

SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 opening 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.

Although the Board has since identified a combination of savings and one off financial management options that could have pulled the Board within budget for 2022/23, this positive progress sits alongside a marked deterioration in the Board's financial forecast. The main reasons for this are set out in Annex C. Based on the current expenditure profile, the Acute Division is forecast to be £17.950m 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. There have been 2 additional bank holidays. The Board had also been advised that Covid-19 costs will only be funded up to £20.8m, leaving a gap of £3.054m against current forecasts.

The Scottish Government has written to the Board indicating any potential brokerage can be no more than £19.868m, to be fully repaid over 3 years. The Board submitted plans as to how it will reduce its forecast deficit from the projected gap of £28.581m at the time to a maximum of £19.868m by 31/3/23. Since then additional savings of £0.431m within Corporate and PSSD have been identified and the projected gap has been reduced to £28.150m at month 6. The Board will continue to prioritise clinical safety in decision making, but will have to pull back on discretionary expenditure and any new cases for investment would either require separate funding or a disinvestment strategy.

The Month 6 results show a £21.484m overspend to date, excluding the £11.866m of excess cost against funding attributed to Covid-19. This is a combination of the opening predicted gap, an overspend within the Acute Division of £9.0m and the impact of energy price rises.

The capital programme is now forecasting a £0.780m under commitment, £0.708m of which is earmarked for transferring to revenue to fund maintenance costs.

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
19 October 2022

NHS LANARKSHIRE

FINANCE REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2022

1. Introduction

- 1.1. This paper sets out the revenue and capital expenditure to the end of September 2022, and provides an update on the 2022/23 forecast.

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. Although the Board has since identified a combination of savings and one off financial management options that could have pulled the Board within budget for 2022/23, this positive progress sits alongside a marked deterioration in the Board's financial forecast. The main reasons for this are set out in Annex C. Based on the current expenditure profile, the Acute Division is forecast to be £17.950m 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. There have also been 2 additional bank holidays. The Board had also been advised that Covid-19 costs will only be funded up to £20.8m, leaving a gap of £3.054m against current forecasts. The net result of these changes to forecast is that despite the initial positive progress, there remained a gap of £28.581m to close at month 5.
- 2.3. The Scottish Government has written to the Board indicating any potential brokerage can be no more than £19.868m, to be fully repaid over 3 years. The Board submitted plans as to how it will reduce its forecast deficit from the projected gap of £28.581m to a maximum of £19.868m by 31/3/23. Since then additional savings of £0.431m within Corporate and PSSD have been identified and the projected gap has now been reduced to £28.150m at month 6. The Board will continue to prioritise clinical safety in decision making but will have to pull back on any discretionary expenditure and any new cases for investment would either require separate funding or a disinvestment strategy.
- 2.4. 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.

- 2.5. The narratives and figures above apply to the budgets directly managed by the NHS Board. The IJBs face 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 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.
- 2.6. The table 1 below gives the summary by Division at the end of September 2022. Sections 4 to 7 provide more detail on each area. The table below does not include the Covid-19 costs which are summarised in table 8 in section 10.

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	216.184	225.184	(9.000)
North Lanarkshire Health & Social Care Partnership	157.114	153.275	3.839
South Lanarkshire Health & Social Care Partnership	228.414	228.325	0.089
Estates, E health and Other Corporate Functions	88.511	89.918	(1.407)
Service Level Agreements / Other Healthcare Providers	110.915	110.348	0.567
NHSL - wide	(56.896)	(45.252)	(11.644)
Underlying net operating cost	744.242	761.798	(17.556)
Remove IJB Position	(385.528)	(381.600)	(3.928)
Revised underlying net operating cost	358.714	380.198	(21.484)

- 2.7. 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 September 2022, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,385.397m, details of which are noted in Annex A.
- 3.2. The September 2022 Core Revenue Resource Limit includes the following confirmed resources for Health and Social Care Partnerships; £4.232m for Alcohol and Drug Partnerships (tranche 1) and £2.203m for Family Nurse Partnerships.
- 3.3. The September 2022 Core Revenue Resource Limit also includes confirmed resources of £1.257m our share (tranche 1) of regional funding from the Scottish Trauma Network, £0.317m to implement Best Start recommendations, £0.307m for local primary care and community care system costs aligned with the Digital Health & Care Strategy and the expected £3.888m funding towards the unitary charges of the three new Health Centres which opened in 2015/16.

