

NHS Greater Glasgow and Clyde	Paper No. 22/42
Meeting:	Board Meeting
Meeting Date:	28th April 2022
Title:	Finance Report
Sponsoring Director:	Fiona McEwan, Interim Director of Finance
Report Author:	Fiona McEwan, Interim Director of Finance

1. Purpose

The purpose of this report is to: provide the Board with the Month 12 financial position, including the position of the Financial Improvement Programme (FIP) and the capital position.

The format of the report covers;

- i) Executive Summary
- ii) The Month 12 revenue position and outlook
- iii) The Month 12 FIP position and progress for 22/23
- iv) The Month 12 capital position
- v) 2022/23 Position
- vi) Conclusion

2. Executive Summary

The paper can be summarised as follows:

Month 12 Position

At 31st March 2022 the Board's financial ledger highlights an underspend of £0.36m.

The COVID-19 expenditure for the 12 months of the year have been fully funded by Scottish Government.

The key impact of COVID-19 can be summarised as;

- Direct expenditure on remobilisation and delivery of services due to COVID-19 of £161.2m (£145.2m for the Board and £16.0m for the Health costs within the IJBs).

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- Unachieved savings due to the focus and effort on COVID-19 delivery of £62.5m (£62.4m relates to the Board and £0.1m relates to the IJB's)

The Quarter 4 return was submitted to Scottish Government on the 3rd of May the return had total costs for 21/22 of £283.5m which is split £207.6 for the Board and £75.9m of costs for the IJB's. A final allocation was received in April that covers all COVID-19 costs for 2021/22.

Financial Improvement Programme

On a full year basis £34.32m has been achieved at Month 12 compared to £33.17m reported in the previous month, an increase of £1.15m on a recurring basis. This represents 75.85% achievement of the target.

Capital Position

The Capital Resource Limit (CRL) of £84.4m as set by SGHSCD was achieved and all other available resources fully utilised in the year. Major areas of expenditure to highlight include: £18m on improvement of hospital site infrastructure, £29m on medical equipment, the completion of our new Health Centre at Clydebank and taking advantage of an additional £17m of Barnett consequential funding made available by SG and invested in our estate and eHealth facilities.

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.

Given the scale of the gap, this financial position remains on rolling review, with more recent analysis identifying a further £30m of non-recurring opportunities which would bring the forecast deficit down to £51.5m. Whilst it is clear that 2022/23 is a financially challenging year, focussed effort needs to be maintained to further bridge the £51.5m 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.

A full review of the financial plan and associated risks is currently taking place, with an update due to be submitted to Scottish Government at the end of July. This will need to take into consideration the risks that we are facing due to the gap in Covid-19 funding detailed below and the high inflationary pressures being experienced and forecast throughout this year.

Covid-19 Funding

There is limited funding available to cover the costs of Covid expenditure in 2022/23. The forecast for 2022/23 based on the Quarter 4 return is £159.2m, split £113.5m for the Board and £45.7m for the IJB's. The Board has been given a funding envelope of £61.6m to support non delegated NHS covid costs, leaving a potential gap of £51.9m requiring mitigation.

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Exit planning and a review of all costs is currently being undertaken. A full review of expenditure being allocated against Covid-19 is also underway to ensure that it is directly related to the pandemic. A revised forecast will be submitted at the end of July and should be lower than original forecast due to policy changes and reduced level of Covid-19 cases. Every effort is being made to reduce the potential gap.

3. Recommendations

The Board is asked to consider the following recommendations:

- i) Note the revenue position at Month 12
- ii) Note the Month 12 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 12; and
- iv) Note the 2022/23 Position.

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:

- 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

21st June 2022

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Fiona McEwan- Interim Director of Finance

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***NHSGGC – Month 12 Finance Report
Board
28th June 2022(Paper 22/xx)***





Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 12 financial position, including the position of the Financial Improvement Programme (FIP) and capital for 22/23.

The format of the report covers;

- i) Executive Summary (page 3)
- ii) The Month 12 revenue position and outlook (pages 4-8)
- iii) The Month 12 FIP position and progress for 22/23 (pages 9-10)
- iv) The Month 12 capital position (pages 11-13)
- v) 2022/23 Position (pages 14-16)
- vi) Conclusion (pages 17-19)

Members are asked to ;

- i) Note the revenue position at Month 12
- ii) Note the Month 12 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 12; and
- iv) Note the 2022/23 Position.

