

NHS Board Meeting
31st August 2022

Lanarkshire NHS Board
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SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 JULY 2022

1. PURPOSE

This paper is coming to Board Members:

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

The Board's financial plan reflected the costs of normal operating and assumed any additional Covid-19 costs would be funded by the Scottish Government. To balance, it relied on £38.223m of savings. An estimated £32.554m of savings had still to be identified when submitting the plan.

Since then there has been a marked deterioration in the Board's financial forecast and the estimated gap now sits at £69.262m. The main reasons for this are set out in annex C. The Board has been advised of a financial envelope of £15.8m for Covid-19 which falls £10.467m short of forecasts. This envelope gives Lanarkshire c. 5% less than its population share of the national total which, given the main element is a c. £16m population based vaccination programme is the subject of ongoing discussions with SG. Based on the current expenditure profile the Acute Division is forecast to be £16.388m over budget by the year end, the reasons for which are explained in more detail in section 4. CPI at the time of modelling supplies inflation for the plan was 3.8%. Rebasing that at the June average of 8% for our bundle of services adds another £4.033m to the gap. Further energy price rises, including a national agreement to fund provider Boards an additional 0.63% to cover their rising power costs, adds another £5.159m.

CMT has established a Financial Recovery Group which has assigned ownership for various work streams. These are still at an early stage and even those under discussion represent 5 or 6 figure savings opportunities which will not be enough to close the gap. £1.067m has been identified and delivered to date through this route, with c £2m further national savings added. Financial management opportunities of £15.271m have been identified and we are in discussion with SG about £14.083m of previously banked funding being used. Had the underlying position not deteriorated this would have taken us to near breakeven, albeit non recurrently at 31 March 2023. Recognising the adverse cost movements however means there remains a £36.582m gap.

An SG letter of 14th July 2022 advised Boards that they must break even in 2022/23 and that brokerage will not be available. Given more than a third of the year has passed, the gap sits at £36.582m with no major deliverable schemes identified whilst the system has recently been elevated to its highest level of operational risk due to staffing shortages against the current demands and the same letter asked for an increased focus on reducing backlogs, it is highly unlikely that breakeven could be achieved. Further discussions with SG will be required. Meanwhile the Board will continue to look for savings opportunities whilst prioritising clinical safety and continue to seek an equitable Covid-19 funding envelope.

The Month 4 results show a £15.722m overspend to date, excluding the £8.939m of additional costs attributed to Covid-19. This is a combination of the opening predicted gap and an over spend within the Acute Division of £7.498m.

There is confidence the capital schemes can be delivered within funding but still details to be finalised on funding opportunities for backlog maintenance.

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

Based on the information at month 3 Risk ID 2123 (that there is a significant risk that NHS Lanarkshire will be unable to realise required savings for year 2022/23 and deliver a balanced budget whilst maintaining essential services, meeting legislative requirement whilst being responsive to strategic change) remains at very high.

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 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 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"/>
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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
 21 August 2022

NHS LANARKSHIRE

FINANCE REPORT FOR THE PERIOD ENDED 31 JULY 2022

1. Introduction

- 1.1. This paper sets out the revenue and capital expenditure to the end of July 2022, and provides an update on the 2022/23 forecast. There is a high level of uncertainty at this stage.

2. Overview

- 2.1. In March 2022 the Board approved an opening 2022/23 financial plan which set out a £38.223m gap between projected costs and income. Excluding the HSCPs, £5.669m of efficiency savings could reasonably be assumed, leaving the means with which to close the remaining £32.554m gap still to be identified. It was assumed that additional costs incurred in responding to Covid-19 would be funded as would any costs of a pay award in excess of the estimated 2% public sector pay award.
- 2.2. Since then a combination of external and internal factors has caused a marked deterioration in forecasts. The main reasons for this are set out in Annex C. The Board has been advised of a financial envelope of £15.8m for Covid-19 which falls £10.467m short of forecasts. This envelope gives Lanarkshire c. 5% less than its population share of the national total which, given the main element is a c £16m population based vaccination programme is the subject of ongoing discussions with SG. CPI at the time of modelling supplies inflation for the plan was 3.8%. Rebasng that at the June average of 8% for our bundle of services adds another £4.033m to the gap. Further energy price rises, including a national agreement to fund provider Boards an additional 0.63% to cover their rising power costs, adds another £5.159m.
- 2.3. In addition to the factors above our own internal financial performance has deteriorated. The Acute Division is £7.498m in excess of budget at Month 4 with a further £4.108m coded as Covid-19 expenditure. Excluding Covid-19, the forecast for the deficit based on quarter 1 results is £16.388m. In total £8.939m of costs incurred in responding to Covid-19 have been coded separately in the NHS Board's ledger.
- 2.4. CMT has established a Financial Recovery Group which has assigned ownership for various work streams. These are still at an early stage and even those under discussion represent 5 or 6 figure savings opportunities which will not be enough to close the gap. £1.067m has been identified and delivered to date. A further £2.299m of national savings have been recognised. The finance department, linking in to a national workstream on financial flexibility, has identified potential one off financial management opportunities of £29.354m. Using these now depletes all potential buffers against adverse movements and gives a full reliance on delivered efficiency schemes to close the remainder of the £36.582m gap. The only exception to this is the ongoing discussions on the Covid-19 allocation.

