

Meeting:	NSS Board
Meeting date:	24 th March 2021
Title:	Financial Performance – Month 11
Responsible Executive/Non-Executive:	Carolyn Low, Director of Finance
Report Author:	Carolyn Low, Director of Finance

1 Purpose

This is presented to the Board for:

- Scrutiny

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 28th February 2021 (Month 11)

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	6,247	500	G
NSS CRES Savings Total	3,155	5,723	G
NSD CRES Savings Total	11,728	12,879	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 (£6.4m) and NDC service charge approved, but not yet transacted (£13.6m)
- Advance payment risks to secure appropriate supply chains for PPE (£10.7m)

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

The forecast SBU trading position has moved favourably again during February by £0.3m and there is a risk that this moves further in March. A current surplus of c£4.0m is forecast and there is limited / no opportunity to commit such funding within accounting rules and requirements given the proximity to year end.

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 been shared with EMT at its meeting on 22nd March 2021.

2.4 Recommendation

- The Board is asked to note the positive financial position at Month 11

3 List of appendices

The following appendices are included with this report:

- Appendix No 1: NSS Financial Performance – Month 11



NSS Financial Performance

1st April 2020 – 28th February 2021

**Director of Finance
24th March 2021**

NHS National Services Scotland Board

Financial Performance – February 2021

Executive Summary

Performance Summary

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

The year to date revenue under spend of £6.2m has increased from last month and includes £4.1m for NSD (with an updated year end projection of c£6m under). NSS has requested, on behalf of Boards, for SG to carry this forward into 21/22 to protect the budget against future cost pressures. This has been discussed at both CFN and DOFs.

The revenue forecast is a **£0.5m underspend** but EMT must note the underlying position is £4.2m underspent (with £2m additional, potential commitments as per following slide).

NSS Finance continues to liaise with SG Finance colleagues around opportunities to protect the overall position (NSS; SG; Boards) in 21/22 and manage the 20/21 out turn in-line with accounting standards and requirements.

A key driver of the overall underspend is the net SBU trading position (£2.1m under) with further detail later in this report..

In terms of allocations, there is a small risk (£0.3m) around the receipt of lower value BAU allocations which are still outstanding. All Covid revenue allocations have been received but due to the variability of Covid expenditure this will require a final adjustment at year end – which has been discussed and agreed with SG

Key Messages

SG have now allocated £408m to cover 100% of planned Covid revenue expenditure. Covid capital allocations have still to be transferred in-line with ongoing discussion and agreement on use and location of equipment across NHS Scotland into 21/22.

A surplus of circa £4.2m is currently expected with additional potential expenditure of £2m (see next slide). NSS Finance and SG Finance continue to collaborate closely to manage the financial position for 20/21 and protect budgets for 21/22 within accounting rules.

Capital funds are now forecast as a small underspend due to slippage in a couple of projects. This will be managed for the year end as part of the final revenue to capital transfer request.

NSS Targets	Year to Date £000	Forecast Outturn £000	RAG
Revenue Outturn	6,247	500	G
NSS CRES Savings Total	3,155	5,723	G
NSD CRES Savings Total	11,728	12,879	G
Capital Outturn	0	0	G

Risks and Issues

- General allocations of £6.4m remain outstanding plus NDC top slice of £13.6m (approval now given to transact by CFN and DOFs), the level of risk is deemed low around outstanding allocations.
- 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 DoF. This liability stands at £10.7m and is decreasing as planned.
- The sale of Ellen's Glen Road is progressing with the sale anticipated early next financial year. Discussions are progressing with SG to ensure funds can be returned to NSS in an agreeable timescale in-line with the profile of re-investment.
- The forecast SBU trading position has moved favourably again during February by £0.3m and there is a risk that this moves further in March. A current surplus of c£4.0m is forecast and there is limited / no opportunity to commit such funding within accounting rules and requirements given the proximity to year end.

