

NHS Greater Glasgow and Clyde	Paper No. 23/25
Meeting:	Board
Meeting Date:	25 April 2023
Title:	Financial Plan 2023/24-2025/26
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1. Purpose

The purpose of this report is to: to provide the Board with the Financial Plan for 2023/24 to 2025/26.

2. Executive Summary

The paper can be summarised as follows:

This version of the financial plan was approved by the Finance, Planning and Performance Committee on the 18th of April 2023. The financial plan highlights a deficit of £71.1m for 23/24 and a deficit of £79.8m and £54.5m for the subsequent years. This is on the assumption that recurring savings of £75m are achieved in each of the three 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 overall financial challenge is £190.9m which requires NHS GGC 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.

It should also be noted that the financial plan does not include the pressures associated with the 204 Additional Beds plus 75 at weekend and evening, other winter costs and other system pressures, meaning that there are significant non-recurring pressures that need to be considered beyond the baseline financial plan and work will be required to mitigate or provide coverage for these during the financial year.

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

- Baseline uplift of 2% for each of the 3 years
- Pay award for both 2022/23 and 2023/24 is fully funded
- Recurring savings of £54.8m are achieved in 2022/23

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- Recurring savings of £75m is achieved in each of the three years
- Acute prescribing growth will not exceed c£20m
- General inflation of 5% for 2023/24, 3% for 2024/25 and 2% for 2025/26
- 2.5% has been set aside for inflation on legal / contractual cost commitments
- 2% inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to SLAs.
- Energy increases by £13.7m in 23/24, £10.8m in 24/25 and then inflation rate thereafter. This is based on the commercial information that is currently available.
- IJB's will break-even however will be facing significant saving challenges in 2023/24
- Covid-19 expenditure for vaccinations, public health, PPE and testing are fully funded. However there is a risk around the vaccinations funding as the confirmed allocation is significantly less than the forecasted costs. Discussion are ongoing with Scottish Government and work is being done on the vaccination model to mitigate this risk.

These assumptions have been applied within our finance plan and will remain under constant review given a number will 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 the Board 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:

Reviewed and approved by the Corporate Management Team on 6th April 2023 and the Finance, Planning and Performance Committee on 18th April 2023.

7. Governance Route

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

8. Date Prepared & Issued

18 April 2023

3 Year Financial Plan 2023/24

Board- 25th April 2023

1. Financial Plan Summary

This version of the financial plan was approved by the Finance, Planning and Performance Committee on the 18th of April 2023. The financial plan highlights a deficit of £71.1m for 23/24 and a deficit of £79.8m and £54.5m for the subsequent years. A summary of the financial plan is shown below. Each of the items is explained in more detail in the accompanying notes.

	2023/24	2024/25	2025/26	Note
	£m	£m	£m	
New Resources				
Baseline Increase	50.1	51.0	52.1	
Uplift from Other Boards	8.7	8.8	8.9	
Total New Resources	58.8	59.8	61.0	2
Cost Pressures				
Recurring Deficit b/f	(119.7)	(115.9)	(100.4)	3
Cost Drivers				
Pay Cost Growth	(48.7)	(48.6)	(51.1)	4
Prescribing - Acute	(20.0)	(20.5)	(20.6)	5
Prescribing - Primary Care	(15.7)	(8.2)	(8.2)	5
Supplies, PPP & other Inflation	(59.7)	(40.7)	(22.8)	6
Unavoidable Pressures and Investments	(10.1)	(5.5)	(5.0)	7
Total Cost Pressures	(273.9)	(239.4)	(208.1)	
Cash Efficiency Challenge	(215.1)	(179.6)	(147.1)	
Uplift Allocation to IJBs	(18.3)	(18.6)	(19.0)	8
IJB Expenditure	42.5	22.8	22.8	8
Net Cash Efficiency Challenge Acute & Corporate	(190.9)	(175.4)	(143.3)	
Forecast Savings Achievable	75.0	75.0	75.0	3
Recurring Deficit c/f	(115.9)	(100.4)	(68.3)	
Non Recurring Pressures/ Investment	(5.2)	(4.4)	(1.2)	9
Non Recurring Outturn	50.0	25.0	15.0	9
In-Year Outturn (Acute & Corporate)	(71.1)	(79.8)	(54.5)	

3 Year Financial Plan 2023/24

2. Funding

	2023/24	2024/25	2025/26	
	£m	£m	£m	
New Resources				
Baseline Increase @ 2.0%	50.1	51.0	52.1	2.1
Uplift from Other Boards	8.7	8.8	8.9	2.2
Total New Resources	58.8	59.8	61.0	

2.1. Scottish Government (SG) in its initial Budget for 2023/24 announced an increase of 2.0% in NHS Greater Glasgow and Clyde's (NHSGGC) baseline budget brought forward from 2023/24. The letter issued from SG stated a total increase of 5.9% however this included recurring funding for pay relating to 2022/23 as well as the 2% baseline increase for 2023/24.

