

NHS 24 BOARD MEETING		27 APRIL 2023 ITEM NO 9.1 FOR APPROVAL	
2023/24 FINANCE PLAN			
Executive Sponsor:		John Gebbie, Director of Finance	
Lead Officer/Author:		Neil Logan, Head of Financial Planning & Reporting	
Action Required		Board members are asked to approve the 2023/24 finance plan.	
Key Points for this Committee to consider		<p>The main points of the plan to note:</p> <ul style="list-style-type: none"> • Finance Plan starts with a balanced recurring position in terms of roll forward of income and spend budgets from 2022/23. • There is a gap between the anticipated funding uplift received and the anticipated inflationary increases in 2023/24. • Prior to efficiencies, the plan highlights a £2.9m financial gap - £2.1m recurring and £0.8m non recurring pressures. • Traditionally savings plans are identified to invest back in to services, however recurring savings are required of £2.1m and £0.8m non recurring to stand still before any new developments can be considered. This is a significant shift from previous years. • Savings plans have been identified to date reducing the recurring financial gap to £0.9m, offset by a non recurring £0.9m gain. • As such, NHS 24 can breakeven in the new financial year, however there is a reliance on non recurring funding to do so. • A non recurring invest to save pot of £1.6m has been identified and will be released via EMT approval of schemes that help provide future efficiencies. If savings plans slip then this fund would be reassessed against any overspend. • It is recognised that inflation is a particular issue on our supplies costs in 2023/24. • Additional savings plans/reductions in expenditure require to be identified to ensure that the Board gets back to recurring financial balance. Options were considered at a Board workshop in March with progress updates to be provided via Planning & Performance Committee. 	

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Governance process	This report has been discussed with EMT members. A first cut was shared with February Planning & Performance Committee and March Board Reserved on the basis of the draft submitted to SGHSCD. A Board Workshop took place in March to fully discuss options.
Strategic alignment and link to overarching NHS Scotland priorities and strategies	This paper demonstrates how NHS 24 can meet its financial targets in 2023/24 and the challenges faced in achieving them.
Key Risks	NHS 24 will not be in recurring balance if actions are not taken.
Financial Implications	Ensuring a balanced financial plan is achievable.
Equality and Diversity	The finance plan will feed in to the AOP process and be assessed in line with the appropriate requirements in relation to equality and diversity.

1. Financial Plan Summary

A summary of the financial plan is shown below, prior to saving targets and identified savings plans being included. Each of the items is explained in more detail in the accompanying notes.

	2023/24			Para
	Recurring £m	Non Recurring £m	Total £m	
Income Base	88.9	3.4	92.3	2
Uplift	5.7	0.6	6.3	3
Earmarked Recurring	23.2	0.0	23.2	4
c/f 2022/23 underspend	0.0	1.0	1.0	5
Other Income	0.0	1.2	1.2	6
Total In-Year Funding	117.9	6.1	124.0	
Applications of Funds				
Expenditure Base	88.9	3.4	92.3	7
Earmarked Recurring	23.2	0.0	23.2	4
Secondments	0.0	1.2	1.2	6
General Inflation / Growth etc				
Salaries	6.0	0.6	6.5	8
Supplies	1.5	0.0	1.5	8
Other Commitments				
All Investments	0.3	1.8	2.1	5
Expenditure prior to Savings	120.0	6.9	126.9	
Savings required to break even	(2.1)	(0.8)	(2.9)	

The table above shows the starting position for NHS 24 based on current known funding and spend assumptions, including the recently announced 2023/24 pay award. It shows that although the organisation rolls into financial year 2022/23 with a balanced income and spend budget of £92.3m, that there is a gap between the current inflationary uplift and the forecast cost increases. At this point NHS 24 requires to achieve £2.1m of recurring efficiencies to remain in recurring financial balance in addition to £0.8m of non recurring savings to achieve the statutory breakeven requirement. The gap is mainly due to inflationary pressures on non pay costs.

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2. Income Base

The recurring Income Base budget has been reconciled to the recurring funding on the Scottish Government Budget 2023-24 letter dated 15 December 2022. This letter included an indicative uplift in funding to cover average Agenda for Change pay awards of 7.5% in 2022/23, which covers the pay announcement.

