

Borders NHS Board



Meeting Date: 5 September 2019

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Susan Swan, Deputy Director of Finance
2019/20 QUARTER 1 FINANCIAL REVIEW AND YEAR END FORECAST	
Purpose of Report:	
<p>The purpose of this report is to advise the Board of the forecast 2019/20 year end financial position based on a review of the situation and information available at the end of the first quarter of financial year.</p>	
Recommendations:	
<p>The Board is asked to note the report and to request regular updates on the forecast position as at 31st March 2020 to ensure delivery of financial targets in 2019/20.</p>	
Approval Pathways:	
<p>The content of the report has been reviewed by the Executive Team on the 27th August 2019.</p> <p>In line with SGHSCD reporting requirements a draft, subject to Board review, 2019/20 Quarter 1 financial review was submitted on 16th August 2019.</p>	
Executive Summary:	
<p>The Board is asked to note the following key points:</p> <ul style="list-style-type: none"> • The 2019/20 year end projected position has been based on the information collated to support the quarter 1 financial review as submitted to SGHSCD on 16th August 2019 in draft. • It is forecast that the financial targets will be achieved with the support of additional funding in the form of brokerage of £9.3m. • The forecast position is in line with the financial plan agreed in April 2019. For financial year 2019/20 services are in the main managing within their operational budgets as set at the start of the financial year. Delivery of savings, although below the financial turnaround trajectory, is in line with the 2019/20 financial plan. The Board will use its contingency to deal with a number of unforeseen costs pressures which include the use of surge beds over the spring/summer months, the shortfall in funding linked to the increase in employers superannuation costs and a number of other pressures as detailed in the report. • It is forecast that £5m of recurring savings and £6.6m of non recurring savings will be delivered in year in 2019/20. • Based on current assumptions £7m full year recurring savings will be identified in 	

<p>2019/20 which is below the target of £12.7m set by the Board. This will fully address the 2019/20 recurring costs pressures but does not address the recurring deficit which was carried forward from previous financial years.</p> <ul style="list-style-type: none"> • The forecast year end position is based on a number of assumptions and has a number of risks. These will be monitored throughout the year. • There is much to do to deliver the Capital Resource Limit in 2019/20 and the Board will be provided with a regular update on progress. 	
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 report.
Equality and Diversity	Compliant with Board policy requirements.
Consultation	N/A
Glossary	<p>Acute Services includes General Surgery, Orthopaedics, Theatres And Critical Care, Obstetrics and Gynaecology, Paediatrics, Outpatients, Cancer Services, Diagnostics, BGH Pharmacy, Community Nursing, Planned Care</p> <p>Set Aside includes General Medicine, Medicine for the Elderly, Accident and Emergency</p> <p>IJB Delegated Services includes Mental Health, Learning Disability, Allied Health Professionals, Family Health Services, External Providers, Social Care Fund, Integrated Care Fund</p> <p>Corporate Directorates includes Executive Directorates, Estates and Facilities</p> <p>External Healthcare providers includes Other NHS Scottish Boards, OATS, Private ECRs & Grants</p> <p>SGHSCD - Scottish Government Health and Social Care Department</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>

Contents

This report contains the following:

Section

1. Background
2. Forecast Year End Position at 31st March 2020
3. Financial Turnaround Savings
4. Assumptions
5. Risks
6. Capital Forecast

Section 1: Background

At its meeting in April the Board approved a financial plan, as part of the annual operational plan (AOP) for 2019/20 which set out an efficiency savings delivery of £5.8m recurrently and £6.6m on a non recurring basis and noted a requirement for brokerage of £9.3m.

SGHSCD has requested that all Boards review their financial position at the end of June and provide an updated 2019/20 forecast year end position based on that information. A forecast based on a number of assumptions and in conjunction with budget managers has been undertaken and was submitted in draft to SGHSCD on the 16th August 2019 subject to Board review.

The Board receives a report on the financial position at each meeting. From August 2019 the Board finance report will include the cumulative to date position and an updated year end forecast in order that the Board is sited on the forecast outturn position and any corrective action if required.

Section 2: Forecast Year End Position as at 31st March 2020

Based on the information currently available the Board is forecasting that financial targets will be achieved in 2019/20 with the support of £9.3m brokerage as set out in the Annual Operational Plan.

The forecast position is in line with the financial plan agreed in April 2019. For financial year 2019/20 services are in the main managing within their operational budgets as set at the start of the financial year. Delivery of savings, although below the financial turnaround trajectory, is in line with the 2019/20 financial plan. The Board's contingency of £1m is factored into the year end forecast to offset a number of key unforeseen pressures

A summary of the forecast year end position compared with the financial situation as at 31st July 2019 is summarised in the table below.

