

NHS Highland



Meeting: NHS Highland Board Meeting
Meeting date: 26 September 2023
Title: Finance Report – Month 5 2023/2024
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 5 2023/2024 (August 2023).

2.2 Background

NHS Highland submitted a financial plan to Scottish Government for the 2023/2024 financial year in March 2023. An initial budget gap of £98.172m was presented with a Cost Improvement Programme of £29.500m proposed, leaving a

residual gap of £68.672m; work is ongoing, within the Board and nationally to look at options and schemes to close this gap. A further allocation for £14.62m has been received which has been allocated to reducing this gap. This report summarises the position at Month 5, provides a forecast through to the end of the financial year and highlights the current and ongoing service pressures.

2.3 Assessment

For the period to end August 2023 (Month 5) an overspend of £32.650m is reported. This overspend is forecast to increase to £55.774m by the end of the financial year. The improvement on the residual gap in the plan is due to the additional funding allocations from Scottish Government. The current forecast assumes full delivery of the savings in Acute, Support Services and the HHSCP, and the significant majority of A&B IJB's target will be achieved.

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"/>

It is only possible to give limited assurance at this time due to current 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 at pace with oversight and support from Scottish Government in line with their “tailored support”.

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 Quality Impact Assessment (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 QIA tool, where appropriate, the impact of savings on these areas is assessed.

3.3 Financial

Scottish Government has recognised the financial challenge on all Boards for 2023/2024 and beyond and are providing additional support to develop initiatives to reduce the cost base both nationally and within individual Boards. NHS Highland is receiving dedicated tailored support to assist in response to the size of the financial challenge.

3.4 Risk Assessment/Management

There is a risk that NHS Highland will overspend on its 2023/2024 revenue budget by more than the current forecast of £55.774m. This forecast assumes the cost improvement programme is delivered in full within North Highland with limited slippage in Argyll & Bute. The forecast is also dependent on assumptions around funding and expenditure. The Board continues to look for opportunities both locally and nationally to bring the recurrent cost base 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
- Efficiency Transformation Group
- Monthly 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

Month 5 Position Presentation

Finance Report – Month 5 (August 2023)

MONTH 5 2023/2024 – AUGUST 2023

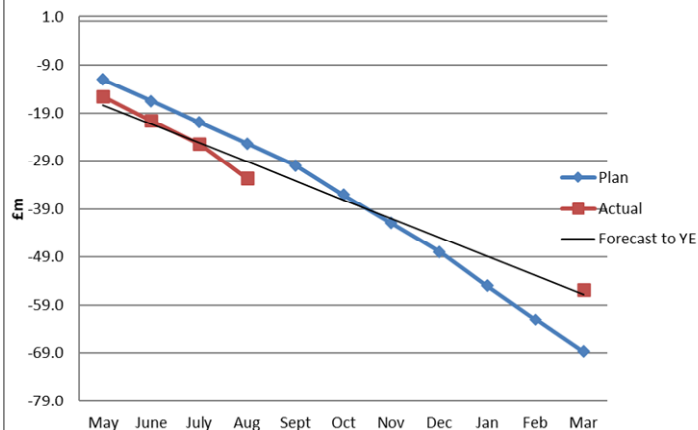


Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
1,148.711	Total Funding	461.619	461.619	-	1,148.711	-
	Expenditure					
443.189	HHSCP	184.957	190.616	(5.659)	449.508	(6.320)
291.378	Acute Services	120.844	131.156	(10.313)	306.513	(15.135)
150.840	Support Services	52.511	68.502	(15.991)	184.259	(33.419)
885.406	Sub Total	358.312	390.274	(31.962)	940.280	(54.874)
263.305	Argyll & Bute	103.307	103.995	(0.688)	264.205	(0.900)
1,148.711	Total Expenditure	461.619	494.269	(32.650)	1,204.485	(55.774)

