

NHS Highland



Meeting: NHS Highland Board
Meeting date: 28 May 2024
Title: 2024/2025 Budget update
Responsible Executive/Non-Executive: Heledd Cooper, Director of Finance
Report Author: Heledd Cooper, Director of Finance

1 Purpose

This is presented to the Board for:

- Discussion
- Decision

This report relates to a:

- 5 Year Strategy, Together We Care, with you, for you
- 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 to provide the Board with a 3-year financial plan 2024/25 to 2026/27 for approval, subject to continued engagement with Scottish Government (SG) on the further actions required to close the financial gap to within the brokerage limit set by SG for 2024/25.

2.2 Background

On 4 December 2023 all Boards received correspondence from Scottish Government which included the 3-year financial planning guidance together with the Annual Delivery Planning guidance 2024-25.

The planning approach confirmed the needs for financial plans to present:

- a clear programme of work and supporting actions to achieve the target of 3% recurring savings on baseline budgets; and
- an improved forecast outturn position compared to your forecast outturn position reported at the start of 2023-24.

On the 13 December a letter from the Director of Health and Social Care Finance, Digital and Governance was received setting a cap to brokerage being made available to all NHS Boards, for NHAS Highland this was a maximum of £35 million with the cap reducing significantly in future years.

The Scottish Budget 2024/25 was announced on 19 December which provided Health Boards with an indicative funding settlement recognising that “the financial pressures across health and social care are, by far, the most challenging since devolution”.

The key messages for the health and social care portfolio are as follows:

- Territorial Boards will receive a total increase of 4.3% to cover costs relating to 2023/24 pay deal. Therefore, no new funding was provided, a 0% uplift.
- Assumption that 2024/25 pay uplifts should be excluded from finance plans and additional funding would be provided to support any 2024/25 pay deals.
- Covid-19 funding, and other Policy Funding will be confirmed as early as possible and a commitment that 80% of allocations will be confirmed in the first quarter of the year.
- Health and Social Care Integration funding will be passed to local authorities to deliver a £12 per hour minimum pay settlement for adult social care workers in private and third sectors and an inflationary uplift on Free Personal Nursing Care rates.
- Formula capital to be maintained at 2023/24 levels; all major projects in construction to be completed, as well as support for the national replacement programmes for Ambulances and Radiotherapy equipment. Beyond these core areas, no additional funding would be provided.

The first submission of the draft plan on 29 January 2024 detailed:

Table 1 -First submission of the Draft Financial Plan:

	£m
Financial gap before savings	121.3
Planned savings schemes identified	(13.9)
Unidentified savings	(72.4)
Original Brokerage gap	35.0

The feedback received confirmed that the plan would not be accepted by Scottish Government and reiterated the need to deliver 3% recurrent savings and as a maximum to meet the brokerage cap, and beyond this to move towards meeting the break-even statutory duty.

Planning assumptions were also updated to advise Boards to plan on the basis of receiving a NRAC share of £100 million, for NHS Highland this was an additional £6.6 million. This reduced the original brokerage cap from £35 million to £28.4 million.

For 2024/2025 the draft opening position for NHS Highland is a deficit position of £112.491m. The maximum brokerage that NHS Highland can request for the year 2024/2025 has been capped at £28.4m, leaving a financial gap of £84.091m.

Scottish Government has requested a financial plan that highlights the actions that would need to be taken to deliver the £84.091m of Cost Improvements and reductions.

Information has been provided as to the breakdown of this target and the methodology proposed to address the financial challenge.

The opening financial gap includes and assessment of the Adult Social Care position which is estimated to be £16.252m relating to forecast costs increases, pay awards and demand increase. There is a potential that this will increase to £23.252m to reflect the proposed reduction of £7.000m agreed by Highland Council through the budget setting process. The proposed reduction has not been formally agreed but is included within the plan figures for prudence.

