018 the Board is reporting expenditure £0.500m over budget, £0.256m better than the financial plan trajectory. The Acute Division is £2.771m over budget at month 9, which is an improvement on the £3.100m overspend at a similar point last year. Corporate areas and both Partnerships are under budget. This better than planned position has allowed the Board to agree additional winter capacity in excess of national funding and to a community IT system replacement programme.

The capital programme approved in outline in March 2018 is being actively managed to ensure available funding is best matched to deliverable priorities. Additional funding has been transferred in to capital from revenue to allow the buyout of the laundry equipment lease.

3. CONCLUSION

Board members are asked to note that the plan is still on trajectory and the level of uncertainty over income and expenditure in the final 3 months has reduced.

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 2018

1. Introduction

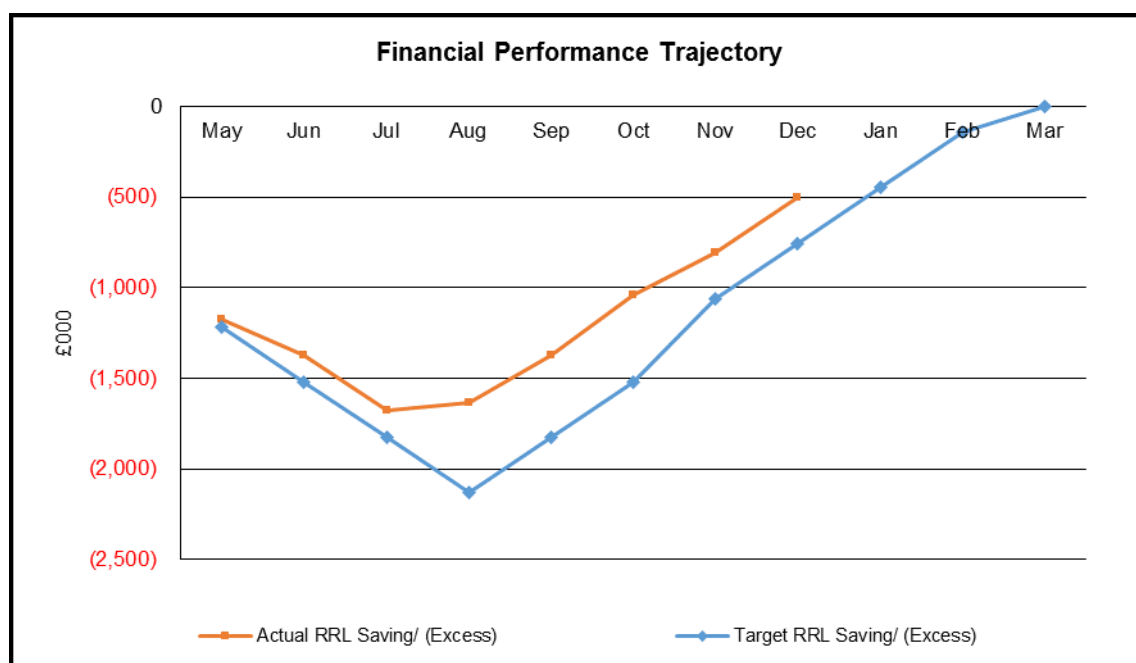
1.1. The purpose of this report is to provide Board members with a summary of revenue and capital financial performance for the nine months of 2018/19.

2. Overview

2.1. The 2018/19 financial plan was submitted to the Scottish Government Health and Social Care Department (SGHSCD) in March 2018. In order to meet anticipated unavoidable cost rises £25.821m of efficiency savings were needed. Based on the first 8 months performance there is now a high degree of confidence that the Board will not exceed its revenue resource limit.

2.2. The trajectory submitted to SGHSCD assumed that in the early months the gap in identified savings would mean expenditure would exceed income until August 2018 at which point the Board would have implemented plans for financial balance which would then see an improvement in the second half of the year.

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 which is better than estimates made at the time of the Financial Plan submission and has allowed the Board to put in place additional winter capacity and fund community IT implementation costs.



The Divisional split of the £0.500m overspend to the end of December 2018 is set out in table 1. This is £0.256m better than the estimates made at the time of the AOP submission.

