ITEM 17

NHS Board Meeting
25th January 2023

Lanarkshire NHS Board
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NHS Lanarkshire

SUBJECT: FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

1. PURPOSE

This paper is coming to Board Members:

For approval	☐	For endorsement	☐	To note	☒

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 key message from this paper is that the Board still faces a deficit for 2022/23 but the risk of it ending the year outside a range that could be covered by repayable brokerage from SG is now deemed to be low, especially as additional SG funding is now being confirmed. The measures it is taking to narrow this gap are predominantly one off leaving a substantial gap to be filled next year.

The Board had found solutions to cover at least non recurrently the financial gap it foresaw when preparing initial plans in February 2022 but a combination of factors has pushed up expenditure (or reduced income to cover Covid-19 expenditure) bringing in over £30m of additional pressures which are having to be tackled. Annex C sets out the movements from that initial position and the current forecast gap of £11.999m.

This forecast falls within the range of brokerage that SG had indicated would be the maximum acceptable (the figure was never confirmed in writing but sat between £14m and £19.868m). It is a substantial improvement on the month 8 forecast of £19.275m. The main factors behind reducing the deficit were confirmation from SG that the Board could retain the funding previously issued for the National insurance increase even though the increase had been reversed in November plus confirmation in January 2023 that SG would recognise the IJBs agreement in March to cover Covid-19 costs relating to unscheduled care. Further SG funding is expected to be confirmed in February for specific areas of cost pressure in order to reduce the deficit faced by Boards from these costs.

The £11.999m forecast deficit, although a substantial improvement will still require the Board to submit a recovery plan of how it can be repaid within 3 years.

The Month 9 results show a £14.871m overspend to date, excluding the £0.120m of excess cost against funding attributed to Test and Protect. This is a combination of the opening predicted gap, an over spend within the Acute Division of £13.416m and the impact of energy price rises offset by the non-recurring savings made. This is forecast to improve over the final quarter as the newly confirmed funding is played through.

Based on more detailed information on the cash flow profile of 2 schemes about to start on site the capital forecast is sitting £0.198m under funding, assuming we were also given permission to transferring £0.780m of revenue to fund maintenance costs.

4. STRATEGIC CONTEXT

This paper links to the following:

Corporate objectives	☒	LDP	☒	Government policy	☐
Government directive	☒	Statutory requirement	☒	AHF/local policy	☐
Urgent operational issue	☐	Other	☐		

5. CONTRIBUTION TO QUALITY

This paper aligns to the following elements of safety and quality improvement:

Three Quality Ambitions:

Safe	☐	Effective	☒	Person Centred	☐

Six Quality Outcomes:

Everyone has the best start in life and is able to live longer healthier lives; (Effective)	☐
People are able to live well at home or in the community; (Person Centred)	☐
Everyone has a positive experience of healthcare; (Person Centred)	☐
Staff feel supported and engaged; (Effective)	☐
Healthcare is safe for every person, every time; (Safe)	☐
Best use is made of available resources. (Effective)	☒

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. If the risk were rephrased to relate to delivering a position within brokerage limits acceptable to SG it could be assessed as medium.

9. FIT WITH BEST VALUE CRITERIA

This paper aligns to the following best value criteria:

Vision and leadership	☐	Effective partnerships	☐	Governance and accountability	☒
Use of resources	☒	Performance management	☒	Equality	☐
Sustainability Management	☒				

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	☒	Accept the assurance provided	☒	Note the information provided	☒

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 January 2023

NHS LANARKSHIRE
FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

1. Introduction

1.1. This paper sets out the revenue and capital expenditure to the end of December 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 £18.950m 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 this at the June average of 8% for our bundle of services added 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, added 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. 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. Progress has been made month by month since then to reduce the gap which now sits at £11.999m. This sits within the brokerage limits indicated by SG though still requires the submission of a plan to demonstrate how it will be repaid over 3 years.

2.3. The substantial improvement since month 8 when the forecast deficit sat at £19.275m arises mainly from confirmation that the Board may retain the previous allocation for the increase in NIC even though the increase itself was reversed in November. In addition, confirmation was received in January 2023 that the funding agreed by the IJBs for unscheduled care costs linked to Covid-19 can be enacted.

