



NHS Board Meeting,
28th October 2020

Lanarkshire NHS Board
Kirklands
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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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 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).

The quarter 2 return, submitted mid-September, was used to inform the release of a tranche of national Covid-19 funding. Following the Cabinet Secretary's recent announcement to Parliament of £1.089 billion to support health and social care costs across Scotland NHS Lanarkshire received a further £62.267m in the September allocation letter to supplement the £10.251m funding already received taking our total to £72.518m for quarters 1-4 in response to Covid-19.

For consistency of reporting across NHS Boards, we have been instructed that the funding provided is excluded from our reported position at month 6. Scottish Government recognises that Boards are currently working through their Covid-19 allocations and may not all be in a position to have allocated budget prior to the ledger closing for month 6.

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. At this stage more potential corporate savings are being recognised than were included in the Annual Operational Plan but, given the inclusion of property sales, this assumption is optimistic. With the financial sustainability programme suspended due to Covid-19, little progress has been made in closing the gap which is currently estimated at £9.423m.

If expenditure directly related to the Covid-19 response is excluded, at the end of September 2020 the Board is reporting an underlying £5.065m over spend which is £0.050m 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 £36.114m of which £15.288m relates to acute and corporate and the health and social care partnerships NHS services £20.826m.

The main financial pressures faced by the Board are the very significant additional Covid-19 costs and the CRES target likely to be undelivered due to Covid-19.

We recently received information for out of area high cost drugs. There are however gaps in the data and caution has been applied when assessing the financial impact. The data has still to be validated therefore no invoices have been paid to date. These high cost drugs now exceed £23m per annum.

The capital plan remains overcommitted. Due to its risk profile the Monklands Business Continuity work is proceeding, costs are being finalised for Trauma and Orthopaedics phase 1a and the regional vascular centralisation and the risk of exceeding our Capital Resource limit is being managed by holding back on the less urgent medical equipment replacements.

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.

Derek Yuille
Acting Director of Finance

21 October 2020

NHS LANARKSHIRE

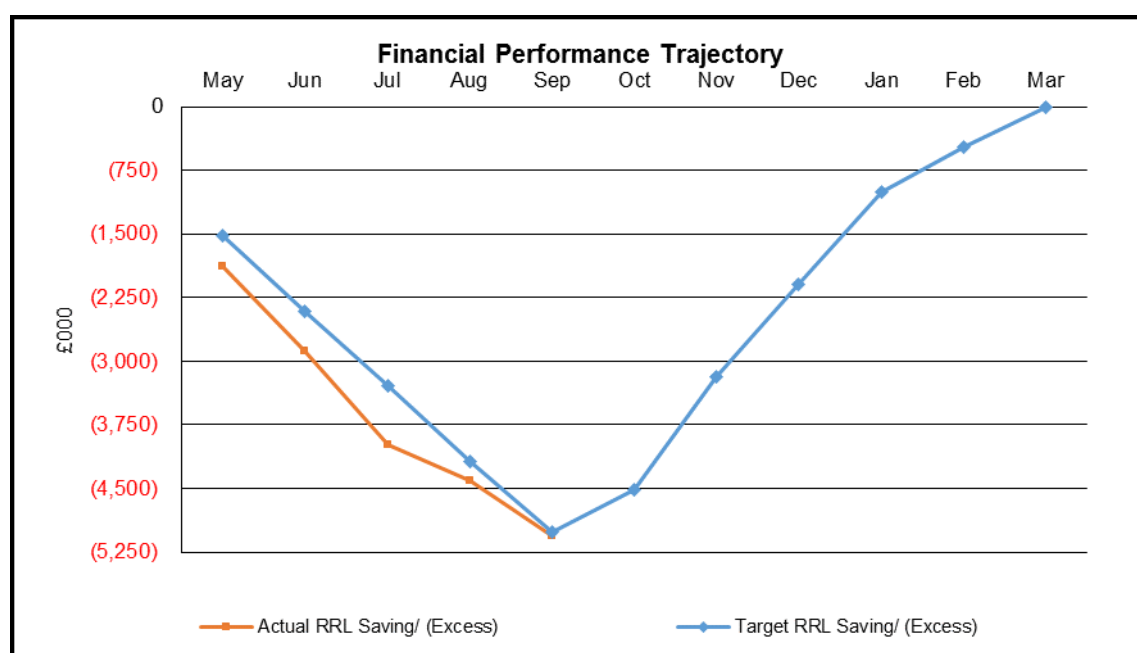
FINANCE REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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 six 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 £36.114m in response to the Covid-19 pandemic. A further return will be submitted in October with more in depth analysis of the month 6 Covid-19 costs. This more detailed analysis may result in some changes to the split of the figures.

