

Borders NHS Board



Meeting Date: 27 June 2019

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Anita McCloy, Senior Finance Manager
FINANCE REPORT FOR THE TWO MONTH PERIOD TO 31ST MAY 2019	
Purpose of Report:	
<p>The purpose of this report is to advise the Board of the financial position as at 31st May 2019.</p> <p>The Board is asked to note the change to the format of the finance report and feedback on the amendments that have been made would be welcomed.</p> <p>It should be noted that the reported position is based on only two months of the new financial year and may be impacted by the ongoing finalisation of the 2018/19 accounts.</p>	
Recommendations:	
The Board is asked to note the report and consider the current financial position.	
Approval Pathways:	
The content of the report has been reviewed by the Clinical Executive Operational Group and other departments.	
Executive Summary:	
<p>The Board is asked to note the following key points:</p> <ul style="list-style-type: none"> • At the end of May 2019 the Board is reporting an overspend position of £1.92m on revenue, due to some operational pressures and the impact of a shortfall in planned savings, and break even on capital. • The main operational pressure is in nursing budgets particularly set aside services due to the continued use of unfunded surge beds. This needs to be addressed. In addition an overspend on primary care prescribing costs is recorded. • It is anticipated the unidentified savings gap of £9.3m, as detailed in the Board's financial plan for 2019/20, will be met from SGHSCD brokerage funding which has been requested as part of the Annual Operational Plan. • Linked to financial turnaround £12.7m of recurring savings targets have been allocated across the twelve workstreams and apportioned to business units within each workstream. The Board is being supported with external turnaround support, procured and funded on behalf of NHS Borders, by the Scottish Government. • At the time of writing this report £3.56m in year (Full year £4.56m) recurring savings have been identified against this target. This is behind the targeted trajectory to 	

<p>identify the FYE savings by the end of Sept 2019.</p> <ul style="list-style-type: none"> • The Board agreed a number of non recurring measures as part of the financial plan for 2019/20. These are progressing as anticipated. • NHS Borders has a contingency fund in 2019/20 of £1m which has not been factored into the position at the end of May. • The financial position at the end of month two gives remains challenging. The delivery of recurring savings is behind trajectory and in addition there are operational pressures on nursing budgets and primary care prescribing which need to be addressed. 	
Impact of item/issues on:	
Strategic Context	Impact on statutory financial targets.
Patient Safety/Clinical Impact	No issues identified within the report.
Staffing/Workforce	As described in the paper.
Finance/Resources	As described in the paper.
Risk Implications	Risks are covered in the risk section of the report.
Equality and Diversity	Compliant with Board policy requirements.
Consultation	N/A
Glossary	<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

