

NHS Greater Glasgow and Clyde	Paper No. 22/60
Meeting:	NHS Board Meeting
Meeting Date:	23 August 2022
Title:	NHSGGC Finance Report
Sponsoring Director:	Colin Neil, Director of Finance
Report Author:	Fiona McEwan, Assistant Director of Finance- Financial Planning and Performance

1. Purpose

The purpose of this report is to: to provide the Board with the Month 3 financial position, including the position of the Financial Improvement Programme (FIP) and the capital position.

The format of the report covers;

- i) Executive Summary (page 3)
- ii) Quarter 1 Covid-19 Forecast (page 4-5)
- iii) The Month 3 revenue position and outlook (pages 6-11)
- iv) The Month 3 FIP position and progress for 22/23 (pages 12-13)
- v) The Month 3 capital position (pages 14-15)
- vi) 2022/23 Projection (pages 16-18)
- vii) Conclusion (pages 20-21)

2. Executive Summary

The paper can be summarised as follows:

Month 3 Position

At 30st June 2022 the Board's financial ledger highlights an overspend of £48.4m.

The breakdown of this is:

- Unachieved savings of £39.3m
- Direct expenditure on remobilisation and delivery of services due to COVID-19 of £30.3m, funding has been included to leave a pressure of £6.5m in the month. Expenditure is split £27.6m Board and £2.7m for the Health Expenditure in the IJB's.
- SG allocations under review SG £2.6m

Financial Improvement Programme

NHS GGC has delivered £7.8m / 15% on a recurring basis and Non-Recurring basis £10.92m /20% has been achieved as of Month 3.

A further £13.2m of recurring savings has been identified at Month 3, to provide a full year recurring forecast of £21m.

While there has been a reasonable delivery of savings within the first quarter of the year, the lack of growth in the pipeline of ideas at this time puts at risk the Boards ability to deliver against its financial targets. There is a significant gap of circa £33m between the total pipeline savings identified to date and the FY22-23 FIP target.

Capital Position

Total capital expenditure incurred to 30th June 2022 is £6.5m amounting to 7.7% of the annual plan (of £85.1m). There is a further £32.2m committed leaving a balance of £46.4m. A low value of capital expenditure is not untypical at this point in the financial year.

Capital schemes are in place for £77.2m of the £85.1m leaving £7.9m to be allocated to new capital schemes. The prioritisation process is underway to identify appropriate schemes against the residual funding available.

2022/23

The financial plan for 2022/23 was approved by the Board on the 26th of April 2022. The plan highlighted a deficit of £172.7m, offset by recurring savings of £50m and non-recurring savings of £41.2m, giving a revised deficit of £81.5m. This was then reviewed further and as such a further £30m of non-recurring opportunities which would bring the forecast deficit down to £51.5m.

As part of the Quarter 1 return to Scottish Government a full review and reforecast was carried and as a result the new forecasted deficit is £78.4m. The increase is primarily down to £26m of Covid-19 costs which are not covered by the financial envelope that we have been allocated.

Whilst it is clear that 2022/23 is a financially challenging year, focussed effort needs to be maintained to further bridge the £78.4m gap by identifying additional savings both on a recurring and non-recurring basis, as well as reducing our costs and system pressures. We need to ensure that financial controls are adhered to ensure no overspends and all new initiatives will need to be at cost neutral or funded from existing budgets with oversight and organisational approval in place.

Covid- 19 Funding

A funding envelope has been given to the Board of £61.6m, it has been confirmed that this excludes test and protect. The total costs for the Board as per the Quarter 1 forecast are £87.6m which leaves a gap of £26m.

Exit planning and a review of all costs is currently being undertaken. Areas need to challenge expenditure being allocated against Covid-19 to ensure it is directly related to the pandemic. It should be noted that when the financial plan was compiled it was assumed that the Covid costs would be fully funded, therefore any additional costs that are not covered by the allocation will increase the Boards overall deficit.

3. Recommendations

The Board is asked to consider the following recommendations:

- i) Note the revenue position at Month 3
- ii) Note the Month 3 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 3; and
- iv) Note the 2022/23 Projection.

4. Response Required

This paper is presented for **assurance**.

