

NHS Board Meeting
25th November 2020

Lanarkshire NHS Board
Kirklands
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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

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 Acute Governance Committee and Health and Social Care Partnership Management Teams receive financial reports for their own area.

3. SUMMARY OF KEY ISSUES

On 2 March 2020 the Board invoked its emergency response protocol in light of the growing Covid-19 threat and rapidly mobilised to create additional bed and intensive care space, community assessment centres and large scale remote working. Elective care was suspended and staff redeployed. Testing was ramped up. Additional staff were brought in to cover for predicted absence. The scale of the response means expenditure patterns do not align to the historic budgets. Processes are in place to track additional expenditure due to Covid-19 and report to the Scottish Government Health and Social Care Department (SGHSCD).

Prior to any Covid-19 impact, the Board's financial plan relied on £29.828m of savings to bridge the gap between predicted cost growth and the allocation uplift. An estimated £10.030m of savings had still to be identified at the time of submitting the financial plan. A number of agreed savings plans, particularly those relating to productivity and additional staffing in the acute are almost certain not to be achieved due to the Covid-19 response. With the financial sustainability programme suspended due to Covid-19, little progress has been made in identifying further savings to balance however the gap which is currently estimated at £8.844m, due to the recent sale of land at the former Cleland Hospital site and corporate savings over achieving.

Budget has been released to the Operating Divisions to match the costs attributed directly to the Covid-19 response to date. At the end of October 2020 the Board is reporting an underlying £4.960m over spend which is £0.445m worse than the financial plan year to date trajectory mainly due to under delivery of savings. The net health financial impact of the Covid-19 response to date is estimated at £40.562m of which £19.876m relates to acute and corporate and the health and social care partnerships NHS services £20.686m. Discussions are ongoing with the IJBs Chief Finance Officer and Local Authority Finance Directors on the best way to divide the provisional £72.518m between the partners.

There are still gaps in the information on out of area high cost drugs which is making it hard to forecast what expenditure is likely to be incurred against that budget, which now exceeds £23m per annum.

The Capital programme, which has been overcommitted since the outset has now been balanced through the receipt of an additional £0.9m for imaging equipment which will allow us to fund the replacement of the Angiography room at University Hospital Hairmyres.

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

Approval	<input checked="" 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	

- Note the report: and
- Approve flexibility of up to £0.600m to vire infrastructure funds from revenue to capital should the next assessment of the capital plan indicate a small top up is required to allow the desired programmes to continue.

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

21 November 2020

NHS LANARKSHIRE

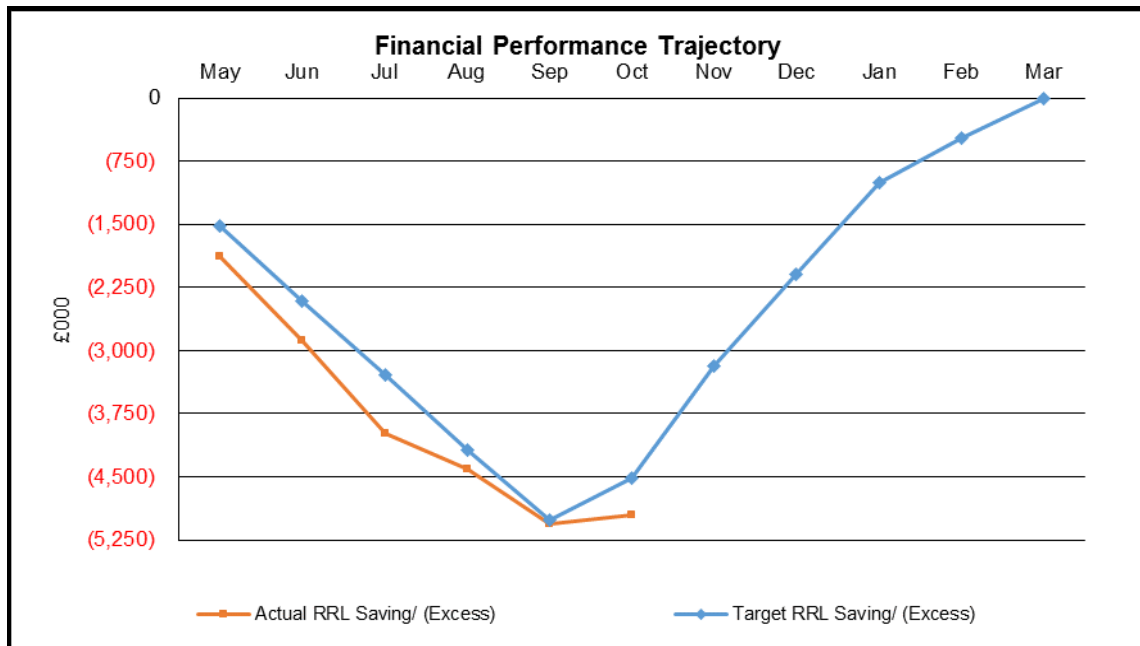
FINANCE REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

