



Meeting: Highland Health & Social Care Committee
Meeting date: 31 August 2022
Title: HHSCC Finance Report – Month 4 2022/2023
Responsible Executive/Non-Executive: Louise Bussell, Chief Officer, Highland Community
Report Author: Elaine Ward, Deputy Director of Finance

1 Purpose

This is presented to the Committee for:

- Discussion

This report relates to a:

- Annual Operating 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 Highland Health & Social Care Partnership financial position at Month 4 2022/2023 (July).

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. This plan identified an initial budget gap of £42.272m. A savings programme of £26.000m is planned - £3.000m of this being related to Adult Social Care - and work continues both in Board and nationally to identify ways to close the remaining £16.272m gap. This report summarises the Highland Health & Social Care Partnership financial position at Month 4, provides a forecast through to the end of the financial year and highlights the current savings position.

2.3 Assessment

The HHSCP continues to face significant financial challenges with a requirement to identify significant savings and cost reductions. This challenge comes against the backdrop of a Scottish Government drive to increase investment in Adult Social Care, the development of the National Care Service and the fragility of service provision due to recruitment challenges and rising costs.

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 NHS Highland in 2022/2023 is predicated on closing the initial budget cap of £42.272m. 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

Delivery of a balanced position presents a significant challenge to both NHS Highland and the Highland Health and Social Care Partnership.

3.4 Risk Assessment/Management

Scottish Government's covid funding package mitigated against the risk of not achieving a balanced budget position in 2021/2022. At this stage in the financial year no additional

funding to deliver financial balance is anticipated. The expectation of Scottish Government is that all Boards will deliver in-year financial balance. Services are currently reviewing the financial position in detail and preparing financial recovery plans.

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
- Discussion at relevant Senior Leadership Team meetings
- 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.

- Community SLT meetings

4 Recommendation

- **Discussion** – Committee discuss the Highland Health and Social Partnership financial position at month 4.

.1 List of appendices

- Appendix 1 – Allocations received/ expected but not confirmed July 2022

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1 NHS Highland 2022/2023 Financial Plan

- 1.1 A one year Financial Plan for 2022/2023 was submitted to Scottish Government in March 2022. A further revision was submitted in July 2022, updated based on the quarter 1 position.
- 1.2 The Financial Plan submitted identifies an initial budget gap of £42.272m with a CIP programme of £26.000m – £3.000m relating to Adult Social Care - planned. This leaves a balance of £16.272m unfunded at this stage. Discussion around this unfunded element are ongoing with Scottish Government with workstreams looking at the issue both within Board and nationally.
- 1.3 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.

2 NHS Highland – Period 4

- 2.1 For the four months to the end of July 2022 NHS Highland has overspent against the year to date budget by £13.875m and is forecasting an overspend of £33.600m at financial year end.
- 2.2 The year to date position includes slippage against the CIP of £7.495m with slippage of £11.907 forecast through to year end.
- 2.3 A breakdown of the year to date position and the year-end forecast is detailed in Table 1.

Table 1 – NHS Highland Summary Income and Expenditure Report as at 31 July 2022 (Month 4)

Current Plan £m	Summary Funding & Expenditure	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
1,097.890	Total Funding	336.774	336.774	-	1,097.890	-
	Expenditure					
399.201	HHSCP	134.543	138.730	(4.187)	409.648	(10.446)
234.081	Acute Services	80.622	89.082	(8.460)	254.233	(20.152)
228.959	Support Services	47.160	48.160	(1.000)	231.460	(2.501)
862.241	Sub Total	262.325	275.972	(13.647)	895.341	(33.100)
235.650	Argyll & Bute	74.449	74.677	(0.228)	236.150	(0.500)
1,097.890	Total Expenditure	336.774	350.649	(13.875)	1,131.491	(33.600)
	Total Expenditure			(13.875)	33.600	(33.600)

2.4 Recent correspondence from Scottish Government has indicated ‘*In terms of this year, we are expecting Boards to take the appropriate steps to:*

- *Reduce COVID expenditure in line with the resource limits that have been allocated for 2022/2023; and*
- *Deliver local savings plans to ensure that you are able to achieve a position of break-even without Scottish Government financial support by the end of the financial year.’*

3 HHSCP – Period 4

3.1 The HHSCP is reporting an overspend of £4.187m at the end of Period 4 with a year end overspend of £10.446m forecast.

