Borders NHS Board

FINANCE REPORT FOR THE EIGHT MONTH PERIOD TO 30TH NOVEMBER 2017

Aim

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

Executive Summary

The Board are asked to note the following key points:

- At the end of November 2017 the Board is reporting an overspend position of £5.1m 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 acute services in the BGH and IJB directed services. The impact on these areas of higher than anticipated activity due to winter pressures has been assessed however this is a high risk area in terms of year end forecasting.
- 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 £8.3m in year which is a reduction from the level previously reported.
- 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 November includes the impact of the use of resources identified as part of the recovery plan which was presented to the Board at its meeting on the 7th of December 2017.
- Based on a number of assumptions and caveated with some significant risks the Board is forecasting a break even position at 31st March 2018. However it should be noted this is as a result of many non recurring actions which cannot be repeated and therefore the recurring financial position of the organisation remains concerning.
- Linked to the national capital programme following discussion with SGHSD the Board has received a further £1.3m in capital resource this financial year. Although reporting a break even position at the end of November on capital budgets there remains much to do in the final months of the financial year to ensure the Capital Resource Limit is delivered.

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
Carol Gillie	Director of Finance, Procurement, Estates & Facilities		

Author(s)

Name	Designation	Name	Designation
Vivienne Buchan	Senior Finance Manager		

Contents

The financial monitoring report contains the following:

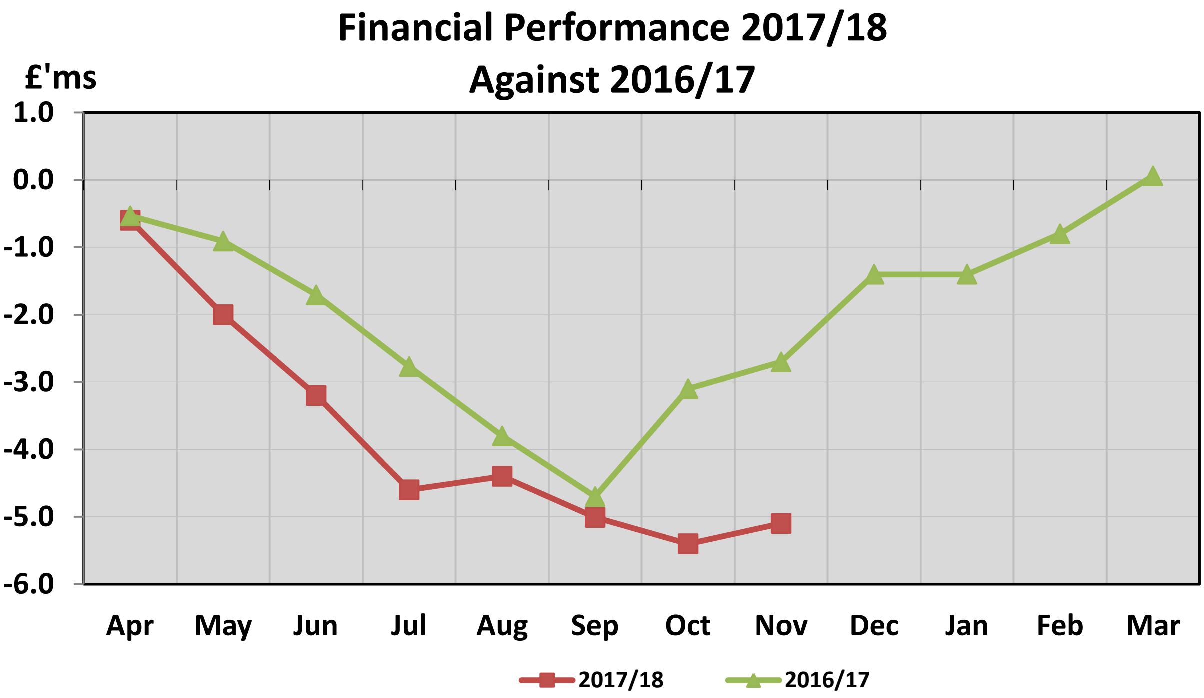
Section:

Section 1: General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	249.8	162.7	162.7	-
Expenditure	249.8	160.3	165.4	(5.1)
Surplus/(Deficit) for Period	**-**	**(2.4)**	**(2.7)**	**(5.1)**
Capital Expenditure	7.1	2.0	2.0	0

- At 30th November 2017 the Board is reporting an overall position of £5.1m 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 (£5.1m), IJB directed services (£2.5m) and external healthcare providers (£0.7m). Additional resources confirmed 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.



