NHS Greater Glasgow and Clyde	**Paper No. 24/49**
Meeting:	**NHSGGC Board Meeting**
Meeting Date:	**30 April 2024**
Title:	**Financial Plan 2024/25-2026/27**
Sponsoring Director:	**Colin Neil, Director of Finance**
Report Author:	**Fiona McEwan, Assistant Director of Finance-Financial Planning & Performance**

1. Purpose

The purpose of this report is to: to provide the Board with the Financial Plan for 2024/25 to 2026/27.

2. Executive Summary

The paper can be summarised as follows:

Scottish Government requested that a 3 year plan was submitted by the 21st of March 2024. An initial draft of the Financial Plan was approved at Finance, Planning and Performance Committee on the 9th of April 2024. A summary of the financial plan is shown below and each of the items are explained in more detail in the accompanying paper. It highlights a deficit of £48.3m for 24/25 and a deficit of £37.9m and £7.2m for the subsequent years.

	2024/25 £m	2025/26 £m	2026/27 £m	Note
New Resources				
Baseline Increase	0.0	0.0	0.0	
New Medicines Fund	6.6	0.0	0.0	
Uplift from Other Income	1.3	1.3	1.3	
Total New Resources	7.9	1.3	1.3	2
Cost Pressures				
Recurring Deficit b/f	(138.9)	(89.7)	(51.0)	3
Cost Drivers				
Pay Cost Growth	(1.7)	(5.6)	(1.7)	4
Prescribing - Acute	(20.5)	(21.1)	(23.2)	5
Prescribing - Primary Care	(17.2)	(9.1)	(9.1)	5
Supplies, PPP & other Inflation	(49.6)	(23.1)	(23.1)	6
Pressures and National/ Policy Decisions	(25.9)	(5.2)	(11.0)	7
Total Cost Pressures	(253.8)	(153.8)	(119.1)	
Cash Efficiency Challenge	(245.9)	(152.5)	(117.8)	
IJB Expenditure	27.6	19.5	19.5	8
Net Cash Efficiency Challenge Acute & Corporate	**(218.3)**	**(133.0)**	**(98.3)**	
Forecast Recurring Savings Requirement	128.6	82.0	82.0	3
Recurring Deficit c/f	**(89.7)**	**(51.0)**	**(16.3)**	
Non Recurring Pressures/ Investment	(8.6)	(1.9)	(0.9)	9
Non Recurring Savings	50.0	15.0	10.0	9
In-Year Outturn (Acute & Corporate)	**(48.3)**	**(37.9)**	**(7.2)**	

The Financial Plan highlights a deficit of **£48.3m** for 2024/25 and a deficit of £37.9m and £7.2m for the subsequent years. This is on the assumption that recurring savings of **£128.6m** are achieved in 2024/25 and £82m in each of the subsequent years. It is imperative that the recurring savings are achieved in order to bring down the recurring deficit going forward as outlined in the 3 year plan.

The recurring financial challenge is £218.3m with an additional £8.6m of non-recurring pressures giving an overall financial challenge of **£226.9m**, which requires NHSGGC to maximise all opportunities on both a recurring and non-recurring basis in order to improve this position. 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 financial plan includes an element of the pressures associated with winter capacity costs and other system pressures. These areas will be subject to rolling review throughout the year. However there are still significant non-recurring pressures that need to be considered beyond the baseline financial plan and work will be required to mitigate these during the financial year.

The following assumptions have been used in the compilation of the plan:-

- Baseline uplift of 0% for each of the 3 years
- Pay award for all years is fully funded
- Recurring savings of £52m are achieved in 2023/24 to ensure the brought forward recurring deficit is not greater than £138.9m
- Recurring savings of £128.6m is achieved 2024/25 and £82m in the following two years
- Acute prescribing growth will not exceed c£20.5m in 2024/25
- General inflation of 3% for 2024/25, 2% for 2025/26 and 2026/27
- 3.1% has been set aside for inflation on contractual cost commitments
- 2% inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to expenditure SLAs.
- Energy increases by £10.86m in 2024/25 and then inflation rate thereafter. This is based on the commercial information that is currently available.
- Rates increases are based on circa 6.5% and PPP/PFI and Hubs averaging 4%.
- IJB’s will be break even however they will be facing significant saving challenges and utilising substantial levels ofl available reserves.
- Covid-19 expenditure for vaccinations, public health and testing are fully funded.
- No cost pressure in relation the PPE funding that is currently being funded by NSS and will be transferring to NHS GGC in 2024/25
- New Medicines fund included as a NRAC share of £180m

These assumptions have been applied within our finance plan and will remain under constant review given a number may be subject to in year variation.