3.2 The forecast position includes slippage of £4.860m against the CIP.

3.3 A breakdown across services is detailed in Table 2 with a breakdown across Health & Adult Social Care shown at Table 3.

Table 2 – HHSCP Financial Position as at 31 July 2022 (Month 4)

Annual Plan £m's	Detail	Position to Date			Forecast Outturn	
		Plan to Date £m's	Actual to Date £m's	Variance to Date £m's	Forecast Outturn £m's	Var from Curr Plan £m's
230.355	NH Communities	75.529	80.896	(5.367)	241.325	(10.970)
42.233	Mental Health Services	15.101	15.166	(0.065)	42.731	(0.498)
140.061	Primary Care	46.142	45.926	0.216	140.277	(0.216)
7.468	ASC Other	2.822	2.293	0.529	6.581	0.887
420.118	Total HHSCP	139.594	144.281	(4.687)	430.914	(10.796)
	Costs held in Support Services					
(15.570)	ASC Income	(5.051)	(5.551)	0.500	(15.920)	0.350
404.548	Total HHSCP and ASC Income	134.543	138.730	(4.187)	414.994	(10.446)

Table 3– HHSCP Financial Position as at 31 July 2022 (Month 4)–split across Health & Adult Social Care

Annual Plan £m's	Detail	Position to Date			Forecast Outturn	
		Plan to Date £m's	Actual to Date £m's	Variance to Date £m's	Forecast Outturn £m's	Var from Curr Plan £m's
242.750	Health	80.946	83.821	(2.875)	250.423	(7.673)
156.451	Social Work	53.597	54.909	(1.312)	159.225	(2.774)
399.201	Total HHSCP/ASC Income	134.543	138.730	(4.187)	409.648	(10.446)

3.4 A breakdown across services within North Highland Communities is detailed in Table 4.

Table 4– North Highland Communities as at 31 July 2022 (Month 4)

Annual Plan £m's	Detail	Position to Date			Forecast Outturn	
		Plan to Date £m's	Actual to Date £m's	Variance to Date £m's	Forecast Outturn £m's	Var from Curr Plan £m's
67.707	Inverness & Nairn	22.649	23.512	(0.863)	69.012	(1.304)
47.697	Ross shire & B&S	15.969	16.310	(0.341)	48.508	(0.810)
42.634	Caithness & Sutherland	14.338	14.475	(0.137)	43.493	(0.859)
49.895	Lochaber, SL & WR	16.666	16.430	0.236	50.990	(1.095)
4.007	Management	2.380	6.514	(4.135)	10.501	(6.495)
4.387	Community Other AHP	1.463	1.379	0.083	4.270	0.117
6.153	Hosted Services Includes Midwifery	2.065	2.277	(0.212)	6.677	(0.524)
222.481	Total NH Communities	75.529	80.896	(5.367)	233.452	(10.970)
70.420	Health	23.246	25.946	(2.700)	76.806	(6.386)
152.061	ASC	52.283	54.950	(2.667)	156.646	(4.584)

3.5 Within the Health element of NH Communities the forecast position is being driven by:

- £4.222m of unachieved saving
- £1.230m of service pressures within Enhanced Community Services & Palliative Care

3.6 Districts are continuing to face recruitment challenges and whilst this generates an underspend on pay related costs there is a requirement to provide additional cover in the form of agency staff which comes at higher cost. This impacts on the delivery of anticipated slippage which is built into budgets as a vacancy factor. At month 4 this is contributing £0.934m to the forecast position.

3.7 Table 5 breaks down the position within Mental Health Services.

Table 5– Mental Health Services as at 31 July 2022 (Month 4)–split across Health & Adult Social Care

Annual Plan £m's	Detail	Position to Date			Forecast Outturn	
		Plan to Date £m's	Actual to Date £m's	Variance to Date £m's	Forecast Outturn £m's	Var from Curr Plan £m's
21.990	Mental Health Services					
	Adult Mental Health	7.300	7.433	(0.133)	23.007	(1.017)
11.851	CMHT	3.968	3.919	0.049	11.555	0.296
4.296	LD	1.860	1.796	0.064	4.036	0.260
5.881	D&A	1.973	2.018	(0.045)	5.917	(0.036)
44.018	Total Mental Health Services	15.101	15.166	(0.065)	44.516	(0.498)
33.608	Health	11.558	11.949	(0.391)	34.464	(1.072)
10.626	ASC	3.543	3.217	0.326	10.052	0.574

3.8 The overspend within Mental Health Services is being driven by locums within Psychiatry and agency nursing. Locum and agency staff costs are currently impacting services across the system. This is replicated nationally and a dedicated piece of work is being taken forward to review. Minor work in relation to anti ligature is also contributing to the overspend – this work was planned in 2021/2022 but did not progress. The funding source identified initially is not available this financial year but it was necessary that the work progressed.