- 2.5. An AfC pay offer of 5% has been made and the plan has been updated to include that and a 4.5% assumption for medical and dental staff. SG have advised Boards to assume they will receive an allocation for the difference between that level of pay award and the previously modelled public sector pay policy.
- 2.6. An SG letter of 14th July 2022 advised Boards that they must breakeven in 2022/23 and that brokerage will not be available. Given more than a third of the year has passed, the gap sits at £36.582m with no major deliverable schemes identified whilst the system has recently been elevated to its highest level of operational risk due to staffing shortages against the current demands and the same letter asked for an increased focus on reducing backlogs, it is highly unlikely that breakeven could be achieved. Further discussions with SG will be required. Meanwhile the Board will continue to look for savings opportunities whilst prioritising clinical safety.
- 2.7. The narratives and figures above apply to the budgets directly managed by the NHS Board. The IJBs faced a different cost and income profile. The absence of a carried forward recurring gap, the presence of reserves and a degree of insulation from some of the then higher cost items such as hospital drugs and energy meant initially breakeven was predicted. They will however be impacted by further supplies cost rises and any unfunded impact of the pay awards.
- 2.8. The table below gives the summary by Division at the end of July 2022. Sections 4 to 7 provide more detail on each area.

Table 1 - Summary Financial Position 2022/23			
	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	141.921	149.419	(7.498)
North Lanarkshire Health & Social Care Partnership	104.274	101.961	2.313
South Lanarkshire Health & Social Care Partnership	154.053	154.187	(0.134)
Estates, E health and Other Corporate Functions	57.036	57.411	(0.375)
Service Level Agreements / Other Healthcare Providers	71.559	71.079	0.480
NHSL - wide	(49.126)	(40.797)	(8.329)
Underlying net operating cost	479.717	493.260	(13.543)
Remove IJB Position	(258.327)	(256.148)	(2.179)
Revised underlying net operating cost	221.390	237.112	(15.722)

- 2.9. At the start of the year the demands for capital far exceeded income and the approach agreed with the Board was to continue to work up projects to establish realistic timelines while allowing more advanced priority items to proceed. The Board has been successful in a bid for National Infrastructure Board funds so confidence has grown that the gap can be resolved.

3. Revenue Resources

- 3.1. At the end of July 2022, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,346.610m, details of which are noted in Annex A.
- 3.2. We are anticipating at least an additional £245m of specific allocations, the largest component of which would be approximately £150m in standard primary care allocations.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £11.606m for the period to the end of July 2022, as detailed in Table 2 (June 22 £8.224m). £4.108m of this has been attributed to Covid-19. We have not yet received funding from Scottish Government so no budget has been released to match costs incurred up to the end of July. £7.498m is seen as the underlying problem, £6.341m more than at the same point in the previous year due to a steep increase in agency nursing alongside increases in bank, unfunded medical posts and expanded use of new higher cost drugs.