5. Impact Assessment

The impact of this paper on NHSGGC's corporate aims, approach to equality and diversity and environmental impact are assessed as follows:

- Better Health Positive impact
- Better Care Positive impact
- Better Value Positive impact
- Better Workplace Positive impact
- Equality & Diversity Positive impact
- Environment Positive impact

6. Engagement & Communications

The issues addressed in this paper were subject to the following engagement and communications activity:

This report has been presented and scrutinised by FP&P Committee and Corporate Management Team

7. Governance Route

This paper has been previously considered by the following groups as part of its development: As above.

8. Date Prepared & Issued

Prepared on 12 August 2022

Issued on 16 August 2022

BOARD OFFICIAL

***NHSGGC – Month 3 Finance Report
Board Meeting
August 2022 (Paper 22/60)***



Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 3 financial position, including the position of the Financial Improvement Programme (FIP) and capital for 22/23.

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Members are asked to ;

- i) Note the revenue position at Month 3
- ii) Note the Month 3 position with the FIP and progress for 22/23
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2022/23 Current Position

At 30th June 2022 the Board's financial ledger highlights an overspend of £48.4m.

The breakdown of this is:

- Unachieved savings of £39.3m
- Direct expenditure on remobilisation and delivery of services due to COVID-19 of £30.3m, funding has been included to leave a pressure of £6.5m in the month. Expenditure is split £27.6m Board and £2.7m for the Health Expenditure in the IJB's.
- Allocations from other funding sources under review £2.6m

2022/23 Financial Reporting Arrangements

The Quarter 1 return submitted to Scottish Government on the 29th of July 2022 provided an updated forecast on the year-end position and the forecast for Covid-19 costs. Covid-19 expenditure will now be reported to SG on a monthly basis. The following pages show the breakdown of the Covid-19 Expenditure.

The total Covid-19 forecast at Quarter 1 is £142.5m, which is split £95.5m for the Board and £47m for the IJB's.

The assumption is that Test and Protect will be funded separately and is therefore not included in the calculations for the financial envelope. The total covid costs for the Board excluding Test and Protect is £87.6m, with the financial envelope of £61.6m this leaves a pressure of £26m.

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Board Covid-19 Forecast

The total forecast expenditure for the Board is £95.5m, this includes the costs of Test and Protect. When Test & Protect is excluded the balance is £87.6m. A breakdown can be seen in the table below.

Health Board	2022-23 YTD Total	22-23 July - March	2022-23 Total
Workstream Mapping	£m	£m	£m
Public Health	0.3	0.9	1.2
Test and Protect	2.7	5.1	7.8
Vaccinations	3.5	26.0	29.6
Workforce and Capacity	13.9	30.3	44.2
PPE, Equipment and IPC	5.5	3.8	9.4
Primary Care	0.0	0.0	0.0
Miscellaneous	1.1	2.2	3.3
Grand Total	27.0	68.5	95.5
Grand Total excluding Test & Protect	24.3	63.4	87.6
Funding Envelope			61.6
Unfunded			26.0

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IJB Covid-19 Forecast

The total forecast expenditure for the IJB's is £47.0m, a breakdown can be seen in the table below.

Health Board	2022-23 YTD Total	22-23 July March	2022-23 Total
Workstream Mapping	£m	£m	£m
Public Health	0.0	0.1	0.1
Vaccinations	0.2	1.2	1.4
Workforce and Capacity	3.3	9.7	13.0
PPE, Equipment and IPC	1.2	1.4	2.6
Social Care and Community Capac	5.8	22.6	28.4
Primary Care	(0.1)	0.2	0.1
Miscellaneous	0.3	1.1	1.4
Total Covid Costs - IJB	10.7	36.3	47.0

The is split £8.7m for Health and £38.3m of Local Authority expenditure .

IJB Split	Health Spend	Local Authority Spend	TOTAL 22/23
	£m	£m	£m
TOTAL	8.7	38.3	47.0

The IJB's have Covid-19 reserves that will cover the forecasted costs for 2022/23.

The IJB's have highlighted further costs of £27.8m in relation to PPE and testing kits that are being picked up by NSS. Confirmation is required as to the treatment of these costs and at the moment they are excluded from the above figures.

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The Month 3 Revenue Position

Month 3 Position- Overall Position



Financial Performance – Month 3

This section of the report provides analysis of the financial position at 30th June 2022.

Area	Pays, Non Pays Position	Unachieved Savings	Final reported Position
	£m	£m	£m
Acute	(17.92)	(9.56)	(27.48)
Partnerships	(0.00)	0.00	(0.00)
Corporate Departments	8.80	(29.74)	(20.94)
Financial Position at 30th June 2022	(9.12)	(39.30)	(48.42)

As outlined above, the Board recorded a deficit of £48.42m at 30th June 2022.

