

NHS Highland



Meeting: NHS Highland Board Meeting
Meeting date: 31 January 2023
Title: Finance Report – Month 9 2022/2023
Responsible Executive/Non-Executive: Heledd Cooper, 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 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 9 2022/2023 (December 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. This report summarises the position at Month 9 and provides a forecast through to the end of the financial year.

2.3 Assessment

For the period to end December 2022 (Month 9) an overspend of £24.488m is reported. A year end position of a £22.631m overspend is forecast based on the current operational position, mitigating actions from the recovery plan, benefits from the New Medicines fund and a reduction in CNORIS expenditure. The YTD position includes slippage against the savings plan of £12.488m with slippage of £16.962m forecast at financial year end.

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"/>

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. However, there is an expectation that Boards will deliver, as a minimum, the position as set out within their financial plan. For NHS Highland this means no more than an overspend of £16.272m.

3.4 Risk Assessment/Management

There is a high risk NHS Highland will overspend on its 2022/2023 revenue budget by more than £16.272m. The Board continues to look for opportunities both locally and nationally to bring the forecast overspend 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
- 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 the matter.

4.1 List of appendices

The following appendices are included with this report:

- Appendix No 1 – Capital Expenditure at Month 9
- Appendix No 2 – Recovery Plan – Mitigating Actions

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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. At the time of submission no funding source was identified to close the residual gap of £16.272m. It is now anticipated that SG will provide financial support by way of repayable brokerage. This report summarises the position at Month 9 and provides a forecast through to the end of the financial year.
- 1.2 Financial reporting submissions to Scottish Government have reverted to monthly during 2022/2023 recognising the severity of the financial challenge that all Boards are facing.

2 Financial Position YTD & Forecast

- 2.1 For the nine months to the end of December 2022 NHS Highland has overspent against the year-to-date budget by £24.488m and is reporting an adjusted forecast of £22.631m at financial year end taking into account the current position, mitigating actions from the recovery plan, remedial actions in Argyll & Bute, additional New Medicines funding and a reduction in the CNORIS estimate of expenditure.
- 2.2 The expectation of SG is that NHS Highland will deliver, as a minimum, a year end financial position in line with its financial plan submission. For NHS Highland this means no more than a £16.272m overspend. The adjusted forecast reported at the end of month 9 is £6.359m adrift from the position presented in the financial plan.

- 2.3 There is a risk around full delivery of the remaining mitigating actions within the Recovery Plan. These will continue to be reviewed with further updates incorporated into monthly finance reports.
- 2.4 The YTD position includes slippage against the CIP of £12.488m with slippage of £16.962m forecast through to financial year end.
- 2.5 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 December 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
1,092.068	Total Funding	771.424	771.424	-	1,092.068	-
	Expenditure					
411.003	HHSCP	307.804	313.346	(5.541)	418.823	(7.819)
247.448	Acute Services	188.703	207.130	(18.427)	273.678	(26.230)
194.680	Support Services	100.104	100.384	(0.281)	195.755	(1.075)
853.130	Sub Total	596.611	620.860	(24.249)	888.256	(35.125)
238.938	Argyll & Bute	174.813	175.052	(0.239)	239.283	(0.345)
1,092.068	Total Expenditure	771.424	795.912	(24.488)	1,127.538	(35.470)
	Additional New Medicines Fund & Reduction in CNORIS expenditure					3.684
	A&B Remedial Actions					0.345
	Recovery Plan Actions					8.810
	Adjusted Forecast					(22.631)

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

Table 2 – Breakdown of YTD & Forecast

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 £m	Savings Unachieved £m
1,092.068	Total Funding	771.424	771.424	-	1,092.068	-		
	Expenditure							
411.003	HHSCP	307.804	313.346	(5.541)	418.823	(7.819)	(1.539)	(6.280)
247.448	Acute Services	188.703	207.130	(18.427)	273.678	(26.230)	(20.134)	(6.096)
194.680	Support Services	100.104	100.384	(0.281)	195.755	(1.075)	1.862	(2.938)
853.130	Sub Total	596.611	620.860	(24.249)	888.256	(35.125)	(19.811)	(15.314)
238.938	Argyll & Bute	174.813	175.052	(0.239)	239.283	(0.345)	1.303	(1.648)
1,092.068	Total Expenditure	771.424	795.912	(24.488)	1,127.538	(35.470)	(18.508)	(16.962)
	Additional New Medicines Fund & Reduction in CNORIS expenditure				3.684		3.684	
	A&B Remedial Actions				0.345		0.345	
	Recovery Plan Actions				8.810		8.810	
	Adjusted Forecast				(22.631)		(5.669)	(16.962)

3 Highland Health & Social Care Partnership

3.1 The HHSCP is reporting a YTD overspend of £5.541m with this forecast to increase to £7.819m by financial year end. Table 3 shows the breakdown across service areas and the split between Health & Social Care.

