

# NHS Highland



**Meeting:** NHS Highland Board Meeting  
**Meeting date:** 25 July 2023  
**Title:** Finance Report – Month 3 2023/2024  
**Responsible Executive/Non-Executive:** Heledd Cooper, Director of Finance  
**Report Author:** Alison Rodgers, Finance Manager

## 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 3 2023/2024 (June 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. This report summarises the position at Month 3, 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 June 2023 (Month 3) an overspend of £20.656m is reported. This overspend is forecast to increase to £55.788m by the end of the financial year. The improvement on the residual gap in the plan is due to 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 the limited 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 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, 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 getting dedicated tailored support to assist in response to the size of the financial challenge.

### **3.4 Risk Assessment/Management**

There is a risk NHS Highland will overspend on its 2023/2024 revenue budget by more than £55.788m in this forecast as this assumes the cost improvement programme is delivered in full. 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
- 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 the 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 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. Scottish Government have now allocated further funding for 2023-2024 of £14.673m to support the financial position to reduce the funding gap. This report summarises the position at Month 3, provides a forecast through to the end of the financial year, and highlights current and ongoing service pressures
- 1.2 Recognising the size of the financial challenge the Board faces the Scottish Government are providing tailored financial support to assist the Board with data and challenge in reviewing and reducing its recurrent cost base, alongside the usual monthly review of financial reporting submissions.

## **2 Financial Position YTD & Forecast**

- 2.1 For the three months to the end of June 2023 NHS Highland has overspent against the year-to-date budget by £20.656m and is reporting a forecast of £55.788m at financial year end. This forecast includes additional funding allocated to all Boards by Scottish Government to support the financial position. NHS Highland received £8.030m Sustainability and NRAC parity funding and £6.590m New Medicines funding and assumes delivery of the savings target in North Highland and the significant majority of the A&B IJB target; forecast savings delivery totals £28.754m.
- 2.2 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 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
1,147.755	<b>Total Funding</b>	278.741	278.741	-	1,147.755	-
	<b>Expenditure</b>					
440.799	HHSCP	109.135	113.143	(4.009)	445.848	(5.049)
286.617	Acute Services	73.373	79.817	(6.444)	302.101	(15.483)
162.890	Support Services	34.562	44.117	(9.555)	197.195	(34.305)
<b>890.306</b>	<b>Sub Total</b>	<b>217.070</b>	<b>237.077</b>	<b>(20.008)</b>	<b>945.144</b>	<b>(54.838)</b>
257.449	Argyll & Bute	61.671	62.320	(0.649)	258.399	(0.950)
<b>1,147.755</b>	<b>Total Expenditure</b>	<b>278.741</b>	<b>299.397</b>	<b>(20.656)</b>	<b>1,203.542</b>	<b>(55.788)</b>
	<b>Total Expenditure</b>			<b>(20.656)</b>	<b>55.788</b>	<b>(55.788)</b>

2.3 A breakdown of the forecast by unachieved savings and the net operational position is detailed in Table 2.

**Table 2 – Breakdown of YTD & Forecast as at June 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	Operational (Over)/ Under	Savings
1,147.755	<b>Total Funding</b>	278.741	278.741	-	1,147.755	-		
	<b>Expenditure</b>							
440.799	HHSCP	109.135	113.143	(4.009)	445.848	(5.049)	(5.049)	0.000
286.617	Acute Services	73.373	79.817	(6.444)	302.101	(15.483)	(15.483)	0.000
162.890	Support Services	34.562	44.117	(9.555)	197.195	(34.305)	(34.305)	0.000
<b>890.306</b>	<b>Sub Total</b>	<b>217.070</b>	<b>237.077</b>	<b>(20.008)</b>	<b>945.144</b>	<b>(54.838)</b>	<b>(54.838)</b>	<b>0.000</b>
257.449	Argyll & Bute	61.671	62.320	(0.649)	258.399	(0.950)	(0.203)	(0.746)
<b>1,147.755</b>	<b>Total Expenditure</b>	<b>278.741</b>	<b>299.397</b>	<b>(20.656)</b>	<b>1,203.542</b>	<b>(55.788)</b>	<b>(55.041)</b>	<b>(0.746)</b>
-	<b>Surplus/(Deficit) Mth 3</b>	-	20.656	<b>(20.656)</b>	55.788	<b>(55.788)</b>	<b>(55.041)</b>	<b>(0.746)</b>

### 3 Highland Health & Social Care Partnership

3.1 The HHSCP is reporting a year-to-date overspend of £4.009m with this forecast to increase to £5.049m by financial year end, assuming delivery of their full savings plan. Table 3 shows the breakdown across service areas and the split between Health & Social Care.