2.4. The AFC pay offer has been raised to an average of 7.5%. 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. Boards were informed of the level of funding to expect on 15th of December and this has been modelled through our local pay base and would be adequate to cover the additional costs.

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 are seeing a faster increase in prescribing costs than had been forecast and this looks as if it will be a growing problem moving into 2023/24.

2.6. The table 1 below gives the summary by Division at the end of December 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.

Table 1 - Summary Financial Position 2022/23

	YTD Budget £M	YTD Actual £M	YTD Variance £M
Acute Operating Division	334.696	348.112	(13.416)
North Lanarkshire Health & Social Care Partnership	240.737	234.473	6.264
South Lanarkshire Health & Social Care Partnership	347.696	345.956	1.740
Estates, E health and Other Corporate Functions	136.154	131.894	4.260
Service Level Agreements / Other Healthcare Providers	169.982	169.089	0.893
NHSL - wide	(60.033)	(53.425)	(6.608)
Underlying net operating cost	**1,169.232**	**1,176.099**	**(6.867)**
Remove IJB Position	(588.433)	(580.429)	(8.004)
Revised underlying net operating cost	**580.799**	**595.670**	**(14.871)**

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 3 bids for National Infrastructure Board funds resolving the gap. More recently however SG's own capital position has changed and Boards have been asked to return uncommitted funds.

3. Revenue Resources

3.1. At the end of December 2022, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,548.826m, details of which are noted in Annex A.

3.2. The December 2022 Core Revenue Resource Limit includes the following confirmed resources for Health and Social Care Partnerships; £0.096m for long Covid-19 support funding tranche 2, £109.967m for Primary Medical Services, £0.123m for learning disability health checks, £0.294m for children's weight management, £0.710m for adult weight management including type 2 diabetes and £0.126m for the delivery of veteran specific mental health support. These were in line with expectations.

3.3. The Board also received £0.395m Covid-19 support funding to cover military aid to civil authority payments during 2021/22.

3.4. We are also anticipating at least an additional £88m of specific allocations, the largest component of which would be approximately £25m in standard primary care allocations as well as funding for the additional costs of the pay deal.

4. Acute Division

4.1. The Acute Division is reporting an underlying over spend of £13.416m for the period to the end of December 2022, as detailed in Table 2. The over spend is £8.964m 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. Budget from the Covid-19 funding envelope has been released to match the £7.329m of costs up to the end of December so it does not contribute to the over spend. This funding ends this year so any residual Covid-19 costs will form part of the 2023/24 deficit.

Table 2 - Acute Division 2022/23

	Budgeted Operating Costs 31/12/2022 £M	Actual Operating Costs 31/12/2022 £M	Actual saving / (excess) 31/12/2022 £M
Pay	268.893	279.906	(11.013)
Non Pay	95.799	98.200	(2.401)
Healthcare Purchases	4.365	4.367	(0.002)
Gross operating costs	**369.057**	**382.473**	**(13.416)**
Less: miscellaneous income	(34.361)	(34.361)	0.000
Underlying Net operating cost	**334.696**	**348.112**	**(13.416)**
Covid-19 Spend	7.329	7.329	0.000
Revised Net operating cost	**342.025**	**355.441**	**(13.416)**

4.2. The estimated overspend is driven by pay costs in excess of budget (nursing £7.110m and medical and dental £4.462m). Non pay costs are also overspent (drugs £0.402m, equipment £0.475m, property and hotel services £0.229m and laboratory and theatres supplies £1.158m).

4.3. The total nursing spend in excess of budget for the 9 months to December is £12.581m of which £5.471m has been covered from the Covid-19 funding leaving £7.110m within the Acute deficit. The 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 £16.989m for the 9 months of the year. This compares with an Agency spend for the comparable period last year of £8.056m (which in turn is higher than previous levels).

4.4. The expenditure on laboratory and theatres supplies in the 9 months of 2022/23, at £30.186m is £5.858m (24%) more than in the 9 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.

4.5. At £51.390m, the 9 month's Lanarkshire hospitals drug spend is 9.8% more than at the same point last year, 38% more than the same point in 2020/21 and 28% more than pre-pandemic levels. The 6 month's expenditure for out of area drugs (excluding oncology which is 3 months) is now known which, combined with nine months' information from the Lanarkshire acute hospitals, leads to a forecast that the rise in hospital drugs costs could leave us requiring all of the drug reserve set aside in the financial plan.

