

Borders NHS Board



FINANCE REPORT FOR THE FIVE MONTH PERIOD TO 31ST AUGUST 2018

Aim

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

Executive Summary

The Board are asked to note the following key points:

- At the end of August 2018 the Board is reporting an overspend position of £6.3m on revenue and break even on capital. The overspend on revenue is as a result of continuing 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 absence cover.
- There has also been slippage on the agreed efficiency programme with the main shortfall reported under Corporate Services on the 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 August.
- The financial position at the end of month five 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.
- An updated financial plan was presented to the Board on the 6th September 2018 which reported the Board will not achieve its financial targets in 2018/19 without additional funding in the form of brokerage. The financial position at the end of August remains in line with the year end forecast position of £10.1m overspent.

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)

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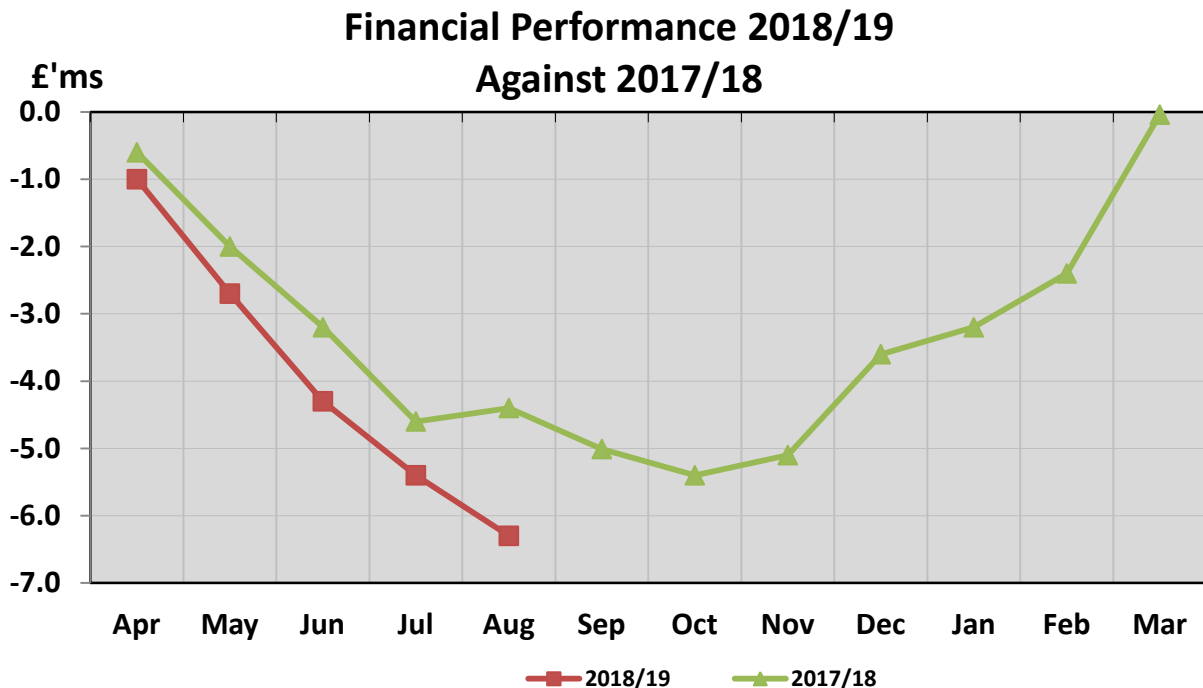
Section 1 : General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	245.5	92.1	92.0	(0.1)
Expenditure	245.5	93.5	99.7	(6.2)
Surplus/(Deficit) for Period	-	1.4	(7.7)	(6.3)
Capital Expenditure	4.4	0.5	0.5	0

