

Borders NHS Board



FINANCE REPORT FOR THE TWO MONTH PERIOD TO 31ST MAY 2018

Aim

The purpose of this report is to advise the Board of the financial position as at 31st May 2018.

The Board is asked to note the change to the format of the finance report and to provide feedback on the amendments that have been made.

It should be noted that the reported position is based on only two months of the new financial year and may be impacted by the ongoing finalisation of the 2017/18 accounts.

Executive Summary

The Board are asked to note the following key points:

- At the end of May 2018 the Board is reporting an overspend position of £2.7m on revenue and break even on capital. The overspend on revenue is as a result of pressures on operational budgets and the financial impact of the unidentified savings gap.
- The main operational pressures are generated in nursing budgets in acute and set aside services in the BGH due to the impact of higher than anticipated activity levels, patient acuity and costs associated with absence cover.
- The Board has agreed delivery of efficiency savings of £11.6m of which only £2.6m is anticipated to be on a recurring basis. Further unidentified savings of £13.2m is required in order for NHS Borders to achieve a balanced financial plan in 2018/19. Two twelfths of the unidentified savings target is reflected in the reported position.
- NHS Borders has a contingency fund in 2018/19 of £2m which has not been factored into the position at the end of May.
- The financial position at the end of month two gives cause for concern. The shortfall on efficiency is in line with the financial plan however in addition there are operational pressures on nursing budgets.

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 Business Units 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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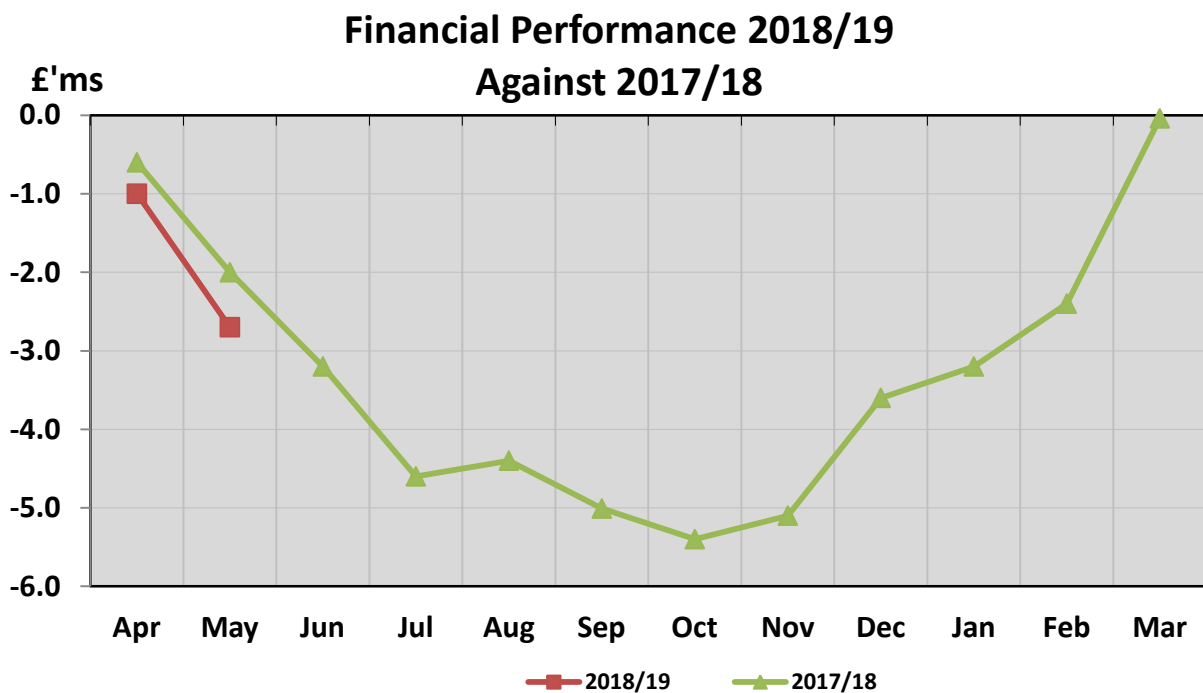
Section 1 : General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	245.9	36.5	36.4	(0.1)
Expenditure	245.9	36.0	38.6	(2.6)
Surplus/(Deficit) for Period	-	(0.5)	(2.2)	(2.7)
Capital Expenditure	7.9	0.4	0.4	0

