

Borders NHS Board



FINANCE REPORT FOR THE FOUR MONTH PERIOD TO 31ST JULY 2018

Aim

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

Executive Summary

The Board are asked to note the following key points:

- At the end of July 2018 the Board is reporting an overspend position of £5.4m 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 a shortfall on the expected delivery of savings linked to the ring fenced funding which has been provided to the IJB.
- NHS Borders has a contingency fund in 2018/19 of £2m which has not been factored into the position at the end of July.
- The financial position at the end of month four gives cause for concern. The impact of the unidentified savings gap was as anticipated in the financial plan however in addition there are operational pressures on nursing budgets and slippage on the delivery of expected savings which are adversely impacting on the financial position.
- The Board will receive an updated 2018/19 to 2022/23 financial plan at its meeting on the 6th September 2018. The update details that the Board does not have a balanced financial plan over this period and will not achieve its financial targets in 2018/19 without additional funding in the form of brokerage.

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 | N/A |

| | |
|--|--|
| Committees | |
| 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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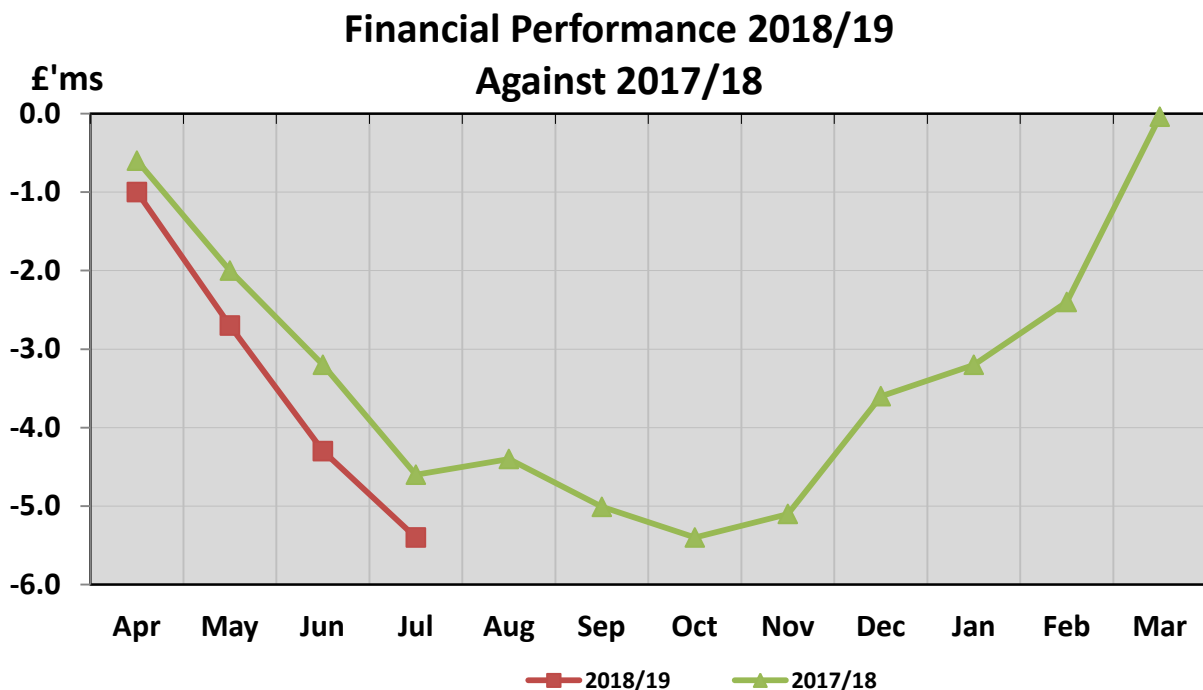
Section 1 : General Overview

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-------------------------------------|---------------------|------------------|------------------|--------------------|
| Income | 245.1 | 73.4 | 73.3 | (0.1) |
| Expenditure | 245.1 | 73.2 | 78.5 | (5.3) |
| Surplus/(Deficit) for Period | - | (0.2) | (5.2) | (5.4) |
| Capital Expenditure | 6.9 | 0.6 | 0.6 | 0 |

