

Borders NHS Board



Meeting Date: 3 October 2019

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Samantha Harkness, Senior Finance Manager
FINANCE REPORT FOR THE FIVE MONTH PERIOD TO 31ST AUGUST 2019	
Purpose of Report:	
The purpose of this report is to advise the Board of the financial position as at 31st August 2019.	
Recommendations:	
The Board is asked to note the report and consider the current financial position.	
Approval Pathways:	
The report was reviewed by the Executive Team on the 24 th September 2019.	
The financial position as at 31 st August 2019 was reviewed by the Finance and Resources Committee on the 23 rd September 2019.	
The content of the report in the form of individual budget manager reports were issued on the 6 th September 2019.	
Executive Summary:	
The Board is asked to note the following key points as at 31 st August 2019:	
<ul style="list-style-type: none"> • The Board is reporting an overspend position of £0.3m (£0.5m at the end of July) on revenue and break even on capital budgets. The Board is forecasting a year end position of breakeven with the support of £9.3m additional funding in the form of brokerage. • The main operational pressure is unfunded surge beds over the earlier months of this financial year. A plan to phase the closure of these beds commenced 16th August 2019 with the balance of beds closed on the 20th September 2019. • At the time of writing this report, £4.7m in year (£6.4m in a full year) recurring savings have been mandated against the £12.7m recurring savings target. • £2.3m recurring savings have been retracted from budgets at the end of August. The anticipated impact of savings identified at Gateway 1 and 2 (but not yet retracted) has been factored into the reported position. • The forecast year end position includes planned savings yet to be mandated of £0.4m (£0.8m in a full year). • The Board agreed a number of non recurring measures as part of the financial plan 	

<p>for 2019/20. These are progressing as anticipated.</p> <ul style="list-style-type: none"> • NHS Borders has a contingency fund in 2019/20 of £1m which has not been factored into the position at the end of August but is included in the year end forecast. • The identification of recurring savings is behind the financial turnaround trajectory and to achieve financial sustainability the organisation must remain focused on delivering this target. 	
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>

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The financial monitoring report contains the following:

Section

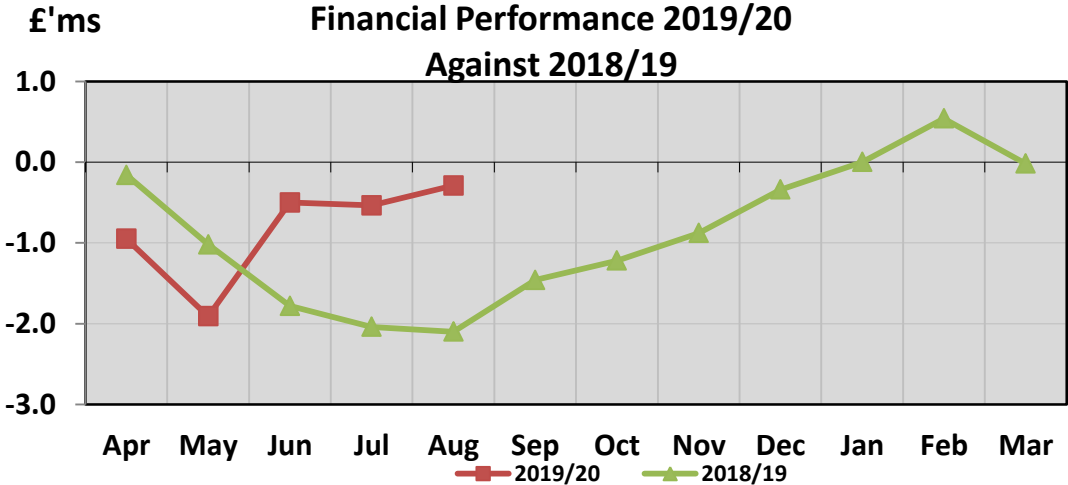
1. General Overview
2. Revenue Income and Expenditure
3. Turnaround Programme – Recurring Savings Targets
4. Capital

Section 1: General Overview

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

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Forecast Year end £m
Revenue Income	243.46	268.08	103.03	103.01	(0.02)	(0.31)
Revenue Expenditure	243.46	268.08	109.66	109.93	(0.27)	0.31
Surplus/(Deficit) for Period	-	-	6.63	6.92	(0.29)	-
Capital Expenditure	3.24	2.79	0.40	0.40	-	2.79

- 1.1 At 31st August 2019 the Board is reporting an overall position of £0.29m overspent on revenue budgets with a forecast year end position of break even with the support of £9.3m additional funding in the form of brokerage. Total anticipated capital resources for 2019/20 are £2.79m with a spend of £0.4m at the end of August.
- 1.2 The graph below shows the level of revenue overspend month by month for 2019/20 compared with the previous financial year.



