

**Borders NHS Board**



## **FINANCE REPORT FOR THE TWO MONTH PERIOD TO 31<sup>ST</sup> MAY 2017**

### **Aim**

The purpose of this report is to advise the Board of the financial position as at 31<sup>st</sup> May 2017.

### **Executive Summary**

The Board are asked to note the following key points:

- At the end of May 2017 the Board is reporting an overspend position of £2.0m on revenue and break even on capital. The overspend on revenue is as a result of pressures on operational budgets and the limited progress that has been made on the implementation of projects in the efficiency programme agreed by the Board at the meeting in April 2017.
- The main operational pressures are in medical and nursing budgets in the BGH, prescribing costs and external health care providers.
- The Board has a challenging savings target of £15.7m, (£12.9m recurring and £2.7m non recurring) for financial year 2017/18. It should be noted that for £3.8m of this target, schemes have not been identified.
- NHS Borders has a contingency fund in 2017/18 of £2m. This has not been factored into the financial position.
- The financial position at the end of month two is giving cause for concern. Corrective action is required to address the financial pressures and ensure the efficiency programme is implemented.

### **Recommendation**

The Board is asked to **note** the report and consider the current financial position.

<b>Policy/Strategy Implications</b>	Impact on statutory financial targets
<b>Consultation</b>	Supporting reports have been presented to Clinical Boards and Budget Managers
<b>Consultation with Professional Committees</b>	N/A
<b>Risk Assessment</b>	Risks are covered in the risk section of the report

<b>Compliance with Board Policy requirements on Equality and Diversity</b>	Compliant
<b>Resource/Staffing Implications</b>	As described in the paper

**Approved by**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
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## **Contents**

The financial monitoring report contains the following:

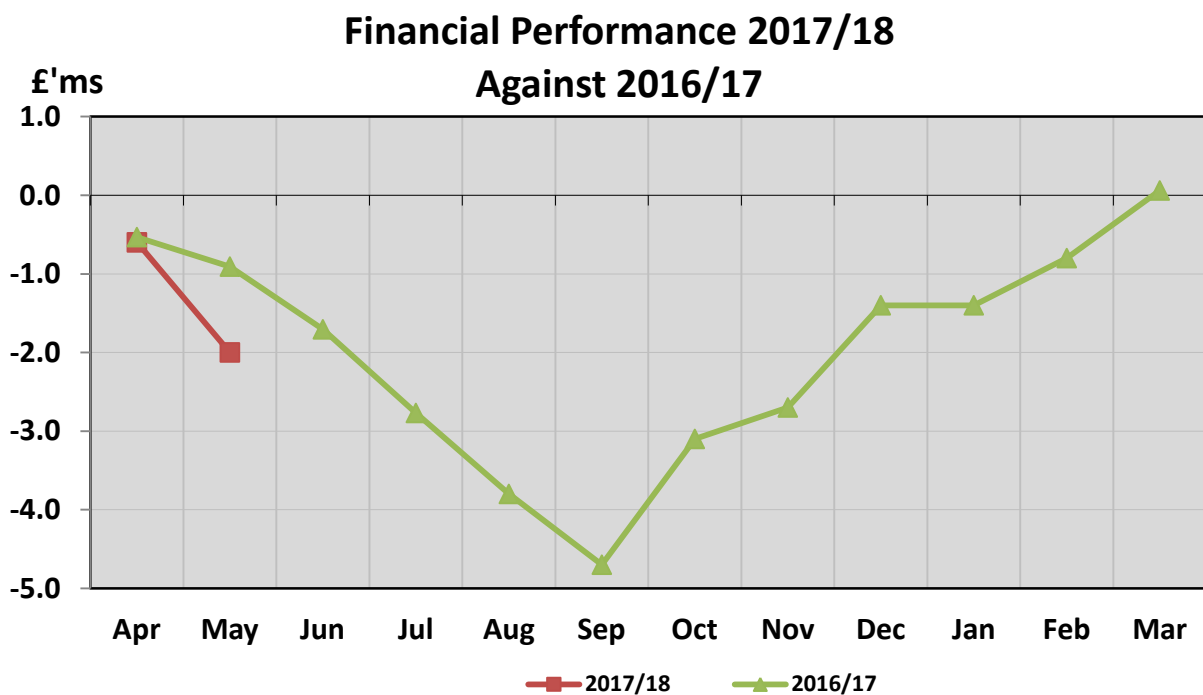
### **Section:**

1. General Overview
2. Overall Income and Expenditure Summary of Operational Budgets
3. Overview of Capital
4. Efficiency Programme – Savings Targets
5. Risk

## Section 1: General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	230.4	38.4	38.4	0
Expenditure	230.4	37.6	39.6	(2.0)
<b>Surplus/(Deficit) for Period</b>		<b>(0.8)</b>	<b>(1.2)</b>	<b>(2.0)</b>
Capital Expenditure	7.7	0.2	0.2	0

