

Borders NHS Board



FINANCE REPORT FOR THE ELEVEN MONTH PERIOD TO 28TH FEBRUARY 2018

Aim

The purpose of this report is to advise the Board of the financial position as at 28th February 2018.

Executive Summary

The Board are asked to note the following key points:

- At the end of February 2018 the Board is reporting an overspend position of £2.4m on revenue and break even on capital. The overspend trend on revenue has slowed due to actions taken to mitigate the financial position.
- The main pressures continue to be acute services in the BGH and IJB directed services due to the impact of higher than anticipated activity.
- 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.
- NHS Borders has a contingency fund in 2017/18 of £2m which has not been factored into the position at the end of February. The reported position includes the impact of the use of resources identified as part of the recovery plan.
- 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.
- Although there remains much to do in the final month of the financial year the Board is forecasting the Capital Resource Limit will be 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		

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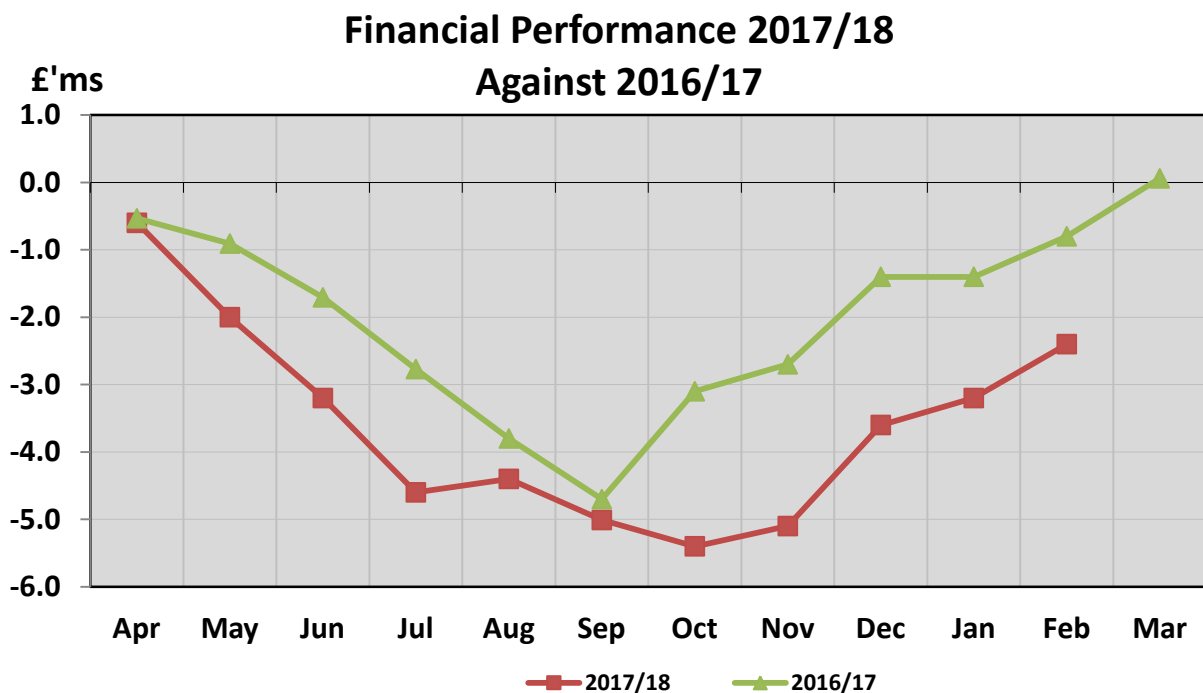
Section:

1. General Overview
2. Overall Income and Expenditure Summary of Operational Budgets
3. Overview of Capital
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Section 1: General Overview