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.
- At the end of August £2.3m of recurring savings have been retracted from budgets. There is a risk of non delivery with savings which have not yet been withdrawn from budgets.
- 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 Base Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Year end Forecast £m	Notes
SGHSCD Allocation	201.47	230.60	94.85	94.85	-	-	-
SGHSCD Anticipated Allocations	22.50	17.73	-	-	-	-	PMS Allocation not yet received
Family Health Services	10.24	10.24	4.26	4.26	-	-	-
External Healthcare Purchasers	3.98	4.08	1.73	1.71	(0.02)	(0.31)	Under recovery linked to the Lothian and Northumberland SLA's
Other Income	5.27	5.43	2.19	2.19	-	-	-
Total Income	243.46	268.08	103.03	103.01	(0.02)	(0.31)	-

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

2.1 The forecast year end position is an under recovery of £0.3m on income budgets.

Revenue Expenditure

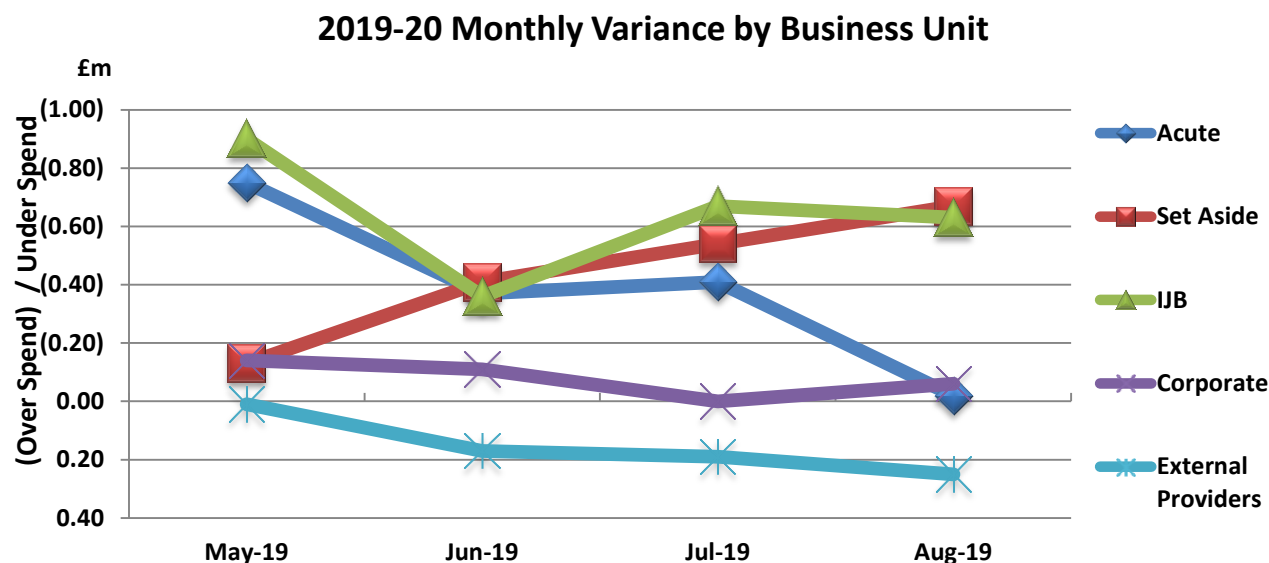
	Opening Base Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Forecast Year end £m	Notes
Operational Services Business Units							
Acute Services	58.00	61.43	25.98	26.00	(0.02)	1.04	Forecast underspend on operational budgets due to vacancies
Set Aside	22.51	24.15	10.09	10.76	(0.67)	(0.80)	Pressures due to surge beds & additional staffing in A&E
IJB Delegated Services	101.55	110.63	45.83	46.46	(0.63)	(0.43)	Shortfall on delivery of savings offset by vacancies
Corporate Directorates	29.10	33.93	13.13	13.19	(0.06)	(0.38)	Forecast overspend on estates & facilities
External Healthcare Providers	26.13	28.18	11.83	11.58	0.25	0.48	Over recovery on savings target
Board Wide							
Depreciation	4.67	4.67	1.94	1.94	-	-	
Planned expenditure yet to be allocated (Note 1)	10.16	8.63	(0.14)	-	(0.14)	0.40	Net impact of slippage/cost pressures and contingency
Mandated savings to be delivered (Note 2)	(8.66)	(3.54)	1.00	-	1.00	-	
Total Expenditure	243.46	268.08	109.66	109.93	(0.27)	0.31	

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 August. This heading also includes the Board's £1m contingency fund which has not been phased into the reported position at the end of August.

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 August are the following:

- **Acute Services (this month £0.02m overspent – last month £0.41m overspent)** – The delivery of recurring savings is behind trajectory but it is anticipated this will be addressed in the later months of the year. It is forecast the Acute Services will end the financial year with an underspent of just over £1m due to underspends on a number of operational budgets including ophthalmology, theatres and critical care.
- **Set Aside (this month £0.67m overspent – last month £0.54m overspent)** – It is forecast that the set aside budgets will end the financial year with an overspend of £0.8m due to a number of unfunded operational pressures - the use of surge beds early in the financial year and agency medical staff costs in A&E.