Table 3 – HHSCP Breakdown as at December 2022

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
224.772	NH Communities	167.914	173.118	(5.204)	232.254	(7.482)
45.792	Mental Health Services	34.353	35.251	(0.899)	47.225	(1.433)
143.023	Primary Care	107.166	107.111	0.055	143.027	(0.004)
(2.584)	ASC Other includes ASC Income	(1.628)	(2.135)	0.507	(3.683)	1.099
411.003	Total HHSCP	307.804	313.346	(5.541)	418.823	(7.819)
	HHSCP					
250.377	Health	186.922	192.463	(5.541)	258.197	(7.820)
160.626	Social Care	120.883	120.883	-	160.626	-
411.003	Total HHSCP	307.804	313.346	(5.541)	418.823	(7.819)

3.2 Within Health the forecast position reflects:

- £4.180 of unachieved savings
- £0.787m of service pressures in Enhanced Community Services & Palliative Care
- £0.705m relating to minor works undertaken at New Craigs – these works were required for operational reasons during the pandemic but were delayed.
- £0.544m relating to Chronic Pain service
- £0.225m relating to additional costs re Alness and Invergordon reverting to a 2c practice.

3.3 £13.758m has been incurred on supplementary staffing at the end of month 9.

3.4 Adult Social Care is currently reporting a breakeven position with funding being drawn from the funds held by Highland council over financial year end. Slippage on the ASC element of the CIP of £2.100m has been covered by this funding drawdown.

4 Acute Services

4.1 Acute Services are reporting a YTD overspend of £18.427m with this forecast to increase to £26.230m by financial year end. Table 4 provides more detail on this position.

Table 4 – Acute Services Breakdown as at December 2022

Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
65.556	Medical Division	49.346	56.039	(6.693)	74.503	(8.947)
18.935	Cancer Services	14.234	15.055	(0.821)	19.873	(0.939)
58.143	Surgical Specialties	44.800	47.941	(3.141)	62.040	(3.896)
30.345	Woman and Child	22.956	22.938	0.018	30.433	(0.087)
42.080	Clinical Support Division	31.707	31.715	(0.009)	41.948	0.133
(1.687)	Raigmore Senior Mgt & Central Cost	(0.650)	4.809	(5.460)	7.707	(9.394)
9.244	NTC Highland	7.696	7.992	(0.296)	9.688	(0.444)
222.617	Sub Total - Raigmore	170.089	186.490	(16.401)	246.192	(23.575)
11.938	Belford	8.954	9.952	(0.998)	13.242	(1.304)
12.893	CGH	9.659	10.688	(1.029)	14.245	(1.351)
247.448	Total for Acute	188.703	207.130	(18.427)	273.678	(26.230)

4.2 £6.096m of unachieved savings is reflected in the forecast position.

4.3 The forecast position has improved by £1.524m from month 8. The main driver behind this improvement has been the receipt of additional drugs rebates.

4.3 However the following pressures remain and are the main drivers for the operational overspend:

- £13.148m of additional staffing costs to cover vacancies and unfunded beds
- £1.847m of Acute Drugs.
- Pressures resulting from lower than anticipated Scheduled Care allocation - £3.000m

5 Support Services

5.1 Support Services are reporting a YTD overspend of £0.281m with this forecast to increase to £1.075m by financial year end.

5.2 The forecast position includes £2.938m of unachieved savings.

5.3 Table 5 breaks this position down across service areas.

Table 5 – Support Services breakdown as at December 2022

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	Support Services					
74.041	Central Services	9.749	7.747	2.002	71.242	2.800
38.640	Corporate Services	28.791	29.575	(0.784)	39.916	(1.276)
44.830	Estates Facilities & Capital Planning	32.989	33.477	(0.488)	45.933	(1.103)
11.770	eHealth	9.526	9.887	(0.361)	12.275	(0.505)
25.399	Tertiary	19.049	19.699	(0.650)	26.390	(0.991)
194.680	Total	100.104	100.384	(0.281)	195.755	(1.075)

5.4 Within Estates & Capital Planning & eHealth the overspend position continues to be driven by costs which would previously have been charged to Covid and unachieved savings.

