

NHS Greater Glasgow & Clyde	Paper No. 21/15
Meeting:	Board Meeting
Date of Meeting:	27th April 2021
Purpose of Paper:	For Noting
Classification:	Official Sensitive
Sponsoring Directors:	Mark White (Director of Finance)

Paper Title

Finance Report

Recommendation

Members are asked to;

- i) Note the revenue position at Month 11 and the projection to the year-end.
- ii) Note the capital position at Month 11.
- iii) Note the current outlook into 2021/22.

Purpose of Paper

The purpose of this report is to provide the Board with the Month 11 financial position and projection to the 31st March 2021, and the current outlook into 2021/22. It should be noted this report was presented and discussed in detail at the Finance, Planning and Performance Committee on the 30th March 2021.

Key Issues to be Considered

2020/21

The Month 11 ledger position is £2.1m under budget. The Board and HSCPs have received full funding for all direct and indirect costs of COVID-19.

This, together with underspends across the organisation means the Board will break-even, and will achieve all the key financial targets. However, this should be set in the context of the increase in the underlying recurring deficit to £93m. This reverses the 2 previous years reductions, and is largely attributable to the inability to make recurring savings in-year due to the focus on delivering services during the COVID-19 pandemic. 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. 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.

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.

Any Patient Safety/Patient Experience Issues

Not directly, but ultimately all finance issues and decision will have an impact in this area.

Any Financial Implications from this Paper

The financial implications are detailed in the report.

Any Staffing Implications from this Paper

Not directly, but ultimately all finance issues and decision will have an impact in this area.

Any Equality Implications from this Paper

Not directly, but ultimately all finance issues and decision will have an impact in this area.

Any Health Inequalities Implications from this Paper

Not directly, but ultimately all finance issues and decision will have an impact in this area.

Has a Risk Assessment been carried out for this issue? If yes, please detail the outcome.

No risk assessments per se, although risk is assessed as part of every decision on finance.

Highlight the Corporate Plan priorities to which your paper relates

All key themes outlined in the 2021/22 Corporate Objectives.

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Date: 19th April 2021

OFFICIAL SENSITIVE

NHSGGC – Month 11 Finance Report
Finance, Planning and Performance Committee
March 2021(Paper 21/15)



Purpose and Format of Report

The purpose of this report is to provide the Committee with the Month 11 financial position and projection to the 31st March 2021, and the current outlook into 2021/22.

The format of the report covers;

- i) 2020/21 current position (pages 3-5)
- ii) The Month 11 revenue position and outlook (pages 6-11)
- iii) The Month 11 FIP position (pages 12-13)
- iv) The Month 11 capital position (pages 14-15)
- v) The current outlook into 2021/22 (pages 16-22)
- vi) Conclusion (pages 23-24)

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2020/21 Current Position

At 28th February 2021 the Board's financial ledger highlights an underspend of £2.1m.

The key areas of financial performance can be summarised as;

- Direct expenditure on health mobilisation and delivery of services due to COVID-19 of £141.4m (£114.5 for the Board and £26.9 for the IJBs). (refer page 4 & 5 below)
- Unachieved savings due to the focus and effort on COVID-19 delivery of £37.2m (£36.55m relates to the Board and £0.65m for the IJBs). (refer page 4 & 5 below)

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.

The Board is predicting financial break-even at the 31st March 2021. The risk associated with this projection is low.

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2020/21 Updated Covid-19 Return

A breakdown of the latest COVID-19 spend projections are highlighted below. A detailed return of actual spend will be collated and submitted at the end of the financial year.

NHS BOARD	ACTUAL TO 31 DEC £m	PROJECTED 1 JAN TO 31 MARCH £m	TOTAL £m
Additional staff costs	36.9	12.4	49.4
Additional beds costs	10.6	6.6	17.3
Testing	7.2	10.5	17.7
Deep cleans	8.7	3.9	12.6
Contract tracing	1.4	1.8	3.2
Loss of income	11.2	4.2	15.4
Winter Planning	0.2	3.0	3.2
Flu Delivery Programme	0.2	0.6	0.8
Immunisation costs (Covid-19)	0.1	6.0	6.1
Other	23.1	2.9	26.0
Offsetting cost reductions	(10.7)	(1.4)	(12.0)
Unachieved savings	36.6	0.0	36.6
TOTAL	125.7	50.6	176.3

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2020/21 Covid-19 Return IJB (Health and Local Authority Spend)

IJB	ACTUAL TO 31 DEC £m	PROJECTED 1 JAN TO 31 MARCH £m	TOTAL £m
Estimated cost of additional payments to third party service providers	30.6	10.1	40.7
Additional staffing costs	9.7	2.6	12.2
PPE	2.4	0.4	2.8
Mental Health Services	2.8	1.8	4.6
Additional Payments to GPs	5.2	0.2	5.3
Hospices – loss of income	4.2	0.0	4.2
Community Hubs	4.1	4.6	8.7
Homelessness (Glasgow/Inverclyde)	6.5	2.6	9.1
Other	9.0	2.1	11.0
Offsetting cost reductions	(5.6)	(0.5)	(6.1)
Unachieved savings	6.9	2.1	9.0
TOTAL	75.6	26.0	101.5

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The Month 11 Revenue Position



Financial Position – Month 11

This section of the report provides analysis of the financial position at 28th February 2021.

