Meeting of Lanarkshire NHS Board
29 March 2023

NHS Lanarkshire
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SUBJECT: FINANCIAL PLAN: 2023/24 UPDATE

1. PURPOSE

This paper is coming to the Board:

For approval	☒	For endorsement	☐	To note	☒

This paper sets out the impact of expected inflationary pressures and developments on the Board's framework of authorised service budgets from 2023/24 to 2025/26. It highlights a significant gap which the Board is required to close over the 3-year period. There are still uncertainties over elements of expenditure and associated funding, such as the pay deal, so revisions will be required but the Board is asked to accept this plan as a basis for initiating the further action required to close the gap.

The capital aspirations for the year far exceed notified funding. The Board is asked to approve the continuation of a list of essential schemes and note that further action is needed to identify any potential additional funding sources or prioritise and phase what can be done.

2. ROUTE TO THE BOARD

An early draft was presented to PPRC in February 2023 building on briefings throughout 2022 on the financial position. Links with the IJBs' Chief Finance Officer have been made in developing the planning assumptions for the health element of the IJB budgets. A first and second draft have been submitted to SGHSCD in February and March 2023 with final feedback awaited. The Corporate Management team has been working through the efficiency gap.

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 31st March 2023. At the same time, primarily because of the impact of the Covid-19 pandemic, the Board has been incurring additional costs and with services under continued pressure has been unable to look at efficiency and redesign as it might in a steady state. An underlying gap of £8.853m at 31/3/20 which was at a level the Board traditionally could manage, has grown to £54.413m at 31/3/23. With continued high inflation, growth in new drugs and some further national developments it is forecast to grow to £68.485m by 31/3/24.

Income available in 2023/24 but not guaranteed beyond that will reduce that gap to £56.505m in year. A series of working groups are looking into measures that might reduce our expenditure and based on the total amount spend and what has been achieved historically through concerted efforts to look at more cost effective approaches this could potentially deliver c £22m. This is by no means secured and substantial effort would be needed to achieve this. At 2.5% of the non IJB budget this falls short of the 3% stipulated by SGHSCD and doesn't provide a path to breaking even over 3 years so a more radical look at redesigning services will be needed.

The IJBs are experiencing a rise in prescribing costs in excess of funding growth. Focussing on ways to make prescribing cost effective will be important to avoid an impact on other health services. If reasonable progress with this is made the combined gap of £10.455m in the IJB health budgets is expected to be managed in year by a combination of non-recurring underspends due to turnover and use of reserves.

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 2022/23. The initial requests for capital funding exceed the available budget. There are a number of community and mental health schemes for which IJB funding has been held in reserve, subject to SGHSCD not reclaiming it. There is the potential, based on previous year,s that additional funding for backlog maintenance might become available. Beyond that phasing and prioritising is likely to be necessary.

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

This initial plan should be measured on its ability to prevent the forecast deteriorating and it ability to bridge us to reaching a more definite 2023/24 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 over the three year period is assessed as very high and is captured by risk 2197.

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	☒				

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	☒	Endorsement	☐	Identify further actions	☐
Note	☒	Accept the risk identified	☐	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.

Laura Ace
Director of Finance

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NHS Lanarkshire

SUBJECT: FINANCIAL PLAN: 2023/24 – 2025/26

1. 2023/24 Summary Overall Position

The projected financial position for 2023/24 for NHS Lanarkshire and the health elements of North and South Lanarkshire Integration Joint Boards is set out in the table below.

Table 1

	Rest of Health			Delegated to IJBs	
	2023/24 Rec £m	2023/24 Non rec £m	2023/24 Total £m	2023/24 North £m	2023/24 South £m
Income	24.274	45.167	69.440	21.244	28.864
Cfwd deficit	-54.413		-54.413		
Drugs	8.388	0.000	8.388	3.835	5.672
Pay Award	10.326	0.000	10.326	3.063	1.812
Other Supplies	9.780	0.000	9.780	0.694	0.502
Purchase of Healthcare	4.284	0.000	4.284	1.433	1.308
Developments	5.566	33.187	38.753	16.037	26.208
Expenditure Rise	38.345	33.187	71.532	25.061	35.502
Gap before savings	-68.485	11.980	-56.505 -6.3%	-3.817 -1.3%	-6.638 -3.2%
Potential savings	9.188	13.185	22.373	3.817	6.638
Residual gap	-59.297	25.165	-34.132	0.000	0.000

