

<b>NHS Greater Glasgow and Clyde</b>	<b>Paper No. 22/25</b>
<b>Meeting:</b>	<b>NHS Board Meeting</b>
<b>Meeting Date:</b>	<b>26 April 2022</b>
<b>Title:</b>	<b>Financial Plan 2022/23</b>
<b>Sponsoring Director:</b>	<b>Mark White, Director of Finance</b>
<b>Report Author:</b>	<b>Fiona McEwan, Assistant Director of Finance- Financial Planning and Performance</b>

## 1. Purpose

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

This report outlines the forecast deficit for 2022/23 and explains the detail behind the figures. It also includes the draft Financial Improvement Targets for 2022/23.

## 2. Executive Summary

**The paper can be summarised as follows:**

- The significant financial challenge for 22/23 is forecast at **£172.7m**, 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 £120m of a recurring brought forward deficit from 2021/22.
- Factoring in recurring savings of £50m and non-recurring funding this can be reduced to **£81.5m**. This is a slight reduction on the first draft that went to the Board which had a deficit of £82.8m. Details of the movement can be seen below.

## OFFICIAL SENSITIVE

	£m	
February Submission	(82.8)	
<b>Recurring Movement</b>		
New Medicines Fund	11.1	Based on NRAC share of £100m
Recurring Deficit	2.0	Reduction due to additional FYE savings achieved
Inflation	(8.0)	Increased from 1% to 2%
Energy	(14.0)	Initial increase notified by National Procurement plus a further 35%
NSD	(0.8)	Based on NSD Risk Share Paper
IJB Expenditure	3.3	HSCP share of inflation increase
	<u>(6.4)</u>	
Revised Challenge	<u>(89.2)</u>	
PACS reduction	7.7	Reduced as to be paid over 3 years rather than 1
Revised Challenge after NR	<u>(81.5)</u>	

- 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 22/23 is known.
- £8.6m 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 testing. Exit planning needs to be carried out to ensure that if there is no funding available we are to minimise the financial risk.

### 3. Recommendations

The Board is asked to note the updated Financial Plan and the Financial Improvement Targets 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**                      **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:**

- 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: 19 April 2022

Date Issued: 19 April 2022

## 2022/23 Financial Plan

### Board Meeting - 26th April 2022

#### 1. Financial Plan Summary

The forecast for 2022/23 is a deficit of £81.5m and presents 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.

	<b>£m</b>	<b>Para</b>
<b>Total New Resources</b>	<u>80.3</u>	2
<b>Carry Forward from 2021/22</b>		
Recurring Deficit b/f	(120.0)	3
<b>Cost Drivers</b>		
Pay Cost Growth	(60.8)	4
Prescribing - Acute	(23.0)	5
Prescribing - Primary Care	(8.0)	5
Supplies, PPP & Other Inflation	(36.5)	6
Cost Pressures	(0.1)	7
Investments	<u>(8.6)</u>	7
<b>Cost Drivers</b>	<u>(257.0)</u>	
Cash Efficiency Challenge	<u>(176.7)</u>	
Cash Efficiency Challenge	<u>(7.1%)</u>	
IJB Uplift in Resources	(21.3)	8
IJB Expenditure	<u>25.3</u>	8
<b>Net Cash Efficiency Challenge</b>	<u>(172.7)</u>	9
<b>Net Cash Efficiency Challenge</b>	<u>(10.9%)</u>	9
Forecast Savings Achievable (%)	29%	
Forecast Savings Achievable	<u>50.0</u>	
<b>Recurring Deficit c/f</b>	<u>(122.7)</u>	
Non Recurring Outturn	<u>41.2</u>	10
<b>In-Year Outturn (Acute &amp; Corporate)</b>	<u>(81.5)</u>	

## 2022/23 Financial Plan

### 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
<b>New Resources</b>			
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
Change in New Medicines Fund		11.1	2.5
<b>Total New Resources</b>		80.3	
less Uplift Allocation to IJBs		(21.3)	
<b>Total New Resources</b>		59.0	

- 2.1. A general uplift is provided by SG to support Boards towards 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.
- 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.

