

NHS Greater Glasgow & Clyde	Paper Number: 20/55
Meeting:	Board Meeting
Date of Meeting:	27th October 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 5 and the initial financial settlement position.
- ii) Note the Month 5 position with the FIP.
- iii) Note the capital position at Month 5.

Purpose of Paper

The purpose of this report is to provide the Board with the Month 5 financial position, including the progress and position of the Financial Improvement Programme (FIP). The report also comments on the additional expenditure incurred as a result of COVID-19, planned expenditure as part of Remobilisation and the negotiations with the Scottish Government around a corresponding financial settlement.

A more detailed version of this report was presented to the 13th October 2020 Finance, Planning and Performance Meeting.

Key Issues to be Considered

- The financial position at Month 5 including FIP.
- The direct and indirect costs of COVID-19.
- The revised reporting process and the process for reimbursement of COVID-19 costs.
- The initial financial settlement in relation to COVID-19 and Remobilisation 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 2020-21 Corporate Objectives.

Author: Mark White

Tel No: 0141 201 4609

Date: 18th August 2020

BOARD OFFICIAL

***NHSGGC – Month 5 Finance Report
Board Meeting
October 2020 (Paper 20/55)***



Purpose and Format of Report

The purpose of this report is to provide the Board with the Month 5 financial position, including the progress and position of the Financial Improvement Programme (FIP). The report also comments on the additional expenditure incurred during the COVID-19 pandemic, planned expenditure as part of Remobilisation and the negotiations with the Scottish Government around a corresponding financial settlement.

A more detailed version of this report was presented to the 13th October 2020 Finance, Planning and Performance Meeting.

The format of the report covers;

- i) The Month 5 revenue position and outlook (pages 11-15)
- ii) The Month 5 FIP position (pages 16-17)
- iii) The Month 5 capital position (pages 18-20)

Members are asked to ;

- i) Note the revenue position at Month 5 and the initial financial settlement position.
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2020/21 Current Position

At 31 August 2020 the Board's financial ledger highlights expenditure £101.8m over budget. However, this includes £102.6m of direct COVID-19 expenditure (including IJB health expenditure) and opportunity cost as follows;

- Direct expenditure on health mobilisation and delivery of services due to COVID-19 of £66.0m (£48.75 for the Board and £17.25m for the IJBs); and
- Unachieved savings due to the focus and effort on COVID-19 delivery of £36.6m (£36.3m relates to the Board only – the IJBs have recognised only £0.3m of unachieved savings in the ledger at this time).

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2020/21 Financial Reporting Arrangements

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

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

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, submission of a final LMP in September, followed by agreement of funding allocations in mid October 2020.

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2020/21 QTR 1 Covid-19 Return

The updated Quarter 1 return was submitted to Scottish Government in September 2020 and highlighted a full year funding request of £313m, consisting of £204m for the Board and £109m for the IJBs (including Social Care).

A breakdown of these projections is highlighted below;

NHS BOARD	ACTUAL TO 31 AUG £m	PROJECTED 1 SEPT TO 31 MARCH £m	TOTAL £m
Additional staff costs	22.1	18.1	40.2
Additional beds costs	8.4	15.5	23.9
Testing	5.0	7.0	12.0
Deep cleans	4.5	2.6	7.1
Contract tracing	0.1	3.7	3.8
Loss of income	5.7	10.5	16.2
Estimate of Remobilisation (plans and costings are still being developed)	0.0	28.4	28.4
Other	10.5	8.2	18.7
Offsetting cost reductions	(7.7)	(8.6)	(16.3)
Unachieved savings	36.3	33.8	70.0
TOTAL	84.9	119.1	204.0

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2020/21 QTR 1 Covid-19 Return IJB (Health and Local Authority Spend)

