

NHS Board Meeting,
31st March 2021

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



SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2021

1. PURPOSE

This paper is coming to the Board:

For approval	<input checked="" type="checkbox"/> For Assurance	<input checked="" type="checkbox"/> For Information	<input type="checkbox"/>
--------------	---	---	--------------------------

2. ROUTE TO THE BOARD

This paper has been prepared by the Director of Finance and as agreed, this report comes straight to the Board. The Acute Management Team and Health and Social Care Partnership Management Teams receive financial reports for their own area.

3. SUMMARY OF KEY ISSUES

The Board's original 2020/21 financial plan, prepared prior to the Covid-19 emergency response, predicted cost growth would exceed the allocation uplift by £29.828m. Savings would be needed to bridge this gap, of which £10.030m had still to be identified by March 2020.

The Board moved into emergency response mode on 2 March 2020. From the outset, expenditure patterns varied from the business as usual financial plan. Lanarkshire has incurred an estimated £56.441m of expenditure to date, directly linked to the Covid-19 response and has received funding which should cover costs to the year end. As services adapted to redirect beds and staff to the emergency response, developments previously anticipated in specialist services and high cost drugs inevitably moved more slowly and the cost increases forecast from these, which had created part of the unfunded gap in the original plan, have not materialised to the full extent. So although the financial sustainability programme was suspended in March 2020 and there has been limited ability to make inroads into the original £10.030m gap, the gap itself has narrowed in 2020/21. The net impact of these three factors is that the Board should be able to achieve breakeven.

Based on this at the end of February 2021 the Board is reporting an underlying £1.720m under spend which is £2.192m better than the financial plan year to date trajectory.

4. STRATEGIC CONTEXT

This paper links to the following:

Corporate objectives	<input checked="" type="checkbox"/>	AOP	<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"/>
------	--------------------------	-----------	-------------------------------------	----------------	--------------------------

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

The traditional measures would be achievement of AOP agreed position for revenue resource limit, capital resource limit and efficiency target. Given the NHS is on an emergency footing the target for 2020/21 would be to live within the funding envelope agreed with SGHSCD whilst delivering on immediate priorities.

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 Management	<input checked="" type="checkbox"/>				

10. EQUALITY AND DIVERSITY IMPACT ASSESSMENT

An E&D Impact Assessment has not been completed

Yes
No

This is a largely factual position report prepared from information in the financial ledger.

11. CONSULTATION AND ENGAGEMENT

This is a largely factual position report prepared from information in the financial ledger. The investment proposals are linked back to previous Board strategic priorities, action plans or business cases and have been checked for suitability with the officers of the IJB.

12. ACTIONS FOR THE BOARD

The Board is asked to note the contents of the report.

Approve	<input checked="" type="checkbox"/>	Accept the assurance provided	<input checked="" type="checkbox"/>	Note the information provided	<input checked="" type="checkbox"/>
---------	-------------------------------------	-------------------------------	-------------------------------------	-------------------------------	-------------------------------------

13. FURTHER INFORMATION

For further information about any aspect of this paper, please contact *Laura Ace, Director of Finance*
Telephone: 01698 752774.