MONTH 5 2023/2024 SUMMARY

- YTD overspend of £32.650m reported
- Overspend forecast to increase to £55.774m by the end of the 2023/2024 financial year
- YTD position includes slippage against the CIP of £8.318m
- Cost improvements/ reductions of £28.843m assumed within the year end forecast
- Forecast is £12.898m better than that presented within the financial plan which was submitted to SG in March 2023. This reflects additional funding received from SG in respect of Sustainability & NRAC Parity (£8.030m recurring) and additional New Medicines Funding (£6.590m non-recurring)

Monthly Trajectory



MONTH 5 2023/2024 – AUGUST 2023



Summary Funding & Expenditure	Current Plan £m
RRL Funding - SGHSCD	
Baseline Funding	809.525
FHS GMS Allocation	75.557
Supplemental Allocations	48.127
Non Core Funding	-
Total Confirmed SGHSCD Funding	933.210
Anticipated funding	
Non Core allocations	70.557
Core allocations	23.982
Total Anticipated Allocations	94.539
Total SGHSCD RRL Funding	1,027.749
Integrated Care Funding	
Adult Services Quantum from THC	131.729
Childrens Services Quantum to THC	(10.767)
Total Integrated care	120.962
Total NHS Highland Funding	1,148.711

FUNDING

- Current funding £1,148.711m (increase of £1.162m from Month 4)
- £94.539m of allocations anticipated but not yet confirmed by Scottish Government
- £5.308m of allocations received in Month 5 - £4.247m of which is non-recurring.
- Current funding is £16.630m higher than at the close of the 2022/2023 financial year

MONTH 5 2023/2024 – AUGUST 2023



Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
248.040	HHSCP NH Communities	103.953	108.398	(4.445)	254.878	(6.838)
48.733	Mental Health Services	20.724	24.396	(3.671)	53.236	(4.503)
146.573	Primary Care	60.473	61.039	(0.566)	148.804	(2.231)
(0.158)	ASC Other includes ASC Income	(0.192)	(3.216)	3.024	(7.410)	7.252
443.189	Total HHSCP	184.957	190.616	(5.659)	449.508	(6.320)
269.109	HHSCP Health	111.869	117.643	(5.774)	275.653	(6.544)
174.080	Social Care	73.088	72.973	0.115	173.855	0.225
443.189	Total HHSCP	184.957	190.616	(5.659)	449.508	(6.320)

	In Month £'000	YTD £'000
Locum	704	3,080
Agency (Nursing)	747	3,921
Bank	665	2,797
Total	2,116	9,798

HHSCP

- YTD overspend of £5.659m reported
- Forecast that this will increase to £6.320m by financial year end
- Slippage of £3.635m against the CIP reported in the YTD position with full delivery being forecast by financial year end
- Continuing pressure with agency nursing and locum usage within Mental Health and in-house Care Homes and 2C practices - £9.798m incurred YTD
- A £1.400m prescribing pressure is forecast due to an increase in both the cost of drugs and volume of scripts being issued
- Previously reported pressures in Enhanced Community Services and Chronic Pain are continuing but at a lower cost base that reported in 2022/2023

MONTH 5 2023/2024 – AUGUST 2023



Services Category	Annual Budget £000's	YTD Budget £000's	YTD Actual £000's	YTD Variance £000's	YE Outturn £000's	YE Variance £000's
Older People - Residential/Non Residential Care	57,090	24,072	24,271	(199)	58,279	(1,189)
Older People - Care at Home	34,112	14,211	14,937	(726)	35,455	(1,343)
People with a Learning Disability	40,116	16,782	17,618	(836)	43,947	(3,831)
People with a Mental Illness	8,008	3,332	3,488	(155)	7,926	81
People with a Physical Disability	7,970	3,351	3,566	(215)	8,444	(474)
Other Community Care	17,843	7,486	7,499	(14)	18,123	(280)
Support Services	8,941	3,853	1,413	2,440	1,181	7,761
Care Home Support/Sustainability Payments	-	-	181	(181)	500	(500)
Total Adult Social Care Services	174,080	73,088	72,973	-	173,855	-

