

Borders NHS Board



Meeting Date: 17 January 2019

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Susan Swan, Deputy Director of Finance (Financial Accounting)
DRAFT FINANCIAL SETTLEMENT 2019/20	
Purpose of Report:	
<p>The purpose of this report is to provide the Board with an update on the financial outlook for NHS Borders for 2019/20 as a result of the draft national financial settlements for the public sector. A detailed financial plan for 2019/20 and indicative figures for the following years will be presented to the Board at its meeting on the 4th April 2019.</p>	
Recommendations:	
<p>The Board is asked to note the update on the draft financial outlook for 2019/20.</p>	
Approval Pathways:	
<p>The content of the report has been reviewed by the Finance & Resources Committee.</p>	
Executive Summary:	
<p>Based on current information NHS Borders financial gap for 2019/20 is between £15m and £20m (depending on whether a share of the Barnett consequential funding is available to the Board) with the potential to increase if the clinical/operational pressures cannot be managed. This represents only a small increase from the discussion with the Board in terms of the size of the financial challenge. Work is ongoing to finalise the financial outlook and agree with managers on how this gap and the operational pressures can be addressed.</p> <p>The size of the deficit is significant in 2019/20 although lower than in 2018/19. It is expected that in line with the recovery plan the Board will require brokerage in 2019/20 to achieve financial targets. The Finance and Resources Committee will receive an update on the financial plan for 2019/20 at its meeting in February and a 3 -5 year financial plan will be presented to the board at its meeting on the 4th April 2019.</p>	
Impact of item/issues on:	
Strategic Context	Based on draft Scottish Budget & draft allocation letter. Takes account of financial planning/horizon scanning undertaken by the Board.
Patient Safety/Clinical Impact	No issues identified within the report.
Staffing/Workforce	As detailed in the paper.
Finance/Resources	As detailed in the paper.

Risk Implications	The range in the paper gives an indication of the risk.
Equality and Diversity	Compliant with Board policy requirements.
Consultation	Ongoing presentations across the organisation.
Glossary	SG - Scottish Government NRAC - NHSScotland Resource Allocation Committee

Background

The Scottish Government (SG) draft budget for 2019/20, as presented to the Scottish Parliament on the 12th December 2018, includes an additional investment of £430m (4.2%) for frontline boards as detailed in the table below:

	£m
Territorial Health Boards	243.4 (2.6%)
Special Health Boards	14.6 (1.2%)
NRAC Parity Funding	23.0 (0.2%)
Improving Patient Outcome	<u>149.0</u>
Total	<u>430.0</u> (4.2%)

In addition funding will be directed towards social care costs as detailed below:

	£m
Health Portfolio social care costs	120.0
Local Government social care costs	<u>40.0</u>
Total	<u>160.0</u>

Territorial Boards will receive an average baseline uplift of £266.4m (2.8%) ranging from 2.5% to 3.1%. In the case of national boards the average uplift is 1.2%.

Improving patient outcome funding will continue into 2019/20 and be supplemented by £149m to create a total fund of £392m which will be used in the priority areas as outlined below:

Improving patient outcomes	2018/19 (£m)	Increase for 2019/20 (£m)	2019/20 (£m)
Primary Care	120	35	155
Waiting Times Improvement	56	90	146
Mental Health and CAMHS	47	14	61
Trauma Networks	10	8	18
Cancer	10	2	12
TOTAL	243	149	392

Full details of the method of allocation and evidence of delivering against agreed outcomes will be set out by individual policy areas in advance of the new financial year.

In 2019/20 NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding, before provision of funding for pay awards, over 2018/19 cash levels. This implies that Boards should apply their baseline uplifts to budgets for IJB delegated functions.

In addition to this, and separate from the Board Funding uplift (£430m), there will be two elements of funding for Social Care. It is yet to be clarified if this funding is recurring although it is likely to be in the form of a ring fenced allocation:

- £120 million will be transferred from the Health Portfolio to Local Authorities in-year for investment in integration, including delivery of the Living Wage, uprating free personal care, and school counselling services.

- £40 million has been included directly in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s, as set out in the Programme for Government.

This funding is to be additional, not substitutional, to each Council's 2018/19 recurrent spending on social care. Local Authority social care budgets provided to Integration Authorities must be at least £160 million greater than 2018/19 recurrent budgets.

The Scottish Government has also set out its pay policy for 2019/20 delivering a guaranteed 3 per cent increase to all those earning up to £36,500, up to 2% of the baseline paybill for those earning between £36,500 and £80,000 and, in support of reducing the overall income gap, delivers an overall cash cap of £1,600 for those earning above £80,000.

