

NHS Greater Glasgow and Clyde	Paper No. 22/78
Meeting:	NHS Board Meeting
Meeting Date:	25 October 2022
Title:	Finance Report
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 Month 5 financial position, including the position of the Financial Improvement Programme (FIP) and the capital position.

- i) Executive Summary (page 3)
- ii) Covid-19 Forecast (page 4-5)
- iii) The Month 5 revenue position and outlook (pages 6-8)
- iv) The Month 5 FIP position and progress for 22/23 (pages 9-10)
- v) The Month 5 capital position (pages 11-12)
- vi) 2022/23 Projection (pages 13-15)
- vii) Conclusion (pages 16-18)

2. Executive Summary

The paper can be summarised as follows:

Month 5 Position

At 31st August 2022 the Board's financial ledger highlights an overspend of £43.98m. The breakdown of this is:

- Unachieved savings of £42.63m
- Pay and non-pay overspend of £1.35m. Acute is overspent by £2.57m offset by underspends in Corporate of £1.22m.
- Board expenditure on remobilisation and delivery of services due to COVID-19 of £31.4m, funding has now been included to cover these costs
- Position includes £19.21m of non-recurring relief

Financial Improvement Programme

NHS GGC has delivered £9.79m / 18% on a recurring basis and £16.34m /30% has been achieved in total as of Month 5. The conversion rate of submitted ideas to ratified plans remains low and there is a gap of £33.99m between the total pipeline savings of £19.8m identified to date, at month 5, and the FY22-23 FIP target.

Ideas currently being explored could bring the £19.8m up to £23.8m on a FYE basis. It is important to note that the challenge the Board is facing is not just the £53.79 FIP target but there is also £114.2m sitting unallocated which requires savings. This figure has reduced from the original £120.7m due to Estates and Facilities exceeding their target on a non-recurring basis. It is imperative that all areas on either a recurring or non-recurring basis, identify further savings in order to achieve break even.

Capital Position

Total capital expenditure incurred to 31st August 2022 is £12.0m amounting to 12.1% of the annual plan (of £99.5m). This leaves a balance of £87.5m still to be incurred by 31st March 2023. A low value of capital expenditure is not untypical at this point in the financial year however it is important that the expenditure profile increases in the coming months to avoid significant levels of commitment at the financial year end and this is being progressed with the capital team.

There was a balance of £5.7m available to be allocated from the overall allocation as at Month 5 and prioritised schemes are being reviewed.

2022/23

The updated financial plan for 2022/23 was approved by the Board on the 23rd of August 2022. The plan highlighted a deficit of £174.5m, offset by recurring savings of £50m and non-recurring savings of £46.1m, giving a revised deficit of £78.4m. This deficit included £26m of Covid-19 costs which are not covered by the financial envelope that we have been allocated. A further review of the Covid-19 forecast in Month 5 has reduced the £26m gap to £7.9m, and a review of all other expenditure resulted in a revised deficit of £59.4m being forecast as at Month 5.

Following completion of the month 5 outturn, work continues on a rolling basis to address the financial challenge and in response to the Quarter 1 review letter from Scottish Government further work was developed to allow a submission of the following key messages on the 30th September 2022:-

- Delivery of Boards March 2022/23 finance plan of **£51.5m** inclusive of Covid-19 can be confirmed.
- Covid-19 cost profile has been substantially reduced and further forecasts will look to take this within available budget
- Pipeline of further areas of opportunity has been established for c£20m
- Ongoing work continues to establish further opportunities, albeit risks must also be incorporated.
- It should be recognised that substantial recurring and non-recurring initiatives have been released to provide this forecast position.
- Close dialogue will remain with Scottish Government on the development of the Boards Finance Plan and review of any further opportunities on a national level.

3. Recommendations

The Board is asked to consider the following recommendations:

- i) Note the revenue position at Month 5
- ii) Note the Month 5 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 5; and
- iv) Note the 2022/23 Projection.

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:

This report has been 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

Prepared on 14 October 2022
Issued on 18 October 2022

OFFICIAL SENSITIVE

***NHSGGC – Month 5 Finance Report
Board Meeting
October 2022(Paper 22/78)***



Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 5 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) Covid-19 Forecast (page 4-5)
- iii) The Month 5 revenue position and outlook (pages 6-8)
- iv) The Month 5 FIP position and progress for 22/23 (pages 9-10)
- v) The Month 5 capital position (pages 11-12)
- vi) 2022/23 Projection (pages 13-15)
- vii) Conclusion (pages 16-18)

Members are asked to ;

- i) Note the revenue position at Month 5
- ii) Note the Month 5 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 5; and
- iv) Note the 2022/23 Projection.



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2022/23 Current Position

At 31st August 2022 the Board's financial ledger highlights an overspend of £43.98m.