NHS National Services Scotland Board

Financial Performance – February 2021

Options for utilising in year funds

As per the previous slide, the forecast current NSS underspend for 20/21 is **c£4.2m** (revenue)

Given the proximity to 31st March, it is becoming increasingly difficult and **nearly impossible** for costs to be committed this Financial Year in-line with accounting standards: goods and services must be delivered / received by this date for the costs to be accrued in 20/21

NSS Finance continues to explore opportunities with SG Finance to carry forward funding / retain underspends to a certain level but the clear message is that this is very unlikely given the precarious financial position for NHS Scotland in 21/22 and beyond.

SBU Directors will continue to explore options for utilisation of the remaining balance where it is appropriate and value for money to do so. The remaining NSS revenue 'balance' at year end will be used as further "offsetting" savings as part of the Covid LMP return and allocation adjustment.

Options under consideration are detailed in the table

Note items 1-10 already approved to proceed

Items in green have little risk around achievement in 2020/21.

Items in orange and red are less certain and require further deliberation before approval.

Item	Category	SBU	Development Name	Revenue 20/21	Capital 20/21
1	Approved - year end	PCF	BMS Head End	-	125,000
2	Approved - year end	PCF	Forresterhill/Gartnavel Fabric work	100,000	
3	Approved - year end	PCF	Forresterhill AHU work	50,000	
4	Approved - year end	PCF	Survey work	50,000	
5	Approved - year end	PCF	I.T equipment supporting digital estate	20,000	
6	Approved - year end	PCF	FM Equipment	20,000	
7	Approved - year end	PCF	IRIC validation equipment	150,439	
8	Approved - year end	PCF	GreenSpace / other bids	47,000	
9	Approved - year end	PCF	Sustainability Scotland Network	40,000	
10	Approved - year end	DaS	Cyber Security Licenses	-	414,400
11	Awaiting detail	PCF	Bulk Desk purchasing - WFH / DSE	tbc	
12	Awaiting detail	PCF	Air Handling Units Forresterhill	tbc	
14	Awaiting approval	Reserves	In year surplus, to be returned 21/22	500,000	
15	Awaiting detail	Reserves	Holiday Pay accrual	tbc	
16	Awaiting detail	PCF	Slow moving stock	tbc	
17	Awaiting detail	various	Deferral of income options	tbc	
18	Awaiting approval	Reserves	10% off utility bills / homeworking	561,600	
				1,539,039	539,400

NHS National Services Scotland Board

Financial Performance – February 2021

COVID-19

	Revenue	Capital
	2020/21	2020/21
NSS Covid Expenditure		
Personal protective equipment	203,936,815	-
COVID-19 screening and testing for virus	58,979,419	19,624,107
Louisa Jordan costs	53,768,300	1,600,000
Equipment & Sundries	24,221,463	24,114,910
Contact Tracing Costs	22,811,623	-
Immunisation Costs (COVID-19)	19,964,329	135,557
Additional Travel Costs	11,998,683	-
Private Healthcare	10,425,741	-
Digital, IT & Telephony Costs	6,310,672	-
Estates & Facilities cost	5,767,321	-
Loss of income	4,135,095	-
Flu Programme Delivery Costs	4,077,858	-
Additional hospital drug spend	4,000,000	-
Clinical Waste (NSS)	1,911,789	-
Other- Mail Costs - P&CFS Shielding Letters	1,804,975	-
Additional staff overtime and enhancements	1,763,844	-
Additional temporary staff spend - All Other	1,702,605	-
Convalescent Plasma - SNBTS	777,695	187,000
Developing Treatment for COVID-19 - SNBTS	461,700	-
Additional temporary staff spend - Bank and Agency	262,405	-
SEIR Model, Blood Supply and Demand and SPARRA	190,000	-
Deep cleans	130,000	-
Implementation of automated red cell phenotyping	100,000	-
Other	400,185	164,000
Offsetting savings - Health	(669,576)	
Total	440,673,141	45,825,574
		486,498,715

Year to date

- Allocations have now been received covering all forecast revenue expenditure, but excluding the projected year end stock balance which will be accounted for in 21/22. SG are aware that there is potential for significant variability particularly within the PPE line. The most recent estimates suggest PPE will be £19m lower due to actual demand being lower than the SG demand model
- Capital allocations will be confirmed and transferred in March.

