

Meeting of Lanarkshire  
NHS Board  
30 March 2022

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## SUBJECT: FINANCIAL PLAN: 2022/23 UPDATE

### 1. PURPOSE

This paper is coming to the Board:

For approval	<input checked="" type="checkbox"/>	For endorsement	<input type="checkbox"/>	To note	<input checked="" type="checkbox"/>
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This paper sets out the impact of expected inflationary pressures and developments on the Board's framework of authorised service budgets. Given uncertainty about additional in year funding it is provisional. The Board is asked to approve the approach to the initial quarter with the expectation that a firmer plan will be brought back at the end of the first quarter.

The initial capital plan for 2022/23 is also presented for approval of the approach and agreement to proceed on certain elements.

### 2. ROUTE TO THE BOARD

Board briefing sessions in November and March have allowed discussion on the planning assumptions behind this paper. Links with the IJBs' Chief Finance Officer have been made in developing the planning assumptions for the health element of the IJB budgets. A subset of the Board's Capital Investment Group reviewed the draft capital plan in March 2022.

### 3. SUMMARY OF KEY ISSUES

Inflation, new drugs and national developments meant the cost of the Board's services rose faster than core funding in the period from 1 April 2020 to 31<sup>st</sup> March 2022. At the same time the Board was on an emergency footing with resources focussed on responding to the Covid-19 pandemic, incurring additional costs and unable to look at efficiency and redesign as it might in a steady state. A gap of £24.254m exists between core funding and core services at the start of the year, forecast to grow to £31.845m as supplies inflation, energy price rises and new drugs are expected to exceed new funding in 2022/23. Additional expenditure is still being incurred due to Covid-19 and a legacy of pent up demand. The duration of these costs and the amount of national funding available to meet them is being worked through as the national policy evolves.

This paper keeps the Board informed of the underlying position and puts forward a general approach to the first quarter to limit further growth in the underlying gap whilst the Board is still in a heightened state of response to emergency demand. These actions include:

- As national policy changes to reduce or remove elements of the Covid-19 response, the Board should respond quickly to stand down and, where appropriate redeploy staff and resources to ongoing funded workstreams;
- Creating a high threshold for any decision that increases expenditure without a recognised funding source;
- Recommending a structured programme for looking at the cost effectiveness of more self-contained areas where it is reasonable to assume some savings can be made such as hospital prescribing, clinical supplies or energy efficiency.

The paper provides an overview of the financial projections on the elements of the Health budgets delegated to the Integration Joint Boards. The financial plans presented to North and South Lanarkshire IJBs both set out achievable proposals for ending the year within available budgets and so do not bring any additional financial risk to the overall Board position.

A further financial plan has to be submitted to the Scottish Government Health and Social Care Department at the end of the first quarter by which time it is hoped there is greater certainty over the amount of funding cover for the Board in 2022/23.

The draft capital plan is submitted to the Board for noting the overall position and for approving the initial work programme which is largely made up of schemes already started in 2021/22. The initial requests for capital funding exceed the available budget but many of the proposals require more detailed business plans or feasibility studies before they could be authorised to proceed and in keeping with previous years it is proposed to manage the plan flexibly to maximise what can be delivered in year.

#### 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**

This initial plan should be measured on its ability to prevent the forecast deteriorating and its ability to bridge us to reaching a more definite 2022/23 target position with SGHSCD.

**7. FINANCIAL IMPLICATIONS**

As set out in the paper.

**8. RISK ASSESSMENT/MANAGEMENT IMPLICATIONS**

The risk that NHS Lanarkshire would not be able to achieve financial breakeven is assessed as very high and is captured by risk ID 2123

**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 largely actual position report setting out already approved budgets and forecasting the impact of external factors. The proposed actions are generic. The need for an EDIA would be assessed at the point individual service proposals are approved.

**11. CONSULTATION AND ENGAGEMENT**

As described in route to the Board.

**12. ACTIONS FOR THE BOARD**

The Board is asked to approve the financial framework, noting the risks and uncertainties.

