NHS Greater Glasgow and Clyde	**Paper No. 22/61**
Meeting:	**NHS Board Meeting**
Meeting Date:	**23 August 2022**
Title:	**Financial Plan 2022/23-2024/25**
Sponsoring Director:	**Colin Neil, Director of Finance**
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1. Purpose

The purpose of this report is to: to provide the Board with the Financial Plan for 2022/23 to 2024/25.

2. Executive Summary

The paper can be summarised as follows:

Scottish Government requested that a 3 year financial plan was submitted by the end of July 2022. This is the first 3 year plan since pre covid.

The Financial Plan highlights a revised forecast deficit of £78.4m for 2022/23 and a deficit of £113.9m for 2023/24 and £89.9m for 2024/25. This is on the assumption that recurring savings of £50m are achieved in 2022/23 and a further £70m of recurring savings in each of the 2 future years. It is imperative that the recurring savings are achieved in order to bring down the recurring deficit going forward. In order to break even the board needs to achieve savings of £128.4m therefore it is important that there is a full review of all income and expenditure and all recurring and non-recurring opportunities are acted upon.

The forecast deficit for 2022/23 has increased from £51.5m to £78.4m and this is predominantly due to pressures of £26m for non-delegated Covid-19 expenditure. The original financial plan for 2022/23 was compiled on the basis that Covid-19 costs were fully funded. However this is no longer the case. A funding envelope has been issued to the Board for non-delegated costs of £61.6m. The current forecast costs (excluding Test and Protect) are £87.6m which leaves a gap of £26m.

The increase in the deficit from 2022/23 to 2023/24 is as a result of no further funding for Covid-19 with the exception of the workforce element of the vaccination programme and the public health element that has already been committed. Total costs included in the plan are £30.8m. Exit planning needs to progress to ensure that these costs come down to help reduce the Boards deficit for 22/23 and the future years.

The plan is also based on assumptions provided by Scottish Government in relation to future pay awards and inflationary rates. There is a risk that these are not sufficient however for planning purposes, these assumptions ensure there is consistency across all Boards.

The full details of the financial plan can be seen in the attached report.

3. Recommendations

The Board asked to approve the 3 year Financial Plan and note the financial challenge that the Board faces.

4. Response Required

This paper is presented for **approval.**

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 paper has been approved at the Finance, Planning and Performance Committee and the Corporate Management Team Meeting.

7. Governance Route

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

8. Date Prepared & Issued

11th August 2022

BOARD OFFICIAL - 3 Year Financial Plan 2022/23

Board- 23rd August 2022

1. Financial Plan Summary

Scottish Government requested that a 3 year plan was submitted by the end of July 2022. This is the first 3 year plan since pre covid.

A summary of the financial plan is shown below. Each of the items is explained in more detail in the accompanying notes. It highlights a deficit of £78.4m for 22/23 and a deficit of £113.9m and £89.9m for the subsequent years.

	2022/23 £m	2023/24 £m	2024/25 £m	Note
New Resources				
Baseline Increase	48.8	51.2	52.2	
Additional Uplift - Pay Policy	72.1	0.0	0.0	
New Medicines Fund	11.1	0.0	0.0	
Uplift from Other Boards	11.0	6.9	7.0	
Total New Resources	143.0	58.1	59.2	2
Cost Pressures				
Recurring Deficit b/f	(120.0)	(124.5)	(98.4)	3
Cost Drivers				
Pay Cost Growth	(119.2)	(48.0)	(48.8)	4
Prescribing - Acute	(23.0)	(23.0)	(23.0)	5
Prescribing - Primary Care	(8.0)	(8.0)	(8.0)	5
Supplies, PPP & Other Inflation	(38.3)	(23.8)	(24.1)	6
Unavoidable Pressures and Investments	(13.2)	(3.2)	(5.0)	7
Total Cost Pressures	(321.7)	(230.5)	(207.3)	
Cash Efficiency Challenge	(178.7)	(172.4)	(148.1)	
Uplift Allocation to IJBs	(34.0)	(18.8)	(19.1)	8
IJB Expenditure	38.2	22.8	22.8	8
Net Cash Efficiency Challenge	(174.5)	(168.4)	(144.4)	
Forecast Savings Achieveable	50.0	70.0	70.0	3
Recurring Deficit c/f before covid	**(124.5)**	**(98.4)**	**(74.4)**	
Recurring Covid		(17.8)	(17.8)	9
Recurring Deficit after covid C/f	**(124.5)**	**(116.2)**	**(92.2)**	
Non RecurringOutturn	72.1	15.3	15.3	10
Non Recurring Covid	(26.0)	(13.0)	(13.0)	9
In-Year Outturn (Acute & Corporate)	**(78.4)**	**(113.9)**	**(89.9)**	11
Total Covid Costs	(26.0)	(30.8)	(30.8)	9
In-Year Outturn (Acute & Corporate) Excluding Covid	**(52.4)**	**(83.1)**	**(59.1)**	

