

Borders NHS Board



Meeting Date: 7 May 2020

Approved by:	Andrew Bone, Director of Finance
Author:	Andrew Bone, Director of Finance
FINANCE REPORT FOR THE ELEVEN MONTH PERIOD TO 29th FEBRUARY 2020	
Purpose of Report:	
<p>The purpose of this report is to update board members on financial performance to end February 2020 and on revisions to the forecast outturn position, as well as related matters arising as a result of the impact of Covid-19 on financial reporting.</p>	
Recommendations:	
<p>The Board is asked to note the following:</p> <ul style="list-style-type: none"> • Financial performance at end February 2020 (as previously reported) • The impact of covid-19 on the expected outturn position for revenue and capital expenditure and the management thereof. • The anticipated delay to the reporting of the March 2020 outturn performance and preparation of the board's Annual Report. • The extension of existing contractual arrangements for Internal Audit provision 	
Approval Pathways:	
<p>The report was reviewed by the Executive Team on the 28th April 2020.</p> <p>The content of the report in the form of individual budget manager reports were issued on the 6th March 2020.</p>	
Executive Summary:	
<p>Revenue</p> <ul style="list-style-type: none"> • The financial performance at end February (11 months) was reported verbally at April board and is described in the attached paper. There is no change to the performance as described. • This performance represented an improvement on forecast, resulting in a reduction in the brokerage requirement to £8.3m (£9.3m previously). • The impact of Covid-19 Local Mobilisation plans has been assessed and is expected to be £1.3m at end March. An adjustment to the board's Revenue Resource Limit is anticipated to offset this additional expenditure and the forecast outturn (after brokerage) remains breakeven. <p>Capital</p> <ul style="list-style-type: none"> • A number of the board's capital projects are expected to under-spend as a direct result 	

of the Covid-19 “lock-down” measures. Provisional agreement has been reached with Scottish Government colleagues for increased flexibility in CRL to support delivery in financial year 2020/21.

Impact of Covid-19 on Financial Reporting

It is anticipated that there will be a slight delay to finalisation of 2019/20 financial performance arising from the disruption to normal business activities as a result of Covid-19 pandemic.

Scottish government have confirmed agreement for all health board’s to defer completion of Annual Accounts for a period of up to three months by agreement with external auditors.

Extension of Internal Audit Contract

At the virtual audit committee meeting in March 2020 it was agreed that a joint market test would be undertaken for the provision of Internal Audit services to NHS Borders and NHS Lothian.

The requirement for key personnel within Procurement of both organisations to be deployed to support Covid-19 has resulted in a delay to this process and a six month extension of existing arrangement has now been agreed with the current contract providers, Grant Thornton, running to end January 2021.

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 IJB - Integration Joint Board</p>

	RRL	- Revenue Resource Limit
	CRL	- Capital Resource Limit
	UNPACS	- Unplanned Activity
	SLA	- Service Level Agreement
	ECR	- Extra Contractual Referrals
	OATS	- Out of Area Treatments
	CCG	- Clinical Commissioning Group
	DME	- Department of Medicine for the Elderly
	ASDU	- Area Sterilisation and Disinfection Unit
	PCIP	- Primary Care Improvement Plan

Borders NHS Board



Meeting Date: 7 May 2020

Approved by:	Andrew Bone, Director of Finance
Author:	Susan Swan, Deputy Director of Finance
FINANCE REPORT FOR THE ELEVEN MONTH PERIOD TO 29th FEBRUARY 2020	
Purpose of Report:	
<p>The purpose of this report is to advise the Board of the financial position as at 29th February 2020 and to provide update on the forecast outturn performance at end March, including any issues arising from the response to Covid-19 pandemic.</p>	
Recommendations:	
<p>The Board is asked to note the report and to take moderate assurance regarding the current financial position.</p>	
Approval Pathways:	
<p>The report was reviewed by the Executive Team on the 28th April 2020.</p> <p>The content of the report in the form of individual budget manager reports were issued on the 6th March 2020.</p>	
Executive Summary:	
<p>Financial Performance – 11 months to end February 2020</p> <ul style="list-style-type: none"> • The cumulative performance (revenue) at end February (11 months) is £0.20m underspent (£0.07m overspend at the end of January). • This position represents a significant improvement from annual plan and as a result the level of brokerage agreed with Scottish Government has been revised downwards to £8.3m (£9.3m previously). • The improved performance is a reflection of emerging underspends across a number of service budgets; it is likely that an element of these underspends can be attributed to savings schemes not yet mandated. • No variance is reported against capital budgets at end February 2020. <p>Forecast outturn 2019/20 - Revenue</p> <p>It is anticipated that there will be a slight delay to finalisation of 2019/20 financial performance arising from the disruption to normal business activities as a result of Covid-19 pandemic.</p> <p>As stated above, the forecast brokerage requirement has been revised downwards based on an improvement to the financial performance as at end February.</p>	

