

<b>Meeting:</b>	<b>NSS Board</b>
<b>Meeting date:</b>	<b>21<sup>st</sup> December 2020</b>
<b>Title:</b>	<b>Financial Performance – Month 8 B/20/79</b>
<b>Responsible Executive/Non-Executive:</b>	<b>Carolyn Low, Director of Finance</b>
<b>Report Author:</b>	<b>Carolyn Low, Director of Finance</b>

## 1 Purpose

This is presented to the Board for scrutiny and discussion in relation to NSS financial performance.

### **This report relates to:**

- Annual Operation Plan and associated Financial Plan

### **This aligns to the following NHSScotland quality ambition(s):**

- Safe
- Effective
- Person Centred

## 2 Report summary

### 2.1 Situation

This report presents NSS's financial performance for the period to 30<sup>th</sup> November 2020 (Month 8)

### 2.2 Background

This report forms part of NSS's formal financial management arrangements and is produced as a result of routine financial management and reporting processes.

The position stated will be used to report to SG Health Finance monthly through the FPR, and is reported routinely to FPPC and the Board to support overall governance arrangements.

### 2.3 Assessment

#### 2.3.1 Quality/ Patient Care

None

### 2.3.2 Workforce

None

### 2.3.3 Financial

The report confirms that NSS is on track to meet all of its financial objectives.

NSS Targets	Year to Date £000	Forecast Outturn £000	RAG
Revenue Outturn	6,912	0	G
NSS CRES Savings Total	2,516	5,723	G
NSD CRES Savings Total	10,148	14,363	G
Capital Outturn	0	0	G

### 2.3.4 Risk Assessment/Management

The report highlights the following financial risks:

- Outstanding funding allocations for annual revenue (£57m) and COVID19 expenditure (£212m)
- Advance payment risks to secure appropriate supply chains for PPE (£19.9m)

Although the sums involved are significant, the risk is considered to be low. Advance payment risk continues to reduce as ordered supplies are received.

In addition, a number of capital programmes highlight a potential delay in delivery schedules due to Covid-19 and EU exit. These will be monitored closely.

### 2.3.5 Equality and Diversity, including health inequalities

None

### 2.3.6 Other impacts

None.

### 2.3.7 Communication, involvement, engagement and consultation

The position reported reflects the position agreed between Finance and SBU directors as part of the routine financial management and reporting process. All Covid-19 expenditure reported is in line with formal governance arrangements agreed with SG and all relevant parties have been involved and engaged where appropriate:

### 2.3.8 Route to the Meeting

The financial position at an SBU level is agreed between SBU directors and Finance business controllers, then a consolidated position produced for EMT. Actions agreed will be managed collectively by EMT.

This report has shared with EMT at its meeting on 14<sup>th</sup> December 2020.

## **2.4 Recommendation**

- The Board is asked to note the positive financial position at Month 8

## **3 List of appendices**

The following appendices are included with this report:

- Appendix No 1: NSS Financial Performance – Month 8

# NSS Financial Performance

1st April - 30th November 2020

Director of Finance  
15<sup>th</sup> December 2020

# NHS National Services Scotland Board

## Financial Performance – November 2020

### Executive Summary

#### Performance Summary

NSS is forecasting full achievement of statutory financial targets for 2020/21.

The year to date revenue under spend of £6.9m reflects significantly reduced activity within NSD commissioned services of £6.5m. Forecasts for NSD assume a breakeven outturn as any remaining funding would be returned to Boards as agreed by NSSC. The expected return to Boards is currently forecast as £8m.

The net SBU trading position is an underspend of £0.4m. Further detail by SBU is shown in slide 5 highlighting variances across different areas but none are considered material.

A balanced position for NSS is forecast subject to receipt of outstanding BAU allocations and the final 30% of Covid-19 allocations to be agreed in January.

#### Key Messages

SG have awarded an allocation of £395m to cover 100% of Covid-19 expenditure up to 30th June plus a sum equivalent to 70% of indicative commitments to end March 2021. The final 30% funding has increased from £154m to £212m due to changing requirements on PPE, Testing and Contact Tracing. This is due to be allocated in January. SG have been fully engaged on areas of additional pressure.