For the purposes of the 3 year plan the uplift for the remaining years is also assumed as 2%. It is anticipated that the pay award, when agreed for 2023/24, will be funded in full.

2.2. 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 £8.7 in 2023/24.

A 2% uplift has been assumed for both 2023/24 and 2024/25, for national consistency.

3. Recurring Deficit Brought Forward

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Recurring Deficit Brought forward	(120.0)	(119.7)	(115.9)	(100.4)
Increase in year	(54.5)	(71.2)	(59.5)	(42.9)
Forecasted Savings	54.8	75.0	75.0	75.0
Recurring Deficit Carried Forward	(119.7)	(115.9)	(100.4)	(68.3)

Details of the recurring deficit brought forward can be seen in the table above. This is based on the assumption that £54.8m recurring savings are achieved in 2022/23 and then a further £75m in 2023/24, 2024/25 and 2025/26. £75m is circa 3% of the baseline allocation from SG. At month 11 £52.9m of recurring savings have been achieved for 2022/23 and it is important that we ensure the remaining £1.9m is achieved in the final month of the year.

3 Year Financial Plan 2023/24

Sustainability and Value

As we transition from the post pandemic environment we need to recalibrate how we manage and deploy our resources to ensure we can continue to provide excellent levels of care and continue to innovate, invest and excel. To achieve this the Board has commenced its transition from a Financial Improvement Programme approach to a wider Sustainability and Value approach, this move reflects the nationwide approach and collaborative models of working and the need for a wider and more holistic approach to sustainable service provision over a prolonged time scale.

This approach is also aligned to the wider NHS Scotland Aims and objectives:

Aims

- Being environmentally and socially sustainable
- Delivering better value care
- Making effective use of resources
- Optimising capacity within available resources

Targets

- 3% recurring efficiency savings per annum
- Productivity Gain
- Net carbon zero (by 2038)
- Value based health and care

To address the scale of 2023/24 financial challenge the Sustainability and Value programme will look to deliver circa £75m of savings from our well established processes and workstreams such as Prescribing, Non Pay, local and service specific changes, together with savings from service wide packages of work encompassing: Workforce planning, major service redesign, efficiency and productivity gains, estate rationalisation, medicine management and clinical pathway optimisation.

4. Pay Cost Growth

Pay cost growth comprises:

	2023/24 £m	2024/25 £m	2025/26 £m
Pay Uplift	47.1	46.9	45.5
Discretionary Points	1.7	1.7	1.7
Auto enrolment			3.9
Total Pay Uplift	48.8	48.6	51.1

3 Year Financial Plan 2023/24

4.1. The guidance from SG was to assume a pay uplift at 2% for Agenda for Change and medical staff for 2023/24. This equates to an uplift of circa £47.1m. This uplift will be dependent on the pay negotiations however the assumption is that pay will be fully funded for 22/23 and 23/24, a non-recurring allocation for 2022/23 has now been received however the impact on baseline funding for 2022/23 has still to be determined along with the allocation for the 2023/24 pay award.

For 2024/25 and 2025/26 a pay uplift of 2% has been included based on SG guidance.

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 2023/24 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 2023/24.

The results of horizon-scanning exercises will be firmed up and prescribing projections will be updated as more detailed information is available.

Work needs to continue to reduce this cost pressure as the Board cannot sustain this level of increase year on year. For the purposes of the financial plan it has been assumed there will be a slight reduction on the prior year.

6. Supplies, PPP and other Inflation

5.0% general provision has been set aside for inflation on non-pay costs in 2023/24 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.

3 Year Financial Plan 2023/24

A review of the impact of inflation in 2022/23 has been carried out and 5% is deemed to be a reasonable amount to include, as some areas are seeing inflation at 10% whilst others are at a much lower level. However it should be acknowledge that this is an area that may fluctuate throughout the year.