ADULT SOCIAL CARE

- Breakeven position reported net of Estates maintenance costs
- Forecast year end position assumes achievement of CIP in full
- £0.614m expenditure on agency nursing incurred to date within NHS Highland care homes
- £0.901m forecast full year spend on sustainability packages to ensure continuity of service provision
- Position is supported by utilising in full the funding held by Highland Council from the 2021/2022 financial year
- The position is predicated on the use of £9.823m of funds from 2021/2022 – this is non-recurrent funding which will result in a starting gap of at least this amount at the start of the 2024/2025 financial year

MONTH 5 2023/2024 – AUGUST 2023



Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
77.110	Medical Division	32.352	36.279	(3.927)	82.001	(4.891)
20.690	Cancer Services	8.638	9.066	(0.428)	21.817	(1.126)
65.066	Surgical Specialties	27.074	29.219	(2.145)	67.761	(2.695)
33.427	Woman and Child	14.560	13.694	0.866	32.153	1.274
44.006	Clinical Support Division	18.494	18.421	0.074	43.603	0.404
(3.672)	Raigmore Senior Mgt & Central Cost	(1.988)	2.290	(4.278)	4.120	(7.792)
25.848	NTC Highland	9.603	9.476	0.127	25.283	0.565
262.475	Sub Total - Raigmore	108.733	118.445	(9.713)	276.737	(14.262)
13.862	Belford	5.811	6.092	(0.281)	14.121	(0.259)
15.040	CGH	6.300	6.619	(0.319)	15.654	(0.614)
291.378	Total for Acute	120.844	131.156	(10.313)	306.513	(15.135)

	In Month £'000	YTD £'000
Locum	860	4,448
Agency (Nursing)	1,124	5,218
Bank	571	2,886
Total	2,555	12,552

ACUTE

- £10.313m overspend reported year to date
- Forecast that this will increase to £15.135m by financial year end
- £2.458m slippage against CIP reported in YTD position – assuming CIP will be achieved in full this financial year.
- Yet to see impact of targeted interventions to bring down run rate for supplementary staffing – anticipating benefits in quarters 3 & 4
- A pressure of £0.397m is forecast within drugs – this is a reduction from Month 4 due to the draw down of funding built into the plan for horizon scanning
- The forecast includes approx. £8.118m of costs likely to be incurred as a result of patients not being within the correct care setting

MONTH 5 2023/2024 – AUGUST 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					
13.281	Central Services	(3.329)	11.209	(14.538)	45.414	(32.134)
45.183	Corporate Services	18.027	17.491	0.536	43.269	1.913
52.381	Estates Facilities & Capital Planning	21.112	21.953	(0.841)	54.351	(1.970)
14.732	eHealth	6.174	6.344	(0.170)	14.709	0.023
25.264	Tertiary	10.527	11.505	(0.978)	26.516	(1.252)
150.840	Total	52.511	68.502	(15.991)	184.259	(33.419)

SUPPORT SERVICES

- £15.991m overspend reported year to date with this forecast to increase to £33.419m by financial year end – this reflects the funding gap built into the initial plan submitted to SG in March 2023
- Within Corporate Services vacancies within a number of teams and additional Medical Education funding is driving the underspend. However there are pressures related to unfunded services and post. Whilst these can likely be covered this FY work is ongoing to reduce/ remove these pressures going into 2024/2025
- Within Tertiary there are pressures within the main SLA with L&B, Rheumatology, Cardiac and Forensic Psychiatry services provided out of area
- Estates continue to see pressures in utility & food costs, additional maintenance, additional pay costs at New Craigs due to facilities staff being aligned to Agenda for Change uplifts and increased cleaning across a number of sites