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

3. Recommendations

The Board is asked to approve the 3 year Financial Plan and note the financial challenge that NHSGGC 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 report has been previously presented and approved by the Corporate Management Team and the Finance, Planning & 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: 18th April 2024
Date Issued: 23rd April 2024

3 Year Financial Plan 2024/25 to 2026/27

Board Meeting – 30th April 2024

1. Financial Plan Summary

Scottish Government requested that a 3 year plan was submitted by the 21st of March 2024. An initial draft of the Financial Plan was approved at Finance, Planning and Performance Committee on the 9th of April 2024. A summary of the financial plan is shown below and each of the items are explained in more detail in the accompanying notes. It highlights a deficit of £48.3m for 24/25 and a deficit of £37.9m and £7.2m for the subsequent years.

	2024/25 £m	2025/26 £m	2026/27 £m	Note
New Resources				
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3 Year Financial Plan 2024/25 to 2026/27

2. Funding

	2024/25 £m	2025/26 £m	2026/27 £m	Para
New Resources				
Baseline Increase @ 0.0%	0.0	0.0	0.0	2.1
New Medicines Fund	6.6	0.0	0.0	2.2
Uplift from Other Boards	1.3	1.3	1.3	2.3
Total New Resources	7.9	1.3	1.3	

2.1. Scottish Government (SG) announced its Budget for 2024/25 on the 19th of December 2023 and it stated that all NHS Board will receive a total increase of 4.3% for 2024/25 to cover costs related to the 2023/24 pay deal as well as the baselining of £100m of sustainability and NRAC funding provided in 2023/24. The pay award for 2023/24 was allocated on a non-recurring basis and this uplift ensures it is recurring.

In real terms the uplift for NHS Greater Glasgow and Clyde's (NHSGGC) baseline budget is 3.6%. It is anticipated that the pay award, when agreed for 2024/25, will be funded in full however there is no uplift for any costs other than pay.

For the purposes of the 3 year plan the uplift for the remaining years is also assumed as 0%.

2.2. The latest new medicines fund assumption is to assume a share of £180m resulting in an overall increase of £6.6m as the original budget is based on share of £150m. The overall funding available in 2023/24 was £250m therefore it is a circa £15.5m reduction in comparison to 2023/24.

2.3. A 2% uplift which equates to £1.3m has been applied to service level agreements related to patient services out with NHS Scotland Boards. The same uplift has been assumed for both 2025/26 and 2026/27, for consistency.

3 Year Financial Plan 2024/25 to 2026/27

Agreement is required as to the uplift to be applied to NHS Scotland service level agreements, at the moment nothing has been assumed in relation to non-pay costs within the financial plan. The principles in previous years is that the SLA's are uplifted in line with the SG uplift however a 0% uplift will not reflect the costs increases to services in 2024/25. This element will be subject to national review and agreement for the forthcoming financial year.

3. Recurring Deficit Brought Forward

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Recurring Deficit Brought forward	(119.7)	(138.9)	(89.7)	(51.0)
Increase in year	(71.2)	(79.4)	(43.3)	(47.3)
Forecasted Savings	52.0	128.6	82.0	82.0
Recurring Deficit Carried Forward	(138.9)	(89.7)	(51.0)	(16.3)

Details of the recurring deficit brought forward can be seen in the table above. This is based on the assumption that £52.0m recurring savings are achieved in 2023/24 and then a further £128.6m in 2024/25 this equates to 4.7% of the baseline budget. For 2025/26 and 2025/27 £82m has been included which is circa 3% of the baseline allocation from SG.

