

NHS Greater Glasgow & Clyde	Paper Number: 20/36
Meeting:	Board Meeting
Date of Meeting:	25 August 2020
Purpose of Paper:	For Noting
Classification:	Board Official
Sponsoring Director:	Mark White, Director of Finance

Paper Title

Finance Planning and Performance Committee

Recommendation

Board members are asked to:

- i) Note the revenue position at Month 3.
- ii) Note the Month 3 position with the Financial Improvement Programme.
- iii) Note the capital position at Month 3.

Purpose of Paper

The purpose of this report is to provide the Board with the Month 3 financial position, including the financial impact (to date) of COVID-19 and the revised financial reporting arrangements currently in place.

Key Issues to be Considered

- The financial position at Month 3.
- The direct and indirect costs of COVID-19.
- The revised reporting process and the process for reimbursement of COVID-19 costs.
- The Capital Plan position.

Any Patient Safety/Patient Experience Issues

No direct issues.

Any Financial Implications from this Paper

The financial implications are detailed in the Report

Any Staffing Implications from this Paper

No direct issues

Any Equality Implications from this Paper

None identified.

Any Health Inequalities Implications from this Paper

None identified.

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

No risk assessments per se, although individual risk assessments are undertaken in key strategic financial decisions..

Highlight the Corporate Plan priorities to which your paper relates

The report is structured around each of the four key themes outlined in the 2019-20 Corporate Objectives.

Author: Mark White
Tel No: 0141 201 4609
Date: 25 August 2020

BOARD OFFICIAL

***NHSGGC – Month 3 Finance Report
Board Meeting
August 2020 (Paper 20/36)***





Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 3 financial position, including the financial impact (to date) of COVID-19 and the revised financial reporting arrangements currently in place.

The format of the report covers;

- i) The Month 3 revenue position (pages 5-10)
- ii) The Month 3 Financial Improvement Programme (FIP) position (pages 11-12)
- iii) The Month 3 capital position (pages 13-15)

The Board is asked to ;

- i) Note the revenue position at Month 3.
- ii) Note the Month 3 position with the FIP.
- iii) Note the capital position at Month 3.

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2020/21 Current Position

At 30 June 2020 the Board's financial ledger highlights expenditure £59.0m over budget. However, this includes £58.5m of COVID-19 expenditure and opportunity cost as follows;

- Direct expenditure on mobilisation and delivery of services due to COVID-19 of £32.7m;
- Unachieved savings due to the focus and effort on COVID-19 delivery of £25.8m.

The Scottish Government has received significant additional COVID-19 consequentials and it is anticipated the full £58.5m will be reimbursed in September 2020 by the Scottish Government. A return is also being prepared that projects the COVID-19 impact (costs and income) for the remainder of the financial year. This is closely aligned to the Remobilisation Plan.

However, exact details of COVID-19 financial reimbursement has yet to be confirmed. As such, coupled with the uncertainty over a potential "second wave", there exists a significant financial risk to the Board in breaking even in 2020/21.

2020/21 Financial Reporting Arrangement

The Scottish Government have implemented revised reporting arrangements due to COVID-19, consisting of Local Mobilisation Plan financial returns capturing actual and projected COVID-19 spend, initially submitted on a weekly basis, now reported monthly.

The focus has now turned to the second-phase Remobilisation Plan, with the Board's plan submitted on 31 July 2020. At this stage, as the details of the Plan are finalised, the corresponding financial costs remain under development.

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2020/21 Financial Reporting Arrangement

A revised reporting timetable for financial information is in place with the Scottish Government, working to the following timescale.

- 14th August 2020– initial Quarter 1 returns and indicative full year financial forecasts;
- End August 2020– recommencement of formal Monthly financial performance reporting;
- Mid-September 2020– finalisation of Quarter 1 Reviews and updated forecasts, followed by agreement of funding allocations.

Until this process has been concluded and funding allocations are confirmed the actual and projected financial position of the Board remains uncertain.

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The Month 3 Revenue Position



Financial Performance – Month 3

This section of the report provides analysis of the financial position at 30 June 2020.

Area	Gross Position £m	Non Recurring Relief £m	Final Ledger Position £m
Acute	(21.7)		(21.7)
Partnerships	(0.4)		(0.4)
Corporate Departments	(36.9)		(36.9)
Corporate Adjustments (non recurring)		0.0	0.0
Gross/Net Financial Position at 30 June 2020	(59.0)	0.0	(59.0)

At 30 June 2020 the Board is reporting expenditure levels £59.0m over budget. However, this includes significant non recurring specific COVID-19 direct costs and related unachieved savings which are anticipated to be funded by Scottish Government.