In addition, further adjustments to forecast have been identified in March. These adjustments are made on an incremental basis, pending review of actual performance, to reflect changes arising from the board's response to Covid-19. Notable adjustments include:

- Mobilisation plan expenditure including additional staffing, equipment and minor works, is estimated at £481k.
- Increased prescribing costs of c£407k. It is expected that these costs are the result of prescriptions issued for an extended period beyond end March.
- Disruption to planned leave for key workers in March, resulting in a constructive obligation of c£370k increase above normal leave entitlement (carry forward).

No other significant variations from plan have been highlighted at this time.

Scottish Government has confirmed that the financial impact of these adjustments will be addressed in the board's RRL settlement. The outturn performance is therefore expected to be in line with forecast (i.e. breakeven).

Forecast Outturn 2019/20 - Capital

- Early indications are that, for a number of reasons relating to COVID 19 lock down measures, a number of the Board's capital projects have been temporarily paused. SG has agreed flexibility in CRL to support these projects as they have now slipped and will be delivered in financial year 2020/21.

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

	SGHSCD	- Scottish Government Health and Social Care Department
	IJB	- Integration Joint Board
	RRL	- Revenue Resource Limit
	CRL	- Capital Resource Limit
	UNPACS	- Unplanned Activity
	SLA	- Service Level Agreement
	ECR	- Extra Contractual Referrals
	OATS	- Out of Area Treatments
	CCG	- Clinical Commissioning Group
	DME	- Department of Medicine for the Elderly
	ASDU	- Area Sterilisation and Disinfection Unit
	PCIP	- Primary Care Improvement Plan

Contents

The finance report provides summary information as follows:

Section

1. Financial Performance – 11 months to end February 2020
2. Forecast outturn 2019/20 Revenue - Income and Expenditure
3. Forecast outturn 2019/20 Capital

Section 1: Financial Performance – 11 months to end of February

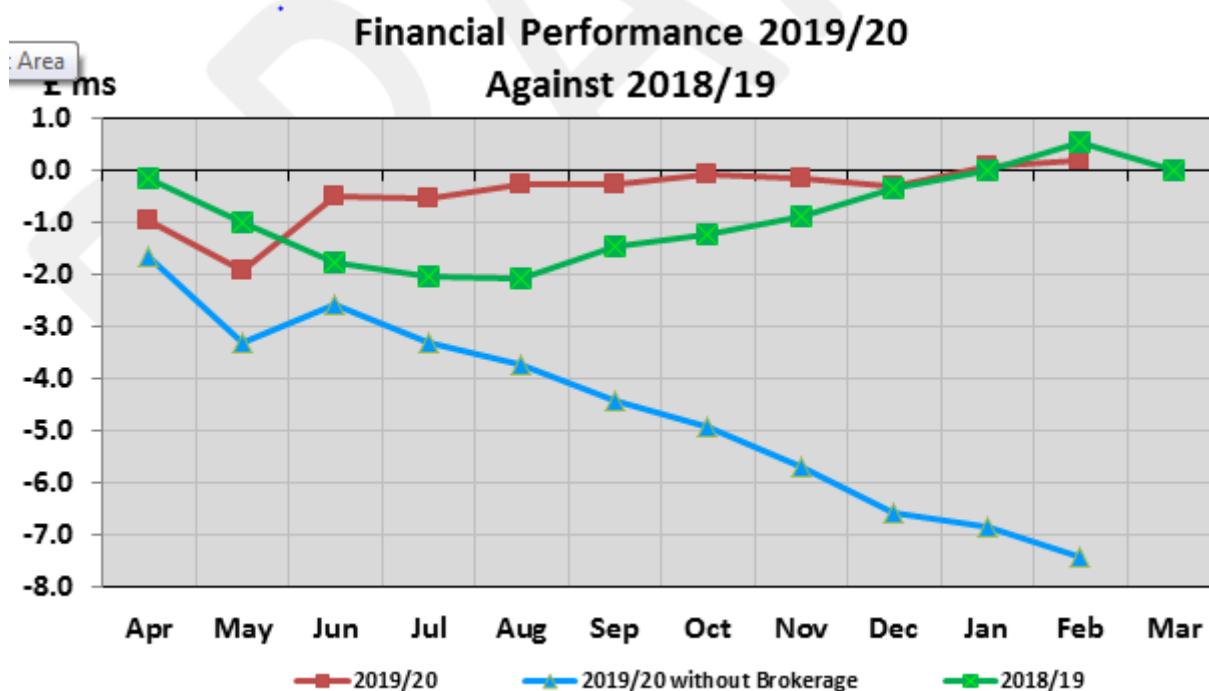
The Boards financial performance as at 29th February 2020 is summarised in the table below:

	Opening Annual Budget £m	Revised Annual Budget £m	YTD Budget £m	YTD Actual £m	YTD Variance £m
Revenue Income	243.46	274.75	249.71	249.73	0.02
Revenue Expenditure	243.46	274.75	242.22	242.04	0.18
Surplus/(Deficit) for Period	-	-	(7.49)	(7.69)	0.20
Capital Expenditure	3.24	3.40	2.19	2.19	-

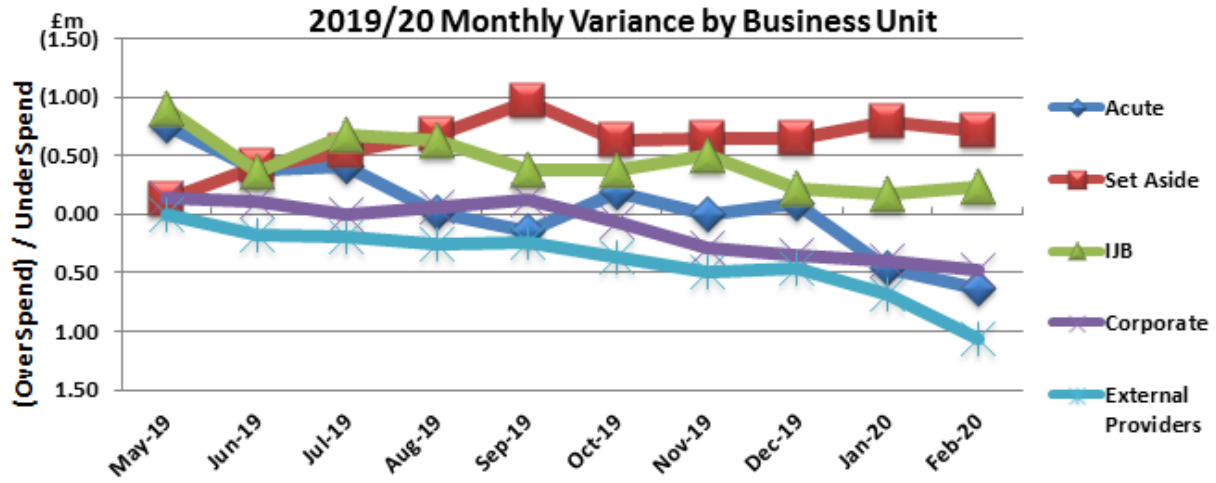
1.1 At 29th February 2020 the Board is reporting an overall position of £0.20m underspent on revenue budgets.

1.2 Total anticipated capital resources for 2019/20 are £3.40m with a spend of £2.19m at the end of February.

1.3 The graph below shows the revenue variance month by month for 2019/20 compared with the previous financial year. For information the graph also presents the in-year financial position excluding brokerage funding.



- 1.3 An additional graph has been provided below which details, by individual business unit, monthly cumulative variance during 2019/20. Reported variances inform the forecast outturn position reported in section 2 of this report.



Section 2: Forecast Outturn 2019/20 Revenue – Income and Expenditure

The following two tables present detailed analysis across individual budget headings on Board income and expenditure, these budgets are prior to any agreed adjustment in respect of the Board's COVID mobilisation plan, the mobilisation impact will be included as part of the report presented on the March financial position.