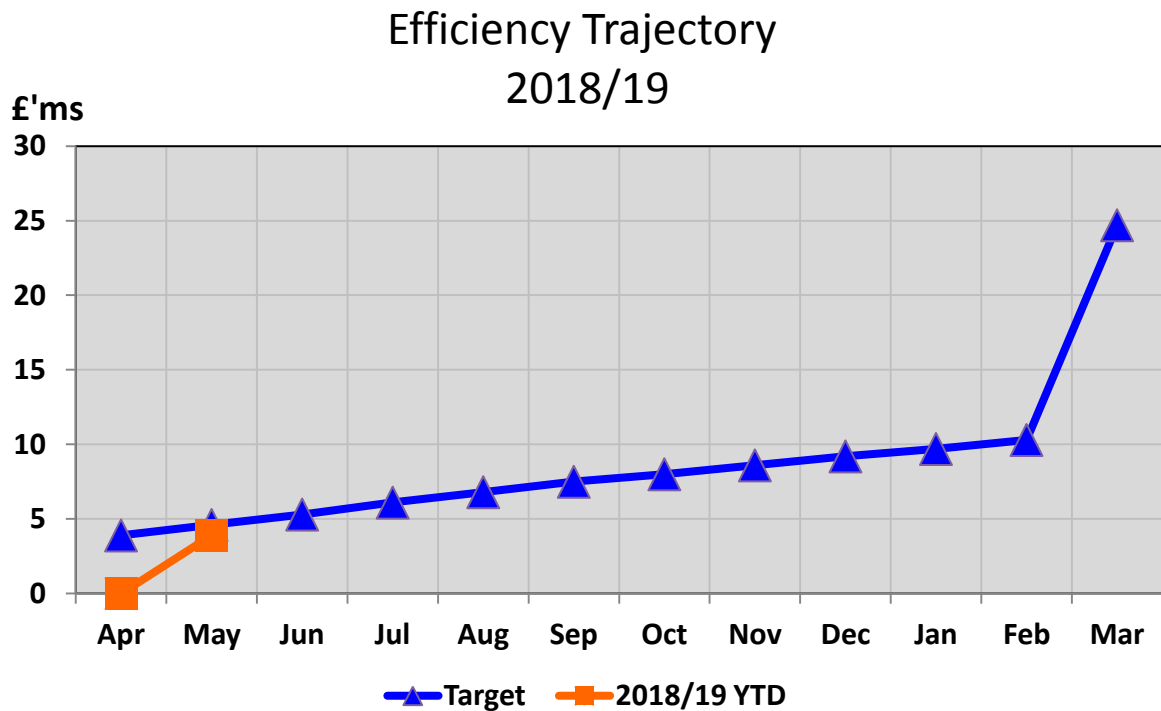
At 31st of May 2018 the Board is reporting an overall position of £2.7m overspent. This position includes the impact of the financial gap of £13.2m reported as unidentified savings in the 2018/19 financial plan. Total capital resources for 2018/19 are £7.9m with a spend of £0.4m recorded as at the end of May.

The graph below shows the level of revenue overspend month by month for 2018/19 compared with the previous financial year.

The level of overspend is higher than last year at this time.



The graph below compares efficiency progress to date compared with the trajectory submitted as part of the 2018/19 operational financial plan.



Further detail on efficiencies is provided in section 3 of this report. The operational financial plan assumed that savings of £4.6m would be delivered as at the end of May 2018. The total delivery as at the end of May is 3.9m of which £3.5m relates to slippage on LDP investments with the remainder being two twelfths of business as usual and prescribing savings allocated to 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
Total Income Resources	245.9	36.5	36.4	(0.1)
Expenditure Resources				
Acute Services	56.8	9.8	10.0	(0.2)
Set Aside	21.1	3.5	3.8	(0.3)
IJB Directed Services	99.9	14.4	14.6	(0.2)
Corporate Directorates	29.7	5.2	5.3	(0.1)
Cost of Capital	3.7	0.6	0.6	-
External Healthcare Providers	24.0	4.1	4.3	(0.2)
Approved Funding Unallocated	22.9	0.4	-	0.4
Unidentified Savings(excl IJB) Recurring	(8.1)	(1.4)	-	(1.4)
Unidentified Savings(excl IJB) Non Recurring	(4.1)	(0.6)	-	(0.6)
Total Expenditure	245.9	36.0	38.6	(2.6)
Surplus/(Deficit) for period	0	(0.5)	(2.2)	(2.7)

Expenditure for Acute Services, Set Aside and IJB Directed Services are reported net of income and efficiency targets.