The full finance report for month 12 was discussed at the Finance, Planning and Performance Committee Meeting on the 14th of June 2022. Please note there has been a slight change to the figures due to the finalisation of the audit, the surplus has increased from £0.3m to £0.36m.



2021/22 Current Position

At 31st March 2022 the Board's financial ledger highlights an underspend of £0.36m.

The COVID-19 expenditure for the 12 months of the year have been fully funded by Scottish Government.

The key impact of COVID-19 can be summarised as;

- Direct expenditure on remobilisation and delivery of services due to COVID-19 of £161.2m (£145.2m for the Board and £16.0m for the Health costs within the IJBs).
- Unachieved savings due to the focus and effort on COVID-19 delivery of £62.5m (£62.4m relates to the Board and £0.1m relates to the IJB's)

The Quarter 4 return was submitted to Scottish Government on the 3rd of May the return had total costs for 21/22 of £283.5m which is split £207.6 for the Board and £75.9m of costs for the IJB's. A final allocation was received in April that covers all COVID-19 costs for 2021/22.

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The Month 12 Revenue Position

Month 12 Position- Overall Position



Financial Performance – Month 12

This section of the report provides analysis of the financial position at 31st March 2022.

Area	Pays, Non Pays Position	Unachieved Savings	Final reported Position
	£m	£m	£m
Acute	0.01	0.00	0.01
Partnerships	1.44	0.00	1.44
Corporate Departments	(1.09)	0.00	(1.09)
Financial Position at 31st March 2022	0.36	0.00	0.36

As outlined above, the Board recorded a small surplus of of £0.36m at 31st March 2022. All Covid-19 costs have been funded by Scottish Government including unachieved savings.

The overspend in Corporate is offset by underspends within non delegated functions in Partnership. The Corporate figure includes £62.4m of Covid-19 Unachieved savings relief and other non recurring savings of circa £31m which has improved the position in comparison to the previous month.

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Month 12 Position – Acute Services



Financial Performance – Month 12(Cont'd)

The Acute Division is reporting a breakeven position at Month 12, as can be seen in the table below. All COVID-19 costs of £54.3m for the full year are fully funded.

Overall, Pays have an underspend of £2.6m and Non Pay is £2.6m overspent. Despite pays being underspent there is still a significant pressure of £6.3m in Junior Doctors, giving an average monthly pressure of £528k. This compares to 2020/21 average monthly pressure of £483k.

There is a non pay overspend of £2.6m, a increase from £0.9m in Month 11. Pressures still remain in Purchase of Healthcare for 'Out of Area Beds' and Diagnostic Reporting of £1.64m and in Other Therapeutic Supplies of £0.8m which is mainly related to Interventional Neuro Radiology and Interventional Radiology supplies.

The FIP position within the Acute Division is break even due to non recurring support of £24.1m

Acute	Pay	Non Pay	FIP	21/22 Month 12 Total	20/21 Month 12 Total
	£m	£m	£m	£m	£m
South Sector	2.8	(0.4)	(5.5)	(3.1)	0.9
North Sector	(2.1)	0.9	(4.1)	(5.2)	(0.9)
Clyde Sector	0.6	0.1	(2.1)	(1.4)	0.0
Diagnostics Directorate	3.4	(1.1)	(3.2)	(0.9)	1.8
Regional Services	3.6	0.0	(4.8)	(1.2)	(1.3)
Women & Childrens Services	0.2	(1.2)	(4.5)	(5.5)	0.0
Directorate Totals	8.5	(1.6)	(24.1)	(17.2)	0.4
Acute Corporate	(5.9)	(1.0)	24.1	17.2	(0.0)
Acute Expenditure Totals	2.6	(2.6)	0.0	0.0	0.4
Income (Under)/Over Recovery	0.0	(0.0)	0.0	(0.0)	0.0
Acute Total	2.6	(2.6)	0.0	0.0	0.4

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Financial Performance – Month 12 (Cont'd)

Partnerships reported an overall breakeven position on the Health element of their budgets as at 31st March 2022. Breakdown by each HSCP can be seen below. An underspend of £1.4m is shown in Other Partnership Budgets due to a reduction in spend due to the impact of Covid on non delegated areas.