5. Health and Social Care Partnerships

5.1. Across the Health and Social Care Partnerships, there is an under spend of £8.004m for the period to the end of December 2022 (North IJB - £6.264m under spent; South IJB - £1.740m under spent). Budget has been released from IJB reserves previously carried forward to match the costs attributed to Covid-19 (North IJB - £2.766m; South IJB - £1.743m) up to the end of December.

5.2. The opening prescribing budget received the general 2% allocation uplift. The growth in numbers of items dispensed is accelerating and now sits at 2.9% more by month 8 than in the same period last year (up from a 2.4% increase in the first 6 months). The average price is increasing month by month and is 2% higher than expected when looking at last year's average adjusted for the drug tariff deduction. The volume rise and average price is higher in South than in North but both are now showing an overspend which is forecast to grow over the remaining months of the year. Although both HSCPS have saving schemes in place only North deducted the identified savings (£1.068m) from budget as it looked safe to do so at the start of the year whereas South kept the rollover budget given the overspend position.

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.

Table 3 - North Lanarkshire Health & Social Care Partnership 2022/23	Budgeted Operating Costs 31/12/2022 £M	Actual Operating Costs 31/12/2022 £M	Actual saving / (excess) 31/12/2022 £M
Pay	114.290	108.085	6.205
Non Pay	69.544	69.447	0.097
Prescribing	52.187	52.487	(0.300)
Sub Total	**236.021**	**230.019**	**6.002**
Primary Care Improvement Fund	0.000	0.000	0.000
Share of Primary Care Other Services	7.482	7.220	0.262
Family Health Services	0.000	0.000	0.000
Net operating cost	**243.503**	**237.239**	**6.264**
Less: Covid-19 spend	(2.766)	(2.766)	0.000
Revised net operating cost	**240.737**	**234.473**	**6.264**

Table 4 - South Lanarkshire Health & Social Care Partnership 2022/23	Budgeted Operating Costs 31/12/2022 £M	Actual Operating Costs 31/12/2022 £M	Actual saving / (excess) 31/12/2022 £M
Pay	62.473	59.507	2.966
Non Pay	54.378	53.906	0.472
Prescribing	50.716	52.666	(1.950)
Sub Total	**167.567**	**166.079**	**1.488**
Primary Care Improvement Fund	6.617	6.617	0.000
Share of Primary Care Other Services	7.189	6.937	0.252
Family Health Services	168.066	168.066	0.000
Net operating cost	**349.439**	**347.699**	**1.740**
Less: Covid-19 spend	(1.743)	(1.743)	0.000
Revised net operating cost	**347.696**	**345.956**	**1.740**

6. Estates, e–Health and Other Corporate Functions

6.1. Estates, e-Health and Other Corporate functions are reporting an underlying under spend of £4.260m for the period to the end of December 2022, as detailed in Table 5. Budget from the Covid-19 funding envelope has been released to match the £9.269m of costs up to the end of December. Budget of £1.597m from the Test and Protect envelope has also been released against costs of £1.717m. Full funding for Test and Protect is anticipated so this position should improve when the final tranche of allocation is issued.

6.2. 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.

Table 5 - Estates, E Health and Other Corporate Functions 2022/23			
	Budgeted Operating Costs 31/12/2022 £M	**Actual Operating Costs 31/12/2022 £M**	**Actual saving / (excess) 31/12/2022 £M**
Pay	57.509	56.482	1.027
Non Pay	85.809	82.576	3.233
Gross operating costs	**143.318**	**139.058**	**4.260**
Less: miscellaneous income	(7.164)	(7.164)	0.000
Underlying Net operating cost	**136.154**	**131.894**	**4.260**
Covid-19 Spend	10.866	10.986	(0.120)
Revised Net operating cost	**147.020**	**142.880**	**4.140**

6.3. The estimated under spend is spread across Property and Support Services (£2.447m), Other Corporate Functions (£1.335m) and the remaining under spend (£0.478m) sits within Occupational Health (SALUS) whose income generating activities are pre-planned to make a contribution to other Board overheads.

7. Service Level Agreements/Other Healthcare Providers

7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.893m for the period to the end of December 2022, as detailed in table 6.