The breakdown of this is:

- Unachieved savings of £42.63m (including £19.2m of non-recurring relief)
- Direct expenditure on remobilisation and delivery of services due to COVID-19 of £33.92m, which has been funded. Expenditure is split £31.4m Board and £2.52m for the Health expenditure in the IJB's.

2022/23 Financial Reporting Arrangements

The following pages show the breakdown of the Covid-19 Expenditure based on the Month 5 submission submitted to SG on the 30th of September. The next submission to SG is due on the 28th of October 2022.

The total Covid-19 forecast for Month 5 is £118.9m, which is split £77m for the Board and £41.9m for the IJB's. This is down £23.6m from £142.5m that was forecast at Quarter 1.

Test and Protect will be funded separately and is therefore not included in the calculations for this financial envelope. The total covid costs for the Board, excluding Test and Protect, is £69.5m, with the financial envelope of £61.6m leaving a pressure of £7.9m at month 5. Good progress has been made on reducing the pressure from £26m to £7.9m, with a reduction of £18.1m. Further work is continuing to reduce the gap further, and it is expected can be brought into line with overall budget available.

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Board Covid-19 Forecast

The total forecast expenditure for the Board is £77m, this includes the costs of Test and Protect. A breakdown of the costs can be seen in the table below.

Health Board	2022-23 YTD Total	22-23 July - March	2022-23 Total
Workstream Mapping	£m	£m	£m
Public Health	0.5	0.7	1.2
Test and Protect	4.1	3.4	7.5
Vaccinations	5.4	20.9	26.3
Workforce and Capacity	16.6	13.5	30.1
PPE, Equipment and IPC	7.0	1.3	8.3
Primary Care	0.0	0.0	0.0
Miscellaneous	1.9	1.7	3.6
Grand Total	35.5	41.5	77.0
Grand Total excluding Test & Protect	31.4	38.1	69.5
Funding Envelope			61.6
Unfunded			7.9

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IJB Covid-19 Forecast

The total forecast expenditure for the IJB's is £41.9m, this is a reduction of £5.1m when compared to the Quarter 1 forecast. This is in line with the SG request to drive forward savings delivery across core and Covid-19 expenditure through the Covid Cost Improvement Programme

Health Board	2022-23 YTD Total	22-23 Aug -March	2022-23 Total
Workstream Mapping	£m	£m	£m
Public Health	0.0	0.1	0.1
Vaccinations	0.2	1.2	1.4
Workforce and Capacity	4.1	6.1	10.2
PPE, Equipment and IPC	0.8	1.0	1.8
Social Care and Community Capacity	10.2	16.8	27.0
Primary Care	0.0	0.2	0.2
Miscellaneous	0.4	0.9	1.2
Total Covid Costs - IJB	15.7	26.2	41.9

The split between Health and Local Authority spend can be seen below.

IJB Split	Health Spend	Local Authority Spend	TOTAL 22/23
	£m	£m	£m
TOTAL	8.0	34.0	41.9

The IJB's have Covid-19 reserves that will cover the forecasted costs for 2022/23. A letter from Scottish Government was issued on the 12th of September 2022 stating that they will reclaim any surplus Covid reserves to be redistributed across the sector to meet current Covid priorities. This is due to a number of significant changes to Public Health policies in relation to Covid over the summer, resulting in the profile of Covid spend reducing significantly compared to when funding was provided to IJBs specifically for Covid purposes.



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The Month 5 Revenue Position

Month 5 Position- Overall Position



Financial Performance – Month 5

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

Area	Pays, Non Pays Position	Unachieved Savings	Final reported Position
	£m	£m	£m
Acute	(2.57)	(15.18)	(17.75)
Partnerships	0.00	0.00	0.00
Corporate Departments	1.22	(27.46)	(26.24)
Financial Position at 31st August 2022	(1.35)	(42.63)	(43.98)

As outlined above, the Board recorded a deficit of £43.98m at 31st August 2022.

The deficit is made up of the following:-

- Unachieved savings of £42.63m
- Pay and non-pay overspend of £1.35m. Acute is overspent by £2.57m offset by underspends in Corporate of £1.22m.
- Board expenditure on remobilisation and delivery of services due to COVID-19 of £31.4m, funding has now been included to cover these costs
- Position includes £19.21m of non-recurring relief which was incorporated in our financial plan assumptions

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Detailed below is the current forecasted IJB Reserves position as reported by each IJB to their latest IJB Board.

