



Meeting: NHS Highland Board Meeting
M Meeting date: 28 March 2023
Title: Finance Report – Month 11 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:

- 5 Year Strategy, Together We Care, with you, for you.
- Annual Operation Plan

This report will align to the following NHSScotland quality ambition(s):

Safe, Effective and Person Centred

This report relates to the following Strategic Outcome(s)

Start Well		Thrive Well		Stay Well		Anchor Well	
Grow Well		Listen Well		Nurture Well		Plan Well	
Care Well		Live Well		Respond Well		Treat Well	
Journey Well		Age Well		End Well		Value Well	
Perform well	X	Progress well	X	All Strategy Wells			

2 Report summary

2.1 Situation

This report is presented to enable discussion on the NHS Highland financial position at Month 11 2022/2023 (February 2023).

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. This report summarises the position at Month 11 and provides a forecast through to the end of the financial year.

2.3 Assessment

For the period to end February 2023 (Month 11) an overspend of £22.312m is reported. A year end position of a £20.000m overspend is forecast based on the current operational position, mitigating actions from the recovery plan, benefits from the New Medicines fund and a reduction in CNORIS expenditure. The YTD position includes slippage against the savings plan of £15.043m with slippage of £16.445m forecast at financial year end.

2.4 Proposed level of Assurance

This report proposes the following level of assurance:

Substantial	<input type="checkbox"/>	Moderate	<input type="checkbox"/>
Limited	<input checked="" type="checkbox"/>	None	<input type="checkbox"/>

Comment on the level of assurance

It is only possible to give limited assurance at this time due to the limited progress on savings delivery and the ongoing utilisation of locums and agency staff. During this ongoing period of financial challenge the development of a robust recovery plan is required to increase the level of assurance – this is currently being developed.

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.

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. However, there continues to be an expectation that Boards will deliver, as a minimum, the position as set out within their financial plan. For NHS Highland this means no more than an overspend of £16.272m.

3.4 Risk Assessment/Management

There is a high risk NHS Highland will overspend on its 2022/2023 revenue budget by more than £16.272m. The Board continues to look for opportunities both locally and nationally to bring the forecast overspend down.

3.5 Data Protection

N/A

3.6 Equality and Diversity, including health inequalities

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

3.7 Other impacts

None.

3.8 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
- Monthly financial reporting to Scottish Government

3.9 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 the matter.

4.1 List of appendices

The following appendices are included with this report:

- Appendix No 1 – Capital Expenditure at Month 11

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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. At the time of submission no funding source was identified to close the residual gap of £16.272m. It is now anticipated that SG will provide financial support by way of repayable brokerage. This report summarises the position at Month 11 and provides a forecast through to the end of the financial year.
- 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 11 months to the end of February 2023 NHS Highland has overspent against the year-to-date budget by £22.312m and is reporting an adjusted forecast of £20.000m at financial year end taking into account the current position, mitigating actions from the recovery plan, additional New Medicines funding and a reduction in the CNORIS estimate of expenditure.
- 2.2 The expectation of SG is that NHS Highland will deliver, as a minimum, a year end financial position in line with its financial plan submission. For NHS Highland this means no more than a £16.272m overspend. The adjusted forecast reported at the end of month 11 is £3.728m adrift from the position presented in the financial plan.
- 2.4 The YTD position includes slippage against the CIP of £15.043m with slippage of £16.445m forecast through to financial year end.
- 2.5 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 February 2023

Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
1,122.088	Total Funding	973.365	973.365	-	1,122.088	-
	Expenditure					
422.092	HHSCP	383.347	390.346	(6.999)	429.692	(7.600)
260.479	Acute Services	239.578	261.054	(21.476)	284.613	(24.134)
191.562	Support Services	129.346	123.183	6.163	179.828	11.734
874.133	Sub Total	752.271	774.583	(22.312)	894.133	(20.000)
247.955	Argyll & Bute Management Actions A&B	221.094	219.244	1.850 (1.850)	247.955	-
1,122.088	Total Expenditure	973.365	993.827	(22.312)	1,142.088	(20.000)

2.6 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
1,122.088	Total Funding	973.365	973.365	-	1,122.088	-		
	Expenditure							
422.092	HHSCP	383.347	390.346	(6.999)	429.692	(7.600)	(1.319)	(6.281)
260.479	Acute Services	239.578	261.054	(21.476)	284.613	(24.134)	(18.035)	(6.098)
191.562	Support Services	129.346	123.183	6.163	179.828	11.734	14.320	(2.587)
874.133	Sub Total	752.271	774.583	(22.312)	894.133	(20.000)	(5.034)	(14.966)
247.955	Argyll & Bute Management Actions A&B	221.094	219.244	1.850 (1.850)	247.955	-	1.478	(1.478)
1,122.088	Total Expenditure	973.365	993.827	(22.312)	1,142.088	(20.000)	(3.555)	(16.445)

3 Highland Health & Social Care Partnership

3.1 The HHSCP is reporting a YTD overspend of £6.999 with this forecast to increase to £7.600m by financial year end. Table 3 shows the breakdown across service areas and the split between Health & Social Care.