At month 11 £51.5m of recurring savings have been achieved for 2023/24 and we are forecasting £52m achievement at month 12. Work remains in place to progress the final schemes in order to achieve the £52m by the 31st of March 2024.

The recurring deficit is a substantial figure and a number of factors have contributed to this, which are detailed below:

- No non pay uplift, 2% was received in 2023/24 c£26m
- National Policy Decisions £9.7m
- Prescribing uplift over three years of £64m
- Increase energy costs over and above uplift totalling £40.3m - 2022/23 £15.8m, 2023/24 £13.7m and £10.8m in 2024/25

Sustainability and Value

To address the scale of the 2024/25 financial challenge the Sustainability and Value programme will require to deliver £128.6m of savings from a combination of our well established processes and further targeted initiatives which can been seen in the table below. These are targeted levels as further work will be required to mature this level of saving.

3 Year Financial Plan 2024/25 to 2026/27

	Recurring savings £m
Housekeeping/ Back to Balance	5.2
Infrastructure	12.4
Service Review	21.9
Corporate Reviews	16.3
Non Pay/ Procurement	9.5
Income	6.0
Prescribing	20.5
	91.8

In order to increase the savings to the £128.9m the reduction in staffing would need to increase to c1,500 resulting in a further £36.8m on top of the £21.9m and £16.3m highlighted above from the service and corporate reviews. It should be noted that this is not a defined number as a full review would need to be carried out against all services, however this is noted to give an indication of what may be required. This reduction would result in targeted areas totalling £128.6m, i.e. £91.8m + additional £36.8m. In order to achieve the scale of savings required NHSGGC will need to reduce the overall headcount, increase productivity and also review the services that are provided.

The board is working closely with SG and is pursing all the opportunities that have been identified through the choices work however it should be noted that a lot of these opportunities will be cost containment in the first instance and not cash releasing.

4. Pay Cost Growth

Pay cost growth comprises:

	2024/25 £m	2025/26 £m	2026/27 £m	Para
Pay Uplift	0.0	0.0	0.0	4.1
Discretionary Points	1.7	1.7	1.7	4.2
Auto enrolment	0.0	3.9	0.0	4.3
Total Pay Uplift	1.7	5.6	1.7	

4.1. The guidance from SG was to assume 0% for pay growth as it is expected that the pay uplift for Agenda for Change and medical staff for 2024/25 is fully funded as negotiations are still on going. The financial plan is also on the assumptions that all non-recurring allocations in relation to the pay award for earmarked recurring allocations and the increase in employer’s superannuation are also fully funded.

3 Year Financial Plan 2024/25 to 2026/27

For 2025/26 and 2026/27 a pay uplift of 0% has also been included based on SG guidance as no agreement is in place related to these periods. Again, it is assumed that when agreed, funding will be allocated to match any pay award.

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. 2025/26 is the next year that we must do this and the estimated costs of this is approximately £3.9m. This can however vary depending on how many employees decide to remain within the scheme, however is a reasonable value based on historical knowledge.

5. Prescribing

The detailed prescribing cost growth projection for 2024/25 is still being reviewed. It includes provision for likely cost increases related to growth in new and existing drug treatments within the 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.

There are significant pressures being experienced in all areas of prescribing, with increase pricing due to short supply and inflation. Primary Care are also seeing an increase in volumes which is having a significant impact on budgets and assumptions for 2024/25.

Significant work needs to be carried out to reduce this cost pressure as the Board cannot sustain this level of increase year on year.

6. Supplies, PPP and other Inflation

3.0% general provision has been set aside for inflation on non-pay costs in 2024/25 excluding prescribing costs, energy costs, rates, and PPP/PFI costs. 3.1% has been set aside for inflation on contractual cost commitments and 2% inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to SLAs.

A review of the impact of inflation in 2023/24 has been carried out and based on the current rates of inflation 3% is deemed to be a reasonable amount to include. However it should be acknowledge that this is an area that may fluctuate throughout the year.

