

NHS Greater Glasgow and Clyde	Paper No. 22/11
Meeting:	Board Meeting
Meeting Date:	22 February 2022
Title:	Financial Plan 2022/23
Sponsoring Director:	Mark White, Director of Finance
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1. Purpose

The purpose of this report is to: to provide the Board with an initial Draft Financial Plan for 2022/23

This report outlines the forecast deficit for 2022/23 and explains the detail behind the figures.

2. Executive Summary

The paper can be summarised as follows:

- The significant financial challenge for 2022/23 is forecast at **£166.3m**, this is based on a 2% uplift of baseline budget from Scottish Government and an additional allocation to support the increase in employer National Insurance costs.
- This includes £122m of a recurring brought forward deficit from 2021/22.
- Factoring in recurring savings of £50m and non-recurring funding this can be reduced to **£82.8m**.
- It is imperative that all Directors and Sectors meet their FIP target as a minimum on a recurring basis for 2022/23 to ensure that the **£50m** factored into the plan is achieved and to reduce the recurring deficit.
- This still leaves us short of a break even position and work needs to be done to ensure financial control is in place in all areas to help reduce the deficit position.
- Pay uplift is currently based on the Public Sector Pay policy guidelines. Further discussions will take place with SG once the pay settlement for 2022/23 is known.
- **£7.9m** of recurring investments are included and these need to be prioritised and reviewed to see if they can be funded from existing budgets.
- For the purposes of this plan it has been assumed that all costs related to COVID-19 are fully funded however this is a high risk as no funding has been confirmed for

next year with the exception of Vaccinations and Test & Protect. Exit planning needs to be carried out to ensure that if there is no funding available we are able to minimise the financial risk.

3. Recommendations

The Board is asked to note the draft Financial Plan and the Financial Improvement Target for 2022/23.

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 | <u>Positive impact</u> |
| • Better Care | <u>Positive impact</u> |
| • Better Value | <u>Positive impact</u> |
| • Better Workplace | <u>Positive impact</u> |
| • Equality & Diversity | <u>Positive impact</u> |
| • Environment | <u>Positive impact</u> |

6. Engagement & Communications

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

- Reviewed by the Corporate Management Team and the Finance, Planning and Performance Committee.

7. Governance Route

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

8. Date Prepared & Issued

Date prepared: 15 February 2022.

Date issued: 15 February 2022.

Mark White
Director of Finance

2022/23 Financial Plan – Draft

Financial Planning and Performance Committee- 15th February 2022

1. Financial Plan Summary

The forecast for 2022/23 is a deficit of £82.8m and provides the Board with a significant challenge to obtain a break even position and reduce the underlying deficit.

A summary of the financial plan is shown below. Each of the items is explained in more detail in the accompanying notes.

	£m	Para
Total New Resources	69.2	2
Carry Forward from 2020/21		
Recurring Deficit b/f	(122.0)	
Cost Drivers		
Pay Cost Growth	(60.8)	3
Prescribing - Acute	(23.0)	4
Prescribing - Primary Care	(8.0)	4
Supplies, PPP & Other Inflation	(14.5)	5
Cost Pressures	(0.1)	6
Investments	(7.8)	6
Cost Drivers	(236.2)	
Cash Efficiency Challenge	(167.0)	
Cash Efficiency Challenge	(6.7%)	
IJB Uplift in Resources	(21.3)	7
IJB Expenditure	22.0	7
Net Cash Efficiency Challenge	(166.3)	8
Net Cash Efficiency Challenge	(10.5%)	8
Forecast Savings Achievable (%)	30%	
Forecast Savings Achievable	50.0	9
Recurring Deficit c/f	(116.3)	
Non Recurring Outturn	33.5	
In-Year Outturn (Acute & Corporate)	(82.8)	

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2. Funding

Scottish Government (SG), in its Budget for 2022/23 has announced an increase of 2.0% in NHS Greater Glasgow and Clyde's (NHSGGC) baseline budget brought forward from 2021/22. This equates to £48.8m. NHSGGC does not receive a share of the funding awarded to some other Boards in order to bring them closer to NRAC parity. In addition, there are specific uplifts which are described in the narrative.

