

## **NHS LANARKSHIRE FINANCE REPORT FOR THE PERIOD ENDED 31 DECEMBER 2023**

### **1. Introduction**

- 1.1. This paper sets out the revenue and capital expenditure to the end of December 2023 and provides an update on the 2023/24 forecast.

### **2. Overview**

- 2.1. The Board is reviewing all opportunities for reducing its forecast deficit in order to fall within nationally available funding and to reduce the level of debt it would have to repay in 2024/25. The estimated deficit at month 9 is £7.618m with a forecast year end position of £4.092m over budget. This has improved from the £7.305m forecast at month 8 through recognising that the time to plan and recruit means an estimated £3.196m of the £5.9m budget agreed by the Board for Operation Flow in May 2023 will not be needed until 2024/25.
- 2.2. The £4.092m forecast deficit is now lower than the £12.787m deficit that would have been expected if the only changes to the opening plan had been the additional SG income (£14.933m in additional sustainability funding and £12.312m non recurring funding for new medicines) and the SG agreement for the Board to increase its expenditure by £5.9m to support improvements to unscheduled care performance through Operation Flow.
- 2.3. The £4.092m gap is made up of a recurring gap of £58.087m, offset by over £53.995m of income or other measures to reduce the gap classed as non recurring.
- 2.4. The target issued by SGHSCD to all Boards is for 3% recurring savings which would equate to c £42.7m for NHS Lanarkshire spread across all budgets including those delegated to the Integration Joint Boards (IJBs). The next year recurring impact of the 2023/24 identified savings schemes is currently estimated at £4.607m for the NHS Board and £5.6m for the IJBS. As the Board has been instructed to break even in 2024/25 identifying the balance of recurring savings will be critical for gaining acceptance to its 2024/25 financial plan.
- 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 mean there is more confidence the health budgets within the IJBs could breakeven in year. However, rising costs from GP prescribing are outstripping the 2% allocation increase, creating an overspend that is having to be covered from other services. The estimated overspend at 31 December is

£5.519m (30 November £7.094m). The improvement in the December position is due in the main to the additional non recurring allocation being issued to fund the pharmacy tariff increases for 2023-24. Had further funding not been released from IJB contingency reserves the overspend would be £9.662m. In total £6.274m is being released from IJB reserves to reduce the overspend in 2023/24.

- 2.6. The table below gives the summary by Division at the end of December 2023. Sections 4 to 7 provide more detail on each area.

	<b>YTD Budget £M</b>	<b>YTD Actual £M</b>	<b>YTD Variance £M</b>
Acute Operating Division	379.693	398.869	(19.176)
North Lanarkshire Health & Social Care Partnership	269.737	267.725	2.012
South Lanarkshire Health & Social Care Partnership	377.413	378.207	(0.794)
Estates, Digital and Other Corporate Functions	165.249	163.835	1.414
Service Level Agreements / Other Healthcare Providers	179.955	178.986	0.969
NHSL - wide	(45.588)	(54.763)	9.175
<b>Net operating cost</b>	<b>1,326.459</b>	<b>1,332.859</b>	<b>(6.400)</b>
Remove IJB Position	(647.150)	(645.932)	(1.218)
<b>Revised Net operating cost</b>	<b>679.309</b>	<b>686.927</b>	<b>(7.618)</b>

- 2.7. The capital plan has been brought within available resources through a combination of additional income, part from SG and part from IJB reserves held for estates improvements for Mental health and through recognising some projects can or will proceed on a longer timescale.

### **3. Revenue Resources**

- 3.1. At the end of December 2023, the Core Revenue Resource Limit (RRL) for NHS Lanarkshire was £1,732.192m, details of which are noted in Annex A.
- 3.2. The Outcomes Framework and Primary Care Improvement Fund have not received the level of pay uplift funding that is required and this is being followed up with SGHSCD.