The non recurring Income Budget is based on the assumption that the following allocations, received in 2022/23 from SGHSCD, shall continue to be funded in 2023/24. This excludes allocations that NHS 24 are anticipating shall be baselined in 2023/24, which are shown separately in the earmarked recurring section at point 4.

Description	2023/24		
	Recurring £'000	Non Recurring £'000	Total £'000
Base Allocation	88,939		88,939
<u>Non Recurring assumed each year</u>			
Nursing - OU Students		20	20
ICT - e-health strategic allocation		129	129
Nursing - Implementation of excellence in care		34	34
Nursing - Implementation of Health Staffing Act		39	39
Six Essentials		150	150
Preparing for Winter		150	150
Nursing - AHP Lead Post		21	21
Improvements to Forensic Medical Services		698	698
Mental Health cCBT		470	470
Enhanced Mental Health Care Pathway		1,242	1,242
Comms - Easter & Winter Marketing		85	85
ICT - Primary Care Projects (PCDS)		305	305
Medical - Realistic Medicine Clinical Lead and PM		30	30
Vaccine Funding		35	35
Income 'Base'	88,939	3,407	92,345

3. Funding Uplift

NHS 24 has been informed that all Boards will receive a baseline uplift of 2.0% for financial year 2023/24. In addition, NHS 24 is expecting to receive funding to cover the additional costs above 2% resulting from the 6.5% Agenda for Change pay award announcement for 2023/24.

The 2.0% uplift in funding that is applied to non pay budgets is to cover supplies inflation for the year. However, the key ICT contracts are linked to inflation indices which have been running at over 10%. In addition, increases in other costs, such as energy, are far exceeding 2% and are contributing to the overall £2.1m recurring pressure.

4. Earmarked Recurring Income

It is anticipated that funding for Mental Health and the Redesign of Urgent Care will be baselined when we recruit to the agreed number of staff. As such, these funds are classed as 'earmarked recurring'.

A portion of the Mental Health funding has now been moved to Baseline Funding (£4.4m), however, due to ongoing recruitment, there remains a number of vacancies in Mental Health and Redesign of Urgent Care to be filled. It is assumed the remaining vacancies will be filled during 2023/24, allowing the funding to be moved to baseline in future.

Funding for the Redesign of Urgent Care is based on 583 WTE call handlers and funding for Mental Health is based on recruiting 104 WTE PWP's. These figures are still under discussion with SGHSCD at present.

Description	2023/24		
	Recurring £'000	Non Recurring £'000	Total £'000
Mental Health Development	7,833		7,833
Redesign of Urgent Care	15,402		15,402
Earmarked Recurring	23,235	0	23,235

5. Anticipated Investments

There are some investments that we have to anticipate in the 2023/24 financial plan.

Description	2023/24		
	Recurring Investment £'000	Non Recurring Investment £'000	Total Investment £'000
<u>Additional investments - funded internally</u>			
Shift Review	100		100
External Audit Increase	17		17
Thrive	35		35
SMS Messages	60		60
Laptop/Desktop Support	80		80
National e-Rostering		200	200
SPRA non recurring fund		1,567	1,567
Total Investments	292	1,767	2,059

There are several investments currently identified that NHS 24 require to fund internally. Work continues on the development of the Shift Review proposals and an estimate of the outstanding funding gap of £0.1m has been made in the plan.

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The other investments relate to the national eRostering programme and an increase to the external audit fee, which are unavoidable. Funding is also required to continue the use of the Thrive mental health app, to enhance our service delivery through SMS messaging, and additional laptop and desktop support as our organisation continues to grow.

Once these investments have been funded, a £1.6m non recurring fund has been set aside for SPRA (Strategic Planning Resource Allocation) to support our strategic priorities, in particular our Digital Transformation, Recruitment, and Performance ambitions. This is partly funded from the carry forward of the projected underspend from 2022/23.

6. Other Income

NHS 24 has a number of people on secondment to other Boards/organisations. This is treated as non recurring income and offsets the expenditure costs of these individuals who still sit on NHS 24's paybill. This can be a non recurring gain to NHS 24 if backfill is not required and has nil effect if they are.

7. Expenditure Base

The expenditure base roll forward is the year end 2022/23 expenditure budget across each Directorate in NHS 24. It squares to the income base roll forward, evidencing that our starting position is in recurring balance.

