

Meeting of Lanarkshire
NHS Board
29th May 2019

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



SUBJECT: FINANCE REPORT FOR THE YEAR ENDED 31 MARCH 2019

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

The Board is reporting that all 3 financial targets were met in 2018/19. These results are subject to Audit during May and June of 2019.

The NHS Board ended the year with £0.288m remaining from a revenue resource limit of £1,272.215m (0.02%), marginally better than the planned LDP trajectory of breakeven. In line with guidance, the year-end position treats the £8.780m surplus on funding delegated to the IJBs as being transferred to IJB reserves.

The capital plan was delivered within the agreed budget.

At £28.762m the year end efficiency recorded was more than the £25.821m target at the start of the year. £1.464m of this excess achievement related to prescribing in North IJB and forms part of the transfer to reserves. The remainder, together with higher in year income than expected and shallower cost growth in new drugs than initially forecast allowed the Board to put in place additional winter capacity and fund community IT implementation costs and deliver a small surplus.

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 AOP 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 MARCH 2019

1. PURPOSE

This report presents the 2018/19 year end financial performance for revenue, capital and efficiency schemes.

2. CONTENT/SUMMARY OF KEY ISSUES

The Board has achieved its target year end position against the Revenue Resource Limit, the Capital Resource Limit as well as delivering against the efficiency target set in its plan.

The agreed AOP target against our Revenue Resource limit was to use all in year income including full use of the Boards £0.381m brought forward surplus to end the year at break even. The draft accounts for 2018/19 show £0.288m of accumulated funds remaining for carry forward into future years. These figures are subject to audit. On site audit work will start early May.

During 2018/19 £666.008m of funding was delegated to the IJBs to be directly managed. The IJBs ended the year with £8.780m (1.32%) of the in-year funding still in reserve for use in future years.

The Board delivered £28.762m of efficiency savings. The initial assessment had been that £25.821m was required to breakeven. £17.250m of savings delivered were classed as recurring leaving a non-recurrent balance which needs to be revisited in future years. The 19/20 plan recognises that the Board starts with the challenge of filling a £7.389m brought forward gap.

The Board has delivered a £20.897m capital programme in line with the funding agreed with SGHSCD during the year.

3. CONCLUSION

Board members 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:

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NHS LANARKSHIRE

FINANCE REPORT FOR THE PERIOD ENDED 31 MARCH 2019

1. Introduction

1.1. This report provides the NHS Board with a summary of the 2018/19 revenue and capital financial performance.

2. Overview

2.1. The agreed LDP target against our Revenue Resource limit was to use all in year income including full use of the Boards £0.381m brought forward surplus to end the year break even. The reported revenue surplus for the year is £0.288m (0.02%), as detailed in Table 1 below. This is subject to audit, with Audit Scotland commencing their review of the accounts in early May.