Table 6 - Service Agreements / Other Healthcare Providers 2022/23			
	Budgeted Operating Costs 31/12/2022 £M	**Actual Operating Costs 31/12/2022 £M**	**Actual saving / (excess) 31/12/2022 £M**
Service Level Agreements	143.045	142.367	0.678
Unpacs and Oats	26.655	26.526	0.129
Independent Sector	0.282	0.196	0.086
Net operating cost	**169.982**	**169.089**	**0.893**

7.2. The under spend of £0.678m 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 £29.481m 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 £1.023m. Combined with an additional £3.899m of savings identified through national initiatives and the sums referred to in section 8.2 these would have been enough to close the opening gap. The forecast however 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 £11.999m of savings would be needed to break even.

8.4. The Board submitted a revised plan at SG’s request in September 2022, requesting £19.868m of repayable brokerage and setting out potential ways to close the remaining gap by 31 March 2022. This included positively confirming income assumptions, reducing the gap between Covid-19 expenditure and funding, tightening controls on discretionary expenditure and pulling back on some corporate expenditure.

8.5. In January 2023 we had confirmation that IJBs will be able to provide the direct financial support to the Board’s unscheduled care pressures due to covid-19 as had been agreed at the start of the year. The month 8 Covid-19 forecasts showed £23.763m of potential cost against a £20.8m funding envelope to meet Covid-19 and Remobilisation costs in 2022/23, leaving a potential gap of £2.963m. This gap has now been removed against current forecasts reducing the deficit projection.

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 9 efficiency performance against the opening financial plan submission. Savings to date include rebates on drug list prices, small property or equipment savings.

Table 7

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	0.245	0.237
Workforce	-	-	-	-
Procurement	4.500	7.700	6.837	7.375
Infrastructure	0.669	2.805	2.305	2.305
Other	-	-	-	-
Financial Management / Corporate Initiatives	-	43.564	36.194	36.194
Unidentified Savings	32.554	11.999	-	-
Total Core NHS Board Savings	**38.223**	**66.568**	**45.581**	**46.111**
Savings delegated to Integration Authorities	**4.132**	**5.414**	**1.600**	**2.033**
Total Savings Required	**42.355**	**71.982**	**47.181**	**48.144**

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 bids to the National Infrastructure Board for £2.163m funding for higher value equipment replacements, £3m backlog maintenance funding and £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 At the end of October, the forecast capital position was £0.780m less than anticipated income and we had applied for a transfer of funding of £0.780m from capital to revenue for maintenance schemes which will be accounted for as revenue rather than capital. A revision to the cash flow profile of 2 schemes in

December has revised the forecast to £0.198m under available funding if that transfer was agreed but there are a number of options to be able to manage that position.

9.4 SG's own capital position has deteriorated and they have asked Boards if they are able to pull back on any expenditure this year. We have identified that the £1m contingency in the Monklands replacement programme budget is not likely to be required and intend returning this funding plus any other slippage that materialises, especially as the additional capital allocated by SG earlier in the year had helped us advance our essential schemes.

9.5 Expenditure to the value of £13.359m has been incurred in the nine months as detailed in Annex B.

10. Development and Approvals

10.1 In January 2023 the CMT considered the evaluation of a pilot looking to see if weekly pay would increase people's propensity to pick up bank shifts. This was in response to local representations that it wold as well as it being an action in a national plan to reduce agency use. Whilst some individuals did do more bank shifts, overall the number picked up by existing bank members did not increase on previous levels. However new members joined the bank in response to an invite offering weekly pay so overall more shifts were worked in the pilot cohort. Agency use across the period increased by 192%. Although no direct cash savings were demonstrated, the additional bank shifts may have avoided costlier agency shifts. A potential cost of up to £0.130m was estimated for fully extending the weekly pay offer to all bank staff though the actual amount could be lower if take up is less. CMT approved this, with review within 12 months, as an invest to save accepting there was a risk if it wasn't accompanied by cost mitigation through reduction in agency shifts.

10.2 Covid-19 expenditure continues to be incurred. Although there is now a funding strategy for 2022/23 for all but vaccination and some public health costs, there will be no further funding in 2023/24.