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

- The key points to note at the month eight position are:

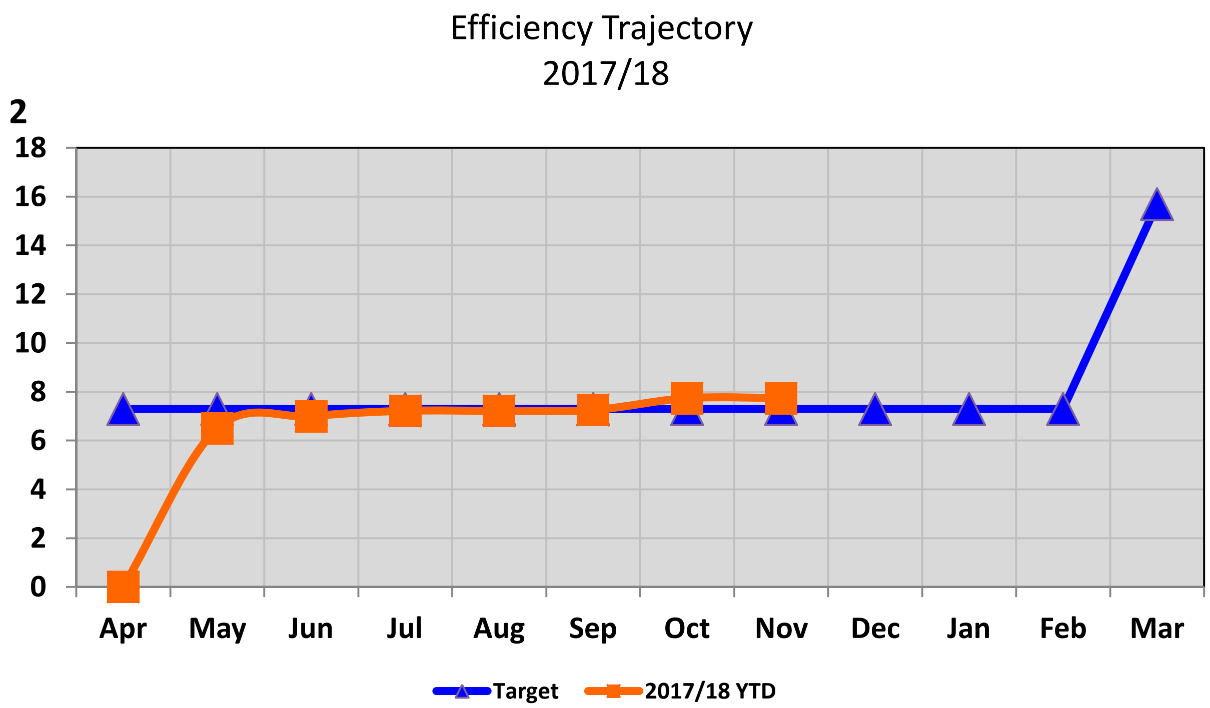
  - ➢ The Acute Services, including set aside budgets, are overspent on expenditure budgets by £5.1m in total. This is due to increased medical

(£1m), nursing (£1.1m) staffing overspends, drug costs of (£0.9m) and unachieved efficiency targets of (£1.8m). The shortfall on efficiency includes £0.6m which relates to drugs efficiency for which no plans are in place.

- External healthcare providers are £0.7m overspent generated by higher than anticipated UNPACS activity and high cost ECR placements.
- Within IJB directed services a shortfall on the delivery of efficiency in a number of areas and continued pressure on GP prescribing budgets (£1.4m) are 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 progress to date compared with the trajectory submitted as part of the local delivery plan.



- Based on current information the Board will achieve £8.3m of efficiency this financial year. This is lower than anticipated in the financial plan due to limited delivery of the 3% efficiency target, effective prescribing 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.

- As set out in the December Board recovery plan paper, the reported position at the end of November 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, release of some approved but not yet allocated funding, some technical balance sheet adjustments. The additional £1m of funds directed from the IJB linked to the cost of delayed discharge occupied bed days has also been input into the appropriate expenditure headings. The measures detailed above have a positive impact on the financial position in November and offset the forecast reduction in the level of efficiency savings which will be delivered this year.