Area	Gross Position £m	Non Recurring Relief £m	Ledger Position £m
Acute	2.3	0.0	2.3
Partnerships	0.0	0.0	0.0
Corporate Departments	(0.2)	0.0	(0.2)
Gross/Net Financial Position at 28th February 2021	2.1	0.0	2.1

As outlined above, the Board will achieve a breakeven out-turn as at 31 March 2021.

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Financial Performance – Month 11 (Cont'd)

The Acute Division is reporting an expenditure underspend at Month 11 of £2.3m. All COVID-19 costs are now fully funded.

Overall, Pays are £1.64m underspent and Non Pay is £0.64m underspent. The table below highlights the position by directorate.

Directorate	Month 11 Total £000's	Prior Year Month 12 Total £000's
South Sector	608	(12,145)
North Sector	(710)	(9,417)
Clyde Sector	282	(8,299)
Diagnostics Directorate	2,356	(3,839)
Regional Services	(218)	(6,300)
Women & Childrens Services	(32)	(7,977)
Directorate Totals	2,287	(47,977)
Acute Corporate	(4)	(1,272)
Acute Expenditure Totals	2,283	(49,250)
Income (Under)/Over Recovery	(1)	23
Acute Total	2,282	(49,227)

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Financial Performance – Month 11 (Cont'd)

Partnerships reported an overall breakeven on the health element of their budgets at Month 11.

Individual HSCPs reported an underspend of £5.0m for the year to date following receipt of their latest tranche of COVID-19 funding. This has been neutralised in arriving at the Board's overall position as any surpluses within the delegated budgets will be taken to reserves at the year end.

All six HSCPs are forecasting a breakeven year end position. In addition, there is likely to be a significant increase in year-end reserves balances. These are still subject to adjustment through the year-end process and will be reported to both the Finance, Planning and Performance Committee and the Board in due course.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Glasgow City	869.0	785.0	784.0	1.1
East Dunbartonshire	110.0	96.3	96.3	(0.0)
East Renfrewshire	94.0	76.6	75.6	1.0
Inverclyde	110.3	97.3	97.3	0.0
Renfrewshire	213.5	194.9	192.1	2.9
West Dunbartonshire	118.6	97.7	97.7	0.0
Total HSCPs	1,515.3	1,347.9	1,343.0	5.0
Other Partnerships Budgets	21.7	48.3	53.7	(5.3)
Total Partnerships Expenditure	1,537.1	1,396.3	1,396.7	(0.4)
Total Partnerships Income	(60.3)	(54.8)	(55.2)	0.4
Net Expenditure	1,476.8	1,341.4	1,341.4	0.0

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Financial Performance – Month 11 (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 most recent LMP submission in February 2021 highlighted that costs of £90.9m have been incurred for the first 11 months of the year across the six IJBs (estimated at £101m for the full year). Some of these costs remain estimates at this stage in particular the cost of sustainability payments to third party service providers which accounts for £36.5m of the above figure.

The total breakdown of the IJB costs based on the Quarter 3 submission between health and local authorities is highlighted as follows;

IJB	Health Spend £m	Local Authority Spend £m	TOTAL £m
Direct Costs	30.8	61.8	92.6
Unachieved savings	0.7	8.3	9.0
TOTAL	31.4	70.1	101.5

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Financial Performance – Month 11 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 11 of £0.2m. The centrally held unallocated savings balance is reported “below the line” and no longer has a shortfall due to funding being received to cover unachieved savings as a result of the impact of Covid-19. All directorates are breakeven except for Corporate Affairs which has an overspend due to legal fees associated with ongoing issues in relation to the QEUH and Other Corporate Expenditure which includes an accrual for annual leave which will be funded going forward.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	49.0	40.9	40.3	0.7
Centre For Population Health	1.3	1.0	1.0	0.0
Corporate Affairs	5.1	4.9	5.1	(0.2)
Corporate Communications	1.5	1.3	1.1	0.2
Director of Finance	86.2	71.4	71.3	0.1
Director of eHealth	18.4	9.4	9.2	0.2
Director of Human Resources	18.8	16.5	14.9	1.6
Director of Nursing	8.8	5.4	5.4	(0.0)
Director of Public Health	19.7	15.3	14.5	0.8
Other Corporate Expenditure	206.9	163.1	168.2	(5.1)
Estates and Facilities	292.6	268.1	266.5	1.6
Total Corporate Directorates	708.2	597.4	597.6	(0.2)
Unallocated Savings	(73.7)	(70.5)	(70.5)	0.0
Total Corporate	634.5	526.9	527.1	(0.2)