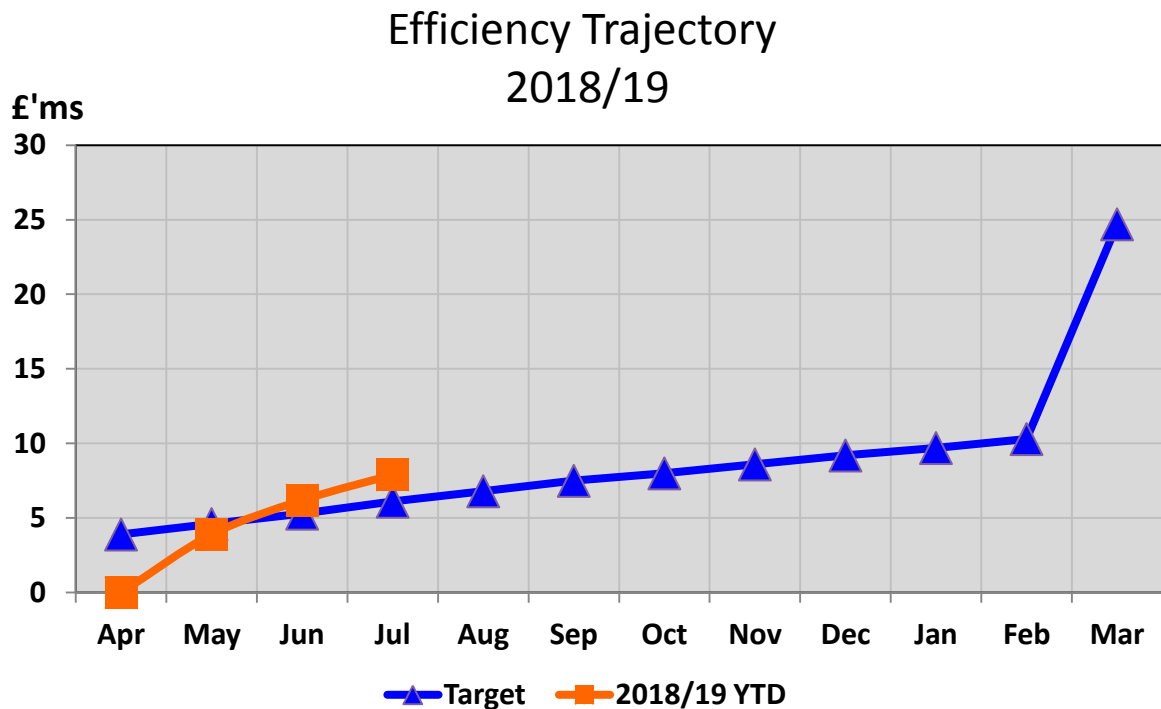
At 31st July 2018 the Board is reporting an overall position of £5.4m overspent. This position includes the impact of unidentified savings requirement in the 2018/19 financial plan. The key operational pressures are nursing costs in the BGH and slippage on expected savings which unless addressed will adversely impact on the forecast yearend financial position. Total estimated capital resources for 2018/19 are £6.9m with a spend of £0.6m reported as at the end of July.

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

The level of overspend is higher than for the same period of last financial year and higher than anticipated in the financial plan at this point in the year. This position is driven from the level of savings required and the in year cost pressures within nursing budgets.



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 £6.1m would be delivered as at the end of July 2018. The total delivery as at the end of July is £7.9m of which £6.3m 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 across a range of service and budget areas, nursing budgets are reporting overspent and there has been no delivery of savings linked to the ring fenced funding non recurrently provided to the IJB.

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 | 245.1 | 73.4 | 73.3 | (0.1) |
| Expenditure Resources | | | | |
| Acute Services | 57.8 | 19.7 | 19.8 | (0.1) |
| Set Aside | 22.1 | 7.4 | 8.0 | (0.6) |
| IJB Directed Services | 100.6 | 29.2 | 31.0 | (1.8) |
| Corporate Directorates | 25.7 | 9.3 | 10.2 | (0.9) |
| Cost of Capital | 3.7 | 1.2 | 1.2 | - |
| External Healthcare Providers | 25.3 | 8.2 | 8.3 | (0.1) |
| Approved Funding Unallocated | 15.9 | 0.2 | - | 0.2 |
| Unidentified Savings(excl IJB) Recurring | (5.4) | (1.8) | - | (1.8) |
| Unidentified Savings(excl IJB) Non Recurring | (0.6) | (0.2) | - | (0.2) |
| Total Expenditure | 245.1 | 73.2 | 78.5 | (5.3) |
| Surplus/(Deficit) for period | 0 | (0.2) | (5.2) | (5.4) |

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 £5.3m. 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 | 205.4 | 67.0 | 67.0 | - |
| SGHSCD Anticipated Allocations | 20.3 | - | - | - |
| Family Health Services | 10.2 | 3.4 | 3.4 | - |
| External Healthcare Purchasers | 3.9 | 1.3 | 1.3 | - |
| Other Income | 5.3 | 1.7 | 1.6 | (0.1) |
| Total Income | 245.1 | 73.4 | 73.3 | (0.1) |

The key source of income is the SGHSCD allocation of £205.4m which includes a 1.5% increase from the level of recurring resources received in 2017/18.