Table 2 - Acute Division 2022/23

	Budgeted Operating Costs 31/07/2022 £M	Actual Operating Costs 31/07/2022 £M	Actual saving / (excess) 31/07/2022 £M
Pay	115.162	119.733	(4.571)
Non Pay	38.692	41.618	(2.926)
Healthcare Purchases	1.505	1.506	(0.001)
Gross operating costs	155.359	162.857	(7.498)
Less: miscellaneous income	(13.438)	(13.438)	0.000
Underlying Net operating cost	141.921	149.419	(7.498)
Covid-19 Spend	0.000	4.108	(4.108)
Revised Net operating cost	141.921	153.527	(11.606)

- 4.2. The estimated overspend (excluding Covid-19) is driven by pay costs in excess of budget (nursing £2.694m and medical £1.913m). Non pay costs are also overspent (drugs £2.099m, equipment £0.218m and laboratory and theatres supplies £0.542m). A further breakdown can be found in table 1 which was extracted from the Acute DMT report.

Table 1 - Acute Division by Group 2022-23 -July

Group	Budgeted Operating Costs £m	Actual Operating Costs £m	Actual Saving / (excess) £m
Medical Staffing	38.081	39.993	-1.913
Nurse Staffing	55.331	58.025	-2.694
AHP	4.052	4.062	-0.010
Healthcare Sciences	7.202	7.282	-0.080
Other Pay	10.497	10.371	0.126
Medicines & Prescribing	20.826	22.925	-2.099
Other non pay	17.866	18.693	-0.827
Healthcare Purchases	1.505	1.506	-0.001
Net Operating Cost	155.359	162.857	-7.498
Covid-19 Spend	0.000	4.108	-4.108
Gross Operating Cost	155.359	166.965	-11.606

- 4.3. £3.003m of the £4.108m coded as Covid-19 expenditure relates to nursing taking the total nursing spend in excess of budget to £5.697m in the first 4 months. The other factors influencing this are covering for high sickness absence levels and the continued use of agency workers to complement other supplementary staffing solutions. Nurse agency spend continues to be much higher than pre-pandemic levels and totals £5.698m for the first 4 months of the year. This compares with an Agency spend for the comparable period last year of £2.132m. Nursing budgets are funded for 4% sickness absence. Overall, sickness rates increased from an average of 8.67% in May to an average of 9.3% in July 2022. 33 Wards reported sickness levels exceeding 12%. Absence due to Covid-19 is on top of this plus there are additional staff for the direct Covid-19 response.
- 4.4. The extra hours being paid for in the first 4 months is the equivalent of being 348 whole time equivalents (10.1%) over establishment (split 301 WTE for HCSW and 47 for registered nursing). Looking at the reasons for additional hours shows cover for sickness absence over the previous target of 4% equates for 163 WTE whilst cover for Covid-19 related absence adds a further 127.49 WTE.
- 4.5. Although the total hours are over establishment, for registered nursing the substantive numbers in post sit below establishment despite all efforts to recruit. Numbers were close to expectation in October 2021 when all appropriate newly qualified graduates were offered positions but have been falling since through turnover and will not pick up again until the next graduation of practitioners. This means there is a substantial reliance on supplementary staffing for core rotas even before demands posed by the excess absence in 4.4. Work is underway between the Nurse Director, HR and the Acute Division to look at rostering to ensure that we are scheduling the resource we do have as effectively as possible. Newly qualified graduates have been invited to start in September with the expectation that the additional cost will be defrayed by

supplementary staffing cost reduction with the added benefit of increased familiarity when they are able to fill their registered position.

- 4.6. The expenditure on laboratory and theatres supplies in the first 4 months of 2022/23, at £12.351m is £2.047m (20%) more than in the first 4 months of the previous year as more services continue to open up after the lifting of Covid-19 restrictions. The inflation impact across the larger contracts is being modelled to inform how the financial plan assumptions should be translated into budgets.
- 4.7. At £22.925m, the first 4 month's Lanarkshire hospitals drug spend is 14.5% more than at the same point last year, 43% more than the same point in 2020/21 and 37% more than pre-pandemic levels. At this stage nothing is known about the out of area high cost drugs which now make up approximately one third of our hospital drug spend. To date approximately £1.334m has been released from the 2022/23 financial plan uplift for drugs with the remainder held back and not issued to budget until more is known.