Table 2 - Revenue Income and Expenditure

	Revised Annual Budget £m	YTD Variance as at 31 st July £m	Forecast Year End Position £m	Comment on movement between July and Year End Position
INCOME				
SGHSCD Allocation	230.08	-	-	
SGHSCD Anticipated Allocations	17.09	-		
Family Health Services	10.24	-	-	
External Healthcare Purchasers	4.08	(0.01)	(0.22)	Continued under recovery on NHS Lothian SLA
Other Income	5.40	-	-	
TOTAL INCOME	266.89	(0.01)	(0.22)	
EXPENDITURE				
Acute Services	60.92	(0.41)	0.20	Implementation of identified savings schemes and impact of vacancy controls. Phased allocation of funding for audiology and drugs.
Set Aside	23.99	(0.54)	(1.34)	Limited number of savings schemes identified, time limited continuation of some surge beds and pressures in A&E.
IJB Delegated Services	110.78	(0.67)	0.05	Number of vacancies primarily in MH nursing, Dental Services and AHP's.
Corporate Directorates	34.19	-	(0.88)	Estates pressures (residences, catering, national reviews, winter & utilities). Workforce pressure from implementation of regional recruitment model.
External Healthcare Providers	28.12	0.19	0.27	Overachievement of turnaround savings targets.
Depreciation	4.67	-	-	
Planned Expenditure yet to be allocated	8.12	-	1.92	Effect of non recurring measures, slippage on investments (including Sick Kids) & balance sheet flexibility.
Savings mandates not yet implemented	(3.90)	0.90	-	
TOTAL EXPENDITURE	266.89	(0.53)	0.22	
TOTAL	-	(0.54)	-	

The key points to note on NHS Borders financial position as at 31st July 2019 and the forecast year end position are as follows:

- The position takes account of the impact of £9.3m brokerage which has been confirmed by SGHSCD for 2019/20.
- As at the end of July £4.5m in year (£6m full year) recurring savings have been identified against this Turnaround Programme Savings Target of £12.7m. It is currently forecast that £5m recurring savings will be achieved in year with an estimated full year delivery of £7m. This is detailed in section 3 below.
- Non recurring savings schemes of £6.6m are forecast to fully deliver. This includes £1m of capital funding which will be transferred to support revenue pressures.
- There are a number of issues which have impacted on the financial position in 2019/20 which were unforeseen and not included within the Board's financial plan. The Board will use its contingency funding to cover these costs in year however in a number of cases there will be a recurring impact:
 - Employer's superannuation. Funding provided to date is £5.048m. Additional funding (estimated at £0.5m) is anticipated from SGHSCD however based on current information/estimated costs the shortfall is estimated at £0.5m which NHS Borders has not provided for as assurances were given that this increased costs would be fully funded centrally. This is a recurring ongoing cost pressure.
 - SGHSCD Ringfenced Outcomes Framework Allocation - the 5% reduction in this ring fenced allocation was not anticipated. Services have been asked to generate plans on how this allocation reduction can be addressed however if possible these are unlikely to be in place until much later in the financial year. It has been assumed that plans will be in place by 1st April 2020 therefore there will be no financial impact, although potentially an impact on service provision, next financial year.
 - It has been assumed that the costs associated with the purchase, implementation and running of Office 365 would be centrally funded as per correspondence on the 22nd June 2018 however this situation has been revisited nationally. The forecast position assumes the cost of windows desktop operating systems licences in 2019/20 will be £50k and this will be a recurring cost. Other costs including client access licenses and Office 365 annual subscription per user will continue to be centrally funded.
 - Clinical waste contingency measures - based on current advice the Board has built into its year end forecast that the temporary arrangements in place will stay continue until 31st March 2020. It has been assumed there is no future year impact next financial year.

Section 3: Financial Turnaround Savings

Linked to financial turnaround twelve workstreams have been set up with recurring savings targets allocated to the business units within ten of the workstreams. As part of financial turnaround the key focus is on recurring savings. These targets and planned recurring savings projects to address these targets are detailed in the table below:

Savings	Business Units					
	Acute Services BGH £m	Set Aside BGH £m	IJB Directed Services £m	Corporate Directorates & Board £m	External Healthcare Purchasers £m	Total £m
IMPLEMENTED retracted from budgets	0.20	-	0.40	0.51	0.68	1.79
APPROVED - Gateway 2	0.62	0.11	0.04	0.05	-	0.82
IN DEVELOPMENT - Gateway 1	0.49	0.30	1.06	0.10	-	1.95
Total MANDATED TO DATE	1.31	0.41	1.50	0.66	0.68	4.56
FORECAST SAVINGS - not yet mandated	0.18	0.09	0.10	0.10	0.01	0.48
Total FORECAST MANDATED IN YEAR	1.49	0.50	1.60	0.76	0.69	5.04
Future year effect of savings started part way through the financial year	0.83	0.41	0.54	0.24	0.01	2.03
Total FULL YEAR (% of target)	2.32 (61%)	0.91 (62%)	2.14 (33%)	1.00 (122%)	0.70 (224%)	7.07 (55%)
SAVINGS TARGET	(3.79)	(1.46)	(6.41)	(0.81)	(0.31)	(12.78)
REMAINING OUTSTANDING TARGET	(1.47)	(0.55)	(4.27)	0.19	0.39	(5.71)

