

**NHS Highland**



**Meeting:** NHS Highland Board Meeting  
**Meeting date:** 27 September 2022  
**Title:** Finance Report – Month 5 2022/2023  
**Responsible Executive/Non-Executive:** Heledd Cooper, Director of Finance  
**Report Author:** Elaine Ward, Deputy Director of Finance

**1 Purpose**

This is presented to the Board for:

- Discussion

This report relates to a:

- Annual Operation Plan

This aligns to the following NHS Scotland quality ambition:

- Effective

This report relates to the following Corporate Objective(s)

<b>Clinical and Care Excellence</b> <ul style="list-style-type: none"> <li>• Improving health</li> <li>• Keeping you safe</li> <li>• Innovating our care</li> </ul>		<b>Partners in Care</b> <ul style="list-style-type: none"> <li>• Working in partnership</li> <li>• Listening and responding</li> <li>• Communicating well</li> </ul>	√
<b>A Great Place to Work</b> <ul style="list-style-type: none"> <li>• Growing talent</li> <li>• Leading by example</li> <li>• Being inclusive</li> <li>• Learning from experience</li> <li>• Improving wellbeing</li> </ul>		<b>Safe and Sustainable</b> <ul style="list-style-type: none"> <li>• Protecting our environment</li> <li>• In control</li> <li>• Well run</li> </ul>	√ √
Other (please explain below)			

**2 Report summary**

**2.1 Situation**

This report is presented to enable discussion on the NHS Highland financial position at Month 5 2022/2023 (August 2022).

## 2.2 Background

NHS Highland submitted a financial plan to Scottish Government for the 2022/2023 financial year in March 2022 and this plan was approved by the Board in May 2022. An initial budget gap of £42.272m was presented with a Cost Improvement Programme of £26.000m proposed. No funding source was identified to close the residual gap of £16.272m. Work continues, both within Board and nationally, to look at options and schemes to close identified gaps. This report summarises the position at Month 5, provides a forecast through to the end of the financial year and highlights the current funding position with regards to costs linked to the ongoing response to the pandemic and ongoing service pressures.

## 2.3 Assessment

For the period to end August 2022 (Month 5) an overspend of £17.683m is reported. This overspend is forecast to increase to £33.600m by the end of the financial year. The YTD position includes slippage against the savings plan of £8.542m with slippage of £12.225m forecast at financial year end.

## 2.4 Proposed level of Assurance

This report proposes the following level of assurance:

Full	<input type="checkbox"/>	Substantial	<input type="checkbox"/>	Moderate	<input type="checkbox"/>
Limited	<input checked="" type="checkbox"/>	None	<input type="checkbox"/>	Not yet assessed	<input type="checkbox"/>

## 3 Impact Analysis

### 3.1 Quality/ Patient Care

The impact of quality of care and delivery of services is assessed at an individual scheme level using a Quality Impact Assessment tool. All savings are assessed using a QIA which can be accessed from the Programme Management Office.

### 3.2 Workforce

There is both a direct and indirect link between the financial position and staff resourcing and health and wellbeing. Through utilisation of the Quality Impact Assessment tool the impact of savings on these areas is assessed.

### 3.3 Financial

Scottish Government recognise the financial challenge on all Boards for 2022/2023 but the expectation is that local savings plans will be delivered to ensure achievement of a break-even financial position, without Scottish Government support, by the end of the financial year.

### 3.4 Risk Assessment/Management

There is a high risk that a break-even position will not be delivered by the end of the 2022/2023 financial year. A £26.000m CIP represents a significant challenge and closing

the residual gap of £16.272m exacerbates this challenge. The Board continues to look for opportunities both locally and nationally to close this gap.