Approval	<input checked="" type="checkbox"/>	Endorsement	<input type="checkbox"/>	Identify further actions	<input type="checkbox"/>
Note	<input checked="" type="checkbox"/>	Accept the risk identified	<input type="checkbox"/>	Ask for a further report	

**13. FURTHER INFORMATION**

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

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*Laura Ace*  
*Director of Finance*

Meeting of Lanarkshire  
NHS Board  
31st March 2022

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## **SUBJECT: FINANCIAL PLAN: 2022/23 UPDATE**

### **1. PURPOSE**

This paper presents the baseline position for 2022/23, updating the Board on the underlying gap between budgets and service costs. It proposes some initial actions for the first quarter designed to slow the growth in the gap, recognising that the continued Covid-19 response and severe pressures on services limit the capacity to stand up a traditional financial sustainability plan. It recognises a further iteration of the financial plan will need to be submitted to Scottish Government Health and Social Care Department in June 2022 by which time it is hoped there is greater certainty on funding.

Also presented is initial capital plan which asks for approval to proceed with identified projects.

### **2. BACKGROUND**

Although the Health Board's funding from Scottish Government is issued as a Lanarkshire wide sum, the delegation of functions to the North and South Lanarkshire Integrated Joint Boards (IJBs) means it is then subdivided into 3 portions. The 2021/22 allocation letter provided a £26.125m (2%) uplift to the whole system's base revenue budget, which is shared between the 3 bodies by applying the 2% to the relevant recurring budgets resulting in a split of £5.596m for North, £3.994m for South and £16.535m for the rest of the health. In line with the policy commitment to shift the balance of care to the community, there is substantial funding for mental health, social and primary care and substance misuse which is passed through the NHS Board to the IJBs for decision making. Any underspend in the IJB is retained in that bodies reserves, with no offset against the rest of the NHS budget. For this reason this paper deals with the IJB financial plans and those for the rest of Health in separate sections.

The Board is still on an emergency footing with substantial activity devoted to tackling Covid-19 and many of its services operating in a modified fashion due to the pandemic. Until 31 March 2022 the full costs of responding to the Covid-19 pandemic were met through additional SG funding. National decisions and guidance on how to move to the next phase of living with Covid-19 will be acted on by the Board, with ongoing dialogue with SGHSCD as to potential funding. Ultimately NHS services need to be delivered within the financial envelope agreed with SG but the level of all available funding and the pace at which this can be achieved is still uncertain.

### 3. HEALTH FUNCTIONS OUTWITH THE IJBS

The financial planning exercise compared the projected impact of inflation and known developments on existing service budgets with expected income growth. Cost growth is forecast to outstrip income growth as shown in the overview table below with a more detailed breakdown in Appendix 1.

	2021/22 Rec £m	2021/22 Non rec £m	2021/22 Total £m
Income net of opening recurring gap	7.221	32.528	39.749
Drugs	12.863	0.000	12.863
Pay Award	15.015	1.200	16.215
Other Supplies	8.769	0.000	8.769
Purchase of Healthcare	5.271	0.000	5.271
Developments	8.095	26.985	35.080
Expenditure Rise	50.013	28.185	78.198
Gap to be filled by savings	-42.792	4.343	-38.449 -4.65%

The following sections cover the different elements in more detail.

#### 3.1 Opening Financial Position

Despite receiving less than its target share of national resources, NHS Lanarkshire has consistently lived within its resources. However, after a decade of allocation uplifts that are less than the unavoidable cost rises and a reliance on increasingly hard to find efficiency measures to fill the gap, financial balance in 2019/20 relied on a degree of non-recurring savings and funding. A financial sustainability programme had been established in 2019/20 to provide an enhanced focus on recurring savings but the emergency response to the pandemic meant this was stood down in March 2020 and despite an early thought it might be restored from July 2020, successive waves of covid and sustained pressure on emergency services means the system still lacks capacity to stand this back up. The Board will start 2022/23 with its allocated budgets exceeding its expected income by £24.254m. At the start of the pandemic this gap was £8.853m, increasing to £17.365m in 20/21.