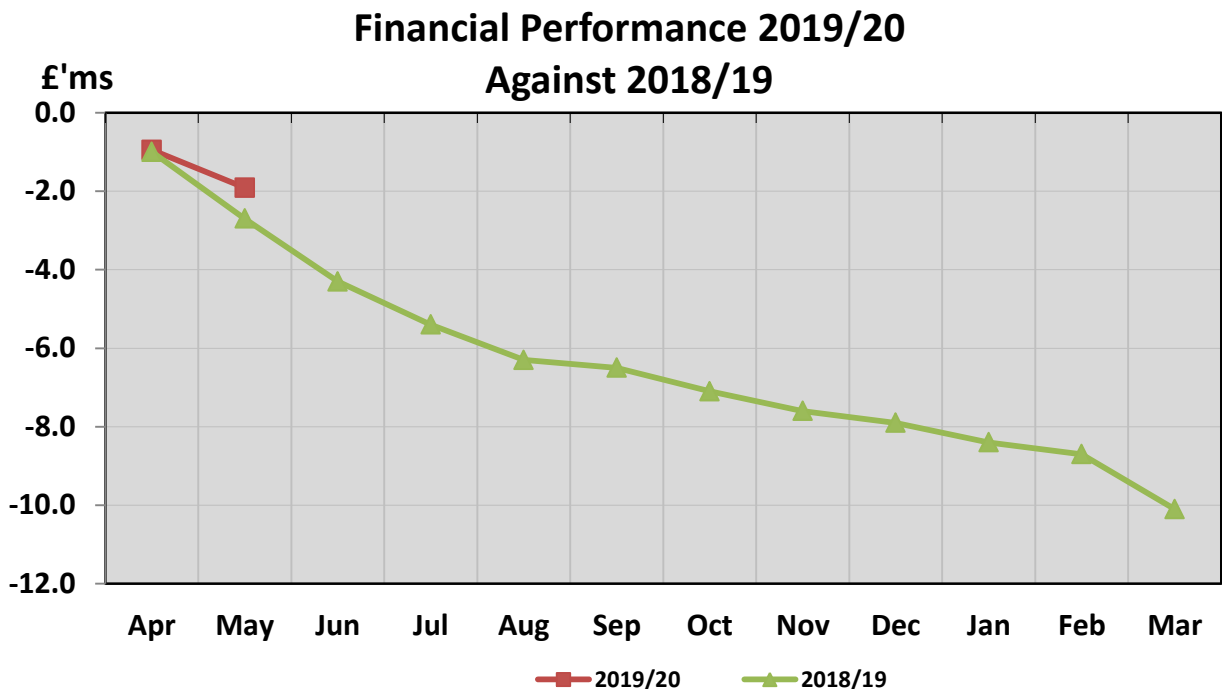
1. General Overview
2. Revenue Income and Expenditure
3. Turnaround Programme – Savings Targets
4. Capital
5. Risk

Section 1 : General Overview

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Revenue Income	248.85	37.39	37.38	(0.01)
Revenue Expenditure	248.85	37.30	39.21	(1.91)
Surplus/(Deficit) for Period	-	0.09	(1.83)	(1.92)
Capital Expenditure	3.31	0.15	0.15	-

At 31st May 2019 the Board is reporting an overall position of £1.92m overspent on revenue budgets. Total anticipated capital resources for 2019/20 are £3.31m with a spend of £0.15m recorded as at the end of May.

The graph below shows the level of revenue overspend month by month for 2019/20 compared with the previous financial year.



Section 2 : Revenue Income and Expenditure

Operational Income and Expenditure Budgets

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Total Income Resources	248.85	37.39	37.38	(0.01)
Expenditure Resources				
Acute Services	56.67	9.78	10.53	(0.75)
Set Aside	24.60	4.16	4.29	(0.13)
IJB Directed Services	106.58	13.00	13.90	(0.90)
Corporate Directorates	31.25	5.11	5.25	(0.14)
Cost of Capital	4.67	0.78	0.78	-
External Healthcare Providers	26.80	4.47	4.46	0.01
Approved Funding Unallocated	7.28	-	-	-
In year financial deficit	(9.00)	-	-	-
Total Expenditure	248.85	37.30	39.21	(1.91)
Surplus/(Deficit) for period	-	0.09	(1.83)	(1.92)

In summary the Board is reporting a shortfall on income of £0.01m and an overspend on expenditure budgets of £1.91m. In line with the financial turnaround programme recurring savings targets totalling £12.7m have been allocated across the organisation and are reported within the business units in the above table.

This section of the report will review each of the lines in the table above in more detail.

Income Resources

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHSCD Allocation	207.88	34.15	34.15	-
SGHSCD Anticipated Allocations	21.42	-	-	-
Family Health Services	10.23	1.71	1.71	-
External Healthcare Purchasers	3.98	0.66	0.66	-
Other Income	5.34	0.87	0.86	0.01
Total Income	248.85	37.39	37.38	0.01

For information attached in Appendix 1 is details of the individual SGHSCD allocations which have been issued to the Board to 30th April 2019.

At the end of May it has been anticipated that a number of further allocations will be received from SGHSCD totalling £21.42m including resources for the following - Primary Medical Services (£17.30m), Access funding (£0.7m), eHealth (£0.7m) and Public Dental services (£2.56m).

Income budgets are reporting an under recovery of £0.01m linked to the Lothian SLA.