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Financial Improvement Programme (FIP)



The Financial Improvement Programme (FIP) – Approach for 2020/21

The FIP Programme has continued into 2020/21 although due to the focused efforts dealing with COVID-19 position has been less active. The approach remains to deliver (where possible) all schemes currently identified by the end of March 2021.

The Head of the FIP has reviewed the programme and approach for 2021/22 and is working towards having the 'building blocks in place' for the 1st April 2021.

At 28 February 2021 savings of £13.1m have been achieved on a full year effect basis with a current year effect of 105.8m. A number of non recurring schemes were identified as a result of reduced activity within the drugs and non pay workstreams and these are reflected in the figures. Following receipt of the COVID-19 allocation in February 2021, £25.9m has been factored on a CYE basis to cover the unachieved savings impacted by COVID-19.

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Capital Position



The 2020/21 Capital Position – Month 11

The current forecast core capital resources available to the Board for investment in 2020/21 amount to £60.3m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £18.7m, an estimated amount of £1.7m in respect of Capital Receipts generated through property disposal and an amount of revenue funded capital expenditure, amounting to £2.7m. The Board will meet its Capital Resource Limit for 2020/21. Major areas of spend include:

- i) An additional amount of £4.3m for 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) Initial allocations at GRI included £1.4m to upgrade the ventilation within Endoscopy. Of this, £600k has now slipped into 2021/22, with this slippage being balanced by the acceleration of Minor Works schemes.
- iii) At the QEUH campus, initial provision of £2.7m for ventilation upgrade and associated works, £1m on continuing the ongoing programme of infrastructure upgrade works within Neurosurgery and Neurology Buildings, £0.75m for essential software upgrade to AGVs and £0.25m to complete essential works to the pedestrian walkways.
- iv) An overall general medical equipment allocation of £5.8m, split between emergency replacement and a planned general replacement programme. This amount is in addition to specific replacement programmes, totalling £16.5m, for Endoscopy Equipment, and Radiotherapy and major Diagnostic Imaging Equipment, including a replacement PET CT. Plans to accelerate £1m of equipment spend from 2021/22 have also been agreed.
- v) An initial amount of £7.5m was set aside for investment in e-Health priorities, including PACs, Laboratory Information System (LIMS) and Telephony Transition. The LIMS scheme has now been re-profiled into 2021/22 and plans have been agreed to accelerate other eHealth spend from next year to mitigate.
- vi) A budget of £8m for 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).

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2021/22 Current Outlook



2021/22 Current Outlook

The outlook for 2021/22 remains uncertain, both in terms of costs, income and Scottish Government funding streams. The costs of managing COVID-19 are still very much part of that uncertainty, particularly the vaccination programme, continued testing and the impact on staffing and service delivery.

The Scottish Government announced their budget on the 28th January 2021. All Boards will receive a 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 and will be revisited by the Scottish Government in line with the outcome of the pay negotiations.

The main points from the budget, together with an assessment of the impact on NHSGGC, can be summarised as:

- **Covid-19 Funding** - additional funding of £869 million will be provided to support the ongoing response to the pandemic, to be allocated on the basis of Boards' Remobilisation Plans;
- **Primary Care** – additional £45m (£250m in total) to support the delivery of the new GP contract and wider Primary Care reform and continued development of new models of primary care.
- **Support for Waiting Times** - repeat investment of £136m for waiting times.
- **Mental Health and CAMHS** - funding of £111m is intended for a range of partners for investment to support mental health, and children and young people's mental health to underpin the need to improve mental health services and support for children, young people and adults.
- **Alcohol and Drugs** - an additional £50 million targeted towards reducing drugs deaths. This forms part of a total of funding of £250 million over the next five years.
- **Capital Funding** - Boards should assume an unchanged initial capital formula allocation.

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2021/22 Current Outlook

Health and Social Care Integration

For 2021/22, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 1.5% over 2020/21 agreed recurring budgets.

In addition to this, and separate from the Board Funding uplift, the Health Portfolio will invest a further £72.6m in Local Authorities for investment in adult social care and integration. This takes the total funding transferred from the health portfolio to £883m in 2021/22. The additional £72.6m will support delivery of the Living Wage (£34m), continued implementation of the Carers Act (£28.5m) and uprating of free personal care (£10m).

