

Borders NHS Board



Meeting Date: 5 December 2019

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Susan Swan, Deputy Director of Finance
FINANCE REPORT FOR THE SEVEN MONTH PERIOD TO 31ST OCTOBER 2019	
Purpose of Report:	
The purpose of this report is to advise the Board of the financial position as at 31 st October 2019.	
Recommendations:	
The Board is asked to note the report and consider the current financial position.	
Approval Pathways:	
<p>The report was reviewed by the Executive Team on the 26th November 2019.</p> <p>The financial position as at 31st October 2019 was reviewed by the Finance and Resources Committee on the 29th November 2019.</p> <p>The content of the report in the form of individual budget manager reports were issued on the 7th November 2019.</p>	
Executive Summary:	
<p>The Board is asked to note the following key points as at 31st October 2019:</p> <ul style="list-style-type: none"> • The Board is reporting an overspend position of £0.08m (£0.3m at the end of September) 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. The phased closure of these beds concluded at the end of September. • The Board is recording a number of unplanned underspends in service budgets due to additional scrutiny, for example through vacancy controls. The Board continues to review underspending areas to assess the impact of these on the year end forecast and to identify opportunities for recurring savings. • At the time of writing this report, £4.8m in year (£6.6m in a full year) recurring savings have been mandated against the £12.7m recurring savings target. Of these savings £2.9m in year and £3.4m in a full year have been retracted from budgets. • The forecast year end position includes planned savings yet to be mandated of £0.2m (£0.5m in a full year). • To achieve financial sustainability the Board needs to remain focused on identifying 	

<p>and delivering recurring savings.</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 October. 	
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

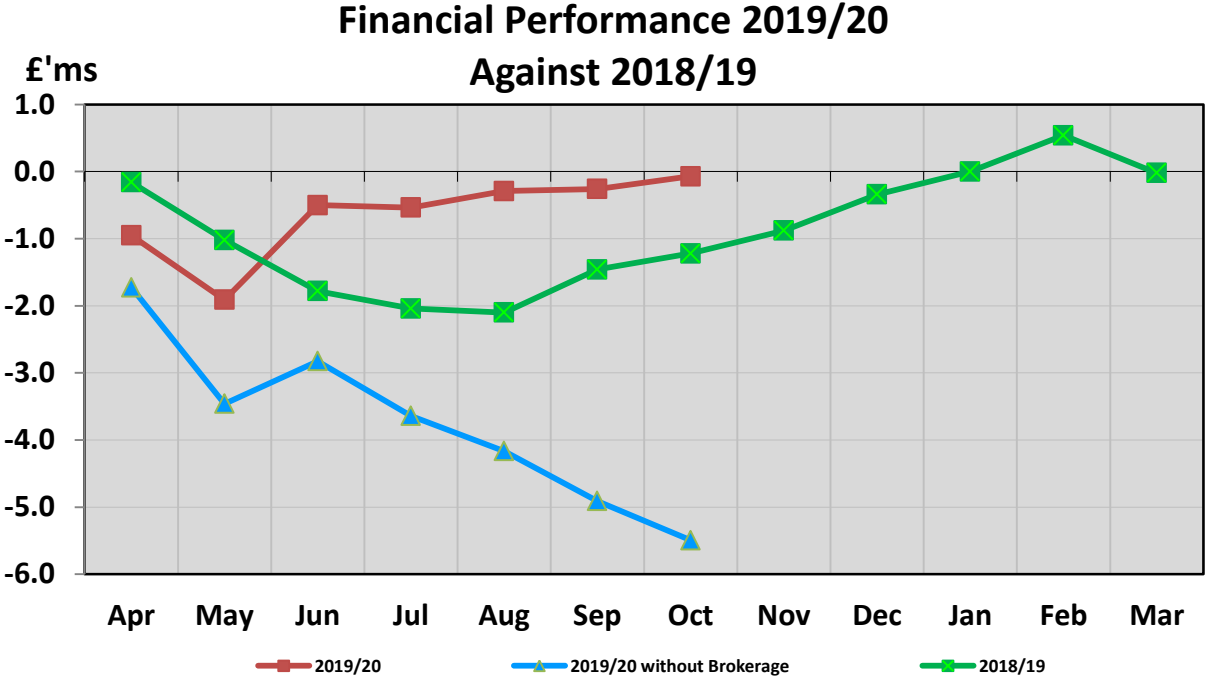
1. General Overview
2. Revenue Income and Expenditure
3. Turnaround Programme – Recurring Savings Targets
4. Capital