The Board has not factored in any non recurring to support the financial position at this stage of the year.

A more detailed breakdown of the current position is highlighted below.

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Financial Performance – Month 3

Area	Gross Position £m	Non Recurring Relief £m	Ledger Position £m	Direct COVID Costs £m	Net of COVID £m	Savings Shortfall £m
Acute	(21.7)	0.0	(21.7)	14.4	(7.3)	(6.5)
Partnerships	(0.4)	0.0	(0.4)	0.0	(0.4)	
Corporate Departments	(36.9)	0.0	(36.9)	18.3	(18.6)	(19.3)
Corporate Adjustments (non recurring)	0.0	0.0	0.0	0.0	0.0	0.0
Gross/Net Financial Position at 30 June 2020	(59.0)	0.0	(59.0)	32.7	(26.3)	(25.8)

Note: Partnerships have assumed funding for COVID costs in reaching their ledger position.

The table above highlights expenditure £59.0m over budget. However, this includes £58.5m of COVID-19 expenditure and opportunity cost as follows;

- Direct expenditure on mobilisation and delivery of services due to COVID-19 of £32.7m;
- Unachieved savings due to the focus and effort on COVID-19 delivery of £25.8m.

However, as described above, the basis for funding COVID costs has not been confirmed. As such, it is not yet possible to determine a definitive financial position, or forecast. Clarity on COVID-19 funding is due mid September 2020 following the receipt and collation of Quarter one returns.

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Financial Performance – Month 3 (Cont'd)

Overall, Pays spend is £10.2m overspent at 30 June 2020, including £9.7m of direct COVID-19 costs. Non Pay is overspent at £4m and includes additional £3.9m of expenditure related to COVID-19. The FIP position records a deficit of £6.5m. No CRES relief has been incorporated for this financial year and any available relief is appropriately shown on a board-wide basis. Income is showing as £1m under recovered and this is predominantly related to lost income as a result of COVID-19 (retail outlets, RTA's, R&Ds etc.)

As a result of the Quarter one review the budgets have been rephased in order to align with the activity profile which had reduced during this period. Through the remobilisation planning it is anticipated that activity will increase in future months.

Directorate	Month 3 Total £000's	Ytd Covid Costs Total £000's	Month 3 excluding Covid Total £000's	Prior Year Month 12 Total £000's
South Sector	(4,191)	3,080	(1,111)	(12,145)
North Sector	(4,363)	3,048	(1,315)	(9,417)
Clyde Sector	(4,213)	3,125	(1,088)	(8,299)
Diagnostics Directorate	(496)	1,320	824	(3,839)
Regional Services	(1,948)	833	(1,115)	(6,300)
Women & Childrens Services	(2,679)	1,690	(989)	(7,977)
Directorate Totals	(17,890)	13,096	(4,794)	(47,977)
Acute Corporate	(2,829)	491	(2,338)	(1,272)
Acute Expenditure Totals	(20,719)	13,587	(7,132)	(49,250)
Income (Under)/Over Recovery	(969)	768	(201)	23
Acute Total	(21,688)	14,355	(7,333)	(49,227)

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Financial Performance – Month 3 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 3 of £18.5m (including COVID-19 costs). The centrally held unallocated savings balance is reported “below the line” and has a shortfall of £18.4m at this stage.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	47.5	10.5	10.5	0.0
Centre For Population Health	1.3	0.1	0.1	0.0
Corporate Affairs	4.3	1.2	1.4	(0.2)
Corporate Communications	1.4	0.3	0.2	0.1
Director of Finance	13.4	3.2	3.2	0.0
Director of eHealth	77.4	17.8	17.8	0.0
Director of Human Resources	18.3	4.4	4.4	0.0
Director of Nursing	6.7	1.5	1.3	0.2
Director of Public Health	15.5	2.9	2.9	0.0
Other Corporate Expenditure	58.0	14.4	26.6	(12.2)
Estates and Facilities	261.0	63.1	69.5	(6.4)
Total Corporate Directorates	504.8	119.4	137.9	(18.5)
Unallocated Savings	(73.7)	(18.4)		(18.4)
Total Corporate	431.1	101.0	137.9	(36.9)

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Financial Performance – Month 3 (Cont'd)

HSCPs reported an overall breakeven position on the Health element of their budgets at Month 3. However, it is worth noting that any underspends or overspends are ultimately held within or covered by IJB reserves so the position is always neutralised for in year reporting purposes. The overspend of £0.4m relates to the GP out of hours service.

