



Meeting: NHS Highland Board Meeting
Meeting date: 25 January 2022
Title: Finance Report – Month 8 2021/2022
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 NHSScotland 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 8 2021/2022 (November).

2.2 Background

NHS Highland submitted a balanced financial plan to Scottish Government for the 2021/2022 financial year in March 2021 and this plan was approved by the Board in May 2021. A savings requirement of £32.900m was identified to deliver balance in year. This report summarises the position at Month 8, 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 November 2021 (Month 8) an overspend of £11.750m is reported. This overspend is forecast to increase to £19.567m by the end of the financial year. Scottish Government have confirmed that all NHS Boards will receive a funding package to deliver in year financial balance for 2021/2022.

2.4 Proposed level of Assurance

This report proposes the following level of assurance:

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

3 Impact Analysis

3.1 Quality/ Patient Care

Achievement of a balanced financial position for 2021/2022 is predicated on achievement of savings of £32.900m. 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

At the end of Month 8 2021/2022 (November) a year to date overspend of £11.750m is reported and it is forecast that this will rise to £19.567m by 31 March 2022. Scottish Government have confirmed that a funding package will be available to bring NHS Highland, and other Boards, into in year financial balance by 31 March 2022.

3.4 Risk Assessment/Management

Confirmation of the funding package referenced in paragraph 2.3.3 mitigates the risk of non-delivery of a balanced financial position for 2021/2022.

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

- Executive Directors Group – via monthly updates and exception reporting
- Financial Recovery Board held weekly

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 8

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1 Financial Plan

- 1.1 The Financial Plan for 2021/2022 was submitted to Scottish Government in March 2021 and approved by the Board in May 2021. A single year plan was submitted recognising the ongoing uncertainty around Covid. This plan continues to be reviewed in light of additional packages of work and funding as informed by Scottish Government. No brokerage requirement has been identified but savings of £32.900m are required to deliver financial balance in 2021/2022.
- 1.2 Financial reporting submission to Scottish Government to date has been on a quarterly basis with detailed returns submitted at the end of quarters 1 & 2. These submissions inform the allocation of covid related funding.

2. Financial Position YTD & Forecast

- 2.1 For the eight months to the end of October 2021 NHS Highland has overspent against the year to date budget by £11.750m and is forecasting an overspend of £19.567m at financial year end. Recent correspondence from Scottish Government has confirmed *“support will be provided to NHS Boards and Integration Authorities to deliver breakeven on a non-repayable basis, providing there is appropriate review and control at Board level.”* – on this basis a breakeven position is being reported at financial year end. A funding value has not been confirmed but will be monitored through quarters 3 & 4 taking into account slippage against specific allocations, progress on CIP delivery and the ongoing response to the pandemic.
- 2.2 Slippage of £11.900m continues to be forecast against the £32.900m savings target.
- 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 November 2021

Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
1,037.604	Total Funding	654.752	654.752	-	1,037.604	-
	Expenditure					
415.258	HHSCP	272.802	273.236	(0.434)	415.822	(0.564)
246.895	Acute Services	165.247	169.248	(4.001)	254.259	(7.364)
155.813	Support Services	73.910	73.993	(0.083)	155.552	0.261
(11.900)	Savings Workstreams & Central NR Target	(7.300)	0.000	(7.300)	0.000	(11.900)
806.066	Sub Total	504.658	516.477	(11.819)	825.633	(19.567)
231.538	Argyll & Bute	150.093	150.025	0.069	231.538	-
1,037.604	Total Expenditure	654.752	666.502	(11.750)	1,057.171	(19.567)
	Surplus/(Deficit) Mth 8			(11.750)	19.567	(19.567)
	Funding Support from SG to deliver breakeven					19.567
	Forecast year end position					-

- 2.4 Within the Highland Health and Social Care Partnership a year to date overspend of £0.434m is reported with an overspend of £0.564m forecast by financial year end. An increase in the number of vacancies in the period to 31 March 2022 will contribute to the containment of the current level of overspend.
- 2.5 The pressure within Police Custodial Services has increased to £1.190m with locums now expected to deliver this service through to financial year end.
- 2.6 Significant service pressures remain within Acute Services, however, the position has improved since month 7 due to receipt of drugs rebates and allocation of remobilisation funding. A year to date overspend of £4.001m is reported and this is forecast to increase to £7.364m by 31 March 2022.
- 2.7 £5.324m of this forecast overspend sits within Raigmore – drug spend and locum costs to enable ongoing delivery of services continue to drive this position. The RGHS are forecasting an overspend of £2.040m with this being driven by the same pressures as Raigmore. The use of locums and agency staff to deliver services and the need to maintain staffing levels within all sites continues to impact on both the year to date and forecast position.
- 2.8 Support Services are reporting a year to date overspend of £0.083m with a forecast underspend of £0.261m by year end. Year to date slippage on savings (centrally held) is £7.300m with £11.900m of saving forecast to be unachieved at 31 March 2022.