BOARD OFFICIAL - 3 Year Financial Plan 2022/23

The previous financial plan for 2022/23 forecast a deficit of £51.5m, this has now increased to £78.4m. The reasons for the movement of £26.9m are detailed below.

	£m	Comments
Covid Gap	(26.0)	Spend remaining after allocating funding
SLA Income	4.2	Increase from 2% to 3.23%
PPP inflation	(1.7)	Higher than 2% in initial plan
Diabetic Pumps	(1.1)	Revenue costs from additional CGM's
Drugs Short Supply	(3.5)	Plasma drug pressure
HEPMA	0.9	Underspend on project
Other	0.3	
	(26.9)	

2. Funding

	2022/23 £m	2023/24 £m	2024/25 £m	Para
New Resources				
Baseline Increase @ 2.0%	48.8	51.2	52.2	2.1
Additional Uplift- Pay Policy	72.1			2.2
	120.9	51.2	52.2	
Uplift from Other Boards	11.0	6.9	7.0	2.3
Change in New Medicines Fund	11.1			2.4
Total New Resources	143.0	58.1	59.2	

2.1. Scottish Government (SG) in its initial Budget for 2022/23 announced an increase of 2.0% in NHS Greater Glasgow and Clyde’s (NHSGGC) baseline budget brought forward from 2021/22. For the purposes of the 3 year plan the uplift for the remaining years is also assumed as 2%.

2.2. An additional allocation of £13.6m has been provided by SG to support the increased employer national insurance costs arising from the UK Health and Social Care Levy.

Further guidance has been received that has indicated that the assumption is that pay award would be funded at 5% therefore the additional pay uplift funding has been increased by £58.5m to reflect this. Pay negotiations are still ongoing and funding will be adjusted based on the final agreement.

2.3. By applying an agreed general inflationary uplift and a further adjustment due to increased costs of Energy of 3.23% to the value of service level agreements with other Boards related to patient services provided by NHSGGC, NHSGGC can reasonably expect to receive further income of around £11.1 in 2022/23. This is an increase of £4.2m on the original budget as it was calculated at 2%

A 2% uplift has been assumed for both 2023/24 and 2024/25, for consistence nationally.

3. Recurring Deficit b/f

	2022/23 £m	2023/24 £m	2024/25 £m
Recurring Deficit b/f	(120.0)	(124.5)	(98.4)
Recurring Covid-19 Costs		(17.8)	(17.8)
	(120.0)	(142.3)	(116.2)

Details of the recurring deficit brought forward can be seen in the table above. This is based on the assumption that £50m recurring savings are achieved in 2022/23 and then a further £70m in both 2023/24 and 2024/25. £70m is circa 3% of the overall Acute and Corporate Budget.

These figures assume £17.8m of recurring costs associated with Covid-19 that are not funded.

Remobilisation of the Financial Improvement Programme (FIP)

The FIP Programme has continued in 2022/23 it is forecasted that circa £22m of savings will be achieved on a recurrent basis as at the end of Quarter 1. Further work is ongoing to identify and deliver on an additional £28m of recurring savings, in order to ensure that the deficit brought forward does not increase.

Over the next few months of the year analysis of the COVID-19 ways of working will be reviewed, identifying opportunities for medium to longer term efficiencies. A number of initiatives have already been identified for 22/23 and are underway.

