

NHSGGC COVER PAPER

NHS Greater Glasgow and Clyde	Paper No. 21/31
Meeting:	Board Meeting
Meeting Date:	29 June 2021
Title:	Finance Report – Month 12 2020/21
Sponsoring Director/Manager	Mark White, Director of Finance
Report Author:	Mark White, Director of Finance

1. Purpose

The purpose of the attached paper is to: Provide the Board with the Month 12 financial position, including the position of the Financial Improvement Programme (FIP) and the current outlook into 2021/22.

2. Executive Summary

The paper can be summarised as follows:

The Board has achieved its 3 financial targets, although this out-turn remains subject to the external audit process. However, this should be set in the context of the increase in the underlying recurring deficit from £60m to £93m. This follows two years of a reducing deficit. Reducing this is one of the key objectives going into 2021/22 and beyond.

In terms of 2021/22 the Board is currently projecting a Net Cash Efficiency Challenge of £19.5m. This is deemed an acceptable level of risk for the Financial Plan at this stage. Current projections indicate financial break-even in-year is achievable, although the level of inherent risk is medium/high.

3. Recommendations

The Board is asked to:

- i) Note the revenue position at Month 12, the projection to the year-end and the initial financial settlement position.
- ii) Note the capital position at Month 12.

- iii) Note the initial outlook into 2021/22.

4. Response Required

The report and financial position have been approved by the CMT and the Finance, Planning and Performance Committee. 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:

The report and financial position have been approved by the CMT 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: 22 June 2021

Date issued to NHSGGC Board members: 23 June 2021

OFFICIAL SENSITIVE

***NHSGGC – Month 12 Finance Report
Board Meeting
June 2021 (Paper 21/31)***



Purpose and Format



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Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 12 financial position, including the position of the Financial Improvement Programme (FIP) and the current outlook into 2021/22.

The format of the report covers;

- i) Executive Summary (pages 3)
- ii) The Month 12 revenue position and outlook (pages 4-9)
- iii) The Month 12 FIP position (pages 10-11)
- iv) The Month 12 capital position (pages 12-14)
- v) The current outlook into 2021/22 (pages 15-17)
- vi) Conclusion (pages 18-20)

Members are asked to ;

- i) Note the revenue position at Month 12, the projection to the year-end and the initial financial settlement position.
- ii) Note the capital position at Month 12.
- iii) Note the current outlook into 2021/22.



2020/21 Year End Position

At 31st March 2021 the Board's financial ledger highlights an underspend of £0.5m. This out-turn remains subject to the External Audit process. This is as a result of the receipt of the full COVID-19 funding from the Scottish Government plus the impact of additional funding allocations. In addition underspends arising from the reduction of the elective programme (particularly in the first quarter) have significantly contributed to the board achieving the savings target in the current year.

The key impact of COVID-19 can be summarised as;

- Direct expenditure on health mobilisation and delivery of services due to COVID-19 of £162.2m (£139.5 for the Board and £22.7 for the IJBs).
- Unachieved savings due to the focus and effort on COVID-19 delivery of £37.2m (£36.6m relates to the Board and £0.6m for the IJBs).

The Board had been allocated £169m in the first tranche of COVID-19 related funding (Board £102m and the IJBs £67m). Further funding was received in February of £90.6m and this together with other additional allocations the IJB's have received ensures that all direct COVID-19 related costs are fully funded including a contribution to unachieved savings.

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The Month 12 Revenue Position

Month 12 Position



Financial Performance – Month 12

This section of the report provides analysis of the financial position at 31st March 2021.

Area	Gross Position £m	Saving Relief £m	Final reported Position £m
Acute	(15.6)	16.0	0.4
Partnerships	0.0	0.0	0.0
Corporate Departments	(20.5)	20.6	0.1
Financial Position at 31st March 2021	(36.1)	36.6	0.5

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As outlined above, the Board recorded a surplus of £0.5m at 31 March 2021. This includes significant funding received for COVID-19 direct costs. This out-turn remains subject to the External Audit process.

The position above also shows the impact of non recurring savings relief received as part of the COVID-19 funding allocation.

However, this should be set in the context of the increase in the underlying recurring deficit from £60m to £93m. This follows two years of a reducing deficit. Reducing this is one of the key objectives going into 2021/22 and beyond.