- The Board was presented with an update on the 2017/18 financial recovery plan at the December Board meeting. It is anticipated that the shortfall in the delivery of the efficiency plan and the existing operational pressures will be mitigated through the implementation of the measures detailed in this financial recovery plan.

- Based on a number of assumptions and caveated with some significant risks the Board is forecasting a break even position at 31st March 2018. However it should be noted this is as a result of many non recurring actions which cannot be repeated and therefore the recurring financial position of the organisation remains concerning.

- At the end of November the Board has spent £2m of its £7.1m of capital resources. Section 3 of this report gives further information on the capital plan. There is still a significant amount of work to be done in the remainder of the year to ensure the Capital Resource Limit is achieved.

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)	197.7	131.8	131.8	-
SGHSCD (additional to LDP)	28.6	14.9	14.9	-
Family Health Services (incl Non Cash Ltd)	10.2	6.8	6.8	-
External Healthcare Purchasers	3.9	2.7	2.7	-
Other	8.3	5.8	5.8	-
Clinical Boards	1.1	0.7	0.7	-
Total Income	**249.8**	**162.7**	**162.7**	**-**
Expenditure Resources				
Acute Services	76.8	51.2	56.3	(5.1)
External Healthcare Providers	24.7	16.5	17.2	(0.7)
IJB Directed Services (including efficiencies)	99.5	65.1	67.6	(2.5)
Corporate Directorates	33.5	21.7	21.8	(0.1)
Cost of Capital	3.7	2.5	2.5	-
Approved Funding Unallocated	14.9	3.3	-	3.3
Non IJB Unapplied Efficiencies:				
Recurring	(1.8)	-	-	-
Non-Recurring	(1.8)	-	-	-
IJB Social Care Fund (not yet transferred)	0.3	-	-	-
Total Expenditure	**249.8**	**160.3**	**165.4**	**(5.1)**
Surplus/(Deficit) for period	**-**	**(2.4)**	**(2.7)**	**(5.1)**

Income Resources

- The SGHSCD allocations shown in the report are in line with the agreed allocations received and an estimate of the anticipated allocations expected for 2017/18.

- Currently overall the income budgets are reporting a breakeven position in total at the end of November 2017.

Expenditure Resources

- Acute Services, including set aside budgets, are reporting an overspend of £5.1m. In the case of medical and nursing budgets additional costs have been incurred due to activity pressures, increased acuity of patients and the need to cover staff absences. This is partially offset by the allocation of funding from the IJB (£1m) to support the cost of surge beds required as a result of the level of delayed discharge occupied bed days across the organisation. Drugs costs are £0.7m overspent specifically for lucentis in ophthalmology and higher than anticipated patient numbers for GI healthcare at home. The 3% efficiency requirement and unidentified drugs efficiency target are adversely impacting on the financial position (£1.8m overspent).

- External healthcare providers are £0.7m overspent at the end of November. The key continuing pressures are UNPACS activity and ECR placements. Patient information received for UNPACs is based on actual information received to the end of September 17. Estimates have been made for October and November based on last year's outturn figures. The adverse variance relating to ECR placements is due to high cost cases.

- IJB directed services, excluding the set aside budgets which are included in acute services, are reporting (£2.5m) overspent in total at the end of November. The overspend is linked to prescribing (£1.4m) main related to the shortfall in achievement of efficiency, the 3% challenge (£0.3m) and unmet savings carried forward from last financial year (£0.8m). In the case of prescribing costs there remains an unidentified gap in the savings programme and slippage on anticipated savings due to the anticipated expiry of the patent on the drug Pregablin. Further information received from pharmacy has identified that savings anticipated from Respiratory will be slower than expected but will release the full amount in 2018/19 and Diabetes will not release. The financial plan has been updated to include the impact of this further slippage on savings schemes.

- In the case of corporate services the overspend position (£0.1m) reported is due to a combination of unmet 3% efficiency savings targets across all areas and specifically operational budget overspends within facilities linked to higher than anticipated supplies costs.

- £3.3m has been phased into the November financial position reflecting 8/12 of the £2m capital funding to support revenue pressures, the additional £0.5m SGHSCD support to reflect changes in cross border referrals, non recurring slippage and in year flexibility identified in the year end financial planning process.