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 seven months of 2020/21. The reorganisation of services to respond to the Covid-19 pandemic means the pattern of expenditure bears little resemblance to the opening budgets approved in the financial plan. The Board has incurred additional expenditure estimated at £40.562m in response to the Covid-19 pandemic. A further return (Q2 review) will be submitted at the end of November including the most recent forecast for the rest of the year. Further allocations will be made in January 2021 based on the Q2 position to cover the remainder of the financial year with a final review at period 12 for any balancing adjustments required.

2. Overview

- 2.1. The 2019/20 financial plan was submitted to the Scottish Government Health and Social Care Department (SGHSCD) in March 2020 reflecting the Board's plans pre Covid-19. The allocation uplift was 3% but, with the 3rd year of the Agenda for Change pay deal projected to cost 4.57%, hospital drugs forecast to increase by 10.9%, a range of national commitments to be funded and local cost pressures, it was estimated there would be a gap between the allocation uplift and cost rises of £29.828m. Efficiency savings were required to close this gap. Despite initiating an enhanced financial sustainability programme in June 2019, at the time of submitting the plan £10.030m of those efficiency savings still had to be identified.
- 2.2. As the £10.030m had not been identified at 28 February 2020 it was assumed expenditure would exceed income until September 2020 at which point that Board would have implemented plans for financial balance and would see an improvement in the second half of the year. The assumed trajectory was as set out below.



- 2.3. At the beginning of March 2020, NHS Lanarkshire moved on to an emergency footing to prepare for the anticipated surge of Covid-19 cases. Acting in line with Scottish Government advice, there was a rapid mobilisation to quadruple Intensive Care capacity, bring up to 198 additional beds into the system, create community assessment hubs, expand testing and recruit unprecedented numbers of additional staff to cover the demand and predicted staff absence.
- 2.4. Mechanisms were put in place to capture the additional costs of this though the pace of the response and extent of staff redeployment means extensive work is required to assess and confirm these. To the end of October 2020 Acute and Corporate have recorded a total of £19.876m as being attributable to Covid-19 and the Health and Social Care Partnerships NHS services £20.686m. At the same time financial sustainability programme was suspended so all service focus could be on the impact of the pandemic. Optimistic forecasts suggest the gap, excluding the Covid-19 costs has been brought down from £10.030m to £8.844m but that still depends on a further property receipt and as a result of the pandemic further inroads are unlikely.
- 2.5. Budget has been released to the operating Divisions to match the £19.876m costs attributed directly to the Covid-19 response up to the end of October. The position to date shows a £4.960m over spend. This is £0.445m worse than the estimates made at the time of the AOP submission due mainly to the inability to deliver savings. Table 1 below shows the split by Division.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	229.894	230.045	(0.151)
North Lanarkshire Health & Social Care Partnership	180.872	178.845	2.027
South Lanarkshire Health & Social Care Partnership	250.716	251.749	(1.033)
Headquarters / Corporate Functions	99.137	98.777	0.360
Service Level Agreements / Other Healthcare Providers	120.095	119.669	0.426
NHSL - wide	(9.970)	(4.375)	(5.595)
Net operating costs	870.744	874.710	(3.966)
Remove IJB Position	(431.588)	(430.594)	(0.994)
Revised Net operating costs	439.156	444.116	(4.960)

