

<p><b>NHS 24 BOARD MEETING</b></p> <p style="text-align: right;"><b>28 APRIL 2022 ITEM NO 9.5 FOR APPROVAL</b></p> <p style="text-align: center;"><b>FINANCIAL PLAN 2022/23</b></p>	
<b>Executive Sponsor:</b>	Director of Finance/John Gebbie
<b>Lead Officer/Author:</b>	Director of Finance/John Gebbie
<b>Action Required</b>	The 2022/23 finance plan has been prepared using current assumptions from SGHSCD. Due to ongoing discussion nationally in regard to Agenda for Change and energy increases, this paper is for approval as a working plan as we enter the new financial year.
<b>Key Points for this Committee to consider</b>	<p>While NHS 24's finance plan highlights our financial challenges in the year ahead, it demonstrates that we are in a position where a breakeven position is still achievable.</p> <p>The Agenda for Change pay award has not yet been finalised so this plan is on the basis that any uplift above the Public Sector Pay Policy recommendations is funded in full by SGHSCD.</p> <p>Main points to note:</p> <ul style="list-style-type: none"> <li>• Finance Plan starts with a balanced recurring position in terms of roll forward of income and spend budgets. £0.4m of unachieved recurring savings is offset by £0.4m of SPRA developments that were not progressed.</li> <li>• The funding uplift received does not cover the current anticipated inflationary increases in 22/23. This results in a cost pressure of £0.7m. In addition, there are new pressures from the maintenance costs in the new 111 contract and the additional public holiday in 22/23.</li> <li>• Traditionally savings plans are identified to invest in developments, however savings are required of £0.9m recurringly and £0.1m non recurringly to stand still before any new developments can be considered.</li> <li>• Savings plans have been identified to date totalling £0.7m recurringly and potentially £1.3m non recurringly. As such, there is a confidence that we can breakeven in 22/23, albeit some additional recurring savings are required to retain recurring financial balance. If we want to progress with any proposed developments then we do need to identify more savings to fund them.</li> <li>• A non recurring invest to save pot has been identified and will be released via EMT approval of schemes that help provide future savings.</li> </ul>

## NHS 24 GREEN

<b>Governance process</b>	This finance plan has been approved by EMT members at the April meeting. It is presented to Board session in April with a deeper dive at PPC in May by which point it is anticipated final discussions on uplifts shall have been concluded. Any material changes shall come back to Board once known.
<b>Strategic alignment and link to overarching NHS Scotland priorities and strategies</b>	This paper demonstrates how NHS 24 can meet its financial targets in 2022/23.
<b>Key Risks</b>	Ensuring we have captured all income and spend items appropriately and that savings are deemed achievable. If Agenda for Change settlement is not fully funded.
<b>Financial Implications</b>	Ensuring a balanced financial plan is achievable.
<b>Equality and Diversity</b>	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. NHS 24 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. At this point we have been asked by SGHSCD to submit a one year plan. A three year plan will be requested in the coming months.

	2022/23			Para
	Recurring £m	Non Recurring £m	Total £m	
Income Base	86.6	3.4	90.0	2
Uplift	2.8	0.1	2.9	3
Earmarked Recurring	20.9	(5.0)	15.8	4
Anticipated Investment Allocations	0.0	2.0	2.0	5
Other Income	0.0	1.2	1.2	6
<b>Total In-Year Funding</b>	<b>110.3</b>	<b>1.7</b>	<b>111.9</b>	
<b>Applications of Funds</b>				
Expenditure Base	86.6	3.4	90.0	7
Earmarked Recurring	20.9	(5.0)	15.8	4
Secondments	0.0	1.2	1.2	6
<b>General Inflation / Growth etc</b>				
Salaries	3.0	0.1	3.1	8
Supplies	0.5	0.0	0.5	8
<b>Other Commitments</b>				
All Investments	0.2	2.1	2.3	5
<b>Expenditure prior to Savings &amp; Devs</b>	<b>111.2</b>	<b>1.8</b>	<b>113.0</b>	
<b>Savings required prior to Devs</b>	<b>(0.9)</b>	<b>(0.1)</b>	<b>(1.1)</b>	

The table above shows the starting position for NHS 24 based on current known funding and spend assumptions. It shows that although the organisation rolls into financial year 2022/23 with a balanced income and spend budget of £90.0m, that the current inflationary uplift does not cover the known cost increases. At this point NHS 24 requires to achieve £0.9m recurring and £0.1m non recurring of efficiencies to remain in recurring financial balance and to achieve the statutory breakeven requirement.