Month 12 Position – Acute Services



Financial Performance – Month 12 (Cont'd)

The Acute Division is reporting an expenditure underspend at Month 12 of £0.4m. All COVID-19 costs are now fully funded.

Overall, Pays are £2.3m underspent and Non Pay is £1.9m overspent. The FIP position reports a breakeven position, largely due to the non-recurring support received from Scottish Government related to COVID-19.

Directorate	20/21 Month 12 Total £000's	19/20 Month 12 Total £000's
South Sector	863	(12,145)
North Sector	(939)	(9,417)
Clyde Sector	1	(8,299)
Diagnostics Directorate	1,798	(3,839)
Regional Services	(1,310)	(6,300)
Women & Childrens Services	1	(7,977)
Directorate Totals	414	(47,977)
Acute Corporate	(6)	(1,272)
Acute Expenditure Totals	408	(49,250)
Income (Under)/Over Recovery	0	23
Acute Total	408	(49,227)

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Month 12 Position - Partnerships



Financial Performance – Month 12 (Cont'd)

Partnerships reported an overall breakeven on the Health element of their budgets at 31st March 2021.

All 6 Individual HSCPs reported a breakeven position for the year after taking into account income. This is in line with their year end forecast.

Each IJB has received significant COVID-19 funding in-year, including allocations late in the year. Due to the timings of associated payments, every IJB is recording a significant increase in the year-end Reserves position (refer to page 11 below).

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Glasgow City	878.0	878.0	878.6	(0.5)
East Dunbartonshire	110.8	110.8	110.8	(0.0)
East Renfrewshire	95.0	95.0	95.0	(0.0)
Inverclyde	111.1	111.1	111.1	0.0
Renfrewshire	216.5	216.5	216.5	(0.0)
West Dunbartonshire	121.2	121.2	121.2	0.0
Total HSCPs	1,532.6	1,532.6	1,533.2	(0.5)
Other Partnerships Budgets	64.2	64.2	64.3	(0.1)
Total Partnerships Expenditure	1,596.8	1,596.8	1,597.5	(0.6)
Total Partnerships Income	(62.1)	(62.1)	(62.7)	0.6
Net Expenditure	1,534.7	1,534.7	1,534.7	(0.0)

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Month 12 Position - Partnerships



Financial Performance – Month 12 (Cont'd)

The Board's Local Mobilisation Plan (LMP) includes all COVID-19 related costs for health and social care (including the expenditure that will be incurred by Local Authorities). The Quarter 4 LMP submission in April 2021 highlighted that costs of £91.7m have been incurred for the financial year across the IJBs.

In addition to the funding allocated on the 29th of September 2020 the Board has received specific allocations which have been passed to HSCPs to meet social care costs as follows;

- £36m as a share of a national allocation to meet COVID-19 related social care costs mainly in care homes.
- £2.1m has been received to enable HSCPs to fund the uplift to the Scottish Living Wage and an allocation of £4.2m to fund hospices for loss of income as a result of COVID-19.
- £4.3m was received in February to cover the remaining costs resulting from COVID-19.

In total, overall reserves have increased from £76.9m at 31st March 2020 to £183.8m at 31st March 2021, although these are subject to final amendments and the audit process. The majority of the increase is attributable to Earmarked Reserves.

As context to the HSCP financial performance and level of reserves, it is essential to understand the in-year funding position;

- Additional funding of £260m was received across the 6 HSCPs in 2020-21 - 78% received in last six months of year, making spending in-year a challenge.
- Examples of this are funding were the Primary Care Improvement Fund, Action 15, ADP, COVID-19 and Community Living Change Fund. These alone total £63m.

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Month 12 Position – Corporate Directorates



Financial Performance – Month 12 (Cont'd)

Corporate Directorates are reporting an underspend at Month 12 of £0.1m. Corporate Affairs has an overspend, largely due to legal fees associated with ongoing issues in relation to the QEUH. The Other Corporate Expenditure line is highlighting a £5m financial pressure at the year end which relates to year end accounting adjustments which will be resolved in 2021/22.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	50.9	50.9	50.2	0.7
Centre For Population Health	1.3	1.3	1.3	0.0
Corporate Affairs	5.6	5.6	5.8	(0.3)
Corporate Communications	1.6	1.6	1.4	0.2
Director of Finance	86.6	86.6	86.4	0.3
Director of eHealth	25.3	25.3	24.3	1.0
Director of Human Resources	19.0	19.0	17.1	1.9
Director of Nursing	7.9	7.9	7.7	0.2
Director of Public Health	18.9	18.9	17.8	1.1
Other Corporate Expenditure	146.1	146.2	151.2	(5.0)
Estates and Facilities	312.8	312.8	312.7	0.0
Total Corporate Directorates	675.9	676.0	675.9	0.1

