NHS 24 **BOARD MEETING**		**25 APRIL 2024** **ITEM NO 9.2** **FOR APPROVAL**

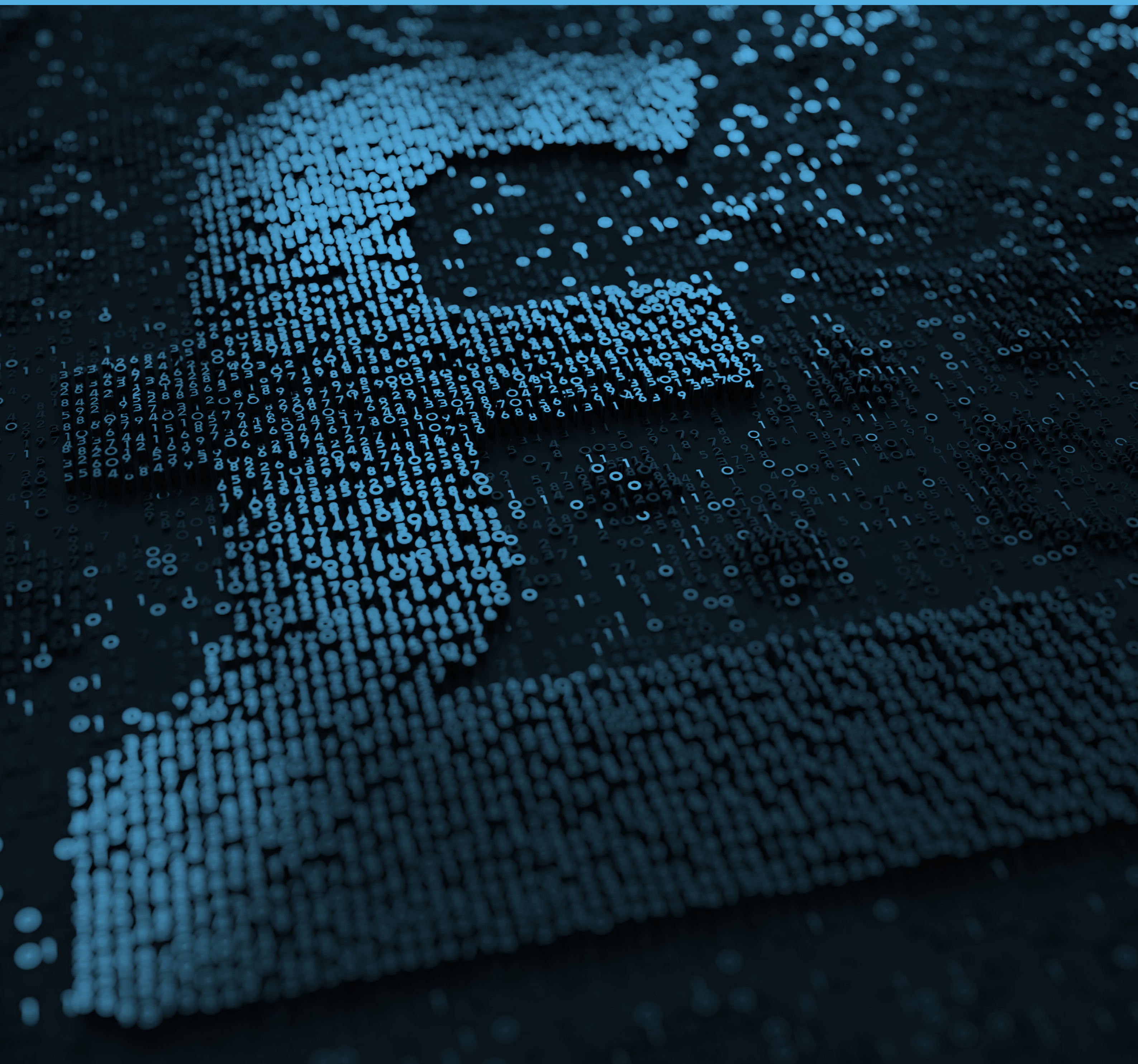
2024/25 FINANCE PLAN

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 2024/25 Finance Plan. This was submitted to Scottish Government in March, with approval received on the 4 April.
Key Points for this Committee to consider	The main points to note: • The plan is based on the provisional 2024/25 funding envelope provided by Scottish Government Health & Social Care Directorate (SGHSCD). • Pay uplift to be assumed as funded from SGHSCD however at present shown as 0% uplift on income and spend. • Non pay inflationary pressures to be dealt with internally as 0% inflationary funding to be received. • Agenda for Change incremental progression impacts in 2024/25 to be funded internally. • Improvement on the underlying recurring deficit from 2023/24. • Efficiency target of 3% to be achieved by all NHS Boards on a **recurring** basis in 2024/25 • Funding required to be set aside for the Digital Transformation Programme as a commitment was given this would be funded internally. • Efficiency proposals demonstrate the areas where savings have been targeted. • It is proposed that the Board signs off a breakeven finance plan, however, recognises that work continues on the detail behind some of the savings targets set. This shall be closely monitored each month and reported via the governance routes in place, with the Board being informed of progress on a regular basis.
Governance process	• First cut to EMT 15 January.