It should be noted that while we roll forward in a breakeven position this includes a £0.4m of unachieved savings offset by £0.4m on SPRA developments that have been held to compensate.

There are some potential adjustments that should work in NHS 24's favour and these are currently being worked through nationally but for prudence cannot be relied upon at this point in terms of planning assumptions.

## 2. Income Base

The recurring Income Base budget has been reconciled to the recurring funding on the Revenue Resource Allocation Letter (RRL).

The non recurring Income Budget is based on the assumption that the following allocations, received in 2021/22 from SGHSCD, shall continue to be funded in 2022/23. This excludes allocations that NHS 24 are anticipating shall be baselined in 2022/23, which are shown separately in the earmarked recurring section at point 4.

Description	2022/23		
	Recurring £'000	Non Recurring £'000	Total £'000
Base Allocation	86,588		86,588
<u>Non Recurring assumed each year</u>			
OU Students		23	23
e-health strategic allocation		129	129
Implementation of excellence in care		32	32
Implementation of Health Staffing Act		34	34
Health & Wellbeing Helpline		139	139
Six Essentials		150	150
Preparing for Winter		150	150
AHP Lead Post		33	33
Improvements to Forensic Medical Services		748	748
Mental Health cCBT		470	470
Enhanced Mental Health Care Pathway		1,062	1,062
Easter & Winter Marketing		165	165
Primary Care Projects (PCDS)		305	305
Supporting Better Value Healthcare		40	40
<b>Income 'Base'</b>	<b>86,588</b>	<b>3,479</b>	<b>90,067</b>

## 3. Funding Uplift

NHS 24 has been informed that all Boards will receive a baseline uplift of 2.0%, plus support for the increase in employer national insurance costs arising from the UK Health and Social Care Levy. The 2.0% uplift is to fund the Public Sector Pay Policy's pay recommendation and any supplies inflation for the year. It should be noted that discussion is ongoing regarding the Agenda for Change pay settlement and funding arrangements for Boards will be revisited by the Scottish Government in line with the outcome of the pay negotiations. As such, this plan assumes that any Agenda for Change settlement shall be funded by Scottish Government. The funding increase in total equates to £2.8m recurring and £0.1m non recurring. It is worth noting that inflation is currently running higher than the 2% uplift.

#### 4. Earmarked Recurring Income

Discussions during 2021/22 were successful in helping baseline a number of funds previously shown in this section such as the Mental Health Hub, Breathing Space, Living Life and Advanced Clinical Support funds. There are now only two areas being treated in this way, the balance of the Mental Health funds which SG Mental Health colleagues have confirmed will be baselined when posts are filled, and the Redesign of Urgent Care which it was agreed we were to recruit to on a permanent basis on the assumption funding will be baselined. Our 22/23 detailed Mental Health and RUC plans have recently been submitted to SGHSCD for approval.

Description	2022/23		
	Recurring £'000	Non Recurring £'000	Total £'000
Mental Health Development	1,946		1,946
Redesign of Urgent Care	18,930		18,930
<b>Earmarked Recurring</b>	<b>20,876</b>	<b>0</b>	<b>20,876</b>

#### 5. Anticipated Investments

There are some investments that we have to anticipate in the 2022/23 financial plan.

Description	2022/23		
	Recurring Investment £'000	Non Recurring Investment £'000	Total Investment £'000
Covid-19		2,006	2,006
<b>Investments - Income</b>	<b>0</b>	<b>2,006</b>	<b>2,006</b>
<u>Additional investments - funded internally</u>			
111 Contract - Maintenance Payment	144		144
DL - Additional Public Holiday		100	100
Enterprise Investment Tool	16	7	
<b>Total Investments</b>	<b>160</b>	<b>2,113</b>	<b>2,250</b>

At the time of producing the finance plan it was uncertain what measures would be continuing in regard to Covid-19. The plan currently includes £2.0m of anticipated funding from SGHSCD for Covid-19 and spend is shown as an equal and opposite. The breakdown of this is £1.2m Covid Helpline (notice has since been served); £0.6m for the Dental Service; and £0.2m for the Vaccination programme and additional cleaning costs.

In addition, there are three investments that NHS 24 require to fund internally. The new 111 contract, signed off at the March Board meeting, results in an increase in expenditure for maintenance charges not previously incurred, the Platinum Jubilee additional public holiday incurs a one off charge, and a new Enterprise tool will help monitor licences and contracts, subsequently resulting in efficiencies.