### 3.5 Equality and Diversity, including health inequalities

An impact assessment has not been completed because it is not applicable

### 3.6 Other impacts

None

### 3.7 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage both internal and external stakeholders where appropriate through the following meetings:

- Executive Directors Group – via monthly updates and exception reporting
- Financial Recovery Board held weekly
- Quarterly financial reporting to Scottish Government

### 3.8 Route to the Meeting

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- EDG

## 4 Recommendation

- **Discussion** – Examine and consider the implications of a matter.

### 4.1 List of appendices

The following appendices are included with this report:

- **Appendix No 1** – Capital Expenditure at Month 5

<b>Meeting:</b>	<b>NHS Highland Board Meeting</b>
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## **1 Financial Plan**

- 1.1 NHS Highland submitted a financial plan to Scottish Government for the 2022/2023 financial year in March 2022 and this plan was approved by the Board in May 2022. An initial budget gap of £42.272m was presented with a Cost Improvement Programme of £26.000m proposed. No funding source was identified to close the residual gap of £16.272m. Work is ongoing, both within Board and nationally, to look at options and schemes to close identified gaps. This report summarises the position at Month 5, provides a forecast through to the end of the financial year and highlights the current funding position with regards to costs linked to the ongoing response to the pandemic and ongoing service pressures.
- 1.2 Financial reporting submissions to Scottish Government have reverted to monthly during 2022/2023 recognising the severity of the financial challenge that all Boards are facing.

## **2 Financial Position YTD & Forecast**

- 2.1 For the five months to the end of August 2022 NHS Highland has overspent against the year-to-date budget by £17.683m and is forecasting an overspend of £33.600m at financial year end.
- 2.2 The YTD position includes slippage against the CIP of £8.542m with slippage of £12.225m forecast through to financial year end.
- 2.3 A breakdown of the year-to-date position and the year-end forecast is detailed in Table 1.

**Table 1 – Summary Income and Expenditure Report as at August 2022**

Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
1,095.483	<b>Total Funding</b>	420.387	420.387	-	1,095.483	-
	<b>Expenditure</b>					
401.303	HHSCP	166.978	171.802	(4.824)	411.750	(10.446)
236.094	Acute Services	101.502	112.978	(11.476)	256.247	(20.152)
224.737	Support Services	57.252	58.392	(1.140)	227.238	(2.501)
<b>862.134</b>	<b>Sub Total</b>	<b>325.732</b>	<b>343.172</b>	<b>(17.440)</b>	<b>895.234</b>	<b>(33.100)</b>
233.349	Argyll & Bute	94.655	94.898	(0.243)	233.849	(0.500)
<b>1,095.483</b>	<b>Total Expenditure</b>	<b>420.387</b>	<b>438.070</b>	<b>(17.683)</b>	<b>1,129.083</b>	<b>(33.600)</b>

2.4 A breakdown of the forecast by unachieved savings and the net operational position is detailed in Table 2.

**Table 2 – Breakdown of YTD & Forecast**

Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m	Operational (Over)/Under £m	Savings Unachieved £m
1,095.483	<b>Total Funding</b>	420.387	420.387	-	1,095.483	-		
	<b>Expenditure</b>							
401.303	HHSCP	166.978	171.802	(4.824)	411.750	(10.446)	(5.556)	(4.890)
236.094	Acute Services	101.502	112.978	(11.476)	256.247	(20.152)	(16.194)	(3.958)
224.737	Support Services	57.252	58.392	(1.140)	227.238	(2.501)	(0.593)	(1.909)
<b>862.134</b>	<b>Sub Total</b>	<b>325.732</b>	<b>343.172</b>	<b>(17.440)</b>	<b>895.234</b>	<b>(33.100)</b>	<b>(22.343)</b>	<b>(10.757)</b>
233.349	Argyll & Bute	94.655	94.898	(0.243)	233.849	(0.500)	0.967	(1.467)
<b>1,095.483</b>	<b>Total Expenditure</b>	<b>420.387</b>	<b>438.070</b>	<b>(17.683)</b>	<b>1,129.083</b>	<b>(33.600)</b>	<b>(21.376)</b>	<b>(12.224)</b>
<b>0.000</b>	<b>Surplus/(Deficit) Mth 5</b>			<b>(17.683)</b>		<b>(33.600)</b>	<b>(21.376)</b>	<b>(12.224)</b>

### 3 Highland Health & Social Care Partnership

3.1 The HHSCP is reporting a YTD overspend of £4.824m with this forecast to increase to £10.446m by financial year end. Table 3 shows the position across Health and Social Care.