#### 3.2 Income Expectations

The 2021/22 settlement brings a 2% uplift to the base revenue resource limit. This equates to £26.125m of which £5.596m will go to North Lanarkshire IJB, £3.994m to South Lanarkshire IJB and £16.535m for the rest of the health. There is £7.2m funding this year to bring NHS Lanarkshire closer to its share of the national resource allocation

formula (NRAC). NHS Boards are being funded for the expected 1.25% in Employers' national insurance.

We have been told to expect waiting times funding equal to last year and have built in £12.5m. Money has been made available for the national trauma strategy and we have assumed £1.692m as a contribution split between our Trauma and Orthopaedic plans and brain injury rehabilitation within South Lanarkshire IJB. We have funding sitting with SGHSCD, delayed from previous years that we intend to call on during 2022/23, to support infrastructure projects. £11.684m has been notified as funding to support the vaccination workforce and £0.677m for a recurring increase to Public Health's capacity for surveillance and outbreak control. £3.678m is expected for increasing the health care support worker complement to be split three ways with the IJBs.

There will be significant additional funding provided for functions delegated to the IJBs which is picked up in section 4.

### **3.3 Pay Assumptions**

The opening recurring pay budgets for services not delegated to the IJBs total £395.056m, £278.570m of which relates to staff covered by Agenda for Change and the balance mostly medical and dental grades, with a small element on senior managers' terms and conditions. We also pick up NHS pay costs indirectly when we purchase £198.7m of health care from other NHS organisations.

SG have announced an intention to negotiate a one year pay deal for 2022/23 for Agenda for Change pay deal. Pending that, Boards have been told to model pay costs based on the public sector pay deal which offers higher percentage pay rises to the lower pay bands, plus 2 % for medical and dental. Against the NHS Board's pay base this amounts to 2.22%, introducing a 0.22% gap (£0.869m) against the 2% allocation uplift. It is assumed that anything above this will be separately funded by SG.

Funding has been allocated to cover the 1.25% increase in employer's national insurance and early modelling suggests the sum will cover the cost.

All Boards are reviewing the band 2 healthcare support worker job descriptions against new national profiles. As these roles have been expanded to include more clinical duties it is expected a large proportion will move to a band 3. Movement began in 2021/22. An additional £1.408m has been set aside in the plan for 22/23.

In addition there is the estimated annual impact of incremental progression or discretionary points for medical staff. £0.907m has been assumed though the eventual figure depends on the net of staff moving up the scale and staff retiring and being replaced nearer the start of the scale and maybe lower this year.

Finally, the estimated cost of providing essential cover for the additional day's annual leave for the Platinum Jubilee is £1.2m.

Taken together these expected increase in pay exceed 2% of base funding by £4.530m.

### **3.4 Drug Uplift Assumptions**

The hospital drugs bill is predicted to be the fastest growing element of health expenditure. In 2014/15 £51.9m was spent on hospital drugs, by 2019/20 that had risen to £78.8m. It is forecast to end 2021/22 at £90.086m and is projected to rise to £99.269m by the end of 2022/23. As the recurring budget available for this is £86.406m, £12.863m additional would be needed to cover the 2022/23 projection.

The rapid rise in expenditure in new drugs has been a major contributor to the brought forward underlying financial gap. SG have recognised that this year and have provided £6.662m additional funding for new medicines in year. Taken together with the 2% allocation uplift the additional in year pressure from the hospital drugs forecast above is £4.472m

The drug expenditure figures above are stated gross of nationally obtained discounts and rebates which are processed separately. As the agreements are time limited and the level is not known in advance it is treated as a non recurring each year. The savings plans have built in a sum of £4m, which assumes the level in 2022/23 will be similar to that achieved in 2021/22.

### **3.5 Other Supplies**

The price increase on the general supplies budget of £86.496m has been forecast at 3.8%, a figure which is highly likely to be exceeded by continued inflation which sits at 5.5% at February 2022. Bespoke modelling has been done for utilities (49.3%) which again is likely to be understated given recent energy price rises, with 3.4%-4.6% for rent and rates and PFI contracts. The total forecast rise of £8.769m exceeds the 2 % uplift on base budgets by £5.498m and is only expected to worsen.