8. General Inflation

Description	2023/24		
	Recurring £'000	Non Recurring £'000	Total £'000
Pay Award	5,618	551	6,169
Incremental Progression	354	0	354
Non Pay - General	173	0	173
Non Pay - Managed Service Contracts	692	0	692
Non Pay - Other IT Contracts	325	0	325
Non Pay - Energy	193	0	193
Non Pay - Rates	125	0	125
Total Uplifts	7,481	551	8,031

The Agenda for Change pay uplift is based on the recently announced 6.5% increase, which NHS 24 expects to be fully funded. This also assumes the 7.5% uplift for 2022/23 is fully funded recurrently.

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The pay award for 2023/24 is estimated to cost £5.6m on a recurring basis. In addition, staff on Agenda for Change grades will also receive one-off payments in 2023/24 and this is estimated to cost £0.45m, which is expected to be fully funded on a non recurring basis. The balance of £0.1m non recurring increase relates to the pay award for other staff covered by non recurring funding.

A review of staff on the paybill and turnover trends has enabled us to forecast the impact of incremental progression on the Agenda for Change paycales. It is expected that this will increase the paybill by £0.35m in 2023/24.

In recent years, the basic non pay costs are normally anticipated to rise by around £0.2m. In 2023/24, these costs are expected to rise by approximately £1.5m. A large element of this increase is due to the Managed Service Contracts which are uplifted by the agreed indexation per the contracts. Additional funding has also been set aside for anticipated increases in many other non pay categories, including our energy costs.

9. Reserves

Within the 2023/24 finance plan, provision has been made to cover expenditure in the following areas:

- Connect – NHS 24 has funding set aside for the digital transformation programme. £0.7m has been set aside for the next three years to fund Project Management and implementation costs of technology upgrades. This shall be reviewed on an ongoing basis
- Advanced Clinical Support – NHS 24 received an initial £1m which was earmarked for ACS activities. Various posts have been recruited using this funding, including Advanced Nurse Practitioners. At present there is still £0.2 of ACS funding remaining.
- Shift Review – In the 2022/23 finance plan efficiencies were achieved to help progress Phase 2 of the Shift Review. £0.6m has been set aside to roll this out once the business case has been approved by the Board.

10. Summary position prior to Cost Savings

NHS 24 starts the new financial year with a £2.1m recurring gap. It is important to note that the roll forward into financial year 2023/24 was in a recurring balanced position so this new pressure is down to a difference between forecast new funding and new spend.

The recurring uplift received for inflationary increases totals £5.7m yet inflationary price rises are anticipated to be £7.5m. This accounts for £1.8m of the recurring pressure. The other £0.3m is shown on the investment table, including the remaining gap in funding the Shift Review. The main causes of the inflationary pressures are:

- £0.2m increase in energy prices

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- £0.7m increase in Managed Service contracts from indexation
- £0.3m anticipated increase in other contracts
- £0.1m anticipated increase in rates
- £0.4m increase in pay due to incremental moves up the pay scales
- £0.1m miscellaneous and roundings

As such, the Board is in a position where cost efficiencies are, in effect, required to enable us to stand still in terms of our cost base before any consideration can be given to funding any additional investments.

11. Savings Plans

Against the current financial gap, the following Savings plans have been identified:

Description	2023/24		
	Recurring £'000	Non Recurring £'000	Total £'000
Savings required prior to Devs	(2,056)	(810)	(2,866)
<u>Identified to date</u>			
Conferencing Facilities	20	0	20
CMS Migration	145	0	145
Contract Procurement	4	0	4
Welbeing Mgrs	325	0	325
Tech Refresh	200	0	200
Establishment Control	200	0	200
Service Redesign	200	0	200
Mobile Phones	20	0	20
Shift Review slippage	0	350	350
Vacancy Factor	0	1,402	1,402
Total Savings Identified	1,114	1,752	2,866
% of base funding	1.2%	1.9%	3.0%
Funding position after identified Savings	(942)	942	(0)

SGHSCD expect Boards to achieve a 3% savings target each year from generating internal efficiencies to invest back into the service. The above shows that NHS 24 has identified recurring savings of £1.114m and £1.752m from a non recurring savings which brings NHS 24 to a balanced position and meets our 3% obligation. However, this leaves NHS 24 in a financial position where non recurring funds are being relied upon to prop up recurring costs.

The 2% vacancy factor is proposed to cover non recurring savings, based on the historic turnover of staff. It is important to note that this is not an active delaying of posts being filled but a natural gain from attrition throughout the year.