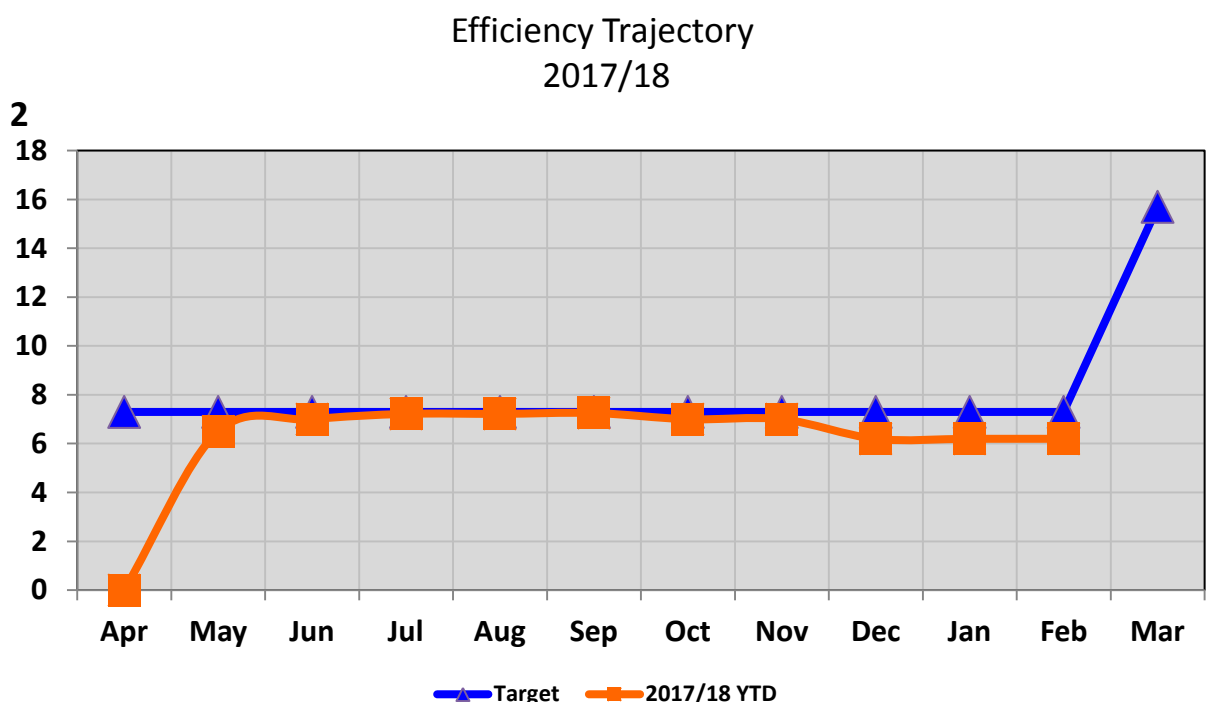
	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	252.3	226.1	226.2	0.1
Expenditure	252.3	223.3	225.8	(2.5)
Surplus/(Deficit) for Period	-	(2.8)	0.4	(2.4)
Capital Expenditure	7.1	5.5	5.5	0

- At 28th February 2018 the Board is reporting an overall position of £2.4m 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 (£5.9m), IJB directed services (£3.6m) and external healthcare providers (£0.7m). Additional resources to support the financial position as detailed in the recovery plan 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 eleven twelfths of the 3% efficiency challenge which has been allocated to services.

- The key points to note at the month eleven position are:
 - The Acute Services, including set aside budgets, are overspent on expenditure budgets by £5.9m in total. There has been improvement in the reported position on medical staffing as a result of a reduction in agency costs. The continuing overspend generated by nursing budgets (£1.3m as at the end of February) is a result of increased hospital activity and high sickness levels recorded over the winter period. Drug costs and unachieved efficiency targets generated overspends of £0.5m and £1.7m respectively at the end of February. The shortfall on efficiency includes £0.7m 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 (£1.4m) in a number of areas and continued pressure on GP prescribing budgets (£2.2m) are the key reasons 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 recovery plan paper presented to the Board in December, the reported position 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 and 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.
- 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.
- The Board continues to forecast 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 February the Board has spent £5.5m 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 to ensure the Capital Resource Limit is achieved. The Board will receive a capital update at its meeting on 5th April 2018.