Laura Ace
Director of Finance

19 March 2021

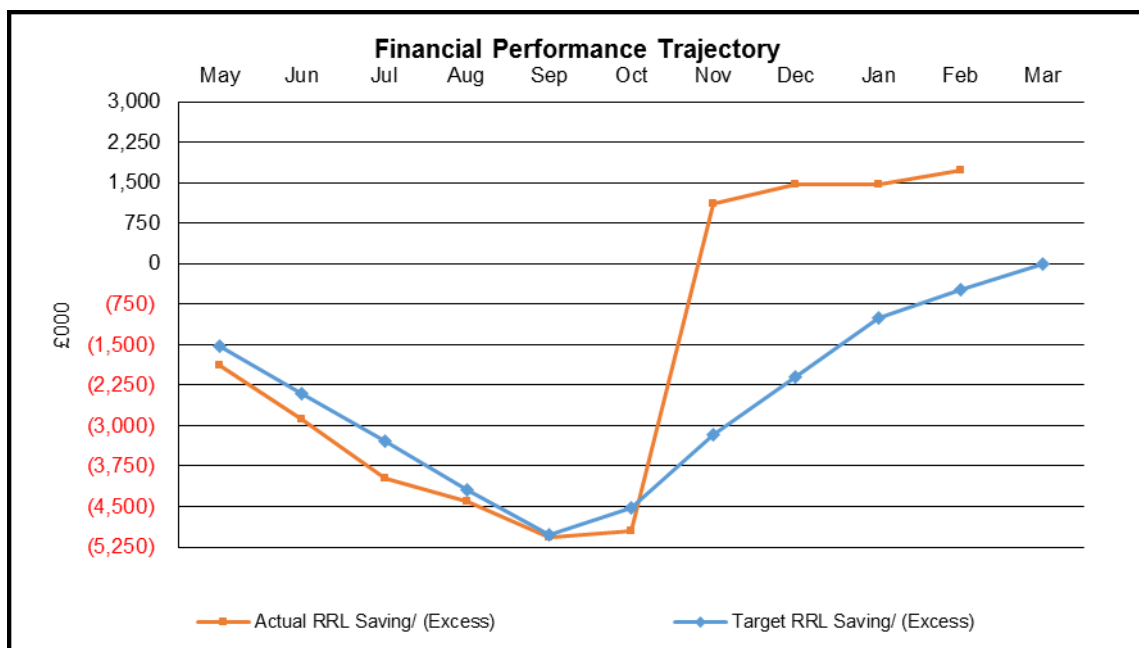
NHS LANARKSHIRE FINANCE REPORT FOR THE PERIOD ENDED 28 FEBRUARY 2021

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 eleven months of 2020/21 and to confirm that the forecast for both is to end the year within available resources.

2. Overview

- 2.1. The 2020/21 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. At that point costs were expected to grow more than the 3% allocation uplift. Factors influencing that assessment were the 4.57% estimated impact of the 3rd year of the Agenda for Change pay deal, a 10.9% potential increase in hospital drugs and a range of national commitments. 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. Prior to the start of the year the Board moved on to an emergency footing and since then the priority has been to respond to the Covid-19 pandemic. This has resulted in a very different use of resources in year than envisaged in the original Annual Operational Plan (AOP). Significant additional costs have been incurred in the Covid-19 response. Other less urgent planned developments have either been deferred or happened more slowly. The steep rise in the cost from new drugs has not materialised nor has some of the notified expansion in specialist services. Work on the financial sustainability programme was suspended although some savings were still achieved. Performance against trajectory is set out below.



- 2.3. The trajectory above reflects the lower savings achievement in the first part of the year followed by recognition after receiving mid-year information that elements of previously predicted cost growth would not happen. With services still adapting to the latest Covid-19 position and new payments being notified careful review of finances will be needed at the year end to ensure all costs have been captured.
- 2.4. Table 1 below shows the split by Division, further explained in sections 4 to 7.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	378.335	378.227	0.108
North Lanarkshire Health & Social Care Partnership	301.069	283.135	17.934
South Lanarkshire Health & Social Care Partnership	417.636	400.182	17.454
Headquarters / Corporate Functions	168.654	167.975	0.679
Service Level Agreements / Other Healthcare Providers	194.234	193.034	1.200
NHSL - wide	(2.805)	(2.538)	(0.267)
Net operating costs	1,457.123	1,420.015	37.108
Remove IJB Position	(718.705)	(683.317)	(35.388)
Revised Net operating costs	738.418	736.698	1.720

3. Revenue Resources

- 3.1. At the end of February 2021, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,518.217m and the Non-Core Revenue Resource Limit was £30.198m, details of which are noted in Annex A.
- 3.2. The February 2021 Core Revenue Resource Limit includes confirmed resources of £0.517m for Distress Brief intervention programme, £0.461m for adult flu vaccine costs and £0.618m replacement insulin pumps for individuals with type 1 diabetes and continuous glucose monitors (CGM) for pregnant woman with type 1 diabetes.

4. Acute Division

- 4.1. The Acute Division is reporting an under spend of £0.108m for the period to the end of February 2021, as detailed in Table 2. Budget has been released to match the £21.322m of costs relating to the Covid-19 response up to the end of February. 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 and because of the immediate need to focus resources on treating patients with Covid-19 a significant backlog of planned procedures has built up.