The inflation rate has been reduced to 3% in 2024/25 and then 2% in 2025/26 on the assumptions that inflation will return to previous rates as the economy recovers.

Energy for 2023/24 and 2024/25 has been based on informed projections which resulted in an increase of £13.7m and £10.8m. The assumption used for the future years is 5%. 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.

7. Pressures and Investments

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

	2023/24	2024/25	2025/26	
	£m	£m	£m	Note
Unavoidable pressures and Investments				
PET Scanning	0.1	0.2		NHSGGC share of business case.
Cross Boundary Flow Shortfall				20/21 funding loss from the XBF exercise.
Facilities Pressures				Energy, water rates and rates pressures
NSD – Mesh National cost	0.4			Business case agreed
NSD – National Pain national cost	0.1			Business case agreed
NSD– Renal transplant drugs	0.5			Business case agreed
NSD – CarT	0.7	0.3		Business case agreed
TAVI	1.0			Expected increase in pmp
CNORIS	4.6			Increase in National share
Regrading	0.6			Impact of regrading of posts
Diabetic Pumps	0.6			Consumables for new equipment
eRostering	1.5	0.5	0.6	Recurring costs of implementing
Future Developments		4.5	4.4	for possible pressures and investments
Unavoidable pressures and Investments	10.1	5.5	5.0	

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 receive 2.0% on their base recurring budgets. This equates to £18.3m.

On the expenditure side, estimated cost pressures are £42.5m based on the assumptions detailed earlier.

At this stage IJBs are looking to achieve a balanced position for 2023/24, however this will be challenging given the level of savings required and the need to utilise reserves to mitigate elements of the financial challenge.

3 Year Financial Plan 2023/24

It is clear that 2023/24 is going to be an extremely challenging year for the IJB's with a high level of savings being expected to be delivered. In addition, it is noted that increasing prescribing costs are impacting on the baseline pressure. The reserves that the IJB's will have remaining at the end of 2022/23 are also likely to be significantly less than that brought forward from 2021/22. The service impact of any savings schemes also requires to be considered on a whole system basis.

9. Non-Recurring

	2023/24	2024/25	2025/26
	£m	£m	£m
Non-Recurring Investment	(5.2)	(4.4)	(1.2)
Non-Recurring	50.0	25.0	15.0
	<u>44.8</u>	<u>20.6</u>	<u>13.8</u>

In 2023/24 it is estimated that the Board will be able to release £50.0m of non-recurring funding offset by non-recurring investments of £7.1m, to help address the in-year deficit. Details of the non-recurring investments can be seen below. However, this will still leave a gap of £71.1m which, at this stage, the Board is unable to close.

	2023/24	2024/25	2025/26	Note
	£m	£m	£m	
Investments				
PACS	0.4	1.3	1.2	Share of implementation costs
Demolitions	1.7			Cost of proposed Demolitions
Legal Costs/ Public Enquiry	3.0	3.0		Costs associated with the Public Enquiry
Investments	<u>5.2</u>	<u>4.4</u>	<u>1.2</u>	

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

3 Year Financial Plan 2023/24

10. Covid-19

The Covid-19 Vaccination funding allocation has been confirmed as £17.7m. On reviewing the adult vaccination programme as a whole the forecasted pressure is currently sitting at approximately £5m. This pressure has not been reflected in the financial plan as work is ongoing to try and reduce this further and dialogue is ongoing with Scottish Government to ensure these costs are fully funded.

The remaining costs associated with, Public Health £1.2m and Test and Protect £3.6m are included in the financial plan with the assumption that they are fully funded.

There are still some pressures associated with Covid-19 for example infection control measures related to deep cleans circa £1m-£2m and also patient transport cost £2m-£3m which are not reflected in the Financial Plan. Detailed reviews of these costs are currently taking place.

11. 2023/24 Outturn

The figures above do not include the pressures associated with 204 Additional Beds plus 75 at weekend and evening, other Winter Costs and other system pressures meaning that there are significant non-recurring pressures that need to be considered beyond the baseline financial plan. These areas will be subject to rolling review throughout the year.

The forecast outturn for 2023/24 is a deficit of £71.1m. However given the number of priorities that the board is facing with unscheduled care, planned care and the underlying financial challenge, it is going to be extremely difficult to reduce this deficit. Work will continue throughout the year to review this position and every effort will be made to try and reduced pressures and costs in order to improve the position.