



**Meeting:** NHS Highland Board Meeting  
**Meeting date:** 29 November 2022  
**Title:** Finance Report – Month 7 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 report will align to the following NHSScotland quality ambition(s):

Effective

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					

## 2 Report summary

### 2.1 Situation

This report is presented to enable discussion on the NHS Highland financial position at Month 7 2022/2023 (October 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. This report summarises the position at Month 7 and provides a forecast through to the end of the financial year.

**2.3 Assessment**

For the period to end October 2022 (Month 7) an overspend of £22.548m is reported. This overspend is forecast to increase to £42.981m by the end of the financial year. The YTD position includes slippage against the savings plan of £10.050m with slippage of £16.527m 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"/>

**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. However, there is 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 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 the matter.

**4.1 List of appendices**

The following appendices are included with this report:

- Appendix No 1 – Capital Expenditure at Month 7
- Appendix No 2 – Recovery Plan – Mitigating Actions

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<b>Report Author:</b>	<b>Elaine Ward, Deputy Director of Finance</b>

## **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 – up to £16.272m. This report summarises the position at Month7 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 seven months to the end of October 2022 NHS Highland has overspent against the year-to-date budget by £22.548m and is forecasting an overspend of £42.981m at financial year end.
- 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 forecast reported at the end of month 7 is £26.709m adrift, before playing in mitigating actions from the recovery plan, from the position presented in the financial plan.
- 2.3 The YTD position includes slippage against the CIP of £10.050m with slippage of £16.527m forecast through to financial year end.

- 2.4 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 October 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
1,086.854	<b>Total Funding</b>	594.539	594.539	-	1,086.854	-
	<b>Expenditure</b>					
404.151	HHSCP	236.509	242.468	(5.959)	416.726	(12.575)
245.298	Acute Services	145.822	161.403	(15.581)	273.053	(27.755)
204.304	Support Services	77.934	78.654	(0.720)	206.455	(2.151)
<b>853.753</b>	<b>Sub Total</b>	<b>460.266</b>	<b>482.525</b>	<b>(22.259)</b>	<b>896.234</b>	<b>(42.481)</b>
233.101	Argyll & Bute	134.273	134.563	(0.289)	233.601	(0.500)
<b>1,086.854</b>	<b>Total Expenditure</b>	<b>594.539</b>	<b>617.088</b>	<b>(22.548)</b>	<b>1,129.835</b>	<b>(42.981)</b>

- 2.5 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	Savings
1,086.854	<b>Total Funding</b>	594.539	594.539	-	1,086.854	-		
	<b>Expenditure</b>							
404.151	HHSCP	236.509	242.468	(5.959)	416.726	(12.575)	(6.037)	(6.538)
245.298	Acute Services	145.822	161.403	(15.581)	273.053	(27.755)	(22.255)	(5.500)
204.304	Support Services	77.934	78.654	(0.720)	206.455	(2.151)	0.853	(3.004)
<b>853.753</b>	<b>Sub Total</b>	<b>460.266</b>	<b>482.525</b>	<b>(22.259)</b>	<b>896.234</b>	<b>(42.481)</b>	<b>(27.439)</b>	<b>(15.042)</b>
233.101	Argyll & Bute	134.273	134.563	(0.289)	233.601	(0.500)	0.985	(1.485)
<b>1,086.854</b>	<b>Total Expenditure</b>	<b>594.539</b>	<b>617.088</b>	<b>(22.548)</b>	<b>1,129.835</b>	<b>(42.981)</b>	<b>(26.454)</b>	<b>(16.527)</b>
-	<b>Surplus/(Deficit) Mth 7</b>	<b>(0.000)</b>	<b>22.549</b>	<b>(22.548)</b>	<b>42.981</b>	<b>(42.981)</b>	<b>(26.454)</b>	<b>(16.527)</b>

