

**Borders NHS Board****2017/18 RECOVERY PLAN****Aim**

The aim of this report is to advise the Board of the projected 2017/18 year end financial position and proposed actions to deliver financial balance. This builds on the finance report which is presented at each Board meeting and the discussions that have taken place with the Board at development sessions on the 3<sup>rd</sup> August and 7<sup>th</sup> September 2017.

**Executive Summary**

The key points to note from this report are:

- As at the 31st August NHS Borders is reporting an overspend of £4.4m on revenue budgets.
- Based on the information currently available a significant projected year end overspend is forecast on operational budgets with the key overspending being IJB directed budgets (£3.9m) and set aside budgets (£4.1m).
- The Board has put in place a number of actions to reduce the projected position which will deliver a revised year end position of £0.965m overspent.
- The board is continuing to consider further actions to offset the financial risks it is facing with a view to ensuring financial targets are achieved. A finalised plan to deliver break even at 31<sup>st</sup> March 2018 is not in place at this time.
- There remains significant risks linked to the year end position and therefore led by the Board Executive Team there will be increased focus on the financial position and delivery of the recovery plan over the remaining months of the year.
- Due to the significant number of non recurring measures in the 2017/18 recovery plan the recurring position of NHS Borders remains an area of significant concern.

**Background**

At its meeting in April the Board approved a financial plan, as part of the local delivery plan (LDP) for 2017/18 which entailed an efficiency savings delivery of £12.9m recurrently and £2.7m on a non recurring basis and noted a projected shortfall totalling £3.8m on this requirement.

As indicated in the Board finance report the organisation has encountered a number of pressures to date in the financial year, principally linked to operational service delivery and slippage on the delivery of the draft efficiency programme.

Taking these factors into account the quarter 1 review and year end projection forecast that the Board was not on course to deliver financial balance.

This report considers:

- The financial position as at end of August 2017.

- The forecast year end position at 31<sup>st</sup> March 2018 (including assumptions).
- The opportunities and action to address the position.
- The governance arrangements put in place to ensure delivery of the financial targets in 2017/18.
- The risks associated with the recovery plan.
- The 2018/19 and onwards financial outlook.

### Financial Position as at End of August 2017

The Board at its meeting on the 26<sup>th</sup> October 2017 will receive a finance report to the end of August which details an overspend of £4.4m. The key pressures 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.

The financial position at the end of August is in line with current year end projection.

### Forecast Year End Position at 31<sup>st</sup> March 2018

The Board have discussed at recent development sessions the forecast year end position on operational budgets and the projected shortfall on the delivery of efficiency. This is summarised in the table below and shows a project overspend at £11.8m. The key areas of and reasons for the overspend are included within the table.

	Operational Under/(Over) Spend £000s	Efficiency Under/(Over) Deliver £000s	Total Under/(Over) Variance £000s
<b>IJB</b>			
Operational Budgets	(250)	-	(250)
GP Prescribing	-	-	-
Efficiency	-	(3,653)	(3,653)
<b>Total IJB</b>	<b>(250)</b>	<b>(3,653)</b>	<b>(3,903)</b>
<b>Set Aside</b>			
Operational Budgets	(950)	-	(950)
Surge Beds	(1,000)	-	(1,000)
Vacancies	(495)	-	(495)
Clinical Risk	(961)	-	(961)
Efficiency	-	(665)	(665)
<b>Total Set Aside</b>	<b>(3,406)</b>	<b>(665)</b>	<b>(4,071)</b>
<b>Acute</b>			
Operational Budgets	(314)	-	(314)
Vacancies	(50)	-	(50)
Clinical Risk	(71)	-	(71)
Absences	(385)	-	(385)
Efficiency	-	(1,865)	(1,865)
<b>Total Acute</b>	<b>(820)</b>	<b>(1,865)</b>	<b>(2,865)</b>
<b>Corporate</b>	<b>(246)</b>	<b>-</b>	<b>(246)</b>
<b>External Healthcare</b>	<b>(950)</b>	<b>-</b>	<b>(950)</b>
<b>Total Operational Position</b>	<b>(5,672)</b>	<b>(6,183)</b>	<b>(11,855)</b>