**Table 3 – HHSCP Breakdown as at August 2022**

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	<b>HHSCP</b>					
223.639	NH Communities	92.959	97.233	(4.274)	234.610	(10.970)
43.701	Mental Health Services	18.607	19.100	(0.492)	44.199	(0.498)
138.805	Primary Care	57.108	56.837	0.271	139.021	(0.216)
(4.842)	ASC Other includes ASC Income	(1.697)	(1.369)	(0.329)	(6.079)	1.237
<b>401.303</b>	<b>Total HHSCP</b>	<b>166.978</b>	<b>171.802</b>	<b>(4.824)</b>	<b>411.750</b>	<b>(10.446)</b>
	<b>HHSCP</b>					
243.762	Health	100.722	104.790	(4.067)	251.435	(7.673)
157.541	Social Care	66.256	67.012	(0.757)	160.315	(2.774)
<b>401.303</b>	<b>Total HHSCP</b>	<b>166.978</b>	<b>171.802</b>	<b>(4.824)</b>	<b>411.750</b>	<b>(10.446)</b>

3.2 Within Health the forecast position reflects:

- £4.890m of unachieved savings
- £1.033m of service pressures in Enhanced Community Services & Palliative Care
- £0.705m relating to minor works undertaken at New Craigs – these works were required for operational reasons during the pandemic but were delayed.
- £0.518m relating to Chronic Pain service
- £0.225m relating to additional costs re Alness and Invergordon reverting to a 2c practice.

3.3 Spend on locums, agency and bank staff to the end of month 5 was £3.850m

3.4 Adult Social Care is currently reporting an overspend of £0.757m which is forecast to increase to £2.774m by financial year end. This reflects additional placements and complex packages coming into place since budgets were agreed.

3.5 The position currently reported will deteriorate as a result of changes in the service delivery model – this is currently being worked through and details will be brought back to a future Committee once the position is clear.

## 4 Acute Services

4.1 Acute Services are reporting a YTD overspend of £11.476m with this forecast to increase to £20.152m by financial year end. Table 4 provides more detail on this position.

**Table 4 – Acute Services Breakdown as at August 2022**

Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
63.698	Medical Division	26.968	31.333	(4.366)	69.852	(6.154)
18.087	Cancer Services	7.544	7.893	(0.349)	19.005	(0.918)
61.022	Surgical Specialties	26.942	28.460	(1.518)	63.987	(2.965)
25.235	Woman and Child	10.893	11.419	(0.527)	25.236	-
40.635	Clinical Support Division	17.340	18.264	(0.924)	41.521	(0.886)
0.135	Raigmore Senior Mgt & Central Cost	(0.305)	2.362	(2.667)	7.974	(7.839)
1.198	NTC Highland	1.198	1.198	-	1.198	-
<b>210.011</b>	<b>Sub Total - Raigmore</b>	<b>90.579</b>	<b>100.928</b>	<b>(10.350)</b>	<b>228.772</b>	<b>(18.761)</b>
12.321	Belford	5.165	5.784	(0.619)	13.147	(0.826)
13.762	CGH	5.758	6.266	(0.507)	14.328	(0.565)
<b>236.094</b>	<b>Total for Acute</b>	<b>101.502</b>	<b>112.978</b>	<b>(11.476)</b>	<b>256.247</b>	<b>(20.152)</b>

4.2 £3.958m of unachieved savings is reflected in the forecast position.