SG have confirmed the return to NSS of £1.5m relating to unplanned National Board Collaboration contributions in 20/21. This, combined with slippage on planned SBU development funding of £1m and the retained contingency of £0.5m is giving rise to a potential in year surplus of £3m. EMT are considering options to utilise these resources, with a focus on ensuring service sustainability and invest to save proposals.

Capital funds are over committed by £312k. There is likely to be some slippage in expenditure, but if not a revenue to capital transfer will be requested to cover.

NSS Targets	Year to Date £000	Forecast Outturn £000	RAG
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NSS CRES Savings Total	2,516	5,723	G
NSD CRES Savings Total	10,148	14,363	G
Capital Outturn	0	0	G

#### Risks and Issues

- NSS has received its baseline & £535m additional allocations from SG to date with outstanding general allocations of £57m still outstanding.
- The level of anticipated allocation is significantly greater in 20/21 due to the Covid-19 support services that NSS has delivered across NHS Scotland and beyond. £212m remains outstanding and will be reviewed in January by SG. It is deemed low risk.
- It should also be noted that NSS has paid certain PPE suppliers in advance of goods being received in order to secure orders – all such instances have been approved by the Director of Finance. This liability stands at £19.9m but is decreasing.
- Risks have been flagged in certain capital programmes highlighting a potential delay in delivery schedules due to Covid-19 and EU exit. These will be monitored closely.
- A significant element of funding for NHS Assure is likely to be returned to SG due to delays in recruiting.

# NHS National Services Scotland Board

## Financial Performance – November 2020

### COVID-19

NSS Covid Expenditure	M8 YTD £000	Revenue 2020/21	Capital 2020/21
Personal protective equipment	201,691	320,003	-
COVID-19 screening and testing for virus	29,245	80,528	18,488
Louisa Jordan costs	25,459	33,560	24,801
Equipment & Sundries	24,221	24,221	24,115
Contact Tracing Costs	9,292	22,759	-
Additional Transport/Freight	9,849	11,999	-
Private Healthcare	10,426	10,426	-
Additional hospital drug spend	4,000	4,000	-
Digital, IT & Telephony Costs	5,249	7,087	-
Estates & Facilities cost	3,723	5,767	-
Loss of income	2,334	3,422	-
Clinical Waste (NSS)	1,912	1,912	-
Convalescent Plasma - SNBTS	-	1,604	187
Additional Staff Costs (excludes overtime)	1,192	1,625	-
Immunisation Costs (COVID-19)	2,054	2,441	146
Mail Costs - P&CFS Shielding Letters	1,110	1,270	-
Additional staff overtime and enhancements	1,744	2,144	-
Flu Programme Delivery Costs	3,699	3,901	-
Developing Treatment for COVID-19 - SNBTS	341	462	-
Automated red cell phenotyping	77	230	-
Deep cleans	99	130	-
Smart Blood Fridges	-	52	164
Communications	41	41	-
Hire of Vehicle - Blood Donation SNBTS	33	33	-
CLO Charges	6	7	-
Offsetting savings - Health	(446)	(646)	-
<b>Total</b>	<b>337,350</b>	<b>538,979</b>	<b>67,901</b>
			<b>606,879</b>

#### Year to date

- Allocations received £395m, Q1 + Q2-4 70%
- The majority of the actual YTD spend £337m, relates to Covid-19 support services which NSS is providing on behalf of NHS Scotland
- Local, direct NSS costs (e.g. overtime £1.7m YTD) are impacting the NSS bottom line and have now been included in the LMP. Offsetting savings from travel etc reduce this funding requirement and are netted off in the LMP funding request.

#### Forecast Outturn

- NSS is forecasting additional costs of £607m in 2020/21 in relation to Covid-19.
- The main element of this cost is PPE (£320m) and Louisa Jordan (£58m) – it should be noted that the build costs for Louisa Jordan are currently recorded as revenue but may be reclassified as capital.
- Similar to the YTD position, the forecast assumes that national support services will be fully funded. NSS has ensured that appropriate financial governance is in place with all Covid-19 spend before commitment.