This forecast position is based on a number of key assumptions:

- Robust management of all budgets across the organisation is in place with particular focus on the controls on the use of agency staff.
- All Clinical Boards and departments achieve the revised agreed out turn position.
- The allowance made for the winter plan is sufficient to deal with actual costs.
- Income from Non Borders residents continues as expected.
- There are no new national or local issues which impact on prescribing costs and delivery of savings including the allocation and spend on drugs associated with the new medicines fund.
- External healthcare spend is based on the current patient cohort and normal referral patterns.
- The level of spend related to the achievement of waiting times is no more than that received from Scottish Government (SG).
- No new developments are approved unless funding sources have been identified.

### Opportunities and Action to Address the Position

As reported at the September development session a range of actions and measures have been identified that will seek to reduce the projected overspend, thereby minimising the Board's shortfall on delivering a breakeven position. The Borders Executive Team has focused its attention in recent weeks on this work and this report provides an update to the Board on the progress with these initiatives. Each element is detailed below with comment on progress to date and impact on the forecast financial position.

Element	Comment	Operational Under/Overspend £000s	Efficiency Under/Over Delivery £000s	Total Under/Over Variance £000s
Operational Position	Based on August position project to 31 <sup>st</sup> March 2018	(5,672)	(6,183)	(11,855)
Contingency	In financial plan agreed at Board meeting in April 2017			2,000
Technical Adjustments/ LDP Slippage	Detailed list of items has been finalised			5,890
Flexible Use of Capital Resources to Support the Revenue Position	Reflected in September Allocation			2,000
Funding Flexibility linked to activity flows	Email received from SG but not yet in allocation			500
Acute/Set Aside additional measures	The full detail of how this will be delivered has not yet been finalised.			500
Revised Operational Position				(965)

Based on the actions agreed to date the forecast year end position remains a projected overspend of £965,000. Work is ongoing to further reduce this position. The following key areas are being considered to support delivery of the financial position:

- Support from the Integration Joint Board (IJB) on the impact of delayed discharges on the health system is being requested. It is critical that the impact is recognised and the estimated additional cost of £1m incurred by NHS Borders is funded.
- Supplies costs are being reviewed to ensure the most cost effective products are utilised by services.
- Controls are being considered to delay the recruitment of non critical posts by three months.
- The Director of Pharmacy will present to the Board at its meeting in October proposals on how prescribing costs could be further reduced.
- Increased controls will be put in place from 1<sup>st</sup> November for areas of discretionary spend such as printing, stationery, non business critical equipment, the engagement of external contractors, training which is not statutory or mandatory etc.
- Further areas of efficiency could be implemented. A key focus is on the schemes which were included in the draft programme but have not delivered this financial year.
- There will be increased scrutiny of projected overspending areas to reduce costs.
- Consideration will be given to how non recurring ring fenced allocations which the Board receives over the remainder of the financial year can be used to support the financial position.
- Consideration if the potential deterioration of performance targets can support the financial position.
- Accounting policies are being reviewed.
- The Board will ask the IJB to provide support from the Integrated Care Fund for specific projects.

Dialogue with the Scottish Government on the Board's financial position is ongoing. A meeting took place on the 5<sup>th</sup> October 2017 with the next update scheduled for November. The Board should not underestimate the challenge it is facing to deliver its financial targets in 2017/18. The achievement of a break even position will require senior leadership, operational management focus and continued attention. Given the recent high profile external reports, the pressures of winter and the requirement to meet performance targets this will be extremely testing for the Board and the organisation.