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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					
122.853	Hospital & Community Services	51.495	51.413	0.082	123.111	(0.258)
38.367	Acute & Complex Care	16.263	16.552	(0.289)	39.417	(1.050)
10.090	Children & Families	4.212	4.142	0.070	9.890	0.200
38.040	Primary Care inc NCL	15.035	15.053	(0.018)	38.040	-
21.964	Prescribing	9.079	10.620	(1.541)	24.464	(2.500)
10.712	Estates	4.354	4.362	(0.007)	10.834	(0.122)
5.650	Management Services	1.848	1.817	0.031	5.720	(0.070)
15.630	Central/Public health	1.022	0.038	0.985	12.730	2.900
263.305	Total Argyll & Bute	103.307	103.995	(0.688)	264.205	(0.900)

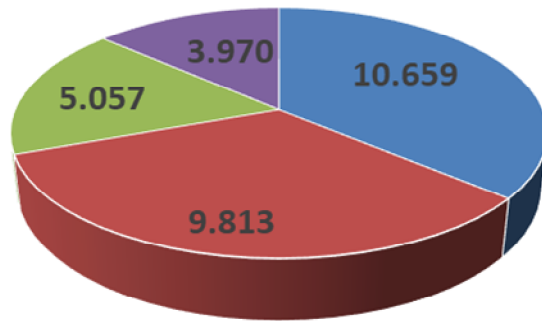
	In Month £'000	YTD £'000
Locum	502	2,353
Agency (Nursing)	195	1,177
Bank	359	1,618
Total	1,056	5,148

ARGYLL & BUTE

- YTD overspend of £0.688m reported with this forecast to increase to £0.900m by financial year end
- The YTD position includes £0.699m of slippage against the CIP.
- It is anticipated that cost improvements/ reductions of £3.313m will be delivered in year – slippage of £0.657m
- £2.500m of a pressure relating to prescribing and £1.600m of agency staffing (mainly in LIH due to vacancy cover) is built into the full year projection

MONTH 5 2023/2024 – AUGUST 2023

£29.500m Cost Improvement Programme



■ HHSCP ■ Acute ■ Support Services ■ A&B

COST IMPROVEMENT

- £29.500M CIP programme planned
- At the end of Month 5 slippage of £8.318m against the CIP is reported
- Cost improvements of £28.843m are built into the year end forecast
- There is a risk around non delivery of cost improvements/ reductions but the Efficiency & Transformation Governance Group is providing scrutiny in this area to maximise delivery this FY.

	Target £000s	Forecast Savings £000s	Variance £000s
HHSCP	10,659	10,659	-
Acute	9,813	9,813	-
Support Services	5,057	5,057	-
A&B	3,970	3,313	(657)
Total Forecast Savings	29,500	28,843	(657)

MONTH 5 2023/2024 – AUGUST 2023



All Horizon 1 Schemes by Unit				
Division	Target £000s £000s	Estimated Value of Schemes £000s £000s	Savings/Cost Reduction in Forecast £000s £000s	Variance (Target Less Savings Forecast) £000s
Acute	9,813	7,474	6,124	(3,690)
HHSCP - Health	6,546	2,505	1,955	(4,591)
HHSCP - ASC	4,113	1,612	275	(3,838)
Support Services	5,057	1,774	1,373	(3,684)
A & B IJB	3,970	2,314	2,294	(1,677)
Grand total	29,500	15,679	12,021	(17,479)

All Horizon 1 Schemes by Workstream				
Workstream	Target £000s	Estimated Value of Schemes £000s	Savings/Cost Reduction Achieved £000s	Variance (Target Less Savings Delivered) £000s
Service Redesign and Reform		30	-	-
Workforce - Medical Locums	2,460	2,950	2,877	417
Workforce - Nursing Agency	5,000	2,694	2,509	(2,492)
Non Medical Agency	140	-	-	(140)
Workforce - Permanent Staff	2,500	1,045	1,036	(1,464)
Workforce - Other		1,086	296	296
Other Non-Pay	265	2,977	1,985	1,720
Prescribing	1,150	1,578	654	(496)
Procurement	2,000	90	34	(1,966)
Infrastructure		107	-	-
ASC	4,113	217	275	(3,838)
Digital		50	-	-
A&B Schemes	3,970	2,314	2,294	(1,676)
Non Rec Measures		-	-	-
Income Generation		480	-	-
Estates - Energy		5	5	5
Unidentified	7,902	56	56	(7,846)
Grand total	29,500	15,679	12,021	(17,479)