5. Health and Social Care Partnerships

- 5.1. Across the Health and Social Care Partnerships, there is an under spend of £2.179m for the period to the end of July 2022 (North IJB - £2.313m under spent; South IJB - £0.134m over spent). Budget has been released from IJB reserves previously carried forward to match the costs attributed to Covid-19 (North IJB - £1.364m; South IJB - £0.805m) up to the end of July.
- 5.2. The prescribing budget has been uplifted by the 2% allocation uplift. Provisional prescribing volumes till the end of June suggest a 2.2% increase on last year. The average price per item has decreased from £9.59 in March 2022 to £9.46 in May, very slightly higher than would have been expected from the national tariff reduction. As the tariff change results in a corresponding decrease the residual impact is the cost increase from the items growth. Based on 3 months' volumes, South Lanarkshire IJB is showing an estimated overspend of £0.760m against the prescribing budget whilst North which has a lower average cost per item, is still showing breakeven despite £1.068m of identified savings having been removed from budget.
- 5.3. Tables 3 and 4 show the position in each partnership. Both have pay underspends due to vacancies across locality community services, hosted services and areas where recruitment is still progressing against new funding such as addictions.

	Budgeted Operating Costs 31/07/2022 £M	Actual Operating Costs 31/07/2022 £M	Actual saving / (excess) 31/07/2022 £M
Pay	49.758	47.224	2.534
Non Pay	29.605	29.870	(0.265)
Prescribing	23.194	23.194	0.000
Sub Total	102.557	100.288	2.269
Primary Care Transformational Fund	0.000	0.000	0.000
Share of Primary Care Other Services	3.081	3.037	0.044
Family Health Services	0.000	0.000	0.000
Net operating cost	105.638	103.325	2.313
Less: Covid-19 spend	(1.364)	(1.364)	0.000
Revised net operating cost	104.274	101.961	2.313

	Budgeted Operating Costs 30/06/2022 £M	Actual Operating Costs 30/06/2022 £M	Actual saving / (excess) 30/06/2022 £M
Pay	27.236	26.208	1.028
Non Pay	24.739	25.182	(0.443)
Prescribing	22.243	23.003	(0.760)
Sub Total	74.218	74.393	(0.175)
Primary Care Transformational Fund	2.336	2.336	0.000
Share of Primary Care Other Services	2.960	2.917	0.043
Family Health Services	75.344	75.344	0.000
Net operating cost	154.858	154.990	(0.132)
Less: Covid-19 spend	(0.805)	(0.803)	(0.002)
Revised net operating cost	154.053	154.187	(0.134)

6. Estates, e-Health and Other Corporate Functions

- 6.1. Estates, e-Health and Other Corporate functions are reporting an over spend of £5.206m for the period to the end of July 2022, as detailed in Table 5. £4.831m of this has been attributed to Covid-19 and £0.375m is seen as the underlying over spend. This month we are beginning to see the cost impact (£0.550m) of rising energy prices within Property and Support Services.
- 6.2. We have not yet received funding from Scottish Government therefore no budget has been released to match the costs attributed to Covid-19. The costs of Test and Protect, the Vaccination programme, community testing and enhanced cleaning across all of NHS Lanarkshire are being reflected in the Corporate section of the ledger, hence the high level of Covid-19 costs.

	Budgeted Operating Costs 31/07/2022 £M	Actual Operating Costs 31/07/2022 £M	Actual saving / (excess) 31/07/2022 £M
Pay	26.708	26.358	0.350
Non Pay	33.643	34.368	(0.725)
Gross operating costs	60.351	60.726	(0.375)
Less: miscellaneous income	(3.315)	(3.315)	0.000
Underlying Net operating cost	57.036	57.411	(0.375)
Covid-19 Spend	0.000	4.831	(4.831)
Revised Net operating cost	57.036	62.242	(5.206)

6.3. The estimated over spend (excluding Covid-19) is mainly within Property and Support Services (£0.699m) linked to the cost impact of rising energy prices. Corporate Departments are (£0.012m) under spent and the remaining under spend (£0.312m) sits within Occupational Health (Salus) whose income generating activities are pre-planned to make a contribution to other Board overheads. Typically, this will be assessed part way through the year and if guaranteed, transferred to our efficiency total.

7. Service Level Agreements/Other Healthcare Providers

7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.480m for the period to the end of July 2022, as detailed in table 6.