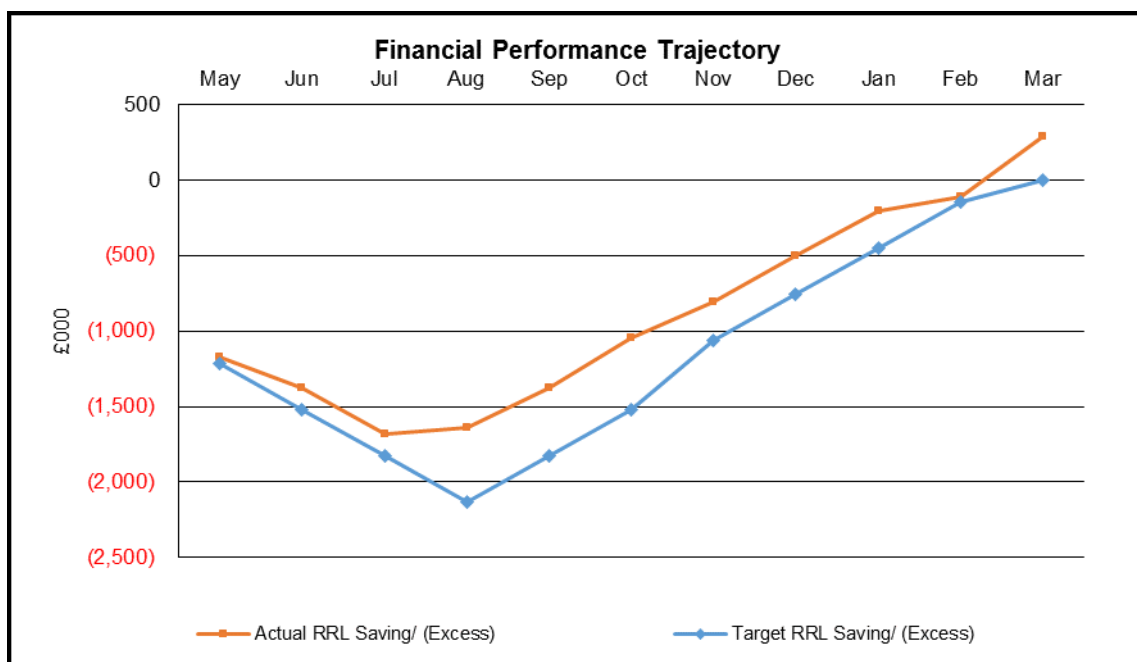
	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	364.271	367.955	(3.684)
North Lanarkshire Health & Social Care Partnership	280.849	280.849	0.000
South Lanarkshire Health & Social Care Partnership	385.159	385.159	0.000
Headquarters / Corporate Functions	150.229	148.969	1.260
Service Level Agreements / Other Healthcare Providers	199.895	199.169	0.726
NHSL - wide	(5.034)	(7.020)	1.986
Net operating costs	1,375.369	1,375.081	0.288

2.2. The main factors allowing the Board to meet its RRL target despite an overspend within the acute operating division are as follows:

- Strong all round achievement of savings and general cost control;
- A temporary slowing in the pace of new high cost drugs emerging in the first two thirds of the year;
- Lower activity in the 3 year rolling averages for regional services;
- Corporate departments delivering savings in full plus generating a further under spend.

2.3. 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.

2.4. 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.



3. Revenue Resources

3.1. At the end of March 2019, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,272.215m and the Non-Core Revenue Resource Limit was £23.570m, details of which are noted in Annex A.

4. Acute Division

The Acute Division reported an over spend of £3.684m for 2018/19 as detailed in Table 2. This was in line with previous forecasts used for in year planning and an improvement on the £4.247m overspend in 2017/18.

	Budgeted Operating Costs 31/03/2019 £M	Actual Operating Costs 31/03/2019 £M	Actual saving / (excess) 31/03/2019 £M
Pay	295.469	296.998	(1.529)
Non Pay	100.274	102.429	(2.155)
Healthcare Purchases	4.345	4.345	0.000
Gross operating costs	400.088	403.772	(3.684)
Less: miscellaneous income	(35.817)	(35.817)	0.000
Net operating cost	364.271	367.955	(3.684)

- 4.1. The nursing budget is overspent by £0.500m as at 31st March. 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 £0.798m less than in the previous year.
- 4.2. Medical staffing is sitting £0.731m over budget compared to £0.743m over at 31/03/18 and £2.476m over at 31/03/17 indicating that earlier improvements in managing costs are being sustained.
- 4.3. Healthcare scientists are 2.9% (£0.530m) over budget compared to £0.540m over at 31/03/18 and £0.472m over at 31/03/17. Multiple factors contribute to this including more staff on higher increments.
- 4.4. The Lanarkshire hospitals drug spend in month 12 is 4.6% greater than at the same point last year. Increased costs from new drugs have been partially offset by savings from existing drugs.
- 4.5. In aggregate, the other supplies budgets are £1.587m over budget. This over spend is £0.513m less than that in 17/18. A number of savings schemes to reduce consumables costs are underway but to date savings are behind trajectory.
- 4.6. Continued pressure on the 3 District General Hospitals has meant that Wishaw has did not stand down all of its additional 17/18 winter capacity, with beds still open in the short stay ward throughout the whole of 18/19. The first draft financial plan to be presented to the Board in March 2019 does not include any financial provision to make this permanent and there needs to be further discussion between the acute division and the IJBs to consider the best way to deal with the pressure on the Wishaw site.

