

Borders NHS Board**FINANCE REPORT FOR THE FIVE MONTH PERIOD TO 31ST AUGUST 2017****Aim**

The purpose of this report is to advise the Board of the financial position as at 31st August 2017.

Executive Summary

The Board are asked to note the following key points:

- At the end of August 2017 the Board is reporting an overspend position of £4.4m 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 its meeting in April 2017.
- The main operational pressures are acute services in the BGH and IJB directed services.
- The Board has a challenging savings target of £15.7m (£12.9m recurring and £2.7m non recurring) for financial year 2017/18. The forecast delivery is £8.6m in year giving an estimated shortfall of £7.1m at the financial yearend.
- NHS Borders has a contingency fund in 2017/18 of £2m. This has not been factored into the financial position. The reported position at the end of August includes the use of some capital resources to support the revenue position and additional funding linked to cross border referral patterns.
- Based on information at the end of August the Board is not on course to achieve its financial targets in 2017/18. Work is ongoing to address this however it should be noted that the majority of the actions being put in place are non recurring therefore the recurring financial position of NHS Borders remains concerning.
- The Board has requested a financial recovery plan for 2017/18 which will be presented at the Board meeting in October 2017.
- The Board has received £2m of additional capital funding for financial year 2017/18 to invest in IM&T infrastructure.

Recommendation

The Board is asked to **note** the report and **consider** the current financial position in conjunction with the recovery plan which will be presented in a separate paper at the October Board meeting.

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
Carol Gillie	Director of Finance, Procurement, Estates & Facilities		

Author(s)

Name	Designation	Name	Designation
Vivienne Buchan	Senior Finance Manager		

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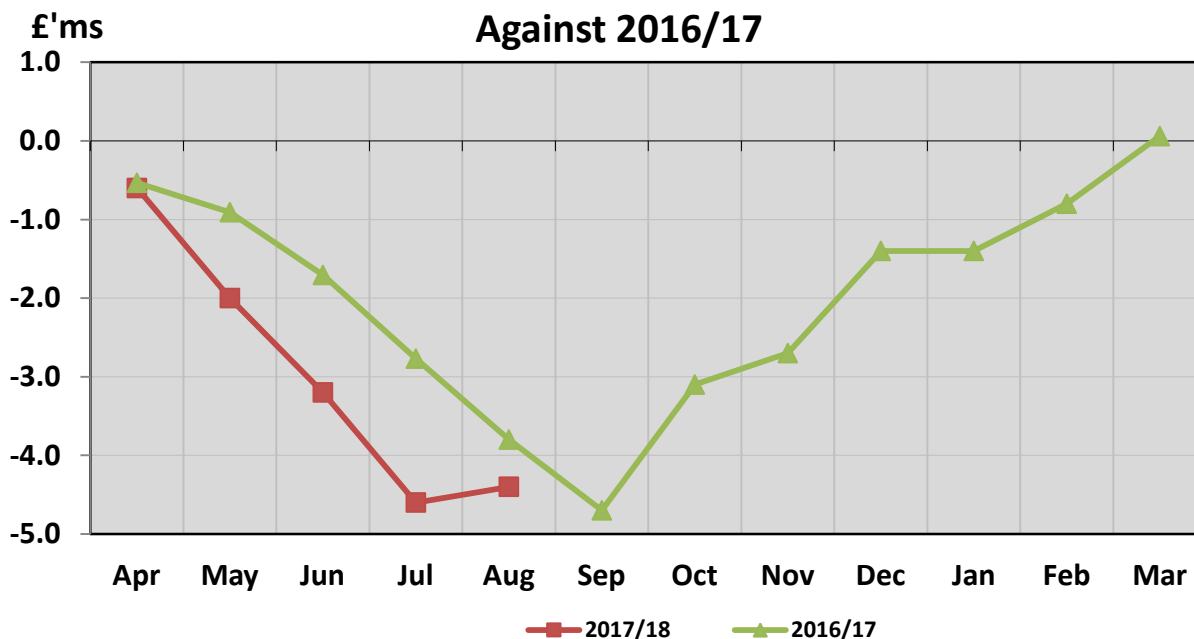
1. General Overview
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Section 1: General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	245.9	100.3	100.3	-
Expenditure	245.9	101.1	105.5	(4.4)
Surplus/(Deficit) for Period		(0.8)	(5.2)	(4.4)
Capital Expenditure	5.7	1.3	1.3	-

- At 31st August 2017 the Board is reporting an overall position of £4.4m overspent. This position includes the impact of the non delivery of efficiency savings and pressures on expenditure budgets with resulting overspends in Acute Services (£3.7m), IJB directed services (£1.3m), external healthcare providers (£0.4m) and corporate services (£0.2m). Additional resources received to date to support the financial position have been included in the position.
- The graph below compares the level of revenue overspend month by month during 2017/18 with the previous financial year.