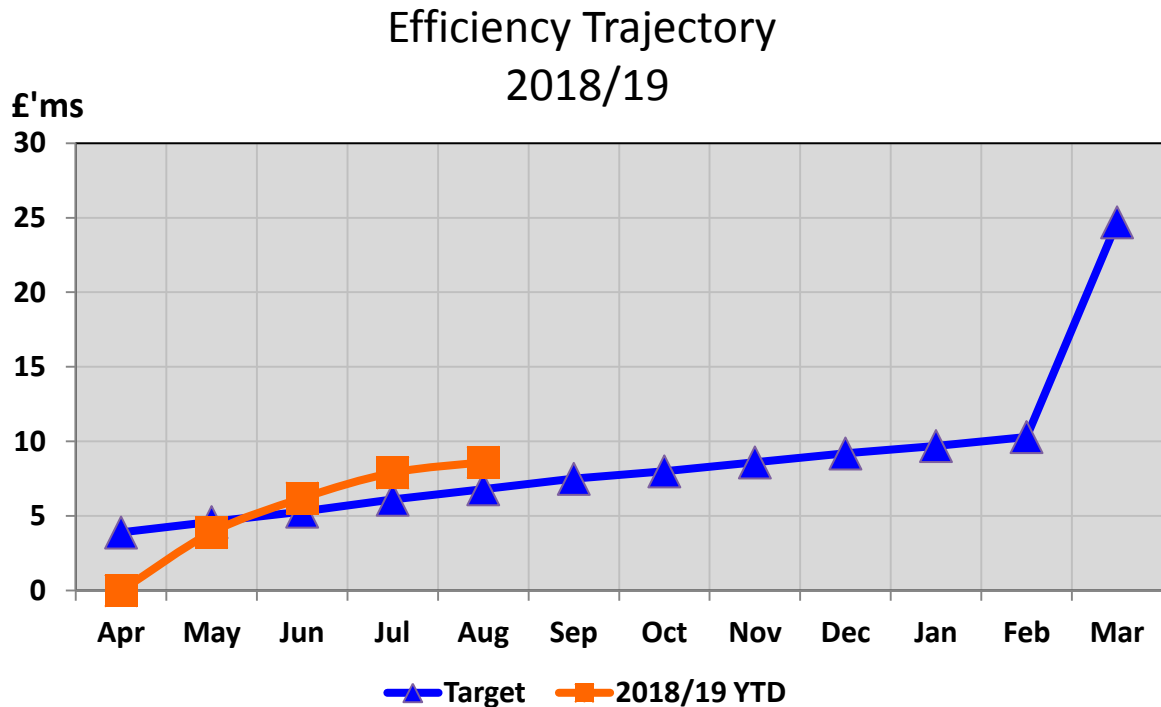
At 31st August 2018 the Board is reporting an overall position of £6.3m overspent. This position includes the impact of the unidentified savings requirement in the 2018/19 financial plan. The key operational pressures are nursing costs in the BGH and slippage on agreed savings schemes. Total estimated capital resources for 2018/19 are £4.4m with a spend of £0.5m reported as at the end of August.

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.



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 £6.8m would be delivered as at the end of August 2018. The total delivery as at the end of August is £8.6m of which £6.3m has been delivered on a recurring basis. This above trajectory position reflects the £1.9m 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	245.5	92.1	92.0	(0.1)
Expenditure Resources				
Acute Services	58.7	24.7	25.0	(0.3)
Set Aside	22.5	9.5	10.2	(0.7)
IJB Directed Services	99.7	36.7	39.2	(2.5)
Corporate Directorates	27.4	11.6	12.8	(1.2)
Cost of Capital	3.7	1.6	1.6	-
External Healthcare Providers	25.9	10.8	10.9	(0.1)
Approved Funding Unallocated	12.8	0.8	-	0.8
Unidentified Savings(excl IJB) Recurring	(4.6)	(1.9)	-	(1.9)
Unidentified Savings(excl IJB) Non Recurring	(0.6)	(0.3)	-	(0.3)
Total Expenditure	245.5	93.5	99.7	(6.2)
Surplus/(Deficit) for period	0	1.4	(7.7)	(6.3)

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 £6.2m. 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	206.5	84.0	84.0	-
SGHSCD Anticipated Allocations	19.6	-	-	-
Family Health Services	10.2	4.3	4.3	-
External Healthcare Purchasers	3.9	1.7	1.6	(0.1)
Other Income	5.3	2.1	2.1	-
Total Income	245.1	92.1	92.0	(0.1)

The key source of income is the SGHSCD allocation of £206.5m which includes a 1.5% increase from the level of recurring resources received in 2017/18.