- **IJB Delegated Services (this month £0.63m overspent – last month £0.67m overspent)** – IJB directed services are forecast to end the financial year with an £0.4m overspend due to a shortfall on the delivery of recurring savings. This is being offset by vacancies in mental health, AHP and dental services.
- **Corporate Directorates (this month £0.06m overspent – last month break even)** – The forecast position on Corporate Services is an overspend of £0.38m due to estates and facilities operational pressures.
- **External Healthcare Purchasers (this month £0.25m underspent – last month £0.19m underspent)** – External Healthcare Provider budgets are forecast to be underspent by £0.48m at year end due to the over recovery of recurring savings. This is offsetting a financial pressure of Scottish UNPACS being above budgeted level.

Section 3 : Turnaround Programme – Recurring Savings Targets

3.1 Linked to financial turnaround twelve workstreams have been set up, ten of which have recurring savings targets allocated across the business units. The two remaining workstreams are categorised as enabling schemes. The recurring savings targets and performance against these are reported within the financial position of each of the business units in section 2. The targets and delivery of schemes progressing through the Turnaround Programme Governance 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	0.72	-	0.41	0.51	0.68	2.32
APPROVED - Gateway 2	0.36	0.11	0.06	0.09	-	0.62
IN DEVELOPMENT - Gateway 1	0.28	0.30	1.08	0.12	-	1.78
Total MANDATED IN YEAR	1.36	0.41	1.55	0.72	0.68	4.72
Forecast Savings – not yet mandated	0.14	0.09	0.08	0.04	0.01	0.36
Total FORECAST MANDATED IN YEAR	1.50	0.50	1.63	0.76	0.69	5.08
Full year effect - mandated savings which start part way through the financial year	0.66	0.30	0.50	0.18	0.01	1.65
Full year effect – forecast savings which start part way through the financial year	0.19	0.11	0.05	0.06	-	0.41
Total FULL YEAR (% of target)	2.35 (62%)	0.91 (62%)	2.18 (34%)	1.00 (123%)	0.70 (226%)	7.14 (56%)
SAVINGS TARGET	(3.79)	(1.46)	(6.41)	(0.81)	(0.31)	(12.78)
REMAINING OUTSTANDING TARGET	(1.44)	(0.55)	(4.23)	(0.19)	0.39	(5.64)

3.2 The key issues to note are:

- The reported position has been taken from the weekly turnaround report dated 13th September 2019 together with the planned savings identified which are yet to be mandated.
- The pace in actioning existing savings schemes and any new schemes identified remains slower than required when measured against the savings target trajectory of £12.7m recurring savings for 2019/20.
- To date £7.1m (56%) recurring full year effect savings have been identified (£0.8m of which are not yet mandated), with a forecast benefit of £5.1m 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 one 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.
- As of the end of August £2.3m of savings have been retracted from budgets. Budgets are amended when agreed actions linked to saving are in place. The amendment to operational budgets gives confidence a saving has been delivered.
- Whilst we have made progress we are still well behind where we need to be to begin to significantly reduce our underlying deficit. This creates a major risk to our ability to create a balanced three year financial plan.

3.3 A separate and more detailed update report on financial turnaround was presented to the Finance and Resources Committee on 23rd September 2019. Going forward the Committee will monitor delivery against the agreed trajectory for the sign off of Gateway 1 mandates. The Board Development session on the 3rd October 2019 will provide an up to date position on financial turnaround and the impact on the 3 year financial plan.

Section 4 : Overview of Capital

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

Capital Expenditure

	Opening Capital Plan £m	Revised Capital Plan £m	YTD Actual £m	Forecast Year End £m	Notes
Primary Care Premises (West Linton Health Centre)	0.49	0.25	0.01	0.25	
IM&T Road to Digital	1.00	1.00	0.14	1.00	
Rolling Programmes					
IM&T	0.30	-	-	-	
Estates and Backlog Maintenance	0.55	0.55	0.04	0.55	
Medical Equipment	0.05	0.05	0.01	0.05	
Simulation Training Facility		0.07	0.07	0.07	
Borders Health Campus	0.08	-	-	-	Deferred 2020/21
Patient Flow	0.20	-	-	-	Deferred 2020/21
Capital Planning Project Management	0.24	0.24	0.13	0.24	
Uncommitted/Feasibility Works	0.23	0.53	-	0.53	ASDU and MRI installations
Uncommitted pending confirmation of Sale Proceeds (Orchard Park and Crumhaugh House)	0.10	0.10	-	0.10	
Total	3.24	2.79	0.40	2.79	

4.2 Following a discussion with SGHSCD the funding of £1m for the next phase of the IM&T Road to Digital Programme has been confirmed. A number of smaller anticipated allocations have been deferred for consideration until next financial year.

4.3 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. There is much to do to deliver the capital plan in 2019/20. There will be an increased focus on implementing capital plans in the second half of the financial year.