## 2022/23 Financial Plan

2.5. National PPRS receipts which are used to support the New Medicine Fund are estimated to increase from £50m in 2021/22 to £100m in 2022/23. This results in an increase of £11.1m in the allocation to NHSGGC.

### 3. Recurring Deficit b/f

The recurring deficit b/f comprises:

Acute Savings Recurring Underachievement 2021/22	(22.6)	3.1
Corporate Savings Recurring Overachievement 2021/22	2.0	3.2
Unallocated Savings Underachievement 2021/22	(99.4)	3.3
<b>Total Deficit b/f</b>	<b>(120.0)</b>	

3.1. The Acute Division was set a recurring savings challenge of £36.7m. The latest estimate is that it will deliver £14.1m recurrently, leaving £22.6m to be added to the 2022/23 challenge.

3.2. Corporate departments were set a recurring savings challenge of £8.5m. The latest estimate is that they will overachieve and deliver £10.5m recurrently, which will reduce the 2022/23 challenge.

3.3. The balance of the savings challenge during the year was £115m. The latest estimate is that £15.6m will be delivered, leaving £99.4m to be added to the 2022/23 savings challenge.

### Remobilisation of the Financial Improvement Programme (FIP)

The FIP Programme has continued in 2021/22. It is forecast that circa £32m of savings will be achieved on a recurrent basis, an excellent outcome given the current service pressures. The approach remains to deliver where possible all schemes currently identified by the end of March 2021 in order to ensure that the deficit brought forward does not increase and the £32m of savings are achieved.

The remaining few months of the year will involve analysis of the COVID-19 ways of working, identifying opportunities for medium to longer efficiencies. A number of initiatives have already been identified for 2022/23 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. Section 11 details the proposed targets for 2022/23.

### 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

## 2022/23 Financial Plan

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:

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

## 2022/23 Financial Plan

- 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. 2022/23 is one such year. The estimated costs of this is approximately £3.9m however this can vary depending on many employees decided to remain within the scheme.

### 5. 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.

### 6. Other costs 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.

### 7. Pressures and Investments

The following list of possible pressures and investments. If all schemes below are approved, this will add £8.6m to NHSGGC's savings challenge for 2022/23.

	£m	Note
<b>Unavoidable b/f</b>		
PET Scanning	0.1	NHSGGC share of business case.
<b>Unavoidable b/f</b>	<u>0.1</u>	
<b>Investments</b>		
NSS Risk Share	0.8	Ultra Orphan drugs
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 Annex 21
Out of Area Beds	<u>1.0</u>	Continuing pressure
<b>Investments</b>	<u>8.5</u>	
<b>Total Investments &amp; Pressures</b>	<u>8.6</u>	

## 2022/23 Financial Plan

### 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 £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, £6.8m for supplies and £8.0m for GP prescribing, a total of £25.3m.

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.

### 9. 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 £172.7m, equivalent to 10.9% of the total Acute and Corporate budgets.

At this stage, a high level assessment suggests that around £50.0m of this challenge may be achievable recurrently.

### 10. Non Recurring

It is estimated that the Board may be able to release £50.0m of non-recurring funding offset by non-recurring investments of £8.7m, which are detailed below, to help address the in-year deficit. However, this will still leave a gap of £71.5m which, at this stage, the Board is unable to close. The Board will make every effort to try and reduce the gaps over the duration of the year.

	£m	Note
<b>Investments</b>		
HEPMA	0.9	Remaining Project Costs already committed
PACS	4.1	Share of implementation costs
ANP's in Clyde	0.1	Final Year of training plan
WGACH Telecommunications Costs	0.1	Services associated with WGACH
Legal Costs/ Public Enquiry	3.0	Costs associated with the Public Enquiry
<b>Investments</b>	<u>8.7</u>	

## 2022/23 Financial Plan

### 11. Financial Improvement Targets

Savings targets for 2022/23 have been issued to the Sectors and Directorate of £50m. Targets are set based on 1.5% of the recurring rollover budget plus any unachieved savings carried forward from 2021/22. Figures below are based on month 11 forecast. Final targets will be adjusted once the outcome of 2021/22 is known.