Given the size of the financial challenge the Board is facing it is imperative that every effort is made to realise recurring savings in 2022/23. It is also important that plans are being made now for the future years so that the £70m is achievable.

Non-recurring Sources of Income and Funding

As in recent years, the strategic use of non-recurring funding will be critical if break-even is to be achieved. Senior Finance Management have, and will continue to, identify and analyse all available sources. This involves discussions at national forums such as the Corporate Finance Network, discussions with the Scottish Government, discussions with External Audit and good balance sheet management. However, it should be stressed that the primary financial objective for the Board is to reduce the underlying recurrent deficit. The programme will focus on key Pillars overarching project development:

- Procurement: National contractual savings, standardisation and rationalisation of the Board's own procurement processes with clear targets for improved performance.
- Prescribing: Horizon scan of drug changes, clinical changes and the development of prescribing best practice (elimination of waste). Assessment of benefits and opportunities from HEPMA system.

- Service redesign: Priority focus on Covid-19 long term changes, workforce redesign and patient flows and service changes. Active Clinical Referral Triage and Virtual Patient Management (Scheduled and Unscheduled care pathways redesign.) Longer term planning for MFT workstreams / Re mobilisation key priorities.
- E health Digital and Innovation: Benefits from further virtualisation and the continued use of systems such as teams, and virtual consultations. Opportunities to use technology as an enabler and a control point.
- Property and asset management: Review of use of properties, disposals, management of contracts / contractors and energy savings along with the wider sustainability agenda and alignment with clinical strategy.
- Workforce plans: Alignment of the wider Workforce strategy management of sickness, absence and turnover.
- Efficiency and Productivity gains: Whilst recognising that this is not necessarily cash releasing, the recognition to improvements to patient experience through the redesign of pathways as a result of the pandemic will have a positive impact on our capacity.

4. Pay Cost Growth

Pay cost growth comprises:

	2022/23 £m	2023/24 £m	2024/25 £m	Para
Pay Uplift	113.6	46.3	47.1	4.1
Discretionary Points	1.7	1.7	1.7	4.2
Auto enrolment	3.9			4.3
Total Pay Uplift	119.2	48.0	48.8	

4.1. The latest guidance from SG was to assume pay uplift at 5% for AFC staff and 4.5% for medical for 22/23. This equates to an uplift of circa £97.8m. However pay negotiations are still on going.

Also included within the pay uplift figure is the additional costs of National Insurance Contributions of circa £15.8m.

For 2023/24 and 2024/25 a pay uplift of 2% has been included based on SG guidance.

4.2. Discretionary points: A provision of £1.7m has been made for the on-going impact of funding additional discretionary points. This has also been assumed in the future years

4.3. Auto Enrolment: Every 3 years we must re-enrol any employee who has left the pension scheme back into it. 22/23 is the year that we must do this. The estimated costs of this is approximately £3.9m however this can vary depending on how many employees decide to remain within the scheme.

5. Prescribing

The prescribing cost growth projection for 2022/23 is still being reviewed. It includes provision for likely cost increases related to growth in new and existing drug treatments within Acute Sector, including new drugs approved by SMC, and makes a realistic level of provision for likely growth in volume / prices, based on current trends, related to drug treatments prescribed within Primary Care.

The results of horizon-scanning exercises will be firmed up and prescribing projections will be updated.

Work needs to be done to reduce this cost pressure as the Board cannot sustain this level of increase year on year, however for the purposes of the financial plan it has been assumed at the same level.

6. Supplies, PPP and other Inflation

2.0% general provision has been set aside for inflation on non-pay costs excluding prescribing costs, energy costs, and capital charges costs. 2.5% has been set aside for inflation on legal / contractual cost commitments and 2% inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to SLAs.

Energy for 22/23 has been based on projections which resulted in an increase of £15.8m. The assumption used for the future years is 5%. Additional information was requested from National Procurement about the likely increases in the future years however it was not available, therefore advice from SG and the Corporate Finance Network was to use 5% until additional information is available. There is a risk that this is too low.

7. Pressures and Investments

The following list of possible pressures and investments included in the financial plan. The list needs to be prioritised and reviewed to see which ones can be funded from existing budgets as the Board does not have funds available without increasing the recurring deficit.