3.9 Primary Care are currently reporting an underspend of £0.216m with this forecast to move to an overspend of £0.216m by financial year end. This swing is being driven by locum costs within 2C practices. With NHS Highland taking over the running of the Alness and Invergordon practice the pressure of locum costs has increased.

3.9 Vacancies within the ASC Central area are driving the year to date underspend of £0.529m, and it is forecast that these will continue to year end increasing the underspend to £0.887m by 31 March 2022.

4 ASC Savings Programme

4.1 A £3.000m Cost Improvement Programme has been established within ASC. There are currently 8 schemes in the pipeline with a risk adjusted value of £2.275m.

4.2 The HHSCP, excluding ASC, has a CIP target of £6.360m. 36 Schemes are in the early stage of development and have a risk adjusted value of £0.436m.

4.3 There is a significant risk associated with the achievement of the savings targets.

5 Non-ASC Allocations

5.1 At this stage in the financial year we are still awaiting confirmation from Scottish Government on all non core allocations. The indications are that a schedule of allocations will be available before the end of Month 5.

5.2 Appendix 1 lists a number of allocations expected but not yet confirmed. As confirmation on these allocations is received detail will be brought back to Committee.

6 General Update

- 6.1 The overall forecast position is based on a number of assumptions. At this stage in the financial year there is ongoing uncertainty around allocations this may impact on the year end position if allocations which are assumed are not forthcoming. This risk has been highlighted to Scottish Government.
- 6.2 A further risk has materialised relating to independent sector care home provision. The detail of this is currently being worked through and further detail will be reported in Month 5.
- 6.3 Further risks relevant to the overall NHS Highland & Highland Health & Social Care Partnership have been identified as follows:
- **Covid-19 costs.**
 - **Delivery of cost improvement targets** – the target of £26.000m is significant and there is a risk associated with delivery. Slippage of £11.907m is currently being forecast.
 - **Argyll & Bute's SLA with Greater Glasgow and Clyde**
 - **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 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". At this time an initial offer of 5% has been made for AfC and 4.5% for Medical and Dental. Should funding not be forthcoming this will create an additional pressure of approximately £18.616m.
 - 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.
- 6.4 The impact of increasing fuel costs has been discussed at previous meetings of the HHSCC. The current position is:
- For NHS employed staff – a temporary uplift is in place to 30 November 2022 with 2 months notice to be given if the original rates are to be reverted back to.
 - Independent Care at home providers – we are working with the sector to look at how we can provide enhanced funding to uplift rates paid to staff.
 - Patients Travel Scheme – rates are now being reviewed quarterly rather than annually. These rates are aligned to the HMRC fuel advisory rate for petrol vehicles 1401 to 2000cc. From 1 September the rate will increase from 17p per mile to 18p per mile.

7 Recommendation

- Highland Health & Social Care Committee members are invited to discuss the month 5 and forecast financial position as presented in the paper.

Allocations expected but not confirmed - July 2022

DESCRIPTION	2021/2022 ALLOCATION £m
Mental Health Recovery & Renewal Fund (CAMHS & PT)	2.172
District Nurse Posts	0.322
Mental Health Strategy Action 15 Workforce – First Tranche	1.055
Primary Care Improvement Fund – Tranche 1	4.615
Funding for Alcohol & Drug Partnerships	0.890
School Nurse Commitment Tranche 1 (passed to HC)	0.598
CAMHS improvement – Intensive Psychiatric Care Units	0.109
CAMHS improvement – Intensive Home Treatment Teams	0.132
CAMHS improvement – LD, Forensic & Secure CAMHS	0.046
CAMHS improvement – Out of Hours unscheduled care	0.077
CAMHS improvement – CAMHS Liaison Teams	0.115
CAMHS improvement – Neurodevelopmental professionals	0.202
Mental Health Outcomes Framework	1.321
Primary Care Improvement Fund – Tranche 2	5.109
Mental Health Strategy Action 15 Workforce – Tranche 2	0.997