

**Borders NHS Board**



## **FINANCE REPORT FOR THE THREE MONTH PERIOD TO 30<sup>TH</sup> JUNE 2018**

### **Aim**

The purpose of this report is to advise the Board of the financial position as at 30<sup>th</sup> June 2018.

### **Executive Summary**

The Board are asked to note the following key points:

- At the end of June 2018 the Board is reporting an overspend position of £4.3m 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 pressure is in nursing budgets in set aside services in the BGH due to the impact of higher than anticipated activity levels, patient acuity/ one to one requirements and costs associated with sickness cover. Corporate Services are also showing an overspend position linked to the delivery of business as usual savings.
- NHS Borders has a contingency fund in 2018/19 of £2m which has not been factored into the position at the end of June.
- The financial position at the end of month three gives cause for concern. The shortfall on efficiency saving was as anticipated in the financial plan however in addition there are operational pressures on nursing budgets and slippage on the delivery of business as usual efficiency which are adversely impacting on the financial position.
- Given the financial pressures the Board is facing discussions with SGHSCD on the delivery of financial targets in 2018/19 are ongoing.

### **Recommendation**

The Board is asked to **note** the report and consider the current financial position.

<b>Policy/Strategy Implications</b>	Impact on statutory financial targets.
<b>Consultation</b>	Supporting reports have been presented to Business Units and Budget Managers.
<b>Consultation with Professional</b>	N/A

<b>Committees</b>	
<b>Risk Assessment</b>	Risks are covered in the risk section of the report.
<b>Compliance with Board Policy requirements on Equality and Diversity</b>	Compliant.
<b>Resource/Staffing Implications</b>	As described in the paper.

**Approved by**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
Carol Gillie	Director of Finance, Procurement, Estates & Facilities		

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Vivienne Buchan	Senior Finance Manager		

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### **Section**

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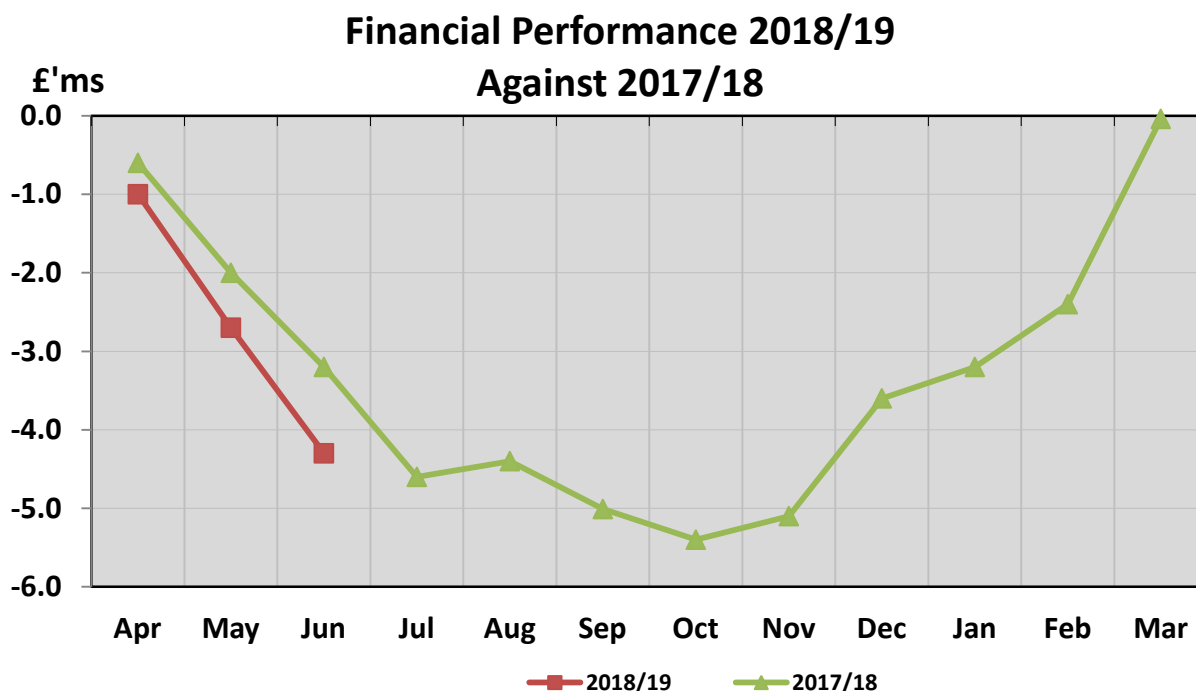
## Section 1 : General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	244.2	54.3	54.2	(0.1)
Expenditure	244.2	53.8	58.0	(4.2)
<b>Surplus/(Deficit) for Period</b>	-	<b>(0.5)</b>	<b>(3.8)</b>	<b>(4.3)</b>
Capital Expenditure	7.9	0.6	0.6	0