# NHS National Services Scotland Board

## Financial Performance – November 2020

### SBU Operational Performance

#### Year to date

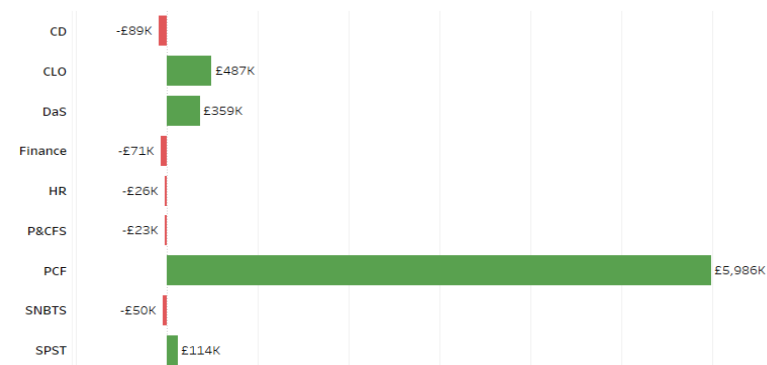
At 30 November, SBUs reported a net operating surplus of £6.9m. This comprises NSD surplus of £6.5m with additional surplus across other areas of £0.4m

- PCF– £6.5m reduced expenditure across NSD services. A slight recovery is expected over remaining months, but a full year forecast underspend of £8m is expected and will be returned to Boards as agreed by NSSC. £0.5m overspend in other areas of PCF due to overtime, loss of income and non pay costs.
- CLO – Surplus of £487k due to Vacancies £197k, income £96k and Non Pay £193k
- Clinical – Deficit of £89k consists of additional staff cost £199k, Non Pay savings (£149k) and Income below budget by £39k.
- P&CFS– Reduced Income £144k from closure of SHSC and additional Non Pay costs of (£207k), but vacancies have been significant with full year vacancy target of £327k already achieved reducing the year to date overall underspend of £23k.
- DaS – Surplus of £359k due to underspend on SG Programmes £460k are offsetting over spends in BAU activity of £102K

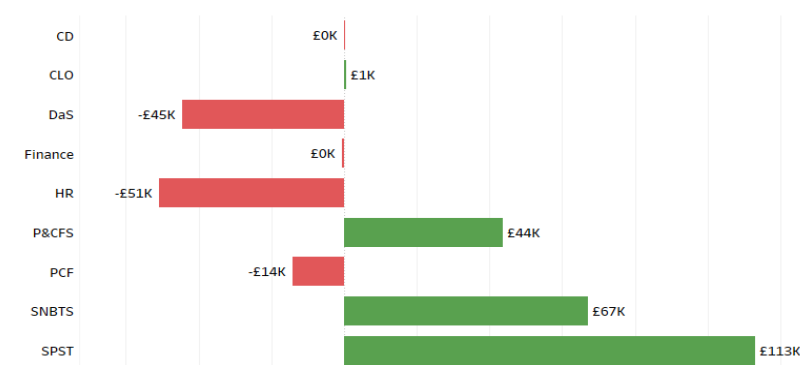
#### Forecast Outturn

- DaS - Forecasting £44k deficit due to additional staffing costs
- HR - £51k deficit forecast due to increased demand from SBU' s for OD & Employee Relations support.
- PCF - Forecasting £14k overspend. Logistics is assumed breakeven as additional staff and storage costs will be funded. Similarly cost pressures in other directorates arising from overtime will be funded via Covid and/or offsetting savings.
- SNBTS - £67k surplus, assumes COVID and UK Blood Inquiry costs (£450k) in FY21 will be funded
- SPST- £113k surplus due to staff vacancies now under recruitment
- P&CFS - £44k surplus due to pay underspend offsetting Atos contract pressures