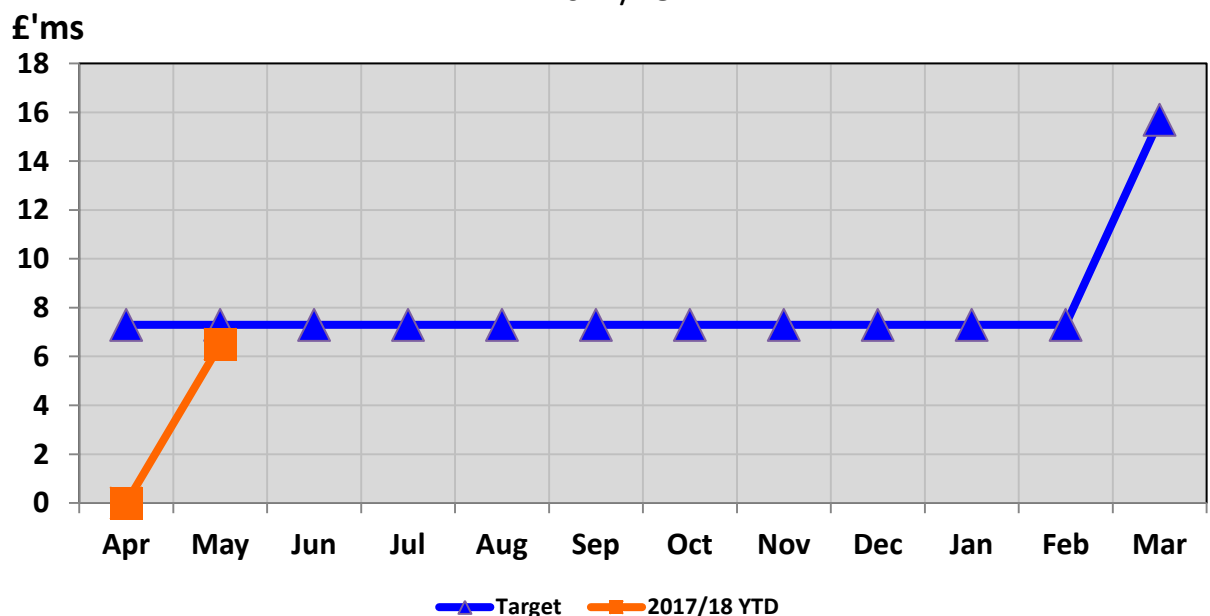
- At 31<sup>st</sup> of May 2017 the Board is reporting an overall position of £2.0m overspent. This position includes the impact of the non delivery of efficiency savings and an overspend on a number of expenditure budgets, comprising Acute Services (£1.5m), IJB directed services (£0.2m), and external healthcare providers (£0.2m).
- The graph below compares the level of revenue overspend month by month during 2017/18 with the previous financial year.



- The level of overspend is greater than last year at this time, however the position in 2017/18 takes into account two months of the 3% efficiency challenge which has been allocated to services. The key points to note at the month two position are:
  - The Acute Services are overspent on expenditure budgets by £1.5m, principally due to increased medical (£0.2m) and nursing (£0.4m) costs in set aside budgets in the BGH linked to patient activity and acuity levels and the cost of covering staffing gaps. Drugs costs have also overspent by £0.3m and the reasons for this are being reviewed. The impact of the 3% savings targets is generating an overspend of £0.3m under Acute Services due to the limited progress that has been made in implementing schemes.

- External healthcare providers are £0.2m overspent linked to ECRs and UNPACS. It should be noted this position is based on projected activity levels, as limited information on the new financial year has been received to date.
  - Within IJB directed services, GP prescribing costs are reporting an overspend (£0.3m). This position should be treated with a degree of caution as due to the normal processing timescales no price information has been received for the new financial year.
- At its meeting in April the Board approved a financial plan for 2017/18 which required savings of £12.9m recurrently and £2.7m on a non recurring basis and noted a projected shortfall of £3.8m on this requirement. To date no further schemes have been identified to address the shortfall, although the Better Borders transformation programme is moving forward. The Board will receive an update on progress at the development session on the 29<sup>th</sup> June 2017.
  - The graph compares efficiency progress compared with the trajectory submitted as part of the local delivery plan.

Efficiency Trajectory  
2017/18



- As at the end of May services have been set a 3% savings challenge (£4m) and an efficiency target in line with the proposed plan to reduce prescribing costs by £2.5m has been allocated. This is in line with the financial plan agreed by the Board.
- It should be noted there has been limited progress to date in implementing schemes to deliver efficiencies to meet these target and this is impacting adversely on the reported financial position.
- Work is continuing on the other schemes within the efficiency programme agreed at as part of the financial plan although it should be noted a number of these schemes remain high risk.
- The financial position at the end of month two is giving cause for concern. The Board is experiencing financial pressures in a number of operational budgets and progress in implementing the efficiency programme has been limited.