Forecast Outturn

- NSS is forecasting additional costs of £486m in 2020/21 in relation to Covid-19. This excludes £111m for PPE stock expected to be held at the 31st March on behalf of SG (it should also be noted that this stock value may decrease by c£20m based on current market prices). NP is looking at options to hold £14m PPE offsite at 31/3/21 on behalf of SG but with clear title and right of audit etc.
- The main element of this cost is PPE (£204m) Testing (£79m) and Louisa Jordan (£55m).
- Work continues with SG, Audit Scotland, DOH and HB's to clarify treatment of equipment bought during this period for testing and ICU capacity. This will involve significant transfer of assets / funding from NSS/SG to Health Boards.

NHS National Services Scotland – Board

Financial Performance – February 2021

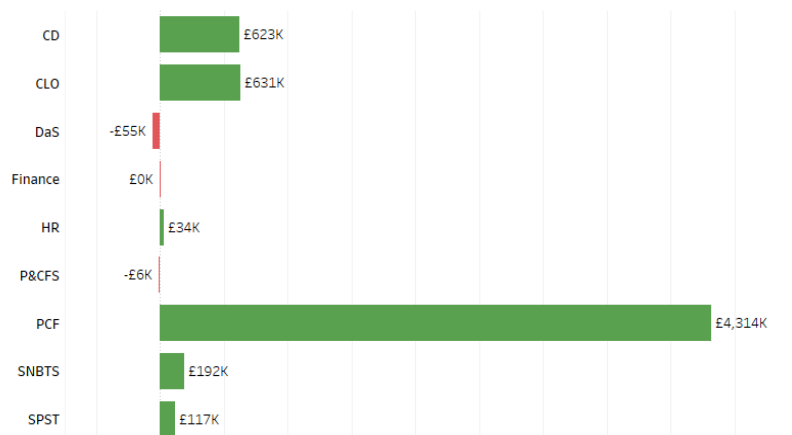
SBU Operational Performance

Main Movements by SBU

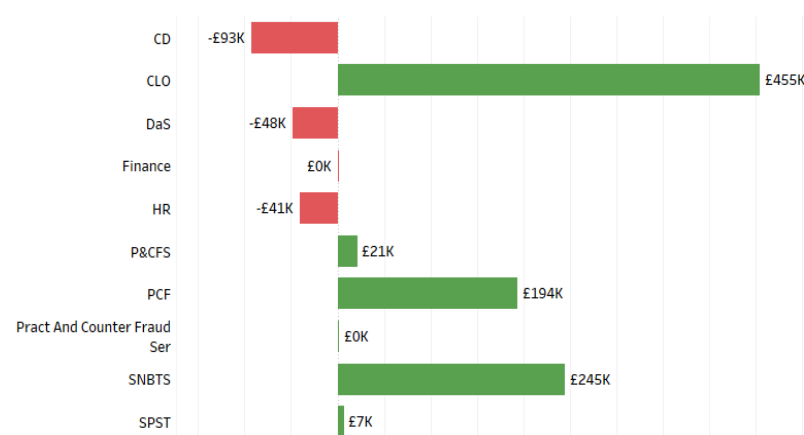
At 28 February, SBUs reported a net operating surplus of £6.2m. This comprises NSD surplus of £4.1m with additional surplus across all other areas totalling £2.1m

- SNBTS reporting a £192k YTD underspend and a year end surplus of £245k. This is mainly due to commercial income receipts of £330k and slippage on budgeted publicity campaigns due to Covid of £250k.
- PCF surplus of £4.3m includes £4.1m for NSD. The year end forecast for PCF is a surplus of £194k assuming NSD surplus is returned to Boards.
- CLO – Surplus of £631k will reduce towards year end with reduced income expected in March, plus higher expenditure over the remaining months.
- Clinical – Surplus of £623k YTD relates to SG funded programmes for SCOTCAP / Cytosponge but will breakeven at year end.
- P&CFS– Position is forecast as £21k, with £300k returned to reserves due to slippage on nDCVP.
- SPST - transformation funding of £300k not required due to PGMS staff supporting more Covid projects than planned transformation support.