The funding allocated to Integration Authorities should be additional and not substitutional to each Council's 2020/21 recurring budgets for adult social care services that are delegated. Therefore, Local Authority adult social care budgets for allocation to Integration Authorities must be £72.6m greater than 2020/21 recurring budgets.

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2021/22 Initial Outlook

The Budget Settlement – Impact for NHSGCC

The Finance team have completed a detailed assessment of the projected outlook for 2021/22. Clearly this involves a higher than usual degree of uncertainty (and therefore range of assumptions), particularly around the impact of COVID-19 upon service levels and related costs and funding levels (operational and vaccine related).

This uncertainty means the initial outlook for 2021/22 is subject to change and amendment, however below is the assessment as it currently stands.

	2021/22
	£m
New Resources	
Baseline Increase	35.4
Additional Uplift - Pay Policy	
New Medicines Fund	(6.9)
Uplift from Other Boards	5.2
Sub Total	33.7
less Uplift Allocation to IJBs	(13.6)
Total New Resources	20.1

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2021/22 Current Outlook

	2021/22
	£m
Cost Pressures	
Recurring Deficit b/f	(93.5)
Pay Cost Growth	(50.8)
Prescribing - Acute	(23.0)
Prescribing - Primary Care	(8.0)
Supplies exc PPP & Contracts	(8.0)
PPP & Contracts	(2.1)
All Other Inflation	(1.5)
Miscellaneous Cost Pressures	(0.3)
Investments/ Future Developments	(10.9)
Cost Pressures	(198.1)
Gross Cash Efficiency Challenge	(178.0)
add back IJB Expenditure	20.5
Gross Cash Efficiency Challenge	(157.5)
Forecast Savings Achievable Recurring	35.0
Forecast Savings Achievable Non Recurring	68.0
Non- recurrent Support	35.0
Net Cash Efficiency Challenge	(19.5)

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2021/22 Current Outlook

As outlined in the RMP3, the Boards primary financial objectives for the year are;

- Finalising a three year Financial and Capital Plan and develop detailed plans to return NHSGGC to recurring balance.
- Meeting the key Financial Targets for 2021/22 within an agreed profile, ensuring services are remobilized in an efficient and affordable way.
- Reducing the underlying recurring deficit.

Clearly these are challenging targets. The aim is the reduce the underlying deficit from £93m to £63m, requiring a significant level of recurring savings. However, as outlined above, the FIP is now fully remobilised and a number of initiatives have been identified and are under way, as listed below.

- **Procurement:** National contractual savings, standardisation and rationalisation of the Board's own procurement processes with clear targets for improved performance.
- **Prescribing:** Horizon scan of drug changes, clinical changes and the development of prescribing best practice (elimination of waste). Assessment of benefits and opportunities from HEPMA system.
- **Service redesign:** Priority focus on COVID-19 long term changes, workforce redesign and patient flows and service changes. Active Clinical Referral Triage and Virtual Patient Management (Scheduled and Unscheduled care pathways redesign.) Longer term planning for MFT workstreams / Re mobilisation key priorities.
- **E health Digital and Innovation:** Benefits from further virtualisation and the continued use of systems such as teams, and virtual consultations. Opportunities to use technology as an enabler and a control point.
- **Property and asset management:** Review of use of properties, disposals, management of contracts / contractors and energy savings along with the wider sustainability agenda and alignment with clinical strategy.

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2021/22 Current Outlook

- **Workforce plans:** Alignment of the wider Workforce strategy management of sickness, absence and turnover.
- **Efficiency and Productivity gains:** Whilst recognising that this is not necessarily cash releasing the recognition to improvements to patient experience through the redesign of pathways as a result of the pandemic will have a positive impact on our capacity.

The projected outcome of these initiatives (taking account of potential risks) has been factored into the projected position outlined on Page 20 above, and underpins the primary objective to reduce the underlying recurring deficit.

The table highlights the high levels of reliance on non-recurrent funding in-year, and the projected £19.5m gap for the financial year. This is consistent with previous years and represents a level of acceptable risk as previously agreed by the Finance, Planning and Performance Committee. Assuming that projected gap, breakeven is achievable, however there is medium to high risk attached to that projection.

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Conclusion



Conclusion

2020/21

The purpose of this report is to provide the FP&P with a Month 11 financial update and projection to the year-end.

The Month 11 ledger position is £2.1m under budget. The Board and HSCPs have received full funding for all direct and indirect costs of COVID-19.

This, together with underspends across the organisation means the Board will break-even, and will achieve all the key financial targets. However, this should be set in the context of the increase in the underlying recurring deficit to £93m. Reducing this is one of the key objectives going into 2021/22 and beyond.

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