4.3 The following pressures are currently the main drivers for the operational overspend:

- Locums across all areas £7.122m
- Respiratory Testing Contract £1.790m
- Radiology outsourcing £0.574m
- Medical Unfunded beds £2.668m
- Surgical Unfunded beds/ theatre staff £2.163m
- Acute Drugs £4.394m

## 5 Support Services

5.1 Support Services are reporting a YTD overspend of £1.140m with this forecast to increase to £2.501m by financial year end.

5.2 The forecast position includes £1.909m of unachieved savings.

5.3 Table 5 breaks this position down across service areas.

**Table 5 – Support Services breakdown as at August 2022**

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	<b>Support Services</b>					
109.165	Central Services	10.104	9.939	0.165	109.512	(0.347)
36.055	Corporate Services	14.961	15.240	(0.279)	36.106	(0.051)
44.907	Estates Facilities & Capital Planning	17.608	18.165	(0.557)	46.007	(1.100)
9.210	eHealth	3.997	4.168	(0.171)	9.872	(0.662)
25.399	Tertiary	10.583	10.881	(0.298)	25.741	(0.342)
<b>224.737</b>	<b>Total</b>	<b>57.252</b>	<b>58.392</b>	<b>(1.140)</b>	<b>227.238</b>	<b>(2.501)</b>

5.4 Within Estates & Capital Planning & eHealth the overspend position continues to be driven by costs which would previously have been charged to Covid and unachieved savings.

5.5 Out of area placements continue to drive the forecast overspend within Tertiary.

## 6 Argyll & Bute

6.1 Argyll & Bute are currently reporting an overspend of £0.243m with this forecast to increase to £0.500m by financial year end.

6.2 The forecast position includes slippage on savings of £1.467m.

6.3 The position net of savings is an operational underspend of £0.967m largely generated through unfilled vacancies, over-recovery of income and sundry non-recurring slippage.

**Table 6 – Argyll & Bute breakdown as at August 2022**

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	<b>Argyll &amp; Bute - Health</b>					
133.485	Hospital & Community Services	55.659	56.884	(1.224)	134.873	(1.388)
15.475	Mental Health & LD	6.330	6.078	0.252	15.303	0.172
8.452	Children & Families	3.401	3.260	0.141	8.202	0.250
57.855	Primary Care, Prescribing & Dental inc GMS	23.666	23.607	0.059	57.903	(0.048)
9.026	Estates	3.697	3.856	(0.159)	9.288	(0.262)
4.954	Management Services	1.294	1.312	(0.018)	5.038	(0.084)
4.101	Central/Public health	0.607	(0.100)	0.706	3.241	0.860
<b>233.349</b>	<b>Total Argyll &amp; Bute</b>	<b>94.655</b>	<b>94.898</b>	<b>(0.243)</b>	<b>233.849</b>	<b>(0.500)</b>

## 7 Financial Sustainability

7.1 The Financial Plan presented to the Board in May proposed a CIP of £26.000m. The YTD position includes slippage of £8.542m with £12.225m of savings forecast to be unachieved by the end of the financial year.

7.2 Table 7 provides a summary of the savings position at month 5.

**Table 7 Savings at Month 5**

	Target £000s	YTD Target £000s	Achieved YTD £000s	Variance £000s
Workstreams NH	18,132	7,555	413	(7,142)
Workstreams A&B	589	245	50	(196)
Housekeeping NH	3,810	1,588	1,125	(463)
Housekeeping Argyll & Bute	3,469	1,445	704	(742)
<b>Total Savings M5</b>	<b>26,000</b>	<b>10,833</b>	<b>2,291</b>	<b>(8,542)</b>



## 8 Covid Related Expenditure

- 8.1 The financial plan submitted to Scottish Government included an estimate of Covid related costs of £31.514m. £23.200m of funding received in quarter 4 of 2021/2022 was earmarked to part fund these costs. Which left a potential additional pressure of £8.314m.
- 8.2 Work has been ongoing to rebase these costs and the current forecast is £21.976m broken down as detailed in Table 8.