HSCP	Annual Budget	YTD Budget	YTD Actuals	YTD Variance
	£m	£m	£m	£m
Glasgow City	886.8	886.8	886.8	(0.0)
East Dunbartonshire	114.0	114.0	114.0	0.0
East Renfrewshire	99.1	99.1	99.1	0.0
Inverclyde	111.6	111.6	111.6	0.0
Renfrewshire	218.7	218.7	218.7	0.0
West Dunbartonshire	116.1	116.1	116.1	0.0
Total HSCPs	1,546.2	1,546.2	1,546.2	(0.0)
Other Partnerships Budgets	22.8	22.8	21.5	1.4
Total Partnerships	1,569.0	1,569.0	1,567.6	1.4

IJB reserves position will be reported in the next finance report once they have been to the respective IJB Boards.

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Financial Performance – Month 12 (Cont'd)

Corporate Directorates reported an overspend at Month 12 of £1.09m. All areas are reporting underspends at year end with the exception of Other Corporate expenditure and Estates and Facilities.

Estates and Facilities overspend is as a result of additional property and maintenance work carried out in the last few months of the year and Other Corporate overspend is due to central year end accruals, these overspends are offset by underspends in other areas.

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	52.83	52.83	51.36	1.47
Centre For Population Health	1.25	1.25	1.24	0.01
Corporate Affairs	7.83	7.83	6.85	0.98
Corporate Communications	1.64	1.64	1.53	0.11
Director of eHealth	92.10	92.10	92.12	(0.02)
Director of Finance	24.88	24.88	21.20	3.68
Director of Human Resources	23.46	23.46	23.33	0.13
Director of Nursing	13.34	13.34	12.61	0.73
Director of Public Health	25.17	25.17	24.30	0.87
Other Corporate Expenditure	179.03	179.77	183.66	(3.89)
Estates and Facilities	308.78	308.78	310.50	(1.71)
Total Corporate Directorates	730.31	731.05	728.70	2.35
Unallocated Savings	(3.44)	(3.44)		(3.44)
Total Corporate	726.87	727.61	728.70	(1.09)

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Financial Improvement Programme (FIP)



The Financial Improvement Programme (FIP) – Month 12

On a full year basis £34.32m has been achieved at Month 12 compared to £33.17m reported in the previous month, an increase of £1.15m on a recurring basis. This represents 75.85% achievement of the target. This was a significant achievement given the operational challenges the Board faced throughout the year.

2022/23

The FY21-22 year end position has enabled the final targets and overall financial challenge to the Board to be established as £53.79m based on the final Month 12 position.

On a full year recurring basis FIP of £2.6m has been achieved at Month 1 against the £53.79 target (4.81%)
On a nonrecurring basis £3.11m has been achieved against the £53.79m target (5.8%)

As of Month 1 there are 35 schemes currently delivering, with a total value of £3.34m. Of this, £0.75m remains to be delivered. There are 72 schemes that have been classified as potential projects which gives an estimated pipeline value £12.51m on a recurring basis.

This provides an overall value of projects of £15.85m / 29.47% of the target as of Month 1

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. Therefore there is an urgent need for further savings initiatives to be identified in order for the Board to address these financial challenges.

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Capital Position



The 2021/22 Capital Position – Month 12

The core capital resources invested by the Board in 2021-22 amounted to £96.1m as follows:

Total SGHSCD Capital Resource Limit	£84.4m
Other Capital Funding Sources	£ 3.2m
Revenue Funded	£ 8.5m

Total Infrastructure Funding 2021-22 £96.1m

The Capital Resource Limit (CRL) of £84.4m as set by SGHSCD was achieved and all other available resources fully utilised in the year. Major areas of expenditure to highlight include: £18m on improvement of hospital site infrastructure, £29m on medical equipment, the completion of our new Health Centre at Clydebank and taking advantage of an additional £17m of Barnett Consequential funding made available by SG and invested in our estate and eHealth facilities.

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Capital Position



Capital Budget 2022/23

The current estimate of core capital resources available to the Board in 2022-23 is **£76.4m** as follows:

Total SGHSCD Capital Resource Limit	£73.6m
Other Capital Funding Sources	£ 1.7m (Land sales)
Revenue Funded	£ 1.1m

Total Infrastructure Funding 2022-23 £76.4m

The opening CRL of £73.6m includes a fixed core annual allocation of £37.4m, additional ring fenced funding of £39.2m for SG approved schemes and an estimated capital to revenue transfer of £3m. Major areas of expenditure to highlight include: £25m on the commencement of work on our new health centre in North East Glasgow, £6m on the West of Scotland Thrombectomy service and £8m on the replacement of high value Radiotherapy equipment.