### 3 Highland Health & Social Care Partnership

- 3.1 The HHSCP is reporting a YTD overspend of £5.959m with this forecast to increase to £12.575m 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 October 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>					
222.987	NH Communities	130.263	135.302	(5.038)	232.857	(9.870)
44.776	Mental Health Services	26.515	27.099	(0.585)	46.695	(1.919)
140.446	Primary Care	81.549	81.416	0.133	140.523	(0.077)
(4.059)	ASC Other includes ASC Income	(1.818)	(1.350)	(0.468)	(3.349)	(0.709)
<b>404.151</b>	<b>Total HHSCP</b>	<b>236.509</b>	<b>242.468</b>	<b>(5.959)</b>	<b>416.726</b>	<b>(12.575)</b>
	<b>HHSCP</b>					
245.528	Health	143.128	147.580	(4.452)	253.733	(8.205)
158.622	Social Care	93.381	94.887	(1.507)	162.993	(4.371)
<b>404.151</b>	<b>Total HHSCP</b>	<b>236.509</b>	<b>242.468</b>	<b>(5.959)</b>	<b>416.726</b>	<b>(12.575)</b>

### 3.2 Within Health the forecast position reflects:

- £6.538m of unachieved savings
- £0.913m 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.
- £0.544m relating to Chronic Pain service
- £0.225m relating to additional costs re Alness and Invergordon reverting to a 2c practice.

### 3.3 Forecast spend on supplementary staffing is £11.810m.

### 3.4 Adult Social Care is currently reporting an overspend of £1.507m which is forecast to increase to £4.371m by financial year end. This reflects additional placements and complex packages coming into place since budgets were agreed.

## 4 Acute Services

### 4.1 Acute Services are reporting a YTD overspend of £15.581m with this forecast to increase to £27.755m by financial year end. Table 4 provides more detail on this position.

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

Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
65.033	Medical Division	38.266	44.503	(6.237)	75.169	(10.136)
18.196	Cancer Services	10.649	11.419	(0.770)	19.036	(0.839)
62.766	Surgical Specialties	38.053	40.423	(2.369)	66.579	(3.813)
30.173	Woman and Child	17.810	17.945	(0.135)	30.426	(0.252)
41.989	Clinical Support Division	24.791	25.358	(0.567)	42.752	(0.763)
0.426	Raigmore Senior Mgt & Central Cost	(0.119)	3.670	(3.790)	9.318	(8.892)
1.903	NTC Highland	1.903	1.903	-	1.903	-
<b>220.485</b>	<b>Sub Total - Raigmore</b>	<b>131.353</b>	<b>145.222</b>	<b>(13.869)</b>	<b>245.182</b>	<b>(24.697)</b>
11.919	Belford	6.956	7.732	(0.775)	13.306	(1.387)
12.894	CGH	7.513	8.449	(0.937)	14.565	(1.671)
<b>245.298</b>	<b>Total for Acute</b>	<b>145.822</b>	<b>161.403</b>	<b>(15.581)</b>	<b>273.053</b>	<b>(27.755)</b>

4.2 £5.500m of unachieved savings is reflected in the forecast position.

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

- £12.556m of Supplementary staffing costs across all areas
- £1.000m in respect of Respiratory Testing Contract. (Significant reduction from earlier forecast)
- £3.212m of Acute Drugs. (Significant reduction from earlier forecast)
- Pressures resulting from lower than anticipated Scheduled Care allocation - £3.000m

## 5 Support Services

5.1 Support Services are reporting a YTD overspend of £0.720m with this forecast to increase to £2.151m by financial year end.

5.2 The forecast position includes £3.004m of unachieved savings.

5.3 Table 5 breaks this position down across service areas.

**Table 5 – Support Services breakdown as at October 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>					
85.522	Central Services	9.071	7.642	1.429	83.676	1.846
37.089	Corporate Services	21.520	22.014	(0.494)	38.722	(1.633)
44.904	Estates Facilities & Capital Planning	24.912	25.561	(0.648)	45.663	(0.758)
11.390	eHealth	7.615	7.948	(0.333)	12.004	(0.614)
25.399	Tertiary	14.816	15.489	(0.673)	26.390	(0.991)
<b>204.304</b>	<b>Total</b>	<b>77.934</b>	<b>78.654</b>	<b>(0.720)</b>	<b>206.455</b>	<b>(2.151)</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.

5.6 The overall position within Support Services has improved by £1.857m as a result of proposals within the recovery plan materialising.

## 6 Argyll & Bute

6.1 Argyll & Bute are currently reporting an overspend of £0.289m with this forecast to increase to £0.500m by financial year end.

6.2 The forecast position includes slippage on savings of £1.485m.

6.3 The position net of savings is an operational underspend of £0.985m largely generated through unfilled vacancies, over-recovery of income and sundry non-recurring slippage.

