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NHS Chief Executives
NHS Directors of Finance

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HSCP Chief Officers
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Chief Executives and Directors of Finance

2022-23 Finance Update and 2023-24 Forward Look

I firstly wanted to thank you for submitting your action plans on financial recovery for 2022-23. Following review and discussion with Boards, it is clear that a number of financial challenges remain, despite actions that are underway across NHS Scotland, and we will continue to engage with you on this position. Monthly updates on the delivery of planned actions should be provided as part of the normal financial performance reporting process.

Given the overall financial context, my expectation remains that Boards deliver to at least the position set out in the March 2022-23 financial plan as a **minimum**. Where planned actions are no longer viable, Boards will need to develop alternative options. As part of planning, Boards should continue to assume that recurring funding will be provided in year to meet the additional cost between the Scottish Public Sector Pay Policy and the final AfC pay settlement.

At the start of the Covid-19 pandemic we paused consideration of finance as part of the NHS Board Performance Escalation Framework. We are now returning to a position whereby we will undertake a review of Boards' financial position and consider appropriate escalation criteria, recognising the changed financial landscape compared to before the pandemic. More will be communicated on this in due course.

In addition to this, the commitment agreed as part of the Medium Term Financial Framework in 2018 regarding a three year reporting period remains in place - with 2022-23 representing year one of a new three year planning period. As part of this, the Scottish Government will therefore take the approach this year of accepting a projected outturn that is within one per cent of a Board's total core revenue resource funding. This however will be contingent on the receipt of a credible financial plan for the following two year period and repayment of this flexibility in the three year period.

It is expected that the Scottish Budget for 2023-24 will be announced in December and I will write to confirm the key points for Boards at that time. As part of this, work continues on the



shape of future Covid related services and we will provide clarity on future funding arrangements. This will likely include a national approach on Vaccinations, PPE and Test & Protect, however beyond these areas Boards will need to reduce on-going Covid costs to a minimum and manage these within baseline allocations.

As set out in my letter on 12 September, in anticipation of the financial challenge ahead, I expect that Boards are establishing local governance arrangements to reflect the Sustainability & Value Collaborative. Given the likely scale of financial challenge, it is key that Boards are taking forward now the delivery of recurring savings. We will continue to work with you on the planning for 2023-24 and further details on planning assumptions will be shared with NHS Directors of Finance in due course.

Yours sincerely



Richard McCallum
Director of Health Finance and Governance