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

5.6 No further actions from the Recovery Plan have been filtered into the Support Services position for month 9.

6 Argyll & Bute

6.1 Argyll & Bute are currently reporting an overspend of £0.239m with this forecast to increase to £0.345m by financial year end.

6.2 The forecast position includes slippage on savings of £1.648m.

6.3 The position net of savings is an operational underspend of £1.303m largely generated through unfilled vacancies, over-recovery of income and sundry non-recurring slippage.

Table 6 – Argyll & Bute breakdown as at December 2022

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	Argyll & Bute - Health					
116.081	Hospital & Community Services	86.988	87.709	(0.721)	116.963	(0.882)
34.771	Acute & Complex Care	26.007	26.723	(0.715)	35.862	(1.091)
8.724	Children & Families	6.407	6.134	0.274	8.324	0.400
58.484	Primary Care, Prescribing & Dental inc GMS	43.960	44.265	(0.305)	58.872	(0.388)
9.236	Estates	6.906	7.074	(0.168)	9.390	(0.154)
4.879	Management Services	3.299	3.304	(0.005)	4.829	0.050
6.763	Central/Public health	1.246	(0.156)	1.401	5.043	1.720
238.938	Total Argyll & Bute	174.813	175.052	(0.239)	239.283	(0.345)

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 £12.488m with £16.962m of savings forecast to be unachieved by the end of the financial year. Risk around delivery of the balance of the CIP (£0.893m) is medium risk.

7.2 Table 7 provides a summary of the savings position at month 9.

Table 7 Savings at Month 9

	Target £000s	YTD Target £000s	YTD Achieved £000s	Variance £000s	Achieved Future Mths £000s	Forecast Annual Savings £000s	Forecast Variance
NH Communities	9,293	6,970	2,725	(4,245)	132	156	(6,280)
Acute	8,457	6,342	1,641	(4,701)	454	265	(6,096)
Corporate	2,692	2,019	418	(1,601)	30		(2,244)
Estates & Facilities	1,100	825	619	(206)	-	130	(351)
E Health	400	300	57	(243)	-	0	(343)
A&B	4,058	3,044	1,551	(1,492)	517	342	(1,648)
Total Savings M9	26,000	19,500	7,012	(12,488)	1,133	893	(16,962)
Achieved Future Months			1,133				
Total Savings Achieved			8,145				

8 Covid Related Expenditure

- 8.1 The financial plan submitted to Scottish Government included an estimate of Covid related costs of £31.514m.
- 8.2 Work has been ongoing to rebase these costs and the current forecast is £23.290m, broken down as detailed in Table 8.

Table 8 Covid Related Cost Estimate at Month 9

Covid Expenditure Category	Total NHS Highland	
	Actual to Date £m	Forecast Outturn £m
Public Health	0.046	0.091
Vaccinations	4.582	6.503
Workforce and Capacity	4.942	6.402
PPE, Equipment and IPC	0.729	1.254
Social Care and Community Capacity	3.526	3.963
Loss of Income	1.097	1.376
Primary Care	0.399	0.539
Other	0.307	0.427
Test and Protect	2.566	2.736
Total Covid Costs	18.194	23.290

9 Financial Risk

- 9.1 The risks identified in month 7 remain. Late confirmation of allocations is an emerging risk. It has been assumed that anticipated allocations would be received at at least the same level as 2021/2022. There is now the potential that some allocations will be at a lower level which will impact on the flexibility at financial year end. This is being reviewed as and when notification of allocations is received.

10 Revenue Summary

- 10.1 The forecast overspend of £35.470m is based on a number of assumptions in relation to both expenditure levels and funding and is considered to be the likely position should the remaining actions identified within the Recovery Plan submitted to SG at the end of September not materialise.
- 10.2 SG requested that a Recovery Plan was submitted detailing actions which would bring the forecast financial position in line with the financial plan submitted in March 2022. For NHS Highland this means delivery of a position that is no more than £16.272m overspent.
- 10.3 The plan submitted detailed £19.997m of potential mitigating actions which if delivered would bring the forecast position down to an overspend of £13.603m.