#### Revenue variances – Year to Date



#### Revenue variances - Forecast Outturn



# NHS National Services Scotland Board

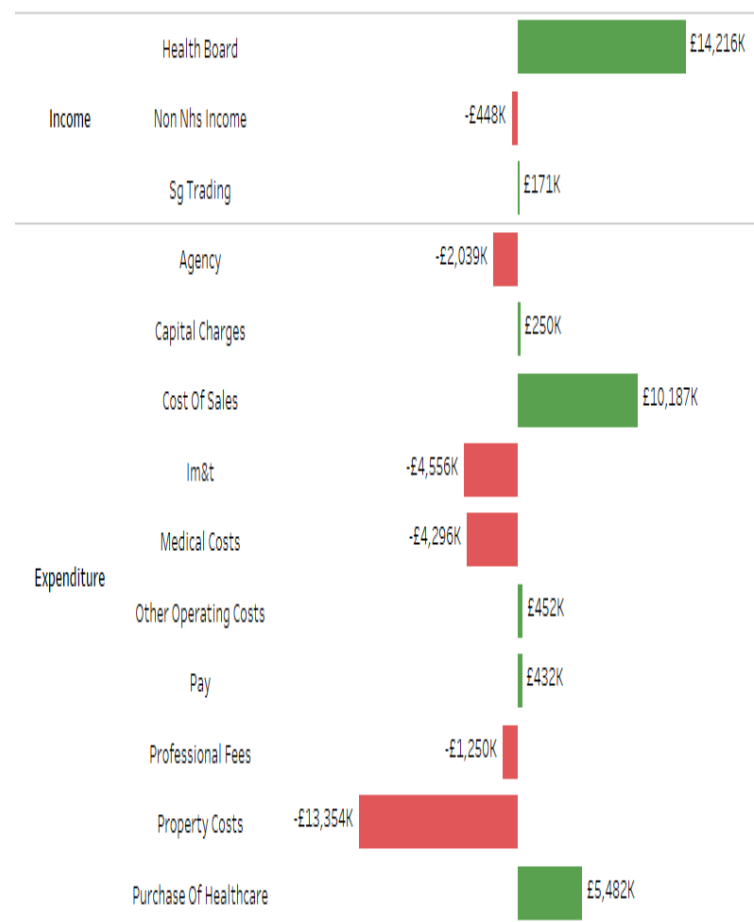
## Financial Performance – November 2020

### Revenue Analysis

#### Year to date

- The significant variances across Income; NDC sales down (£11.7m) Waste Contingency +£14.5m, Seasonal Flu +£4.3m, Oxygen £1m and additional income for ATOS Core £4.1m.
- Pay is overspent by £1.6m, including Agency variance of £2.0m. Additional overtime and excess costs related to Covid of £1.8m included for the first 8 months. By SBU the pay variance is PCF £1.1m (Brexit £0.5m and O/T), DaS £0.3m, HR £0.4m, Clinical £0.2m and SPST £0.2m. Additional income partially offsets this in DaS and HR.
- Cost of Sales relates to product supplied through the NDC, and plasma. This has reduced significantly due to cancellation of elective surgery over the last few months. (note this excludes PPE)
- IM&T costs are higher due to additional CCN's for ATOS Core (£5.5m) but corresponding recharges in Other Operating costs and income to offset.
- Property Costs – the adverse variance relates to Clinical Waste Contingency costs within PCF £14.5m. This is a 'pass through' cost with no impact to NSS' bottom line as it is funded by Health Board income, which has a corresponding positive variance. Other property costs are lower than phased budget mainly due to lower property maintenance and backlog costs.
- Medical costs relate to higher uptake of flu vaccines. £4.2m additional costs so far this year. This is funded by Health Boards.
- Purchase of Healthcare reflects reduced expenditure via NSD services