3. Revenue Resources

- 3.1. At the end of October 2020, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,479.020m, details of which are noted in Annex A.
- 3.2. As part of a national deal with community pharmacists it was agreed that the benefits of price reductions in certain drugs would be removed from Boards prescribing budgets and transferred to pharmacists as a global sum payment which sits in the non-cash limited area of Board expenditure. The top slice amounts £2.836m (18/19), £2.610m (19/20) and £3.262m (20/21) are confirmed for this price reduction. It is based on the forecast impact of the price reductions not NRAC (which would have been lower).
- 3.3. At the time of preparing the financial plan NHS Boards were informed to expect a share of £80m in PPRS receipts which were funding the New Medicines allocation. Despite a reported shortfall in expected receipts SGHSCD confirmed that this will be covered and have issued full funding in October 2020 based on £80m nationally, with our share amounting to £9.734m. This is £0.043m more than financial plan expectations.
- 3.4. The October 2020 Core Revenue Resource Limit includes confirmed resources for Health and Social Care Partnerships, £0.616m for GP Out of Hours, £2.378m for Mental Health Outcomes Framework, £0.126m for Veterans First Point Services, £0.080m for Childhood Obesity prevention and £2.367m Covid-19 additional funding for GP's.
- 3.5. The Board also received £1.213m to support the plan for the Redesign of Urgent Care, £0.825m to support overall delivery of the Unscheduled Care improvement plan and £1.194m from the Access Support Unit for Winter Pressures, slightly more than last year.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £0.151m for the period to the end of October 2020, as detailed in Table 2. Budget has been released to match the £14.164m of costs attributed to Covid-19 up to the end of October. Although this looks better than at the same point last year, the Acute Division has been unable to release the expected funding from its efficiency programme leaving a gap in the area wide section of this report.

	Budgeted Operating Costs 31/10/2020 £M	Actual Operating Costs 31/10/2020 £M	Actual saving / (excess) 31/10/2020 £M
Pay	187.100	187.658	(0.558)
Non Pay	50.764	50.357	0.407
Healthcare Purchases	0.585	0.585	0.000
Gross operating costs	238.449	238.600	(0.151)
Less: miscellaneous income	(22.719)	(22.719)	0.000
Underlying Net operating cost	215.730	215.881	(0.151)
Covid-19 Spend	14.164	14.164	0.000
Net operating cost	229.894	230.045	(0.151)

- 4.2. The estimated underlying overspend is driven by pay costs in excess of budget (Medical £0.462m, AHP staff £0.138m and Healthcare Scientists £0.550m offset against underspends in Nursing £0.377m and Admin & Clerical £0.313m).
- 4.3. The main driver of the additional Covid-19 costs has been additional nursing and medical staffing and equipment costs. Medical pay has increased by 5.5% (£3.392m) on the amount expended in the first 7 months of 2019/20. Cover for additional beds, ITU areas and cover for staff absence lies behind this.
- 4.4. The nursing budget for the first 7 months has increased by 3.8%, as expected to cover the average impact of the pay deal, but expenditure has increased by 11.9% (£10.478m) due to additional staffing to cope with Covid-19, including £3.169m for employing student nurses as well as additional hours, bank and agency.
- 4.5. An additional £1.182m has been spent on revenue equipment compared to this time last year, an increase of 45.2%. With only emergency surgery proceeding however expenditure on surgical sundries is £4.074m lower (28.2%) than last year. In calculating the additional costs of Covid-19, £3.169m of offsetting cost reductions including theatre consumables, have been netted off.
- 4.6. The acute hospital drug spend in the first 7 months is 8.8% less than that in the comparative period of 2019/20. Information has recently been received for out of area high cost drugs however there are gaps in the data and caution has been applied when assessing the financial impact given how steeply the rises have been in recent years as they now make up approximately one third of our hospital drug

spend. Approval for an extended range of new high cost drugs has been announced by Scottish Government so an increase later in the year is expected. The financial plan uplift for drugs growth in 2020/21 has been held back and not issued to budget until more is known.