- 3.4. We also received £0.320m to identify, investigate, risk assess and respond to new SARS-CoV-2 variants and mutations (VAMs) of COVID-19 in Scotland and £2.429m for Test and Protect (tranche 1) giving us 80% cover towards the forecast costs based on the Month 4 Scottish Government Financial Performance Return submission.
- 3.5. We are also anticipating at least an additional £214m of specific allocations, the largest component of which would be approximately £126m in standard primary care allocations.

4. Acute Division

- 4.1. The Acute Division is reporting an over spend of £14.565m for the period to the end of September 2022, as detailed in Table 2 (August 2022 £14.694m). £5.565m of this has been attributed to Covid-19. £9.0m is seen as the underlying problem, £6.668m 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.
- 4.2. Funding has been released from the Boards opening financial plan for the Platinum Jubilee Public Holiday (£1.2m), Medical and Dental pay award (£4.977m) and £2.136m to recognise the impact of inflation on general supplies costs which at the time of modelling supplies inflation CPI was 3.8%. The full £9.176m set aside in the financial plan for predicted growth in higher cost hospital drugs has been released into the Acute Division budget, with £4.6m phased in to date.

Table 2 - Acute Division 2022/23

	Budgeted Operating Costs 30/09/2022 £M	Actual Operating Costs 30/09/2022 £M	Actual saving / (excess) 30/09/2022 £M
Pay	173.761	181.522	(7.761)
Non Pay	61.853	63.089	(1.236)
Healthcare Purchases	1.842	1.845	(0.003)
Gross operating costs	237.456	246.456	(9.000)
Less: miscellaneous income	(21.272)	(21.272)	0.000
Underlying Net operating cost	216.184	225.184	(9.000)
Covid-19 Spend	0.000	5.565	(5.565)
Revised Net operating cost	216.184	230.749	(14.565)

- 4.3. The estimated overspend (excluding Covid-19) is driven by pay costs in excess of budget (nursing £5.186m and medical £3.049m). Non pay costs are also overspent (equipment £0.335m and laboratory and theatres supplies £0.717m).
- 4.4. £4.092m of the £5.565m coded as Covid-19 expenditure relates to nursing taking the total nursing spend in excess of budget to £9.278m in the first 6 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 £9.745m for the first 6 months of the

year. This compares with an Agency spend for the comparable period last year of £4.325m (which in turn is higher than previous levels).

- 4.5. The extra hours being paid for in the first 5 months is the equivalent of being 362 whole time equivalents (10.5%) over establishment (split 302 WTE for HCSW and 56 for registered nursing). Looking at the reasons for additional hours shows cover for sickness absence over the previous target of 4% equates to 168 WTE whilst cover for Covid-19 related absence adds a further 120 WTE.
- 4.6. 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. A review of the position after the new graduate intake will be undertaken.
- 4.7. The expenditure on laboratory and theatres supplies in the first 6 months of 2022/23, at £19.077m is £3.169m (20%) more than in the first 6 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.
- 4.8. At £34.105m, the first 6 month's Lanarkshire hospitals drug spend is 12% more than at the same point last year, 41% more than the same point in 2020/21 and 28% more than pre-pandemic levels. At this stage little is known about the out of area high cost drugs which now make up approximately one third of our hospital drug spend. A further £7.509m has been released from the financial plan to supplement the £1.667m already released for drug pressures and represents the full £9.176m set aside for Acute drug pressures and growth.

5. Health and Social Care Partnerships

- 5.1. Across the Health and Social Care Partnerships, there is an under spend of £3.928m for the period to the end of September 2022 (North IJB - £3.839m under spent; South IJB - £0.089m under spent). Budget has been released from IJB reserves previously carried forward to match the costs attributed to Covid-19 (North IJB - £1.809m; South IJB - £1.293m) up to the end of September.
- 5.2. The opening prescribing budget received the general 2% allocation uplift. The confirmed growth in volume dispensed till the end of July was an increase 0.12% in North Lanarkshire HSCP and 2.02% in South Lanarkshire HSCP compared to the same period last year, a composite rise of 1.3%. The early forecast for August indicates this may rise to 3.1% over last year (1.9% on pre-pandemic volumes). There has been an adjustment to the drug tariff which should result in the average price per item decreasing. It sat at £9.59 per item at the end of March 2022 and has risen to £9.67 in July 2022. At £10.18, South Lanarkshire HSCPs price per item is higher than that in North. Based on 4 months' data, South Lanarkshire HSCP is showing an estimated overspend of