#### Revenue variance analysis – Year to Date



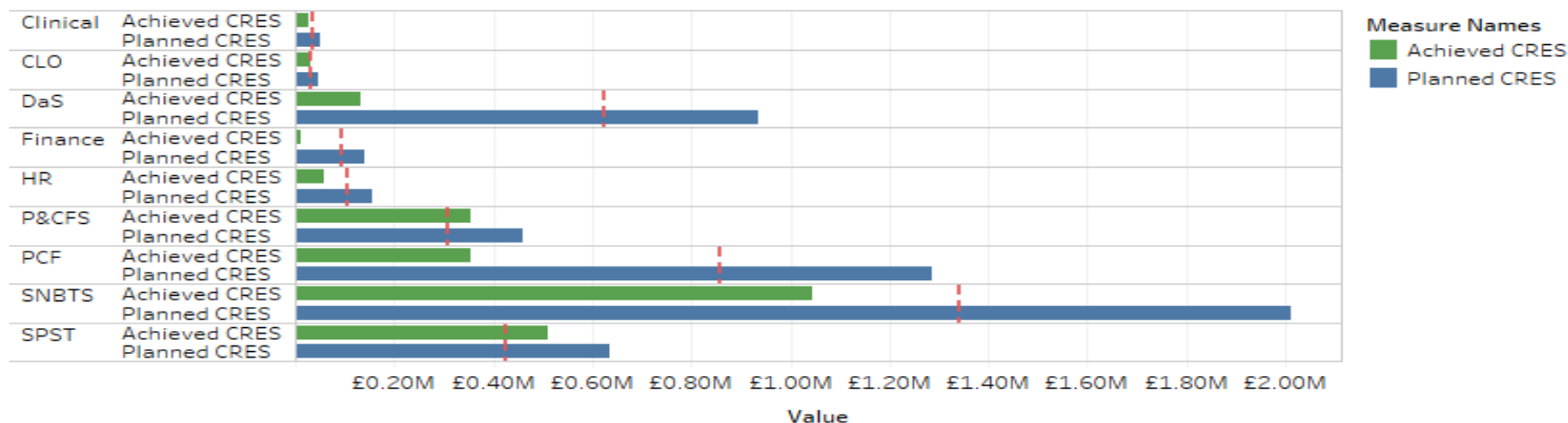
# NHS National Services Scotland Board

## Financial Performance – November 2020

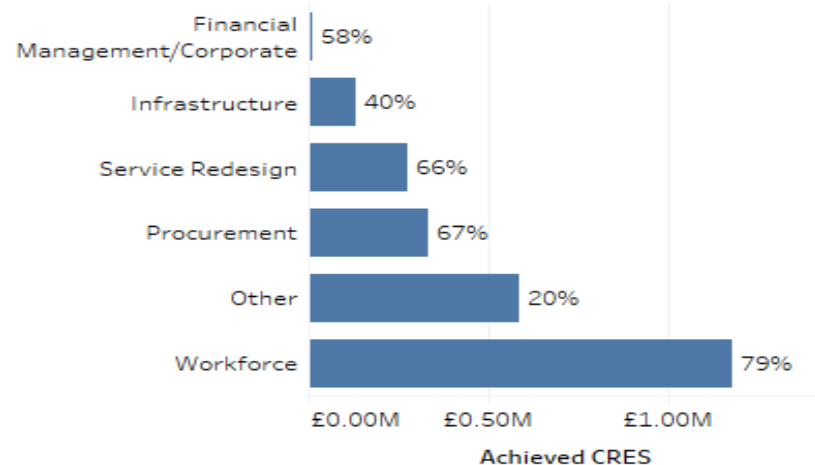
### Delivery of Cash Releasing Efficiency Savings

#### CRES Savings - Achieved vs Planned

--- = YTD Target CRES



#### CRES Savings - Value and % of budgeted savings identified



NSD annual savings target is £9.9m with £14.3m forecast. Additional savings from increased usage of recombinant products and under activity on specialist services will result in exceeding savings target by £4.4m. Any savings will be reinvested into priority services or returned to Boards, as agreed by NSSC governance.

Certain SBUs have found difficulty in delivering planned CRES initiatives on a recurring basis due to Covid-19. For the majority this is compensated by non recurring savings and therefore a forecast breakeven outturn.

DaS is behind target, as £840k was expected to be delivered via Staff savings from a new Target Operating Model which is currently on hold. Productivity savings via additional income will partly compensate.

# NHS National Services Scotland Board

## Financial Performance – November 2020

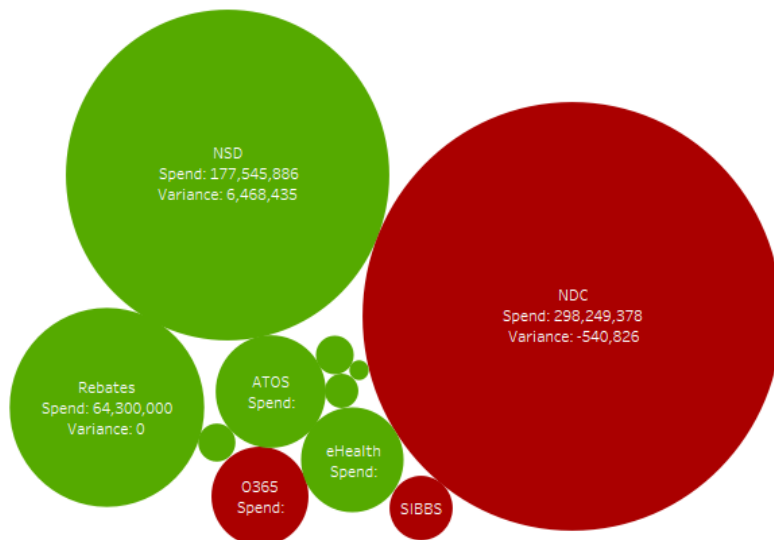
### Services delivered on behalf of NHS Scotland



#### Year to date

- NSS manages services on behalf of NHS Scotland with a YTD budget of £615m. Overall a PCF underspend of £5.9m is reported due to NSD £6.5m and £0.5m overspend in Logistics.
- eHealth SLA, PACS, Rebates, GPIT, Scotcap and CHI are all delivering within plan with minor YTD over spend within SIBBS & O365.