Expenditure Resources

Acute Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Surgery	5.26	0.89	0.90	(0.01)
Orthopaedics	5.10	0.86	0.87	(0.01)
Ophthalmology	1.88	0.31	0.24	0.07
Theatres and Critical Care	10.05	1.69	1.60	0.09
Obstetrics & Gynaecology	6.04	1.02	1.03	(0.01)
Paediatrics	4.39	0.72	0.71	0.01
Outpatients	0.67	0.12	0.15	(0.03)
Cancer Services	3.17	0.90	0.93	(0.03)
Diagnostics	9.94	1.66	1.69	(0.03)
Pharmacy	3.62	0.60	0.63	(0.03)
Community Nursing (excluding IJB)	3.52	0.57	0.55	0.02
Other Acute Services	6.11	1.02	1.05	(0.03)
Planned Care – Other	2.18	0.22	0.18	0.04
Recurring Savings Target	(5.26)	(0.80)		(0.80)
Total	56.67	9.78	10.53	(0.75)

The key reasons for the overspend of £0.75m at the end of May is the impact of the recurring savings target in line with the financial turnaround programme. The heading includes the target for the whole of the BGH as to date savings targets have not been apportioned between set aside budgets and acute services.

Set Aside

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
General Medicine	15.16	2.58	2.66	(0.08)
Medicine for the Elderly	6.69	1.12	1.13	(0.01)
Accident and Emergency	2.75	0.46	0.50	(0.04)
Total	24.60	4.16	4.29	(0.13)

The key issues which are resulting in the overspend are:

- Costs of nursing staff relating to the surge capacity beds which have remained open during April and May. Although assurances were given that the surge beds would be closed at the end of May the beds remain open at the time of completion of this report. This is impacting adversely on the financial position. An action plan to address this has been requested by the Chief Executive.
- Additional staffing above currently funded levels is creating a financial pressure in Accident and Emergency. Clarity on the source of funding for this arrangement has been requested.

It should be noted that the recurring savings target for the BGH is reported within the acute services heading. The target will be split between set aside and acute services going forward.

IJB Directed Services

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Mental Health	16.11	2.62	2.52	0.10
Learning Disability	0.90	0.15	0.14	0.01
Allied Health Professionals	6.23	1.05	1.03	0.02
PACs	23.85	0.34	0.23	0.11
Primary Care Prescribing	24.27	4.04	4.16	(0.12)
Family Health Services	28.63	5.17	5.16	0.01
External Providers	3.63	0.60	0.66	(0.06)
Social Care Fund	7.40	-	-	-
Integrated Care Fund	1.96	-	-	-
Recurring Savings Target	(6.40)	(0.97)	-	(0.97)
Total	106.58	13.00	13.90	(0.90)

IJB directed services are showing a net overspend position, which reflects the impact of the recurring savings target partially offset by underspends generated by vacant posts in Mental Health services, AHP's and Public Dental Services. Owing to the time delay in receiving information the reported position on Primary Care Prescribing is heavily caveated as it is based on March 2019 prices and does not reflect the new pharmacy contract which has been agreed for 2019/20.

Corporate Directorates

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Director of Nursing	1.88	0.31	0.29	0.02
Executive Services	1.72	0.28	0.27	0.01
Director of Finance	2.83	0.49	0.48	0.01
Medical Director	0.98	0.14	0.12	0.02
Planning & Performance	5.17	0.79	0.82	(0.03)
Workforce	1.60	0.28	0.27	0.01
Public Health (including Risk Health & Safety)	1.88	0.30	0.29	0.01
Estates and Facilities	16.0	2.64	2.71	(0.07)
Recurring Savings Target	(0.81)	(0.12)		(0.12)
Total	31.25	5.11	5.25	(0.14)

The overspend in corporate services are due to:

- Unfunded costs linked to the boilerhouse and incinerator.
- Staffing levels above budget in medical records.
- The impact of recurring savings targets.

Work is ongoing to address these.