IJB	SG earmarked Reserves £m	Other Earmarked Reserves £m	Total Earmarked £m	General £m	Total £m	31.03.22 £m	Movement £m	Reserves position as at
East Renfrewshire	5.8	2.9	8.8	0.3	9.0	20.7	(11.7)	31st July 2022
East Dunbartonshire	9.3	1.9	11.3	3.1	14.3	27.0	(12.7)	31st July 2022
*Glasgow	94.2	52.6	146.8	28.6	175.4	175.4	0.0	31st March 2022
Inverclyde	0.4	9.4	9.8	2.0	11.8	28.3	(16.5)	31st July 2022
Renfrewshire	26.8	11.7	38.5	5.8	44.3	51.0	(6.7)	31st July 2022
West Dunbartonshire	7.0	8.4	15.4	5.3	20.7	34.6	(13.9)	31st July 2022
Total	143.6	87.0	230.5	45.0	275.5	336.9	(61.4)	
2021/22	194.1	99.4	293.6	43.3	336.9			
Movement	(50.5)	(12.5)	(63.1)	1.7	(61.4)			

*Glasgow do not report a forecasted position throughout the year, an update is only available at year end, however this is currently under review.

As can be seen above there is forecast to be significant movement on the Earmarked reserves position across the other 5 IJB's, with the majority of the movement on SG earmarked reserves. The IJB monitoring reports are made available to NHS GG&C and on review it can be seen that the earmarked reserves are being used for their intended purposes. It should be noted that due to the timing of the letter from SG re the surplus covid reserves, the return of the funding has not been reflected in East Dunbartonshire, East Renfrewshire or Renfrewshire forecasted reserves position at this point.

It is expected that there will be further movement on the reserves as the year progresses.

Financial Improvement Programme (FIP)



The Financial Improvement Programme (FIP) – Month FY22-23 Month 5

It should be noted that the overall savings challenge the Board is facing is £174.5m however £53.79m has been allocated out to the Directorates and Sectors leaving the balance of £120.7m sitting centrally.

On a full year recurring basis FIP of £9.79m has been achieved at Month 5 against the £53.79m target (18%) This is an improvement of £0.6m on Month 4. On a CYE basis £16.34m has been achieved in Month 5. This is an improvement of £1m compared to Month 4.

A further £14.01m of recurring savings has been identified at Month 5, to provide a full year recurring forecast of £23.8m and the anticipated CYE Q2 position is currently at £27.36m.

Month 5 has seen some movement in the overall achievement of recurring and non-recurring savings however an increase in the rate of both delivery of savings and the identification of further schemes within the pipeline is required. A number of actions and escalations are underway to address this including those from the recently held workshop in August. This will take the form of a new framework of projects to complement the ones already active

Further actions are ongoing to improve our pace of delivery and expand our pipeline of projects:

- Non Pays: continued focus on NP contracts, local contracts, training & travel, taxis.
- Clinical Standardisation: Initial three working groups established. (Orthopaedics, General Surgery, Urology)
- Development of pan GCC communications and engagement strategy ongoing.
- Engagement with CSFD to explore how current programmes of work could benefit the Boards approach to efficiency and productivity.

In order to mitigate this gap in our plans we are also maximising our non-recurring position with £19.2m being released to the overall position at Month 5. It remains imperative that every effort is made to realise the targeted recurring savings in 2022/23 and also identify additional non recurring savings to help bridge the gap.

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Capital Position



Capital Expenditure – Month 5 (August 2022/23)

The CRL available to NHS GG&C increased by £13.8m in month from £85.7m to £99.5m mainly due to the Scottish Government allocation for Backlog Maintenance/ Improvement allocations of £11.1m, £1.2m allocation for National Infrastructure Board Medical Equipment, £1m Revenue budget transfers, QEUH rectification works £0.7m and £0.8m Sustainability funding offset by reduction in land sales for Dykebar and Lennox Castle which have been delayed to the next financial year.

Of the £99.5m CRL £93.8m has been allocated to projects leaving £5.7m available. The balance is subject to the asset prioritisation bidding process and approved at CPG/PASG relative to the value of the bid.

Total capital expenditure incurred to 31st August 2022 is £12.0m amounting to 12.1% of the annual plan (of £99.5m). There is a further £45.4m committed leaving a balance of £54.1m to be incurred.

A low value of capital expenditure is not untypical at this point in the financial year however it is important that the expenditure is not left until the end of the financial year.

It should be noted that Scottish Government has issued guidance to say that their ability to support Capital to Revenue transfers this year is limited. Given the challenging revenue position, Boards have to ensure as much capital expenditure as possible scores against the capital budget and minimise any capital to revenue spend.

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2022/23 Projection



2022/23 Projection

The updated financial plan for 2022/23 was approved by the Board on the 23rd of August 2022. The plan highlighted a deficit of £174.5m, offset by recurring savings of £50m and non-recurring savings of £46.1m, giving a revised deficit of £78.4m. This deficit included £26m of Covid-19 costs which were not covered by the financial envelope that we have been allocated.

