

## Borders NHS Board



Meeting Date: 4 April 2019

<b>Approved by:</b>	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
<b>Author:</b>	Anita McCloy, Senior Finance Manager
<b>FINANCE REPORT FOR THE ELEVEN MONTH PERIOD TO 28<sup>TH</sup> FEBRUARY 2019</b>	
<b>Purpose of Report:</b>	
The purpose of this report is to advise the Board of the financial position as at 28 <sup>th</sup> February 2019.	
<b>Recommendations:</b>	
The Board is asked to <b>note</b> the report and consider the current financial position.	
<b>Approval Pathways:</b>	
The content of the report has been reviewed by the Clinical Executive Operational Group and other departments.	
<b>Executive Summary:</b>	
The Board are asked to note the following key points:	
<ul style="list-style-type: none"> <li>• At the end of February 2019 the Board is reporting an overspend position of £8.7m on revenue and break even on capital. The overspend on revenue is as a result of continuing pressures on operational budgets, slippage on some identified efficiency schemes and the financial impact of the unidentified savings gap.</li> <li>• 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.</li> <li>• NHS Borders has a contingency fund in 2018/19 of £2m which has been partly factored into the position at the end of February.</li> <li>• An updated financial plan was presented to the Board on the 6<sup>th</sup> September 2018 which reported NHS Borders will not achieve its financial targets in 2018/19 without additional funding in the form of brokerage which is projected at a level of £10.1m.</li> <li>• The financial position at the end of February remains in line with the year end forecast position of £10.1m overspent offset by agreed brokerage.</li> </ul>	
<b>Impact of item/issues on:</b>	
<b>Strategic Context</b>	Impact on statutory financial targets.
<b>Patient Safety/Clinical Impact</b>	No issues identified within the report.
<b>Staffing/Workforce</b>	As described in the paper.
<b>Finance/Resources</b>	As described in the paper.

<b>Risk Implications</b>	Risks are covered in the risk section of the report.
<b>Equality and Diversity</b>	Compliant with Board policy requirements.
<b>Consultation</b>	N/A
<b>Glossary</b>	<p>SGHSCD - Scottish Government Health and Social Care Department</p> <p>LDP - Local Delivery Plan</p> <p>IJB - Integration Joint Board</p> <p>RRL - Revenue Resource Limit</p> <p>CRL - Capital Resource Limit</p> <p>UNPACS - Unplanned Activity</p> <p>SLA - Service Level Agreement</p> <p>ECR - Extra Contractual Referrals</p> <p>OATS - Out of Area Treatments</p> <p>CCG - Clinical Commissioning Group</p> <p>ASDU - Area Sterilisation and Disinfection Unit</p> <p>MAU - Medical Assessment Unit</p> <p>MKU - Margaret Kerr Unit</p> <p>BSU - Borders Stroke Unit</p> <p>ICD - Implantable Cardioverter Defibrillator</p>

## **Contents**

The financial monitoring report contains the following:

### **Section**

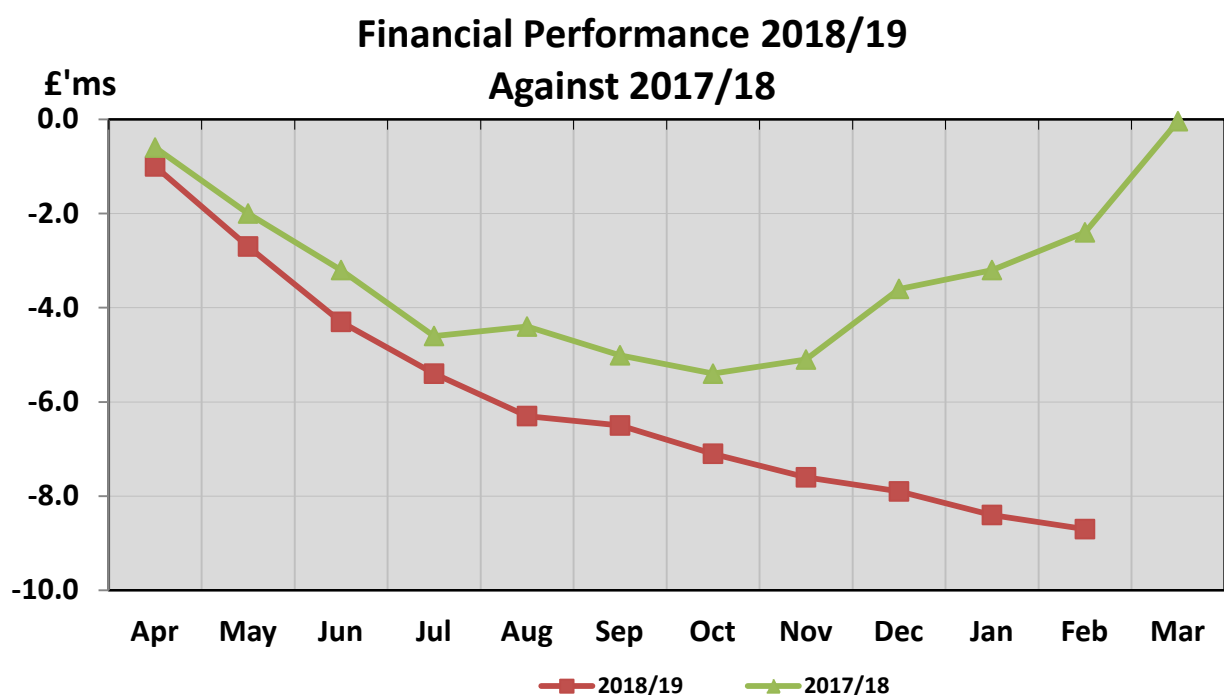
1. General Overview
2. Overall Income and Expenditure Summary of Operational Budgets
3. Efficiency Programme – Savings Targets
4. Overview of Capital
5. Risk

## Section 1: General Overview

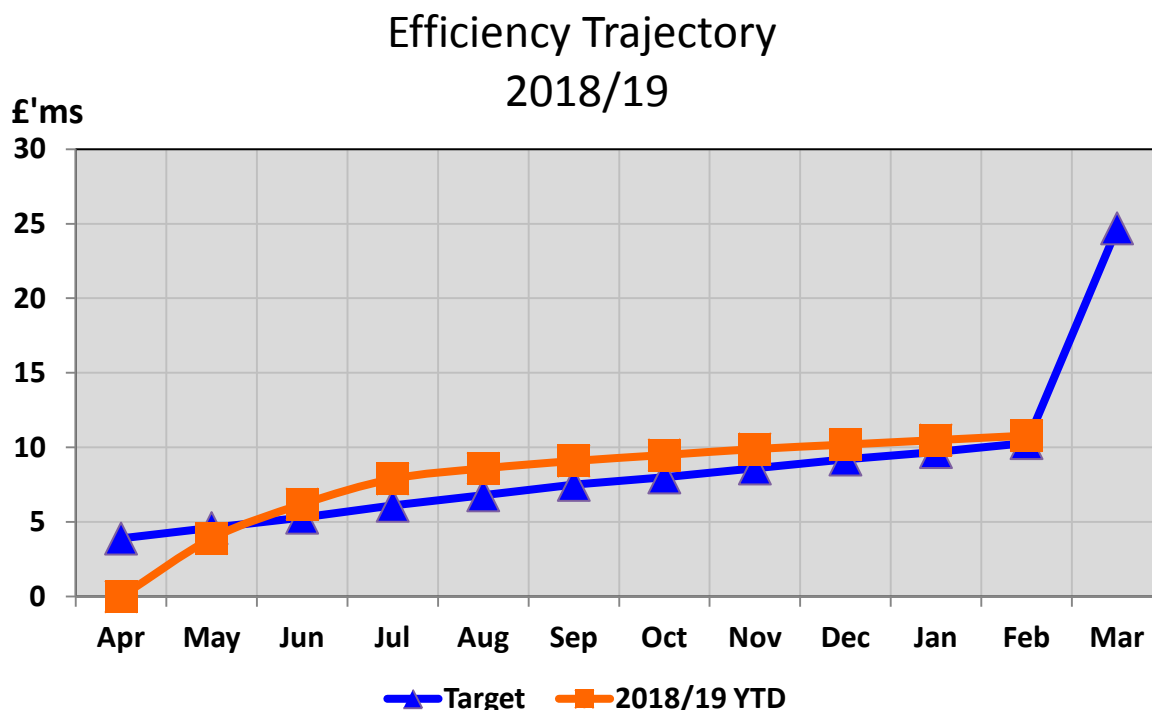
	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Income	253.1	231.4	231.4	-
Expenditure	253.1	224.3	233.0	(8.7)
<b>Surplus/(Deficit) for Period</b>	-	<b>(7.1)</b>	<b>(1.6)</b>	<b>(8.7)</b>
Capital Expenditure	4.6	3.0	3.0	-