£1.1m against the prescribing budget whilst North is still showing breakeven despite £1.068m of identified savings having been removed from its 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 30/09/2022 £M	Actual Operating Costs 30/09/2022 £M	Actual saving / (excess) 30/09/2022 £M
Pay	74.726	71.052	3.674
Non Pay	44.703	44.601	0.102
Prescribing	34.791	34.791	0.000
Sub Total	154.220	150.444	3.776
Primary Care Improvement Fund	0.000	0.000	0.000
Share of Primary Care Other Services	4.703	4.640	0.063
Family Health Services	0.000	0.000	0.000
Net operating cost	158.923	155.084	3.839
Less: Covid-19 spend	(1.809)	(1.809)	0.000
Revised net operating cost	157.114	153.275	3.839

	Budgeted Operating Costs 30/09/2022 £M	Actual Operating Costs 30/09/2022 £M	Actual saving / (excess) 30/09/2022 £M
Pay	41.085	39.539	1.546
Non Pay	36.484	36.900	(0.416)
Prescribing	33.811	34.911	(1.100)
Sub Total	111.380	111.350	0.030
Primary Care Improvement Fund	3.957	3.957	0.000
Share of Primary Care Other Services	4.518	4.459	0.059
Family Health Services	109.852	109.852	0.000
Net operating cost	229.707	229.618	0.089
Less: Covid-19 spend	(1.293)	(1.293)	0.000
Revised net operating cost	228.414	228.325	0.089

6. Estates, e-Health and Other Corporate Functions

- 6.1. Estates, e-Health and Other Corporate functions are reporting an over spend of £7.708m for the period to the end of September 2022, as detailed in Table 5. £6.301m of this has been attributed to Covid-19 and £1.407m is seen as the underlying over spend. The cost impact of rising energy prices within Property and Support Services including our PFI providers is a major factor in the overspend.
- 6.2. We have received the first tranche of Test and Protect funding (£2.429m) giving us 80% cover towards the forecast costs based on the Month 4 Scottish Government Financial Performance Return submission. Although we have been

advised of a spending limit of £20.8m for other covid-19 expenditure, we are awaiting funding. The totality of funding pledged through the two sources still leaves NHS Lanarkshire with the lowest funding level relative to NRAC and further discussions are taking place with SG to understand this.

- 6.3. 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 rather than spread across the divisions.

	Budgeted Operating Costs 30/09/2022 £M	Actual Operating Costs 30/09/2022 £M	Actual saving / (excess) 30/09/2022 £M
Pay	38.217	37.770	0.447
Non Pay	55.141	56.995	(1.854)
Gross operating costs	93.358	94.765	(1.407)
Less: miscellaneous income	(4.847)	(4.847)	0.000
Underlying Net operating cost	88.511	89.918	(1.407)
Covid-19 Spend	1.424	7.725	(6.301)
Revised Net operating cost	89.935	97.643	(7.708)

- 6.4. The estimated over spend (excluding Covid-19) is mainly within Property and Support Services (£2.382m) with £1.913m of this attributable to rising energy prices. Maintenance services are also over spent including £0.259m on external contractors supporting staff in relation to legionella work. Corporate Departments are £0.593m under spent and the remaining under spend (£0.382m) 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 £0.567m for the period to the end of September 2022, as detailed in table 6.

	Budgeted Operating Costs 30/09/2022 £M	Actual Operating Costs 30/09/2022 £M	Actual saving / (excess) 30/09/2022 £M
Service Level Agreements	94.474	94.352	0.122
Unpacs and Oats	16.253	15.870	0.383
Independent Sector	0.188	0.126	0.062
Net operating cost	110.915	110.348	0.567

- 7.2. The under spend of £0.122m 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. A comprehensive overview of all financial management opportunities has been undertaken resulting in £15.037m 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.
- 8.3. A further £0.413m of Corporate/PSSD savings identified in month 6 have been removed from the budget taking the total delivered through the Financial Recovery Group to £0.797m. Combined with an additional £2.299m of savings identified through national initiatives and the sums referred to in s 8.2 these would have been enough to close the opening gap. However, the forecast has deteriorated since the start of the year with rising energy and supplies costs, lack of full funding for Covid-19 costs and a projected deficit in the acute division. In total a further £28.150m of savings would be needed to break even.
- 8.4. The Board submitted a revised plan at SG's request in September 22, requesting £19.868m of repayable brokerage and setting out potential ways to close the remaining gap by 31 March 2022 including;
 - Positive confirmation of income assumptions;
 - Further reduce Covid-19 costs by a target £1m in the second half of the year;
 - Additional measures across estates and e health to pull back expenditure by £2m;
 - Additional controls over discretionary spend and filling vacancies that are not immediately supporting service delivery with a target of £0.5m;
 - £0.5m acceleration of existing savings initiatives.