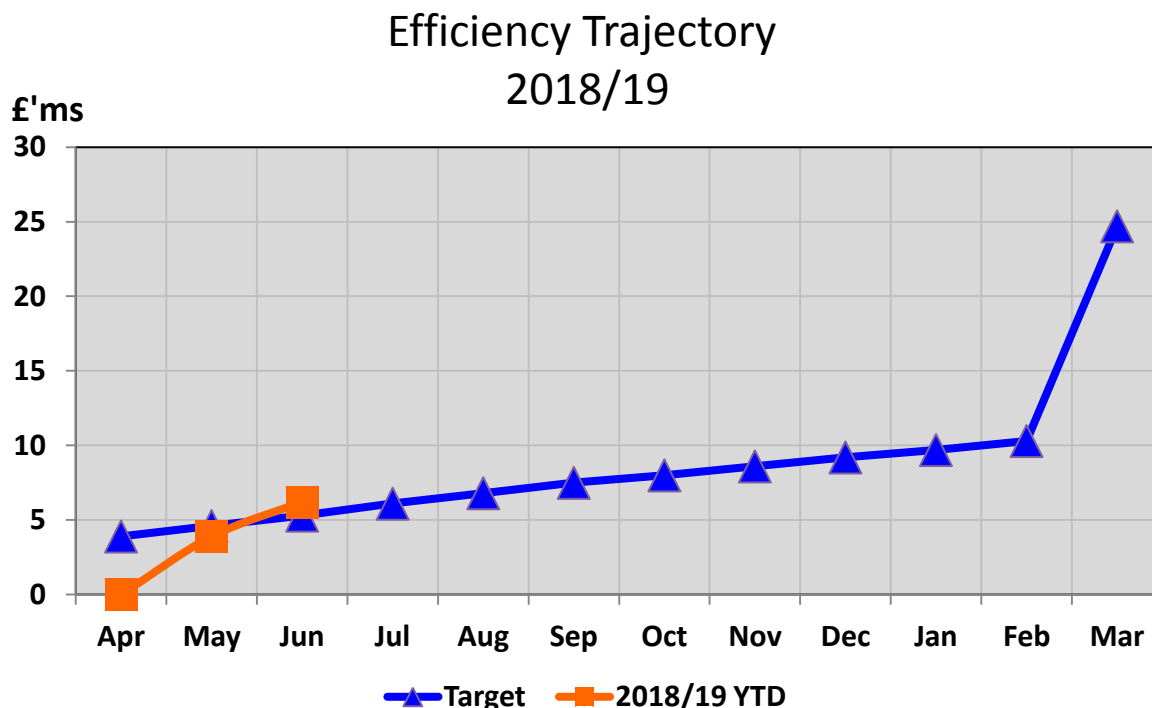
At 30<sup>th</sup> of June 2018 the Board is reporting an overall position of £4.3m overspent. This position includes the impact of unidentified savings requirement in the 2018/19 financial plan. The key operational pressures are nursing costs in the BGH and slippage on business as usual savings which unless addressed will adversely impact on the forecast year end financial position. Total estimated capital resources for 2018/19 are £7.9m with a spend of £0.6m recorded as at the end of June.

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 the first quarter of last financial year and higher than anticipated in the financial plan at this point in the year.



