

NHS Board Meeting,
30th September 2020

Lanarkshire NHS Board
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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 AUGUST 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 1 return, submitted mid-August, will be used to inform the release of a tranche of national Covid-19 funding with notification expected in the latter part of September

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 £9.437m.

If expenditure directly related to the Covid-19 response is excluded, at the end of August 2020 the Board is reporting an underlying £4.406m over spend which is £0.227m 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 £34.044m of which £13.985m relates to acute and corporate and the health and social care partnerships NHS services £20.059m.

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 1 a 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.

Laura Ace
Director of Finance

21 September 2020

NHS LANARKSHIRE

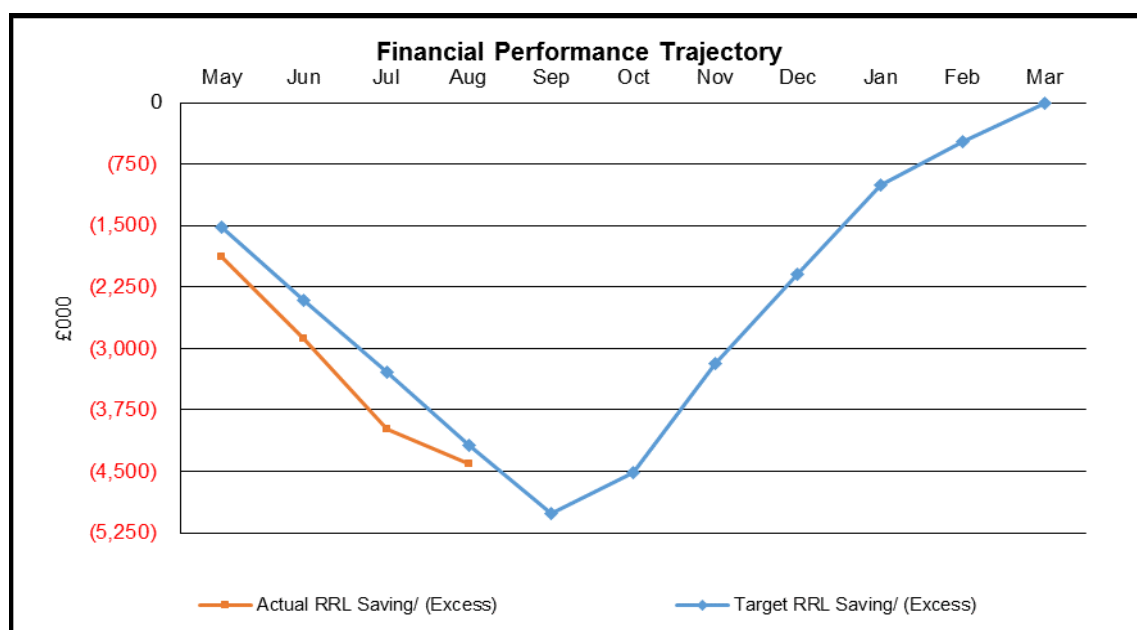
FINANCE REPORT FOR THE PERIOD ENDED 31 AUGUST 2020

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 five 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 £34.044m in the Covid-19 response. A month 5 return including a year-end forecast outturn was submitted to SGHSCD on the 18th September. It is anticipated this return will inform the funding to be released to Boards. A further return will be submitted in October with more in depth analysis of the month 5 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 August 2020 Acute and Corporate have recorded a total of £13.985m as being attributable to Covid-19 and the Health and Social Care Partnerships NHS services £20.059m. 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 may have been brought down from £10.030m to £9.437m but that still depends on some property receipts and as a result of the pandemic further inroads are unlikely.
- 2.5. If the £13.985m of NHS Board costs attributed directly to the Covid-19 response are excluded, the position to date would be a £4.406m over spend. This is £0.227m worse than the estimates made at the time of the AOP submission due mainly to the inability to deliver savings. The table 1 below shows the split by Division.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	154.371	154.642	(0.271)
North Lanarkshire Health & Social Care Partnership	121.730	120.791	0.939
South Lanarkshire Health & Social Care Partnership	164.609	164.969	(0.360)
Headquarters / Corporate Functions	65.942	65.614	0.328
Service Level Agreements / Other Healthcare Providers	82.905	82.799	0.106
NHSL - wide	(9.128)	(4.559)	(4.569)
Net operating costs	580.429	584.256	(3.827)
Remove IJB Position	(286.339)	(285.760)	(0.579)
Revised Net operating costs	294.090	298.496	(4.406)