Table 3 – HHSCP Breakdown as at February 2023

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
233.024	NH Communities	212.797	217.379	(4.581)	239.897	(6.874)
48.475	Mental Health Services	44.345	44.831	(0.486)	49.243	(0.768)
143.719	Primary Care	130.040	131.066	(1.026)	144.473	(0.754)
(3.126)	ASC Other includes ASC Income	(3.836)	(2.930)	(0.906)	(3.922)	0.796
422.092	Total HHSCP	383.347	390.346	(6.999)	429.692	(7.600)
	HHSCP					
257.931	Health	233.943	240.910	(6.966)	265.531	(7.600)
164.161	Social Care	149.404	149.436	(0.033)	164.161	-
422.092	Total HHSCP	383.347	390.346	(6.999)	429.692	(7.600)

3.2 Within Health the forecast position reflects:

- £4.180m of unachieved savings
- £1.331 of service pressures in Enhanced Community Services, Palliative Care & Chronic Pain Services
- £0.961m agency/ locum costs in the LD/ Dementia Unit
- £0.705m relating to minor works undertaken at New Craigs – these works were required for operational reasons during the pandemic but were delayed.
- £0.225m relating to additional costs re Alness and Invergordon reverting to a 2c practice.

3.3 £17.185m has been incurred on supplementary staffing at the end of month 11.

3.4 Adult Social Care is currently reporting a breakeven position with funding being drawn from the funds held by Highland council over financial year end. Slippage on the ASC element of the CIP of £2.100m has been covered by this funding drawdown.

4 Acute Services

4.1 Acute Services are reporting a YTD overspend of £21.476m with this forecast to increase to £24.134m by financial year end. Table 4 provides more detail on this position.

Table 4 – Acute Services Breakdown as at February 2023

Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
68.386	Medical Division	62.670	70.530	(7.861)	76.725	(8.339)
19.197	Cancer Services	17.603	18.248	(0.644)	20.136	(0.939)
61.147	Surgical Specialties	56.455	59.660	(3.206)	64.823	(3.676)
32.333	Woman and Child	29.704	29.153	0.551	31.773	0.560
44.286	Clinical Support Division	40.576	40.181	0.395	43.936	0.350
(2.467)	Raigmore Senior Mgt & Central Cost	(2.280)	5.980	(8.260)	7.157	(9.624)
11.258	NTC Highland	10.722	11.196	(0.474)	11.563	(0.305)
234.140	Sub Total - Raigmore	215.448	234.947	(19.499)	256.113	(21.973)
12.571	Belford	11.519	12.512	(0.993)	13.655	(1.084)
13.768	CGH	12.610	13.595	(0.985)	14.844	(1.076)
260.479	Total for Acute	239.578	261.054	(21.476)	284.613	(24.134)

- 4.2 £6.098m of unachieved savings is reflected in the forecast position.
- 4.3 The forecast position has improved by £2.096m from month 9 – the main driver behind this movement is the application of funding for pay awards which has generated a benefit due to the number of vacant posts.
- 4.3 However the following pressures remain and are the main drivers for the operational overspend:
- £12.985m of additional staffing costs to cover vacancies and unfunded beds
 - £1.167m of Acute Drugs (improved from month 9 due to receipt of further rebates)
 - Pressures resulting from lower than anticipated Scheduled Care allocation - £3.000m

5 Support Services

- 5.1 Support Services are reporting a YTD underspend of £6.163m with this forecast to increase to £11.734m by financial year end. This is a significantly improved position from that reported at month 9 and reflects further unplanned allocations from SG and delivery of mitigating actions from the recovery plan.
- 5.2 The forecast position includes £2.578m of unachieved savings.
- 5.3 Table 5 breaks this position down across service areas.

Table 5 – Support Services breakdown as at February 2023

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	Support Services					
64.614	Central Services	14.422	6.063	8.359	49.973	14.642
41.789	Corporate Services	37.560	38.162	(0.601)	42.662	(0.872)
47.142	Estates Facilities & Capital Planning	42.444	42.765	(0.321)	47.681	(0.539)
12.618	eHealth	11.637	12.007	(0.370)	13.123	(0.505)
25.399	Tertiary	23.282	24.187	(0.905)	26.390	(0.991)
191.562	Total	129.346	123.183	6.163	179.828	11.734

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.

5.6 No further benefit is expected to accrue from recovery plan mitigating actions.

6 Argyll & Bute

6.1 Argyll & Bute are currently reporting a breakeven position both year to date and forecast. This position is being delivered from management actions to reduce costs and the benefit of unexpected funding allocations from SG.