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 5.3m would be delivered as at the end of June 2018. The total delivery as at the end of the first quarter is £6.2m of which £1m has been delivered on a recurring basis. This above trajectory position reflects the £1.7m additional efficiency schemes which have been identified since the financial plan was agreed by the Board in April.

The financial plan which the Board agreed at the start of the year was unbalanced and the level of unidentified efficiency savings remains the key issue. In addition although resources have been provided to support agreed pressures nursing budgets are reporting overspent three months into the financial year.

## Section 2 : Overall Income and Expenditure Summary

### Operational Income and Expenditure Budgets

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
<b>Total Income Resources</b>	<b>244.2</b>	<b>54.3</b>	<b>54.2</b>	<b>(0.1)</b>
<b>Expenditure Resources</b>				
Acute Services	57.7	14.7	14.8	(0.1)
Set Aside	21.4	5.4	5.9	(0.5)
IJB Directed Services	99.8	22.0	23.4	(1.4)
Corporate Directorates	24.8	6.2	7.1	(0.9)
Cost of Capital	3.7	0.9	0.9	-
External Healthcare Providers	25.3	5.9	5.9	-
Approved Funding Unallocated	18.2	0.2	-	0.2
Unidentified Savings(excl IJB) Recurring	(6.1)	(1.4)	-	(1.4)
Unidentified Savings(excl IJB) Non Recurring	(0.6)	(0.1)	-	(0.1)
<b>Total Expenditure</b>	<b>244.2</b>	<b>53.8</b>	<b>58.0</b>	<b>(4.2)</b>
<b>Surplus/(Deficit) for period</b>	<b>0</b>	<b>(0.5)</b>	<b>(3.8)</b>	<b>(4.3)</b>

Business unit expenditure is reported net of relevant income and efficiency targets.

In summary the Board is reporting a shortfall on income of £0.1m and an overspend on expenditure budgets of £4.2m. This section of the report will review each element of the overall budget in more detail.

### Income Resources

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHSCD Base Allocation	202.4	49.4	49.4	-
SGHSCD Anticipated Allocations	22.4	-	-	-
Family Health Services	10.2	2.5	2.5	-
External Healthcare Purchasers	3.9	1.0	0.9	(0.1)
Other Income	5.3	1.4	1.4	
<b>Total Income</b>	<b>244.2</b>	<b>54.3</b>	<b>54.2</b>	<b>(0.1)</b>

The key source of income is the SGHSCD allocation of £202.4m which includes a 1.5% increase from the level of recurring resources received in 2017/18.

At the end of June it has been anticipated that a number of further allocations will be received from SGHSCD totalling £22.4m including resources for the following - Primary Medical Services, Agenda for Change above 1% pay award costs, Access funding tranche 2, eHealth and Public Dental services.

Total income budgets are reporting an under recovery of £0.1m linked to a reduction in the level of patient activity from NHS Lothian.

## Expenditure Resources

### Acute Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Surgery	5.1	1.3	1.4	(0.1)
Orthopaedics	6.8	1.7	1.8	(0.1)
Ophthalmology	1.8	0.5	0.5	-
Theatres and Critical Care	9.8	2.5	2.5	-
Obstetrics & Gynaecology	5.5	1.4	1.4	-
Paediatrics	4.0	1.0	1.0	-
Outpatients	1.4	0.4	0.4	-
Cancer Services	3.0	1.1	1.1	-
Diagnostics	10.0	2.4	2.4	-
Pharmacy	3.1	0.8	0.8	-
Community Nursing (excluding IJB)	2.9	0.7	0.8	(0.1)
Planned Care – Other	4.3	0.9	0.7	0.2
<b>Total</b>	<b>57.7</b>	<b>14.7</b>	<b>14.8</b>	<b>(0.1)</b>

Ward nursing costs (£0.08m) continue to overspend in both General Surgery and Orthopaedics due to the level of patient acuity and high sickness levels. The Associate Director of Nursing has introduced weekly meeting with Clinical Service Managers to review the nursing position in order to ensure that sickness absence is managed as per policy and to confirm that all use of supplementary staff is linked to patient safety. Funding for supplies pressures is reported under planned care other heading. Community nursing budgets are reporting an overspend on school nursing/health visiting. The service manager is currently reviewing nursing establishments comparing resource availability with service requirement.