3 Financial Sustainability

- 3.1 The Financial Plan presented to the Board in May highlighted the requirement for £32.900m of cash efficiency savings to support financial balance in 2021/2022. Slippage of £11.900m is anticipated against this target.
- 3.2 Scottish Government have now confirmed a funding package which will include covering slippage on savings if Boards can demonstrate ‘*appropriate review and control at a Board level*’.
- 3.3 Table 2 provides a summary of the savings position at month 8.

Table 2 Savings at Month 8

	Target £000s	YTD Target £000s	Achieved YTD £000s	Variance £000s
PMO				
Workstreams NH	16,500	9,075	4,522	(4,553)
Workstreams A&B	824	549	0	(549)
Housekeeping NH	6,500	5,685	5,390	(295)
Housekeeping Argyll & Bute	4,238	2,825	1,574	(1,252)
Total PMO	28,062	18,135	11,486	(6,648)
Central				
Non Recurrent Savings	4,838	2,661	349	(2,312)
Total Savings M8	32,900	20,796	11,835	(8,961)

4 Financial Risk

- 4.1 The following risks were identified in the financial plan submission to Scottish Government.
- Covid-19 costs and funding – the plan assumed that Covid-19 related costs would be funded in full. Scottish Government have now confirmed that funding will be made available to enable all NHS Board to deliver in-year financial balance. A Q3 return will be submitted to SG at the end of January – it is expected that this return will inform decisions on the value of the funding package
 - Delivery of cost improvement targets – the target of £32.900m is significant and there is a risk associated with delivery. Slippage of £11.900m is currently being forecast and funding in respect of this slippage is now assumed.
 - Recurrent remobilisation costs of £19.100m were identified within the plan – it is now assumed that costs relevant to 2021/2022 not currently funded from specific allocations will be funded as part of the package to deliver financial balance.
 - Argyll & Bute’s SLA with Greater Glasgow and Clyde – this issue has been resolved for 2021/2022 but the position will be kept under review as NHSGGC are developing a revised SLA model.
 - Adult Social Care funding still presents a risk. Whilst plans are in place to close the funding gap for 2021/2022 of £11.000m it is projected that the gap will increase in 2022/2023 with no funding package in place. Current projections are a gap of £13.016m in 2022/2023 rising to £15.516m in 2023/2024.
 - No financial provision has been built into the plan to tackle increased waiting lists.

5 Capital

- 5.1 Total anticipated Capital Funding for NHS Highland for 2021/2022 is £72.966m.
- 5.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £26.446m has been incurred.
- 5.3 The main areas of investment to date include:

Project	Spend to end November 2021
New Skye & B&S Hospitals	£14.268m
National Treatment Centre – Highland	£8.542m
Estates Backlog Maintenance	£1.397m
Equipment	£0.325m
E-health	£0.272m

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

6 Recommendation

- NHS Highland Board Members are invited to discuss the contents of the Month 8 Finance Report.

Capital Expenditure at Month 8

Updated Plan £000's	Funding From SG £000's	Summary Funding & Expenditure	Actual to Date £000
		Capital Schemes	
3,579	-	Radiotherapy	36
22,800	-	National Treatment Centre (Highland)	8,542
24,908	-	Skye, B&S Hospital bundle	14,268
1,160	-	B&S and SL&WR Equipping	-
-	-	Grantown Health Centre Refurbishment	2
400	-	Portree/Broadford HC Spoke Reconfiguration	11
400	-	Increased Maternity Capacity - Raigmore	-
-	-	Community Midwifery Unit	-
59	-	Additional VIE	59
500	-	Raigmore Fire Compartmentation upgrade	-
700	-	Raigmore Lift Replacement	356
100	-	Belford Hospital Replacement Fort William.	156
1,000	-	Cowal Community Hospital GP relocation	36
-	-	Raigmore Main Entrance Improvements	-
-	-	LIDGH Boiler replacement	-
-	-	Lochgilphead Increased Pharmacy capacity	-
250	-	Inverness GP short term building requirements	-
600	-	Home Farm Works	13
250	-	Campbeltown Boiler Replacement	-
1,750	-	Raigmore Car Park Project	-
4,770	-	Additional Estates backlog Projects	-
1,200	-	Wifi network Installation Project	-
57	-	New Craigs PFI	-
1,545	1,545	Further Equipment Funding	-
78	78	Raigmore Theatre C-Arm	90
31	31	Insufflator with RAS purchase	-
121	121	Dental Equipment	-
9	9	National Services Division Equipment	-
83	83	Switched on Fleet funding	99
66,350	1,867		23,668
		Formula Allocation	
780	780	PFI Lifecycle Costs	503
2,500	2,500	Estates Backlog Maintenance	1,397
830	830	eHealth Ongoing Approved Projects	272
614	614	Radiology Ongoing Approved Projects	187
1,520	1,520	Equipment Management Group	325
250	250	Minor Capital Group	-
122	122	AMG Contingency	95
		Other	(2)
6,616	6,616		2,777
72,966	8,483	Capital Expenditure	26,446