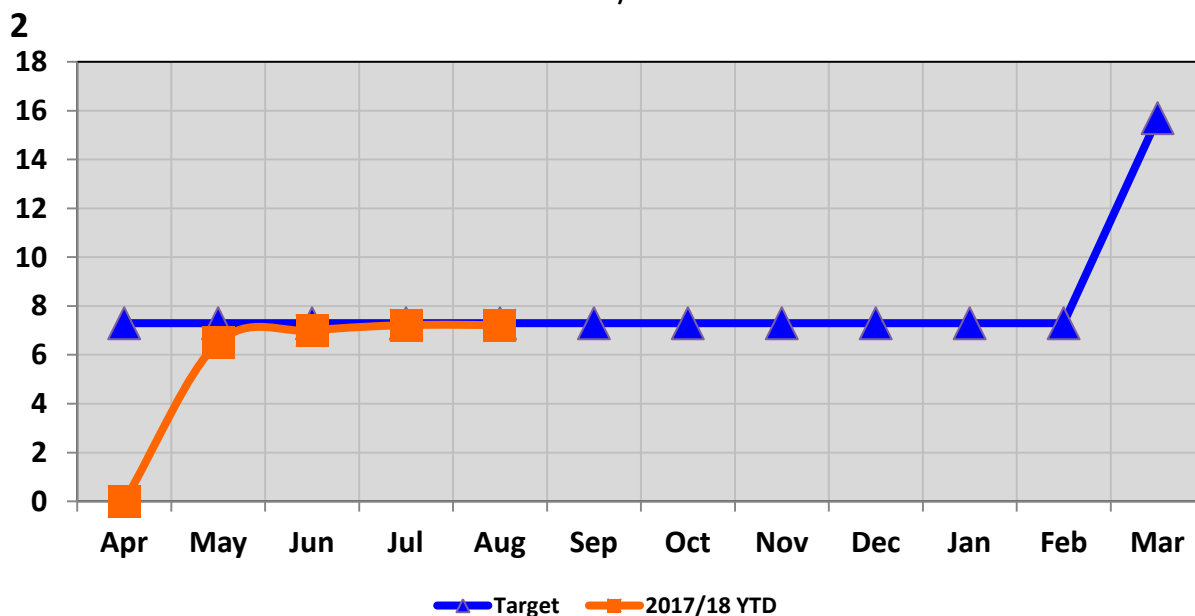
Financial Performance 2017/18 Against 2016/17



- The level of overspend is greater than last year at this time, however the position in 2017/18 takes into account five twelfths of the 3% efficiency challenge which has been allocated to services.

- The key points to note at the month five position are:
 - The Acute Services, including set aside budgets, are overspent on expenditure budgets by £3.7m, principally due to increased medical (£0.8m), nursing (£0.8m) and drug (£0.7m) costs and a shortfall in the delivery of the 3% efficiency target (£0.7m). A key driver for the increased costs is activity levels linked to delayed discharges, patient acuity and staff cover.
 - External healthcare providers are £0.4m overspent linked to a high cost CAMHS inpatient in NHS Lothian, UNPACS activity and ECR placements.
 - Within IJB directed services a shortfall on the delivery of efficiency in a number of areas is the key reason for the reported overspend.
- 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. The graph below compares efficiency savings allocated to services and compares this with the trajectory submitted as part of the local delivery plan.

