

Borders NHS Board



FINANCE REPORT FOR THE THREE MONTH PERIOD TO 30TH JUNE 2017

Aim

The purpose of this report is to advise the Board of the financial position as at 30th June 2017.

Executive Summary

The Board are asked to note the following key points:

- At the end of June 2017 the Board is reporting an overspend position of £3.2m 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 draft 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 does not have identified schemes for delivery.
- 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 the first quarter is giving cause for concern. Corrective action is required to address the financial pressures and ensure the draft efficiency programme is implemented.

Recommendation

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

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

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

Approved by

Name	Designation	Name	Designation
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Author(s)

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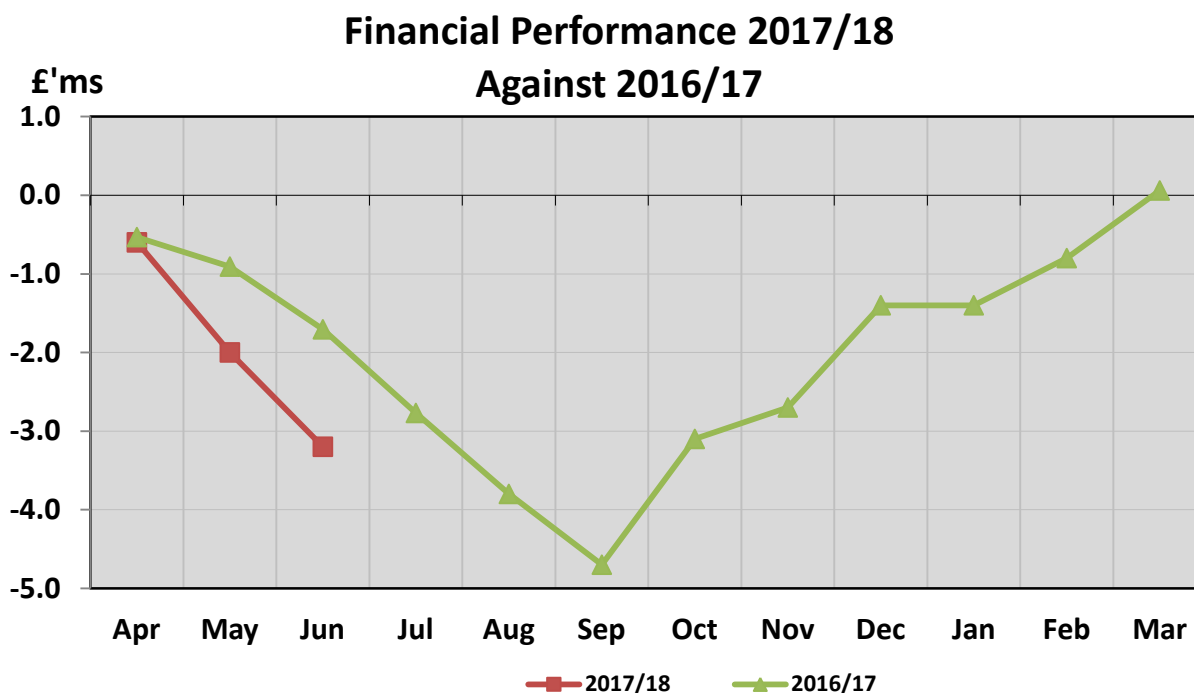
Section

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Section 1: General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	243.7	59.6	59.6	0
Expenditure	243.7	56.8	60.0	(3.2)
Surplus/(Deficit) for Period		2.8	(0.4)	(3.2)
Capital Expenditure	7.7	0.6	0.6	0

- At 30th of June 2017 the Board is reporting an overall position of £3.2m 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 (£1.9m), IJB directed services (£0.3m), 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.

