



Meeting: NHS Highland Board Meeting
Meeting date: 31 May 2022
Title: Finance Report – Month 12 draft position and 2022/2023 Financial Plan
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 of the draft 2021/2022 position
- Decision on approval of the initial budget allocation for 2022/2023 noting the savings requirement of £26.000m and the current budget gap of £16.272m.

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 current NHS Highland Month 12 (Year end) financial position (subject to final year end accounting adjustments and external audit scrutiny) and the Financial Plan for 2022/2023.

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 current position at Month 12 – this position is still subject to final year end accounting adjustments and external audit scrutiny.

A one year Financial Plan for 2022/2023 was submitted to Scottish Government in March 2022. It is presented to the NHS Highland Board for decision to approve the initial budget allocation for 2022/2023.

2.3 Assessment

At this stage in the financial year end process an underspend of £0.455m is being reported for 2021/2022.

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

Achievement of a balanced financial position for 2021/2022 was 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. For 2022/2023 a savings programme of £26.000m is planned. Management of the 2022/2023 CIP will follow the same QIA process before savings are agreed.

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

For 2021/2022 a year end underspend of £0.455m is reported – subject to final accounting adjustments and external audit scrutiny. For 2022/2023 an initial budget gap of £42.272m has been identified. A CIP of £26.000m is planned with a funding plan for the balance of £16.272m being discussed with Scottish Government.

3.4 Risk Assessment/Management

Scottish Government provided a funding package to enable delivery of a balanced financial position in 2021/2022. Moving into 2022/2023 there is a significant risk associated with both the delivery of the CIP of £26.000m and funding for the unfunded gap of £16.272m.

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
- Financial Recovery Board held weekly
- Quarterly 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** – the month 12 financial position for 2021/2022.
- **Decision** – Approve the initial budget allocation for 2022/2023

4.1 List of appendices

The following appendices are included with this report:

- **Appendix No 1** – Capital Expenditure at Month 12

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Title: Finance Report – Month 12 draft position and 2022/2023 Financial Plan

Responsible Executive/Non-Executive: David Garden, Director of Finance

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1 2021/2022 Financial Year

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. No brokerage requirement was identified but savings of £32.900m were required to deliver financial balance in 2021/2022.

2. Year End Financial Position

2.1 An underspend of £0.455m is currently being reported. This position is still subject to final year end accounting adjustments and external audit scrutiny.

2.2 Delivery of this position is set against a backdrop of uncertainty of funding and service delivery throughout the financial year. Scottish Government indicated during quarter 3 that funding would be provided to deliver a breakeven position and a funding package of £48.551m was agreed in late January.

2.3 Scottish Government recognised that packages provided to all Boards were in excess of need and indicated that funding remaining at 2021/2022 year end should be carried in an earmarked reserve for Covid-19 purposes in line with usual accounting arrangements for Integration Authorities. The Argyll & Bute element of this funding unspent at year end is being treated in this manner. However, due to the Lead Agency arrangement in place in North Highland this mechanism is not available. Scottish Government and Highland Council are supporting carry forward of unspent funding in order that NHS Highland is not in a detrimental position to other Boards going into 2022/2023.

2.4 A breakdown of the draft year end position is detailed in Table 1. A detailed analysis of the final position will be presented post audit.

Table 1 – Summary Income and Expenditure Report as March 2022 (Month 12)

Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m
1,070.150	Total Funding	1,070.150	1,070.150	-
	Expenditure			
420.183	HHSCP	420.183	421.815	(1.631)
249.921	Acute Services	249.921	254.491	(4.570)
168.471	Support Services	168.471	161.814	6.657
838.576	Sub Total	838.576	838.120	0.455
231.575	Argyll & Bute	231.575	231.575	-
1,070.150	Total Expenditure	1,070.150	1,069.695	0.455
	Surplus/(Deficit) Mth 12			0.455