Revenue variances – Year to Date



Revenue variances - Forecast Outturn

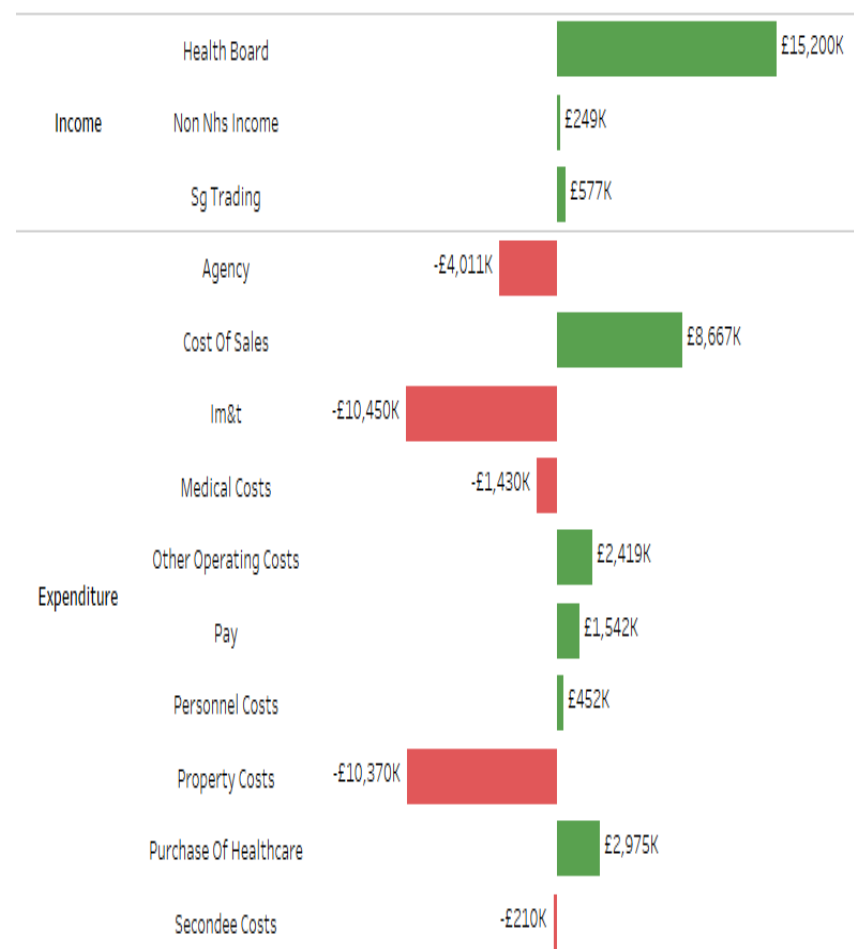


NHS National Services Scotland – Board Financial Performance – February 2021 Revenue Analysis

Year to date

- The significant variances across Income; NDC sales down (£7.6m) Waste Contingency +£10.1m, Seasonal Flu +£5.0m, Oxygen £1.2m and additional income for ATOS Core £3.0m.
- Pay is overspent by £2.4m, including Agency variance of £4.0m. Additional overtime and excess costs related to Covid of £2.9m included for the first 11 months. By SBU the pay variance is PCF £1.2m (Brexit £0.5m and O/T), DaS £1.4m, Clinical £0.2m and SPST £0.7m. Additional income partially offsets this in DaS, and PCF.
- Cost of Sales relates to product supplied through the NDC, and plasma. This has reduced significantly due to cancellation of elective surgery in the earlier part of the year. (note this excludes PPE)
- IM&T costs are higher due to additional CCN's for ATOS Core (£9.8m) but corresponding recharges in Other Operating costs and income to offset.
- Property Costs – the adverse variance relates to Clinical Waste Contingency costs within PCF £10.6m. 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. £1.9m 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