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Financial Improvement Programme (FIP)

Financial Improvement Programme



The Financial Improvement Programme (FIP) – 2020/21

The FIP Programme has continued into 2020/21 although due to the current COVID-19 position has been less active. The Board delivered all the schemes that had been identified for 2020/21 where possible.

The overall financial challenge for 2020/21 was £108m, which was fully achieved in year. This achievement was in part due to non recurring support from Scottish Government and underspends arising from reduced elective activity being released against FIP.

At 31 March 2021 savings of £14.6m have been achieved on a full year effect basis with a current year effect of £108m.

A new Head of the FIP was recruited and the Programme will be re-invigorated into 2021/22 with the main aim of reducing the underlying recurring deficit.

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Capital Position

Capital Position



The 2020/21 Year End Capital Position

The level of core capital resources made available to the Board for investment in 2020/21 amounted to £94m. This figure comprised gross capital allocations received from SGHSCD of £85.7m, together with £1.8m income from in-year capital receipts generated through property disposals, and an amount of revenue funded capital expenditure, which amounted to £6.5m.

The capital funding received from SGHSCD, included an amount of just under £3m linked to expenditure on revenue items, mainly additional costs incurred on the new Health Centres under construction which are being developed as revenue financed Hub DBFM schemes. The additional costs arose from the need to adhere to tighter working restrictions as a consequence of COVID-19. This amount was converted to revenue at the year end, via SGHSCD, to ensure the expenditure was correctly classified within the Board's Accounts. The adjusted capital resources for the year therefore amounted to £91m, against which actual capital spend of £89.6m was incurred.

Subject to audit, the Board has achieved its financial target of operating within the Capital Resource Limit set by SGHSCD.

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Capital Position



Major areas of spend included:

- i) Investment of £6.7m at the RHC Ward 2A and 2B, including replacing the air handling units for the Bone Marrow Transplant areas and to future-proof the entire air handling systems.
- ii) An amount of £1.2m to upgrade Endoscopy Ventilation at GRI (with a further amount of £200k included in 2021/22 to complete the works).
- iii) At the QEUH campus, £0.9m on continuing the ongoing programme of infrastructure upgrade works within Neurosurgery and Neurology Buildings, £0.74m for essential software upgrade to AGVs and £0.3m to complete essential works to the pedestrian walkways.
- iv) Investment of £0.8m at RAH in respect of the first phase of works linked to Clyde Trauma.
- v) Substantial investment in general medical equipment, amounting to £25.6m, split between emergency replacement, planned general replacement programme and equipment supplied in order to assist treatment of Covid-19 patients. This amount is in addition to specific replacement programmes, totalling £17m, for Endoscopy Equipment, and Radiotherapy and major Diagnostic Imaging Equipment, including a replacement PET CT.
- vi) An amount of £7.6m for investment in e-Health priorities, including PACs, Device Replacement and Telephony Transition.
- vii) £3.5m for the Board's Hub Schemes. This included investment in initial equipping for the new Mental Health Wards at Stobhill Hospital and the new Health Centre at Greenock, together with an amount of £2.7m to progress the development of the Full Business Case and enabling works for the proposed North East Glasgow Hub Scheme.
- viii) An amount of £8m in respect of local minor works project, largely delegated to the Director of Estates and Facilities to address backlog maintenance priorities recorded in the Board's Estate Asset Management System (EAMS).
- ix) An amount of £14.5m capital spend, specifically funded by SGHSCD, to purchase the car park at the GRI.

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2021/22 Initial Outlook



2021/22 Initial Outlook

In terms of 2021/22, the landscape remains somewhat uncertain, as the impact and costs associated with managing COVID-19 remain a challenge. This includes the vaccination programme, continued testing and the impact on staffing and service delivery.

