

Borders NHS Board



Meeting Date: 5th March 2020

Approved by:	Carol Gillie, Director of Finance, Procurement, Estates & Facilities
Author:	Susan Swan, Deputy Director of Finance
FINANCE REPORT FOR THE TEN MONTH PERIOD TO 31ST JANUARY 2020	
Purpose of Report:	
The purpose of this report is to advise the Board of the financial position as at 31 st January 2020.	
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 25 th February 2020.	
The financial position as at 31 st January will be reviewed by the Clinical Executive operational meeting on the 27 th February 2020.	
The content of the report in the form of individual budget manager reports were issued on the 7 th February 2020.	
Executive Summary:	
The Board is asked to note the following key points as at 31 st January 2020:	
<ul style="list-style-type: none"> • The Board is reporting an underspend position of £0.07m (£0.3m overspend at the end of December) on revenue and break even on capital budgets. • NHS Borders has a contingency fund in 2019/20 of £1m which is factored into the reported position as support over the winter period November to March. • The Board is recording a number of unplanned underspends in service budgets due to additional scrutiny resulting in a slowdown of spend, for example through vacancy controls. As a result the Board has advised SGHSCD of a revised brokerage funding requirement for 2019/20 of £8.3m (£9.3m previously). The board continues to review underspending areas to identify opportunities for recurring savings. • At the time of writing this report, £5.1m in year (£7.1m in a full year) recurring savings have been mandated against the £12.7m recurring savings target. This is in line with the forecast year end position. Of these savings £4.2m in year and £5.1m in a full year have been retracted from budgets. • The Board agreed a number of non-recurring measures as part of the financial plan for 2019/20. These are progressing as anticipated. 	

<ul style="list-style-type: none"> The Board is forecasting a year end position of breakeven on revenue with the support of £8.3m additional funding in the form of brokerage and delivery of its Capital Resource Limit 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> <p>PCIP - Primary Care Improvement Plan</p>

Contents

The financial monitoring report contains the following:

Section

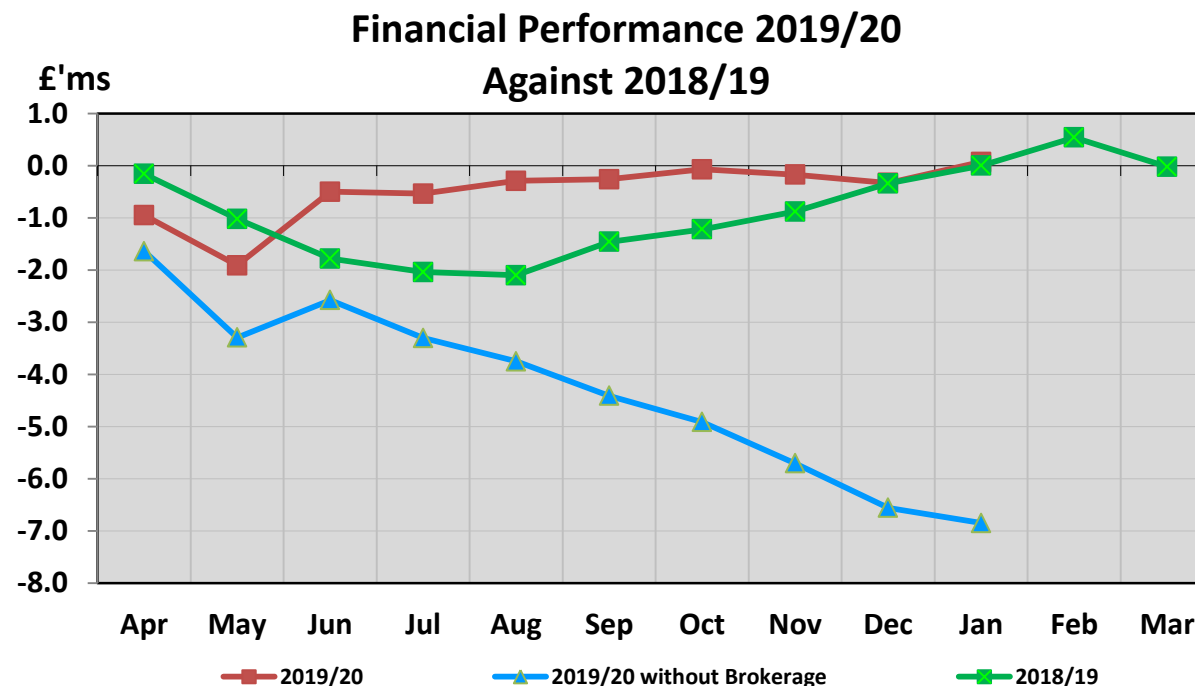
1. General Overview
2. Revenue Income and Expenditure
3. Turnaround Programme – Recurring Savings Targets
4. Capital