- 2.4 Within the Highland Health and Social Care Partnership a year to date overspend of £1.631m is reported.
- 2.5 This overspend was driven by costs associated with the FME service (£1.200m overspend) and a significant increase in the cost of packages in the latter part of the year.
- 2.6 Acute Services are reporting an overspend of £4.570m. £2.891m of this overspend is within Raigmore with the balance of £1.679m reported across the RGHS. Significant service pressures across all Acute sites has driven high locum costs to allow continued delivery of services.
- 2.7 Support Services are reporting a year to date underspend of £6.657m – this reflects slippage against additional funding received late in the 2021/2022 financial year
- 2.8 £20.463m of savings were achieved in year (14% recurring) with the balance (£12.437m) of the CIP funded via the SG Covid funding package.
- 2.9 This position could still change as a result of final accounting adjustments or output from external audit scrutiny.

3 2021/2022 Capital

- 3.1 Total capital funding for 2021/2022 was £64.947m and this was fully spent at the end of the financial year.
- 3.2 Details of the expenditure position across all projects are set out in Appendix 1.
- 3.3 The main areas of investment are highlighted in Table 2

Table 2 – Extract of Capital Spend

	Full Year Spend
New Skye & B&S Hospitals	£16.192m
National Treatment Centre – Highland	£22.436m
Estates Backlog Maintenance	£2.992m
Equipment	£1.480m
E-health	£0.833m

4 2022/2023 Financial Plan

- 4.1 A one year Financial Plan for 2022/2023 has been submitted to Scottish Government. There is an expectation that this will be revisited at the end of Quarter 1.
- 4.2 The Financial Plan submitted identifies an initial budget gap of £42.272m with a CIP programme of £26.000m planned. This leaves a balance of £16.272m unfunded at this stage. Discussion around this unfunded element are ongoing with Scottish Government – whilst all steps will be taken to minimise this gap there is an expectation that an element of brokerage will be required.
- 4.3 The Cost Improvement Programme is being developed through our Programme Management Office, Chief Officers and Heads of Service and monitored via the Financial Recovery Board.

5 Budget for 2022/2023

- 5.1 The budget has been built on the basis of a baseline uplift of 3% - £21.2m. This includes £3.1m to maintain Boards within 0.8% of NRAC parity.
- 5.2 Initial funding has been allocated in line the Scottish Public Sector Pay Policy and will be the starting point in Agenda for Change pay settlement discussions – funding arrangements for Boards will be revisited by Scottish Government in line with the outcome of pay negotiations.
- 5.3 The Scottish Government budget also provided funding to support key policy areas as below:

- Primary Care £262.5m
- Waiting Times £232.1m
- Mental Health & CAMHS £246.0m
- Trauma Networks £44.2m
- Drug Deaths £61.0m

Allocation details by Boards will be set out by individual policy areas.

- 5.4 At the time of submission of this plan Boards were asked to assume that all Covid related costs would attract additional funding. Richard McCallum has subsequently written to all Boards and IJBs indicating that further funding will not be forthcoming in 2022/2023. A Covid savings workstream has been established at a national level to reduce predicted costs to a level manageable within the available resource in IJB reserves or being managed by SG. On this basis this is an area which will be reviewed through quarter 1 and represents a financial risk to NHS Highland.

5.5 Individual unit budgets are in the process of being built in preparation for financial reporting commencing.

6 Estimated Financial Gap

6.1 Based on the allocations above and anticipated allocations the estimated financial gap for 2021/2022 is detailed in Table 3. A CIP of £26.000m is being planned. A plan to fund the balance of £16.272m will be developed following discussion with Scottish Government.