Table 8 - Covid-19 Revenue Spend			
Area	**Budgeted Operating Costs 31/12/2022 £m**	**Actual Operating Costs 31/12/2022 £m**	**Actual saving / (excess) 31/12/2022 £m**
Acute Operating Division	7.329	7.329	0.000
Estates, E-health and Other Corporate Functions	10.866	10.986	(0.120)
Total Board	**18.195**	**18.315**	**(0.120)**
North Lanarkshire Health & Social Care Partnership	2.766	2.766	0.000
South Lanarkshire Health & Social Care Partnership	1.743	1.743	0.000
Total Health & Social Care Partnership	**4.509**	**4.509**	**0.000**
Total Board and Health & Social Care Partnership	**22.704**	**22.824**	**(0.120)**

10.3 Annex D sets out the current forecast for Covid-19 related expenditure. Test and Protect is being funded separately.

11. Risk Assessment

Based on the information at month 9 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. It is now almost certain that the Board will end the year with a deficit and have to rely on repayable brokerage

However, given the month 9 position, the risk that the Board will end the year out with the brokerage parameters set in year with SG would be assessed as low. Concluding the Covid-19 funding strategy which removed £2.963m, along with confirmation that there will not be gaps in other funding (e.g. in respect of the pay deal) and other gains has allowed the forecast deficit for 2022/23 to be reduced to £11.999m.

The one off nature of many of the gains mean there has been no improvement in the forecasts for 2023/24.

12. 2023/24 Financial Plan

12.1 The Board has been informed of its 2023/24 provisional allocation which includes;

- A provisional £45.7m uplift for the additional costs of the 2022/23 pay deals. Initial modelling suggests this would cover the pay element of any cost increase though more information is needed on the treatment of ring-fenced allocations;

- A 2% baseline uplift;

- The retention of the £7.3m issued in 2022/23 for the now reversed National insurance increase. Not all of this sits within local budgets so further information is needed;

- £4.5m to keep the Board within 0.8% of its fair share of the health budget as judged by the NRAC allocation formula;

- Confirmation there will be no funding for residual Covid-19 costs other than for vaccination and public health activities associated with outbreak control;
- A requirement for a minimum of 3% savings per annum. This would equate to c £42.7m though could be higher depending on the calculation basis;

- A requirement to break even, including paying back any brokerage over 3 years.

12.2 Templates on which to submit a Financial plan have now been issued with discussions scheduled with SG late February and a final plan to be submitted in March. Further guidance on planning assumptions and definitions is expected in the next fortnight. Although the NRAC share and retention of the NI funding are positive news, the overall forecast deficit is likely to show an increase as it is likely both the additional staffing costs due to Covid-19 and the overall acute deficit will continue into 2023/24.

13. Conclusion

The Board is asked to note:

- the actual revenue over spend of £14.871m as at 31 December 2022;

- the budget released from the Covid-19 funding envelope to match the Acute and Corporate Covid-19 expenditure is provisionally assessed at 31 December 2022 as £16.598m;

- the predicted year end gap which now sits at £11.999m against a Scottish Government position of maximum repayable brokerage being in a range from £14m to £19.868m;

- the risk assessment in section 11 that Board is highly unlikely to be able to breakeven but is now forecasting a deficit that sits within the range that may be covered by repayable brokerage;

- that there is a £0.198m under commitment against the capital plans but it is expected to be able to resolve this and we are further reviewing slippage to see if we can return an element of the additional funding since SG's own position has deteriorated.

LAURA ACE
DIRECTOR OF FINANCE
19 January 2023

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 November 2022	**1,347.338**	**40.701**	**49.142**	**1,437.180**
December Adjustments to Allocations Confirmed:				
Military aid to civilian authority	0.000	0.000	0.395	0.395
Long Covid support funding 2022-23 - Tranche 2	0.000	0.000	0.096	0.096
NSD - Adolescent Mental Health Units	0.000	0.000	(0.065)	(0.065)
Primary Medical Services	0.000	109.967	0.000	109.967
Learning Disability Health Checks	0.000	0.000	0.123	0.123
Childrens Weight Management	0.000	0.000	0.294	0.294
Type 2 Diabetes / Adult Weight Management	0.000	0.000	0.710	0.710
Delivery of veteran specific mental health support	0.000	0.000	0.126	0.126
Core Revenue Resource Limit as at 31 December 2022	**1,347.338**	**150.668**	**50.820**	**1,548.826**
Non Core Revenue Resource Limit as at 30 November 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 December 2022	**0.000**	**0.000**	**0.000**	**0.000**
Total Revenue Resource Limit as at 31 December 2022	**1,347.338**	**150.668**	**50.820**	**1,548.826**