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 September 2020 Acute and Corporate have recorded a total of £15.288m as being attributable to Covid-19 and the Health and Social Care Partnerships NHS services £20.826m. 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 £9.423m but that still depends on some property receipts and as a result of the pandemic further inroads are unlikely.
- 2.5. If the £15.288m of NHS Board costs attributed directly to the Covid-19 response are excluded, the position to date would be a £5.065m over spend. This is £0.050m 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	185.273	185.513	(0.240)
North Lanarkshire Health & Social Care Partnership	147.408	145.236	2.172
South Lanarkshire Health & Social Care Partnership	199.371	199.980	(0.609)
Headquarters / Corporate Functions	80.122	79.705	0.417
Service Level Agreements / Other Healthcare Providers	104.886	104.548	0.338
NHSL - wide	(8.560)	(2.980)	(5.580)
Net operating costs	708.500	712.002	(3.502)
Remove IJB Position	(346.779)	(345.216)	(1.563)
Revised Net operating costs	361.721	366.786	(5.065)

3. Revenue Resources

- 3.1. At the end of September 2020, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,469.138m, details of which are noted in Annex A.

- 3.2. Following the Cabinet Secretary's announcement (29 September) of £1.089 billion to support health and social care costs, Scottish Government has allocated £62.267m in the September allocation letter for Covid-19 quarters 1-4 to supplement the £10.251m already received. £0.431m for the Public Health test and protect programme received last month has been taken back this month and has now been included within the overall funding envelope for the Remobilise, Recover and Redesign Framework.
- 3.3. The September 2020 Core Revenue Resource Limit includes confirmed resources for Health and Social Care Partnerships of £102.592m for Primary Medical Services, £1.983m being the first tranche of Mental Health Strategy Action 15, £1.218m local improvement fund to invest in services to reduce problem alcohol and drug use, £0.303m drug deaths taskforce funding, £0.525m new funding for perinatal and infant mental health, £0.168m for type 2 diabetes framework and £0.185m for supporting improvements in GP Premises.
- 3.4. The Board also received £0.110m to implement excellence in care, £0.105m for staffing to oversee the implementation of the health staffing act, £0.184m for community optometrists supporting hospital eye services, £0.465m national cancer strategy funding, £0.805m Scottish Trauma Network tranche 1 (70%) our share of regional funding and £0.676m for Core Health Board Research which is £0.337m less than last year.
- 3.5. The September 2020 Core Revenue Resource Limit also includes a total of £7.656m of funds being transferred to National Shared Services. £0.288m pre-registration of pharmacists, £0.467m for the introduction of human papillomavirus (HPV) testing to the Scottish Cervical Screening Programme and £6.901m which relates to the national risk sharing of specialist services. These are in line with financial plan expectations.
- 3.6. £0.739m has also been deducted from our allocation by Scottish Government for our share of Children's Hospices across Scotland (CHAS). This is our expected year 4 contribution to a 5 year National Service Plan and sets out how hospice services for babies, children and young people with life-shortening conditions will be delivered, governed, funded and monitored as well as how CHAS will work in partnership with Health Boards in Scotland.
- 3.7. We are anticipating at least an additional £2.4m of mental health outcomes funding.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £10.100m for the period to the end of September 2020, as detailed in Table 2. £9.860m of this has been attributed to Covid-19 and £0.240m is seen as an underlying problem. 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 30/09/2020 £M	Actual Operating Costs 30/09/2020 £M	Actual saving / (excess) 30/09/2020 £M
Pay	159.518	160.039	(0.521)
Non Pay	44.897	44.617	0.280
Healthcare Purchases	0.502	0.501	0.001
Gross operating costs	204.917	205.157	(0.240)
Less: miscellaneous income	(19.644)	(19.644)	0.000
Underlying Net operating cost	185.273	185.513	(0.240)
Covid-19 Spend	0.000	9.860	(9.860)
Net operating cost	185.273	195.373	(10.100)