2.3 Assessment

Final draft finance plan submission:

NHS Highland submitted a draft 3-year finance plan on the 14 March which detailed the funding assumptions (Appendix 1), growth, national programmes and cost reduction options for 2024/25 that would be required to deliver the brokerage cap.

FRP committee has received regular updates on the Financial Plan over recent months, with each version providing the latest update available at that time.

Table 2 below provides a summary of the financial position for the 3 years to 2026/27. A further breakdown for 2024/25 is provided in Appendix 2.

Table 2 – 3-year financial projections

	2024-25 £000s	2025-26 £000s	2026-27 £000s
Deficit Brought Forward	(89,095)	(90,554)	(81,685)
New Funding	22,544	11,872	11,872
Inflation	(17,428)	(16,624)	(17,227)
Pressures/Growth - Health	(28,513)	(5,613)	(3,415)
Net Gap before Savings	(112,491)	(100,919)	(90,455)
Recurring savings/ reductions	26,735	29,612	29,738
Non-recurrent reductions	57,356		
Subtotal reductions	84,091	29,612	29,738
Total Financial Plan	(28,400)	(71,307)	(60,717)

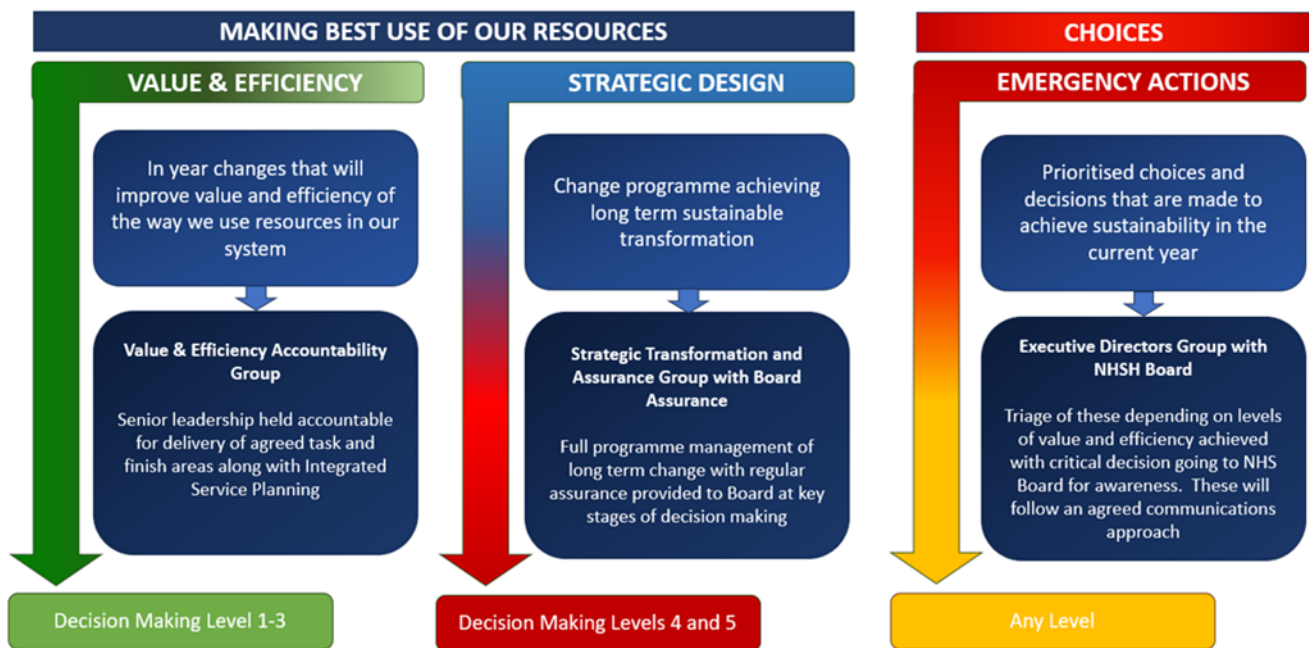
Changes to the plan submissions are reflected below:

Table 3 – movement from previous plan submission

	Initial plan (Jan) £m	Draft Plan (Mar) £m	
Financial gap before savings	121.3	112.5	
Planned savings schemes	-13.9	-27.9	Includes A&B savings
Adult Social Care – North Highland	-24.4	-23.3	
Financial Flexibility	-	-4.2	
Choices	-	-8.2	Includes A&B choices
Further actions (unsupported)		-20.5	
Unidentified savings	-12	-	
Forecast position (Deficit)	71	28.4	
Brokerage cap	35	28.4	
Gap from brokerage	36.00	0.00	

Cost Improvement/ Reduction Programme

Given the scale of the financial challenge facing NHS Highland, the Board will implement the following strategic planning and decision-making framework in order to plan for and deliver the short, medium and long term changes required to support a route to financial and service sustainability.



The cost improvement programme has been developed around the above framework and is summarised as follows:

Value and Efficiency:

The Board has established a Value and Efficiency programme which has an overall target of delivering 3% financial reductions on a recurring basis which in line with the requirement set out by Scottish Government. A series of workstreams have been identified to deliver NHS Highland's priority actions for 2024/25 that will contribute to achieving financial efficiency for NHS Highland whilst maintaining the delivery of safe high-quality, person-centred care.

These areas have been included as areas where we can deliver the same service but either at a cheaper price (through procurement, fixed rates) or more efficient processes, (improved fleet utilisation, use of technology etc). The governance structure and savings targets are provided in Appendix 3.

Financial flexibility:

There is level of non-recurrent benefit that occurs each year, either through slippage against allocations or through adjustment in annual balance sheet items. These are fortuitous but can be estimated from historic information. An estimated level of financial flexibility has been included within the plan.

Adult Social Care:

Due to the lead agency arrangement in place for delivering Adult Social Care Services within the NHS Highland area which is coterminous with Highland Council the costs of delivering services and the associated income from Highland Council are reflected in this financial plan submission.

It is estimated that there will be a gap of £23.252m between the estimated cost and available funding. This includes a plan by Highland Council to reduce their quantum allocation by £7.000m in 2024/25 with further reductions over the following 2 years.

Table 4 – Adult social care breakdown:

	2024-25 £000s
Deficit	16,252
Reduced Quantum	7,000
Value & Efficiency (3%)	(5,710)
Financial Gap	17,542

NHS Highland has not received a formal confirmation of the reduction in quantum through an opening offer, but we have been made aware that the proposal was accepted through the Highland Council budget process.

Argyll & Bute HSCP:

The Argyll & Bute 2024-27 budget was presented at the March IJB meeting. The report set out an unbalanced budget, with a gap of £8.553m.

The cost reduction/ improvement plan includes re-instatement of the £1.04m unachieved savings plans and an additional £2.29m of new value & efficiency savings. In addition to recurring savings plans of £3.7m, there is an intention to use non-recurring IJB general and earmarked reserves totalling £2.5m to assist with achieving in year balance. This leaves a remaining gap of £2.7m to be identified through further controls and actions.

The Board's financial Plan has assumed that both the IJB and ASC lead agency model will live within their delegated resource, whilst acknowledging the risk.

Closing the gap

The expectation from SG is for all Boards to deliver their statutory break-even duty, with those Boards in financial escalation level 2 or 3 receiving a maximum brokerage limit to aid delivery.

Scottish Government requested that a suite of “choices” should be included which would require approval to progress.

The Executive Team has agreed to progressing a Strategic Assessment of services to support longer term sustainability and a has provisionally set an indicative value of £5m for 24/25 through a reduction in reliance on supplementary staffing. These projections are full year values and will be further reduced if progresses and implemented further into the financial year.

The remaining actions to be taken are considered to be emergency, crisis actions which are solely intended to reduce costs and will have a significant impact on service delivery, the quality of services we provide and our performance against targets and are not supported as “choices” to be taken but presented as necessary actions to deliver a financial position.

