

Borders NHS Board



Meeting Date: 5 September 2019

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Samantha Harkness, Senior Finance Manager
FINANCE REPORT FOR THE FOUR MONTH PERIOD TO 31ST JULY 2019	
Purpose of Report:	
The purpose of this report is to advise the Board of the financial position as at 31st July 2019.	
Recommendations:	
<p>The Board is asked to note the report and consider the current financial position.</p> <p>As stated in the June report the Board is recommended to ensure the use of the unfunded surge beds is fully addressed and the pace of delivery of recurring savings is increased.</p> <p>The Board is asked to provide £8.2m of resources to the IJB which reflects their prorata share of brokerage funding and the non recurring measures the Board has put in place this financial year.</p>	
Approval Pathways:	
<p>The content of the report has been reviewed by the Executive Team on the 27th August 2019.</p> <p>Budget managers received individual specific reports which make up the content of this report during the week beginning 5th August 2019.</p>	
Executive Summary:	
<p>The Board is asked to note the following key points as at 31st July 2019:</p> <ul style="list-style-type: none"> • The Board is reporting an overspend position of £0.54m (£0.53m at the end of June) on revenue and break even on capital budgets. The reported position includes the agreed brokerage from Scottish Government at the level of £9.3m for 2019/20. • Some savings schemes which were planned for this financial year have not yet delivered. • The main operational pressure is in nursing budgets as unfunded surge beds remained open at the end of July 2019. Six DME beds have been closed in August. • £12.7m of recurring savings targets have been allocated across the twelve workstreams and apportioned to business units within each workstream. • At the time of writing this report £4.5m in year (£6m full year) recurring savings have been identified against the target which is behind trajectory. 	

<ul style="list-style-type: none"> • £1.8m recurring savings have been retracted from budgets at the end of July. The anticipated impact of savings identified at Gateway 1 and 2 (but not yet retracted) has been factored into the reported position. • Non recurring savings of £5.7m have been mandated to date with £2.3m retracted from budgets. • Business Units are reported inclusive of a pro rata share of both agreed brokerage of £9.3m and anticipated delivery on non recurring measures totalling £6.6m. Based on this apportionment the Board is asked to provide £8.2m additional resources to the IJB for delegated services and set aside budgets. • NHS Borders has a contingency fund in 2019/20 of £1m which has not been factored into the position at the end of July. 	
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	<ul style="list-style-type: none"> • Acute Services includes General Surgery, Orthopaedics, Theatres And Critical Care, Obstetrics and Gynaecology, Paediatrics, Outpatients, Cancer Services, Diagnostics, BGH Pharmacy, Community Nursing, Planned Care • Set Aside includes General Medicine, Medicine for the Elderly, Accident and Emergency • IJB Directed Services includes Mental Health, Learning Disability, Allied Health Professionals, Family Health Services, External Providers, Social Care Fund, Integrated Care Fund • Corporate Directorates includes Executive Directorates, Estates and Facilities • External Healthcare providers includes Other NHS Scottish Boards, OATS, Private ECRs & Grants <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>DME - Department of Medicine for the Elderly</p> <p>ASDU - Area Sterilisation and Disinfection Unit</p>

Contents

The financial monitoring report contains the following:

Section

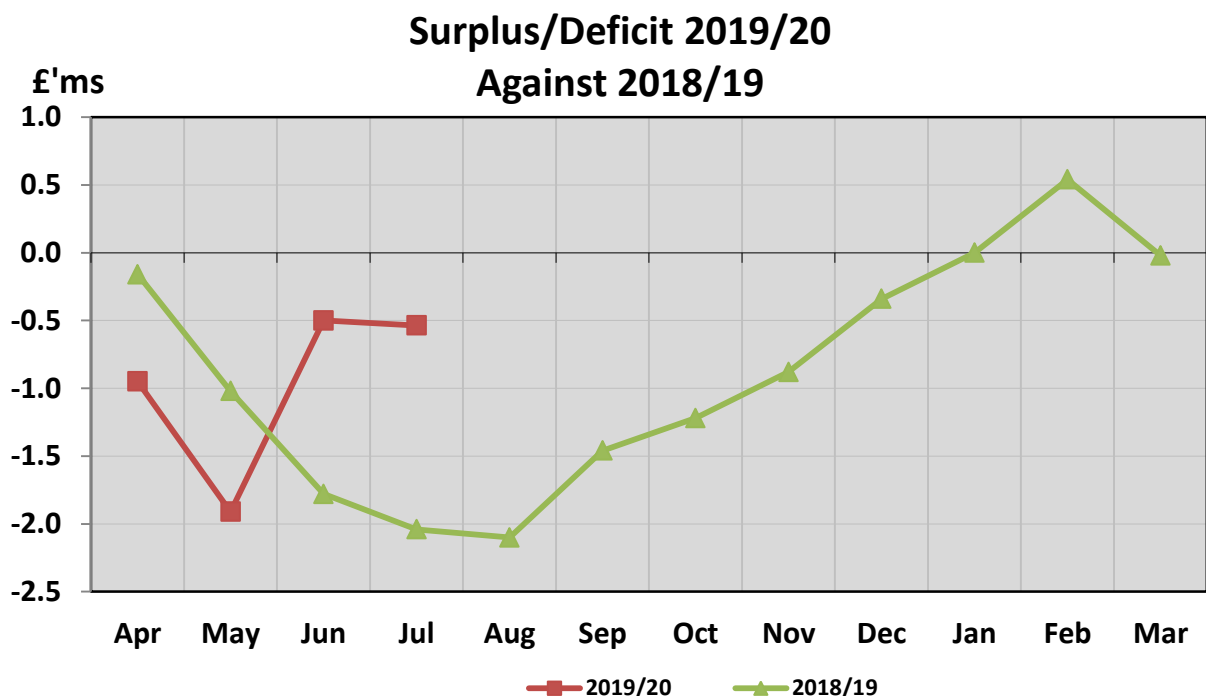
1. General Overview
2. Revenue Income and Expenditure
3. Turnaround Programme – Recurring Savings Targets
4. Capital

Section 1: General Overview

A general overview of the financial position as at 31st July 2019 is summarised in the table below:

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Surplus/Deficit £m
Revenue Income (see section 2)	243.46	266.89	82.23	82.22	(0.01)
Revenue Expenditure (see section 2)	243.46	266.89	81.02	81.55	(0.53)
Surplus/(Deficit) for Period	-	-	1.21	(0.67)	(0.54)
Capital Expenditure (see section 4)	3.24	2.81	0.33	0.33	-

- 1.1 At 31st July 2019 the Board is reporting an overall position of £0.54m overspent on revenue budgets. Total anticipated capital resources for 2019/20 are £2.81m with a spend of £0.33m recorded as at the end of July.
- 1.2 The graph below shows the level of revenue surplus/deficit position month by month for 2019/20 compared with the previous financial year. The impact of 4 months of 2019/20 agreed brokerage funding of £9.3m has been included in the reported position.



1.3 Key Risks:

- NHS Borders does not have a balanced financial plan for 2019/20 and requires £9.3m of brokerage to deliver its financial targets which will require to be repaid at some time in the future.

- 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. This includes additional funding for the increase in employers superannuation costs from 1st April 2019.
- The 2019/20 plan assumed a level of recurring savings would be delivered. Currently we are behind trajectory and there is a risk that identified schemes may not fully deliver.
- Nurse staffing costs to date are higher than anticipated as the unfunded surge beds remained open in the BGH, at 31st July 2019. Six DME beds closed on the 16th August, with a further 6 beds planned to close in October 2019.
- Primary care prescribing costs are higher than estimated but this position is heavily caveated due to there being a 3 month time lag in receiving actual information.
- The unpredictability of expenditure on external healthcare providers is a risk.

Section 2: Revenue Income and Expenditure

Revenue Income

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
SGHSCD Allocation	201.48	230.08	75.70	75.70	-
SGHSCD Anticipated Allocations (Note 1)	22.50	17.09	-	-	-
Family Health Services	10.24	10.24	3.41	3.41	-
External Healthcare Purchasers	3.98	4.08	1.37	1.36	(0.01)
Other Income	5.27	5.40	1.75	1.75	-
Total Income	243.46	266.89	82.23	82.22	(0.01)

Note 1 - this includes anticipated resources for a number of areas including Primary Medical Services.

- 2.1 Additional resources linked to the increase in the rate of employer's superannuation costs have been received however further funding is anticipated to meet the actual costs incurred from the 1st April 2019. Based on current information there is an estimated shortfall (£0.5m) on the level of funding received to offset the additional costs of employers superannuation.
- 2.2 Income budgets are reporting an under recovery of £0.01m linked to the Lothian SLA (£0.06m under recovered) offset by a higher than budgeted level of income received for the treatment of patients from other Scottish Health Boards as UNPACs.