The deficit is made up of the following:-

- Unachieved savings are £39.30m
- Unfunded Covid-19 expenditure £6.5m
- Expenditure relating to other funding sources under review £2.62m.

The figures above include relief of £22m in anticipation of funding from Scottish Government. This has been put in centrally through Corporate. Once funding has been confirmed it will be allocated to the relevant area.

Funding discussions are currently ongoing with SG and now that the Quarter 1 returns have been submitted it is likely that we will start to receive allocations in September after the returns have been collated and reviewed on a national basis.

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Financial Performance – Month 3(Cont'd)

The Acute Division is reporting an expenditure overspend at Month 3 of £27.5m. Of this deficit £9.5m is related to unachieved savings, £13.9m to Covid-19 spend and a further £1.2m spend currently for which funding allocations are currently being review.

The position excluding the expenditure related to covid-19 and SG allocations for access, flow and critical care would be a deficit of £9.9m.

Junior doctors remains an area of concern, excluding covid-19 expenditure and allocations funding revised pressure would be £1.9m at month 3. The average pressure per month last year was £530k per month.

There is a non pay overspend of £1.4m again after factoring in allocations. Pressures still remain in Purchase of Healthcare for 'Out of Area Beds' and Diagnostic Reporting of £0.6m and in Other Therapeutic Supplies of £0.5m which is mainly related to Interventional Neuro Radiology and Interventional Radiology supplies.

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Acute	Pay	Non Pay	FIP	22/23 Month 3 Total	21/22 Month 12 Total
	£m	£m	£m	£m	£m
South Sector	(1.32)	(1.05)	(2.36)	(4.73)	(3.07)
North Sector	(6.14)	(0.27)	(1.79)	(8.21)	(5.20)
Clyde Sector	(4.00)	(0.31)	(1.29)	(5.60)	(1.36)
Diagnostics Directorate	(0.57)	(0.46)	(1.54)	(2.57)	(0.86)
Regional Services	0.27	(2.08)	(1.16)	(2.96)	(1.19)
Women & Childrens Services	(1.62)	(0.38)	(1.39)	(3.39)	(5.51)
Directorate Totals	(13.38)	(4.55)	(9.53)	(27.46)	(17.18)
Acute Corporate	(0.02)	(0.01)	(0.00)	(0.03)	17.22
Acute Expenditure Totals	(13.40)	(4.56)	(9.53)	(27.50)	0.03
Income (Under)/Over Recovery	0.00	0.00	0.00	0.00	(0.00)
Acute Total	(13.40)	(4.56)	(9.53)	(27.50)	0.03



Financial Performance – Month 3 (Cont'd)

Partnerships reported an overall breakeven position on the Health element of their budgets as at 30th June 2022. Breakdown by each HSCP can be seen below. Funding has been provided for COVID-19 costs therefore is not showing as an overspend.

HSCP	Annual Budget	YTD Budget	YTD Actuals	YTD Variance
	£m	£m	£m	£m
Glasgow City	728.12	181.40	181.97	(0.56)
East Dunbartonshire	90.01	18.41	18.41	0.00
East Renfrewshire	78.86	21.28	21.32	(0.04)
Inverclyde	93.94	20.67	20.67	(0.00)
Renfrewshire	190.85	49.12	48.47	0.65
West Dunbartonshire	101.65	24.40	24.40	(0.00)
Total HSCPs	1,283.43	315.28	315.23	0.05
Other Partnerships Budgets	49.67	7.40	7.44	(0.05)
Total Partnerships	1,333.10	322.68	322.68	(0.00)

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Year End Reserves

The year end reserves position can be seen in the table below.

IJB	Earmarked £m	General £m	Total £m	31.03.21 £m	Movement £m	SG Funding
East Renfrewshire	20.4	0.3	20.7	10.5	10.2	13.3
East Dunbartonshire	23.9	3.1	27.0	12.8	14.2	20.5
Glasgow	146.8	28.6	175.4	116.9	58.5	94.2
Inverclyde	27.4	1.0	28.3	14.9	13.4	13.4
Renfrewshire	45.3	5.8	51.0	27.0	24.0	33.3
West Dunbartonshire	30.0	4.6	34.6	21.8	12.8	19.4
Total	293.7	43.3	336.9	203.9	133.0	194.1
2020/21	163.0	41.0	203.9			
Movement	130.8	2.3	133.0			

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The total reserves value at 31st of March 2022 is £336.9m of which £293.7m is earmarked for specific purposes.