- 4.2. The estimated underlying overspend is driven by pay costs in excess of budget (Medical £0.433m, AHP staff £0.119m and Healthcare Scientists £0.454m offset against underspends in Nursing £0.342m and Admin & Clerical £0.138m).
- 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 5.4% (£2.795m) on the amount expended in the first 6 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 6 months has increased by 3.8%, as expected to cover the average impact of the pay deal, but expenditure has increased by 13.1% (£9.782m) due to additional staffing to cope with Covid-19, including £2.676m for employing student nurses as well as additional hours, bank and agency.
- 4.5. An additional £1.045m has been spent on revenue equipment compared to this time last year, an increase of 46.2%. With only emergency surgery proceeding however expenditure on surgical sundries is £3.662m lower (29.8%) 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 6 months is 8.9% 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 6. 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 over spend of £3.410m for the period to the end of September 2020 (North IJB - £0.773m; South IJB - £2.637m). This includes additional costs attributed to Covid-19 of £4.973m (North IJB - £2.945m; South IJB - £2.028m). If the additional cost attributed to Covid-19 was excluded the underlying position would be an under spend of £1.563m (North IJB - £2.197m under spent; South IJB - £0.608m over spent)
- 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. The Covid-19 return includes an assumption on loss of commercial income. In total the Q1 return recorded £0.067m of additional Covid-19 costs for North Lanarkshire HSCP and £0.700m for South Lanarkshire HSCP. (n.b South appears higher because it hosts primary care)
- 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 four months are a cumulative 3.66% lower than the four months 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 £0.900m 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). The balance remains a risk.

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

	Budgeted Operating Costs 30/09/2020 £M	Actual Operating Costs 30/09/2020 £M	Actual saving / (excess) 30/09/2020 £M
Pay	67.973	67.914	0.059
Non Pay	46.152	47.113	(0.961)
Prescribing	34.323	34.323	0.000
Sub Total	148.448	149.350	(0.902)
Primary Care Transformational Fund	0.000	0.000	0.000
Share of Primary Care Other Services	3.746	3.617	0.129
Family Health Services	0.000	0.000	0.000
Net operating cost	152.194	152.967	(0.773)
Less: Covid-19 spend	(4.786)	(7.731)	2.945
Revised net operating cost	147.408	145.236	2.172

	Budgeted Operating Costs 30/09/2020 £M	Actual Operating Costs 30/09/2020 £M	Actual saving / (excess) 30/09/2020 £M
Pay	32.873	34.445	(1.572)
Non Pay	39.735	40.023	(0.288)
Prescribing	32.025	32.925	(0.900)
Sub Total	104.633	107.393	(2.760)
Primary Care Transformational Fund	2.820	2.820	0.000
Share of Primary Care Other Services	3.599	3.476	0.123
Family Health Services	98.619	98.619	0.000
Net operating cost	209.671	212.308	(2.637)
Less: Covid-19 spend	(10.300)	(12.328)	2.028
Revised net operating cost	199.371	199.980	(0.609)

6. Headquarters/Area Wide Departments

6.1. The Headquarters and Area Wide Departments are reporting an over spend of £4.714m for the period to the end of September 2020, as detailed in Table 5. £5.131m of this has been attributed to Covid-19 and £0.417m is seen as the underlying under spend.