IJB (Health and Local Authority)	ACTUAL TO 31 AUG £m	PROJECTED 1 SEPT TO 31 MARCH £m	TOTAL £m
Estimated cost of additional payments to third party service providers	18.5	17.5	36
Additional staffing costs	6.8	3.8	10.6
PPE	2	0.8	2.8
Mental Health Services	1.9	3.2	5.0
Additional Payments to GPs	4.9	0.0	4.9
Hospices – loss of income	4.3	0.1	4.4
Community Hubs	4.0	8.5	12.6
Homelessness (Glasgow/Inverclyde)	3.7	6.7	10.4
Other	17.6	(5.3)	12.3
Offsetting cost reductions	(3.7)	(0.4)	(4.1)
Unachieved savings	5.0	9.1	14.1
TOTAL	65.1	44.0	109.0

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Remobilisation Response & Funding Allocation

Members will recall the initial Financial Plan presented in February 2020 highlighted a 2020/21 savings target of £108m. The table below reconciles the savings position for the Board.

NHSGGC – Savings Reconciliation	£m
Savings Target - Financial Plan (February 2020)	108
Allocated across the Organisation (1.5%)	(34.5)
Achieved to Month 5	<u>(4.5)</u>
Balance as outlined in the LMP Return	70

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Remobilisation Response & Funding Allocation

The Board received a response to the Remobilisation Plan from the Scottish Government by letter on the 29th September 2020. The letter includes commentary and actions on the key elements of the Remobilisation Plan. The letter invites the Board to draft a response/action plan to the letter, upon whence the Remobilisation Plan can be published.

In terms of finance, the letter outlines the phased approach to funding COVID-19 and Remobilisation. The Scottish Government have grouped various categories together, aggregated them for every Board, and made allocations based on the following criteria;

- Retained 30% of the total of all Boards costs to be distributed at a later date;
- Have excluded all projected unachieved savings for all Boards, which have to be revisited and will be separately negotiated with Boards on an individual basis;
- Used an NRAC basis for allocating the funding;
- Appreciated there maybe further allocations required and given an undertaking to review such requests.

The Board have been allocated £169m in this tranche (Board £102m and the IJBs £67m). This equates to 54% of the total requested.

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Remobilisation Response & Funding Allocation

In response to this funding allocation, the Director of Finance wrote to the Scottish Government's Interim Director of Health Finance and Governance seeking urgent discussions on the settlement. The main points in the letter related to;

- **Funding for some categories of expenditure has been allocated on an NRAC basis** – This means that the Boards funding in each category is limited to 22.3% of the Scotland wide total, and has resulted in a total deduction to the Board and HSCPs of £21m. The Board's and HSCPs core activity was well in excess of the NRAC percentage, with the Board providing over 30% of Scotland's elective activity and the Board having treated 38% of Scotland's total case at the peak of the outbreak.
- **Unachieved savings** – These have been omitted from the settlement altogether and has resulted in a deduction of £84m for the Board and the HSCPs from the funding claimed.
- **Remobilisation** – The Board, working jointly with HSCPs, have embraced new models of care to improve patient care through the pandemic and beyond. Much of this rests on unscheduled care with the advent of, for example, Community Assessment Centres and Mental Health Assessment Units. Both have been recognised for their significant impact. The costs associated with these initiatives have been omitted from the initial settlement.
- **Sustainability Payments for Providers** - Given the level of uncertainty reflected in current estimates, the funding allocation is based on actual quarter 1 spend and 50% of forecast spend for the remainder of the year. This is intended to support ongoing sustainability across the sector, and to allow time in the coming weeks for further assessment of spend to be undertaken.

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Funding Allocation and Year end Projection

The Director of Finance's letter requests further discussions at the earliest opportunity, *"to ensure the Board is financially viable and our plans are affordable within the Scottish Government's financial envelope, as well as delivering the key priorities over the winter"*.

The Director of Finance and Chief Executive have held further discussion with the Scottish Government around these issues and future funding allocations. Initial progress has been good. The Scottish Government, themselves working with the unprecedented uncertainty, appreciate the position of the Board and the additional spend incurred and projected.