	• EMT session on 18 January to confirm assumptions in the plan and efficiencies programme. • First cut submission to SGHSCD by end of January. • Discussion with Senior Management Team (SMT) on the draft plan 10 January. • Discussion with Partnership colleagues on the key themes 31 January. • Discussion with Sustainability & Values Group 1 February. • Submission of proposed final plan to February PPC. • Submission of final draft plan to February Reserved Board. • Submission of final draft plan to SGHSCD early March. • Submission of final plan to April Board.
Strategic alignment and link to overarching NHS Scotland priorities and strategies	This paper demonstrates how NHS 24 can meet its financial targets in 2024/25 and the challenges faced in achieving them.
Strategic alignment and link to Corporate Delivery Plan activity	The Corporate Delivery Plan has been submitted to Scottish Government and feedback is awaited.
Key Risks	NHS 24 may not meet its statutory requirement to breakeven 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 ADP process and be assessed in line with the appropriate requirements in relation to equality and diversity.

2024/25 to 26/27

FINANCE PLAN



CONTENTS

1. 2023/24 Finance Plan Recap

Prior to reviewing the 2024/25 draft finance plan the table below provides a reminder of the three year plan previously signed off by Board.

	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

In summary:

- A break even position was achievable each year, however, with an underlying recurring deficit. The deficit would be offset by non recurring means each year and reduce each year until recurring balance is achieved in 2025/26.

Current position in 2023/24:

- Breaking even in-year due to a pays underspend from vacancies. This offsets a small non pay pressure on legal claims which is anticipated to be back in balance next year.
- Savings targets have been achieved to date with an expectation that the recurring target will have been met in full before the end of March.
- It was anticipated that the £0.9m recurring deficit could be reduced in year but inflation remained higher than expected resulting in any gains achieved elsewhere being utilised towards in-year inflationary pressures.

2. 2024/25 National Context

The Deputy First Minister noted in her response to the UK Government's Autumn Statement that it delivered a worst-case scenario for Scotland's finances. The financial pressures across health and social care are, by far, the most challenging since devolution. All health consequentials have been passed through to the Portfolio, but these were not at the level expected by the Scottish Government, particularly given the non-recurring nature of 2023/24 pay consequentials, and recognising the continued pressures on services in the aftermath of the pandemic and changing demographic profiles.

Main points to note:

- Compared to 2023-24 budgets, territorial NHS Boards will receive a total increase of 4.3% for 2024-25 to cover costs **related to the 2023-24 pay deals**, with National Boards receiving a 3.8% uplift to fund 2023-24 pay deals. For clarity, these uplifts relate to 2023-24 non-recurring funding now being made on a recurring basis (NHS 24's uplift is 0.7% due to funds already baselined).
- In terms of **2024/25 pay uplift**, funding arrangements for Boards will be revisited by the Scottish Government following the outcome of the pay negotiations in the new financial year. At this stage Boards have been advised by Scottish Government to assume that additional funding will be allocated to support a deal.
- No funding is provided for **non-pay costs** in 2024/25 with Boards expected to manage pressures within existing envelopes.
- In addition to the baseline uplift outlined, funding aligned to **policy commitments** and recovery of health and social care services will be allocated to Boards and Integration Authorities in 2024-25, aligned to Annual Delivery Plans, with a commitment to putting out 80% of allocations in the first quarter. For NHS 24 this should provide a level of certainty in regard to outstanding Redesign of Urgent Care and Mental Health funds, though clarity is still awaited on inflationary uplift for 2022/23 and 2023/24 pay awards for these services, totalling £2.8m.
- The health **capital budget** allows for formula capital (maintenance) to be maintained at 2023-24 levels, however due to reductions in funding it is proposed that only major projects in construction shall be completed, in addition to national replacement programmes for Ambulances and Radiotherapy equipment. No funding will be available for development costs of any new projects as it is not expected that any new construction can be started over the next two years at least.
- Boards are expected to provide 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 that reported at the start of 2023-24. Board Chief Executives have recently approved a 15 box grid providing areas of focus for Boards to progress.

There are various national programmes of work supporting these areas to be implemented at a local level.

  - Prescribing (5)– national formulary rollout; digital prescribing to be accelerated; polypharmacy reviews; low clinical value medications; affordability of new medicines.
  - Workforce (5) – agency reduction; sickness absence reduction; pay protection; bank optimisa tion; shared services.
  - Other (5) – theatre optimisation; remote outpatient appointments; review of integration schemes; procedures of low clinical value; CfSD pathway changes and heatmaps.

