

NHS Highland



Meeting: NHS Highland Board Meeting
Meeting date: 26 July 2022
Title: Finance Report – Month 3 2022/2023
Responsible Executive/Non-Executive: David Garden, 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)

Clinical and Care Excellence <ul style="list-style-type: none"> • Improving health • Keeping you safe • Innovating our care 		Partners in Care <ul style="list-style-type: none"> • Working in partnership • Listening and responding • Communicating well 	√
A Great Place to Work <ul style="list-style-type: none"> • Growing talent • Leading by example • Being inclusive • Learning from experience • Improving wellbeing 		Safe and Sustainable <ul style="list-style-type: none"> • Protecting our environment • In control • Well run 	√ √
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 3 2022/2023 (June 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 is ongoing, both within Board and nationally, to look at options and schemes to close identified gaps. This report summarises the position at Month 3, 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 June 2022 (Month 3) an overspend of £10.977m is reported. This overspend is forecast to increase to £33.446m by the end of the financial year. The YTD position includes slippage against the savings plan of £5.984m with slippage of £12.515m forecast at financial year end.

2.4 Proposed level of Assurance

This report proposes the following level of assurance:

Substantial
Limited

✓

Moderate
None

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 3

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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 3, 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 will revert to monthly during 2022/2023 recognising the severity of the financial challenge that all Boards are facing. The first submission will reflect the month 3 position and a follow on review by Scottish Government is expected following receipt of this submission.

2 Financial Position YTD & Forecast

- 2.1 For the three months to the end of June 2022 NHS Highland has overspent against the year-to-date budget by £10.977m and is forecasting an overspend of £33.446m at financial year end.
- 2.2 The YTD position includes slippage against the CIP of £5.984m with slippage of £12.515m forecast through to financial year end. At this early stage in the financial year it is estimated that the residual gap of £16.272m can be covered via the flexibility created at the end of the 2021/2022 financial year if these are all available for the Board to utilise.
- 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 June 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
1,096.364	Total Funding	252.958	252.958	-	1,096.364	-
	Expenditure					
396.296	HHSCP	100.120	103.060	(2.940)	406.742	(10.446)
231.923	Acute Services	59.691	66.687	(6.996)	252.076	(20.152)
232.498	Support Services	37.148	38.018	(0.870)	234.999	(2.501)
860.716	Sub Total	196.959	207.765	(10.806)	893.817	(33.100)
235.647	Argyll & Bute	56.000	56.170	(0.170)	235.993	(0.346)
1,096.364	Total Expenditure	252.959	263.935	(10.977)	1,129.810	(33.446)
	Surplus/(Deficit) Mth 3			(10.977)	33.446	(33.446)

- 2.4 A breakdown of the forecast by cost previously charged to Covid, unachieved savings and the net operational position is detailed in Table 2.

Table 2 – Breakdown of YTD & Forecast

	Covid (Unfunded)	Unachieved Savings	Operational Under (Over)Spend	Total Forecast Under/ (Over)
HHSCP	(0.386)	(5.309)	(4.751)	(10.446)
Acute Services	(2.654)	(4.195)	(13.303)	(20.152)
Support Services	(0.998)	(1.773)	0.270	(2.501)
Argyll & Bute	-	(1.238)	0.892	(0.346)
Total	(4.038)	(12.515)	(16.892)	(33.446)

3 Highland Health & Social Care Partnership

- 3.1 The HHSCP is reporting a YTD overspend of £2.940m 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 June 2022

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
242.143	Health	60.436	62.602	(2.166)	249.815	(7.673)
154.153	Social Care	39.684	40.458	(0.774)	156.927	(2.774)
396.296	Total HHSCP	100.120	103.060	(2.940)	406.742	(10.446)

- 3.2 Within Health the forecast position reflects:

- £0.386m of costs which would previously have been funded by a Covid funding allocation
- £5.309m of unachieved savings
- £1.230m of service pressures in Enhanced Community Services & Palliative Care
- £1.071m within Mental Health relating to ligature works at New Craigs and locum costs within Psychiatry
- £0.655m overspend within 2C practices relating to staffing pressures.

3.3 Adult Social Care is currently reporting an overspend of £0774m 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.

3.4 The current budget plan for ASC does not reflect the full amount of available ASC funding. Plans are continuing to be developed around investment of additional funding which has been allocated by Scottish Government.