At 28<sup>th</sup> February 2019 the Board is reporting an overall position of £8.7m 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 some agreed savings schemes. Total estimated capital resources for 2018/19 are £4.6m with a spend of £3.0m reported as at the end of February.

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



The graph below compares efficiency progress to date compared with the trajectory submitted to SGHSCD 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 £9.7m would be delivered as at the end of February 2019. The total delivery as at the end of February is £10.8m of which £6.7m 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 continue to report overspent.

## 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>253.1</b>	<b>231.4</b>	<b>231.4</b>	<b>0</b>
<b>Expenditure Resources</b>				
Acute Services	61.0	55.7	55.5	0.2
Set Aside	23.7	21.7	22.8	(1.1)
IJB Directed Services	102.5	92.7	97.7	(5.0)
Corporate Directorates	30.6	28.0	28.4	(0.4)
Cost of Capital	4.7	4.3	4.3	-
External Healthcare Providers	26.3	24.1	24.3	(0.2)
Approved Funding Unallocated	12.6	5.3	-	5.3
Unidentified Savings(excl IJB) Recurring	(7.7)	(7.5)	-	(7.5)
Unidentified Savings(excl IJB) Non Recurring	(0.6)	-	-	-
<b>Total Expenditure</b>	<b>253.1</b>	<b>224.3</b>	<b>233.0</b>	<b>(8.7)</b>
<b>Surplus/(Deficit) for period</b>	<b>0</b>	<b>(7.1)</b>	<b>(1.6)</b>	<b>(8.7)</b>

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

In summary the Board is reporting breakeven on income and an overspend on expenditure budgets of £8.7m. 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	232.2	213.4	213.4	-
SGHSCD Anticipated Allocations	1.0	-	-	-
Family Health Services	10.2	9.4	9.4	-
External Healthcare Purchasers	4.0	3.7	3.6	0.1
Other Income	5.7	4.9	5.0	(0.1)
<b>Total Income</b>	<b>253.1</b>	<b>231.4</b>	<b>231.4</b>	<b>-</b>

The key source of income is the SGHSCD allocation of £232.2m which includes in the main baseline funding plus a 1.5% uplift on the level of recurring resources received in 2017/18, funding received for Primary Medical Services, Agenda for Change above 1% pay award costs and Access funding.

At the end of February it has been anticipated that a number of further allocations will be received from SGHSCD relating to support for the Turnaround Programme and further allocations for Maternal Neo Natal and the Walk It project.

## Expenditure Resources

### Acute Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Surgery	5.3	4.9	5.1	(0.2)
Orthopaedics	5.0	4.6	4.6	-
Ophthalmology	1.8	1.7	1.5	0.2
Theatres and Critical Care	9.6	8.8	8.7	0.1
Obstetrics & Gynaecology	5.8	5.3	5.5	(0.2)
Paediatrics	4.2	3.8	3.8	-
Outpatients	0.7	0.6	0.7	(0.1)
Cancer Services	4.4	4.2	4.0	0.2
Other Acute Services	5.8	5.3	5.4	(0.1)
Diagnostics	9.7	8.8	8.8	-
Pharmacy	3.4	3.1	3.1	-
Planned Care – Other	2.1	1.7	1.4	0.3
Community Nursing non IJB	3.2	2.9	2.9	-
<b>Total</b>	<b>61.0</b>	<b>55.7</b>	<b>55.5</b>	<b>0.2</b>

General Surgery is overspending on staff costs, due to medical vacancy cover and additional nursing staff to support boarded patients in the ward as well as to provide sickness absence cover above the budgeted 4%.