Section 1: General Overview

A general overview of the financial position as at 31st October 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	270.49	157.56	157.52	(0.04)	(0.19)
Revenue Expenditure	243.46	270.49	154.71	154.75	(0.04)	0.19
Surplus/(Deficit) for Period	-	-	(2.85)	(2.77)	(0.08)	-
Capital Expenditure	3.24	2.94	0.49	0.49	-	2.94

- 1.1 At 31st October 2019 the Board is reporting an overall position of £0.08m overspent on revenue budgets with a forecast year end position of break even. Total anticipated capital resources for 2019/20 are £2.94m with a spend of £0.49m at the end of October.
- 1.2 The graph overleaf shows the level of revenue overspend month by month for 2019/20 compared with the previous financial year. It also includes the in year financial position without the support of brokerage funding.



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.
- At the end of October £2.9m 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.
- Due to the time delay in information available there remains a risk associated with drugs costs particularly primary care prescribing.
- 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	201.48	250.99	145.19	145.19	-	-	-
SGHSCD Anticipated Allocations	22.50	(1.55)	-	-	-	-	National Distribution Centre and National Risk Share allocation top slice adjustment outstanding.
Family Health Services	10.24	11.38	6.86	6.86	-	-	-
External Healthcare Purchasers	3.98	4.12	2.44	2.45	0.01	(0.19)	Forecast linked to expected reduction in OATS activity over winter reducing income collected.
Other Income	5.27	5.56	3.07	3.02	(0.05)	-	-
Total Income	243.46	270.49	157.56	157.52	(0.04)	(0.19)	-

2.1 The forecast year end position is an under recovery of £0.19m on income budgets.

Revenue Expenditure

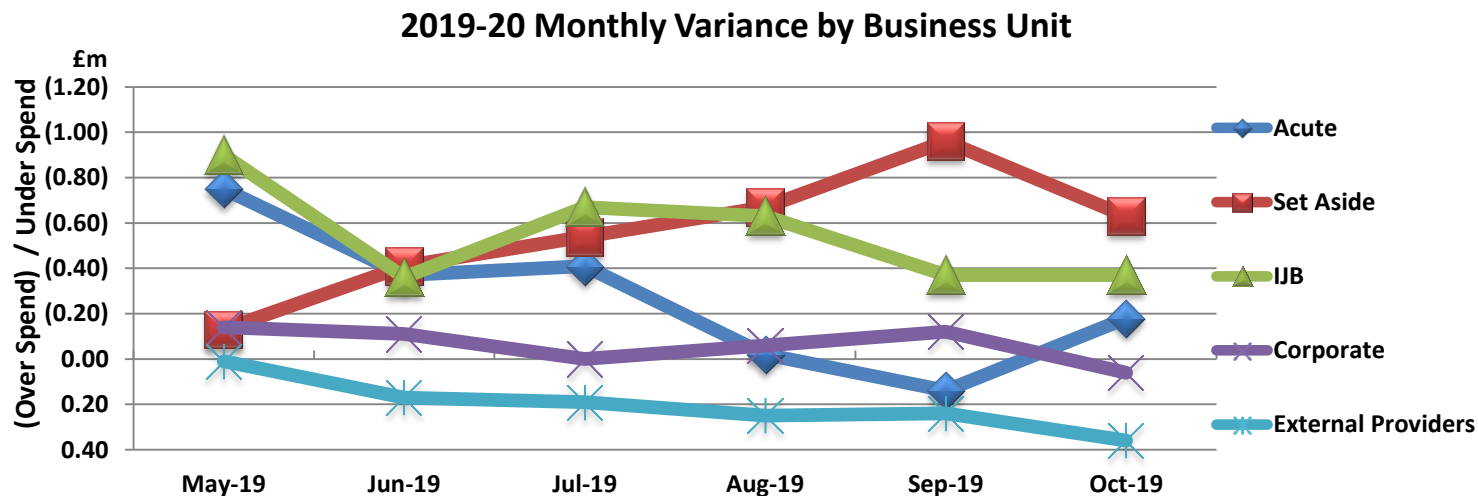
	Opening Base Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	Forecast Year end £m	Notes
Operational Services Business Units							
Acute Services	58.00	62.83	36.87	37.05	(0.18)	0.20	Shortfall in savings offset by vacancies projected to the year end.
Set Aside	22.51	24.44	14.37	15.00	(0.63)	(1.19)	Surge beds early in the year, ongoing operational pressure in A&E & bank & agency usage to cover absence
IJB Delegated Services	101.55	113.46	64.84	65.21	(0.37)	0.13	Unmet savings targets offset by vacancies particularly in Public Dental Services
Corporate Directorates	29.10	33.93	18.29	18.23	0.06	(0.11)	Forecast operational pressures in Estates & Facilities and Performance & Planning
External Healthcare Providers	26.13	29.02	16.90	16.54	0.36	0.48	Over recovery on savings target
Board Wide							
Depreciation	4.67	4.67	2.72	2.72	-	-	
Planned expenditure yet to be allocated (Note 1)	10.16	6.91	0.08	-	0.08	0.68	Net impact of slippage /cost pressures and contingency
Mandated savings to be delivered (Note 2)	(8.66)	(4.75)	0.64	-	0.64	-	
Total Expenditure	243.46	270.49	154.71	154.75	(0.04)	0.19	