**Table 3 – HHSCP Breakdown as at June 2023**

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	<b>HHSCP</b>					
246.338	NH Communities	62.601	64.500	(1.899)	250.669	(4.331)
48.259	Mental Health Services	12.330	15.061	(2.732)	51.822	(3.563)
147.241	Primary Care	35.719	35.726	(0.006)	149.073	(1.831)
(1.040)	ASC Other includes ASC Income	(1.515)	(2.144)	0.628	(5.716)	4.676
<b>440.799</b>	<b>Total HHSCP</b>	<b>109.135</b>	<b>113.143</b>	<b>(4.009)</b>	<b>445.848</b>	<b>(5.049)</b>
	<b>HHSCP</b>					
268.364	Health	66.495	70.503	(4.008)	273.413	(5.049)
172.434	Social Care	42.640	42.640	(0.000)	172.435	(0.000)
<b>440.799</b>	<b>Total HHSCP</b>	<b>109.135</b>	<b>113.143</b>	<b>(4.009)</b>	<b>445.848</b>	<b>(5.049)</b>

3.2 Within Health the forecast assumes the savings target of £6.546m is delivered. The position reflects the following cost pressures:

- £0.328m of service pressures in Enhanced Community Services
- £1.140m prescribing costs above planned. This reflects increases in the cost of some drugs in the national drug tariff, and activity
- £0.774m relating to two out-of-area patients previously funded by National Services Scotland but who are now considered delayed discharges in respect of having completed the specialist treatment; these patients are being charged at specialist rates whilst awaiting transfer back to NHS Highland.
- £1.062m agency nurses
- £0.800m relating to additional locum costs in 2c practice
- Unfunded supplementary staffing spends of £2.749m

The above pressures are partly offset by vacancies.

3.4 Adult Social Care is currently reporting breakeven at year end. This position assumes funding being drawn from the funds held by Highland Council over the 2021-2022 financial year end, and delivery of the savings target of £4.113m

3.3 Supplementary staffing at the end of month 3 totals £5.288m for the HHSCP.

## 4 Acute Services

4.1 Acute Services are reporting a YTD overspend of £6.444m with this forecast to increase to £15.483m by financial year end. Table 4 provides more detail on this position.

**Table 4 – Acute Services Breakdown as at June 2023**

Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
73.937	Medical Division	19.046	22.388	(3.341)	79.590	(5.653)
19.929	Cancer Services	5.082	5.600	(0.518)	21.121	(1.193)
64.549	Surgical Specialties	16.329	17.547	(1.218)	67.517	(2.969)
33.287	Woman and Child	8.773	8.343	0.430	32.135	1.151
44.133	Clinical Support Division	11.486	11.254	0.232	43.516	0.617
(3.718)	Raigmore Senior Mgt & Central Cost	(1.175)	1.402	(2.577)	3.813	(7.531)
25.646	NTC Highland	6.476	5.668	0.808	24.703	0.943
<b>257.761</b>	<b>Sub Total - Raigmore</b>	<b>66.017</b>	<b>72.201</b>	<b>(6.184)</b>	<b>272.395</b>	<b>(14.634)</b>
14.069	Belford	3.543	3.648	(0.106)	14.059	0.011
14.787	CGH	3.813	3.968	(0.155)	15.647	(0.860)
<b>286.617</b>	<b>Total for Acute</b>	<b>73.373</b>	<b>79.817</b>	<b>(6.444)</b>	<b>302.101</b>	<b>(15.483)</b>

4.2 The following pressures are the main drivers for the operational overspend:

- Delayed discharges within the Medical Directorate and medical boards within surgical wards has cost £2.525m YTD and is estimated to cost £6.267m in the full year.
- £1.000m of Acute Drugs.
- Several unfunded developments including the increase in critical care and the infectious diseases capacity during the pandemic; other unfunded developments include gastroenterology medical staff, clinical educators, the expansion of opening times for the cardiac catheterisation lab, and radiology outsourcing.
- Theatre costs, including agency staff of £0.854m

4.3 Supplementary staffing has cost £7.387m in the year to date, some of which is driving the cost pressures detailed above. The Acute forecast assumes delivery of the £9.813m savings target.