5. Health and Social Care Partnerships

- 5.1. Under the Public Bodies (Joint Working) (Scotland) Act 2014, The NHS Board delegates responsibility for a specified range of services to the North and South Integrated Joint Boards (IJB's), passing to these IJBs the budget associated with these services. The IJB then directs the NHS Board to operationally deliver services in line with its a strategic commissioning plan, paying back to the NHS Board the funding needed to deliver the services. In 2018/19 the IJB budget transfer and the payment direction were originally back to back, for the same amount. These transactions are book entries rather than physical cash transfers.
- 5.2. Throughout the year the NHS Board has received reports of the expenditure against this funding. Under the Integration Financial guidance however any funding unspent by the year end belongs to the IJB and should be returned to them to be held in reserve for use in future years. £5.035m was returned to North IJB for 2018/19 and £3.745m is being returned to South IJB and these will be added to reserves remaining from the 17/18 balances. Each IJB will be considering its plans for use or retention of reserves. A significant proportion of the surplus is ring-fenced and earmarked for specific ongoing commitments, the detail of which will be finalised as part of the year-end accounting processes.

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

	Budgeted Operating Costs 31/03/2019 £M	Actual Operating Costs 31/03/2019 £M	Actual saving / (excess) 31/03/2019 £M
Pay	119.540	116.681	2.859
Non Pay	82.641	82.088	0.553
Prescribing	71.752	70.288	1.464
Sub Total	273.933	269.057	4.876
Primary Care Improvement Fund	0.000	0.000	0.000
Share of Primary Care Other Services	6.916	6.757	0.159
Family Health Services	0.000	0.000	0.000
IJB Cfwd to Reserves	0.000	5.035	(5.035)
Net operating cost	280.849	280.849	0.000

	Budgeted Operating Costs 31/03/2019 £M	Actual Operating Costs 31/03/2019 £M	Actual saving / (excess) 31/03/2019 £M
Pay	57.804	56.464	1.340
Non Pay	67.252	65.411	1.841
Prescribing	66.308	66.308	0.000
Sub Total	191.364	188.183	3.181
Primary Care Improvement Fund	2.128	1.716	0.412
Share of Primary Care Other Services	6.644	6.492	0.152
Family Health Services	185.023	185.023	0.000
IJB Cfwd to Reserves	0.000	3.745	(3.745)
Net operating cost	385.159	385.159	0.000

5.4. Provisional prescribing volumes to the end of January show volumes of items prescribed to date as being 0.37% higher than those in the first nine 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. All the volume growth is in South, and the drop in price per item (a combination of a national change in pricing structure and local efficiency) is less in South than North. As a result South is just holding to breakeven. North is sitting £1.464m under budget at month 12. The Medical Director in the South Health and Social Care Partnership is investigating the reasons behind this differential performance. Additional pharmacists in post in South should help to make inroads into savings plans in 2019/20.

5.5. 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 extended throughout 2018/19 beyond the July date envisaged.

- 5.6. £3.291m Primary Care improvement fund was received in the September allocation. £1.163m of the £3.291m was in respect of pharmacy initiatives and is included in the pharmacy budget. The remaining £2.128m is held separately, with £1.716m spent to date as shown above. £0.730m of Primary care funding originally planned for use in 2018/19 was returned in January 2019 for reissue in 2019/20 on the back of recognising longer timescales.
- 5.7. 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.
- 5.8. The figures to date are stated after transferring £1.259m from the NHS underspend to North Lanarkshire Council to help cover a forecast social services overspend as directed by the IJB. The opening IJB financial plan also assumed £1.4m would be released from IJB reserves for this purpose.