**Table 6 – Argyll & Bute breakdown as at October 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>					
115.232	Hospital & Community Services	67.192	68.033	(0.841)	115.840	(0.608)
34.698	Acute & Complex Care	20.263	20.777	(0.514)	35.905	(1.207)
8.688	Children & Families	4.924	4.780	0.144	8.438	0.250
58.347	Primary Care, Prescribing & Dental inc GMS	33.477	33.488	(0.011)	58.455	(0.108)
9.019	Estates	5.193	5.389	(0.196)	9.241	(0.222)
4.945	Management Services	2.317	2.285	0.031	4.890	0.055
2.172	Central/Public health	0.908	(0.189)	1.096	0.832	1.340
<b>233.101</b>	<b>Total Argyll &amp; Bute</b>	<b>134.273</b>	<b>134.563</b>	<b>(0.289)</b>	<b>233.601</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 £10.050m with £16.527m of savings forecast to be unachieved by the end of the financial year. Risk around delivery of the balance of the CIP (£2.557m) is medium risk.
- 7.2 Table 7 provides a summary of the savings position at month 7.

**Table 7 Savings at Month 7**

	Target £000s	YTD Target £000s	Achieved YTD £000s	Variance £000s
Workstreams NH	16,871	9,841	1,502	(8,339)
Workstreams A&B	589	344	130	(214)
Housekeeping NH	5,071	2,959	2,476	(482)
Housekeeping Argyll & Bute	3,469	2,024	1,009	(1,014)
<b>Total Savings M07</b>	<b>26,000</b>	<b>15,167</b>	<b>5,117</b>	<b>(10,050)</b>
Achieved Future Months			1,799	
<b>Total Savings Achieved</b>			<b>6,916</b>	

## 8 Covid Related Expenditure

- 8.1 The financial plan submitted to Scottish Government included an estimate of Covid related costs of £31.514m.
- 8.2 Work has been ongoing to rebase these costs and the current forecast is £23.418m, broken down as detailed in Table 8.

**Table 8 Covid Related Cost Estimate at Month 7**

Covid Expenditure Category	Total NHS Highland	
	Actual to Date £m	Forecast Outturn £m
Public Health	0.015	0.092
Vaccinations	2.957	6.870
Workforce and Capacity	4.112	7.034
PPE, Equipment and IPC	0.430	0.864
Social Care and Community Capacity	2.871	3.939
Loss of Income	1.037	1.322
Primary Care	0.313	0.603
Other	0.276	0.463
Test and Protect	1.750	2.231
<b>Total Covid Costs</b>	<b>13.762</b>	<b>23.418</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 been received indicating that excess covid related funding sitting within IJB reserves will be reclaimed by SG for redistribution. Further details on the amount to be reclaimed and the redistribution process are awaited.

## 9 Financial Risk

- 9.1 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. Costs have reduced from earlier estimates and work continues to establish if further reduction is possible. Funding in respect of Test & Protect costs is currently being assumed (£2.231m) but there is a risk that this may not be available should the overall SG financial position deteriorate.
- **Delivery of cost improvement targets** – the target of £26.000m is significant and there is a risk associated with delivery. Slippage of £16.527m is currently being forecast. A risk rating has been applied to individual elements of the CIP as below:
  - £6.916m low
  - £2.557m medium
  - £16.527m 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 was planned to bridge the gap in 2022/2023, however, an overspend of £4.371m is forecast this FY. With ongoing pressures, challenges within the Care Home and Care at Home sectors and recruitment challenges it is likely that a funding gap will re-emerge in 2023/2024.
- **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 – a rise of 1% would add £1.021m (part year effect) in those areas which are non-pay related. 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”. SG have confirmed that additional funding will be made available but there remains a risk around Adult Social Care pay costs which are outwith base line funding.
- 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 2023/2024 additional costs of £1.000m will need budget cover as NHS Highland assume responsibility for services currently provided by the independent sector. There is potential for this to increase if ongoing challenges within the Care Home and Care at Home sector continue.