3. Revenue Resources

- 3.1. At the end of August 2020, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,306.110m, details of which are noted in Annex A.
- 3.2. Following the Cabinet Secretary's announcement (3 August) of up to an additional £50 million to support sustainability in social care, Scottish Government allocated £25m in the July allocation letter with £3.083m being Lanarkshire's share (North IJB £1.595m and South IJB £1.488m). A further £8m has been released in the August allocation letter to 12 Integration Authorities who have demonstrated that they have already spent more than they had been allocated at the end of July with South IJB receiving £1.0m.
- 3.3. The 2020/21 Outcomes Framework has been set at £71.9 million as outlined in the Scottish Government Budget. The Framework includes new areas within the bundle for 2020/21, Immunisations and Insulin pumps. The Shingles immunisations programme has been paused due to the Covid-19 response and the associated budget of £2.9m removed from the Framework for this financial year. Separate allocations will be made to Boards in relation to the Shingles programme once costs are known. Therefore from the £68.9m Outcomes Framework allocated to NHS Boards we received £7.067m in the August letter for 2020/21. As previously shared with Directors of Finance a 5% efficiency saving was deducted from the allocation prior to issue to NHS Boards. This equates to £0.290m less funding than 2019/20 against the previous outcomes framework bundle.
- 3.4. The August 2020 Core Revenue Resource Limit also includes confirmation of £5.812m from the Primary Care Improvement Fund, £3.832m funding towards the unitary charges of the three new Health Centres which opened in 2015/16, £0.674m to provide Public Dental Services, £0.170m support for endoscopy recovery and backlog clearance, £0.097m for a Locum Consultant Surgeon and £0.276m tranche 1 funding for school nursing service posts. Further funding has also been received in response to Covid-19, £0.431m for Public Health test and protect programme and

£0.024m for clinical assessment in care homes

- 3.5. We are anticipating at least an additional £108m of specific allocations, the largest component of which would be approximately £100m in standard primary care allocations which is likely to materialise. The £10.3m of funding previously intimated to support elective activity access targets is unlikely to be awarded in that form, having been superseded by the remobilisation return process. At present there is not clarity on the amount of funding available for remobilisation plans.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £9.042m for the period to the end of August 2020, as detailed in Table 2. £8.771m of this has been attributed to Covid-19 and £0.271m 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 31/08/2020 £M	Actual Operating Costs 31/08/2020 £M	Actual saving / (excess) 31/08/2020 £M
Pay	132.716	133.077	(0.361)
Non Pay	36.904	36.814	0.090
Healthcare Purchases	0.418	0.418	0.000
Gross operating costs	170.038	170.309	(0.271)
Less: miscellaneous income	(15.667)	(15.667)	0.000
Underlying Net operating cost	154.371	154.642	(0.271)
Covid-19 Spend	0.000	8.771	(8.771)
Net operating cost	154.371	163.413	(9.042)

- 4.2. The estimated underlying overspend is driven by pay costs in excess of budget (Medical £0.338m, AHP staff £0.082m and Healthcare Scientists £0.371m offset against underspends in Nursing £0.322m and Admin & Clerical £0.117m).
- 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 5.9% (£2.545m) on the amount expended in the first 5 months of 2019/20 prior to any pay rise being processed. Cover for additional beds, ITU areas and cover for staff absence lies behind this. The pay award was announced on 24 August and will add an additional 2.8% to basic pay costs with a further increase from increments and discretionary points still to have a full year effect.
- 4.4. The nursing budget for the first 5 months has increased by 4.0%, as expected to cover the average impact of the pay deal, but expenditure has increased by 14.2% (£8.788m) due to additional staffing to cope with Covid-19, including £2.458m for employing student nurses as well as additional hours, bank and agency.