- 4.7. With all but the most urgent procedures postponed with effect from 18 March 2020 there has been none of the usual additional activity to reduce waiting times in the first 3 months and only a cautious return in months 4 though to 7. In order to support the Board with additional capacity for elective services, Scottish Government has confirmed that £5.861m of non-recurring revenue funding will be made available to the Board to support additional activity in relation to outpatients, TTG and diagnostics in line with agreed activity levels.
- 4.8. At this stage the Acute Division has flagged that £2.949m of its planned efficiency schemes are at risk due to Covid-19 although some of these had a risk of slippage prior to Covid-19. This will be reassessed each month.

5. Health and Social Care Partnerships

- 5.1. Across the Health and Social Care Partnerships, there is an under spend of £0.994m for the period to the end of October 2020 (North IJB - £2.027m under spent; South IJB - £1.033m over spent). Budget has been released to match the costs attributed to Covid-19 (North IJB - £8.074m; South IJB - £12.612m) up to the end of October.
- 5.2. Covid-19 expenditure relates to running the Community Hub and 2 assessment centres, mental health assessment centres to divert mental health attendances from A & E, additional psychological, physiotherapy and occupational therapy support, and additional staffing to cover absences.
- 5.3. Prescribing volumes rose in March 2020 which was believed to be due to people stocking up before lockdown. North IJB was able to cover the projected increase within its existing prescribing budget but South IJB had to take cover from the prescribing contingency reserve and receive £0.429m of additional S.G allocation. The national belief was that the increase was purely a timing issue and the additional funding was deducted from the 2020/21 budget. Volumes for the first six months are a cumulative 3.07% lower than in the same period of 2019/20. The price per item however is higher than had been expected. Both IJBs had a prescribing efficiency plan and the target amount has been withdrawn from the opening budget as well as the £0.429m borrowed in 2019/20 by South. The net impact of these movements is an estimated £0.950m overspend in South.
- 5.4. Including prescribing, a proportion of the planned savings have been deducted from the opening budgets (North £2.539m out of the original £2.775m, South £1.058m out of the original £2.194m).
- 5.5. Tables 3 and 4 show the position in each partnership.

	Budgeted Operating Costs 31/10/2020 £M	Actual Operating Costs 31/10/2020 £M	Actual saving / (excess) 31/10/2020 £M
Pay	82.033	79.321	2.712
Non Pay	54.359	55.176	(0.817)
Prescribing	40.044	40.044	0.000
Sub Total	176.436	174.541	1.895
Primary Care Transformational Fund	0.000	0.000	0.000
Share of Primary Care Other Services	4.436	4.304	0.132
Family Health Services	0.000	0.000	0.000
Net operating cost	180.872	178.845	2.027
Less: Covid-19 spend	(8.074)	(8.074)	0.000
Revised net operating cost	172.798	170.771	2.027

	Budgeted Operating Costs 31/10/2020 £M	Actual Operating Costs 31/10/2020 £M	Actual saving / (excess) 31/10/2020 £M
Pay	39.875	39.983	(0.108)
Non Pay	46.000	46.101	(0.101)
Prescribing	37.362	38.312	(0.950)
Sub Total	123.237	124.396	(1.159)
Primary Care Transformational Fund	3.505	3.506	(0.001)
Share of Primary Care Other Services	4.262	4.135	0.127
Family Health Services	119.712	119.712	0.000
Net operating cost	250.716	251.749	(1.033)
Less: Covid-19 spend	(12.612)	(12.612)	0.000
Revised net operating cost	238.104	239.137	(1.033)

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an under spend of £0.360m for the period to the end of October 2020, as detailed in Table 5. Budget has been released to match the £5.712m of costs attributed to Covid-19 up to the end of October.