### Set Aside

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Medicine	12.5	3.2	3.5	(0.3)
Medicine for the Elderly	6.4	1.6	1.8	(0.2)
Accident and Emergency	2.5	0.6	0.6	-
<b>Total</b>	<b>21.4</b>	<b>5.4</b>	<b>5.9</b>	<b>(0.5)</b>

The key pressure area in BGH is nursing costs due to high patient acuity/ one to one care (£91k), sickness cover (£173k) and the requirement to open additional beds to deal with the impact of delayed discharges.

In order to minimise the use of agency staff nursing management have implemented a process whereby every request must be signed off by either the Associate Nurse Director of Nursing for the BGH or the Director of Nursing in her absence. As previously stated

weekly meetings have been implemented to ensure that all HR policies are being followed and all requests for supplementary staff are linked to patient safety. An action plan to address the current nursing pressure and year end trajectory has been requested.

### IJB Directed Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Mental Health	13.5	3.2	3.2	-
Learning Disability	0.8	0.2	0.2	-
Allied Health Professionals	5.7	1.4	1.5	(0.1)
PACs	36.5	8.3	8.3	-
Primary Care Prescribing	22.9	5.6	5.7	(0.1)
Family Health Services	10.2	2.5	2.5	-
External Providers	5.6	2.0	2.0	-
Social Care Fund	7.4	-	-	-
Integrated Care Fund	2.0	-	-	-
IJB Unidentified Savings	(4.8)	(1.2)		(1.2)
<b>Total</b>	<b>99.8</b>	<b>22.0</b>	<b>23.4</b>	<b>(1.4)</b>

IJB directed services are reporting £1.4m overspent at the end of June 2018. The reported position is mainly due to non achievement of savings targets. There remains £4.8m of savings with no identified plans and the delivery of planned savings has been slower than predicted. The Chief Officer has been requested to address this issue. The overspend reported on primary care prescribing is based on estimates as in line with normal timescales limited information has been received to date.

### Corporate Directorates

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Director of Nursing	2.0	0.4	0.4	-
Executive Services	1.9	0.5	0.5	-
Director of Finance	2.6	0.5	0.5	-
Medical Director	0.8	0.1	0.1	-
Planning & Performance	4.7	0.8	1.1	(0.3)
Public Health	1.4	0.2	0.2	-
Workforce	1.5	0.2	0.2	-
Estates and Facilities	14.0	4.0	4.1	(0.1)
Central Savings Schemes	(4.1)	(0.5)	-	(0.5)
<b>Total</b>	<b>24.8</b>	<b>6.2</b>	<b>7.1</b>	<b>(0.9)</b>

The position is generated by unmet historical savings targets in IM&T and higher than budgeted costs incurred for medical records. An action plan to address the situation is being progressed with the service manager. Estates & Facilities are overspent due to the financial impact of slippage on agreed business as usual savings and a shortfall in income received from staff accommodation charges for the residences. The reported central savings schemes under recovery is 3/12<sup>th</sup> of the anticipated reduction in costs which will



be achieved through impact of the £2.1m non recurring funding which has been provided to the IJB. To date no costs savings have been identified.

### External Healthcare Purchasers

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SLA – Lothian	20.5	4.9	4.9	-
SLA – Northumberland	0.8	0.1	0.1	-
SLA – NHSS	0.4	0.1	0.1	-
OATs	0.2	-	-	-
Private ECRs	0.9	0.2	0.2	-
Scottish UNPACs	2.3	0.6	0.6	-
Grants	0.2	-	-	-
<b>Total</b>	<b>25.3</b>	<b>5.9</b>	<b>5.9</b>	<b>-</b>

External healthcare providers are break even at the end of June 2018 following the allocation of identified cost pressure funding as agreed in the financial plan.

### Approved Funding Unallocated

Total approved funding of £17.6m is reported as unallocated at the end of June 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. The Board will continue to monitor the balance held under this heading.