Revenue Expenditure

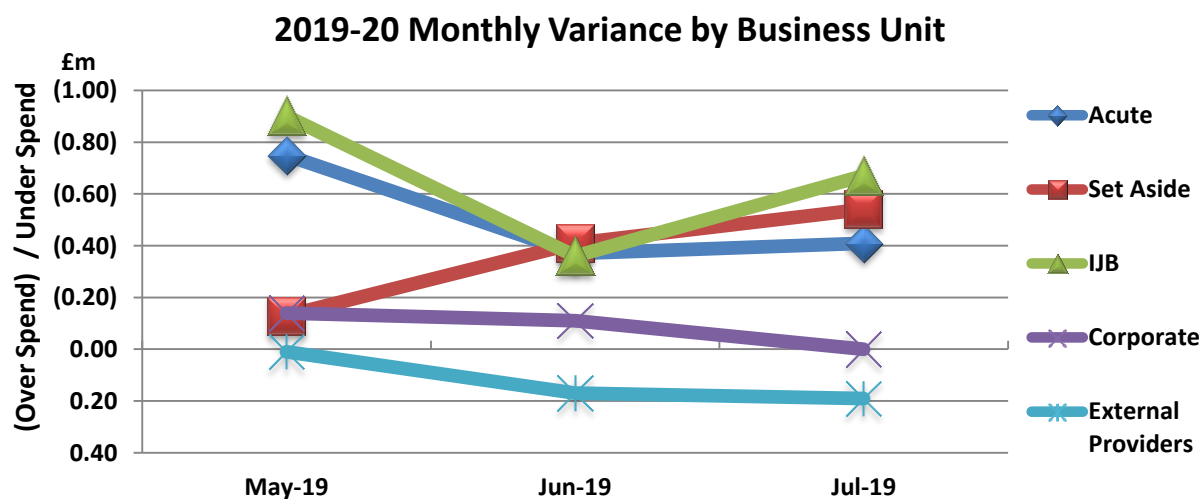
	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Operational Services Business Units					
Acute Services	58.00	60.92	20.59	21.00	(0.41)
Set Aside	22.51	23.99	8.06	8.60	(0.54)
IJB Delegated Services	101.30	110.78	29.74	30.41	(0.67)
Corporate Directorates	29.36	34.19	10.62	10.62	-
External Healthcare Providers	26.13	28.12	9.55	9.36	0.19
Board Wide					
Depreciation	4.67	4.67	1.56	1.56	-
Planned Expenditure yet to be Allocated (Note 1)	10.16	8.12	-	-	-
Savings mandates not yet implemented (Note 2)	(8.66)	(3.90)	0.90	-	0.90
Total Expenditure	243.46	266.89	81.02	81.55	(0.53)

Note 1 - 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 July. This heading also includes the Board's £1m contingency fund which has not been phased into the reported position.

Note 2 – Reflects savings mandated at Gateway 1 and 2 which have not yet been retracted from individual budgets (see Section 3).

2.3 Business Units are reported inclusive of a pro rata share of both agreed brokerage of £9.3m and anticipated delivery on non recurring measures totalling £6.6m.

2.4 The variance trend on the operational services month by month to date is detailed in the graph below. The movement in variance from May to June was linked to the allocation of agreed brokerage and anticipated non recurring measures to the business units .



2.5 The key points to note from the position on revenue expenditure at the end of July are the following:

- **Acute Services (this month £0.41m overspent – last month £0.37m overspent)** – delivery of recurring savings is behind trajectory to meet the allocated target.
- **Set Aside (this month £0.54m overspent – last month £0.41m overspent)** – delivery of recurring savings is behind trajectory to meet the allocated target. Nurse staffing costs are overspent (£0.21m for 4 months) relating to the surge beds. During August six DME beds closed and further closures are planned for October. Additional medical staffing in Accident and Emergency to cover rota gaps is creating a financial pressure (£0.06m overspent).
- **IJB Delegated Services (this month £0.67m overspent – last month £0.36m overspent)** – an overspend on primary care prescribing of £0.06m is reported but heavily caveated as limited information is available to date. This overspend and impact of the recurring savings target being behind trajectory (in month £0.2m overspent) is partially offset by underspends in a number of areas including mental health nursing (£0.11m) and public dental services (£0.20m).
- **Corporate Directorates (this month breakeven – last month £0.11m overspent)** – there are unfunded cost pressures linked to the boilerhouse, incinerator, residences as well as utilities which are being offset by underspending staffing budgets due to vacancies across Director of Nursing, Workforce and Executive Services.
- **External Healthcare Purchasers (this month £0.19m underspent – last month £0.17m underspent)** – the recurring savings target set under the financial turnaround programme has been exceeded. The Lothian Primary Care Contract is reporting lower activity than in 2018/19 however there have been two high cost patients treated in NHS Greater Glasgow and Clyde which are above funded levels.