	Budgeted Operating Costs 31/10/2020 £M	Actual Operating Costs 31/10/2020 £M	Actual saving / (excess) 31/10/2020 £M
Pay	39.331	38.478	0.853
Non Pay	57.861	58.354	(0.493)
Gross operating costs	97.192	96.832	0.360
Less: miscellaneous income	(3.767)	(3.767)	0.000
Underlying Net operating cost	93.425	93.065	0.360
Covid-19 Spend	5.712	5.712	0.000
Revised Net operating cost	99.137	98.777	0.360

- 6.2. The under spend is spread across Corporate Departments (£0.257m), Central Services (£0.102m) and Property and Support Services (£0.001m). The majority of Corporate HQ department savings have been deducted from budgets and have over achieved on the AOP assumptions.
- 6.3. The Covid-19 costs quoted in the table do not include potential loss of income so differ slightly from those submitted in the quarter 2 return to SGHSCD.

7. Service Level Agreements/Other Healthcare Providers

- 7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.426m for the period to the end of October 2020, as detailed in table 6.

	Budgeted Operating Costs 31/10/2020 £M	Actual Operating Costs 31/10/2020 £M	Actual saving / (excess) 31/10/2020 £M
Service Level Agreements	105.036	104.816	0.220
Unpacs and Oats	14.897	14.548	0.349
Independent Sector	0.162	0.305	(0.143)
Net operating cost	120.095	119.669	0.426

- 7.2. The uplift to be applied to agreements for 2020/21 has been agreed at 3% the standard uplift Boards received from Scottish Government. Due to Covid-19 the activity levels out of area will be significantly reduced. However as the provider, Boards will still be incurring costs the expectation is SLAs will be paid at historic levels.
- 7.3. We have only received partial information on high cost drugs to be invoiced to us from the specialist out of region centres so caution has been applied when assessing

the financial impact. Estimates have been included against a budget which now exceeds £23m per annum.

8. CRES/Efficiency

- 8.1. To balance the financial plan in 2020/21 the Board needed to release £29.828m of cash from budgets through efficiency savings (CRES). £24.822m of this fell against the Acute and Corporate budgets. At the time of submitting the financial plan the Board had identified proposals for all but £10.030m of this total.
- 8.2. Within the Acute Division it has been assumed that planned savings from the drugs bill and from theatre consumables will be secured by the end of the year. However the response to Covid-19 means that savings associated with reductions in temporary workforce, theatre productivity and some smaller service redesigns have not been able to be advanced. £2.949m of the Acute Divisions initial long list of £5.205m of potential efficiencies are very unlikely to be achieved. Given the risk rating of some of the proposals, full delivery had not been assumed even pre Covid-19.
- 8.3. A number of corporate savings had been secured in advance of the start of the year. Budgets were reduced to recirculate the funding to cover the excess rise in pay, drugs and other costs identified in the original plan. Overall the corporate budgets are underspent indicating they are living within the reduced budget. Three of the four planned property sales have been achieved. Overall the corporate departments are forecast to exceed the risk adjusted forecast at the time of the Annual Operational Plan (AOP) submission.
- 8.4. The net impact of these early Acute and Corporate forecasts makes a small inroad into the unidentified savings balance, further assisted this month due to the recent sale of land at the former Cleland Hospital site, taking the gap down to £8.844m. Without the diversion of resource into the Covid-19 response the gap would have been likely to smaller even by this stage. In addition the financial sustainability programme, which was suspended in March 2020 would have continued to work to identify further savings.
- 8.5. Both IJBs received the full allocation uplift on their recurring budget. An assessment was made of the likely cost rises to be funded from this and the gap determined their individual savings requirement. At the time of the AOP, both IJBs had identified long lists of efficiencies to close the gap. North IJB has achieved and removed from budget all but £0.070k of the initially assessed amount. South IJB has at this stage only identified £1.058m of its initial target of £2.194m savings. The target itself will be reviewed as more is known about the actual level of cost rises.
- 8.6. Table 7 gives a provisional assessment of month 7 performance against the AOP submission.