4 Acute Services

4.1 Acute Services are reporting a YTD overspend of £6.996m 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 June 2022

Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
63.504	Medical Division	16.034	18.385	(2.351)	69.657	(6.154)
18.351	Cancer Services	4.580	4.828	(0.248)	19.269	(0.918)
59.864	Surgical Specialties	15.658	16.788	(1.130)	62.829	(2.965)
25.104	Woman and Child	6.497	6.491	0.005	25.104	-
41.459	Clinical Support Division	10.732	11.111	(0.379)	42.344	(0.886)
(3.223)	Raigmore Senior Mgt & Central Cost	(1.051)	1.381	(2.431)	4.616	(7.839)
0.652	NTC Highland	0.652	0.652	-	0.652	-
205.710	Sub Total - Raigmore	53.102	59.637	(6.535)	224.472	(18.761)
12.388	Belford	3.116	3.339	(0.223)	13.214	(0.826)
13.825	CGH	3.473	3.711	(0.238)	14.390	(0.565)
231.923	Total for Acute	59.691	66.687	(6.996)	252.076	(20.152)

4.2 The forecast position for Acute includes £2.654m of costs which would previously have been funded from a Covid funding allocation and at this stage have had no funding applied. It is assumed that a further £0.528m of forecast Covid related costs will be funded from a specific Scottish Government allocation for Test & Protect.

4.3 £4.195m of unachieved savings is also reflected in the forecast position.

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

- Locums across all areas £1.546m

- Respiratory Testing Contract £1.700m
- Radiology outsourcing £0.755m
- Medical Unfunded beds £1.495m
- Surgical Unfunded beds/ theatre staff £1.898m
- Minor Injuries Unit in the Belford previously funded from an additional allocation £0.300m
- Minor Injuries Unit in CHG previously funded from an additional allocation £0.201m
- Acute Drugs £4.500m

4.5 The Acute Drugs position is currently being analysed in detail as this overspend has materialised despite significant additional funding being built into the 2022/2023 budget. Further detail will be included within subsequent finance reports.

5 Argyll & Bute

5.1 Argyll & Bute are currently reporting an overspend of £0.170m with this forecast to increase to £0.346m by financial year end.

5.2 The forecast position includes slippage on savings of £1.238m.

5.3 The position net of savings is an operational underspend of £0.892m largely generated through unfilled vacancies, over-recovery of income and sundry non-recurring slippage.

6 Support Services

6.1 Support Services are reporting a YTD overspend of £0.870m with this forecast to increase to £2.501m.

6.2 This position includes £0.998m of costs which would previously have been charged to Covid and £1.773m of unachieved savings.

6.3 The net forecast position is an underspend of £0.270m which reflects recruitment slippage against vacant posts.

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 £5.984m with £12.515m of savings forecast to be unachieved by the end of the financial year.

7.2 Table 5 provides a summary of the savings position at month 3.

Table 5 Savings at Month 3

	Target £000s	YTD Target £000s	Achieved YTD £000s	Variance £000s
Workstreams NH	18,202	4,550	38	(4,512)
Workstreams A&B	589	147	8	(139)
Housekeeping NH	3,740	882	56	(826)
Housekeeping Argyll & Bute	3,469	872	365	(506)
Total Savings M3	26,000	6,451	468	(5,984)

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 £23.964m broken down as detailed in Table 6.

Table 6 Covid Related Cost Estimate at Month 3

Covid Expenditure Category	Total NHS Highland	
	Actual to Date £m	Forecast Outturn £m
Additional PPE	0.013	0.073
Scale up of Public Health Measures	0.087	0.162
Additional Bed Capacity/Change in Usage	0.179	0.195
Additional Infection Prevention and Control Costs		
Additional Equipment and Maintenance	0.032	0.142
Other Additional Staff Costs	0.476	2.387
Staff Wellbeing		0.006
Loss of Income	0.374	1.333
Digital & IT costs		0.367
Primary Care	0.071	0.131
Community Hubs		
Adult Social Care	0.202	0.250
Other - please detail	0.558	2.111
Flu Vaccination & Covid-19 Vaccination (FVCV)	0.725	7.072
Test and Protect	0.801	2.635
Covid-19 Financial Support for Adult Social Care Providers	1.764	7.100
Total Covid Costs	5.283	23.964

- 8.3 It is anticipated that funding of £19.926m would be available to support these costs. The balance of £4.038m is reflected in unit's operational position as per Table 2.

- 8.4 This position is set against the letter from Richard McCallum of 1 June 2022 which indicated that NHS Highland should be working within a cost envelope of £9.900m for non-delegated spend. The current level of non-delegated spend is £10.045m.
- 8.5 The balance of funding in respect of Covid, currently being held by SG, forms part of the year end flexibility intended to support the unfunded gap of £16.272m.
- 8.6 Plans are ongoing to exit Covid related costs and incorporate recurring requirements into baseline budgets/ allocations.