- The NHS Scotland Planning & Delivery Board (NHSSP&DB) has been established to direct and co-ordinate a range of national work including strategic planning, national programmes and national improvement. Work will continue to rationalise national programmes and agree priorities to simplify the landscape and have a stronger focus on affordability. Decisions will be taken on a Once for Scotland basis working alongside Board Chief Executives and the other functional professional's groups.

3. NHS 24 – 2024/25 Draft Finance Plan

The table below shows the 2024/25 starting position, based on current known funding and spend assumptions. £4.8m of savings are required to breakeven.

	2024/25			
	Recurring £m	Non Recurring £m	Total £m	Para
Income Base	102.2	1.13	103.4	A
Uplift	0.0	0.0	0.0	B
Earmarked Recurring	17.0	0.0	17.0	C
c/f 2023/24 underspend	0.0	0.0	0.0	D
Other Income	0.0	1.0	1.0	E
Total In-Year Funding	**119.2**	**2.1**	**121.4**	
Applications of Funds				
Expenditure Base	102.2	1.13	103.4	F
Prior Year Recurring Gap b/f	0.9	0.0	0.9	
Earmarked Recurring	17.0	0.0	17.0	C
Secondments	0.0	1.0	1.0	E
General Inflation / Growth etc				
Salaries	0.4	0.0	0.4	G
Supplies	1.0	0.0	1.0	G
Other Commitments				
Unavoidable Pressures	0.4	0.0	0.4	H
Priority Investments	0.2	1.8	2.0	I
Expenditure prior to Savings	**122.3**	**3.9**	**126.2**	
Savings required to break even	**(3.0)**	**(1.8)**	**(4.8)**	

In summary, the main reason for the financial gap is as follows:

- £0.9m underlying recurring deficit
- £0.4m Agenda for Change pay scale incremental increases
- £1.0m unfunded 2024/25 non pay inflationary increases
- £0.4m new pressures from 2023/24
- £0.2m items approved via SPRA in 2023/24
- £0.1m roundings in above figures
- £3.0m recurring pressure
- £1.8m non recurring Digital & Service Transformation Programme

It is a statutory requirement for Boards to breakeven financially so if spend is incurred per above then £4.8m of efficiencies require to be achieved.

A. Income Base

The recurring Income Base budget has been reconciled to the recurring funding on the Scottish Government Budget 2024-25 letter received in December 2023 at £91.4m. This is then supplemented by allocations from portfolio teams that have been officially added to our funding base, totalling £102.2m.

The non recurring Income Budget is based on the assumption that the following allocations, received in 2023/24 from SGHSCD, shall continue to be funded in 2024/25. In normal financial times, this assumption would be low risk. However, the risk that these allocations will not be received at current levels has risen given the economic conditions at present and are therefore presented as amber in the table below.

Description	2024/25 Recurring £'000	2024/25 Non Recurring £'000	2024/25 Total £'000	RAG
2023/24 initial allocation	90,701		90,701	
National Board Savings Target	(765)		(765)	
Residual 23/24 Pay Award	1,442		1,442	
2024/25 SGHSCD baseline	91,378		91,378	
Easter/Winter campaign rec'd in-year	85		85	
Exec/Snr Mgr/Medic Pay Award rec'd in-year	67		67	
Redesign of Urgent Care baselined Nov 23	10,700		10,700	
NHS 24 Recurring Income Base	102,230		102,230	
Non Recurring assumed each year				
Nursing - OU Students		20	20	
ICT - e-health strategic allocation		125	125	
Nursing - Implementation of excellence in care		43	43	
Nursing - Implementation of Health Staffing Act		43	43	
Improvements to Forensic Medical Services		373	373	
ICT - Primary Care Projects (PCDS)		75	75	
Realistic Medicine Clinical Lead and PM		50	50	
Depreciation		397	397	
Income 'Base'	102,230	1,126	103,356	

B. Funding Uplift

Boards have been asked to assume that the pay uplift shall be funded from Scottish Government when it has been negotiated, with no uplift on non pay areas. This creates a pressure on non pay budgets with the main contracts being indexed linked to the Retail Price Index.

NHS 24 has not built in any additional costs for the non pay element of Agenda for Change negotiations at this point, for example reduced working week, and will keep a watching eye on this as any changes to current terms and conditions will result in an additional cost pressure if not funded.

C. Earmarked Recurring Income

NHS 24 continues to receive a portion of portfolio funding for Redesign of Urgent Care (RUC) and Mental Health (MH) on a non recurring basis. During 2023/24 a significant amount was made recurring, however, a material amount is still received non recurringly due to vacancies still required to be filled.