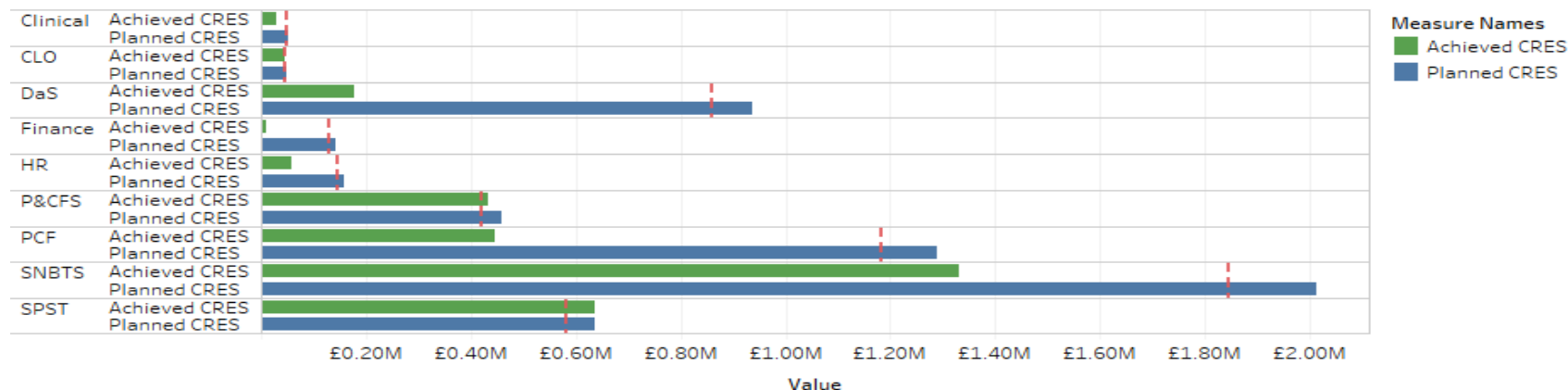
NHS National Services Scotland Board

Financial Performance – February 2021

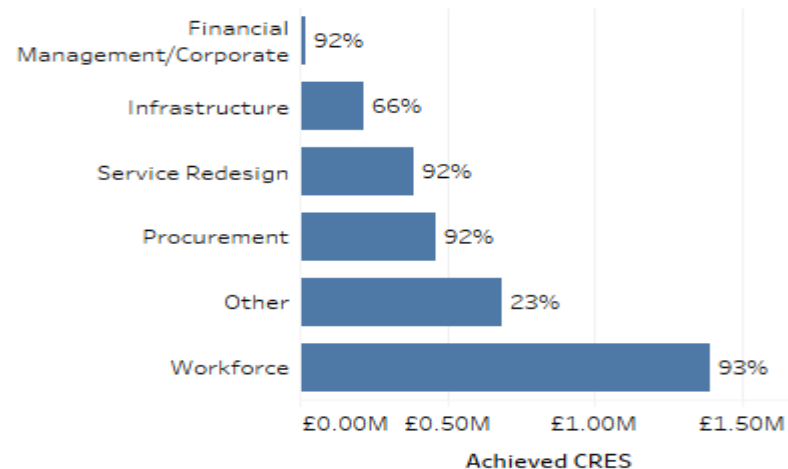
Delivery of Cash Releasing Efficiency Savings

CRES Savings - Achieved vs Planned

--- = YTD Target CRES



CRES Savings - Value and % of budgeted savings identified



NSD annual savings target is £9.9m with £12.9m forecast. Additional savings from increased usage of recombinant products and under activity on specialist services will result in exceeding savings target by £3m. 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 achievement of CRES targets is forecast. Budgets were reduced by 5% recurrently at the start of the year.**