3 HORIZONS

- Efficiency and Transformation Governance Group is now meeting weekly with operational and support areas reporting back on plans and providing updates on delivery
- Workforce, Prescribing and Digital working groups have been established to focus on cost improvements and reductions in these areas across all areas of the Board
- The targets across the workstreams are based on the plan submitted to SG in March 2023 which aligned to the Sustainability & Value delivery target of £350m across Scotland

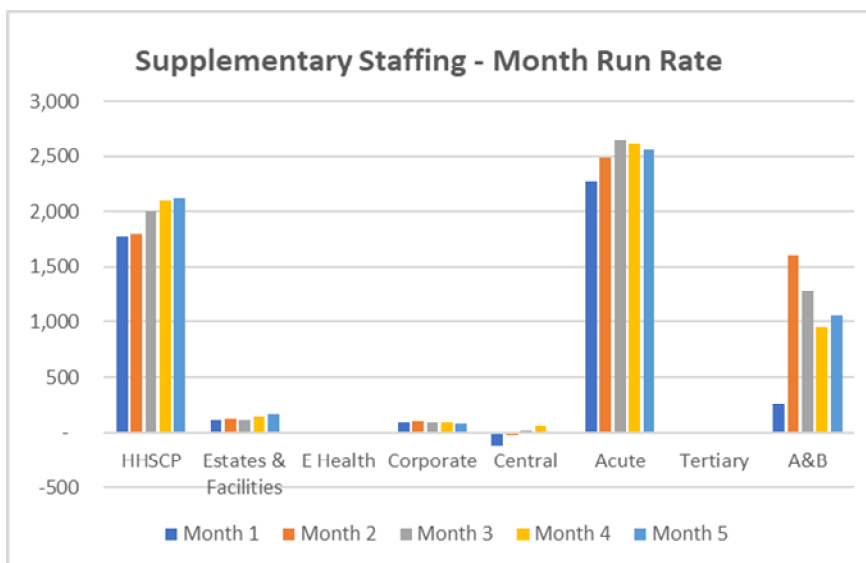
MONTH 5 2023/2024 – AUGUST 2023



	2023/2024 YTD £'000	2022/2023 YTD £'000	Inc/ (Dec) YTD £'000
HHSCP	9,798	7,321	2,477
Estates & Facilities	656	714	(58)
E Health	8	1.00	7
Corporate	465	496	(31)
Central	(50)	(372)	322
Acute	12,552	10,774	1,778
Tertiary	1	1	-
Argyll & Bute	5,148	4,126	1,022
TOTAL	28,577	23,061	5,516

SUPPLEMENTARY STAFFING

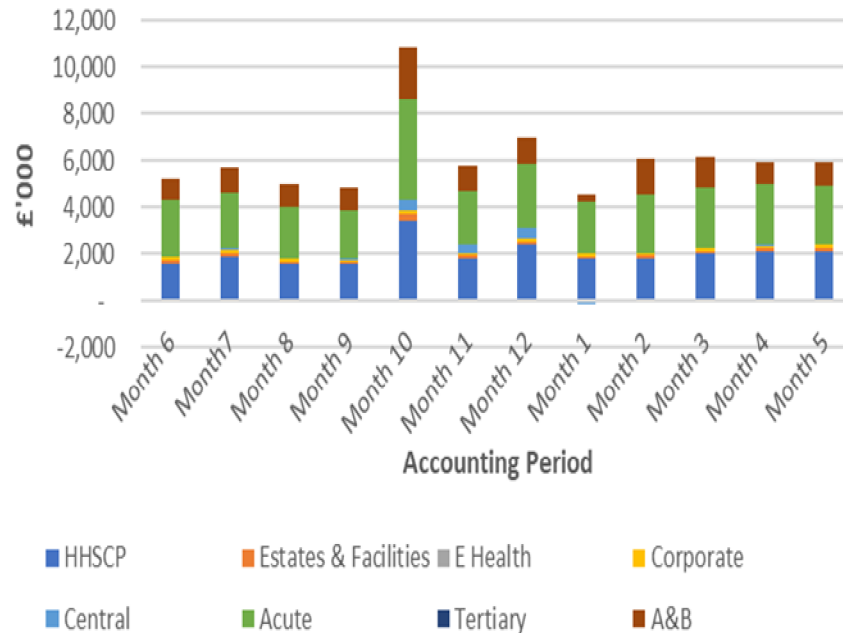
- Total spend on Supplementary Staffing at Month 5 is £28.577m – overspend on pay costs at Month 5 is £2.522m
- Run rate reducing within Corporate & Acute areas but still seeing increases in other areas



Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
Pay			
Medical & Dental	45.802	48.469	(2.667)
Medical & Dental Support	2.732	3.353	(0.621)
Nursing & Midwifery	86.678	89.678	(3.001)
Allied Health Professionals	16.633	15.978	0.654
Healthcare Sciences	6.679	6.870	(0.191)
Other Therapeutic	9.211	8.546	0.665
Support Services	18.604	17.885	0.720
Admin & Clerical	34.619	34.063	0.556
Senior Managers	1.485	1.143	0.343
Social Care	23.325	21.784	1.541
Vacancy factor/pay savings	(1.046)	(0.526)	(0.520)
Total Pay	244.722	247.244	(2.522)

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Supplementary Staffing Sept 22 - Aug 23

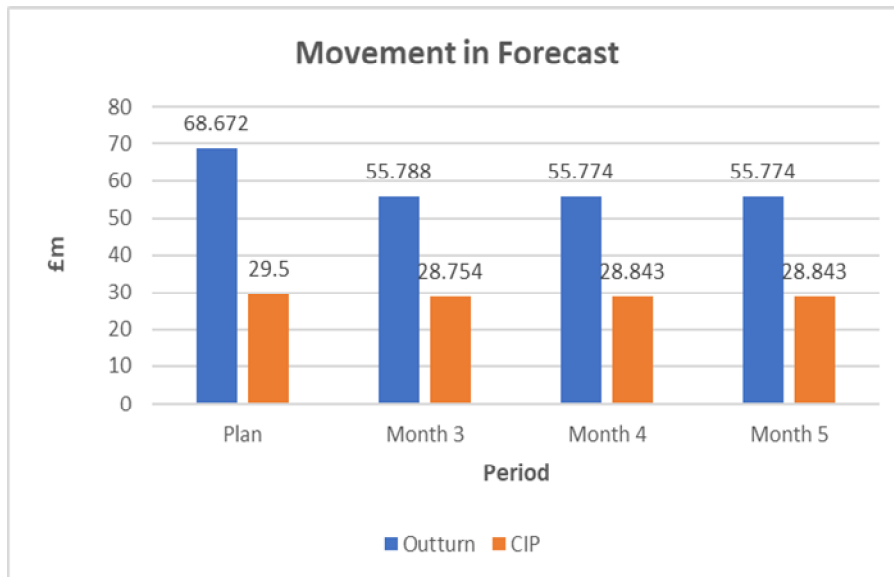


SUPPLEMENTARY STAFFING

- Month 10 in 2022/2023 is an outlier due to system and reporting issues experienced at that time. Month 10 includes an element of costs which would routinely have been reported in Month 9, 10 or 11
- The rolling 12 month position highlights spend in 2023/2024 is tracking slightly ahead of the latter part of 2022/2023. Whilst increased pay rates will impact on the level of spend this highlights that action to reduce a reliance on supplementary staffing has yet to flow through into spend patterns.