A full review of all Covid-19 costs forecasted was carried out in Month 5 resulting in the gap reducing from £26m to £7.9m. This reduction has been as a result of scrutiny of all costs, identify other funding sources, changes in policies which has allowed expenditure to be stopped or reduced e.g. changes in sickness policy, Infection, Prevention and Control measures and pausing of asymptomatic testing. Further work has been actioned to reduce these costs further and bring them in line with the financial envelope.

As a result of the reduction in Covid-19 expenditure we were forecasting a year end deficit of £59.4m at Month 5. This position is reliant on achieving recurring savings of £50m, therefore it is imperative that all Directorates and Sectors achieve their savings targets. As at month 5 only £27.36m of current year effect savings have been identified representing 35% of the target.

Whilst it is clear that 2022/23 is a financially challenging year, focussed effort is being maintained to further bridge the £59.4m 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, 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.



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Financial Sustainability Plan – Progression of Finance Plan

Quarter 1 Review Letter

A letter was issued on the 12th of September from Scottish Government after the Quarter 1 review highlighting that “the scale of financial risk across the Health & Social Care Portfolio is greater than in any previous year and a number of Boards are reporting a deteriorating financial position since the start of the financial year. This, coupled with continued operational pressure ahead of winter and ongoing negotiations on a pay settlement for Agenda for Change staff, means that significant action is required to deliver financial balance in year.”

The outcomes of the letter were to deliver at least the position set out in the Board March 2022-23 financial plan inclusive of Covid-19 as a minimum. For NHS GG&C this was £51.5m. Where financial balance was not possible without the support of SG, there was also the requirement to set out a financial recovery plan to set out a path to return to financial balance within a period of not greater than 3 years.

Following completion of the month 5 outturn, work continues on a rolling basis to address the financial challenge and in response to the Quarter 1 review letter further work was developed to allow a submission of the following key messages on the 30th September 2022:-

- Delivery of Boards March 2022/23 finance plan of **£51.5m** inclusive of Covid-19 can be confirmed.
- Covid-19 cost profile has been substantially reduced and further forecasts will look to take this within available budget
- Pipeline of further areas of opportunity established for c£20m
- Ongoing work continues to establish further opportunities, albeit risks must also be incorporated.
- It should be recognised that substantial recurring and non-recurring initiatives have been released to provide this forecast position.
- Close dialogue will remain with Scottish Government on the development of the Boards Finance Plan and review of any further opportunities on a national level.

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Conclusion



Conclusion

2022/23 Month 5

The purpose of this report is to provide the Board with a Month 5 financial update.

At 31st August 2022 the NHS GG&C financial ledger highlights an overspend of £43.98m attributed to unachieved savings £42.63m, inclusive of £19.21m non recurring relief, pay/non pay overspend in Acute of £2.47m offset by £1.22m underspend in Corporate.

In terms of FIP, while there has been a reasonable delivery of savings within the first five months of the year, the pace of growth in the pipeline of ideas at this time puts at risk the Boards ability to delivery against its financial targets.

Total capital expenditure incurred to 31st August 2022 is £12.0m. This amounts to 12.1% of the plan (of £89.5m) leaving a balance of £87.5m to be incurred by 31st March 2023. A low value of capital expenditure is not untypical at this point in the financial year, however we need to ensure that expenditure is incurred throughout the year and not left to the final quarter.

2022/23

The updated financial plan for 2022/23 was approved by the Board on the 23rd of August 2022. The plan highlighted a deficit of £174.5m, offset by recurring savings of £50m and non-recurring savings of £46.1m, giving a revised deficit of £78.4m. This deficit included £26m of Covid-19 costs which are not covered by the financial envelope that we have been allocated. A further review of the Covid-19 forecast in Month 5 has reduced the £26m gap to £7.9m, and a review of all other expenditure resulted in a revised deficit of £59.4m at the point of finalising the month 5 accounts.

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Conclusion continued

In line with the Scottish Government requirements an action plan has been developed on how we are going to bring the £59.4m down to the £51.5m value that was included in the original Financial Plan in March 2022. Work is being carried out to develop the pipeline of further areas of opportunity that was identified in the plan of c£20m in order to reduce the deficit further.

This position is reliant on achieving recurring savings of £50m, therefore it is imperative that all Directorates and Sector achieve their savings targets. Focussed effort is being 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, to mitigate overspends and ensure all new initiatives are cost neutral or funded from existing budgets with oversight and organisational approval in place.

In summary, Members are asked to ;

- i) Note the revenue position at Month 5
- ii) Note the Month 5 position with the FIP and progress for 22/23
- iii) Note the capital position at Month 5; and
- iv) Note the 2022/23 Position.