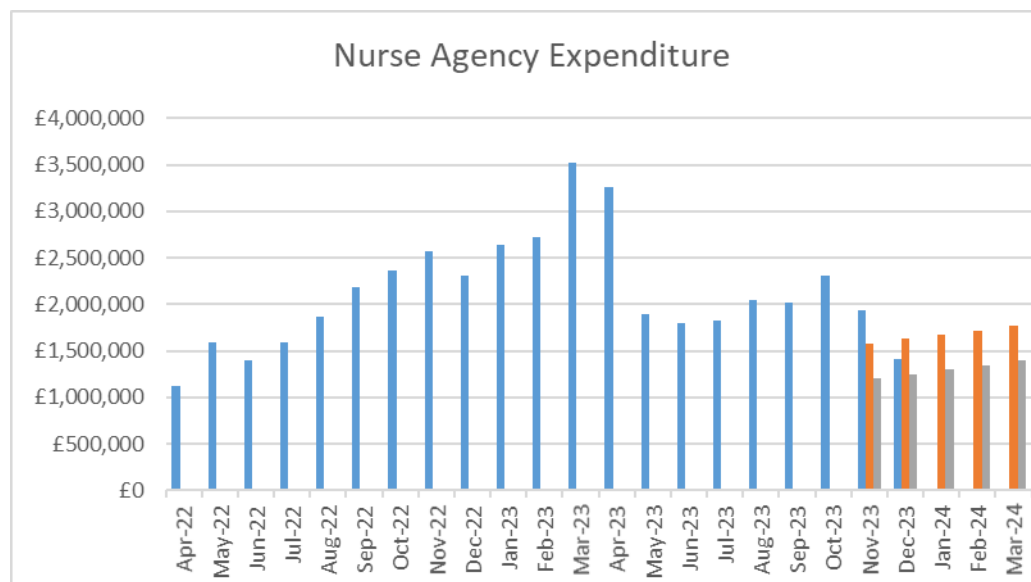
### **4. Acute Division**

- 4.1. The Acute Division is reporting an over spend of £19.176m for the period to the end of December 2023, as detailed in Table 2.

	<b>Budgeted Operating Costs 31/12/2023 £M</b>	<b>Actual Operating Costs 31/12/2023 £M</b>	<b>Actual saving / (excess) 31/12/2023 £M</b>
Pay	310.936	327.011	(16.075)
Non Pay	103.253	106.352	(3.099)
Healthcare Purchases	4.351	4.353	(0.002)
<b>Gross operating costs</b>	<b>418.540</b>	<b>437.716</b>	<b>(19.176)</b>
Less: miscellaneous income	(38.847)	(38.847)	0.000
<b>Net operating cost</b>	<b>379.693</b>	<b>398.869</b>	<b>(19.176)</b>

- 4.2. The raw overspend to compare with previous figures would have been £22.926m had the Board not agreed in May 2023 to convert £5m of the emergency department pay overspend to substantive budget. As the NHS Board itself did not have the £5m, allocating this budget to the Acute was mirrored exactly by a £5m recurring deterioration in the core Board deficit. A non recurring funding solution, bringing in funding from IJB reserves established for unscheduled care, has been identified for this in 2023/24.
- 4.3. The estimated overspend is driven by pay costs in excess of budget (nursing £11.046m, medical £4.880m and healthcare scientists £1.033m). Non pay costs are also overspent (drugs £1.577m, hotel services £0.719m, equipment £0.530m, other therapeutic supplies £0.376m and other admin supplies £0.203m).
- 4.4. The medical overspend of £4.880m is made up of a £3.136m underspend against senior medical posts due to recruitment difficulties and £8.016m overspend on other grades with supernumerary posts and rota compliance contributing to the medical overspend. The remit of the Sustainability and Value (S & V) Group established to look at Medical locum costs has been widened to review the medical staffing pressures. Based on the first 9 months the overspend against the medical budget could be over £6.507m versus the £5.205m overspend in 2022/23.
- 4.5. The total nursing spend in excess of budget for the 9 months to December is £11.046m (7.2%), £2.754m of which is attributable to registered nursing posts (2.3% of RN budget) and £8.292m to clinical support workers (25.2% of CSW budget).
- 4.6. The total number of clinical support workers in post is c. 98 w.t.e. below budget but the skill mix is richer, with those performing a range of clinical duties rebanded from a 2 to a 3 and a move to create more band 4 assistant practitioner roles. This means the underspend on substantive staffing is far less than expected from the vacancy numbers. There has been £9.803m spent on bank staff (c 316 w.t.e.) and £0.583m on agency. High sickness absence, surge cover, increased dependency and providing support for gaps in registered nursing contribute to the overspend.
- 4.7. The nurse agency spend is £18.490m for the first 9 months compared to £16.989m in the same period last year and £2.810m in 2019/20. This is the main factor driving the registered nursing overspends where the £17.907m agency spend (c 191 w.t.e.) and £4.142m bank spend exceeds the underspend from c 209 w.t.e. vacancies. The measures to reduce use of off framework agency use has been successful, with only 12 such shifts in December 2023. An overall target reduction has been agreed, taking account of the recruitment of newly qualified nurses and, to a small extent in year, a 1% improvement in

sickness absence and occupancy in the final months. The original target had been flexed upwards to take account of the fact that the net gain in nursing numbers was less than anticipated and vacancies were now higher. 2380 less agency hours were used in December compared to November, which combined with the improvement in rates from moving on to framework contract means the target was met in December. The total spend has been brought down from its March peak with September to December 2023 sitting 18.7% less than in 2022.