### **3.6 Health Care Agreements with other NHS Bodies**

Outside the IJBS there are £198.744m of healthcare agreements with other NHS bodies. This is partly through accessing very specialist services and partly due to geography, where populations (particularly the boundary change population of Cambuslang, Rutherglen and the Northern corridor) finding it easier to access Glasgow hospitals or Forth Valley. Inter Board SLAs have in recent years been increased by the allocation uplift and so modelling has been done on the basis of 2% plus 0.6% for NIC. Assuming the cost rise will equal the income rise for this area represents a risk as other Boards could seek additional income to cover their own pressures.



### **3.7 Developments, Cost Pressures and Infrastructure Projects**

Based on early discussions we expect £12.5m non recurring funding to support improving waiting times (including £1.2m for cancer). The proposal submitted to the access unit sought more than £20m. The NHS Board expects a share of £3.687m to expand healthcare support worker numbers (one third for the NHS Board would equal £1.266m with apportionments over 2 years between the Board and IJBS still to be finalised), £11.648m for the vaccination workforce, £0.7m continued funding towards the regional trauma strategy and a recurring £0.677m expansion to public health to provide longer term capacity for surveillance and outbreak control.

In addition to the funded developments above, a minimum of £3.090m is expected to be required for agreed national and regional developments. This includes an increase of £1.783m in the Cnoris contribution, a £0.534m step up in the Golden Jubilee elective orthopaedic and ophthalmology capacity and £0.722m for implementing nationally agreed IT solutions (Microsoft Office 365 and e rostering).

In 2016/17 and 2018/19 we banked funds totalling £7.8m for future infrastructure projects. In 2020/21 we got permission to use them over 5 years to cover the robot and other essential infrastructure projects. Over 5 years the cost of Lanarkshire robot plus a part cost of one of the regional additions is estimated to cost £3.6m, £0.624m of which will fall in 2022/23. It is proposed to draw down £1.681m in total in 2022/23 to also provide cover for the LIMs, PACs, E Obs and Trakcare refresh and developments. The £7.8m is insufficient to provide cover for all the identified infrastructure projects for the five years but buys some time to find other funding solutions.

There is a very high level of cost pressure in the system ranging from those already being incurred, through those with a high probability of materialising to those which are service aspirations. It is always a matter of judgement as to where the individual service can be expected to manage it and where the pressure needs to be reflected in the overall financial plan.

A minimal amount of £3.269m has been included in this plan. With services still severely disrupted due to Covid-19 it is harder to identify where pressures will be able to be managed and extensive work will be needed in year to look at the costs which will inevitably continue and options for covering. It should be noted that the Emergency Department received £1.7m of non recurring funding from SG in 2022/23 and even with that is forecast to exceed budget in 2021/22 by £2.2m. Given the current level of pressure on the EDs, we are not pulling back on that expenditure though are exploring if the same level of overspend could be used to better effect by using less ad hoc staffing. There is also little prospect of closing surge beds opened for winter in the near future.

### **3.8 Covid-19 Expenditure**

In 2020/21 and 2021/22 additional expenditure due to Covid-19 was fully covered by SGHSCD. The vaccination programme is expected to be made permanent and £11.684m has been pledged to cover staffing alongside £0.677m for Public Health. A number of service changes introduced during the pandemic such as the flow navigation centre and the 4 bed expansion in ITU capacity are expected to remain in place, though funding is still to be confirmed. It is also expected that the £0.232m allocation for staff wellbeing in 2021/22 will be repeated though that too is unconfirmed. In 2022/23 it is expected that many of the other additional costs will be phased out, with a transition plan for community testing and contact tracing already announced. Boards are expected to respond to each policy announcement as quickly as is possible.