- 8.5. There has been an initial discussion with SG around income expectations with further clarity expected after the emergency budget. The month 6 covid-19 forecasts will be available this week to be able to track any reduction against the £1m target.
- 8.6. The Financial Recovery Group has established a range of workstreams including 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 2022/23 and even an optimistic total would only make a moderate dent in the gap. Some more fundamental service or policy changes would be needed to breakeven in 2023/24.
- 8.7. Table 7 gives a provisional assessment of month 6 efficiency 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	0.022	0.018
Workforce	-	-	-	-
Procurement	4.500	6.100	3.883	3.793
Infrastructure	0.669	2.810	2.179	2.155
Other	-	-	-	-
Financial Management / Corporate Initiatives	-	29.120	-	-
Unidentified Savings	32.554	28.150	-	-
Total Core NHS Board Savings	38.223	66.680	6.085	5.966
Savings delegated to Integration Authorities	4.132	5.414	1.350	1.756
Total Savings Required	42.355	72.094	7.435	7.722

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 £2.163m funding for higher value equipment replacements. A bid has also been submitted for available backlog maintenance funding (£3m) plus a further bid (£0.6m) 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 £0.942m funding for fleet decarbonisation to be supplemented by £1m of funding under the IFRS 16 technical implementation arrangements.

- 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.
- 9.3 Since the report to the August Board, further work has been undertaken to match potential schemes with available funding sources resulting in a forecast capital position £0.780m less than anticipated income. We have applied for a transfer of funding of £0.708m from capital to revenue for maintenance schemes which will be accounted for as revenue rather than capital.
- 9.4 Expenditure to the value of £7.065m has been incurred in the first six 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 Test and Protect which we have received the first tranche of funding (£2.429m) giving us 80% cover towards the forecast costs based on the Month 4 Scottish Government Financial Performance Return submission.

Area	Budgeted Operating Costs 30/09/2022 £m	Actual Operating Costs 30/09/2022 £m	Actual saving / (excess) 30/09/2022 £m
Acute Operating Division	0.000	5.565	(5.565)
Estates, E-health and Other Corporate Functions	1.424	7.725	(6.301)
Total Board	1.424	13.290	(11.866)
North Lanarkshire Health & Social Care Partnership	1.809	1.809	0.000
South Lanarkshire Health & Social Care Partnership	1.293	1.293	0.000
Total Health & Social Care Partnership	3.102	3.102	0.000
Total Board and Health & Social Care Partnership	4.526	16.392	(11.866)

- 10.2 Annex D sets out the current forecast for Covid-19 related expenditure. Test and Protect is being funded separately. Based on the assessment at month 5 that leaves £23.854m of forecast Covid-19 expenditure to be met from an increased target envelope of £20.8m. Even though the envelope has been increased to a more realistic level the Board will 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 and have to rely on repayable brokerage

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 ability to take forwards the financial improvement agenda. There are a range of measures as highlighted in section 8 which could take the Board near to reaching its brokerage target but further action is needed locally plus further certainty on income expectations.

12. Conclusion

The Board is asked to note:

- the actual revenue underlying over spend of £21.484m as at 30 September 2022;
- on top of this Acute and Corporate Covid-19 expenditure as at 30 September 2022 is £11.866m more than funding available with continued expenditure against the Covid-19 response;
- the predicted year end gap which now sits at £28.150m against which S.G has indicated a maximum of £19.868m repayable brokerage is available;
- 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 manageable within existing resources.