There has been a significant movement in the year end reserve positions of £133m in comparison to the prior year. This is primarily due to a large volume of funding received from Scottish Government in the final quarter of the year which was unable to be spent. However this is required to be earmarked to meet future liabilities. Of the total earmarked reserves £194.1m relates to funding received from Scottish Government.



Financial Performance – Month 3 (Cont'd)

Corporate Directorates reported an overspend at Month 3 of £20.94m. Of this deficit £29.85m is related to unallocated savings as noted in the table below. Central relief for Covid-19 and access funding of £22m is included in the other corporate expenditure figures below. There remains a pressure in relation to Capital charges of £1.4m and discussions are on going with SG regarding a funding allocation to cover this.

The overspend in Estates & Facilities relates to Covid-19 expenditure.

Breakdown by Corporate Directorates can be seen in the table below.

Corporate Director Summary	Annual Budget	YTD Budget	YTD Actual	YTD Variance
	£m	£m	£m	£m
Board Medical Director	46.79	12.10	11.91	0.19
Centre For Population Health	1.25	(0.17)	(0.17)	0.00
Corporate Affairs	5.09	2.15	2.16	(0.01)
Corporate Communications	1.44	0.35	0.32	0.03
Director of eHealth	83.98	20.13	20.12	0.01
Director of Finance	13.08	3.92	3.85	0.07
Director of Human Resources	21.48	5.14	4.94	0.20
Director of Nursing	11.01	3.04	2.70	0.35
Director of Public Health	20.91	3.57	3.42	0.15
Other Corporate Expenditure	162.64	27.28	12.31	14.97
Estates and Facilities	259.77	65.37	72.52	(7.15)
Total Corporate Directorates	627.43	142.90	133.99	8.91
Unallocated Savings	(118.91)	(29.85)		(29.85)
Total Corporate	508.52	113.05	133.99	(20.94)

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Financial Improvement Programme (FIP)



The Financial Improvement Programme (FIP) – Month FY22-23 Month 3

It should be noted that the overall savings challenge the Board is facing is £172.7m however £53.79m has been allocated out to the Directorates and Sectors leaving the balance of £118.91m sitting centrally.

On a full year recurring basis FIP of £7.8m has been achieved at Month 3 against the FIP target of £53.79m target (15%). This is an improvement of £2.2m on Month 2.

On a current year basis £10.92m has been achieved against the £53.79m target (20%) This is an improvement of £3.14m compared to Month2

A further £13.2m of recurring savings has been identified at Month 3, to provide a full year recurring forecast of £21m.

While there has been a reasonable delivery of savings within the first quarter of the year, the lack of growth in the pipeline of schemes at this time puts at risk the Boards ability to deliver against its financial targets. There is a significant gap of circa £33m between the total pipeline savings identified to date and the FY22-23 FIP target.

A number of actions have been taken to accelerate the identification and delivery of savings plans.

- Ongoing Delivery Board review and challenge of plans on a weekly basis
- Board wide workshop held on 22nd June
- Full Q1 review of all areas underway.
- Further workshop sessions planned for August.
- Board wide communications plan being developed.

Given the size of the financial challenge the Board is facing it remains imperative that every effort is made to realise recurring savings in 2022/23.

Capital Position



Capital Expenditure – Month 3 (June 2022/23)

The current estimate of core capital resources available to the Board in 2022/23 is £85.1m as follows:

Opening Capital Funding 31st May 2022	<u>£ 77.1m</u>
National Infrastructure Board Equipment	+£ 6.7m
5% Increase in National Formula Allocation	+£ 1.9m
Thrombectomy CT Scanner Funding deferred to 2023/24	(£ 0.9m)
Revenue Budget transfers	+£ 0.3m
Total Capital Funding 30th June 2022	<u>£ 85.1m</u>

Total capital expenditure incurred to 30th June 2022 is £6.5m amounting to 7.7% of the annual plan (of £85.1m). There is a further £32.2m committed leaving a balance of £46.4m. A low value of capital expenditure is not untypical at this point in the financial year.