	Budgeted Operating Costs 30/09/2020 £M	Actual Operating Costs 30/09/2020 £M	Actual saving / (excess) 30/09/2020 £M
Pay	33.718	32.863	0.855
Non Pay	49.575	50.013	(0.438)
Gross operating costs	83.293	82.876	0.417
Less: miscellaneous income	(3.171)	(3.171)	0.000
Underlying Net operating cost	80.122	79.705	0.417
Covid-19 Spend	0.000	5.131	(5.131)
Revised Net operating cost	80.122	84.836	(4.714)

- 6.2. The under spend net of Covid-19 is spread across Corporate Departments (£0.236m), Central Services (£0.180m) 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 £0.338m for the period to the end of September 2020, as detailed in table 6.

	Budgeted Operating Costs 30/09/2020 £M	Actual Operating Costs 30/09/2020 £M	Actual saving / (excess) 30/09/2020 £M
Service Level Agreements	90.160	89.968	0.192
Unpacs and Oats	14.582	14.315	0.267
Independent Sector	0.144	0.265	(0.121)
Net operating cost	104.886	104.548	0.338

- 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 recently received information on high cost drugs to be invoiced to us from the specialist out of region centres. There are however gaps in the data and caution has been applied when assessing the financial impact. The data has still to be validated therefore no invoices have been paid to date. Estimates however 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. Although there remains a risk in assuming savings from property sales which have not yet been secured, 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, taking it from £10.030m to £9.423m. 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 6 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	0.072	0.072
Drugs & prescribing	0.836	0.892	0.661	0.678
Workforce	1.060	0.450	0.200	0.200
Procurement	3.666	3.650	0.902	1.000
Infrastructure	2.320	3.527	2.859	2.859
Other	6.740	6.740	3.370	3.370
Financial Management / Corporate Initiatives	-	-	-	-
Unidentified Savings	10.030	9.423	4.712	-
Total Core NHS Board Savings	24.822	24.822	12.776	8.179
Savings delegated to Integration Authorities	5.006	3.597	3.597	3.214
Total Savings Required	29.828	28.419	16.373	11.393

9. Capital

- 9.1 The Scottish Government has confirmed the initial NHS Lanarkshire Capital Formula Allocation for 2020/21 at £12.392m, no change from the previous year. NHS Lanarkshire will also be allowed to retain an estimated £3.080m property receipts to support capital plans and will receive £2.750m towards the Monklands replacement or refurbishment business case and £1.350m regional support for the Vascular Surgery Theatre. 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.
- 9.2 £1.850m of the £3.080m property receipts has already been secured, which given the uncertainty in the market during Covid-19 is a strong achievement. The remainder relates to property sales which were actively progressed during 2019/20 so confidence levels are high. In current conditions however none can be fully relied on.
- 9.3 The 24 bedded ward had been tendered and a contract awarded but, given the Covid-19 experience, a pause has been instigated to evaluate whether there is a feasible option to convert this to a 17 single room option. This is believed to be achievable within the original envelope and is now the planned option, expected to be completed by end of October 2020.
- 9.4 The regional vascular model is well advanced but has still to be finalised. The plan is to tender early autumn at which point we will get price certainty. There is a risk that this exceeds the additional forecast. An adjacent Angiography Room was due to upgraded in 2021/22 but shared infrastructure and synergies in combining the work has meant a compelling case has been put forward for at least starting it in

2020/21. This would be achieved by changing the priority of planned equipment replacements. The case for the Angiography room contains just over £0.1m of desired developments which will be considered when the pricing of the vascular theatre is known.

- 9.5 The plan reported to the March 2020 Board showed that the demands for capital exceeded the available funding. Whilst at a national level slippage is expected, the nature of the NHS Lanarkshire schemes makes it hard to rely on that. Both the vascular theatres and the orthopaedic ward are driven by service imperatives and avoiding delay is important. The Monklands business continuity work is a risk based programme and has recently been reassessed so no changes are forecast immediately. There were delays due to diversion of effort and inability to access areas in March 2020 due to Covid-19 which has resulted in a portion of the last years programme plus the completion of the SACT work following in to 2020/21.
- 9.6 The award of funding for the invest to save initiative narrows the gap but we will still have to manage this closely by holding back part of the medical equipment budget. Slippage will be closely monitored and there will be an ongoing dialogue with Scottish Government on future receipts. In previous years the option of last resort was a transfer from revenue but given the huge additional revenue costs this year and funding uncertainties the likelihood of us being able to do that in 2020/21 is seen as very low.
- 9.7 Expenditure to the value of £4.668m has been incurred in the first six months as detailed in Annex B.

