

BOARD OFFICIAL

***NHSGGC – Month 3 Finance Report  
Board Meeting  
August 2021(Paper 21/43)***



### *Purpose and Format of Report*

The purpose of this report is to provide the Committee with the Month 3 financial position, including the position of the Financial Improvement Programme (FIP) and the forecast for COVID-19 expenditure for 2021/22.

The format of the report covers;

- i) Executive Summary (pages 3-4)
- ii) The Month 3 revenue position and outlook (pages 5-10)
- iii) The Month 3 FIP position (pages 11-12)
- iv) The Month 3 capital position (pages 13-15)
- v) The 2021/22 Projection (pages 16-17)

Members are asked to ;

- i) Note the revenue position at Month 3, and the initial Q1 COVID-19 spend projections;
- ii) Note the Month 3 position with the FIP; and
- iii) Note the capital position at Month 3.

This report was presented, and discussed in detail, at the Finance Planning and Performance Committee of the 10<sup>th</sup> August 2021.



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### 2020/21 Current Position

At 30<sup>th</sup> June 2021 the Board's financial ledger highlights an overspend of £35.9m. This is almost wholly attributable to unachieved saving.

The direct COVID-19 expenditure for the 3 months of the year has been covered by the initial allocations received from the Scottish Government. The key impact of COVID-19 can be summarised as;

- Direct expenditure on remobilisation and delivery of services due to COVID-19 of £48.0m (£33.5m for the Board and £14.5 for the IJBs).
- Unachieved savings due to the focus and effort on COVID-19 delivery of £16.9m (£15.6m relates to the Board and £1.3m for the IJBs).

The Board had been allocated £21m in the first tranche of general COVID-19 related funding, with further allocations for COVID-19 vaccinations £11.4m and Test and Protect £13m. This general allocation does not include any funding for unachieved savings as a result of COVID-19, no confirmation has been received yet if this cost will be funded. The IJB's have not yet received any allocations in this financial year due to the level of funding they received in the prior year.

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### *2021/22 Financial Reporting Arrangement*

The Scottish Government have implemented a streamlined revised reporting arrangement due to COVID-19, consisting of the Local Mobilisation Plan now being incorporated within the Financial Reporting Return (FPR). The FPR has now moved from monthly to quarterly reporting. The Quarter 1 submission was made to Scottish Government on the 30<sup>th</sup> June 2021 detailing the actual expenditure for the first 3 Months and a forecast for the remainder of the year for both the Board and IJB's. These figures are currently indicative and are likely to change as plans and policies are firmed up particularly around COVID-19 vaccinations and contact tracing.

The total projection for NHSGG&C is £289.3m; split £214.6m for the Board and £74.7m for IJB's. The IJB expenditure is split £16m Health and £59m Local Authority.

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***The Month 3 Revenue Position***

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### Financial Performance – Month 3

This section of the report provides analysis of the financial position at 30th June 2021.

Area	Pays, Non Pays Position	Unachieved Savings	Final reported Position
	£m	£m	£m
Acute	(1.0)	(7.7)	(8.7)
Partnerships	0.0	0.0	0.0
Corporate Departments	2.6	(29.7)	(27.2)
<b>Gross/Net Financial Position at 30th June 2021</b>	<b>1.6</b>	<b>(37.4)</b>	<b>(35.9)</b>

As outlined above, the Board recorded a deficit of £35.9m at 30<sup>th</sup> June 2021. This includes an initial allocation for COVID-19 to directly fund direct expenditure.

The overspend almost wholly due to unachieved savings offset by underspends within the corporate departments.

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**Financial Performance – Month 3 (Cont'd)**

The Acute Division is reporting an overspend at Month 3 of £8.7m. All COVID-19 costs are fully funded.

Overall, Pays are breakeven and Non Pay is £1.0m overspent. Despite pays being breakeven there is still a significant pressure of £1.6m within Junior Doctors. The Non Pay is predominately due to an overspend in purchase of healthcare, surgical sundries and equipment.

The FIP position highlights £7.7m of unachieved savings.