Additional staffing, either covering for Covid-19 related absence or coping with the demand from the continued high level of Covid-19 patients in the system remains a feature and is continuing to be authorised. The table in appendix 2 shows the estimates submitted in 2022/23 which assumed a full year running. It excludes the Flow navigation centre and ICU. The largest risk is thought to lie with reimbursement of staffing and additional beds cost where the pressure may continue for longer than any nationally available Covid-19 funding.

### **3.9 Efficiencies**

The pressure on services due to the impact of Covid-19 even still, is such that a large scale focus on efficiency is not yet feasible. We have estimated around £4m might be achieved by nationally negotiated discounts and rebates. There is likely to be a surplus of at least £0.4m on Salus activities and around £0.670m from previously secured opportunities. There are no other structured savings plans with designated owner in place other than it being reasonable to assume that the acute division could secure at least £0.5m from drug switches. It would be reasonable to assume corporate departments could generate around £0.935k of savings, at least on a one off basis, based on past experience though that would need managed. Beyond that bringing forward ideas for efficiency and structuring projects to deliver on those ideas will require staff to have some time free from the current focus on the emergency response and ongoing essential business, which is proving very difficult.

Meantime the Board should be conscious of the gap and the need to close it and that any discretionary decisions that make the position worse need to be curtailed.

### 3.10 Risks

The £31.7845m in year (£42.792m recurring) gap between projected costs and income is the single largest financial risk facing the Board. There are many factors which could increase this. These include:

- Supplies inflation averaging more than 3.8%. Every 1% increases costs by £0.865m. CPI for February 2022 is 5.5%. Energy prices rises higher than 49.3%. Every 10% equals £0.457m;
- Full funding not being available for the additional costs of responding to Covid-19. Neither the cost profile or the funding can be charted at this stage but outside testing, tracing and vaccinations there is around £11m of cost in the system being attributed to Covid-19;
- The £3.629m provisional allowance for local cost pressures only covers about half of the developments in the system that have been initiated at risk, from non recurring money or based on releasing savings in the future. On top of this there is a high level of demand for additional investment;
- As all NHS Boards face gaps in their financial plans there is a risk that additional income is sought by other Boards from those using their services. Every 1% increase would be the equivalent of £2m.

### 3.11 Implications and Actions Required

Uncertainties over the duration and impact of Covid-19 on services as well as funding available and the recovery expectations mean the Board is being presented with a holding plan for the first quarter. This recognises the services ability to look at how resources use could be changed to live within a financial envelope is severely constrained.

However, even if substantial additional funding is available and the identified risks only materialise at low levels, the consistent underlying financial trend and in year projections indicate it will be inevitable that the Board will have to focus on efficient use of resource and redesign to ensure financial, and therefore service, sustainability.

Recognising this, a first step is to avoid discretionary spending decisions, no matter how desirable, that make the gap worse. Where the Scottish Government announces element of the Covid-19 response are being scaled back we have to respond quickly, trying to realign staffing or other resources to continuing services. A high threshold is needed for any decision to commit further resource, with clear criteria and an understanding that, even if deemed essential, the funding will need to be found from elsewhere in our portfolio over time. Plans for reviewing areas of expenditure – such as hospital prescribing or clinical supplies, need to identify definite actions and people to take them forward. Attention needs to be given to financial risks to ensure as far as we can we are mitigating against any unnecessary cost increase.

Whole system working to reduce delayed discharges and avoidable admissions will be more important than ever as the budget and 2021/22-year end allocations, provide the IJBs with almost all the funding to shift this or to cover Covid-19 expenditure in their delegated areas.

The financial plan will be brought back to the Board in line with SGHSCD's timescale for Boards to agree remobilisation plans

#### **4. IJB Financial Plans**

The Chief Finance Officer of the IJB, working with the NHS and council finance departments, has drawn up detailed plans for North and South Lanarkshire IJBs. These were presented for approval at meetings on the 23<sup>rd</sup> and 29<sup>th</sup> of March 2022 respectively and can be accessed on line. In summary these papers present an increase in health expenditure on core budgets that exceeds the related income growth by £2.241m in North Lanarkshire IJB and £3.554m in South Lanarkshire IJB. Both have a plan to cover this gap through a combination of prescribing efficiencies and use of reserves so the risk of a deficit against the health portion of the IJB budget in 2021/22 is low. Some key figures are set out below.