Whilst these negotiations are on-going, the actual and projected financial position of the Board remains uncertain and therefore there exists a financial risk to the Board and IJBs in breaking even in 2020/21.

However, should the Scottish Government fund the full NRAC deduction, allocate a similar amount for winter pressures as in 2019/20, fund the Remobilisation initiatives, and cover the quarter 1 unachieved savings, a total of £50-£70m, the Board should be able to break even.

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The Month 5 Revenue Position



Financial Performance – Month 5

This section of the report provides analysis of the financial position at 31 August 2020 (Month 5).

Area	Gross Position £m	Non Recurring Relief £m	Ledger Position £m	Direct COVID Costs £m	Net of COVID £m
Acute	(34.4)	0.0	(34.4)	24.1	(10.3)
Partnerships	(4.2)	0.0	(4.2)	17.3	13.1
Corporate Departments	(63.2)	0.0	(63.2)	24.6	(38.6)
Gross/Net Financial Position at 31 August 2020	(101.8)	0.0	(101.8)	66.0	(35.8)

At 31 August 2020 the Board is reporting expenditure levels £101.8m 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.

However, as also described above, the basis for funding COVID-19 costs has only been partially confirmed. As such, it is not yet possible to determine a definitive financial position, or forecast. Clarity on COVID-19 funding is being sought from the Scottish Government, although it maybe into Quarter 3 before definitive confirmation is received.



Financial Performance – Month 5 (Cont'd)

Partnerships reported a deficit of £4.2m on the Health element of their budgets at Month 5.

Direct COVID-19 expenditure of £17.3m has been incurred on the NHS element of the budgets in the first 5 Months of the year. Some HSCP's have anticipated funding for an element of the COVID-19 costs.

Income/Expenditure by Partnership	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m
Glasgow City	782.8	318.8	320.8	(2.0)
East Dunbartonshire	97.1	40.2	40.9	(0.7)
East Renfrewshire	80.3	33.0	32.7	0.3
Inverclyde	97.8	40.7	41.2	(0.5)
Renfrewshire	187.0	78.2	78.9	(0.7)
West Dunbartonshire	106.1	42.7	42.6	0.1
Total HSCPs	1,351.1	553.6	557.1	(3.5)
Other Partnerships Budgets	24.3	18.5	19.2	(0.7)
Total Partnerships Expenditure	1,375.4	572.1	576.3	(4.2)
Total Partnerships Income	(54.3)	(21.7)	(21.7)	0.0
Net Expenditure	1,321.1	550.4	554.6	(4.2)

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Financial Performance – Month 5 (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 on 18 September 2020 highlighted that costs of £65.1m have been incurred for the first 5 Months of the 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 £18.5m of the above figure.

In addition to the funding allocated on the 29th of September 2020 the Board has received three specific allocations which have been passed to HSCPs to meet social care costs. The Board received an allocation in 3 tranches totalling £20.2m as its share of a national allocation to meet COVID-19 related social care costs mainly in care homes. In addition, an allocation of £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.

The total breakdown of the IJB costs between health and local authorities is highlighted as follows;

IJB	Health Spend £m	Local Authority Spend £m	TOTAL £m
Direct Costs	35.3	59.6	94.9
Unachieved savings	3.6	10.5	14.1
TOTAL	38.9	70.1	109.0

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Financial Performance – Month 5 (Cont'd)

Corporate Directorates are reporting an expenditure overspend at Month 5 of £63.2m (including COVID-19). The variance is mainly due to COVID-19 costs which may be recovered and an element of unachieved savings. The centrally held unallocated savings balance is reported “below the line” and has a shortfall of £30.7m at this stage.