	Budgeted Operating Costs 31/07/2022 £M	Actual Operating Costs 31/07/2022 £M	Actual saving / (excess) 31/07/2022 £M
Service Level Agreements	62.983	62.696	0.287
Unpacs and Oats	8.451	8.302	0.149
Independent Sector	0.125	0.081	0.044
Net operating cost	71.559	71.079	0.480

7.2. The under spend of £0.287m being reported against service level agreements is based on the continuation of the 2021/22 position. National discussions on how inter Board SLA's should be calculated have yet to take place. Apart from Glasgow who operate two years in arrears, most Boards would have been expected to revise their charges based on a three year rolling average of activity to 2021/22. There is widespread agreement however that the previous two years' activity was so atypical due to Covid-19 that the previous 3 year rolling average will be retained. It is expected, as well as passing on the allocation uplift, funding provided to cover the 1.25% increase in employer's national insurance will also be passed on and any specific uplift provided for the pay deal beyond (2%) will be factored in to SLAs. If SLAs are uplifted for other pressures

this will become a cost pressure on the Board. There is a proposal to increase them by a further 0.63% to cover provider Boards for the excess energy costs.

8. CRES/Efficiency

- 8.1. The financial plan was prepared on the basis of historic budgets and agreed developments. It was assumed any additional Covid-19 costs would be funded. Taking account of the opening gap of £24.254m and modelling the pay and supplies price increases and the previous trend on high cost drugs produced a cost increase £38.223m greater than the income increase. To balance this the Board would have needed to release £38.223m of cash from budgets through efficiency savings (CRES). At the time of submitting the financial plan the Board had only identified proposals for £5.669m of this total.
- 8.2. The Financial Recovery Group which has assigned ownership for various work streams recently considered an analysis of travel expenditure since 2019/20 noting the reduction in travel costs in the two years of the pandemic and agreed to a permanent reduction through better use of new technology. CMT approved the proposal for a £0.159m reduction in acute travel budgets and an initial £0.178m of budget reductions in corporate departments to be followed by discussions with each department head about potential further reductions.
- 8.3. Other workstreams include a review of our administrative buildings, telecoms, postage, paper and copying, drug switch opportunities, catering efficiencies and drug formularies. It is unlikely that much cash will be released from these in 2021/22 and even an optimistic total would only make a moderate dent in the gap. To breakeven some more fundamental service or policy changes would be needed. Savings from the reduction in acute medicines budgets (£0.067m) through the cost effective prescribing of Pirfenidone has been removed from the budget.
- 8.4. A comprehensive overview of all financial management opportunities has been undertaken resulting in £15.271m being recognised as savings and a further £14.083m of funding held by SG on Lanarkshire's behalf being utilised this year. All but £3.454m of this is one off, so utilising these sources now largely exhausts these opportunities.
- 8.5. Table 7 gives a provisional assessment of month 4 performance against the opening financial plan submission. Savings to date include rebates on drug list prices, small property or equipment savings.

Financial Plan description	Annual Operating Plan £m	Revised Annual Plan £m	Plan to date £m	Actual to Date £m
Service redesign	-	-	-	-
Drugs & prescribing	0.500	0.500	0.007	0.004
Workforce	-	-	-	-
Procurement	4.500	6.100	3.041	3.028
Infrastructure	0.669	2.096	1.413	1.185
Other	-	-	-	-
Financial Management / Corporate Initiatives	-	15.271	-	-
Unidentified Savings	32.554	36.582	-	-
Total Core NHS Board Savings	38.223	60.549	4.461	4.217
Savings delegated to Integration Authorities	4.132	5.413	-	-
Total Savings Required	42.355	65.962	4.461	4.217

9. Capital

- 9.1 The initial plan presented to the Board in March 2022 reflected the £13.012m formula allocation, an anticipated £13.156m towards the Monklands replacement business case and an estimated £0.551m of funding from revenue sources and other sources. Since then the main change to income has been as a result of a successful bid to the National Infrastructure Board for £2.126m funding for higher value equipment replacements. A bid has also been submitted for available backlog maintenance funding plus a further bid to cover the laundry equipment on the request of other West of Scotland boards who would like to cover their 50% contribution this way. We have anticipated attracting £0.513m funding for fleet decarbonisation.
- 9.2 As is often the case the list of requests for capital far exceeded known income at the start of the year. The board in March 2022 was asked only to approve £5.120m of priority projects either already in progress or needing to start soon. The local capital investment group has been working through the lists of projects under development or equipment requests, assessing priority and deliverability. The change in income plus recognition of the longer timescales that will be needed to deliver some schemes mean the capital demands can now be accommodated within the capital funding.
- 9.3 Since the report to the June PPRC any equipment covered by funding bids has been added to the plan. CIG has approved £0.155m for additional measures for water security and £0.167m for a body store replacement at Hairmyres. The forecast in appendix B does make an assessment of what else is likely to be added and provides the Board with reassurance that capital demands can be managed. The confirmation of the backlog maintenance and the potential that a capital to revenue transfer will not be an option are the main outstanding issues and further work is need to maximise the opportunities from this.
- 9.4 Expenditure to the value of £4.257m has been incurred in the first four months as detailed in Annex B.