Capital schemes are in place for £77.2m of the £85.1m leaving £7.9m to be allocated to new capital schemes. The £9.1m balance is subject to the asset prioritisation bidding process and approved at CPG/PASG relative to the value of the bid.

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2022/23 Projection



2022/23 Projection

The financial plan for 2022/23 was approved by the Board on the 26th of April 2022. The plan highlighted a deficit of £172.7m, offset by recurring savings of £50m and non-recurring savings of £41.2m, giving a revised deficit of £81.5m. This was then reviewed further and as such a further £30m of non-recurring opportunities which would bring the forecast deficit down to £51.5m.

As part of the Quarter 1 return to Scottish Government a full review and reforecast was carried and as a result the new forecasted deficit is £78.4m. The increase is primarily down to £26m of Covid-19 costs which are not covered by the financial envelope that we have been allocated.

Whilst it is clear that 2022/23 is a financially challenging year, focussed effort needs to be maintained to further bridge the £78.4m gap by identifying additional savings both on a recurring and non-recurring basis, as well as reducing our costs and system pressures. We need to ensure that financial controls are adhered to ensure no overspends and all new initiatives will need to be at cost neutral or funded from existing budgets with oversight and organisational approval in place.

This position is reliant on achieving recurring savings of £50m, therefore it is imperative that all Directorates and Sector achieve their savings targets as at month 3 only £21m of recurring savings have been identified.

The forecast is comprised on the basis that the pay award will be funded by SG however the agreement on the pay deal has not been completed at this point in time.

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2022/23 Projection

Covid-19 Funding

A funding envelope has been given to the Board of £61.6m, it has been confirmed that this excludes test and protect and there will be a separate allocation for this. Therefore the total costs for the Board as per the Quarter 1 forecast are £87.6m which leaves a gap of £26m.

Due to the high level of Covid-19 patients the costs for Quarter 1 were higher than anticipated, this has also had an impact on our exit planning. The exit planning and a review of all costs is continuing. Areas need to challenge expenditure being allocated against Covid-19 to ensure it is directly related to the pandemic. It should be noted that when the initial financial plan was compiled it was assumed that the Covid costs would be fully funded, therefore the additional costs that are not covered by the allocation have increased the Boards overall deficit.

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Conclusion



Conclusion

2022/23 Month 3

The purpose of this report is to provide the Board with a Month 3 financial update.

At 30th June 2022 the Board's financial ledger highlights an overspend of £48.4m attributed to unachieved savings £39.3m, £6.5m Covid-19 pressure and £2.6m other expenditure currently part of the Scottish Government allocations review and other funding sources.

In terms of FIP, while there has been a reasonable delivery of savings within the first three months of the year, the lack of growth in the pipeline of ideas at this time puts at risk the Boards ability to delivery against its financial targets.

Total capital expenditure incurred to 30th June 2022 is £6.5m amounting to 7.7% of the annual plan (of £85.1m). There is a further £32.2m committed leaving a balance of £46.4m. A low value of capital expenditure is not untypical at this point in the financial year.

2022/23

The financial plan for 2022/23 was approved by the Board on the 26th of April 2022. The plan highlighted a deficit of £172.7m, offset by recurring savings of £50m and non-recurring savings of £41.2m, giving a revised deficit of £81.5m. This was then reviewed further and as such a further £30m of non-recurring opportunities which would bring the forecast deficit down to £51.5m.

As part of the Quarter 1 return to Scottish Government a full review and reforecast was carried and as a result the new forecasted deficit is £78.4m. The increase is primarily down to £26m of Covid-19 costs which are not covered by the financial envelope that we have been allocated.



Conclusion continued

This position is reliant on achieving recurring savings of £50m, therefore it is imperative that all Directorates and Sectors achieve their savings targets. Focussed effort needs to be maintained to further bridge the £78.4m gap by identifying additional savings both on a recurring and non-recurring basis, as well as reducing our costs and system pressures. We need to ensure that financial controls are adhered to ensure no overspends and all new initiatives will need to be at cost neutral or funded from existing budgets with oversight and organisational approval in place.

There is limited funding available to cover the costs of Covid expenditure in 2022/23. The funding allocation does not cover all of the forecasted costs. Exit planning and a review of all costs is currently being undertaken in order to reduce the gap.

In summary, Members are asked to ;

- i) Note the revenue position at Month 3
- ii) Note the Month 3 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 3; and
- iv) Note the 2022/23 Projection.

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