- 4.5. An additional £0.962m has been spent on revenue equipment compared to this time last year, an increase of 51.8%. With only emergency surgery proceeding however expenditure on surgical sundries is over £3.093m lower (30.2%) than last year. In calculating the additional costs of Covid-19, £2.975m of offsetting reductions including theatre consumables, have been netted off.
- 4.6. The acute hospital drug spend in the first 5 months is 9.2% 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 and 5. However with uncertainty now as to what funding we will receive and what the recovery costs will be we are not in a position yet to assess the final impact this will have on the year end position.
- 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 £3.741m for the period to the end of August 2020 (North IJB - £1.668m; South IJB - £2.073m). This includes as yet unfunded additional costs attributed to Covid-19 of £4.320m (North IJB - £2.607m; South IJB - £1.713m). If the additional cost attributed to Covid-19 was excluded the underlying position would be an under spend of £0.579m (North IJB - £0.939m under spent; South IJB - £0.360m 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 £0.190m of additional Covid-19 costs for North Lanarkshire HSCP and £0.602m 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 3.06% lower than three months are 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 £0.650m 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 31/08/2020 £M	Actual Operating Costs 31/08/2020 £M	Actual saving / (excess) 31/08/2020 £M
Pay	55.975	56.716	(0.741)
Non Pay	38.860	39.873	(1.013)
Prescribing	28.603	28.603	0.000
Sub Total	123.438	125.192	(1.754)
Primary Care Transformational Fund	0.000	0.000	0.000
Share of Primary Care Other Services	3.078	2.992	0.086
Family Health Services	0.000	0.000	0.000
Net operating cost	126.516	128.184	(1.668)
Less: Covid-19 spend	(4.786)	(7.393)	2.607
Revised net operating cost	121.730	120.791	0.939

	Budgeted Operating Costs 31/08/2020 £M	Actual Operating Costs 31/08/2020 £M	Actual saving / (excess) 31/08/2020 £M
Pay	27.354	28.689	(1.335)
Non Pay	34.225	34.395	(0.170)
Prescribing	26.687	27.337	(0.650)
Sub Total	88.266	90.421	(2.155)
Primary Care Transformational Fund	2.295	2.295	0.000
Share of Primary Care Other Services	2.957	2.875	0.082
Family Health Services	81.252	81.252	0.000
Net operating cost	174.770	176.843	(2.073)
Less: Covid-19 spend	(10.161)	(11.874)	1.713
Revised net operating cost	164.609	164.969	(0.360)

6. Headquarters/Area Wide Departments

- 6.1. The Headquarters and Area Wide Departments are reporting an over spend of £4.798m for the period to the end of August 2020, as detailed in Table 5. £5.126m of this has been attributed to Covid-19 and £0.328m is seen as the underlying under spend.

	Budgeted Operating Costs 31/08/2020 £M	Actual Operating Costs 31/08/2020 £M	Actual saving / (excess) 31/08/2020 £M
Pay	27.974	26.959	1.015
Non Pay	40.539	41.226	(0.687)
Gross operating costs	68.513	68.185	0.328
Less: miscellaneous income	(2.571)	(2.571)	0.000
Underlying Net operating cost	65.942	65.614	0.328
Covid-19 Spend	0.000	5.126	(5.126)
Revised Net operating cost	65.942	70.740	(4.798)

- 6.2. The under spend net of Covid-19 is spread across Corporate Departments (£0.155m), Central Services (£0.169m) and Property and Support Services (£0.004m). 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 1 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 £0.106m for the period to the end of August 2020, as detailed in table 6.

	Budgeted Operating Costs 31/08/2020 £M	Actual Operating Costs 31/08/2020 £M	Actual saving / (excess) 31/08/2020 £M
Service Level Agreements	74.859	74.862	(0.003)
Unpacs and Oats	7.921	7.709	0.212
Independent Sector	0.125	0.228	(0.103)
Net operating cost	82.905	82.799	0.106

- 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 £9.437m. 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 below gives a provisional assessment of month 5 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	0.060	0.060
Drugs & prescribing	0.836	0.802	0.579	0.604
Workforce	1.060	0.596	0.268	0.213
Procurement	3.666	3.650	0.844	0.934
Infrastructure	2.320	3.457	2.486	2.486
Other	6.740	6.740	2.808	2.808
Financial Management / Corporate Initiatives	-	-	-	-
Unidentified Savings	10.030	9.437	3.932	-
Total Core NHS Board Savings	24.822	24.822	10.977	7.105
Savings delegated to Integration Authorities	5.006	3.597	3.473	2.872
Total Savings Required	29.828	28.419	14.450	9.977

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 £3.155m 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 £1.735m of additional funding to allow NHS Lanarkshire to implement an invest to save combined heat and power plant in Hairmyres. This is expected to generate £0.532m of annual savings in future years and the Scottish Government investment is very welcome.
- 9.2 £1.2m of the £3.155m 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 £1.197m of capital expenditure relating to Covid-19 has been reflected in the schedule with an assumption that funding will be received for this. This has to yet to be agreed with Scottish Government therefore remains a risk.
- 9.7 The award of funding for the invest to save initiative narrow 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.
- 9.8 Expenditure to the value of £3.508m has been incurred in the first five 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 submission due mid-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 31 August 2020. Once national clarity is reached on funding, the Board will need to rebase its 2020/21 financial plan. Costs continue to be incurred to respond 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. Although the excess beds are being stood down in line with numbers of Covid-19 patients in hospital other elements of the response, such as the assessment centres, remain in play.