The key issues to note are:

- In 2019/20 we expect to deliver £5m in year with a full year level of £7m. This is significantly below the target of £12.7m.
- To date £1.8m of recurring savings has been retracted from budgets. It is critical to the year end forecast that all forecast savings are actioned through operational budgets.
- This forecast includes an estimate of savings that are not yet, but expected to be mandated over the coming months which will impact on this financial year. This estimate has been calculated based on projects currently being scoped.
- Non recurring savings of £5.7m have been mandated at the end of July and it is assumed the £6.6m target for 2019/20 will be fully delivered.

Section 4: Assumptions

The forecast 2019/20 year end financial projection has been based on a number of key planning assumptions as follows:

- The Board will receive £9.3m of brokerage funding.
- £1m of capital funding will be transferred to support revenue pressures.
- Robust management of all budgets across the organisation is in place with particular focus on the controls on the use of agency staff.
- All business units deliver savings to the forecast mandated levels and manage operational pressures within approved resource levels.
- Additional funding (£0.2m) will be allocated by SGHSCD to address winter pressures and the planned funding level available for the winter plan is sufficient to deal with actual costs.
- Income from Non Borders residents continues as expected.
- There are no new national, regional or local issues which have a financial impact on the Board.
- External healthcare spend is based on the current patient cohort and normal referral patterns.
- The level of spend related to the achievement of waiting times is in line with the AOP.
- No new developments are approved unless funding sources have been identified.
- Capital funding will be available in 2019/20 to support the next phase of the IM&T Road to Digital programme.
- Linked to the capital programme SGHSCD funding for obsolescence and implementation costs similar to the level in previous years will be made available to the Board.

The Board must remain alert to any new or change in these planning assumptions.

Section 5: Risks

Whilst every effort has been made to ensure all likely additional costs and national, regional and local priorities have been incorporated into the forecast year end position, there remain a number of inherent uncertainties and risks. It is not possible to eradicate all financial risks facing individual services or the wider organisation. Specific risks to be noted include the impact of:

- We continue to anticipate a number of allocations and until these are confirmed there remains a risk that funding from SGHSCD will not be at the level expected.
- There are a number of estimates of savings in the forecast which have not yet been mandated and not all of the savings schemes have not been retracted from budgets.
- Availability of the workforce.

- The level of delayed discharges in the health system.
- Winter.
- Brexit.
- Impact of national price changes to medicines and the introduction of new high cost medicines.
- Out of areas referrals, particularly high cost placements.

These key risks will be monitored to ensure early identification of issues and assessment of likely impact on the year end position.

Section 6: Capital Programme

The table below summarises the plan for 2019/20 and the level of spend as at the end of July.

	Funding £m	Actual Spend As at 31st July £m	Forecast Year end position £m	Comments
Primary Care Premises (West Linton and Earlston Health Centres).	0.49	-	0.49	West Linton at tender stage. Earlston on pause.
IM&T Road to Digital (funding tbc)	0.50	0.10	0.50	SGHSCD discussion to confirm funding 30.08.19
Rolling Programmes				
IM&T	0.30	-	0.30	
Estates and Backlog Maintenance	0.55	0.05	0.55	
Medical Equipment	0.05	-	0.05	
Patient Flow (funding tbc)	0.20	-	-	No spend until funding confirmed
Borders Health Campus (funding tbc)	0.08	-	-	No spend until funding confirmed
Simulation Training Facility	0.07	0.07	0.07	
Capital Planning Project Management	0.24	0.10	0.24	
Uncommitted/Feasibility Works (including MRI and ASDU)	0.23	-	0.23	
Uncommitted pending confirmation of Sale Proceeds (Orchard Park and Crumhaugh House)	0.10	-	-	No spend until sales proceeds received
Total	2.81	0.33	2.43	

A number of areas of capital funding have not yet been confirmed by SGHSCD and a meeting has been arranged for the 30th August 2019 to discuss this in more detail. The key issue is funding for the next phase of the Road to Digital (£0.5m).

There has been limited progress on the in year capital plan as at the end of July. The key area of focus in the coming months will be the rolling programmes. It should be noted that the work on Earlston Health Centre has been paused to consider a joint partnership infrastructure opportunity which has arisen.

There is much to do to deliver the Capital Resource Level in 2019/20. The Board will be provided with an update in the finance report presented at each Board meeting.