	2022/23 £m	2023/24 £m	2024/25 £m	Note
Unavoidable pressures and Investments				
PET Scanning	0.1	0.1	0.1	NHSGGC share of business case.
Band 2 to Band 3	3.1			Regrading of Band 2 to Band 3.
Diabetic Pumps	1.1	0.6		Revenue costs of CGM's
ODP	0.5			Cost of paying Annex 21
NSS Risk Share	0.8			Ultra Orphan drugs
365 Office	0.4			National contract.
CNORIS	2.6			Increase in National share
Junior Doctors		0.6		Additional NES posts
eRostering		2.0		Implementation of eRostering
Unavoidable pressures and Investments	8.6	3.3	0.1	
Pressures				
Liver Resection Repatriation	0.2			Repatriation from Lothian
Out of Area Beds	1.0			Continuing pressure
Short Supply of Drugs	3.5			Short supply of drugs
Other			4.9	Possible additional pressures
Pressures	4.7		4.9	
Total Investments & Pressures	13.2	3.3	5.0	

8. IJB Uplift & Expenditure

NHSGGC's financial plan has to set out the Board's financial position including elements which are managed in full by Integrated Joint Boards (IJBs). However, to highlight the scale of the challenge to be addressed by the Acute Division and Corporate Departments the shares of uplifts and expenditure to be managed by IJBs need to be deducted.

On the uplift side, IJBs will get 2.0% on their base recurring budgets. This equates to £18.3m plus they will also receive potentially £15.7m of additional pay uplift once agreed and a further £3m to cover the increase in National Insurance contributions. Therefore total uplift is £34.0m

On the expenditure side, estimated cost pressures are £23.4m for salaries, £6.6m for supplies and £8.0m for GP prescribing, a total of £38.2m.

At this stage we are not able to provide the full extent of the IJB pressures or the details for efficiencies as they have not yet received the final settlements. Until this is known the overall position of the IJB's cannot be assessed.

9. Covid-19

Since the first draft of the financial plan, where the assumption was that all Covid-19 costs would be fully funded, confirmation has been received that not all Covid-19 costs will be fully funded. A financial envelope of £61.6m has been provided for non-delegated costs. The current forecast for the Boards covid spend is £87.6m therefore leaving a funding gap of £26m.

This excludes the costs associated with Test and Protect as these are being funded separately.

The costs associated with Covid-19 in the first quarter of the year were higher than originally anticipated due to an increase in both Covid patients and staff absence. As a result the exit planning that was being put in place has not progressed as quickly as anticipated. The Board is committed to continuing with this with a view to close the £26m gap between the forecasted costs and the funding that is available.

For the future years, funding has been assumed for the workforce element of the Covid Vaccination programme of circa £21m and Public Health £1.1m, however all other costs are included as a pressure. There is £30.8m included which is split £17.8m recurring and a further £13m on non-recurring costs. These are the costs associated with pathways, infection prevention and control, non-pay costs of the vaccination programme and additional staff costs. It is hoped that the exit planning that is underway will help to reduce these costs and ultimately reduce the ongoing pressure.

10. Non Recurring

	2022/23	**2023/24**	**2024/25**
	£m	**£m**	**£m**
Non Recurring Investments	(7.9)	(9.7)	(7.2)
Non Recurring	80.0	25.0	22.5
Non Recurring	72.1	15.3	15.3

In 2022/23 it is estimated that the Board will be able to release £80.0m of non-recurring funding offset by non-recurring investments of £7.9m, to help address the in-year deficit. However, this will still leave a gap of £78.4m which, at this stage, the Board is unable to close.

For the future years the availability of non-recurring funding is reducing and therefore this highlights the importance on identifying recurring savings on an ongoing basis at as a minimum the levels included in the financial plan.

11. In Year Outturn

The in-year outturn for 2023/24 is a deficit of £78.4m and a full review and analysis is being carried out to try and reduce this further. However given the number of priorities that the board is facing with unscheduled care, planned care and the financial challenge, it is going to be extremely difficult to reduce this to a break even position.