	Recurring Baseline Budget 22-23 £000's	Savings Target @ 1.5% £000's	Forecast carry forward £000's	Combined Target £000's
GD: South Sector	338,117	5,072	5,805	10,877
GC: North Sector	217,321	3,260	4,325	7,585
GZ: Clyde Sector	191,419	2,871	2,447	5,319
G4: Diagnostics Directorate	201,149	3,017	3,925	6,942
G5: Regional Services	292,916	4,394	3,465	7,859
G6: Women & Childrens Services	212,552	3,188	4,139	7,327
<b>GAI&amp;E: Acute Division I &amp; E</b>	<b>1,453,474</b>	<b>21,802</b>	<b>24,106</b>	<b>45,909</b>
G7: Estates+facilities Directorate	221,234	3,319	300	3,619
GTC: Corporate Finance	16,129	242	0	242
GTD: Public Health	14,965	224	171	395
GTE: Nursing	6,804	102	0	102
GTF: Corporate Communications	1,454	22	0	22
GTH: Human Resources	19,171	288	0	288
GTI: Hi&t Director	75,575	1,134	0	1,134
GTJ: Board Medical Director	48,412	726	393	1,119
GTL: Corporate Administration	4,437	67	115	181
GDK: Ooh	15,897	238	252	491
<b>GBI&amp;E: Corporate I&amp;e</b>	<b>424,078</b>	<b>6,361</b>	<b>1,230</b>	<b>7,592</b>
<b>Total</b>	<b>1,877,552</b>	<b>28,163</b>	<b>25,337</b>	<b>53,500</b>
Unallocated				119,200
<b>Financial Challenge</b>				<b>172,700</b>

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.

### 12. Covid-19

Included within this Financial Plan are Covid-19 costs as follows:-

	Recurring £m	Non Recurring £m	Total 22/23 £m
Board	97.27	27.25	124.52
IJB	25.67	19.66	45.33
<b>Total</b>	<b>122.94</b>	<b>46.91</b>	<b>169.85</b>

## 2022/23 Financial Plan

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.

### 13. Risks

There are a number of risks that the Board is facing in 2022/23 with the main ones highlighted below.

#### **Covid-19**

There are a number of risks associated with Covid -19 funding for 2022/23. There is the risk that no further funding is received especially given the announcement in England to remove restrictions and therefore reduce funding being received through consequentials.

- No clarity on funding available for 22/23
- Lack of recurring funding for MHAU's
- Homelessness – it is likely to years before demand in homelessness will reduce to pre-pandemic levels – this represents a substantial financial risk for us
- Additional costs of infection control and the 4 nations policy
- The continuation of red and green pathways
- SATA's
- Uncertainty around the future of testing and contact tracing
- Vaccination policy still to be determined
- Model around PPE and what it looks like
- Sustainability payments have been included on the basis that they finish at the end of June. If they continue for the remainder of the year this would cost £25.1m.

No updates have been made to the Covid-19 costs for 22/23 based on the latest First Minister announcements on testing. Additional information is required before we could determine the changes to the forecast.

#### **Waiting Times Backlog**

Work is currently taking place for RMP5 and the activity levels that will be able to be delivered in 22/23. Risk is around the funding, availability of staff and accommodation to allow the activity to be carried out. For the purpose of the financial plan no additional costs have been included for waiting times on the assumption that it is being dealt with separately.

## 2022/23 Financial Plan

Discussion at the moment are indicating that any waiting time funding will be given on an NRAC basis which would leave us short as we do approximately 30% of the activity which is significantly higher than our NRAC share.

### **Energy Prices and Inflation**

The initial information on Energy is that there could be cost pressure of circa £40.5m to all boards next year. Subsequently we have been informed by Scottish Procurement that there is an additional 35% increase. GG&C share of that would be approximately £15.8m. This has been reflected in the current financial plan.

The latest rate of inflation is circa 5.4% this hasn't been taken into consideration in the deficit of £71.5m and if remains could increase our deficit by a further £14m. The financial plan has inflation included at 2%.

### **eRostering**

There is approximately cost of £2m - £6m which are not included within the financial plan. At this moment the level of costs required is dependent on the progress with the system interface and additional post requirements. The timeframe for going live is September however this is still subject to further discussions due to the risks with the interface and the project progress.