

SUBJECT: REVISED FINANCIAL PLAN 2008/09 – 2012/13

1. PURPOSE

- 1.1 The Financial Plan for 2008/09 – 2012/13 was approved by the NHS Board at its meeting on 26 March 2008. The attached schedule provides a further update following feedback on the draft financial plan from the Scottish Government Health Directorates (SGHD) Finance Division.

2. SUMMARY OF KEY ISSUES

- 2.1 As noted in the Financial Plan Addendum dated 25 March and discussed at the NHS Board meeting on 26 March, there was concern within SGHD over the level of NRAC funding assumed throughout the five year planning period. This was a consistent view taken by SGHD of all 'NRAC gaining' Boards.
- 2.2 In response to this, a meeting was held with SGHD in early April to discuss the proposed financial plan and the NRAC assumptions within it. Following that meeting, a further review of the five year plan has been undertaken.
- 2.3 The level of assumed NRAC funding has been reduced from £20m to £14m during the period 2009/10 – 2012/13. This is included at £3m per annum in 2009/10 and 2010/11, with a slight increase to £4m per annum for the following two years, on the assumption that the outcome of the next spending review will be more favourable.
- 2.4 To offset the NRAC reduction, and to minimise the impact on the underlying financial position, the profile of how the revenue consequences of the capital investment programme are funded has been revised. In particular, this includes Airdrie Resource Centre and the Acute Mental Health development. It is proposed that these particular developments are funded on a non recurring basis during the construction period, with recurring funding included in the financial plan after their completion.

- 2.5 However, due to the extent to which the level of assumed NRAC resource has been reduced during the planning period, recurring balance cannot be sustained. To ensure that the planned investment programme is not compromised, an increased CRES target is required. The attached schedule reflects this change, showing that from 2010/11 onwards we required c. £4.5m of recurring savings to ensure the organisation does not significantly move into recurring deficit. If this CRES target is deemed not achievable then planned investment will require to be delayed and/or reduced.
- 2.6 This clearly presents major challenges for the Board, the Corporate Management Team and the wider organisation. Management action must seek to ensure the approved programme of investment across both primary care and acute services can be delivered; pay and supplies cost increases are managed within the level of resources available; other local, regional and national priorities can be met and the additional recurring savings can be delivered.

3. CONCLUSION

The NHS Board is asked:

- to note the impact of the changes to the level of NRAC funding in future years and the impact of this on the longer term financial position of the organisation;
- to note the increased CRES target applied from 2010/11 onwards;
- to approve the revised financial plan for the period 2008/09 – 2012/13; and
- to note that the Corporate Management Team will consider further the financial challenges facing the organisation, with an update at a future NHS Board meeting.

4. FURTHER INFORMATION

For further information or clarification of any issues in this paper, please contact Carol Potter, Deputy Director of Finance, 01698 206355.