- 10.3 Included within Table 8 is expenditure of £10.250m 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	8.771	0.000
Headquarters / Corporate Functions	5.126	0.000
Sub Total	13.897	0.000
Loss of income and additional costs under negotiation	0.088	0.000
Total Board Areas	13.985	0.000
North Lanarkshire Health & Social Care Partnership	7.393	0.000
South Lanarkshire Health & Social Care Partnership	11.874	0.000
Sub Total	19.267	0.000
Loss of income and additional costs under negotiation	0.792	0.000
Total Health & Social Care Partnership	20.059	0.000
Total Board and Health & Social Care Partnership	34.044	0.000
Capital Spend	0.000	1.197
Total Revenue and Capital Spend	34.044	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.

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 £9.437m 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 £18.391m as at 31 August 2020 against the non IJB portion of the budget, £13.985m of which relates to expenditure on the Covid-19 response;
- Overall an estimated £34.044m of additional cost has been incurred in the Covid-19 response up to the end of August 2020. IJB funding confirmed to date is £10.250m to support sustainability in social care, £1.211m for the hospices and £3.486m for FHS contractors. Funding decisions on the balance are expected by end of September;
- In addition to the above, the ability to make the required efficiencies has been impacted by Covid-19, leaving month 5 behind trajectory;
- the very significant risks highlighted in section 11;
- The welcome receipt of funding to allow the invest to save combined heat and power plant to be pursued.
- The over commitment against the capital programme and the initial management plan to avoid exceeding agreed capital limits.

LAURA ACE
DIRECTOR OF FINANCE
21 September 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 July 2020	1,267.058	0.000	19.633	1,286.691
Support for endoscopy recovery and backlog clearance	0.000	0.000	0.170	0.170
Locum Consultant Surgeon	0.000	0.000	0.097	0.097
Breastfeeding projects year 3	0.000	0.000	0.035	0.035
Primary Care Bundle Unitary Charge	0.000	3.832	0.000	3.832
Public Dental Service	0.000	0.674	0.000	0.674
Public Health - Test & Protect programme	0.000	0.000	0.431	0.431
Covid Social Care Sustainability Support for IAs	0.000	0.000	1.000	1.000
Outcomes Framework	0.000	7.067	0.000	7.067
Primary Care Improvement Fund 2020-21 Tranche 1	0.000	5.812	0.000	5.812
PFG Commitment - School Nursing Service Posts - Tranche 1	0.000	0.000	0.276	0.276
Covid - Care Homes Clinical Assessment - Phase 2	0.000	0.000	0.024	0.024
Core Revenue Resource Limit as at 31 August 2020	1,267.058	17.386	21.666	1,306.110
Non Core Revenue Resource Limit as at 31 July 2020	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 31 August 2020	0.000	0.000	0.000	0.000
Total Revenue Resource Limit as at 31 August 2020	1,267.058	17.386	21.666	1,306.110

ANNEX B

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 31st August 2020			
	2020/21 Plan £M	2020/21 Forecast £M	Actual £M
Initial Capital Formula Allocation: Capital Resource limit adjustments:	12.392	12.392	2.308
ADJUSTED NET ALLOCATION	£12.392	£12.392	£2.308
Anticipated Capital Resource Limit Adjustments :			
Additional Central Resource Allocation	3.000	2.750	
CHP Hairmyres	0.000	1.735	
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	
Covid-19 Costs	0.000	1.197	
	£4.500	£6.840	£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	1.200
	£1.665	£3.080	£1.200
	£18.575	£22.330	£3.508
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	5.528	5.032	1.171
Acute Property Works	5.700	6.138	1.081
New Monklands Fees	3.000	2.750	0.784
	14.228	13.920	3.036
<u>Medical Equipment</u>	3.860	4.728	0.125
	3.860	4.728	0.125
<u>Other Service Developments</u>			
Northern Corridor	0.050	0.050	0.006
	0.050	0.050	0.006
<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	
<i>subtotal</i>	1.000	3.701	0.096
I.M.&T Projects	0.708	0.935	0.245
	1.708	4.636	0.341
TOTAL CAPITAL EXPENDITURE	£19.846	£23.334	£3.508
(OVER) / UNDER COMMITTED	-£1.271	-£1.004	£0.000