Acute	Pay	Non Pay	FIP	21/22 Month 3 Total	20/21 Month 12 Total
	£m	£m	£m	£m	£m
South Sector	0.4	(0.2)	(1.8)	(1.5)	0.9
North Sector	(1.2)	(0.2)	(1.2)	(2.6)	(0.9)
Clyde Sector	(0.2)	0.2	(0.8)	(0.7)	0.0
Diagnostics Directorate	1.0	(0.2)	(1.2)	(0.4)	1.8
Regional Services	0.0	(0.7)	(1.6)	(2.3)	(1.3)
Women & Childrens Services	(0.0)	(0.0)	(1.1)	(1.2)	0.0
Directorate Totals	(0.0)	(1.0)	(7.7)	(8.7)	0.4
Acute Corporate	0.0	0.0	0.0	0.0	(0.0)
<b>Acute Expenditure Totals</b>	<b>(0.0)</b>	<b>(1.0)</b>	<b>(7.7)</b>	<b>(8.7)</b>	<b>0.4</b>
Income (Under)/Over Recovery	0.0	0.0	0.0	0.0	0.0
<b>Acute Total</b>	<b>(0.0)</b>	<b>(1.0)</b>	<b>(7.7)</b>	<b>(8.7)</b>	<b>0.4</b>

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### Financial Performance – Month 3 (Cont'd)

Partnerships reported an overall breakeven on the Health element of their budgets at 30<sup>th</sup> June 2021.

HSCP	Annual Budget	YTD Budget	YTD Actuals	YTD Variance
	£m	£m	£m	£m
Glasgow City	781.2	200.8	200.2	0.6
East Dunbartonshire	91.2	24.3	24.3	(0.0)
East Renfrewshire	80.6	20.7	20.7	(0.0)
Inverclyde	98.1	25.1	25.1	(0.0)
Renfrewshire	188.8	47.5	47.2	0.4
West Dunbartonshire	103.7	24.5	24.5	(0.0)
<b>Total HSCPs</b>	<b>1,343.5</b>	<b>342.8</b>	<b>341.9</b>	<b>0.9</b>
Other Partnerships Budgets	49.1	5.7	6.5	(0.9)
<b>Total Partnerships Expenditure</b>	<b>1,392.6</b>	<b>348.5</b>	<b>348.4</b>	<b>0.1</b>
Total Partnerships Income	(76.7)	(21.4)	(21.4)	(0.1)
<b>Net Expenditure</b>	<b>1,315.9</b>	<b>327.1</b>	<b>327.1</b>	<b>0.0</b>

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## Financial Performance – Month 3 (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 1 LMP submission in June 2021 highlighted that costs of £15.8m have been incurred for the financial year across the IJBs.

The total breakdown of the IJB costs based on the Quarter 1 submission between health and Local Authorities is highlighted as follows;

IJB Split	Health Spend £m	Local Authority Spend	TOTAL
	£m	£m	£m
Covid	3.2	10.8	14.0
Remobilisation	0.1	0.4	0.5
Unachieved Savings	0.0	1.3	1.3
<b>TOTAL</b>	<b>3.4</b>	<b>12.5</b>	<b>15.8</b>

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**Financial Performance – Month 3 (Cont'd)**

Corporate Directorates are reporting an overspend at Month 3 of £27.1m. Of this amount, £29.7m of the overspend relates to unachieved savings, £0.9m across the Corporate Departments and £28.8m relating to the unallocated savings target. Out with unachieved savings, Corporate Affairs has a small overspend, largely due to legal fees associated with ongoing issues in relation to the QEUH which is offset by underspends in other areas.

Corporate Director Summary	Annual Budget	YTD Budget	YTD Actual	YTD Variance
	£m	£m	£m	£m
Board Medical Director	53.3	11.7	11.8	(0.0)
Centre For Population Health	1.3	0.1	0.1	0.0
Corporate Affairs	4.8	1.4	1.8	(0.4)
Corporate Communications	1.6	0.4	0.3	0.0
Director of eHealth	83.5	19.8	19.8	0.0
Director of Finance	12.8	3.2	3.1	0.0
Director of Human Resources	21.7	4.7	4.3	0.4
Director of Nursing	6.8	1.6	1.5	0.1
Director of Public Health	17.1	3.0	2.9	0.1
Other Corporate Expenditure	84.4	21.6	20.4	1.2
Estates and Facilities	264.6	72.0	71.9	0.1
<b>Total Corporate Directorates</b>	<b>551.7</b>	<b>139.5</b>	<b>137.8</b>	<b>1.7</b>
Unallocated Savings	(115.2)	(28.8)	0.0	(28.8)
<b>Total Corporate</b>	<b>436.5</b>	<b>110.7</b>	<b>137.8</b>	<b>(27.1)</b>

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## ***Financial Improvement Programme (FIP)***

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## *The Financial Improvement Programme (FIP) – 2021/22*

The key financial objective for 2021/22 is to reduce the underlying recurring deficit to 2020 levels.