Table 3 – 2022/2023 Funding Gap

Summary	2022/23 £m
Baseline Uplift	21.200
Anticipated Additional Allocations	225.075
Additional Resource	246.275
Pressures B/F from previous years	(49.238)
Pay uplift	(16.817)
Inflation uplift	(23.844)
Exp from Anticipated Allocations	(133.885)
Anticipated Covid Spend	(31.514)
Additional ASC	(20.517)
Remobilisation Spend	(11.864)
Other Pressures	(0.869)
Total Pressures	(288.547)
Required Savings/ Brokerage	(42.272)

7 Expenditure/ Cost Increases

7.1 Expenditure uplifts in respect of the following areas have been incorporated into the plan as detailed in Table 4.

Table 4 – Expenditure Uplifts

Expenditure Uplifts	£m
Pay Uplifts - AFC & Exec	8.158
Pay Uplifts - Medical & Dental Staff	2.167
Incremental Pressures	0.075
Other Pay	6.048
Non-Pay Inflation	9.305
Prescribing	7.536
Other Non Pay	3.003
CNORIS	0.200
Capital Charges	3.800
Approved Business Cases	1.238
Total	41.530

* £8.532 allocation in respect of NI will offset pay uplifts

7.2 Pay uplifts have been estimated in line with the Scottish Public Sector Pay Policy. Further allocations are anticipated if the Agenda for Change pay offer exceeds the Scottish Public Sector Pay Policy parameters.

7.3 The uplift in prescribing costs of £7.536m is in part offset by a New Medicines fund allocation of £6.467m.

- 7.4 £1.238m has been included within the plan to fund service developments/ uplifts agreed via the Investment Board.
- 7.5 £11.864m has been built into the plan in respect of remobilisation of services – match funding is assumed and discussions with the Access Support Team at Scottish Government are ongoing.

8 Savings Delivery

- 8.1 To achieve financial balance in 2022/2023 NHS Highland needs to close a financial gap of £42.272m. A Cost Improvement Programme of £26.000m (3.58% of baseline allocation) is planned leaving an unfunded gap of £16.272m. Work is progressing to identify potential funding solutions.
- 8.2 During 2020/2021 & 2021/2022 Scottish Government providing financial support in respect of slippage against NHS Highland’s Cost Improvement Programme recognising the impact that Covid 19 had on delivery. Funding will not be available for any slippage against the CIP in 2022/2023. The CIP which, is still being developed, will be challenging and the risk around delivery should be recognised.
- 8.3 Delivery of savings is managed through the Programme Management Office who report progress weekly to the Financial Recovery Board. Table 5 headlines the current high level split.

Table 5 – Savings Delivery Targets

Savings Delivery Targets	£m
North Highland CIP	18.939
Argyll & Bute	4.061
ASC	3.000
Total	26.000

9 Financial Risk

- 9.1 The following financial risks were identified during the preparation for the submission of the financial plan to Scottish Government.
 - Funding for pay awards – the baseline uplift reflects the Scottish Public Sector Pay Policy. Should the Agenda for Change and Medical & Dental settlements be higher an additional financial pressure could result.
 - Inflation – increases in costs higher than inflationary assumptions could result in financial pressure in year.
 - Remobilisation – recurring costs associated with remobilisation could generate a financial pressure should these not be funding.
 - Savings Programme – a £26m cost improvement programme will be challenging to deliver alongside an ongoing response to the pandemic and a need to redesign services.
- 9.2 Subsequent to the submission of the plan to Scottish Government it has now been confirmed that no further Covid related funding will be available in 2022/2023. The only funding available is that managed via reserves, for Argyll & Bute, and Highland Council and Scottish Government for North Highland. It is estimated that this will result in a further pressure of £8.314m.

