

Meeting of
Lanarkshire NHS Board
26 March 2008

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SUBJECT: FINANCIAL PLAN 2008/09 – 2012/13

ADDENDUM

1. PURPOSE

The attached schedule provides the NHS Board with a further update to the NHS Lanarkshire financial plan for the five year period 2008/09 – 2012/13.

2. SUMMARY OF KEY ISSUES

The financial plan issued to Board members on 20 March 2008 included an allowance of £9m 'non added value' capital investment in Monklands Hospital and various Primary Care premises across the period 2008/09 – 2009/10. This was predicated on the assumption that the cumulative surplus, estimated to be £11.9m by 31 March 2008, would allow for further investment on a non recurring basis, to take forward a second phase of work already being progressed in the current financial year. Specific detailed plans are to be developed to recognise the ongoing premises investment required, as well as any 'transitional' or double running costs associated with the wider capital programme.

Following a telephone call from the Scottish Government Health Finance Division late on 20 March 2008, we have been advised to withdraw these proposals. Under the revised plan, attached as Appendix A, there is a forecast in year surplus of £3.1m for 2008/09, with the cumulative surplus increasing to £15m. Throughout the five year planning period recurring balance is maintained.

A matter of greater concern is the lack of clarity on whether SGHD will approve the financial plan with the level of NRAC funding assumed throughout the five year planning period. Retention of a higher level of cumulative surplus clearly mitigates this risk although this would mean some investment being funded on a non recurring basis in advance of NRAC being received in full.

This is a key issue requiring urgent discussion with the SGHD as soon as possible.

It is worth noting that the five year financial plan submitted *12 months ago* included an explicit assumption on the level of funding through the Arbutnott formula, for the period through to 2011/12, which is consistent with that now assumed under NRAC. The financial plan and LDP submission were approved by the SEHD at that time.

3. CONCLUSION

The NHS Board are asked to note the impact of the removal of the premises investment and most importantly, the risk around the level of NRAC funding in future years and the impact of this on the longer term financial position of the organisation.

4. FURTHER INFORMATION

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

**Susan Goldsmith
Director of Finance
25 March 2008**