At the end of August it has been anticipated that a number of further allocations will be received from SGHSCD totalling £19.6m including resources for the following - Primary Medical Services, Agenda for Change above 1% pay award costs and the 2nd tranche of Access funding.

External Healthcare Purchasers are reporting an under recovery of £0.1m at the end of August linked to the Lothian SLA.

Expenditure Resources

Acute Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Surgery	5.2	2.2	2.3	(0.1)
Orthopaedics	6.9	2.9	3.0	(0.1)
Ophthalmology	1.8	0.7	0.7	-
Theatres and Critical Care	9.9	4.1	4.1	-
Obstetrics & Gynaecology	5.6	2.3	2.3	-
Paediatrics	4.1	1.7	1.7	-
Outpatients	1.5	0.7	0.7	-
Cancer Services	3.3	1.8	1.8	-
Diagnostics	10.4	4.3	4.3	-
Pharmacy	3.3	1.4	1.4	-
Community Nursing (excluding IJB)	3.0	1.3	1.5	(0.2)
Planned Care – Other	3.7	1.3	1.2	0.1
Total	58.7	24.7	25.0	(0.3)

Ward nursing costs continue to overspend (£0.1m) in both General Surgery and Orthopaedics. Nursing pressures in ward 7 and Ward 9 due to high patient acuity and high sickness levels are continuing. The other main pressure in orthopaedics is Rheumatology drugs 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	13.5	5.7	6.2	(0.5)
Medicine for the Elderly	6.5	2.7	2.8	(0.1)
Accident and Emergency	2.5	1.0	1.1	(0.1)
Total	22.5	9.4	10.1	(0.7)

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, absence cover and in addition the requirement to open additional beds to deal with the impact of delayed discharge occupied bed days (year to date cost £270k).

A trajectory of nursing costs to the year-end has been agreed with the Director of Nursing and Acute Services and the Senior Management Team. A number of actions are being progressed to deliver the trajectory including assessment of one to one requirements

against criteria on a daily basis, weekly accountability meetings to discuss rostering, absence, vacancies, approval of agency nurses only following hospital wide discussion and in depth sickness absence reviews for areas with particular absence issues.

IJB Directed Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Mental Health	14.0	5.8	5.9	(0.1)
Learning Disability	0.9	0.3	0.3	-
Allied Health Professionals	6.2	2.5	2.5	-
PACs	35.8	14.1	14.1	-
Primary Care Prescribing	22.5	9.2	9.6	(0.4)
Family Health Services	10.2	4.4	4.4	-
External Providers	5.7	2.4	2.4	-
Social Care Fund	7.4	-	-	-
Integrated Care Fund	1.8	-	-	-
IJB Unidentified Savings	(4.8)	(2.0)		(2.0)
Total	99.7	36.7	39.2	(2.5)

IJB directed services are reporting £2.5m overspent at the end of August 2018. The reported position is mainly due to non achievement of savings targets. There remains £4.8m of savings with no identified plans and in addition the delivery of planned savings has been slower than predicted. The IJB Senior Leadership Group are currently working to finalise the action plan to address this situation. Within GP Prescribing budgets drugs prices remain as anticipated however the volume of prescriptions have been higher than planned. Work is ongoing to review the phasing of the prescribing efficiency schemes which may have an impact on the reported position.

Corporate Directorates

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Director of Nursing	1.9	0.8	0.8	-
Executive Services	1.5	0.6	0.6	-
Director of Finance	2.6	1.0	1.0	-
Medical Director	0.8	0.3	0.3	-
Planning & Performance	6.0	1.7	1.9	(0.2)
Public Health	1.5	0.6	0.6	-
Workforce	1.4	0.5	0.5	-
Estates and Facilities	15.0	6.3	6.4	(0.1)
Other	0.8	0.8	0.8	-
Central Savings Schemes	(4.1)	(0.9)	-	(0.9)
Total	27.4	11.7	12.9	(1.2)

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 due to the current record retrieval process. The service manager is providing regular updates to the Clinical Executive Operational Group on the medical record storage solutions. Estates &

Facilities are generating an overspend due to unmet savings and cost pressures linked to residencies and associated income recovery. The Financial Performance Group will review slippage on planned efficiencies early in November.