The Finance plan submitted to Scottish Government complied with the requirement to produce a plan that set out the actions needed to deliver a balanced position and was clear that the further actions needed were not agreed or supported.

Table 5 – summary of cost reduction actions identified.

	£m	£m
Financial Gap		112.491
Maximum Brokerage		28.400
COST REDUCTIONS/ IMPROVEMENTS TO BE IDENTIFIED		84.091
<i>Cost Improvement/ Reduction Programmes</i>		
Value & Efficiency	21.711	
A&B Savings - identified	6.217	
A&B Choices	2.717	
ASC	23.252	
Allocation slippage	4.171	58.068
Choices		
Redesign	5.500	
Allocations	8.500	
Further agency reduction	3.503	
Further locum reduction	7.020	
Corporate Functions	1.500	
		26.023
Potential opportunities		84.091

Feedback from plan

The Board received feedback on the draft Financial Plan 2024-27 on the 4 April 2024 which recognised that “the development of the implementation plans to support the above savings options is still ongoing” and therefore the plan was still considered to be draft at this point. The feedback also acknowledged “the significant progress that has been made in identifying savings options and establishing the appropriate oversight and governance arrangements”.

Next steps

Since the submission and feedback from the draft Financial Plan confirmation has been received that the cost of CAR-T, included within the pressures, will be funded nationally.

There has also been a notification of an additional allocation of £50m nationally on a recurring basis, specifically to protect planned care performance. The NHS Highland share on an NRAC basis is £3.3 million. This funding will enable NHS Highland to maintain the current planned care performance whilst reducing the distance from the brokerage limit in 2024/25.

Additionally, Argyll & Bute IJB has confirmed its ability to deliver financial balance through the use of reserves.

Further actions, including the strategic assessments, have not been completed or confirmed at this time and are therefore not included within the current projection, as noted below.

Table 6 – movement from draft plan submission to recommended plan.

	Recommended Plan (May) £m	Movements £m	
Financial gap before savings	112.00	-0.49	CAR-T nationally funded
Planned savings schemes	-21.71		
Argyll & Bute IJB	-8.93	-2.75	moved from choices to A&B financial flexibility
Adult Social Care – North Highland	-23.25		
Financial Flexibility	-7.50	-3.30	share of £50m planned care to deliver financial position (from choices)
Forecast position (deficit)	50.60	-6.54	
Brokerage cap	28.40		
Gap from brokerage	22.20		

Final Assessment and proposal

To progress an agree an opening budget for NHS Highland there is a need to recognise the elements that are within the Boards ability to progress.

Scottish Government has affirmed that there is a statutory responsibility for NHS Boards to live within the resources allocated and deliver a balanced financial outturn. Boards at level 2 or 3 of the NHS Scotland Support and Intervention Framework have been given a brokerage cap which cannot be exceeded, for NHS Highland this is £28.4m. That any overspend will be reported in the financial statements.

The current proposal is to agree the plan as represented within Table 6 above and to work with Scottish Government to explore all areas to move towards financial balance, to identify and realise any areas of opportunity during the year and to continue the Strategic Assessments discovery work to support future financial balance.

2.4 Proposed level of Assurance

This report proposes the following level of assurance:

Substantial
Limited

X

Moderate
None

Only limited assurance can be given that NHS Highland can deliver the level of cost reductions required in 2024/2025 which is subject to ongoing discussion with Scottish Government.

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 through the value and efficiency schemes are assessed using a Quality Impact Assessment (QIA).

A similar Quality Impact will be used for all potential actions required to deliver the 2024/2025 position at this time but there is a potential that services will be impacted.

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 QIA tool, where appropriate, the impact of savings on these areas is assessed. The main focus of the cost reductions is on supplementary staffing.

3.3 Financial

The scale of the challenge has expanded Nationally for 2024/2025 and the brokerage expectation has increase the scale of challenge in year.