Financial Plan description	Annual Operating Plan £m	Revised Annual Plan £m	Plan to date £m	Actual to Date £m
Service redesign	0.170	0.140	0.084	0.084
Drugs & prescribing	0.836	0.891	0.699	0.715
Workforce	1.060	0.621	0.362	0.362
Procurement	3.666	3.650	1.560	1.161
Infrastructure	2.320	3.936	3.282	3.282
Other	6.740	6.740	3.932	3.932
Financial Management / Corporate Initiatives	-	-	-	-
Unidentified Savings	10.030	8.844	5.159	-
Total Core NHS Board Savings	24.822	24.822	15.078	9.536
Savings delegated to Integration Authorities	5.006	3.597	3.597	3.414
Total Savings Required	29.828	28.419	18.675	12.950

9. Capital

- 9.1 From the outset, the demands of the 20/21 capital programme exceeded the resources available. Rather than rule out any of the priority projects at the start of the year, the Board approved a management strategy of monitoring expenditure for slippage and trying to maximise opportunities for additional funding with a fall back of delaying some expenditure on equipment into April 2021 should the position remain unchanged. This strategy paid off. By the end of October the initial £12.392m Capital Formula Allocation, £2.750m towards the Monkland's Replacement Project and regional contribution to the vascular surgery theatre and laundry upgrades, had been supplemented by sufficient additional funding to balance the original aspirations.
- 9.2 £2.640m of the targeted £3.080m property receipts has already been secured, which given the uncertainty in the market during Covid-19 is a strong achievement. The missives for the remainder have been concluded with the sale scheduled for February 2021. In September Scottish Government confirmed £1.197m of capital funding to cover Covid-19 expenditure and £1.735m of additional funding to allow NHS Lanarkshire to implement an invest to save combined heat and power plant in Hairmyres. The latter is expected to generate £0.532m of annual savings in future years and the Scottish Government investment is very welcome. Recently we have secured a further £0.9m of national funding for imaging equipment, mostly related to replacing the Angiography room in Hairmyres. There was also some natural re-profiling of expenditure as more detailed work indicated longer timelines than the original estimate with the Monklands shower and toilet upgrades being rescheduled for 21/22.
- 9.3 As the year progressed, additional demands have also emerged. Ongoing review of the risks to business continuity in Monklands has led to a recommendation to advance work in certain areas. These include the permanent solution to the steam main problems, to replace the day surgery air handling unit, to progress with a

bariatric lift solution plus some other additional spend associated with fire safety, to upgrade the renal water plant to cope with the demands of modern dialysis machines, to improve ventilation in ward 16 and a number of other identified necessary, smaller work streams.

- 9.4 The original plans for a 24 bedded ward were revised in the light of the covid experience and converted to a 17 bedded solution which should open during November 2020. A late identified need for telemetry and some other medical equipment meant this exceeded its original budget by c £0.160m.
- 9.5 The capital and equipping works for the hybrid theatre for regional vascular model have all now been tendered and contracts awarded within the original cost envelope. An adjacent Angiography Room was due to be upgraded in 21/22 but shared infrastructure and synergies from doing the work at the same time as the theatre resulted in this being pulled into the 20/21 programme. A successful bid against national funding for imaging equipment has provided the funding to allow this.
- 9.6 The Capital investment Group (CIG) received a bid at its November meeting for £0.829m of funding to convert a ward at Udston to create a base for the CAMHS service in South. The lack of a base in the South has been an obstacle to the CAMHS improvement plan and finding one has high priority. However given the ward is likely to be used for Covid overflow should numbers rise higher, all that can be progressed in 20/21 is the design and costing. In parallel there also has to be a wider trawl to make sure this is the top priority use for the Udston space.
- 9.7 CIG also received a bid for a second CT scanner at Monklands. However as that bid had significant revenue costs associated with running the scanner it was not something CIG could consider until that was resolved.
- 9.8 The net result of these changes is that best estimates of in year costs of current agreed priorities now sit within the expanded capital funding envelope though there is always the risk of further movement. A further review will take place early December. If there is an increase in costs or new demands it's proposed to do a small revenue transfer from banked infrastructure funds rather than hold back work. The Board is asked to agree to flexibility of up to £0.6m as there will be a very short window for requesting this.
- 9.9 Expenditure to the value of £5.387m has been incurred in the first seven months as detailed in Annex B.