### Set Aside

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Medicine	14.5	13.2	14.0	(0.8)
Medicine for the Elderly	6.5	6.0	6.2	(0.2)
Accident and Emergency	2.7	2.5	2.7	(0.2)
<b>Total</b>	<b>23.7</b>	<b>21.7</b>	<b>22.8</b>	<b>(1.1)</b>

The set aside budgets are the main pressure area within the BGH in particular the nursing costs overspend of £0.7m. The surge beds in MAU and MKU/BSU have been open for most of the financial year, primarily as a result of the level of delayed discharges occupied bed days within the system, with partial funding being provided April to December and fully funded in the winter months. It should be noted that winter plan funding ceases at the end of March and the Chief Officer has been asked to confirm the surge beds are to close. In addition in MAU there are a number of vacancies (approximately 9 WTE) which are partially being covered by high cost agency staff. Following a successful recruitment event, plans are in place to address this mid way through 2019/20.

**IJB Directed Services**

	<b>Annual Budget £m</b>	<b>YTD Budget £m</b>	<b>YTD Actual £m</b>	<b>YTD Variance £m</b>
Mental Health	14.8	13.5	13.6	(0.1)
Learning Disability	0.9	0.8	0.7	0.1
Allied Health Professionals	5.6	5.1	5.3	(0.2)
PACs	38.9	34.5	34.4	0.1
Primary Care Prescribing	22.8	20.8	21.0	(0.2)
Family Health Services	10.2	10.2	10.2	-
External Providers	5.7	5.2	5.7	(0.5)
Social Care Fund	6.8	6.8	6.8	-
Integrated Care Fund	1.4	-	-	-
Unidentified Savings	(4.6)	(4.2)	-	(4.2)
<b>Total</b>	<b>102.5</b>	<b>92.7</b>	<b>97.7</b>	<b>(5.0)</b>

IJB directed services are reporting £5.0m overspent at the end of February 2019. The reported position is mainly due to savings targets, £4.6m in a full year, with no identified plans. The IJB Senior Leadership Group are continuing to consider an action plan to address this situation. The overspend generated in Primary Care Prescribing budgets is due to in year slippage in the achievement of savings however it is anticipated that the identified savings plans will be delivered in full on a recurring basis. Within Mental Health services the use of medical agency staff to cover maternity leave has resulted in the £0.2m overspend reported. Agreement by the ECR panel to high cost packages of care for Learning Disability clients has resulted in the overspend reported on External Providers. The service has been asked to consider alternative ways of providing appropriate care going forward.

**Corporate Directorates**

	<b>Annual Budget £m</b>	<b>YTD Budget £m</b>	<b>YTD Actual £m</b>	<b>YTD Variance £m</b>
Director of Nursing	2.0	1.6	1.5	0.1
Executive Services	1.7	1.5	1.4	0.1
Director of Finance	2.7	2.4	2.4	-
Medical Director	0.7	0.6	0.6	-
Planning & Performance	5.3	4.1	4.4	(0.3)
Public Health	1.9	1.8	1.7	0.1
Workforce	1.4	1.2	1.3	(0.1)
Estates and Facilities	15.1	14.0	14.3	(0.3)
Other	0.8	0.8	0.8	-
Central Savings Schemes	(1.0)	-	-	
<b>Total</b>	<b>30.6</b>	<b>28.0</b>	<b>28.4</b>	<b>(0.4)</b>

The position under Performance and Planning is generated by unmet savings targets in IM&T and higher than budgeted costs incurred for medical records due to the current record retrieval process. Within the Workforce Directorate the delay to implementation of the NHSS Workforce system (eESS) and the unmet savings target are the factors contributing to the overspend reported to date (£0.1m). Estates and Facilities are



generating an overspend due to unmet savings and cost pressures linked to residencies cost and associated income recovery. The relevant Directors have been asked to consider how these pressures will be addressed before the start of the new financial year.

### External Healthcare Purchasers

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SLA – Lothian	20.1	18.4	18.4	-
SLA – Northumberland	0.8	0.7	0.6	0.1
SLA – NHSS	0.4	0.4	0.3	0.1
OATs	0.2	0.2	0.2	-
Private ECRs	1.1	1.0	1.0	-
Scottish UNPACs	3.5	3.2	3.6	(0.4)
Grants	0.2	0.2	0.2	-
<b>Total</b>	<b>26.3</b>	<b>24.1</b>	<b>24.3</b>	<b>(0.2)</b>

External healthcare providers are reporting an overspend due to an increased level of unplanned activity (UNPACS) with NHS Greater Glasgow & Clyde and Lothian for a number of high cost treatments such as stem cells and ICD's. The 2018/19 final NHS Lothian SLA information has been received and demonstrates a significant increase in the tariffs for a number of specialities. Along with a number of other Boards this is being challenged.