As such, the Scottish Government could not release the remaining funding to baseline, therefore the funding is still treated as Earmarked Recurring. At present it is assumed the remaining vacancies will be filled in 2024/25, allowing the funding to be moved to baseline during the year.

However, there is a risk, given the national financial position, that not all funds shall now be received. This risk is not deemed a financial one as posts will only be recruited to within the funding envelope available but could have a negative impact on performance. Any changes to the funding allocation will be worked through with the portfolio teams to assess the impact on performance. It is important to note that it is unlikely NHS 24 will be at full recruitment by the 1st April 2024 and any associated slippage is not shown in this plan as it is anticipated it will be deducted at source by the Scottish Government Health & Social Care Directorate (SGHSCD) portfolio team who will declare this centrally.

On guidance from SGHSCD, NHS 24 is expecting to receive funding to cover the additional costs in relation to the increase in employers pension contributions from 20.9% to 22.5% estimated at £1.3m. This change is due to be implemented from 1 April 2024.

Description	2024/25		
	Recurring £'000	Non Recurring £'000	Total £'000
Mental Health Development	7,879		7,879
Redesign of Urgent Care	6,493		6,493
Enhanced Mental Health Care Pathway	1,369		1,369
Pension Increases	1,264		1,264
Earmarked Recurring	17,005	0	17,005

D. Carry forward underspend

At this point, NHS 24 is not anticipating receiving any potential 2023/24 underspend in 2024/25 given the national financial picture.

E. 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.

F. Expenditure Base

The expenditure base roll forward is the full year effect of 2023/24 expenditure budgets across each Directorate in NHS 24. It squares to the income base roll forward, with the exception of the underlying recurring deficit.

G. General Inflation

At present, the pay uplift is shown at zero cost on the agreed assumption with Scottish Government that it will be funded in full when negotiated for 2024/25.

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 £0.4m in 2024/25 with a number of staff who joined the organisation during the pandemic now moving up spine points, particularly within the band 3 and 5 staff groups.

For non pay areas, inflation continues to be a pressure, mainly due to the Managed Service Contracts being index linked to RPI. As at January 2024, the Consumer Price Index in the UK was 4.0% and Retail Price Index at 5.2%. It is forecast that inflation shall continue to reduce however, for prudency the plan is currently based on the following rates due to the small increase in January's CPI (0.1%) and small decrease in RPI (0.1%):

- 3.5% for main non pay areas
- 11.5% for utilities
- 5.0% for managed service contracts

H. Unavoidable pressures

There are some unavoidable pressures that it is prudent to build in to the finance plan for 2024/25.

Description	2024/25 Recurring £'000	2024/25 Non Recurring £'000	2024/25 Total £'000
SQL training environment development	34	0	34
BT indexation pressure	146	0	146
Cloud costs	150	0	150
CNORIS 24/25 increase	48	0	48
Unavoidable Pressures	378	0	378

- When the Connect programme was completed it was recommended that an additional SQL server was put in place for the training environment.
- The BT managed service contract is index linked. The RPI was significantly higher than originally forecast for Autumn 2023 so there is a full year effect impact on the funding required for 2024/25 prior to the new year's inflationary increase. If inflation drops this may be offset by lower payments than anticipated from the Autumn 2024.
- Cloud costs continue to increase with recent bills evidencing this.
- NHS 24 has been informed that CNORIS (Clinical Negligence & Other Risks Indemnity Scheme) costs shall rise by £20m in 2024/25. This Board's share of the national cost increase is £48k.

I. Priority Investments

There are some investments that were prioritised via the 2023/24 Strategic Planning Resource Allocation (SPRA) process that require to be funded in 2024/25. These are shown below as SPRA 23/24 commitments that were signed off via the Sustainability & Value group and Executive Management Team. These will continue to be monitored for value for money and ceased where necessary if this is not the case.

	2024/25		
Description	**Recurring Investment £'000**	**Non Recurring Investment £'000**	**Total Investment £'000**
Business Systems Transformation	0	16	16
SPRA 23/24: Online recruitment assessments	25	0	25
SPRA 23/24: Cyber Pen testing	56	0	56
SPRA 23/24: Cyber security awareness	15	0	15
SPRA 23/24: Digital Contact reporting	19	0	19
SPRA 23/24: Recruitment marketing	20	0	20
SPRA 23/24: Leadership prog delivery	0	29	29
SPRA 23/24: AON licence costs - recruitment	17	0	17
SPRA 23/24: Verint voice 3 virtual servers	1	0	1
SPRA 23/24: Arezzo Decision Support	60	0	60
SPRA 23/24: App Self Help Guide expansion	10	0	10
Digital Transformation	0	1,000	1,000
Service Transformation	0	500	500
Non Recurring Investment Fund	0	250	250
Shift Review	0	0	0
Total Investments	223	1,795	2,018

There are three large non recurring amounts included in this section. NHS 24 had assured Scottish Government colleagues that the Digital Transformation Programme would be self funded. This was also raised as an internal audit finding recently. These values are indicative at this point and financed from the non recurring vacancy factor savings target. They will cover the implementation and double running costs incurred during the system changeover.