Efficiency Trajectory
2017/18



- Based on current information the Board will achieve £8.6m of efficiency this financial year. This is lower than anticipated in the financial plan due to limited delivery of the 3% efficiency target and schemes carried forward from last financial year. Section 4 of the report provides detail on actual delivery of efficiency compared with the draft efficiency plan.
- Discussions with SGHSCD are ongoing. The reported position at the end of August includes the use of £2m of capital funding to support revenue pressures and the impact of £500k additional funding from SGHSCD to offset changes to cross Border referral patterns.
- The IJB will receive an update on the pressures in the delegated and set aside budgets at its meeting on the 23rd October 2017. This will include an assessment of the financial impact of delayed discharges on the health system and a request for financial support to offset this.

- As at the end of August the Board is not on course to achieve its financial targets in 2017/18. Work is ongoing to address this however it should be noted that the majority of the actions being put in place are non recurring therefore the recurring financial position of NHS Borders remains concerning.
- Based on the financial position at the end of June projected to the year end the Board requested a financial recovery plan which will be presented at the October Board meeting.

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)	201.9	81.6	81.6	-
SGHSCD (additional to LDP)	21.2	8.8	8.8	-
Family Health Services (incl Non Cash Ltd)	10.2	4.3	4.3	-
External Healthcare Purchasers	3.9	1.7	1.7	-
Other	7.7	3.5	3.5	-
Clinical Boards	1.0	0.4	0.4	-
Total Income	245.9	100.3	100.3	-
Expenditure Resources				
Acute Services	74.3	31.3	35.0	(3.7)
External Healthcare Providers	24.6	10.3	10.7	(0.4)
IJB Directed Services (including efficiencies)	98.5	43.6	44.9	(1.3)
Corporate Directorates	33.2	13.2	13.4	(0.2)
Cost of Capital	3.7	1.5	1.5	-
Approved Funding Unallocated	14.1	1.2	-	1.2
Non IJB Unapplied Efficiencies:				
Recurring	(1.8)	-	-	-
Non-Recurring	(2.7)	-	-	-
Social Care Fund (not yet transferred)	2.0	-	-	-
Total Expenditure	245.9	101.1	105.5	(4.4)
Surplus/(Deficit) for period	-	(0.8)	(5.2)	(4.4)

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 August 2017.

Expenditure Resources

- Acute Services, including set aside budgets, are reporting an overspend of £3.7m. In the case of medical (£0.8m overspent) and nursing (£0.8m overspent) budgets additional costs have been incurred due to continuing activity pressures driven by the increased number of delayed discharges in the health system, acuity of patients and the need to cover staff absences. The monthly overspend level has reduced in recent months due to increased controls and are in line with the year end trajectory. Drugs costs continue to increase (£0.7m overspent) specifically for lucentis in ophthalmology and higher than anticipated patient numbers for GI healthcare at home. The reasons for this are being investigated. Unmet prescribing savings reported is generating £0.3m of the reported overspend. The 3% efficiency

requirement is adversely impacting on the financial position (£0.7m overspent) as a limited number of schemes have been implemented to address this target.

- External healthcare providers are £0.4m overspent based on activity information which has been received to the end of July. The key pressures are a high cost CAMHS inpatient in NHS Lothian, UNPACS activity and ECR placements.
- IJB directed services, excluding the set aside budgets which are included in acute services, are reporting (£1.3m) overspent in total at the end of August. The overspend is linked to efficiency shortfall in prescribing (£0.7m), the 3% challenge (£0.3m) and unmet savings carried forward from last financial year (£0.5m). In the case of prescribing costs there remains an unidentified gap in the savings programme and slippage on anticipated savings from a price reduction for the drug Pregablin. This position should be treated with a degree of caution as due to the normal processing timescales only 2 months price and 3 months volume information has been received to date. The position is partially offset by underspends in LD services and dental budgets.
- In the case of corporate services the overspend position (£0.2m) is linked to the 3% efficiency target which is proving challenging to deliver.
- Approved funding unallocated includes the contingency fund, SGHSCD ring fenced allocations or LDP identified funds linked to developments which have not yet been allocated to services. Following a review of these resources it has been agreed that some of this funding will be utilised to offset the financial pressures across the organisation. The year to date position includes five twelfths of the capital resources which will be used to support the revenue position and the additional SGHSCD allocation to support changes to cross border referral patterns.
- 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.
- The Board has taken a number of actions to offset the current financial position. These include a review of items held with the Board's balance sheet, increased controls on certain areas of expenditure, scrutiny of overspends and non delivery of efficiency as well as consideration of opportunities to generate additional funding. The recovery plan paper will provide detail on these actions.