In summary the Board is reporting a shortfall on income of £0.1m and an overspend on expenditure budgets of £2.6m. This section of the report will review each of the lines in the table above in more detail.

Income Resources

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHSCD Base Allocation	200.7	32.9	32.9	-
SGHSCD Anticipated Allocations	23.6	-	-	-
Family Health Services	10.2	1.7	1.7	-
External Healthcare Purchasers	3.9	0.7	0.6	(0.1)
Total Income	245.9	36.5	36.4	(0.1)

The key source of income is the SGHSCD base allocation of £200.7m which includes a 1.5% increase from the level of recurring resources received in 2017/18.

At the end of May it has been anticipated that a number of further allocations will be received from SGHSCD totalling £23.6m including resources for the following - Primary Medical Services, Agenda for Change pay award costs, Access funding, eHealth and Public Dental services.

Income budgets are reporting an under recovery of £0.1m linked to the Lothian SLA.

Expenditure Resources

Acute Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Surgery	5.1	0.9	0.9	-
Orthopaedics	6.7	1.1	1.2	(0.1)
Ophthalmology	1.6	0.3	0.3	-
Theatres and Critical Care	9.7	1.6	1.6	-
Obstetrics & Gynaecology	5.7	0.9	0.9	-
Paediatrics	3.8	0.7	0.7	-
Outpatients	1.5	0.3	0.3	-
Cancer Services	2.8	0.8	0.8	-
Diagnostics	9.9	1.7	1.7	-
Pharmacy	3.1	0.5	0.5	-
Community Nursing (excluding IJB)	2.9	0.5	0.6	(0.1)
Planned Care – Other	4.0	0.5	0.5	-
Total	56.8	9.8	10.0	(0.2)

Acute Services are reporting an overspend of £0.2m in total at the end of May 2018. The Orthopaedics service has incurred additional nursing costs in Ward 9 due to patient acuity and the requirement to hire of a specialist spinal bed. In Community Nursing there are staffing pressures in school nursing/health visiting in the Eildon and Tweeddale areas and as a result a review of current nursing establishment levels is being undertaken by the service manager.

Set Aside

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Medicine	12.3	2.0	2.2	(0.2)
Medicine for the Elderly	6.4	1.1	1.2	(0.1)
Accident and Emergency	2.5	0.4	0.4	-
Total	21.1	3.5	3.8	(0.3)

Set aside budgets, are reporting an overspend of £0.3m in total. The key pressure area is nursing costs due to high patient acuity/ one to one care (£28k), absence cover (£75k) and the staffing of surge beds (£103k) which remain open due to the impact of delayed

discharge occupied bed days. Increases in drugs costs are being reviewed by the pharmacy team.

Processes to ensure that additional nursing staff are only deployed where a clear need is identified and are in every case signed off by nursing management are being implemented. Review meetings are taking place with ward management and HR to ensure that the sickness absence policy is being followed. The Associate Director of Nursing has instigated weekly meetings with Clinical Nurse Managers to review each ward area in detail.

IJB Directed Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Mental Health	13.9	2.2	2.2	-
Learning Disability	0.9	0.1	0.1	-
Allied Health Professionals	5.6	0.9	0.9	-
PACs	32.5	4.8	4.8	-
Primary Care Prescribing	21.7	3.8	4.0	(0.2)
Family Health Services	10.2	1.7	1.7	-
External Providers	5.7	0.9	0.9	-
Social Care Fund	7.4	-	-	-
Integrated Care Fund	2.0	-	-	-
Total	99.9	14.4	14.6	(0.2)

IJB directed services are reporting £0.2m overspent in total at the end of May 2018. The reported position on primary care prescribing is based on estimates as in line with normal timescales no information is yet available for the new financial year, however there remains a shortfall on the achievement of efficiency savings which is impacting on the reported position.