**10 Revenue Summary**

- 10.1 The forecast overspend of £42.981m is based on a number of assumptions in relation to both expenditure levels and funding and is considered to be the likely position should actions identified within the Recovery Plan submitted to SG at the end of September not materialise.
- 10.2 SG requested that a Recovery Plan was submitted detailing actions which would bring the forecast financial position in line with the financial plan submitted in March 2022. For NHS Highland this means delivery of a position that is no more than £16.272m overspent.
- 10.3 The plan submitted detailed £19.997m of potential mitigating actions which if delivered would bring the forecast position down to an overspend of £13.603m. £2.087m of these mitigating actions have been built into the forecast position at month 7. However, since submission of the plan there has been further slippage on the CIP and cost pressures have accelerated in some areas.
- 10.4 At the end of month 7 £16.994m of mitigating actions are still being pursued. Should these all materialise the forecast position at month 7 would reduce to £25.987m. This is £9.715m adrift from the position SG are expecting the Board to deliver – work continues to identify further efficiencies which could be delivered before financial year end. Details of the Recovery Plan are included at Appendix 2.

**11 Capital**

- 11.1 Total anticipated Capital Funding for NHS Highland for 2022/2023 is £42.444m.
- 12.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £10.278m has been incurred.
- 12.3 The main areas of investment to date include:

Project	Spend to end June 2022
National Treatment Centre – Highland	£4.710m
Home Farm Works	£0.738m
Laundry Water Filtration Equipment	£0.673m
Raigmore Lift Replacement	£0.545m

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 7 Finance Report.

## Capital Expenditure at Month 7

Updated Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000	Bal to Spend £000
		<b>Capital Schemes</b>		
912	-	Radiotherapy	34	878
12,900	-	National Treatment Centre (Highland)	4,710	8,190
-	-	NTC-(H) eHealth Capital Expenditure	485	(485)
2,500	-	Grantown Health Centre Refurbishment	54	2,446
2,820	-	Portree/Broadford HC Spoke Reconfiguration	-	2,820
-	-	New Skye Community Hospital	60	(60)
-	-	New Aviemore Community Hospital	24	(24)
1,250	-	Belford Hospital Replacement Fort William	60	1,190
1,250	-	Caithness Redesign	151	1,099
100	-	Raigmore Reconfiguration	-	100
700	-	Increased Maternity Capacity - Raigmore	155	545
200	-	Additional VIE	-	200
1,000	-	Raigmore Fire Compartmentation upgrade	4	996
1,200	-	Raigmore Lift Replacement	545	655
600	-	Home Farm works	738	(138)
2,200	-	Cowal Community Hospital GP relocation	83	2,117
250	-	Campbeltown Boiler Replacement	1	249
1,750	-	Raigmore Car Park Project	91	1,659
-	-	Wifi network Installation Project	67	(67)
620	-	Endoscopy Decontamination Washers	64	556
1,295	-	Laundry Water Filtration Equipment	673	622
2,560	-	BackLog Maintenance Additional Funding	-	2,560
1,173	-	National Infrastructure Equipment Funding (NIB)	-	1,173
170	-	Ultrasound - Dunoon & Mid Argyll	-	170
47	47	Digital Pathology switches	49	(2)
<b>35,497</b>	<b>47</b>		<b>8,047</b>	<b>27,450</b>
		<b>Formula Allocation</b>		
800	800	PFI Lifecycle Costs	488	312
2,350	2,350	Estates Backlog Maintenance	611	1,739
1,850	1,850	Equipment Purchase Advisory Group (EPAG)	737	1,113
1,000	1,000	eHealth Capital Allocation	483	517
500	500	Minor Capital Group	-	500
147	147	AMG Contingency	9	138
300	300	IFRS16 - New Capital Leases	-	300
-	-	Other	(97)	97
<b>6,947</b>	<b>6,947</b>		<b>2,231</b>	<b>4,716</b>
<b>42,444</b>	<b>6,994</b>	<b>Capital Expenditure</b>	<b>10,278</b>	<b>32,166</b>

**Recovery Plan – Mitigating Actions**

	<b>Month 5</b>	<b>Month 7</b>	<b>RAG Rating</b>
Forecast Overspend	£33.600m	£42.981m	
Potential Technical Adjustments	£5.849m	£5.849m	
Potential Technical Adjustments	£1.587m	In Forecast	
NR Funding Slippage	£5.810m	£5.810m	
VAT Reclaim Exercise	£0.500m	In Forecast	
Support with ASC Overspend	£1.387m	£1.387m	
Increased Cost Control Measures	£3.205m	£2.289m	
In year benefit from NI funding	£1.659m	£1.659m	
<b>TOTAL POTENTIAL MITIGATING ACTIONS</b>	<b>£19.997m</b>	<b>£16.994m</b>	
<b>BEST CASE SCENARIO</b>	<b>£13.603m</b>	<b>£25.987m</b>	