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 – February 2021

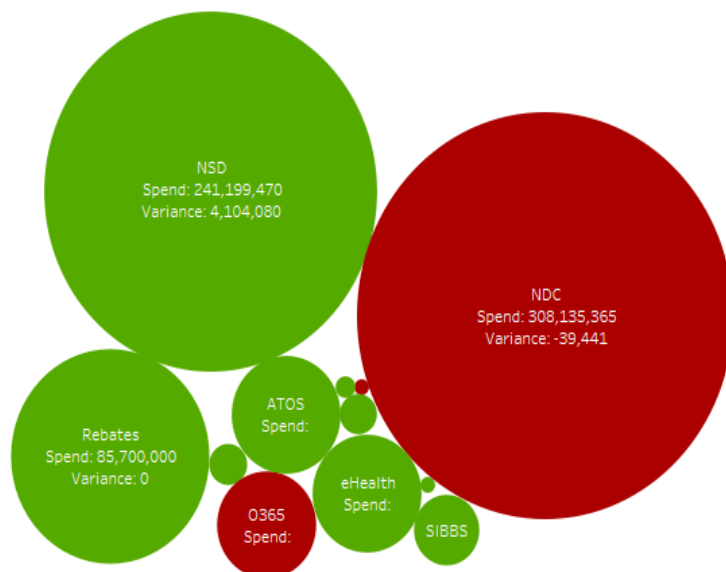
Services delivered on behalf of NHS Scotland



Year to date

- NSS manages services on behalf of NHS Scotland with a YTD budget of £730m. Overall a PCF underspend of £4.1m is reported due to NSD £4.1m and £0.04m overspend in Logistics.
- eHealth SLA, PACS, GPIT, SIBBS and Rebates are all delivering within plan, with YTD over spend within Scotcap, Mesh & O365.

Services delivered on behalf of Scotland - YTD Position



NSD

- The NSD budget is currently £4.1m under spent at the end of February, which will rise to **£6m** by end of March
- This is after an £8m hand back to Boards, which reflected the under Activity of national and screening services in Q1-3 due to Covid-19. It is expected that the under spend will grow to around £4-5m in Q4, as many low activity (but high cost) services are still running well below capacity.
- NSD have applied to carry forward funding of **£4m** that would have been spent in 2021/22 had the impact of Covid-19 been less significant. A further **£2m** will be returned to Boards in the next letter.
- The new SG funded MESH surgery service is now operational, but has seen slippage due to the virus. The service is expected to be around £340k under spent this year, and SG sponsors have indicated that NSD should show this as an under spend on the NSD ledger at the year end.
- the final position is dependent on the cost of the Ultra Orphan Drug Risk Share Scheme. If there is a significant under spend on the £7.4m allocation, then the overall under spend at the year-end will rise from the forecast £340k.
- Therefore, assuming the £4m carry forward is agreed, and subject to Ultra Orphan Drug Scheme outturn, NSD are likely to deliver an under spend of around £340k for the year.
- NSD are continuing to support initiatives (from unreturned slippage) 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)
- 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 – February 2021

Scottish Government Funding Allocation Tracker



Received

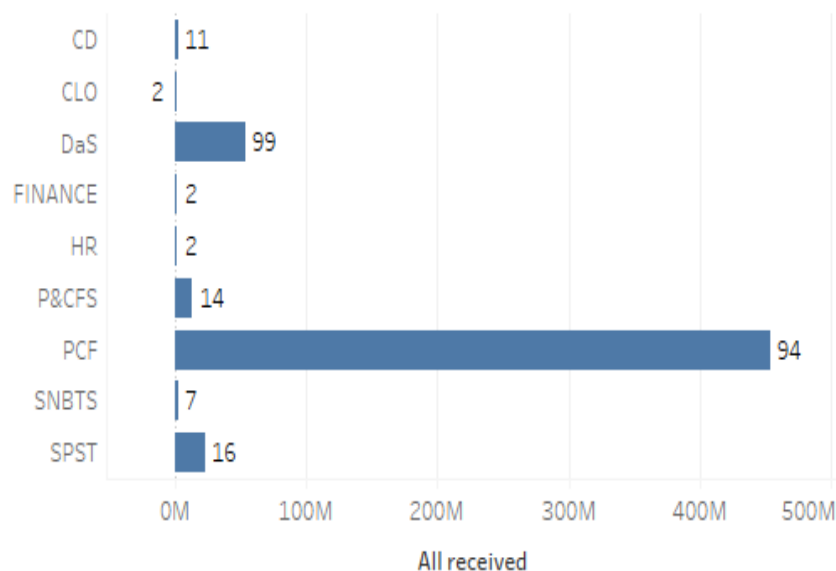
Baseline funding of £336m and additional allocations of £565m have been received to date, including Covid £411m.