	Budgeted Operating Costs 28/02/2021 £M	Actual Operating Costs 28/02/2021 £M	Actual saving / (excess) 28/02/2021 £M
Pay	304.982	305.271	(0.289)
Non Pay	86.429	86.032	0.397
Healthcare Purchases	2.115	2.115	0.000
Gross operating costs	393.526	393.418	0.108
Less: miscellaneous income	(36.513)	(36.513)	0.000
Underlying Net operating cost	357.013	356.905	0.108
Covid-19 Spend	21.322	21.322	0.000
Net operating cost	378.335	378.227	0.108

- 4.2. The estimated underlying overspend is driven by medical and healthcare scientist pay costs in excess of budget.
- 4.3. In calculating the additional costs of Covid-19, £4.880m of offsetting cost reductions including theatre consumables and the lower than expected charge from the Golden Jubilee have been netted off.
- 4.4. The acute hospital drug spend in the first 11 months is 5.5% less than that in the comparative period of 2019/20. Based on nine month information for out of area high cost drugs the predicted growth in new drugs is below the financial planning estimates at the time of the AOP submission with only £1.0m estimated as being required from the £4.387m set aside for specialist out of region centres in 2020/21.

5. Health and Social Care Partnerships

- 5.1. Recognising an eleven months share of the substantial additional revenue resources allocated to Integration Authorities in February 2021, moves the Health and Social Care Partnerships into a position of being £35.388m underspent for the period to the end of February 2021 (North IJB - £17.934; South IJB - £17.454).
- 5.2. Covid-19 expenditure relates to running the Community Hub and 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 costs attributed to Covid-19 are North IJB - £5.982m; South IJB - £8.781m up to the end of February.
- 5.3. The funding received in January to cover the additional Covid-19 costs includes £1.797m to recognise price increases in two drugs. This has allowed the South Lanarkshire HSCP to move to a breakeven position for prescribing. In the previous month there had been a cumulative overspend of £0.950m caused in part by repayment of £0.429m bridging funding to cover higher prescribing volumes in March 2020. Prescribing volumes overall in 2020/21 were 3% less in the period to end of January 2021 than in the previous year. Both HSCPs had a prescribing efficiency plan and the target amount has been withdrawn from the opening budget. Both IJBs are demonstrating achievement of efficiencies.

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 28/02/2021 £M	Actual Operating Costs 28/02/2021 £M	Actual saving / (excess) 28/02/2021 £M
Pay	129.059	124.452	4.607
Non Pay	98.674	87.487	11.187
Prescribing	65.621	63.621	2.000
Sub Total	293.354	275.560	17.794
Primary Care Transformational Fund	0.000	0.000	0.000
Share of Primary Care Other Services	7.715	7.575	0.140
Family Health Services	0.000	0.000	0.000
Net operating cost	301.069	283.135	17.934
Less: Covid-19 spend	(5.982)	(5.982)	0.000
Revised net operating cost	295.087	277.153	17.934

	Budgeted Operating Costs 28/02/2021 £M	Actual Operating Costs 28/02/2021 £M	Actual saving / (excess) 28/02/2021 £M
Pay	64.446	62.919	1.527
Non Pay	84.807	74.319	10.488
Prescribing	61.072	61.072	0.000
Sub Total	210.325	198.310	12.015
Primary Care Improvement Fund	11.719	6.415	5.304
Share of Primary Care Other Services	7.413	7.278	0.135
Family Health Services	188.179	188.179	0.000
Net operating cost	417.636	400.182	17.454
Less: Covid-19 spend	(8.781)	(8.781)	0.000
Revised net operating cost	408.855	391.401	17.454

6. Headquarters/Area Wide Departments

6.1. The Headquarters and Area Wide Departments are reporting an under spend of £0.679m for the period to the end of February 2021, as detailed in Table 5. Budget has been released to match the £16.519m of costs attributed to Covid-19 up to the end of February.

	Budgeted Operating Costs 28/02/2021 £M	Actual Operating Costs 28/02/2021 £M	Actual saving / (excess) 28/02/2021 £M
Pay	62.263	60.708	1.555
Non Pay	96.142	97.018	(0.876)
Gross operating costs	158.405	157.726	0.679
Less: miscellaneous income	(6.270)	(6.270)	0.000
Underlying Net operating cost	152.135	151.456	0.679
Covid-19 Spend	16.519	16.519	0.000
Net operating cost	168.654	167.975	0.679

6.2. The under spend is spread across Corporate Departments (£0.536m), Central Services (£0.171m) offsetting an over spend in Property and Support Services (£0.028m). The majority of Corporate HQ department savings have been deducted from budgets and have over achieved on the AOP assumptions.