INCOME ANALYSIS	Opening Base Budget £m	Revised Annual Budget £m	YTD Actual £m	YTD Variance £m	Forecast outturn £m	Notes
SGHSCD Allocation	201.48	252.27	230.32	-	-	-
SGHSCD Anticipated Allocations	22.50	0.84	-	-	-	Includes the 2 nd tranche of PCIP funding
Family Health Services	10.24	11.71	10.81	-	-	-
External Healthcare Purchasers	3.98	4.08	3.81	0.06	(0.11)	Forecast linked to expected reduction in OATS activity/income over winter
Other Income	5.27	5.85	4.79	(0.04)	-	-
Total Income	243.46	274.75	249.73	0.02	(0.11)	-

2.1 Forecast outturn 2019/20 is an under recovery of £0.11m on income budgets.

EXPENDITURE ANALYSIS	Opening Base Budget £m	Revised Annual Budget £m	YTD Actual £m	YTD Variance £m	Forecast outturn £m	Notes
Operational Services Business Units						
Acute Services	58.00	64.13	57.78	0.65	0.69	Shortfall in savings offset by medical vacancies projected to year end
Set Aside	22.51	25.31	23.85	(0.72)	(0.99)	Shortfall in savings, surge beds early in the year, agency to cover vacancies
IJB Delegated Services	101.55	114.99	101.26	(0.23)	(0.49)	Shortfall in savings partially offset by vacancies/reduced costs particularly in AHP's &Public Dental Services
Corporate Directorates	29.10	34.37	29.07	0.47	0.28	Underspends from vacant posts within Infection Control and Executive Services
External Healthcare Providers	26.13	29.34	25.80	1.06	1.05	Over recovery on savings target.
Board Wide						
Reduction in Brokerage	-	(1.00)	-	(0.92)	(1.00)	
Depreciation	4.67	4.67	4.28	-	-	
Planned expenditure yet to be allocated (Note 1)	10.16	7.66	-	(0.13)	5.29	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	274.75	242.04	0.18	0.11	

2.2 Forecast outturn 2019/20 is an underspend of £0.11m on expenditure budgets.

Section 3: Forecast outturn 2019/20 Capital

3.1 The table provides detail on the cumulative expenditure position to end February together with the 2019/20 forecast outturn position for the Boards Capital resources.

CAPITAL RESOURCES	Revised Capital Plan & Forecast Outturn £m	YTD Actual £m	Notes
Primary Care Premises (West Linton Health Centre).	0.29	0.02	A revised cash flow forecast has been agreed with the appointed contractor. SG have confirmed a carry forward of resource to 2020/21 to cover the anticipated slippage.
IM&T Road to Digital	0.89	0.94	£0.7m identified for the Resilient Facility
Rolling Programmes			
Estates and Backlog Maintenance	0.99	0.54	Electric vehicle charging points, boiler works & fire doors committed
IM&T	-	-	
Medical Equipment	0.58	0.03	Ophthalmology and equipment to support Access/Waiting Times were committed during February for delivery by end of March.
Simulation Training Facility	0.07	0.07	Complete and operational.
Borders Health Campus	-	-	Deferred to 2020/21.
Patient Flow	-	-	Deferred to 2020/21.
Capital Planning Project Management	0.24	0.26	
Uncommitted/Feasibility Works	0.02	0.02	Further medical equipment
MRI installation and contingency	0.14	0.14	Contingency planning ongoing, installation in 2020/21
ASDU installation and contingency	0.15	0.14	Project completed and full service reinstated within BGH
Forensic Medical Examination Suite	0.03	0.03	Feasibility Works being progressed
Total	3.40	2.19	

3.2 Capital expenditure has increased in month by £2.19m as ASDU, MRI and Resilient Facility projects have progressed. A number of projects within the Estates Backlog programme have been impacted by lockdown restrictions on contractors, SG have agreed to support the Board to manage capital resource into financial year 2020/21 to enable projects to be reinstated when arrangements

can be made to have contractors back on hospital sites. The Board remains on course to deliver its Capital Resource Limit in 2019/20 through the support given by SG in relation to COVID-19 impact.