A number of SPRA bids have been received in recent months prior to the December budget announcement. The majority of the bids are identified against the Digital Transformation and Service Optimisation programmes which have non recurring funds set aside for in the plan. It is proposed that SPRA bids can only be considered via the two programmes and also if they have an invest to save element.

Summary position prior to Cost Savings

NHS 24 starts the new financial year with a £3.0m recurring and £1.8m non recurring gap.

NHS 24 has a statutory responsibility to breakeven on its finances so this £4.8m gap requires to be met from efficiencies across the organisation.

SGHSCD expect Boards to achieve a 3% savings target each year from generating internal efficiencies to invest back into the service. It is important to note that recurring priorities in this plan have been minimised to £0.2m with efficiencies required to pay for inflationary pressures. A 3% target on NHS 24’s base funding equates to £2.7m v’s the £3.0m recurring gap highlighted earlier in this paper.

The Executive Management Team considered setting each Directorate a 3.3% recurring efficiency target plus a 2.0% non recurring target however, to ensure collaborative working it was agreed that the efficiencies programme should be themed to avoid putting an unfair target on areas where spend cannot be reduced in year, for example fixed contract payments, and to reduce the impact on frontline performance as much as possible. This approach helps reduce the risk of conflicting financial priorities in terms of the Annual Delivery Plan deliverables.

The following table highlights a pessimistic, realistic and optimistic view on savings achievement. It is important to note that NHS 24 has never achieved recurring savings of this magnitude within a financial year, however this is required given the nationwide financial position.

Description	2024/25 Recurring £'000	2024/25 Non Recurring £'000	2024/25 Total £'000
Savings required prior to Devs	**(2,999)**	**(1,806)**	**(4,805)**
% against base	***-3.3%***	***-2.0%***	***-5.3%***
Unachieved Savings rollforward	0	0	0
12 month plus vacancies	200	0	200
HIS team	50	0	50
Virtual Queue call cost reduction	300	0	300
Licence review	100	0	100
Advanced Clinical Support posts	150	0	150
Shift Review - stop at option 1	800	0	800
2% vacancy factor	0	1,713	1,713
Plans with a high level of confidence	**1,600**	**1,713**	**3,313**
Pessimistic position	**(1,399)**	**(93)**	**(1,492)**
Savings % against base	***1.8%***	***1.9%***	***3.6%***
Plans with a high level of confidence	**1,600**	**1,713**	**3,313**
Realistic Targets but no detail to date			
Establishment Control	300	0	300
Service Redesign/Dept restructures	250	0	250
Estates income	50	0	50
In year slippage on programmes	0	300	300
Realistic target	**2,200**	**2,013**	**4,213**
Realistic position	**(799)**	**207**	**(592)**
Savings % against base	***2.4%***	***2.2%***	***4.6%***
Realistic savings achievement	**2,200**	**2,013**	**4,213**
Discretionary spend reduction} Savings pipeline via S&V} Review Estates open overnight} Potential inflation reduction}	192	400	592
Optimistic target	**2,392**	**2,413**	**4,805**
Optimistic position	**(607)**	**607**	**0**
Savings target	***2.6%***	***2.6%***	***5.3%***

Notes on savings proposals in the table:

- It is assumed that 2023/24 recurring savings shall be achieved in full before roll forward to 2024/25.
- The 12 month plus vacancies have been reviewed and can achieve £200k of efficiencies through disestablishing these posts.
- The HIS team provided a saving in 2023/24 but continues to underspend.
- The introduction of the virtual queue reduces the need for the call wait cost and then the call is 'free' as the outbound call is covered via the SIP channel which is already paid for. If 20% of calls could be dealt with via the Virtual Queue, then call costs would save £0.3m per annum.
- Licence review – a recent review of Microsoft licences showed that NHS 24 could reduce the more costly licences, however, are tied in with the national contract. As the contract is due for renewal then there is an opportunity to reduce the cost of some of the current licences. In addition, the Sugar licences are currently being renegotiated with an expected efficiency from reduced licence requirements.
- It is easier to not spend underspends than it is to cease current spend. The Nursing & Care Directorate have recently restructured and offered up an efficiency from funding previously set aside for Advanced Clinical Support.
- In last year's finance plan funds were set aside for options 1 and 2 of the Shift Review. It was previously agreed that funds would not be passed out for option 2 until a business case was signed off by the Board, demonstrating the benefits from option 1. As this has not been fully implemented yet and the benefits of the investment to date have still to be worked through it is proposed that the posts previously set aside are disestablished given the financial position. Any proposed expansion of shift review in the future will require a bid via the SPRA process for consideration against future years investment funding.
- Vacancy factor is based on 2% of the recurring budget. In recent years this has been a prudent estimate with underspends being far higher than this. It is not proposed that the 2% is increased any higher due to some of the recurring plans above eroding the pays underspend. In recent years this has provided a non-recurring invest to safe pot to support future years efficiency plans.
- Establishment Control - In the finance plan for 2024/25 there is a reliance on a non recurring vacancy factor to fund the Digital Transformation Programme. Given the financial challenges it is not unrealistic to anticipate that a savings target of £0.3m should be set recurringly.
- All departments within NHS 24 require to review their structures in light of the financial position. There has been an expansion in most departments in recent years due to additional investment in the organisation, however, it is now time to reflect on whether departments across the organisation can now reduce their staffing requirements.
- In year slippage on programmes is a likely one off gain from plans potentially slipping during the year.