##### **4.1 Income**

Both IJBs received a budget offer with a 2% uplift on the agreed recurring budget plus a share of the NIC funding proportionate to their recurring pay base. This equated to £7.003m for North Lanarkshire IJB and £4.697m for South Lanarkshire IJB. There is also a commitment to pass through to the IJB any specific funding allocated for functions delegated to them. A 5 % increase has been announced nationally in Primary Care funding and 6.4% in mental health funding. In 2021/22 Lanarkshire's share of Primary Care improvement programme funding was £18.063m and, across multiple separate allocations, it received £12.052m in in-year mental health funding. £4.682m of funding will be passed to IJBs to establish multi-disciplinary teams which is being used as part of the IJBs plans for supporting discharges. The IJBs will also receive their share of £3.678m to recruit additional health care support workers.

In February 2022 North Lanarkshire IJB was allocated an additional £32.102m of Covid-19 funding and South Lanarkshire IJB £36.708m. This was £30.864m and £30.126m more than was estimated to be needed by 31<sup>st</sup> of March and this will be placed in reserve to meet additional Covid-19 costs in 2022/23 for the social and health care services allocated to IJBs.

##### **4.2 Expenditure**

Inflationary pressures on the core health budgets within the IJBs have been modelled on the same basis as other health services and the estimates provided to the Chief Finance Officer of the IJB to be played into their overall assessment and financial

strategy. Potential prescribing savings of £1.281m have been identified against the North Lanarkshire HSCP budget which combined with the positive underlying position against the GP prescribing budget in North in 2021/22 allows a projection of at least breakeven. In South Lanarkshire HSCP, the forecast overspend in 2021/22 on the prescribing budget creates a more difficult starting position and a starting gap of £3.554m is forecast. Potential prescribing savings of £0.985m have been identified which combined with expected underspends due to recruitment difficulties and the use of contingency reserves will temporarily close this gap in 2022/23.

## **5. Capital Plan**

### **5.1 Capital Income**

The formula allocation is expected to increase by 5 % to £13.012m. A number of specific schemes (the CAMHS base in South, and the brain injury accommodation) have already identified revenue funding to support costs. Property sales and dividend income from the Hub investment will be used to support the capital programme. Together that gives £13.707m which would be supplemented in year by any contribution from other Health Boards to regional services (e.g. Laundry equipment replacement) or any further project or equipping made available by SGHSCD.

The Monklands replacement project will receive separate central funding. This has been estimated at £13.156m.

### **5.2 Proposed Capital Expenditure**

As in previous years, the initial requests for capital exceeds funding available (this year by £3.772m). £ 5.976m is estimated as required to address business continuity risks in Monklands in 2022/23, £3.922m for medical equipment, £1.625m for e health investments as well as a list of continuing and desired property reconfigurations to meet service needs and fleet and laundry equipment replacements. Further work is underway to assess the feasibility of schemes before agreeing on a final list. Meanwhile schemes already approved and started in 2021/22 plus a couple of smaller essential reconfigurations and an allowance for emergency equipment replacements have been approved totalling £5.120m. This leaves £8.443m available which would be enough to cover 69% of the other schemes put forward.

The capital investment group will continue to work through the early stage schemes, assessing feasible timescales and looking at opportunities for additional funding so as to maximise the progress that can be made from available funding. Preparation work will take place on routine medical equipment and e health refresh programmes but commitments will be limited to ensure the best blend of equipment replacement and property work can take place within resources. It should be noted that requests for additional new equipment (rather than replacements) will face a double hurdle as the business case would need to demonstrate how the lifetime costs of the asset (depreciation, maintenance and any consumables) could be funded as well as competing for initial capital funding with other schemes.

The list of initial essential approvals against the capital allocation is in appendix 2. This will be developed further each month.