Year End Forecast on Revenue Income and Expenditure

2.6 As part of the annual operational plan SGHSCD have confirmed that up to a maximum of £9.3m of funding will be made available to the Board in 2019/20. This anticipated funding and non recurring savings measures agreed by the Board have been apportioned across the business units (after taking account of a number of non recurring pressures identified in the financial plan) on the same basis as the financial turnaround savings targets which were set and agreed in May 2019. Based on this apportionment a total of £8.2m is provided to the IJB for delegated services (£6.7m) and set aside budgets (£1.5m). The Board is formally asked to provide this additional resource.

2.7 The Board has submitted a draft, subject to Board consideration, 2019/20 Quarter 1 financial review to SGHSCD on the 16th August 2019. A separate paper detailing the key issues, risks and projected year end outturn position will be presented to the Board at the 5th September meeting. In summary this concluded, based on a number of assumptions, that the Board is projected to achieve its financial targets in 2019/20 with the support of £9.3m revenue brokerage.

Section 3 : Turnaround Programme – Recurring Savings Targets

3.1 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 and planned recurring savings projects to address these targets are detailed in the table below:

Savings	Business Units					
	Acute Services BGH	Set Aside BGH	IJB Directed Services	Corporate Directorates & Board	External Healthcare Purchasers	Total
	£m	£m	£m	£m	£m	£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 IN YEAR	1.31	0.41	1.50	0.66	0.68	4.56
Future year effect of savings started part way through the financial year	0.61	0.30	0.46	0.14	0.01	1.52
Total FULL YEAR (% of target)	1.92 (51%)	0.71 (49%)	1.96 (39%)	0.80 (99%)	0.69 (223%)	6.08 (48%)
SAVINGS TARGET	(3.79)	(1.46)	(6.41)	(0.81)	(0.31)	(12.78)
REMAINING OUTSTANDING TARGET	(1.87)	(0.75)	(4.45)	(0.01)	0.38	(6.70)

3.2 The key issues to note are:

- The reported position has been taken from the weekly turnaround report dated 15th August 2019.
- Overall the pace in actioning existing savings schemes and any new schemes identified has been slower than required when measured against the savings target trajectory if we are to achieve the overall target of £12.7m recurring savings for 2019/20. This is concerning given that most of the savings schemes currently being worked through the gateway process were identified in the year 1 financial plan which the Board approved in April 2019.
- To date £6.08m (48%) recurring full year effect savings have been identified, which is an increase of £0.6m since the end of June reported position with a forecast benefit of £4.56m part year effect for 2019/20. 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. These are reviewed along with the cash savings schemes at the weekly Steering Group and are similarly showing slow and varying progress.

3.3 A number of actions have been taken to address the key issues:

- Continued work to take forward the “big ticket” items in order to develop these into mandates. This work will include reviewing:
 - Inpatient capacity across maternity, theatres and DME.
 - Reviewing demand across AHPs and outpatients.
 - Workforce and recruitment.
 - Identifying opportunities to make best use of our space and buildings.
- Deconstruction sessions across corporate support services, BGH and Primary & Community Services have now taken place.
- A whole system deconstruction session has also taken place regarding inpatient services.
- A Programme Review took place on the 22nd August with a wide stakeholder audience to focus on building the 3 year plan. The review covered all ideas generated from the business units deconstruction sessions and mapping them across this year and future years to plan to identify timescales for development and implementation of the individual projects. This work will now be cross referenced with ideas and schemes already identified and the additional projects added to the Programme Register. This work will inform the 3 year financial plan which is due to be present to the Board in October.

Section 4 : Overview of Capital

Source of Funds

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

Capital Expenditure

	Funding £m	Actual Spend to date £m
Primary Care Premises (West Linton and Earlston Health Centres).	0.49	0.01
IM&T Road to Digital (funding tbc)	0.50	0.10
Rolling Programmes		
IM&T	0.30	-
Estates and Backlog Maintenance	0.55	0.05
Medical Equipment	0.05	-
Patient Flow (funding tbc)	0.20	-
Borders Health Campus (funding tbc)	0.08	-
Simulation Training Facility	0.07	0.07
Capital Planning Project Management	0.24	0.10
Uncommitted/Feasibility Works (including MRI and ASDU)	0.23	-
Uncommitted pending confirmation of Sale Proceeds (Orchard Park and Crumhaugh House)	0.10	-
Total	2.81	0.33

- 4.2 A number of areas of capital funding have yet to be confirmed and a meeting has been arranged with SGHSCD on the 30th August 2019. These are highlighted in the table above above.
- 4.3 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. Primary Care Premises work on West Linton Health Centre is at market tender stage.