## 5 Support Services

5.1 Support Services are reporting a YTD overspend of £9.555m with this forecast to increase to £34.305m by financial year end. This includes the balance of the carried forward deficit from previous years within the central reporting unit.

5.2 Table 5 breaks this position down across service areas.

**Table 5 – Support Services breakdown as at June 2023**

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	<b>Support Services</b>					
26.349	Central Services	1.528	10.094	(8.566)	59.750	(33.401)
45.779	Corporate Services	10.758	10.198	0.561	44.237	1.542
50.931	Estates Facilities & Capital Planning	12.293	13.403	(1.110)	52.801	(1.871)
14.568	eHealth	3.666	3.698	(0.031)	14.661	(0.094)
25.264	Tertiary	6.316	6.724	(0.408)	25.746	(0.482)
<b>162.890</b>	<b>Total</b>	<b>34.562</b>	<b>44.117</b>	<b>(9.555)</b>	<b>197.195</b>	<b>(34.305)</b>

5.3 The forecast position assumes delivery of the savings target of £5.057m

5.4 Within Estates & Capital Planning the overspend position continues to include costs which would previously have been charged to Covid. In addition, the agreement to pay staff employed by Robertsons Facilities Management as part of the New Craigs PFI at new pay rates will cost £700k in this financial year. Other pressures include utilities and provisions costs above the estimate of inflation included in the 2023-24 plan

5.5 Out of area placements continue to drive the forecast overspend within Tertiary.

## 6 Argyll & Bute

6.1 Argyll & Bute are currently reporting an overspend of £0.649m with this forecast to increase to £0.950m by financial year end. Table 6 provides a breakdown of this by operational area.

**Table 6 – Argyll & Bute breakdown as at June 2023**

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	<b>Argyll &amp; Bute - Health</b>					
123.160	Hospital & Community Services	30.955	30.759	0.196	123.375	(0.215)
38.483	Acute & Complex Care	9.766	10.115	(0.349)	39.833	(1.350)
10.403	Children & Families	2.539	2.505	0.034	10.103	0.300
37.751	Primary Care inc NCL	9.064	9.076	(0.012)	37.751	(0.000)
22.009	Prescribing	5.394	6.585	(1.191)	24.109	(2.100)
10.702	Estates	2.632	2.671	(0.039)	10.897	(0.195)
5.678	Management Services	0.637	0.641	(0.004)	5.768	(0.090)
9.263	Central/Public health	0.685	(0.031)	0.716	6.563	2.700
<b>257.449</b>	<b>Total Argyll &amp; Bute</b>	<b>61.671</b>	<b>62.320</b>	<b>(0.649)</b>	<b>258.399</b>	<b>(0.950)</b>



