

Meeting of Lanarkshire
NHS Board
31st May 2018

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



SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 MARCH 2018

1. PURPOSE

This paper is coming to the Board:

For approval	<input 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 2017/18. These results are subject to Audit during May and June of 2018.

The NHS Board ended the year with £0.381m remaining from a revenue resource limit of £1,239.828m (0.03%), marginally better than the planned LDP trajectory of breakeven. In line with guidance, the year end position treats the £4.264m surplus on funding delegated to the IJBs as being transferred to IJB reserves.

The capital plan was delivered within the agreed budget.

At £36.050m the year end efficiency recorded was slightly less than the £36.112m target at the start of the year. However given higher in year income than expected and shallower cost growth in new drugs than initially forecast the achievement was more than enough to deliver breakeven.

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 on.

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 2018

1. PURPOSE

This report presents the 2017/18 year end financial performance.

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 substantially delivering against the efficiency target set in its plan.

The agreed LDP target against our Revenue Resource limit was to use all in year income including full use of the Boards £0.210m brought forward surplus to end the at break even. The draft accounts show £0.381m 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 2017/18 £639.909m of funding was delegated to the IJBs to be directly managed. The IJBs ended the year with £4.264m (0.67%) of the in year funding still in reserve for use in future years.

The Board delivered £36.050m of efficiency savings, slightly less than the £36.112m required in the opening plan. £8.286m of these were non recurring versus the £9.607m projected in the initial plan. The 18/19 financial plan recognises that the Board starts with the challenge of filling this gap recurrently.

The Board has delivered a £20.861m capital programme in line with the funding agreed with SGHSCD during the year.

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 MARCH 2018

1. Introduction

1.1. This report provides the NHS Board with a summary of the 2017/18 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 £0.210m brought forward surplus to end the year break even. The reported revenue surplus for the year is £0.381m, as detailed in Table 1 below. This is subject to audit, with Audit Scotland commencing their review of the accounts in early May.

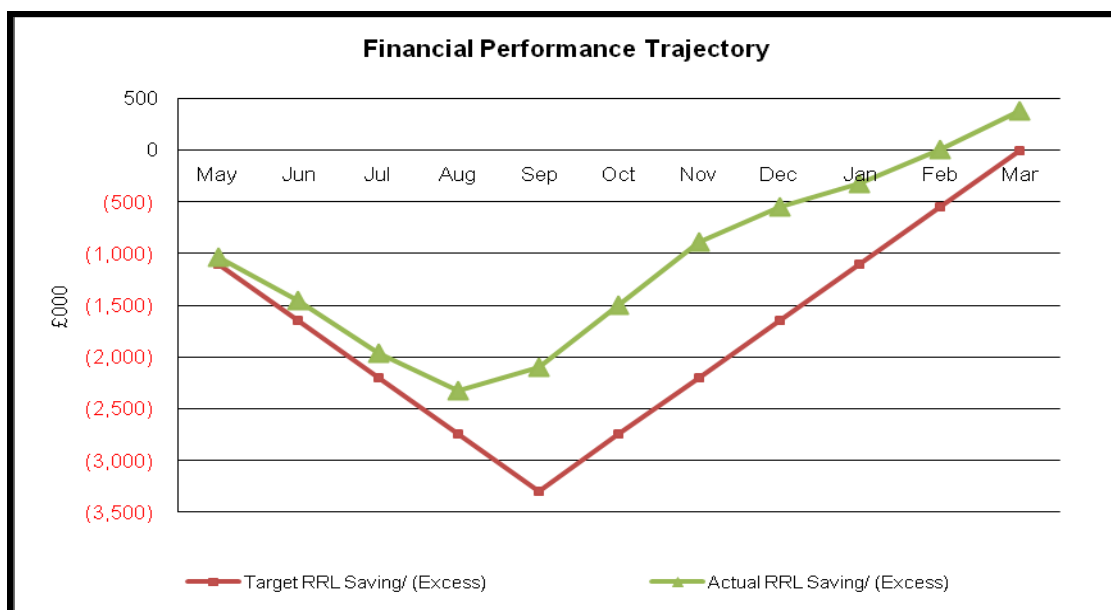
Table 1 - Summary Financial Position 2017/18

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	351.140	355.387	(4.247)
North Lanarkshire Health & Social Care Partnership	270.630	270.630	0.000
South Lanarkshire Health & Social Care Partnership	369.279	369.279	0.000
Headquarters / Corporate Functions	151.344	151.103	0.241
Service Level Agreements / Other Healthcare Providers	193.047	191.987	1.060
NHSL - wide	15.050	11.723	3.327
Net operating costs	1,350.490	1,350.109	0.381

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

- Strong all round achievement of savings with greater than might be expected success in containing hospital prescribing and locum costs;
- A temporary slowing in the pace of new high cost drugs emerging;
- Lower activity in the 3 year rolling averages for regional services;
- Corporate departments delivering savings in full plus generating a further under spend;
- Central funding to cover additional waiting times activity.