Section 3 : Overview of Capital

Source of Funds

	£m
Opening Capital Resource Limit (CRL)	5.8
Additional eHealth Division IM&T Infrastructure	2.0
Anticipated SG Allocation – Priority Medical & Radiology Equipment	0.3
Anticipated SG Allocation – Road to Digital	1.0
Transfer of Capital to Support 2017/18 Revenue	(2.0)
Total Capital Resource Limit (CRL)	**7.1**

- Within the opening CRL 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. Linked to the national capital position NHS Borders has been allocated additional funding to support priority Medical and Radiology equipment replacement.

- The Board has also received a further £1m to support the Road to Digital Programme. A paper detailing the impact of this funding will be presented to the Board at its meeting in January.

Capital Expenditure

	Plan £m	Actual To Date £m
Community Health Centres & Primary Care	1.0	0.9
IM&T Road to Digital	3.8	0.2
Medical & Radiology Equipment	1.5	0.3
Estates & Facilities	0.4	0.4
Other (including Feasibility Works)	0.4	0.2
Total	**7.1**	**2.0**

- The main areas of spend to date include the construction works of the Primary Care Schemes at Eyemouth Health Centre, Knoll Health Centre and Roxburgh Street Replacement Surgery. Purchase of agreed items within the rolling replacement programmes for estates and medical (including radiology) equipment is progressing.

- There has been limited spend to date on the Board's IM&T Road to Digital programme which forms a significant part of the current year Capital Plan. The 2017/18 investment plan for the programme was agreed at the Board meeting on the 7th of December and orders totalling £3.46m have now been placed covering significant elements of the programme.

- Eight months into the financial year £2m of the £7.1m capital resource has been spent. There is still much to do to ensure the capital resource limit is achieved by the 31st March 2018.

Section 4 : Efficiency Programme - Savings Targets

Scheme	Plan £m	Allocated To Services £m	Delivered To date £m
2016/17 Carry forward Schemes	1.9	0.1	0.1
3% Delegated Targets	4.0	4.0	2.5
Non Recurring Measures	3.5	1.7	1.7
Effective Prescribing	2.5	2.5	1.8
Unidentified	3.8	0.0	0.0
Total	**15.7**	**8.3**	**6.2**

- At the end of November NHS Borders is reporting that a total of £6.2m of savings have been delivered with associated funding transferred from operational budgets. £2.7m of this saving has been delivered on a recurring basis.

- In 2017/18 the overall efficiency target is £15.7m (£12.9m recurring and £2.8m non recurring). NHS Borders is forecasting delivery of £8.3m against the required target of which £4.1m will be delivered on a recurring basis. This level of savings is a reduction from the £9.1m previously reported and is linked to slippage on the clinical productivity project and some areas within effective prescribing.

- The 2016/17 Carry forward schemes of £1.9m includes £0.3m relating to clinical productivity. The plan to release the clinical productivity has slipped in to next year. The Executive Lead has been asked to consider any alternative sources for savings this financial year. Non delivery of these anticipated savings has been factored into this year's outturn.

- In the case of non recurring measures £1.7m of savings have been actioned and as planned there are a number of further schemes which 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 as anticipated. For example drugs which were expected to come off patent in 2017/18 may not do so until 2017/18. Due to slippage on the planned review of patient's savings anticipated from Respiratory drugs will not be released until next financial year. The Director of Pharmacy has been asked to identify any potential areas for savings to offset this slippage. The impact of slippage on savings schemes have been quantified and are reflected in the projected financial outturn. There is a risk associated with the confirmation of primary care prescribing savings linked to normal time delays in receiving information.

- 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.

- Continuing pressures exist linked to high patient activity and the impact of winter on hospital admissions in Acute Services. The financial consequences are being closely monitored and continue to be a risk due to the unpredictability of the associated costs. It will be increasingly challenging for all budgets to stay within trajectory as we progress through the winter months.

- Across the organisation there is a need to implement plans included in the draft efficiency programme. 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. However as highlighted in November there continues to be a risk of slippage.

- Due to the time delay in information available there remains a significant risk associated with drugs costs particularly primary care prescribing. 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 continues to be a risk area for NHs Borders. The Commissioning Team will continue to monitor the situation and highlight any potential risks.

- 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 recovery plan for 2017/18 presented at the December meeting continues to be reviewed and updated as appropriate. The impact of slippage of the efficiency programme has been offset by non recurring measures linked to ring fenced funding and balance sheet flexibility. The options available going forward to offset pressures are limited. 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.

- Due to a number of non recurring measures that have been put in place during 2017/18 to deliver the financial position financial sustainability is a major risk to the organisation going forward.

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