## **Governance**

The Board Executive Team is providing oversight and direction to the priority areas of work to ensure delivery of the financial targets in 2017/18. Each action is being led by a named Executive Director with weekly updates provided on areas of exception. They are supported by the Financial Resources Group who has as a standing agenda item the 2017/18 recovery plan. Operational services are being supported if required by the Better Borders team to deliver on agreed trajectories and schemes. The purpose of this approach is to accelerate delivery and improve the executive understanding and ability to influence and drive the programme of work.

The Board will provide an update to the IJB on its financial situation and recovery plan and will look for support linked principally to the impact of delayed discharges and direction in delivery of financial targets.

Ongoing engagement with staff and other partners is essential to ensure transparency and delivery of the plan. Updates will be provided to the Area Partnership Forum, Executive Management Team and other key groups as well as communicated across the organisation.

## **Risks**

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. Specific risks to be noted include the impact of:

- Management of in year run rate in operational services to deliver the projected year end position.
- Availability of the workforce.
- The level of delayed discharges in the health system.
- Winter.
- Ongoing delivery of in year savings targets including medicines.
- Impact of national price changes to medicines and the introduction of new high cost medicines.
- Out of areas referrals, particularly high cost placements.
- Expectation that performance targets will be delivered.

These key risks will be monitored to ensure early identification of issues and assessment of likely impact on the year end position.

## **2018/19 Onwards Financial Outlook**

There remains a significant concern that the majority of the opportunities and actions delivered as part of the 2017/18 recovery plan are non recurring. Based on current information the Board is forecast to end the financial year with an estimated recurring deficit of £8.8m, an increase from the £4.9m recurring deficit at the start of 2017/18. Over the coming months the Board will discuss in more detail the financial outlook. It is anticipated that the Board will receive a draft allocation for 2018/19 and some indication of the prospect for future years late in December. Nevertheless it is clear that the outlook remains increasingly challenging. Not only will the Board be required to address the recurring deficit of £8.8m but will also need to deliver further efficiencies to meet future pressures.

Work will continue over the coming weeks and months as the Better Borders transformation programme develops further and individual workstreams provide greater clarity on the likely financial impact. In addition, a further assessment of the in year position following the mid year results will bring greater clarity on the recurring impact of any existing or emerging cost pressures. There are limited plans in place for future financial years and it is imperative that the Board remains alert to the financial challenge it faces.

It is planned to present a paper detailing the financial outlook to the Board at its meeting on the 18<sup>th</sup> January 2018.

## Summary

As indicated in previous reports the Board approved a financial plan for 2017/18 with a projected shortfall of £3.8m and has during the year to date encountered a number of financial pressures, principally in the IJB delegated and set aside budgets. A recovery plan has been developed and a programmes of actions, led by the Board Executive Team, has been put in place to address the forecast overspend. Based on information currently available and not without risk these actions will reduce the year end projected overspend position to £0.965m. Work is ongoing to ensure delivery of financial targets but at this time a balanced recovery plan is not in place. The majority of actions that have been put in place are non recurring therefore the recurring financial position of NHS Borders is a major area of concern. The financial position needs to be a key area of focus for the Board and organisation and it is proposed that an updated recovery plan is presented to the Board meeting on the 7<sup>th</sup> December 2017.

## Recommendation

The Board is asked to **note** the update on the year end recovery plan.

The Board is asked to **request** a further update on the recovery plan at the Board meeting on the 7<sup>th</sup> December 2017.

<b>Policy/Strategy Implications</b>	Based on Scottish Parliament Budget & draft allocation letter. Takes account of financial planning/horizon scanning undertaken by the Board
<b>Consultation</b>	Ongoing presentations across the organisation
<b>Consultation with Professional Committees</b>	Ongoing presentations across the organisation
<b>Risk Assessment</b>	The range in the paper gives an indication of the risk
<b>Compliance with Board Policy requirements on Equality and Diversity</b>	Complete
<b>Resource/Staffing Implications</b>	As detailed in the paper

## Approved by

Name	Designation	Name	Designation
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## Author(s)

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