Section 1: General Overview

A general overview of the financial position as at 31st January 2020 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	275.34	227.62	227.62	-	(0.11)
Revenue Expenditure	243.46	275.34	220.70	220.63	0.07	0.11
Surplus/(Deficit) for Period	-	-	(6.92)	(6.99)	0.07	-
Capital Expenditure	3.24	3.24	1.85	1.85	-	3.24

- 1.1 At 31st January 2020 the Board is reporting an overall position of £0.07m underspent on revenue budgets with a forecast year end position of break even. Total anticipated capital resources for 2019/20 are £3.24m with a spend of £1.85m at the end of January.
- 1.2 The graph overleaf shows the revenue variance month by month for 2019/20 compared with the previous financial year. For information it also includes the in year financial position excluding brokerage funding.



1.3 Key Risks:

- NHS Borders requires £8.3m of brokerage to deliver its financial targets. This is an improvement from the £9.3m brokerage requirement forecast at the start of the financial year. However, it should be noted that brokerage funding will need to be repaid at some time in the future.
- NHS Borders continues to anticipate a small 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 January £4.2m 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 although this is reducing as the level of budgets retracted is increasing.
- 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, however the risk continues to reduce as we approach the end of the financial year.

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	252.75	209.73	209.73	-	-	-
SGHSCD Anticipated Allocations	22.50	0.84	-	-	-	-	Includes the 2 nd tranche of PCIP funding
Family Health Services	10.24	11.84	10.04	10.04	-	-	-
External Healthcare Purchasers	3.98	4.12	3.46	3.49	0.03	(0.11)	Forecast linked to expected reduction in OATS activity/income over winter
Other Income	5.27	5.79	4.39	4.36	(0.03)	-	-
Total Income	243.46	275.34	227.62	227.62	-	(0.11)	-