Even after assuming the potential savings above could be delivered, this still leaves the plan outwith SGHSCD's stated parameters which gives 1 % flexibility (c £14.3m) between years with overall breakeven over a 3-year cycle. SGHSCD also set an efficiency target of 3% for 2023/34 (c £42.720m). The combined potential efficiency savings in the above projection, at £32.828m, falls short of this. Rolling this forward to 2025/26 does not provide a path to 3-year breakeven.

Each element of the projections above is covered in the following narrative.

2. Income

The main income assumptions are detailed in the table below. The list is not complete (in 2022/23 there will be c.100 additional allocations in year or adjustments to existing allocations) but to simplify the presentation it is assumed that for each ring-fenced allocation income will equal expenditure. This includes an assumption that the additional costs of bringing the Soft Facilities Management services back in house in University Hospital Wishaw will be met by SGHSCD as agreed.

Table 2

	Rest of Health			Delegated to IJBs	
	2023/24 Rec £m	2023/24 Non rec £m	2023/24 Total £m	2023/24 North £m	2023/24 South £m
Income					
General Allocation	17.847		17.847	5.833	4.155
NRAC	4.500		4.500		
Waiting Times Allocation	0.000	15.747	15.747		
Covid Funding		13.470	13.470		
Trauma Centre Funding	0.700	0.000	0.700	0.000	0.992
HCSW Band 2-4 Staffing	1.227		1.227	1.276	1.177
Multi-Disciplinary Teams			0.000	1.743	1.761
Primary Care Improvement Fund			0.000	0.000	19.744
Alcohol and Drug Partnership			0.000	5.173	0.000
Mental Health Action 15			0.000	3.895	0.000
District Nurse Posts			0.000	0.596	0.573
Perinatal and Infant Mental Health			0.000	0.981	0.000
School Nurse Posts			0.000	0.481	0.462
CAMHS Improvement			0.000	1.267	0.000
Banked Infrastructure Funding S.G		3.113	3.113		
New Medicines Fund		12.837	12.837		
cfwd previous year			0.000		
	24.274	45.167	69.440	21.244	28.864

The baseline funding for NHS Lanarkshire, at £1.398bn is not reflected above, only the increase expected in 2023/24. The recurring funding for the 2022/23 pay deal has still to be confirmed so the baseline could change. The non-recurring funding issued to the Board in 2022/23 was enough to cover the pay arrears but was £1.982m less than a full NRAC share.

The general allocation uplift is 2% shared between the 2 IJBs and the rest of health in proportion to their recurring budget. NHS Lanarkshire sits below its target share of health funding based on the NRAC formula and received £4.5m to keep it within 0.8% of that target. This is being retained by the rest of health given the higher level of whole system cost pressures being picked up outside the IJB's. The waiting times allocation is an estimate at this stage – so far £3.2m for the mobile endoscopy unit has been confirmed.

Funding for many of the additional costs of covid ends in 2023/24. We have been notified of £11.593m to provide an ongoing vaccination programme for Covid-19 and Flu. We are still awaiting confirmation of additional funding for public health and other measures linked to Test and Protect. There is not full clarity as to how far this will extend and the figure assumed in the plan is based on the current expenditure level.

The next section of allocations listed in Table 2 relates to previous announcements and in most cases represent a continuation of previous initiatives rather than an increase. There is still uncertainty on various allocations due to the IJBs as it has been indicated that 2023/24 funding will be provided only once previous reserves have been depleted.

In previous years NHS Lanarkshire lodged funding with SG to cover the running cost of infrastructure investments, such as robotic surgery, e observations and the PACs refresh over the forthcoming years. £3.113m is being called down this year leaving £2.780m left which will only cover part of next year's costs.