External Healthcare Purchasers

	Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SLA – Lothian	20.78	3.46	3.40	0.06
SLA – Northumberland	0.78	0.13	0.13	-
SLA – NHSS	0.42	0.07	0.05	0.02
SLA - Other	0.36	0.06	0.06	-
OATs	0.20	0.03	0.05	(0.02)
Private ECRs	1.18	0.19	0.10	0.09
Scottish UNPACs	3.23	0.54	0.64	(0.10)
Grants	0.17	0.03	0.03	-
Recurring savings target	(0.32)	(0.04)		(0.04)
Total	26.80	4.47	4.46	0.01

The key issue within this heading is the unplanned treatment of two high cost patients in NHS Greater Glasgow and Clyde however this has been offset by underspends in other areas.

Approved Funding Unallocated

Total approved funding of £7.28m is reported as unallocated at the end of May 2019. 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 only the agenda for change pay award has been implemented as at the end of May. This heading also includes the Board's £1m contingency fund which has not been phased into the reported position. Approved unallocated funding is transferred to operational budgets in line with spending plans. The Board will continue to monitor the balance held under unallocated approved funding in 2019/20.

In year financial deficit

The 2019/20 financial plan agreed by the Board at its April meeting highlighted a financial challenge of £21.7m. A summary of the financial plan is attached in Appendix 2 for information.

Linked to financial turnaround, £12.7m of savings target have been allocated to business units as detailed in section 3. The remaining financial gap of £9.0m is therefore reported under this heading.

In future reports this section will provide:

- A detailed analysis for the Board of identified and implemented savings schemes compared with agreed targets.
- The in year impact of these schemes on the forecast financial plan outturn.

Based on the 2019/20 impact of the recurring savings schemes (£3.56m) identified to date (see section 3 for details) there is a shortfall of £2.3m against the recurring target requirement (£5.8m) as detailed in the financial plan.

Year End Forecast

Based on only two months financial information the key issues for the Board are:

- The overspend on nursing budgets linked in the main to the use of surge beds during April and May which was not funded. An action plan has been requested by the Chief Executive on how this situation will be addressed.
- The overspend on primary care prescribing although this is heavily caveated at this time.
- Slippage on the planned deliver of recurring savings.

A quarter one review of the financial position will be undertaken during July and more detailed analysis of the forecast year end position will be included in reports after that date.

Section 3 : Turnaround Programme - Savings Targets

Linked to financial turnaround twelve workstreams have been set up with recurring savings targets allocated to the business units within ten of the workstreams. These recurring savings targets are reported within the financial position of each of the business units in section 2. These targets are detailed in the table below:

Workstream	Business Unit					
	Acute Services/ Set Aside Budgets BGH £m	IJB Directed Services Mental Health £m	IJB Directed Services Primary Care £m	Corporate Directorates £m	External Healthcare Purchasers £m	Total £m
Demand & Pathway	-	-	-	-	-	-
Financial Awareness	-	-	-	-	-	-
Medical Workforce	0.51	0.06	0.06	0.02	-	0.65
Nursing Workforce	0.85	0.32	0.36	0.04	-	1.57
Other Workforce	0.35	0.11	0.32	0.45	-	1.23
Non Pay	0.39	0.04	0.21	0.22	-	0.86
Estates & Facilities	0.32	0.06	0.18	0.06	-	0.62
Drugs	1.18	0.02	1.91	0.02	-	3.13
Productivity & Efficiency	1.65	0.67	0.83	-	-	3.15
SLAs & Income	-	-	-	-	0.31	0.31
Transformation	-	-	1.26	-	-	1.26
Grip & Control	-	-	-	-	-	-
TOTAL	5.25	1.28	5.13	0.81	0.31	12.78

Overall the pace of identifying schemes is slower than is required to meet the savings trajectory to achieve the overall target of £12.7m recurring savings for 2019/20.

To date £4.56m recurring full year effect savings have been identified in the plan, with a forecast benefit of £3.56m part year effect for 2019/20.

There is variable progress across the workstreams. Although two workstreams are delivering well against the plan, the remaining schemes are delivering at a slower rate than envisaged, with two of these yet to have any schemes confirmed. Plans across the business units are also showing variable progress against the required level of savings targets.

New ideas are being generated and submitted through the ideas pipeline but workstreams have been slow to move on these. Work is underway to immediately address this.