10.4 At the end of month 9 the benefits arising from technical adjustments, the VAT reclamation exercise, the NI rate movement, support with the ASC forecast overspend, and benefits from cost control measures have been built into the forecast position. However, since submission of the plan there has been further slippage on the CIP and cost pressures have accelerated in some areas.

10.5 £8.810m of mitigating actions identified in the September Recovery Plan are still being pursued.

10.6 In addition remedial actions have been put in place within Argyll & Bute to deliver a breakeven financial position by financial year end (£0.345m). A further benefit arising from additional funding in respect of New Medicines and a reduction in the CNORIS forecast expenditure (£3.648m) has now been notified to Boards.

10.7 Taking the potential mitigating actions and the new actions/ benefits described in paragraphs 10.5 & 10.6 into account this would deliver a year end financial position of a £22.631m overspend. This is £6.359m adrift from the position SG are expecting the Board to deliver – work continues to identify further efficiencies which could be delivered before financial year end. Details of the Recovery Plan are included at Appendix 2.

11 Capital

11.1 Total anticipated Capital Funding for NHS Highland for 2022/2023 is £32.592m.

11.2 Details of the expenditure position across all projects are set out in Appendix 1. To date expenditure of £16.053m has been incurred – 49% of planned expenditure

11.3 The main areas of investment to date include:

Project	Spend to end December 2022
National Treatment Centre – Highland	£6.354m
Estates Backlog Maintenance	£2.562m
Equipment Purchase	£1.040m
Home Farm works	£0.738m

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 9 Finance Report.

Capital Expenditure at Month 9

Updated Plan £000's	Funding Received £000's	Summary Funding & Expenditure	Actual to Date £000	Bal to Spend £000
		Capital Schemes		
912	-	Radiotherapy	34	878
12,900	-	National Treatment Centre (Highland)	6,354	6,546
-	-	NTC-(H) eHealth Capital Expenditure	549	(549)
60	-	Grantown Health Centre Refurbishment	71	(11)
-	-	Portree/Broadford HC Spoke Reconfiguration	-	-
350	-	Belford Hospital Replacement Fort William	137	213
1,250	-	Caithness Redesign	395	855
100	-	Raigmore Reconfiguration	-	100
700	-	Increased Maternity Capacity - Raigmore	475	225
200	-	Additional VIE	-	200
1,000	-	Raigmore Fire Compartmentation upgrade	176	824
1,200	-	Raigmore Lift Replacement	890	310
740	-	Home Farm works	738	2
85	-	Cowal Community Hospital GP relocation	83	2
250	-	Campbeltown Boiler Replacement	2	248
400	-	Raigmore Car Park Project	91	309
554	-	Wifi network Installation Project	505	49
66	-	Endoscopy Decontamination Washers	71	(5)
796	-	Laundry Water Filtration Equipment	673	123
2,275	-	BackLog Maintenance Additional Funding	-	2,275
1,590	-	National Infrastructure Equipment Funding (NIB)	-	1,590
170	-	Ultrasound - Dunoon & Mid Argyll	-	170
47	47	Digital Pathology switches	49	(2)
25,645	47		11,291	14,354
		Formula Allocation		
800	800	PFI Lifecycle Costs	631	169
2,538	2,538	Estates Backlog Maintenance	2,562	(24)
1,850	1,850	Equipment Purchase Advisory Group (EPAG)	1,040	810
1,250	1,250	eHealth Capital Allocation	525	725
500	500	Minor Capital Group	93	407
9	9	AMG Contingency	9	-
-	-	Other	(97)	97
6,947	6,947		4,762	2,185
32,592	6,994	Capital Expenditure	16,053	16,539

Recovery Plan – Mitigating Actions

	Month 5	Month 9	RAG Rating
Forecast Overspend	£33.600m	£35.470m	
Potential Technical Adjustments	£5.849m	£3.000m	
Potential Technical Adjustments	£1.587m	In Forecast	
NR Funding Slippage	£5.810m	£5.810m	
VAT Reclaim Exercise	£0.500m	In Forecast	
Support with ASC Overspend	£1.387m	In Forecast	
Increased Cost Control Measures	£3.205m	In Forecast	
In year benefit from NI Funding	£1.659m	In Forecast	
A&B Remedial Actions	-	£0.345m	
New Medicines & CNORIS	-	£3.684m	
TOTAL POTENTIAL MITIGATING ACTIONS	£19.997m	£12.839m	
BEST CASE SCENARIO	£13.603m	£22.631m	