## **6. Recommendations**

The Board is asked to note:

- That there is still considerable uncertainty over the path out of the pandemic and available funding;
- The underlying gap at the start of 2022/23 is £24.254m and modelling the likely increase in costs it could rise, without further action, to £31.845m in year and £42.792m recurringly;
- That there are a range of risks (section 3.9) which could cause this position to deteriorate;
- That a further plan will require to be submitted to SG at the end of quarter 1;
- That detailed plans have been considered by each IJB for the services delegated to them that are consistent with health planning assumptions and have viable plans for meeting the estimated health financial gap;
- That requests for capital funding currently exceed the budget available and to date only continuing schemes or emergency replacements have been approved.

The Board is asked to approve:

- The general provisional approach to quarter 1 and agree to add substance to the actions suggested in section 3.10

**LAURA ACE**  
**DIRECTOR OF FINANCE**  
**23 March 2022**

### Appendix 1: Summary Income and Expenditure Expectations for Health Budgets managed outwith IJBs

	£m Recurring	£m Non recurring	£m Total
Underlying recurring gap as at 1/4/22	-24.254		-24.254
Funding to bring Board nearer NRAC parity	7.200		7.200
Opening recurring gap	-17.054		-17.054
Share of uplift	16.535		16.535
Share of NIC	5.137		5.137
New medicines funding		6.662	6.662
NHS Board funding for Trauma, HCSW and Public Health	2.603		2.603
Funding for Vaccinations and Waiting times		24.184	24.184
Draw down of banked infrastructure funding		1.681	1.681
New funding for 22/23 cost rises	7.221	32.528	39.749
New high cost drugs	-12.863		-12.863
Pay award, NIC rise, HCSW rebanding etc	-15.015	-1.200	-16.215
2.6% uplift on SLAS	-5.271		-5.271
Other supplies including PFI RPI uplift and energy price increase	-8.769		-8.769
Net shortfall after inflation and new drugs	-34.697	31.328	-3.369
Unavoidable National costs	-2.855	-0.234	-3.090
Infrastructure costs		-1.907	-1.907
Funded developments in Trauma, HCSW and Public Health	-2.603		-2.603
Funded spend for vaccination and waiting times		-24.184	-24.184
Minimum additional local cost pressures	-2.637	-0.659	-3.296
Recurring Gap	-42.792	4.343	-38.449
Estimate of achievable savings schemes		6.604	6.604
Projected financial position	-42.792	10.947	-31.845

**Appendix 2: Covid-19 Cost Estimates submitted to SG in January 2022**

	<b>2021/22</b>	<b>2022/23</b>	<b>2022/23</b>	<b>2022/23</b>
	<b>£000s</b>	<b>Rec</b>	<b>Non Rec</b>	<b>Total</b>
Contact Tracing	4726	6042	0	6042
Testing	4497	4631	63	4694
Covid-19 Vaccination	17210	15207	323	15530
Flu Vaccination	145	793	0	793
Scale up of Public Health Measures	651	677	0	677
Additional Bed Capacity/Change in Usage	1788	894	894	1788
Additional Infection Prevention and Control Costs	1975	1986	0	1986
Additional Equipment and Maintenance	0	166	0	166
Other Additional Staff Costs	9201	3420	2700	6120
Other	1789	589	391	980
<b>Sub-Total Covid-19 Costs - NHS Board</b>	<b>41983</b>	<b>34405</b>	<b>4371</b>	<b>38776</b>



### Appendix 3 – Capital Plan Commitments to date

	<b>£m</b>
Formula Allocation	13.012
MRP Funding	13.156
Property disposals/ other income	0.038
Contributions from revenue	0.513
	26.719
Approved Expenditure	
MRP	13.156
Monklands : Ward 16 ventilation	2.267
Hairmyres vascular theatre	1.118
Hairmyres Theatre 5	0.168
Hairmyres Pharmacy Aseptic suite	0.134
Camhs accommodation Udston	0.316
Traumatic brain Injury accommodation Stonehouse	0.197
Convert bathrooms to storage space Wishaw	0.120
Allowance for emergency equipment replacements	0.500
Allowance for immediately required e health expenditure	0.300
	18.276
	8.443
Still to be decided	8.443