10. Development and Approvals

- 10.1 The September allocation letter included Covid-19 funding based on the expenditure incurred for the first 3 months plus a payment on account for the estimates for the rest of the year. The range of different estimates submitted by Boards and Councils presented SG with difficulties and the allocation to be released in November is a complex hybrid of percentages of submitted estimates and NRAC shares with some lines of expenditure – such as FHS payments still to be resolved. More fundamentally, its reliance on estimates in an unprecedented situation that is hard

to forecast, poses real challenges in making sure any early distribution of funds best reflects actual costs rather than differences in assumptions used in estimates. Local discussions with the Chief Finance Officer of North and South IJB and the two Council Finance Directors are taking place to determine the best way to distribute the allocation (which came with an SG recommended HSCP and Health Board split) between the different organisations. Partnership working in this area has been strong.

- 10.2 Table 8 summarises the Covid-19 costs to 31 October 2020. Once greater clarity is reached on funding, the Board will need to rebase its 2020/21 financial plan. Costs continue to be incurred in response to Covid-19. The Covid vaccination programme has still to be scoped and costed properly and is likely to exceed any provisional estimates. We are still working on the likely cost of expanding the covid assessment centres into wider respiratory centres. The test and protect initiative, care home testing, the expansion of Health Board responsibilities for care homes and new national infection control guidance all brings significant additional resource requirements. The estimates used to prepare the Quarter 1 return (and therefore inform the payment on account) did not assume a second surge so had no costs included for additional hospital beds or staffing in the final quarter. These costs are now being built in for the return due at the end of November. There is a continued need for new equipment or alterations to the environment as the service responds to the growing numbers of covid patients.

Table 8 - Covid-19 Revenue & Capital Spend		
Table 8	Revenue	Capital
Area	2020/21	2020/21
	£m	£m
Acute Operating Division	14.164	0.000
Headquarters / Corporate Functions	5.712	0.000
Sub Total	19.876	0.000
Loss of income and additional costs under negotiation	0.000	0.000
Total Board Areas	19.876	0.000
North Lanarkshire Health & Social Care Partnership	8.074	0.000
South Lanarkshire Health & Social Care Partnership	12.612	0.000
Sub Total	20.686	0.000
Loss of income and additional costs under negotiation	0.000	0.000
Total Health & Social Care Partnership	20.686	0.000
Total Board and Health & Social Care Partnership	40.562	0.000
Capital Spend	0.000	1.197
Total Revenue and Capital Spend	40.562	1.197

11. Risk Assessment

The overall financial risk has been assessed as very high, with the highest risk rating the Boards financial position has received in the last 13 years. Risks are from multiple sources starting with the underlying £10.030m of unidentified savings and the slow pace that has only seen this close to £8.844m but compounded by uncertainties over funding and very significant additional Covid-19 costs. A huge amount of work is going in to monitoring and assessing this and for future Board papers it is hoped that uncertainties can begin to be defined onto more meaningful ranges.

12. Conclusion

The Board is asked to note:

- the actual revenue over spend of £4.960m as at 31 October 2020 against the non IJB portion of the budget;
- the figures include a budget release to the operating divisions to match the £40.562m costs attributed directly to the Covid-19 response up to the end of October 2020 but the actual disposition of the Covid-19 payment on account received in November 2020 has still to be agreed with our partners;
- in addition to the above, the ability to make the required efficiencies has been impacted by Covid-19, leaving month 7 behind trajectory;
- the very significant risks highlighted in section 11;
- the balanced capital plan based on current best estimates.