Corporate Director Summary	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Board Medical Director	48.2	18.2	18.1	0.1
Centre For Population Health	1.3	0.3	0.3	0.0
Corporate Affairs	4.7	2.0	2.2	(0.2)
Corporate Communications	1.4	0.6	0.5	0.1
Director of Finance	13.4	5.4	5.3	0.1
Director of eHealth	77.5	29.5	29.4	0.1
Director of Human Resources	18.3	7.3	7.1	0.2
Director of Nursing	6.7	2.4	2.2	0.2
Director of Public Health	17.2	4.8	4.8	0.0
Other Corporate Expenditure	59.3	12.9	35.5	(22.6)
Estates and Facilities	261.9	106.2	116.7	(10.5)
Total Corporate Directorates	509.9	189.6	222.1	(32.5)
Unallocated Savings	(73.7)	(30.7)		(30.7)
Total Corporate	436.2	158.9	222.1	(63.2)

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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 current COVID-19 position and staff changes the Project Management Office has been less active in recent Months. A new Head of the FIP will be in place in October 2020 and the aim is to have the Programme fully operational throughout the second part of the financial year.

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-19 mobilisation and Remobilisation processes.

At 31 August 2020 savings of £3.5m have been achieved on a full year effect basis with a current year effect of £4.5m.

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Capital Position



The 2020/21 Capital Position – Month 5

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 under £48.2m. This figure comprises a general allocation of £37.4m from SGHSCD in respect of core capital expenditure, ring-fenced specific funding amounting to £6.7m, 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 £2.9m.

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 SG. Also included is an amount of £1.6m to be provided by SGHSCD 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 and £0.3m for PET CT Cyclotron Equipment.

Ring-fenced funding also includes an estimated amount of £0.3m 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.

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Major areas of planned 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) Investment at GRI includes £1.4m to upgrade the ventilation within Endoscopy.
- iii) 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, £0.75m for essential software upgrade to AGVs and £0.25m to complete essential works to the pedestrian walkways.
- iv) An overall allocation of £4.6m 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 £8m, for Radiotherapy and major Diagnostic Imaging Equipment.
- v) An amount of £7.7m has been set aside for investment in e-Health priorities, including PACs, Laboratory Information System (LIMS) and Telephony Transition.
- vi) Provision of £3.5m for the Board's Hub Schemes. 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.
- vii) 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.

At the end of Month 5 the Plan includes £1.6m of unallocated capital that remains available for investment in other priority areas within the Board. Projects have been earmarked and a prioritisation process is underway.

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Conclusion



Conclusion

The purpose of this report is to provide the Board with the Month 5 financial position, including the progress and position of the Financial Improvement Programme (FIP). The report also comments on the additional expenditure incurred during the COVID-19, planned expenditure as part of Remobilisation and the negotiations with the Scottish Government around a corresponding financial settlement.

The Month 5 ledger position is £101.8m over budget but this includes direct and indirect costs associated with COVID-19 and Remobilisation. The updated Quarter 1 return was submitted to Scottish Government in September 2020 and highlighted a full year funding request of £313m (£204m for the Board and £109m for the IJBs including Social Care). For the Board, direct COVID-19 costs for the year consist of £133.3m and unachieved savings of £70m.

On the 29th September 2020, the Board received an initial funding allocation of; Board £102m and the IJBs £67m. This equates to 54% of the total requested. The Scottish Government have retained 30% of the total of all Boards costs to be distributed at a later date, have excluded all projected unachieved savings for all Boards and used an NRAC basis for allocating the funding.

The Director of Finance and Chief Executive have held further discussion with the Scottish Government around these issues and future funding allocations. Whilst these negotiations are on-going, the actual and projected financial position of the Board remains uncertain and therefore there exists a financial risk to the Board and IJBs in breaking even in 2020/21.

However, should the Scottish Government fund the full NRAC deduction, allocate a similar amount for winter pressures as in 2019/20, fund the Remobilisation initiatives, and cover the quarter 1 unachieved savings, a total of £50-£70m, the Board should be able to break even.

In summary, members are asked to;

- i) Note the revenue position at Month 5 and the initial financial settlement position.
- ii) Note the month 5 position with the FIP.
- iii) Note the capital position at Month 5.