10. Development and Approvals

- 10.1 No developments have been approved by CMT since the June PPRC but the Board continues to endorse the sourcing of supplementary staffing where the risk assessment is it is needed to ensure safety. Additional expenditure directly linked to Covid-19 continues with table 8 below giving the costs incurred to date including £1.357m for Test and Protect.

Area	Revenue 2022/23 £m
Acute Operating Division	4.108
Estates, E-health and Other Corporate Functions	4.831
Total Board	8.939
North Lanarkshire Health & Social Care Partnership	1.364
South Lanarkshire Health & Social Care Partnership	0.803
Total Health & Social Care Partnership	2.167
Total Board and Health & Social Care Partnership	11.106
Capital Spend	0.000
Total Revenue and Capital	11.106

- 10.2 Annex D sets out the current forecast for Covid-19 related expenditure. Test and Protect is being funded separately. That leaves £26.267m of forecast Covid-19 expenditure to be met within a target envelope of £15.8m derived by SG by taking c 47% of the previous year's expenditure. The largest element of expenditure in 2022/23 is a population based vaccination programme which requires similar levels of funding to the previous year, so relies on a far greater reduction in other expenditure headings to fall within the envelope. NHS Lanarkshire however made lower than average claims against other headings in the previous year so this methodology perpetuates that, giving NHS Lanarkshire only 7% of the national funding. SG has recognised that the methodology does not work in that scenario and discussions are ongoing about how to remedy it. Not having a fair target to work to is making it difficult to have realistic discussions on what needs to be scaled back so it is important that this is resolved. Even if remedied the Board will still need to scale back to stay within target and the Finance recovery group is looking to review and minimise all continued expenditure.

11. Risk Assessment

Based on the information at month 3 Risk ID 2123 (that there is a significant risk that NHS Lanarkshire will be unable to realise required savings for year 2022/23 and deliver a balanced budget whilst maintaining essential services, meeting legislative requirement whilst being responsive to strategic change) remains at very high. Unless there is a dramatic improvement in public sector finances it is now almost certain that the Board will end the year with a material deficit.

The level of operational demand from a system which continues to be highly pressured and is now experiencing an increase in Covid-19 cases is limiting the spare capacity to take forwards the financial improvement agenda.

12. Conclusion

The Board is asked to note:

- the actual revenue underlying over spend of £15.722m as at 31 July 2022;
- on top of this Acute and Corporate Covid-19 expenditure as at 31 July 2022 is £8.939m with continued expenditure against the Covid-19 response and as yet no certainty on funding;
- The deteriorating forecast from rising inflationary pressures with the gap now sitting at £36.582m;
- the risk assessment in section 11 that Board is highly unlikely to be able to breakeven;
- that the level of over commitment against the capital programme has resolved and the programme now appears more manageable within existing resources.

LAURA ACE
DIRECTOR OF FINANCE
24 August 2022

ANNEX A

REVENUE RESOURCE LIMIT 2022/23				
	Baseline Recurring £M	Earmarked Recurring £M	Non Recurring £M	Total £M
Core Revenue Resource Limit as at 30 June 2022	1,346.051	0.000	0.224	1,346.275
July Adjustments to Allocations Confirmed:				
Realistic Medicine network and projects	0.000	0.000	0.110	0.110
P/T Public Health Practitioner	0.000	0.000	0.015	0.015
Naloxone for Police Scotland officers	0.000	0.000	0.031	0.031
HNC CAP students Backfill - Q3 & 4 academic year 2021/22	0.000	0.000	0.040	0.040
3rd & 4th quarter payments for OU students - 2021/22	0.000	0.000	0.135	0.135
Implementation of the Bliss Baby Charter	0.000	0.000	0.005	0.005
Core Revenue Resource Limit as at 31 July 2022	1,346.051	0.000	0.560	1,346.610
Non Core Revenue Resource Limit as at 30 June 2022	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 31 July 2022	0.000	0.000	0.000	0.000
Total Revenue Resource Limit as at 31 July 2022	1,346.051	0.000	0.560	1,346.610