3.4 Risk Assessment/Management

There is a significant risk that NHS Highland cannot deliver the required financial position for 2024/2025.

Although the overall risk assessment for the Value & Efficiency schemes is AMBER, it must be highlighted that the scale of challenge to deliver 3% recurrent savings is significant and cannot be underestimated.

The risk to delivering the Adult Social Care reductions in its entirety is RED rated due to the scale and complexity of the challenges.

The Argyll & Bute position is rated GREEN for 2024/25 due to the financial flexibility available and early identification of schemes for delivery.

The remaining financial flexibility is also GREEN rated but the further actions required to deliver a balanced position is RED rated at this time and work will continue to identify lower risk opportunities and further discussions around National priorities.

3.5 Equality and Diversity, including health inequalities

An impact assessment has not been completed because it is not applicable at this time

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
- Value & Efficiency Group

- Finance, Resource and Performance Committee
- Area Partnership Forum
- Staff Governance Committee
- Monthly 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
- Finance, Resource and Performance Committee

4 Recommendation

Discussion – Examine and consider the implications of the matter.

Agree - the proposed budget with a £22.2m gap from the brokerage cap and commitment to reduce the gap throughout the year.

Acknowledge - the challenge of delivering a 3% recurrent savings plan and delivering a balanced Adult Social Care budget.

4.1 List of appendices

The following appendices are included with this report:

Appendix 1 – Total anticipated Revenue Resource

Appendix 2 – detail breakdown for 2024/25 financial projection

Appendix 3 – Value & Efficiency governance structure and targets

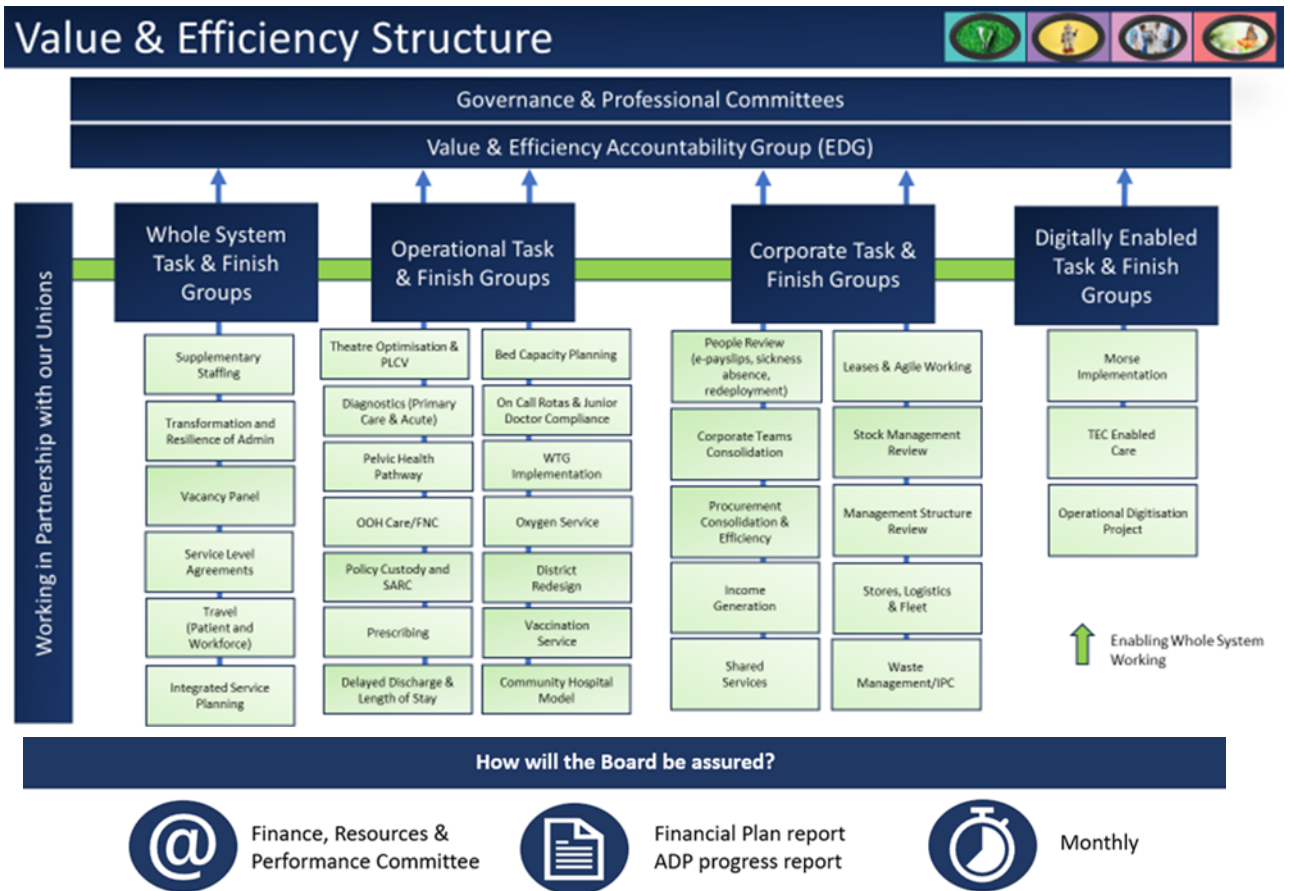
Appendix 1 – Total anticipated Revenue Resource