Table 1 - Summary Financial Position 2018/19

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	263.365	266.136	(2.771)
North Lanarkshire Health & Social Care Partnership	207.996	204.689	3.307
South Lanarkshire Health & Social Care Partnership	285.526	284.154	1.372
Headquarters / Corporate Functions	114.455	113.428	1.027
Service Level Agreements / Other Healthcare Providers	145.326	144.876	0.450
NHSL - wide	(7.080)	(7.874)	0.794
Net operating costs	1,009.588	1,005.409	4.179
Remove IJB Position	(493.522)	(488.843)	(4.679)
Revised Net operating costs	516.066	516.566	(0.500)

3. Revenue Resources

- 3.1. At the end of December 2018, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,278.511m and the Non-Core Revenue Resource Limit was £26.345m, details of which are noted in Annex A.
- 3.2. The December 2018 Core Revenue Resource Limit includes confirmed resources of £0.066m for the development of Pre-operative Anaemia Programme, £0.049m to SALUS for fit for work Scotland service provision on behalf of Scottish Government, £0.077m from the Primary Care Fund to support work in respect of the GP contract, £0.083m for technology enabled care (TEC) and £0.010m for the implementation of Bliss Baby Charter.
- 3.3. The December 2018 Core Revenue Resource Limit also includes an adjustment for infrastructure support (£5.278m) reclassifying revenue funding as capital so it can be used to support our capital plan.
- 3.4. The £0.730m Primary Care improvement fund (tranche 2) represents additional funding beyond the 70% of the initial allocation received in June. At a national level, given the pace of spend in Board areas, there is unlikely to be a need for this allocation this year and the Board has given notice to hand this back to be issued next year.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £2.771m for the period to the end of December 2018, as detailed in Table 2. At the same point in 2017/18 the Acute Division was £3.100m overspent, so this represents continued inroads into the deficit. On top of this, £1.627m of efficiency savings achieved to date have been removed from budgets and returned centrally.

Table 2 - Acute Division 2018/19

	Budgeted Operating Costs 31/12/2018 £M	Actual Operating Costs 31/12/2018 £M	Actual saving / (excess) 31/12/2018 £M
Pay	215.879	217.128	(1.249)
Non Pay	73.008	74.530	(1.522)
Healthcare Purchases	0.753	0.753	0.000
Gross operating costs	289.640	292.411	(2.771)
Less: miscellaneous income	(26.275)	(26.275)	0.000
Net operating cost	263.365	266.136	(2.771)

- 4.2. The nursing budget is overspent by £0.470m as at 31st December. The Acute Division has put in place a range of measures to control agency spend and make best use of substantive staffing. The over spend is £0.435m less than at the same point in the previous year.
- 4.3. Medical staffing is sitting £0.584m over budget compared to £0.603m over at 31/12/17 and £2.103m over at 31/12/16 indicating that earlier improvements in managing costs are being sustained.
- 4.4. Healthcare scientists are 2.6% (£0.354m) over budget, roughly in line with the previous 2 years. Multiple factors contribute to this including more staff on higher increments.
- 4.5. The Lanarkshire hospitals drug spend in month 9 is 5.2% greater than at the same point last year. Although £0.379m over budget at present this gap is expected to close by year end.
- 4.6. In aggregate, the other supplies budgets are £1.143m over the budget. The over spend is £0.397m less than at the same point in the previous year. A number of savings schemes to reduce consumables costs are underway but to date savings are behind trajectory.
- 4.7. Continued pressure on the 3 District General Hospitals has meant that Wishaw has not yet stood down all of its additional winter capacity, with beds still open in the short stay ward. The financial impact of this has been assessed at approximately £0.030m per month. The beds are expected to remain open till the end of 2018/19 and the cost of this over the winter has been included in the winter plan. The Board will need to take a longer term decision in its financial plan for 2019/20.

5. Health and Social Care Partnerships

- 5.1. Across the Health and Social Care Partnerships, there is an under spend of £4.679m for the period to the end of December 2018 (North IJB - £3.307m; South IJB - £1.372m). This represents an increase of £0.835m from the previous month (North IJB - £0.453m; South IJB - £0.382m).
- 5.2. Provisional prescribing volumes to the end of October show volumes of items prescribed to date as being 0.12% higher than those in the first seven months of last year. Differences are emerging in the performance against budget in both IJB's. Both have been uplifted for the 1.5% allocation uplift. South is only just holding to

breakeven with a risk of moving towards over spend. North is sitting an estimated £0.843m under budget at month 9. The Medical Director in the South Health and Social Care Partnership is investigating the reasons behind this differential performance.

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

	Budgeted Operating Costs 31/12/2018 £M	Actual Operating Costs 31/12/2018 £M	Actual saving / (excess) 31/12/2018 £M
Pay	89.130	87.223	1.907
Non Pay	60.956	60.587	0.369
Prescribing	53.732	52.889	0.843
Sub Total	203.818	200.699	3.119
Primary Care Improvement Fund	0.000	0.000	0.000
Share of Primary Care Other Services	4.178	3.990	0.188
Family Health Services	0.000	0.000	0.000
Net operating cost	207.996	204.689	3.307