This is only achievable if Divisions and Directorates deliver the allocated 1.5% savings target (the “bottom up” element of the Programme), and identify, design and deliver cross-cutting initiatives with sizeable savings targets that involve senior Directors and Managers across the organisation (the “top-down” element of the Programme).

Similar to the successful delivery of the FIP in previous years, a list of potential savings initiatives have been identified.

In terms of progress to date, on a full year basis £6.8m (from 119 schemes) has been achieved at July 2021 – an increase from £5.7m at June 2021. Of these 119 schemes, another £2.4m is due for delivery in-year. These schemes are mostly at Directorate/Divisional level with the majority of recurring savings attributed to prices changes for Drugs. Infrastructure and Non Pay have improved in the last month, but other areas require more action. There are a further 83 schemes in the pipeline with a potential to deliver another £5.7m.

As previously reported to the FP&P Committee and the FIP Programme Board, a more “top-down” approach to savings programmes is required and forms the second part of the FIP. These more complex, strategic, transformational cross cutting schemes have been set a total target of £23m. A number of initial initiatives were developed by relevant Directors as part of these overall schemes, and continue to be worked up into full project mandates.

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## *Capital Position*

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### *The 2021/22 Capital Position Month 3*

The planned Capital Funding for 2021/22 includes:

- i) The Board's share of new national capital funding for 2021/22, which is made available on a formula basis to all Health Boards;
- ii) Ring-fenced funding for specific projects;
- iii) The capital (Net Book Value) element of those asset disposals where it has been agreed that the Board can retain proceeds for local use.

The current forecast core capital resources available to the Board for investment in 2021/22 amount to just over £66.7m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £19m, an estimated amount of £1.8m in respect of Capital Receipts generated through property disposal and an amount of revenue funded capital expenditure, amounting to £8.5m. This amount includes revenue funding received as part of the Primary Care Implementation Plan to improve clinical and patient areas within Health Centres.

The "ring-fenced specific funding" represents direct capital allocations from SG. For 2021/22 this amount includes £7.5m to be provided by SGHSCD to finalise the Full Business Case, and commence construction activities, at the proposed North East Glasgow Hub Scheme. Ring-fenced funding also includes an estimated amount of £1.3m to progress plans to relocate the Radionuclide Dispensary from its current location on the former Western Infirmary site. The actual level of funding required this year will be adjusted in line with the updated profiles developed during completion of the Outline Business Case.

Other areas of ring-fenced funding include the creation of Education Pods at the Dental Hospital, the development of Thrombectomy Services at the INS, and ongoing rectification works at QEUH/RHC.

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In addition to the ring-fenced schemes, other major areas of planned spend include:

- i) An amount of £3.1m to progress the refurbishment of ward accommodation at Level 6, GGH.
- ii) At GRI, continued investment in endoscopy ventilation, together with HEI upgrade works at Theatre E.
- iii) At the QEUH campus, investment to ensure completion of all required ventilation upgrades and rectification work at Ward 2A RHC, together with progressing HEI upgrade works within Ward 63 of the INS.
- iv) To ensure delivery of the Clyde Trauma Strategy, investment at RAH includes the new Trauma Assessment Unit (£0.9m), upgrade of Ward 22 (£0.5m), and £0.7m being provided to complete the installation of Laminar Flow within Theatre 5, which commenced last year. At IRH, £1.7m investment is also being made in respect of Laminar Flow in Theatre 6.
- v) £1.7m to progress the development of a Sexual Assault Referral Centre at William Street, and associated accommodation, which was carried over from last year.
- vi) An overall allocation of £5.6m in respect of Medical Equipment replacement – split between emergency replacement and a planned general replacement programme.
- vii) An amount of £7.3m has been set aside for investment in e-Health priorities, including PACs and a replacement Laboratory Information System (LIMS).
- viii) In addition to the ring-fenced funding set aside for the development of the North East Glasgow Hub, separate provision has been made in respect of the initial equipping requirements of the new Clydebank Health Centre.
- ix) A budget of £9m is currently included under Corporate schemes for local minor works projects. Similar to previous years, this allocation has largely been delegated to the Director of Estates and Facilities to address the top Building Infrastructure and Backlog maintenance priorities recorded in the Board's Estate Asset Management System (EAMS), in line with SGHSCD expectations.