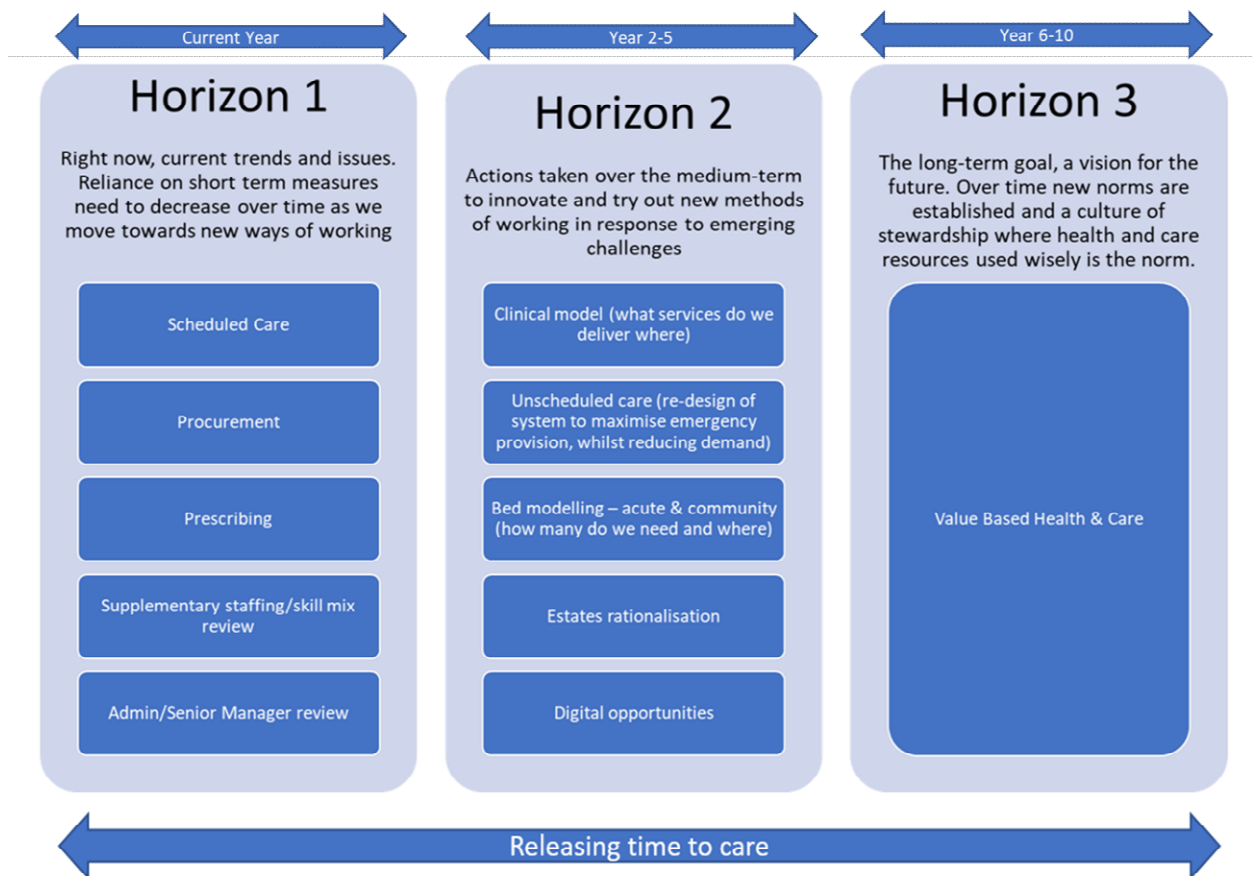
6.2 The forecast position includes slippage on savings of £0.746m. New cost pressures are emerging in several areas, including prescribing. The forecast assumes release of IJB reserves to cover the recurring budget deficit of £3.500m. Spend on supplementary staffing was £3.144m at the end of June 2023.

## 7 Financial Sustainability

7.1 The Financial Plan presented to the Board in May proposed a CIP of £29.500m. The YTD position includes delivery of £28.754m of savings by year end. A&B IJB is forecasting slippage on savings of £0.746m. North Highland operational units are forecasting savings targets will be met. This is the best-case scenario.

7.2 £55.788m is dependent on these schemes being delivered. The Efficiency and Transformation Governance Group has been meeting weekly to ensure savings plans are being co-ordinated and will monitor their progress. All operational areas have been working up savings schemes using a Three Horizons approach to reduce the Board's recurrent cost base this financial year and beyond.

Figure 1 Horizon's description and examples



7.3 Table 7 provides a summary of the forecast savings position included in the month 3 forecast.

**Table 7 Forecast Savings at Month 3**

	Target £000s	YTD Target £000s	Achieved YTD £000s	Variance £000s	Forecast £'000)
<b>HHSCP</b>	10,660	2,665	395	<b>2,270</b>	<b>10,660</b>
<b>Acute</b>	9,813	2,453	0	<b>2,453</b>	<b>9,813</b>
<b>A&amp;B</b>	3,970	993	534	<b>458</b>	<b>3,224</b>
<b>Estates</b>	2,027	507	0	<b>507</b>	<b>709</b>
<b>E Health</b>	176	44	0	<b>44</b>	<b>176</b>
<b>Corporate</b>	680	170	56	<b>114</b>	<b>680</b>
<b>Central</b>	794	198	198	<b>(0)</b>	<b>2,112</b>
<b>Tertiary</b>	1,380	345	0	<b>345</b>	<b>1,380</b>
<b>Total</b>	<b>29,500</b>	<b>7,375</b>	<b>1,184</b>	<b>6,191</b>	<b>28,754</b>

7.4 Scottish Government has been working closely with the Finance team and Executive Director Group (EDG) to examine the cost drivers and opportunities within the organisation. There are some key areas of control that have been identified as potential areas of focus, which are being considered and will implemented over the coming weeks and months.

7.5 In addition, all NHS Boards and Scottish Government are working together on the national Sustainability and Value Programme to ensure best practice is shared to develop value-based healthcare, improve operational performance and deliver financial sustainability.

7.6 The forecast position is based on significant delivery of the savings target. As we progress through the year a confidence level will be presented alongside the plan. As a high-level estimate early into the financial year the following table represents the current range of financial deliver.