	Budgeted Operating Costs 31/12/2018 £M	Actual Operating Costs 31/12/2018 £M	Actual saving / (excess) 31/12/2018 £M
Pay	42.636	41.961	0.675
Non Pay	48.745	48.408	0.337
Prescribing	49.656	49.656	0.000
Sub Total	141.037	140.025	1.012
Primary Care Improvement Fund	1.402	1.223	0.179
Share of Primary Care Other Services	4.015	3.834	0.181
Family Health Services	139.072	139.072	0.000
Net operating cost	285.526	284.154	1.372

5.4. A single delayed discharge out of region has meant that since October 2015 South IJB has been paying £0.6m per annum for the costs of caring for the patient in an NHS environment until appropriate social care provision can be put in place. Accommodation and a care provider has now been sourced but transition plans look likely to extend beyond the July date envisaged, potentially as far as March 2019. The HSCP and the Chief Finance Officer of the IJB are exploring options for how this financial pressure can be managed.

5.5. £3.291m Primary Care improvement fund was received in the September allocation. £1.162m of the £3.291m was in respect of pharmacy initiatives and is included in the pharmacy budget. The remaining £2.129m is held separately, with £1.223m spent to date as shown above. In January it was recognised the time lag in recruiting will lead to a year end underspend and, in line with SGHSCD advice, £0.730m is being returned for reissue in 19/20.

- 5.6. In addition to the prescribing underspend, North IJB is underspent across a wide range of pay headings due to vacancies. Continued efforts are being made to fill these vacancies and there is enhanced monitoring in areas such as CAHMS, psychological services and Paediatric services where these plans are linked with access improvement targets. Supernumerary recruitment to CAMHS to ensure inroads are made into waiting lists means expenditure in this area has risen though is still under budget.
- 5.7. The figures to date include an accrual for £0.944m, reflecting the month 9 impact of IJB's intention to transfer £1.259m from the NHS underspend to North Lanarkshire Council to help cover a forecast social services overspend. The opening IJB financial plan also assumed £1.4m would be released from IJB reserves for this purpose, though current forecasts would require a larger release.

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an under spend of £1.027m for the period to the end of December 2018, as detailed in Table 5, an increase of £0.397m from the previous month.

	Budgeted Operating Costs 31/12/2018 £M	Actual Operating Costs 31/12/2018 £M	Actual saving / (excess) 31/12/2018 £M
Pay	43.747	41.844	1.903
Non Pay	75.698	76.574	(0.876)
Gross operating costs	119.445	118.418	1.027
Less: miscellaneous income	(4.990)	(4.990)	0.000
Net operating cost	114.455	113.428	1.027

- 6.2. The under spend is spread across Corporate Departments (£0.570m), Central Services (£0.110m) and Property and Support Services (£0.347m). The majority of target corporate savings have been deducted from budgets so this performance continues to be reassuring. The under spend will be used non-recurrently to close the gap in the original savings plan list.

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.450m for the period to the end of December 2018, as detailed in table 6, a decrease of £0.056m from the previous month.

	Budgeted Operating Costs 31/12/2018 £M	Actual Operating Costs 31/12/2018 £M	Actual saving / (excess) 31/12/2018 £M
Service Level Agreements	127.827	127.096	0.731
Unpacs and Oats	17.157	17.274	(0.117)
Independent Sector	0.342	0.506	(0.164)
Net operating cost	145.326	144.876	0.450

- 7.2. Service level agreements with other Boards are progressing well with all regional services now agreed for 18/19. The above figures include an increase in the cost of Lanarkshire's agreement with Glasgow beyond the inflationary uplift of 2.44%.
- 7.3. Given the activity shift away from Glasgow when the Victoria Hospital closed, NHS Lanarkshire was expecting a reduction in the SLA value in 2018/19. Glasgow however have re-costed their service level agreement adding over £2m in higher charges particularly for outpatients based on a higher ratio of return to new appointments for Lanarkshire residents. Instead of receiving a refund the 2018/19 SLA presents a £0.613m cost pressure over and above inflationary uplifts.

8. CRES/Efficiency

- 8.1. To balance the financial plan in 2018/19 the Board needed to release £25.821m of cash from budgets through efficiency savings (CRES). At the time of submitting the financial plan the Board had identified proposals for all but £5.473m of this total. Proposals have now been identified for closing the gap.
- 8.2. The trajectory submitted to SGHSCD with the financial plan predicted £18.610m of savings by this point in the year, factoring in the risk of lower delivery particularly on the high and medium risk schemes. The actual delivery to date at £21.010m (as shown in Table 8) is ahead of local aspirations.