Actions are being taken to mobilise the Turnaround Programme and increase the pace of delivery, particularly within those areas where progress is stalling or not delivering. Deconstruction sessions, the equivalent of deep dives into services, to identify savings opportunities have now been requested, and a white board session took place in week beginning 17th June with the Board Executive Team, key members of the PMO and the Turnaround Team to review progress to date and identify next areas of focus for the programme.

A review of progress, midway through the externally commissioned turnaround support is currently being carried out. This will identify ongoing barriers and actions required to further accelerate our financial turnaround programme, including how the Board can sustain the turnaround programme in the second half of 2019/20 and into the next 2 years.

A key objective of financial turnaround is a financial plan which will return the Board to financial balance. At the Board meeting on the 4th April 2019 the Board approved an unbalanced financial plan for 2019/20 and requested that a three plan which returns the organisation to financial balance be developed.

Summarised in the table below is the timeline on how the Board will develop the 3 year plan which it is anticipated will be presented at the Board meeting on the 3rd October 2019.

Date	Meeting	Key Issues to be Discussed
19 th June 2019	Finance & Resources Committee	Process for the Development of a 3 year plan (this paper) Turnaround Programme Progress update
27 th June 2019	Board Meeting	2019/20 Update on Financial Plan linked to the AOP
27 th June 2019	Development Session	Financial Turnaround & Board engagement
18 th July 2019	Finance & Resources Committee	Turnaround Programme Progress Update 3 year Financial Plan Assumptions 3 year Savings Forecast to date
1 st August 2019	Strategy & Performance Committee	2019/20 Financial monitoring report (including savings in year)
1 st August 2019	Development Session	Savings options for discussion
5 th September 2019	Board Meeting	2019/20 quarter 1 review and forecast year end
5 th September 2019	Development Session	Draft 3 year plan overview

Mid September 2019 – TBC	Finance & Resources Committee	Turnaround Programme Progress update Draft 3 year plan
3 rd October 2019	Board Meeting	3 year financial plan

The Finance and Resources Committee considered and approved the above timeline at their meeting on the 19th June 2019.

Section 4 : Overview of Capital

Source of Funds

	£m
Opening Capital Resource Limit (CRL)	2.37m
Primary Care Premises	0.49m
SG eHealth Division IM&T Investment (tbc)	1.00m
SG requested Capital transfer to support Board Revenue – (tbc)	(1.00m)
Additional resource Patient Flow – (tbc)	0.20m
Additional resource Project support costs – Borders Health Campus (tbc)	0.08m
Medical Education Training Facility	0.07m
Potential Property Sale proceeds	0.10m
Total Capital Resource Plan	3.31m

NHS Borders formula capital allocation (CRL) for 2019/20 is £2.4m.

The opening CRL has been supplemented by the following:

- Primary Care Premises funding for improvement works at Earlston and West Linton Health Centres.
- Funding for the Medical Education Training Facility at the Education Centre from the Medical Training budget.

The Board highlighted a number of capital projects in its 2019/20 Annual Operational Plan which would require additional capital resource. Confirmation has not yet been received.

Capital Expenditure

	Plan £m	Actual £m
Primary Care Premises (West Linton and Earlston Health Centres).	0.49	-
IM&T Road to Digital (tbc)	1.00	-
Rolling Programmes		
IM&T	0.30	-
Estates and Backlog Maintenance	0.55	-
Medical Equipment	0.05	-
Patient Flow (tbc)	0.20	-
Borders Health Campus (tbc)	0.08	-
Simulation Training Facility	0.07	0.07
Capital Planning Project Management	0.24	0.08
Uncommitted/Feasibility Works	0.23	-
Uncommitted pending confirmation of Sale Proceeds (Orchard Park and Crumhaugh House)	0.10	-
Total	3.31	0.15

A limited level of capital resource has been committed to date. Confirmation of prioritised rolling programmes for IM&T, medical equipment, backlog maintenance and estates is being progressed through discussions with Service Managers.

The Board will be presented with a detailed capital plan paper at its meeting on the 27th June 2019.