### Unidentified Savings (excluding IJB)

In line with the Scheme of Integration 2018/19 IJB savings requirements including unidentified savings is reported within IJB directed services. For all other areas of the organisation unidentified savings are reported within this heading.

### 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 compromise patient safety in order to achieve its financial targets. 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. More detailed year end forecast information will be reported in future finance reports to the Board.

**Section 3 : Efficiency Programme - Savings Targets**

	<b>Savings Requirement</b>	<b>Identified Savings</b>	<b>Agreed Saving Schemes</b>	<b>Agreed Saving Schemes YTD</b>	<b>Agreed Projects RAG Status</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Acute Services	5.3	2.2	2.2	1.4	G
Set Aside	4.9	0.1	0.1	0.1	G
IJB Directed Services	6.0	2.3	2.3	0.6	A
Other	8.6	8.7	6.9	4.1	A
<b>Total</b>	<b>24.8</b>	<b>13.3</b>	<b>11.5</b>	<b>6.2</b>	

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.

Further work following the Board meeting in April 2018 has identified additional efficiency savings which will increase the level of savings that will be delivered this financial year from £11.6m to £13.3m. The details of these additional savings are as follows:

- Actions to reduce cost pressures proposed by services £0.3m.
- Waiting times funding identified within the financial plan £1m.
- In year slippage on investments £0.4m.

There remains a shortfall on the efficiency savings requirement of £11.5m. Work is ongoing to reduce this gap.

The level of efficiency challenge NHS Borders faces is unprecedented and will require the redesign of services and shifting the balance of care. To take this forward a transformational change programme Better Borders has been set up. An update on the programme will be provided in a separate report to the Board in August.

Good progress continues to be made on agreed savings schemes for 2018/19 however there has been slippage in a number of areas particularly within the IJB directed services and the impact of the £2.1m of non recurring resources that has been provided to the IJB. This needs to be addressed.

There remains an imbalance between recurring and non recurring efficiencies. The Board has agreed delivery of efficiency savings of £13.3m of which only £3.3m is anticipated to be delivered on a recurring basis. Delivery as at the end of June is £6.2m of which £1m is recurring.

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

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

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

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. It should be noted that a number of elements of capital funding have not yet been confirmed with SGHSCD.

## 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	0.32	0.50
IM&T Road to Digital – business case –not confirmed	-	1.54
Rolling Programmes:		
IM&T	-	0.30
Estates & State of the Estate backlog	0.07	0.95
Medical Equipment	0.08	0.34
Radiology Replacement Programme	0.05	0.51
Project Management & Feasibility	0.07	0.34
Uncommitted resource	-	1.35
Uncommitted resource dependant on Capital Property sale proceeds	-	0.10
<b>Total</b>	<b>0.63</b>	<b>7.89</b>

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 for West Linton and Earlston.
- 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.

Based on confirmation of capital resources with a spend of £0.6m there is much to do to ensure the CRL target will be delivered this financial year. The key areas which require focus are:

- IM&T Road to Digital – a paper is planned for the September Board meeting.
- Elective Facility/Decant/Winter Pressures – the Board will receive an update at the August meeting.
- Primary Care Premises – the Board will consider a report on issues relating to the Melrose Health Centre in the autumn.

## 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. Work is ongoing with SGHSCD to address this situation.

The key issue facing the organisation is the unidentified 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.

Services have confirmed the level of savings that will be delivered this financial year and budgets are being adjusted accordingly. There has been slippage on anticipated delivery in a number of areas and it is critical these savings are achieved.

Nursing costs have been higher than anticipated in the first three months of the financial year. It is imperative that this situation is addressed and nursing costs are managed to budget. A trajectory on nursing costs for the remainder of the year and an action plan to address the current pressure has been requested. This will require the support of the IJB as the main area of overspend is in the set aside budgets.

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 this continues to be a risk area for NHS Borders. The Commissioning Team will continue to monitor the situation and highlight any potential risks.

The level of capital resources available to the Board in 2018/19 needs to be finalised and spend plans for each scheme agreed to ensure the Capital Resource Level is delivered in 2018/19.

The Board needs to agree with SGHSCD how financial targets will be met in 2018/19. The Board has requested 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