The Board has assumed that it will receive a share of an overall £150m new Medicines fund. As £5.451m has already been assumed as recurring this gives an additional £12.837m non-recurring. In 2022/23 the Board received a share of £200m. It should be noted that the rise in drugs expenditure is treated as recurring, whereas the in-year money that might offset it sits as non-recurring. This is the main reason there is a net positive in the non-recurring column of the overall table.

3. Brought forward recurring deficit

Since 2010 the annual uplift in funding has been less than the increase in costs meaning the Board has had to seek efficiencies to stay within budget. Between 2016/17 and 2019/20 the Board was having to top up the recurring savings achieved in year with c £8m of non-recurring measures to balance its budgets, which was manageable given the scale of the Board's operations. On March 2020 the Board was put on emergency footing to respond to the Covid-19 pandemic. The various waves of Covid-19 plus the legacy impacts have brought in additional cost as well as moving the focus to the immediate problems of stabilising and recovering the health system. For the first 2 years, additional Covid-19 funding kept the Board in balance but with ongoing additional costs and little bandwidth during that period to look at financial sustainability the underlying deficit was growing. By the start of 2022/23 it was £24.254m. High inflation and energy costs in 2022/23 plus the continued rise in new medicine expenditure widened the gap between costs and income. SG provided cover for additional costs linked with covid-19 in 2022/23 but with an estimated £7.730m of these carrying on, this too increased the recurring gap. Finally, the acute division overspend, fuelled mainly by workforce pressures, has increased by £11.700m over the £5.300m level recognised previously. The 2022/23 figures have still to be finalised but at this stage the estimate is that the recurring gap carried forwards into 2023/24 is £54.413m.

Despite the high underlying deficit, the Board is forecasting breakeven in 2022/23. Analysis of how it is achieving that reveals the high level of non-recurring funding supporting the position. This includes using £14.083m of funding from previous years called down from SG, £8.730m of non-recurring Covid-19 funding, £3.888m of support from the IJBs for unscheduled care and £13.544m additional funding to support new medicines and a reduced CNORIS contribution. Combined with slippage in developments, corporate underspends and non-recurring savings this has allowed the Board to forecast a breakeven position at the end of the year.

The table below summarises the movements from 1/4/20 to the predicted position at 31/3/24 for the budgets outside the IJBs.

Table 3

	20/21 £m	21/22 £m	22/23 £m	23/24 £m
Gap between recurring budgets and recurring costs at 1st April	-8.853	-17.356	-24.254	-54.413
Funding uplift	23.060	31.447	63.271	22.347
Pay deal	-15.498	-24.030	-43.091	-10.327
Supplies inflation	-8.452	-5.880	-19.484	-14.064
Medicines rise (over budget)	-4.846	-6.504	-12.863	-8.388
Local cost pressures	-4.116		-19.430	
National Developments	-4.125	-2.203	-2.654	-3.639
revision to earlier budgets	2.983		3.454	
Efficiencies	2.491	0.272	0.638	9.188
	-17.356	-24.254	-54.413	-59.297

In keeping with SGHSCD policy to develop community and primary care services to support the growing health demands, most of the ongoing development funding over the period from 1/4/16 when the IJBs became live has been directed to the IJBs. A combination of the inevitable time lapse between being notified of the funding and planning and recruiting to the new models of service and underspends due to turnover in existing budgets have meant the IJBs have shown a surplus against their health budget each year. They have been assessed as being in overall balance so far though growth in prescribing costs is beginning to threaten that. The IJBs ability to end 2023/24 still in recurring breakeven on their health budget depends on the ability to deliver savings to offset the prescribing growth and other pressures.

4. Pay Growth Predictions

This version of the plan sets the pay uplift at 2% to maintain a cost neutral position with the 2% allocation uplift. An AFC pay deal for 2023/24 averaging 6.5% with an additional one off payment was accepted by the trade unions on 21/3/23 and so a revision to this plan will be needed to reflect this. In addition to the pay offer, in the deal there is a commitment to look at a 36 hour working week. This would represent a 4% reduction in available core hours which at a time of workforce shortages and high reliance on supplementary staffing could be very significant. There is also a commitment to look at protected learning time, the grading of band 5 nurses and the overall Agenda for Change scheme.