The reported central savings schemes under recovery of £0.8m is 5/12th of the anticipated savings target (£2.1m) from the provision of ring fenced funding to the IJB. The projects funded by this ring fenced allocation are expected to collectively 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	19.9	8.3	8.3	-
SLA – Northumberland	0.8	0.3	0.3	-
SLA – NHSS	0.4	0.2	0.2	-
OATs	0.2	0.1	0.1	-
Private ECRs	1.1	0.4	0.5	(0.1)
Scottish UNPACs	3.2	1.5	1.5	-
Grants	0.2	-	-	-
Total	25.8	10.8	10.9	(0.1)

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

Approved Funding Unallocated

Total approved funding of £12.8m is reported as unallocated at the end of August 2018. This includes funding which has been set aside in the annual operational plan for specific purposes or is anticipated income from SGHSCD. This includes funding provided to support the delivery of waiting times, the new medicines fund and drugs uplift. 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 to identify resources to support the financial position.

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.

The Board received an updated year end forecast for 2018/19 at its meeting in September 2018. The forecast position is based on a number of assumptions and includes the impact of the issues that have come to light during this financial year. The financial outturn presented requires to be viewed with a degree of caution as it is based the month five in year financial position and may yet be impacted by additional cost pressures for example those incurred during the winter period. Based on information available at the end of August the Board remains on course to require brokerage of £10.1m in 2018/19 to deliver its financial targets.

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	1.0	A
Other	8.6	10.9	6.7	6.0	G
Total	24.8	15.5	11.3	8.6	

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 was highlighted at £24.8m in April 2018. This was a substantial and challenging target and included 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 completed since April 2018 has identified additional efficiency savings which have increased the level of identified savings to be delivered this financial year from £11.6m to £15.5m.

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 have been provided to the IJB. The Financial Performance Group at its meeting in November will consider areas of slippage on the efficiency programme in more detail.

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 August is £8.6m of which £6.3m is recurring.

The financial plan presented to the Board in September forecast the Board will end the financial year with a recurring deficit of £14.3m which will be carried forward into 2019/20. It is imperative the Board continues to focus on the delivery of recurring efficiencies to ensure longer term financial sustainability.

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)	1.00
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	4.36

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 the development to increase winter capacity across the health system. The table above includes the impact of agreed slippage from schemes in previous years and the capital to revenue transfers to support the Board's revenue position. In line with timelines for delivery of the Primary Care Premises Projects at Earlston, West Linton and Melrose Health Centres Scottish Government have agreed to slip the approved funding totalling £0.99m to 2019/20.

Capital Expenditure

	Actual to Date £m	Plan £m
Borders Campus Development	-	0.10
Elective Facility/Decant/Winter Pressures	-	0.10
Mental Health Risk mitigation East Brig	0.02	0.02
Primary Care Premises (West Linton, Earlston & Melrose)	0.02	0.13
IM&T Road to Digital – core capital	0.20	0.50
IM&T Road to Digital – business case –not confirmed	-	1.00
Rolling Programmes:		
IM&T	-	0.30
Estates & State of the Estate backlog	0.10	0.55
Medical Equipment	0.08	0.81
Radiology Replacement Programme	-	0.51
Project Management & Feasibility	0.13	0.24
Uncommitted resource	-	
Uncommitted resource dependant on Capital Property sale proceeds	-	0.10
Total	0.55	4.36

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 £0.55m there is much to do to ensure the CRL target will be delivered this financial year.

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 without additional resources in the form of brokerage.

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 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 consider the impact the funding has had.

Nursing costs have been higher than anticipated. A trajectory on nursing costs for the remainder of the year and an action plan to address the current pressure has been provided and it is imperative that this is delivered.

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 of brokerage and this will be finalised over the coming months.

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