- The Board needs to be assured corrective action is being taken to address the financial pressures and ensure the efficiency schemes do deliver and do not adversely impact on operational budgets.

## Section 2: Overall Income and Expenditure Summary

### Operational Income and Expenditure Budgets

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Income Resources</b>				
SGHSCD (as per LDP)	197.6	32.9	32.9	-
SGHSCD (additional to LDP)	11.0	1.8	1.8	-
Family Health Services (incl Non Cash Ltd)	10.2	1.7	1.7	-
External Healthcare Purchasers	3.9	0.6	0.6	-
Other	7.2	1.2	1.2	-
Clinical Boards	0.5	0.2	0.2	-
<b>Total Income</b>	<b>230.4</b>	<b>38.4</b>	<b>38.4</b>	<b>-</b>
<b>Expenditure Resources</b>				
Acute Services	73.9	12.5	14.0	(1.5)
External Healthcare Providers	24.5	4.0	4.2	(0.2)
IJB Directed Services (including efficiencies)	94.7	15.3	15.5	(0.2)
Corporate Directorates	32.2	5.2	5.3	(0.1)
Cost of Capital	3.7	0.6	0.6	-
Approved Funding Unallocated	4.4	-	-	-
Non IJB Unapplied Efficiencies:				
Recurring	(3.0)	-	-	-
Non-Recurring		-	-	-
IJB Social Care Fund (not yet transferred)		-	-	-
<b>Total Expenditure</b>	<b>230.4</b>	<b>37.6</b>	<b>39.6</b>	<b>(2.0)</b>
<b>Surplus/(Deficit) for period</b>	<b>-</b>	<b>(0.8)</b>	<b>(1.2)</b>	<b>(2.0)</b>

### Income Resources

- The SGHSCD allocations shown in the report are in line with the agreed allocations and an estimate of the anticipated allocations expected for 2017/18.
- Currently overall the income budgets are reporting a breakeven position at the end of May 2017.

### Expenditure Resources

- Acute Services, including set aside budgets, are reporting an overspend of £1.5m. In the case of medical and nursing budgets similarly to last financial year additional costs have been incurred due to continuing activity pressures, increased acuity of patients and the need to cover staff absences. Designated finance support is working with General Managers and Executive Directors to take forward actions to minimise costs. Drugs budgets in GI, dermatology and neurology are overspent at the end of

May linked to healthcare at home costs. The reasons for this are being investigated. In addition there has been higher than anticipated drug spend in the treatment for wet age macular degeneration in the first two months of the financial year. Allocated 3% efficiency targets are adversely impacting on the financial position as a limited number of schemes have been implemented to address this target. The Director of Nursing and Acute Care and Director of Finance have put in place regular meetings with the senior acute services team to support them in delivery of the financial position.

- The reported overspend (£0.2m) on external healthcare providers includes estimated activity as per normal timescales for the receipt of actual information. The areas of overspend are namely UNPACS and ECRs.
- IJB directed services, excluding the set aside budgets which are included in acute services, are reporting (£0.2m) overspent linked to primary care prescribing budgets. As per normal processing timescales only volume information for April and not price data for the new financial year has been received therefore the reported position is based on estimates. In addition the reported position includes two months phasing of the allocated 3% savings challenge and the recurring savings target carried forward from 2016/17. Limited progress has been made in implementing actual schemes however underspends in a number of services including community nursing, sexual health and out of hours services, are offsetting the impact of this target.
- In the case of corporate services the overspend position is linked to the 3% efficiency target which is proving challenging to deliver.
- Approved funding unallocated includes the contingency fund and ring fenced funding from Scottish Government or identified linked to cost pressures in previous financial years which has not yet been allocated.
- The recurring savings target which was not met in 2016/17 and was carried forward into 2017/18, excluding the £1.9m which relates to IJB delegated budgets, is reported in the Non IJB unallocated efficiencies in the table above. It is planned that this outstanding target will be principally met by the efficiency schemes that were initiated in 2016/17 and will deliver financial savings in the new financial year.

### Section 3 : Overview of Capital

#### Source of Funds

	£m
<b>Sources of Funds</b>	
Gross Capital Resource Limit (CRL)	5.7
Anticipated eHealth Division IM&T Infrastructure	2.0
<b>Total Capital Resources</b>	<b>7.7</b>

- NHS Borders formula capital allocation for 2017/18 of £2.4m has been supplemented by additional funding of £1.9m in relation to reinstatement of slippage from previous years and £1.4m of Primary and Community Development funding.