LAURA ACE
DIRECTOR OF FINANCE
19 October 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 31 August 2022	1,346.051	16.133	8.146	1,370.329
September Adjustments to Allocations Confirmed:				
Alcohol and Drug Partnership - Tranche 1	0.000	0.000	4.232	4.232
Addressing inequalities in access and uptake for screening	0.000	0.000	0.119	0.119
Scottish Trauma Network - Tranche 1	0.000	1.257	0.000	1.257
PASS contract - Board contribution	0.000	(0.071)	0.000	(0.071)
Local Development aligned with DHAC Strategy	0.000	0.000	0.307	0.307
Vitamins for pregnant women and children	0.000	0.000	0.067	0.067
Best Start Implementation	0.000	0.000	0.317	0.317
Family Nurse Partnership	0.000	2.203	0.000	2.203
Test & Protect - Tranche 1	0.000	0.000	2.429	2.429
Variants and Mutations Plan	0.000	0.000	0.320	0.320
Unitary Charge	0.000	0.000	3.888	3.888
Core Revenue Resource Limit as at 30 September 2022	1,346.051	19.522	19.825	1,385.397
Non Core Revenue Resource Limit as at 31 August 2022	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
Non Core Revenue Resource Limit as at 30 September 2022	0.000	0.000	0.000	0.000
Total Revenue Resource Limit as at 30 September 2022	1,346.051	19.522	19.825	1,385.397

ANNEX B

NHS LANARKSHIRE			
CAPITAL EXPENDITURE TO 30th September 2022			
	2022/23 A.O.P £M	2022/23 Forecast £M	Actual £M
Initial Capital Formula Allocation:	13.012	13.012	2.916
Anticipated Capital Resource Limit Adjustments:			
Monklands Replacement Project	13.156	13.156	4.106
GP Sustainability Loans	0.000	1.354	0.043
National Treatment Centre - Cumbernauld	0.000	0.193	
National Infrastructure Board - Equipment	0.000	2.163	
National Infrastructure Board - Backlog Maintenance	0.000	3.600	
Revenue to Capital Transfers	0.513	0.000	
Decarbonisation Funding	0.000	0.942	
Leases (IFRS 16)	0.000	1.134	
	£13.669	£22.542	£4.149
Other Income Adjustments:			
Other Income	0.018	0.018	
Property Disposals	0.020	0.048	
	£0.038	£0.066	£0.000
	£26.719	£35.620	£7.065
<u>CAPITAL EXPENDITURE:</u>			
<u>Business Cases</u>			
Monklands Replacement Project	13.156	13.156	4.106
Monklands General Business Continuity	2.267	5.323	1.153
Acute Property Works including Brain Injury	1.737	3.129	0.805
CAMHS South Lanarkshire Base	0.316	0.617	0.623
Kylepark	0.000	0.354	0.000
GP Sustainability Loans	0.000	1.354	0.000
National Treatment Centre - Cumbernauld	0.000	0.193	0.000
Other	0.000	0.130	0.005
	17.476	24.256	6.692
<u>Medical Equipment</u>	0.500	4.665	0.192
	0.500	4.665	0.192
<u>Other Expenditure</u>			
General Estates Work	0.000	1.977	0.145
West of Scotland Laundry - Replacement	0.000	0.600	0.000
Fleet Decarbonisation	0.000	1.942	0.000
	0.000	4.519	0.145
	0.300	1.400	0.036
	0.300	5.919	0.181
TOTAL CAPITAL EXPENDITURE	£18.276	£34.840	£7.065
(OVER) / UNDER COMMITTED	£8.443	£0.780	£0.000

ANNEX C

Forecast Outturn 2022/23			
	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
Improvements			
Savings identified through finance recovery group	0.339	0.690	1.029
Additional corporate/pssd savings		0.413	0.413
Additional national savings	0.299	2.000	2.299
Financial Management Options	3.454	25.666	29.120
	-38.700	39.007	0.307
Forecast Acute deficit based on Month 5		-17.950	-17.950
Expected Acute deficit per financial plan	3.600		3.600
Shortfall in covid -19 funding per September PPRC report	-13.588	10.534	-3.054
Increase in energy costs	-5.159		-5.159
Increase in supplies costs	-4.033		-4.033
Other (including additional Public Holiday)	-0.295	-1.566	-1.861
Revised Forecast	-58.175	30.025	-28.150

ANNEX D

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)	13,588	16,725
Additional Bed Capacity/Change in Usage	1,389	1,407
Additional Staff Costs (Contracted staff)	555	0
Additional Staff Costs (Non-contracted staff)	6,124	9,840
Additional Equipment and Maintenance	217	0
Additional Infection Prevention and Control Costs	429	1,927
Additional PPE	0	11
Digital & IT costs	0	0
Loss of Income	213	234
Other	420	1,791
Payments to Third Parties	0	331
Patient Transport	243	0
Total Covid-19 Costs	23,854	32,889
Unachievable Savings	0	9,000
Remobilisation Costs	0	685
Test and Protect Costs	2,594	8,156
Grand Total	26,448	50,730