- 4.8. In 2022/23 £6.980m of the £12.702m total Acute Division pays overspend sat in the Emergency Departments and the supporting admission units. £5m of additional budget was agreed by the Board to support that overspend, but even after it has been phased in the month 9 overspend on pays is £6.970m, a significant deterioration on last year. The conversion of posts to substantive and the additional Operation Flow investment to support a new target operating model have not yet been fully enacted. The better staffing configuration that should result from this needs to translate to more effective working and remove the excess costs of reactive and ad hoc supplementary staffing.
- 4.9. The expenditure on laboratory and theatres supplies in the 9 months of 2023/24, at £30.932m is £0.746m (2.5%) more than in the 9 months of the previous year. This is a combination of price and activity increases as we stand up more services.
- 4.10. At £57.159m, the 9 months' Lanarkshire hospitals drug spend is 11% more than at the same point last year (42% more than in the 9 months to November 2019). The financial plan predicted an 8% rise and added £5.488m on to the opening budget to take it to £74.227m. On a straight line basis this rate of spend would result in a £2.103m overspend. The Sustainability and Value Group looking at prescribing has identified some further drug switches which might reduce this slightly.
- 4.11. We have now received 6 month's expenditure for out of area drugs including the transfer of MS drugs costs from the Acute Division and an initial forecast carried out suggests that the total uplift in the financial plan will cover the cost rise in hospital drugs.

## 5. Health and Social Care Partnerships

- 5.1. Across the Health and Social Care Partnerships, there is an over spend of £1.218m for the period to the end of December 2023 (North IJB - £2.012m under; South IJB - £0.794m over).
- 5.2. In 2022/23 both IJBs ended the year with a prescribing overspend, (North £1.750m and South £3.750m). The budget had received the 2% allocation uplift in 2023/24 but the numbers of items dispensed has increased by 3.43% and the price per item had increased in the first 6 months from an average of £9.65 per item to £10.32. The estimated overspend at 31 December 2023 was £5.159m, an improvement on the November position of £7.094m due to a non-recurring allocation being phased in to fund the pharmacy tariff increases for 2023-24. In addition, the IJBs are releasing funding from contingency reserves, phased in throughout the year. By the year end there will be £6.274m from reserves and c £3.2m non recurring allocation offsetting the overspend on a one off basis.
- 5.3. Both IJBs have set a target reduction through efficiency of £2.7m. At the end of December 2023, £2.115m has been recorded as being achieved and if this continues the savings expected by March 2024 are £3.917m. New opportunities are being identified each month so this figure could be expected to rise by the end of the year, though given the impact would be over fewer months this alone would not close any gap.
- 5.4. The prescribing overspend is the single biggest threat to the HSCPs financial plans. In North, the underspend on pay costs is sufficient to cover this. In South the general underspend against other budgets falls £1.305m short of covering the prescribing excess. The plan remains to use a combination of additional savings and reserves to balance in year.
- 5.5. Tables 3 and 4 show the position in each partnership.

	<b>Budgeted Operating Costs 31/12/2023 £M</b>	<b>Actual Operating Costs 31/12/2023 £M</b>	<b>Actual saving / (excess) 31/12/2023 £M</b>
Pay	134.218	128.892	5.326
Non Pay	72.760	75.695	(2.935)
Prescribing	57.358	57.976	(0.618)
<b>Sub Total</b>	<b>264.336</b>	<b>262.563</b>	<b>1.773</b>
Primary Care Improvement Fund	0.000	0.000	0.000
Share of Primary Care Other Services	5.401	5.162	0.239
Family Health Services	0.000	0.000	0.000
<b>Net operating cost</b>	<b>269.737</b>	<b>267.725</b>	<b>2.012</b>

**Table 4 - South Lanarkshire Health & Social Care Partnership 2023/24**

	<b>Budgeted Operating Costs 31/12/2023 £M</b>	<b>Actual Operating Costs 31/12/2023 £M</b>	<b>Actual saving / (excess) 31/12/2023 £M</b>
Pay	71.655	68.231	3.424
Non Pay	55.864	56.052	(0.188)
Prescribing	53.829	58.370	(4.541)
<b>Sub Total</b>	<b>181.348</b>	<b>182.653</b>	<b>(1.305)</b>
Primary Care Improvement Fund	16.508	16.218	0.290
Share of Primary Care Other Services	4.985	4.764	0.221
Family Health Services	174.572	174.572	0.000
<b>Net operating cost</b>	<b>377.413</b>	<b>378.207</b>	<b>(0.794)</b>

5.6 Both IJBS receive a significant level of funding as ring-fenced allocations. To avoid any as yet unused element of those funds masking the position on general budgets they are released throughout the year to match expenditure. Of the £42.662m received, £22.522m has been released to December, leaving £20.140m to be released in the final quarter or carried in to 2024/25.