10. Development and Approvals

- 10.1 Scottish Government have indicated they will release Covid-19 funding based on the revised quarter 1 submitted on the 18th September. In the meantime a regional and national review process has been set up to ensure all Boards report costs consistently. Until then we continue to incur Covid-19 costs at risk.
- 10.2 Table 8 below summarises the Covid-19 costs to 30 September 2020. Once national 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 test and protect initiative, care home testing and the expansion of Health Board responsibilities for care homes all brings significant additional resource requirements. We have been modelling these and ensuring Scottish Government is kept informed though until full clarity is achieved on timescales and the national versus the local requirement these will continue to change. As services which had been stood down begin to receive patients again costs relating to making the physical environment safe and using technology more are being incurred.
- 10.3 Included within Table 8 is expenditure of £10.251m in respect of Allocations from Scottish Government that have been received for social care sustainability payments and this has been passed to the local authorities.

Table 8 - Covid-19 Revenue & Capital Spend		
Table 8	Revenue	Capital
Area	2020/21	2020/21
	£m	£m
Acute Operating Division	9.860	0.000
Headquarters / Corporate Functions	5.131	0.000
Sub Total	14.991	0.000
Loss of income and additional costs under negotiation	0.297	0.000
Total Board Areas	15.288	0.000
North Lanarkshire Health & Social Care Partnership	7.731	0.000
South Lanarkshire Health & Social Care Partnership	12.328	0.000
Sub Total	20.059	0.000
Loss of income and additional costs under negotiation	0.767	0.000
Total Health & Social Care Partnership	20.826	0.000
Total Board and Health & Social Care Partnership	36.114	0.000
Capital Spend	0.000	1.197
Total Revenue and Capital Spend	36.114	1.197

10.4 It should be noted that, on instruction from SHSCD, large numbers of contact tracers are being recruited. The cost estimates have been included in the Covid-19 submission made on 18th September 2020.

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 £9.423m 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 £20.353m as at 30 September 2020 against the non IJB portion of the budget, £15.288m of which relates to expenditure on the Covid-19 response;

- Overall an estimated £36.114m of additional cost has been estimated in the Covid-19 response up to the end of September 2020. To date IJB funding confirmed and allocated to budget is £10.251m to support sustainability in social care, £1.211m for the hospices and £3.625m for FHS contractors;
- The Board received a further £62.267m in our September allocation letter to supplement the £10.251m funding already received taking our total to £72.518m for quarters 1-4 in response to Covid-19;
- For consistency of reporting across NHS Boards, we have been instructed that the additional funding provided (£62.267m) in the September allocation letter is excluded from our reported position at month 6;
- In addition to the above, the ability to make the required efficiencies has been impacted by Covid-19, leaving month 6 behind trajectory;
- the very significant risks highlighted in section 11;
- The over commitment against the capital programme and the initial management plan to avoid exceeding agreed capital limits.