The above efficiencies programme shall be a challenge but is deemed achievable. However, it does not fulfil the savings required for the Board to breakeven. As such, the section on optimistic savings highlights additional work that is required to ensure a breakeven position is reached.

- It is anticipated that the Service Optimisation group, once fully established, can review areas of low health gain and maximise efficiencies. However, it is recognised that these may not all result in cash releasing efficiencies but improve performance.
- The S&V group have a savings pipeline of ideas received from across the organisation which are currently being reviewed with lead names and timelines being worked through, such as reviewing the estates requirements overnight to reduce the heating and lighting carbon footprint; considering the data storage requirements for telephony.

- Non pay inflation – the % figures used in the finance plan are not far off current inflation levels. If inflation were to drop by 1% before the March submission then this would reduce the cost assumptions by c£0.2m.
- The investment pot could be reduced on the basis that spend is only approved if the non recurring funds are available to be incurred. This could put plans at risk and jeopardise future savings opportunities, however will be a focus if the Board starts running in to a deficit.
- Work will continue throughout the year to evidence whether any of the non recurring efficiencies identified can be converted to recurring efficiencies.

4. 3 Year Plan

The three year financial plan shows that the Board is on target to get back to a breakeven position, despite the additional funding pressures to deal with in 2024/25.

At present it assumes:

- any agreed national pay negotiations are fully funded;
- inflation drops to 2%;
- while the focus is on Digital Transformation and Service Optimisation there will be minimal investment in other areas, and that the non recurring funds set aside for these areas is enough to cover any implementation costs;
- that there is a heavy reliance on longer term anticipated efficiencies from the new technology systems being procured and reviewing the Estates footprint going forward in line with lease breaks and/or income generation from sharing the estate with other public sector bodies.

	2024/25			2025/26			2026/27		
	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m
Income Base	102.2	1.1	103.4	119.2	1.1	120.4	119.2	1.1	120.4
Uplift									
Earmarked Recurring	17.0	0.0	17.0	0.0	0.0	0.0	0.0	0.0	0.0
c/f 2023/24 underspend	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Income	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0	1.0
Total In-Year Funding	119.2	2.1	121.4	119.2	2.1	121.4	119.2	2.1	121.4
Applications of Funds									
Expenditure Base	102.2	1.1	103.4	119.2	1.1	120.4	119.2	1.1	120.4
Prior Year Recurring Gap b/f	0.9	0.0	0.9	0.8	0.0	0.8	0.3	0.0	0.3
Earmarked Recurring	17.0	0.0	17.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondments	0.0	1.0	1.0	0.0	1.0	1.0	0.0	1.0	1.0
General Inflation / Growth etc									
Salaries	0.4		0.4	0.4		0.4	0.4		0.4
Supplies	1.0	0.0	1.0	0.4		0.4	0.5		0.5
Other Commitments									
Unavoidable Pressures	0.3		0.3						
Priority Investments	0.2	1.8	2.0	0.3	1.6	1.8	1.0	1.5	2.5
Expenditure Total	122.2	3.9	126.2	121.1	3.7	124.9	121.4	3.7	125.1
Financial Gap	**(3.0)**	**(1.8)**	**(4.8)**	**(1.9)**	**(1.6)**	**(3.5)**	**(2.2)**	**(1.6)**	**(3.7)**
Pessimistic Savings	1.6	1.7	3.3						
Financial Gap	***(1.4)***	***(0.1)***	***(1.5)***						
Realistic Savings	2.2	2.0	4.2	1.7	1.9	3.5	2.2	1.6	3.7
Financial Gap	***(0.8)***	***0.2***	***(0.6)***	***(0.3)***	***0.3***	***0.0***	***(0.0)***	***0.0***	***0.0***
Optimistic Savings	2.4	2.4	4.8						
Financial Gap	***(0.6)***	***0.6***	***0.0***						

5. Risks

The risks associated with this plan can be divided into risks to the plan being achieved and the potential consequences to the objectives of NHS 24 following the finance plan implementation. The risks and opportunities approach will also require EMT to consider the potential opportunities or benefits of the finance plan.