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In addition to the above identified savings, work is continuing on the Sustainability Programme to ensure a fresh stream of efficiency opportunities is maintained.

12. In Summary

After discussion at the March Board Workshop it was agreed:

- to proceed with the breakeven finance plan as it currently stands, with a £0.9m recurring gap, offset by £0.9m non recurring offsets.

To reduce the recurring gap as quickly as possible it was also agreed:

- that planned investments are scrutinised again to ensure that the performance benefits are realisable. Board approval is required before progressing Phase 2 Shift Review
- that inflation assumptions are monitored as the year progresses as there are signs that inflation pressures shall start to ease. Optimistic views on inflation could reduce our recurring gap by c£0.3m but for prudence the figures will stand as they are at present.
- the savings pipeline profile is raised to ensure that additional efficiencies are identified as the year progresses.

Updates will be added to the Board Finance Report and be fully discussed at Executive Management Team and Planning & Performance Committee.

13. 3 Year Plan

The Scottish Government have asked Health Boards to provide a three-year financial plan covering the period 2023/24 to 2025/26. The above detail covers Year 2023/24 in depth.

The three-year plan assumes that there will be a certain level of investment required each financial year, in order for NHS 24 to respond to new challenges and continue to future proof its services. In recognition of this, a recurring fund and a non recurring fund have been built into years 2024/25 and 2025/26.

In future years, inflation is expected to drop dramatically and return to previous levels. Therefore, the plan includes funding uplift at 2%, pay at 2% and non pay inflation at 1%.

The financial position before the achievement of any unidentified savings is shown below. In future years it is anticipated that a recurring savings target shall be achieved to fund the investment pot. As yet, those plans require to be identified but are anticipated to mainly come from technology changes supporting performance improvements and contracts are reproced.

If funding for RUC and Mental Health is added to the baseline, then this in turn increases the efficiency requirement to achieve savings of 3% of baseline funding.

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Therefore, the savings challenge will increase by approximately £800k per annum from 2024/25.

Based on current projected uplift and inflationary information from SGHSCD the table shows that 2023/24 is going to be the most challenging year, assuming inflation falls to previous levels in future years. As such, our main priority has to be ensuring that we can balance the budget in a planned manner without impacting negatively on performance, however, taking cognisance of the risk that the future year's inflationary position may be optimistic.

In terms of **capital**, NHS 24 has provided details to SGHSCD colleagues on future capital spend, in line with previous years. Of note is the implementation of our Digital Transformation Programme. As our current managed service contracts expire in 2025 there is a period of doublerunning anticipated. This has been notified to SGHSCD finance with a working assumption on spend and potential funding requirements as the contracts end. This will be reviewed as part of the Digital Transformation business case when this is prepared in the coming months.

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	2023/24			2024/25			2025/26		
	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m
Income Base	88.9	3.4	92.3	117.9	3.4	121.3	120.3	3.5	123.7
Uplift	5.7	0.6	6.3	2.4	0.1	2.4	2.4	0.1	2.5
Earmarked Recurring	23.2		23.2						
c/f 2022/23 underspend		1.0	1.0						
Other Income		1.2	1.2		1.2	1.2		1.2	1.2
Total In-Year Funding	117.9	6.1	124.0	120.3	4.7	124.9	122.7	4.8	127.4
Applications of Funds									
Expenditure Base	88.9	3.4	92.3	118.8	3.4	122.2	120.9	3.4	124.3
Earmarked Recurring	23.2		23.2						
Secondments		1.2	1.2		1.2	1.2		1.2	1.2
General Inflation / Growth etc									
Salaries	6.0	0.6	6.5	2.2	0.1	2.3	2.3	0.1	2.3
Supplies	1.5		1.5	0.5	0.0	0.5	0.2	0.0	0.2
Other Commitments									
All Investments	0.3	1.8	2.1	0.4	1.9	2.3	0.4	2.5	2.9
Cost Savings Plans	(1.1)	(1.8)	(2.9)	(1.1)	(2.5)	(3.6)	(1.1)	(2.6)	(3.7)
Expenditure Total	118.8	5.1	124.0	120.8	4.1	124.9	122.7	4.7	127.4
Position prior to unidentified savings	(0.9)	0.9	(0.0)	(0.6)	0.6	(0.0)	(0.0)	0.0	0.0