DEREK YUILLE
ACTING DIRECTOR OF FINANCE
21 October 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 31 August 2020	1,267.058	17.386	21.666	1,306.110
Advanced Breast Practitioner in Radiography Pilot	0.000	0.000	0.062	0.062
IV Fluids Programme	0.000	0.000	0.041	0.041
MPPP - Neurology	0.000	0.000	0.039	0.039
MPPP - ELLSA	0.000	0.000	0.043	0.043
MPPP - ARISE	0.000	0.000	0.032	0.032
Hospital Eyecare Services - Community Optometry Costs	0.000	0.000	0.184	0.184
Craniofacial Surgery - top slice	(0.085)	0.000	0.000	(0.085)
RPLND - top slice	(0.033)	0.000	0.000	(0.033)
Therapeutic Drug Monitoring - top slice	(0.032)	0.000	0.000	(0.032)
NSS Risk Share	0.000	0.000	(6.752)	(6.752)
HPV - top slice	0.000	0.000	(0.467)	(0.467)
Prostrate Cryotherapy - reverse top slice	0.024	0.000	0.000	0.024
2020/21 PfG Local Improvement Fund	0.000	0.000	1.218	1.218
2020/21 DDTF ADP Funding	0.000	0.000	0.303	0.303
Pre-registration Pharmacists - top slice	0.000	(0.288)	0.000	(0.288)
National Cancer Strategy	0.000	0.000	0.465	0.465
GP Premises Funding	0.000	0.000	0.185	0.185
Type 2 Diabetes Framework	0.000	0.000	0.168	0.168
Implementation of Excellence in Care	0.000	0.000	0.110	0.110
Staffing to oversee implementation of Health Staffing Act	0.000	0.000	0.105	0.105
Primary Medical Services 2020/21	0.000	102.592	0.000	102.592
Perinatal Funding Bid - 2020/21	0.000	0.000	0.525	0.525
Scottish Trauma Network Tranche 1 (70%)	0.000	0.805	0.000	0.805
NHS Research Scotland Infrastructure	0.000	0.000	0.676	0.676
Remote Health Pathways Evaluation	0.000	0.000	0.027	0.027
SLA - Childrens Hospices Across Scotland (year 4 / 5)	0.000	0.000	(0.739)	(0.739)
Covid-19 Q1-4 Funding Allocation	0.000	0.000	62.267	62.267
Test & Protect programme - adjustment to 278	0.000	0.000	(0.431)	(0.431)
Mental Health Strategy Action 15 Workforce - First Tranche	0.000	0.000	1.983	1.983
Core Revenue Resource Limit as at 30 September 2020	1,266.933	120.494	81.710	1,469.138
Non Core Revenue Resource Limit as at 31 August 2020	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 30 September 2020	0.000	0.000	0.000	0.000
Total Revenue Resource Limit as at 30 September 2020	1,266.933	120.494	81.710	1,469.138

ANNEX B

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 30th September 2020			
	2020/21 Plan £M	2020/21 Forecast £M	Actual £M
Initial Capital Formula Allocation:	12.392	12.392	2.818
Capital Resource limit adjustments:			
CHP Hairmyres	0.000	1.735	
Covid-19 Costs	0.000	1.197	
ADJUSTED NET ALLOCATION	£12.392	£15.324	£2.818
Anticipated Capital Resource Limit Adjustments :			
Additional Central Resource Allocation	3.000	2.750	
West of Scotland Laundry - Transfer from other boards	0.150	0.234	
Regional Capital Contribution - Vascular Surgery Theatre	1.350	1.350	
Central Resource Returned	0.000	-0.426	
	£4.500	£3.908	£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	1.850
	£1.665	£3.080	£1.850
	£18.575	£22.330	£4.668
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	5.528	4.940	1.319
Acute Property Works	5.700	5.776	1.282
New Monklands Fees	3.000	2.750	0.979
	14.228	13.466	3.580
<u>Medical Equipment</u>	3.860	4.729	0.151
	3.860	4.729	0.151
<u>Other Service Developments</u>			
Northern Corridor	0.050	0.050	0.019
	0.050	0.050	0.019
<u>Other Expenditure</u>			
CHP Hairmyres	0.700	1.735	
PSSD Equipment	0.300	0.562	0.096
CAFM Replacement	0.000	0.207	
Covid-19 costs	0.000	1.197	0.595
<i>subtotal</i>	1.000	3.701	0.691
I.M.&T Projects	0.708	0.795	0.227
	1.708	4.496	0.918
TOTAL CAPITAL EXPENDITURE	£19.846	£22.741	£4.668
(OVER) / UNDER COMMITTED	-£1.271	-£0.411	£0.000