Direct COVID expenditure of £circa £7m has been incurred on the NHS element of the budgets in the first 3 Months of the year. The HSCPs have assumed this will be funded in the number below.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Glasgow City	770.8	185.4	184.9	0.5
East Dunbartonshire	89.5	23.6	23.6	0.0
East Renfrewshire	78.8	19.6	19.6	0.0
Inverclyde	96.3	24.2	24.2	0.0
Renfrewshire	184.8	46.2	46.7	(0.5)
West Dunbartonshire	103.3	23.7	23.7	0.0
Total HSCPs	1,323.5	322.7	322.7	(0.0)
Other Partnerships Budgets	35.4	10.6	11.0	(0.4)
Total Partnerships Expenditure	1,358.9	333.3	333.7	(0.4)
Total Partnerships Income	(66.6)	(14.4)	(14.4)	0.0
Net Expenditure	1,292.3	318.9	319.3	(0.4)

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Financial Improvement Programme (FIP)



The Financial Improvement Programme (FIP) – Approach for 2019/20

The FIP Programme will continue into 2020/21 although due to COVID-19 the Project Management Office has been less active in recent Months. A new Head of the FIP has been appointed following a recruitment process with a primary aim of reinvigorating the Programme.

The overall financial challenge for 2020/21 has been estimated as £108m although this will clearly require to be reviewed as a result of the COVID mobilisation and remobilisation processes. The Former Director of Finance of Scottish Government Health (now Director of Planning) worked with the Board in the early Months of the year and recommended a different approach more closely aligned with the approach taken in the Scottish Government Health department's Medium Term Financial Strategy.

A number of changes have been made to the approach including:

- i) Rationalising and changing the numbering of workstreams;
- ii) Allocating a 1.5% efficiency target across all sectors and directorates (£24m).
- iii) Allocating a £10m target for drugs savings across the Acute Division to be managed centrally; and
- iv) Holding the balance (£74m) centrally to be managed by strategic board wide initiatives and by in year financial management processes.

In addition a number of processes have been reviewed to simplify the reporting processes and to reduce bureaucracy for service managers to develop and document plans.

At 30 June 2020 savings of £2.2m have been achieved on a full year effect basis with a current year effect of £2.5m.

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Capital Position



The 2020/21 Capital Position – Month 3

The planned Capital Funding for 2020/21 includes:

- i) The Board's share of new national capital funding for 2020/21, 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 2020/21 amount to just over £47.2m. This figure comprises a general allocation of £37.4m from the Scottish Government in respect of core capital expenditure, ring-fenced specific funding amounting to £6.4m, an estimated amount of £1.2m in respect of Capital Receipts generated through property disposal and an amount of revenue funded capital expenditure, amounting to £2.2m.

The “ring-fenced specific funding” represents a direct allocation from SG. For 2020/21 this amount includes £3.9m in respect of the ongoing national Radiotherapy Equipment Replacement Programme, and is consistent with the latest plans submitted to the Scottish Government.

Also included is an amount of £1.6m to be provided by the Scottish Government to progress work on developing the Full Business Case for the proposed North East Glasgow Hub Scheme, and £0.6m for investment linked to the national Imaging Equipment Replacement Programme.

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Major areas of planned spend include:

- i) At the QEUH campus, provision of £2.7m for ventilation upgrade and associated works, £1.2m on continuing the ongoing programme of infrastructure upgrade works within Neurosurgery and Neurology Buildings, £0.6m for essential software upgrade to AGVs and £0.2m to complete essential works to the pedestrian walkways.
- ii) An allocation of £1.8m to progress the development of a Sexual Assault Referral Centre at William Street.
- iii) An overall allocation of £4m in respect of Medical Equipment replacement – split between emergency replacement and a planned general replacement programme. This amount is in addition to specific replacement programmes, totalling £7.6m, for Radiotherapy and major Diagnostic Imaging Equipment.
- iv) An amount of £7.7m has been set aside for investment in e-Health priorities, including PACs, Laboratory Information System (LIMS) and Telephony Transition.
- v) Provision of £3.5m for the Board's Hub Schemes that are either underway or under development. This includes investment in initial equipping for the new Mental Health Wards at Stobhill Hospital and the new Health Centres at Greenock and Clydebank, together with an amount of £1.6m to progress the development of the Full Business Case and enabling works for the proposed North East Glasgow Hub Scheme.
- vi) A budget of £7.4m 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.

The Plan currently includes £5.9m of unallocated capital. However, a number of priority projects have been allocated against that, with detailed delivery plans currently under development.

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Conclusion



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However, exact details of COVID-19 financial reimbursement have yet to be confirmed. As such, coupled with the uncertainty over a potential "second wave", there exists a significant financial risk to the Board in breaking even in 2020/21.

In summary, the Board are asked to;

- i) Note the revenue position at Month 3.
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