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 31st July 2022			
	2022/23 A.O.P £M	2022/23 Forecast £M	Actual £M
Initial Capital Formula Allocation:	13.012	13.012	1.395
Anticipated Capital Resource Limit Adjustments:			
Monklands Replacement Project	13.156	13.156	2.862
National Infrastructure Board - Equipment	0.000	2.163	
National Infrastructure Board - Backlog Maintenance	0.000	3.000	
Anticipated Regional Contribution	0.000	0.300	
Revenue to Capital Transfers	0.513	-1.288	
GP Sustainability	0.000	0.043	
Decarbonisation Funding	0.000	0.513	
Sustainability and Energy Efficiency Funding	0.000	0.100	
	£13.669	£17.987	£2.862
Other Income Adjustments:			
Other Income	0.018	0.018	
Property Disposals	0.020	0.020	
	£0.038	£0.038	£0.000
	£26.719	£31.037	£4.257
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands Replacement Project	13.156	13.156	2.862
Monklands General Business Continuity	2.267	2.970	0.067
Acute Property Works including Brain Injury	1.737	2.630	0.589
CAMHS South Lanarkshire Base	0.316	0.316	0.617
Kylepark	0.000	0.054	0.000
GP Sustainability	0.000	0.043	0.000
Other	0.000	0.130	0.000
	17.476	19.299	4.135
<u>Medical Equipment</u>	0.500	4.555	0.122
	0.500	4.555	0.122
<u>Other Service Developments (not yet approved)</u>			
Estates	0.000	3.823	0.000
Equipment	0.000	0.292	0.000
	0.000	4.115	0.000
<u>Other Expenditure</u>			
West of Scotland Laundry - Replacement	0.000	0.600	0.000
Fleet Decarbonisation	0.000	0.513	0.000
Water Supply Security	0.000	0.455	0.000
Sustainability and Energy Efficiency Funding	0.000	0.100	0.000
<i>subtotal</i>	0.000	1.668	0.000
I.M.&T Projects	0.300	1.400	0.000
	0.300	3.068	0.000
TOTAL CAPITAL EXPENDITURE	£18.276	£31.037	£4.257
(OVER) / UNDER COMMITTED	£8.443	£0.000	£0.000

ANNEX C

	2022/23		
	Rec	Non rec	Total
	£m	£m	£m
Gap between cost and income growth as assessed March 2022	-42.792	4.569	38.223
Identified Efficiency Schemes March 2022		5.669	5.669
Net position March 2022	-42.792	10.238	32.554
Expected shortfall against Covid-19 funding	-16.695	6.228	10.467
Forecast Acute Deficit based on Q1		-16.388	16.388
Increase in energy cost forecasts (including uplift on SLAs)	-5.159		-5.159
Increase in supplies inflation	-4.033		-4.033
Platinum Jubilee converted to bank holiday		-0.600	-0.600
Net other movements	-0.295	0.234	-0.061
	-68.974	-0.288	69.262
Savings identified through finance recovery group	0.337	0.690	1.027
Additional national savings	0.299	2.000	2.299
Financial Management Options	3.454	25.900	29.354
	4.090	28.590	32.680
Predicted end of year position	-64.884	28.302	36.582

Covid-19 - Forecast year end expenditure for Health Services		
Revenue - Forecast Expenditure £000s	Forecast 2022-23	2021-22 Out-turn
Scale up of Public Health Measures	677	623
Flu Vaccination & Covid-19 Vaccination (FVCV)	16,018	16,725
Additional Bed Capacity/Change in Usage	1,386	1,407
Additional Staff Costs (Contracted staff)	681	0
Additional Staff Costs (Non-contracted staff)	6,042	9,840
Additional Equipment and Maintenance	166	0
Additional Infection Prevention and Control Costs	327	1,927
Additional PPE	0	11
Digital & IT costs	214	0
Loss of Income	0	234
Other	515	1,791
Payments to Third Parties	0	331
Patient Transport	241	0
Total Covid-19 Costs	26,267	32,889
Unachievable Savings	0	9,000
Remobilisation Costs	0	685
Test and Protect Costs	2,706	8,156
Grand Total	28,973	50,730