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments reported an under spend of £1.260m for the period to the end of March 2018, as detailed in Table 5. The position reflects the impact of the planned year-end spend on backlog maintenance and £0.547m of funding withdrawn from the Occupational Health (SALUS) budget as an agreed contribution towards the Board's cash releasing efficiency savings plan.

	Budgeted Operating Costs 31/03/2019 £M	Actual Operating Costs 31/03/2019 £M	Actual saving / (excess) 31/03/2019 £M
Pay	54.678	52.008	2.670
Non Pay	102.175	103.585	(1.410)
Gross operating costs	156.853	155.593	1.260
Less: miscellaneous income	(6.624)	(6.624)	0.000
Net operating cost	150.229	148.969	1.260

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.726m for the period to the end of March 2019, as detailed in table 6.

Table 6 - Service Agreements / Other Healthcare Providers 2018/19			
	Budgeted Operating Costs 31/03/2019 £M	Actual Operating Costs 31/03/2019 £M	Actual saving / (excess) 31/03/2019 £M
Service Level Agreements	173.448	172.105	1.343
Unpacs and Oats	25.889	26.488	(0.599)
Independent Sector	0.558	0.576	(0.018)
Net operating cost	199.895	199.169	0.726

- 7.2. The under spend of £1.343m being reported against service level agreements is the continuing impact of Lanarkshire's lower share of costs for 2018/19 as a result of fewer Lanarkshire residents requiring access to West of Scotland regional services over the three year period ending 31st March 2017.
- 7.3. The main causes of the £0.599m overspend against the budget for Unplanned and Oats activity are as follows. Home Ventilation charges from NHS Greater Glasgow and Clyde were £0.151m higher than the budget available, an increase in referrals to the NHS Greater Glasgow & Clyde specialist centre for blood plasma exchange resulting in a £0.213m overspend. Specialist high cost cases treated outside Scotland ended the year £0.197m over budget.

8. CRES/Efficiency

- 8.1. The Annual Operating Plan submitted to SGHSCD in March 2018 estimated that the Board needed to deliver £25.821m through efficiency savings to balance the plan. Although achieving all of these on a recurring basis would be financially ideal, in March 2018 however there was only confidence around delivering £13.736m recurrently of a widening but still realistic target of £19.236m of these being delivered recurrently. There was confidence that £6.585m could be delivered recurrently. This would leave the Board in a breakeven position for 2018/19 but with an underlying recurring gap of £7.247m that would need to be addressed in 2019/20.
- 8.2. At Month 12 the actual savings delivered is £28.762m, an overachievement which has helped the Board fund additional winter and infrastructure costs whilst still recording a small surplus. The recurring component of this is £17.250m so there has been positive progress from the £13.736m identified at the start of the year though less than the £19.236m aspired to in the opening AOP submission. Everything else being equal this would have increased the £7.247m recurring gap going forwards. However in preparing the 2019/20 plan it has been recognised that although technically time limited, some of the non-recurring savings are highly likely to continue. In addition there are some areas where expenditure growth was not quite as high as forecast in the 2018/19 opening plan, reducing the recurring gap. The net impact of this assessment is that the true recurring gap going in to 2019/20, all factors considered has been assessed at £7.389m at this stage which means the Board has effectively delivered on its opening aspirations and enters 2019/20 as envisaged in the 2018/19 plan.

- 8.3. The actual year-end performance is £2.941m above the annual operating plan trajectory of £25.821m, as shown in (table 7) and is also ahead of local aspirations.

Financial Plan description	Financial Plan £m	Revised Plan £m	Actual Outturn £m
Service redesign	1.332	1.375	1.328
Drugs & prescribing	6.388	2.090	2.571
Workforce	1.730	1.894	1.810
Procurement	0.000	2.765	2.747
Infrastructure	3.643	2.225	2.007
Other & Financial Management / Corporate Initiatives	3.400	11.944	11.944
Unidentified Savings	5.473	0.000	0.000
Total Core NHS Board Savings	21.966	22.293	22.407
Savings delegated to Integration Authorities	3.855	6.355	6.355
Total Savings Required	25.821	28.648	28.762

9. Capital

- 9.1 The initial 2018/19 Formula Allocation for 2018/19 of £12.392m, was supplemented by £2.661m 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.
- 9.2 The Board has delivered a £20.897m capital programme in line with the funding agreed with SGHSCD during the year as detailed in Annex B.