**Figure 2 Best and worst case assessment:**

	Operational delivery	Savings delivered	Forecast Position
Best Case:	-83.795	29.500	-54.295
Worst Case	-92.175	8.243	-83.932
Likely	-83.795	17.700	-66.095

## 8 Supplementary Staffing

8.1 Reduction in supplementary staffing costs is an area of focus for NHS Boards. Scottish Government are co-ordinating work being carried out nationally through the Medical Workforce Sustainability Group and the Supplementary Staffing Task and Finish Group. Outputs from these groups will assist the work in NHS Highland to reduce the use of supplementary staff. Table 8 compares spend in Month 3 of 2023-2024 to the previous year. Reduction in agency costs and medical locums is crucial if the Board is to deliver on the savings targets.

**Table 8 Supplementary Staffing as at June 2023**

	2022/2023 YTD £000s	2023/2024 YTD £000s	Inc/(Dec) £000s
Locum	5,068	5,593	525
Agency	3,469	5,643	2,174
Bank	4,272	5,415	1,143
	<b>12,809</b>	<b>16,650</b>	<b>3,842</b>

## 9 Financial Risk

9.1 The highest risk to the forecast is that the savings targets will not be met.

9.2 It has been assumed that anticipated allocations will be at the same level as 2022/2023 plus uplifts for inflation and pay awards. The SG are planning to provide earlier notification of allocations and include many of them as part of our recurring baseline going forward. This will provide more certainty on funding and assist in the planning and monitoring process. However, to date confirmation of most anticipated allocations has not been received, thus risk exists that we will receive less than planned. Other risks include:

- Potential for continuing recruitment difficulties and associated reliance on Agency and Locum staff to deliver services above the current plan.
- Pay inflation has been assumed at 2%, as directed by the national finance peer review group. SG Funding has provided for the additional agenda for change uplift - we have assumed any additional costs of the medical pay award will also be funded.
- SLA increases due to activity adjustments and changes to the costing models of provider boards are a risk; NHS GG&C are working on a new costing model; any change could have a significant impact given the level of service provided to A&B. NHS Lothian have reviewed its costing model with a potential additional cost for NHS Highland of £0.230m.
- Short supply of commodities and drugs and higher inflation than planned is already impacting on catering provisions and utilities.

## 10 Revenue Summary

10.1 The forecast deficit of £55.788m at this stage is dependent on the delivery of £28.754m of savings, the management of emerging cost pressures, and correct assumptions in relation to both expenditure levels and funding.

## 11 Capital

11.1 The total anticipated Capital Funding for NHS Highland for 2023/2024 is £28.397m.

11.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £5.068m has been incurred.

11.3 The main areas of investment to date include:

Project	Spend to end June 2023
National Treatment Centre – Highland	£0.503m
Estates Backlog Maintenance	£2.644m
Equipment Purchase	£0.153m
Raigmore Car Park	£0.632m

11.4 At this stage of the financial year it is estimated that the Board will spend the 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

Draft Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000	Bal to Spend £000
3,230		Project Specific Schemes		
500		Radiotherapy Equipment	0	3,230
2,400		NTC (H)	503	(3)
1,500		Belford Hospital replacement	103	2,297
2,500		Caithness redesign project	68	1,432
2,820		Grantown HC upgrade	44	2,456
		Broadford HC extension	0	2,820
		Other Centrally Provided Capital Funding		
2,650		Raigmore Maternity capacity	186	2,464
2,200		Cowal Community Hospital GP relocation	(2)	2,202
1,350		Raigmore car park project	632	718
500		Laundry Water Filtration Equip	0	500
50		Raigmore oncology unit	0	50
500		Campbeltown boiler replace	9	491
0		EV charging points A&B	276	(276)
1,250		Backlog maintenance additional funding	0	1,250
<b>21,450</b>	<b>-</b>		<b>1,819</b>	<b>19,631</b>
		<b>Formula Allocation</b>		
827		PFI Lifecycle Costs	213	614
2,010		Equipment Purchase Advisory Group (EPAG)	154	1,856
2,350		Estates Capital Allocation	2,644	(294)
1,500		eHealth Capital Allocation	237	1,263
260		Minor Capital Group	0	260
0		Other	1	(1)
<b>6,947</b>	<b>0</b>		<b>3,249</b>	<b>3,698</b>
<b>28,397</b>	<b>0</b>	<b>Capital Expenditure</b>	<b>5,068</b>	<b>23,329</b>