2.1 The forecast year end position is an under recovery of £0.11m on income budgets.

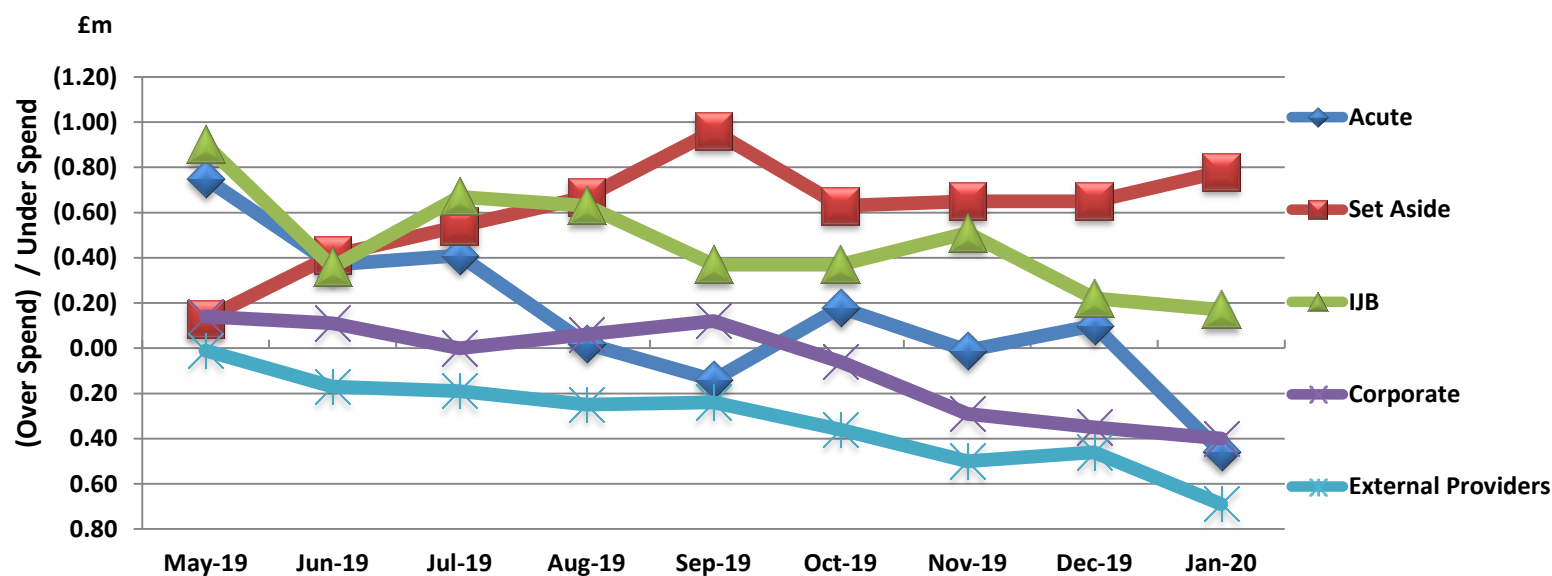
Revenue Expenditure

	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	63.86	52.93	52.47	0.46	0.69	Shortfall in savings offset by medical vacancies projected to year end
Set Aside	22.51	25.27	20.90	21.68	(0.78)	(0.99)	Shortfall in savings, surge beds early the year, agency to cover vacancies
IJB Delegated Services	101.55	115.44	92.31	92.48	(0.17)	(0.50)	Shortfall in savings partially offset by vacancies/reduced costs particularly in AHP's & Public Dental Services
Corporate Directorates	29.10	34.26	26.83	26.43	0.40	0.27	Underspends from vacant posts within Infection Control and Executive Services
External Healthcare Providers	26.13	29.22	24.37	23.68	0.69	1.05	Over recovery on savings target.
Board Wide							
Reduction in Brokerage	-	(1.00)	(0.83)	-	(0.83)	(1.00)	
Depreciation	4.67	4.67	3.89	3.89	-	-	
Planned expenditure yet to be allocated (Note 1)	10.16	8.34	0.30	-	0.30	5.31	Net impact of slippage /cost pressures and contingency, includes ring fenced funding to be carried forward (IJB)
Mandated savings to be delivered	(8.66)	(4.72)	-	-	-	(4.72)	Non recurring measures to be actioned in March
Total Expenditure	243.46	275.34	220.70	220.63	0.07	0.11	

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 been phased into the reported position.

- 2.2 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. Allocation of brokerage funding to business units is unchanged as the reduction to brokerage of £1m has been reported at a corporate level.
- 2.3 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.

2019-20 Monthly Variance by Business Unit



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

- **Acute Services (this month £0.46m underspent – last month £0.10m overspent)** – Acute Services will end the financial year with an underspend of £0.69m due to underspends linked to vacant posts in a number of operational budgets particularly medical staff in ophthalmology, anaesthetics, radiology and paediatrics.
- **Set Aside (this month £0.78m overspent – last month £0.63m overspent)** – It is forecast that the set aside budgets will end the financial year with an overspend of £1.0m due to a shortfall in the delivery of recurring savings against target and a number of unfunded operational pressures - the use of surge beds early in the financial year and continued use of agency nurses to fill vacancies as well as agency medical staff costs in A&E.
- **IJB Delegated Services (this month £0.17m overspent – last month £0.22m overspent)** – IJB delegated services are forecast to end the financial year with an overspend of £0.50m due to unmet savings targets offset by vacancies within AHP services which are currently being recruited to and continued cost reductions within Public Dental Services.
- **Corporate Directorates (this month £0.40m underspent – last month £0.35m underspent)** – The forecast position on Corporate Services is an underspend of £0.27m due to vacancies within Infection control and Executive Services.
- **External Healthcare Purchasers (this month £0.69m underspent – last month £0.46m underspent)** – External Healthcare Provider budgets are forecast to be underspent by £1.05m at year end due to the over recovery of recurring savings and Scottish UNPACS costs being lower than anticipated.