The inflation rate has been reduced to 2% in 2025/26 and 2026/27 on the assumptions that inflation will return to previous rates as the economy recovers.

3 Year Financial Plan 2024/25 to 2026/27

Energy for 2024/25 has been based on informed projections which resulted in an increase of £10.86m. The assumption used for the future years is that the costs will start to reduce and be in line with inflation. This is based on the latest information that is available at the time of setting the financial plan and will be reviewed throughout the year.

Rates increases are based on circa 6.5% and PPP/PFI and Hubs averaging 4%.

There is an assumption that there is no cost pressure in relation the PPE funding that is currently being funded by NSS and will be transferring to NHS GGC in 2024/25

7. Pressures and Investments

The following list of recurring pressures and investments is included in the financial plan.

Recurring Pressures and National/ Policy Decisions	2024/25 £m	2025/26 £m	2026/27 £m	Note
Pressures				
PET Scanning	0.1	0.1	0.0	NHSGGC share of business case.
Facilities Pressures	6.0	0.0	0.0	Pressures relating to property maintenance
Winter	4.0	0.0	0.0	Additional costs of winter
Other Pressures	6.0	0.0	0.0	For additional pressures
Other Developments	0.1	4.4	10.0	For possible pressures and investments
Total Pressures	16.2	4.5	10.0	
National and Policy Decisions				
Junior Doctors Expansion Posts	1.2	0.0	0.0	Additional posts agreed by NES and SG
Endoscopy Reporting	0.1	0.0	0.0	Business case
365 Office	2.3	0.0	0.0	Increase costs due to extension of contract
CHAS	0.4	0.0	0.0	Increase in costs of service covered by SG in 2023/24
Diabetic Pumps	4.0	0.0	0.0	Consumables for new equipment
eRostering	0.5	0.7	1.0	Recurring costs of implementing
OPAT& Heart Failure	1.1	0.0	0.0	Interface Care
Total National/ Policy Decisions	9.7	0.7	1.0	
Pressures and National/ Policy Decisions	25.9	5.2	11.0	

It should be noted that of the above list circa £9.7m of the pressures are due to our share of a National policy decision that has been made. A review process will take place to formally agree if all of the items listed above will be allocated in full.

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.

3 Year Financial Plan 2024/25 to 2026/27

IJBs will receive 0.0% uplift on their base recurring budgets in line with the SG budget announcement. All uplifts in relation to the pay award for 2023/24 will be passed over as well as any subsequent allocations for the pay award in 2024/25.

On the expenditure side, estimated cost pressures for the health element of the IJB's are £27.6m based on the assumptions detailed earlier of which £17.2m relates to prescribing pressures in 2024/25.

Financial plans for the IJB's have been approved showing a break even position. The plans highlight an overall financial challenge of £86m across all 6 IJB's and these are covered with a mix of savings plans, utilisation of reserves, managing pressures and smoothing superannuation budgets.

The overall financial challenge of £86m is around 3.6% of the total budget excluding set aside and the savings plans element of £52.5m represents around 2.2% of the total budget excluding set aside.

The impact of the IJB savings plans are currently being reviewed, with the IJB's highlighting that there is a need for service efficiency, prioritisation and reduction which is likely to have an impact on the Board. The service impact of any savings schemes will require to be considered on a whole system basis.

It should be noted that it is going to be an extremely challenging year for the IJB's with a high level of savings being expected to be delivered and reserves fully exhausted. The reserves that the IJB's have remaining at the end of 2023/24 are likely to be significantly less than in 2022/23.

9. Non-Recurring

	2024/25 £m	2025/26 £m	2026/27 £m
Non-Recurring Investment	(8.6)	(1.9)	(0.9)
Non-Recurring	50.0	15.0	10.0
	41.4	13.1	9.1

In 2024/25 it is estimated that the Board will be able to release £50.0m of non-recurring funding offset by non-recurring investments of £8.6m, to help address the in-year deficit. Details of the non-recurring pressures can be seen below.