## 6. Estates, Digital and Other Corporate Functions

6.1. Estates, Digital and Other Corporate functions are reporting an under spend of £1.414m for the period to the end of December 2023, as detailed in Table 5.

**Table 5 - Estates, Digital and Other Corporate Functions 2023/24**

	<b>Budgeted Operating Costs 31/12/2023 £M</b>	<b>Actual Operating Costs 31/12/2023 £M</b>	<b>Actual saving / (excess) 31/12/2023 £M</b>
Pay	79.354	77.757	1.597
Non Pay	94.050	94.233	(0.183)
<b>Gross operating costs</b>	<b>173.404</b>	<b>171.990</b>	<b>1.414</b>
Less: miscellaneous income	(8.155)	(8.155)	0.000
<b>Net operating cost</b>	<b>165.249</b>	<b>163.835</b>	<b>1.414</b>

6.2. The under spend is spread across Corporate Departments (£0.904m) and Property and Support Services (£0.049m). The remaining under spend (£0.461m) sits within Occupational Health (SALUS) whose income generating activities are pre-planned to make a contribution to other Board overheads. This has been included in the efficiency table at 8.4 though and will need reassessed each month given the potential vulnerability of commercial income to loss of contracts.

## 7. Service Level Agreements/Other Healthcare Providers

7.1. Service Level Agreements and Other Healthcare Providers are reporting an under spend of £0.969m for the period to the end of December 2023, as detailed in table 6.

**Table 6 - Service Agreements / Other Healthcare Providers 2023/24**

	<b>Budgeted Operating Costs 31/12/2023 £M</b>	<b>Actual Operating Costs 31/12/2023 £M</b>	<b>Actual saving / (excess) 31/12/2023 £M</b>
Service Level Agreements	152.321	151.521	0.800
Unpacs and Oats	27.315	27.243	0.072
Independent Sector	0.319	0.222	0.097
<b>Net operating cost</b>	<b>179.955</b>	<b>178.986</b>	<b>0.969</b>

- 7.2. A national agreement was reached for 5.37% SLA uplift which factors in proposed pay funding, a share of the sustainability funding and 0.63% non-recurring for excess energy costs. The activity base used for SLAs had been frozen during the pandemic with widespread agreement that 2020/21 and 2021/22 were so atypical due to Covid-19 that they could not be used. How individual Boards update their SLAs for 2023/24 will vary. NHS Lothian has recently communicated its intention to use a new methodology updating for activity in year. The West of Scotland has agreed to use a fixed base for 2023/24, uprating the previous amount by the 5.37% only. There are plans to rebuild the NHS Greater Glasgow and Clyde SLA model which should progress in 2024/25.

## **8. CRES/Efficiency**

- 8.1. At £23.233m the Board has exceeded the £22.373m set out in the opening plan for savings, though there is a far greater reliance on non-recurring gains.
- 8.2. The financial plan was prepared on the basis of historic budgets and agreed developments. It forecast that costs would exceed income by £56.505m. Balancing in year would require efficiencies that either reduced costs or increased income. At the time of submitting the financial plan to Scottish Government the Board estimated it could expect £22.373m of savings leaving a gap at that time of £34.132m. Since the start of the year SG released £27.245m of additional funding and gave approval to us increasing our deficit by £5.9m to advance Operation Flow. On their own these would have taken the forecast deficit to £12.787m. At present a £4.092m gap is forecast, assuming the Board will achieve £23.233m of savings and the IJBs, £9.018m. Appendix B sets the movement out in more detail.
- 8.3. Table 7 gives a provisional assessment of month 9 performance against the opening financial plan submission. Some further drug savings have been identified in month.

<b>Table 7</b>				
<b>Financial Plan description</b>	<b>Annual Operating Plan £m</b>	<b>Extant Plans £m</b>	<b>Actual Savings Achieved £m</b>	<b>Plan to date £m</b>
Service Redesign	-	-	-	-
Drugs & Prescribing	1.000	1.073	0.574	0.567
Workforce	5.250	0.017	-	0.017
Procurement	6.000	6.229	4.761	4.492
Estates & Infrastructure	2.385	2.707	2.509	2.510
Non-Pay (Other)	1.738	1.448	0.461	0.461
Financial Management / Corporate Initiatives	6.000	11.759	9.443	8.819
Identified Savings	22.373	23.233	17.748	16.867
Further savings to be identified to breakeven in year	34.132	4.092		
<b>Total Core NHS Board Savings Required</b>	<b>56.505</b>	<b>27.325</b>	<b>17.748</b>	<b>16.867</b>
<b>Savings delegated to Integration Authorities</b>	10.455	9.018	4.186	5.753
<b>Total Savings Required</b>	<b>66.960</b>	<b>36.343</b>	<b>21.935</b>	<b>22.620</b>