Outstanding

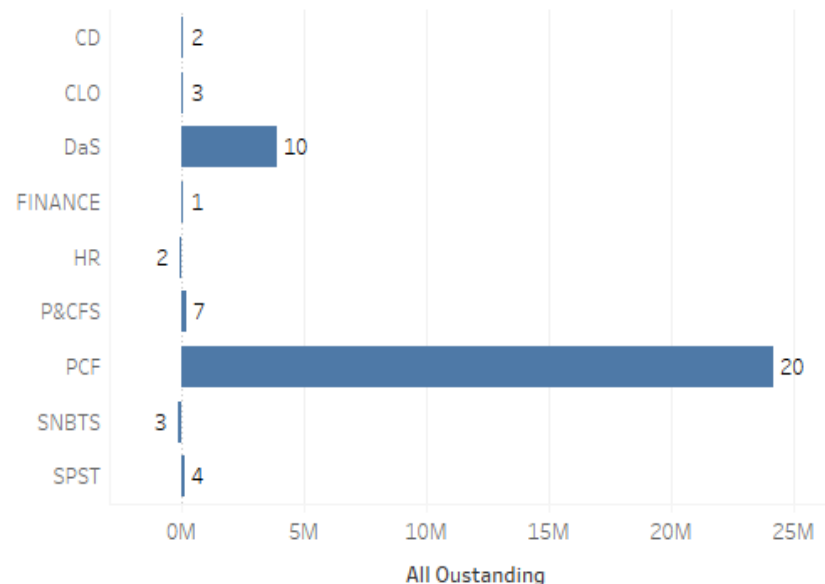
£20m remains outstanding which is 12 individual allocations, plus £30m related to Covid spend.

Business Controllers are working with colleagues in SBU's and SG Finance to ensure remaining allocations are secured in March.

SG Allocations - Amounts and No. of Allocations Received



SG Allocations - Amounts and No. of Allocations Outstanding



NHS National Services Scotland Board

Financial Performance – February 2021

Capital Programme Delivery



Year to date

Budget for the full year is £10.806m, comprising NSS allocation of £2.927m, SG capital of £7.287m and carry forward £0.5m

Total expenditure year to date on capital projects is £9.8m, which included Covid £2.4m, £7.4m core projects which is 68% of full year budget.

Capital funds are now forecast with a slight underspend due to slippage in a couple of projects. This will be managed for the year end as part of the final revenue to capital transfer request.

Covid-19 capital (£45.8m) is not included currently. Treatment is being confirmed with SG. This relates to accounting treatment of equipment purchased for Covid-19 on behalf of SG and Boards.

NHS Louisa Jordan assets will be treated as revenue expenditure following agreement with Audit Scotland.

NSS CAPITAL DEVELOPMENT FUNDING		£000	Forecast
Opening position	Opening AOP	2,927	2,927
	19/20 slippage allocation	592	592
	19/20 Property Works	-500	-556
	Opening position total	3,019	2,963
Critical projects approved	On Session Digital Redesign Phase 3	-119	-78
	Medical Transfusion Data collection	-28	-28
	High Content Screening System TCAT	-200	-240
	nDCVP	-1,000	-858
	Flowcytometer replacement	-350	-356
	Equipment Rolling Replacement	-315	-315
	SNBTS Fleet Modernisation	-300	-212
	Breast Screen Unit	-630	-627
	Warehouse Management System	-126	-140
	Robotic Process Automation	-50	-50
	Core infrastructure		-71
	Gamex Vivostat		-29
	Committed	-3,119	-2,904
Over committed		-100	59

SG CAPITAL DEVELOPMENT FUNDING		£000	Forecast
Opening position	CHI	6,654	6,654
	QAS	0	
Additional approved	Covid - Convalescent Plasma programme	187	223
	Breast Screen Unit additional cost	90	90
	Radiology	192	64
	Covid - COVID-19 Smart Blood Fridges	164	164
Total SG Funding		7,287	7,195

Capital Expenditure - SBU Forecast versus YTD Spend