The risks to the plan:

Risk Description	Mitigations	Rating
There is a risk that EMT do not agree on the best way forward to deliver the savings and efficiencies needed to meet the financial plan requirements.	Draft savings plans are being discussed with EMT, SMT, S&V, and with Partnership to alleviate any concerns. PID documentation shall capture actions required to ensure all the relevant areas are considered.	Low
There is a risk that increases in inflation rates or changes to planning assumptions may place additional pressures on NHS 24 that will require further savings. Inflation links to the costs of the current managed service provider contract.	Lessons have been learned from last year's finance plan and inflation has been included in the 24/25 plan at a prudent level when considered against government forecasts. This risk cannot be fully mitigated due to external factors outwith NHS 24's control but will be closely monitored with corresponding remedial actions provided where necessary.	Medium
There is a risk that Scottish Government are unable to fund the full allocations to NHS 24 due to wider Health and Social Care financial pressures.	All funding assumptions are clear in the paper and SG colleagues have been asked to confirm their agreement as early as possible. SG have given a commitment to getting allocations out sooner in the new financial year to Boards and work is ongoing to baseline as much funding as possible, with £10.7m of RUC funding secured recurringly and another £4.7m of Mental Health funding in recent weeks.	High
There is a risk that long term outward secondees return to the organisation placing additional staffing cost pressures if funding ceases at their current place of employment.	The establishment control group have a list of all secondees, and RAG rated it in terms of impact of staff returning. This shall be closely monitored against vacancies at each meeting to minimise this risk.	Medium
There is a risk that pay award implications are not fully funded with no inclusion in this plan of the proposed 36 hour working week.	SG have currently asked for Board plans to assume pay implications shall be funded. Work has been taking place to assess the financial impact of this but also the staffing level impact if funding is not received and post numbers require to be reduced as a result.	Medium
There is a risk that efficiency plans are not fully achieved in line with expectations.	The S&V group will assign leads for each scheme and delivery dates to adhere to. If dates start to slip the group will help support any blockages to achievement and will meet as frequently as required to support the efficiencies programme. The non recurring service optimisation fund will not be released until there is confidence that plans are being achieved.	High
There is a risk that NHS 24 are unable to make challenging financial decisions due to political constraints.	NHS 24 shall ensure that there is robust data available to support any decisions made.	Medium
There is a risk that NHS 224 are reliant on non-recurring means to balance the finances.	NHS 24 is mainly using non-recurring means to fund the transformation work which should generate future efficiencies. The recurring shortfall is planned to be covered by 2025/26.	Medium

The wider consequences of the finance plan to NHS 24 annual delivery plan objectives:

- The financial plan will have an impact on existing risks – recruitment, attrition, culture and wellbeing, service improvement, compliance with KPI's. This will need assessed by Directorates and escalated where required.
- There is a risk that NHS 24 does not have the capacity to deliver current service provision and deliver on key strategic programmes. Directorate SPRA bids will not be authorised, meaning individual objectives may be challenged.
- There is a risk to recruitment to target operating model for RUC and Mental Health if full funding is not received. This may result in KPI's not being met.

The benefits of the challenging financial situation will be considered through this plan and remain a focus of the EMT.

- NHS 24 objectives and focus will require to be on best value use of resources.
- It's recognised that financial pressures may limit innovation, though conversely, may focus attention to create innovative solutions to the challenges being faced.
- There is an opportunity for collaborative working and income generation through exploring avenues such as estates, communications and commissioning of new services. This will need to be explored further and should be encouraged by the EMT.

6. Climate Emergency Sustainability & Value

The Sustainability and Value group has been established with a focused action plan that aims to maximise efficiency, identify opportunities for savings and investment, exploit technology and innovation and ensure delivery against the NHS 24 Climate Emergency and Sustainability Strategy.

It is important that the finance plan is linked with this agenda. To date, good progress has been made in reducing the energy footprint across the estate. In 2024/25 the Estates Sustainability Plan shall be produced, highlighting current demand v's capacity; opportunities to reduce the estates footprint now that social distancing has ceased; opportunities to work smarter in terms of closing off areas in quieter periods to reduce heating and lighting costs.

In addition, as part of the Digital Transformation Programme technology efficiencies are being investigated to help reduce the carbon footprint. For example, reviewing the video recording and future storage requirements of these recordings when transitioning over to the new systems.

7. Collaboration

A key component of ensuring financial balance is going to be through strong collaboration with key partners to support areas where efficiencies can be made.