- 8.4. Savings to date include rebates on drug list prices, drugs & prescribing, procurement savings and estates & infrastructure projects. Of the £23.233m of NHS Board savings identified only £1.705m are recurring (though will generate over £2m more in full year effect). It is assumed the £3.917m of IJB prescribing savings are recurring. The total of these falls far short of the SG 3% target (c £42.7m).
- 8.5. The Board has set up a Sustainability and Value programme with 10 separate groups which segment 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 have also been established looking for opportunities from workforce optimisation, redesign and reform and digital and innovation. To date the programme has identified £6.583m of deliverable savings in year of which £3.917m relate to the Health and Social Care Partnerships prescribing efficiency initiative. A further £25.651m of opportunities, largely one off, have been identified outside the S & V Programme split £5.101m in the IJBs and £20.550m in the rest of the NHS.
- 8.6. In addition to these there is a pipeline of project at an earlier stage of development. The pipeline projects will not deliver sufficient in 2023/24 to close the remaining gap.
- 8.7. The £5.250m workforce savings in the original plan were largely an estimate of what might be a realistic net saving through reducing reliance on nursing agencies. As the graph in 4.7 shows there has been success in reducing expenditure from its March 2023 peak and September to December 2023 is lower than in the corresponding months in 2022. As the total expenditure to date is in excess of that at month 9 last year, we are not yet able to enter a net saving. If we could adhere to the trajectory for the rest of the year we would deliver a c £2m saving against last year's outturn.
- 8.8. The Medical Locums group has widened its scope to look at supernumerary post and rota compliance and can demonstrate success in reducing the number of doctors working in non-compliant rotas that attract a higher banding. This is important for cost avoidance but



as the overall medical overspend is increasing from last year's level however this hasn't been quantified as a net saving.

- 8.9. The redesign and reform group has been reconstituted to be a main plank of our 2024/25 planning.
- 8.10. A national Financial Improvement Group has been established and it is increasingly active in sharing ideas for potential savings and following up Board's progress with them. We have established a process where each idea is distributed to the relevant director who returns a structured assessment of the potential this gives and what will be done. These are reviewed by the directors corporately at the monthly S & V meeting to ensure we are taking all available opportunities.

## **9. Capital**

- 9.1 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. At the end of September 2023 the commitments made to date had been brought within budget, largely due to financial support from the IJBs for specific mental health projects. A management action plan for the remaining demands has been agreed, with the less ready or urgent schemes proposed for April 2024 to stay within the Capital Resource limit in 2023/24.
- 9.2 To date £20.894m of expenditure has been recorded to date with £12.051m relating to MRP and £2.608m relating to the new shared facility in Northern Corridor. Although we have been making contributions as the project progressed the accounting treatment previously agreed for our contribution to the North Lanarkshire Council led Chryston facility was that on us taking over our part of the leased building the entire capital value would be recorded.

## **10. Development and Approvals**

- 10.1 A "Star Chamber" approach has been established to reviewing the priority investments for Operation FLOW, ensuring they are clearly linked to improving performance, are coherent with existing services and other initiatives and are deliverable. No new approvals have been given since the October 2023 Board. Table 8 reflects commitments to date, with estimates of time to recruit informing the 2023/24 projections which will be refreshed monthly. The tail of non-recurring initiatives going into 2024/25 pushes the expenditure over the £5.9m envelope in that year. The tentative proposal for managing that is to pre-commit available winter funding to those initiatives in 2024/25.