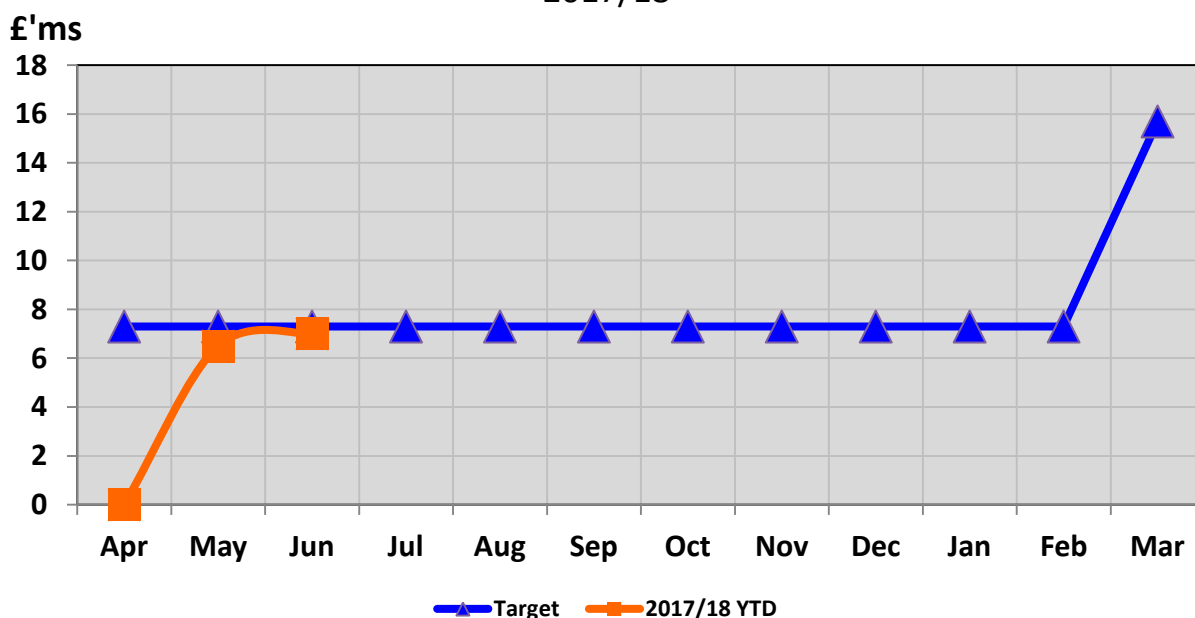


- The level of overspend is greater than last year at this time, however the position in 2017/18 takes into account three months of the 3% efficiency challenge which has been allocated to services. The key points to note at the month three position are:
 - The Acute Services are overspent on expenditure budgets by £1.9m, principally due to increased medical (£0.4m) and nursing (£0.6m) costs in set aside budgets in the BGH linked to additional patient activity and acuity levels and the cost of covering staffing gaps. Drugs budgets are reporting overspent by £0.4m due to increased activity levels and savings which have not been identified and are required to meet increased costs. The

impact of the 3% savings targets is generating an overspend of £0.4m 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 (£0.5m). This position should be treated with a degree of caution as due to the normal processing timescales limited price and volume information has been received for the new financial year. GP prescribing requires to deliver savings of £3.2m to meet additional costs in 2017/18 and currently only have plans in place to achieve £1.7m. The reported overspend position relates to the shortfall on identified schemes to date.
- 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 29th 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 June all services have been set a 3% savings challenge (£4m). Limited progress has been made in implementing schemes to meet this target which is impacting adversely on the reported financial position. In addition an efficiency target in line with the requirement to reduce prescribing costs has been allocated.

- The financial position at the end of the first quarter is giving cause for concern. The Board is experiencing financial pressures in a number of operational budgets and progress in implementing the draft 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 are implemented to meet allocated targets which 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
Income Resources				
SGHSCD (as per LDP)	200.9	50.2	50.2	-
SGHSCD (additional to LDP)	20.7	3.9	3.9	-
Family Health Services (incl Non Cash Ltd)	10.2	2.5	2.5	-
External Healthcare Purchasers	3.9	1.0	1.0	-
Other	7.4	1.8	1.8	-
Clinical Boards	0.6	0.2	0.2	-
Total Income	243.7	59.6	59.6	-
Expenditure Resources				
Acute Services	75.5	19.1	21.0	(1.9)
External Healthcare Providers	24.5	6.1	6.3	(0.2)
IJB Directed Services (including efficiencies)	95.7	23.5	23.8	(0.3)
Corporate Directorates	29.6	7.2	8.0	(0.8)
Cost of Capital	3.7	0.9	0.9	-
Approved Funding Unallocated	9.6	-	-	-
Non IJB Unapplied Efficiencies:				
Recurring	(3.0)	-	-	-
Non-Recurring	0.7	-	-	-
IJB Social Care Fund (not yet transferred)	7.4	-	-	-
Total Expenditure	243.7	56.8	60.0	(3.2)
Surplus/(Deficit) for period	-	2.8	(0.4)	(3.2)