- 2.3. The graph below compares the month on month financial position with the trajectory estimated at the time of setting the initial plan. The Board had achieved virtual breakeven by February 2018, slightly ahead of trajectory and managed to maintain the slightly better financial performance through March to end the year with a surplus equivalent to 0.03% of its resource limit.



3. Revenue Resources

- 3.1. At the end of March 2018, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,239.828m and the Non Core Revenue Resource Limit was £35.715m, details of which are noted in Annex A.
- 3.2. The March 2018 Core Revenue Resource Limit includes confirmed resources of £0.150m for the remaining 10% of flu, shingles and rotavirus vaccine costs, £0.016m for technology enabled care and a further £0.033m funding being transferred to the Golden Jubilee National Hospital in respect of Lanarkshire waiting times (access support) activity.
- 3.3. The final March 2018 Non Core Revenue Resource Limit shows an adjustment of £7.651m for an increase in the CNORIS provision.

4. Acute Division

- 4.1. The Acute Division reported an over spend of £4.247m for the period to the end of March 2018, as detailed in Table 2. A provisional yearend forecast of £4.250m had been entered into our planning assumptions.

Table 2 - Acute Division 2017/18

	Budgeted Operating Costs 31/03/2018 £M	Actual Operating Costs 31/03/2018 £M	Actual saving / (excess) 31/03/2018 £M
Pay	282.542	284.820	(2.278)
Non Pay	101.769	103.708	(1.939)
Healthcare Purchases	1.054	1.087	(0.033)
Gross operating costs	385.365	389.615	(4.250)
Less: miscellaneous income	(34.225)	(34.228)	0.003
Net operating cost	351.140	355.387	(4.247)

- 4.2. Nursing expenditure in March rose to a cumulative £1.332m above budget (compared to £1.235m in February and £0.845m over budget at 31 March 2017). The nursing expenditure for the 12 months of 17/18, at £136.731m, is £3.204m (2.4%) more than in the 12 months of the previous year, with the pay rise accounting for 1.1% of the rise. 67% of the overspend sits in Hairmyres, with the remainder spread between Trauma and Orthopaedics and Wishaw.
- 4.3. The over spend against the medical staffing budget in the 12 month was £0.743m, £1.733m less than the previous year, indicating successful cost control.
- 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 12 months of 17/18, at £33.818m, is £0.928m (2.8%) more than in the 12 months of the previous year and sits £1.031m 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%.
- 4.5. The Lanarkshire hospitals drug spend at month 12 is £0.215m (0.4%) greater than at the same point last year. This is better than forecast, reflecting success in switching to more cost effective products, the benefits of discounts or price drops and also shallower cost growth in some drugs than in previous years.

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 2017/18 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. £2.685m was returned to North IJB for 2017/18 and £1.579m is being returned to South IJB and these will be added to reserves remaining from the 16/17 balances. Each IJB will be considering its plans for use or

retention of reserves. £0.932m of the returned South funding relates to slippage against the primary care transformation fund and it will be ring fenced for this purpose in 18/19.

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

	Budgeted Operating Costs 31/03/2018 £M	Actual Operating Costs 31/03/2018 £M	Actual saving / (excess) 31/03/2018 £M
Pay	111.710	109.939	1.771
Non Pay	78.995	78.252	0.743
Prescribing	72.636	72.636	0.000
Sub Total	263.341	260.827	2.514
Primary Care Transformational Fund	0.000	0.000	0.000
Share of Primary Care Other Services	7.289	7.118	0.171
Family Health Services	0.000	0.000	0.000
IJB Cfwd to Reserves	0.000	2.685	(2.685)
Net operating cost	270.630	270.630	0.000

	Budgeted Operating Costs 31/03/2018 £M	Actual Operating Costs 31/03/2018 £M	Actual saving / (excess) 31/03/2018 £M
Pay	54.542	53.570	0.972
Non Pay	62.622	63.112	(0.490)
Prescribing	67.571	67.571	0.000
Sub Total	184.735	184.253	0.482
Primary Care Transformational Fund	3.616	2.684	0.932
Share of Primary Care Other Services	7.004	6.839	0.165
Family Health Services	173.924	173.924	0.000
IJB Cfwd to Reserves	0.000	1.579	(1.579)
Net operating cost	369.279	369.279	0.000

5.4. Although volume growth in GP prescribed drugs in year was well controlled, drug tariff changes brought in price improvements in a wide range of drugs and the PQEP programme continued to deliver savings, national shortages of some drugs pushed their price up considerably, wiping out the benefit of all other savings, In March 2018, the NHS Board approved additional one off funding to cover both IJBs for the in year overspend against the GP Prescribing budget. The figures above reflect that additional £1.6m funding, eliminating the potential overspend. The combination of prescribing savings, the allocation uplift and the hoped for resolution of the shortages should stabilise the position in 18/19, with both IJBs still retaining a reserve to part mitigate future unexpected volatility.