<b>Table 8</b>	Fixed Term WTE	Perm. WTE	Part year 23/24	24/25	25/26
<b>Core Group (1)</b>			£000s	£000s	£000s
HR Support	3.00		99	29	-
3 Pas for Consultant Clinical leads	0.30		23	23	-
Service Improvement managers		2	72	138	138
Project Manager		1	6	30	30
Business Support Analyst	1.00	1	54	91	45
<b>Pre Hospital/ Avoiding Admission (2)</b>					
Hospital at Home - Expansion for winter	13.30		102	-	-
Expansion of Flow Navigation Centre		9	197	792	792
<b>Front door redesign pan Lanarkshire (3)</b>					
OPAT		13	225	794	794
OPAT funding		-	225	-	-
REACT		7	258	1,046	1,046
UHW ED Minors		14	267	722	722
Revenue Equipment for minors area		-	60	-	-
<b>Ward and System Flow (4)</b>					
ANP support for Boarders	4.50		120	190	-
Discharge Lounge extension	6.00		40	278	-
Heads of Patient Flow	2.00		107	161	-
Medical Cover for Boarding UHM		2	57	300	300
Site Flow Capacity Managers		9	130	460	460
Ward Admin Support for Discharge	21.76		97	480	-
Clinical champion for each site	3.00		67	135	-
<b>Frailty (5)</b>					
Frailty Interface team	10.50		90	690	-
Frailty Network		3	93	199	199
Frailty Offsite bed support	3.00		34	197	-
Digital Equipment			50	-	-
	<b>68.36</b>	<b>62</b>	<b>2,024</b>	<b>6,755</b>	<b>4526</b>
<b>Supplementary Initiatives</b>					
Additional winter costs			680		
Hospital at Home Expansion Clydesdale			326	326	326
Hospital at Home funding			- 326	- 300	
			<b>2,704</b>	<b>6,781</b>	<b>4852</b>

10.2 The STAR chamber is awaiting further information on converting £5m of the previous emergency department pay overspend to substantive staffing. This had been agreed at the May 2023 Board on the premise that permanently filling posts would provide consistent and better quality care and reduce the use of ad hoc premium cost supplementary staffing, potentially eliminating the £6.980m pays overspend experienced in 2022/23. The Star Chamber asked for further work to be carried out on the proposal to demonstrate how this will lead to more cost effective use of staffing and help contain the escalating overspend described in para. 4.8. At month 9 the cumulative agency spend in the extended Emergency department is 118% greater than at the same point in 2022/23.

## 11. 2024/25 Financial Projections

11.1 The Scottish Budget announcement on 19<sup>th</sup> December 2024 and consequent clarifications from SG confirmed the following:

- NHS Lanarkshire would receive £6.9m to take it to within 0.6% of its target share of health resources;
- There would be no allocation uplift in 2024/25 to cover any rise in supplies or drugs costs;
- Funding issued on a recurring basis in 2023/24 for Sustainability (£14.9m), the 2023/24 pay rise (£39.1m) and £3.8m of other items would be added to the starting baseline for 2024/25 with other previously issued recurring items to be confirmed in year;
- Boards should plan on receiving a share of £80m for the New Medicines Fund. 2023/24 was a peak year with a share of £250m issued. This would equate to a reduction of £20.931m;
- Boards should plan on the contribution to the Clinical Negligence and Other risks scheme (CNORIS) increasing from a share of £80m to £100m. This would equate to a cost increase of £2.3m

11.2 Working from our current expenditure and incorporating known trends and developments we have projected expenditure rises for 2024/25 and beyond as summarised in table 9.

<b>Table 9</b>	
<b>Expenditure Area</b>	<b>£m</b>
<b>Hospital Drugs:</b> Forecast to rise by 10% in 2023/24. Based on longer term trends and review of specific drugs forecast 8.6% for 2024/25	10.984
<b>GP Prescribed Drugs:</b> Items dispensed to October are up 3.43% on previous year. Price per item has increased to over £10.30 per item. Forecast rise in items of 3 % from 31/3/24 projection to give gap from budget.	21.712
<b>Other Supplies:</b> General Supplies projected to rise by forecast CPI of 2.1%. PFI contracts have forecast RPI applied according to specific models. Energy forecast on current usage at national contract pricing for 2024/25	10.434
<b>Pay:</b> Have been told to make no assumptions on either the level of pay award or funding. Have included only local pressures for rebanding, discretionary points and increments.	2.768
<b>Healthcare agreements:</b> Have assumed that the 0.63% addition agreed for energy prices in previous years will continue for 2024/25. Otherwise have assumed a 0% uplift to match allocation uplift	1.481
<b>Cost Pressures and Developments:</b> Have included those agreed in previous years plus the impact of recent papers on high cost therapies. For this summary have excluded ringfenced allocations.	21.210
	68.588

11.3 Annex B tracks the Board's progress with its 2023/24 plan setting out a forecast recurring gap of £58.097m at 31/2/24 mostly offset by a list of non recurring measures, the largest of which is the peak level of New Medicines Fund, and also includes slippage, a range of non recurring savings and a £5.117m contribution from the IJBs to Emergency Department pressures. This represents the starting gap for the 2024/25 plan.

- 11.4 The 2024/25 impact of savings identified through the Sustainability and Value Programme along with any non recurring opportunities that might be expected have also been factored in to this first draft financial projection. £24.026m of opportunities have been identified for the rest of health (of which £12.720m are recurring) and £10.440m for the IJBS (of which £4.2m are recurring). The minimum SG target is for c £44.7m of recurring savings.
- 11.5 Pulling together all the elements above gives a projected £112.528m gap in 2024/25 which it could be reduced to £78.062m if the identified savings were delivered. This is set out in more detail in Annex D. It is clear from this that significant redesign and transformation of service delivery will be needed to meet the requirement to operate within available resources. Work is underway to scope out opportunities and these will be presented in the next iteration of the 2024/25 plan.