In the case of capital funding boards should assume no change from 2018/19 formula levels which for NHS Borders equates to £2.4m.

Draft Allocation 2019/20

The SG draft budget was announced on the 14th December 2017 and draft allocations based on this information have been issued to Boards. It is expected that the 2019/20 Scottish budget will be agreed early in February and although not finalised, no or only limited change to the draft figures is anticipated. The key points to note from the draft allocation letter for NHS Borders and a summary of the level of baseline resources are detailed below:

	£m	£m
2018/19 Recurring Allocation	200.7	
2018/19 Pay Award Funding (now made recurring)	<u>1.9</u>	
2018/19 Revised Recurring Baseline		202.6
2019/20 Base Uplift		<u>5.1</u> (2.6%)
2019/20 Draft Recurring Allocation		<u>207.7</u>

- Funding for 2018/19 to meet pay award costs above 1% given non recurrently in year has now been added recurrently to the Board's baseline. It should be noted that this funding did not fully meet the cost of the in year pay award.
- The baseline allocation is uplifted by 2.6% (£5.1m) to deal with pay increases, non pay inflation, developments and activity pressures.
- As NHS Borders remains above its NRAC share of resources it will not receive any of the funding available nationally to move Boards to parity.
- Funding related to improving patient outcomes has been announced but NHS Borders has not yet been advised on the availability of this funding or given direction regarding its use. This information will become available over the coming months.
- £7.3m social care funding will continue to be allocated to NHS Borders to be provided to the IJB to support social care. This is the same level as in 2017/18 and included in the Board's recurring allocation. In addition approximately £3.7m will be transferred from the health vote and allocated to Scottish Borders Council linked to increasing social care costs.

- Board will be expected to produce a three year planning and performance cycle. This will set out a number of principles to be delivered in relation to finance and wider performance. Details about this are expected early in the new calendar year.

Draft Financial Plan 2019/20

The Board's approach to the financial plan is based on the following principles:

- Patient safety is NHS Borders number one corporate objective and the provision of safe services will not be compromised.
- Budgets will be set and resources provided based on funding available.
- The financial challenge will be shared across all areas of the organisation.

This approach recognises the Board's role in relation to the provision of resources to the Integration Joint Board and to the non delegated functions of the organisation.

In September 2018 the Board received an updated financial plan for 2018/19 and indicative outline figures for 2019/20 and 2020/21. This report highlighted a requirement for brokerage in each of the financial years. During October and November this plan was, in conjunction with the Board, further updated and submitted to SG on the 5th December for discussion. Although there continues to be a requirement for brokerage in each of the financial years of the plan the level is significantly reduced. The financial plan is being updated in line with the draft allocation for 2019/20 and feedback when received from SG.

The Board needs to recognise a number of costs pressures for 2019/20 which include the following:

- Pay uplift
- National and regional service developments
- Agreed activity pressures
- Drugs increases
- The revenue impact of the capital programme
- Non recurring funding issues

For 2018/19 the Board continues to forecast that it will require £10.1m of brokerage to achieve its financial targets. In line with the letter issued to the Board on the 8th October 2018 "from the start of 2019/20 the Scottish Government will not seek to recover historic brokerage incurred to the end of 2018/19 from NHS Territorial Boards on the basis that the expenditure incurred related to the provision of patient care". Although the Board is not required to repay 2018/19 brokerage funding NHS Borders recurring efficiency requirement for 2018/19 was £24.8m and based on current forecasts the Board will deliver £15.5m of savings, of which £11m is recurring efficiencies. This means NHS Borders will carry forward a deficit of £13.8m into 2019/20.

Taking account of the draft allocation for 2019/20 and cost pressures the Board is facing and the estimated recurring deficit carried forward from 2018/19 NHS Borders will have a total financial gap in 2019/20 of between £15m (of which £10m is recurring) and £20m (of which £15m is recurring) (depending on whether a share of the Barnett consequential funding is available to the Board). This broadly in line with previous discussion with the Board with only a small increase anticipated linked to pay award funding for 2019/20.

It should be noted that in addition to this there are a number of operational issues across the organisation which must be clinically and operationally managed to avoid an adverse

impact on the financial position in 2019/20. These pressures include issues related to clinical risk and service provision, as well as demographic and activity increases. Work is currently underway with Senior Managers and Directors in the Board to consider potential, and necessary, actions to address these pressures. The Board will receive an update on this work including quantification of the impact over the coming months.

Work is currently being undertaken to produce a detailed financial plan for both revenue and capital expenditure for 2019/20. Alongside this work to establish the financial challenge there continues to be in depth discussions to identify savings to offset this gap.