MONTH 5 2023/2024 – AUGUST 2023

	Operational Delivery	Savings Delivered	Forecast Position
Best Case	(84.617)	28.843	(55.774)
Worst Case	(92.175)	8.047	(84.128)
Likely	(83.795)	17.700	(66.095)



FORECAST POSITION

- The current year end forecast of £55.774m is based on a number of assumptions which are relevant at this point in time
- Delivery against the CIP presents a risk to delivery of this position.
- The forecast reported is considered the best case scenario.
- Should no further savings be delivered this FY there is the potential that NHS Highland would be overspent by £84.128m by financial year end
- The likely position is assuming 60% of savings are delivered with no change to the expenditure run rate other than through the actions taken to deliver costs improvements/ reductions which are built into the savings projection
- There have been no significant movements in the projection to year end during Month 5

MONTH 5 2023/2024 – AUGUST 2023



Discovery &
Discovery
Champions

Admin
Services Job
Family Review

Quarterly Self
Assessment

NHS England

Length of Stay
Reports

PLICS

ADTC Analysis

Financial
Improvement
Pack

FINANCIAL IMPROVEMENT GROUP

- FIG continues to be a forum to generate and share ideas about where efficiencies can potentially be generated
- Ideas are shared with services lead to confirm whether this is something we do, can do, have previously done or need to consider implementing

SUSTAINABILITY & VALUE

- The August Financial Improvement Group Newsletter focussed on 8 themes.
- Discovery, Discovery Champions, NHS England, Length of Stay Reports & PLICS all focus on benchmarking and how NHS Scotland can better understand and manipulate its cost base
- The Admin Service Job Family Review has provided information on staffing levels across years
- The ADTC Analysis is seeking to improve financial engagement in Area Drug & Therapeutics Committees
- The Quarterly Self Assessment and Financial Improvement Pack are tools to allow comparison across Boards and to enable Boards to reflect on work being undertaken

KEY RISKS



- Supplementary staffing (locum costs and additional beds)
- Prescribing & drugs costs
- Adult Social Care pressures
- Continuing impact of high inflation rate
- Mental Health Out of Area placements
- SLA uplifts
- Delivery of savings

MITIGATIONS



- Reduced support/ sustainability packages
- Reduction in planned spend (review of business cases/ pressures)
- Non-recurrent VAT rebates
- Additional SG Funding – Sustainability & NRAC Parity and New Medicines Funding

MONTH 5 2023/2024 – AUGUST 2023



Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000	Bal to Spend £000
Project Specific Schemes				
880		Radiotherapy Equipment	-	880
500		NTC (H)	540	(40)
2,400		Belford Hospital replacement	498	1,902
1,500		Caithness redesign project	584	916
2,500		Granttown HC upgrade	206	2,294
2,820		Broadford HC extension	-	2,820
Other Centrally Provided Capital Funding				
2,650		Raigmore Maternity capacity	249	2,401
60		Cowal Community Hospital GP relocation	(2)	62
1,350		Raigmore car park project	632	718
500		Laundry Water Filtration Equip	12	488
50		Raigmore oncology unit	0	50
-		Campbeltown boiler replace	12	(12)
860	860	EV charging points - NHS wide	276	584
1,250		Backlog maintenance additional funding	970	280
783	783	National Infrastructure Equipment Funding (NIB)	-	783
18,103	1,643		3,977	14,126
Formula Allocation				
827	827	PFI Lifecycle Costs	355	472
2,010	2,010	Equipment Purchase Advisory Group (EPAG)	713	1,297
2,350	2,350	Estates Capital Allocation	2,430	(80)
1,500	1,500	eHealth Capital Allocation	374	1,126
260	260	Minor Capital Group	-	260
-	-	Other	(22)	22
6,947	6,947		3,851	3,096
25,050	8,590	Capital Expenditure	7,828	17,222

CAPITAL

- Capital programme of £25.050m planned
- £3.794m reduction from reported position at Month 4 – reflecting a review of deliverability and increased NIB funding
- Only formula funding received – further allocation anticipated in September
- Main areas of spend to date are

Project	Spend to end June 2023
National Treatment Centre – Highland	£0.540m
Estates Backlog Maintenance	£3.400m
Equipment Purchase	£0.713m
Raigmore Car Park	£0.718m