Confirmation of funding available for the pay deal is awaited. Any uncovered element of the above would add to the bottom line deficit.

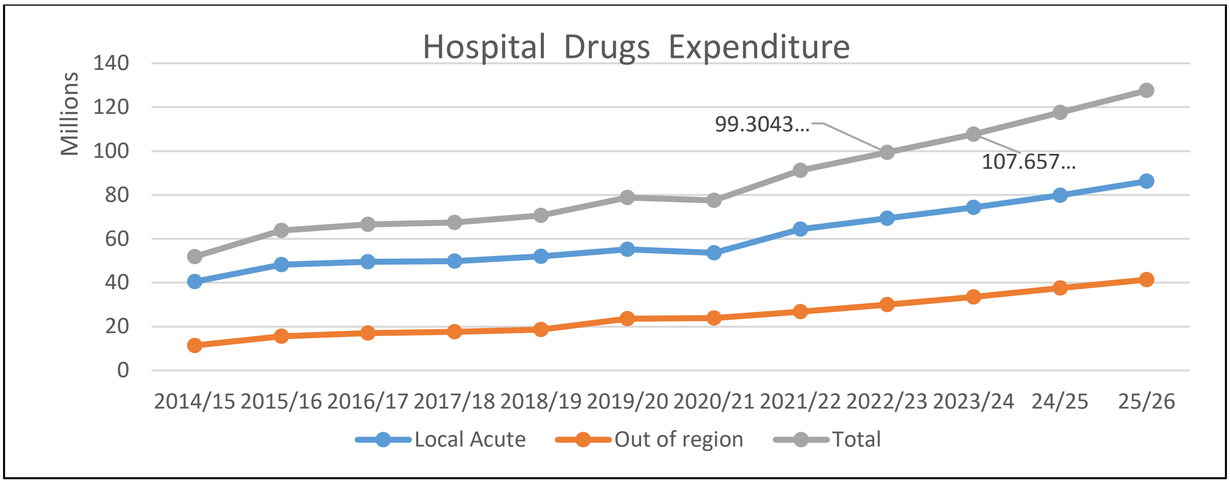
A new specialty doctors contract was agreed in 2022/23 with an expected impact of £0.644m in 2023/24. SGHSCD funding for this has still to be confirmed.

The 2022/23 plan included a forecast additional £1.408m for a review, common to all Boards, of the range of clinical duties performed by Health care support workers which might entitle them to being regraded to AFC band 3. The next step up is anticipated in 2024/25 when the incremental point will be reached and £1.596m has added to the projected deficit for that year to recognise that. These estimates will be reviewed during 2023/24 to check overall numbers and the assimilation process. The higher enhancement percentage paid for band 2 might mean under the nationally agreed assimilation rules some staff reach the higher incremental point sooner than had been modelled.

5. Medicines Growth

The adoption of new higher cost treatments has led to an annual growth in the expenditure on hospital medicines far in excess of the annual allocation uplift in every year other than the first year of the covid-19 pandemic when normal treatment pathways were most disrupted. Expenditure is forecast to reach £99.3m by the end of 2022/23 and increase by between 8 and 9% per annum over the next 3 years.

Graph 1



6. Inflation on Supplies and Energy

The combined forecast annual impact of inflationary pressures across general supplies, energy, PFI contracts and property costs averages out at 5.4%. This is less than the current rate of inflation and assumes inflationary pressures will reduce in the second half of 2023/24.

The supplies inflation disproportionately impacts on the NHS Board as it manages the properties and associated provision such as laundry, catering and decontamination for the whole health system as well as having a higher proportion of its budget on clinical supplies, which unlike the pay deals, have not received any support funding over and above the 2% general allocation uplift.

7. Uplift on Service Level Agreements

NHS Lanarkshire has a very high level of cross boundary activity. Following the 6.07% recurring uplift agreed nationally on SLAS for 2022/23, the recurring base budget is £221.717m (of which £210.129m is paid for by the Board and £11.588m sits with the IJBS). A neutral assumption of a 2% uplift equal to the baseline allocation increase has been assumed in this version of the plan. When the 2023/24 pay deal funding is known a share of it will be added to the SLAs.