Revenue Resource Allocation Description	2024-25 £000	2025-26 £000	2026-27 £000
Baseline Allocation	807,139	835,358	835,358
Core Revenue Resource - Anticipated Allocations:			
Public Dental Service	11,809		
Health Research Infrastructure & Supp	591	591	591
Excellence in Care	116	116	116
District Nurses	717	717	717
Alcohol and Drug Partnerships (ADPs)	2,114	2,114	2,114
Healthy Weight Management & Childhood Obesity	525	525	525
Scottish Vaccines Immunisations Programme (SVIP)	5,008	5,008	5,008
SVIP: Childhood Flu	500	500	500
SVIP: Shingles	500	500	500
Urgent and Unscheduled Care Collaborative	2,117	2,117	2,117
National Treatment Centre	16,511	16,511	16,511
Cancer Waiting Times	754	754	754
Family Nurse Partnership (FNP)	658	658	658
School Nursing Programme	851	851	851
Maternity and Neonatal	1,450	1,450	1,450
Mental Health Outcomes Framework	2,865	2,865	2,865
Perinatal and Infant Mental Health	656	656	656
Mental Health: Other	5,222	5,222	5,222
Social Care MDTs	2,897	2,897	2,897
Collaborative Care Home Support	921	921	921
Primary Care Improvement Fund	11,098	11,098	11,098
Primary Care	330	330	330
General Medical Services	79,970	79,970	79,970
Cancer Plan & National Cancer Recovery Plan	271	271	271
Scottish Trauma Network (STN)	1,404		
Strategic Fund	1,092	1,092	1,092
Integrated Primary and Community Care	506	506	506
Digital Prescribing	59	59	59
National Distribution Centre (NDC) Top Sliced Contributions	(792)	(792)	(792)
Positron Emission Tomography (PET) SCAN	(679)		
Outcomes Framework	3,775		
National Services Division (NSD) Risk Share	(3,922)	(3,922)	(3,922)
New Medicines Fund	11,862	11,862	11,862
Depreciation (amount to be removed from Core RRL)	(20,267)	(20,876)	(21,503)
Further Revenue Resource Allocations			
Public Health Teams	415		
Systemic Anti-Cancer Therapy Improvement	24		
Stereotative Ablative Body Therapy	135		
Funding Band 2-4	2,314		
Planned Care	7,579		
ADP	1,120		
Reach Transplant Initiative	18		
NSD Recurrent Topslice	(216)		
NSD Histopathology handback	3		
NPD Unitary Charges (no NSS) (Tain)	461		
MenC Recoup/Rotavirus Vaccines	57		
Adolescent Mental Health Units	(35)	(35)	(35)
Annual Health Checks for people with a Learning Disability	132	132	132
Ayrshire & Arran Quarriers Unit Topslice	(139)	(139)	(139)
Breastfeeding Support Project Commitment	103	103	103
NSS Discover/CHKS Contribution	(37)	(37)	(37)
Child Death Review	12	12	12
Community Pharmacy Global Sum	(307)	(307)	(307)
Community Pharmacy Practitioner/Champions	19	19	19
Other Anticipated Allocations - Earmarked	(6,302)	(6,302)	(6,302)
Other Anticipated Allocations - Non-Rec	2,849		0
Anticipated Allocations: Rec/ Non-rec/ Earmarked	149,694	118,016	117,389
Core Revenue Resource Limit (RRL)	956,832	953,375	952,748