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	1.64	0.19	1.00	0.69	0.73	4.25
APPROVED - Gateway 2	0.19	0.07	0.26	0.16	-	0.68
IN DEVELOPMENT - Gateway 1	0.09	-	0.09	0.02	-	0.20
Total MANDATED IN YEAR	1.92	0.26	1.35	0.87	0.73	5.13
Forecast Savings – not yet mandated	0.01	-	-	0.10	0.04	0.15
Total MANDATED & FORECAST IN YEAR	1.93	0.26	1.35	0.97	0.77	5.28
Full year effect - mandated savings which start part way through the financial year	0.75	0.19	0.54	0.27	0.01	1.76
Full year effect – forecast savings which start part way through the financial year	0.06	0.04	-	-	-	0.10
Total FULL YEAR (% of target)	2.74 (72%)	0.49 (34%)	1.89 (29%)	1.24 (153%)	0.78 (252%)	7.14 (56%)
SAVINGS TARGET	(3.79)	(1.46)	(6.41)	(0.81)	(0.31)	(12.78)
REMAINING OUTSTANDING TARGET	(1.05)	(0.97)	(4.52)	0.43	0.47	(5.64)

3.2 The key issues to note are:

- The reported position has been taken from the weekly turnaround report dated 11th February 2020. To date £7.1m (56%) recurring full year effect savings have been identified (£0.25m of which are not yet mandated), with £5.3m in year savings delivered. It should be noted that there remains a small level of forecast savings for 2019/20 which are not yet mandated. Plans across the business units are also showing variable progress against the required level of savings targets.
- As of the end of January £4.25m 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 NHS Borders has delivered a significant level of savings in 2019/20 there is still much to do to address our underlying deficit. The key areas of shortfall are the Set Aside and IJB Delegated Services where approximately one third of the savings target has been delivered this financial year. This is impacting on the development of a balanced three 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 January.

Capital Expenditure

	Opening Capital Plan £m	Revised Capital Plan £m	YTD Actual £m	Notes
Primary Care Premises (West Linton Health Centre).	0.49	0.55	0.01	Discussions are on-going with the appointed contractor on delivery of the timeline for this project.
IM&T Road to Digital	1.00	0.92	0.90	£0.7m identified for the Resilient Facility
Rolling Programmes				
IM&T	0.30	-	-	
Estates and Backlog Maintenance	0.55	0.72	0.35	Boiler works & fire doors to be progressed early in February.
Medical Equipment	0.05	0.29	-	Ophthalmology equipment orders placed early in February.
Simulation Training Facility		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	0.24	
Uncommitted/Feasibility Works	0.23	0.12	-	Further medical equipment
MRI installation and contingency	-	0.14	0.14	
ASDU installation and contingency	-	0.17	0.14	
Forensic Medical Examination Suite	-	0.03	-	
Total	3.24	3.24	1.85	

4.2 Proceeds from the sale of Crumhaugh House in Hawick have been committed to prioritised project within Estates and Facilities.

4.3 Capital expenditure has increased in month by £1.4m as ASDU, MRI and Resilient Facility procurement has been progressing. There remains considerable work to do to deliver the remaining capital plan elements of the Estates and Backlog programme, IM&T rolling programme, medical equipment and West Linton Health Centre scheduled works, however the Board remains on course to deliver its Capital Resource Limit in 2019/20.