Corporate Directorates

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Director of Nursing	1.8	0.3	0.3	-
Executive Services	1.7	0.3	0.3	-
Director of Finance	2.7	0.4	0.4	-
Medical Director	0.9	0.1	0.1	-
Planning & Performance	4.7	0.6	0.7	(0.1)
Workforce	1.4	0.2	0.2	-
Pharmacy	3.7	0.7	0.7	-
Estates and Facilities	14.8	2.6	2.6	-
Central Savings Schemes	(2.0)	-	-	
Total	29.7	5.2	5.3	(0.1)

Corporate services are reporting an overspend of £0.1m at the end of May 2018. The position is generated by historical savings targets in IM&T and higher than budgeted costs incurred for medical records due to the usage of bank to support high demand in the service. An action plan to address the situation is being progressed.

External Healthcare Purchasers

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SLA – Lothian	19.5	3.3	3.3	-
SLA – Northumberland	0.7	0.1	0.1	-
SLA – NHSS	0.4	0.1	0.1	-
OATs	0.2	-	-	-
Private Ecrs	0.7	0.1	0.2	(0.1)
Scottish UNPACs	2.3	0.5	0.6	(0.1)
Grants	0.2	-	-	-
Total	24.0	4.1	4.3	(0.2)

External healthcare providers are £0.2m overspent at the end of May 2018. The key issue is the unplanned treatment of two high cost patients in NHS Greater Glasgow and Clyde.

Approved Funding Unallocated

Total approved funding of £22.9m is reported as unallocated at the end of May 2018. This includes funding which has been set aside in the annual operational plan for specific purposes or is anticipated from SGHSCD. An example of this is pay award funding as the new pay rates have not yet been implemented. This heading also includes the Board's £2m contingency fund. Approved unallocated funding is transferred to operational budgets in line with spending plans. Pay award uplift will be allocated in line with the agreed implementation date for new rates and arrears of pay. The Board will continue to monitor the balance held under unallocated approved funding in 2018/19.

Unidentified Savings (excluding IJB)

The financial plan agreed by the Board at its April meeting identified a financial challenge of £24.8m with savings plans of £11.6m identified to meet this level. Identified savings, the IJB's previous year unmet savings targets and primary care prescribing savings requirements have been allocated with the balance of unidentified savings reported within this heading. Further detail is provided in Section 3 of this report.

Year End Forecast

NHS Borders is committed to maintaining financial balance through integrated and focused working as well as seeking out efficiencies. This is becoming increasingly challenging given the economic environment and the high level of efficiencies to be achieved whilst sustaining the range of services currently provided, ensuring accessible healthcare across remote and rural areas; managing increased demand generated through population growth and public expectations and delivering HEAT trajectories. Although financial balance is a requirement the board will not in delivery of financial targets compromise patient safety. Based on current information NHS Borders will not deliver its financial targets in 2018/19. Discussions with SGHSCD are ongoing on how this situation will be addressed.

Section 3 : Efficiency Programme - Savings Targets

	Savings Requirement	Identified Savings	Agreed Saving Schemes	Agreed Saving Schemes YTD	Agreed Projects RAG Status
	£m	£m	£m	£m	
Acute Services	5.3	1.1	1.1	0.2	G
Set Aside	4.9	-	-	-	-
IJB Directed Services	6.0	2.2	1.2	0.2	A
Corporate Directorates	8.6	8.3	3.5	3.5	G
Total	24.8	11.6	5.8	3.9	

RAG definition:

- Red - no plans yet agreed/ issues with deliverability
- Amber - some plans agreed/potential issues with deliverability
- Green - full plans agreed/no issues with deliverability

The level of efficiency savings required to be delivered in 2018/19 is £24.8m. This is a substantial and challenging target and includes the following components:

- The carry forward from 2017/18 of recurring unmet efficiency levels totalling £8.8m (Acute £1.7m, Set Aside £0.5m, IJB Delegated £3.4m and Other £3.2m).
- The shortfall between the cost pressures identified in 2018/19 and the level of uplift provided which totals £8.9m.
- Operational pressures of £7.1m are included in the efficiency requirement.