5.5. The under spend in the North is spread mainly through the various hosted services and localities, with Mental health marginally overspent. The vacancy rate at 3.1% compared with 3.4% in the previous year and reflects the turnover and replacement cycle. The CAMHS under spend of £0.376m is linked to recruitment and retention difficulties, particularly where posts were only funded from non recurring funding. The underspend of £0.219m in psychological therapies is also linked to vacancies,

currently sitting at 7 wte. In both these areas performance has dropped below both the target level and the 16/17 performance. These issues are being actively addressed in order to increase performance against the access target.

- 5.6. The over spend of £0.490m in South IJB non pays 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.

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments reported an under spend of £0.242m for the period to the end of March 2018, as detailed in Table 5. The position reflects the impact of the planned yearend spend on backlog maintenance and £0.883m 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 31/03/2018 £M	Actual Operating Costs 31/03/2018 £M	Actual saving / (excess) 31/03/2018 £M
Pay	57.023	54.805	2.218
Non Pay	100.439	102.415	(1.976)
Gross operating costs	157.462	157.220	0.242
Less: miscellaneous income	(6.118)	(6.118)	0.000
Net operating cost	151.344	151.102	0.242

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers reported an under spend of £1.060m for the period to the end of March 2018, as detailed in table 6.

	Budgeted Operating Costs 31/03/2018 £M	Actual Operating Costs 31/03/2018 £M	Actual saving / (excess) 31/03/2018 £M
Service Level Agreements	169.085	167.632	1.453
Unpacs and Oats	22.929	23.583	(0.654)
Independent Sector	1.033	0.772	0.261
Net operating cost	193.047	191.987	1.060

- 7.2. The under spend of £1.453m being reported against service level agreements is the continuing impact of Lanarkshire's lower share of costs for 2017/18 as a result of fewer Lanarkshire residents requiring access to West of Scotland regional services over the three year period ending 31st March 2016.

- 7.3. The main causes of the £0.654m overspend against the budget for unplanned and Oats activity are as follows. Home Ventilation charges from NHS Greater Glasgow and Clyde were £0.148m higher than the budget available, £0.083m of additional charges for the treatment of Lanarkshire patients from other Boards and an increase in referrals to the NHS Lothian specialist centre for transcatheter aortic valve implantation (TAVI) resulting in a £0.204m overspend. Specialist high cost cases treated outside Scotland ended the year £0.199m over budget.
- 7.4. The above figures anticipated 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. During the year NHS Glasgow had raised invoices in addition to the SLA charges for activity for the full cost of each day of delayed discharge. As the episodes of care were already being charged for within the SLA, and the current bed days used by NHS Lanarkshire residents were actually less than the bed days in the historic base for the SLA, these had been rejected as invalid from the outset. Resolution in principle was reached in December and agreement to withdraw the invoices agreed in March 2018. NHS Glasgow and Clyde are keen for continued efforts, particularly from South IJB, to reduce delayed discharges. In 2017/18 the Glasgow acute sector spent significantly over budget, much more than the level of overspend in Lanarkshire hospitals. NHS Lanarkshire did recognise that a high level of acute provision to its residents was centred in Glasgow (roughly equivalent to a small district general hospital) and agreed a one off contribution based on the lower figure of what the gap would have been if this notional fourth hospital had followed the same expenditure as those being managed in Lanarkshire.

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). As the growth in new drugs was shallower than estimated in the original plan, and additional in year income higher than expected, a lower cash release was still sufficient to achieve our financial targets. Savings of £36.191m had been evidenced at the year end with approximately £2.7m of these relating to productivity gain rather than cash releasing. £8.286m of the savings have been classed as non recurring. The 2018/19 financial plan has recognised that the Board starts the year with a gap between income and expenditure which has not yet been resolved recurrently and the 2017/18 year end position is close to the assumptions made at the time of preparing the 18/19 plan.
- 8.3. The yearend performance is £0.062m, slightly below the LDP aspiration, as shown in table 7.