#### Services delivered on behalf of Scotland - YTD Position



#### NSD

- The NSD budget is currently £6.5m under spent at the end of November.
- £2.0m of the under spend relates to transplant/Implant services with very low activity. £3.2m is due to lower pricing and different prescribing patterns for patients receiving recombinant products. £0.9m is associated with treatment holidays (due to Covid-19) for IMD patients, plus other savings linked to low cross border activity over the last 8 months.
- NSD continue to report a break-even forecast for 2020/21 as NSSC have instructed NSD to use any under spend in the following areas:-
  - Covid related costs for NSD services not covered by Board mobilisation plans
  - Start up and recovery costs of specialist and screening services due to service disruption.
  - To fund Covid Boards antigen testing (in Inverness) and viral genotyping (in Edinburgh & Glasgow)
  - Return remainder to, currently estimated at £8m. This will be presented to Board Chief Executives in December.
- The underlying assumptions around the NSD financial projection will be updated in-line with emerging Health Board plans so that any deviation from the annual budget is reported timeously and formally to SG via the NSS LMP.

# NHS National Services Scotland Board

## Financial Performance – November 2020

### Scottish Government Funding Allocation Tracker



#### Received

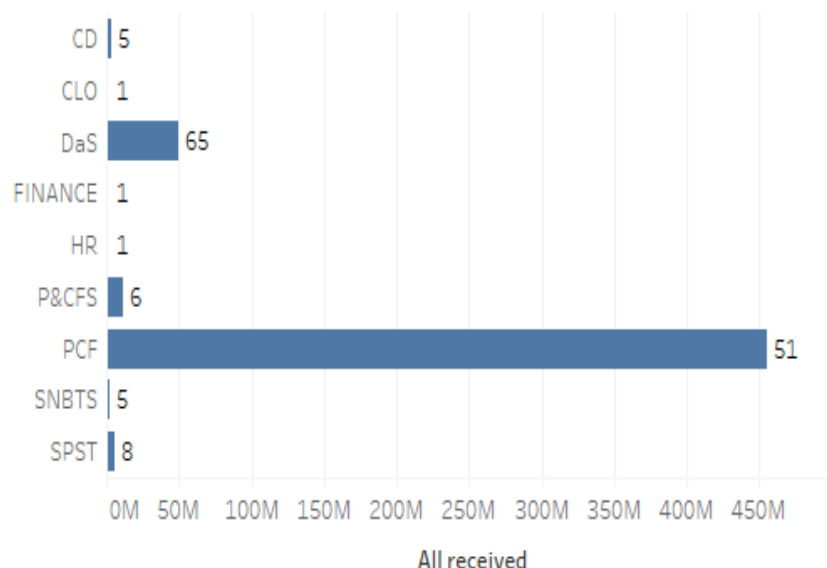
Baseline funding of £336m and additional allocations of £535m have been received to date, including Covid £398m.

#### Outstanding

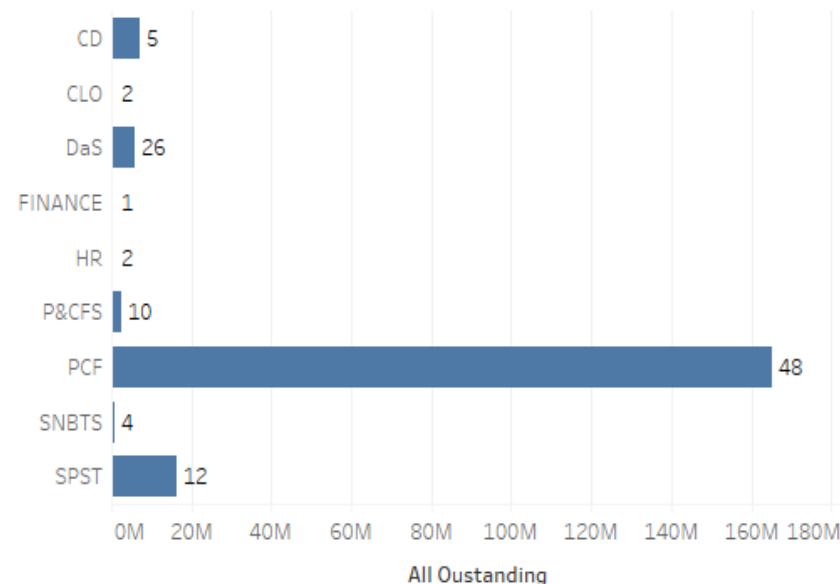
£57m remains outstanding which is 86 individual allocations, plus £212m related to Covid spend.