Section 3 : Overview of Capital

Source of Funds

	£m
Sources of Funds	
Gross Capital Resource Limit (CRL)	5.7
eHealth Division IM&T Infrastructure	2.0
Approved Capital to Revenue Transfer	(2.0)
Total Capital Resources	5.7

- 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.
- SGHSCD have confirmed a £2m investment allocation for IM&T infrastructure.
- The Scottish Government have confirmed that the Board can utilise £2m of uncommitted capital resource to support the Board's revenue position.

Capital Expenditure

	Plan £m	Actual To Date £m
Community Health Centres & Primary Care	1.3	0.75
IM&T	1.2	0.0
eHealth Division IM&T Infrastructure	2.0	0.0
Medical & Radiology Equipment	0.5	0.13
Estates & Facilities	0.4	0.36
Other (including Feasibility Works)	0.3	0.11
Total	5.7	1.35

- The 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.
- The capital plan includes £3.2m relating to IM&T. Further work is being progressed on the Boards IM&T roadmap spending plan and the associated procurement requirements. A plan will be presented to the IM&T Programme Board on the 9th of November which will provide detail on the identified commitments against this funding and agree areas of the plan where it is possible to flex over the life of the project to ensure that the Capital Resource Limit is achieved at the end of this financial year.

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	0.1
3% Delegated Targets	4.0	4.0	2.1
Non Recurring Measures	3.5	0.7	0.7
Effective Prescribing	2.5	2.5	0.5
Unidentified	3.8	0	0
Total	15.7	7.2	3.4

- At the end of August NHS Borders is reporting that a total of £3.4m of savings have been delivered with associated funding transferred from operational budgets. £1.6m of this saving has been delivered on a recurring basis.
- In 2017/18 the overall efficiency target is £15.7m. (£12.9m recurring and £2.7m non recurring). NHS Borders is forecasting delivery of £8.6m against the required target of which £4.2m will be delivered on a recurring basis. This position has been built into the 2017/18 recovery plan. The current forecast recurring deficit against savings is £8.8m to be carried forward to next financial year.
- 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. £0.1m has been released from operational budgets as at the end of August. There is an assumption that a further £0.3m will be released as a result of clinical productivity savings.
- The 3% efficiency saving target of £4m has been allocated across the operational budgets with £2.1m of schemes (£1m recurring) delivered at the end of August 2017. The main areas of delivery to date are from estates and facilities, public health, mental health, out of hours service and Primary and Community services.
- In the case of non recurring measures £0.7m of savings have been actioned. It is anticipated that the balance of this target will be met from savings released in the final quarter of this 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. Work is ongoing with pharmacy colleagues in order to determine if slippage has occurred on specific projects and the impact on delivery of the savings this financial year. Linked to normal time delays in processing there is limited information to verify actual delivery at this stage in the financial year.
- The Board will end the financial year with a significant recurring deficit (estimated at £8.8m) on its efficiency target. In addition the board is likely to need to deliver further efficiencies to meet new financial pressures in 2018/19. It is imperative that there is increasing focus on delivering recurring efficiencies in order to ensure financial sustainability going forward.
- The Better Borders team has been established to support the longer term financial sustainability of NHS Borders through providing a systematic review of opportunities and developing and implementing a transformational change programme.

- A detailed report on efficiency is presented to each Strategy and Performance Committee.

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 £2.3m at the end of August on operational budgets (excluding the impact of efficiency targets and drugs costs). The overspend trend has slowed in recent months and the robust management that has been put in place must continue to minimise pressures. This will be increasingly challenging as we go into the winter months.
- 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 of services and the financial sustainability of the organisation. Services have confirmed the level of savings that will be delivered this financial year and budgets are being adjusted accordingly.
- Due to the limited amount of information available in the new financial year and the level of resources there remains a significant 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.
- 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.
- The Board will consider a recovery plan for 2017/18 at its meeting in October which will set out a number of actions to address the financial pressures. Whilst every effort has been made to ensure all likely additional costs and national, regional and local priorities have been incorporated into the forecast year end position, there remain a number of inherent uncertainties and risks. It is not possible to eradicate all financial risks facing individual services or the wider organisation.

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
LD	- Learning Disabilities