At the end of July it has been anticipated that a number of further allocations will be received from SGHSCD totalling £20.3m 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 at the end of July. The other income heading includes Road Traffic Accident income, Health Centre Rentals and VAT recoveries.

Expenditure Resources

Acute Services

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-----------------------------------|---------------------|------------------|------------------|--------------------|
| General Surgery | 5.1 | 1.7 | 1.8 | (0.1) |
| Orthopaedics | 6.9 | 2.3 | 2.4 | (0.1) |
| Ophthalmology | 1.8 | 0.6 | 0.6 | - |
| Theatres and Critical Care | 9.8 | 3.2 | 3.2 | - |
| Obstetrics & Gynaecology | 5.5 | 1.8 | 1.8 | - |
| Paediatrics | 4.0 | 1.4 | 1.4 | - |
| Outpatients | 1.5 | 0.5 | 0.5 | - |
| Cancer Services | 3.1 | 1.4 | 1.4 | - |
| Diagnostics | 10.2 | 3.5 | 3.5 | - |
| Pharmacy | 3.1 | 1.1 | 1.1 | - |
| Community Nursing (excluding IJB) | 2.9 | 1.0 | 1.1 | (0.1) |
| Planned Care – Other | 3.9 | 1.2 | 1.0 | 0.2 |
| Total | 57.8 | 19.7 | 19.8 | (0.1) |

Ward nursing costs continue to overspend (£0.1m) in both General Surgery and Orthopaedics. The level of overspend in ward 9 has decreased but continues in ward 7 due to high patient acuity and high sickness levels. The other main pressure in orthopaedics is Rheumatology drugs (overspent £0.1m) linked to a one off cost. Community nursing budgets are reporting an overspend on school nursing/health visiting which it is anticipated will be addressed by the end of the financial year.

Set Aside

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|--------------------------|---------------------|------------------|------------------|--------------------|
| General Medicine | 13.4 | 4.5 | 4.9 | (0.4) |
| Medicine for the Elderly | 6.2 | 2.1 | 2.3 | (0.2) |
| Accident and Emergency | 2.5 | 0.8 | 0.8 | - |
| Total | 22.1 | 7.4 | 8.0 | (0.6) |

The set aside budgets are the main pressure area within the BGH in particular the nursing costs (overspent £0.5m), as is the case with Acute Services the main reasons for the nursing overspend is high patient acuity/one to one care, sickness absence cover and the requirement to open additional beds to deal with the impact of delayed discharge occupied bed days.

Funding identified in the financial plan for additional winter beds has not yet been released as it is linked to the agreement of the winter plan. A new process being trialled for the one to one patient acuity is being led by the Clinical Nurse Manager in Medicine for the Elderly.

A year end trajectory for nursing budgets is currently being developed including the projected impact of the agreed actions which are being put in place.

IJB Directed Services

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|-----------------------------|---------------------|------------------|------------------|--------------------|
| Mental Health | 13.7 | 4.5 | 4.5 | - |
| Learning Disability | 0.8 | 0.3 | 0.3 | - |
| Allied Health Professionals | 5.9 | 1.9 | 2.0 | (0.1) |
| PACs | 37.0 | 11.1 | 11.1 | - |
| Primary Care Prescribing | 22.9 | 7.5 | 7.6 | (0.1) |
| Family Health Services | 10.2 | 3.6 | 3.6 | - |
| External Providers | 5.6 | 1.9 | 1.9 | - |
| Social Care Fund | 7.4 | - | - | - |
| Integrated Care Fund | 1.9 | - | - | - |
| IJB Unidentified Savings | (4.8) | (1.6) | | (1.6) |
| Total | 100.6 | 29.2 | 31.0 | (1.8) |

IJB directed services are reporting £1.8m overspent at the end of July 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 these issues. 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 | 1.8 | 0.6 | 0.6 | - |
| Executive Services | 1.5 | 0.5 | 0.5 | - |
| Director of Finance | 2.6 | 0.7 | 0.7 | - |
| Medical Director | 0.8 | 0.2 | 0.2 | - |
| Planning & Performance | 4.7 | 1.2 | 1.4 | (0.2) |
| Public Health | 1.4 | 0.5 | 0.5 | - |
| Workforce | 1.4 | 0.4 | 0.4 | - |
| Estates and Facilities | 14.8 | 5.1 | 5.1 | - |
| Other | 0.8 | 0.8 | 0.8 | - |
| Central Savings Schemes | (4.1) | (0.7) | - | (0.7) |
| Total | 25.7 | 9.3 | 10.2 | (0.9) |