	All Boards £m	NHSGGC £m	Para
New Resources			
Baseline Increase @ 2.0%	240.3	48.8	2.1
Additional for National Insurance	118.5	13.6	2.2
NRAC Parity Adjustment	28.6		2.3
	387.4	62.4	
Uplift from Other Boards		6.8	2.4
Total New Resources		69.2	
less Uplift Allocation to IJBs		(21.3)	
Total New Resources		47.9	

- 2.1. A general uplift is provided by SG to support Boards in meeting expected additional costs related to pay, supplies (which includes prescribing growth and utilities charges) and capital charges. For 2022/23, a baseline uplift of 2.0% has been provided.
- 2.2. An additional allocation has been provided by SG to support the increased employer national insurance costs arising from the UK Health and Social Care Levy.
- 2.3. This funding allocation is available exclusively to those NHS Boards whose current general funding allocation is below NRAC formula parity levels, to move them closer to NRAC parity. As NHSGGC's funding level currently exceeds NRAC parity, it does not receive a proportion of this funding allocation. However, as in previous years, Scottish Government has not sought to reduce NHSGGC's core funding level. This reflects the measured approach which SG continues to take in progressing implementation of NRAC recommendations, thereby avoiding creating financial turbulence within NHS Scotland.
- 2.4. By applying an agreed general inflationary uplift 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 £6.8m in 2022/23.

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3. Pay Cost Growth

Pay cost growth comprises:

Pay Uplift	55.3	4.1
Discretionary Points	1.7	4.2
Auto enrolment	3.9	4.3
Total Pay Uplift	<u>60.9</u>	

- 4.1. SG has not yet announced its plans for NHS pay in 2022/23. Pending SG's decision, calculations have been based on Public Sector Pay Policy guidelines. These guidelines suggest a £775 flat rate increase for staff earning up to £25,000, a £700 flat rate increase for staff earning between £25,000 and £40,000 and a flat rate increase of £500 for staff earning over £40,000. This equates to an uplift of circa £39.5m. Also included within the pay uplift figure is the additional costs of National Insurance Contributions of circa £15.8m
- 4.2. Discretionary points: A provision of £1.7m has been made for the on-going impact of funding additional discretionary points.
- 4.3. Auto Enrolment: Every 3 years we must re-enrol any employee who has left the pension scheme back into it. 20H22/23 is the year that we must do this. The estimated costs of this is approximately £3.9m however this can vary depending on many employees decided to remain within the scheme.

4. Prescribing

The prescribing cost growth projection for 2022/23 is at a very early stage of development and is little more than a marker based on previous years. 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 known soon 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.

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5. Other costs inflation

1.0% 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.

6. Pressures and Investments

The following list of possible pressures and investments is to allow the FP&PC to debate the merit of the schemes listed. If all schemes below are approved, this will add £7.9m to NHSGGC's savings challenge for 2022/23. 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.

	£m	Note
Unavoidable b/f		
PET Scanning	0.1	NHSGGC share of business case.
Unavoidable b/f	<u>0.1</u>	
Investments		
365 Office	0.4	National contract
CNORIS	2.6	Increase in National Share
Band 2 to Band 3	3.1	Regrading of Band 2 to Band 3.
Liver Resection Repatriation	0.2	Repatriation from Lothian
ODP	0.5	Cost of paying ODP Annex 21 rate
Out of Area Beds	<u>1.0</u>	Continuing pressure
Investments	<u>7.8</u>	
Total Investments & Pressures	<u>7.9</u>	

7. 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 £3m to cover the increase in National Insurance contributions. Therefore total uplift is £21.3m

On the expenditure side, estimated cost pressures are £10.5m for salaries, £3.5m for supplies and £8.0m for GP prescribing, a total of £22m.

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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 settlement from local government. Until this is known the overall position of the IJB's cannot be assessed.

8. Net Cash Efficiency Challenge:

After providing for cost pressures, the possible investments outlined in paragraph 7 and adjusting for those items to be managed by IJBs, the remaining recurring financial challenge is £169.2m, equivalent to 10.7% of the total Acute and Corporate budgets. At this stage, a high level assessment suggests that around £40.0m of this challenge will be achievable recurrently.

9. Financial Improvement Targets

The savings target for 2022/23 of £54.7m. Targets are set based on 1.5% of the recurring rollover budget plus any unachieved savings carried forward from 2021/22. Final targets will be adjusted once the outcome of 2021/22 is known.

It is imperative that all Sectors and Directorates achieve their savings target and ensure that all budgets are managed in year given the severity of the financial challenge that the Board is facing in 2022/23. The assumption within this financial plan is that all savings targets will be met in full.

10. COVID-19

For the purposes of this financial plan the assumption that any costs relating to COVID-19 in 2022/23 will be fully funded. However this is a risk as there has been no confirmation of any additional funding for 2022/23 with the exception of the allocations that we have already been notified of for Vaccinations and Test and Protect.

Exit planning needs to be carried out to ensure that if there is no funding available we are able to minimise the financial risk.