10 Capital Funding

10.1 A capital plan totalling £47.728m has been submitted to Scottish Government. The detail is included at Table 6.

Table 6 – 2022/2023 Capital Plan

2022/2023 Capital Plan	£m
FUNDING	
SGHSCD Formula Allocation	6.946
Project Specific Funding	20.820
Radiotherapy Funding	0.912
Other Centrally Provided Capital Funding	19.050
Total Funding	47.728
PLANNED EXPENDITURE	
National Treatment Centre (Highland)	12.900
Grantown Health Centre Refurbishment	2.500
Portree/Broadford HC Spoke Reconfiguration	2.820
Belford Hospital Replacement Fort William.	1.250
Caithness Redesign	1.250
Skye,B&S Hospital bundle	0.100
Radiotherapy Equipment	0.912
Rolling Projects	6.946
Increased Maternity Capacity - Raigmore	4.980
Community Midwifery Unit	0.650
Additional VIE	0.200
Raigmore Fire Compartmentation upgrade	1.000
Raigmore Lift Replacement	1.200
Home Farm works	0.600
Cowal Community Hospital GP relocation	2.200
Campbeltown Boiler Replacement	0.250
Raigmore Car Park Project	0.750
Wifi network Installation Project	0.900
Inverness Primary Care	0.200
Raigmore Oncology Unit	1.500
Environmental Projects - Highland Wide	2.500
Endoscopy Decontamination Washers	0.620
eHealth investment programme	1.500
Total Planned Expenditure	47.728

11 Summary

11.1 In order that NHSH delivers a balanced financial position by the end of the 2022/2023 financial year a budget gap of £42.272m needs to be closed.

11.2 A CIP of £26.000m is planned with £16.272m of a gap remaining at this time.

11.3 It is recognised that this is a challenging position to be delivered in line with the ongoing response to the pandemic and the risk around delivery should be recognised. During 2020/2021 & 2021/2022 Scottish Government providing financial support in respect of slippage against NHS Highland's Cost Improvement Programme recognising the impact that Covid 19 had on delivery. Funding in support of any slippage will not be available in 2022/2023.

12 Recommendation

- NHS Highland Board members are invited to discuss the draft month 12 financial position.
- NHS Highland Board members are asked to make a decision on approval of the initial budget allocation for 2022/2023.

Capital Expenditure at Month 12

Funding £000's	Summary Funding & Expenditure	Actual to Date £000	Bal to Spend £000
	Capital Schemes		
3,301	Radiotherapy	2,765	536
22,800	National Treatment Centre (Highland)	22,436	364
16,068	Skye, B&S Hospital bundle	16,192	(124)
-	Grantown Health Centre Refurbishment	4	(4)
-	Portree/Broadford HC Spoke Reconfiguration	11	(11)
59	Additional VIE	59	-
620	Raigmore Fire Compartmentation upgrade	619	1
700	Raigmore Lift Replacement	662	38
205	Belford Hospital Replacement Fort William.	207	(2)
500	Cowal Community Hospital GP relocation	100	400
600	Home Farm Works	600	-
250	Campbeltown Boiler Replacement	76	174
4,520	Additional Estates backlog Projects	4,520	-
1,200	Wifi network Installation Project	973	227
57	New Craigs PFI	57	-
1,545	Further Equipment Funding	1,545	-
78	Raigmore Theatre C-Arm	90	(12)
31	Insufflator with RAS purchase	31	-
88	Dental Equipment	81	7
9	National Services Division Equipment	-	9
227	Switched on Fleet funding	226	1
516	Laundry Support	516	-
726	Equipment Replacement - SSD	712	14
188	Endoscopy, Hysteroscopes & Diagnostics Scopes	188	-
12	RASATF - Colposcope	12	-
180	VR Simulator	180	-
2,387	Additional Scope Funding	2,387	-
167	Ophthalmology	167	-
125	Pathology	150	(25)
329	Eyecare - Argyll & Bute	296	33
465	Covid-19 Equipment	465	-
468	ED Module for TRAK	468	-
250	Additional eHealth Capital allocation	299	(49)
58,671		57,093	1,577
	Formula Allocation		
780	PFI Lifecycle Costs	754	26
2,500	Estates Backlog Maintenance	2,992	(492)
830	eHealth Ongoing Approved Projects	833	(3)
614	Radiology Ongoing Approved Projects	827	(213)
1,520	Equipment Management Group	1,480	40
250	Minor Capital Group	250	-
122	AMG Contingency	605	(483)
	Other	113	(113)
6,616		7,854	(1,238)
119	Disposal NBV	-	119
3	Sub Debt	-	3
(462)	Capital Grants	-	(462)
64,947	Capital Expenditure	64,947	-