9 2021/2022 Year End Flexibility

- 9.1 NHS Highland received a funding allocation of £48.551m in quarter 4 of the 2021/2022 financial year. This funding was in respect of funding to enable Boards to break even in that year but also advance funding in respect of estimated Covid costs estimated for 2022/2023.
- 9.2 SG indicated that the balance of funding available at the end of 2021/2022 should be carried forward in ear-marked reserves to fund Covid related expenditure in 2022/2023.
- 9.3 The ability to do this exists within Argyll & Bute and funding has been managed in this way.
- 9.4 Within North Highland it is not possible to carry funding from year to year due to the Lead Agency arrangement. Recognising that the North Highland area of NHS Highland would be at detriment compared to the rest of Scotland agreement was reached that funding would be 'handed back' to SG to manage over year end and that a similar arrangement be explored with Highland Council for related elements of cost.
- 9.5 At the end of 2021/2022 SG were managing a sum of £29.153m - £16.062m being Covid funding related and the balance relating to slippage on other allocations which IJBs would be able to carry forward in reserves.
- 9.6 £15.000m of the funds held by SG are already incorporated into financial planning assumptions for 2022/2023.
- 9.7 A similar arrangement was agreed with Highland Council with £16.352 being managed by them over year end. £7.100m of this funding relates to Covid Costs within the HHSCP and the balance of £9.252m was slippage on ASC related allocations which were to be used in support of the ASC funding position in 2022/2023.
- 9.8 As work commenced nationally to review the overall financial challenge in 2022/2023 the flexible use of the non-Covid related funding has been discussed with the expectation that this will be utilised in Board to support the 2022/2023 position and assist with closing the financial gap.
- 9.9 NHS Highland is working with SG and Highland Council to facilitate return of this funding.

10 Financial Risk

- 10.1 The following risks have been identified:

- **Covid-19 costs.** Operational units are carrying £4.038m of forecast costs which would previously have been charged to covid. This pressure is significantly reduced from the estimate presented to the Board in May. 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 (£2.635m) 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 £12.515m is currently being forecast.
- **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 £6.556m. This will be 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. Should funding not be forthcoming this will create an additional pressure of approximately £14.400m.
- No financial provision has been built into the plan to tackle increased waiting lists.

11 Capital

11.1 Total anticipated Capital Funding for NHS Highland for 2022/2023 is £49.614m.

11.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £1.066m has been incurred.

11.3 The main areas of investment to date include:

Project	Spend to end June 2022
National Treatment Centre – Highland	£0.218m
Home Farm Works	£0.233m
E-health	£0.201m

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 3 Finance Report.

Capital Expenditure at Month 3

Original Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000
		Capital Schemes	
1,794	-	Radiotherapy	(6)
12,900	-	National Treatment Centre (Highland)	218
2,500	-	Grantown Health Centre Refurbishment	9
2,820	-	Portree/Broadford HC Spoke Reconfiguration	-
1,250	-	Belford Hospital Replacement Fort William.	29
1,250	-	Caithness Redesign	29
100	-	Raigmore Reconfiguration	-
4,980	-	Increased Maternity Capacity - Raigmore	6
650	-	Community Midwifery Unit	-
200	-	Additional VIE	-
1,000	-	Raigmore Fire Compartmentation upgrade	2
1,200	-	Raigmore Lift Replacement	(5)
600	-	Home Farm works	233
2,200	-	Cowal Community Hospital GP relocation	13
250	-	Campbeltown Boiler Replacement	3
1,750	-	Raigmore Car Park Project	2
900	-	Wifi network Installation Project	34
200	-	Inverness Primary Care	-
1,500	-	Raigmore Oncology Unit	-
2,500	-	Environmental Projects - Highland Wide	-
620	-	Endoscopy Decontamination Washers	4
1,500	-	eHealth investment programme	-
-	-	Laundry Water Filtration Equipment	50
-	-	New B&S Community Hospital	27
-	-	New Skye Community Hospital	54
42,664	-		703
		Formula Allocation	
800	800	PFI Lifecycle Costs	204
2,350	2,350	Estates Backlog Maintenance	46
1,850	1,850	Equipment Purchase Advisory Group (EPAG)	3
1,000	1,000	eHealth Capital Allocation	201
500	500	Minor Capital Group	-
150	150	AMG Contingency	-
300	300	IFRS16 - New Capital Leases	-
-	-	Other	(89)
6,950	6,950		363
49,614	6,950	Capital Expenditure	1,066