The healthcare SLAS are still apportioning costs on pre pandemic activity levels which means relative changes in where activity is flowing have not been picked up in the costings. Discussions are underway at a national level about how to rebase these agreements.

There are £129.567 m of agreements with or funding transfers to other health and social care providers, mainly the local authority through previous resource transfer or social care funding. Again the uplift has been assumed to equal the general allocation increase although it will largely be for the IJB's to agree the 2023/24 level.

8. Local Cost Pressures and Developments

The material increase in the estimates of ongoing local cost pressures (namely the £11.7m increase in the acute overspend and the £7.703m of costs previously linked with the Covid-19 response but still continuing) has been included in the brought forward recurring deficit as it originated in 2022/23. The table below is extracted from the month 11 report to the Acute management team and illustrates the spread of the costs.

Table 4

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

Group	Budgeted Operating Costs £m	Actual Operating Costs £m	Actual Saving / (excess)
Medical Staffing	112.285	117.330	-5.045
Nurse Staffing	171.259	178.480	-7.221
AHP	12.216	11.889	0.327
Healthcare Sciences	21.207	21.283	-0.076
Other Pay	31.644	31.192	0.452
Medicines & Prescribing	61.842	62.438	-0.595
Other non Pay	54.072	57.549	-3.477
Healthcare Purchases	5.912	5.914	-0.002
Net Operating Cost	**470.438**	**486.074**	**-15.636**
Covid-19 Spend	7.874	7.874	0.000
Gross Operating Cost	**478.312**	**493.948**	**-15.636**

Including the forecast £17m deficit in the 2023/24 financial plan does not mean the Acute Division budget will be increased by that amount. It is merely recognising that a level of excess expenditure is in place and without definite plans to reduce it, it will continue so cannot be ignored. It is hoped that the plans developed through the sustainability and value groups, described in section 10 of this paper will start to make inroads into this expenditure.

An analysis after the first quarter of 2022/23 revealed that 60 – 65% of the overspend is arising from areas associated with unscheduled care which fall within the definition of services delegated to IJBs under the Public Bodies (Joint Working) (Scotland) Act 2014 under the set aside arrangements. The financial treatment of the set aside budget has always been problematic as the services are interconnected with the whole hospital provision and the IJB Chief Officers do not have direct management responsibilities. In 2022/23 both IJBs used non-recurring funding to offer £3.888m of additional support to unscheduled care pressures but apart from that they have insulated from the financial impact of the higher costs, focussing instead on collaborative work to improve services. Both IJBs have been working closely with the NHS Board to reduce the pressures on unscheduled care through measures which would be hoped to reduce admissions or delayed discharges. The NHS Board's retention of the £2m funding benefit from the reversal of the 2022 National insurance contribution rise that the IJBs might otherwise have expected is a defacto contribution to these pressures. Likewise, the £4.5m NRAC uplift, which if apportioned over base budgets would have resulted in £1.6m being passed to the IJBs, is being retained as a contribution to costs that the Board is incurring in areas relating to the provision of IJB services. However, these two benefits fall far short of the level of financial pressure being experienced by the NHS Board in services associated with the IJB so as well as continuing the strong collaborative working there will be ongoing dialogue with the IJBS as to how any underspends in health service budgets or funding in reserve from previous underspends could be used not just to balance the HSCP budget but to contribute to the costs of delivering unscheduled care.

In addition to the above are costs which first appeared during the Covid-19 response and although they are forecast to reduce in value there are not yet plans in place which would make them disappear. £6.118m of the £7.730m forecast costs relates to additional staffing costs within the acute. Patient transport, estates, drugs, IT and equipment costs make up the remainder.

The non-recurring costs of implementing the national e rostering system have been built in. At this stage, given the unresolved deficit, no new local recurring development have been included. However, proposals to stabilise the Board's unscheduled care provision are being developed and will be presented to the Board as a high priority.