- The Board's IM&T infrastructure investment plan and roadmap has been shared with the SGHSCD and discussions are ongoing in terms of resource to support the required investment. An anticipated allocation of £2m has been included following discussions with the SGHSCD eHealth Division Lead although this has not yet been confirmed.

### Capital Expenditure

	Plan £m	Actual To Date £m
Community Health Centres & Primary Care	1.3	0.2
IM&T	1.2	0.0
eHealth Division IM&T Infrastructure (tbc)	2.0	0.0
Medical & Radiology Equipment	0.4	0.0
Estates & Facilities	0.4	0.0
Uncommitted	2.1	0.0
Other (including Feasibility Works)	0.3	0.04
<b>Total</b>	<b>7.7</b>	<b>0.24</b>

- At this early stage in the year the Board has incurred limited capital expenditure. The key areas are the ongoing construction works at Eyemouth Health Centre and Knoll Health Centre. In the case of Roxburgh Street in Galashiels the board is awaiting the final accounts as this scheme has concluded. Lead officers are currently confirming prioritised items for estates/state of the estate and medical equipment rolling programmes. Capital Planning Project Team costs to support the current plan total £40k to date.
- Due to the postponement of the theatre ventilation project £2.1m of the capital plan remains uncommitted at the end of May.
- The Board will receive a detailed capital update report at its meeting on the 29<sup>th</sup> June 2017.

### Section 4 : Efficiency Programme - Savings Targets

Scheme	Plan £m	Allocated To Services £m	Delivered To date £m
2016/17 Carry forward Schemes	1.9	0	0
3% Delegated Targets	4.0	4.0	0.2
Non Recurring Measures	3.5	0	0
Effective Prescribing	2.5	2.5	0
Unidentified	3.8	0	0
<b>Total</b>	<b>15.7</b>	<b>6.5</b>	<b>0.2</b>

- In 2017/18 the overall efficiency target is £15.7m. (£12.9m recurring and £2.7m non recurring).



- The Board approved a financial plan for 2017/18 noting that there is a projected shortfall on the efficiency programme of £3.8m at the yearend. It is hoped the Better Borders transformation programme will identify potential options to address this.
- Work is continuing of the carry schemes a number of which remain high risk. Project plans with key milestones and financial trajectories have been received for all these schemes which have identified shortfalls. Sponsors and project managers have been asked to consider how these shortfalls could be addressed.
- The 3% efficiency saving target of £4m has been allocated across the operational budgets. The table above highlights that although a number schemes have been identified these have not been implemented with delivery of only £0.2m at the end of May 2017.
- In the case of non recurring measures as planned a number of these will not be actioned until later in the financial year.
- The prescribing efficiency plan is being progressed however it is anticipated that a number of projects will not be realised until later in the financial year – for example drugs which will come off patent.
- Given the scale of the financial challenge NHS Borders faces, an increased focus on efficiency delivery is essential to successfully achieve both the efficiency savings target and a balanced financial position by 31<sup>st</sup> March 2018.

## **Section 5 : Risk**

- This section highlights to the Board the key risks currently facing the organisation in achieving its financial targets.
- The Acute Services are overspent by £0.9m at the end of month two on operational budgets (excluding the impact of efficiency target and drugs costs). Work must continue to minimise pressures through agreed actions. The key drivers are increased activity levels, the acuity of patients and additional costs incurred to cover staffing gaps.
- Across the organisation there is a need to implement plans included in the efficiency programme. This includes delivery of the 3% efficiency challenge and schemes that have been carried forward from last financial year. If efficiency is not delivered this will impact on the financial position of services.
- There remains an element of the efficiency target (£3.8m) which does not have identified schemes on how this will be delivered. The work of the Better Borders programme will support how this issue can be addressed.
- Due to the limited amount of information available in the new financial year it is difficult to quantify the risk associated with drugs costs particularly primary care prescribing. Costs have increased in acute services and if this situation continues this will be a significant pressure. The prescribing efficiency programme is continuing however it should be noted that there remains a shortfall on projected costs and the level of efficiency that has been identified to meet these costs.

- Due to the unpredictability of external health providers expenditure, particularly around UNPAC's, OATS and ECR's The Commissioning Team continue to monitor the situation.
- NHS Borders must work in partnership with the IJB to ensure that the financial pressures in the IJB directed services and set aside budgets are addressed.

**Glossary of Terms:**

SGHSCD	- Scottish Government Health and Social Care Department
LDP	- Local Delivery Plan
IJB	- Integration Joint Board
RRL	- Revenue Resource Limit
CRL	- Capital Resource Limit
UNPACS	- Unplanned Activity
SLA	- Service Level Agreement
ECR	- Extra Contractual Referrals
OATS	- Out of Area Treatments
CCG	- Clinical Commissioning Group