6.2 The forecast position includes slippage on savings of £1.478m.

Table 6 – Argyll & Bute breakdown as at February 2023

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	Argyll & Bute - Health					
120.000	Hospital & Community Services	110.016	109.572	0.444	119.448	0.552
36.458	Acute & Complex Care	33.254	33.840	(0.586)	36.844	(0.386)
9.269	Children & Families	8.456	8.044	0.412	8.769	0.500
59.112	Primary Care, Prescribing & Dental inc GMS	53.372	54.415	(1.043)	60.291	(1.179)
9.764	Estates	8.582	8.752	(0.170)	10.014	(0.250)
5.307	Management Services	4.742	4.586	0.156	5.134	0.173
8.045	Central/Public health	2.673	0.036	2.637	5.155	2.890
-	Management Actions	-	-	(1.850)	2.300	(2.300)
247.955	Total Argyll & Bute	221.094	219.244	-	247.955	-

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 £15.043m with £16.445m of savings forecast to be unachieved by the end of the financial year. Risk around delivery of the balance of the CIP (£0.893m) is medium risk.
- 7.2 Table 7 provides a summary of the savings position at month 11.

Table 7 Savings at Month 11

	Target £000s	YTD Target £000s	YTD Achieved £000s	Variance £000s	Achieved Future Mths £000s	Forecast Annual Savings £000s	Forecast Variance
NH Communities	9,293	8,519	2,898	(5,621)	57	57	(6,281)
Acute	8,457	7,752	2,029	(5,723)	184	146	(6,098)
Corporate	2,692	2,468	438	(2,029)	10	-	(2,244)
Estates & Facilities	1,100	1,008	1,008	-	92	-	-
E Health	400	367	57	(310)	-	-	(343)
A&B	4,058	3,720	2,359	(1,361)	214	6	(1,478)
Total Savings M11	26,000	23,833	8,790	(15,043)	556	209	(16,445)
Achieved Future Months			556				
Total Savings Achieved			9,346				

8 Financial Risk

- 8.1 At this stage of the financial year no further risks have been identified. There remains uncertainty around some anticipated allocations – assuming that outstanding allocations will be received at a level in line with previous year.
- 8.2 Pay award funding has now been confirmed for this FY.

9 Capital

- 9.1 Total anticipated Capital Funding for NHS Highland for 2022/2023 is £31.712m.
- 9.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £22.421m has been incurred – 71% of planned expenditure
- 9.3 The main areas of investment to date include:

Project	Spend to end December 2022
National Treatment Centre – Highland	£9.710m
Estates Backlog Maintenance	£2.543m
Equipment Purchase	£1.061m
Home Farm works	£0.738m

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

10 Recommendation

- NHS Highland Board members are invited to discuss the contents of the Month 11 Finance Report.

Capital Expenditure at Month 11

Updated Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000	Bal to Spend £000
		Capital Schemes		
35	-	Radiotherapy	34	-
12,900	-	National Treatment Centre (Highland)	9,710	3,190
-	-	NTC-(H) eHealth Capital Expenditure	582	(582)
160	-	Grantown Health Centre Refurbishment	160	-
-	-	Portree/Broadford HC Spoke Reconfiguration	1	(1)
350	-	Belford Hospital Replacement Fort William	172	178
850	-	Caithness Redesign	441	409
100	-	Raigmore Reconfiguration	-	100
700	-	Increased Maternity Capacity - Raigmore	543	157
200	-	Additional VIE	-	200
1,000	-	Raigmore Fire Compartmentation upgrade	449	551
1,200	-	Raigmore Lift Replacement	914	286
740	-	Home Farm works	738	2
85	-	Cowal Community Hospital GP relocation	83	2
400	-	Raigmore Car Park Project	95	305
564	-	Wifi network Installation Project	563	1
71	-	Endoscopy Decontamination Washers	71	-
922	-	Laundry Water Filtration Equipment	922	-
-	-	Campbeltown Boiler Replacement	(28)	28
2,680	-	BackLog Maintenance Additional Funding	1,064	1,615
1,590	-	National Infrastructure Equipment Funding (NIB)	-	1,590
170	-	Ultrasound - Dunoon & Mid Argyll	170	-
49	47	Digital Pathology switches	49	-
24,765	47		16,732	8,033
		Formula Allocation		
800	800	PFI Lifecycle Costs	773	27
2,538	2,538	Estates Backlog Maintenance	2,543	(5)
1,850	1,850	Equipment Purchase Advisory Group (EPAG)	1,061	789
1,250	1,250	eHealth Capital Allocation	903	347
500	500	Minor Capital Group	499	1
9	9	AMG Contingency	9	-
-	-	Other	(97)	97
6,947	6,947		5,689	1,257
31,712	6,994	Capital Expenditure	22,421	9,290