Other area of expenditure include infrastructure improvements in our hospital buildings and Health Centres, minor works schemes across our estate, routine medical equipment replacement and the maintenance of our IT Infrastructure. At the time of writing c. £8m of the current budget remains to be allocated to schemes assessed via the (new) Asset Investment Prioritisation process.

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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.

Given the scale of the gap, this financial position remains on rolling review, with more recent analysis identifying a further £30m of non-recurring opportunities which would bring the forecast deficit down to £51.5m. Whilst it is clear that 2022/23 is a financially challenging year, focussed effort needs to be maintained to further bridge the £51.5m 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 1 £15.9m of savings have been identified representing 29.47% of this element of the overall target.

A full review of the financial plan and associated risks is currently taking place, with an update due to be submitted to Scottish Government at the end of July. This will need to take into consideration the risks that we are facing due to the gap in Covid-19 funding detailed below and the high inflationary pressures being experienced and forecast throughout this year. The plan also requires to take cognisance of the recent publication of the Resource Spending Review and the budget settlement and this will be incorporated into this wider review to appropriately assess the impact and risk within our planning assumptions.

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Covid-19 Funding

There is limited funding available to cover the costs of Covid expenditure in 2022/23. The forecast for 2022/23 based on the Quarter 4 return is £159.2m, split £113.5m for the Board and £45.7m for the IJB's. The Board has been given a funding envelope of £61.6m to support non delegated NHS covid costs, leaving a potential gap of £51.9m requiring mitigation.

Exit planning and a review of all costs is currently being undertaken. A full review of expenditure being allocated against Covid-19 is also underway to ensure that it is directly related to the pandemic. A revised forecast will be submitted at the end of July and should be lower than £159.2m due to policy changes and reduced level of Covid-19 cases. It should be noted that when the financial plan was compiled it was assumed that the Covid costs would be fully funded, therefore any continuing costs that are not covered by the allocation will increase the Boards overall deficit, however every effort is being made to reduce the costs to fit within the funding envelope.

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Conclusion



Conclusion

2021/22

The purpose of this report is to provide the Board with a Month 12 financial update.

At 31st March 2022 the Board's financial ledger highlights an underspend of £0.36m. This is in line with forecast.

The total COVID-19 funding request submitted to Scottish Government in May 2022 had total costs for 21/22 of £283.5m which is split £207.6 for the Board and £75.9m of costs for the IJB's. The IJB expenditure is split £16.1m Health and £59.8m Local Authority. All COVID-19 expenditure for the year has been covered in full by the allocations received from the Scottish Government.

In terms of FIP, on a full year basis £34.32m was achieved at 31st March 2022 compared to £33.17m reported in the previous month, an increase of £1.15m on a recurring basis. This represents 75.85% achievement of the target for the year to date. On a current year effect the full £152.4m was achieved due to non recurring Covid relief of £62.4m and other non recurring savings being identified.

The Capital Resource Limit (CRL) of £84.4m as set by SGHSCD was achieved and all other available resources fully utilised in the 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.

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Conclusion continued

Given the scale of the gap, this financial position remains on rolling review, with more recent analysis identifying a further £30m of non-recurring opportunities which would bring the forecast deficit down to £51.5m. Whilst it is clear that 2022/23 is a financially challenging year, focussed effort needs to be maintained to further bridge the £51.5m 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.

A full review of the financial plan is currently taking place and an update is due to be submitted to Scottish Government at the end of July, this will need to take into consideration the risks that we are facing due to the gap in Covid-19 funding detailed below and the high inflationary pressures we are facing.

Exit planning and a review of all costs is currently being undertaken. A full review of expenditure being allocated against Covid-19 is also underway to ensure that it is directly related to the pandemic. A revised forecast will be submitted at the end of July and should be lower than £159.2m due to policy changes and reduced level of Covid-19 cases. It should be noted that when the financial plan was compiled it was assumed that the Covid costs would be fully funded, therefore any continuing costs that are not covered by the allocation will increase the Boards overall deficit.

In summary, Members are asked to ;

- i) Note the revenue position at Month 12
- ii) Note the Month 12 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 12; and
- iv) Note the 2022/23 Position.