7. Service Level Agreements/Other Healthcare Providers

7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £1.200m for the period to the end of February 2021, as detailed in table 6.

	Budgeted Operating Costs 28/02/2021 £M	Actual Operating Costs 28/02/2021 £M	Actual saving / (excess) 28/02/2021 £M
Service Level Agreements	171.310	170.738	0.572
Unpacs and Oats	22.575	21.853	0.722
Independent Sector	0.349	0.443	(0.094)
Net operating cost	194.234	193.034	1.200

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. As services continue to be disrupted due to the pandemic and travel restrictions imposed across many council areas of Scotland fewer Lanarkshire patients accessed services from other Boards including cross border which has resulted in the Unplanned and Oats area reporting an under spend of £0.722m for the period to the end of February 2021. The one area where activity has increased is with NHS Forth Valley who have assisted our own Acute Division through Mutual Aid on numerous occasions.

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, however £22.452m of recurring savings remained unidentified.
- 8.2. Within the Acute Division it has been assumed that planned savings from the drugs bill and from theatre consumables would be secured by the end of the year and they were deducted from budget. 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.
- 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. 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 combined with slippage against financial plan estimates primarily the drug reserve and NSD for the return of funding not required from the national risk sharing scheme has allowed us to eliminate the 2020/21 savings gap. In order to report against the original submission the slower growth in drugs costs and specialist services has been recorded in the financial management line even though it is a changed cost profile rather than a true efficiency.
- 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 £0.070m 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 was reviewed downwards as more was known about the actual level of cost rises.
- 8.6. Table 7 gives a provisional assessment of month 11 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	0.132	0.132
Drugs & prescribing	0.836	0.892	0.853	0.887
Workforce	1.060	0.686	0.628	0.637
Procurement	3.666	3.580	2.933	2.692
Infrastructure	2.320	3.935	3.878	3.878
Other	6.740	6.740	6.178	6.178
Financial Management / Corporate Initiatives	-	8.850	8.194	8.194
Unidentified Savings	10.030			
Total Core NHS Board Savings	24.822	24.822	22.797	22.599
Savings delegated to Integration Authorities	5.006	3.750	3.750	3.750
Total Savings Required	29.828	28.572	26.547	26.349

9. Capital

- 9.1 At 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 known allocations 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 now scheduled for April 2021.
- 9.3 As the year progressed, additional demands emerged, particularly from the ongoing review of the risks to business continuity in Monklands but conversely initial timescales to complete some of the projects proved optimistic. The hybrid theatre for the regional vascular service and the invest to save energy efficiency project will now be finalised in the first quarter of 2021/22. The medical equipment replacement programme for 2021/22 has been advanced to bring forwards some purchases into 2020/21 to balance off the expenditure between the two years.
- 9.4 The original plans for a 24 bedded ward were revised in the light of the Covid-19 experience and converted to a 17 bedded solution which opened during November.
- 9.5 A late addition to the capital plan was the purchase of the practice owned element of Rutherglen Health centre. Discussions had been advanced though the primary

care premises group under the sustainability loan scheme and only connected with the capital programme at a late stage. SGHSCD provided the funding to allow this to happen.

- 9.6 Expenditure to the value of £11.664m has been incurred in the first eleven months as detailed in Annex B.

10. Development and Approvals

- 10.1 Expenditure to manage the Covid-19 response continues to be incurred, captured and reported to SGHSCD. Table 8 summarises the Covid-19 costs to 28 February 2021.

Table 8 - Covid-19 Revenue & Capital Spend		
Table 8	Revenue	Capital
Area	2020/21	2020/21
	£m	£m
Acute Operating Division	21.322	0.000
Headquarters / Corporate Functions	16.519	0.000
Sub Total	37.841	0.000
Loss of income and planned expenditure under negotiation	3.837	0.000
Total Board Areas	41.678	0.000
North Lanarkshire Health & Social Care Partnership	5.982	0.000
South Lanarkshire Health & Social Care Partnership	8.781	0.000
Sub Total	14.763	0.000
Loss of income and planned expenditure under negotiation	0.000	0.000
Total Health & Social Care Partnership	14.763	0.000
Total Board and Health & Social Care Partnership	56.441	0.000
Capital Spend	0.000	1.538
Total Revenue and Capital Spend	56.441	1.538

- 10.2 In January the Board and HSCPs submitted their latest forecast of costs likely to be incurred up to 31 March 2021 on responding to the Covid-19 pandemic. SGHSCD then issued the balance between the £96.685m forecast and the funding previously released. Although the response is dynamic and forecasts are regularly being recalibrated, this overall envelope is believed to be sufficient to cover each partners' costs. The return submitted in mid-February reduces the year end forecast for the NHS Board by £2.746m. The Board element of the funding is expected to be adjusted at the year-end based on actual costs at that point.