LDP description	LDP Plan £m	Revised Plan £m	Plan to date £m	Actual to Date £m
Service productivity	5.341	9.899	9.899	9.804
Drugs & Prescribing	6.876	7.978	7.978	7.853
Procurement	3.230	3.664	3.664	3.710
Workforce	1.427	2.901	2.901	2.993
Support Services (Non-Clinical)	2.245	1.603	1.603	1.526
Estates & facilities	0.330	0.517	0.517	0.535
Shared Services	0.115	0.115	0.115	0.115
Other	9.962	9.514	9.514	9.514
Unidentified Savings	6.586	-	-	-
Total	36.112	36.191	36.191	36.050

9. Capital

- 9.1 The initial NHS Lanarkshire Capital Formula Allocation for 2017/18 of £12.392m was supplemented a £2m central contribution to the theatre refurbishment, permission to use £0.04m property receipts to support capital plans and a further £0.340m central contribution to be repaid from receipts in 18/19.
- 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 has approved our request to phase the accumulated funding, which they held for NHS Lanarkshire in 2016/17, over the revised implementation timetables for these projects.
- 9.4 The Board has delivered a £20.861m capital programme in line with the funding agreed with SGHSCD during the year as detailed in Annex B.

10. Development and Approvals

The Board last considered the 2017/18 financial plan on 28/3/18 and the addition to the prescribing budget approved at that meeting has now been reflected in the yearend figures.

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 second 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 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 £0.381m, as at 31 March 2018, recognising that at the year end the under spend on Health and Social Care partnerships was transferred to benefit IJBs;
- the £36.050m of efficiency savings recorded as achieved to date are £0.062m slightly below the LDP trajectory of £36.112m;
- the Board has delivered a £20.861m capital programme in line with the funding agreed with SGHSCD during the year.

LAURA ACE
DIRECTOR OF FINANCE
30 April 2018

REVENUE RESOURCE LIMIT 2017/18

	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Core Revenue Resource Limit as at 28 February 2018	1,136.128	12.895	90.670	1,239.693
10% reimbursemnet of flu shingles and rota virus vaccine costs	0.000	0.000	0.150	0.150
Completion of Non Medical Prescribing Course	0.000	0.000	0.001	0.001
Technology Enabled Care (TEC) Programme	0.000	0.000	0.016	0.016
Golden Jubilee Foundation Top Slice 2017-18 Board SLA's	0.000	0.000	(0.033)	(0.033)
Core Revenue Resource Limit as at 31 March 2018	1,136.128	12.895	90.805	1,239.828
Non Core Revenue Resource Limit as at 28 February 2018	0.000	0.000	28.023	28.023
Annually Managed Expenditure - Provisions	0.000	0.000	0.041	0.041
CNORIS Provision	0.000	0.000	7.651	7.651
Non Core Revenue Resource Limit as at 31 March 2018	0.000	0.000	35.715	35.715
Total Revenue Resource Limit as at 31 March 2018	1,136.128	12.895	126.520	1,275.543

ANNEX B

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 31st March 2018			
	2017/18 LDP £M	2017/18 Forecast £M	Actual £M
Initial Capital Formula Allocation:	12.392	12.392	12.392
Capital Resource limit adjustments:			
Additional Central Resource Allocation	2.000	2.000	2.000
Capital Resource Limit Adjustments	2.182	6.341	6.341
ADJUSTED NET ALLOCATION	£16.574	£20.733	£20.733
Disposal Programme:			
Property Disposals	3.050	0.128	0.128
Property Disposals returned to S.G.			
	£3.050	£0.128	£0.128
	£19.624	£20.861	£20.861
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	2.352	3.037	2.679
Monklands Theatres/ICU	4.282	3.976	4.614
Decontamination estates work	1.200	1.735	1.755
Acute Property Works	1.313	1.532	1.505
New Monklands Fees	0.500	0.300	0.312
	£9.647	£10.580	£10.865
<u>HUB Investment</u>	0.000	0.289	0.289
	£0.000	£0.289	£0.289
<u>Medical Equipment</u>	5.069	6.287	6.161
	£5.069	£6.287	£6.161
<u>Capital Grants</u>			
	£0.000	£0.000	£0.000
<u>Other Expenditure</u>			
Statutory Maintenance	0.000	0.000	0.089
PSSD Equipment	0.075	0.075	0.000
<i>subtotal</i>	£0.075	£0.075	£0.089
I.M.&T Projects	4.833	3.630	3.457
	£4.908	£3.705	£3.546
TOTAL CAPITAL EXPENDITURE	£19.624	£20.861	£20.861
(OVER) / UNDER COMMITTED	£0.000	£0.000	£0.000