Section 5 : Risk

This section highlights to the Board the key risks currently facing the organisation in achieving its financial targets.

The key issue facing the organisation is the unbalanced financial plan and the need for SGHSCD brokerage funding to deliver financial targets in 2019/20. It also does not have in place a plan on how it will return to a financially sustainable position.

In line with financial turnaround there is a need to identify how £12.7m of recurring savings will be delivered. Twelve workstreams have been set up with financial targets apportioned to business units. It is imperative these targets are met and there needs to be increasing engagement and focus in order to achieve this.

The 2019/20 financial plan assumed a level of savings would be delivered in 2019/20 and at the end of May the agreed level of recurring savings have not yet been confirmed. There is a further risk that the saving identified to date will not fully deliver. The Board needs to increase the pace and the focus on the delivery of recurring savings.

Nursing costs have been higher than anticipated in the first two months of the financial year. It is imperative that this situation is addressed and nursing costs are managed to budget and that the unfunded surge beds are closed.

Due to the time delay in information available there remains a risk associated with drugs costs particularly primary care prescribing and based on current estimates there is an estimated overspend at the end of May.

Due to the unpredictability of external health providers expenditure, particularly around UNPAC's, OATS and ECR's continues to be a risk area for NHS Borders. The Commissioning Team will continue to monitor the situation and highlight any potential risks.

**NHS Borders
2019/20 Allocations**

Appendix 1

	Baseline Recurring £	Earmarked Recurring £	Non Recurring £	Total £
2019-20 initial baseline	207,667,000	-	-	207,667,000
2018-19 recurring allocations - adjustment	511,045	-	-	511,045
Professional Careers Programme salary contribution	-	10,000	-	10,000
SLA Children's Hospices Across Scotland (Year 3 / 5)	-	-	-126,301	-126,301
SEAT Forensic Medical Examiners and Custody Suite Service	-218,000	-	-	-218,000
Continuation of the Preoperative Anaemia workstream	-	-	6,810	6,810
The Health and Care (Staffing) (Scotland) Bill	-	-	32,048	32,048
Implementation costs for HPV boys vaccination	-	-	5,514	5,514
				<u>207,888,116</u>

2019/20 Financial Plan Overview

	2019/20		
	Recurring £m	Non Recurring £m	Total £m
Opening Surplus/Deficit	(13.8)	0.0	(13.8)
<u>Funding</u>			
General Funding Uplift	5.1	-	5.1
Anticipated Allocations - Scottish Government	23.0	-	23.0
Winter Plan Funding	-	0.2	0.2
New Medicines Fund	-	1.7	1.7
Waiting Times Carried Forward	-	0.7	0.7
Employers Superannuation 20.9%	6.5	-	6.5
Social Care Fund (IJB)	7.4	-	7.4
NHS Ring Fenced Funding (IJB)	2.1	-	2.1
Sub total Funding	44.1	2.6	46.7
<u>Identified Financial Pressures</u>			
Pays	4.2	-	4.2
Anticipated Allocations - Scottish Government	23.0	-	23.0
Social Care Fund (IJB)	7.4	-	7.4
NHS Ring Fenced Funding (IJB)	2.1	-	2.1
Supplies Inflation	0.8	-	0.8
Prescribing & Acute Drugs	1.7	-	1.7
Employers Superannuation 20.9%	6.5	-	6.5
Capital Charges	0.1	-	0.1
Waiting Times Investment	-	0.7	0.7
Regional/National Investments (see appendix 2)	1.1	0.3	1.4
Local Investments (see appendix 2)	2.5	4.2	6.7
Sub total Pressures	49.4	5.2	54.6
2019/20 Deficit - Efficiency Requirement	(19.1)	(2.6)	(21.7)
<u>Savings</u>			
Business As Usual	1.2	0.5	1.8
Cost Savings Plan	2.2	2.7	4.9
Financial Turnaround	2.0	-	2.0
In year measures	0.4	2.4	2.8
Use of Contingency at 50%	-	1.0	1.0
Sub total Savings	5.8	6.7	12.4
<u>In Year Surplus/Deficit</u>	(13.3)	4.0	(9.3)