11. Risk Assessment

11.1 The overall financial risk has been reduced from medium to low following confirmation that the Covid-19 costs will be covered in full.

12. Conclusion

The Board is asked to note:

- the performance to Month 11 which at that point reflects a revenue under spend of £1.720m as at 28 February 2021 against the non IJB portion of the budget;
- that full funding has been received for the forecast costs attributed directly to the Covid-19 response and as a result the risk rating has been lowered from medium to low;
- the re-profiled but balanced capital plan based on current best estimates.

LAURA ACE
DIRECTOR OF FINANCE
19 March 2021

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 January 2021	1,266.933	129.874	119.687	1,516.494
Scottish Trauma Network	0.000	0.000	0.070	0.070
GP dispensing: medicines delivery service	0.000	0.000	0.008	0.008
MSN Neurosurgery	0.000	0.000	0.036	0.036
Vcreate and Scale Up BP costs	0.000	0.000	0.080	0.080
Distress Brief Intervention Programme - Associate Site & Pathway	0.000	0.000	0.517	0.517
Adult Flu vaccine costs in 2020/21	0.000	0.000	0.461	0.461
Insulin pumps	0.000	0.000	0.618	0.618
Discovery - 2020-21	0.000	(0.067)	0.000	(0.067)
Core Revenue Resource Limit as at 28 February 2021	1,266.933	129.807	121.476	1,518.217
Non Core Revenue Resource Limit as at 31 January 2021	0.000	0.000	30.198	30.198
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 28 February 2021	0.000	0.000	30.198	30.198
Total Revenue Resource Limit as at 28 February 2021	1,266.933	129.807	151.674	1,548.415

ANNEX B

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 28th February 2021			
	2020/21 Plan £M	2020/21 Forecast £M	Actual £M
Initial Capital Formula Allocation:	12.392	12.392	9.024
Capital Resource limit adjustments:			
CHP Hairmyres	0.000	1.735	
Covid-19 Costs	0.000	1.197	
Imaging Replacement Programme	0.000	0.900	
Ophthalmology - Eye Care Services	0.000	0.202	
Rutherglen Health Centre	0.000	0.687	
West of Scotland Laundry and Vascular	1.500	1.653	
Covid-19 Support	0.000	0.341	
Additional Central Resource Allocation	3.000	2.600	
Central Resource Return	0.000	-0.426	
ADJUSTED NET ALLOCATION	£16.892	£21.281	£9.024
Anticipated Capital Resource Limit Adjustments :			
West of Scotland Vascular - return funding to NHS Ayrshire & Arran	0.000	-0.062	
	£0.000	-£0.062	£0.000
Other Income Adjustments:			
Other Income	0.018	0.018	
	£0.018	£0.018	£0.000
Disposal Programme:			
Property Disposals	1.665	2.640	2.640
	£1.665	£2.640	£2.640
	£18.575	£23.877	£11.664
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands general business continuity	5.528	3.943	2.038
Acute Property Works	5.700	5.792	3.060
New Monklands Fees	3.000	2.600	2.219
	14.228	12.335	7.317
<u>Medical Equipment</u>	3.860	6.310	2.995
	3.860	6.310	2.995
<u>Other Service Developments</u>			
Northern Corridor	0.050	0.052	0.052
CAMHS		0.030	
	0.050	0.082	0.052
<u>Other Expenditure</u>			
CHP Hairmyres	0.700	1.668	
PSSD Equipment	0.300	0.551	0.096
Rutherglen Health Centre	0.000	0.687	
Covid-19 costs	0.000	1.538	0.723
<i>subtotal</i>	1.000	4.444	0.819
I.M.&T Projects	0.708	0.897	0.481
	1.708	5.341	1.300
TOTAL CAPITAL EXPENDITURE	£19.846	£24.068	£11.664
(OVER) / UNDER COMMITTED	-£1.271	-£0.191	£0.000