Appendix 2 – detail breakdown for 2024/25 financial projection

	2024-25 £'000
Baseline deficit	(89,095)
New funding	
New medicines funding	11,872
ASC income	10,672
Total new funding	22,544
Pressures	
Acute prescribing	(4,339)
Primary care prescribing	(600)
ASC charges uplift & growth	(10,428)
ASC quantum reduction	(7,000)
Digital commitments	(1,952)
National commitments	(2,283)
Impact of Capital pause	(626)
A&B pressures	(1,284)
Total pressures	(28,513)
Inflation	
PPP/ PFI	(1,267)
Acute Prescribing	(3,039)
Primary care prescribing	(3,173)
Energy inflation	(1,270)
Rates & depreciation	(591)
Healthcare contracts	(178)
Other inflation	(3,430)
A&B inflation	(4,479)
Total inflation	(17,428)
Total Financial projection	(112,491)

Appendix 3 – Value & Efficiency governance structure and targets:



List of identified areas and projected savings:

	TOTAL £m
Supplementary Staffing Medical (Acute)	2.00
Medical Locum (MH&LD)	1.00
Medical Locum (Primary Care 2C)	1.50
Supplementary Staffing – Nursing Acute	2.00
Supplementary Staffing - Nursing HHSCP	2.00
Supplementary Staffing - AHPs	-
Supplementary Staffing - Social Care	-
Transformation of Admin (Acute)	0.25
Transformation of Admin (HHSCP)	0.25
Transformation of Admin (Corporate)	0.50
SLA Workstream	0.31
Travel (Workforce)	1.00
Travel (Patients)	-
Integrated Service Planning (Acute)	-
Integrated Service Planning (HHSCP)	-
Theatre Optimisation and PLCV Review	-
Diagnostics – Primary Care	-
Diagnostics - Acute	-
Milk Bank and Parentcraft Review	-
Remote Outpatients & Virtual Capacity	-
Pelvic Health Pathway	-
Oxygen Service	-
Beds Review (Acute)	-
On Call Rotas and Jnr Dr Compliance	0.60
Prescribing Primary Care	2.07
Prescribing Acute	3.80
Drug Switches	0.63
Vaccination Service	-
Police Custody and SARC	0.20
Delayed Discharge and Length of Stay	-
People Review (sickness, redeployment, pay protection, guardian)	-
Procurement Consolidation and Efficiency	0.10
Agile Working Review - Leases review	0.20
Corporate Teams Consolidation	0.10
Stores, Logistics and Fleet	-
Estates Income Generation	1.50
Operational Digitisation Project	-
Shared Services with Partners	-
Corporate Income Generation	-
Stock Management Review	-
Patient Hub in Acute	-
Morse & TEC	-
Accommodation - Staff/ Agency	0.30
External Room Hire	0.30
UHI Library Provision	-
OOH	1.00
District Redesign	0.10
TOTAL	21.71