The position under Performance and Planning 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. The reported central savings schemes under recovery of £0.7m is 4/12th of the anticipated savings target (£2.1m) from the provision of ring fenced funding to the IJB. The conditions of the provision require that the projects funded by these resources will collectively be expected

to contribute a level of savings against the cost of health services equivalent to the level of funding provided. To date none have been identified.

External Healthcare Purchasers

| | Annual Budget £m | YTD Budget £m | YTD Actual £m | YTD Variance £m |
|----------------------|---------------------|------------------|------------------|--------------------|
| SLA – Lothian | 19.7 | 6.5 | 6.5 | - |
| SLA – Northumberland | 0.8 | 0.2 | 0.2 | - |
| SLA – NHSS | 0.4 | 0.1 | 0.1 | - |
| OATs | 0.2 | 0.1 | 0.1 | - |
| Private ECRs | 1.1 | 0.3 | 0.4 | (0.1) |
| Scottish UNPACs | 2.9 | 1.0 | 1.0 | - |
| Grants | 0.2 | - | - | - |
| Total | 25.3 | 8.2 | 8.3 | - |

External healthcare providers are reporting an overspend due to two high cost placements for ECR patients at the end of July 2018.

Approved Funding Unallocated

Total approved funding of £15.9m is reported as unallocated at the end of July 2018. This includes funding which has been set aside in the annual operational plan for specific purposes or is anticipated income from SGHSCD. An example of this is pay award monies as only funding to cover the new rates which were paid in July have been allocated. 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. A proportion of the unallocated funds have been offset against the efficiency target as detailed in the financial plan paper.

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.

The Board will receive an updated Financial Plan for 2018/19 at its September meeting which will incorporate year end planning assumptions and detail the forecast financial gap.

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 | 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 | 0.8 | A |
| Other | 8.6 | 10.9 | 6.1 | 5.6 | G |
| Total | 24.8 | 15.5 | 10.7 | 7.9 | |

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.

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 £15.5m. 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 £0.7m.
- Slippage on the capital programme resulting in reduced capital charges £0.5m.
- Prior Year LDP Investments £0.7m.
- Baseline funding of £0.6m substituted by the Winter Plan investment.
- Better Borders Programme - Theatre Workstream £0.1m.

There remains a shortfall on the efficiency savings requirement of £9.3m. Work continues to address this shortfall.

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. Progress on the programme will be provided in the September financial plan update.

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, performance and planning 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. Plans are in place in 2018/19 for efficiency savings of £15.5m of which £7.6m is anticipated to be delivered on a recurring basis. Achievement of savings as at the end of July is £7.9m of which £6.3m is recurring.

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 |
| 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) | (1.00) |
| Slippage Agreed on Fluoroscopy Equipment | 0.35 |
| Additional resource Elective capacity/decant/winter facility | 0.75 |
| Potential Property Sale proceeds (not confirmed) | 0.10 |
| Total Capital Resource Plan | 6.90 |

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 | - | 1.50 |
| Mental Health Risk mitigation East Brig | 0.02 | 0.02 |
| Primary Care Premises (West Linton, Earlston & Melrose) | 0.02 | 0.21 |
| 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 | 0.55 |
| Medical Equipment | 0.08 | 0.71 |
| Radiology Replacement Programme | 0.05 | 0.51 |
| Project Management & Feasibility | 0.07 | 0.34 |
| Uncommitted resource | - | 0.52 |
| Uncommitted resource dependant on Capital Property sale proceeds | - | 0.10 |
| Total | 0.63 | 6.90 |

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 Programmes – 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 – work is continuing with the SG ‘eHealth lead’ regarding the in year and future year funding requirements for the programme and a paper is planned for the October Strategy & Performance Committee meeting.
- Elective Facility/Decant/Winter Pressures – the Board will receive an update at the September development session.
- Primary Care Premises – the Board will consider a report on issues relating to the Melrose Health Centre in the autumn. A reprofile of resource to support the later timeline of this project has been agreed with SG and slippage of £0.99m will be carried forward to 2019/20.

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. In the case of the ring fenced funding provided to the IJB the Board needs to be assured that the conditions attached to this resource are complied with.

Nursing costs have been higher than anticipated in the first four 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 |