

Meeting:	Grampian NHS Board
Meeting date:	1 June 2023
Item Number:	7
Title:	2022/23 Year End Financial Position
Responsible Executive/Non-Executive:	Alex Stephen (Director of Finance)
Report Author:	Alan Sharp (Deputy Director of Finance)

1 Purpose

The Board is asked to:

- review the information provided in this paper and confirm that it is assured that the Board has achieved the three key financial targets for the 2022/23 financial year.

This report relates to:

- Annual Delivery Plan
- Financial Sustainability

This aligns to the following NHS Scotland quality ambitions:

- Effective
- Person Centred

2 Report summary

2.1 Situation

NHS Boards are required by the Scottish Government to achieve three key financial targets each year. These are:-

- To operate within the Revenue Resource Limit.
- To operate within the Capital Resource Limit.
- To operate within the Cash Requirement.

NHS Grampian has now finalised the financial position for 2022/23. All three financial targets have been achieved (subject to external audit).

2.2 Revenue Position

NHS Grampian is reporting a small underspend against the Revenue Resource Limit for 2022/23 of £0.637 million against a total budget of £1.4 billion.

The revenue position improved significantly during March compared to the £14.9 million overspend that was projected at the end of February. This was down to two main reasons:

- Funding received in March from the Scottish Government for a range of Grampian specific system pressures, including funding to support our planned care programme, staffing costs and the drug costs relating to vaccination programmes.
- A reduction in the level of the accrual we make for Untaken Annual Leave of £5.6 million as staff used up leave carried forward from the 2021/22 financial year.

Both of these items are one offs. The underlying financial position continues to be very challenging with an overspend of £4.76 million recorded for Portfolios and other departments for the month of March itself. This is higher than the monthly overspends recorded earlier in the financial year. It highlights the financial challenge facing the Board - we have achieved a balanced position in 2022/23 thanks to a combination of non-recurring measures and funding from the Scottish Government for Grampian-specific system pressures.

The NHS Grampian financial plan for 2023/24 was submitted to the Scottish Government in March and presented to the NHS Grampian Board at the April meeting. It projects a significant revenue overspend of £60 million after assuming a 3.0% savings achievement. The Scottish Government have asked us to clarify some elements of our financial plan in order to resubmit the plan at the end of June. Re-examining the financial plan will still entail striking a balance between financial constraints and operational pressures.

2.3 Key Points from 2022/23 Financial Performance

- For the first time NHS Grampian was not able to set a balanced revenue budget for the 2022/23 financial year. The financial plan submitted to Scottish Government in March 2022 projected a £19.9 million deficit for the year.
- Revenue results for the complete financial year show a small underspend of £0.637 million against the revenue budget, which is a better performance than our financial plan. The major contributory factors in achieving the underspend are additional funding received from the Scottish Government in March for Grampian specific system pressures and a reduction in the accrual for Untaken Annual Leave. The total revenue budget was £1.408 billion.

- Operational expenditure in the last quarter of the financial year continued to be higher than budget, due to the impact of operational pressures on pay costs, overspends on hospital drug budgets and the continued impact of high inflation on the price of energy and medical supplies. The high level of operational overspends experienced in the last quarter of 2022/23 are likely to continue into 2023/24 and may put pressure on achievement of the Board's financial plan for 2023/24 if mitigating actions cannot be taken.
- The planned infrastructure investment programme for the year of £108.8 million has been fully invested, with the Capital Resource Limit target being achieved. This is the largest ever capital total in a single year for NHS Grampian. Thanks must go to all asset managers and other staff who have made this possible. A large amount of the programme was incurred on the construction costs for the Baird Family Hospital and Anchor Centre.
- Covid related expenditure for the year was £23.1 million. This was a significant reduction on the amounts spent in the previous two financial years. The main areas of expenditure were on the Vaccination Programme, Domestic staffing and Test & Protect residual costs.
- The results continue to cover services which are directly managed by NHS Grampian. They therefore exclude the services which are delegated to the three Integration Joint Boards (IJBs). Services where financial responsibility rests with NHS Grampian are principally on the Foresterhill site, Dr Gray's in Elgin, Inpatient Mental Health & Learning Disabilities, non-clinical departments and the Public Health Directorate. Each of the IJBs have confirmed that they have operated for 2022/23 within the funding that was allocated to them by NHS Grampian and the respective Council.

2.3.1 Quality/ Patient Care

The impact of financial decisions on the quality of care and delivery of services are assessed at an individual scheme level and an assurance framework has been established to escalate any concerns.

2.3.2 Workforce

Workforce implications are considered in detail as part of the revenue budget setting process.

2.3.3 Financial

The Board's financial performance is reported in detail to each meeting of the Performance Assurance, Finance & Infrastructure Committee and also monthly to the Scottish Government. The Scottish Government recognise the financial challenge on all Boards for 2022/23 and 2023/24. We will continue to work closely with them in seeking to balance operational, financial and workforce pressures.

2.3.4 Risk Assessment/Management

Risk assessment and subsequent management of these risks relating to financial performance are recorded on NHS Grampian's risk management system. An assessment of the major financial risks is contained in the Medium Term Financial Framework.

2.3.5 Equality and Diversity, including health inequalities

Equality and diversity factors were considered as part of the Board's Medium Term Financial Framework which was presented to the Board in April 2023. The MTFF was subject to an Equality and Diversity Impact Assessment using the Rapid Impact Assessment Checklist methodology.

2.3.6 Other impacts

All are outlined above.

2.3.7 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage relevant stakeholders where appropriate through the following meetings:

Chief Executive Team – weekly update on financial position.

Performance Assurance, Finance & Infrastructure Committee – financial update to each meeting.

Monthly financial reporting to Scottish Government.

2.3.8 Route to the Meeting

The year end financial position for 2022/23 has been reported to the Chief Executive Team.

2.4 Recommendation

The Board is asked to review the information provided in this paper and confirm that it is assured that the Board has achieved the three key financial targets for the 2022/23 financial year.