## **12. Risk Assessment**

- 12.1 To breakeven in 2023/24 a further £4.092m savings, slippage or additional income would have to be identified. It also assumes both IJBS will be able to cover the GP prescribing forecast overspend by in year measures and reserves. Although neither of these are certain at this stage there is a possibility that this might be achieved in 2023/24 so the risk of us entering 2024/25 with a material repayable brokerage debt from the current year now sits at low.
- 12.2 Given the financial projections for 2024/25 Risk ID 2197 remains very high. (There is a significant risk that NHSL will be unable to identify and release the savings needed, on current income and expenditure projections, to meet the Scottish Governments requirement to deliver a balanced budget for the period of 2023/24 – 2025/26).

## **13. Conclusion**

The Board is asked to note:

- the actual revenue over spend of £7.618m as at 31 December 2023;
- the revised 2023/24 forecast with a predicted year end gap now sitting at £4.092m;
- the first draft of financial projections for 2024/25 giving a projected gap before savings of £112.528m and that work is underway to identify transformation and redesign opportunities;
- the risk assessment in section 12 that, notwithstanding the lower risk of requiring repayable brokerage in 2023/24, the risk of not breaking even over 3 years remains very high.
- That a plan to bring the capital programme within available resources for the year, involving additional income, prioritising and phasing has been agreed.

**LAURA ACE**  
**DIRECTOR OF FINANCE**  
**22 January 2024**

<b>REVENUE RESOURCE LIMIT 2023/24</b>				
	<b>Baseline Recurring £M</b>	<b>Earmarked Recurring £M</b>	<b>Non Recurring £M</b>	<b>Total £M</b>
<b>Core Revenue Resource Limit as at 30 November 2023</b>	<b>1,513.200</b>	<b>143.149</b>	<b>74.821</b>	<b>1,731.170</b>
<b>November Adjustments to Allocations Confirmed:</b>				
Head & Neck Optimal Cancer Diagnostic Pathway	0.000	0.000	0.318	0.318
Public Dental Service	0.704	0.000	0.000	0.704
<b>Core Revenue Resource Limit as at 31 December 2023</b>	<b>1,513.904</b>	<b>143.149</b>	<b>75.139</b>	<b>1,732.192</b>
<b>Non Core Revenue Resource Limit as at 30 November 2023</b>	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000
<b>Non Core Revenue Resource Limit as at 31 December 2023</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Revenue Resource Limit as at 31 December 2023</b>	<b>1,513.904</b>	<b>143.149</b>	<b>75.139</b>	<b>1,732.192</b>

<b><u>Forecast Out-turn 2023/24</u></b>			
	2023/24		
	Rec	Non rec	Total
	£m	£m	£m
Gap between cost and income growth as assessed March 2023	-68.485	11.980	-56.505
Efficiency Schemes Identified as at 31 December 2023	1.705	21.527	23.232
Net Position 31 December 2023	-66.779	33.507	-33.273
Improvements:			
Additional Sustainability & NRAC Parity Adjustment	14.933	0.000	14.933
New Medicines Fund (better than expected)	0.000	12.493	12.493
Slippage on financial planning estimates	5.429	2.145	7.574
Forecast corporate surplus	0.000	2.841	2.841
Covid-19 Response (corporate funding not required)	1.037	0.000	1.037
	-45.380	50.986	5.606
Increased Costs:			
Operation Flow Investment	-5.900	3.196	-2.704
Forecast Acute deficit	-6.807	0.000	-6.807
National Payroll Modernisation	0.000	-0.066	-0.066
Increased Waste Bin Collection	0.000	-0.121	-0.121
Forecast surplus/ (deficit) 2023/24	-58.087	53.995	-4.092