**Table 8 Covid Related Cost Estimate at Month 5**

Covid Expenditure Category	Total NHS Highland	
	Actual to Date £m	Forecast Outturn £m
Vaccinations	1.643	7.485
Workforce and Capacity	3.226	6.241
PPE, Equipment and IPC	0.342	0.925
Social Care and Community Capacity	2.217	3.416
Loss of Income	0.647	1.264
Primary Care	0.091	0.351
Other	0.299	0.441
Test and Protect	1.312	1.853
<b>Total Covid Costs</b>	<b>9.777</b>	<b>21.976</b>

- 8.3 Following on from the submission of Q1 FPRs and Q1 review meetings between SG Finance and Boards a letter from Richard McCallum has recently been received indicating that excess covid related funding sitting within IJB reserves will be reclaimed by SG for redistribution. At the point of writing this report discussions with SG need to take place to understand the impact of this.

## 10 Financial Risk

10.1 The following risks have been identified:

- **Covid-19 costs.** There is uncertainty relating to the reclaim & redistribution of funds by SG Further work is ongoing to finalise the vaccination delivery model and associated costs and it is expected that these will reduce from earlier estimates. Funding in respect of Test & Protect costs is currently being assumed (£1.853m) but there is a risk that this may not be available should the overall SG financial position worsen.
- **Delivery of cost improvement targets** – the target of £26.000m is significant and there is a risk associated with delivery. Slippage of £12.225m is currently being forecast. A risk rating has been applied to individual elements of the CIP as below:
  - £3.969m low
  - £9.806m medium
  - £12.225m high
- **Argyll & Bute's SLA with Greater Glasgow and Clyde** – whilst this issue was resolved for 2021/2022 the position will be kept under review as NHSGGC are developing a revised SLA model.
- **Adult Social Care funding** - a £3.000m savings programme and additional SG allocations will bridge the gap in 2022/2023.

- **Inflation** is currently running at a rate significantly higher than that assumed when the financial plan was submitted. There is potential for additional cost pressures of £3.824m (part year effect). This is reviewed as part of routine monthly monitoring.
- **Agenda for Change Pay Award.** The budget allocation letter received in December 2021 noted “initial funding has been allocated in line with the Scottish Public Sector Pay Policy for planning purposes. This will be used as an anchor point in the forthcoming Agenda for Change pay settlement and funding arrangements will be revisited by the Scottish Government in line with the outcome of the pay negotiations”. At this time an initial offer of 5% has been made for AfC and 4.5% for Medical and Dental. Should funding not be forthcoming this will create an additional pressure of approximately £18.616m.
- No financial provision has been built into the plan to tackle increased waiting lists.
- **Recruitment Challenges** – difficulties recruiting to substantive posts both within NHS Highland and in independent sector providers is driving costs up due to an increasing reliance on agency and locum staff.
- **Care Home/ Care at Home Provision** – Ongoing challenges within the independent sector continue to have a financial impact for NHS Highland. In 2022/2023 there is the potential for £1.000m of additional costs should NHS Highland assume responsibility for services currently provided by the independent sector.