ANNEX B

NHS LANARKSHIRE
CAPITAL EXPENDITURE TO 31st December 2022

	2022/23 A.O.P £M	2022/23 Forecast £M	Actual £M
Initial Capital Formula Allocation:	**13.012**	**13.012**	**5.480**
Anticipated Capital Resource Limit Adjustments:			
Monklands Replacement Project	13.156	12.156	7.836
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	
National Infrastructure Board - AAA Ultrasounds	0.000	0.093	
Transfer Trolleys	0.000	0.051	
Capital to Revenue Transfer	0.513	-0.780	
Decarbonisation Funding	0.000	0.942	
Leases (IFRS 16)	0.000	1.134	
	£13.669	**£20.906**	**£7.879**
Other Income Adjustments:			
Other Income	0.018	0.048	
Property Disposals	0.020	0.048	
	£0.038	**£0.096**	**£0.000**
	£26.719	**£34.014**	**£13.359**
CAPITAL EXPENDITURE:			
Business Cases			
Monklands Replacement Project	13.156	12.156	7.836
Monklands General Business Continuity	2.267	5.190	1.628
Acute Property Works including Brain Injury	1.737	3.314	1.255
CAMHS South Lanarkshire Base	0.316	0.654	0.632
Kylepark	0.000	0.597	0.000
GP Sustainability Loans	0.000	1.354	0.043
National Treatment Centre - Cumbernauld	0.000	0.193	0.000
Other	0.000	0.050	0.019
	17.476	**23.508**	**11.413**
Medical Equipment	0.500	4.531	1.136
	0.500	**4.531**	**1.136**
Other Expenditure			
General Estates Work	0.000	1.787	0.159
West of Scotland Laundry - Replacement	0.000	0.600	0.000
Fleet Decarbonisation	0.000	1.942	0.121
	0.000	**4.329**	**0.280**
	0.300	1.448	0.530
	0.300	**5.777**	**0.810**
TOTAL CAPITAL EXPENDITURE	**£18.276**	**£33.816**	**£13.359**
(OVER) / UNDER COMMITTED	**£8.443**	**£0.198**	**£0.000**

ANNEX C

Forecast Outturn 2022/23

	Rec	2022/23 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	0.684	1.023
Additional corporate/pssd savings		0.413	0.413
Additional national savings	0.299	3.600	3.899
Slippage on financial planning estimates		4.516	4.516
Financial Management Options	3.454	30.270	33.724
Forecast corporate surplus based on Month 9		5.324	5.324
	-38.700	55.045	16.345
Forecast acute deficit (including additional winter surge)		-18.950	-18.950
Expected Acute deficit per financial plan	3.600		3.600
Shortfall in covid -19 funding per November PPRC report	-13.681	13.681	0.000
Forecast service level agreements / other healthcare providers deficit		-0.877	-0.877
Increase in winter plan commitments		-0.749	-0.749
Increase in energy costs	-5.159		-5.159
Increase in supplies costs	-4.033		-4.033
Other (including additional Public Holiday)	-0.295	-1.881	-2.176
Revised Forecast	-58.268	46.269	-11.999

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)	12,625	16,725
Additional Bed Capacity/Change in Usage	1,389	1,407
Additional Staff Costs (Contracted staff)	579	0
Additional Staff Costs (Non-contracted staff)	7,106	9,840
Drug Related Costs	217	0
Additional Equipment and Maintenance	398	0
Additional Infection Prevention and Control Costs	0	1,927
Additional PPE	0	11
Digital & IT costs	189	0
Loss of Income	0	234
Other	275	1,791
Payments to Third Parties	0	331
Patient Transport	309	0
Total Covid-19 Costs	23,763	32,889
Unachievable Savings	0	9,000
Remobilisation Costs	0	685
Test and Protect Costs	3,065	8,156
Grand Total	**26,828**	**50,730**