## 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 2021/22 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	2022/23		
	Recurring £'000	Non Recurring £'000	Total £'000
Pay Award	1,758	50	1,808
Incremental Progression	593	17	610
NI Uplift	676	19	695
Non Pay	500	30	530
<b>Total Uplifts</b>	<b>3,527</b>	<b>116</b>	<b>3,643</b>

At present the pay uplift is based on the Public Sector Pay Policy recommendations:

- £775 flat fee increase for staff earning below £25k (3.1% minimum)
- £700 flat rate increase for staff earning between £25k and £40k (2.8% to 1.75%)
- £500 flat rate increase for those earning above £40k (1.25% maximum)

The current cost is estimated at £1.8m.

This will be used as an anchor point in the forthcoming Agenda for Change pay settlement and funding arrangements for Boards will be revisited by the Scottish Government in line with the outcome of the pay negotiations.

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 payscales. It is expected that this will increase the paybill by £0.6m in 2022/23.

The increase in the employer National Insurance cost is estimated at £0.7m.

Basic Non Pay costs are normally anticipated to rise by 1%. However, the Managed Service Contracts are uplifted by the agreed indexation per the contracts (RPI – which is running higher than the CPI figure that is quoted in the media as the official inflation measure) and additional funding has been set aside for anticipated increases in our energy costs. Thankfully NHS 24 do not utilise much gas which is rising at a higher rate than electricity.

## 9. Summary position prior to Cost Savings

NHS 24 starts the new financial year with a £0.9m recurring gap and £0.1m non recurring gap. It is important to note that we rolled forward into this financial year in a recurring balanced position so this new pressure is down to a difference between forecast new funding and new spend.

The uplift received for inflationary increases totals £2.9m yet inflationary price rises are anticipated to be £3.6m. There are three main reasons for this pressure.

- Public Sector Pay Policy recommendation is weighted towards lower paid staff receiving a larger % increase. Those earning less than £25k receive a minimum 3.1% uplift while those on £40k+ earn a maximum of 1.25%. NHS 24 has a large number of staff on the lower paybands compared to other Boards which disproportionately impacts us. It is important to note that at this time last year, prior to the Agenda for Change pay uplift being announced, NHS 24 had a £0.6m recurring gap on uplift. This was rectified when Agenda for Change funding was received resulting in a breakeven. Discussion has taken place with SGHSCD colleagues on this issue and they have confirmed they will work with us to resolve this gap if Agenda for Change does not correct it.
- £0.1m increase in energy prices
- £0.2m increase in Managed Service contracts from indexation

In addition, there is the Vodafone contract increase and Jubilee additional public holiday to fund.

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 proposed investments.

## 10. Savings Plans

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

Description	2022/23		
	Recurring £'000	Non Recurring £'000	Total £'000
<b>Savings required prior to Devs</b>	<b>(946)</b>	<b>(148)</b>	<b>(1,094)</b>
<u>Identified to date</u>			
BT CCMT contract reduction	182	0	182
N3 licences to IP Connect	125	0	125
Service Development secondments	260	0	260
SWAN Newcastle circuits	6	0	6
Cardonald LED lighting	40	0	40
Blackberry UEM	52	0	52
Sugar licence cost reduction (£22k)	22	0	22
2% vacancy factor	0	1,354	1,354
<b>Efficiencies to be identified to breakeven</b>	<b>(259)</b>	<b>1,206</b>	<b>947</b>

SGHSCD expect Boards to achieve a 3% savings target each year from generating internal efficiencies to invest back into the service. A 3% target on our base funding equates to £2.6m. The above shows that to date £2.0m (2.4%) of potential savings have been identified, with £0.6m therefore still to be found.

The above shows that NHS 24 is currently in a position where a breakeven position is achievable, resulting in a £0.9m non recurring investment pot to help support invest to save opportunities within the organisation. The recurring gap of £0.3m is deemed achievable across the directorates but requires internal review of the budgets, which would increase the investment pot to £1.2m non recurringly. It is also anticipated that historically there are enough non recurring gains that will support full achievement of our 3% target.

A 2% vacancy factor is proposed 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. An alternative would be to fund each pays line at a lower recurring level to account for turnover but preference would be to fully fund all agreed established posts. This savings target is a lever to create the non recurring investment pot. If early indications are that the vacancy factor is not being achieved then the investment pot approvals can be flexed accordingly so we do not spend what we do not have available.

In addition to the above identified savings, work is currently taking place on reviewing the true up licence costs; the SIP trunk; and the Tech Refresh provision. It is important to note that the majority of savings last year and this relate to technology.