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	181.2	181.2	0
SGHSCD (additional to LDP)	30.6	23.2	23.2	0
Family Health Services (incl Non Cash Ltd)	10.5	9.4	9.4	0
External Healthcare Purchasers	3.9	3.6	3.7	0.1
Other	8.5	7.7	7.7	0
Clinical Boards	1.1	1.0	1.0	0
Total Income	252.3	226.1	226.2	0.1
Expenditure Resources				
Acute Services	77.8	71.2	77.1	(5.9)
External Healthcare Providers	24.8	22.7	23.4	(0.7)
IJB Directed Services (including efficiencies)	99.6	88.7	92.3	(3.6)
Corporate Directorates	33.4	29.6	29.6	0
Cost of Capital	3.7	3.4	3.4	0
Approved Funding Unallocated	16.1	7.7	0	7.7
Non IJB Unapplied Efficiencies:				
Recurring	(4.0)	0	0	0
Non-Recurring	0.6	0	0	0
IJB Social Care Fund (not yet transferred)	0.3	0	0	0
Total Expenditure	252.3	223.3	225.8	(2.5)
Surplus/(Deficit) for period	0	(2.8)	0.4	(2.4)

Income Resources

- Currently overall the income budgets are reporting an over recovery of £0.1m due to commissioning income received for OATS and UNPACs. The over achievement is offsetting an under recovery of Lothian SLA income.

Expenditure Resources

- Acute Services, including set aside budgets, are reporting an overspend of £5.9m. Additional costs have been incurred due to activity pressures, increased acuity of patients and the need to cover staff absences. In February increased costs are partially offset by funding from the IJB (£1m) for surge beds required for the level of delayed discharge occupied bed days across the organisation. The non delivery of the 3% efficiency requirement and unidentified drugs efficiency target continued to adversely impact on the financial position generating £1.7m of the reported overspend.

- External healthcare providers are £0.7m overspent at the end of February. The reported position has reduced slightly due to costing data received from NHS Lothian in relation to the East Coast Costing model, where a rate reduction has been applied to in year activity levels that are lower than the three year average base value included in the Service Level Agreement. The reported overspend is due to continuing pressures from UNPACS activity and ECR placements.
- IJB directed services, excluding the set aside budgets which are included in acute services, are reporting (£3.6m) overspent in total at the end of February. The overspend is linked to prescribing (£2.2m) related to the shortfall in achievement of efficiency and increases in price, the 3% challenge (£0.4m) and unmet savings carried forward from last financial year (£1m).
- Corporate services are reporting a breakeven position at the end of February due to vacancies offsetting the financial impact of balance of unmet 3% efficiency savings targets.
- £7.7m has been phased into the February financial position which includes £2m capital funding to support revenue pressures, the additional £0.5m SGHSCD resources to reflect changes in cross border referrals, non recurring slippage and in year flexibility. These are in line with the financial recovery presented to the Board at its December meeting.

Section 3 : Overview of Capital

Source of Funds

	£m
Opening Capital Resource Limit (CRL)	5.8
Additional eHealth Division IM&T Infrastructure	2.0
Additional SG Allocation – Priority Medical & Radiology Equipment	0.3
Additional 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 £3m in total to support the Road to Digital Programme.

Capital Expenditure

	Plan £m	Actual To Date £m
Community Health Centres & Primary Care	1.0	0.9
IM&T Road to Digital	3.5	3.0
Medical & Radiology Equipment	1.8	0.8
Estates & Facilities	0.4	0.4
Other (including Feasibility Works)	0.4	0.3
Total	7.1	5.5

- 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.
- The delivery of a significant number of the individual hardware and software elements of the IM&T Road to Digital capital expenditure items have been received during the month of February.

- Eleven months into the financial year £5.5m of the £7.1m capital resource has been spent. The balance of spend relating to medical & radiology items of equipment and the IM&T programme will utilise the remaining capital resource by the 31st March 2018.
- An update report on capital, which details how funding will be utilised in the last month of the financial year will be presented to the Board at its meeting on the 5th April 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 February 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 the case of non recurring measures £1.7m of savings have been progressed and as planned schemes relating to the technical review of balance sheet items are to be actioned in the last month of the financial year.
- 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.
- Non delivery of these anticipated savings has been factored into this year's outturn.
- The Board will end the financial year with a significant recurring deficit (estimated at £8.8m) on its efficiency target. In addition the Board will 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 delays in Acute Services. The financial consequences are being closely monitored. It is imperative that these are addressed and do not become a pressure in the new financial year.
- Due to the time delay in information available there remains a risk associated with drugs costs particularly primary care prescribing.
- 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.
- Services have confirmed the level of savings that will be delivered this financial year and budgets are being adjusted accordingly. If there is further slippage on the delivery of recurring savings this will have an impact in the 2018/19.
- The Board will end the financial year with a significant recurring deficit (estimated at £8.8m) on its efficiency target. In addition the Board will 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.
- 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