Business Controllers have established the level of risk for the outstanding allocations excluding Covid, currently as Green £55m and Amber £2m. Amber risk allocations include 19/20 c/f allocations of £1.2m and CLO/CFS pharma cases £0.4m.

#### SG Allocations - Amounts and No. of Allocations Received



#### SG Allocations - Amounts and No. of Allocations Outstanding



# NHS National Services Scotland Board

## Financial Performance – November 2020

### Capital Programme Delivery

#### Year to date

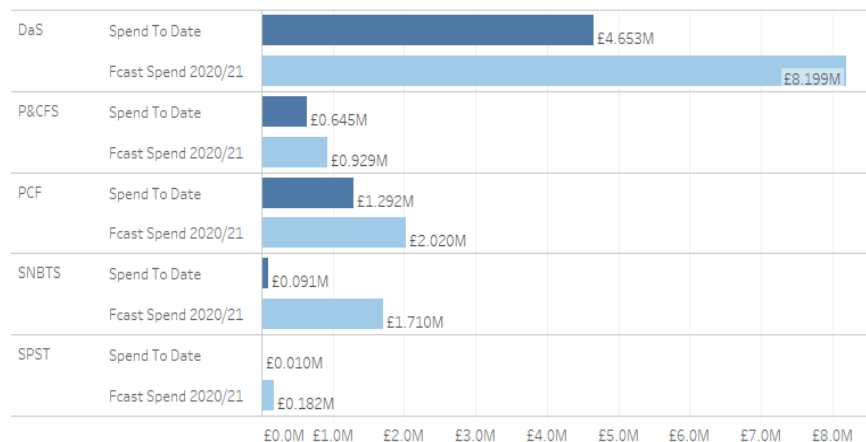
Budget for the full year is £12.114m, comprising NSS allocation of £2.927m, SG capital of £8.595m and carry forward £0.592m

Total expenditure year to date on capital projects is £6.7m which is 55% of full year budget.

All capital funds are committed. Current projects are being reviewed to establish any potential slippage otherwise there would be a requirement for a revenue to capital transfer.

Covid-19 capital (£67.9m) not included currently until treatment confirmed with SG. This relates to accounting treatment of the NHS Louisa Jordan assets and equipment purchased for Covid-19 held on behalf of SG and Boards.

#### Capital Expenditure - SBU Forecast versus YTD Spend



#### NSS CAPITAL DEVELOPMENT FUNDING

£000

Opening position	Opening AOP	2,927
	19/20 slippage allocation	592
	19/20 Radiology	-182
	19/20 Property Works	-500
	<b>Opening position total</b>	<b>2,837</b>
Critical projects approved	On Session Digital Redesign Phase 3	-119
	Medical Transfusion Data collection	-28
	High Content Screening System TCAT	-200
	nDCVP	-1,000
	Flowcytometer replacement	-350
	Equipment Rolling Replacement	-315
	SNBTS Fleet Modernisation	-300
	Breast Screen Unit	-630
	Warehouse Management System	-126
	Robotic Process Automation	-50
	Franklin Covey All Access Pass (AAP)	-30
<b>Committed</b>		<b>-3,149</b>
<b>Over committed</b>		<b>-312</b>

#### SG CAPITAL DEVELOPMENT FUNDING

£000

Opening position	CHI	6,654
	QAS	1,500
Additional approved	Covid - Convalescent Plasma programme	187
	Breast Screen Unit additional cost	90
	Covid - COVID-19 Smart Blood Fridges	164
<b>Total SG Funding</b>		<b>8,595</b>