9. National Developments

Of the £5.566m national developments recognised in the plan, £1.927m are funded by SGHSCD and relate to previously announced expansion in trauma services and health care support worker numbers. The remaining £3.369m are unfunded. The CNoris contribution is expected to increase by £1.588m and the topslice for national risk share by £1.357m. The cost of Microsoft products and the Board's contribution to regional elective centres are also expected to go up. With no central funding and no ability to avoid these cost increases, the Board has to look to its own local services to deliver efficiencies which could provide the budget needed to cover these costs.

10. Efficiency Savings

To balance the plan, the Board would have to find £56.505m of savings in year as well as relying on the extra £12.837m new medicines funding anticipated on a non-recurring basis. For the Board to secure recurring breakeven without reliance on the continuance of non-recurring funding it would have to achieve £68.485m. This is 7.67% of the Board's budget out with the IJBs. Once the cross boundary Service level agreements are excluded this rises to 10%.

The financial planning guidance issued by SGHSCD requires Boards to breakeven over 3 years and allows up to 1% flexibility in individual years. 1% for the Board would equate to c £14.3m. Using this flexibility would mean the Board finding a minimum £42.205m savings in year and taking £14.3m of brokerage. In the following 2 years it would have to make additional recurring savings of at least £26.280m in the next financial year, pay back the £14.3m brokerage used in 2023/24 and meet any new savings gap in 2024/25 and 2025/26.

The Board does not yet have plans to achieve this. Under the banner of Sustainability and Value, it has set up 7 separate workstreams each led by a director which segment the Boards expenditure into cohesive areas so opportunities for cost reduction can be explored in depth. These cover medicines, nursing agency, medical locums, procurement, estates, energy and waste and income generation. 3 wider groups led by directors have also been established looking for opportunities for different approaches. These are workforce optimisation, redesign and reform and digital and innovation. The topics reflect the national Sustainability and Value themes and the Board is linked in to the national financial improvement work.

The membership has been established and the first cycle of 3 meetings to come up with proposals is under way. The Board was required to submit a 3-year financial plan to SG on the 16th of March in advance of definite proposals. An estimate of what might be achieved by each group was calculated by reviewing the total expenditure covered by each group alongside knowledge of what historically has been delivered. This will be developed further as output from each group becomes available. The table below summarises what was submitted in the draft plan to SGHSCD. Delivering this level of saving would allow the IJBS to balance their budgets in 2023/24 but would leave the NHS Board with a £34.132m gap.

Indicative Efficiency Savings

Table 5

	Rest of Health		IJB	
	Rec. £m	Non rec. £m	Rec. £m	Non Rec. £m
Drug expenditure	1.000		3.700	
Net reduction in medical agency costs	0.250			
Net reduction in nurse agency costs	5.000			
Procurement savings - pharmacy		6.000		
Procurement savings - other supplies	1.550	0.645		
Further savings in travel and subsistence	0.100		0.150	
Estates and energy savings	1.050			
E health savings	0.150			
Workforce - savings through turnover			2.067	
Financial Management		6.000		4.438
Mobile phone savings	0.088		0.100	
Income generation		0.540		
	9.188	13.185	6.017	4.438

11. Risks

The £34.132m in year (£59.297m recurring) gap between projected costs and income even if the indicative savings above are delivered is the single largest financial risk facing the Board. There are many factors which could increase this. These include:

- The savings in section 10 not being delivered in full;

- The pay deal not being fully funded. The commitment to look at a 36 hour working week alone represents a 4 % loss of working hours. Straight backfill would cost over £32m;
- Supplies inflation averaging more than 5.4%. Every 1% increases costs by £1.5m;
- The high level of demand for additional investment and the immediate need to stabilise the unscheduled care flow;
- 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 £2.2m.

12. Capital Plan

12.1 Capital Income

The formula allocation is expected to stay at £13.012m. The IJB have funding in reserve earmarked for a range of mental health schemes. Funding has been assumed for the continuation of the Monklands replacement programme, the Cumbernauld elective centre and to match any GP Sustainability loans. Funding is available for fleet decarbonisation. A small amount of income is anticipated from property sales and the hub dividend.