## 11 Revenue Summary

- 11.1 The forecast overspend of £33.600m is based on a number of assumptions in relation to both expenditure levels and funding and is considered to be the likely position – assuming these assumptions remain valid.
- 11.2 Forecasting assumptions and risks have been reviewed and 3 possible outcomes are highlighted in the table below with narrative in support of these scenarios detailed paragraphs 11.3 & 11.4
- Best Case £17.328m
  - Likely Case £33.600m
  - Worst Case £51.230m
- 11.3 The best case scenario is predicated on recent discussions with SG where there has been an indication that, as a minimum, financial performance needs to be in line with the financial plan submission made earlier this year – this was assuming a £16.272m unfunded gap. On this basis if funding is assumed to cover this the forecast position would be reduced by this amount giving a forecast position £17.328m. This assumes that slippage on the savings programme will remain at £12.225m, that cost containment measures are successful, the impact of Care Home & Care at Home doesn't impact this financial year and that inflationary increases are managed. This is out of line with SG expectations but at this time, until we work through detailed mitigating actions, is the likely best case.
- 11.4 The worst case scenario is an overspend of £51.230m. This assumes only low risk savings will be achieved, inflationary pressures materialise for the remainder of the year, Care Home / Care at Home pressures materialise and that costs containment measures built into forecasts are unsuccessful.
- 11.5 All three scenarios assume funding in respect of the pay award will be forthcoming and that funding confirmed but not received will be forthcoming,

## 12 Capital

12.1 Total anticipated Capital Funding for NHS Highland for 2022/2023 is £47.213m.

12.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £5.905m m has been incurred.

12.3 The main areas of investment to date include:

Project	Spend to end June 2022
National Treatment Centre – Highland	£3.103m
Home Farm Works	£0.588m
E-health	£0.568m

11.4 At this stage of the financial year it is currently estimated that the Board will spend the revised Capital Resource Limit in full.

## 12 Recommendation

- NHS Highland Board members are invited to discuss the contents of the Month 5 Finance Report.

## Capital Expenditure at Month 5

Original Plan £000's	Updated Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000
			<b>Capital Schemes</b>	
1,794	1,794	-	Radiotherapy	34
12,900	12,900	-	National Treatment Centre (Highland)	3,103
2,500	2,500	-	Grantown Health Centre Refurbishment	18
2,820	2,820	-	Portree/Broadford HC Spoke Reconfiguration	-
1,250	1,250	-	Belford Hospital Replacement Fort William.	46
1,250	1,250	-	Caithness Redesign	101
100	100	-	Raigmore Reconfiguration	-
4,980	700	-	Increased Maternity Capacity - Raigmore	17
650	-	-	Community Midwifery Unit	-
200	200	-	Additional VIE	-
1,000	1,000	-	Raigmore Fire Compartmentation upgrade	4
1,200	1,200	-	Raigmore Lift Replacement	340
600	600	-	Home Farm works	588
2,200	2,200	-	Cowal Community Hospital GP relocation	75
250	250	-	Campbeltown Boiler Replacement	1
1,750	1,750	-	Raigmore Car Park Project	91
900	900	-	Wifi network Installation Project	34
200	200	-	Inverness Primary Care	-
1,500	1,500	-	Raigmore Oncology Unit	-
2,500	-	-	Environmental Projects - Highland Wide	-
620	620	-	Endoscopy Decontamination Washers	64
1,500	1,500	-	eHealth investment programme	-
-	1,079	-	Laundry Water Filtration Equipment	50
-	2,560	-	BackLog Maintenance Additional Funding	-
-	1,173	-	National Infrastructure Equipment Funding (NIB)	-
-	170	-	Ultrasound - Dunoon & Mid Argyll	-
-	47	-	Digital Pathology switches	25
-	-	-	New Skye Community Hospital	53
<b>42,664</b>	<b>40,263</b>	<b>-</b>		<b>4,642</b>
			<b>Formula Allocation</b>	
800	800	800	PFI Lifecycle Costs	346
2,350	2,350	2,350	Estates Backlog Maintenance	126
1,850	1,850	1,850	Equipment Purchase Advisory Group (EPAG)	305
1,000	1,000	1,000	eHealth Capital Allocation	568
500	500	500	Minor Capital Group	-
150	150	150	AMG Contingency	11
300	300	300	IFRS16 - New Capital Leases	-
-	-	-	Other	(94)
<b>6,950</b>	<b>6,950</b>	<b>6,950</b>		<b>1,263</b>
<b>49,614</b>	<b>47,213</b>	<b>6,950</b>	<b>Capital Expenditure</b>	<b>5,905</b>