The Board is asked to approve:

- Flexibility of up to £0.600m to vire infrastructure funds from revenue to capital should the next assessment of the capital plan indicate a small top up is required to allow the desired programmes to continue.

LAURA ACE
DIRECTOR OF FINANCE
20 November 2020

ANNEX A

REVENUE RESOURCE LIMIT 2020/21				
	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Core Revenue Resource Limit as at 30 September 2020	1,266.933	120.494	81.710	1,469.138
Primary Care Out of Hours Funding	0.000	0.000	0.616	0.616
Neurological Care Network	0.000	0.000	0.005	0.005
Preparing For Winter 2020/21	0.000	0.000	1.194	1.194
Community Pharmacy Practitioner Champions	0.000	0.036	0.000	0.036
Mental Health Outcomes Framework	0.000	2.378	0.000	2.378
Veterans First Point	0.000	0.000	0.126	0.126
National HUB to Review Child Deaths	0.000	0.000	0.011	0.011
PfG Commitment - School Nursing Service Posts - 2nd Tranche	0.000	0.000	0.005	0.005
Childhood Obesity Prevention	0.000	0.000	0.080	0.080
Covid-19 additional funding for GP's	0.000	0.000	2.367	2.367
£20m (2018-19) Tariff Reduction to Global Sum	0.000	(2.836)	0.000	(2.836)
£20m (2019-20) Tariff Reduction to Global Sum	0.000	(2.610)	0.000	(2.610)
£25m (2020-21) Tariff Reduction to Global Sum	0.000	(3.262)	0.000	(3.262)
Six Essential Actions - Building on Firm Foundations	0.000	0.000	0.825	0.825
Redesign Urgent Care	0.000	0.000	1.213	1.213
New Medicines Fund	0.000	9.734	0.000	9.734
Core Revenue Resource Limit as at 31 October 2020	1,266.933	123.935	88.152	1,479.020

ANNEX B

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 31st October 2020			
	2020/21 Plan £M	2020/21 Forecast £M	Actual £M
Initial Capital Formula Allocation:	12.392	12.392	2.747
Capital Resource limit adjustments:			
CHP Hairmyres	0.000	1.735	
Covid-19 Costs	0.000	1.197	
ADJUSTED NET ALLOCATION	£12.392	£15.324	£2.747
Anticipated Capital Resource Limit Adjustments :			
Additional Central Resource Allocation	3.000	2.750	
West of Scotland Laundry - Transfer from other boards	0.150	0.190	
Regional Capital Contribution - Vascular Surgery Theatre	1.350	1.500	
Radiology Equipment Funding	0.000	0.900	
Central Resource Returned	0.000	-0.426	
	£4.500	£4.914	£0.000
Other Income Adjustments:			
Other Income	0.018	0.018	
	£0.018	£0.018	£0.000
Disposal Programme:			
Property Disposals	1.665	3.080	2.640
	£1.665	£3.080	£2.640
	£18.575	£23.336	£5.387
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	5.528	5.041	1.392
Acute Property Works	5.700	6.208	1.622
New Monklands Fees	3.000	2.750	1.165
	14.228	13.999	4.179
<u>Medical Equipment</u>	3.860	4.731	0.206
	3.860	4.731	0.206
<u>Other Service Developments</u>			
Northern Corridor	0.050	0.050	0.032
CAMHS		0.030	
	0.050	0.080	0.032
<u>Other Expenditure</u>			
CHP Hairmyres	0.700	1.768	
PSSD Equipment	0.300	0.493	0.096
CAFM Replacement	0.000	0.207	
Covid-19 costs	0.000	1.197	0.594
<i>subtotal</i>	1.000	3.665	0.690
I.M.&T Projects	0.708	0.795	0.280
	1.708	4.460	0.970
TOTAL CAPITAL EXPENDITURE	£19.846	£23.270	£5.387
(OVER) / UNDER COMMITTED	-£1.271	£0.066	£0.000