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25 April 2008

**NHS LANARKSHIRE
FINANCIAL PLAN 2008/09 - 2012/13**

	2008/09			2009/10			2010/11			2011/12			2012/13		
	Rec £m	Non-Rec £m	Total £m	Rec £m	Non-Rec £m	Total £m	Rec £m	Non-Rec £m	Total £m	Rec £m	Non-Rec £m	Total £m	Rec £m	Non-Rec £m	Total £m
Recurring Surplus / (Deficit) brought forward	5.3		5.3	3.7		3.7	0.3		0.3	0.2		0.2	0.2		0.2
ADDITIONAL SOURCES OF FUNDING															
Scottish Executive Uplift	23.1		23.1	24.3		24.3	25.2		25.2	24.5		24.5	25.4		25.4
Arbuthnott / NRAC	2.7		2.7	3.0		3.0	3.0		3.0	4.0		4.0	4.0		4.0
Reinvestment of existing budgets - various	3.4	3.0	6.4												
Reinvestment of existing budgets - prescribing															
- Category M	5.4		5.4												
- GP prescribing	2.2		2.2												
- Acute	0.8		0.8												
Waiting Times	3.0	2.0	5.0	3.0		3.0	3.0		3.0						
HPV Vaccination	1.9		1.9	0.1		0.1	1.0		1.0						
Total Additional Funding Available	42.6	5.0	47.6	30.3		30.3	32.2		32.2	28.5		28.5	29.4		29.4
PLANNED UTILISATION OF FUNDING															
Uplifts															
- Pay	(14.0)		(14.0)	(14.4)		(14.4)	(14.8)		(14.8)	(15.3)		(15.3)	(15.7)		(15.7)
- Non Pay	(5.4)		(5.4)	(4.5)		(4.5)	(4.5)		(4.5)	(4.4)		(4.4)	(4.5)		(4.5)
- Acute Drugs / GP Prescribing	(8.4)		(8.4)	(7.7)		(7.7)	(8.1)		(8.1)	(7.6)		(7.6)	(8.1)		(8.1)
NHS Lanarkshire															
- Acute Services	(1.1)		(1.1)	(0.5)		(0.5)	(0.5)		(0.5)	(0.5)		(0.5)	(0.5)		(0.5)
- Primary Care Services				(0.5)		(0.5)	(0.5)		(0.5)	(0.5)		(0.5)	(0.5)		(0.5)
- Revenue Consequences of Capital Programme	(0.5)	(2.8)	(3.3)	(0.9)	(1.8)	(2.6)	(1.7)	(2.3)	(4.1)	(2.5)	(1.5)	(4.0)	(1.4)	(1.6)	(3.1)
- Investment in Staffing	(1.4)		(1.4)	(1.5)		(1.5)	(1.2)		(1.2)						
National & Regional Priorities															
- Cancer Services	(1.4)		(1.4)	(0.9)	(0.0)	(0.9)									
- Childrens Services	(0.1)	(0.1)	(0.1)												
- Health Improvement	(0.2)		(0.2)												
- HPV Vaccination Programme	(1.9)		(1.9)	(0.1)		(0.1)	(1.0)		(1.0)						
- Long Term Conditions	(0.0)	(0.6)	(0.6)	(1.0)	(0.1)	(1.1)		(0.0)	(0.0)						
- Mental Health	(1.5)		(1.5)	(0.5)		(0.5)	(0.5)		(0.5)	(0.5)		(0.5)	(0.5)		(0.5)
- National / Regional Issues	(2.3)		(2.3)	(1.0)		(1.0)	(1.0)		(1.0)	(1.0)		(1.0)	(2.0)		(2.0)
- Palliative Care	(0.1)	(0.1)	(0.2)	(0.5)	(0.1)	(0.6)		(0.1)	(0.1)						
- Waiting Times	(3.0)	(2.0)	(5.0)	(3.0)		(3.0)	(3.0)		(3.0)						
Other															
- IM&T				(0.0)		(0.0)									
- Other	(0.4)	(0.1)	(0.5)		(0.8)	(0.8)		(0.8)	(0.8)	(0.8)		(0.8)			
- Withdrawal of Category M drugs savings	(5.4)		(5.4)												
Total Additional Expenditure Commitments	(47.1)	(5.6)	(52.8)	(37.0)	(2.7)	(39.7)	(36.8)	(3.3)	(40.1)	(33.1)	(1.5)	(34.6)	(33.1)	(1.6)	(34.8)
CRES															
Target	3.0		3.0	3.3		3.3	4.5		4.5	4.5		4.5	4.5		4.5
In year Surplus / (Deficit)	3.7	(0.6)	3.1	0.3	(2.7)	(2.4)	0.2	(3.3)	(3.0)	0.2	(1.5)	(1.3)	1.0	(1.6)	(0.7)
Cumulative position (assuming 07/08 c/f of £11.9m)			15.0			12.6			9.6			8.3			7.6