### Approved Funding Unallocated

Total approved funding of £12.6m is reported as unallocated at the end of February 2019. This includes funding which has been set aside in the annual operational plan for specific purposes or is anticipated income from SGHSCD, for example to support the delivery of waiting times (£1.7m), new medicines (£0.2m) and identified ring fenced funding earmarked for carry forward against projects which will incur costs in 2019/20 (£1.7m IJB). This heading also includes the Board's £2m contingency fund.

### Unidentified Savings (excluding IJB)

In line with the Scheme of Integration 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

Based on information available at the end of February the Board remains on course to require brokering 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	2.1	G
Set Aside	4.9	0.1	0.1	0.1	G
IJB Directed Services	6.0	2.3	2.3	2.1	A
Other	8.6	10.6	8.0	7.8	G
<b>Total</b>	<b>24.8</b>	<b>15.2</b>	<b>12.6</b>	<b>12.1</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 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.

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 performance and planning.

It has been agreed by the Board that the previously identified savings target linked to the ring fenced funding (£2.1m) provided by to the IJB will not be required or expected to deliver this financial year.

A review of planned investments has identified slippage in a number of areas. This has partially offset the withdrawal of the savings that there were anticipated from the IJB ring fenced funding.

Plans are in place in 2018/19 for efficiency savings of £15.2m of which £6.7m is anticipated to be delivered on a recurring basis. There remains an imbalance between recurring and non recurring efficiencies.

The financial plan presented to the Board in September forecast the Board will end the financial year with a recurring deficit of £13.8m 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)	2.3
Clinical Strategy	0.8
Transfer of Capital resource to support Revenue position	(1.0)
Agreed slippage brought forward - Fluoroscopy Equipment	0.3
Additional resource - Elective capacity/decant/winter facility	0.7
Additional resource - MRI scanner	1.0
SG eHealth Division IM&T Investment	0.5
<b>Total Capital Resource Plan</b>	<b>4.6</b>

NHS Borders formula capital allocation (CRL) for 2018/19 is £2.3m. The opening CRL has been supplemented by additional funding of £0.7m secured to support 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. Confirmation has recently been received from SGHSCD that additional funding has been agreed to support further IM&T investment linked to Windows 10 infrastructure (£0.5m) and for an MRI Scanner (£1m).

### Capital Expenditure

	Actual to Date £m	Plan £m
Borders Campus Development	0.1	0.1
ASDU Reverse osmosis plant	0.1	0.1
Mental Health Risk mitigation East Brig		
Primary Care Premises (West Linton, Earlston & Melrose)		
IM&T Road to Digital – core capital	0.5	0.6
IM&T Road to Digital – Windows 10	-	0.5
Rolling Programmes:		
Estates & State of the Estate backlog	0.5	0.5
Medical Equipment	0.9	0.9
Radiology Replacement Programme	0.7	0.7
MRI Scanner	-	1.0
Project Management & Feasibility	0.2	0.2
<b>Total</b>	<b>3.0</b>	<b>4.6</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 Programmes – delivery of elements of the prioritised programme.
- Radiology Equipment accommodation works to house fluoroscopy equipment purchase.
- Prioritised medical equipment including the replacement of all Anaesthetic Machines and ED trolleys, Resuscitation machines and Incubators within SCBU and an osmosis water plant in ASDU.
- The costs associated with the Capital Planning Project Management Team.

In the final month of the year focus is being given to the remaining spend plans for the Road to Digital programmes, the water plant in ASDU and the MRI scanner. The MRI scanner will be procured and purchased by the end of the financial year and installed in 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 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.

Nursing costs have been higher than anticipated. There needs to be a clear action plan on how the costs can be reduced to ensure this financial pressure is not carried forward into the new financial year. This includes the requirement for surge beds to be closed at the end of March, when winter plan funding ceases.

All recurring operational pressures and unmet historic savings targets in the 2018/19 financial position need to be addressed in order that the challenges the Board faces in the new financial year are not further increased.

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 recent SLA information from NHS Lothian is also an area of concern for next financial year unless addressed.