In previous years the National Infrastructure Board has issued additional funding in year for backlog maintenance and equipment replacement. None has been notified so far but securing any funding available through this route would be key to being able to deliver the required capital programme this year

12.2 Capital Expenditure

Appendix 1 sets out the list of notified capital schemes. The first column includes those that have already started. Completing these will use all but £6.411m of available funding. Expanding the list to include other requirements notified to CIG for 2023/24 would lead to an over commitment of £5.336m. The high level of continuing schemes means unlike previous year's slippage cannot be relied on to any significant extent to help balance the plan. Instead the local capital investment group will need to prioritise whilst simultaneously bidding for any additional funding that might become available. Projecting capital requests forwards for the following 4 years shows aspirations exceed likely funding. The later schemes are not fully developed but prioritisation looks inevitable.

13. 2024/25 to 2025/26

Rolling the financial projections forwards to 2026, using a neutral assumption that the allocation uplift will cover the pay and supplies inflation, shows the impact of rising medicines costs and a small number of already agreed developments on the bottom line. Even with a level of annual savings higher than has been achieved since 2017/18 the gap continues to grow from the £34.132m in this year's projections to £53.992m.

	2024/25 Rec £m	2024/25 Non rec £m	2024/25 Total £m	2025/26 Rec £m	2025/26 Non rec £m	2025/26 Total £m
Income	-30.815	78.005	47.189	-37.640	75.225	37.585
Cfwd deficit						
Drugs	12.774	0.000	12.774	12.991	0.000	12.991
Pay Award	16.463	0.000	16.463	15.270	0.000	15.270
Other Supplies	4.995	0.000	4.995	3.630	0.000	3.630
Purchase of Healthcare	7.166	0.000	7.166	7.310	0.000	7.310
Developments	0.864	66.180	67.045	1.021	65.283	66.304
Expenditure Rise	42.263	66.180	108.443	40.222	65.283	105.504
Gap before savings	-73.078 -8.2%	11.824	-61.254	-77.861	9.942	-67.919
Potential savings	6.388	7.040	13.428	6.388	7.540	13.928
Residual gap	-66.691	18.864	-47.826	-71.474	17.482	-53.992

14. Recommendations

The Board is asked to note:

- The underlying gap at the start of 2023/24 is £54.414m and modelling the likely increase in costs it could rise, without further action, to £56.505m in year and £68.485m recurringly;

- That there are a range of risks (section 10) which could cause this position to deteriorate;

- That efficiency plans are at an early stage and to meet the minimum SGHSCD requirements would require c £20m more than the indicative amounts in table in section 10;

- That detailed plans have been considered by each IJB for the services delegated to them that are consistent with health planning assumptions and it is realistic to assume they will close the estimated health financial gap excluding the set aside;

- That requests for capital funding currently exceed the budget available and to date only continuing schemes or emergency replacements have been approved.

LAURA ACE
DIRECTOR OF FINANCE
22 March 2023

Appendix 1 – Capital Plan Commitments to date

Income	Schemes in progress £m	Total notified £m
Formula allocation	13.012	13.012
MRP business case	22.853	22.853
IJB support transferred from revenue	2.336	3.638
Property disposals	0.068	0.068
Other	0.417	0.417
GP sustainability loan		1.311
Cumbernauld elective centre		0.300
	38.686	41.599
MRP Business case	22.853	22.853
Monklands backlog maintenance	2.639	5.918
Pharmacy aseptic suite modifications	0.151	0.151
Stonehouse traumatic brain injury accomm.	0.582	0.582
Wishaw Ed redesign	1.560	1.560
Medical equipment	0.386	2.700
Chryston Community facility	2.450	2.450
Kylepark	1.254	1.254
Fleet decarbonisation	0.400	0.400
E health replacement programme		3.525
MH and Cahms - within IJB funding		1.302
GP sustainability loan		1.311
IFRS 16 - Gp leases		0.671
Dental ventilation		0.100
Cumbernauld elective centre		0.300
Clydesdale Primary Care		0.480
Hairmyres theatre refurbishment		0.880
Hairmyres medical records relocation		0.300
Hairmyres theatre 9		0.198
	32.275	46.935
Uncommitted/ (overcommitted)	6.411	-5.336