At the end of Month 3 the Plan includes £2.1m of unallocated capital that remains available for investment in other priority areas within the Board.

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## ***2021/22 Projection***

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### 2021/22 Projection

The 2021/22 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.

An initial financial plan for 2021/22 was submitted to Scottish Government in March 2021 which outlined a deficit of £19.5m. Since then the AFC pay award and final uplift has now been agreed. A revised financial plan was submitted on the 30<sup>th</sup> June 2021 outlining a deficit of £25.8m. The £6m increase is down to an increased cost pressure from Office 365 of £2m and a shortfall as a result of the final AFC settlement of £4m.

However, the FIP has been remobilised and the Board will endeavour to maximise the level of recurring savings, at the same time as maximising the use of any non-recurrent funds available. Current projections indicate financial break-even in-year maybe achievable, although the level of inherent risk is medium/high. To reduce this risk, it is imperative that all Directors and Managers implement the FIP actions outlined above.

### COVID-19 Funding

Initial funding as mentioned earlier has been given to the board of £45.8m. The Scottish Government plan to review the Quarter 1 submission and we expect to received future allocations. It is anticipate that all direct expenditure will be fully funded. There is still uncertainty around the funding for unachieved savings.

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## *Conclusion*

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### Conclusion

The purpose of this report is to provide the CMT with a Month 3 financial update.

At 30<sup>th</sup> June 2021 the Board's financial ledger highlights an overspend of £35.9m. This is almost wholly attributable to unachieved saving.

The direct COVID-19 expenditure for the 3 months of the year has been covered by the initial allocations received from the Scottish Government - £21m in the first tranche of general COVID-19 related funding, with further allocations for COVID-19 vaccinations £11.4m and Test and Protect £13m. This general allocation does not include any funding for unachieved savings as a result of COVID-19 - no confirmation has been received yet if this cost will be funded.

The total COVID-19 funding request submitted to SG in June 2021 outlines a projected spend (and funding request) for £289.3m; split £214.6m for the Board and £74.7m for IJB's. The IJB expenditure is split £16m Health and £59m Local Authority.

In terms of FIP progress, on a full year basis £6.8m (from 119 schemes) has been achieved at July 2021. Of these 119 schemes, another £2.4m is due for delivery in-year. There are a further 83 schemes in the pipeline with a potential to deliver another £5.7m. In addition, a range of more complex, strategic, transformational cross cutting schemes have been set a total target of £23m.

It is imperative that relevant Directors work all of these Directorate/Divisional pipeline schemes, and strategic cross-cutting schemes, into mandates for submission and approval (to the FIP PMO), and start delivery of these schemes, by the 31<sup>st</sup> August 2021.



### Conclusion

An initial financial plan for 2021/22 was submitted to Scottish Government in March 2021 which outlined a deficit of £19.5m. Since then the AFC pay award and final uplift has now been agreed. A revised financial plan was submitted on the 30<sup>th</sup> June 2021 outlining a deficit of £25.8m. The £6m increase is down to an increased cost pressure from Office 365 of £2m and a shortfall as a result of the final AFC settlement of £4m.

However, the FIP has been remobilised and the Board will endeavour to maximise the level of recurring savings, at the same time as maximising the use of any non-recurrent funds available. Current projections indicate financial break-even in-year maybe achievable, although the level of inherent risk is medium/high. To reduce this risk, it is imperative that all Directors and Managers implement the actions outlined above.

In summary, Members are asked to ;

- i) Note the revenue position at Month 3, and the initial Q1 COVID-19 spend projections .
- ii) Note the month 3 position with the FIP,
- iii) Note the capital position at Month 3.

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