Efficiency action plans have been developed including the delivery of business as usual savings and redesign of a number of service areas. This will deliver planned savings of £11.6m in total in 2017/18. (Acute services £1.1m, IJB Delegated £2.2m and Other £8.3m).

In the above table the 'Agreed savings' detail schemes which have been actioned to operational budgets for the period of this report which total £5.8m (£0.8m Acute services, £0.3m acute drugs, £1.2m GP prescribing and £3.5m from slippage on LDP investments). At the end of May £3.9m of these schemes are reflected in the financial position.

Business units have agreed in total to deliver £2.4m from business as usual savings in 2018/19. Schemes not yet actioned to operational budgets at the end of May include Primary and Community Services £0.4m, Mental Health £0.5m and Corporate Services £0.7m. Work is ongoing with senior management within these services to enable release of savings for the June reported position.

Delivery of the level of efficiency challenge NHS Borders faces is unprecedented with the redesign of services and shifting the balance of care directed through transformational change delivered through the Better Borders Programme.

There remains an in balance between recurring and non recurring efficiencies which must be addressed in order for the Board to manage the recurring deficit. The Board has agreed delivery of efficiency savings of £11.6m of which only £2.6m is anticipated to be delivered on a permanent basis.

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

Section 4 : Overview of Capital**Source of Funds**

	£m
Opening Capital Resource Limit (CRL)	2.36
Clinical Strategy	0.80
Primary Care Premises Programme	0.99
SG eHealth Division IM&T Investment (TBC)	1.54
Reinstatement of 17/18 Capital to Revenue Transfer (TBC)	2.00
SG requested Capital to Revenue – not confirmed	(1.00)
Slippage Agreed on Fluoroscopy Equipment	0.35
Additional resource Elective capacity/decant/winter facility	0.75
Potential Property Sale proceeds	0.10
Total Capital Resource Plan	7.89

NHS Borders formula capital allocation (CRL) for 2018/19 is £2.4m. The opening CRL has been supplemented by additional funding of £0.75m secured to support a planned development to deliver an elective bed capacity/decant/winter pressure facility. The table above includes the impact of agreed slippage from schemes in previous years and the capital to revenue transfers to support the Board revenue position.

Capital Expenditure

	Actual to Date £m	Plan £m
Borders Campus Development	-	0.10
Elective Facility/Decant/Winter Pressures	-	0.75
Mental Health Risk mitigation East Brig	0.02	0.02
Primary Care Premises (West Linton, Earlston & Melrose)	0.02	1.10
IM&T Road to Digital – core capital	0.16	0.50
IM&T Road to Digital – business case – tbc	-	1.54
Rolling Programmes:		
IM&T	-	0.30
Estates & State of the Estate backlog	0.05	0.95
Medical Equipment	-	0.34
Radiology Replacement Programme	0.05	0.51
Project Management & Feasibility	0.05	0.34
Uncommitted resource	-	1.35
Uncommitted resource dependant on Capital Property sale proceeds	-	0.10
Total	0.35	7.89

The areas of capital spend to date relate to the following:

- The final aspects of the risk mitigation works at East Brig.
- Preparatory work in the Primary Care Premises programme Implementation of the IM&T Road to Digital programme phase 1.
- Rolling Programme – delivery of elements of the prioritised programme.
- Radiology Equipment accommodation works to house fluoroscopy equipment purchase.
- The costs associated with the Capital Planning Project Management Team.

The Board will be presented with a detailed paper for the Elective capacity/decant/winter pressure facility at its meeting in June.

Section 5 : Risk

This section highlights to the Board the key risks currently facing the organisation in achieving its financial targets.

The Board does not have a balanced financial plan and based on current information will not deliver its financial targets in 2018/19.

The key issue facing the organisation is the unmet efficiency gap. The Board needs to focus on agreeing and delivering efficiency savings to address the financial challenge it is facing in year and recurrently.

Nursing costs have been higher than anticipated in the first two months of the financial year. It is imperative that this situation is addressed and nursing costs are managed to budget.

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. It is critical these savings are delivered.

The Board needs to agree with SGHSCD how financial targets will be met in 2018/19. It is likely the Board will require the board to request a level brokerage and award of this funding will be dependent on the Board having a place a plan on how it will return to recurring balance.

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