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 June 2017.

Expenditure Resources

- Acute Services, including set aside budgets, are reporting an overspend of £1.9m. 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 to take forward agreed actions to minimise costs and to agree a year end trajectory. Drugs budgets are overspent at the end of June mainly relating to increased activity levels and the shortfall in the delivery of drugs savings. The 3% efficiency requirement on all services is adversely impacting on the financial position as a limited number of schemes have been implemented to address this target. A number of Directors are regularly meeting the senior acute services team to provide support to deliver efficiencies.
- 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 (£0.3m) overspent in total at the end of June. The position takes into account an overspend on GP prescribing of £0.5m which relates to three months shortfall in the required level of savings and an estimate of drugs costs based on one month's price and two month's volume information. The reported position also includes three months phasing of the allocated 3% savings challenge and the unmet recurring savings target carried forward from 2016-17. Limited progress has been made in implementing actual schemes however underspends are continuing in community nursing and sexual health which 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 funds linked to cost pressures which have not yet been allocated. A review is underway to establish if some of this funding can be utilised to support the financial position.
- The recurring savings target which was not met in 2016/17, excluding the £1.9m which relates to IJB delegated budgets, is reported in the Non IJB unallocated efficiencies in the table above.

Section 3 : Overview of Capital

Source of Funds

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

- 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 for the Primary Care Premises Programme.
- 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	0.43
IM&T	1.2	0.0
eHealth Division IM&T Infrastructure (tbc)	2.0	0.0
Medical & Radiology Equipment	0.5	0.05
Estates & Facilities	0.4	0.07
Uncommitted	2.0	0.0
Other (including Feasibility Works)	0.3	0.06
Total	7.7	0.61

- Main areas of spend to date are the ongoing construction works of the Primary Care Schemes at Eyemouth Health Centre, Knoll Health Centre and Roxburgh Street Replacement Surgery.
- Rolling replacement programmes for estates and medical equipment were recently approved with commitment being made over the coming months.
- £2m of resource remains uncommitted within the current year plan.

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	0.6
Non Recurring Measures	3.5	0.7	0.7
Effective Prescribing	2.5	2.5	0
Unidentified	3.8	0	0
Total	15.7	7.2	1.3

- 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. The Better Borders transformation programme has been set up to support addressing this shortfall and ensure the ongoing financial sustainability of the organisation.
- Work is continuing on the carry forward 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 £0.6m at the end of June 2017. The main areas of delivery to date are from estates and facilities, public health, mental health and the out of hours service.
- In the case of non recurring measures £0.7m of savings have been actioned but 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 are due to come off patent.
- There has been limited progress to date on the delivery of the draft efficiency programme which the Board approved at the start of the financial year. Project sponsors and managers have been asked to confirm what will be actioned this financial year and following agreement operational budgets will be amended. This will give the Board clarity on the agreed level of savings that will delivered this financial year.
- 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 31st March 2018. The Board will receive an update on efficiency and the Better Borders programme at the development session on the 3rd of August 2017.

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 £1.0m at the end of month three on operational budgets (excluding the impact of efficiency targets and drugs costs). Work must continue to minimise pressures through agreed actions and increased financial controls. A revised year end trajectory is currently being finalised. 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 draft 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. Services have been asked to confirm the level of savings that will be delivered this financial year and budgets will be adjusted accordingly.
- 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 shortfall 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 based on further analysis a year end trajectory has been requested. 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. This will remain a pressure until further opportunities to reduce costs are identified.
- 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