<b>NHS LANARKSHIRE</b>			
<b>CAPITAL EXPENDITURE TO 31st December 2023</b>			
	<b>2023/24</b>	<b>2023/24</b>	
	<b>A.O.P</b>	<b>Forecast</b>	<b>Actual</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>
<b>Initial Capital Formula Allocation:</b>	<b>13.012</b>	<b>13.012</b>	<b>6.574</b>
<b>Capital Resource limit adjustments:</b>			
Decarbonisation Funding	0.400	0.812	0.812
National Infrastructure Board Equipment	0.000	0.675	0.675
GP Sustainability Loan	1.311	0.735	0.734
<b>ADJUSTED NET ALLOCATION</b>	<b>£14.723</b>	<b>£15.233</b>	<b>£8.795</b>
<b>Anticipated Capital Resource Limit Adjustments :</b>			
Monklands Replacement Project	22.853	22.853	12.051
WoS Brain Injury Service	0.000	0.682	
Diagnostic and Elective Centre, Cumbernauld	0.300	0.075	
Revenue to Capital Transfer - IJB Support	3.638	1.833	
Decarbonisation Funding	0.000	0.178	
Leases (IFRS 16)	0.000	0.000	
	<b>£26.791</b>	<b>£25.621</b>	<b>£12.051</b>
<b>Other Income Adjustments:</b>			
Other Income	0.017	0.069	
	<b>£0.017</b>	<b>£0.069</b>	<b>£0.000</b>
<b>Disposal Programme:</b>			
Property Disposals	0.068	0.054	0.048
	<b>£0.068</b>	<b>£0.054</b>	<b>£0.048</b>
	<b>£41.599</b>	<b>£40.977</b>	<b>£20.894</b>
<b>CAPITAL EXPENDITURE:</b>			
<b>Business Cases</b>			
Monklands Replacement Project	22.853	22.853	12.051
Monklands general business continuity	5.918	3.836	1.582
Acute Property Works	3.189	1.811	1.362
Traumatic Brain Injury Service	0.582	0.682	0.454
	<b>32.542</b>	<b>29.182</b>	<b>15.449</b>
<b>Medical Equipment</b>	2.700	2.147	0.976
	<b>2.700</b>	<b>2.147</b>	<b>0.976</b>
<b>Other Service Developments</b>			
Chryston Community Facility (Northern Corridor)	2.450	3.650	2.608
Clydesdale Primary Care Practice	0.480	0.000	0.000
Diagnostic and Elective Centre, Cumbernauld	0.300	0.075	0.100
Mental Health and CAMHS	1.302	0.000	0.000
Kylepark	1.254	1.444	0.951
	<b>5.786</b>	<b>5.169</b>	<b>3.659</b>
<b>Other Expenditure</b>			
Other	0.000	0.333	0.029
General Estates Works	0.000	0.000	0.000
West of Scotland Laundry - Replacement	0.000	0.100	0.000
Fleet Decarbonisation	0.400	0.990	0.047
GP Sustainability Loan	1.311	0.734	0.734
Leases (IFRS 16)	0.671	0.000	0.000
<i>subtotal</i>	<b>2.382</b>	<b>2.157</b>	<b>0.810</b>
I.M.&T Projects	3.525	2.322	0.000
	<b>5.907</b>	<b>4.479</b>	<b>0.810</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>£46.935</b>	<b>£40.977</b>	<b>£20.894</b>
<b>(OVER) / UNDER COMMITTED</b>	<b>-£5.336</b>	<b>£0.000</b>	<b>£0.000</b>

	Rest of Health			Delegated to IJBs		Total
	£m Rec	£m Non rec	£m Total	£m North	£m South	£m Total
Underlying recurring gap as at 1/4/24	-58.087		-58.087	0.000	0.000	-58.087
Funding to bring Board nearer NRAC parity	6.926		6.926	0.000	0.000	6.926
Opening recurring gap	-51.161	0.000	-51.161	0.000	0.000	-51.161
Share of uplift	0.000		0.000	0.000	0.000	0.000
New medicines funding		4.399	4.399			4.399
Draw down of banked infrastructure funding		2.823	2.823			2.823
New funding for 24/25 cost rises	-51.161	7.222	-43.940	0.000	0.000	-43.940
Drugs	-10.984		-10.984	-9.377	-12.335	-32.696
PS Pay award, HCSW rebanding, consultants discretionary points etc	-2.547	0.000	-2.547	-0.115	-0.106	-2.768
Uplift on SLAS	-1.403		-1.403	-0.062	-0.015	-1.481
Other supplies including PFI RPI uplift and energy price increase	-9.829		-9.829	-0.463	-0.142	-10.434
Net shortfall after inflation and new drugs	-75.924	7.222	-68.702	-10.017	-12.599	-91.318
Unavoidable National costs	-3.026	-2.665	-5.690	0.000	0.000	-5.690
Infrastructure costs		-2.823	-2.823			-2.823
Minimum additional local cost pressures	0.000	-0.957	-0.957	-7.664	-4.076	-12.697
Recurring Gap	-78.949	0.777	-78.173	-17.681	-16.675	-112.528
Estimate of achievable savings schemes	12.720	11.307	24.026	6.604	3.836	34.466
Projected financial position	-66.230	12.084	-54.146	-11.077	-12.839	-78.062