10. Development and Approvals

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

11. Risk Assessment

The figures quoted in this paper represent NHS Lanarkshire best assessment of its year end income and liabilities using principles and accounting practices that are consistent with those used in previous years. As this is NHS Lanarkshire's third year with a new external Audit team from Audit Scotland the risk of any changes during the Audit process should therefore be low.

12. Conclusion

The NHS Board is asked to note:

- the contents of the paper and in particular the forecast that all 3 financial targets covered in this paper have been met;

- the reported revenue under spend of £0.288m, as at 31 March 2019, recognising that at the year end the under spend on Health and Social Care partnerships was transferred to benefit IJBs;
- the £28.762m of efficiency savings recorded as achieved to date are £2.941m above the annual operating plan trajectory of £25.821m;
- the Board has delivered a £20.897m capital programme in line with the funding agreed with SGHSCD during the year.

LAURA ACE
DIRECTOR OF FINANCE
01 May 2019

REVENUE RESOURCE LIMIT 2018/19

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Core Revenue Resource Limit as at 28 February 2019	1,169.477	13.865	88.810	1,272.153
SDAI Grant Recovery - Lanarkshire FDR	0.000	0.000	(0.018)	(0.018)
Recharges for GJNH SLAs 18-19	0.000	0.000	0.061	0.061
Refund for non-medical prescriber training costs	0.000	0.000	0.019	0.019
Core Revenue Resource Limit as at 31 March 2019	1,169.477	13.865	88.873	1,272.215
Non Core Revenue Resource Limit as at 28 February 2019	0.000	0.000	26.345	26.345
Annually Managed Expenditure - Provisions	0.000	0.000	(1.272)	(1.272)
Annually Managed Expenditure - CNORIS Provision	0.000	0.000	(1.503)	(1.503)
Non Core Revenue Resource Limit as at 31 March 2019	0.000	0.000	23.570	23.570
Total Revenue Resource Limit as at 31 March 2019	1,169.477	13.865	112.443	1,295.786

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 31st March 2019			
	2018/19 Plan £M	2018/19 Forecast £M	Actual £M
Initial Capital Formula Allocation:	12.392	12.392	12.392
Capital Resource limit adjustments:			
Additional Central Resource Allocation	3.180	2.770	2.770
Revenue to Capital transfer	1.138	5.278	5.278
LATEST CAPITAL RESOURCE LIMIT	£16.710	£20.440	£20.440
Disposal Programme:			
Property & Equipment Disposals	0.780	0.340	0.441
	£0.780	£0.340	£0.441
Other Capital Adjustments :			
Other Income	0.000	0.016	0.016
	£0.000	£0.016	£0.016
	£17.490	£20.796	£20.897
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	1.870	3.371	3.358
Monklands Theatres/ICU	1.200	1.576	1.620
Acute Property Works	3.238	1.518	1.564
New Monklands Fees	1.600	1.400	1.399
<i>subtotal</i>	7.908	7.865	7.941
<u>Medical Equipment</u>	6.124	7.574	7.696
<i>subtotal</i>	6.124	7.574	7.696
<u>Other Service Developments</u>			
Northern Corridor	0.070	0.040	0.000
<i>subtotal</i>	0.070	0.040	0.000
<u>Other Expenditure</u>			
Statutory Maintenance	0.300	0.550	0.552
PSSD Equipment	0.845	2.692	2.656
<i>subtotal</i>	1.145	3.242	3.208
I.M.&T Projects	2.243	2.075	2.052
<i>subtotal</i>	3.388	5.317	5.260
TOTAL CAPITAL EXPENDITURE	£17.490	£20.796	£20.897
(OVER) / UNDER COMMITTED	£0.000	£0.000	£0.000