Financial Plan description	Financial Plan £m	Revised Plan £m	Plan to date £m	Actual to Date £m
Service redesign	1.332	1.357	1.093	1.095
Drugs & prescribing	6.388	2.086	1.304	1.315
Workforce	1.730	2.062	1.393	1.234
Procurement	0.000	2.076	1.963	1.914
Infrastructure	3.643	2.191	1.824	1.776
Other & Financial Management / Corporate Initiatives	3.400	12.672	9.066	9.066
Unidentified Savings	5.473	0.000	0.000	0.000
Total Core NHS Board Savings	21.966	22.444	16.643	16.400
Savings delegated to Integration Authorities	3.855	5.416	4.061	4.610
Total Savings Required	25.821	27.860	20.704	21.010

9. Capital

- 9.1 The initial 2018/19 Formula Allocation for 2018/19 of £12.392m, will be supplemented by £2.8m of central funding for Theatres and the Monklands business case, £0.109m of funding received from other Boards who use the Laundry, some minor receipts and a £5.278m transfer from NHS Lanarkshire's revenue allocation. The level of transfer was increased in December 2018 to facilitate the buy-out of the laundry equipment.
- 9.2 Expenditure to the value of £8.283m has been incurred in the nine months as detailed in Annex B. The year-end projections were reviewed at the Board's capital investment group IN January and confirmed as achievable.

10. Development and Approvals

No proposals are put to the Board for approval in this paper.

11. Risk Assessment

The risk of not ending 2018/19 within RRL has now been reduced to low. High cost drugs and cost pressures arising over the winter period will be monitored but any variation should now be within tolerable levels.

12. Conclusion

The NHS Board is asked to note:

- the revenue over spend of £0.500m as at 31 December 2018, £0.256m better than trajectory;
- the current capital plan forecast, including the buyout of the leased Laundry equipment;
- the low risk assessment in section 11.

LAURA ACE
DIRECTOR OF FINANCE
22 January 2019

REVENUE RESOURCE LIMIT 2018/19

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Core Revenue Resource Limit as at 30 November 2018	1,169.481	15.053	98.970	1,283.504
Development of Pre-operative Anaemia Programme	0.000	0.000	0.039	0.039
Development of Pre-operative Anaemia Programme	0.000	0.000	0.027	0.027
Provision of Fit For Work Service Assessments to End May	0.000	0.000	0.049	0.049
Primary Care Fund: GP Sub Committees for GP Contract	0.000	0.062	0.000	0.062
Primary Care Fund: Dispensing Practices for GP Contract	0.000	0.000	0.015	0.015
TEC programme funding to support scale up	0.000	0.000	0.083	0.083
Implementation of Bliss Baby Charter	0.000	0.000	0.010	0.010
Infrastructure Support	0.000	0.000	(5.278)	(5.278)
Core Revenue Resource Limit as at 31 December 2018	1,169.481	15.115	93.915	1,278.511
Non Core Revenue Resource Limit as at 30 November 2018	0.000	0.000	26.345	26.345
Non core expenditure - Depreciation	0.000	0.000	0.000	0.000
Annually Managed Expenditure - Impairments	0.000	0.000	0.000	0.000
Annually Managed Expenditure - Provisions	0.000	0.000	0.000	0.000
Donated Asset Depreciation	0.000	0.000	0.000	0.000
IFRS Revenue PFI - Non Cash	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 31 December 2018	0.000	0.000	26.345	26.345
Total Revenue Resource Limit as at 31 December 2018	1,169.481	15.115	120.260	1,304.856

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 31st December 2018			
	2018/19 Plan £M	2018/19 Forecast £M	Actual £M
Initial Capital Formula Allocation:	12.392	12.392	8.283
Capital Resource limit adjustments:			
Additional Central Resource Allocation	3.180	2.456	
Revenue to Capital transfer	1.138	5.278	
West of Scotland Laundry - transfer from other NHS Boards	0.000	0.109	
LATEST CAPITAL RESOURCE LIMIT	£16.710	£20.235	£8.283
Disposal Programme:			
Property Disposals	0.780	0.340	
	£0.780	£0.340	£0.000
Other Capital Adjustments :			
Other Income	0.000	0.016	
	£0.000	£0.016	£0.000
	£17.490	£20.591	£8.283
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	1.870	3.227	0.779
Monklands Theatres/ICU	1.200	1.576	1.546
Acute Property Works	3.238	1.602	0.704
New Monklands Fees	1.600	1.400	0.824
	7.908	7.805	3.854
<u>Medical Equipment</u>	6.124	6.981	2.092
	6.124	6.981	2.092
<u>Other Service Developments</u>			
Northern Corridor	0.070	0.040	0.000
	0.070	0.040	0.000
<u>Other Expenditure</u>			
Statutory Maintenance	0.300	0.621	0.539
PSSD Equipment	0.845	2.692	1.778
<i>subtotal</i>	1.145	3.313	2.317
I.M.&T Projects	2.243	2.452	0.019
	3.388	5.765	2.336
TOTAL CAPITAL EXPENDITURE	£17.490	£20.591	8.283
(OVER) / UNDER COMMITTED	£0.000	£0.000	£0.000