The Scottish Government announced their budget on the 28th January 2021, although this will require updating to reflect the UK Government's budget on the 3rd March 2021.

Covid-19 Funding

Additional funding of circa £1bn is available for Health and Social Care for the on-going COVID-19 response. This Scottish Government are still finalising their allocation process. An additional allocation for the Board is anticipated at the end of Quarter 1.

All Boards were allocated an initial baseline uplift of 1.5%. In terms of pay, initial funding has been allocated in line with the Scottish Public Sector Pay Policy for planning purposes. This will be used as an anchor point in the forthcoming Agenda for Change pay settlement and funding arrangements for Boards will be revisited by the Scottish Government in line with the outcome of the current pay negotiations.

As previously reported, this uplift equates to an additional £20.1m. However, the Board are also facing additional cost pressures of £104.6m, and coupled with the increase in the underlying recurring deficit position to £93.5m, the Board is currently projecting a Net Cash Efficiency Challenge of £19.5m.

However, the FIP has been remobilised and the Board will endeavour to maximise the level of recurring savings. This, coupled with non-recurring funds, means the £19.5m presents an acceptable level of risk for the Financial Plan at this stage. Current projections indicate financial break-even in-year is achievable, although the level of inherent risk is medium/high.

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2021/22 Initial Outlook



2021/22 Initial Outlook FIP Process

As outlined above, whilst the in-year position looks manageable, the key financial objective for 2021/22 is to reduce the underlying recurring deficit to 2020 levels. The only way this will be achievable is to identify, design and deliver cross-cutting initiatives with sizeable savings targets and that that involve all senior Directors and Managers across the organisation.

Similar to the successful delivery of the FIP in previous years, a list of potential savings initiatives have been identified. A realistic savings target for an organisation the size of NHSGGC has been identified and split across the initiatives and a lead Exec Director against each identified and suggested projects identified.

The detail against each of these continues to be worked up, with draft plans due completion by 30th June 2021. Progress will be detailed and included in the next Finance report to the FP&P Committee and Board.

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Conclusion

Conclusion



2020/21

The purpose of this report is to provide the Board with a Month 12 financial update.

The Month 12 ledger position is £0.5m under budget pending the year end audit. This out-turn remains subject to the external audit process. The updated Quarter 4 return was submitted to Scottish Government in April 2021 and highlighted a full year funding request of £268.8m (£176.0m for the Board and £91.7m for the IJBs including Social Care). For the Board, direct COVID-19 costs for the year consist of £139.5m and unachieved savings of £36.6m.

On the 29th September 2020, the Board received an initial funding allocation of; Board £102m and the IJBs £67m. Further funding of £90.6m was received in February 2021 and with this and other additional allocations to the IJB's ensures all direct COVID-19 related costs are fully funded including a contribution to unachieved savings.

This together with underspends from the reduction in the elective programme plus additional funding allocations that were not anticipated when the Board's original financial plan was developed means that the Board achieve a better than breakeven out-turn at 31 March 2021. Then Board also achieved its Capital Resource Limit target.

However, this should be set in the context of the increase in the underlying recurring deficit from £60m to £93m. This follows two years of a reducing deficit. Reducing this is one of the key objectives going into 2021/22 and beyond.

2021/22

The Scottish Government announced their budget on the 28th January 2021, although this may require updating to reflect the UK Government's budget on the 3rd March 2021. All Boards will receive a baseline uplift of 1.5%, for NHSGGC, this equates to an additional £20.1m. However, the Board are also facing additional cost pressures of £104.6m, and coupled with the increase in the underlying recurring deficit position to £93.5, the Board is currently projecting a Net Cash Efficiency Challenge of £19.5m.

This is deemed an acceptable level of risk for the Financial Plan at this stage. Current projections indicate financial break-even in-year is achievable, although the level of inherent risk is medium/high.

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Conclusion



Conclusion (Cont'd)

However, it should also be highlighted that this initial outlook for 2021/22 contains a higher degree of uncertainty and assumptions. In addition, no COVID-19 costs or associated funding have been included in the financial projections. These are assumed to be fully funded separately.

In summary, Members are asked to ;

- i) Note the revenue position at Month 12, the projection to the year-end and the initial financial settlement position.
- ii) Note the capital position at Month 12.
- iii) Note the initial outlook into 2021/22.

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