Note 1 - this includes funding which has been set aside in the annual operational plan for specific purposes or is anticipated from SGHSCD. 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 October are the following:

- **Acute Services (this month £0.18m overspent – last month £0.13m underspent)** – The delivery of recurring savings is behind trajectory. It is forecast the Acute Services will end the financial year with an underspend of £0.2m due to underspends on a number of operational budgets including ophthalmology, theatres and critical care.
- **Set Aside (this month £0.63m overspent – last month £0.95m overspent)** – It is forecast that the set aside budgets will end the financial year with an overspend of £1.2m 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 £0.37m overspent – last month £0.37m overspent)** – IJB directed services are forecast to end the financial year with an £0.13m underspend arising from vacancies in mental health, AHP and dental services which are offsetting the impact of the non delivery of savings.
- **Corporate Directorates (this month £0.06m underspent – last month £0.12m overspent)** – The forecast position on Corporate Services is an overspend of £0.11m due to estates and facilities and performance and planning operational pressures.
- **External Healthcare Purchasers (this month £0.36m underspent – last month £0.24m 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 the 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	0.97	0.11	0.48	0.64	0.71	2.91
APPROVED - Gateway 2	0.16	-	0.03	0.05	-	0.24
IN DEVELOPMENT - Gateway 1	0.21	0.63	0.73	0.07	-	1.64
Total MANDATED IN YEAR	1.34	0.74	1.24	0.76	0.71	4.79
Forecast Savings – not yet mandated	0.11	0.01	0.04	0.05	-	0.21
Total FORECAST MANDATED IN YEAR	1.45	0.75	1.28	0.81	0.71	5.00
Full year effect - mandated savings which start part way through the financial year	0.70	0.19	0.73	0.16	0.01	1.79
Full year effect – forecast savings which start part way through the financial year	0.21	0.01	0.06	0.06	-	0.34
Total FULL YEAR (% of target)	2.36 (62%)	0.95 (65%)	2.07 (32%)	1.03 (127%)	0.72 (232%)	7.13 (56%)
SAVINGS TARGET	(3.79)	(1.46)	(6.41)	(0.81)	(0.31)	(12.78)
REMAINING OUTSTANDING TARGET	(1.43)	(0.51)	(4.34)	0.22	0.41	(5.65)

3.2 The key issues to note are:

- The reported position has been taken from the weekly turnaround report dated 4th November 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 (£0.5m of which are not yet mandated), with a forecast benefit of £5m part year effect for 2019/20. Plans across the business units are also showing variable progress against the required level of savings targets.
- As of the end of October £2.9m 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.
- The mandate linked to Cauldshiels has been reallocated to IJB directed services from Set Aside which has not impacted on the overall savings position but has changed the proportion of savings forecast to be delivered by the individual business units.
- 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 29th November 2019.

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 October.

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	0.27	-	0.27	
IM&T Road to Digital	1.00	1.02	0.15	1.02	£0.7m identified for the Resilient Facility
Rolling Programmes					
IM&T	0.30	-	-	-	
Estates and Backlog Maintenance	0.55	0.58	0.09	0.58	
Medical Equipment	0.05	0.21	-	0.21	
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	0.17	0.24	
Uncommitted/Feasibility Works	0.23	-	-	-	
MRI installation and contingency	-	0.34	-	0.38	
ASDU installation and contingency	-	0.17	-	0.17	
Uncommitted pending confirmation of Sale Proceeds (Orchard Park and Crumhaugh House)	0.10	0.04	-	-	Crumhaugh House sale concluded.
Total	3.24	2.94	0.48	2.94	

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 estates and backlog maintenance is being progressed through discussions with service managers. There remains significant work to conclude delivery of planned capital spend in 2019/20.