3 Year Financial Plan 2024/25 to 2026/27

Non recurring Pressures and National/ Policy Decision	2024/25 £m	2025/26 £m	2026/27 £m	Note
Pressures				
Demolitions	1.7	0.0	0.0	Cost of proposed Demolitions
Legal Costs/ Public Enquiry	0.0	0.0	0.0	Costs associated with the Public Enquiry
Total Pressures	1.8	0.0	0.0	
PACS	0.4	1.0	0.7	Share of implementation costs
CNORIS	5.3	0.0	0.0	Increase in CNORIS costs in year
ODP	0.5	0.5	0.0	Training costs
eRostering	0.2	0.2	0.2	Project Team costs
Business System Transformation	0.5	0.2	0.0	Project costs relating to Business Systems Transformation programme
Total National/ Policy Decisions	6.9	1.9	0.9	
Non recurring Pressures and National/ Policy Decision	8.6	1.9	0.9	

The Financial plan is based on the assumption that the costs associated with the legal enquiry will be met by SG as in previous years and therefore not included as a pressure.

However, this will still leave a gap of £48.3m which, at this stage, the Board is unable to close in the construction of the finance plan.

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

3 Year Financial Plan 2024/25 to 2026/27

10. Allocations

There is a lot of uncertainty around allocations in 2024/25 and what will happen with any pay award associated with earmarked recurring and non-recurring allocations. SG are committing to putting out 80% of allocations in the first quarter, where necessary these may be a % of the full allocation value to assist with planning and to remove some of the uncertainty

Covid- 19 Funding

There are still some specific legacy costs in relation to Covid-19 that require funding in 2024/25 and these include:-

- Vaccinations staffing and delivery
- Test & Protect activities including Regional testing facilities
- Additional PPE requirements and
- Some specific Public Health measures

The financial plan is on the assumption that these costs will be fully funded however we are committed to reviewing these costs to reduce them where possible.

11. Comparison to 2023/24

Scottish Governments requirement was that all boards deliver a financial plan that was equal to or better than the initial reported financial plan for 2023/24. For NHSGGC this was a deficit of £73.3m. The draft financial plan is £48.3m which is an improvement of £25m, however it should be noted that in order to achieve this savings of £128.6m are required on a recurring basis and £50m on a non-recurring basis.

3 Year Financial Plan 2024/25 to 2026/27

12. 2024/25 Outturn

The figures above now include an element of the pressures associated with winter capacity costs and other system pressures. These areas will be subject to rolling review throughout the year.

It should be noted that the overall challenge that the Board is facing in 2024/25 prior to any savings is £226.9m as detailed below.

	2024/25 £m
Recurring Efficiency challenge	(218.3)
Non-Recurring Pressures/ Investment	(8.6)
Overall Challenge	(226.9)

The forecast outturn for 2024/25 is a deficit of £48.3m after taking into account recurring and non-recurring savings. However given the number of priorities that the board is facing with unscheduled care, planned care, delayed discharges and the underlying financial challenge, it is going to be extremely difficult to reduce this deficit further. Work will continue throughout the year to review this positon and every effort will be made to reduce pressures and costs in order to improve the positon.

13. Risks

Pay

- The implementation of the non pay elements of the 2023/24 presents a risk to the Board. There are concerns around the level of costs, the associated funding for these elements and the cost of implementation as well as the operational impact. Work continues with Scottish Government colleagues to progress these elements.

Planned Care

- The financial plan incorporates additional activity from phase 2 of the NTC on the agreement that additional funding is provided.
- The need to review the service provision may potentially impact on the activity that can be delivered within the current funding constraints.

IJB

- The impact of potential savings plan as highlighted in section 8 above could have a detrimental effect on the performance of the Board.
- Additional pressure may arise due to the financial positon of the IJB’s and the need to enact the integration schemes.

3 Year Financial Plan 2024/25 to 2026/27

Capital
- Reduction in national capital funding available may have an impact on the overall financial position as the capital plan needs to be reprioritised potentially resulting in increased maintenance costs.

Allocations
- Timely communication of all allocations is required in order to ensure that no additional pressures will result from any reduction in allocations.

Income
- Risk around the uplift of income due to be received from Service Level Agreements and other income from NES and NSD.