During 2023/24 the Scottish Ambulance Service & NHS 24 Collaboration Board have identified a number of areas of joint working which will continue into 2024/25 with cash releasing efficiencies anticipated.

As part of the Estates Sustainability Plan work will be undertaken to identify opportunities for other public sector bodies to utilise space within NHS 24 in the in-hours period. This could be particularly appealing to Boards, in light of the recent announcement on reduced capital funding over the next two years, who have staff based in old, inefficient buildings and working from home part of the week who need a touchpoint.

NHS 24 have successfully implemented shared accommodation in Aberdeen by reducing the in-hours footprint with access to NES space at nights and weekends when they are not using it. This maximises the use of the estate, reducing the cost and carbon footprint for both boards.

There are various national groups that EMT members are involved in with the focus being on where boards can work closer together. The Directors of Finance meeting has recently focused on sharing a list of efficiency ideas from across the various Boards for consideration. In addition, a number of benchmarking exercises have been taking place to identify outlying areas for review.

Work commences in February with NHS 24 and Wales finance teams with an expectation this shall support benchmarking opportunities and joint working on common issues and contracts.

A collaborative approach to planning is being developed across national Health Boards with four key areas identified as opportunities to share, partner and offer access to products, services and initiatives using a 'once for' approach. The four areas suggested are:

- Finance (including estates)
- Workforce
- Customer (services that are provided to Boards)
- Corporate (services that are internally delivered)

8. Capital

NHS 24 receives £269k formula capital each year to support ongoing maintenance of the estate. This is all the capital funding that NHS 24 will receive in 2024/25 given the reduction in capital funding nationally.

The estate is in good condition and there is a confidence that the backlog maintenance priorities can be covered within the funding. There are no plans for larger capital schemes in the next two years anticipated. However, there is a risk that the air conditioning system on one of the sites is nearing end of life and is being managed with additional maintenance checks at present.

In last year's plan it was highlighted that there may be a requirement for capital monies as part of the digital transformation work. This is highly unlikely given the nature of ICT systems being mainly cloud based now.

9. Incremental v's Zero Based Budgeting

When the finance plan was approved last year there were queries over the budgetary process and whether a zero based approach should be taken going forward.

The plan has been based on a roll forward incremental budget. The main reason for this is that the majority of costs are fixed ie there is a no redundancy policy for staff costs and the large contracts are in place for set periods of time.

In terms of pay costs, the finance and workforce teams have worked closely with local managers throughout the year on ensuring pay budgets are set on a funded whole time equivalent basis (wte), on a recurring or non recurring basis depending on the funding source and whether the post is fixed term or not.

As and when vacancies arise the Establishment Control Group review them to assess whether they are required or not, and whether there are any skill mix opportunities or sharing with other departments/Boards. Where a post is deemed as not required it is dis-established and the budget removed to savings.

The main non pay expenditure is in relation to the Estates costs and the Technology contracts. These are closely monitored in-year via ensuring inflationary uplifts included in the finance plan are added to the budgets and that efficiencies identified, for example LED lighting implementation at Norseman reduced spend by £50k, and taken to savings.

In addition, the S&V group is tasked with reviewing current spend across the organisation and reviewing where there are opportunities to redesign services and make efficiencies. The SPRA process is currently in its infancy but shall also be a key driver in assessing current spend to performance.

10. In Summary

The financial position is going to be extremely challenging across NHS Scotland for the foreseeable future. While the finance plan demonstrates how the organisation can achieve a breakeven position in 2024/25, and what is required to get back to recurring financial balance, it is going to require strong focus across the organisation.

Once approved a summarised version of the finance position shall be communicated to staff via TeamTalk and staff engagement presentations to inform them of the actions being taken and to discuss any concerns and savings opportunities raised.

In summary, the table below highlights the action required at this point in time.

	2024/25			2025/26			2026/27		
	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m	Recurring £m	Non Recurring £m	Total £m
Anticipated Income	119.2	2.1	121.4	119.2	2.1	121.4	119.2	2.1	121.4
Forecast Expenditure	122.2	3.9	126.2	121.1	3.7	124.9	121.4	3.7	125.1
Financial Gap	**(3.0)**	**(1.8)**	**(4.8)**	**(1.9)**	**(1.6)**	**(3.5)**	**(2.2)**	**(1.6)**	**(3.7)**
Pessimistic Savings	1.6	1.7	3.3						
Financial Gap	***(1.4)***	***(0.1)***	***(1.5)***						
Realistic Savings	2.2	2.0	4.2	1.7	1.9	3.5	2.2	1.6	3.7
Financial Gap	***(0.8)***	***0.2***	***(0.6)***	***(0.3)***	***0.3***	***0.0***	***(0.0)***	***0.0***	***0.0***
Optimistic Savings	2.4	2.4	4.8						
Financial Gap	***(0.6)***	***0.6***	***0.0***						

NHS 24